



131st Legislature, 2nd Session
Testimony of Erik Jorgensen
To the Joint Standing Committee on Innovation, Development,
Economic Advancement and Business In support of

**LD 2160, "An Act to Provide for the 2023 and 2024 Allocations
of the State Ceiling on Private Activity Bonds"**

January 23, 2024

Senator Curry, Representative Roberts, members of the Joint Standing Committee on Innovation Development, Economic Advancement, and Business, my name is Erik Jorgensen, and I serve as Senior Director for Government Relations and Communications at the Maine State Housing Authority (MaineHousing).

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. We are an independent state authority created to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family mortgages for first time homebuyers and for affordable multi-family housing.

We are also authorized to administer a number of state and federal programs, including rental subsidies, weatherization, fuel assistance, two housing block grants, the low-income housing tax credit program, and homeless grant programs. We receive state general fund revenue for homeless programs and receive a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund.

We support LD 2160 and urge its passage.

Just as you saw with LD 184 last year, this is a bill that comes before this committee on an annual basis, and is needed in order for MaineHousing, FAME and other agencies to issue private activity bonds. These are federally authorized tax-exempt bonds, so-called because the federal government determined many years ago that there are certain private activities that have a public purpose. In our case, these activities include homeownership and affordable apartment construction. They are so-called "moral obligation bonds" meaning that they do not appear on the state balance sheet or require any payments from the state.

MaineHousing uses these bonds for two specific purposes: to provide capital to purchase mortgages for first-time and first-generation homebuyers, and to provide loans to developers for the

construction of affordable apartments. These bonds are repaid by the mortgagees, not state government funds.

States are allowed to issue a limited number of these private activity bonds up to a ceiling set by the Federal Government. For most states, the amount of private activity bonds that can be sold is determined by a per-capita calculation; for smaller states such as Maine, there is a small state minimum that is now indexed annually.

With an overheated real estate market in Maine these financing tools are now more important than ever. We are currently in a moment where affordable housing construction, which has been a legislative priority for years, is coming online at an increasing rate. Our agency currently has the largest construction pipeline in its history. This rising trend is not a coincidence, but a reflection of various policies made available to us by both the legislature and the Federal government.

When we say that we use private methods for public purposes, this is what we are talking about. When we thank you at ribbon cuttings for providing us with the tools that allow us help Maine people solve their housing problems, private activity bonding is one of the most important of those tools

Thank you for your consideration and I would be happy to answer any questions you might have.

LD 2160 Proposed Amendment Re: Moral Obligation

Maine Housing operates under a couple of fiscal limitations. The first relates to bond cap (allocated by ld 2160), but the second is a statutory limit on moral obligation bonds that we can issue.

Background:

MaineHousing is currently capped by statute (30-A M.R.S.A. §4907(1)) at \$2.15 billion in outstanding moral obligation debt. Since our bond indenture has the State's moral obligation behind it, all of our bonds have the moral obligation, despite our Aa1/AA+ rating not actually relying on it. We have completed our review as of fiscal year ending December 31, 2023 and for a number of reasons, mostly relating to the sharp increase in housing production made possible by state housing funding, we are getting near our cap and will need to increase it. While this is not an emergency yet, given current trends we will likely hit our cap this year, prior to the next legislative session. This change, which is routine, needs to happen before then in order for us to continue to buy single family mortgages and issue multifamily mortgages at the level needed to use the funding made available by the state.

We see this as being primarily a cleanup item, yet one that needs to be addressed. MaineHousing's cap was last raised in 2001. We want to increase it, as we have done in the past, by a large enough increment to give us headroom for several years to come, so this does not become a frequent need.

Amendment Needed:

We would like to propose an amendment to LD 2160 to fix this problem. We have spoken to FAME and the Governor's office about it, they understand the issue and agree with us on the importance of this.

Here's what such an amendment would look like:

Title 30-A: MUNICIPALITIES AND COUNTIES §4907. Limitations

1. Limitations on amount of outstanding principal. The Maine State Housing Authority may not at any time have an aggregate principal amount outstanding, in excess of ~~\$2,150,000,000~~ \$2,650,000,000 of mortgage purchase bonds secured by the Housing Reserve Fund or a Capital Reserve Fund to which section 4906, subsection 3, paragraph A applies. Mortgage purchase bonds of the Maine State Housing Authority secured by capital reserve funds to which section 4906, subsection 3, paragraph A does not apply, bond or mortgage insurance, direct or indirect contract with the United States, purchase or repurchase agreement of guaranty with a banking or other financial organization or other credit arrangements securing the bonds may be issued up to \$100,000,000 per calendar year in an aggregate principal amount outstanding at any time not to exceed \$300,000,000.