



State Budget & Pension Reform News

Capitol Corner – By Karen Keeslar, SBPEA Legislative Advocate

The news is bad for the state budget...again. The projected state budget deficit is \$14 billion and climbing. In response, Governor Schwarzenegger has proclaimed that we are facing a budget crisis and signed an emergency proclamation to force the legislature to act on the budget. The Governor is asking the legislature to reduce funding for most state departments and programs by 10 percent with so-called "across-the-board" cuts.

Virtually everyone in California could be affected by these budget cuts in one way or another:

- Schools are slated to be cut by \$4.8 billion.
- Courts would lose \$246 million.
- Cities and counties would lose billions of funding for law enforcement, transportation, child protective services and numerous other important local programs.
- \$372 million from the release of more than 20,000 nonviolent offenders from state prisons.

The administration's approach to have virtually all programs share in the pain of balancing the budget has some surface appeal of "fairness." Yet, it fails to differentiate between the importance of various state and local programs.

Solving the budget gap in California requires a balanced solution. This is a large state, with the largest population in the United States, and an economy that, if it were a country's, would be the sixth or seventh largest in the world. The budget problem can't be solved by cuts alone, because state program reductions of such a magnitude hurt the people most who can least afford them. We need a fair balancing of this deficit crisis with a combination approach that includes some revenue raising as well as targeted program cuts to non-essential services (as opposed to across the board cuts).

SBPEA leaders will be meeting with legislators from the San Bernardino delegation in March to talk about the budget balancing proposals that are under debate in the State Capitol. We must take this opportunity to convince the Governor and legislators to make the changes we need – to increase state and local revenues in a way that will not hurt the middle class and build stable budgeting that will maintain the essential services that Californians deserve.

Legislators are working on common sense reforms to public employee pensions. Senator Patricia Wiggins (D-Santa Rosa) and Assembly Member Ed Hernandez (D-West Covina) are the respective chairs of the Senate and Assembly Committees with jurisdiction over public employment and public pension issues. They have unveiled legislation that will implement all recommendations of the Public Employee Post-Employment Benefits Commission that require legislative action.

Governor Arnold Schwarzenegger established the commission in December 2006 to "identify the extent of unfunded liabilities" in public sector pension and retiree health care obligations, review and analyze options for addressing them and recommend a plan to the Legislature and Governor. The 12-member commission, chaired by former UC Board of Regents President Gerald Parsky, released its 212-page report on January 7, 2008. The report contained a comprehensive, eight-point plan containing 34 specific recommendations.

The bills introduced by Senator Wiggins, chair of the Senate Committee on Public Employment and Retirement, and Assembly Member Hernandez, chair of the Assembly Committee on Public Employees, Retirement and Social Security, are designed to implement commission recommendations requiring legislation:

- AB 1844, by Assembly Member Hernandez, would help increase transparency with regard to public employee benefits through enhanced reporting requirements and will also help to curb fraud in the various retirement systems by providing those systems with the tools they need to detect and prosecute fraudulent actions.
- SB 1123, by Senator Wiggins, is focused on increasing transparency and oversight of public employee benefits.

"The commission report reflects the fact that this diverse group was able to come together around some very important issues," Wiggins said. "I am optimistic that implementation of these key recommendations will help stabilize employers' costs with regard to worker pensions and retiree health care -- and do so without negatively impacting retirees."

Hernandez agreed, saying he thinks it is "imperative that we move forward quickly this year to implement these recommendations as this will help to stabilize the costs of pensions and retiree health care for employers while making sure we keep the promises we have made to our teachers, police officers, firefighters and other hard working public employees."

SBPEA is fighting to maintain public retirement systems to provide basic security for public employees to be able to live with dignity and independence after years of hard work.