

CALIFORNIA

## Governor's School Plan Is Criticized

**Legislative analyst says ending payments to teacher pension fund may be illegal and urges repeal of Prop. 49, the after-school fund law.**

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SACRAMENTO — Offering withering appraisals of key parts of Gov. Arnold Schwarzenegger's schools agenda, the nonpartisan legislative analyst warned Thursday that the governor's plan to change teacher pensions was probably illegal and recommended that lawmakers repeal his first foray into politics, the 2002 initiative expanding after-school programs.

Elizabeth G. Hill, whom lawmakers of both parties look to for advice on budget matters, said legal problems with the governor's plan to stop \$469 million of teacher retirement payments — leaving schools or teachers to pick up the tab — made it unlikely that the state would save any money.

She also urged the Legislature to repeal Proposition 49, Schwarzenegger's attempt to bolster after-school programs, warning that it creates exactly what the governor says he opposes: "autopilot" spending that leaves the state on the hook for programs it can't afford.

"It would require a \$428-million general fund augmentation at a time when the state is still facing a significant budget problem," Hill said. Her report calls the measure "autopilot spending badly timed."

Her report further warned that the state would be unlikely to spend the money effectively. Already, about half of the \$136 million in federal money that is flowing into after-school programs in California isn't being spent and is at risk of being forfeited. Proposition 49 would add several times that amount for the programs.

The initiative was championed by Schwarzenegger in 2002, before he ran for governor. Its success marked his first major statewide political victory. Although the measure remains inactive, it would increase state spending on after-school programs from \$122 million to \$550 million once state revenues reach a certain level.

Hill said that could happen as early as next year, when the state probably will still face multibillion-dollar budget deficits.

The increased spending on after-school programs, she warned, could take money from other, more pressing school needs.

"Knowing the fiscal pressures on school districts," she said, "we thought it was an important issue to put on the table."

Since January, the governor has railed against government programs in the budget that are, by law, on "autopilot" to expand even if the state lacks money for them.

Rob Stutzman, communications director for Schwarzenegger, said the governor still "totally supports" the measure, which would take effect only when the state has enough money for it — and thus was unlike the spending formulas the governor has criticized. Stutzman said it "does not make you spend money you don't have."

Education leaders, most of whom are at odds with the governor over his proposals to cut school spending, were cautious in their response to Hill's recommendation on Proposition 49.

Kevin Gordon, a lobbyist for school districts, said that "with precious few resources you have to begin to set some priorities."

But, he said, "I just don't think that draining resources away from after-school programs is good when core programs are facing a struggle."

Education groups were much more enthusiastic about Hill's warning against the governor's plan to cut state payments to the retirement fund for California teachers. It is a key part of Schwarzenegger's plan to close a projected \$8.6-billion budget gap in the fiscal year that begins July 1.

Though Hill said the projected budget gap may shrink by as much as \$2.4 billion, thanks largely to unanticipated revenue from a recent upturn in the economy, the proposal was still on the table and was widely despised by school officials.

"We simply suggest his proposal doesn't work," Robert Manwaring, director of K-12 education for the analyst's office, said of the governor's proposal to shift more of the retirement payments for teachers over to school districts. "Whether you adopt the proposal or not, there isn't a savings."

Manwaring said the proposal appeared to violate voter-approved formulas for school spending. If the state stops making its share of retirement payments, Manwaring said, it would be constitutionally obligated to make up that money to school districts elsewhere.

Administration officials, however, said the retirement proposal was sound. They said that before 1970, the state had never made those payments and that once the state began doing so, there was agreement that they would stop after 30 years.

Administration spokesman Vince Sollitto said the formulas that voters later approved for school spending through Proposition 98 did not require the state to continue the retirement payments, as the analyst suggested.

"The state's contributions to the [retirement fund] have never been part of the Prop. 98 calculations," he said. "Retirement compensation for teachers has been the functional responsibility of school districts."

But educators and Democratic officials cited the report in warning that the governor's plan was irresponsible.

"The policy is so shortsighted that the governor has proposed," said state Supt. of Public Instruction Jack O'Connell. "It will take money from the classrooms of our state.... This is a poorly thought-out proposal."

The analyst's office also disputed Schwarzenegger's contention that even with the proposal, schools would still receive enough money in his budget to pay for enrollment growth and cost-of-living adjustments.

Hill said the governor's budget would leave schools about \$500 million short. She suggested that the governor's proposed spending on schools would be close to adequate if he abandoned the plan to stop making teacher retirement payments.

The analyst's report comes as school groups and the governor are battling over his refusal to pay schools all they are owed under Proposition 98. Schwarzenegger had pledged last year not to take any more of that money after schools had agreed to billions of dollars in reductions in the current budget.

But he later decided not to honor that deal, which would have increased school spending by \$5.2 billion in the upcoming budget. Instead, the governor is proposing that the increase be limited to \$2.9 billion — slightly more per student than schools received this year.

The California Teachers Assn. has been running radio advertisements criticizing the governor's plans and rallying parental resistance.

Supporters of the governor launched a radio campaign in response Thursday. It features a teacher criticizing the information put out by the union as false and misleading.

"This ad campaign uses real teachers to correct the union's misleading special interest message," said Martin Wilson, executive director of the California Recovery Team, one of the governor's fundraising committees. "The governor is increasing funding for schools and proposing reforms that will give higher pay to good teachers and put more money in the classroom."

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