

Bolstering Our Nation's Deficient Structures (BONDS) Act (S. 2203) **Senator Edward J. Markey (D-Mass.)**

Endorsed by: AFL-CIO, Massachusetts Municipal Association (MMA), Massachusetts Building Trades Council

State and local governments need as many as tools as possible to build and renovate schools, bridges, roads, and hospitals. The Build America Bonds program has already proved effective at doing just that – providing local government with a powerful way to invest in their communities and restore crumbling infrastructure. The bonds program, first created in 2009, resulted in over one hundred billion dollars of investment in public infrastructure across Massachusetts and around the nation. Senator Markey's legislation, the Bolstering Our Nation's Deficient Structures (BONDS) Act, would revive the Build America Bonds program and make it permanent, leading to infrastructure investment, job creation, and economic growth.

Background

The Build America Bonds program was originally authorized as part of the American Recovery and Reinvestment Act of 2009. From the inception of the program in April 2009 to its expiration at the end of 2010, there were 2,275 separate bonds issued nationally that supported more than \$181 billion of financing for new public capital infrastructure projects, such as bridges, schools, and hospitals.

These bonds played a key role in rebuilding infrastructure in Massachusetts: just in a two year time period the Commonwealth issued close to \$5 billion in bonds. Three billion of that figure benefited the Accelerated Bridge program, which repaired and rebuilt hundreds of structurally deficient bridges across the Commonwealth. Additionally, at several campuses of the University of Massachusetts, Build America Bonds funded a number of projects including a new science laboratory.

The previous Build America Bonds program allowed state and local government to borrow money at a lower cost than the typical bond market. Here's how it works: the state issues a bond to make a public investment (road, bridge, school, etc.), and the federal government provides a subsidy to the state to help pay the interest on the bond. Senator Markey's BONDS Act would set that subsidy rate at 31 percent for bonds issued in 2014, and that rate would reduce gradually to 28 percent by 2017, staying permanently at that level.

While the Build America Bonds program achieved many successes, the nation's infrastructure remains badly in need of increased investment. For example, in Massachusetts approximately half of the Commonwealth's 5,000 bridges are structurally deficient or functionally obsolete. The BONDS Act would make the bonds program permanent and ensure that current bondholders are not hurt by the cuts caused by sequestration. Senator Markey's bill serves as a companion to Massachusetts Congressman Richard Neal's Build America Bonds bill in the House of Representatives (H.R. 789).