

**BEFORE THE BOARD OF EDUCATION
WILLOWS UNIFIED SCHOOL DISTRICT
COUNTY OF GLENN, STATE OF CALIFORNIA**

RESOLUTION #2014-15-03

LOCAL RESERVES CAP

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. require successful ongoing cash-flow management coupled with 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, 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 Board of Education of the Willows Unified School District currently maintains a reserve of approximately \$859,173 for purposes of planned expenses or purchases such as major textbook or materials adoptions; projects related to deferred maintenance; to meet cash flow needs to allow the district to make payroll; to maintain an acceptable credit rating; and to keep the District solvent during the next economic downturn and when the revenues from Proposition 30 begin to sunset; and

WHEREAS, On June 20, 2014, the Governor signed into law SB 858 (Committee on Budget and Fiscal Review, Chapter 32, Statutes of 2014), the so-called education budget trailer bill; and

WHEREAS, SB 858, Sec. 27, requires 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 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 RESOLVED, that the Board of Education of the Willows Unified School District calls upon the Legislature and the Governor to repeal or substantially change the language contained in Sec. 27 of SB 858 (Chapter 32, Statutes of 2014) immediately.

PASSED AND ADOPTED by the Board of Education of the Willows Unified School District on September 4, 2014, by the following vote:

AYES: _____

NOES: _____

ABSENT: _____

ABSTAIN: _____

President, Board of Education

I, _____, Clerk/Secretary of the Board of Education of the Willows Unified School District, County of Glenn, do hereby certify that the foregoing resolution was duly adopted by said Board at a meeting held at its regular meeting place on September 4, 2014, which action is contained in the minutes of the meeting of said Board of Education.

ATTEST:

Clerk/Secretary, Board of Education