

April 29, 2025.
Belgrade Lakes, ME

Senator Rafferty, Senate Chair
Representative Noonan Murphy , House Chair
Members of the Joint Standing Committee on Education and Cultural Affairs
132nd¹ Maine Legislature, First Special Session
2 State House Station
Augusta, Maine 04333-0002

Senator Rafferty, Representative Noonan Murphy, and Distinguished Members of the Education and Cultural Affairs Committee:

Testimony IN OPPOSITION of LD 1103:

An Act Regarding Unallocated Balances in a School Administrative Unit(SAU) School Budget – April 29, 2025

My name is Sara Languet, and I am one of the two Belgrade RSU#18 School Board Directors. I also represented the Town of Belgrade in the 2022 RSU#18 Cost Sharing Formula (CSF) committee. Additionally, I am the Vice-Chair of the Belgrade Budget committee which is a extremely fiscally conscientious town.

BACKDROP:

Before explaining the ultimate reason why I am OPPOSING this bill. I like to kindly review the perfection of a diligent budget construction and approval process. This is the backdrop before the punch line!

BUDGET CONSTRUCTION PROCESS:

First, I want to make sure that we all understand that when I speak of budget we are talking of a COIN with two sides. Any budget process starts with assessing the COST side first... ONCE we know the total cost... then, we proceed to construct the REVENUE side of Budget. Again, in a budget process we first determined the COST and then proceeded to chase the REVENUES. If this is done in reverse... we ended up with false needs in order to spend all the revenues (which usually get perpetuated in the budget costs as many organizations build their budgets based on previous budgets). So, chasing REVENUES without conscientiously assessing, scoping and forming a complete diligent requested needs with potential estimates usually leads to overspending, misuse of funds (on false needs) and continuation of poor management skills as it all becomes a silent and hidden habit.

A community like Falmouth, which at least five years ago was the TOP performer school district in the state of Maine, does have an excellent, very transparent and detailed budget process. **WEBSITE:** <https://www.falmouthschools.org/about/budget>

TABLE 1: List of Top 10 performers RSUs in the state of Maine

SAU Name	2024-25	Cost per Pupil (in Thousands of Dollars) 2019-20	Number of STUDENTS in School Unit- 2019-20	TOTAL BUDGET EXPENSES (in Millions of Dollars) 2019-20	District Graduation Rate 2019-20	District - Percentage of Students Chronically Absent - 2019-20	% Student HS LARTS Achievement Level AT&ABOVE Expectations AVERAGE(16-19)	% Student HS MATH Achievement Level AT&ABOVE Expectations AVERAGE(16-19)	% Student HS SCIENCE Achievement Level AT&ABOVE Expectations AVERAGE(16-19)
Falmouth Public Schools	1,979	\$18.4(E+3)	2,088	\$38.4(E+6)	98.8%	10.1%	80.1%	70.4%	81.6%
RSU 51/MSAD 51-GREELY	2,236	\$18.2(E+3)	2,105	\$38.8(E+6)	97.3%	8.6%	76.1%	65.7%	80.5%
Yarmouth Schools	1,655	\$16.0(E+3)	1,660	\$27.1(E+6)	99.2%	9.9%	78.7%	70.7%	79.6%
Scarborough Public Schools	2,865	\$16.7(E+3)	3,010	\$50.0(E+6)	95.7%	9.4%	73.2%	56.8%	77.6%
York Public Schools	1,550	\$20.9(E+3)	1,643	\$34.3(E+6)	94.6%	11.2%	73.8%	56.9%	74.9%
Brunswick Public Schools	2,413	\$16.8(E+3)	2,378	\$40.6(E+6)	93.8%	12.2%	60.2%	44.5%	72.7%
Bangor Public Schools	3,440	\$13.7(E+3)	3,517	\$50.4(E+6)	85.3%	18.0%	65.4%	52.5%	70.4%
Winthrop Public Schools	806	\$14.0(E+3)	850	\$12.1(E+6)	86.8%	13.1%	62.8%	45.5%	68.3%
RSU 38--MARANACOOK-Readfield	1,160	\$16.4(E+3)	1,155	\$19.7(E+6)	98.9%	18.8%	59.2%	40.4%	67.1%
RSU 11/MSAD 11-Gardiner	1,846	\$13.6(E+3)	1,957	\$27.3(E+6)	88.5%	12.2%	46.0%	32.4%	63.0%
RSU 18	2,554	\$14.4(E+3)	2,824	\$38.0(E+6)	92.4%	15.8%	51.9%	36.7%	61.5%
RSU 02--HALE-DALE--Hallowell	1,436	\$15.0(E+3)	1,946	\$30.1(E+6)	91.9%	18.7%	48.8%	30.8%	60.6%
RSU 74- Carrabec (Solon)	575	\$17.3(E+3)	592	\$10.9(E+6)	90.0%	15.1%	43.0%	26.0%	57.5%
Winslow Schools	1,143	\$15.2(E+3)	1,101	\$17.5(E+6)	88.8%	17.3%	50.7%	29.1%	57.4%
RSU 49/MSAD 49-Fairfield/Lawrence	1,760	\$14.2(E+3)	2,068	\$29.7(E+6)	88.5%	22.2%	46.2%	38.0%	57.3%
Waterville Public Schools	1,623	\$14.5(E+3)	1,654	\$28.4(E+6)	83.9%	26.6%	47.7%	31.3%	57.0%
RSU 59- Madison Public Schools	544	\$17.4(E+3)	588	\$10.7(E+6)	90.0%	26.7%	41.5%	22.8%	56.4%
RSU 09-Mt. Blue-Farmington	2,277	\$12.0(E+3)	2,375	\$33.4(E+6)	87.7%	19.8%	43.3%	29.0%	56.2%
RSU 54/MSAD 54-Showhegan	2,194	\$14.4(E+3)	2,362	\$38.8(E+6)	84.8%	16.3%	46.6%	32.4%	55.5%
RSU 13- Rockland	1,521	\$19.1(E+3)	1,583	\$31.1(E+6)	91.7%	29.5%	44.1%	29.4%	54.3%
Augusta Public Schools	2,121	\$12.2(E+3)	2,195	\$32.3(E+6)	86.0%	24.0%	46.7%	31.6%	51.9%
Auburn Public Schools	3,242	\$12.9(E+3)	3,533	\$45.6(E+6)	80.2%	21.6%	43.4%	29.3%	51.4%
RSU 03/MSAD 03--Mount View Unity	993	\$15.0(E+3)	1,202	\$18.5(E+6)	90.1%	24.7%	42.0%	19.9%	50.2%
Lewiston Public Schools	5,313	\$13.3(E+3)	5,334	\$81.9(E+6)	73.6%	23.1%	28.7%	18.5%	33.6%

That School Budget process at Falmouth Schools goes as follows:

(1) COST SIDE of the Budget (five steps):

- (a) **DIALOGUE:** In the Fall the Superintendent together with administrators host dialogue sessions within each school site to obtain and assess the needs.
- (b) **NEEDS:** The needs later are translated into a written scope or narrative and with such documenting the reasons for the need and with such being fully transparent with all taxpayers and creating a record for future boards.
- (c) **NARRATIVE:** The narrative is then prioritized (so they know right from the get-go WHAT must happen and WHAT can be drop off if necessary due to short revenues.
- (d) **EXPENSE DESCRIPTIONS:** Moving forward, the finalized scope/narrative is translated and allocated into descriptive expense items... which become part of existing budget items or new ones on the COST side of the Budget.
- (e) **ESTIMATES:** Estimates (checked with reputable sources like vendors appraisals) are given to all expense lines to finally obtain the TOTAL COST.

(2) REVENUE SIDE of the Budget (four steps):

- (a) **A LIST OF POTENTIAL REVENUES:** Assessment and scope every single vein or stream of revenue
- (b) **UNDERSTAND THEM:** Understanding the flow of them... their requirements, their frequency and their capacity (their flow... how much secure funding they provide).
- (c) **PRIORITIZE THEM:** List all of them and prioritize them based on what is on hand for revenues and what might need to be work up (possibly written requests or applications for grants/bonds)
- (d) **ALLOCATE THEM:** Then, there has to be an understanding of the amount of the costs cannot be covered under EPS/grants/bonds; which is usually bound to be part of the Additional Local Funds (ALF) while making sure that they know what cost expenditure lines within the budget (usually the costs that are shared by the most number of students and that are cost with low priority) will be covered with Additional Local Funds revenue. All this, since it might happen that the community decides not to cover all ALF. In which case, the low priority cost expenditure lines can be frozen, taken away from the initial Total Cost and rethought on future budgets.

A review:

COST: Dialogue, Needs, Narrative, Expenses Descriptions, Estimates

REVENUE: List of them, Understand them, Prioritize them, and allocate them

Particularly with the Belgrade Budget, this process starts with the Budget committee reviewing and scrutinizing about 300 lines of expenses line by line while looking at actuals from the previous three years while having department heads input. A second session of the same process is repeated together with the Belgrade Select Board. And, in that way, creating a double filter for what our town manager initially suggests for expenses and its estimates. This process is not happening in many RSUs, at least not in mine, while the school budget is about 10 times bigger than the one in the town. Very counterintuitive.

Finally as part of the backdrop. I like to quickly review the School Budget approval process... We have THREE tiers of approval process once the budget is constructed.

BUDGET APPROVAL PROCESS:

- (1) At the SAU School Board level
- (2) At the DISTRICT BUDGET level where taxpayers/residents of multiple municipalities are called to approve. Or in some cases, the CITY COUNSEL is designated to approve. During this approval process, the residents/taxpayer/council members usually have a voice to change or ask to change certain expense lines and its cost estimates. This is VERY IMPORTANT privilege and it seems that taxpayers and council members have forgot that right.

Both of the above approvals are in open sessions... so we can tell who votes for it.

- (3) And finally, the ultimate show of democracy, is the REFERENDUM where each citizen is empowered with a secret ballot to have the final say on the Budget. However, here is pass or turn down... no changes allowed...

PUNCHLINE

NOW, here is the punch line.... What our state house member do not know is that during the pandemic years it seems that multiple RSUs lost or forgot good budgeting habits described above:

- (1) Many of these School Budgets are exclusively built/construct by the Administration without community input and without incorporating School Board member's feedback. I had done such for three years just to have my recommendations drop in deaf ears and blind eyes.
- (2) Specifically, I will mention that Budgets ESTIMATES seems to be built based upon previous years Budget estimates without consulting the ACTUALS ---which is a HUGE MISTAKE as undeniably that practice leads to create a very DANGEROUS gap between the ACTUAL expenses (what was actually spent) and the future estimated expense COSTS. **Eye: THIS PROBLEM HAD BECOME A DECEASE WITH EVERY PUBLIC BUDGET.** Not in all but in many school budgets, anything between 10 to 20 percent of the Budget lines (at least my RSU Budget), there is significant separation between the ACTUALS and the ESTIMATED cost... with that separation been MUCH more than 25%.
- (3) Also, there are significant part of these budgets that is UNDESTIMATED but definitively in the case of my RSU the OVERESTIMATION blankets the underestimation. More so, if you are good at budgeting usually underestimation is usually minimal. But, I have evidence in my school district that the underestimation has been between \$2 Million to \$4 Million depending on the year.
- (4) So, it is not difficult to figure out how at the end of the year, there will be money to rake in into the **UNDESIGNATED FUND**. There will be plentiful **monies LEFT OVER**.

NOTE OF CLARIFICATION:

What is the UNDESIGNATED FUND? How are funds determined to be undesignated? UNDESIGNATED FUNDS are the leftover money from the years' General Fund Budget. So, previously to the FISCAL YEAR... COSTS are ESTIMATED, and a budget is accorded and approved to received REVENUES to cover all the estimated costs. The difference between the total of the ESTIMATED COSTS (the so generally called BUDGET) and what is actually spend (the so generally call ACTUALS) is what will end up in the UNDESIGNATED FUND. If there is **money left over** at the end of the fiscal year, that money ends up in the **UNDESIGNATED FUND**.

Till 2020, there was a 5% cap for the undesignated school fund. That got moved to 9% to absorb the impact of the COVID emergency that swelled the system with a surge of available funding. Five years were given to be able to absorb the excess of 5% within needs of the RSUs. Now, this coming July, the state law calls for a return to then 5%, with all the excess above 5% allocated to future school budgets with a periods of up to three years. Again, the RSU administration teams had 5 years to allocate and spend that money for needs of the RSU but many of them for whatever reason decided to leave such money there. **That is taxpayer money sitting in the bank without use nor purpose.**

Many RSUs have their present 9% cap bucket almost full... Specifically in my RSU, the RSU Administration together with majority of the Board had set up a fund to catch the overflow of the 9% cap and with that not allowing the excess being used towards future budgets as present state laws provides.

Taxpayers do not need to be overcharged for services as that is the impact of the excessive gap between ACTUALS and ESTIMATED just to see their money go to the **UNDESIGNATED FUND** where it is going to reside as SLUSH FUND MONEY to whatever WHIMS comes along and decided by few people and to which the taxpayers have no say. **This is the reason WHY I am vehemently oppose this bill. Literally, our taxpayers will be robbed of their hard earned moneys in a time of economical crisis. Letting this money be used and allocated to future budgets will give our communities a fiscal break and ease in their pockets during such harsh times.**

TABLE 2: RSU 18 varies Reserves Funds (April 2024)---- about \$5.6 Million sitting in the bank! With already about 8% of the budget in UNDESIGNATED.

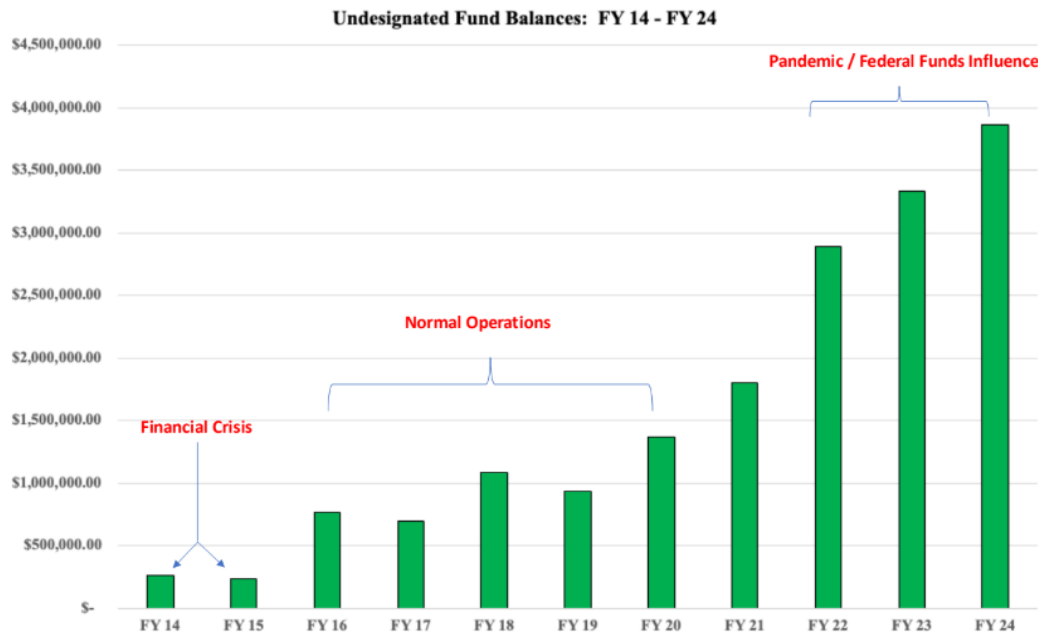
Committed		
FY10 Fuel Reserve Article	\$ 60,000.00	RSU 18 BOD and the RSU 18 tax payers have approved these reserve account funds and have authorized the BOD to expend these funds
FY22 Fuel Reserve Article	\$ 40,000.00	
FY23 Fuel Reserve Article	\$ 100,000.00	
FY21 Facilities Capital Reserve Article	\$ 250,000.00	
FY22 Facilities Capital Reserve Article	\$ 250,000.00	
Total Committed	\$ 700,000.00	

Assigned		
FY24 Capital Reserve Article	\$ 500,000.00	RSU 18 tax payers have approved these funds to be transferred to the reserve account at the end of FY 24
FY24 Budgeted use of Fund Balance	\$ 500,000.00	Part of the FY 24 revenue plan
Any funds above 9% of fund balance	\$ -	RSU BOD and the RSU 18 tax payers have approved the creation of this fund and the addition of any money over 9% of fund balance
Technology Fund	\$ 244,357.00	Grant money with conditions
Laptop Insurance Fund	\$ 52,589.00	Self Insured laptop program
	\$ 1,296,946.00	

Unassigned	
Unassigned	\$ 3,329,495.00
	\$ 3,329,495.00

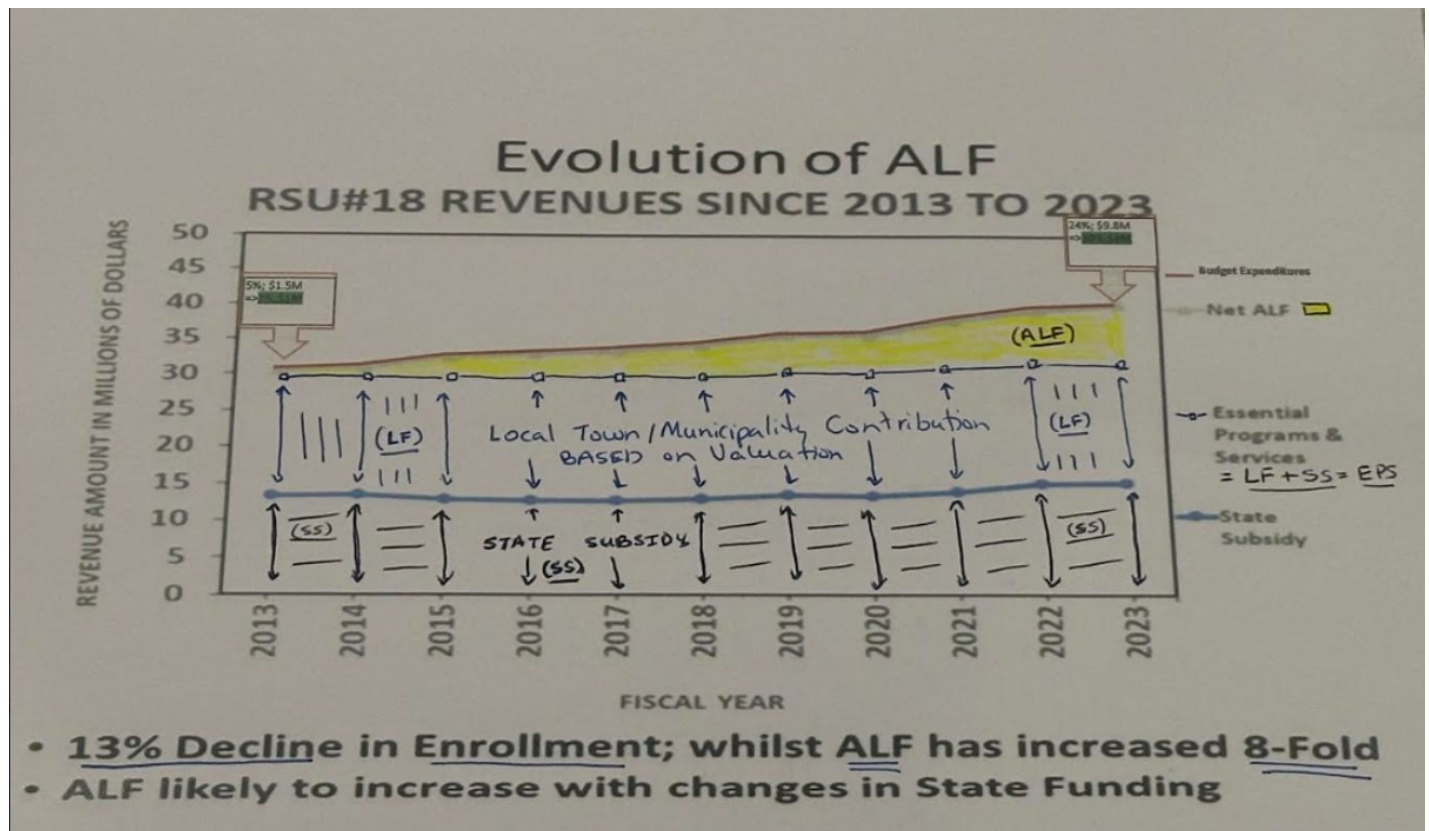
Nonspendable	
Prepaid Expenditures	Nonspendable \$ 205,834.00

TABLE 3: Progression of UNDESIGNATED FUNDS over the years



From the table above it can be easily seen how the COVID money had “ballooned” that undesignated fund so fast.

TABLE 4: Progression of the total COST ESTIMATED by the RSU versus the ESTIMATED COSTS estimated by the ED-279 (EPS) report



Please, feel free to reach out to me via email any time. At your discretion, I will welcome a future invitation to answer any further questions or concerns. Thank you for your consideration and your time devoted to these causes that foster the education of our children as they are the future of our state and our country. Thank you for your service.

Sincerely,

Sara H Languet

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