

The New Normal **What if this is it?**

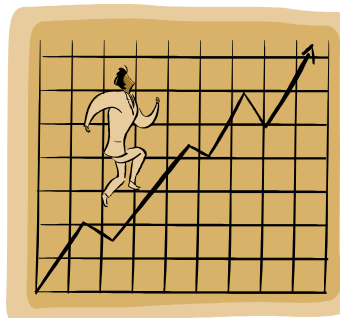
(Coping During a Prolonged Economic Downturn)

**Presidents Conference
Asilomar Conference Center
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Overview

- National and State Economic Perspective
- Local Impact
- Your role in change



National Economic Perspective



Historical Context

- **The Great Depression:**

- Originated in the United States, starting with the stock market crash of October 29, 1929
- Quickly spread to almost every country in the world
 - “When the US catches a cold, the world sneezes”
- Devastating effects in virtually every country, rich and poor
 - Personal income, tax revenue, profits and prices dropped, and international trade plunged by a half to two-thirds
- Widely divergent viewpoints as to the cause, based largely on ideology

National Economic Perspective



Historical Context cont.

- **Japan 1986 - ???**

- Economic asset price bubble from 1986 to 1991, in which real estate and stock prices greatly inflated
- Large trade surpluses resulted in consistent & excessive currency appreciation
- Readily available money & credit led to rampant stock & real estate speculation, resulting in bubble and crash
- Economic asset price collapse lasted for more than a decade with stock prices hitting bottom in 2003
 - The Japanese asset price bubble contributed to what the Japanese refer to as the “Lost Decade”
 - Stock prices dropped even lower during the global crisis in 2008

National Economic Perspective

Our Current Reality: The Great Recession

- In 2007, the housing bubble burst, leading to a high rate of defaults on subprime mortgages.
- Exposure to bad mortgages doomed Bear Stearns in March 2008, then led to a banking crisis that fall.
 - The global financial system started to come apart threatening to take down healthy and unhealthy financial institutions.
- A global recession became inevitable once the government decided not to rescue Lehman Bros. from default in September 2008.
 - Lehman's was the biggest bankruptcy in history, and it led promptly to a powerful economic contraction.
 - In 2008, the US lost 10 trillion dollars of wealth.
- The ensuing loss of wealth trickled down into all levels of society including 401 Ks, pension funds, state and local governments, and overall household wealth.
- Setting the stage for what many believe could be a LOST DECADE for the US economy.



California Economic Perspective



Historical Perspective 1991-1994

- Flat per pupil spending prior to recession
- Economic downturn was particularly long and pronounced in California compared to other states
- CPI and Federal Implicit Price Deflator increased (this is where COLA comes from) but the state didn't have enough revenue to fund COLA
- State applied "deficit factor" to COLA via Prop 98 maintenance factor
- The economy recovered (or did it? Bubble 1 = tech, Bubble 2 = housing and derivatives)
- In the 1990's, the Prop 98 "deficit factor" reached a high of 11.01% - today we are at over 19.74%
- Double Digit funding increase in 2000 was the result of 3.87% COLA + paid off "deficit factor"



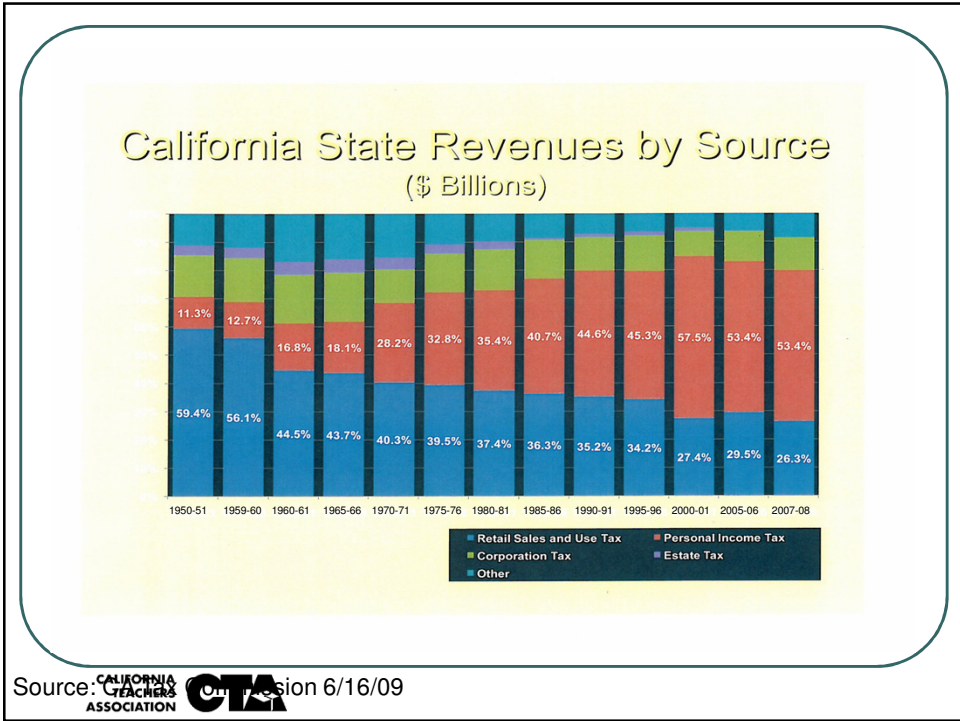
California Economic Perspective

California Long Term Economic Perspective

- Economic predictions are based on current indicators to forecast future events
 - Unemployment, jobs created/lost, GDP growth
 - A significant reduction in unemployment requires GDP growth in the 5 – 6% range
 - Normal range is 3.0%
 - 2011 GDP growth forecast = 2.9%
 - 2012 GDP growth forecast = 3.7%
 - 2013 GDP growth forecast = 4.2%
- California Forecast
 - Unemployment currently at 11.9%
 - Unemployment expected to remain in double figures through 2012

California's Economy

- Why is unemployment and GDP so important to California education employees?
 - Because California's tax and finance system has changed over the past 30 years to rely heavily on per capita personal income taxes
 - Prop 98 funds are driven by the change in per capita personal income
- Just because COLA = x % doesn't mean the State has the money to fund the COLA (aka "deficit factor" or "maintenance factor")
- In order to increase education funding, California needs.....
 - Massive job growth which would create increased personal income tax revenue for the state
 - A change to the system
- Which would you place *your* bet on?
(and you are betting currently...with your paycheck)



“The Dartboard”

- Put out by School Services of California
- Based on UCLA Anderson School of Business and leading economic indicators
- It's considered “accurate” for MYP (Multi-Year Projection) purposes and most counties require districts to use it
- All CTA staff have access to the School Services “Dartboard”

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SSC School District and County Office Financial Projection Dashboard
 2011-12 May Revision

This version of SSC's Financial Projection Dashboard is based on the Governor's 2011-12 May Revision. We have updated the COLA, CPI, and ten-year T-bill factors per the latest economic forecasts. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are, at best, general guidelines.

Factor	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Statutory COLA (applies to K-12 and COE Revenue Limits)	-0.39%	2.24%	3.20%	2.70%	2.90%	3.10%
K-12 Revenue Limit Deficit %	17.963%	19.754%	19.754%	19.754%	19.754%	19.754%
COE Revenue Limit Deficit %	18.250%	20.041%	20.041%	20.041%	20.041%	20.041%
Net Revenue Limit Change: K-12 COEs	5.17%	0.00%	3.20%	2.70%	2.90%	3.10%
Special Education COLA (on state and local share only)	0.00%	0.00%	3.20%	2.70%	2.90%	3.10%
State Categorical Funding (including adult education and ROC/P)						
Tier I	0.00%	0.00%	3.20%	2.70%	2.90%	3.10%
Tier II	0.00%	0.00%	3.20%	2.70%	2.90%	3.10%
Tier III	0.00%	0.00%	3.20%	2.70%	2.90%	3.10%
California CPI	1.80%	3.10%	2.70%	3.10%	3.20%	3.30%
California Lottery						
Base	\$112.50	\$111.00	\$110.00	\$108.75	\$108.75	\$108.75
Proposition 20	\$17.50	\$17.50	\$17.20	\$17.20	\$17.20	\$17.20
Interest Rate for Ten-Year Treasuries	3.20%	3.80%	4.10%	4.30%	4.40%	4.50%

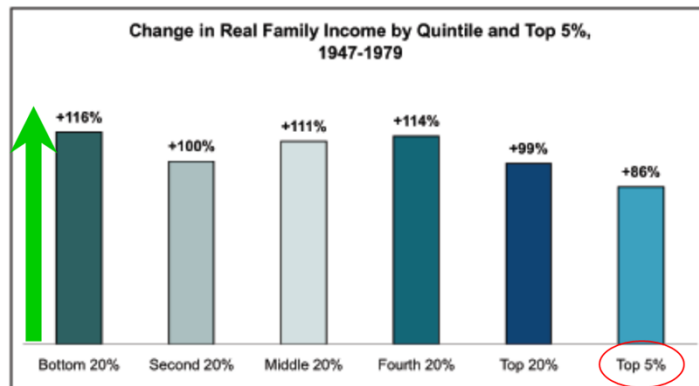
ESTIMATED STATEWIDE AVERAGE BASE REVENUE LIMITS PER ADA "UNDEFICITED"			
Year	Elementary	High School	Unified
2010-11 Statewide Average (est.)	\$6,110	\$7,140	\$6,392
2011-12 Inflation Increase @ 2.34% COLA	\$137	\$164	\$143
2011-12 Statewide Average (est.)	\$6,247	\$7,304	\$6,535

2011-12 BUDGET ACT ESTIMATED CHARTER SCHOOL RATES			
Year	K-3	4-8	9-12
General Purpose Block Grant (will change at each appropriation)	\$5,049	\$5,125	\$5,271
Categorical Block Grant (est.)	\$410	\$410	\$410
Total	\$5,459	\$5,535	\$5,681

¹ The Charter School Categorical Block Grant rates do not include Economic Impact Aid funding, which is provided separately. In addition, charter schools that began operation in or after 2008-09, there is an additional amount per ADA in supplemental categorical block grant funding.



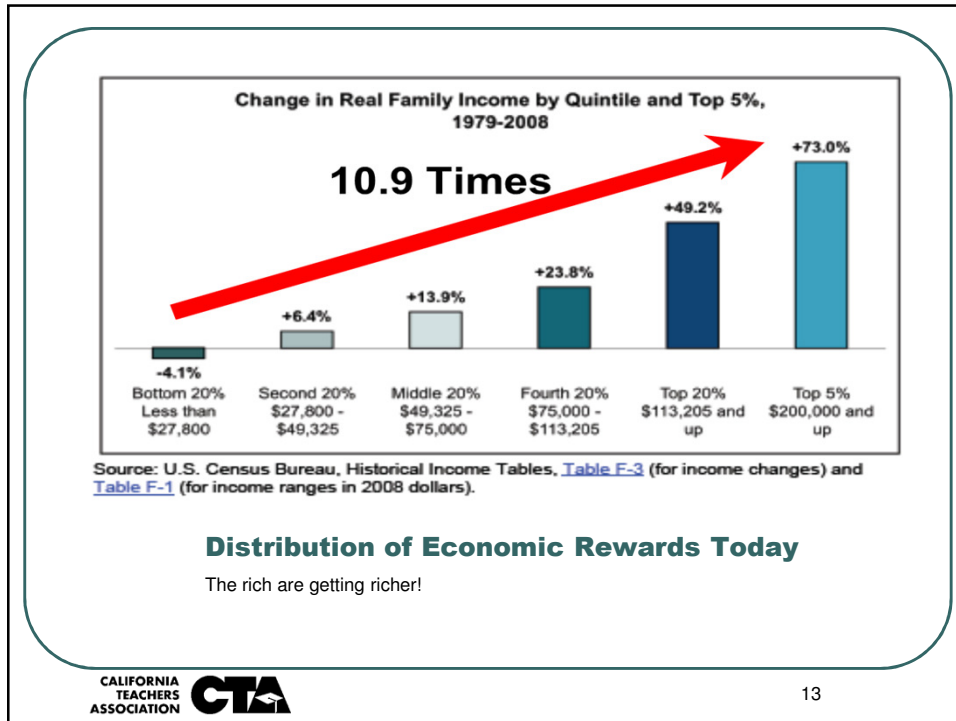
Bottom going up faster than top 5%



Source: Analysis of U.S. Census Bureau data in Economic Policy Institute, *The State of Working America 1994-95* (M.E. Sharpe: 1994) p. 37.

The Distribution of Economic Rewards

Post-war through Reagan



rel·e·vant
[rel-uh-vuhnt] - adjective
relating upon or connected with the matter in hand;
pertinent; a relevant remark

In the new normal...

HOW DOES THE UNION MAINTAIN RELEVANCE?

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**“We have to do what we always do,
but better than we’re doing it.”**

Doc Rivers
Boston Celtics Head Coach

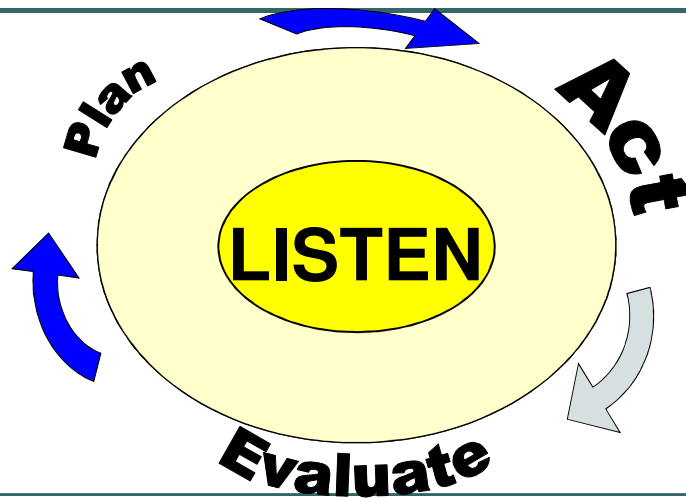
CTA exists to protect and promote the well-being of its members; to improve the conditions of teaching and learning; to advance the cause of free, universal, and quality public education; to ensure that the human dignity and civil rights of all children and youth are protected; and to secure a more just, equitable, and democratic society.

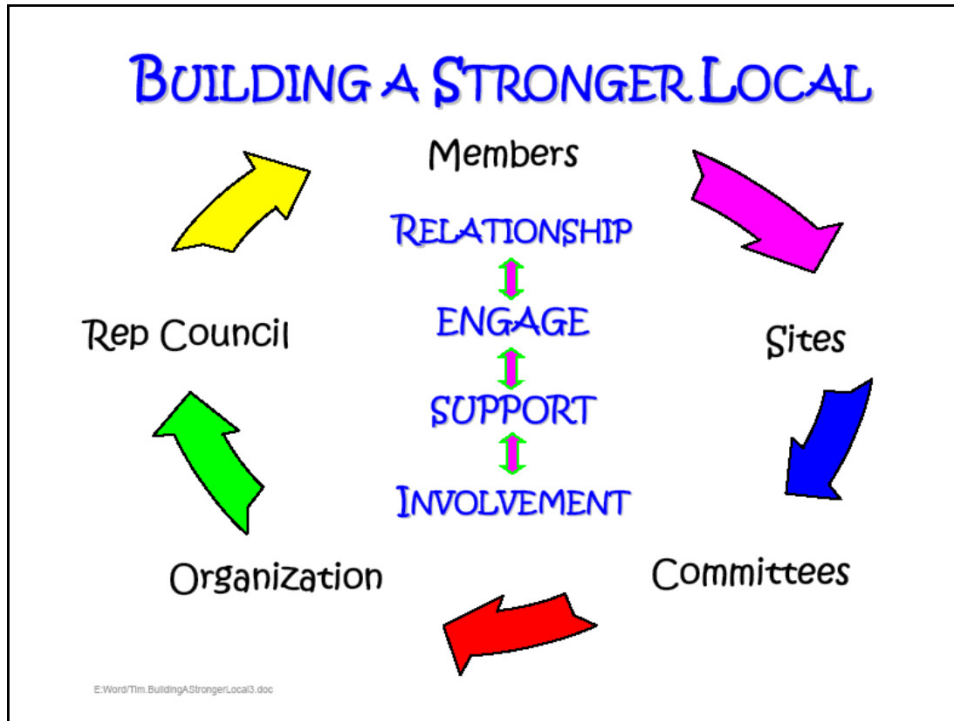
CTA’S MISSION STATEMENT

Maintain Relevance: The What

- Build and maintain programs that:
 - Promote and protect the well-being of members
 - Improve the conditions of teaching and learning
 - Advance the cause of free, universal, and quality public education
 - Contribute to ensuring that the human dignity and civil rights of all children and youth are protected
 - Work to secure a more just, equitable, and democratic society

Maintain Relevance: The How





How Does The Union Maintain Relevance?



- Listen:
 - Conduct small group meetings at school sites to identify issues important to members
 - Identify local programs that can address issues and interests
 - Don't rely on bargaining as the only program!

How Does The Union Maintain Relevance?

“Average leaders give people something to work on. Great leaders give people something to work for”

Simon Sinek



“Inequality has been constant, but rebellion infrequent.”

WHAT MAKES CHANGE HAPPEN?

Presidents Making Change...

- Requires a transformation of both consciousness and behavior
- Consciousness and culture
 - Defines for people what is right, what is wrong
 - Defines what is possible or impossible

Changing Consciousness, Step 1

- The system loses legitimacy
 - People begin to believe that the legitimacy of current institutional arrangements is unjust and wrong

Changing Consciousness, Step 2

- People assert rights that imply a demand for change
 - They discard fatalistic beliefs
 - They begin to reject the inevitability of existing arrangements

Changing Consciousness, Step 3

- People begin to believe they have the capacity to change things

Changing Behavior

- People become defiant and challenge existing arrangements
- People begin to act collectively
- They move from apathy to hope
- From quiescence to indignation

The New Normal: What if this is it?

- If the union's 'bread and butter' are salary and benefits, lets change what the bread and butter are instead of starving.....

