



May 18, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

RE: Request to Retain Current Teeter Plans: K-14 Education

Dear Governor Newsom:

On behalf of the local educational agencies (LEAs) and statewide education management associations that are represented on this letter, we are writing to request counties continue to honor, and not be released midyear from, their Teeter Plans. With Executive Order N-61-20 providing relief to homeowners affected by COVID-19, more homeowners than ever are likely to be delinquent on their property taxes over the next year. While we understand the need to ease the financial burden on these homeowners, passing the cost of this relief onto students will undermine already struggling schools and community colleges.

Local educational agencies rely on a combination of local property taxes and State General Funds to fulfill the state's obligation to fund the Student Centered Funding Formula, the Local Control Funding Formula, and some special education programs. Nearly all counties operate Teeter Plans, which means all property taxes (whether paid or delinquent) due to an LEA are apportioned by the county to that LEA to fund these basic programs throughout the year. In turn, counties benefit from delinquent penalties paid.

If counties are allowed to cancel their Teeter Plans midyear, LEAs would experience real-time cash flow problems and will no longer be able to rely on a full allocation of the billed property tax revenue. LEAs won't know the loss in revenue until it happens in real time and will have no ability to plan for or borrow in advance of such a loss. There is so much dependence upon the certainty of this revenue source that LEAs base their cash flow loan (TRANS) repayments on this infusion of cash. It is very likely that some LEAs will default on a loan or run out of cash if a county does not honor their Teeter Plan this year.

LEAs are already facing significant state funding cuts and cash deferrals in the upcoming months and years. Removing the certainty of property tax revenues for the next year will further destabilize LEAs statewide. For these reasons, we respectfully request that counties be held to the commitment of existing Teeter Plans.

As always, we thank you for your consideration of our views, and look forward to working with you on these very challenging issues as the state moves forward in its efforts to fully recover from the COVID-19 public health crisis.

Signatories and Contact Information

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Cc:

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Karen Stapf Walters, State Board of Education
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