

CSBA's sponsored reserve cap bill, Senate Bill 751 (Hill & Glazer) represents a legislative agreement on a reserve cap solution.

During the final week of the 2017 session, the bill was approved by the Senate and Assembly and sent to Governor Jerry Brown for his signature.

What Senate Bill 751 (Hill & Glazer) does:

All small school districts of less than 2,501 ADA are exempted from the current reserve cap law.

All basic aid school districts are exempted from the current reserve cap law.

A new reserve cap "trigger" is added, making it significantly less likely that the current reserve cap would become active. Currently, if a deposit of *any* amount (even \$1) is made to a state Proposition 98 rainy day fund, the cap would be triggered. Under SB 751, the Proposition 98 rainy day fund would need a minimum balance of 3 percent of the K-12 portion of the Proposition 98 guarantee to trigger the reserve cap. In the current budget year, that required balance would be \$1.9 billion.

The level of the reserve limit is raised to 10 percent of the district's general fund. The current reserve cap law limits school districts to a reserve balance of not more than twice the state-required minimum reserve balance, or between 2 and 6 percent of the district's general fund, depending on district size.

Clarifies that the reserve cap only applies to assigned and unassigned balances in the general fund and special reserve fund for other than capital outlay.

SB 751 represents the level of relief CSBA has sought for every California school district, absent a full repeal of the reserve cap law.

Background on the current reserve cap law:

- The current reserve cap law was established in 2014 by budget trailer bill language.
- Current law mandates that, if certain economic conditions are met, a reserve limit (or "cap") would become active and would affect *all* California school districts.
- The reserve cap law would force school districts to spend reserves down existing reserves and keep a reserve balance of only twice the state-required minimum.
- If the reserve cap is enacted, 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 longer the current law is on the books, the more it threatens the ability of California's schools to maintain their fiscal solvency and provide their students the best possible education.