Cap on school district reserves

more money for bankers,


less money for school kids.

FIX the cap **Support a legislative fix of the cap on school district reserves.**

The school district reserve cap prevents California's 1,000 school districts from maintaining adequate budget reserves to save for a rainy day. Credit rating agencies and the Legislative Analyst's Office have warned that this cap on savings will have a negative impact on school district credit ratings — ultimately increasing the cost of local borrowing by hundreds of millions. That means more money for banks and less money in our classrooms.

"Districts with lower reserves could have their credit ratings reduced, increasing the cost of borrowing money."

— Legislative Analyst's Office

"A number of California school districts could see their credit quality weaken..."

—Fitch Ratings

"Recent changes to a California law on school districts' reserves result in... negative credit implications."

— Standard & Poor's

Hundreds of millions of dollars to bankers instead of classrooms.

In 2014, 83 local school district construction bonds were approved by voters, totaling $7.99 billion. If district credit ratings are lowered due to having insufficient reserves, it will increase interest rates. *For the 2014 approved bonds alone*, assuming a 30 year bond repayment:

» A 1/8 of 1% (.125%) increase in interest rates would **add $166,257,000 in increased interest** payments over the life of bonds.

» A 1/4 of 1% (.25%) increase in interest rates would **add $334,316,900 in increased interest** payments over the life of bonds.

Keep Money for Kids and Classrooms — Not Banks.

FIX THE CAP.

California School Boards Association | 3251 Beacon Blvd., West Sacramento, CA 95691 | 800.266.3382 | **www.csba.org**