

# California Performance Review: Republicans, Democrats underwrite multibillion-dollar handout to big business

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On August 3, the administration of Republican Governor Arnold Schwarzenegger issued a proposal to reorganize California's state agencies. The report, the California Performance Review (CPR), is the product of an agreement between the Republicans, the Democrats and the state employee unions to enact a big business agenda to eliminate regulations and programs that restrict corporate profit-making and make working people pay even more of the cost of public services.

The CPR, which was drawn up in collaboration with powerful business interests, is Schwarzenegger's response to Wall Street's demand that California end its structural deficit by eliminating or transforming agencies that regulate the operations of large corporations. The underlying premise of the report is that any state institution that cannot prove itself useful to big business be done away with.

The CPR calls for the dismantling of regulatory commissions relating to the environment and industry, the privatization and outsourcing of public services, the layoff of 12,000 state workers, and the transformation of the educational system to better serve corporate needs. Supporters of the measures maintain that they will reduce the state deficit by \$32 billion over the next five years. Some of the CPR's proposed changes could be enacted through executive order. Others require legislative action.

While initial media reports maintained that the recommendations were drafted by a committee of 275 administrators, consultants and state employees, later reports revealed that the committee was composed of representatives from major energy producers, insurance companies, and state employees with close ties to the union bureaucracy.

Over the course of the six months prior to the report's release, the CPR team functioned in secrecy. In a manner reminiscent of Vice President Dick Cheney's energy task force, they met frequently with representatives and lobbyists of nearly 60 companies and trade associations, including Hewlett-Packard, Cisco Systems, Microsoft, EDS, Pitney-Bowes, Pricewaterhouse Coopers, and Citrix Systems.

If fully enacted, the CPR would create 11 new agencies, headed by Schwarzenegger's appointees, to replace 118 independent boards and commissions. Perhaps the best-known regulatory body facing destruction is the California Air Resources Board, which has led the nation in setting air pollution standards for 35 years.

In the 1970s, the board forced automakers to add catalytic converters, a requirement that, together with the conversion to unleaded gas, significantly reduced smog, despite California's rapidly growing population. The Air Resources Board would be folded into a new Department of the Environment, along with the state Water Resources Board and regional water-quality agencies. A Department of Natural resources would take over the state Board of Forestry.

Also targeted for elimination is the San Francisco Bay Regional Water Control Board (SFBRCB), which is in charge of regulating pollution from

Chevron's massive Point Richmond refinery. Chevron, which owns the largest refinery in California, was a major contributor to Schwarzenegger's election fund and had representatives on the CPR committee.

A large section of the report deals with education, proposing that it be tailored to the needs of California's businesses. According to the CPR's recommendations, the current system of two-year community colleges should be bundled together with the state's system of primary and secondary schools, under the control of a new—and tellingly named—Department of Education and Workforce Preparation.

Currently, community colleges serve as a relatively inexpensive pathway for working class students to higher education. Many of those enrolled in community colleges transfer to public universities to complete their undergraduate education.

Under the new proposals, community colleges would more directly serve the needs of big business for vocationally trained employees by effectively establishing two education systems—a liberal arts university education for a minority of enrollees, and a vocational system focused to meet the profit needs of the state's business interests for the majority.

Under this plan, community colleges would see a dramatic increase in part-time faculty, which currently accounts for about half of the instructors on the campuses. Replacing tenured \$80,000-a-year full-time instructors with \$30,000-a-year part-timers with no benefits or job security would result in substantial savings to the state, and a substandard education for most working class students.

The CPR also calls for mandating 16 hours of compulsory community service as a requirement for graduation. There are 3.5 million students throughout the state's three-tier university system of 109 community colleges, 23 California State University campuses, and 10 University of California campuses. The California Performance Review team calculated that this proposal would translate into \$192 million worth of unpaid labor every year.

The CPR also proposes an increase in college tuition for non-residents attending California's public universities.

For primary and secondary education, the CPR proposes reductions of \$4.1 billion over the next five years. Fifty-eight county offices and boards of education would be eliminated and replaced by 11 regional offices. One measure would move up the cutoff date for enrolling children in kindergarten to September 1, instead of the current date of December 2. This would reduce the first-year kindergarten class by 25 percent.

The CPR advocates merging the State Highway Department (CALTRANS), the California High Speed Rail Authority, the California Transportation Commission and the Rail Authority into a super-agency called the Department of Infrastructure, part of a move to privatize all of transportation in California. Proposed changes in transportation would

lead to the establishment of toll roads and user fees.

The state's 6,500 miles of highway would be placed under the jurisdiction of local governments, which would then be allowed to impose tolls on highway use. Drivers would also have to pay to use carpool lanes, highway rest stops and bathrooms. The bidding process on new transportation projects would be revamped, with more flexible rules to benefit contractors.

Other commissions facing elimination include the Department of Fair Employment and Housing, the Commission on the Status of Women, and the Homeowners and Renters Property Tax Assistance Program.

Related recommendations include altering the state's conservation program, exempting small logging operations from having to prepare timber harvest plans, making it easier to obtain permits to build or expand oil refineries, and loosening the overall regulation of businesses.

The dismantling of the network of public clinics and hospitals across the state, which was well under way during the administration of Schwarzenegger's Democratic predecessor, Gray Davis, will be completed under the CPR plan. The remnants of the current system are to be run on a for-profit basis.

The commission endorsed a proposal by Electronic Data Systems (EDS) for a "public-private partnership," in which the company would work to enroll more Medi-Cal recipients into the federal Medicare program for the disabled and elderly, in order to save the state money. EDS would receive 10 percent of the savings.

Executives and lobbyists from Wellpoint, Health Net, Molina Healthcare and the California Association of Health Plans helped craft the proposal to save health maintenance organizations (HMOs) the expense of preparing expensive state audits, by allowing industry accreditation groups to take over the auditing process and minimize state regulation on their operations.

Slated for elimination is the HMO watchdog, the Department of Managed Health Care. Its founding director, Daniel Zingale, said, "Taking away the state's ability to see how HMO finances affect patients is to undermine California patients' rights."

The CPR calls for combining and moving the day-to-day operations of Medi-Cal, CalWorks (the work-for-welfare program) and food stamps—programs that serve the state's 4,000,000 neediest residents—from the counties to the state, which would then privatize these operations to save \$4 billion over the next five years. Held up as a model is the Healthy Families program, a state-subsidized but privately administered health care program which enrolls residents at one fourth of the outlay that goes to the average Medi-Cal recipient.

The unions representing California's state employees, the California State Employees Union (CSEA) and the Service Employees International Union (SEIU), are openly supporting and actively participating in the implementation of this assault on the living standards of working people, which includes the proposed elimination of 12,000 state jobs from still unspecified sectors of the public workforce. The SEIU had representatives on the 275-person CPR committee, and the president of the CSEA, J.J. Jelincic, is on the 21-person committee dedicated to implementing the CPR recommendations. Jelincic personally endorsed the CPR report and thanked Schwarzenegger for appointing him to the committee.

Jim Hart, president of the 90,000-member Local 1000 of the SEIU, praised parts of the report, including the reduction in the workforce: "Californians need the right number of workers with the right skills to provide the best services," he stated.

Likewise, while not endorsing every item in the CPR, the leader of the Democrats in the State Senate, John Burton, publicly assured Schwarzenegger and big business that the Democratic-controlled state legislature would endorse a bundle of narrower reforms. State Controller Steve Westley, a leading Democrat in California, has come out in support of the CPR.

The manner in which the CPR report was composed and the reaction of the Democratic Party and the trade unions to its recommendations underscore the fact that the Democrats and the unions are united with the Republican Party in the implementation of a socially destructive and reactionary pro-corporate economic agenda in California. The primary concern of the trade union bureaucracy in this process is to demonstrate its usefulness to the political and financial establishment by collaborating in the destruction of state jobs, and thereby guarantee for itself a continued position within the state's privileged elite.

The CPR recommendations mark a qualitative escalation in the longstanding drive of big business to eliminate all of the social reforms enacted in California during the 1960s and 1970s—quality low-cost public education, environmental and safety regulations, a modest network of public clinics and hospitals, and a state welfare system. This effort to dismantle and transform California's state agencies through the CPR follows the recent gutting of workers' compensation, large budget cuts in healthcare, education and the public infrastructure, and massive hikes in fees for students in California's community college and public university system.

Despite the secrecy that surrounded the commission, many of the CPR's recommendations had been proposed in August 2003 by a bipartisan group of Democrats, Republicans and Independents, which endorsed proposals from two laissez-faire think tanks: The Reason Foundation and the Performance Institute.

Schwarzenegger came to power in California in October 2003 as the result of the recall of then-governor Gray Davis, a right-wing Democrat. The recall was a political coup financed and carried out by a cabal of multimillionaires and right-wing Republicans who regarded Davis as incapable of enacting the structural changes that Wall Street and big business demanded in California.

The Socialist Equality Party opposed the recall election and warned that efforts by the far right to unseat Davis signified the intensification of the assault on working people's living standards in California. In the election statement of our candidate in the recall election, John Christopher Burton, we insisted that "the recall of Gray Davis and his replacement by [Democratic Lieutenant Governor] Bustamante or Schwarzenegger [would] only set the stage for new attacks on working people."

Both the policies of the Schwarzenegger administration and the collaboration of the Democrats in their implementation confirm the SEP's warnings. As we stated last year, the budgetary crisis in California is an expression of the crisis of the profit system that exists on a national and international scale. The lurch to the right by both major political parties over the past period is the result of the demands of big business, which will no longer tolerate any inroads into its profits, and is demanding the gutting of all social programs and publicly funded services.

To fight this, the SEP is intervening in the 2004 elections by running presidential, congressional and local candidates in states across the country. In California, we are waging a write-in campaign for John Christopher Burton in the 29th Congressional District to give working people an alternative to the pro-war big-business policies of the Democrats and Republicans. We urge all those opposed to the recommendations of the CPR and looking for an alternative to the right-wing political establishment in California to join us in this effort.



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