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Private Activity Bonds for Buildings Would Create Jobs, Fast Track Construction, and Save Taxpayers Money

In Wake of Hurricanes in TX, FL, PR and VI, new Private Activity Bonds Could Leverage Private Sector Funds to Speed Rebuilding of Gov't Buildings and Schools

BOSTON, MA— The economic and fiscal benefits of the Public Buildings Renewal Act (PBRA) (H.R. 960/S. 326) could save taxpayers billions of dollars while adding billions of dollars more to the economy if Congress decides to unlock the proven benefits of Private Activity Bonds (PABs) for government buildings. That's the bottom line of a new study released today from The Beacon Hill Institute (BHI) for Public Policy, which conducted an exhaustive economic analysis of the short- and long-term benefits of public private-partnerships (P3s) for addressing an increasingly challenging public policy issue facing state and local governments.

"Private Activity Bonds for buildings are a triple win for governments, taxpayers, and the economy," said study author David Tuerck of BHI. "Our findings show that, in the short run, every dollar of new infrastructure investment made possible by the PBRA will add $2.80 to the U.S. economy. At the same time, taxpayers save nearly 25 percent over the life of these projects compared to traditional building methods, while these projects are delivered on time with guaranteed long-term performance"

These Private Activity Bonds would be utilized through a P3 for a government building project. A P3 is an arrangement under which a public entity and a private entity work together to build and maintain a public infrastructure project, such as a courthouse or a public library. The Public Buildings Renewal Act (PBRA), introduced by U.S. Senators Dean Heller (R-NV) and Bill Nelson (D-FL) and U.S. Representatives Mike Kelly (R-Pa.) and Earl Blumenauer (D-OR), would allow state and local governments to use up to $5 billion of tax exempt bonds for P3s to construct and renovate public buildings. Although P3s for transportation are common (and those for public buildings are widespread abroad), the U.S. market has yet to fully embrace the potential of P3s for state and local government facilities. The pending tax reform legislation could be an opportunity to pass PBRA, which currently enjoys significant bipartisan support from members of the House Ways and Means and Senate Finance committees.

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At a time when hundreds of billions of dollars will be needed to rebuild Puerto Rico, U.S. Virgin Islands, Florida and Texas, PBRA could provide a critical financing tool to speed the recovery effort while minimizing cost overruns. According to the Houston Independent School District officials, 22 of its 245 schools had extensive damage that will keep them closed for months and about 53 have “major” damage.

If Congress were to lift the $5 billion cap and make Private Activity Bonds available to all types of government building projects contained in the PBRA, the costs savings and economic effects would soar. Under this scenario, BHI researchers assumed that P3s would expand to 20 percent of all applicable government buildings, and generate $2.796 billion worth of new buildings. Under this scenario, expanding Private Activity Bonds would increase real GDP by $8.285 billion and create 43,200 jobs in the first year. The increase in economic activity would increase federal and state income tax collections by $860 million in the first year.

Furthermore, the economic effects are cumulative over time as tax-exempt P3 projects increase the quantity and quality of the public infrastructure. In ten years, the expansion of P3 projects would:

- increase public buildings by $85.90 billion
- create 32,400 jobs
- increase real GDP by $8.06 billion
- increase federal personal income tax receipts by $643 million
- increase state personal income tax receipts by $146 million

Congressman Mike Kelly (R-PA), lead House sponsor of PBRA (H.R. 960), noted, “This new study confirms what so many have been saying all along: the Public Buildings Renewal Act is a win-win-win for American infrastructure, jobs, and taxpayers. I expect many more members of Congress to see this report and join the bipartisan effort to unleash the power of Private Activity Bonds to help solve our nation’s public infrastructure crisis. We have a real chance to repair countless schools, hospitals, courthouses, and more, while reviving our local economies. We can’t afford to let this opportunity slip away.”

Senator Dean Heller, lead Senate sponsor of PBRA (S. 326), remarked that, “Now is the time to use the success of P3s in the infrastructure sector as a financing model for repairing our public buildings and other cornerstones of our communities, particularly public schools and libraries. By empowering the private sector, this commonsense idea spurs innovation and will ultimately allow our country’s public schools and universities do even more, including save money. I’ll continue to urge my colleagues to support my Public Buildings Renewal Act so that Nevada and Americans around the country can benefit from the impact P3 investment has on our local economies.”

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