

KENTUCKY PRIVATE ACTIVITY BOND ALLOCATION COMMITTEE
MINUTES
January 16, 2009

The Kentucky Private Activity Bond Allocation Committee (the "Committee") meeting was called to order by Chairman Lori Flanery, Deputy Secretary, and proxy for Jonathan Miller, Secretary, Finance and Administration Cabinet, on Friday January 16, 2009 at 2:00 p.m. in Room 386 of the Capitol Annex, Frankfort, Kentucky. Other members present were Katie Smith, proxy for Larry Hayes, Interim Secretary, Cabinet for Economic Development; Ryan Green, proxy for Larry Hayes, Secretary, Governor's Executive Cabinet; and Edgar C. Ross, Controller, Finance and Administration Cabinet.

Other guests present were Tom Howard, Executive Director of the Office of Financial Management, Brett Antle, Rob Ramsey, Rachael Putnam, Robin Brewer, and Marcia Adams staff from OFM, Kristi Culpepper from LRC, Travis Powell, Finance and Administration Cabinet, Legal and Rick McQuady, KHC.

Chairman Flanery verified with staff that a quorum was present and that the press had been notified of the meeting.

The first item on the agenda was the approval of the November 6, 2008 minutes. A motion was made by Mr. Ed Ross and the motion was seconded by Ms. Katie Smith to approve the minutes. **Motion CARRIED.**

Mr. Tom Howard, Office of Financial Management, stated that due to the changing markets and the inability to sell housing bonds and student loan bonds, we may need to change the Allocation of Volume Cap for the current year, depending on the market place and Congress. In anticipation of this, we have prepared an Emergency Regulation that would suspend the 80/20 split that is mandatory under the regulation effective the first of the year. By removing that, it would revert the allocation to the statutory framework of 60/40. Therefore, the local allocation would go from 20% to 40% and the state issuer would go from 80% to 60%. KHC and KEHSLC both have carry forward, with KHC also having HATA cap that should be sufficient. We want to file this so that we can accept applications for local issuers under the greater amount to stimulate economic development within the state if there is demand. Today's newswire stated that the US Congress proposed a \$550 billion dollar program American Recovery and Reinvestment Plan (ARRP), which would repeal the AMT for new Private Activity Bonds. Without the details of the proposal, we think it is best to suspend the existing allocation requirements for the regulations, but leaving the rest of the regulation intact with a procedure to follow. We would then accept applications and reconvene the Committee to review and allocate the CAP. After this regulation expires, it is good for six months, it will revert to the old regulation, unless we take some formal action. That will be sufficient time to see what Congress is going to do.

Mr. Rick McQuady, Kentucky Housing Corporation (KHC) remarked that we (KHC) fully support this. KHC has \$320 million in Cap carryforward and would be unable to issue in today's market to achieve a competitive mortgage rate and/or a reasonable profit for the corporation. In addition to the bond cap, we are able to use between 70 and 80 million

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dollars a year in replacement re-fundings, where we retire debt and issue debt. That does not account against the CAP. Now with any new bonds issued not subject to the AMT, but are used to refund prior issues with AMT, they will be subject to the AMT. It takes away the flexibility because there is not much demand right now for housing bonds in general, AMT housing bonds specifically. The National Council on State Housing Agencies is working on a possibility of all new issues not being subject to the AMT. If that happens, we will be back in business.

Ms. Smith asked about the local CAP, which used to be 25%, would there be a CAP for the local allocation. Mr. Howard answered that no, we did not feel it appropriate to pick an arbitrary number until we had a sense of what requests would be made and not knowing if we would have any applications.

A motion to approve **Emergency Regulation 200 KAR 15:010** by Mr. Ryan Green and the motion was seconded by Ms. Katie Smith to approve the Regulation. **Motion CARRIED.**

2009 Volume CAP Summary- Rob Ramsey stated the summary shows what has been allocated to Kentucky for the current year based on the 7/1/2008 population estimate of 4,269,245. The 2009 federal per capita rate has been increased from \$85 to \$90. This leaves Kentucky with Volume CAP for 2009 of \$384,232,050 dollars. With the allocations changing from 80/20 to 60/40, the local issuer pool will receive \$153,692,820 dollars and the state issuers pool will receive \$230,539,230 dollars.

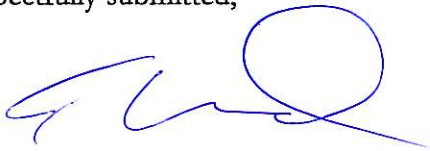
2009 Summary of Bond Allocation - Summary details the per capita amount, the total volume CAP and the local purchase state issuers split. No applications have been received.

2008 Summary of HATA CAP - KHC has currently been unable to use the HATA CAP and this has all been issued as Carryforward. As of the last meeting, the committee allowed KHC to use that carryforward that is not allowed to anyone else.

2008 Summary of Bond Allocation - Recap of the last calendar year allocations and the carryforward move to KHC and the KHESLC. The Student Loan carried forward \$20,232 dollars and KHC carried forward \$109,700 dollars approximately. This is why KHC has well over \$300 million dollars in volume CAP at present.

With no further business before the Committee, a motion was made by Mr. Green and seconded by Ms. Smith to adjourn the meeting. **Motion CARRIED.**

Respectfully submitted,



F. Thomas Howard
Secretary