

Dayton Consolidated

Testimony in Support of L.D. 1103

April 29, 2025

Chair Rafferty, Chair Murphy, and distinguished members of the Education and Cultural Affairs Committee, thank you for the opportunity to provide testimony today in support of L.D. 1103, "An Act to Modify Provisions Related to Carrying Forward School Administrative Unit Fund Balances."

My name is Jeremy Ray, and I serve as Superintendent of Schools for Biddeford, Saco, and Dayton school districts. With 13 years of experience as a superintendent across three Maine school districts, I offer this testimony based on firsthand knowledge of school budget management challenges.

This bill proposes a critical and necessary change to Maine's education funding law by permanently establishing the 9% threshold for unallocated balance carryovers, rather than reverting to the previous 5% limit after fiscal year 2024-25. I strongly support this amendment for several compelling reasons:

Fiscal Responsibility and Taxpayer Value

For those concerned with prudent financial management and taxpayer value, this bill represents sound fiscal policy. The 9% threshold prevents districts from maintaining excessive reserves while still allowing responsible planning. This balance ensures taxpayer dollars are used efficiently while avoiding less thoughtful, rushed spending at year-end simply to meet an arbitrary threshold.

Importantly, having a larger fund balance allows districts to take advantage of favorable economic conditions and make strategic purchases when prices are low. Rather than being forced into rigid annual spending cycles, districts can time major purchases—from technology to buses to instructional materials—to coincide with market advantages, stretching taxpayer dollars further. This flexibility represents genuine fiscal responsibility that benefits our communities.

Enhanced Local Control and Planning Capacity

This legislation doesn't just preserve local control—it actively enhances the ability of local decision makers to plan effectively for their communities. By establishing the permanent 9% threshold, this bill empowers elected school boards with expanded planning horizons and greater flexibility to address local priorities on timelines that make sense for their specific communities.

School boards, directly accountable to local voters and taxpayers, retain complete authority to decide how to utilize these funds based on community priorities. If taxpayers express concerns about fund balances, school boards can and do respond by reducing tax assessments in

subsequent budgets. This local decision-making process remains intact, but with improved tools for strategic planning.

Nothing in this bill prevents school boards from using fund balances to reduce local property taxes when appropriate. Many districts, responding to taxpayer input, may choose to maintain lower balances and pass savings directly to taxpayers. Others might build reserves for planned capital improvements after transparent community discussions.

This enhancement of local planning capacity respects the principle that these decisions should be made at the local level, where voters have direct oversight through both the budget process and school board elections.

Appropriate Financial Standards in Context

It's important to place the 9% threshold in proper context compared to other public and private entity standards. One could argue that the 9% threshold for school districts is actually quite conservative when compared to recommended practices elsewhere:

- Municipalities typically maintain fund balances equivalent to three months of expenditures (25% of annual budget) as recommended by financial experts and municipal associations
- Private businesses commonly maintain considerably larger fund balances or cash reserves, often 15-20% of annual operating costs or more
- Other state agencies and departments frequently operate with higher reserve thresholds

Even at 9%, school districts would be held to a more restrictive standard than most comparable entities. This modest increase from 5% to 9% simply brings school financial management practices slightly closer to standards widely accepted elsewhere in both public and private sectors while still maintaining appropriate fiscal discipline.

Scale Considerations for Districts of Different Sizes

It's crucial to understand how fund balance percentages impact districts of varying sizes differently. While 9% might seem substantial for a district with a \$50 million budget, for smaller districts with budgets of \$5 million or less, this threshold barely provides enough reserves to cover a single emergency expenditure like replacing a failed boiler system.

For example:

- A district with a \$50 million budget could maintain up to \$4.5 million in unallocated balance at 9%
- Meanwhile, a district with a \$5 million budget would be limited to just \$450,000 at the same 9% threshold

That \$450,000 would barely cover the replacement of a single boiler system in an emergency situation, leaving nothing for other unforeseen circumstances or planned improvements. This scale difference highlights why the 9% threshold represents a reasonable and modest approach that still maintains appropriate safeguards while providing minimal but necessary flexibility, particularly for Maine's smaller rural districts.

Real-World Impact and Practical Solutions

In my experience across Biddeford, Saco, and Dayton, the 9% threshold has delivered practical benefits that align with values across the political spectrum:

For effective financial management:

- Enabled strategic multi-year planning for capital improvements
- Allowed districts to take advantage of favorable pricing when market conditions are optimal
- Facilitated thoughtful technology infrastructure upgrades across budget cycles
- Provided stability to implement long-term facility maintenance plans
- Allowed districts to react to unexpected challenges like increased class sizes or high-cost out-of-district placements without endangering planned capital improvement projects

For educational enhancement:

- Protected classroom programs from disruption during financial challenges
- Maintained support services for vulnerable student populations
- Invested in technology upgrades that prepare students for future opportunities
- Enhanced educational stability for families in our communities

The ability to plan thoughtfully over multiple years has allowed our districts to strategically time major purchases and improvement projects to maximize taxpayer value. Rather than making rushed decisions at year-end, we've been able to develop comprehensive plans that address our communities' needs while responsibly managing resources.

Common Ground for Maine's Future

This legislation offers rare common ground in education policy. It combines fiscal discipline with educational stability, local control with reasonable oversight, and short-term flexibility with long-term planning. It doesn't expand bureaucracy or require additional state spending, yet it provides a practical tool to help schools serve our communities more effectively.

Conclusion

I respectfully urge this committee to move this legislation forward with bipartisan support. The permanent 9% threshold represents a practical, middle-ground approach that benefits Maine taxpayers, strengthens local control, and most importantly, creates more stable learning environments for Maine's students—our shared priority regardless of political affiliation.

Thank you for your consideration. I am happy to answer any questions the committee may have.

Respectfully submitted,

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Biddeford, Saco, and Dayton School Districts