

Analysis: Deal's Off Education Leaders Fume

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Gov. Arnold Schwarzenegger built his first budget by dangling promises of future protection and funding increases in order to coax various groups to accept stinging cuts without a fight. But as he goes into a fresh round of budget negotiations, asking again for sacrifices, he's lost the trust of at least one highly organized and vocal group: education leaders.

Schwarzenegger rankled teachers by failing to honor a promise he made to boost their funding if the economy brightened.

Adding insult to injury, he is proposing weakening the voter-sanctioned formulas that guarantee public schools a certain level of funding each year and imposing a controversial merit-pay system for teachers.

"They were very honest and out front about it," said Kevin Gordon, executive director of the California Association of School Business Officials. "They just said we made the deal, we thought we could keep the deal, but we can't keep the deal."

Administration officials did not dispute Gordon's account of the briefing or his

characterization of how schools will be treated in the budget the Republican governor will release on Monday.

They said the governor's education budget proposals reflect tough choices to help fill an \$8.1 billion budget hole.

The budget, which the governor already predicted will touch off a storm of criticism, also will rely on heavy cuts in other areas, including social services, and at least \$2.5 billion in borrowing, administration officials said.

"There is what I call a 'Sophie's Choice.' Do you deny poor children and poor elderly people health care and put that money into schools or do you essentially get a balance between the two?" said Schwarzenegger's education secretary, Richard Riordan.

Education leaders said they agreed to cuts last year simply because of the governor's promise to make it up to them in the future. Last year's deal spared Schwarzenegger the bitter battle that his predecessors faced when they took on the largest teachers union during budget talks.

But Schwarzenegger's coming budget will not provide schools all of the money they are owed under the law and will spread the repayment of its debts to education over 15 years, officials said.

Complicated formulas under Proposition 98, approved by voters in 1988, dictate that the state must direct about 40 percent of new tax income to K-12 schools.

But while negotiating the current budget, a coalition of education officials, including the state's largest teachers union, agreed to a suspension of the law. The agreement allowed the governor and the Legislature to give schools less than they were owed.

"We gave \$2 billion last year with a guaranteed promise that if things got better, we would get some more money," said Barbara Kerr, president of the California Teachers Association. "That promise is being broken. A deal is a deal, and that's the deal that we made."

State tax proceeds have grown more than expected this year, and the nonpartisan Legislative Analyst's Office says schools are owed an extra \$1.4 billion for the current year.

The analyst recommended, however, that the governor and the Legislature withhold the unexpected influx of money from schools. Adding the money this year, she said, would lead to snowballing obligations because it would raise the base level of school spending for future years.

Schwarzenegger also proposed in his annual address to the Legislature a spending limit that would trigger automatic across-the-board budget cuts if state spending rises above tax proceeds.

The new limit would apply to schools, which now are protected from such sweeping cuts under Proposition 98.

It also is a recipe for a fight with education officials and lawmakers who do not want to tinker with the voters' decision to dedicate a portion of state money to schools.

Finance Director Tom Campbell would not comment specifically on the details in the governor's budget. But he said the governor also will propose a measure that forbids the suspension of his softened version of Proposition 98 in the future.

"Is that a Proposition 98 that we even want?" Gordon responded. "Not suspending something that's meaningless doesn't give schools anything."

Campbell said education will receive a 7 percent increase in the governor's 2005-06 budget proposal—about \$2.9 billion more than this year, for a total of about \$50 billion in K-14 spending.

The overall state budget increase will be 4.2 percent, he said.

"Education is going to be gaining far more than the average expenditure within this budget," he said.

teachers have less difficulties and place another obstacle in the road of those teachers that are taking on more difficult tasks."

Meanwhile, Schwarzenegger also called for a merit-pay system under which the state's teachers would be paid based on performance.

Former Republican Gov. Pete Wilson—who has served as a close adviser to Schwarzenegger—unsuccessfully attempted a similar approach but never won the support he needed.

"It's not going to be easy, but the governor feels, and I agree with him, that unless you hold people accountable in the public sector as you do in the private sector, you're not going to get very far," Riordan said.

Though he did not release specific details about the proposal, Riordan said local school districts would be responsible for negotiating the criteria to decide who receives the merit raises.

"His approach would pit teacher against teacher when we know that collaboration is the key to improving student achievement," Jack O'Connell, the state superintendent of public instruction, said in a prepared statement.

The concept also drew questions Thursday about fairness to teachers working in poor districts.

"I'm very skeptical of the merit pay. Everybody supports it, but nobody can figure out a fair way to implement it," said Assembly Budget Committee Chairman John Laird, D-Santa Cruz. "This just seems to reward the places where