



**Written Testimony by William Norbert
Governmental Affairs Manager**

Neither For Nor Against L.D. 2009

An Act to Allow a Political Subdivision to Enter into Federal Bankruptcy Proceedings

January 21, 2026

Joint Standing Committee on State and Local Government

Senator Baldacci, Representative Salisbury, and Distinguished Members of the Joint Standing Committee on State and Local Government:

My name is Bill Norbert. I am the Governmental Affairs Manager at the Finance Authority of Maine (FAME). I am submitting this written testimony Neither For Nor Against L.D. 2009, *An Act to Allow a Political Subdivision to Enter into Federal Bankruptcy Proceedings*.

This bill would authorize counties and municipalities to enter into federal bankruptcy proceedings upon exhausting all reasonable alternatives to avoid bankruptcy, as well as a determination by the State Auditor that the county or municipality is insolvent, as well as approval by the county commissioners or municipal officers.

FAME is a quasi-independent state agency whose mission is to enrich business and educational outcomes through relevant, timely financial support to Maine's people. FAME's vision is a Maine where all people have access to improved economic outcomes through business growth and education attainment. One of the financing tools we offer is bond financing. Each year we assist various businesses, nonprofits, and students with access to lower cost financing through tax-exempt and taxable bonds.

Traditionally, our bonds have provided an opportunity for manufacturing businesses, solid waste facilities, nonprofit organizations, and student loan borrowers to access the tax-exempt bond market for needed funding and important projects. In FY 25, our Revenue Obligations Securities Program provided \$142,560,000 in financing for four separate bond transactions. Our Municipal Securities Approval Program provides an opportunity for municipalities to issue tax-exempt Industrial Revenue Bonds for nonprofits or manufacturing borrowers that seek to develop and/or acquire real estate or machinery and equipment.

We understand that Washington County and others are going through a difficult time financially. We are sympathetic and wish them all the best. We are concerned, however, about some potential ramifications of the bill as drafted, such as the potential impact of this proposed legislation on bond financing generally in the state, bond holders, and the state's credit rating. It also may impact the good work being done currently by the state's various private activity bond issuers, including FAME, the Maine Municipal Bond Bank, MaineHousing, and the State Treasurer.

Private activity bonds help to finance projects with public benefits, like affordable housing, infrastructure (airports, ports, mass transit, roads, rail), utilities (water, sewage, waste disposal, energy), and nonprofit facilities (hospitals, universities) by using tax-exempt debt for private entities, thus lowering costs for the public good. They also support student loan financing, first-time homebuyer mortgages, and manufacturing facilities. We fear that passage of this legislation as drafted could hamper such future bonding and the resultant public good that occurs. Investors may be less likely to buy such bonds if a county or municipality could discharge their obligations to repay them through bankruptcy. This could in turn undermine confidence in them and in the state by bondholders and credit rating agencies.

Thank you for your consideration of my comments.