



STATE OF MAINE
GOVERNOR'S OFFICE OF POLICY INNOVATION AND THE FUTURE
181 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0181

Testimony In Support of

L.D. 2209, An Act to Increase the Cap on Bonds Issued by the Maine State Housing Authority to Reflect Current Housing Production Needs in the State

February 20, 2024

Senator Pierce, Representative Gere, and distinguished members of the Joint Select Committee on Housing, my name is Greg Payne and I serve as the Senior Advisor on Housing Policy in the Governor's Office of Policy Innovation and the Future. I am here today to offer testimony in support of **L.D. 2209, An Act to Increase the Cap on Bonds Issued by the Maine State Housing Authority to Reflect Current Housing Production Needs in the State.**

MaineHousing issues tax-exempt bonds to provide single-family mortgages for first-time homebuyers and to finance multifamily affordable housing. Those bonds are paid back solely by the mortgage holders, not the state or the taxpayers. The amount of such bond debt that the agency is permitted to have outstanding at any given time is capped by statute at \$2.15 billion. This limit was last raised 23 years ago in 2001, when it went from \$1.65 billion to the current level. The limit of \$2.15 billion worked for over 20 years due to the economic climate and housing production activity over that time. Over the past few years, that climate has changed dramatically. Interest rates, the cost of housing, and the state's increased housing production investments have materially impacted MaineHousing's ability to keep working within the current statutory limit.

The reason this cap exists is that MaineHousing's tax-exempt bonds (much like those issued by FAME, the Maine Municipal Bond Bank, and the Maine Health and Higher Educational Facilities Authority) carry the State's moral obligation, which means the State has a "moral" obligation (although not a legal one), to stand behind MaineHousing if they were ever unable to pay the entirety of their annual debt service. MaineHousing has never in its history had to seek such help from the State, and their conservative bonding operations are designed to ensure that they never will. In fact, the agency's credit rating is higher than the State's. Raising this cap does not have a budgetary impact for the State, but if it is not increased this legislative session, the approval of any additional production activity would come to a halt. The \$70m in new investments approved in the current biennial budget would not move forward.

Given the urgency of the flow of new affordable homes through MaineHousing's pipeline, we cannot wait to update this statute. We support this proposal to raise the cap to \$3 billion and appreciate the work of the Committee to move it forward quickly.

Thank you and I would be happy to answer any questions you may have.