

TESTIMONY IN OPPOSITION TO

L.D. 1518

AN ACT TO CLARIFY THE AMOUNT AND USE OF UNALLOCATED BALANCES
IN A SCHOOL ADMINISTRATIVE UNIT 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 opposition to L.D. 1518, An Act to Clarify the Amount and Use of Unallocated Balances in a School Administrative Unit Budget.

Our associations appreciate this bill's goal of ensuring local educational funds are spent prudently and put towards educational programming. However, we believe that this bill is unnecessary and would ultimately make it harder for school districts to appropriately balance the needs of students, employees and the financial constraints of their local taxpayers.

Schools are already required to use funds from an unallocated fund balance similarly to any other budget item: for schools and education. This means investing in teachers, programming, and student needs while limiting yearly property tax increases.

For various reasons – such as unexpected revenue or lower-than-anticipated expenses – an unallocated fund balance may wind up growing beyond the state's 9 percent threshold in a particular year. If this happens, state statute says a district can disburse these excess funds over three years. These purposes may include spending on educational programming, paying for a school maintenance project, or decreasing property taxes for residents. Importantly, voters still need to approve of these disbursements as a vote on a separate warrant article decided upon at the district school budget meeting.

We feel this is a fair and responsible system. School boards are the ones who create school budgets, working to balance two distinct goals: ensuring a robust education for students while respecting financial constraints of local residents. They understand the needs of their schools and communities and are in the best position to determine the best ways of spending these funds. And any spending plans must still be approved by voters.

L.D. 1518 would restrict that flexibility, instead requiring that any of those funds be spent only on "educational programs." This would restrict local control and would effectively prohibit a school district from using these funds for any other purposes, such as property tax relief. At a time when one of the legislature's major goals is to reduce property taxes for residents, why would we restrict this local option?

We also are concerned that restricting spending only to "educational programs" may be too limiting and could potentially take away the ability to spend these excess funds on infrastructure projects, such as a roof repair.

As the interim report¹ from the Governor's Commission on School Construction has made clear, school infrastructure is a vital educational priority. Safe schools lead to better learning and healthier students. School districts should be incentivized to find ways to finance certain projects without needing to take out a bond or a loan (which would cost taxpayers even more money in interest). We are concerned the bill language could remove that possibility.

This bill would also appear to require that any unallocated funds be spent by the district in the ensuing year – instead of only being credited to that unit. Currently, a district can spend any unallocated funds over three years – allowing the district to “smooth out” the distribution of these funds over multiple years. But requiring funds to be spent only in the ensuing year would force districts to spend these funds much more quickly, leading to a higher chance of budget volatility and spikes in property taxes.

For these reasons, our associations urge your committee to reject L.D. 1518 and continue to ensure school boards are provided with local flexibility and control of their own school budgets. Thank you for your consideration – I'm happy to take any questions you might have.

¹ <https://www.maine.gov/doe/sites/maine.gov.doe/files/inline-files/Governors%20Commission%20-%20School%20Construction%20Interim%20Summary%20-%2004.18.2025.pdf>