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

Dear Director of Research and Technical Activities :

As an educator with Milpitas Unified School District/County Office of Education, I am writing in opposition to the proposed transfer of the California State Teachers' Retirement System (CalSTRS) unfunded pension obligation from the State of California's financial statements to that of the Local Education Agencies (LEAs).

The draft proposal includes provisions that school districts recognize on their balance sheets each employer's proportional share of the CalSTRS total pension liability. It's estimated that the debt transfer would be approximately \$8,000 per student. This is a debt that would be on school districts' balance sheets and a debt that is not within their ability to control.

California school districts are already subject to \$9.3 billion in annual state funding deferrals from one year to the next. In addition to the inter-year deferrals, the schools have up to \$4.5 billion in intra-year state aid deferrals. Schools need borrowing ability to maintain programs until the deferrals are paid. The proposal will increase borrowing costs at a time when schools cannot afford new costs. The transfer from the state's balance sheets to LEA balance sheets will increase the school district's assumed debt. The probable effect of that debt increase will be to increase the cost of borrowing.

Additionally, we have not been able to set aside funds for our own post-retirement benefits as recommended by GASB 45 because we are making up for the loss of state funding due to the deficit factor and other cuts so that we can reduce the need to shorten the school year and eliminate programs such as athletics, music, art, and other electives. We have already increased class sizes to 33 in all grades except 1st - 3rd, which are at 24 - 30 per class. Our management ratio is well-below the state's acceptable average as indicated on the R-2 report as we have eliminated a large number of these positions. This year we eliminated home to school transportation for our kinder through 3rd grade students. If our district were forced to take on this additional debt, we would need to shorten the school year, completely eliminate class size reduction, and make further cuts to student programs.

For these reasons, I respectfully request that California school districts not be required to include recognition of any California State Teachers' Retirement System unfunded actuarial liability on their balance sheets. I implore you to seek other options that will not be detrimental to public education.

Sincerely,

Cheryl Jordan
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