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for ADEQUATE
SCHOOL HOUSINGSM

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September 13, 2011

Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Subject: Response to GASB Exposure Draft for
Amendments to Statements No. 25 and 27

To Whom It May Concern:

The Coalition for Adequate School Housing (C.A.S.H.) opposes the proposed transfer of the California State Teachers' Retirement System (CalSTRS) pension unfunded obligation from the State of California's financial statements to the Local Education Agencies (LEA) financial statements.

The exposure drafts net pension liabilities provisions include the requirement that LEA employers recognize on their balance sheets each employer's proportional share of the CalSTRS pension plan's total pension liability.

The transfer from the state's balance sheets to LEA balance sheets will increase the assumed debt school districts have. The effect of that debt increase will be to increase the cost of borrowing for school facility projects through Certificates of Participation or the issuance of local authorized school bonds. California school districts currently have very high ratings, higher than the State of California. We are concerned that the proposal to shift from the state to school districts will result in a lowering of the school district ratings.

California school districts currently issue between \$3 and \$5 billion of school bonds each year. The 10 basis point increase in issuance cost will result in close to \$100 million in increased interest cost during the life of each year's bond sales. \$100 million each and every year is a significant cost factor to schools and local communities.

The State of California is the plan sponsor for CalSTRS. C.A.S.H. believes that the plan sponsor which makes the contribution and benefit determinations should be responsible for the financial outcomes and results of those decisions. We believe the proper accounting standard is that the responsible plan sponsor should reflect the outcome of their decisions on their balance sheets, rather than transfer the results of their decisions. The proper affixing of fiscal responsibility to the appropriate political entity is an important governmental accounting principle. That principle should be maintained and emphasized in the development of any changes to Statements 25 and 27. We believe that principle would be violated if the LEAs balance sheets had to include debts over which they have no control.

For this reason, we request that in California LEAs not be required to include recognition on their balance sheets any of the California State Teachers' Retirement System's unfunded actuarial liability.

Thank you for your consideration.

Sincerely,



Cathy Allen, Chair
Coalition for Adequate School Housing

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