

# THE BOND BUYER

## Private activity bonds bill picks up key support in Congress

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WASHINGTON -- Four members of the Senate Finance Committee have introduced the bipartisan Public Buildings Renewal Act, which would authorize \$5 billion in private activity bonds for the construction or rehabilitation government-owned buildings.

Sens. Todd Young of Indiana and Tim Scott of South Carolina, both members of the Republican majority, joined their Democratic Finance Committee colleagues Catherine Cortez Masto of Nevada and Michael Bennet of Colorado in introducing the Senate bill last week. A House version of the bill was introduced in February with 10 bipartisan cosponsors who were led by two members of the House Ways and Means Committee.

The bill, which had the support of leading state and local elected officials in the last Congress, would provide an economic boost of more than \$8 billion in the first year, according to a 2017 study by the Beacon Hill Institute. If it became law, the bill would allow public buildings to enter into public-private partnerships while still having access to tax-exempt financing.

The House version is led by Democratic Rep. Earl Blumenauer of Oregon with Rep. Mike Kelly of Pennsylvania as the lead Republican sponsor. Kelly was the lead sponsor in the last Congress when Republicans had majority control.

Conservative taxpayer watchdog groups also supported the bill in the last Congress.

“As advocates for overburdened taxpayers, we believe this innovative, yet practical proposal will harness the expertise of the private sector in ensuring cost-effective construction of schools, hospitals, and other government structures,” a coalition led by the National Taxpayers Union wrote in a May 2017 letter to Congress.

That letter was intended to prod Congress to consider an expansion of PABs as a part of tax reform.

Instead, the House Republican tax plan authored by former Ways and Means Committee Chairman Kevin Brady, R-Texas, initially proposed abolishing all PABs.

PABs were saved during House-Senate negotiations over the final text of the Tax Cuts and Jobs Act, but the legislation nonetheless struck a blow to the municipal bond market by terminating advance refundings.

Muni market advocates hope to reverse the pendulum in the infrastructure legislation the House and Senate are expected to consider later this spring.

And the Public Buildings Renewal Act is a prime candidate for being a part of that legislation.

Kelly told The Bond Buyer in mid-March that the bill is “a great idea” for publicly owned buildings.

“It could be schools, it could be police stations, fire stations, whatever,” he said. “But now I think there’s a bigger opportunity, especially on infrastructure. But it’s not the be all to end all. In certain places I think it would make sense. It’s not going to make sense everywhere.”

In Kelly’s western Pennsylvania congressional district, the bill has the support of the Erie City School District and advocates of the bill also point to the legislation’s possible use to build or rehabilitate volunteer fire stations.

The group led by the National Taxpayers Union, which included Americans for Prosperity and the Competitive Enterprise Institute, said that construction of public buildings is often plagued by “poor oversight and accountability.”

“The results can be projects that are over budget, behind schedule, or ill suited to efficient long term asset management practices,” their letter said. “One way to break this cycle of waste is through Public Private Partnerships (PPP), where a single private consortium is made responsible for designing, building, operating, and maintaining a government structure.”

Separate letters of support submitted last year were signed by 10 governors and 14 mayors, including the presidents of the National Governors Association and the U.S. Conference of Mayors.

“Given the success of PPPs in the U.S. transportation sector and in delivering public buildings globally, the accessibility of PPPs should be improved to allow our nation’s schools, justice facilities, hospitals, labs and government offices to benefit from these valuable partnerships,” the mayors said in their letter.

The governors’ letter said “the average public school building is at least 40 years old, and the current backlog of maintenance and repair projects adds up to more than \$45 billion annually in unmet funding needs.”

In addition, courthouses “often do not comply with current codes, disability requirements, and often have inadequate security,” the governors’ letter said.