

OPEN FORUM *On Gov. Gavin Newsom's Budget*

How to improve education, housing

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Gov. Gavin Newsom's first budget comes when California is the most challenging state in the country for low- and middle-income households: California has the highest poverty rate of any of the 50 states. California also ranks 49th in both housing affordability and cost of living. It ranks 50th in homelessness, 40th in the overall tax burden and 42nd in how well it is educating its kindergarten through high school-age young people.

Newsom and the Legislature have an opportunity to improve these dismal outcomes. Newsom's first budget of \$209 billion is a 4 percent increase over Jerry Brown's last budget, and includes significant new investments in schooling and housing. Such investments can pay substantial dividends, particularly for low- and middle-income households, but only if they are accompanied by reasonable policy reforms, as explained in a Hoover Institution report.

Implementing merit-based compensation and modifying teacher-tenure policies would

move California K-12 learning outcomes from near the bottom to the top. These reforms would also align human resource practices in education more closely with the rest of the country.

Teaching salaries in most California school districts are determined more by seniority than by teaching performance. Seniority-based compensation is a relic of a time when collective-bargaining contracts ignored an individual's valuable specific skills and performance. Seniority-based compensation doesn't allow the best teachers to be paid what they are worth. Studies show that when salary is tied to performance, student learning improves.

A related issue is teacher tenure, which is granted in some cases after just 18 months of performance. While many teachers are very effective, tenure policy makes it extremely costly to dismiss the few that are not effective. The teacher dismissal rate for unsatisfactory performance in California is extremely low, which reflects dismissal costs that can exceed \$250,000 per case.

Reforming tenure policies by



Monica Almeida / New York Times 2014

Julia Macias, a plaintiff in the Vergara case, where the judge ruled that teacher tenure laws are unconstitutional.

increasing the tenure review period and making teacher dismissal for poor performance less costly would make a big difference for learning outcomes and future incomes. Research by Stanford economist Eric Hanushek concludes that replacing the few very poorly performing teachers with average quality teachers would cumulatively increase California incomes by more than \$16 trillion into the future.

Also, Newsom's budget calls for an additional \$500 million for affordable housing. This investment will substantially benefit households with low and moderate incomes if it is accompanied by reforms that reduce expensive and unnecessary regulatory costs. The cost of building one affordable unit in a 100-unit apartment building is now as much as \$425,000.

Reforming the California Environmental Quality Act would significantly reduce construction costs for major projects, as CEQA litigation often targets large-scale redevelopment. CEQA was intended to protect the environment, but it is now used routinely by a variety of groups for their own interests under the guise of environmental protection.

Abuses of CEQA range from unions wishing to increase their bargaining power with employers, to businesses that wish to prevent competitors from entering their local markets, to "not in my backyard" homeowner groups who want to block development.

There are several reforms that would eliminate some of the worst abuses of CEQA

litigation. Duplicative lawsuits should be prevented, particularly for projects that have already passed an initial CEQA review. Procedural reforms should be implemented to prevent delays. Losing parties in CEQA litigation should pay for court costs and attorney's fees, as in other civil cases. And all parties in the litigation should be forced to comply with disclosure rules regarding their identities and interests. This would prevent the hidden, nonenvironmental motives behind CEQA lawsuits.

While these economic reforms can significantly improve education outcomes and make housing more affordable, they may be thwarted by some in politically powerful groups, including teacher unions and environmental groups. The honeymoon period afforded to the new governor and the new Legislature provides the best opportunity to bring people together and make these needed reforms.

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