



**ARIZONA STATE SENATE**  
*Fifty-Sixth Legislature, First Regular Session*

**AMENDED**  
FACT SHEET FOR S.B. 1718

private activity bonding

Purpose

Modifies the requirements for allocating the state ceiling for private activity bonds.

Background

The Arizona Finance Authority (AFA) is charged with allocating the state ceiling for private activity bonds as imposed by federal law. The AFA must issue state ceiling confirmations on a first-come first-served basis within enumerated project categories in accordance with set allocation percentages. The allocation percentages of the state ceiling are set at: 1) 35 percent to projects that are designated at the sole discretion of the AFA Director; 2) 35 percent to qualified mortgage revenue bonds and qualified mortgage credit certificate programs, excluding programs for home improvement and rehabilitation; 3) 15 percent to qualified residential rental projects as described in the U.S. Internal Revenue Code (U.S. IRC) ; 4) 5 percent to qualified student loan projects; 5) 5 percent to manufacturing projects; and 6) 10 percent to all other financeable projects that are not described or provided for in statute ([A.R.S. § 35-902](#)).

A state ceiling confirmation, before December 17, must not be allocated to a project in an amount greater than \$35,000,000, except to any project designated by the AFA Director, qualified mortgage revenue bonds or qualified mortgage credit programs and qualified student loan projects ([A.R.S. § 35-905](#)). Any portions of the state ceiling for which bonds have not been issued by December 16 must be pooled and allocated by the AFA Director to projects eligible for carryforward allocations under federal law. A notice of intent must be filed with the AFA, by December 15, from any issuer, bond counsel or other interested person with respect to projects eligible for carryforward allocations ([A.R.S. § 35-907](#)).

Statute defines *state ceiling* as the dollar limit of the aggregate amount of private activity bonds that may be issued in Arizona in accordance with the U.S. IRC for each calendar year ([A.R.S. § 35-901](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Modifies the allocation of the state ceiling for private activity bonds as follows:
  - a) 20 percent, rather than 30 percent, to projects that are designated at the sole discretion of the AFA Director;
  - b) 30 percent, rather than 35 percent, to qualified mortgage revenue bonds and certificate programs, excluding home improvement and rehabilitation;

- c) 40 percent, rather than 15 percent, to qualified residential rental projects as described in the U.S. IRC; and
  - d) 5 percent, rather than 10 percent, to qualified student loan projects and other financeable projects that are not described or provided for in statute.
2. Eliminates the five percent state ceiling allocation to qualified student loan projects.
3. Specifies that state ceiling confirmation requests are subject to the requirement to have all received requests dated and numbered by lot for determining issuance order in the event of an oversubscription.
4. Excludes qualified residential housing project confirmation requests from the requirement that a confirmation expires if on file with the AFA and not issued by 5:00 P.M. on March 31.
5. Eliminates the prohibition for a bond issuer to transfer or assign its rights to an allocation of the state ceiling from:
  - a) one project to another project; or
  - b) itself to another bond issuer.
6. Stipulates that, beginning on the effective date until August 31, 2030:
  - a) 70 percent of the remaining state ceiling, from March 31 through August 31 of each year, is allocated to qualified mortgage revenue bond, qualified mortgage credit certificate programs and qualified residential rental projects; and
  - b) a confirmation, from March 31 through August 31 of each year, may not be allocated to a qualified residential rental project in an amount greater than \$35,000,000.
7. Deems a state ceiling confirmation request to be filed at 5:00 P.M. on the business day the request is actually received at the AFA, whether by mail or email, rather than at 5:00 P.M. on the day the request is actually received by the AFA by mail.
8. Specifies that a qualified mortgage credit certificate program confirmation issued before 5:00 P.M. on March 31 does not expire if the program has been established and a certificate of closing has been filed and received with the AFA by mail or email, rather than filed with the AFA by mail.
9. Specifies that a state ceiling confirmation issued for a project to be funded in part with federal urban development action grants or housing development grants does not expire on March 31 if the applicable bond is issued and a certificate of closing is filed and received with the AFA by mail or email, rather than filed with the AFA by mail.
10. Requires the AFA to issue state ceiling confirmations within three business days after receipt.
11. Requires the AFA to notify the bond issuer and any other contact person listed on the request for issuance of a confirmation, rather than notify the bond issuer or any contact person listed on the request.
12. Prohibits a state ceiling confirmation for an allocation to a project in an amount greater than \$35,000,000, unless otherwise provided, before August 31, rather than before December 17.

13. Applies a restriction on a state ceiling confirmation from being more than \$35,000,000 before August 31 to qualified student loan projects.
14. Eliminates the restriction on a state ceiling confirmation from being more than \$35,000,000 before December 17 for qualified residential rental projects.
15. Specifies that a notice of intent for a carryforward allocation must be filed by 5:00 P.M. on December 15, rather than by December 15.
16. Requires the notice of intent for a carryforward allocation to be dated and numbered, rather than considered before issuance.
17. Requires the confirmations after December 26 to be provided to the bond issuer by January 1, rather than issued by January 1.
18. Prohibits the filing of elections for the carryforward purpose with the federal government until a confirmation has been delivered by the AFA, rather than until an allocation has been issued by the AFA.
19. Allows a bond issuer, on written notice to the AFA, to reallocate all or a portion of any carryforward allocation within the same carryforward purpose.
20. Requires a reallocation to be consistent with state and federal law.
21. Specifies that a reallocation does not increase the aggregate amount of the original carryforward allocation to which the reallocation relates or extend the term of the original carryforward allocation during which the bond must be issued.
22. Specifies that a reallocation of carryforward allocation by an issuer will not result in a refund of any security deposit previously received by the AFA on account of the original carryforward allocation.
23. Makes technical changes.
24. Becomes effective on the general effective date.

Amendments Adopted by Committee

1. Decreases the allocation of the state ceiling to projects that are designated at the sole discretion of the AFA Director to 20 percent, rather than 30 percent.
2. Increases the reallocation of the state ceiling to qualified mortgage revenue bonds and qualified mortgage credit certificate programs to 20 percent, rather than 10 percent.
3. Specifies that state ceiling confirmation requests are subject to the requirement to have all received requests dated and numbered by lot for determining issuance order in the event of an oversubscription.
4. Excludes qualified residential housing project confirmation requests from the requirement that a confirmation expires if on file with the AFA and not issued by 5:00 P.M. on March 31.

5. Deems a state ceiling confirmation request to be filed at 5:00 P.M. on the business day the request is actually received at the AFA, whether by mail or email, rather than at 5:00 P.M. on the day the request is actually received by the AFA by mail.
6. Specifies that a qualified mortgage credit certificate program confirmation issued before 5:00 P.M. on March 31 does not expire if the program has been established and a certificate of closing has been filed and received with the AFA by mail or email, rather than filed with the AFA by mail.
7. Specifies that a confirmation issued for a project to be funded in part with federal urban development action grants or housing development grants does not expire on March 31 if the applicable bond is issued and a certificate of closing is filed and received with the AFA by mail or email, rather than filed with the AFA by mail.
8. Requires the AFA to notify the bond issuer and any other contact person listed on the request for the issuance of a confirmation, rather than notify the bond issuer or any contact person listed on the request.
9. Prohibits a confirmation for an allocation to a project in an amount greater than \$35,000,000, unless otherwise provided, before August 31, rather than before December 17.
10. Specifies that a notice of intent for a carryforward allocation must be filed by 5:00 P.M. on December 15, rather than by December 15.
11. Requires the notice of intent for a carryforward allocation to be dated and numbered, rather than considered before issuance.
12. Specifies that any portion of the state ceiling allocated after December 26 by the AFA Director must be carried forward to qualified residential rental projects from December 26, 2023, through December 31, 2035.
13. Requires the confirmations after December 26 to be provided to the statewide issuer by January 1, rather than issued by January 1.
14. Prohibits the filing of elections for the carryforward purpose with the federal government until a confirmation has been delivered by the AFA, rather than until an allocation has been issued by the AFA.
15. Adds that an issuer may reallocate all or a portion of any carryforward allocation.
16. Requires a reallocation of any carryforward allocation to be within the same carryforward purpose if the allocation will be used by the same issuer and the newly identified project is located wholly within the jurisdiction of the issuer.
17. Eliminates the requirement that any carryforward allocation be properly obtained and issued after December 26, by the issuer, to another project of the same type, if located wholly within the jurisdiction of the issuer.
18. Specifies that a reallocation does not increase the aggregate amount of the original carryforward allocation to which the reallocation relates or extend the term of the original carryforward allocation during which the bond must be issued.

19. Specifies that a reallocation of carryforward allocation by an issuer will not result in a refund of any security deposit previously received by the AFA on account of the original carryforward allocation.
20. Defines the *statewide issuer* as the AZIDA, rather than the AFA.
21. Makes technical changes.

Amendments Adopted by Committee of the Whole

1. Increases the reallocation of the state ceiling to qualified mortgage revenue bonds and qualified mortgage credit certificate programs to 30 percent, rather than 20 percent.
2. Decreases the reallocation of the state ceiling to qualified residential rental projects to 40 percent, rather than 45 percent.
3. Eliminates the five percent allocation of the state ceiling to qualified student loan projects.
4. Includes qualified student loan projects in the state ceiling allocation for all other financeable projects.
5. Stipulates that, beginning on the effective date until August 31, 2030:
  - a) 70 percent of the remaining state ceiling, from March 31 through August 31 of each year, is allocated to qualified mortgage revenue bond, qualified mortgage credit certificate programs and qualified residential rental projects; and
  - b) a confirmation, from March 31 through August 31 of each year, may not be allocated to a qualified residential rental project in an amount greater than \$35,000,000.
6. Reinserts the exemption to the \$35,000,000 cap for qualified mortgage revenue bonds and qualified mortgage credit certificate programs.
7. Eliminates the requirement for any portion of the state ceiling that remains unallocated by December 16 to be pooled and allocated to only qualified residential rental projects.
8. Reinserts the ability of any bond issuer to submit a notice of intent for a carryforward allocation, rather than by the statewide issuer.
9. Reinserts the exemption to the carryforward allocation notice of intent security deposit for the following:
  - a) an issuer that is student loan corporation; or
  - b) an issuer that is a qualified mortgage revenue bond project or qualified mortgage credit certificate program.
10. Eliminates the stipulation that a reallocation of any carryforward allocation be used for by the same bond issuer and the newly identified project is located wholly within the jurisdiction of the bond issuer.
11. Eliminates the definition of *statewide issuer*.
12. Makes technical changes.

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Prepared by Senate Research  
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