

Fix the Reserve cap

TALKING POINTS ON SCHOOL DISTRICT RESERVE CAP

CSBA continues to advocate for a legislative fix of the fiscally irresponsible reserve cap in 2016. The issue must be fixed to preserve the fiscal solvency of California's school districts.

The framework of a reserve cap fix involves:

- Increasing the level of the reserve limit from 6 percent to 17 percent.
- Clarification that the reserve cap would apply only to unassigned ending balances in the general fund and special reserve fund, which includes the reserve for economic uncertainty.
- Exemption of all basic aid districts and small school districts (of less than 2,501 ADA) from the cap.

When contacting your legislators, remember to use examples specific to your district wherever possible, such as why your district maintains its current level of reserves and what classroom purchases you make with them, or how reserve funds helped your district survive the last recession.

- **The reserve cap must be fixed this year – it cannot wait!**
- **The reserve cap hurts schools now**
 - Credit rating agencies cite the reserve cap as a negative, making it more expensive for districts to borrow money – that means less money for kids and more money for banks.
- **Another rainy day is coming**
 - The 2016-17 budget emphasizes prudent reserves to guard against another recession.
 - Budget projections for out years shows flattening and potentially declining revenues.
 - If it is prudent for the state to maintain a healthy reserve, it should be likewise prudent for school districts to do the same.
 - If the reserve cap triggers are pulled, school districts will only have a few days' worth of cash flow on hand and will be financially devastated when the next recession hits.
- **The reserve cap strips away local control**
 - Local control is the very premise of the state's major reform movement with LCFF and LCAP.
 - Local school districts must have the ability to make budget decisions that best serve their students and allow planning for economic uncertainties – before a crisis hits.
- **Bad policy requires a quick fix**
 - The longer the current law is on the books, the more it threatens the ability of California's schools to maintain their fiscal solvency and make basic classroom purchases to provide their students the best possible education.

Note: SB 799, the CSBA-sponsored reserve cap bill, missed a key legislative deadline in June. It is possible that a bill other than SB 799 will serve as the vehicle for a legislative fix of the reserve cap in 2016. However, the framework for a fix of the cap has not been altered.