

Taking California's Temperature: Prospects for Reform Under Schwarzenegger

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Introduction

In the recent "State of the State" address, California governor Arnold Schwarzenegger laid out a 10-year plan for a nearly unprecedented investment in state infrastructure. The governor proposed more than \$220 billion in government spending on highways, bridges, hospitals, levies, schools, and more.

The governor's proposal comes less than two months after his devastating November 8th Special Election. Despite promises that 2005 would be the "year of reform," all 8 initiatives were defeated, and four propositions endorsed by governor Schwarzenegger -- 74, 75, 76, and 77 -- lost by a large margin. Given the results of the special election, is Gov. Schwarzenegger capable of leading California's reform movement along the lines he outlined in his State of the State address? More generally, what do the results of the special election say about Californians' desire for reform?

This study traces Californians' opinions of Gov. Schwarzenegger's tenure in office, beginning with a county level analysis of his political base following the 2003 special election, and concluding with a county level analysis of the results of the 2005 special election. It is argued that the governor's strategic shift in 2005 to governing California 'from the right' clashed with the state's political tradition of progressive centrism. The results of the 2005 special election suggest that voters rejected Schwarzenegger not just on style, but on substance. His attempt to bring about reform by concentrating power in the governor's office clashed with Californians' suspicions of centralized power, suggesting that Schwarzenegger must recalibrate his sense of how things get done in Sacramento.

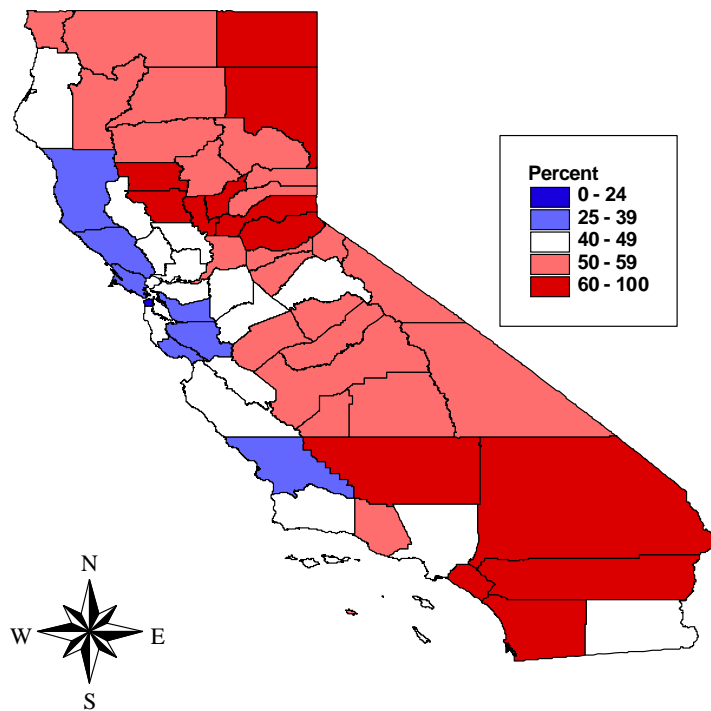
Further, the study examines whether Gov. Schwarzenegger is capable of leading a bipartisan reform coalition in the current political climate. When Californians speak of reform, do they want more or less from their government? And, are they willing to pay for it?

The Timeline

Arnold Schwarzenegger was elected in an historic November 2003 election in which sitting governor Gray Davis was recalled by California voters after serving only one year after being elected to a second term. In the recall election, Schwarzenegger garnered 48% of the popular vote, well ahead of his nearest challengers, Democrat Cruz Bustamante and Republican Tom McClintock.

As seen in Map 1, Schwarzenegger's popularity following the 2003 recall encompassed not only traditional Republican counties in Southern California (Orange and San Diego), California's Central Valley (Fresno, Kern, Merced, and Tulare), and rural northern counties (Placer, Shasta, Trinity, Glenn), but also a number of increasingly important swing counties (San Bernardino, Riverside, Ventura). Schwarzenegger assembled a regionally diverse coalition of supportive counties.

Map 1: Results of 2003 Special Election for Governor



Liberal Bay Area counties of San Francisco, Marin, Contra Costa, and Alameda were "cold" to Schwarzenegger in the 2003 election. However, as Map 1 reveals, other coastal counties such as Los Angeles, Santa Barbara and San Mateo were neither "hot" nor "cold" to the idea of a Schwarzenegger governorship. Schwarzenegger's ability to attract both Democrats and independents from a variety of ethnic groups allowed him a comfortable victory on Election Day, and established a stable political base with potential to expand the governor's political coalition.

Table 1: California Voter Registration by Party Affiliation, 2005

Party	Percent
Democrat	43%
Republican	35%
Decline to State	18%

Source: California Secretary of State

2004

After being sworn into office, Schwarzenegger's popularity ratings rose to 52% among registered voters according to a January 2004 California Field poll. This included a robust 74% approval rate among Republicans. 46% of Decline to State or Independents -- who now comprise 18 % of the electorate -- supported the governor, while 36% of Democrats approved.

However, despite Schwarzenegger's low marks among Democrats, roughly 70% of the overall electorate still expressed confidence in the new governor's intention to "do the right thing" to resolve the state's

budget deficit, a central issue in the recall election. Indeed, Schwarzenegger had campaigned on the fact that his personal wealth would insulate him from special interest pressures. The fund-raising practices of his predecessor Gray Davis, had led to widespread public cynicism and dissatisfaction with the influence of special interests in Sacramento.

2004 Primary Election

As part of his reform package, Governor Schwarzenegger had promised to help restore fiscal responsibility to California's budget process. During the spring of 2004, the governor promoted Proposition 57, known as the Economic Recovery Bond. The bond proposed to borrow \$15 billion to cover state government debt accrued in previous years.

In the months leading up to the March 2 election, polls showed a majority of Californians against the initiative. And yet, Schwarzenegger's personal popularity helped spur Proposition 57 to a stunning 63% majority, passing in all but a handful of small Northern California counties. In addition, the initiative passed despite the fact that the proposition proposed to deal with California's debt problem through further borrowing, a strategy many saw as little more than a "quick fix." Voters also approved Proposition 58, a largely symbolic measure which required a balanced state budget, and required the creation of a "rainy day fund" to help protect against future budget shortfalls.

At the same time, voters overwhelmingly defeated Proposition 56, which would have lowered the threshold for passing the California state budget from two thirds to 55%. The measure failed to carry even one county. California remains one of only three states which requires such a supermajority for passing the state budget.

The election may have been the high water mark for Schwarzenegger's governorship. By May of 2004, Schwarzenegger's approval ratings had shot up to 65%, and remained high through the summer of 2004. The percentage was the third highest ever recorded among a California governor, behind only Earl Warren's August 1947 approval rating of 75%, and Jerry Brown's November 1975 approval rating of 67%. Among Republicans, Schwarzenegger's approval rating reached an astonishing 90%, and remained relatively high among both Independents (61%) and Democrats (45%). Both men and women equally supported the governor, and the governor's popularity ratings far exceeded that of the state legislature.

In addition to his victories on Proposition 57 and 58, observers attributed the governor's 2004 rise in popularity to his attempts to fulfill several other campaign promises. During the spring of 2004, Governor Schwarzenegger convened the California Performance Review, a 275-member committee made up of state workers to research ways to reform California government. The governor appeared to be keeping his promise to conduct a comprehensive review of the state's operating practices and find ways to streamline state government.

In July 2004, the governor also helped forge a bipartisan compromise on the state budget, fulfilling another campaign promise to smooth over partisan differences over spending priorities. In addition, Schwarzenegger appointed several Democrats and moderates to high-level positions within his administration: environmental activist Terry Tamminen as secretary of the state's Environmental Protection Agency; Democrat Will Kempton as director of the state's Department Of Transportation; Democrat and union activist Patrick Henning as director of the state's Department of Employment; and moderate Republican Tom Campbell as director of the state Department of Finance. The governor's efforts to reach out to Democrats and moderates appear to fulfill his campaign promise to use his leadership skills to bring about bipartisan compromise.

According to the California Field poll, as late as February 2005, a substantial margin of Californians -- 56% -- still believed that Schwarzenegger placed public interests over special interests in making decisions and 56% of Californians were reportedly inclined to reelect Arnold Schwarzenegger. However, warning signs had begun to emerge. Whereas 55% of Republicans reported being "very inclined" to reelect the governor, the figure had dropped to only 5% among the state's Democrats and 30% of Independents.

The Governor's Popularity Cools

As the special election approached, Schwarzenegger's overall approval ratings had declined to 36%. In contrast to August 2004, when 45% of Democrats, 61% of independents, and 90% of Republicans approved of Schwarzenegger's job as governor, polling done in August 2005 revealed that only 17% of Democrats, 28% of independents and 67% of Republicans still supported the governor.

Disapproval of Schwarzenegger's job performance was now widespread. Moderates, who only a year before gave the governor a 67% approval rating, had dropped to 29% by August 2005, while only 15% of liberals approved. The only segment of the political spectrum that still supported Schwarzenegger was self identified conservatives, at 64%.

The governor's decline was shared across lines of age, region, and ethnicity. Non-Hispanic whites, 70% of whom had supported Schwarzenegger in August 2004, now only gave the governor 43% approval. Support among Latino, black, and Asian voters, which had been at 55% approval in August 2004, dropped to the low 20s.

Many observers trace the decline of Schwarzenegger's popularity to his shift away from a bipartisan approach to governing. During the summer and fall of 2004, for example, Schwarzenegger referred to his political opponents as "girlie men" and "losers" for, among other things, proposing to close California's budget shortfall by raising taxes. The shift to partisan politicking ran contrary to the voter expectations that the Schwarzenegger team had carefully crafted.

The Campaign for the Special Election

The 2005 special election campaign was one of the most expensive in California history. In addition to the \$50 million in direct costs to state government, more than \$250 million in special-interest money was poured into helping to pass or defeat the eight measures on the ballot. In particular, public employee unions marshaled a well-funded television and radio campaign against the governor's initiatives. During the campaign, the political climate in California had again become heated, as attack ads accused both sides of "power grabs."

Table 2: Results of the 2005 Special Election

Proposition	Issue	% No
73	Minor's Pregnancy	52.9
74	Teacher Tenure	55.3
75	Public Union Dues	53.6
76	Spending/Funding	62.3
77	Redistricting	59.8
78	Drug Discounts	58.6
79	Drug Rebates	60.7
80	Electricity Regulation	65.6

Source: California Secretary of State

On Nov. 8, 2005 California voters rejected all eight initiatives on the special election ballot. In particular, the four propositions supported by Gov. Schwarzenegger went down to defeat.

Proposition 74

Proposition 74 -- also known as the teacher tenure initiative -- sought to extend the probationary period for K-12 teachers from two to five years. The proposition was framed by the governor as an attempt to bring about "education reform." However teachers, and in particular teacher unions, viewed the proposition as an attack on teachers that would do little to improve education, while undermining teacher job security. On Election Day, the proposition lost 44.8% to 55.2%. As expected, Prop. 74 won in

conservative Orange and San Diego counties as well as in several sparsely populated counties in rural northern California. Although the Proposition lost in large, urban counties such as Los Angeles, Alameda, and San Francisco counties, the Proposition passed in several major suburban swing counties in Southern California (Ventura, San Bernardino, and Riverside).

Proposition 75

Proposition 75 -- which would have restricted the ability of public employee unions to raise money from their members for political purposes -- lost statewide 46.4% to 53.6%. Schwarzenegger and his supporters framed this initiative in terms of the need to protect worker paychecks from power-hungry union bosses. Prop. 75 was a clear attempt to undermine one of Schwarzenegger's main adversaries and obstacles to his reform agenda: public employee unions. Prop. 75 passed in Orange and San Diego counties and all of the Central Valley counties, but also in San Bernardino, Riverside, San Bernardino, Ventura, and Santa Barbara County. Only unified opposition from major urban counties Los Angeles, Alameda, San Francisco, and other liberal and highly populated Bay Area counties led to the proposition's defeat.

Proposition 76

Proposition 76 promised to entrust in the governor's office greater power over the budget during times of "economic crisis." Of all of the Schwarzenegger-endorsed propositions, Prop. 76 won the least amount of support, losing 37.7% to 63.3%, and passing only in a total of five counties, most prominently in Orange County, as well as several rural and historically conservative counties north of Sacramento. The measure failed to pass in even one Central Valley County, and was overwhelmingly defeated in urban counties in the Bay Area and Southern California.

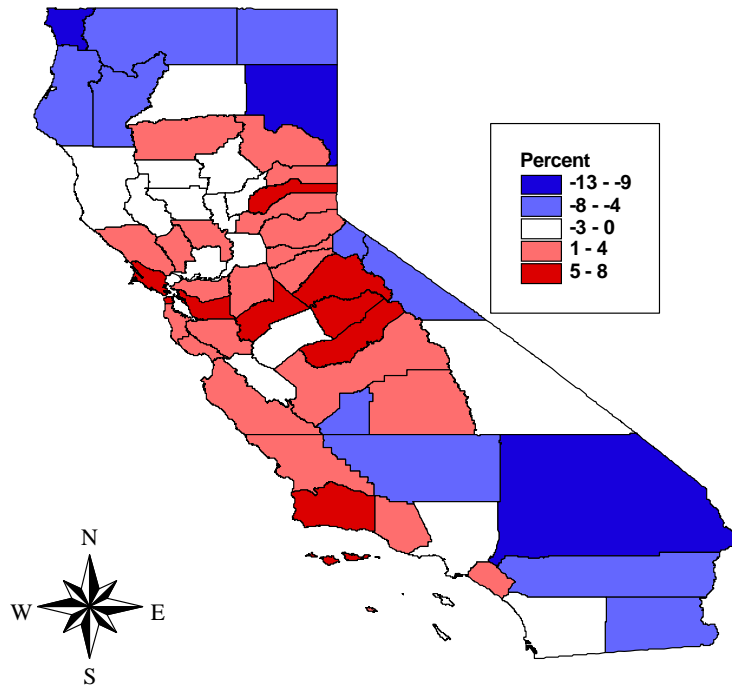
Proposition 77

Known as the "redistricting initiative", Proposition 77 would have given a panel of retired judges the power to redraw the boundaries of California's congressional and state wide political districts. This proposal also went down to defeat statewide, 40.3% to 59.7%. The results closely mirrored the voting patterns for Prop. 76, winning only in a handful of counties in the north central part of the state, along with historically conservative Orange County, while losing in all but one Central Valley county, and losing badly in urban and coastal counties.

Taking California's Temperature

Map 2 below takes California's temperature by showing an average of how each California county voted on Propositions 74, 75, 76, and 77. When compared to Map 1, the map reveals where Schwarzenegger lost his political base since 2003. The map shows that Schwarzenegger lost support particularly among voters in counties in the Central Valley, Southern California, and even in several of California's rural northern counties.

Map 2: Voter Shift by County, 2003 - 2005 Special Elections



Voters to Schwarzenegger: “No Style, No Substance”

Observers have identified a number of factors that led to the defeat of all eight propositions and the 2005 California Special Election, ranging from dislike of the initiative process itself, personal hostility toward Schwarzenegger’s governing style, to dislike of Schwarzenegger’s specific reform proposals.

It is now clear that voters perceived the special election to be unnecessary. In late August 2005, 57% of registered voters had wanted the governor to call the special election off. The figure was particularly high among Democrats, 70% of whom wanted to call off the election, followed by Independents (61%). However, Republicans registered their approval with the special election, as 62% wanted to proceed with the election.

Although opposition to the special election may help explain part of the reason why all eight initiatives failed, it does not explain why some initiatives failed in even the most pro-Schwarzenegger, Republican counties.

Curiously, Map 2 reveals a significant "warming" effect in a significant number of coastal counties, including Ventura (+ 2%), Santa Barbara (+ 5%), San Luis Obispo (+ 4%), and several solidly Democratic Bay Area counties including Alameda (+ 7%), San Francisco (+ 8%) and Marin (+ 6%) actually "warmed" to Schwarzenegger between 2003 and 2005. However, that information combined with a decline in support in heavily populated urban counties, Los Angeles (-3%) and San Diego (-1%), indicates that Gov. Schwarzenegger’s political base has now been significantly eroded.

But the special election was more than simply a repudiation of Gov. Schwarzenegger himself. County level comparison suggests that most of the counties that were "hot" for Schwarzenegger in 2003 (see Map 1) had significantly "cooled" to the governor by November 2005.

Map 2 shows which California counties "cooled" to Schwarzenegger between the 2003 and 2005 special elections. Rural counties in the northern part of the state such as Del Norte, Trinity, and Lassen, as well as rural counties Alpine and Mono in eastern California, cooled significantly to the governor. More importantly, growing counties in Southern California, such as San Bernardino and Riverside, had largely withdrawn their support from the governor. The most dramatic shift occurring in San Bernardino County (-9%). Even reliably Republican Kern (-6%) and Kings (-4%) counties significantly cooled to Schwarzenegger, as did Republican leaning San Diego County.

This analysis suggests that Schwarzenegger's abrupt shift to the political right in 2005 represented a fundamental miscalculation of the California electorate. In particular, Schwarzenegger failed to understand California politics in two important ways.

First, after governing from the center during 2004, a year in which Schwarzenegger helped forge bipartisan compromise on the state budget, helped pass a \$15 billion deficit bond, and appointed several Democrats and moderates to high-level positions in the governor's administration, the governor abandoned his centrist strategy.

The governor's shift to the right in 2005 manifested itself in two ways. First, the governor's leadership style became conflictual both with Democrats and moderates in Sacramento, but also with interest groups that opposed the governor. Second, Schwarzenegger's reform proposals attempted to concentrate greater power in the governor's office.

All four propositions that Schwarzenegger endorsed would have in various ways concentrated greater authority in the hands of the governor. Prop. 76 would have greatly increased the governor's power over the budget, while Prop. 77 would have significantly increased the role of the governor in redistricting. Propositions 74 and 75 would have indirectly strengthened the office of the governor by weakening teachers unions, one of Schwarzenegger's most outspoken political opponents. The erosion of the governor's support during 2005, particularly among Democrats and independents, coincided directly with the governor's increasingly pointed attacks on political opponents.

What Kind of Reform Do Californians Want?

The results of the 2005 special election offer the following lessons:

Californians Say 'No' To Reform by Initiative

One of the clear messages of the special election is that Californians reject the notion of circumventing the state legislature with reform by initiative. Moreover, voters do not want to be bothered with the details of the reform process. For Schwarzenegger, this means he must reengage with the state's elected officials if reforms are to be successful. Although personal popularity is important in a political leader, political leadership in California cannot be based solely upon personality; other ingredients -- such as the ability to forge political coalitions -- are more important.

Californians Want Centrist

Rather than being elected to impose reform upon California, Californians elected Schwarzenegger to use his star power to overcome intense partisanship and forge bipartisan reform coalitions. In saying no to all eight initiatives, Californians did not reject reform, but rather reforms that would have concentrated power in the governor's office. Californians want reforms to be the result of bipartisan compromise and consensus building. California's progressive political culture means that voters are unlikely to support reforms that upset the balance of power in California government

What Kind of Reform?

It is not clear what kind of reform model Californians favor. Schwarzenegger's 2004 California

Performance Review proposals and his 2005 special election reforms sought to follow a business or "reinventing government" reform model, proposing to eliminate governmental departments and commissions, to centralize power in the executive and to privatize the state's pension system, while opposing tax increases for fear of hurting the economy and alienating business interests.

Following the special election, Schwarzenegger has taken a virtually opposite approach: proposing hundreds of billions of dollars in new government spending on infrastructure. Such a model for reform is more in line with California's progressive history of public investment. In the modern era, Gov. Pat Brown (1958-66) stands as the classic example of a governor whose leadership resulted in unprecedented public investment in the areas such as transportation, education, and water. In order to maximize political support for his reform agenda, Gov. Schwarzenegger should offer voters a package of restructuring government along with proposals for public investment.

Obstacles to Reform

If there is any single lesson about political reform in California, it is that bringing about major political change is hard to do. The governor should be prepared to overcome these and other obstacles:

- **Political Opposition.** The governor's partisan agenda for 2005, coupled with his abrupt shift to the left following the special election, has alienated both Democrats and Republicans in Sacramento. Democrats will be reluctant to hand the governor political victories during a gubernatorial election cycle. Republicans and fiscal conservatives will question the scope of the governor's infrastructure spending plans. The governor will need to use all of his star power in order to mend political fences in Sacramento.
- **The Initiative Process.** As the special election underscored, reform-by-initiative can be difficult. Even if the governor and Legislature are able to work out the details of a reform package, the California State Constitution requires that bond measures be targeted for specific projects. Thus, separate bond initiatives will be required for each area of public investment. Voters may already be suffering from "initiative fatigue", and may balk at the scope of the governor's proposals.
- **Interest Group Opposition.** Politics is often a zero-sum game, and spending in one area necessarily takes away from spending in another area. A cacophony of interest groups will emerge to protect and pursue interest-based spending priorities. Given the large number of divergent interests in the state, consensus will be difficult to reach.
- **Structural Reforms Need to Be Addressed.** Although the governor's proposals have been met with initial enthusiasm, none of the governor's reforms directly address the structural causes of the state's fiscal crisis. The state's two-thirds threshold for passing a budget enables a committed minority to thwart the democratic process on budgetary matters. Proposition 13, which limits property taxes to 1% of assessed value -- remains a second major obstacle to helping to ensure the state's fiscal stability. Without the political courage to attack the state's fiscal problems at their source, the current political leadership may leave behind new infrastructure, while crippling future generations with debt.
- **Who Will Pay?** It's one thing for politicians to propose massive spending, and another thing entirely to pay for it. Will the federal government assist California as the governor's plan assumes? Will Californians be willing to pay for new infrastructure spending as they did in the 1960s? Demographically and economically, California is a very different state than it was in the early 1960s. Will the voting population, which is disproportionately older, middle-class and white, be willing to invest in California's more ethnically diverse future? Moreover, with the increased outsourcing of higher value jobs and an accelerating transition to a service based economy, will wealthier Californians want to pay for services that increasingly benefit the working class?
- **Will Californians 'Warm up' to the Governor?** Governor Arnold Schwarzenegger was elected in 2003 following a public revolt against politics as usual. Thus, his political power is inextricably tied to his popularity with the public. Yet, the governor wasted his political capital by continuing politics as usual -- inflaming partisan differences and undermining consensus-building. Unless the

governor can rebuild and expand his political base among California voters, particularly in urban areas, his reform agenda is likely to fail.

Conclusion

California's prospects for significant reform are dimming. Governor Schwarzenegger's popularity – or lack thereof – notwithstanding, the leadership required to meet California's emerging challenges goes beyond business as usual. This study demonstrates that California's political culture continues to favor centrism, and pluralist collaboration. The forging of political coalitions across party lines continues to be a necessary, if elusive, tool for establishing meaningful responses to California's most vexing problems.

Further, the study reveals that the notion of reform itself is a contested terrain. In the absence of a statewide consensus on clear reform priorities, calls for reform are meaningless. It is necessary to build a statewide collaborative process that invites broad participation, clearly defines reform priorities and aligns those priorities with evidence-based real world problems. It would then be possible to recruit support for an emerging set of responses that reasonably link to these problems.

It is not yet clear whether the governor has the will, or capacity, to lead such a process. And until such leadership emerges, optimism for California's prognosis remains premature.