

May 5, 2025
Belgrade, ME

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

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

Testimony **NOT FOR/NOR AGAINST** of LD 1103:
An Act Regarding Unallocated Balances in a School Administrative Unit (SAU) School Budget
Of April 29, 2025

My name is Lorna Dee Nichols, Town Manager for the Town of Belgrade. The purpose of this email is to respectfully ask you to consider my testimony regarding LD-1103. There is widespread community concern about our school's administration of such a large 'cash pool' of undesignated funds in a reserve account (since the allowance of 9% of the RSU18 Budget permits about \$4 Million to sit in such an undesignated fund). For reference, the Town of Belgrade's operational budget is just over \$4 Million when the present allowable 'reserve' of RSU 18's undesignated funds is about the same figure. It is mind blowing to consider the near equivalence of both these figures. The Town of Belgrade has an undesignated fund of about \$2 Million (about 45% of our town budget) as recommended by our auditor and GAAP guidelines which covers about two months' worth of expenses and debt service payments. Conversely, there are no major loan liabilities in RSU18 besides a 'Facilities' bond that requires yearly about \$1 Million (about 2.5% of the RSU 18 annual budget).

At present, Maine state law requires that the excess of 9% in the RSU's undesignated balance funds must be used to offset the municipalities' allocations of the future RSU's General Fund Budgets (and disperse such within a period of three years). At the end of FY'24, that excess of 9% happened at RSU18 (as confirmed by a recent RKO financial audit of the RSU18 FY24 financials), while activating the need to honor the state law on how to use that excess of 9% correspondingly. According to the RKO financial audit, that excess of 9% was about \$1 Million. On April 2nd, 2025, the RSU18 Administration suggested its School Board place the totality of that excess of 9% in an Emergency Contingency Reserve Fund (ECRF). That ECRF seemed to be pre-crafted and blindly pre-approved with deficient understanding of and by the RSU18 School District towns on the May 2023 District School Budget meeting (as back then an estimated 50 residents -mostly school administrators and their spouses- from a total of well-over 3,000 RSU18 School District voters did not have a practical idea of what that ECRF would mean, nor had a clear picture of the financial mechanics that would lead to fill such ECRF).

The above April 2nd, 2025, RSU18 Administration suggestion prevailed as an outcome even when the RSU18 legal counsel deemed and encouraged the RSU18 school board to make sure that both "excess of 9%" options (the state law dictation to reduce the towns allocations and the ECRF allocation) were considered in combination to simultaneously satisfy the legal avenues for the same excess of 9%. Poor administration and portions of over-estimated budgets from our RSU have increased the undesignated fund to an amount well beyond the 9% limit.

Noting the potential status quo of RSU18's situation, allowing the School District's internal use of such accumulated surplus excess funds purposes other than reducing town allocations might speak of an

inadequate state legislative oversight. I urge the ECA committee to consider the possibility of keeping the state law as it is - with the 5% sunset clause- while extending the excess of 9% rule for another four years (till FY29); and with that giving the opportunity to responsible RSUs to manage such reserve funds as several superintendent's testimonies have suggested. It will be interesting in four years to witness proof of their sound administration.

With sincere appreciation for your time and your consideration,

Lorna Dee Nichols

Email: townmanager@townofbelgrade.com