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FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Here We Go Again?

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Back in the early fall of 2008, we were asking ourselves if we were in a recession. At that point in time, the answer was no—at least not yet. But there were warning signs. A recession is defined as two quarters of negative growth in gross domestic product (GDP), and in July 2008 we hadn't even had one quarter of negative growth.

The U.S. unemployment rate exceeded 6.1% while California's was 7.7%. Oil price increases had killed the domestic auto and airline industries, among others, and the same was true in Europe. And in August 2008, the Consumer Price Index (CPI) change, which is the average cost of a basket of consumer goods and services, was actually negative. Major businesses, particularly banks and insurers, were melting down at an alarming rate.

When the California State Budget was adopted for the 2008¬–09 fiscal year, modest increases were provided to K–14 public education and the state was sitting on a skimpy reserve of less than 1% . Within less than six months after adopting the State Budget, what came to be known as the Great Recession began crippling our economy—eventually decimating public school funding long after the recession was declared officially over. At one point during the downturn, the purchasing power of school districts was 22% lower than what it was before the Great Recession hit, exacerbated by the fact that the cash the state provided to districts was nearly cut in half due to apportionment deferrals.

Local educational agencies (LEAs) were tasked with responding to the school funding crisis by making significant reductions in staffing levels and educational programs. In some cases, the reductions occurred over multiple fiscal years and reduced staffing levels in particular services that have not been restored or reinstated at the level which they were prior to the Great Recession. Many LEAs experienced reductions in services related to social-emotional support for students, summer school, intervention programs, transportation services, custodial and maintenance support, and elective course opportunities for students. In addition, many LEAs eliminated district-funded Induction programs which transferred the burden to an already limited pool of teachers new to the profession. Near the end of that recession as we started a true recovery, we editorialized that:

We Need a Recession-Proof Funding Model. The highest spending states not only spend more, but they develop sources of funding that do not result in schools taking the first hit in every recession. During the Great Recession, education in California was simply cut way too deep. Over that seven-year period, we lost 20% of our teachers and other staff, and most of them will not be back. We lost the opportunity to provide a full and rich educational program to our most needy students; we will not get that opportunity back. We allowed the achievement gap to grow at the very time when we most needed to close it. Other states don't do that; the source of funding for education, be it property taxes or other sources, stay with education and do not become a safety net for the rest of state government. We have to do better.

Most economists are now in agreement that we will be looking at a recession as a result of the coronavirus pandemic and how our policy makers respond will be important. We need them to remember the lessons learned from the last recession, and it may be incumbent upon us to remind them. We need to do what we can to retain the gains made with the recent restoration of LEAs' purchasing power to the 2007–08 levels as promised with the full implementation of the Local Control Funding Formula and ensure local school leaders continue to be empowered to make educational decisions tailored to student and community needs.

In our opinion, you can categorize California state budget spending into two categories—consumption and investment. The Dictionary of Economics defines "consumption as spending for acquisition of utility and is a major concept in economics and is also studied in many other social sciences. It is seen in contrast to investing, which is spending for acquisition of future income." We see public education as an investment in the future of our students and, by extension, the state as a whole. As such, we think public education deserves special consideration when economic conditions warrant budget reductions.

We are not arguing that the consumption side of the budget is not important. It provides various necessary services along with safety net programs that serve California's most vulnerable residents. We do think however, that by investing in future generations in ways that help them acquire the human capital to be productive and successful members of our social and economic systems, we can reduce reliance on and the need for safety net programs in the future.

We are hopeful that our policy makers have learned the difficult lesson we learned firsthand from the Great Recession about the devastating effects of divesting in public education and that they will join us in a collective call to preserve this critical social and economic investment.