



September 28, 2011

Director of Research & Technical Activities
Project No. 34-E
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

To Whom It May Concern:

I am writing on behalf of the CA Association of School Business Officials (CASBO) to express objections to the GASB Exposure Draft Amendments to Statements No. 25 and 27.

On Page 1 of the June 27, 2011, Plain Language Supplement, the first paragraph states that "High-quality standards lead to information in financial reports that improves transparency, assists in assessing accountability, and is useful for making important decisions." If those are the true goals of the Board, then the proposed amendments are far from the mark.

The Exposure Draft net liability provisions propose that public school employers (school districts, county offices of education, charter schools, Special Education Local Plan Areas, Joint Powers Authorities and others) place on their balance sheets each entity's proportional "share" of each pension plan's unfunded pension liability. Herein lies the problem: local education agencies within California do not negotiate with their employees over the levels of retirement benefits and therefore do not set contribution rates. Local education agencies have no decision making authority over benefit levels at all. Those decisions are made by the state legislature and are therefore an issue at the state level.

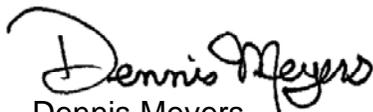
As we look to what entity is the plan sponsor for both the CA Public Employees Retirement System (CalPERS) and the CA State Teachers Retirement System (CalSTRS), that responsibility falls solely on the State of California, not local school entities. Non-school local public agencies (cities and counties) may be able to negotiate higher benefits levels and contribution rates, but not schools. Therefore, requiring school entities to show any portion of either pension plan's unfunded liability will undoubtedly lead to greater confusion on the part of the public and make it nearly impossible for anyone to understand what the total funding shortfall might be for any or both of the systems in California. Additionally, forcing school agencies to now show a negative balance on their balance sheets actually means something in this state: that the entity is in immediate fiscal distress. This provides all the more reason to make sure that the proposed reporting changes are not made, especially as they apply to local education agencies in California.

It may be difficult for the Board to consider treating schools differently than other government entities, but that is exactly what is necessary in California. The State of California is the sponsor of the retirement plans for certificated and classified school employees and it is the State of California that is responsible for the fiscal health of the two retirement systems as they relate to schools. Forcing these requirements onto local school agencies will confuse the public, significantly understate each school entity's own fiscal health and make it difficult for schools to secure long and short term debt.

For these reasons, we urge the Board to either reject the proposal altogether or at a minimum recognize that schools in California are NOT the proper entities to show the retirement fund liability as their own.

Thank you for your time and your consideration of our views.

Sincerely,

A handwritten signature in black ink that reads "Dennis Meyers". The signature is written in a cursive, flowing style with a large initial "D".

Dennis Meyers

Assistant Executive Director, Advocacy & Policy
CA Association of School Business Officials