



April 2, 2026

Via: Electronic Submittal: <https://calegislation.lc.ca.gov/Advocates/>

The Honorable Bob Archuleta
Member, California State Senate
1021 O Street, Suite 6620
Sacramento, CA 95814

Re: SB 1262 (Archuleta), as Introduced February 19, 2026

Position: Oppose

Dear Senator Archuleta:

On behalf of the Association of California Community College Administrators (ACCCA), I am writing in respectful opposition to your Senate Bill (SB) 1262. This bill would impose an arbitrary cap of 50% on district reserves—an erosion of local control that would prevent district leaders from making prudent, locally informed fiscal decisions in the best interests of their students, employees, and communities.

Community college districts (CCDs) operate in an environment of fiscal uncertainty, including state revenue volatility, enrollment fluctuations, and rising fixed costs. As the state faces a projected multiyear budget gap, districts must rely on reserves to smooth funding disruptions and avoid destabilizing reductions. Limiting reserves at this time would undermine districts' ability to plan responsibly and could force more severe actions—such as layoffs or program cuts—during economic downturns.

This proposal would be particularly harmful to small CCDs. Smaller districts often experience more pronounced revenue swings, have less diversified funding streams, and face unique cash flow challenges. For these CCDs, reserves are not excessive, they are essential. A rigid statewide cap fails to account for these differences and would disproportionately constrain the very districts that require the greatest fiscal flexibility to remain stable and responsive to local needs.

SB 1262 would also impede districts' ability to plan for and fund large-scale investments. Many districts responsibly accumulate reserves over time to support capital outlay projects, including classroom facilities, infrastructure improvements, and student housing. In the absence of sufficient and reliable state funding for these projects, local reserves are often the only viable pathway to meet critical infrastructure needs. Imposing a cap would significantly limit districts' capacity to make these long-term investments, to the detriment of students and communities.

Additionally, maintaining adequate reserves is consistent with Accreditation Standard III, which requires institutions to demonstrate sound fiscal management and long-term financial stability. Artificially constraining reserves risks placing districts in a position of fiscal instability, potentially triggering negative accreditation consequences and increasing the likelihood of state intervention.

Finally, we believe that this proposal is premature. The California State Auditor's Office is currently conducting a comprehensive audit of community college district reserves, and its findings are expected in the coming months. Proceeding with sweeping statutory changes before the completion and review of this audit risks enacting policy without the benefit of a full and objective understanding of current reserve practices. The Legislature should allow this process to conclude before considering significant changes to reserve policy.

For these reasons, ACCCA respectfully opposes SB 1262.

Sincerely,



Susan K. Bra
Executive Director

cc: Michelle McKay Underwood, Legislative Advocate, School Services of California Inc.
Kyle Hyland, Legislative Advocate, School Services of California Inc.