Anxious to leave a legacy as the governor who revived California's wheezing work force, Arnold Schwarzenegger has laid out an ambitious jobs creation program. It's a task that will require a lot of heavy lifting, even for a former bodybuilder: The economy is wobbling, the state is broke, there are ample numbers of formidable opponents for each aspect of his plan – and it's even unclear whether state government can directly stimulate the job market.

In his final State of the State address Wednesday, Schwarzenegger proposed a package that includes subsidized training programs; modified environmental rules; tax breaks for homebuyers and green tech industries; and limiting lawsuits against businesses.

"The first priority for the coming year, obviously, is to get the economy and to get jobs back," the governor said in outlining his plan. "Jobs, jobs, jobs."

It's a familiar theme for the lame-duck governor.


In 2006, Schwarzenegger persuaded voters to approve $42.7 billion in public works bonds, in large part by predicting that the spending would create hundreds of thousands of jobs. It didn't happen. A cataclysmic confluence of global, national and California economic catastrophes have conspired to drive the state's unemployment rate above 12 percent – nearly double what it was when Schwarzenegger took office.

The number of jobs in nearly every major sector of the economy also has dropped. In construction, for example, jobs dropped from 865,500 in November 2004 to 616,200 last November, despite generous infusions of state and federal public-works money.

How much state government can do to stem California's employment bleeding is problematic.

"It's very little in the short term, much more in the long term," said Steve Levy, an economist and director of the Center for Continuing Study of the California Economy.
Unlike the federal government, Levy noted, the state can't finance a jobs stimulus package by running up budget deficits.

"So the only way to stimulate the economy (at the state level) is to add money to the budget," he said, "and obviously the state's current situation doesn't allow that."

Schwarzenegger's plan does call for some additional spending, despite a deficit already projected at nearly $20 billion over the next 18 months.

One element would borrow $500 million from the Unemployment Compensation Disability Fund to pay for job training programs. Another would lower revenues from the sales tax by exempting purchases of equipment used by "clean technology" companies, defined as firms whose products are demonstrably friendly to the environment. A third would provide $200 million worth of tax credits to first-time homebuyers, extending a 2009 program.

Administration officials contend the efforts ultimately will result in more money for the state: Training will create more jobs and bigger – and taxable – payrolls; the sales tax break will attract more green industry to California; and the homebuyer tax credit will stimulate the construction industry.

"It's all designed with the same goal in mind: getting people back to work," said Victoria Bradshaw, Schwarzenegger's secretary of labor and work force development. "If we don't get people back to work, we're going to have revenue problems everywhere."

The administration has estimated the training element alone could create or preserve 100,000 jobs, which represents about 4.4 percent of the current number of unemployed Californians.

But economists are traditionally dubious about job-creation estimates.

"I don't think you could find a straight answer to that from any economist," said Scott Carrell, an assistant economics professor at UC Davis and a former White House economic adviser. "There are so many moving parts in the economy. Certainly when you offer a tax break to some sector of the economy, it's going to provide an incentive for it to create jobs. But how many is really uncertain."

In addition to economic uncertainties, Schwarzenegger's job-making plans already have been besieged on numerous political fronts.

While applauding the idea of greater job training, for example, California Labor Federation leader Art Pulaski ripped the governor's plan to pay for it by borrowing from the disability fund.

Environmentalists have criticized a provision that would exempt some major development projects from legal challenge by community groups, an idea endorsed by legislators last year to expedite construction of a football stadium in the City of Industry in Los Angeles County.
Bill Magavern, director of Sierra Club California, suggested that if the stadium represented getting the camel's nose under the tent, "now they are seeking to get the whole first hump in."

"The governor is declaring open season on good planning," Magavern said, "and every wealthy developer is hiring expensive lobbyists to try and buy exemptions from our environmental standards."

Senate President Pro Tem Darrell Steinberg, D-Sacramento, criticized the administration for dragging its feet on spending federal stimulus money that could create jobs.

"Rather than engage in another ideological battle with the Legislature around rollback of environmental and consumer protection laws," Steinberg said, "let's go back to the basics here and let's stimulate the economy by taking money we have (and) getting it out faster."

Administration officials counter that even if some of the governor's proposals have been suggested and rejected in the past two years, they're worth trying again.

"We hope – given the current conditions – the Legislature will take a better look at these ideas and give them reconsideration," said Aaron Maguire, Schwarzenegger's deputy legislative secretary.

If the criticisms of what was in the governor's plan weren't enough, there were also criticisms of what wasn't.

Assemblyman Dan Logue, R-Linda, the GOP's Assembly point man on jobs and economic development, said Schwarzenegger should have included proposals to streamline California's regulatory system, which Logue said is a key factor in driving businesses out of the state and preventing others from coming here.

"Training is fine," Logue said, "but we can't just address a tenth of the problem. We have to address the whole picture in order to have economic recovery."