

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Why California Is Losing Teachers and Laying Off Secretaries.**

**Sacramento is flush, but cities and school districts can't keep up with rising public pension costs.**

Nine years into a bull market, housing prices in California have reached record highs. Investors are enjoying soaring capital gains, which in turn has created a windfall for the state budget. California is now sitting on \$16 billion in budget reserves while many states struggle to balance their budgets. But beneath this patina of prosperity, many cities are careening toward bankruptcy. Schools are laying off employees and slashing programs. Some districts complain they are having trouble retaining teachers. What gives?

California property taxes, which fund local governments, are capped by the state constitution's Proposition 13 at 1% of a home's value and can't rise by more than 2% annually. So although housing costs have soared since the recession—the median home price in San Francisco is \$1.6 million—cities and school districts aren't rolling in the dough.

At the same time, municipalities are getting socked with big bills from the California Public Employees' Retirement System and the California State Teachers' Retirement System, known as Calpers and Calstrs. For years the two funds overestimated their investment returns while underestimating their expected payouts. This helped keep local-government and worker pension costs low for a while, but now the state, cities and school districts are having to play catch-up.

[Continue reading.](#)

**The Wall Street Journal**

By Allysia Finley

June 29, 2018 7:23 p.m. ET

Copyright © 2024 Bond Case Briefs | [bondcasebriefs.com](http://bondcasebriefs.com)