



# Bond Cap Allocation Program

*Providing financing options for projects that significantly benefit the people of Washington*

## Purpose

The Bond Cap Allocation Program (BCAP) provides opportunities for lower-cost financing by authorizing the issuance of tax-exempt private activity bonds for projects or programs that have a substantial amount of private involvement (and thus generally do not qualify for tax-exempt status), yet provide significant benefits to the public. The program provides the legally required oversight to ensure that the state complies with federal tax laws on the issuance of tax-exempt private activity bonds. BCAP ensures the state does not exceed its ceiling on the amount of tax-exempt private activity bonds issued each year.

The Bond Cap Allocation Program began with the passage of the Federal Tax Reform Act of 1986. As part of an overall effort to balance the federal budget, the Tax Reform Act put restrictions on most types of municipal bonds and set the annual ceiling or "cap" on tax-exempt private activity bonds. Up until 2000 the state ceiling was determined using a \$50 per capita formula (based on resident population). In accordance with Sections 146(d)(1) and (2) of the Internal Revenue Code, the formula has since increased to \$85 per capita to keep pace with inflation. The U.S. Treasury reviews the formula annually to determine the need for cost-of-living adjustments.

In accordance with RCW 39.86, Washington State's cap is allocated across the following bond use categories:

- Small Issue Manufacturing
- Housing (both multifamily and single family)
- Exempt (Capital) Facilities
- Student Loans

By authorizing the issuance of tax-exempt private activity bonds, BCAP enables less expensive financing and access to tax credits for low- and moderate-income housing projects, access to mortgage assistance for first-time home buyers, less expensive loans for Washington students, and job retention and creation through industrial development and infrastructure.

The Bond Cap Advisory Group, which was created in 1992, fulfills a program advisory role.

## Fast Facts

- A project must fall within an eligible category established by the U.S. Congress, and must demonstrate significant public benefit to qualify.
- Direct clients are bond issuing authorities who issue bonds for projects involving more than 10 percent private participation.
- Washington state's 2007 Bond Cap was equal to \$85 per capita or more than \$543 million.

## For More Information

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## Statutory Authority

Federal Legislation:  
*Tax Reform Act of 1986*

RCW 39.98 and 43.180  
*State legislation on private activity bond allocation*

RCW 39.84.090  
*Industrial Development Revenue bonds must apply to CTED prior to issuance*

WAC 365-70  
*Allocating single-family housing bonds*

WAC 365-135  
*Rules pertaining to bond cap allocation*

## Results and Achievements

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Since 1987 BCAP has approved more than \$7 billion in tax-exempt bond authority.

During 2006 and 2007 BCAP:

- Allocated more than \$454.9 million to multi-family low-income and special needs housing projects; helping to create or rehabilitate an estimated 7,171 affordable housing units.
- Allocated nearly \$70 million to small issue manufacturing projects; creating over 1,181 new jobs in Washington's communities.

## Services

Assist local governments to provide tax-exempt bond financing for environmental protection, low and moderate income housing, student loans, industrial development and job creation, energy production, provision of water, and solid waste disposal.

Review and approve requests for allocations of the state's bond cap – authorizing recipients to issue tax-exempt private activity bonds – with the aim of ensuring:

- State compliance with federal tax laws
- Balanced distribution of the cap across the categories of bond use
- Optimum public benefit
- Project readiness

## Performance Measures

- Percentage of annual bond cap allocated. Objective is to allocate 100 percent of the available cap each year.
- Number of days between the receipt of a complete allocation request and notification of CTED's decision (including the provision of a Certificate of Approval).