

TESTIMONY IN SUPPORT OF

L.D. 1103

AN ACT REGARDING UNALLOCATED BALANCES IN A SCHOOL
ADMINISTRATIVE UNIT SCHOOL BUDGET

April 29, 2025

Senator Rafferty, Rep. Noonan Murphy, and members of the Joint Committee on Education and Cultural Affairs, I am Eileen King, the Deputy Executive Director of the Maine School Management Association, testifying on behalf of the legislative committees of the Maine School Boards Association and the Maine School Superintendents Association in strong support of L.D. 1103, An Act Regarding Unallocated Balances in a School Administrative Unit School Budget.

In this time of such fiscal uncertainty, our associations believe that this bill would continue a common-sense practice that will help districts to save money, preserve programming, limit property tax increases, and provide a more consistent budget picture for local taxpayers each year.

As background, Maine passed a law in 2021 increasing the amount of funds that a school district can carry over from one year to the next in its “unallocated fund balance.” The legislature increased that amount to 9 percent, but it is set to drop to 5 percent in June 2025. This legislation has been impactful for Maine school districts – allowing them to better handle a volatile financial picture and provide a responsible, reasonable budget to local taxpayers. 9 percent is still a modest amount for a reserve account – meaning just a month or two of expenses. It is also below the rates for municipalities, who often hold unallocated balances at 15 percent or even higher. With so much fiscal uncertainty and unpredictability ahead, it makes sense to keep this statute in place and help protect local taxpayers.

Here are just a few of the volatile budget challenges that our schools face:

- **Special Education:** This year’s MEPRI report highlights the unpredictable nature of providing special education services in Maine schools. Out-of-district placements for just a few children can result in a local school budget unexpectedly skyrocketing by hundreds of thousands of dollars.
- **Changes in State Allocations:** While districts are enormously thankful that the legislature has continued to provide the state’s mandated 55 percent of K-12 education funding, changing property valuations have led some districts to see steep decreases in funding from one year to the next.
- **Energy Volatility:** Schools – like so many other institutions – have seen fuel and power costs skyrocket in certain years, sometimes going up by tens or even hundreds of thousands of dollars.

- **Potential Threats to Federal Funding:** Federal lawmakers have already warned that schools nationwide could potentially see cuts to several areas impacting education: federal Title funds, school meals, Medicaid funding, and more.

When a school district faces a challenging budget situation, as many are this year, they have limited options: cutting expenses – often meaning layoffs – or raising local property taxes. Tapping into a carryover fund allows a school to keep tax increases low while still preserving teachers and maintaining investments in programming and student needs. This can have a lasting effect: we know that once a position or program is eliminated from a school budget, it can be hard to insert it back in later years. Using a fund balance to smooth over financial peaks and valleys from year to year helps to ensure continued investment in education and students' needs.

In fact, the current budget year is already showing the importance of these funds. Many local school districts are dealing with health insurance increases of nearly 20 percent, as well as rising costs for special education. Some are specifically using money from their fund balance to help balance their budget and maintain important programming, instead of being forced into layoffs or raises on property taxes. This is fiscal prudence and good governance – something that should be encouraged.

It is also important to note that school budgets must still be approved by residents – including any money that is put towards or spent from an unallocated fund balance. Local taxpayers still have full control over how this money is spent. L.D. 1103 would simply continue to allow districts to choose – if they want to – to have a bit more of a financial cushion to protect local taxpayers from financial volatility.

We urge you to support this bill to assist schools and local taxpayers amid so much fiscal uncertainty. Thank you for your time and consideration, I'm happy to answer any questions you may have.