

**Resolution 30-14/15**  
**Local Reserves Cap SB 858, Section 27/California Education Code 42127.01**

**WHEREAS**, School district governing boards have the obligation to provide a quality education that is essential for an informed citizenry, a competitive economy, a fulfilling life for all students, and the foundation of our democratic society; and

**WHEREAS**, School district governing boards are responsible for maintaining fiscal solvency of the school systems they govern; and

**WHEREAS**, The Local Control Funding Formula (LCFF), based on the principle of subsidiarity, provides governing boards, working with interested stakeholders, with the authority to prioritize funds in order to provide quality education for all students, especially those who are English learners, from low income households and who are Foster Youth; and

**WHEREAS**, Funds for crucial services for school operations, such as payroll, classroom materials, school construction projects, technology, home-to-school transportation, deferred maintenance, etc. often require successful ongoing cash-flow management and disciplined planning, including the creation and maintenance of prudent financial reserves; and

**WHEREAS**, School district reserve levels, as well as their fund balances, are determined by governing boards to meet local priorities and allow districts to save for potential future expected and unexpected expenditures and for eventual economic downturns; and

**WHEREAS**, community funded schools (Basic Aid Districts) receive funds only twice a year and must rely on adequate reserves to manage cash flow for normal daily operations and for future purchases and unforeseen events; and

**WHEREAS**, the statutory minimum for school district reserves for economic uncertainties ranges from 1 to 5 percent, depending on district enrollment, and covers between one to five weeks of payroll, or less than 20 days of total cash flow; and

**WHEREAS**, Prudent budgeting raises expectations for school districts to establish and maintain reserves above the statutory minimum; and

**WHEREAS**, the governing board of the Castro Valley Unified School District currently maintains a reserve for purposes of planned expenses/purchases (e.g., major textbook/instructional materials adoptions/purchases, planned projects (e.g. deferred maintenance/HVAC/roofing), to meet cash flow needs to allow the district to make payroll during an economic downturn and when the revenues from Proposition 30 begin to sunset, and to maintain an acceptable credit rating; and

**WHEREAS**, On June 20, 2014, the Governor signed into law SB 858 (Committee on Budget and Fiscal Review, Chapter 32, Statutes of 2014), now embodied in California Education Code 42127.10, and

**WHEREAS**, SB 858, Sec. 27 Education Code 42127.01, becomes operative with voter approval of Proposition 2 on November 4, 2014, and will require school districts to spend their assigned and unassigned account balances down to no more than two to-three times the minimum level of the statutory reserve for economic uncertainties (depending on district size) in the fiscal year following the fiscal year in which the State of California makes a payment of any amount to the Public School System Stabilization Account; and

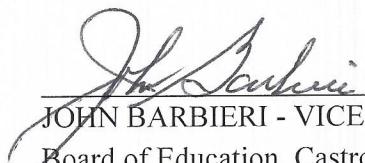
**WHEREAS**, Under SB 858 this provision, a deposit by the State of California of even \$1 to the Public School System Stabilization Account would result in school districts throughout California having to spend down billions of dollars in their reserves and ending balances; and

**WHEREAS**, It could take many years for the State of California to build up an adequate Public School System Stabilization Account; yet, in one year, school districts would be forced to spend down their reserves and ending balances to levels that could jeopardize fiscal solvency; and

**WHEREAS**, The LCFF is not fully implemented, many school districts are still funded below their 2007-08 levels, and districts cannot survive another downturn without fiscally responsible reserves; now, therefore, be it

**NOW THEREFORE BE IT RESOLVED**, That the Board of Education of the Castro Valley Unified School District calls upon the Legislature and the Governor to repeal the language contained in Sec. 27 of SB 858 (Chapter 32, Statutes of 2014) now in Education Code 42127.01 immediately.

	Ayes	Noes	Abstain	Absent
Charmaine Banther	_____	x	_____	_____
John Barbieri	x	_____	_____	_____
Janice Friesen	x	_____	_____	_____
Gary Howard	x	_____	_____	_____
Jo A. S. Loss	x	_____	_____	_____

  
JOHN BARBIERI - VICE PRESIDENT/CLERK  
Board of Education, Castro Valley Unified School District  
County of Alameda, State of California