



## California Labor Federation | AFL-CIO

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### Governor's Plan is Bush Program for California *Schwarzenegger Follows Bush's Lead in State of the State*

SACRAMENTO — For those who listened closely to Governor Schwarzenegger's State of the State address, one thing was clear – the Governor's plans for California sound a lot like President Bush's plans for the country. Though he has proclaimed himself a moderate, Schwarzenegger's conservative proposals Wednesday night were a page out of the Bush Administration's playbook.

“Governor Schwarzenegger is following Bush's lead in dismantling workers' retirement funds,” said Art Pulaski, Executive Secretary-Treasurer of the California Labor Federation. “He is going after California's public pensions in the same way that President Bush and the Republicans are going after Social Security.” The Governor endorsed scrapping current pension plans for teachers, firefighters, police, nurses, school and local employees, forcing all new employees into a 401(k) style, defined contribution plan run by private, for-profit investment companies.

The proposal to switch to defined contribution plans will not help balance the budget, and in fact will cost the state more in the long run than the current plan. Switching to a privatized system could eventually pull \$18 billion in CalPERS investments out of California's economy. Administrative costs for defined contribution plans are far higher than the current defined benefit plans. “This plan forces every retiree to expose their retirement savings to all the risks of the market,” said Pulaski.

The Governor is also following President Bush's lead on prescription drugs. Schwarzenegger's proposal mimics Bush's Medicare discount cards, which were widely rejected by senior citizens for offering no real savings. “The only people that will benefit from this are big PhRMA companies that have contributed millions to the Governor's campaign,” said Pulaski. “Gov. Schwarzenegger is offering a 40% discount on a product with a 400% markup. It's like offering the poor a 10% discount at Neimen Marcus. The bottom line is, prescription drugs will still be unaffordable to most Californians.”

Gov. Schwarzenegger's plan for education reform also sounded similar to Bush's “No Child Left Behind” program. The proposal emphasized punishing teachers when a school's students don't test well. “Merit-based pay discourages teachers from teaching in inner cities,” pointed out Pulaski. “Until we put resources back into our education system, how can we possibly blame teachers for our schools' problems?” Though Gov. Schwarzenegger committed to funding education and protecting California schools, he made \$2 billion in cuts to school funding last year. The cuts came at a time

when California ranks 47<sup>th</sup> in the nation in public school performance, right above Alabama and Mississippi.

The Governor also outlined plans to hold a special election to push Texas-style political redistricting in California. It will cost taxpayers an estimated \$80 million to hold a special election to redraw political lines. “Most Californians think our state’s money would be better spent on education, health care, or infrastructure than on pursuing a costly political agenda,” said the Federation’s Pulaski. Observers of the State of the State address noted that only Republicans clapped for the clearly partisan proposal. “The special election looks like an attempt to win state legislative races by changing the rules midstream since he couldn’t win any races for Republicans this last election cycle,” noted Pulaski “We will have two elections in 2006, just six months away. Isn’t that enough for the Governor?” he asked.

Another theme of the Governor’s address was fighting special interests to make budget cuts – but like Bush, Schwarzenegger has set new records for raising special interest money from corporate donors. And like the President, he has not been able to make good on promises to eliminate the budget deficit. California currently faces a deficit of \$8.1 billion. Despite his ties to the Republican President, Schwarzenegger has also been unable to help bridge the deficit with Federal funding. When elected, the Governor promised to collect on Federal money California is owed. Today the State is still only collecting \$.77 cents out of every Federal dollar.

The Governor angered unions by suggesting that increasing revenues won’t help California at a time when he has cut budget funding for schools, roads, housing and health care. “When our roads are crumbling as we sit in hours of commute traffic, when higher education has become unaffordable and inaccessible, when emergency rooms in central cities are closing — how is it that more revenue would not help our State?” asked Art Pulaski.

“California did not vote for Bush for President, and we do not want George Bush as our Governor,” said Pulaski. “Unions will lead the fight against a Bush program in California.”

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