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Governor should give schools more budget flexibility

Gov. Jerry Brown will have a chance to show the extent of his fiscal prudence when he rolls out a revised budget that will reflect the strength or weakness of the economy in recent months.

In recent years, the state has encountered some pleasant surprises in available revenues when the governor makes the midyear adjustments known in Capitol parlance as the “May revise.” The early word is that the good times may be dissipating a bit.

The volatility of the state’s economy should give the governor good reason to restore the authority of local school districts to create a buffer for future downturns. Regrettably, under a 2014 budget deal, school districts have been required to exhaust their reserve funds down to an average 6 percent anytime the state puts even \$1 into its rainy-day fund. This act of fiscal irresponsibility was pushed by the teachers union, which argued that the money should be going into the classroom.

As we have said before, the ideal solution would be to lift the cap on reserves altogether. But even a reasonable compromise pushed by Sen. Jerry Hill, D-San Mateo — raising the cap to 17 percent — stalled at the end of last year, and has now been bottled up in the Assembly Rules Committee. Hill’s SB799 also would exempt districts with fewer than 2,500 students, which tend have especially challenging cash-flow issues.

The governor should clearly signal that lifting the so-called reserve cap on school districts is a priority for his administration.