

STUDY SUPPORTS PRIVATE ACTIVITY BOND USE FOR PUBLIC BUILDINGS

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A bill that would create Private Activity Bonds (PAB) for public buildings is expected to save US taxpayers billions of dollars while boosting economic growth, according to a study by Boston-based think tank Beacon Hill Institute for Public Policy (BHI).

The Public Building Renewal Act (PBRA), which was re-introduced in Congress in February, would create USD 5bn in PABs for public buildings such as public schools, state colleges, libraries, post offices, prisons and courthouses.

BHI conducted the study with a grant from the Performance Based Building Coalition, which is backing the PBRA, said director of research Paul Bachmann.

The study found that over the short term, every dollar of infrastructure investment made possible by the PBRA would add USD 2.80 to the US economy. The think tank also found that taxpayers would save nearly 25% over the life of these projects compared to traditional building methods.

The report also estimated that P3s save 24.6% in project costs over those that are traditionally procured.

That level of cost savings is significant because it can free up funds that can be used for additional public projects or other public investment priorities, or returned to the taxpayers through future tax relief, according to the study.

Bachmann told *Inframation* that the study found that one of the key benefits of P3s is the ability for the public sector to transfer risks, such as cost overruns, to the private sector.

The study noted that a Veterans Administration (VA) hospital now under construction in Aurora, Colorado, under a traditional procurement has faced cost overruns because designers and builders could not agree on a final design. The cost increased from USD 590m to USD 1.7bn.

The Senate version of the bill, S 326, is sponsored by Sen. Dean Heller (R-Nevada), Sen. Bill Nelson (D-Florida), Sen. Cory Gardner (D-Colorado) and Sen. Bill Cassidy (R-Louisiana). The bill was referred to the Senate Finance Committee.

The House version of the bill, HR 960, was referred to the Ways and Means Committee after being introduced by its sponsor, Rep. Mike Kelly (R-Pennsylvania).

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