

# CALIFORNIA LEGISLATURE

STATE CAPITOL  
SACRAMENTO, CALIFORNIA  
95814

June 2, 2015

Honorable Toni G. Atkins  
Speaker of the Assembly  
State Capitol, Room 219  
Sacramento, CA 95814

Honorable Kevin de Leon  
Senate President pro Tempore  
State Capitol, Room 205  
Sacramento, CA 95814

Dear Madame Speaker and President Pro Tempore:

We write to express our support for modifying the cap on school district reserves (assigned and unassigned ending balances) as contained in SB 858 (Chapter 32 of the Statutes of 2014), Education Code Section 42127.01, adopted as part of the deliberations on the 2014-15 State Budget.

The current cap on school district reserves has potential for several negative impacts, including school districts paying higher interest on bonded indebtedness. These higher interest rates result in taxpayers paying more and schools having less money for instruction and programs such as Career Technical Education (CTE).

Additionally, the cap leaves school districts more vulnerable to insolvency during economic downturns by forcing them to maintain inadequate reserves that equal only a few days of cash flow. The cap further discourages savings for future programmatic investments and purchases that support students such as textbooks, school buses, technology, school construction and maintenance.

Recognizing that some may prefer an alternative to repealing the cap, we believe a framework for such an alternative could include, but may not be limited to, the following:

- A more precise understanding of the funds included in the cap;
- A recognition that certain types of school districts face more challenging cash flow issues than others; and
- Basing any cap on nationally recognized standards, research, or criteria that supports district solvency and recognizes the diversity among school districts in California.

Ultimately, we believe that there is a pathway to resolving this issue for school districts and the communities they serve while ensuring that districts across the state remain fiscally sound and have the resources necessary to educate our students.

Sincerely,

Joe Barbera AD 57

Jim Dowling AD 2

Bob Sava AD 32

Bill Dobby AD 4

Jim Lease #9

JV L AD 44

AM AD 52

MM AD 19

Al Long AD 21

W.D. AD 31

Tom Daly AD 69

Ken Cooley (8)

Ed AD 56

Jim AD 80

AD 15

AD 11

Sincerely,

Ben Allen 5026

Catherine Galgiani 505

Jerry Jones 5013

John 4035

Paul R. 506

Steve J. 507

D. J. 31SD

M. 5039

Alan Levine

Cheryl Brown AD 47

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_