



STATE OF MAINE  
DEPARTMENT OF EDUCATION  
23 STATE HOUSE STATION  
AUGUSTA, ME 04333-0023

JANET T. MILLS  
GOVERNOR

PENDER MAKIN  
COMMISSIONER

April 13, 2021

Senator Joseph Rafferty, Co-chair  
Representative Michael Brennan, Co-chair  
Members of the Joint Standing Committee on Education and Cultural Affairs

Dear Senator Rafferty, Representative Brennan, and Members of the Joint Committee,

LD 1198, An Act Authorizing an Increase to the Maximum Annual Fund Balance for Public School Districts. This bill aims to increase the amount of unallocated fund balance a school administrative unit (SAU) may retain, from 3% of the prior year budget to 15% of the prior year budget.

Currently, SAUs may carry over 3% of unallocated funds from the prior year to disburse over the next year or over a period not to exceed 3 years. The 3% limit was to ensure that taxpayers were assessed only for the amount of funds truly needed for a budget and not assessed for funds that would not be used. By raising the balance to 15%, SAUs would be permitted to retain more funds in order to buffer for emergencies. It may also contribute to the allocation of fewer funds from the ending balance to the next year's budget, causing taxpayers to raise more funds.

The GFOA (Government Finance Officers Association) recommends a minimum level of fund balance between 5% and 15% depending on circumstances. Typically, higher minimum reserve amounts are provided for government entities that do not receive consistent financial resources. School administrative Units (SAU) receive consistent financial resources in the form of property taxes and state subsidy.

If enacted, LD 1198 would permit one of Maine's largest SAUs to carry an unallocated fund balance of \$16,677,674, based on the most recent budget. The most recent unallocated fund balance reported by this SAU is \$4,192,487, which exceeds the current 3% law by \$856,952. Of that, \$323,963 was allocated to support the next year's budget, leaving this SAU with \$532,989 that will need to be allocated by the school board over the next three years in order to avoid an audit finding.

The Maine Department of Education will be available to provide additional information on LD 1198 and answer questions during the work session.

Sincerely,

DocuSigned by:  
*Joanne Allen*  
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Joanne Allen, Director  
Director of School Finance and Operations

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