

## Unions Protest Governor's Proposals

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SACRAMENTO - Gov. Arnold Schwarzenegger faced one of the biggest protests of his political career Tuesday, when about 1,500 nurses marched on the Capitol behind black coffins and a New Orleans jazz band playing a death march.

They were upset about Schwarzenegger's emergency edict cutting back on the number of nurses required by law in hospitals and emergency rooms. The governor has said a nursing shortage required him to suspend the law, but the action has mobilized thousands against him.

Union leaders say Tuesday's protest was just the start of a large and coordinated movement against the governor. Schwarzenegger has made organized labor across the state - including road construction crews, hospital nurses, public school teachers and welfare bureaucrats - his biggest budget-cutting targets this year.

Under several Schwarzenegger proposals, private and public employee unions would face less pay, fewer vacation days, longer hours and bigger pension costs. Particularly with his plan to turn California's public pension system into a 401(k) plan fueled by employee contributions, he has unleashed one of the most aggressive campaigns targeting unions since the administration of former Gov. Pete Wilson.

Unions consider Schwarzenegger their biggest enemy and have begun organizing for an expensive fight. Both sides - union leaders and Schwarzenegger's political allies - are expected to spend tens of millions of dollars to run a series of TV ads in the months ahead pitching their agendas or defending themselves. Many of the governor's proposals must be put before voters, most likely in a special election this fall.

"A year ago, the governor acknowledged that public employees do good work," said J.J. Jelincic, president of the California State Employees Assn. "Now he has adopted what I think has to be a right-wing ideological position that public employees are no good."

Schwarzenegger has picked a large and well-funded target. Ever since former Gov. Jerry Brown gave state workers the right to organize in 1978, public and private unions have emerged as the most potent political force in Sacramento. California has about 208,000 civil service employees, with nearly 178,000 workers organized in unions.

The governor's office said his proposals would make practical changes to a system that has been bankrupting the state. Schwarzenegger points to a public employee pension system that has increased annually by \$508 million and a prison system in which there is "too much political influence, too much union control and too little management courage and accountability."

The most prominent target has been the state's prison guards union, which secured a 37% raise over five years under a contract signed with former Gov. Gray Davis. Last year, Schwarzenegger tried to whittle away at the agreement but failed to gain serious cuts, even as a federal judge threatened a takeover of the entire prison system.

Margita Thompson, Schwarzenegger's spokeswoman, said the governor's fight is not with unions but with the political system.

"It's almost like people arguing on two different levels," Thompson said. "The governor is focused on the policy. He is not fighting against anyone other than those interests that wedge themselves between the people of California and their officials."

Yet conservatives who have long targeted unions see an opening now that Schwarzenegger has changed the tone in Sacramento.

They are preparing to gather signatures for an initiative that would require public-sector unions to get permission from their members before spending any money on political lobbying - a time-consuming requirement that would probably hobble their ability to influence state policy. A similar initiative, Proposition 226, was defeated by California voters in 1998, after unions spent nearly \$4.5 million fighting it.

Lewis K. Uhler, founder of the National Tax Limitation Committee based in Sacramento, said Schwarzenegger's State of the State speech two weeks ago, in which he introduced the idea of merit pay for teachers and reforming the public pension system, prompted the organization to move forward with the new initiative targeting union dues.

"When Arnold was elected, he thought the strength of his ideas and personality and his hail-fellow-well-met dimension was going to win the day," Uhler said. "I think he has had a very sharp learning experience. His State of the State speech is where we came to recognize that Arnold has come of age."

Last year, union officials such as Jelincic met privately on several occasions with Schwarzenegger and stood side-by-side with him in public to announce deals to help balance the budget by modifying their contracts. It seemed like only a small difference from when Davis courted unions and signed a series of bills to fatten some public employee contracts, particularly with prison guards.

Now, the unions' optimism has faded. Protests already have popped up around Sacramento as many unions prepare to open negotiations this summer on their contracts.

"He [Schwarzenegger] calls us a 'special interest group,' and we are not," Cindy Berry, 50, who processes disability claims for the Department of Social Services, said while standing in the frigid cold at another union protest last week. "He wants to privatize our jobs and hand them to his buddies who give him campaign contributions."

The governor would hit unions on several levels. His proposals would:

- \* Overhaul California's pension system for state workers and teachers - known as CalPERS and CalSTRS, which have a combined portfolio of \$295 billion. After July 2007, new employees could pay into a 401(k) plan rather than into the state pension system.

- \* Change how much workers pay into the system. This year, the total contribution rate for many CalPERS members is 22% of their salary - with employees paying 5% and the state contributing the remaining 17%. Under Schwarzenegger's plan, employees and the state would split the contribution.

- \* Allow the governor to furlough employees without pay for up to five days a year when the state faces a budget crisis. He would also eliminate two paid holidays and require \$150 million in unspecified cuts to government services.

- \* Change the state's contribution toward health benefits from a percentage to a fixed amount every year - increasing the costs to workers whenever health costs increased. Also, new employees would have to wait until the end of their probation period - up to a year in some cases - before the state would contribute to healthcare costs.

- \* Allow merit pay for teachers, bypassing the traditional union contracts that set pay based on the number of years worked. The governor also would end the state's 2% contribution to teacher pensions, shifting the cost to school districts.

It is the pension overhaul that upsets public employee unions the most. Democrats and unions say the so-called defined-benefit system is riskier, costs the investor more in administrative fees, produces smaller returns for retirees and diverts money from being invested in California to Wall Street.

"There is nothing more divisive and worse than a two-tiered system," said Barbara Kerr, president of the California Teachers Assn., which has 335,000 members. "The only people who are excited about that proposal are the people on Wall Street, because instead of working with PERS and STRS, they will be able to work with hundreds of thousands of workers."

Schwarzenegger himself has predicted a tough year of negotiating. In his State of the State speech, the governor said people will be “calling me cruel and heartless. They will organize protests out in front of the Capitol. They will try to say I don’t understand the consequences of these decisions.”

But Jim Hard, president of Service Employees International Union Local 1,000, which represents about 90,000 state employees, said the problem is that Schwarzenegger broke his word. Last year, unions agreed to a new system that would delay some pension payments for a year. They believed that was the end of it, until Schwarzenegger unveiled the new 401(k) plan and shook the system to its core.

”I think you will hear a number of people who feel like they have been betrayed,” Hard said. “He made a big point of being a man of his word.... I do not feel that is at all true today.”