

# Regional School Unit 22

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## ***Testimony in Favor of LD 1103:***

### ***An Act Regarding Unallocated Balances in a School Administrative Unit School Budget***

Senator Rafferty, Representative Murphy, and distinguished members of the Joint Standing Committee on Education and Cultural Affairs. My name is Nick Raymond, and I am the Superintendent of Schools in RSU 22, which represents the towns of Hampden, Newburgh, Winterport, and Frankfort. These four towns are located in Penobscot and Waldo Counties respectively. Today I am providing testimony in favor of LD 1103 - *An Act Regarding Unallocated Balances in a School Administrative Unit School Budget*.

Per Title 20-A MRSA § 15689-B(6), and beginning with the school year 2025-2026, school boards may carry forward unallocated balances in excess of 5% of the previous year's school budget and disburse these funds in the next year or over a period not to exceed 3 years. While this is more than the 3% limit from the past, it is a reduction from the current 9% that has been the practice since the 2021-2022 school year.

To put this into perspective, in many circumstances within our state, 5% would not even cover contracted employee wages and benefit expenses for the summer months, let alone any other contracted service or additional operational expenses incurred. All school districts across the state take into consideration the impact their budget has on taxpayers. We want the smallest possible budgets to get the job done. It will create a much larger hardship on taxpayers if a district finds they simply do not have enough money to get through a summer or an emergency situation. For example, using today's figures to determine one month of expenses in RSU 22 for salaries, wages, and health insurance only, RSU 22 would pay \$2,471,058.77 for one month. Again, this amount does not include additional expenses every district incurs throughout the year, such as bus contracts, water, electricity, HVAC contracts, club advisors, sports coaches, etc. Five percent (5%) of our current fiscal year budget is equal to \$1,950,739.06. Therefore, if RSU 22 were in a situation where funding was not provided to us, and capping the unallocated fund balance at 5% like the statute currently states, we would not be able to pay our bills for that month.

General accepted account principles (GAAP) and the Government Finance Officers Association (GFOA) recommend at least two months of regular general fund operating expenditures be set aside as undesignated funds, otherwise known as unallocated. Within our state, municipalities do not have a law defining their unallocated balances,

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but many have developed a policy to address this. In researching some of those policies it has been determined that municipal governments throughout the state aim for 2-3 months worth of expenditures in their undesignated funds, which averages 16.67% - 25% of their budget. In looking at actual numbers from town audits, it is not uncommon to find percentages well above that 25% threshold. The Maine Municipal Association (MMA) recommends a range of 16%-18% and in 2021 the State of Maine County Commissioners Association (MCCA) established a policy that requires the MCCA to maintain a minimum undesignated fund balance equal to approximately three months of expenses. While I do not know the reason(s) for each of the previously mentioned recommendations, it is clear that those recommendations, policies, and actual numbers are significantly different from what state statute requires of school districts throughout the State of Maine. Schools would much prefer being treated like the previously mentioned groups, but at the very least, would appreciate the unallocated percent remaining status quo in the event of an emergency situation.

Establishing and properly maintaining a reasonable unallocated balance is simply prudent financial management. With so many unexpected expenses in schools today (unplanned building repairs, student move-ins requiring a special education out-of-district placement, loss of funding for programs/projects, etc.) it puts districts in a precarious situation if they don't have enough money to pay for their expenses, which will ultimately result in students not receiving the appropriate services they may need. It is inevitable that requiring school districts to not exceed the upcoming 5% law will put some in a financial mess. This will result in school districts having a shortfall and needing to go to their local municipalities to raise additional funds or to eliminate programs or positions altogether. I can assure you that this outcome would be much more detrimental to the relationship between schools and towns than simply increasing the percent allowed or keeping the statute at nine percent (9%).

For these reasons, I urge the Committee to vote "ought to pass" for LD 1103 as presented, or to vote "ought to pass as amended" and consider rewriting the statute to allow school districts to be at least similar to municipal governments. This will allow for

schools to be sure our students are not negatively impacted and we can always guarantee that they receive the Free Appropriate Public Education (FAPE) they are all entitled to.

Thank you very much for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Nick Raymond". The signature is fluid and cursive, with the first name "Nick" being more prominent than the last name "Raymond".

Nick Raymond  
Superintendent of Schools