[Bond Case Briefs]

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[Build America Champion Wyden Has New Infrastructure-Bond Plan.]

U.S. lawmakers are renewing efforts to expand the use of municipal bonds to attract private investment in the nation's crumbling roads and bridges.

Senator Ron Wyden, the Democrat who backed legislation creating the $188 billion market for Build America Bonds, introduced a bill Monday with Republican Senator John Hoeven of North Dakota that would facilitate the use of private-activity debt for transportation projects. Separately, Republican Representative Todd Young wants to double the limit on the securities for transportation and allow their use for facilities such as courthouses. Companies use private-activity bonds to borrow in the municipal market.

The plans may face an uphill battle because of their cost and gridlock on Capitol Hill. Yet increasing financing options for public-private partnerships would be a boon for municipalities and help fill a void, the lawmakers said. Authorization for federal highway funding is set to expire May 31, and Congress has been unable to agree on a plan to address what Treasury Secretary Jacob J. Lew says is a $1 trillion backlog of infrastructure work.

"You can come up with bipartisan approaches to get private-sector money off the sidelines and into transportation," Wyden, 66, the ranking Democrat on the Finance Committee, said in a phone interview. "The transportation system needs more than a face lift; it basically needs full re-constructive surgery."

Debt Limit

States and localities issue private-activity bonds on behalf of companies that build and operate facilities such as airports, ports and highways. There's a limit to how much of the debt can be sold: as of April 15, $11.1 billion of the $15 billion allotted for transportation had been issued or approved, including for the replacement of the Goethals Bridge between New York City and New Jersey.

Municipalities nationwide sold Build America Bonds, taxable debt with a federal subsidy on interest costs, for infrastructure. Wyden, who represents Oregon, has tried unsuccessfully to revive the program, which debuted in 2009 and expired at the end of 2010.

The senator calls his latest proposal the "Move America" program. It would authorize as much as $180 billion of tax-exempt bonds over 10 years and provide as much as $45 billion in new infrastructure tax credits to match private-equity investment.

Cost Consideration

Interest on the bonds wouldn't be subject to the alternative minimum tax, which limits the tax benefits and exemptions that high-earning individuals can claim. The plan would change other rules, including allowing use of the bonds for privately owned public infrastructure, such as highways.

The proposal would cost as much as $15 billion in foregone tax revenue over 10 years, Wyden's office said.

"Move America bonds and tax credits are an effective way to leverage private-sector dollars to build the infrastructure we need across the country to grow America's economy and create jobs," Hoeven said in a release.

Young, a member of the House Ways and Means Committee, said he'd double the cap on issuance of private-activity bonds for transportation work to $30 billion and expand their use, including for public buildings.

"It's almost inevitable that this will be part of the solution," the 42-year-old Indiana representative said in a phone interview. "There's no reason we should be lagging behind countries like Canada in bringing in private-sector expertise as well as capital to ensure we build more of these projects."

'Uphill Slog'

Young acknowledged hurdles, including resistance to the cost. He said he's exploring introducing his proposal or incorporating it with other plans.

In January, President Barack Obama proposed tax-exempt debt, dubbed Qualified Public Infrastructure Bonds, that would have no issuance cap and wouldn't be subject to the alternative minimum tax.

At the time, it had a low probability of being enacted by the Republican-controlled Congress, said Matt Posner, a managing director at Municipal Market Analytics, a Concord, Massachusetts-based research firm.

While getting approval to expand the use of private-activity bonds would be "an uphill slog," interest is picking up, he said.

The debt might expedite work on badly needed projects, Christopher Leslie, New York-based chief executive officer of Macquarie Infrastructure Partners Inc., said in an interview last week at a Bloomberg Government event in Washington. He oversees almost $9 billion in three funds dedicated to investments in the U.S. and Canada.

"The private sector remains keen to invest and, in fact, sees itself potentially as part of the solution to the slowness of Congress," Leslie said.

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