In San Jose school district, acrimony leads to talk of teacher strike

By Sharon Noguchi

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Posted: 05/15/2013

SAN JOSE -- In the award-winning Evergreen School District, there has been no districtwide science fair this year. At some open houses, administrators this spring opened classrooms for visiting families when teachers didn't show up. On many campuses, dances, theater productions and after-school sports and tutoring have disappeared.

Angry over stalled contract talks, Evergreen teachers have been "working to rule," with the union prohibiting work beyond the prescribed school day, meaning nothing extracurricular. The district and the Evergreen Teachers Association have been at a bargaining impasse since October, and the union is briefing its members on what to expect in a strike.

For a year, the union and the southeast San Jose district have been negotiating over a contract to replace the one that expired in June. Salaries are only a small issue -- despite being a low-revenue district, the Evergreen salary schedule is already toward the top among Santa Clara County districts. However, Evergreen believes that unless it controls ballooning health care costs, it's headed toward insolvency.

The 600-member union insists the stumbling block is the district's unwillingness to tap into reserves.

The insurance issue and tight budget are common to union disputes. The issues are core to teachers, who have forgone cost-of-living increases and shouldered heavier loads during a half-decade of recession. Now, with more money flowing to K-12 schools, many unions say it's time for payback. But districts still worry about fluctuating income and growing costs.

Among other Bay Area districts at impasse, according to the California Teachers Association, are Fremont Unified in Fremont; Millbrae elementary; Bayshore elementary in Daly City; Las Lomitas elementary in Menlo Park; and the San Mateo County Office of Education, whose members have authorized a strike.

In Evergreen, it appears mistrust and resentment have led the sides to dig in, even as a mediator tries to guide them to common ground.

"We're deficit spending at an unsustainable rate," Superintendent Kathy Gomez said. This school year, the district expects to spend $97.6 million but take in only $91.8 million. Evergreen is one of the few districts in Santa Clara County, she said, that still pays 100 percent of health insurance premiums for both employees and their families. The district proposed capping those contributions at 2011-12 levels.

Health insurance costs will eat into the surplus and drive the district into the red in two years, Gomez said. However, the union says the district is crying wolf. "They've made this claim numerous times," said teachers union President Brian Wheatley, and financial disaster has never come to pass. He called the district's deficit projection "an imaginary hole."

Evergreen teachers have not had a cost-of-living raise for six years, although they have continued to earn increases for longevity and university credits. They've seen class sizes grow and support services shrink.

"I'm very upset, I'm very angry," said Jeff Beckley, a sixth-grade teacher at O.B. Whaley Elementary School. "We've given them distinguished schools. We've given them Title I academic achievement schools," he said, referring to two state awards for public schools. "It hurts our morale to know we are not appreciated."

That resentment of district ingratitude permeates teacher protests. District officials see the union fanning flames of anger, expressed in sometimes profanity-laced outbursts at board meetings. On May 9, the union staged a mock funeral, with members donning paper tombstones for the death of respect, quality teachers and integrity in Evergreen.

Teachers passed a no-confidence vote on Gomez and called for her resignation. The board unanimously reinforced its confidence in her.

The district's predictions of a precarious financial future are reinforced by the Santa Clara County Office of Education, which state law charges with fiscal oversight. Because Evergreen suffers from declining enrollment, "revenues will fall more quickly than expenditures, and long-term structural solutions are necessary," wrote Jason E. Vann, an adviser with the county office, in a letter reaffirming that the district lies in a financial danger zone. He advised that before increasing salaries, benefits or other expenditures, the district needs to ensure ongoing increased revenue.

But with ever-uncertain state funding, that's difficult to do. Gomez said this week that it's not yet known how Gov. Jerry Brown's revised budget proposal, much less the Legislature's final version, would affect the district's offer. The passage of Proposition 30 in the fall simply provided temporarily stable, not increased, school funding.

The district pegs its reserve at 14.7 percent; the teachers union says it's 22 percent. Evergreen has offered to open its books to the union, which so far has declined the offer. "We know the books," Wheatley said. "The books are designed to create the potential worst-case scenario."

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"We have always been a very generous district," board President Jim Zito said. But state law requires the district to produce a balanced budget projected over three years. Facing a $5 million deficit in 2014-15, the district has to trim expenses. Thus, he said, "we've cut and gone to the bone in so many ways, we have to go back and address how we pay benefits."

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However, other teachers decry "adult bullying" by union supporters. One teacher, who did not want her name used because she fears harassment, said she can't afford to go on strike and thinks the union demands are unrealistic.

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Inside Higher Ed

May 17, 2013 - 3:00am

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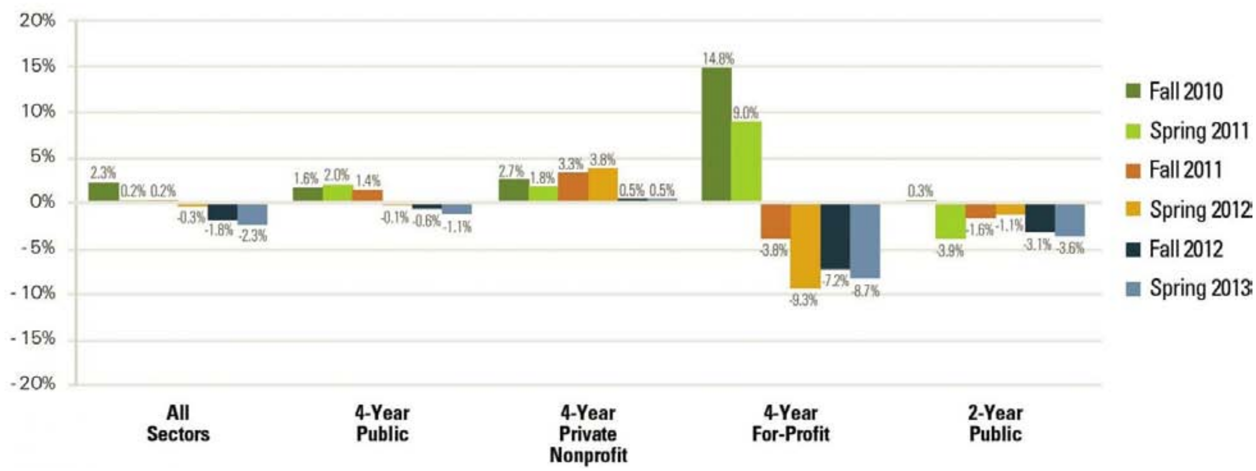

Dan Walters: A perilous tax trend accelerates

By Dan Walters
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Published: Friday, May. 17, 2013 - 12:00 am | Page 3A

When voters passed Proposition 30 last year, they unwittingly accelerated one of the most perilous trends in California governmental finance – an ever-increasing reliance on income taxes from rich people to finance schools and myriad other state and local services.

When Jerry Brown became governor the first time in 1975, the broadly based sales tax was the biggest generator of state revenue.

Over the years, however, the sales tax has faded as consumer habits changed. Californians bought relatively fewer taxable goods – cars, clothes, appliances, etc. – and spent more of their incomes on untaxed services and investments.

Today, sales taxes are less than a quarter of general fund revenue and income taxes are more than half – much more. And the passage of Brown's Proposition 30, which raised the sales tax a smidgen but hit the richest Californians with a big income tax hike, accelerates that trend.

Income taxes now exceed 60 percent of general revenue and are headed to two-thirds within a few years, according to fine print in Brown's newly revised budget. The top 1 percent of Californians, in terms of income, now pay well over 40 percent of state income taxes or more than a quarter of general revenue.

There are anecdotal indications that some wealthy Californians are contemplating financial or physical moves to avoid the new levies – such as golfer Phil Mickelson's public musing about fleeing from California and its high taxes.

But the official assumption in the Capitol is that the wealthy will pay up and that income taxes will grow about 7 percent a year through 2016-17. Even if they continue to pay, however, the increasing reliability on high-income taxpayers is perilous.

For one thing, as the last – and still lingering – recession demonstrated, incomes of the rich, and therefore the taxes they pay, are much more volatile than those of lower-income taxpayers because so much of their income comes from capital gains.

It's the biggest driver of the state's roller-coaster budgeting because, as Brown put it this week, the state is "betting on the stock market."

Secondly, the new income taxes on the wealthy are temporary and will abruptly end just before Brown completes his final term as governor, assuming he's re-elected. However, the extra spending they finance, especially for schools and shifting felons into local jails, is locked into the state constitution.

What happens circa 2018 when the extra income taxes have expired but the spending they finance remains on the books?

Do Brown and other Capitol politicians assume that voters will renew the added levies, that the two-thirds Democratic supermajorities in the Legislature will re-enact them, or that Brown will walk out the door and drop a big budget deficit on his successor?

Dan Walters: $10 billion in debt not on Jerry Brown's wall

By Dan Walters
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Published: Friday, May. 24, 2013

When Gov. Jerry Brown talks about reducing the state's "wall of debt," he carefully limits it to about $30 billion in budget deficits, mostly money owed to schools and community colleges.

One of the debts he omits is the $10 billion-plus that California borrowed from the federal government to keep unemployment insurance flowing to jobless workers after the Unemployment Insurance Fund ran out of money a couple of years ago.

At one point, Brown did suggest that payroll taxes on employers be boosted to pay the principal and several hundred million dollars a year in interest on the debt, but that went nowhere. So the state has been borrowing money from the Disability Insurance Fund, collected from employees, to pay the interest.

Meanwhile, the feds want their money back, so they have been incrementally increasing employers' payroll taxes to recapture the money. The extra payroll levies are nearly $600 million this year, are projected to grow to $2.6 billion a year by 2019 and will remain in force until the debt is repaid.

Employers, especially small employers, are beginning to grate at the new tax bills, seeing them as another impediment to adding more workers to their payrolls, especially in combination with new health costs under the Affordable Care Act.

The extra taxes refuel a perennial debate over California's unemployment insurance program's benefits and costs.

Twelve years ago, when the state's economy was doing well, the Unemployment Insurance Fund had a $6.5 billion balance. Then-Gov. Gray Davis and legislators – both under heavy pressure from unions – nearly doubled UI benefits to a maximum of $450 a week.

The action's underlying dynamics were very similar to what had occurred two years earlier on state employee pensions – increasing benefits on the assumption that fat trust fund balances would pay for them without raising taxes.

When the economy soured, the pension action blew up and so did the UI boost. The Unemployment Insurance Fund quickly went bust as unemployment soared to double-digit percentages and the state began borrowing money from Washington to keep checks flowing.

Lobbyists for business groups now float the notion of a grand deal to stave off the steady increases in federal unemployment insurance taxes – perhaps a low-interest bond issue to pay off the debt, a payroll tax increase to repay the bond, offset by cost-cutting reforms aimed at tightening eligibility for benefits.

It would be a hard sell. One reason Brown's earlier proposal failed is that he, too, wanted programmatic changes to reduce costs, and union-friendly legislators balked. Meanwhile, Capitol politicians could just sit on their hands and let the feds collect their debt through ever-higher payroll taxes.

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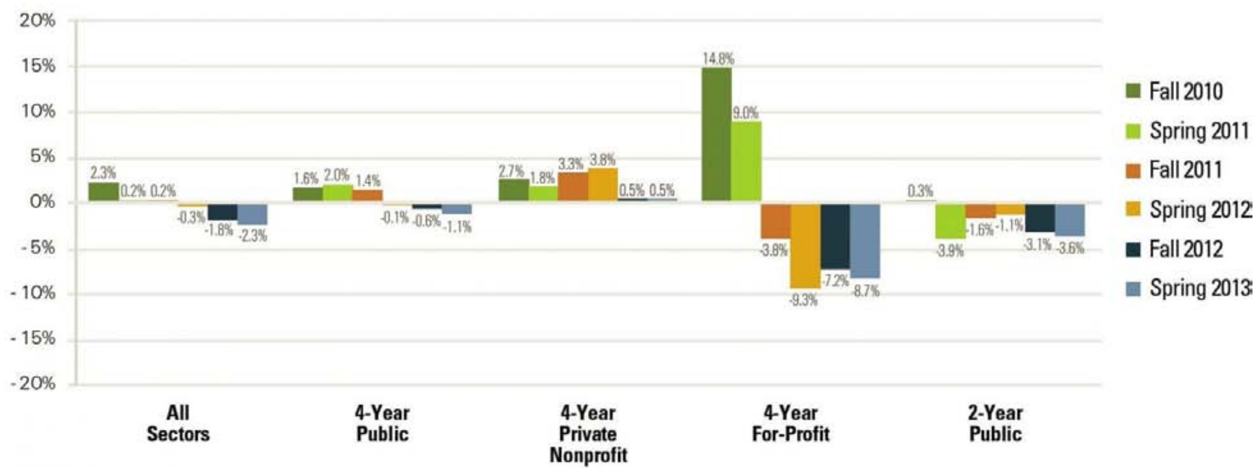

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