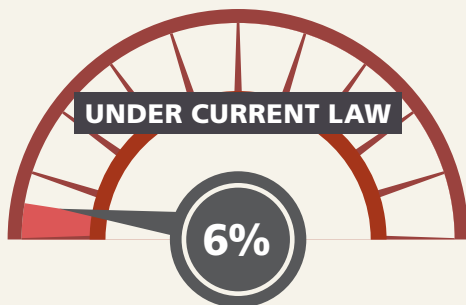


Fix the cap

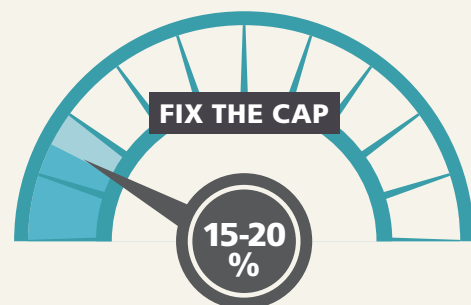
Why the reserve cap puts schools in financial jeopardy

Under current reserve cap law, if \$1 is contributed to the state's public schools Rainy Day Fund, districts could be required to spend down their reserves



VULNERABLE


The current reserve cap would barely cover **one week** of payroll





SAFE

A reserve level between 15 to 20 percent reflects a nationally-recognized standard for local government reserves

Why should districts have healthy reserves?

-  To mitigate budget surprises

-  To save for specific projects
(Like textbooks, computer hardware, deferred maintenance and bus purchases.)

-  **Because it's key to district solvency!***

* The Fiscal Crisis and Management Assistant Team found that the "failure to maintain reserves" is a leading indicator of a school agency in fiscal distress.

What is the community saying about the reserve cap?

"So if it's good for the state to have big reserves, and it's good for the community college to have big reserves, why isn't it good for local school districts to have big reserves? Just doesn't make much sense." *Source: Dan Walters in the Sacramento Bee*

"Had we been living at a 6 percent maximum, we would not have survived the last few years," Chief Business Official Julie Betschart told Modesto City Schools board members in June. *Source: Modesto Bee*

 **FIX THE RESERVE CAP.** Ensure that school districts are financially prepared for the next inevitable recession and can best serve their students and communities.

