

TESTIMONY

In Opposition

LD 1198: An Act Authorizing an Increase to the Maximum Annual Fund Balance for Public School Districts

John Kosinski, Government Relations Director, Maine Education Association

Before the Joint Standing Committee on Education and Cultural Affairs

April 14th, 2021

Senator Rafferty, Representative Brennan and other members of the Education and Cultural Affairs Committee,

My name is John Kosinski, and I am submitting this testimony on behalf of the Maine Education Association (MEA) in opposition to LD 1198, An Act Authorizing an Increase to the Maximum Annual Fund Balance for Public School Districts. We wanted to hear the testimony from the sponsor and others at the public hearing before offering a position on this bill, but after watching the public hearing we have concerns about LD 1198 which cause us to oppose it. However, we also have suggestions for a possible amendment to the bill.

The MEA believes school districts should raise the money they need to meet the needs of students in their community. While having a reserve fund of 3% makes good sense to guard against the unanticipated expenditures of schools, such as unexpected special education costs, or other urgent needs, we caution against schools placing larger than needed funding into reserve accounts. We feel schools should use the resources they have to help students, and if they have enough funding to meet the local needs, they should pause before increasing property taxes for homeowners in the community.

It is important to note, under current law, districts that carry forward more than 3% in unallocated balances find these funds counted against them for purposes of the school funding formula, and for good reason. Why should the state send precious state funding to schools that are socking away resources, while other communities are struggling to find the resources to meet the need of their students? LD 1198 would allow districts to carry forward as much as 15%, and not have those funds counted against the district in the school funding formula. This element of the bill is most troubling.

We are also concerned about school boards setting aside large reserve funds, especially since school boards are accountable to the voters via elections, and new board members may not maintain the same commitment to reserve funds. During the public hearing, the sponsor suggested school boards might build up reserve funds to undertake

large capital projects, such as the building of new schools. We would be deeply concerned about this approach. As we have heard during this session, school board members are accountable to voters and elected by voters, and efforts to sock away resources for school construction in a reserve fund could be used for other purposes once a new school board is elected by voters. In some towns, such as Lewiston and Auburn, the entire school board (and city council) is up for election every three years – every single seat. Building up a reserve fund in the school budget could result in efforts to spend or distribute that funding once new members are sworn onto a school board.

However, we also heard from Eileen King at Maine School Management about the concerns of school districts regarding the additional federal funding they have received or expect to receive in the coming months. Some of the additional federal and state aid may be reimbursable and thus leave districts in a lurch as they attempt to start programs or initiate improvements while waiting for reimbursement. Further, we understand the reserve funds were lifted after the Great Recession of 2008 to help districts accommodate the infusion of additional federal support during that difficult period.

Given the concerns of Maine School Management, the MEA recommends the Committee consider amending the bill. We suggest allowing school districts to keep 9% of the previous year's school budget as reserve funds – a tripling of the current cap of 3%. However, we strongly suggest the Committee sunset this provision on June 30, 2024. The latest round of federal funds, created via the American Rescue Plan, are set to expire in September of 2023. We feel tripling the current cap but sunseting this provision will allow school districts to address the concerns raised by Mrs. Eileen King regarding the additional federal funding schools are slated to receive. We would also suggest adding an "Emergency Preamble" to the bill so if it passes school districts could utilize the new language immediately. We feel this approach is prudent and will give future legislature an opportunity to better understand how districts react to the additional reserve fund capacity and whether such a fix should be permanent.

Thank you for your time and service and I am always available to answer any questions you may have.