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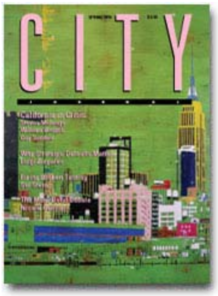

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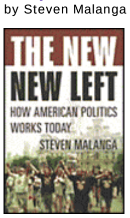
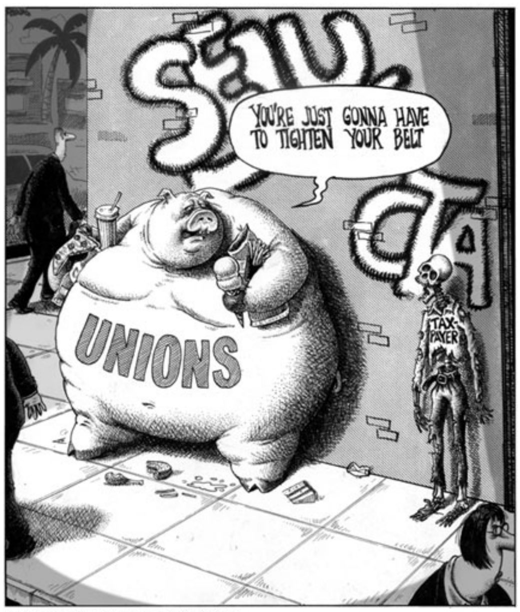


STEVEN MALANGA

The Beholden State

How public-sector unions broke California

The camera focuses on an official of the Service Employees International Union (SEIU), California's largest public-employee union, sitting in a legislative chamber and speaking into a microphone. "We helped to get you into office, and we got a good memory," she says matter-of-factly to the elected officials outside the shot. "Come November, if you don't back our program, we'll get you out of office.'



ILLUSTRATIONS BY SEAN DELONAS

The video has become a sensation among California taxpayer groups for its vivid depiction of the audacious power that public-sector unions wield in their state. The unions' political triumphs have molded a California in which government workers thrive at the expense of a struggling private sector. The state's public school teachers are the highest-paid in the nation. Its prison guards can easily earn six-figure salaries. State workers routinely retire at 55 with pensions higher than their base pay for most of their working life. Meanwhile, what was once the most prosperous state now suffers from an unemployment rate far steeper than the nation's and a flood of firms and jobs escaping high taxes and stifling regulations. This toxic combination—high public-sector employee costs and sagging economic fortunes—has produced recurring budget crises in Sacramento and in virtually every municipality in the state.

How public employees became members of the elite class in a declining California offers a cautionary tale to the rest of the country, where the same process is happening in slower motion. The story starts half a century ago, when California public workers won bargaining rights and quickly learned how to elect their own bosses—that is, sympathetic politicians who would grant them outsize pay and benefits in exchange for their support. Over time, the unions have turned the state's politics completely in their favor. The result: unaffordable benefits for civil servants; fiscal chaos in Sacramento and in cities and towns across the state; and angry taxpayers finally confronting the unionized masters of California's unsustainable government.

California's government workers took longer than many of their counterparts to win the right to bargain collectively. New York City mayor Robert Wagner started a national movement back in the late 1950s when he granted negotiating rights to government unions, hoping to enlist them as allies against the city's Tammany Hall machine. The movement intensified in the early sixties, after President John F. Kennedy conferred the right to bargain on federal workers. In California, a more politically conservative environment at the time, public employees remained without negotiating power through most of the sixties, though they could join labor associations. In 1968, however, the state legislature passed the Meyers-Milias-Brown Act, extending bargaining rights to local government workers. Teachers and other state employees won the same rights in the seventies.

These legislative victories happened at a time of surging prosperity. California's aerospace industry, fueled by the Cold War, was booming; investments in water supply and infrastructure nourished the state's agribusiness; cheaper air travel and a famously temperate climate burnished tourism. The twin lures of an expanding job market and rising incomes pushed the state's population higher, from about 16 million in 1960 to 23 million in 1980 and nearly 30 million by 1990. This expanding population in turn led to rapid growth in government jobs—from a mere 874,000 in 1960 to 1.76 million by 1980 and nearly 2.1 million in 1990—and to exploding public-union membership. In the late 1970s, the California teachers' union boasted about 170,000 members; that number jumped to about 225,000 in the early 1990s and stands at 340,000 today.

The swelling government payroll made many California taxpayers uneasy, eventually encouraging the 1978 passage of Proposition 13 (see page 30), the famous initiative that capped property-tax hikes and sought to slow the growth of local governments, which feed on property taxes. Government workers rightly saw Prop. 13 as a threat. "We're not going to just lie back and take it," a California labor leader told the *Washington Post* after the vote, adding that Prop. 13 had made the union "more militant." The next several years proved him right. In 1980 alone, unionized employees of California local governments went on strike 40 times, even though doing so was illegal. And once the Supreme Court of California sanctioned state and local workers' right to strike in 1985—something that their counterparts in most other states still lack—the unions quickly mastered confrontational techniques like the "rolling strike," in which groups of workers walk off jobs at unannounced times, and the "blue flu," in which public-safety workers call in sick en masse.

But in post–Proposition 13 California, strikes were far from the unions' most fearsome weapons. Aware that Proposition 13 had shifted political action to the state capital, three major blocs—teachers' unions, public-safety unions, and the Service Employees International Union, which now represents 350,000 assorted government workers—began amassing colossal power in Sacramento. Over the last 30 years, they have become elite political givers and the state's most powerful lobbying factions, replacing traditional interest groups and changing the balance of power. Today, they vie for the title of mightiest political force in California.

Consider the California Teachers Association. Much of the CTA's clout derives from the fact that, like all government unions, it can help elect the very politicians who negotiate and approve its members' salaries and benefits. Soon after Proposition 13 became law, the union launched a coordinated statewide effort to support friendly candidates in school-board races, in which turnout is frequently low and special interests can have a disproportionate influence. In often bitter campaigns, union-backed candidates began sweeping out independent board members. By 1987, even conservative-leaning Orange County saw 83 percent of board seats up for grabs going to union-backed candidates. The resulting change in school-board composition made the boards close allies of the CTA.

But with union dues somewhere north of $1,000 per member and 340,000 members, the CTA can afford to be a player not just in local elections but in Sacramento, too (and in Washington, for that matter, where it's the National Education Association's most powerful affiliate). The CTA entered the big time in 1988, when it almost single-handedly led a statewide push to pass Proposition 98, an initiative—opposed by taxpayer groups and Governor George Deukmejian—that required 40 percent of the state's budget to fund local education. To drum up sympathy, the CTA ran controversial ads featuring students; in one, a first-grader stares somberly into the camera and says, "Pay attention—today's lesson is about the school funding initiative." Victory brought local schools some $450 million a year in new funding, much of it discretionary. Unsurprisingly, the union-backed school boards often used the extra cash to fatten teachers' salaries—one reason that California's teachers are the country's highest-paid, even though the state's total spending per student is only slightly higher than the national average. "The problem is that there is no organized constituency for parents and students in California," says Lanny Ebenstein, a former member of the Santa Barbara Board of Education and an economics professor at the University of California at Santa Barbara. "No one says to a board of education, 'We want more of that money to go for classrooms, for equipment.' "

With its growing financial strength, the CTA gained the ability to shape public opinion. In 1996, for instance, the union—casting covetous eyes on surplus tax revenues from the state's economic boom—spent $1 million on an ad campaign advocating smaller classes. Californians began seeing the state's classrooms as overcrowded, according to polls. So Governor Pete Wilson earmarked some three-quarters of a billion dollars annually to cut class sizes in kindergarten through third grade. The move produced no discernible improvements in student performance, but it did require a hiring spree that inflated CTA rolls and produced a teacher shortage. (The union drew the line, however, when it faced the threat of increased accountability. Two years later, when Wilson offered funds to reduce class sizes even more but attached the money to new oversight mechanisms, the CTA spent $6 million to defeat the measure, living up to Wilson's assessment of it as a "relentless political machine.")

During this contentious period, the CTA and its local affiliates learned to play hardball, frequently shutting down classes with strikes. The state estimated that in 1989 alone, these strikes cost California students collectively some 7.2 million classroom days. Los Angeles teachers provoked outrage that year by reportedly urging their students to support them by skipping school. After journalist Debra Saunders noted in LA's *Daily News* that the striking teachers were already well paid, the union published her home phone number in its newsletter and urged members to call her.

Four years later, the CTA reached new heights of thuggishness after a business-backed group began a petition to place a school-choice initiative on the state ballot. In a union-backed effort, teachers shadowed signature gatherers in shopping malls and aggressively dissuaded people from signing up. The tactic led to more than 40 confrontations and protests of harassment by signature gatherers. "They get in between the signer and the petition," the head of the initiative said. "They scream at people. They threaten people." CTA's top official later justified the bullying: some ideas "are so evil that they should never even be presented to the voters," he said.

The rise of the white-collar CTA provides a good example of a fundamental political shift that took place everywhere in the labor movement. In the aftermath of World War II, at the height of its influence, organized labor was dominated by private workers; as a result, union members were often culturally conservative and economically pro-growth. But as government workers have come to dominate the movement, it has moved left. By the mid-nineties, the CTA was supporting causes well beyond its purview as a collective bargaining agent for teachers. In 1994, for instance, it opposed an initiative that prohibited illegal immigrants from using state government programs and another that banned the state from recognizing gay marriages performed elsewhere. Some union members began to complain that their dues were helping to advance a political agenda that they disagreed with. "They take our money and spend it as they see fit," says Larry Sand, founder of the California Teachers Empowerment Network, an organization of teachers and former teachers opposed to the CTA's noneducational politicking.

Public-safety workers—from cops and sheriffs to prison guards and highway-patrol officers—are the second part of the public-union triumvirate ruling California. In a state that has embraced some of the toughest criminal laws in the country, police and prison guards' unions own a precious currency: their political endorsements, which are highly sought after by candidates wanting to look tough on crime. But the qualification that the unions usually seek in candidates isn't, in fact, toughness on crime; it's willingness to back better pay and benefits for public-safety workers.

The pattern was set in 1972, when State Assemblyman E. Richard Barnes—an archconservative former Navy chaplain who had fought pension and fringe-benefit enhancements sought by government workers, including police officers and firefighters—ran for reelection. Barnes had one of the toughest records on crime of any state legislator. Yet cops and firefighters walked his district, telling voters that he was soft on criminals. He narrowly lost. As the *Orange County Register* observed years later, the election sent a message to all legislators that resonates even today: "Your career is at risk if you dare fiddle with police and fire" pay and benefits.

The state's prison guards' union has exploited a similar message. Back in 1980, when the California Correctional Peace Officers Association (CCPOA) won the right to represent prison guards in contract negotiations, it was a small fraternal organization of about 1,600 members. But as California's inmate population surged and the state went on a prison-building spree—constructing 22 new institutions over 25 years—union membership expanded to 17,000 in 1988, 25,000 by 1997, and 31,000 today. Union resources rose correspondingly, with a budget soaring to $25 million or so, supporting a staff 70 deep, including 20 lawyers.

Deploying those resources, the union started to go after politicians who didn't support higher salaries and benefits for its members and an ever-expanding prison system. In 2004, for example, the CCPOA spent $200,000—a whopping amount for a state assembly race—to unseat Republican Phil Wyman of Tehachapi. His sin: advocating the privatization of some state prisons in order to save money. "The amount of money that unions are pouring into local races is staggering," says Joe Armendariz, executive director of the Santa Barbara County Taxpayers Association. A recent mayoral and city council election in Santa Barbara, with a population of just 90,000, cost more than $1 million, he observes.

The symbiotic relationship between the CCPOA and former governor Gray Davis provides a remarkable example of the union's power. In 1998, when Davis first ran for governor, the union threw him its endorsement. Along with those much-needed law-and-order credentials, it also gave Davis $1.5 million in campaign contributions and another $1 million in independent ads supporting him. Four years later, as Davis geared up for reelection, he awarded the CCPOA a stunning 34 percent pay hike over five years, increasing the average base salary of a California prison guard from about $50,000 a year to $65,000—and this at a time when the unemployment rate in the state had been rising for nearly a year and a half and government revenues had been falling. The deal cost the state budget an additional $2 billion over the life of the contract. A union official described it admiringly as "the best labor contract in the history of California." Eight weeks after the offer, the union donated $1 million to Davis's reelection campaign.

Even cops who run for office have felt the wrath of public-safety unions. Allan Mansoor served 16 years as a deputy sheriff in Orange County but angered police unions by publicly backing an initiative that would have required them to gain their members' permission to spend dues on political activities. When the conservative Mansoor ran successfully for city council several years back in Costa Mesa, local cops and firefighters poured resources into helping his more liberal opponents. "I didn't like seeing my dues go to candidates like Davis, so I supported efforts to curb that," Mansoor says. "Union leaders didn't like it, so they endorsed my opponents by claiming they were tougher on crime than I was."

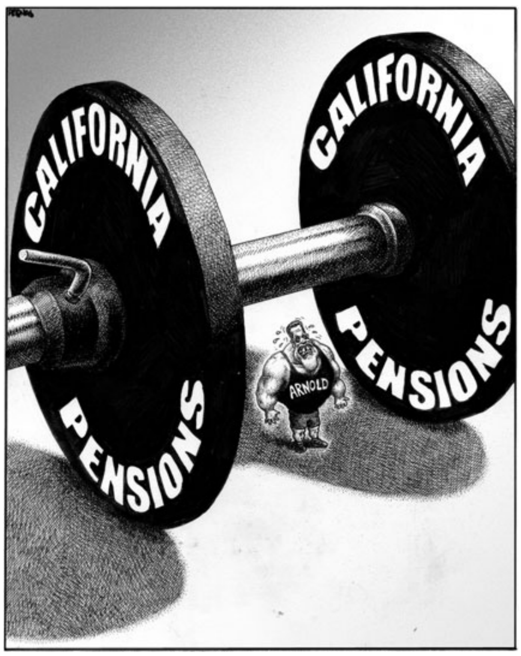
Even more troubling are the activities of the California Organization of Police and Sheriffs (COPS), a lobbying and advocacy group that has raised tens of millions of dollars from controversial soliciting campaigns. In one, COPS fund-raisers reportedly called residents of heavily immigrant neighborhoods and threatened to cut off their 911 services unless they donated. In another, a COPS fund-raiser reportedly offered to shave points off Californians' driving records in exchange for donations. The group has dunned politicians, too. In 1998, it began publishing a voter guide in which candidates paid to be included. Pols considered the money well spent because of the importance of a COPS endorsement—or at least the appearance of one. "We all use them [COPS] for cover, especially in years when law enforcement is a big issue in elections," one state senator, Santa Clara's John Vasconcellos, admitted to the *Orange County Register*. "It stopped the right wing from calling me soft on crime."

The results of union pressure are clear. In most states, cops and other safety officers can typically retire at 50 with a pension of about half their final working salary; in California, they often receive 90 percent of their pay if they retire at the same age. The state's munificent disability system lets public-safety workers retire with rich pay for a range of ailments that have nothing to do with their jobs, costing taxpayers hundreds of millions of dollars. California's prison guards are the nation's highest-paid, a big reason that spending on the state's prison system has blasted from less than 4.3 percent of the budget in 1986 to more than 11 percent today.

California's third big public-union player is the state wing of the SEIU, the nation's fastest-growing union, whose chief, Andy Stern, earned notoriety by visiting the White House 22 times during the first six months of the Obama administration. Founded in 1921 as a janitors' union, the SEIU slowly transformed itself into a labor group representing government and health-care workers—especially health-care workers paid by government medical programs like Medicaid. In 1984, the California State Employees Association, which represented many state workers, decided to affiliate with the SEIU. Today, the SEIU represents 700,000 California workers—more than a third of its nationwide membership. Of those, 350,000 are government employees: noninstructional workers in schools across the state; all non-public-safety workers in California's burgeoning prisons; 2,000 doctors, mostly residents and interns, at state-run hospitals; and many others at the local, county, and state levels.

The SEIU's rise in California illustrates again how modern labor's biggest victories take place in back rooms, not on picket lines. In the late 1980s, the SEIU began eyeing a big jackpot: tens of thousands of home health-care workers being paid by California's county-run Medicaid programs. The SEIU initiated a long legal effort to have those workers, who were independent contractors, declared government employees. When the courts finally agreed, the union went about organizing them—an easy task because governments rarely contest organizing campaigns, not wanting to seem antiworker. The SEIU's biggest victory was winning representation for 74,000 home health-care workers in Los Angeles County, the largest single organizing drive since the United Auto Workers unionized General Motors in 1937. Taxpayers paid a steep price: home health-care costs became the fastest-growing part of the Los Angeles County budget after the SEIU bargained for higher wages and benefits for these new recruits. The SEIU also organized home health-care workers in several other counties, reaching a whopping statewide total of 130,000 new members.

The SEIU's California numbers have given it extraordinary resources to pour into political campaigns. The union's major locals contributed a hefty $20 million in 2005 to defeat a series of initiatives to cap government growth and rein in union power. The SEIU has also spent millions over the years on initiatives to increase taxes, sometimes failing but on other occasions succeeding, as with a 2004 measure to impose a millionaires' tax to finance more mental-health spending. With an overflowing war chest and hundreds of thousands of foot soldiers, the SEIU has been instrumental in getting local governments to pass living-wage laws in several California cities, including Los Angeles and San Francisco. And the union has also used its muscle in campaigns largely out of the public eye, as in 2003, when it pressured the board of CalPERS, the giant California public-employee pension fund, to stop investing in companies that outsourced government jobs to private contractors.



Armed with knowledge about California's three public-union heavyweights, one can start to understand how the state found itself in its nightmarish fiscal situation. The beginning of the end was the 1998 gubernatorial election, in which the unions bet their future—and millions of dollars in members' dues—on Gray Davis. The candidate traveled to the SEIU's headquarters to remind it of his support during earlier battles against GOP governors ("Nobody in this race has done anywhere near as much as I have for SEIU"); the union responded by pumping $600,000 into his campaign. Declaring himself the "education candidate" who would expand funding of public education, Davis received $1.2 million from the CTA. Added to this was Davis's success in winning away from Republicans key public-safety endorsements—and millions in contributions—from the likes of the CCPOA.

Davis's subsequent victory over Republican Dan Lungren afforded public-worker unions a unique opportunity to cash in the IOUs that they had accumulated, because Davis's Democratic Party also controlled the state legislature. What followed was a series of breathtaking deals that left California state and municipal governments careening from one budget crisis to another for the next decade.

Perhaps the most costly was far-reaching 1999 legislation that wildly increased pension benefits for state employees. It included an unprecedented retroactive cost-of-living adjustment for the already retired and a phaseout of a cheaper pension plan that Governor Wilson had instituted in 1991. The deal also granted public-safety workers the right to retire at 50 with 90 percent of their salaries. To justify the incredible enhancements, Davis and the legislature turned to CalPERS, whose board was stocked with members who were either union reps or appointed by state officials who themselves were elected with union help. The CalPERS board, which had lobbied for the pension bill, issued a preposterous opinion that the state could provide the new benefits mostly out of the pension systems' existing surplus and future stock-market gains. Most California municipalities soon followed the state enhancements for their own pension deals.

When the stock market slid in 2000, state and local governments got slammed with enormous bills for pension benefits. The state's annual share, estimated by CalPERS back in 1999 to be only a few hundred million dollars, reached $3 billion by 2010. Counties and municipalities were no better off. Orange County's retirement system saw its payouts to retirees jump to $410 million a year by 2009, from $140 million a decade ago. Many legislators who had voted for the pension legislation (including all but seven Republicans) later claimed that they'd had no idea that its fiscal impact would be so devastating. They had swallowed the rosy CalPERS projections even though they knew very well that the board was, as one county budget chief put it, "the fox in the henhouse."

The second budget-busting deal of the Davis era was the work of the teachers' union. In 2000, the CTA began lobbying to have a chunk of the state's budget surplus devoted to education. In a massive rally in Sacramento, thousands of teachers gathered on the steps of the capitol, some chanting for TV cameras, "We want money! We want money!" Behind the scenes, Davis kept up running negotiations with the union over just how big the pot should be. "While you were on your way to Sacramento, I was driving there the evening of May 7, and the governor and I talked three times on my cell phone," CTA president Wayne Johnson later boasted to members. "The first call was just general conversation. The second call, he had an offer of $1.2 billion. . . . On the third call, he upped the ante to $1.5 billion." Finally, in meetings, both sides agreed on $1.84 billion. As *Sacramento Bee* columnist Dan Walters later observed, that deal didn't merely help blow the state's surplus; it also locked in higher baseline spending for education. The result: "When revenues returned to normal, the state faced a deficit that eventually not only cost Davis his governorship in 2003 but has plagued his successor, Arnold Schwarzenegger."

Having wielded so much power effortlessly, the unions miscalculated the antitax, anti-Davis sentiment that erupted when, shortly after his autumn 2002 reelection, Davis announced that the state faced a massive deficit. The budget surprise spurred an enormous effort to recall Davis, which the unions worked to defeat, with the SEIU spending $2 million. At the same time, union leaders used their influence in the Democratic Party to try to save Davis, telling other Democrats that they would receive no union support if they abandoned the governor. "If you betray us, we won't forget it," the head of the 800,000-member Los Angeles County Federation of Labor proclaimed to Democrats. Only when it became apparent from polls that the recall would succeed did the unions shift their support to Lieutenant Governor Cruz Bustamante, who finished a distant second to Schwarzenegger. Taxpayer groups were euphoric.

But as they and Schwarzenegger soon discovered, most of California's government machinery remained union-controlled—especially the Democratic state legislature, which blocked long-term reform. Frustrated, Schwarzenegger backed a series of 2005 initiatives sponsored by taxpayer groups to curb the unions and restrain government growth, including one that made it harder for public-employee unions to use members' dues for political purposes. The controversial proposals sparked the most expensive statewide election in American history. Advocacy groups and businesses spent a staggering $300 million (some of it, however, coming from drug companies trying to head off an unrelated initiative). The spending spree included $57 million from the CTA, which mortgaged its Sacramento headquarters for the cause. All of the initiatives went down to defeat.

California taxpayers nevertheless received a brief respite, thanks to the mid-decade housing boom that drove the economy and tax collections higher and momentarily eased the state's budget crisis. Predictably, state politicians forgot California's Davis-era deficit woes and gobbled up the surpluses, increasing spending by 32 percent, or $34 billion, in four years. Then the housing market crashed in 2007, prompting a cascade of budget crises in Sacramento and around the state. Only too late have Californians recognized the true magnitude of their fiscal problems, including a $21 billion deficit by mid-2009 that forced the state to issue IOUs when it temporarily ran out of cash. In the municipal bond market, fears are rising that the Golden State could actually default on its debt.

Municipalities around the state are also buckling under massive labor costs. One city, Vallejo, has already filed for bankruptcy to get out from under onerous employee salaries and pension obligations. (To stop other cities from going this route, unions are promoting a new law to make it harder for municipalities to declare bankruptcy.) Other local California governments, big and small, are nearing disaster. The city of Orange, with a budget of just $88 million in 2009, spent $13 million of it on pensions and expects that figure to rise to $23 million in just three years. Contra Costa's pension costs rose from $70 million in 2000 to $200 million by the end of the decade, producing a budget crisis. Los Angeles, where payroll constitutes nearly half the city's $7 billion budget, faces budget shortfalls of hundreds of millions of dollars next year, projected to grow to $1 billion annually in several years. In October 2007, even as it was clear that the area's housing economy was crashing, city officials had handed out 23 percent raises over a five-year period to workers. (See the sidebars on pages 22 and 26.)

In the past, California could always rely on a rebounding economy to save it from its budgetary excesses. But these days, few view the state as the land of opportunity. Throughout the national recession that began in December 2008 and carried through 2009, California's unemployment rate consistently ran several points higher than the national rate. Major California companies like Google and Intel have chosen to expand elsewhere, not in their home state. Put off by the high taxes and cumbersome regulatory regime that the public-sector cartel has led the way in foisting on the state, executives now view California as a noxious business environment. In a 2008 survey by a consulting group, Development Counsellors International, business executives rated California the state where they were least likely to locate new operations.

More and more California taxpayers are realizing how stacked the system is against them, and the first stirrings of revolt are breaking out. Voters defeated a series of ballot initiatives last May that would have allowed politicians to solve the state budget crisis temporarily through a series of questionable gimmicks, including one to let the state borrow against future lottery receipts and another to let it plug budget holes with money diverted from a mental-health services fund. In a clear message from voters, the only proposition to gain approval last May banned pay raises for legislators during periods of budget deficit.

With anger rising, taxpayer advocates now plan to revive older initiatives to cut the power of public-sector unions. Mark Bucher, head of the Citizens Power Campaign, is pushing for an initiative that's similar to propositions that failed in 1998 and in 2005—but their prospects may be brighter today, he argues, because the woes of municipalities like Vallejo have made citizens more aware of union power and more supportive of reform. "The mood has clearly shifted in California," Bucher says. "You can see that in the rise of local Tea Party antitax groups around the state. People are fed up."

Another initiative that could mend California's broken politics is a 2008 vote that took the power to delineate electoral districts away from the state legislature—which had used it to make it difficult to defeat incumbents—and gave it to a nonpartisan commission. If this commission succeeds in making legislative races more competitive and incumbents more responsive to voter sentiment, the legislature would almost certainly become less beholden to narrow union interests, and a whole series of reforms would be possible: a new, cheaper pension plan for state employees; fewer restrictions on charter schools, which often educate kids more effectively and less expensively than public schools do; and regulatory reforms that would reduce the estimated $493 billion cost that regulations impose on California businesses each year.

It will take an enormous effort to roll back decades of political and economic gains by government unions. But the status quo is unsustainable. And at long last, Californians are beginning to understand the connection between that status quo and the corruption at the heart of their politics.

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Vallejo Goes for Broke

As California cities and counties struggle to fulfill the generous pay and pension commitments that they made to public employees during flush economic times, some politicians have taken comfort in a usually forbidding word: bankruptcy. Top officials in Los Angeles and San Diego have raised the B-word in recent weeks, and almost everyone is paying attention to developments in Vallejo (population 117,000), on the edge of the San Francisco Bay Area. The blue-collar port city filed for bankruptcy in May 2008, after it couldn't pay its bills. Now, observers are watching to see whether Vallejo—the biggest California city to file for bankruptcy so far—offers a road map out of the mess.

Blame Vallejo's politics, dominated by public-sector unions, for the city's sorry fiscal situation. "Police and firefighter salaries, pensions and overtime accounted for 74 percent of Vallejo's $80 million general budget, significantly higher than the state average of 60 percent," reported a 2009 Cato Institute study. The study highlighted a shocking level of enrichment: pay and benefit packages of more than $300,000 a year for police captains and *average* firefighter compensation packages of $171,000 a year. Pensions are luxurious: regular public employees can retire at age 55 with 81 percent of their final year's pay guaranteed, come hell or a stock-market crash. Police and fire officials in Vallejo, as in much of California, can retire at age 50 with 90 percent of their final year's pay guaranteed, including cost-of-living adjustments for the rest of their lives and the lives of their spouses. And that's before taking advantage of the common pension-spiking schemes that propel payouts even higher.

When a city spends so much taxpayer money on retirees, it doesn't have much left over for services. That's why Vallejo has been slashing police services and has even warned residents to use the 911 system judiciously. "Since 2005, the number of police officers has dropped from 158 to 104," a *San Francisco Chronicle* editorial about Vallejo pointed out recently. "In 2008, Vallejo had a higher violent crime rate than any other comparable city in California." And it isn't just safety that has suffered. A 2008 *Chronicle* article reported on a budget plan that "cuts funding for the senior center, youth groups and arts organizations, to the dismay of residents." Citizens complain about an increasingly decrepit downtown.

All this thrift could go only so far, however. Hence Vallejo's bankruptcy, which could theoretically remove the city's crushing obligations to retired employees. Unfortunately, it isn't clear yet whether the pension promises will actually wind up rescinded. Yes, a judge has ruled that "city labor contracts can be overturned in bankruptcy," reports Ed Mendell on his well-respected CalPensions blog, but a " 'workout plan' approved by the city council in December, described as an opening position in labor negotiations, cuts nearly all general fund spending, except for employee pensions." Though the city eventually voted to reduce firefighter pensions for new hires and to require a larger pension contribution by firefighters, it did not touch existing pensions or pensions for police officers. Vallejo's avoidance of the pension issue makes it less likely that other cities could declare bankruptcy and then easily dispose of their burdensome pension promises.

That's unfortunate, because plenty of California cities are in similar straits. For years, local elected officials in Vallejo and throughout the state (and the nation, for that matter) have rapidly fattened pension benefits for public employees, worrying more about the next election cycle than about the ability of their municipalities to make good on all the lush promises. Once these contracts are approved, they become binding and must be fulfilled on the backs of current and future taxpayers.

True, the Orange County Board of Supervisors, which granted massive pension increases twice in the past decade, is making an unusual legal attempt to reduce its pension obligations: it's pursuing a lawsuit claiming that the retroactive portion of one increase was an unconstitutional gift of public funds. That's a worthy effort but a long shot. Most California jurisdictions think that bankruptcy is a more feasible alternative if salary and pension costs push them toward insolvency.

The *Chronicle* editorial, taking Vallejo to task for entering bankruptcy, prescribes two alternatives: more "help" from Sacramento (a nonstarter, given the state's nearly $21 billion budget deficit) and higher local taxes. That's certainly what California's muscular public-sector unions would like to see. They backed legislation that would make it nearly impossible for localities to abrogate their labor contracts in a bankruptcy. Now they're advocating tax-raising plans and railing against the two-thirds vote requirement to pass budgets and tax increases in the California State Legislature.

Cities across the nation should pay close attention to Vallejo's workout plan. If bankruptcy isn't a fix for past profligate spending on public employees, then more debt and higher taxes may be inevitable—a sobering thought in an already-struggling economy.

—Steven Greenhut

Strange Days in L.A.

"Look! You fools! You're in danger! Can't you see? They're after you! They're after all of us! Our wives, our children, everyone! They're here already! You're next!" Movie buffs will recognize these as the last lines of the classic Invasion of the Body Snatchers—a film about aliens who invade the planet by replacing human beings with replicas. The movie was filmed in the Los Angeles suburbs over 50 years ago. Today, those who follow the city's fortunes are beginning to wonder whether its mayor, Antonio Villaraigosa, and its major newspaper, the Los Angeles Times, have similarly been taken over by extraterrestrials. Either that, or both of them are actually moving to the right, in what may be a sign of things to come for the nation's many liberal cities struggling under the weight of declining tax revenues and enormous spending obligations.

Start with Mayor Villaraigosa, in charge of a city facing a $700 million structural deficit over the next 18 months. Dan Walters, the dean of California political columnists, was one of the first to observe the change, noting that "Villaraigosa, who cut his political teeth as a labor organizer, is sounding like a conservative, budget-cutting Republican as he presses the council to slash city payrolls and other spending." In a remarkable op-ed for the Times, Villaraigosa argued that while the national recession was responsible for diminished revenues, the greater problem was a city government that had spent well beyond its means on services and employee-benefit obligations that it should never have assumed. "The recession has exposed structural budgetary problems that have existed for many years and that will not be ameliorated when the global economy recovers," the mayor wrote. "Quite simply, for many years the city of Los Angeles has been spending more money than it takes in."

City government, Villaraigosa continued, must become leaner, more concentrated on central services, and better networked with nonprofits: "We have to protect those services that are vital and get out of those that are not essential—either through public/private partnerships or by eliminating them. That means accepting the hard truth: We have to reinvent a smaller city government with a smaller footprint." Early returns on his efforts seem promising. The mayor has proposed closing or consolidating two departments (Environmental Services and Human Services), and city-owned entities like parking garages, golf courses, the convention center, and a zoo are headed for the auction block. The administration is dueling with the city council over which can propose more job cuts.

The surprises don't stop at city hall. The editorial board of the Los

Angeles Times, long a promoter of liberal causes and policies, has become an unlikely cheering section for fiscal conservatism. In a series of hard-hitting editorials and columns, the Times has backed the mayor's push toward "core services"—that is, cutting away whatever falls outside public safety, transportation, sanitation, water, and power. In language that could have come from Edmund Burke, the Times also urged the mayor to encourage greater involvement of civil society. Villaraigosa, the editors wrote, "has shown, at his best, that he can supplement city services by raising funds, cajoling business and inspiring volunteers. A successful Los Angeles will have to turn, increasingly, to that model of providing quality-of-life programs."

How civil society will be brought to the services table remains to be seen. Cities like Colorado Springs and New Orleans have already gone so far as to ask residents to "BYOM" (bring your own mower) to local parks; hundreds of other cities have privatized services from libraries to parking. And earlier this year, Villaraigosa launched and promoted the Los Angeles Budget Challenge website, which asks Angelenos to help balance this year's $400 million deficit online by making budget trade-offs in areas ranging from firefighting to parks management. The budget tool isn't completely transparent, but it does show a mayor determined to win public support on what will be difficult fiscal decisions. Villaraigosa plans to use the feedback in a series of public budget workshops around the city.

Encouraging civic engagement in Los Angeles may be the toughest task that the mayor has ever assumed. Once a city buttressed by immense aerospace companies and banks, Los Angeles has seen these businesses largely flee the region, along with their charitable and volunteering contributions. "The void has to be filled with other industries which we have here—entertainment, fashion, biotech," said Eli Broad, one of the city's civic giants, in an interview last year. But to pick up the slack, the mayor must also motivate a citizenry that historically has shown little interest in civic participation. (In Villaraigosa's reelection last year, only 13 percent of eligible voters came to the polls.) The former labor organizer will have to use the skills he developed attacking management to wage an insurgent effort against public-sector unions and their unsustainable pay and benefit packages. If he pulls that off, truth really will become stranger than science fiction.

—Pete Peterson