United States Government Accountability Office

GAO

Report to the Committee on Finance, U.S. Senate, and the Committee on Ways and Means, House of Representatives

July 2008

GULF OPPORTUNITY ZONE

States Are Allocating Federal Tax Incentives to Finance Low-Income Housing and a Wide Range of Private Facilities

G A O

Accountability * Integrity * Reliability

GAO-08-913

GAO Accountability•Integrity•Reliability

Highlights

Highlights of GAO-08-913, a report to the Committee on Finance, U.S. Senate and the Committee on Ways and Means, House of Representatives

Why GAO Did This Study

In 2005, Hurricanes Katrina, Rita, and Wilma devastated the Gulf Coast, destroying wide swaths of housing, key infrastructure, and numerous private businesses. In response, Congress granted the states a wide range of disaster relief, including billions of dollars of grants and tax incentives to revitalize the Gulf Coast. Specifically, the Gulf Opportunity (GO) Zone Act of 2005 (Pub. L. No. 109-135) provided tax incentives to individuals and businesses in certain presidentially declared disaster areas. Congress mandated that GAO review how state and local governments allocated and used federal tax incentives in the act and subsequent legislation.

This report (1) identifies tax incentives in the GO Zone Act of 2005 and subsequent legislation for which state and local governments have allocation and oversight responsibilities, (2) describes the procedures state governments use in allocating the tax incentives, including how they plan to monitor compliance with federal laws, and (3) describes how tax incentives have been allocated and for what purposes. To address these objectives, GAO analyzed key documentation from GO Zone states and interviewed state officials, selected local officials, and representatives from private and nonprofit entities.

What GAO Recommends

GAO is not making any recommendations. Technical comments from officials in the five states, IRS and Treasury were incorporated as appropriate.

To view the full product, including the scope and methodology, click on GAO-08-913. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

July 2008

GULF OPPORTUNITY ZONE

States Are Allocating Federal Tax Incentives to Finance Low-Income Housing and a Wide Range of Private Facilities

What GAO Found

States with GO Zones are responsible for allocating and overseeing the use of four tax incentives in the GO Zone Act of 2005. The table below identifies the provisions and the amounts each state received. Alabama, Louisiana, and Mississippi received allocation authority for all four provisions. Florida and Texas each received $3.5 million in GO Zone low-income housing tax credit (LIHTC) authority, but did not receive allocations under the other incentives.

GO Zone Act of 2005 Cumulative Allocation Authority by State

Dollars in millions

Incentive	Alabama	Louisiana	Mississippi	Total
GO Zone tax-exempt private activity bonds[a,c]	$2,174	$7,840	$4,921	**$14,935**
LIHTCs[a,b,c]	47	170	106	**323**
GO Zone tax credit bonds	50	200	100	**350**
GO Zone additional advance refunding bonds	1,125	4,500	2,250	**7,875**

Source: GAO analysis of Joint Committee on Taxation and Gulf Coast state data.

[a]These provisions are extensions of existing federal tax incentives. States received GO Zone allocation authority for these provisions in addition to their annual state allocation.
[b]Florida and Texas each received $3.5 million in GO Zone LIHTC authority for 2006.
[c]Dollars for private activity bonds and LIHTCs are rounded to the nearest million.

With some process variations, the three eligible states with GO Zones generally allocated bond authority on a first-come, first-served basis without consistently targeting the allocations to assist recovery in the most damaged areas. Officials in Louisiana and Mississippi acknowledged that the first-come, first-served approach led to allocating bond authority to less-damaged areas at the start of the program. The five eligible state housing finance agencies used existing processes to award GO Zone LIHTCs, but differed in how they targeted these credits. For all three bond provisions, state officials and bond issuers said the borrower's bond counsel is generally responsible for ensuring that the bonds are compliant with applicable laws when issued. State housing finance agencies plan to use existing procedures to monitor compliance once units are placed in service.

As of mid-June 2008, eligible states had allocated 87 percent of the GO Zone private activity bond authority, but bonds issued amount to about 50 percent of the total awarded allocation authority. The bonds issued will be used to finance a wide range of facilities, including manufacturing facilities, utilities, housing, retail facilities, and hotels. State housing finance authorities have awarded 95 percent of the GO Zone LIHTCs. Although few housing units are currently in service, state housing finance agency officials said planned units will be in service by the mandated deadline. GO Zone LIHTC-funded units will address about 17 and 45 percent of the rental housing units with major or severe damage in the states of Louisiana and Mississippi, respectively. The three eligible states with GO Zones used the tax credit bonds and additional advance refundings to varying degrees to provide debt relief. State officials said current economic conditions pose challenges for using both GO Zone bond and LIHTC financing.

Contents

Figures

Abbreviations

BOS	Board of Supervisors
DDA	Difficult Development Areas
CDBG	Community Development Block Grant
FEMA	Federal Emergency Management Agency
GO Zone	Gulf Opportunity Zone
HFA	Housing Finance Agency
HUD	Housing and Urban Development
IDA	Industrial Development Authority
IDB	Industrial Development Board
IRS	Internal Revenue Service
JCT	Joint Committee on Taxation
LDED	Louisiana Department of Economic Development
LIHTC	Low-Income Housing Tax Credit
MBFC	Mississippi Business Finance Corporation
MDA	Mississippi Development Authority
QAP	Qualified Allocation Plan
SBC	State Bond Commission
SED	Small Enterprise Development

GAO
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

July 16, 2008

The Honorable Max Baucus
Chairman
The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate

The Honorable Charles B. Rangel
Chairman
The Honorable Jim McCrery
Ranking Member
Committee on Ways and Means
House of Representatives

In 2005, Hurricanes Katrina, Rita, and Wilma devastated areas along the Gulf Coast in Alabama, Florida, Louisiana, Mississippi, and Texas. The hurricanes destroyed wide swaths of housing, infrastructure, and businesses, leaving more than 1,500 people dead and hundreds of thousands displaced without shelter or employment. The size and scope of the devastation caused by the Gulf Coast hurricanes presents the nation with unprecedented rebuilding challenges. For perspective on the magnitude, some estimates put capital losses at a range of $70 billion to more than $150 billion.[1] Currently, nearly 3 years after the 2005 Gulf Coast hurricanes, the Gulf Coast and the nation continue to face the challenge of rebuilding.

Current rebuilding activities, including the bulk of federal rebuilding assistance, are directed primarily toward restoring the region's stock of livable housing and essential infrastructure. Additional efforts are directed at economic recovery. Over the coming years, perhaps decades, significant and complex challenges lie ahead. Major decisions will need to be made regarding a wide range of issues including coastal restoration, levee protection, infrastructure, land use, and economic recovery. All levels of government, together with the private and nonprofit sectors will need to

[1]GAO, *Gulf Coast Rebuilding: Preliminary Observations on Progress to Date and Challenges for the Future*, GAO-07-574T (Washington, D.C.: Apr. 12, 2007).

play a critical role in this process. Agreeing on what rebuilding will be done, where, how, and—particularly important—who will bear the costs, will be key to moving forward with the rebuilding process.

In response to the Gulf Coast devastation, the federal government committed a historically high level of resources through an array of grants, loans, subsidies, and federal tax incentives. The bulk of federal rebuilding assistance from 2005 through 2008 came from two key programs—the Federal Emergency Management Agency's (FEMA) Public Assistance program ($10.4 billion as of April 2008) and the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program ($19.7 billion as of May 2008). Federal recovery and rebuilding assistance also includes payouts from the National Flood Insurance Program as well as funds for levee restoration and repair. Also to assist with recovery from the Gulf Coast hurricanes, the Gulf Opportunity (GO) Zone Act of 2005[2] provided a range of tax relief and incentives for individuals and businesses in the GO Zones.

Whereas some GO Zone tax incentives flow directly to taxpayers making certain qualified investments, the act authorized the states to allocate certain tax incentives such as additional low-income housing tax credits (LIHTC) and tax-exempt bond financing. For these two provisions, existing tax incentives were extended, granting additional authority to GO Zone areas in addition to regular, annual allocations available to the affected states. Each eligible state was responsible for setting up an application process and selecting which qualified projects are to receive allocations up to each state's GO Zone allocation authority under the GO Zone act.

The Small Business and Work Opportunity Tax Act, part of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007,[3] mandated that we study state and local practices in allocating and utilizing tax incentives in the GO Zone Act of 2005 and subsequent, amending legislation and report to Congress.[4] On the basis of discussions with the House Committee on Ways and Means and

[2]Pub. L. No. 109-135 (2005).

[3]Pub. L. No. 110-28 (2007).

[4]To satisfy this May 25, 2008 mandate, we reported our preliminary findings to the House Committee on Ways and Means and the Senate Committee on Finance in briefings on May 22, and 23, 2008, respectively.

the Senate Committee on Finance, our objectives were to (1) identify the tax incentives in the GO Zone Act of 2005 and subsequent legislation for which state and local governments had allocation and oversight responsibilities; (2) describe the processes state governments use to allocate the tax incentives, including how they ensure compliance with federal laws and prevent fraud, waste, and abuse; and, (3) describe how much of the tax incentives state and local governments have used and for what purposes.

To identify the incentives in the GO Zone Act of 2005 and subsequent legislation for which states had allocation and oversight responsibilities, we reviewed the acts and Joint Committee on Taxation (JCT) explanations of the acts. We also reviewed our past and ongoing work related to Gulf Coast rebuilding. In addition, we interviewed officials from the Internal Revenue Service (IRS) and HUD.

To identify the processes used by state governments to allocate federal GO Zone tax incentives and efforts to monitor compliance with federal laws, we obtained documentation, such as allocation plans for LIHTCs, bond commission meeting transcripts, bond commission meeting status updates, and state auditors' reports, from state officials in Alabama, Florida, Louisiana, Mississippi, and Texas, the five states with GO Zones eligible to use the tax incentives, and we interviewed officials and bond issuers in these states.

To determine how much of the GO Zone tax incentives were used and for what purposes, we (1) obtained and analyzed documentation from the relevant state governments, including GO Zone bond applications, official bond documents made available to investors at the time the bonds are sold, program status reports, and descriptions of planned low-income housing developments; (2) interviewed state and selected local officials, including selected bond issuers; and (3) held discussions with selected private sector participants and nonprofit organizations. We obtained data on the total GO Zone bond allocations as of mid-June 2008 and LIHTC awards as of April 2008. We reviewed information on all bonds issued by each state as of mid-June 2008, including summary information provided by the states describing how bonds were used. Due to differences in the way the bond type data were reported across the three eligible states, we did not attempt to quantify aggregate use by categories across the states. For LIHTCs, we reviewed the number of projects, units funded, and units in service as of April 2008. During our visits to Louisiana and Mississippi, the two states most directly affected by the Gulf Coast hurricanes, we toured several low-income housing projects funded with GO Zone tax credits. To provide perspective on the extent to which units have been developed with GO Zone LIHTCs, we compared the number of planned units to the number of units in service for each of the 5 states as of April 2008. Where data were available for selected parishes and counties in Louisiana and Mississippi, we compared planned and in-service GO Zone LIHTC units to rental housing units with major or severe damage by parish or county; comparable data were not available for every GO Zone parish and county in those two states or for Alabama, Florida, or Texas.[5]

We assessed the reliability of the state level bond and housing data by, when possible, comparing the data the states provided to official documentation and interviewing state officials with knowledge of the data. We determined that the data we used in this report were sufficiently reliable for our purposes. We conducted this performance audit from February through July 2008, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

Under the GO Zone Act of 2005, Gulf Coast state governments were responsible for allocating four tax incentives between 2006 and 2010: (1) $14.9 billion in tax-exempt private activity bond authority; (2) $330 million in low-income housing tax credit (LIHTC) allocation; (3) $350 million in GO Zone tax credit bonds, a newly created category of tax credit bonds; and (4) $7.9 billion in additional advance refunding bonds. Alabama, Louisiana, and Mississippi were eligible to use all three bond authorities and the housing finance agencies (HFA) in these states, as well as for Florida and Texas, received the GO Zone LIHTC allocations. With the exception of the tax credit bonds, the bond provisions in the GO Zone Act are broadly similar to incentives offered in the New York Liberty Zone following the September 11, 2001, terrorist attacks in New York City. To assist with recovery from the Gulf Coast hurricanes, the bond authority helps finance the development of private facilities and activities, including some facilities, such as hotels and retail facilities, that cannot be financed

[5]While HUD data on housing unit damage are also available for selected counties in Alabama, Florida, and Texas, these data do not differentiate between rental and owner-occupied units, thus we excluded data from these three states from our analysis.

with tax-exempt private activity bonds subject to annual state volume caps. The LIHTCs help finance the development of rental housing. The tax credit bond and advance refunding provisions were to provide debt relief for existing debt held by state and local governments. The act gave the eligible states broad discretion to allocate the GO Zone private activity bonds for a wide range of purposes.

With some variations in their processes, Alabama, Louisiana, and Mississippi generally allocated the GO Zone bond provisions on a first-come, first-served basis, and all five eligible states used existing processes to award GO Zone LIHTCs. Alabama and Mississippi have similar processes for allocating GO Zone private activity bonds, whereas Louisiana's bond allocation process has changed over time. For the most part, all three eligible states allocated GO Zone tax-exempt private activity bond authority without consistently targeting the allocations to assist recovery in the most damaged areas, although Louisiana recently set aside some of its remaining allocation authority for the most damaged parishes. Officials in all three states as well as local bond issuers we interviewed said that they rely on the borrower's bond counsel opinions to ensure that the activities to be financed with bonds are eligible for the GO Zone allocations, and bond counsel submits required information returns to IRS. For all five eligible Gulf Coast states, HFAs used existing procedures to award GO Zone LIHTCs and will use existing procedures to monitor compliance as units are placed in service. In awarding GO Zone LIHTCs, some state HFAs gave priority to LIHTC projects that were to be developed in the most damaged counties. For the GO Zone tax credit bond provision, Louisiana and Mississippi used different approaches in selecting which existing state and local debt to temporarily subsidize with the new tax credit bonds and how to obtain required matching funds. Similar to GO Zone private activity bonds, the three eligible Gulf Coast states generally awarded additional advance refunding authority on a first-come, first-served basis. State officials said that they rely on the bond issuer's counsel to ensure that the bonds are eligible for the GO Zone provisions and file required information returns with IRS.

As of mid-June 2008, the three eligible states had allocated about 87 percent of the $14.9 billion in GO Zone tax-exempt private activity bond authority to finance a wide range of private purposes, and the five eligible states awarded 95 percent of the $330 million in LIHTCs to finance the development of rental housing. To date, bonds have been issued for about half of the awarded allocation authority, reflecting 44 percent of the total allocation authority provided to Alabama, Louisiana, and Mississippi. The three states are using GO Zone tax-exempt private activity bonds for a wide range of purposes, including housing, utilities, manufacturing, retail facilities, and hotels. Across Alabama, Florida, Louisiana, Mississippi, and Texas, few planned LIHTC units were in service as of April 2008, but state officials anticipate that the units will be in service by the end of calendar year 2010, as required by statute. Although other federal programs can also fund the development of affordable rental housing, our analysis of planned and in-service GO Zone LIHTC-funded units alone indicates that these units will address 17 and 45 percent of the rental housing units that had major or severe hurricane damage in the states of Louisiana and Mississippi, respectively. The extent to which damaged units will be addressed varies by county and parish. As for the debt relief measures, two of three eligible states used tax credit bonds, and the three eligible states used 16 percent of the advance refunding authority. Louisiana and Mississippi exhausted their tax credit bond authority issuing bonds totaling $300 million, and Alabama elected not to issue tax credit bonds primarily due to time constraints in issuing the bonds. While Louisiana and Mississippi used relatively little of their advance refunding authority, Alabama has allocated over half of its advance refunding authority to provide localities with debt relief. State officials identified challenges for using all four provisions. Current economic conditions, including the reduced availability of credit nationwide, have made it difficult to issue tax-exempt bonds, and the value of housing tax credits has declined recently, meaning developers attract less equity investment. For the debt relief provisions, states faced challenges identifying debt eligible for the additional advance refunding provision and educating investors about the mechanics of the new tax credit bonds.

State officials in Alabama, Florida, Louisiana, Mississippi, and Texas and officials from IRS and the Department of the Treasury provided technical comments, which we incorporated as appropriate.

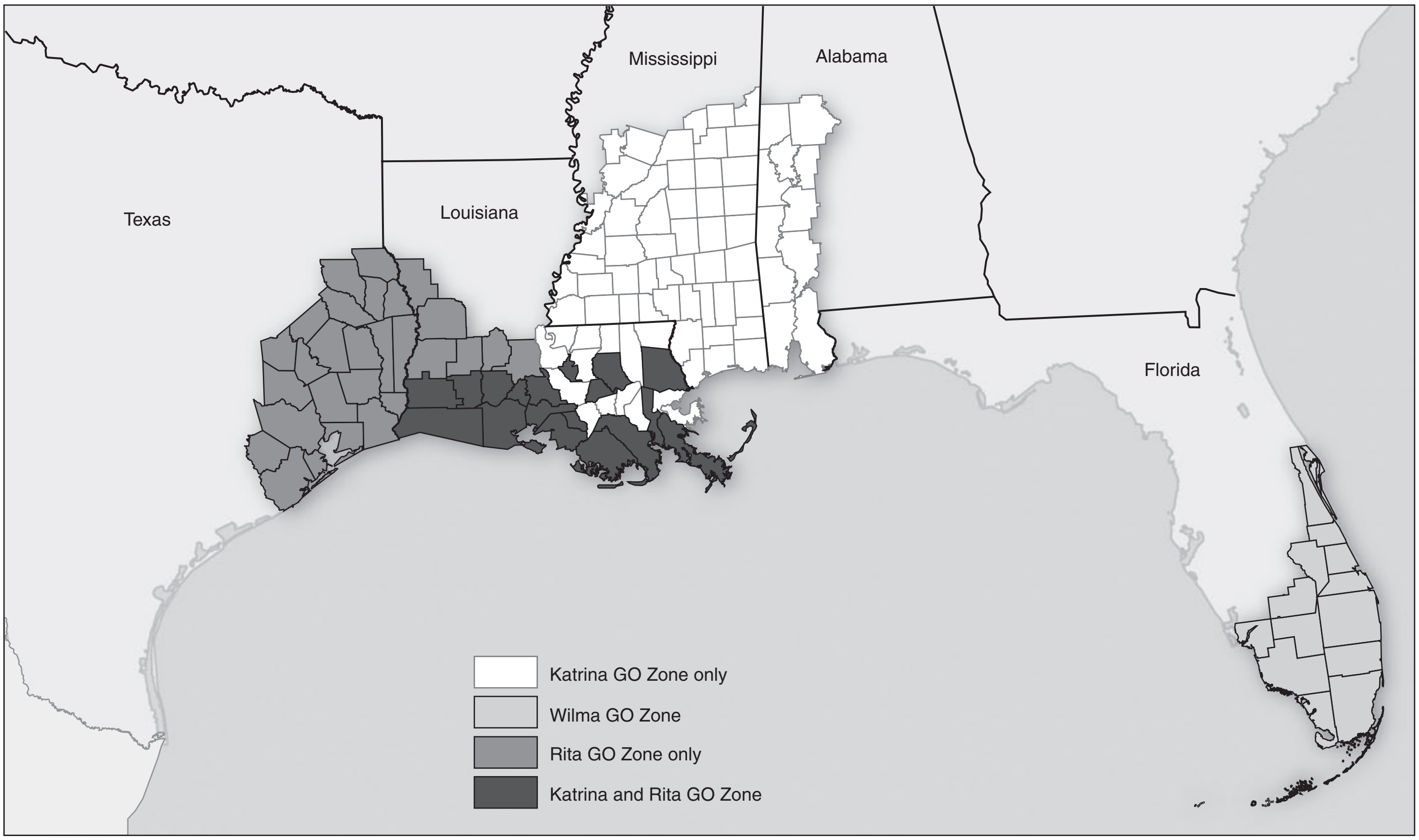
Background

The Gulf Opportunity Zone Act of 2005 includes tax incentives to assist recovery and economic revitalization for individuals and businesses in designated areas in Alabama, Florida, Louisiana, Mississippi, and Texas following Hurricanes Katrina, Rita, and Wilma in 2005. Some of the tax incentives in the act are extensions of existing federal tax incentives (e.g., tax-exempt private activity bonds, new markets tax credits, low-income housing tax credits, etc.). In some cases, the GO Zone Act liberalizes the rules that taxpayers must follow to be eligible to claim the incentives. JCT estimates indicate that these tax incentives will reduce federal revenue by about $9 billion over the 10-year period from 2006 to 2015.[6]

The act defined the GO Zones as those counties and parishes in the presidentially-declared disaster areas that warranted additional, long-term federal assistance. Rather than making the incentives available statewide in the five states affected by the 2005 hurricanes, the act defined a separate GO Zone for the three major 2005 hurricanes—Katrina, Rita, and Wilma. Both Hurricane Katrina and Hurricane Rita affected certain areas in Louisiana, so those GO Zones overlap in Louisiana. Figure 1 illustrates the GO Zone areas in each of the five affected states. Tax provisions to assist recovery vary by GO Zone, with the most assistance provided to areas damaged by Hurricane Katrina, particularly in Louisiana and Mississippi.

[6]Joint Committee on Taxation, Estimated Revenue Effects of H.R. 4440, "The Gulf Opportunity Zone Act of 2005"as passed by the House of Representatives and the Senate on December 16, 2005, JCX-89-05R (Washington, D.C.: Dec. 20, 2005).

Figure 1: Map of Gulf Opportunity Zones by State



Sources: GAO presentation of IRS information; Map Resources (map).

The GO Zone Act was broadly similar to legislation that created the New York Liberty Zone following the September 11, 2001, terrorist attacks in New York City. The Job Creation and Worker Assistance Act of 2002[7] contained various tax incentives designed for response and recovery for the area of lower Manhattan designated as the New York Liberty Zone.[8]

[7]Pub. L. 107-147 (2002).

[8]GAO, *Tax Administration: Information Is Not Available to Determine Whether $5 Billion in Liberty Zone Tax Incentives Will Be Realized*, GAO-03-1102 (Washington, D.C.: Sept. 30, 2003).

Similar to those in the Liberty Zone, individuals and businesses may claim the GO Zone tax incentives as long as they meet specified federal requirements. In these cases, the tax incentives essentially function as open-ended entitlement programs that any eligible taxpayer may claim. For GO Zone tax incentives such as claiming accelerated depreciation on certain assets or partial expensing for certain clean-up costs, the full cost to the federal government depends on how many taxpayers claim the provision on their tax returns.

For certain tax incentives in the GO Zone Act of 2005, state governments in states with GO Zones were authorized to establish processes and select which qualified projects are to receive tax incentive allocations up to each state's allocation authority limit. As mandated by law, this report discusses those tax incentives in the GO Zone Act of 2005 that state and local governments play a role in allocating and overseeing.

Because the states are responsible for selecting which entities receive the tax benefit up to the allocation authority provided by law, these GO Zone tax incentives appear similar to traditional grant programs where governments provide funds directly to grant recipients. For example, Gulf Coast states have processes for allocating funds through FEMA's Public Assistance program[9] and the CDBG program.[10] In contrast with grant programs, where funds come directly from the government, investors in projects that have received GO Zone incentives are allowed to either claim a credit against their tax liability, as in the case of the LIHTC program, or exclude certain portions of the return on their investment, such as interest earned, in GO Zone projects from their taxable income, as is the case for tax-exempt bonds. Unlike traditional grant programs, the projects receiving these tax incentives are financed with bonds that must be repaid or equity provided by private investors, meaning developers, investors, insurers and other participants have an additional incentive to ensure that projects are financially viable and will remain compliant with applicable laws.

[9]The Public Assistance grant program provides assistance to state and local governments and eligible nonprofit organizations on a project-by-project basis for emergency work (e.g., removal of debris and emergency protective measures) and permanent work (e.g., repairing roads, reconstructing buildings, and reestablishing utilities).

[10]HUD's CDBG program provided funding for disaster recovery, including neighborhood revitalization and recovery and housing rehabilitation activities, affording states broad discretion and flexibility in deciding how to allocate these funds and for what purposes.

Since the 2005 hurricanes, we are conducting ongoing work and have completed a number of studies evaluating disaster relief and recovery efforts along the Gulf Coast, including how states with GO Zones have made use of federal resources. Appendix IV lists related GAO products.

States with GO Zones Are Responsible for Allocating Four Federal Tax Incentives under the GO Zone Act of 2005

Under the GO Zone Act of 2005, state and local governments are responsible for allocating and overseeing the use of four GO Zone tax incentives.[11] According to our analysis of JCT estimates, these incentives accounted for about 40 percent, or $3.5 billion, of the projected cost to the federal government from the GO Zone Act over the 10-year period from 2006 to 2015. States with GO Zones were awarded authority to allocate

- $14.9 billion in tax-exempt private activity bonds, resulting in an estimated $1.6 billion reduction in federal revenue from 2006 to 2015[12];
- $330 million in low-income housing tax credits (LIHTC), resulting in an estimated $1.1 billion reduction in federal revenue from 2006 to 2015[13];
- $350 million in tax credit bonds, resulting in an estimated $57 million reduction in federal revenue from 2006 to 2015[14]; and
- $7.9 billion in additional advance refunding bonds, resulting in an estimated $741 million reduction in federal revenue from 2006 to 2015.[15]

[11]What follows in the text are simplified descriptions of the four provisions. For more information, see Joint Committee on Taxation, *Technical Explanation of the Revenue Provisions of H.R. 4440, The "Gulf Opportunity Zone Act of 2005" As Passed by the House of Representatives and the Senate*, JCX-88-05 (Washington, D.C.: Dec. 16, 2005) and Joint Committee on Taxation, *Technical Explanation of the "Small Business and Work Opportunity Tax Act of 2007" and Pension Related Provisions Contained in H.R. 2206 As Considered by the House of Representatives on May 24, 2007*, JCX-29-07 (Washington, D.C.: May 24, 2007).

[12]In the case of tax-exempt private activity bond authority, bondholders are allowed to exclude interest earned on the bonds from their taxable income during each year that they receive interest payments. GO Zone private activity bonds are not subject to the Alternative Minimum Tax.

[13]In the case of tax credits, investors receive direct reduction in tax liability. Investors can claim LIHTCs for eligible projects each year for 10 years from the time the housing developments are in service.

[14]For tax credit bonds, investors receive a tax credit or direct reduction in tax liability, equal to a percentage of the bond's face value for a certain number of years. GO Zone tax credit bonds must be retired within 2 years of issuance.

[15]Similar to GO Zone tax-exempt private activity bond authority, bondholders of GO Zone additional advance refundings are allowed to exclude interest earned on the bonds from their taxable income.

Alabama, Louisiana, and Mississippi received authority for all three bond provisions to use by the end of 2010 and increased LIHTC allocations each year for 2006 through 2008. Florida and Texas did not receive allocation authority for the bond provisions, but each received a onetime increase in LIHTC authority of $3.5 million for 2006. Table 1 shows the amount of allocation authority that each state received by provision.

Table 1: GO Zone Act of 2005 Cumulative Allocation Authority by State

Dollars in millions

Incentive	Alabama	Louisiana	Mississippi	Total
GO Zone tax-exempt private activity bonds[a, c]	$2,174	$7,840	$4,921	**$14,935**
GO Zone low-income housing tax credits (LIHTC)[a, b, c]	47	170	106	**323**
GO Zone tax credit bonds	50	200	100	**350**
GO Zone additional advance refunding bonds	1,125	4,500	2,250	**7,875**

Source: GAO analysis of Joint Committee on Taxation and Gulf Coast state data.

[a]These provisions are extensions of existing federal tax incentives. States received GO Zone allocation authority for these provisions in addition to their annual state allocation.

[b]Florida and Texas each received $3.5 million in GO Zone LIHTC authority in 2006, but did not receive allocations for the other incentives.

[c]Dollars for private activity bonds and low-income housing tax credits are rounded to the nearest million. Dollars for tax credit bonds and additional advance refunding bonds are exact amounts.

For GO Zone tax-exempt private activity bonds, the allocation amount that can be used over the 5-year period from 2006 to 2010 is significantly greater than the amount of qualified private activity bonds that may be allocated subject to annual state volume caps. For perspective, in 2008, state volume caps for tax-exempt private activity amounted to about $393 million, $365 million, and $262 million for Alabama, Louisiana, and Mississippi, respectively.[16] Similarly, GO Zone LIHTC allocation authority in Alabama, Louisiana, and Mississippi exceeds regular LIHTC authority for 2006 to 2008. Alabama, Louisiana, Mississippi, received a total of about

[16]Alabama, Louisiana, and Mississippi had annual qualified private activity bond volume caps similar to their 2008 levels in both 2006 and 2007.

$27 million, $26 million, and $17 million, respectively, from their combined regular state LIHTC allocations (credit ceilings) for 2006 to 2008.[17]

Tax-Exempt Private Activity Bond Authority

The GO Zone Act of 2005 grants Alabama, Louisiana, and Mississippi the authority to award tax-exempt bond allocations for qualified private activities. Tax-exempt private activity bonds allow private business owners and corporations to borrow capital at interest rates lower than would otherwise be available.[18] Governmental entities issue the tax-exempt private activity bonds, generally serving as conduits to provide the bond proceeds to borrowers, including business owners and corporations that have been awarded allocation authority from the state.[19] The borrowers' payments on their loans are then used to repay principal and interest on the bonds, and investors who purchased the bonds can generally exclude interest earned on the bonds from their federal income tax.

All states receive an annual tax-exempt private activity bond allocation that is subject to a volume cap and is limited to certain types of facilities.[20] GO Zone bonds can be issued in addition to annual state volume caps in eligible states and can be used for a broader range of facilities than tax-exempt private activity bonds subject to annual state volume caps. According to the GO Zone Act of 2005, eligible states have the authority to allocate an amount of GO Zone private activity bonds equal to $2,500 per person in the GO Zone, based on prehurricane population counts. States with GO Zone bond allocation authority must issue the bonds by

[17]In contrast, Florida and Texas received about $34 million and $43 million, respectively, as their annual LIHTC credit ceiling in 2006—far larger amounts than their onetime GO Zone allocation in 2006. Population figures for the regular LIHTC allocation are based upon: Internal Revenue Bulletin No. 2006-11 (March 13, 2006); Internal Revenue Bulletin No. 2007-11 (March 12, 2007); Internal Revenue Bulletin No. 2008-8 (Feb. 25, 2008).

[18]For additional information on tax-exempt bonds, see GAO, *Tax Policy: Tax-Exempt Status of Certain Bonds Merits Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should Be Addressed*, GAO-08-364 (Washington, D.C.: Feb. 15, 2008).

[19]Governmental entities include state and local governments and political entities thereof, including authorities and industrial development boards with the authority to issue tax-exempt bonds.

[20]The Internal Revenue Code permits each state to devise an allocation formula or process for allocating its private activity bond volume cap consistent with the state's needs.

December 31, 2010. For the three eligible states, aggregate GO Zone allocation authority over the period is between 6 and 22 times greater than annual qualified private activity bond authority subject to state volume caps. In contrast with qualified private activity bonds subject to annual state volume caps, GO Zone tax-exempt private activity bonds are not subject to the Alternative Minimum Tax.[21]

While GO Zone bonds can be used for facilities that generally cannot be built with tax-exempt private activity bond authority subject to annual state volume caps, such as hotels and retail facilities, GO Zone private activity bonds are subject to certain tax-exempt private activity bond prohibitions against financing golf courses, massage parlors, gambling, and liquor stores, among other prohibited uses. In addition, 95 percent of the bond proceeds must be used for qualified projects in the GO Zone.

The liberalized use for GO Zone tax-exempt private activity bonds in comparison to qualified private activity bonds subject to annual state volume caps is broadly similar to private activity bond authority awarded in the New York Liberty Zone. Whereas the Liberty Zone provision divided the authority between the state and local levels and set specific limits on retail and residential rental property, the GO Zone provision did not set aside any portion to be allocated for specific localities or set dollar caps on certain categories of use. The GO Zone Act of 2005 provided states with broad discretion in allocating GO Zone tax-exempt private activity bonds.[22]

Low-Income Housing Tax Credits (LIHTC)

The GO Zone Act of 2005 temporarily increased the amount of allocated tax credits for the five states along the Gulf Coast by a total of about $330 million. The Tax Reform Act of 1986[23] authorized the LIHTC program to provide an incentive for the acquisition and development or the rehabilitation of rental housing affordable to low-income households. As

[21]The Alternative Minimum Tax is a separate tax system paralleling the federal income tax system that applies to both individual and corporate taxpayers. It has different rules for determining taxable income, differing rates for determining tax liability, and differing rules for allowing the use of tax credits.

[22]Per the GO Zone Act of 2005, if a state requires a bond commission to approve private activity bond authority, then the final authority to award GO Zone bonds rests with the bond commission. This is the case in Louisiana. If the state does not have a state bond commission, then the authority rests with the Governor. In Alabama and Mississippi, the Governors have the authority to approve GO Zone private activity bonds.

[23]Pub. L. No. 99-514.

required under the Internal Revenue Code, state housing finance agencies (HFA) must award credits to developers of qualified projects according to their qualified allocation plans (QAP), which establish the agencies' funding priorities and eligibility criteria. Developers either use the credits or sell them to investors to raise capital (i.e., equity) for real estate projects. In general, investors can claim credits on the qualified basis of the property—that is, total development cost (excluding land and other certain costs) of the low-income units. The investor receives approximately 9 percent of the qualified basis in tax credits annually for 10 years.[24] The equity raised by the tax credits reduces the need for debt financing and as a result, these properties can offer lower, more affordable rents.

GO Zone LIHTCs were provided to the five eligible states in addition to their regular annual allocations. Under the regular LIHTC program in 2006, each of the five states was allocated tax credits equal to $1.90 per capita. The allocation claimed by Louisiana, Alabama, and Mississippi for 2006, 2007, and 2008 equaled $18.00 times each state's prehurricane population in the GO Zone.[25] As a result of the increased per capita allocation, the 2006 through 2008 GO Zone LIHTC authority was about 75 percent, 567 percent, and 523 percent greater than the regular LIHTC authority that Alabama, Louisiana, and Mississippi received in the same period, respectively. While projects that receive LIHTCs must normally be placed in service within 2 years of the credit allocation, GO Zone LIHTC-funded units (as well as regular LIHTC units funded during 2006 through 2008 in a GO Zone) must be placed in service before January 1, 2011.[26] Unlike regular LIHTC allocations, GO Zone credits generally cannot be carried forward.[27]

The GO Zone LIHTC provision also expanded the amount of credits available to investors. To promote investment in areas where the need is greatest for affordable housing, investors can receive additional credits if

[24]Investors generally receive around 4 percent per year for projects also financed with tax exempt bonds. These projects are exempt from LIHTC credit allocation rules.

[25]According to the GO Zone Act of 2005, the additional allocation amount for Alabama, Louisiana, and Mississippi was equal to the lesser of $18.00 times each state's prehurricane population in the GO Zone or the amount of tax credits that had been allocated by each state to the buildings in the GO Zone as determined prior to August 28, 2005.

[26]26 U.S.C. sec. 1400N(c)(5).

[27]This requirement applies to the GO Zone areas in Alabama, Louisiana, and Mississippi.

the tax credit properties are located in distressed areas known as "difficult development areas" (DDA). Investors in such "enhanced" tax credit properties can claim credits for 91 percent (instead of the normal 70 percent) of the project's qualified basis. The GO Zones are treated as DDAs under the 2005 act, and LIHTC properties located in the GO Zone are thus eligible for those enhanced LIHTCs.

GO Zone Tax Credit Bonds

The GO Zone Act of 2005 created a new category of tax credit bonds—GO Zone tax credit bonds—which Alabama, Louisiana, and Mississippi were authorized to issue to provide debt relief to state and local governments.[28] The GO Zone tax credit bonds must be general obligations of the state[29] and the bond proceeds must be used to make payments on existing state and local debt. Tax credit bonds differ from tax exempt bonds in that rather than receiving tax-exempt interest payments, bondholders are entitled to a federal tax credit equal to a certain percentage of their investment.[30] Because the state does not pay interest on the GO Zone tax credit bonds, they essentially serve as an interest-free loan while they are outstanding. Under the act, states are required to match the GO Zone tax credit bonds with funds from other sources, such as issuing additional general obligation bonds or money from a state's general fund. The three eligible states were required to issue tax credit bonds by December 31, 2006, and must retire the bonds within 2 years of issuing them, meaning that they provide only temporary debt relief to the state and local governments that they benefit.

[28]Previously, the federal government has allowed limited use of tax credit bonds, authorizing only Qualified Zone Academy Bonds for certain school renovation and repair and Clean Renewable Energy Bonds for renewable energy projects.

[29]General obligation bonds are backed by the full faith and credit of the issuer and are secured by the issuer's general taxing powers, including sales taxes, property taxes, and income taxes.

[30]The credit amount is the credit rate for the bonds as established by the Secretary of the Treasury on the day when the bonds are sold multiplied by the face value of the bonds.

Additional Advance Refundings of State and Local Bonds

The GO Zone Act of 2005 permits one additional advance refunding for certain existing tax-exempt bonds in Alabama, Louisiana, and Mississippi.[31] State and local governments typically refund, or refinance, bonds to reduce interest costs and ease restrictions on the original bond contract. However, state and local governments can generally only advance refund a bond one time and, in certain cases, including most tax-exempt private activity bonds, bonds cannot be advance refunded. The GO Zone additional advance refunding provision provides Alabama, Louisiana, and Mississippi the ability to reduce interest costs on existing debt that has already been advance refunded one time or did not originally meet the requirements to allow for advance refunding. The provision can be used by any issuer in the state and is not limited to counties and parishes located in the GO Zone. All additional advance refunding bonds must be issued by December 31, 2010.

The additional advance refunding provision can only be used for bonds where one bond is currently outstanding, whether that bond is the original bond or the first advance refunded bond. To clarify, bonds being refunded are often subject to a call date, or a date at which the bond issuer may recall the original bonds and refund or retire them. For advance refundings, a second set of bonds is often established in advance of the call date with the proceeds from these bonds being dedicated to retire the original bond when the call date is reached. Therefore, after the second set of bonds are issued and before the call date on the original bonds is reached, two sets of bonds are outstanding. GO Zone additional advance refundings cannot be used in these instances.

Like GO Zone tax-exempt private activity bonds, GO Zone additional advance refunding authority is similar to additional advance refunding authority awarded in the New York Liberty Zone following the September 11, 2001, terrorist attacks. Liberty Zone advance refunding was limited to

[31] A bond is advance refunded when the new bonds are issued more than 90 days before final payment on the prior issue. If fewer than 90 days remain before the final payment on the previous issue, the new bond is referred to as a current refunding.

certain debts of the state or New York City, including qualified hospital 501(c)(3) bonds.[32]

With Some Variation in Their Processes, States with GO Zones Generally Allocated Bond Authority on a First-Come, First-Served Basis; States Relied on Existing Procedures to Allocate LIHTCs

With some variations in their processes, Alabama, Louisiana, and Mississippi generally allocated the GO Zone bond provisions on a first-come, first-served basis, and all five eligible states used existing processes to award GO Zone LIHTCs. For the most part, all three eligible states allocated GO Zone tax-exempt private activity bond authority without consistently targeting the allocations to assist recovery in the most damaged areas, although Louisiana recently set aside some of its remaining allocation authority for the most damaged parishes. Officials in Louisiana and Mississippi acknowledged that the first-come, first-served approach made it difficult for applicants in some of the most damaged areas to make use of the bond provision at the beginning of the program. While all eligible states followed existing, prehurricane procedures to award LIHTCs and will use existing procedures to monitor for federal compliance, the states exhibited some differences in how they targeted the GO Zone LIHTC authority to the most damaged areas. Louisiana and Mississippi adopted different approaches for issuing tax credit bonds and identifying matching fund sources, and Alabama chose not to issue tax credit bonds due to time constraints associated with issuing the bonds. Similar to the case of GO Zone private activity bonds, when allocating additional advance refunding authority the three eligible states generally used a first-come, first-served approach.

[32]Section 501(c)(3) of the Internal Revenue Code defines the conditions for nonprofit, or charitable, organizations to maintain tax-exempt status. Section 501(c)(3) organizations can borrow the proceeds of tax-exempt bonds or lease facilities financed with such proceeds. Section 501(c)(3) bonds are classified as private activity bonds but are not subject to annual state volume caps or, as long as the bonds were issued after August 7, 1986, the Alternative Minimum Tax.

States Generally Awarded Tax-Exempt Private Activity Bond Authority on a First-Come, First-Served Basis and Rely on Bond Counsel to Ensure Compliance with Federal Laws

To expedite bond processing, the three eligible states generally allocated the GO Zone private activity bond authority and approved projects on a first-come, first-served basis without consistently targeting the allocations to assist recovery in the most damaged areas. Alabama and Mississippi have similar processes for allocating GO Zone private activity bonds, whereas Louisiana's bond allocation process has changed over time. Some state officials we interviewed said they were uncertain whether the GO Zone bonds should be used quickly anywhere within the qualified areas to provide an economic stimulus to the GO Zone, or if the bonds should be more focused on recovery efforts in the damaged areas. State officials we interviewed acknowledged that the first-come, first-served approach led to awarding bond allocation to projects in less damaged areas in the GO Zone because businesses in these areas were ready to apply for and issue bonds before businesses in more damaged areas could make use of the incentive. Counties and parishes in the most damaged coastal areas of Louisiana and Mississippi faced challenges dealing with the immediate aftermath of hurricane debris removal and helping those displaced. While potential GO Zone private activity bond applicants in some of the most damaged areas were not positioned to apply for allocations when they first became available, applicants in those areas have been able to use the GO Zone bonds more recently.

As with tax-exempt private activity bonds that are subject to state volume caps, state officials said they rely on bond counsel to ensure that bond applications meet program requirements before issuance. Issuers must also file information return Form 8038 with the IRS.[33] According to IRS officials, post-issuance compliance costs often do not surface until as long as 5 years after bonds have been issued. State officials and others we interviewed did not identify any alleged cases of fraud, waste, or abuse with GO Zone private activity bonds. However, the processes states used to allocate GO Zone bonds introduced risks that could lead to inefficient allocation of the federal assistance. For example, officials interviewed indicated that some projects that may have been viable without tax-exempt financing received some tax-exempt bond authority.

[33]By law, bond issuers are required to file IRS Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues. Generally, these forms are required to be filed by the 15th day of the second calendar month following the quarter in which the bonds were issued.

Alabama and Mississippi Processes for Allocating GO Zone Tax-Exempt Private Activity Bonds

Alabama and Mississippi applied similar first-come, first-served approaches to allocate GO Zone tax-exempt private activity bonds. In accordance with the GO Zone Act of 2005, the governors of both states had the authority to award GO Zone private activity bond allocations. Both states outlined general criteria for making awards, but also acknowledged that they did not specifically target certain areas within the zone to receive set-aside amounts of GO Zone private activity bond allocations.

The Governor of Alabama initially identified four criteria for prioritizing GO Zone bond authority: (1) replacing property damaged or destroyed by Hurricane Katrina, (2) rebuilding infrastructure of cities or counties damaged by Hurricane Katrina, (3) projects that substantially improve the quality of life for the area, and (4) new economic development projects. Beginning in April 2006, Alabama began awarding allocations based on the Governor's priorities. According to Alabama officials, the apparent demand was for new economic development projects, and the state decided to adopt a first-come, first-served approach for allocating GO Zone private activity bond authority. According to the officials we interviewed, one possible explanation why many potential GO Zone bond borrowers in the first two categories generally did not apply for tax-exempt private activity bonds could be that they received insurance settlements and federal grants and loans for rebuilding efforts. Unlike regular private activity bonds subject to volume caps, Alabama did not charge an application fee for GO Zone bonds. GO Zone private activity bond applicants in Alabama submit applications to the Alabama Department of Finance, Debt Management Division, which reviews the applications for completeness and the applications are then submitted to the Finance Director for his approval. The Governor did not set a maximum amount of authority that may be allocated per project. In Alabama, the bonds must be issued within 1 year of the time the borrower receives final approval to issue bonds, but borrowers may request an extension.

In Mississippi, the Governor's Office grants the final approval of GO Zone bond allocations on a case-by-case basis after reviewing recommendations from the Mississippi Development Authority (MDA). The MDA reviews GO Zone bond applications for information on the number of jobs the project will create, its projected general economic effect, and the degree to which the developer is willing to invest its own funds in the project. Mississippi's application for private activity bond authority includes a $1,000 application fee and applications are reviewed in the order in which they are received. Recommendations for allocation are generally made by MDA on a first-come, first-served basis.[34] Mississippi officials indicated that they have tried to ensure that the six most-damaged counties along the Gulf Coast have benefited from projects with GO Zone private activity bond allocations, but no portion of the GO Zone bond allocation authority was set aside specifically for these counties.[35] The Governor did not set a maximum amount of authority that may be allocated per project. Once a project receives final approval in Mississippi, bonds must be issued within 120 days.

Louisiana Process for Allocating GO Zone Tax-Exempt Private Activity Bonds

Louisiana's process for allocating GO Zone private activity bonds has changed over time, and as of June 2008, most of the bond allocation authority has been awarded on a first-come, first-served basis with a portion set-aside for the 13 most-damaged parishes.

The Louisiana State Bond Commission (SBC) in February 2006 planned to set aside 50 percent of its allocation authority for the 13 most-damaged parishes and 50 percent for the rest of the GO Zone.[36] No single project was to receive more than $250 million in GO Zone bond allocation authority. In March 2006, the Louisiana Department of Economic Development (LDED) began recommending that projects receive allocations based on applications to the Louisiana SBC on a first-come, first-served basis. Under the GO Zone Act of 2005, the Louisiana SBC had authority to make GO Zone bond allocations. However, following SBC approval of GO Zone bond allocations, the final step in the Louisiana process included the Governor issuing an allocation letter to each GO Zone bond recipient.[37]

[34]Mississippi officials said that as of April 2008, 15 GO Zone bond applications did not receive allocations due to factors such as the state denying the application or the applicant withdrawing the application. Mississippi officials did not provide us with specific information on why any of these projects were rejected, noting it is the MDA's policy not to release information related to specific projects that did not receive approval.

[35]The six most-damaged counties in Mississippi include: George, Hancock, Harrison, Jackson, Pearl River, and Stone.

[36]The 13 parishes originally designated in April 2006 to receive 50 percent of the GO Zone bond allocation authority included Calcasieu, Cameron, Jefferson, Lafourche, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, St. Tammany, Tangipahoa, Vermilion, and Washington.

[37]See Louisiana Executive Order No. KBB 2006-9.

Louisiana state officials we interviewed stressed that they did not initially believe they would have sufficient demand to use all of their $7.9 billion allocation by the end of 2010, when the GO Zone bond authority expires. Beginning in May 2006, Louisiana SBC staff provided status updates to Louisiana SBC members on the amount of remaining and used GO Zone bond authority for the 13 most-damaged parishes and the remaining parishes at monthly Louisiana SBC meetings. By the end of June 2007, the Louisiana SBC had granted final approval for almost $4.6 billion, or nearly 60 percent, of the state's GO Zone bond allocation authority, and preliminary approval to projects worth an additional $3.0 billion,[38] leaving roughly $300 million in allocation authority. The allocations approved included projects exceeding the $250 million cap with two large projects for $1 billion each.

According to bond commission meeting transcripts, some bond commission members expressed concerns that the allocations had not been effectively targeted to areas and businesses with the greatest need. While the 13 most-damaged parishes in aggregate had received more than 50 percent of the final allocations, some of the most severely damaged areas around New Orleans had received relatively little as of June 2007. For example, as of June 2007, Orleans parish had only received about 2 percent of the GO Zone bond allocation authority that had been granted final approval. According to Louisiana SBC officials, this was in large part due to a lack of applications for potential GO Zone bond projects in the most severely damaged areas. Around that time, the Governor's office declined to issue final allocation letters pending review of the state's GO Zone bond process, and the Louisiana SBC temporarily stopped awarding final approval for GO Zone bonds. In September 2007, the Louisiana Attorney General ruled that the Governor did not have the authority to issue final approval letters for GO Zone private activity bonds because the federal act specified that the state bond commission has final approval.[39]

In September 2007, the Louisiana SBC, in conjunction with the Governor's Office and the LDED, revised the GO Zone allocation process and

[38]Depending on the bond issuer in Louisiana, bonds have either a two-step or a four-step approval process. For public trusts and industrial development boards that issue bonds, the bonds must receive both preliminary and final approval from the bond issuer and the Louisiana SBC. For other bond issuers, only final approval is needed from the issuer and the SBC.

[39]In April 2008, a newly-elected Governor issued an executive order officially declaring that the Governor's Office would not issue final allocation letters to GO Zone bond recipients.

established two pools of allocation authority—a “designated pool” for the 13 most-damaged parishes and a “competitive pool” for the rest of the GO Zone parishes. While the designated pool resembled the SBC’s original concept, the list of the 13 parishes targeted for GO Zone bond allocations was updated based in part on FEMA data on businesses and infrastructure damage and HUD data on major and severe housing damage.[40] Each pool was to receive half of the remaining GO Zone bond authority, or about $1.7 billion per pool. Further, each of the 13 parishes in the designated pool was to receive GO Zone bond allocation authority in proportion to the degree of damage sustained. In addition, projects that had received preliminary approval earlier were put on hold and had to qualify for final approval by satisfying certain criteria relating to the number of jobs created and overall economic effect.

The Louisiana SBC announced allocation awards in October 2007, awarding allocations for all remaining authority in the competitive pool with about $900 million of allocation authority remaining in the designated pool. From October 2007 to April 2008, GO Zone bond projects faced difficulty obtaining credit due in part to changing market conditions nationwide, and some GO Zone projects requested additional time to complete their issuance.[41] However, some bond commissioners expressed concern that repeatedly extending the period to issue GO Zone bonds allowed less viable projects to retain their allocations while other applications were waiting for consideration.

On the basis of its March 2008 review of Louisiana’s GO Zone bond process requested by the newly elected Governor, the LDED acknowledged that the Louisiana GO Zone bond process lacked effective prioritization mechanisms and lacked mechanisms to ensure selected projects would be viable, and that the changing rules had led to disappointment and confusion among some stakeholders. Therefore, the LDED recommended that the Louisiana SBC revise its rules for allocating the remaining private activity bond authority. In April 2008, the Louisiana SBC adopted the LDED’s recommendations and, among other recommendations, took the following actions:

[40]Based in part on the review of FEMA and HUD damage data, Iberia and Terrebonne parishes were added to the designated pool in 2007, replacing St. Charles and St. John the Baptist parishes on the 2006 list.

[41]According to an LDED official, GO Zone bond projects have continued to face difficulty obtaining credit due to changing market conditions through the summer of 2008.

- Award authority in the competitive pool to applicants that applied before November 2007 on a first-come, first-served basis. After making awards to those existing applicants, future awards from the competitive pool will be prioritized based on whether the LDED determines that the proposed project is consistent with Louisiana's longer-term economic development strategy. However, even if the LDED does not designate a project as consistent with Louisiana's longer-term economic development strategy, the projects are considered by the SBC on a first-come, first-served basis, and, at the SBC's discretion, may or may not be awarded an allocation.[42]
- Limit the amount of authority that any single developer can receive to $100 million going forward.
- Allow local jurisdictions in the designated pool to recommend projects to the Louisiana SBC for approval, and local jurisdictions may recommend projects exceeding the $100 million limit, as long as the local jurisdiction is located in a designated pool parish that has allocation authority remaining and the parish approves the allocation.
- Impose a 240-day period to issue bonds after receiving allocations.
- Require, in addition to the regular application fee, that applicants must submit a refundable deposit totaling 0.5 percent of the proposed allocation with their application.[43] This change also applied to the applicants that had received allocations but had not yet issued bonds as a condition for them to receive the full 240-day extension of their allocation time limit.[44]

In May 2008, the Louisiana SBC awarded GO Zone bond authority to applicants in the competitive pool pending before November 2007 as well as to all other pending applications on the basis of the prioritization policy described above, effectively exhausting the competitive pool allocation authority on a first-come, first-served basis. As of June 2008, parishes in the designated pool have bond authority remaining to allocate. According to Louisiana officials, if the designated pool parishes have not issued bonds for all of their authority by the beginning of 2010, the remaining authority will be available to both the competitive and designated pools during 2010.

[42]According to Louisiana SBC officials, through June 2008 as long as allocation authority has been available, the SBC has approved GO Zone private activity bond project applications.

[43]Previously, GO Zone bond applicants had to submit a refundable flat escrow deposit of $7,500.

[44]The new requirement for previously approved applicants that had not yet issued bonds to submit the refundable deposit has resulted in at least one lawsuit.

States Used Existing Procedures to Award GO Zone LIHTCs and Will Use Existing Procedures to Monitor Compliance with Applicable Federal Laws

The HFAs from the five eligible states used their existing procedures to announce the availability of credits, process applications, and award GO Zone LIHTCs. Three of the five states announced the availability of GO Zone LIHTCs in their qualified allocation plans (QAP), which HFAs use to announce the availability of credits, eligibility criteria, and information on ranking applications. The Florida HFA had already finalized its QAP in 2006 (before the state received the extra GO Zone allocation), so the availability of these funds was not announced in the QAP, but was advertised at the beginning of the 2006 funding cycle. Similarly, the Texas HFA announced the availability of GO Zone LIHTCs through a separate policy because its QAP had already been published. Officials from each state HFA stated that they used their existing procedures to process GO Zone LIHTC applications and to award the credits. These processes generally include scoring and ranking applications, reviewing market studies and environmental assessments, underwriting, and making funding recommendations to the boards.

States generally announced funding priorities for each funding cycle through their QAPs. According to the 2006 through 2008 QAPs and HFA officials, in some funding cycles the HFAs for Louisiana, Mississippi, and Texas gave priority to projects that were to be developed in the GO Zone counties with the most hurricane-related damage. For example, according to the 2007/2008 QAP for Louisiana, at least 75 percent of the 2007 and 2008 GO Zone credits were reserved for parishes with significant numbers of rental housing with damage from Hurricanes Katrina and Rita. While 13 specific parishes were targeted in Louisiana for GO Zone bonds, the QAP targeted 8 parishes for GO Zone LIHTCs.[45] The QAPs for Alabama and Florida did not give any priority to projects in the most-damaged GO Zone counties. According to the addendum to Alabama's 2006 QAP, the HFA's priority was to balance the distribution of credits throughout the state in terms of geographical regions, counties, and urban and rural areas. Officials from the Florida HFA stated that the need to prioritize the GO Zone counties with the most damage was mitigated by an agency policy to prioritize the counties that were hardest hit by 2004 and 2005 hurricanes, which already included some of the GO Zone counties.

[45] The 8 parishes targeted for GO Zone LIHTCs in the 2007/2008 Louisiana QAP include: Calcasieu, Cameron, Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, and Vermillion.

HFAs are required to annually monitor LIHTC-funded projects for compliance with the Internal Revenue Code once projects are complete and in service, and report any instances of noncompliance to the IRS after giving the owner time to correct the problem.[46] As a part of this annual monitoring process, officials review documentation to ensure that the properties meet one of two tests that restrict both the amount of rent that is assessed to tenants and the income of eligible tenants.[47] In addition, at least once every 3 years, HFAs must conduct on-site inspections of all buildings in a project and, for at least 20 percent of the project's low-income units, inspect the units and review income and rent records. For example, the Alabama HFA's compliance manual states that its staff will perform annual file reviews, including site visits as needed, to ensure that the owner is operating the project in compliance. Similarly, according to the Louisiana HFA compliance manual, staff will annually review compliance monitoring reports, which all project owners are required to submit, and periodically conduct on-site visits. We did not assess the extent to which monitoring policies have been followed since few GO Zone LIHTC-funded units had been placed in service as of April 2008.

Louisiana and Mississippi Adopted Different Approaches for Issuing Tax Credit Bonds; Alabama Did Not Issue Tax Credit Bonds

The Louisiana SBC issued tax credit bonds matched by the state with general obligation bonds and will retire the bonds by July 17, 2008, by refunding them with tax-exempt general obligation bonds. The state accepted applications from local entities to receive funds from the tax credit bond proceeds. In Mississippi, the State Treasurer's Office issued tax credit bonds matched by state general fund money to provide temporary debt relief at the state level. They will retire these bonds on October 30, 2008. Both states rely on the state's bond counsel opinions to ensure that the tax credit bonds are issued in accordance with applicable federal laws.

Alabama did not issue the tax credit bonds because officials in Alabama's Debt Management Division believed the deadline for issuing tax credit bonds would expire before the state would be able to issue general

[46] 26 C.F.R. sec. 1.42-5.

[47] To satisfy the first test, at least 20 percent of the units must be occupied by individuals with income of 50 percent or less of the area's median gross income, adjusted for family size. To satisfy the second test, at least 40 percent of the units must be occupied by individuals with income of 60 percent or less of the area's median gross income, adjusted for family size.

obligation bonds. Alabama officials said the state is required to amend its constitution to issue general obligation bonds; as we noted earlier, states are required to issue the GO Zone tax credit bonds as general obligation bonds. As such, Alabama officials did not believe they would be able to meet the deadline for issuing the tax credit bonds.

States Generally Allocated Additional Advance Refundings on a First-Come, First-Served Basis and Rely on Bond Counsel to Ensure Compliance with Applicable Laws

The Governor of Alabama delegated the responsibility to allocate advance refundings to the Finance Director. Alabama allocated advance refundings on a first-come, first-served basis as counties and bond authorities submitted advance refunding applications to the Alabama Department of Finance, Debt Management Division. According to Alabama officials, as long as the bond issuer and bond counsel certified that the bonds qualified for advance refunding, the state approved the application.

In Louisiana, additional advance refunding applicants were to apply to the Louisiana SBC, with a copy being sent to the Governor's Office. Applications for additional advance refunding authority were approved on a first-come, first-served basis. Louisiana indicated the state will approve eligible advance refundings on a first-come, first-served basis until $1.5 billion of allocation authority remains and then will develop criteria to allocate the remaining authority. The issuer's bond counsel must indicate in writing that the bonds meet applicable requirements.

The Mississippi State Treasurer's Office, along with other state agencies, made cities, counties, and other governmental debt issuers aware of the additional advance refunding provision. It then allocated additional advance refunding authority to entities that applied to the Treasurer's Office generally on a first-come, first-served basis after the issuer's bond counsel indicated the bonds met the eligibility requirements for GO Zone additional advance refundings and the State Treasurer certified that the issuer filed a completed application.

Most GO Zone Private Activity Bonds Have Been Allocated for a Range of Private Facilities and LIHTCs for Rental Housing; States Used Debt Relief Provisions to Varying Degrees

As of mid-June 2008, states with GO Zones had allocated 87 percent of their authority for GO Zone tax-exempt private activity bonds and as of April 2008 about 95 percent of their LIHTC authority. However, bonds have been issued for only about half of the final allocations, representing 44 percent of the total GO Zone tax-exempt private activity bond authority, and few LIHTC units were in service. As of those dates, Alabama, Louisiana, and Mississippi used GO Zone private activity bonds to finance a broad range of private facilities, including manufacturing facilities, utilities, housing, retail facilities, hotels, and other facilities. Depending on circumstances such as time frames for issuing the bonds and the number of eligible bonds available, states' use of GO Zone tax credit bonds and additional advance refundings varied. States used these latter two provisions to provide debt relief at the state and local level. State officials identified some challenges in making use of all four provisions.

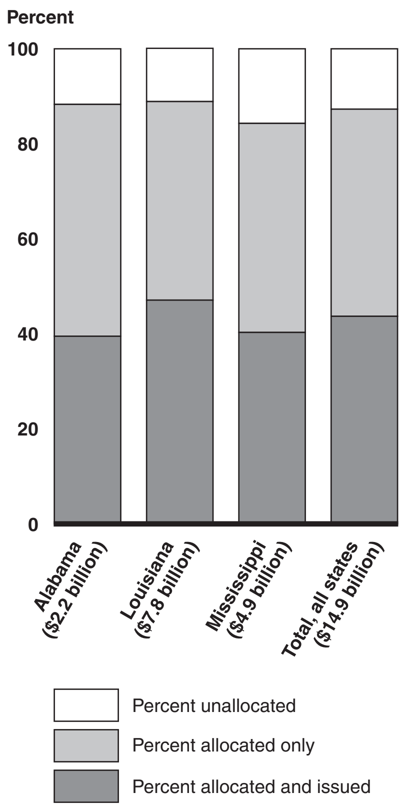
Gulf Coast States Have Allocated about 87 Percent of Private Activity Bond Authority for a Wide Range of Private Facilities, but Bonds Have Only Been Issued for about Half of the Awarded Authority

As of mid-June 2008, the three eligible states have allocated 87 percent of the $14.9 billion in GO Zone private activity bond authority, and bonds issued amounted to about 44 percent of the total allocation authority (see fig. 2). Alabama, Louisiana, and Mississippi have allocated 88 percent, 89 percent, and 84 percent of their GO Zone private activity bond authority, respectively.[48] Bonds had been issued for about half of the allocation authority that the states awarded. If applicants receiving private activity bond allocations cannot issue bonds within required time frames, the allocation authority is returned to the state to be reallocated. States have used these bonds for a wide range of facilities as allowed under the act. For example, states used GO Zone bonds for manufacturing facilities, utilities, housing, hotels, conference centers, retail facilities, and a variety of other private business activities. Under normal rules for tax-exempt private activity bond financing, some of these uses, including hotels and retail facilities, would not be allowed. For a listing of GO Zone private

[48] Alabama has about 12 percent of its allocation authority remaining but most of the remaining authority (about $230 million) is currently being reserved for one specific project according to Alabama Department of Finance officials. The project is not located in a GO Zone county, but Alabama is seeking a legislative change to expand the number of counties eligible for GO Zone bond authority.

activity bonds issued in Alabama, Louisiana, and Mississippi as of mid-June 2008, see appendix I.[49]

Figure 2: Amount and Status of GO Zone Bond Authority, by State



Source: GAO analysis of Alabama, Mississippi, and Louisiana data as of mid-June 2008.

Note: As of mid-June 2008, all remaining allocation authority in Louisiana is set aside for the dedicated pool of the 13 most-damaged parishes.

In all three eligible states, larger bonds account for at least 69 percent of the total GO Zone bonds issued. As of mid-June 2008, the 10 largest bonds issued in Alabama, Louisiana, and Mississippi account for approximately 92 percent, 76 percent, and 69 percent of total bonds issued, respectively. This is one indication that borrowers financing larger projects may have been able to use the GO Zone tax-exempt private activity bonds to a

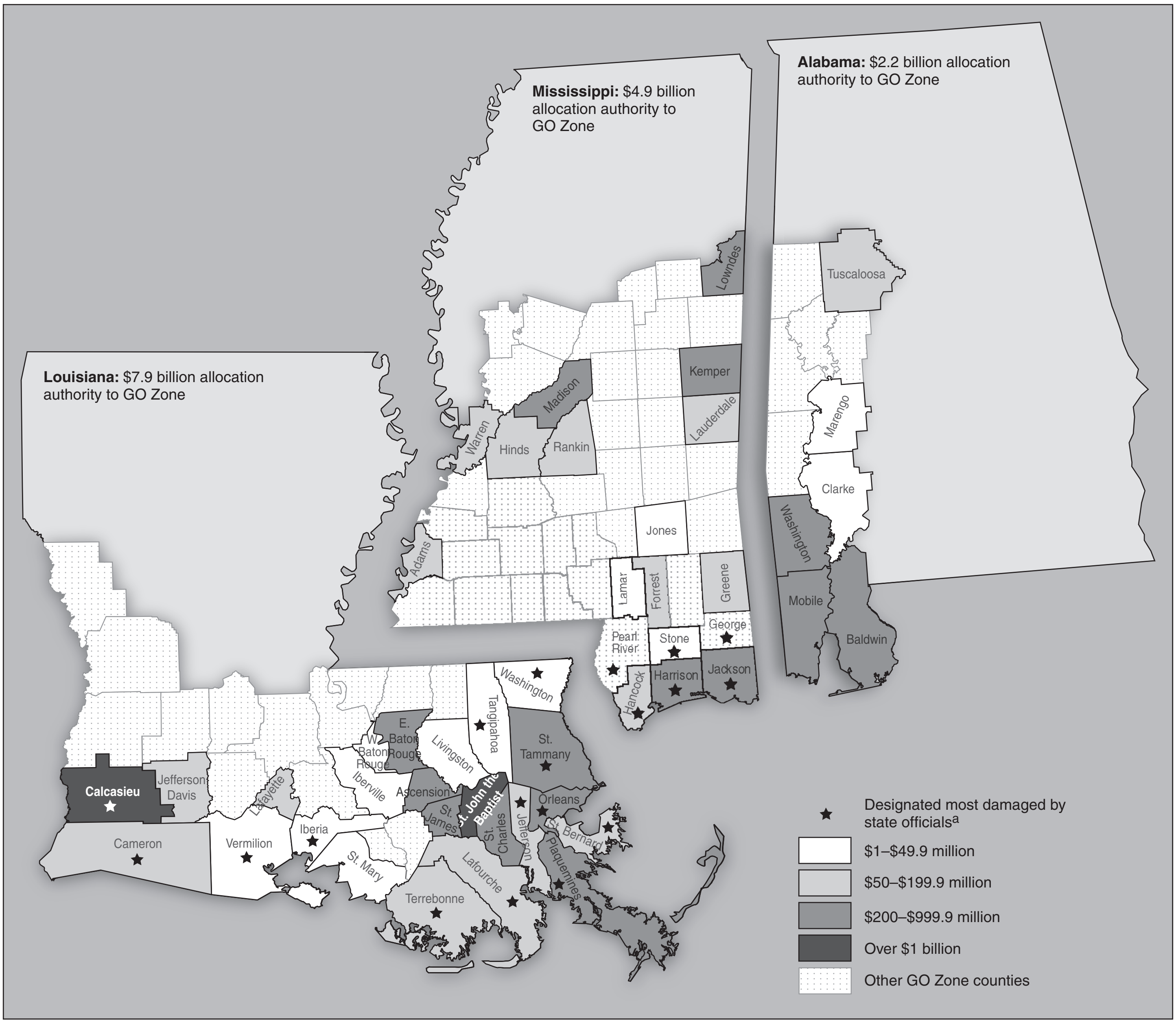
[49]As of mid-June 2008, Alabama, Louisiana, and Mississippi had $254 million, $874 million, and $770 million in allocation authority remaining, respectively.

greater extent than borrowers financing smaller projects. Officials in Louisiana and Mississippi said that smaller projects, such as those issuing bonds for less than about $2 or $3 million, may have a more difficult time using the GO Zone private activity bond provision because the issuance costs, including fees for legal and financial advisors, begin to account for a larger percentage of bond proceeds for smaller bonds than for larger bonds.[50]

Some GO Zone parishes and counties contained multiple projects that received GO Zone bond allocations, with total amounts in the counties and parishes ranging from less than $1 million to over $1 billion. The states also awarded projects that were to benefit multiple GO Zone counties and parishes. Alabama awarded 7 percent of its GO Zone private activity bond authority to projects affecting multiple counties. Louisiana awarded 6 percent of its authority to projects affecting multiple parishes and Mississippi awarded 29 percent of its authority in a similar manner. Figure 3 shows the range of GO Zone tax-exempt private activity bond allocations by state and by county or parish as of mid-June 2008. Even though the figure indicates that some of the most-damaged counties and parishes in Mississippi and Louisiana did not yet have any specific projects that have received GO Zone bond allocations as of June 2008, these counties and parishes may have benefited from some of the projects affecting multiple counties or parishes within that state.

[50]The State of Mississippi has the Small Enterprise Development (SED) program where bond proceeds are pooled and used for a number of smaller projects. The program allows smaller projects to benefit from GO Zone bond program while keeping interest costs as a percent of bond proceeds lower than if each project issued a bond separately.

Figure 3: GO Zone Bond Authority Allocated Amounts (Including Bonds Issued), by County and Parish



Sources: GAO analysis of state data; Map Resources (maps).

Notes: Some GO Zone private activity bond allocations are to affect multiple counties or parishes in the GO Zones. Mississippi data show that 29 percent of the allocations benefit multiple counties. Alabama and Louisiana data indicate that 7 percent and 6 percent of the allocation authority has benefited multiple counties or parishes, respectively. Some counties and parishes have not received specific GO Zone bonds, but, some of these counties and parishes may have benefited from bonds for projects affecting multiple counties or parishes.

The data in the figure above represent allocations, including issued bonds. The allocations are subject to change and can be returned to the state for reallocation if bonds are not issued within required time frames.

[a]As of September 2007, Louisiana designated a pool of the 13 most-damaged parishes to receive 50 percent of the GO Zone tax-exempt private activity bond allocation authority. Mississippi officials recognized the six southernmost counties as those with the most damage but did not set aside a specific amount.

Projects are experiencing challenges in issuing the GO Zone private activity bonds. According to state officials and others we interviewed:

- private businesses may need to combine tax-exempt bond financing with other federal, state, or local subsidies for a project to be viable;
- risks associated with financing projects in areas most vulnerable to future natural disasters can make it difficult to sell the bonds;
- insurance costs have risen since the 2005 hurricanes;
- reduced availability of credit nationwide has made it more difficult to issue bonds; and
- the most heavily damaged areas in and around New Orleans, Louisiana, may not be able to use their designated allocation authority before it expires in 2010.

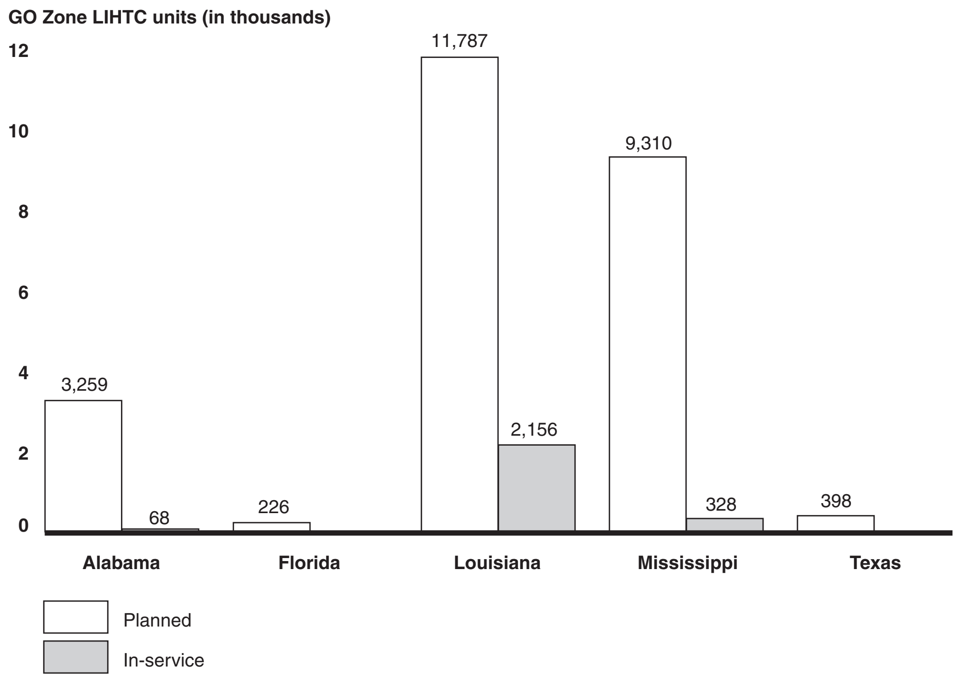
The Five States Combined Have Awarded 95 Percent of Their LIHTC Allocation; Few Planned Units Were In Service as of April 2008

The five eligible states have awarded 95 percent of the combined $330 million in additional tax credit allocation from 2006 through 2008 as provided under the GO Zone Act of 2005. The state HFAs for Florida, Mississippi, and Texas awarded all of the $113 million of the additional GO Zone LIHTC allocations from 2006 through 2008. As of April 2008, the Alabama HFA had awarded 74 percent of its $47 million GO Zone LIHTC allocation for 2006 through 2008.[51] The agency awarded all of its 2006 and 2007 allocations, and was in the process of awarding its nearly $16 million 2008 GO Zone LIHTC allocation. The Louisiana HFA had awarded all of its GO Zone LIHTCs, but some have since been returned.

[51]The Alabama HFA awarded all of its remaining GO Zone LIHTCs on June 23, 2008, after we had requested data on the extent to which the credits had been awarded.

Few of the planned GO Zone LIHTC funded units were in service as of April, 2008 (see fig. 4). While LIHTC-funded units are generally required to be placed in service within 2 years of credit allocation, Congress extended this requirement for units funded with GO Zone LIHTCs. GO Zone LIHTC-funded units (as well as regular LIHTC units funded during 2006 through 2008 in a GO Zone) must be placed in service before January 1, 2011.[52]

Figure 4: Comparison of GO Zone LIHTC Planned and In-service Units



Source: State housing finance agencies for Alabama, Florida, Louisiana, Mississippi, and Texas.

Note: All GO Zone LIHTC units must be placed in service before January 1, 2011. Data are as of April 2008.

Officials from the five HFAs that received GO Zone LIHTCs told us that most units are anticipated to be in service within the required time frames, but that they are working to address challenges to help ensure that all units are placed in service by the deadline. One of the challenges that some HFA officials stated that they are facing is the declining market value

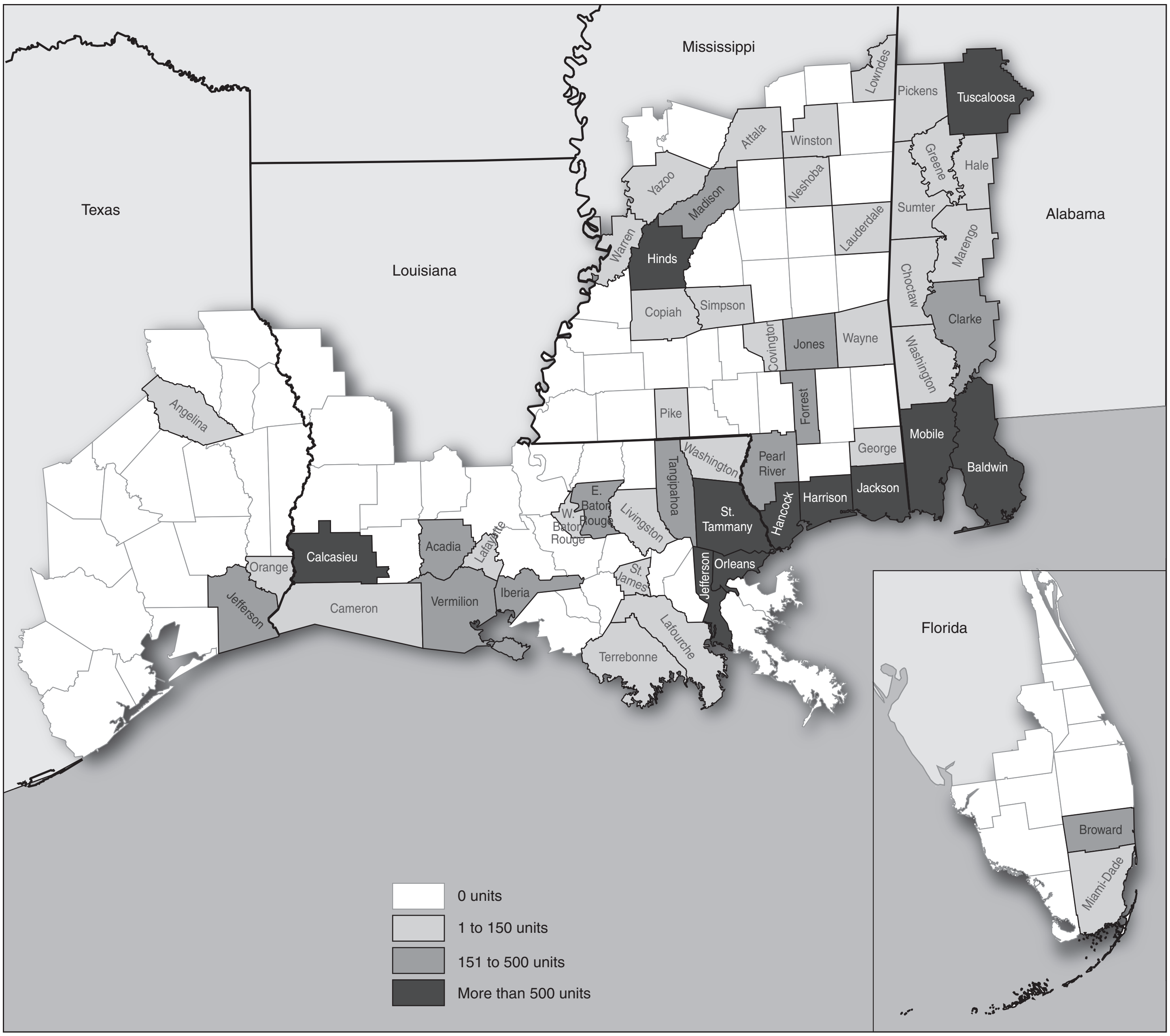
[52]26 U.S.C. sec. 1400N(c)(5).

of tax credits.[53] As the value of tax credits declines, developers get less equity from investors for each dollar in tax credits awarded. As a result, developers must seek additional funding sources to make up for the equity shortfall. HFA officials from Alabama, Louisiana, and Mississippi also explained that they have encountered resistance from some communities to the development of affordable rental housing. Such resistance generally slows development, as developers try to work out such issues with local officials. In addition, HFA officials noted that other challenges include the need to address environmental issues, and increases in the total costs to develop projects, due to increased costs for labor, materials, and land.

The number of planned GO Zone LIHTC-funded units, and units placed in service as of April 2008, varies by GO Zone parish and county (see fig. 5 and app. II, table 5). As an example, the total number of planned and in-service units ranged from a low of 24 units in Washington County, Alabama, to a high of 8,636 in Orleans Parish, Louisiana. In most counties, from 1 to 150 units were either planned or in service as of April 2008. In other GO Zone counties, no GO Zone LIHTC-funded units are planned. Our analysis focuses on GO Zone LIHTC-funded units, and it is important to note that other programs can also be used to fund affordable rental housing, such as HUD programs and other state and local programs.

[53]See Alex Frangos, "Credit Losses Stall Affordable-Housing Projects," *The Wall Street Journal*, March 12, 2008, Eastern edition, p. B.1; Rebecca Mowbray, "Market Crunch Hinders New Housing," *The Times Picayune*, March 28, 2008.

Figure 5: Planned and In-service GO Zone LIHTC-funded Units by County and Parish



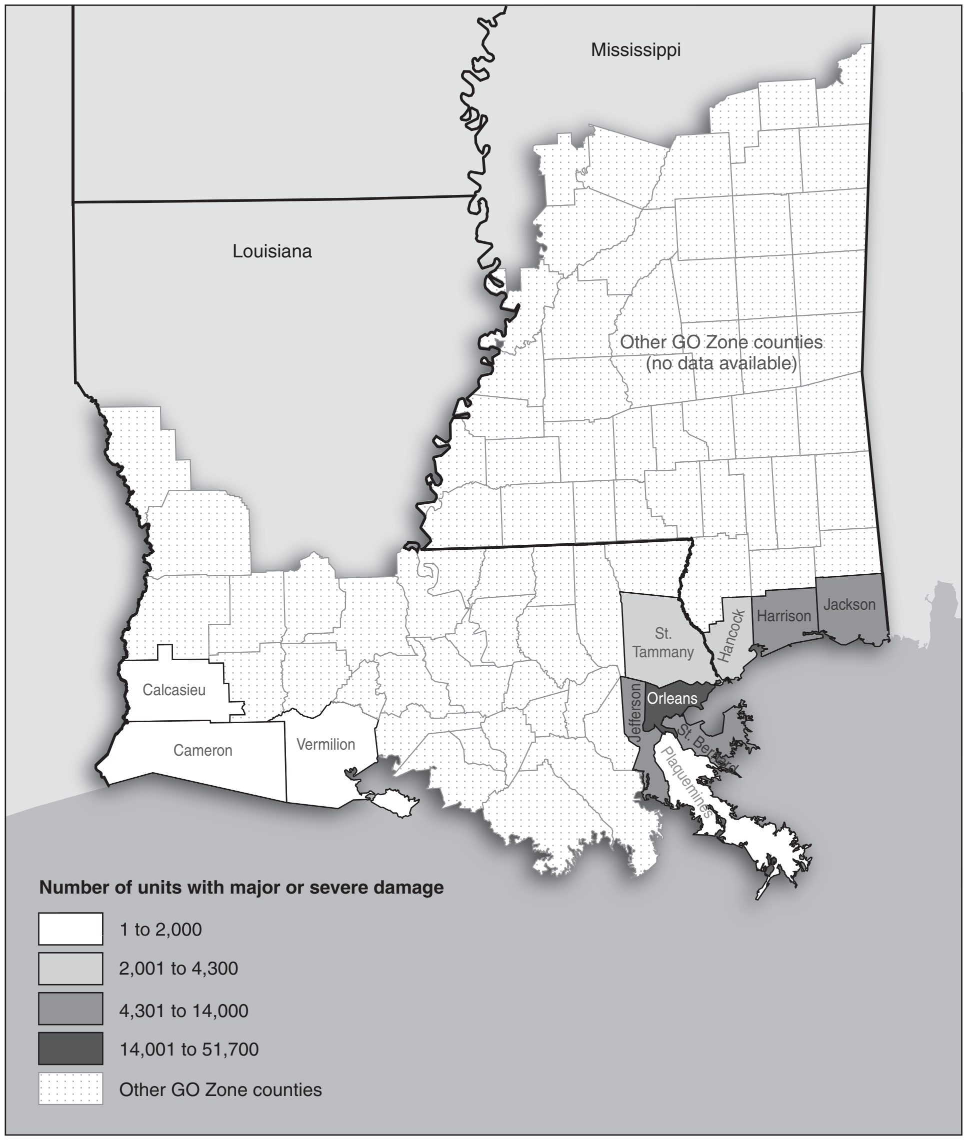
Sources: State housing finance agencies for Alabama, Florida, Louisiana, Mississippi, and Texas as of April 2008 (data); Map Resources (maps).

Note: Planned units are those that received tax credit awards but were not in service as of May 1, 2008; in-service units are those that were in service prior to May 1, 2008, unless otherwise classified by the HFA.

According to statewide HUD data, over 82,000 rental housing units in Louisiana and over 20,000 rental housing units in Mississippi had major or severe damage. Of these units, nearly 80,000 were in eight Louisiana parishes and about 19,200 were in three Mississippi counties (see fig. 6). In Louisiana and Mississippi, the number of rental units with major or severe damage ranged from a low of 468 in Vermilion Parish, Louisiana, to a high of nearly 52,000 units in Orleans Parish, Louisiana.[54]

[54]While HUD data on housing unit damage are also available for selected counties in Alabama, Florida, and Texas, these data do not differentiate between rental and owner-occupied units, thus we excluded data from these three states from our analysis.

Figure 6: Selected Louisiana Parishes and Mississippi Counties with Major or Severe Damage to Rental Housing



Sources: U.S. Department of Homeland Security, Office of the Federal Coordinator for Gulf Coast Rebuilding (data); Map Resources (maps).

Note: Data are from Department of Homeland Security, Office of the Federal Coordinator for Gulf Coast Rebuilding, "Current Housing Unit Damage Estimates, Hurricanes Katrina, Rita and Wilma" (Feb. 12, 2006). County-level data on major and severe damages to rental housing units were not available for Alabama, Florida, or Texas.

Comparing the number of planned and in-service GO Zone LIHTC-funded units to the number of rental housing units with major or severe damage shows that about 17 percent of the rental housing units with major or severe damage in the state of Louisiana, and 45 percent of the similarly damaged units in the state of Mississippi, will be addressed by GO Zone LIHTC units. While other programs can also be used to fund affordable rental housing, our analysis focuses on GO Zone LIHTC-funded units. The extent to which damaged units will be addressed varies by county and parish (see fig. 7 and app. II, table 5).

Figure 7: Planned and In-service GO Zone LIHTC-funded Units as a Percentage of Rental Housing Units with Major or Severe Damage for Selected Counties and Parishes

Sources: U.S. Department of Homeland Security, Office of the Federal Coordinator for Gulf Coast Rebuilding, state housing finance agencies for Mississippi and Louisiana (data); Map Resources (maps).

Note: Data are from Department of Homeland Security, Office of the Federal Coordinator for Gulf Coast Rebuilding, "Current Housing Unit Damage Estimates, Hurricanes Katrina, Rita and Wilma" (Feb. 12, 2006). Planned units are those that were not in service as of May 1, 2008; in-service units are those that were in service prior to May 1, 2008, unless otherwise classified by the HFA. County level data on major and severe damages to rental housing units were not available for Alabama, Florida, or Texas.

Louisiana and Mississippi Exhausted Their Tax Credit Bond Allocation Authority

Louisiana and Mississippi issued a total of $300 million of GO Zone tax credit bonds, exhausting their allocation authority. Louisiana issued its $200 million of the tax credit bonds to distribute funds through a “Debt Service Assistance Fund” to selected local government entities that applied to the State Bond Commission. In all, 13 local government entities in New Orleans and the surrounding area received bond proceeds from Louisiana’s tax credit bonds and general obligation matching bonds. The local governments used the funds to make premium and interest payments on bonds issued before August 28, 2005. Mississippi issued $100 million of the tax credit bonds to make debt service payments on state bonds for fiscal year 2007.

As discussed above, Alabama did not issue tax credit bonds because state officials did not believe they would be able to meet the requirements for issuing general obligation bonds (tax credit bonds must be general obligations of the state) before the provision expired.

Mississippi officials indicated that educating investors about the mechanics of tax credit bonds—that investors receive a credit against tax liability but no interest payments—proved to be one challenge in marketing the bonds to investors.

Alabama Has Issued a Larger Percentage of the State’s Advance Refunding Authority than Louisiana or Mississippi

In total, Alabama, Louisiana, and Mississippi have issued GO Zone additional advance refunding bonds accounting for 16 percent of their total allocation authority. As of mid-June 2008, Alabama had issued 65 bonds and approved an additional 19 advance refundings, totaling $599 million, or about 53 percent of its allocation authority. In contrast, Louisiana has issued 9 advance refundings, totaling $483 million, or about 11 percent of its allocation authority, and Mississippi has only issued 6 advance refundings, totaling $169 million, or about 8 percent of its allocation authority. Appendix III lists the additional advance refunding bonds issued in Alabama, Louisiana, and Mississippi.

Similar to the case of other tax incentives such as private activity bonds and tax credit bonds, the states faced certain challenges in issuing additional advance refundings. According to state officials in Louisiana and Mississippi, some bonds for which the state may have been able to approve an additional advance refunding still had both the original bond awaiting its call date and the first advance refunding bond outstanding. Under the GO Zone Act of 2005, such bonds are ineligible for an additional advance refunding. Also, according to officials in Louisiana, some debt had already been refunded before the hurricanes at lower interest rates than those available after the 2005 hurricanes.

Agency Comments

We provided state officials in Alabama, Florida, Louisiana, Mississippi, and Texas with portions of the draft report that addressed aspects of GO Zone tax incentive allocation and use in their jurisdictions. We incorporated their technical comments as appropriate. We also provided relevant sections of the report to the Internal Revenue Service and the Office of Tax Policy, Department of the Treasury. We also incorporated their technical comments as appropriate.

We are sending copies of this report to the interested congressional committees, the Commissioner of Internal Revenue, the Secretary of Housing and Urban Development, and other interested parties. We will make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions on matters discussed in this report or would like additional information, please contact me at (202) 512-9110 or at brostekm@gao.gov. Major contributors to this report are acknowledged in appendix V.

Michael Brostek
Director, Tax Issues

Appendix I: Gulf Opportunity (GO) Zone Tax-Exempt Private Activity Bonds Issued

Table 2: GO Zone Bonds Issued in Alabama, Largest to Smallest

Issuer	Approved project	Amount (dollars)	Project description	County
Industrial Development Board (IDB) of the City of Mobile	Alabama Power Company	$246,500,000	Solid Waste Facilities	Mobile
IDB of the Town of Chatom	Alabama Electric Cooperative, Inc.	125,000,000	Power Plant Equipment	Washington
Alabama Housing Finance Authority	Single-Family Mortgages	100,000,000	Single-Family Mortgages	Multiple
Spanish Fort Redevelopment Authority	Cypress Spanish Fort I, L.P.	89,300,000	Retail	Baldwin
City of Tuscaloosa, Tuscaloosa County Port Authority	Cypress Equities Southeast-Midtown Village	62,500,000	Retail	Tuscaloosa
Industrial Development Authority of Washington	Bay Gas Storage Company, Ltd.	55,000,000	Natural Gas Facility	Washington
IDA (IDA) of Tuscaloosa County	Hunt Refining Company	50,000,000	Natural Gas Facility	Tuscaloosa
The City of Tuscaloosa, Tuscaloosa County Port Authority	Riverfront Development Joint Venture	25,000,000	Office Building — multi-use	Tuscaloosa
IDB of the City of Mobile	Standard Concrete Products, Inc.	20,000,000	Concrete Facility	Mobile
The Medical Clinic Board of the City of Gulf Shores, Alabama	Colonial Pinnacle MOB, LLC	13,400,000	Medical Office	Baldwin
IDB of the City of Mobile	Alter Trading Corporation	10,000,000	Scrap Metal Recycle Facility	Mobile
Alabama Housing Finance Authority	Single-Family mortgages	10,000,000	Home Loans	Multiple
Clarke County Commission	Clarke County	6,921,363	Industrial Park	Clarke
The Downtown Redevelopment Authority of the City of Mobile	Lafayette Plaza, LLC	6,500,000	Hotel	Mobile
IDB of the City of Mobile	High Prov. LLC	6,000,000	Hotel	Mobile
City of Tuscaloosa, Tuscaloosa County Port Authority	Forest Manor, Inc.	5,000,000	Nursing Home	Tuscaloosa
The Medical Clinic Board of the City of Mobile—Springhill	Southern Medical Health Systems, Inc.	3,800,000	Medical Office	Mobile
Tuscaloosa County IDA	Cypress Point, LLC	3,500,000	Offices	Tuscaloosa
IDB of the City of Mobile	Standard Concrete Products, Inc.	3,000,000	Concrete Facility	Mobile
IDB of the City of Mobile	EBSCO Industries, Inc., a Delware Corporation	2,940,000	Office and Warehouse	Mobile
Marengo County Port Authority	Demopolis Hotel	2,600,000	Hotel	Marengo
Tuscaloosa County IDA	PLM, LLC	2,600,000	Medical Office	Tuscaloosa

Issuer	Approved project	Amount (dollars)	Project description	County
Tuscaloosa County IDA	BRJJ, LLC	2,500,000	Self-storage Facility	Tuscaloosa
City of Jackson	New Ear Cap Co.	1,500,000	Manufacturing Plant	Clarke
IDB of the City of Demopolis	Jackson Paper Company (formerly known as Newell Paper Company)	1,345,000	Warehouse	Marengo
City of Foley	McKenzie Center, LLC	1,200,000	Office building—multi-use	Baldwin
Tuscaloosa County IDA	Mexico North, LLC	1,141,000	Restaurant	Tuscaloosa
Tuscaloosa County IDA	DJD Investments, LLC	750,000	Maintenance Building	Tuscaloosa

Source: GAO analysis of Alabama data.

Note: Bond data are as of mid-June 2008.

Table 3: GO Zone Bonds Issued in Louisiana, Largest to Smallest

Issuer	Approved project	Amount	Project description	Parish
St. John the Baptist Parish Council	Marathon Oil Corp.	$1,000,000,000	Oil Refinery	St. John the Baptist
Lake Charles Harbor and Terminal District	Lake Charles Cogeneration Project	1,000,000,000	Petroleum Coke Gasification	Calcasieu
Louisiana Community Development Authority	Westlake Chemical Corporation	250,000,000	Expansion of Chemical Plants	Multiple
IDB of Ascension Parish	International Matex Terminal	165,000,000	Liquid Logistics Center	Ascension
Louisiana Offshore Terminal Authority	Louisiana Offshore Terminal Authority	120,000,000	Offshore Tank Storage Facility	Multiple
IDB of the Parish of East Baton Rouge	Stupp Brothers, Inc.	60,000,000	Pipe Mill	East Baton Rouge
Louisiana Public Facilities Authority	II City Plaza, LLC	60,000,000	Office Building and Parking Garage	East Baton Rouge
Louisiana Public Facilities Authority	International Matex Tank Terminals	50,000,000	Liquid Logistics Center	St. Charles
Louisiana Housing Finance Agency	Single-Family Mortgages	50,000,000	Single-Family Mortgages	Multiple
Louisiana Housing Finance Agency	Single-Family Mortgages	50,000,000	Single-Family Mortgages	Multiple
Louisiana Public Facilities Authority	Bluebonnet Hotel Ventures, LLC	50,000,000	Hotel	East Baton Rouge
Louisiana Housing Finance Agency	Single-Family Housing	49,995,340	Single-Family Housing	Multiple
St. Tammany Parish Development District	Rooms to Go St. Tammany, LLC	45,000,000	Distribution Facility	St. Tammany
Jefferson Parish Finance Authority	Single Family Mortgages	41,920,250	Single-Family Mortgages	Jefferson

Issuer	Approved project	Amount	Project description	Parish
East Baton Rouge Mortgage Finance Authority	Mortgage-Backed Securities	40,850,968	Single-Family Mortgages	East Baton Rouge
Finance Authority of St. Tammany Parish	Single-Family Mortgages	39,754,080	Single-Family Mortgages	St. Tammany
Louisiana Public Facilities Authority	Coca-Cola Bottling Company Project	36,125,000	Manufacturing Facility	East Baton Rouge
Louisiana Community Development Authority	VSS-Southern Theatres	32,635,000	Stadium Theatres	Multiple
Jefferson Parish Finance Authority	Single-Family Mortgages	31,402,598	Single-Family Mortgages	Jefferson
St. Bernard Parish Home Mortgage Authority	Single-Family Mortgages	29,999,719	Single-Family Mortgages	St. Bernard
Lafayette Public Trust Financing Authority	Single-Family Mortgages	29,999,520	Single-Family Mortgages	Lafayette
Lafayette Economic Development Authority	Stirling Lafayette	29,400,000	Shopping Mall	Lafayette
Jefferson Parish Finance Authority	Single-Family Mortgages	28,645,000	Single-Family Mortgages	Jefferson
Louisiana Community Development Authority	LA Ship, LLC	25,000,000	Shipyard, Drydock and Manufacturing Facility	Terrebonne
Louisiana Public Facilities Authority	Air Products and Chemicals Project	25,000,000	Manufacturing Facility	Orleans
Louisiana Community Development Authority	Southgate Suites, LLC	25,000,000	Staybridge Suites Hotel	East Baton Rouge
Jefferson Parish Finance Authority	Single-Family Mortgages	20,899,968	Single-Family Mortgages	Jefferson
Louisiana Public Facilities Authority	Summa Associates, LLC	20,000,000	Commercial Office Building	East Baton Rouge
Louisiana Public Facilities Authority	Pipeline Technology VI, LLC	16,500,000	Benzene Pipeline	Multiple
Louisiana Housing Finance Agency	Canterbury House Apartments—Sherwood	16,000,000	Apartment Complex	East Baton Rouge
Houma-Terrebonne Public Trust Financing Authority	Single-Family Mortgages	15,726,000	Single-Family Mortgages	Terrebonne
Denham Springs/Livingston Housing and Mortgage Finance Authority	Single-Family Housing	14,998,875	Single-Family Housing	Livingston
Louisiana Public Facilities Authority	GCGK Investments, LLC	13,260,000	Storage and Distribution Center (Oilfield Supplies)	Terrebonne
Louisiana Community Development Authority	Carter Plantation Hotel	12,735,000	Hotel and Meeting Facility	Livingston
Louisiana Community Development Authority	Margerko Management, LLC/84 Lumber Co.	12,600,000	Lumber Facilities	Multiple

Issuer	Approved project	Amount	Project description	Parish
Hospital Service District No. 1 of East Baton Rouge Parish	Hospital Service District No. 1 of East Baton Rouge Parish	12,500,000	Medical Office Building	East Baton Rouge
Greater Lafourche Port Commission	VIH Helicopters USA	10,000,000	Search and Rescue Gulf of Mexico Deep Water Base and Helicopter Transportation Facility	Lafourche
Louisiana Public Facilities Authority	Southern Ionics Incorp. Project	10,000,000	Chemical Manufacturer	East Baton Rouge
Louisiana Public Facilities Authority	Ray Brandt Real Estate Company	9,600,000	Automotive Dealership	Jefferson
Calcasieu Parish Public Trust Authority	Lake Hotel Group	9,140,000	Hotel	Calcasieu
Louisiana Public Facilities Authority	Century Wilshire, Inc. Project	9,000,000	Hotel and Meeting Facility	St. Tammany
IDB of the City of New Orleans	521 Tchoupitoulas Street, LLC	8,500,000	Historic Renovation—Hotel	Orleans
Louisiana Community Development Authority	Expert E&P Consultants, LLC	8,000,000	Oil Refinery, Pipeline, Tank Battery, Terminal, Dock and Wharf	Lafourche
St. Tammany Parish Development District	Tammany Middle, LLC	7,800,000	Retail and Office Facility	St. Tammany
Louisiana Public Facilities Authority	Spicy Girls of Avery Island, LLC	7,500,000	Hotel and Business Center	Iberia
Louisiana Community Development Authority	Price LeBlanc Facility, LLC	7,500,000	Automotive Dealership	East Baton Rouge
IDB of the City of Donaldsville	Chef John Folse	7,500,000	Food Processing Plant	Ascension
Louisiana Public Facilities Authority	Republic Finance	6,750,000	Commercial Office Building	East Baton Rouge
Louisiana Public Facilities Authority	Bridge House Corporation	5,550,000	Substance Abuse Center	Orleans
St. Tammany Parish Development District	Main Street Holdings	5,400,000	Retail Shopping Center	St. Tammany
IDB of the City of New Orleans	Carrollton Revitalization, LLC	4,500,000	Retail Drug Store	Orleans
Louisiana Public Facilities Authority	Starmount Life Insurance Company	4,500,000	Office Building	East Baton Rouge
Louisiana Community Development Authority	SRL Holdings, LLC	4,000,000	Veterinary Specialty Hospital	Jefferson
Louisiana Community Development Authority	Southgate Suites Retail, LLC	3,915,000	Retail Shopping Center	East Baton Rouge
St. Tammany Parish Development District	BCS, LLC	3,680,000	Retail Facility	St. Tammany

Issuer	Approved project	Amount	Project description	Parish
IDB of the City of New Orleans	Robert Fresh Market and Robert E. Lee	3,650,000	Retail Food Stores	Orleans
IDB of the City of New Orleans	Robert Fresh Market and Robert E. Lee	3,600,000	Retail Food Stores	Orleans
IDB of the City of Jennings	Jennings American Legion Hospital	3,500,000	Hospital and Medical Office Building	Jefferson Davis
St. Tammany Parish Development District	12/59 Properties, LLC	3,310,000	Shopping Center	St. Tammany
Louisiana Public Facilities Authority	LaConte Partners, LLC	3,150,000	Office Building and Retail Shopping	Multiple
Calcasieu Parish Public Trust Authority	Delta Equine Center	3,000,000	Veterinary Clinic	Calcasieu
St. Charles Parish Council	Ram Tool	2,550,000	Distribution Center	St. Charles
Calcasieu Parish Public Trust Authority	Luxor, LLC	2,500,000	Commercial Office Building	Calcasieu
St. Tammany Parish Development District	1077 Properties, LLC	2,240,000	Office Facility	St. Tammany
IDB of St. Mary Parish	Five Star Fuels, LLC	2,100,000	Fuel Storage Terminal	St. Mary
Hammond Area Economic and Industrial Development District	Agem Management Service, LLC	1,900,000	Office Facility	Tangipahoa
Calcasieu Parish Public Trust Authority	Falgoust Eye Medical	1,300,000	Medical Office Building	Calcasieu
Calcasieu Parish Public Trust Authority	JEMCON Investments	900,000	RV Manufacturing Facility and Dealership	Calcasieu
Calcasieu Parish Public Trust Authority	National Networks, LLC	750,000	Computer Software Network and Repair Facility	Calcasieu
Calcasieu Parish Public Trust Authority	TLR Development	672,000	Commercial Office Building	Calcasieu
Calcasieu Parish Public Trust Authority	4211 Common Street	460,000	Commercial Office Building	Calcasieu

Source: GAO analysis of Louisiana State Bond Commission data.

Note: Bond data are as of mid-June 2008.

Table 4: GO Zone Bonds Issued in Mississippi, Largest to Smallest

Issuer	Approved project	Amount	Project description	County
Mississippi Business Finance Corporation (MBFC)	Chevron USA, Inc.	$650,000,000	Manufacturing	Jackson
MBFC	Northrop Grumman Ship Systems, Inc.	200,000,000	Manufacturing	Multiple
MBFC	SG Resources	100,000,000	Utility	Greene

Issuer	Approved project	Amount	Project description	County
MBFC	Renaissance at Colony Park	77,240,000	Real Estate	Madison
MBFC	PSL—North America, LLC	68,000,000	Manufacturing	Hancock
MDB	Mississippi Power	63,550,079	Utility	Multiple
MBFC	DDR Gulfport Promenade, LLC	60,000,000	Retail	Harrison
Mississippi HOME Corp.	MS Home Corp., Series 2006A-1 & 2006A-2	59,997,500	Housing	Multiple
MBFC	Petal Gas Storage, LLC	57,500,000	Manufacturing	Forrest
MBFC	South Mississippi Electric Power Association	40,000,000	Utility	Multiple
MBFC	King Edward Revitalization Company, LLC	37,700,823	Hotel Facility	Hinds
Mississippi Home Corp.	Single Family Mortgage, Series 2006B	37,080,000	Housing	Multiple
MBFC	Coast Electric Power Association	35,500,000	Utility	Multiple
Warren County Board of Supervisors (BOS)	Warren County; International Paper Company	30,000,000	Manufacturing	Warren
MBFC	Tindall Corporation	23,000,000	Manufacturing	Jackson
Mississippi Home Corp.	Single-Family Mortgage Series 2007A	20,623,054	Housing	Multiple
Mississippi Home Corp.	Single-Family Mortgage, 2006E	20,600,000	Housing	Multiple
Mississippi Home Corp.	Mississippi Home Corp.—Revenue Bonds	20,587,600	Housing	Multiple
Mississippi Home Corp.	Mississippi Home Corp.—Revenue	20,579,040	Housing	Multiple
MBFC	Howard Industries, Inc.	20,000,000	Manufacturing	Jones
Warren County BOS	International Paper Company	20,000,000	Manufacturing	Warren
Mississippi Home Corp.	Single Family Mortgage, 2006 C-1 and 2006 C-2	19,415,000	Housing	Multiple
MBFC	Edgewater Retail Partners	17,000,000	Retail	Harrison
Mississippi Hospital Equipment & Facilities Authority	MS Baptist Health Systems, Inc.	17,000,000	Health	Madison
Mississippi Home Corp.	Mississippi Home Corp.—Revenue Bonds	15,475,713	Housing	Multiple
Mississippi Home Corp.	Mississippi Home Corp.—Revenue Bonds	15,463,775	Housing	Multiple
MBFC	Twenty-Eighth Place, LLC	15,000,000	Retail	Forrest
MBFC	Gulfship, LLC	15,000,000	Manufacturing	Harrison
MBFC	Gulfship, LLC	15,000,000	Manufacturing	Harrison
MBFC	Gulfship, LLC	15,000,000	Manufacturing	Harrison
MBFC	CPX Gulfport ES Opag, LLC	14,435,000	Hotel Facility	Harrison
MBFC	Chrome Deposit Corporation	13,485,000	Manufacturing	Lowndes
MBFC	Drury Inns, Inc.	13,400,000	Hotel Facility	Lauderdale

Issuer	Approved project	Amount	Project description	County
MBFC	Grand Alliance, LLC	12,700,000	Health	Rankin
MBFC	CPX Gulfport ES Opag, LLC	12,300,000	Hotel Facility	Harrison
State of Mississippi	MS Small Enterprise Development (SED) 2008-I Series A-D	11,100,000	Retail	Multiple
MBFC	600 Concourse, LLC	10,800,000	Retail	Madison
MBFC	Trustmark Park Hotel, LLC	9,900,000	Hotel Facility	Rankin
MBFC	Lake Harbour Village, LLC	9,000,000	Retail	Madison
MBFC	Horn Island Realty, LLC	7,410,000	Health	Jackson
MBFC	Koar D'Iberville Center, LLC	7,310,000	Retail	Harrison
MBFC	Hattiesburg Clinic Professional Association	6,900,000	Health	Multiple
MBFC	Jackson Heart Realty LLC	6,805,000	Health	Hinds
MBFC	Best Buy Plaza	6,560,000	Real Estate	Harrison
MBFC	Tri-State Truck Center	6,000,000	Retail	Rankin
MBFC	Outback 98 West CC, LLC	5,600,000	Retail	Lamar
MBFC	Nord du Lieu	5,500,000	Retail	Harrison
State of Missssissippi	MS SED Act Issue 2007-I Series A-D	5,100,000	Manufacturing	Multiple
MBFC	Intrinergy Wiggins, LLC	5,000,000	Manufacturing	Stone
Hancock County	Hancock County, Series 2006	2,500,000	Manufacturing	Hancock
MBFC	Colle Towing Company, Inc.	2,500,000	Manufacturing	Jackson
MBFC	JKW Real Estate	2,300,000	Retail	Adams

Source: GAO analysis of Mississippi data.

Note: Bond data as of mid-June 2008.

Appendix II: Low-Income Housing Tax Credit Uses by State

Table 5: Comparison of Gulf Opportunity (GO) Zone Low-Income Housing Tax Credit (LIHTC) Units to Available Department of Housing and Urban Development Data on Units with Major or Severe Damage by County and Parish

State	County	Planned GO Zone LIHTC units	GO Zone LIHTC units in-service	Total GO Zone LIHTC units	Units with severe damage	Units with major damage	Total units with severe or major damage	GO Zone LIHTC units as a percent of units with severe or major damage
Alabama	Baldwin	662	0	662	n.a.[a]	n.a.	n.a.	n.a.
	Choctaw	104	0	104	n.a.	n.a.	n.a.	n.a.
	Clarke	247	0	247	n.a.	n.a.	n.a.	n.a.
	Greene	114	0	114	n.a.	n.a.	n.a.	n.a.
	Hale	110	0	110	n.a.	n.a.	n.a.	n.a.
	Marengo	40	36	76	n.a.	n.a.	n.a.	n.a.
	Mobile	981	0	981	n.a.	n.a.	n.a.	n.a.
	Pickens	56	32	88	n.a.	n.a.	n.a.	n.a.
	Sumter	60	0	60	n.a.	n.a.	n.a.	n.a.
	Tuscaloosa	793	0	793	n.a.	n.a.	n.a.	n.a.
	Washington	24	0	24	n.a.	n.a.	n.a.	n.a.
	Subtotal	**3,191**	**68**	**3,259**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Florida	Broward	176	0	176	n.a.	n.a.	n.a.	n.a.
	Miami-Dade	50	0	50	n.a.	n.a.	n.a.	n.a.
	Subtotal	**226**	**0**	**226**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Louisiana	Acadia	0	199	199	n.a.	n.a.	n.a.	n.a.
	Calcasieu	909	341	1,250	183	1,770	1,953	64.0
	Cameron	0	0	30	379	172	551	5.0
	East Baton Rouge	369	115	484	n.a.	n.a.	n.a.	n.a.
	Iberia	155	64	219	n.a.	n.a.	n.a.	n.a.
	Jefferson	791	210	1,001	1,937	12,035	13,972	7.2
	Lafayette	109	30	139	n.a.	n.a.	n.a.	n.a.
	Lafourche	72	40	112	n.a.	n.a.	n.a.	n.a.
	Livingston	64	36	100	n.a.	n.a.	n.a.	n.a.
	Orleans	7,754	882	8,636	34,770	16,911	51,681	16.7
	Plaquemines	0	0	0	1,087	370	1,457	0.0
	Saint Bernard	0	0	0	3,943	1,993	5,936	0.0
	Saint James	0	32	32	n.a.	n.a.	n.a.	n.a.
	Saint Tammany	682	112	794	461	3,470	3,931	20.2
	Tangipahoa	320	95	415	n.a.	n.a.	n.a.	n.a.
	Terrebonne	84	0	84	n.a.	n.a.	n.a.	n.a.
	Vermillion	369	0	369	27	441	468	78.8

State	County	Planned GO Zone LIHTC units	GO Zone LIHTC units in-service	Total GO Zone LIHTC units	Units with severe damage	Units with major damage	Total units with severe or major damage	GO Zone LIHTC units as a percent of units with severe or major damage
	Washington	32	0	32	n.a.	n.a.	n.a.	n.a.
	West Baton Rouge	47	0	47	n.a.	n.a.	n.a.	n.a.
	Subtotal	**11,787**	**2,156**	**13,943**	**42,787**	**37,162**	**79,949**	**17.4**
Mississippi	Attala	120	0	120	n.a.	n.a.	n.a.	n.a.
	Copiah	50	0	50	n.a.	n.a.	n.a.	n.a.
	Covington	40	0	40	n.a.	n.a.	n.a.	n.a.
	Forrest	366	0	366	n.a.	n.a.	n.a.	n.a.
	George	72	0	72	n.a.	n.a.	n.a.	n.a.
	Hancock	901	0	901	1,215	2,298	3,513	25.6
	Harrison	3,480	0	3,480	3,911	7,487	11,398	30.5
	Hinds	1,626	251	1,877	n.a.	n.a.	n.a.	n.a.
	Jackson	926	0	926	529	3,773	4,302	21.5
	Jones	152	0	152	n.a.	n.a.	n.a.	n.a.
	Lauderdale	130	0	130	n.a.	n.a.	n.a.	n.a.
	Lowndes	106	0	106	n.a.	n.a.	n.a.	n.a.
	Madison	337	45	382	n.a.	n.a.	n.a.	n.a.
	Neshoba	0	32	32	n.a.	n.a.	n.a.	n.a.
	Pearl River	179	0	179	n.a.	n.a.	n.a.	n.a.
	Pike	108	0	108	n.a.	n.a.	n.a.	n.a.
	Simpson	45	0	45	n.a.	n.a.	n.a.	n.a.
	Warren	108	0	108	n.a.	n.a.	n.a.	n.a.
	Wayne	60	0	60	n.a.	n.a.	n.a.	n.a.
	Winston	80	0	80	n.a.	n.a.	n.a.	n.a.
	Yazoo	96	0	96	n.a.	n.a.	n.a.	n.a.
	Subtotal	**8,982**	**328**	**9,310**	**5,655**	**13,558**	**19,213**	**48.5**
Texas	Angelina	26	0	26	n.a.	n.a.	n.a.	n.a.
	Jefferson	252	0	252	n.a.	n.a.	n.a.	n.a.
	Orange	120	0	120	n.a.	n.a.	n.a.	n.a.
	Subtotal	**398**	**0**	**398**	**n.a.**	**n.a.**	**n.a.**	**n.a.**

Source: State housing finance agencies for Alabama, Florida, Louisiana, Mississippi, and Texas; U.S. Department of Homeland Security, Office of the Federal Coordinator for Gulf Coast Rebuilding, *Current Housing Unit Damage Estimates; Hurricanes Katrina, Rita, and Wilma*. February 12, 2006.

Note: U.S. Department of Homeland Security, Office of the Federal Coordinator for Gulf Coast Rebuilding data are from "Current Housing Unit Damage Estimates; Hurricanes Katrina, Rita, and Wilma" (Feb. 12, 2006). Planned units are those that were not in service as of May 1, 2008; in-service units are those that were in service prior to May 1, 2 008, unless otherwise classified by the HFA. County-level data on major and severe damages to rental housing units was not available in the *Current Housing Unit Damage Estimates; Hurricanes Katrina, Rita, and Wilma* for Alabama, Florida, or Texas.

[a]N.A. indicates data is not available.

Table 6: Alabama's Use of GO Zone Low-Income Housing Tax Credits

Calendar year of GO Zone allocation	GO Zone LIHTC allocation to state	Percentage of GO Zone LIHTC allocation reserved	Projects funded	Projects in-service	Units funded	Units in-service
2006	$15,651,792	100%	20	2	1,285	68
2007	15,651,792	100	30	0	1,718	0
2008	15,651,792	22	4	0	256	0
Total	**$46,955,376**	**74%**	**54**	**2**	**3,259**	**68**

Source: Alabama Housing Finance Agency.

Note: Data are as of April 2008.

Table 7: Florida's Use of Go Zone Low-Income Housing Tax Credits

Calendar year of GO Zone allocation	GO Zone LIHTC allocation to state	Percentage of GO Zone LIHTC allocation reserved	Projects funded	Projects in-service	Units funded	Units in-service
2006	$3,500,000	100%	2	0	226	0

Source: Florida Housing Finance Agency.

Note: Data are as of April 2008. Florida only had a 1-year GO Zone LIHTC allocation.

Table 8: Louisiana's Use of GO Zone Low-Income Housing Tax Credits

Calendar year of GO Zone allocation	GO Zone LIHTC allocation to state	Percentage of GO Zone LIHTC allocation reserved	Projects funded	Projects in-service	Units funded	Units in-service
2006	$56,759,274	89%	89	39	4,122	1756
2007	56,759,274	99	43	3	5,256	400
2008	56,759,274	103	33	0	4,565	0
Total	**$170,277,822**	**97%**	**165**	**42**	**13,943**	**2,156**

Source: Louisiana Housing Finance Agency.

Note: Data are as of April 2008.

Table 9: Mississippi's Use of GO Zone Low-Income Housing Tax Credits

Calendar year of GO Zone allocation	GO Zone LIHTC allocation to state	Percentage of GO Zone LIHTC allocation reserved	Projects funded	Projects in-service	Units funded	Units in-service
2006	$35,429,094	100%	41	6	3,329	328
2007	35,429,094	100	32	0	3,545	0
2008	35,429,094	100	21	0	2,436	0
Total	**$106,287,282**	**100%**	**94**	**6**	**9,310**	**328**

Source: Mississippi HOME Corporation.

Note: Data are as of April 2008.

Table 10: Texas' Use of GO Zone Low-Income Housing Tax Credits

Calendar year of GO Zone allocation	GO Zone LIHTC allocation to state	Percentage of GO Zone LIHTC allocation reserved	Projects funded	Projects in-service	Units funded	Units in-service
2006	$3,500,000	100%	7	0	398	0

Source: Texas Department of Housing and Community Affairs.

Note: Data is as of April 2008. Texas only had a 1-year GO Zone LIHTC allocation.

Appendix III: Additional Advance Refunding Bonds Issued, by State

Table 11: Alabama's Use of Gulf Opportunity (GO) Zone Advance Refundings, Largest to Smallest

Approved project	Amount issued	County
Alabama State Port Authority	$141,763,936	Mobile
City of Birmingham	84,295,000	Jefferson
Alabama A&M University	44,770,235	Madison
City of Tuscaloosa	34,954,568	Tuscaloosa
The Public Building Authority of the City of Huntsville	27,500,000	Madison
Birmingham Airport Authority	20,675,000	Jefferson
Jasper Water Works & Sewer Board Inc.	18,305,000	Walker
City of Pelham	14,925,000	Shelby
Macon County Board of Education	14,335,000	Macon
Mobile Airport Authority	11,740,000	Mobile
Madison Water & Wastewater Board	10,400,000	Madison
The Southeast Alabama Gas District	10,150,000	Covington
Helena Utilities Board	10,000,000	Shelby
The Educational Building Authority of the City of Montgomery	10,000,000	Montgomery
Huntsville Utilities	10,000,000	Madison
City of Madison	9,865,000	Madison
City of Birmingham	9,612,566	Jefferson
Alexander City	6,456,972	Tallapoosa
Montgomery County	6,105,000	Montgomery
Blount County Water Authority	6,085,000	Blount
The Utilities Board of the City of Ozark	5,652,000	Dale
City of Phenix City	5,100,000	Russell
Marengo County	4,240,000	Marengo
Walnut Hill Water Authority	4,005,000	Tallapoosa
Russell County	3,950,000	Russell
Northeast Alabama Water, Sewer & Fire Protection District	3,950,000	DeKalb
St. Clair County Board of Education	3,608,580	St. Clair
Hale County Water Authority	3,545,000	Hale
Conecuh County	3,460,000	Conecuh
Warrior River Water Authority	3,330,000	Jefferson
Russell County Water Authority	3,040,000	Russell
City of Hamilton	2,800,000	Marion
City of Robertsdale	2,780,000	Baldwin

Approved project	Amount issued	County
City of Lanett	2,750,000	Chambers
Utilities Board of the City of Opp	2,750,000	Covington
Dale County Board of Education	2,730,000	Dale
Crenshaw County Public Building Authority	2,695,000	Crenshaw
City of Muscle Shoals	2,339,461	Colbert
Russell County Water Authority	2,300,000	Russell
City of Talladega	2,100,000	Talladega
City of Oxford	2,000,000	Calhoun
The Governmental Utility Services Corp. of Bessemer	2,200,000	Jefferson
Pike County Water Authority	1,885,000	Pike
City of Russellville	1,850,000	Franklin
City of Robertsdale	1,810,000	Baldwin
The Hale County Health Care Authority	1,700,000	Hale
Lamar County Water & Fire Protection Authority Inc.	1,640,000	Lamar
Gordo Water Works, Gas & Sewer Board	1,605,000	Pickens
The Sewer Board of the City of Arab	1,512,077	Marshall
Monroe County Health Care Authority	1,345,000	Monroe
City of Daleville	1,300,000	Dale
The Water Supply & Gas Board of the City of Dadeville	1,290,000	Tallapoosa
The Utilities Board of the Town of Butler	1,180,000	Choctaw
Douglas Water & Fire Protection Authority	1,125,000	Marshall
Town of Ashford	1,110,000	Houston
Water Works Board of the Town of Oakman	1,000,000	Walker
Boaz Gas Board	1,000,000	Marshall
Orange Beach Water, Sewer & Fire Protection Authority	800,000	Baldwin
Greene County	775,000	Greene
City of Glencoe	683,136	Etowah
City of Heflin	630,000	Cleburne
Perry County Commission	460,000	Perry
Monroe County Commission	355,000	Monroe
Crenshaw County Commission	335,000	Crenshaw
Pine Bluff Water Authority	300,000	Blount

Source: GAO analysis of Alabama.

Note: Bond data are as of mid-June 2008.

Table 12: Louisiana's Use of GO Zone Advance Refundings, Largest to Smallest

Issuer	Amount issued	Parish
Louisiana Stadium and Exposition District	$154,425,000	Multiple
Jefferson Parish Counsel, Jefferson Sales Tax District	100,340,000	Jefferson
East Baton Rouge Sewage Commission	70,000,000	East Baton Rouge
Louisiana Public Facilities Authority	50,000,000	Orleans
State of Louisiana	44,258,396	State-level, Not Applicable
City of Baton Rouge	25,765,000	East Baton Rouge
Louisiana Public Facilities Authority	20,000,000	Multiple
Louisiana Public Facilities Authority	11,000,000	Orleans
Consolidated Waterworks and Wastewater District No.1	6,885,000	St. Charles

Source: GAO analysis of Louisiana State Bond Commission data.

Note: Bond data are as of mid-June 2008.

Table 13: Mississippi's Use of Go Zone Advance Refundings, Largest to Smallest

Issuer	Amount issued	County
Mississippi Development Bank for Harrison County Utility Authority	$125,000,000	Harrison
Mississippi Hospital Equipment and Facilities Authority	18,000,000	Jones
City of Columbus, Mississippi	15,000,000	Lowndes
Jackson Municipal Airport Authority	7,000,000	Rankin
Claiborne County, Mississippi	2,000,000	Claiborne
Culkin Water District	1,500,000	Warren

Source: GAO analysis of Mississippi Development Authority data.

Note: Bond data are as of mid-June 2008.

Appendix IV: Related GAO Products

Tax Policy: Tax-Exempt Status of Certain Bonds Merits Reconsideration, and Apparent Noncompliance with Issuance Cost Limitations Should Be Addressed. GAO-08-364. Washington, D.C.: February 15, 2008.

Tax Compliance: Federal Grant and Direct Assistance Recipients Who Abuse the Federal Tax System. GAO-08-31. Washington, D.C.: November 16, 2007.

Tax Compliance: Some Hurricanes Katrina and Rita Disaster Assistance Recipients Have Unpaid Federal Taxes. GAO-08-101R. Washington, D.C.: November 16, 2007.

Gulf Coast Rebuilding: Observations on Federal Financial Implications. GAO-07-1079T. Washington, D.C.: August 2, 2007.

Preliminary Information on Gulf Coast Rebuilding. GAO-07-809R. Washington, D.C.: June 29, 2007.

Gulf Coast Rebuilding: Preliminary Observations on Progress to Date and Challenges for the Future. GAO-07-574T. Washington, D.C.: April 12, 2007.

Tax Policy: New Markets Tax Credit Appears to Increase Investment by Investors in Low-Income Communities, but Opportunities Exist to Better Monitor Compliance. GAO-07-296. Washington, D.C.: January 31, 2007.

Empowerment Zone and Enterprise Community Program: Improvements Occurred in Communities, but the Effect of the Program Is Unclear. GAO-06-727. Washington, D.C.: September 22, 2006.

Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to Be Reexamined. GAO-05-690. Washington, D.C.: September 23, 2005.

Elderly Housing: Federal Housing Programs That Offer Assistance for the Elderly. GAO-05-174. Washington, D.C.: February 14, 2005.

Tax Administration: Information Is Not Available to Determine Whether $5 Billion in Liberty Zone Tax Benefits Will Be Realized. GAO-03-1102. Washington, D.C.: September 30, 2003.

Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs. GAO-02-76. Washington, D.C.: January 31, 2002.

Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program. GAO/GGD/RCED-97-55. Washington, D.C.: March 28, 1997.

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Michael Brostek, (202) 512-9110, or brostekm@gao.gov

Acknowledgments

In addition to the individual named above, MaryLynn Sergent, Assistant Director; Dan Garcia-Diaz; Thomas Gilbert; Patrick Hatch; Suzanne Heimbach; Lisa Moore; John McGrail; Cheryl Peterson; and Jessica Thomsen made key contributions to this report.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "E-mail Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are $2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, DC 20548

To order by Phone:	Voice:	(202) 512-6000
	TDD:	(202) 512-2537
	Fax:	(202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

PRINTED ON RECYCLED PAPER