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## Schwarzenegger seeks support for sweeping state reform

SACRAMENTO -- Gov. Arnold Schwarzenegger cajoled legislators Wednesday evening to show "political courage" by embracing his plan for sweeping reform. And if they don't, he said he's ready to let voters decide.

In his second State of the State speech, the Republican governor called on the Democratic-controlled Legislature to join him in bucking "special interests" by shaking up the state's political system, taking state spending off "automatic pilot," scaling back retirement benefits for public employees and tying teachers' salaries to performance.

He plans to convene a special session of the Legislature today devoted to tackling these issues, with the idea of putting a package before voters in June.

"Join me in regaining the control of California's financial future. Join me in restoring the trust of the people. Join me in introducing a bold new era of reform in California," the state's 38th governor said in a 27-minute speech to a joint session of the Legislature in the grand Assembly chambers.

Republican legislators repeatedly cheered his remarks but Democrats largely sat stony-faced as the popular governor attacked their favored issues.

Even as Schwarzenegger asked lawmakers to work with him, he set the stage for a series of confrontations with Democrats and their labor union allies over retirement benefits and teachers' salaries, and potentially with the powerful prison guards over changes to the Corrections Department. The governor said he was ready for a fight if necessary -- a prospect that seemed likely.

He threatened to go to the voters with a slew of ballot initiatives if the Legislature does not cooperate. Either way, a special election in June would send Californians to the polls for the sixth time in less than four years.

"Political courage is not political suicide," he said. "Ignore the lobbyists, ignore the politics, trust the people."

The governor's advisers said later he wants lawmakers to act by the end of February.

Governors traditionally use the State of the State speech to set the tone for their administration. When he delivered his speech last year, Schwarzenegger had just unseated Gov. Gray Davis, and he spent much of the year putting out fires he blamed on his predecessor. Now, in his second year, this is Schwarzenegger's government.

He repeated his opposition to raising taxes to plug the state's \$ 8 billion budget shortfall, and said he wants tighter controls on future spending to end the state's persistent deficits.

Schwarzenegger will press for a constitutional amendment meant to prod the Legislature into passing an on-time budget by triggering across-the-board cuts when lawmakers are late or when spending outpaces revenues.

The amendment would prohibit borrowing from special funds that pay for programs like transportation. But not before the governor plans to borrow at least \$ 2.5 billion to balance the 2005-2006 budget, said Finance Director Tom Campbell.

Schwarzenegger himself offered little detail about how he plans to address the immediate shortfall, which is nearly one-tenth of the estimated \$ 89 billion operating budget. He is scheduled to unveil his blueprint for balancing the budget on Monday -- a plan he acknowledged is only a short-term fix.

Among his immediate policy goals, the governor today is expected to begin to follow through with his pledge last year to "blow up" the state bureaucracy. Schwarzenegger will start with a reorganization of the troubled prison system.

He will also call for the elimination of nearly 100 state boards and commissions, such as the Integrated Waste Management Board and the Contractors State License Board, in addition to 1,000 positions on such panels.

Democratic leaders struck a conciliatory tone in their official responses. Senate President Pro Tem Don Perata of Oakland praised Schwarzenegger's "bold leadership" and said "there is no reason why the reforms that the governor outlined today we can not achieve."

Some rank-and-file Democratic legislators scowled when Schwarzenegger pressed for reforms such as taking away legislators' ability to design the state's political map and paying public school teachers based on merit. Republicans mostly applauded and exclaimed "hear, hear."

"We must stand firm with him and insist on true reform," said Assemblyman Rick Keene of Chino, the leading Republican on the Budget Committee.

Schwarzenegger issued a stern assessment of how public schools pay teachers, saying "the more we tolerate ineffective teachers, the more our teachers will be ineffective."

Democrats and union leaders reacted angrily. Sen. Jackie Speier, D-Hillsborough, said the proposal "mocked teachers in California. I was so offended by that."

Barbara Kerr, president of the California Teacher's Association, called the merit-pay proposal a diversion from the real issue -- paying schools what they are owed under a deal struck last year.

Campbell said that schools next year will get an additional \$ 2.4 billion of new Proposition 98 money -- about half what he estimates education groups would say they're owed. He acknowledged that the governor's spending limit would require changing the politically sacred education funding guarantee voters endorsed in 1988.

In another affront to labor unions, Schwarzenegger called for changing the way the state funds the costly retirement system for public employees.

**The governor wants to replace traditional pension plans, which guarantee set benefits, with 401(k)-style investment accounts.**

**J.J. Jelincic, president of the California State Employees Association, which represents 130,000 state workers, called the plan a "bad deal."**

**"Public employees have accepted lower wages over time in exchange for a decent pension plan," he said. "You're transferring all the risk to the employee."**

The address was the first time Schwarzenegger appeared publicly in Sacramento since he departed for his two-week vacation in Sun Valley, Idaho. He was joined by his wife Maria Shriver and former governors Gray Davis, Pete Wilson and Jerry Brown. Shriver, who smiled and waved from the balcony, received some of the most boisterous applause of the night.

His second State of the State attracted less media interest than the novelty of the former actor's first address. But it was covered by reporters from Austria and Japan, and a giant "spin tent" was erected on the lawn of the Capitol for interviews.

By Ann E. Marimow and Kate Folmar. Contra Costa Times reporter Andrew LaMar contributed to this report.

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