

Arnold Schwarzenegger

Arnold Schwarzenegger (R-CA) was elected governor of California in 2003 and was reelected in 2006. Under the state's term limits law, he cannot run for reelection in 2010.

Gov. Schwarzenegger:

- Used non-profit and campaign funds for personal benefit
- Built cozy relationships with special interests
- Created conflicts of interest by accepting a consulting position and doing state business with a company staffed by his former campaign aides
- Provided state jobs to friends with dubious qualifications
- Allegedly pressured government employees to change outcomes
- Did not provide adequate leadership to the state
- Vetoed bills to improve transparency in hospitals at the behest of powerful special interests

CHARGE ONE: SELF-ENRICHMENT

A network of tax-exempt groups pays for many of Gov. Schwarzenegger's personal and staff expenses, including a \$6,000 per month Sacramento hotel suite he maintains, luxury international travel and glitzy bill-signing stunts and photo opportunities.¹ Non-profits are not subject to the scrutiny that campaign finance committees receive, they are not required to disclose their contributors and donations to the non-profit are not subject to contribution limits.² One such non-profit, the California Commission on Jobs and Economic Growth, raised \$1 million from corporate interests, some with business before the state, to promote the Governor in public relations events.³ Two utility companies gave \$200,000 to the non-profit after Gov. Schwarzenegger announced he would not accept contributions from the utility industry as he drafted a state energy policy.⁴ A hospital group, Catholic Healthcare West, donated \$100,000 to the non-profit; Gov. Schwarzenegger issued an executive order weakening the nurse-patient ratios at hospitals, a stance the hospital supported.⁵ The nurses union sued over the order and the court ruled the governor overstepped his authority.⁶

The California State Protocol Foundation—another corporate-backed non-profit with the explicit mission of bankrolling the travel and personal expenses of lawmakers and their staffs—has spent \$1.7 million on Gov. Schwarzenegger's posh lifestyle.⁷ The organization spent more than \$25,000 to send the governor's staff to a four-day trip to China to attend the Special Olympics and meet with a Chinese motor vehicle company.⁸ The Foundation is run out of the California

¹ Robert Salladay and Peter Nicholas, Nonprofits Cloak Donors to Governor, *Los Angeles Times*, August 24, 2005; Peter Nicholas and Dan Morain, Gov. Funds Public Events Privately, *Los Angeles Times*, September 29, 2006.

² Nicholas and Morain, *Los Angeles Times*, September 29, 2006.

³ Salladay and Nicholas, *Los Angeles Times*, August 24, 2005.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Michael Rothfeld, State Staffers' Trip to China Draws Ire, *Los Angeles Times*, December 30, 2007.

⁸ Id.

Chamber of Commerce and foundation staff overlaps with the Chamber's staff.⁹ In 2007, the Chamber spent at least \$2 million lobbying Gov. Schwarzenegger and state lawmakers.¹⁰

Gov. Schwarzenegger's ballot-initiative fundraising—a practice not as tightly regulated as candidate fundraising—has paid for a wide range of expenses, including executive jet travel and pet causes.¹¹ The governor's committee, the California Dream Team, spent \$2.4 million to support a redistricting measure, \$2 million on expenses that reportedly promoted the governor and his causes and \$523,000 on private jet service.¹² New rules were developed last year in response to complaints about the governor's practices.¹³ The ballot-measure committees must now disclose the politician who controls the committee, but the rules still do not appear to be very stringent, for example, there are no contribution limits to the committees.¹⁴

Some corporations have also given gifts and payments to members of the governor's administration, including thousands of dollars in tickets to concerts, sporting events and theme parks as well as meals and receptions.¹⁵ In October 2006, Gov. Schwarzenegger banned his administration officials from receiving gifts from corporations with business pending before the state, but major loopholes remain and compliance is spotty.¹⁶ In March 2009, Rosario Marin, a member of Gov. Schwarzenegger's cabinet, resigned after news sources revealed she violated a state ban on accepting speaking fees, by accepting tens of thousands of dollars for speaking engagements.¹⁷ Ms. Marin agreed to pay \$5,400 in ethics fines.¹⁸

CHARGE TWO: COZYING UP TO SPECIAL INTERESTS

Gov. Schwarzenegger has not lived up to his campaign promises of purging “special interests” by not accepting campaign contributions from groups that have business before the governor's office.¹⁹ He has instead benefitted from these corporate ties.²⁰ For example, six months after Gov. Schwarzenegger signed a law deregulating television service AT&T donated \$500,000 to Gov. Schwarzenegger's charity, After-School All-Stars, a non-profit that serves low-income children.²¹ Gov. Schwarzenegger flew to San Antonio, Texas to be present when AT&T announced its contribution.²² AT&T only began donating to the charity after Gov. Schwarzenegger took office.²³

⁹ Id.

¹⁰ Id.

¹¹ Patrick McGreevy, Uses of Ballot-Item War Chests Curbed, *Los Angeles Times*, January 16, 2009.

¹² Id.

¹³ Id.

¹⁴ Id.

¹⁵ Peter Nicholas, Governor's Ban on Staff Perks Isn't Perfect, *Los Angeles Times*, October 31, 2006.

¹⁶ Id.

¹⁷ Michael Rothfeld, Ex- Cabinet Member Pays \$5,400 Ethics Fine, *Los Angeles Times*, June 9, 2009.

¹⁸ Id.

¹⁹ Peter Nicholas, Insurers Liking the Coverage of Schwarzenegger's Policies, *Los Angeles Times*, September 24, 2006.

²⁰ Peter Nicholas, Governor's Cause Gets Gift After He Signed Law, *Los Angeles Times*, March 22, 2007.

²¹ Id.

²² Id.

²³ Id.

Gov. Schwarzenegger's administration also has had a close relationship with the insurance industry.²⁴ At least two high-level aides to the governor were former officials or lobbyists for the insurance industry.²⁵ Both appointees maintained relationships with the insurance industry while serving the state, one even met with insurance lobbyists and officials 30 times over a six-month period.²⁶ By 2006, the governor sided with the industry nearly nine out of ten times on insurance-related bills.²⁷

Gov. Schwarzenegger has encouraged state lawmakers to take overseas trips paid for by special interests.²⁸ At a forum on global economics he told lawmakers and reporters: "I am always against [it] when the media beats up [on lawmakers] for traveling around because someone else is paying for their trips," adding, "I mean, so what[?]"²⁹ The governor encouraged lawmakers to take industry-paid trips in hopes they become more willing to implement his plans to privatize roads, schools, rail and other public works.³⁰

CHARGE THREE: CONFLICTS OF INTEREST

Days before Gov. Schwarzenegger took office, he accepted an \$8 million consulting job with American Media Inc., publisher of the muscle magazines *Flex* and *Muscle & Fitness* as well as the tabloid *National Enquirer*.³¹ Critics contended that the contract raised obvious ethical issues because the muscle magazines' ad revenue, to which Gov. Schwarzenegger's salary was directly tied, relied heavily on dietary supplement advertising.³² The year after Gov. Schwarzenegger accepted the consulting job, he vetoed legislation that would have regulated supplements.³³ In September 2009, the Fair Political Practices Commission ruled that the contract did not run afoul of the state's conflict-of-interest laws.³⁴ Nevertheless, Gov. Schwarzenegger ended the contract after the terms were disclosed.³⁵

The \$8 million consulting arrangement was not Gov. Schwarzenegger's only tie with American Media, Inc.³⁶ In 2003, following Gov. Schwarzenegger's decision to enter the gubernatorial contest, American Media tried to conceal a risqué 1983 *Playboy* video featuring Gov. Schwarzenegger by purchasing the original copy.³⁷ In another move to prevent the gubernatorial

²⁴ Nicholas, *Los Angeles Times*, Sept. 24, 2006.

²⁵ Id.

²⁶ Id.

²⁷ Nicholas, *Los Angeles Times*, Sept. 24, 2006.

²⁸ Evan Halper and Nancy Vogel, See the World, Let Special Interests Pay, Governor Urges, *Los Angeles Times*, May 1, 2008.

²⁹ Id.

³⁰ Id.

³¹ Robert Salladay and Dan Morain, Before and After, Supplements in the Picture, *Los Angeles Times*, July 23, 2005; Michael Rothfeld, Ethics Complaint Against the Governor is Dismissed, *Los Angeles Times*, September 26, 2009; Peter Nicholas and Carla Hall, Tabloid's Deal With Woman Shielded Schwarzenegger, *Los Angeles Times*, August 12, 2005.

³² Salladay and Morain, *Los Angeles Times*, July 23, 2005.

³³ Id.

³⁴ Rothfeld, *Los Angeles Times*, September 26, 2009.

³⁵ Id.

³⁶ Nicholas and Hall, *Los Angeles Times*, August 12, 2005.

³⁷ Peter Nicholas, Tabloid Tried to Suppress Videotape, *Los Angeles Times*, September 12, 2005.

candidate from embarrassment, America Media offered \$20,000 to Gigi Goyette, a woman who claimed to have had a seven-year affair with Schwarzenegger, and \$1,000 to her friend Judy Mora, to keep silent.³⁸

Gov. Schwarzenegger was also criticized when a high-speed rail commission stacked with his appointees awarded a \$9 million public relations contract to Mercury Public Affairs, a firm with ties to the governor.³⁹ Two former top aides to Gov. Schwarzenegger were employed by Mercury at the time the contract was awarded.⁴⁰ The contract was rescinded after the *Los Angeles Times* exposed the deal.⁴¹

CHARGE FOUR: CRONYISM

Gov. Schwarzenegger campaigned against patronage, but since taking office has appointed friends and political allies to state boards.⁴² For example, Brent Wilkes, a former defense contractor, was appointed by the governor to two state panels, the state Race Track Leasing Commission and Del Mar Fairgrounds Board, after donating over \$70,000 to Gov. Schwarzenegger.⁴³ Mr. Wilkes was later convicted for bribing disgraced former-congressman Randy “Duke” Cunningham and sentenced to 12 years in prison.⁴⁴

In addition, he placed two of his oldest friends on the Board of Chiropractic Examiners, neither of whom had substantial experience in patient protection (although one was the governor’s former chiropractor).⁴⁵ After newspaper reports questioned the suitability of these appointees, lawmakers ordered an audit of the chiropractic board and its activities.⁴⁶ The investigation uncovered serious violations of state law, including violations of the state’s open meetings law, illegal delegation of authority and improper enforcement of conflict-of-interest provisions.⁴⁷ Auditors noted that the board’s appointees did not fully understand their roles and responsibilities.⁴⁸ Gov. Schwarzenegger has also been criticized for appointing his dentist to the state dental board and for naming his appointment secretary to the powerful California Public Utilities Commission.⁴⁹

CHARGE FIVE: PRESSURING STATE OFFICIALS

Gov. Schwarzenegger has tried to thwart existing public policies by pressuring state officials to act in ways contrary to their duties. For example, he was accused of firing the head of California’s Air Resources Board (ARB) as part of a campaign to weaken proposed greenhouse

³⁸ Nicholas and Hall, *Los Angeles Times*, August 12, 2005.

³⁹ Shane Goldmacher, High-Speed Rail PR Deal Raising Ethical Question, *Los Angeles Times*, September 3, 2009.

⁴⁰ Id.

⁴¹ Cathleen Decker, A State Fed Up With Its Government, *Los Angeles Times*, September 13, 2009.

⁴² Jordan Rau, Campaign Aides Cash in on State Jobs, *Los Angeles Times*, March 5, 2007.

⁴³ Dan Morain, Cunningham Figure Gave to Gov., *Los Angeles Times*, December 8, 2005.

⁴⁴ Greg Moran, Probation for Minor Figure in Bribe Case, *The San Diego Union-Tribune*, October 3, 2008.

⁴⁵ Patrick McGreevy, Board Violated State Laws, Audit Says, *Los Angeles Times*, March 26, 2008.

⁴⁶ Id.

⁴⁷ Id.

⁴⁸ Id.

⁴⁹ Peter Nicholas, Gov.’s State Board Choices Raise Charges of Cronyism, *Los Angeles Times*, April 2, 2007.

gas regulations.⁵⁰ The governor said he fired the ARB director because the official had been too soft on air pollution in the San Joaquin Valley,⁵¹ but the director and ARB's top executive had claimed two of Gov. Schwarzenegger's aides pressured them to weaken environmental pollution rules.⁵² The supposed interference was serious enough to spark a legislative investigation and to cause the board's top executive to resign in protest.⁵³ Gov. Schwarzenegger refused to allow his aides to appear before the state assembly investigative panel.⁵⁴

CHARGE SIX: MISMANAGEMENT

Gov. Schwarzenegger's administration also has been accused of not providing adequate leadership to the state's Unemployment Insurance Appeals Board while California faces a critically high unemployment rate.⁵⁵ Critics accused the governor of not allowing the board to meet its staffing needs, resulting in gross inefficiencies and a massive backlog of cases.⁵⁶ After board members fired the director for nepotism, a member of the Senate labor committee, who monitors the committee, stated the governor did not provide any guidance on how to fix the board.⁵⁷ The need for a well functioning labor board is especially urgent given that the U.S. Department of Labor ranks California second to last in hearing worker appeals.⁵⁸ In July 2009, facing a backlog of more than 82,500 cases, Gov. Schwarzenegger criticized administrative judges for not taking more than the capped limit of 30 cases per month and for working on cases at home; the governor asserted working from home limits the type of work they can perform.⁵⁹ In response to the rebuke, the union representing administrative judges reminded the governor the judges are unable to take on a bigger case load and maintain a high quality of work while being forced to take three furloughed days a month.⁶⁰

In addition, Gov. Schwarzenegger appointed two political allies to spots on the board within days of furloughing 238,000 state workers.⁶¹ The two appointees, recently retired GOP lawmakers, receive salaries of \$128,109 each for 12 meetings per year.⁶² In addition, it is not clear either of them had relevant experience pertaining to unemployment issues.⁶³

⁵⁰ Evan Halper, Governor Is Accused of Bullying Air Panel, *Los Angeles Times*, July 7, 2007.

⁵¹ Dan Walters, ARB Probe: Conflict or Kabuki, *The Sacramento Bee*, July 6, 2007.

⁵² Id.

⁵³ Id.; Halper, *Los Angeles Times*, July 7, 2007.

⁵⁴ Walters, *The Sacramento Bee*, July 6, 2007.

⁵⁵ Patrick McGreevy, Turmoil Rocks Jobless Benefits Agency, *Los Angeles Times*, July 27, 2008; Marc Lifsher, Jobless Benefit Appeals Pile Up, *Los Angeles Times*, February 2, 2009.

⁵⁶ Id.

⁵⁷ McGreevy, *Los Angeles Times*, July 27, 2008.

⁵⁸ Lifsher, *Los Angeles Times*, February 2, 2009.

⁵⁹ Richard Procter, Governor Tells Judges on Jobless Panel to Step it Up, *San Francisco Chronicle*, July 31, 2009.

⁶⁰ Id.

⁶¹ Patrick McGreevy, Gov. Gives Insiders Lucrative Jobs While Workers Face Pay Cuts, *Los Angeles Times*, January 18, 2009.

⁶² Id.

⁶³ Id.

CHARGE SEVEN: VETOING HOSPITAL TRANSPARENCY BILLS

Gov. Schwarzenegger vetoed bills that would have improved transparency in California. For example, the governor vetoed a measure that would have forced hospitals to disclose infection and death rates.⁶⁴ He vetoed the bill—deemed to be one of the most effective and least expensive ways to improve patient care—despite having previously endorsed the bill’s approach.⁶⁵ The California hospital lobby, one of the most powerful interests in the state, opposed these disclosures on the grounds that they might lead to “frivolous” lawsuits.⁶⁶ The veto of the disclosure bill was at least the second time Gov. Schwarzenegger bowed to the hospital lobby, which wields political and financial clout in the state.⁶⁷ In 2004, he vetoed another hospital disclosure measure and, in the following gubernatorial election, the governor received the maximum yearly contribution of \$44,600 from the hospital association.⁶⁸

⁶⁴ Jordan Rau, Gov. Vetoes Hospital Disclosure, *Los Angeles Times*, October 14, 2007.

⁶⁵ Id.

⁶⁶ Id.

⁶⁷ Id.

⁶⁸ Rau, *Los Angeles Times*, October 14, 2007.