

Bond Case Briefs

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AASHTO Supports Municipal Bonds, Raising PAB Cap.

The American Association of State Highway and Transportation Officials recently joined with the American Road and Transportation Builders Association in support of efforts to protect and preserve tax-exempt municipal bonds, as well as hike the volume cap on Private Activity Bonds or PABs – used by state departments of transportation to finance Public-Private Partnership or P3 projects.

AASHTO noted that PABs are a special class of tax-exempt bond that benefits private or non-governmental borrowers – bonds that can be issued by states, local governments, or housing authorities.

In a [joint letter](#) with ARTBA sent to Congressional leadership, AASHTO said the cap on PABs for qualified highway or surface freight transfer facilities should increase from the current \$30 billion to \$45 billion.

“PABs are a key financing tool to support private sector participation and investment in critical transportation infrastructure projects nationwide,” AASHTO and ARTBA noted in their letter. “P3s can help leverage federal and state funding by attracting private equity and debt, while encouraging efficiency and innovation in project design and delivery.”

The two organizations noted that providing private sector infrastructure developers and operators with access to tax exempt debt lowers the cost of capital for these large and expensive projects, enhancing their investment prospects.

PABs “remain a vital tool for infrastructure financing that supports every aspect of daily life and are critical in building and maintaining a strong economy for every citizen and business in the country,” AASHTO and ARTBA noted.

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