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Bill Would Permanently Revive the BAB Program.

WASHINGTON — The Build America Bond program would be permanently revived with lower subsidy rates and without issuers being hurt by sequestration cuts, under a bill recently introduced in the Senate.

The subsidy rate would be 31% for BABs issued in calendar year 2014 and lowered by 1% each successive year, remaining at 28% for BABs issued in 2017 and thereafter.

Sen. Edward Markey, a Massachusetts Democrat and member of the Senate Environment and Public Works Committee, introduced the "Bolstering Our Nation's Deficient Structures Act of 2014" or "BONDS Act," on Thursday. The bill, S. 2203, has been referred to the Senate Finance Committee.

"The BONDS Act is a win-win-win for cities, states and the entire country," Markey said in a release. "It encourages investment in Massachusetts' infrastructure backbone, will put workers back on the job and empowers states and cities to plan for long-term economic growth."

The BAB program, originally authorized as part of the American Recovery and Reinvestment Act, allowed state and local governments in 2009 and 2010 to issue taxable bonds and receive subsidy payments from the federal government equal to 35% of their interest costs.

From April 2009 through the expiration of the program at the end of 2010, more than $181 billion of BABs were issued to provide financing for new public capital infrastructure projects.

Massachusetts issued close to $5 billion of BABs, $3 billion of which benefited a program that repairs and rebuilds structurally deficient bridges in the commonwealth, according to a summary of the bill.

The subsidy payments for BABs have been reduced as result of congressionally mandated spending cuts known as sequestration. However, under Markey's bill, issuers would not be hurt by sequestration cuts for any federal subsidy payments made after the date of enactment.

The legislation also would allow qualified BABs to be current refunded.

"In addition to protecting and safeguarding traditional tax-exempt municipal bonds, which will always be the centerpiece of local government financing, Senator Markey is offering communities an attractive and innovative financing tool to build and invest in schools, police and fire stations, roads, bridges, parks and other critical public infrastructure," said Geoffrey Beckwith, executive director of the Massachusetts Municipal Association.

Markey's bill is a companion bill to legislation introduced by Rep. Richard Neal, D-Mass., last year called the Build America Bonds Act of 2013. That bill, H.R. 789, has not made it out of committee.

In January of this year, Neal introduced another bill, H.R. 3939, that includes the same BAB provisions as his earlier bill, but would also eliminate the alternative minimum tax for private-activity bonds, exempt water and sewer facility bonds from the annual state volume caps for PABs

and create an infrastructure bank.

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