

SACUNION COLUMNIST

California Says Good Riddance to Bad Year

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In a particular episode of the American version of the comedy series *The Office*, straight man Jim Halpert (played by John Krasinski) sees a co-worker engage in a ruthless exercise of petty authority, and remarks, "This is so sad — this is the smallest amount of power I've ever seen go to someone's head." A more apt reaction to the excesses and follies of governance in California could hardly be imagined — with the caveat that the state exercises no small power over our lives and livelihoods. As we move into 2007, we should take a moment to look back on the poor decisions that marked the wisdom of our political classes in 2006. Fortunately, the Pacific Research Institute's scholars, with whom I am privileged to work, have compiled a list of the top ten California policy blunders of 2006:

-- Increase in the State Minimum Wage: With Assembly Bill 1835 signed into law by Governor Arnold Schwarzenegger, business owners must pay their employees at least \$8 an hour by January 2008. This indirect tax on labor will cause employers to reduce employment and hours for low-wage, low-skill workers and hike the price of goods and services made and sold in California.

-- Approval of a "Global Warming" Tax: Governor Schwarzenegger's approval of Assembly Bill 32 saddles businesses with more regulations on gas

emissions. They will encourage businesses to leave the state and discourage new businesses from locating in California.

-- University of California Officials Advocating Repeal of Prop. 209: UC officials blame Prop. 209, the 1996 initiative that banned government-sponsored racial preferences, for the drop in African-American and Hispanic enrollment at the UC's flagship campuses. They have begun to push for its repeal. The real reason for reduced enrollment for these groups is poor high school preparation.

-- Low Transition Rate of California's EL Students to English Fluency: Despite an almost 50 percent pass rate on language exams, California schools promote only 10 percent of their EL students into the English fluent category. School districts have disincentives to promote their EL students because they receive funding on a per-student basis and because English fluent students in EL programs test better and raise overall EL student scores. This hurts the chances of EL students to enroll in college preparatory classes and thus hinders their chances of attending college or university.

-- Failing to Repeal the California Sick Tax: The Federal government and almost every state encourage Health Savings Accounts (HSAs) by allowing individuals and their employers to fund them with pre-tax income, similar to an IRA or 401(k). HSAs are three years old, but California has still not made them deductible. The state needs to give health care dollars back to the patients who need it.

-- The California Prescription Drug Initiative: The plan puts Medi-Cal patients' health at risk by using them as pawns in a power struggle between the state and drug

makers. By threatening to stop Medi-Cal patients from taking medicines made by drug makers who do not submit to arbitrary price controls for uninsured people (up to 40 percent on brand-name drugs and 60 percent on generics) the governor may be breaking federal Medicaid law. Bizarrely, anti-trust laws prohibit private drug companies to collaborate to discount prices for poor people, which they have an incentive to do. Governor Schwarzenegger wants the government to do what is illegal for pharmaceutical companies to do—fix prices.

-- San Francisco's Rising Price Tag for "Free Wi-Fi": Government officials of San Francisco have persisted with their brash effort to install government-controlled Internet access, also known as "Muni Wi-Fi." Shortly following his 2003 election, San Francisco Mayor Gavin Newsom had initially proposed building a city-run wireless broadband network on the backs of local taxpayers, prompting concerns about costs and the perils of government intervention. Despite changes from a socialist technology model to a private-public partnership, San Francisco is still engaging in a big government approach to broadband deployment, a risky scheme that has left even the private Wi-Fi network partners publicly crowing about the local bureaucratic morass.

-- California's Hearty Diet of Phone Pork: California weighs in as the largest recipient of "phone pork" from the Universal Service Fund (USF), a federal technology subsidy that was supposed to ensure affordable telephone service for every American but has instead facilitated criminal exploitation of the public trust. Through the USF funding scheme, unaccountable bureaucrats have taxed tele-

phone companies to give away billions of dollars in subsidies to mostly small rural phone carriers and classroom technology vendors who participate in the Fund's "E-Rate" program. Lacking proper public oversight and accountability, USF has proven to be little more than an easy mark for companies to defraud, with the help of crooked and incompetent government officials, especially those in the Golden State, which rakes in more than \$4.5 billion in USF disbursements each year.

-- High Remedial Instruction Rates at Cal State: More than half of incoming freshmen at California State University required remedial instruction in either English language arts or math. These students maintained an average GPA of a "B" in high school, revealing a huge discrepancy between high school preparation and college expectancy.

-- Failure to Restore Property Rights to Californians: In *Kelo v. The City of New London*, the U.S. Supreme Court ruled that cities could take an individual's property and give it to another private entity. The California legislature failed to address the problem and the state's voters rejected Prop. 90, which would have protected property owners from eminent domain abuse. Today, California's home and business owners are still vulnerable to government takings abuse.

This is only the beginning of our state's failures in governance in 2006. Let's hope that 2007 sees some better news from our elected and appointed leaders.

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Law OKs Free Beer Samples at Restaurants

The Associated Press

SACRAMENTO (AP) - Free beer tastings may be on tap at California bars and restaurants thanks to a new law lifting a ban on suds samples.

The law, one of several taking effect with the new year, was backed by St. Louis-based Anheuser-Busch, which argued that it was unfair that the wine and distilled spirits industries were allowed to give out free samples of their wares.

The beer company says it will conduct only small educational tastings about new beers.

"It's an opportunity for us to get consumers to sample some of our new prod-

ucts," said Andrew Baldonado, western region vice president of government affairs for Anheuser-Busch. "The winter's bourbon cask ale is a seasonal beer that we're doing. The best way to introduce those new products to consumers is to be able to have them sample them."

Some brewers, especially small ones, already offer tastings at their own facilities, as does Anheuser-Busch at its Fairfield plant. But previously, companies couldn't offer free samples outside their own tasting rooms.

The new law allows beer tastings at bars and restaurants. It limits the amount to no more than 8 ounces per person a day and

requires the beer to be served in a glass. Tastings cannot last more than an hour and there are also annual limits on the number of tastings a single manufacturer, importer or wholesaler can offer at a particular establishment.

Senate Bill 1548 was carried by former state Sen. Kevin Murray, D-Culver City.

Fred Jones, legal counsel to the Sacramento-based California Council on Alcohol Problems, a coalition of religious groups, thinks the law was a mistake.

"It was jokingly referred to as the 'Free Happy Hour' bill (in the Capitol), so I think that gives you an image of what could happen," Jones said. "What is the reason

behind giving someone 8 ounces of beer free? One could argue that with wineries, each winery is different and every bottle is different depending on age or season. But we're talking about beer here."

Baldonado said the purpose of the samples is education, not intoxication.

"It would never be an instance where we would be buying the house a round," said Baldonado. "We would talk to consumers one at a time about whatever product it may be, whether it's Budweiser or something else."