

Fix the reserve cap



There are currently two active reserve cap bills in the Legislature: CSBA's sponsored Senate Bill 751, and Assembly Bill 235:

What CSBA-sponsored bill SB 751 (Hill & Glazer) would do:

- Raise the level of the statutory reserve limit from 6 percent to 17 percent (a nationally-recognized standard for government agency reserves);
- Clarify that the reserve cap law would apply only to unassigned ending balances in the school district's general fund and special reserve fund for other than capital outlay projects, and;
- Exempt all basic aid districts and more than 500 small districts (less than 2,501 ADA for all district types).

What AB 235 (O'Donnell) would do:

- Keep the level of the statutory reserve limit at 6 percent;
- Exempt all basic aid districts and a limited number of small school districts (less than 1,501 for unified school districts, 901 for elementary districts and 301 for high school districts), and;
- Amend the reserve cap "trigger."
 - 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 AB 235, 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.

*CSBA's position on Assembly Bill 235 is "Support if Amended."
CSBA is seeking amendments to align AB 235 with Senate Bill 751.*

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 would force school districts to spend reserves down to a level of 6 percent of the general fund (for most districts).