Letter of Comment No. 573
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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 Lawndale School District, 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.

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.

Sincerely,

Dr. Denise Appell
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