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Can California Find a Way Out of Its Pension Calamity?

The longer you wait to solve a problem, the more painful the fix becomes. Californians are being reminded of that simple truth as their leaders attempt to grapple with the state's snowballing public-pension woes.

As of late last year, California's 130 public-pension systems had a combined unfunded liability of an estimated $198 billion. In 2003, the figure was $6.3 billion. That's an increase of more than 3,100 percent in just over a decade.

In the latest effort to turn those shocking numbers around, a bipartisan group of California pension-reform advocates is trying to get an initiative called the Voter Empowerment Act onto the ballot. It would amend the state constitution to require voter approval for defined-benefit pensions for new public employees, any enhancements to current employees' pensions, and establishment of any pensions in which government subsidizes more than half of a public employee's retirement benefit.

Its sponsors include the mayors of San Bernardino and Vallejo, two cities that have declared bankruptcy due in part to overwhelming pension obligations. If supporters can gather enough signatures, the measure would go on the 2016 statewide ballot. If passed, it would take effect in 2019.

The new initiative effort comes after courts have struck down recent attempts to address the pension problem. Last year, voters in Ventura County collected thousands of signatures for a measure that would have allowed the county to opt out of the current defined-benefit system and replace it with a 401(k)-type system, but a county judge ruled that residents couldn't vote to leave a pension system created by the state.

In 2012, San Jose voters overwhelmingly approved a measure that would have given city employees a choice between a less-generous pension or staying in the current system but contributing a larger portion of their salaries toward paying down the pension debt. A Santa Clara County Superior Court Judge overturned that measure for violating the "vested rights" of public employees.

By applying mostly to new employees, the Voter Empowerment Act is designed to get around the so-called "California rule," which grew out of court cases dating back to 1955 and is followed by a handful of other states. The California rule provides not only that public employees have the right to the amount of the pensions that they have already earned but that they also have the right to continue earning pensions based on rules that are at least as generous. The only provision of the Voter Empowerment Act that would impact current workers is the requirement that voters approve any pension enhancements.

While there is nothing in the ballot proposal that addresses California's current unfunded pension liability, it would go a long way toward preventing that number from continuing to grow.

That's clearly preferable to the status quo. But there's a reason why the Founding Fathers decided the United States should be a representative rather than direct democracy. Any pension referenda would likely result in fed-up taxpayers venting their frustrations at the ballot box rather than any thoughtful decisions about public pensions.

The best result would be if the Voter Empowerment Act pushes the state’s leaders to do what they should have done years ago: Craft a political solution to California’s pension problems that stops the bleeding, begins to pay down liabilities and sets the pension systems on a path to sustainability.

That won’t be easy, both because of the prohibition against impacting the pensions of current employees and the fact that it would require elected officials to take the heat for tough decisions they make now when the benefits of those decisions wouldn’t be felt for many years. None of the alternatives is appealing, but it’s becoming increasingly clear that they’re all better than continuing along the current unsustainable path.

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