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Whiting
LD 2009

To the Joint Standing Committee on State and Local Government,

I am submitting this testimony as a Maine taxpayer in opposition to LD 2009, An Act to Allow a Political Subdivision to Enter into Federal Bankruptcy Proceedings.

I understand why this bill is being proposed. Many Maine municipalities and counties are under real financial strain. But allowing towns and counties to declare bankruptcy is not responsible public policy. In my view, it does not fix the problem. It institutionalizes it.

Local governments do not get into financial crisis by accident. They get there through years of poor planning, weak financial controls, lack of transparency, and elected officials who are not adequately trained to manage complex public budgets.

Bankruptcy gives those same systems an escape hatch rather than requiring them to be fixed.

As a taxpayer, I am deeply concerned that this bill creates a moral hazard. If local officials know bankruptcy is an option, it becomes easier to make risky financial decisions, delay hard choices, or approve spending that they know the tax base cannot support. The people who pay the price are not the decision makers. It is the residents whose taxes go up, whose services get cut, and whose local government's credit is damaged.

I am also concerned about the impact this would have on Maine's financial system, especially local and regional banks that lend to towns and counties. Municipal borrowing supports basic operations like cash flow, tax anticipation notes, capital projects, and emergency needs. If municipalities are allowed to enter bankruptcy, lenders will see them as higher risk. That means higher interest rates, tighter lending, or refusal to lend at all. That hurts every community, even those that are well managed.

Instead of opening the door to bankruptcy, I urge this committee to focus on preventing financial collapse in the first place. Maine should require mandatory financial responsibility and governance training for county commissioners, select boards, city councils, and mayors. These are multi-million-dollar organizations being run by people who are often volunteers or part-time officials with no required financial background. That is not sustainable.

If Maine wants to protect taxpayers, towns, and counties, the solution is better oversight, better training, and stronger financial accountability, not bankruptcy court.

Thank you for the opportunity to submit this testimony.