

Public Hearing Testimony of Greg Im on behalf of M.S.A.D. No. 51 in support of LD 242 – An Act to Extend the Maximum Time Period of Certain School Construction Bonds

Good afternoon Senator Rafferty, Representative Murphy, and distinguished members of the Committee on Education and Cultural Affairs. My name is Greg Im, and I am an attorney at Drummond Woodsum representing Maine School Administrative District No. 51 in Cumberland and North Yarmouth. I am testifying in support of LD 242 “An Act to Extend the Maximum Time Period of Certain School Construction Bonds.” The District thanks Senator Pierce for sponsoring and Representatives Mitchell and Graham for cosponsoring this bill.

This bill corrects an inconsistency in the statutes governing the maximum term of borrowing by school administrative districts and regional school units for locally funded school construction projects. This bill will not affect the maximum term of bonds for state-subsidized school construction projects, which is fixed at 20 years by regulations adopted by the State Board of Education.

The 131st Legislature recognized the dramatic increase in the cost of locally funded school construction projects and that school districts should have the ability to spread debt service over a longer period of time. Accordingly, in 2023, the statutes were amended to increase the maximum term of a locally funded school construction bond from 25 years to 30 years. At that time, however, the statutes related to temporary borrowing were not similarly amended. As a result, under current law, a school district may issue a 30-year bond for locally funded school construction; however, if the district first issues a temporary note followed by a long term bond, the combined term of the note and the bond cannot exceed 25 years. This incongruous result is impactful because temporary notes are commonly issued for school construction projects for a number of reasons, including to align borrowing with the cash flow needs of the project.

This statutory inconsistency affects M.S.A.D. 51 and its locally funded \$53,492,000 school construction project that is currently underway. Based on the statutory amendment allowing 30-year school construction bonds, the District developed a plan of financing to evenly spread the debt service over a 30-year period and soften the annual impacts to taxpayers. The plan of financing included a 1-year temporary note followed by a 29-year construction bond to be issued in December 2025. In February 2024, however, the District’s bond counsel identified the statutory inconsistency and informed the District that its 30-year plan of financing could not be implemented under the current statutes.

If enacted, LD 242 will allow M.S.A.D. 51 to follow through on its 30-year financing of its construction project. This bill will also give other school administrative districts and regional school units greater ability and flexibility to manage the local tax impacts of borrowing for school construction.

Thank you for the opportunity to testify in support of LD 242. I am happy to address any questions.