



Maine Regional School Unit 21
The Schools of Arundel, Kennebunk, and Kennebunkport

"Preparing responsible, contributing citizens in a global society."

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Dear RSU 21 School Board of Directors and Community Members:

As many of you know, we drafted a legislative bill, numbered 1222, early last February. This bill was to provide Regional School Administrative Units (RSUs) the same options as Municipal (single town) School Districts for re-paying school construction loans. Specifically, it was drafted to provide RSU 21, and all RSUs in Maine, the ability to choose between a payment schedule that is higher initially and decreases over the life of the loan and one that is similar to a home-mortgage payment, remaining consistently flat throughout the life of the loan. Many Municipal School Districts choose this option over the older "level principal payment style" bond. The impact on taxpayers is that "level principal style" bonds have a much higher initial repayment and a lower final repayment. The net present value of the interest paid by taxpayers over the life of the bond is virtually the same in either case because of the "time value of money." Additionally, the option provides lesser payments early on, which benefits those people who may not be in their homes for the life of the loan.

We obtained bi-partisan support for the bill through co-sponsors Chris Babbidge (D) and Ron Collins (R) who submitted it on March 26, 2015. On April 15, 2015, we testified in support of the bill. Maine School Management and Drummond Woodsum also provided supportive testimony. The only testimony against the bill that day was from Suzan Beaudoin, Maine Department of Education, Director of School Finance. Her concern was that this would impact state-funded projects. We proposed an amendment to specify that it would apply to locally funded projects only. On April 22, 2015, that amended language passed unanimously out of the Education and Cultural Affairs Committee with a recommendation of "ought to pass" to the House. The bill passed the Senate on May 28, 2015 and was enacted unanimously, without changes, by the House on May 29, 2015. On June 12, 2015, our bill was one of ten vetoed by Governor LePage. On June 15, 2015, it was overridden in the House by a strong vote of 143-2.

When our attorney and bond counsel began to develop our Bond Resolution Schedule, they found that the newly enacted payment structure statute was amended to apply only if it results in lower costs. Specifically, for RSUs, a level debt payment structure may be used, "only if the payment structure results in lower costs for the regional school unit throughout the life of the issue of the bonds." On a 20-year bond, this appears to make the legislation virtually unusable.

At this point, we are being advised to move forward with the traditional style payment schedule so we can capture interest rates that remain at historic lows. Our three communities voted in strong support of our building projects before this LD 1222 passed, anticipating the traditional, and fluctuating, "level principal style" bond. As always, I am available for questions and comments. We appreciate your support of our schools.

Sincerely,

Kathryn Hawes, Ph.D.
Superintendent of Schools