

THE BOND BUYER

Two senators want more PABs for infrastructure projects

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Published

January 19 2018, 2:08pm EST

WASHINGTON – Two senators have introduced a bipartisan bill that would allow more private activity bonds to be used in connection with public-private partnership arrangements for certain infrastructure projects.

The Building United States Infrastructure and Leveraging Development (BUILD) Act, was introduced by Sens. John Cornyn, R-Texas, and Mark Warner, D-Va., on Jan. 18 – the same day the U.S. Chamber of Commerce proposed a four-part infrastructure plan calling for an expansion of PABs.

The Cornyn/Warner bill would raise the \$15 billion federal volume cap on private activity bonds issued by or on behalf of state and local governments for highway and freight improvement projects to \$20.8 billion.

“This bill delivers on our collective desire to reinvest in America’s infrastructure, and expands one valuable tool in the toolbox,” Cornyn said in a release. “It will help the administration finance additional highway and freight improvement projects through public-private partnerships, resulting in minimal cost to taxpayers with maximum impact on U.S. highways and freight corridors.”

Warner said, “Private activity bonds have served as an engine for leveraging private investment in Virginia’s roads and bridges, helping to finance major projects such as the I-495 HOT lanes and other key infrastructure ventures.”

“This legislation will allow for expanded use of this proven economic tool and, coupled with other programs such as a financing authority that would be created through passage of my BRIDGE Act (S. 1168), we can attract billions of dollars of additional investment that will help renew our nation’s infrastructure and keep us competitive in the global economy,” he added.

The Building and Renewing Infrastructure for Development and Growth in Employment (BRIDGE) Act that Warner and Sen. Roy Blunt, R-Mo., introduced in May of last year would create a financing authority that would provide loans

and loan guarantees to help states and localities better leverage private funds to repair, maintain and build the nation's infrastructure.

The Infrastructure Financing Authority would be government-owned but independent and would receive initial federal funding of \$10 billion to incentivize private investment and provide \$300 billion or more in total project investments over time.

The PAB cap referred to by the Cornyn/Warner bill was established under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which was enacted in August 2005. Section 11143 of that act authorized up to \$15 billion of a new type of tax-exempt private activity bonds that could be issued by state or local governments to finance qualified highway or surface freight transfer facilities.

According to DOT, as of Jan. 23, 2017, nearly \$6.6 billion in PABS had been issued for 17 projects under the program and another \$4.3 billion had been allocated to support eight more projects.