

Impact

Fall 2023

A Pacific Research Institute Publication

Sapping California's Energy Future

Current energy mandates are incompatible
with a modern, reliable energy system

annual Gala Dinner



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NIALL FERGUSON

WHAT LIES AHEAD FOR THE ECONOMY, POLITICS, AND ELECTIONS

TAUBE FAMILY FREEDOM PRIZE RECIPIENT
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SATURDAY, OCTOBER 14, 2023 6–9PM
FOUR SEASONS HOTEL SILICON VALLEY
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DEAR FRIENDS AND SUPPORTERS,

Talk of renewable energy and electric vehicle mandates are sweeping the nation as President Biden and blue states are looking to California's energy policy as inspiration for big government energy policy. But by following California's lead, the rest of the nation may soon suffer California's fate of regular energy shortages every summer and significant ratepayer costs.

This edition of *Impact* uncovers California's unfortunate reality that the state will fall 21.1 percent short of the electricity required to meet its 100 percent electric vehicle mandates if Sacramento continues down this reckless path. On pages 4-5, read about PRI's latest energy study, *Sapping California's Energy Future*, by Dr. Wayne Winegarden and Kerry Jackson, and learn how market-based reforms can help California meet its clean energy goals while keeping energy abundant and affordable.

This edition also takes a look at the nation's education landscape after the Supreme Court's ruling against affirmative action in college admissions. The Pacific Research Institute's Center for Education effectively exposes the K-12 system's inability to prepare underrepresented students for college. You can read the Center's Senior Director of Education Lance Izumi's comments on the ruling on pages 6-7.

The fight for single-payer health care rages on in California as Senate Bill 770 by Sen. Scott Wiener continues to move through the State Legislature. While the measure is a stepping-stone approach to single payer, it would have an equally disastrous impact on California's health care system. On pages 14-15, read my commentary on the threat of single-payer health care to patients and taxpayers and learn about my work revealing the dangers of this misguided policy.

Also in this issue:

- See what's new from PRI's Free Cities Center, including the recently published booklet by Steven Greenhut, which shows that state planners are focusing too much on trying to prod people out of their cars rather than easing traffic gridlock (Pages 10-11).
- Discover how Americans are paying a \$1,300 'tort tax.' Fixing our nation's legal systems would grow the economy by 2 percent finds PRI's new study (Pages 16-17).
- California is spending nearly \$42,000 per homeless person yet the crisis continues. Read why "something is clearly off with California's homeless spending" from Wayne Winegarden and Kerry Jackson (Pages 20-21).

Our work to promote free-market ideas would not be possible without your generous support. Let us continue to partner together to improve the quality of life of all Americans and advance market-based solutions to bring us continued prosperity.



Sally C. Pipes
President, CEO, and
Thomas W. Smith Fellow
in Health Care Policy
Pacific Research Institute

LATEST DATA SHOWS CALIFORNIA WILL FALL FAR SHORT OF POWER NEEDED TO FUEL ALL-EV FUTURE

By Wayne Winegarden
& Kerry Jackson

*Excerpt of op-ed originally published
in the Orange County Register*

California's collision of its electric-vehicle mandate and its legislated transition to a zero-carbon power grid by 2045 isn't going to cause sparks as much as it will bring darkness.

Today there are fewer than 900,000 electric vehicles on California's roads. By 2035, there are expected to be more than 13 million, and by 2045 almost 22 million, because both the governor and the state Air Resources Board have agreed to outlaw the sale of new gasoline-powered automobiles. Every EV that replaces an internal-combustion-engine car represents another bite taken out of a power grid that's going to be chewed up.

Because of increased demand for charging electric vehicles, fully manufactured by public policy, California will fall 21 percent short of the power needed to meet the demand according to a new Pacific Research Institute report. However, the gap will likely be even wider as this projected shortfall does not include the additional need for more power caused by the conversion of water heaters, stoves, and other appliances from natural gas to electricity.

Planning an accelerated, warp-speed construction schedule for renewables infrastructure so there will be enough power has appeal, but is little assurance the job will be done.

First, transmission capacity will need to be roughly tripled by 2050, a number of state agencies have said. This won't take years to accomplish, it will take decades.

Second, adding solar and wind farms, and connecting their generated power to the grid with transmission lines will encounter the usual California can't-build hurdles. Not-in-my-backyard resistance, much of it from the environmentalists who've demanded the closure of natural gas and nuclear power plants, is increasing along with plans to build. It's a trend recently seen in the Midwest, where voters rejected two proposals to site wind

farms. Anyone who believes that this state will be more accommodating should consider that both Los Angeles and San Bernardino counties have banned wind turbines in their unincorporated areas.

If California doesn't have blackouts during the summer, it won't be due to policymakers' forward thinking, though they will take credit. It will be because heavy snow and rain during the winter swelled reservoirs that feed hydroelectric plants that hadn't been producing power during the dry spell.

There's no reason to expect this will happen again, though. After 2045, large dams, which provide 6% of the state's electrical power, will no longer be contributors, as they are not considered a worthy renewable resource under California's zero-carbon plan. They are, says the Stanford News Ser-

vice, "a bogeyman to many environmentalists" even though they "could actually play a significant role in feeding the world more sustainably" in addition to being an important contributor to the power mix needed to run a modern economy.

Gov. Gavin Newsom can brag as much and as often as he wants about the green future happening first in California, that the state is "America's coming attraction." But he can't speak into existence the perfect conditions that are necessary for California to be all-EV and at the same time avoid power shortages. The conflict is irreconcilable.

Kerry Jackson is a fellow with the Center for California Reform at the Pacific Research Institute. Dr. Wayne Winegarden is a PRI senior fellow in business and economics.

SAPPING CALIFORNIA'S ENERGY FUTURE

California will fall 21.1 percent short of the electricity required to meet the state's 100 percent electric vehicle mandates, finds the new Pacific Research Institute report, "Sapping California's Energy Future."

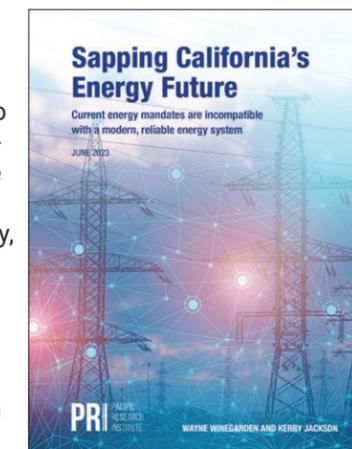
"California's green energy mandates will require families and businesses to consume more energy from the electricity grid instead of fossil fuels, making it less likely that we can generate the necessary power," said Dr. Wayne Winegarden and Kerry Jackson, the study's authors. "These policies jeopardize California's energy security and, without a miracle leap in technology, set us up for future energy shortages."

In September 2020, Gov. Newsom signed an executive order requiring all new passenger cars and light trucks sold in California to be zero-emission vehicles by 2035.

The PRI study explores how implementing the EV mandate, combined with other state green mandates, will create avoidable energy shortages. Analyzing state data and conducting their own calculations, Winegarden and Jackson found that:

- Two-thirds of current electricity comes from disfavored sources: Nearly 60 percent of current state electricity generation comes from natural gas and nuclear power.
- State will have to increase annual addition of alternative energy by 86 percent: To meet government-imposed renewable energy transition deadlines, California will have to expand its annual addition of renewables by 86 percent.

Download "Sapping California's Energy Future" at www.pacificresearch.org



HARVARD-UNC SCOTUS RULING PUTS PRESSURE ON K-12 TO DO BETTER

By Lance Izumi
Excerpt of op-ed originally
published at FoxNews.com

With the U.S. Supreme Court striking down race preferences in university admissions in the much-anticipated Harvard-University of North Carolina case, the pressure is now on K-12 schools to produce college-ready students, especially those from underrepresented minority groups.

In the Harvard-UNC case, the court said that both institutions discriminated against Asian American applicants, who had the highest objective academic ratings, by using subjective factors, such as personality traits like kindness and

likeability, to limit the number of Asian Americans accepted in favor of admitting students of other races.

The court said the colleges' use of subjective factors violated the constitutional right of Asian American applicants to equal protection of the law under the 14th Amendment. According to the court, "Eliminating racial discrimination means eliminating all of it." Thus, colleges cannot "employ race in a negative manner" nor "involve race in stereotyping."

While universities scramble to change their admissions systems in accordance with the new ruling, K-12 public schools are now under the gun to improve the performance of minority students.

The systemic problem is not systemic racism, but the failure of the public schools to prepare minority students for higher education.

On the National Assessment of Educational Progress exams, the achievement levels of African American and Hispanic public school students are heartbreakingly low.

On the 2022 fourth-grade math exam, 15% of African American test-takers scored at the proficient level. On the eighth-grade math exam, only 9% scored at the proficient mark. For Hispanics, 22% scored at the proficient level on the fourth-grade math exam, while just 14% hit proficiency on the eighth-grade exam.

On the 2022 reading exam, among African Americans, 17% of fourth graders and 16% of eighth graders scored at the proficient level. Among Hispanics, 21% of both fourth and eighth graders managed to hit proficiency.

These scores indicate that huge majorities of these minority students are failing to achieve proficiency in the basic subjects, which means that they are not

being adequately prepared to compete for college admissions.

Higher education leaders realize that this is the case. In 2020, the University of California's Academic Senate issued a report that said 31% of UC freshmen enrollees in 2017 were from underrepresented minority groups, while 61% of California high school graduates that year were from those groups.

In a crucial acknowledgment, the report said this disparity was explained by factors "that precede admission."

Specifically, the report found that the most significant factor preventing these students from entering the UC was their failure to complete demanding and required college preparatory courses.

The Supreme Court's Harvard-UNC ruling should be a wake-up call to the nation's public schools to focus on proven scientific research-based methods of improving student achievement in the core subjects so that they can prepare all students for higher education and a successful life.

Lance Izumi is senior director of the Center for Education at the Pacific Research Institute.

MORE FROM LANCE IZUMI ON THE HARVARD-UNC SCOTUS RULING:



"This decision underscores that constitutional rights adhere to all Americans and cannot be ignored, even for good intentions. Harvard and UNC used subjective factors like personality traits to stereotype Asians and discriminate against them in the admissions process, despite Asian applicants having the highest objective academic ratings. If we want all students to have an equal chance for college admission, then the public schools have to improve drastically their performance in getting all students college ready."

—Lance Izumi in the *Daily Wire*

"[M]any colleges have started to de-emphasize or eliminate SAT/ACT scores in the name of recruiting more Black and Hispanic students. Asians do very well, overall, on standardized tests ... Litigation over this issue could loom in the future."

—Lance Izumi in the *Daily Caller*

"A lot of Californians want to have a race-neutral college admissions system. I think one of the problems with focusing on this issue of college admissions is that it overlooks the fact that the universities are suffering from a very difficult pipeline from the K-12 system. The reason why there is such a difficulty in increasing the number of underrepresented minorities in the UC system is because the K-12 pipeline is not providing them with the students that are eligible for UC enrollment."

—Lance Izumi on "Insight with Vicki Gonzalez," *Capitol Public Radio*

GOLDEN STATE TEETERS ON EDGE OF HEALTH CARE CLIFF

By Sally C. Pipes
Excerpt of op-ed originally
published in *Newsmax*

Democrats in the California Legislature are moving ahead with a new bid to impose single-payer health care in the Golden State.

If this effort succeeds, state residents will soon find themselves subject to long waits for poor care, as is the case in countries with government-dominated systems like the United Kingdom and Canada.

SB 770 aims to accelerate the process of securing a waiver from the federal government to spend federal dollars earmarked for Medicare and Medicaid—or “Medi-Cal,” as it’s called in California—on a new state-run health plan that would ensnare all the state’s residents.

It’s hard to look at the recent experiences of patients in the United Kingdom and Canada – and still see single-payer health care as an ideal toward which anyone should strive.

Britain’s government-run health system, the National Health Service, is in the throes of an historic crisis that has left more than one in ten people in England – 7.2 million patients – waiting for care. In an alarming number of cases, people must endure years-long delays for even the most essential medical treatments.

Take Garry Cogan, a British patient who suffered a heart attack in April 2021. After that episode, doctors told him he needed a triple-bypass surgery. As of early February 2023, he had yet to receive the procedure, according to reporting from Reuters. At one point during his wait, he thought about going for a run so he’d “keel over” and qualify for emergency care.

At the emergency department, British patients routinely wait a dozen hours or more on gurneys in hall-

ways, in the backs of ambulances, or even in closets for a hospital bed to free up. One 92-year-old woman was forced to spend 33 hours in an emergency-room hallway, a harrowing experience that left her begging her family to let her die.

In another heartbreaking report, an unnamed NHS emergency-room worker described having to declare a man dead on the floor of the waiting room, as other patients looked on in horror.

A particularly macabre headline in the British newspaper *The Guardian* put the gravity of the situation in striking relief: “NHS crisis causing continued higher-than-normal levels of death.”

Not surprisingly, the near-complete breakdown of the National Health Service has led to a surge in demand for private care across

the country. Just 29% of Britons are satisfied with the NHS, according to a recent poll.

Last year, almost half a million people purchased private health insurance in the United Kingdom. The number of U.K. patients who obtained hip replacements through a private provider jumped by 184% in the second quarter of 2022 compared to the same period in 2019.

A similar trend can be seen in Canada, where an overburdened single-payer system has made timely medical care hard to come by. In the province of Ontario, for instance, the average emergency room patient waited nearly two hours to be seen by a doctor. Those that ended up being admitted to the hospital spent an average of over 20 hours in the ER.

A poll of Canadian patients published in April found that a majority of the country believed that access to private care should be increased. Two in three agreed that private care was faster than what’s available through the government system.

So while California lawmakers are pushing the state closer to single-payer, the patients forced to live under these tragically flawed health systems are clamoring for more private care. What the horror stories emerging from places like the United Kingdom and Canada make painfully clear is that single-payer isn’t the apex of healthcare policy. It’s a worst-case scenario, a cautionary tale, an atrocious error that ought never be repeated.

Sally C. Pipes is president, CEO, and the Thomas W. Smith Fellow in Health Care Policy at the Pacific Research Institute.

Sally Pipes recently joined PRI’s “Next Round” podcast to discuss the California Legislature’s most recent push for single-payer health care. You can listen to the episode “It’s Baaack, Single-Payer Health Care in California” at www.pacificresearch.org/next-round

Read Sally’s latest columns on single-payer at www.pacificresearch.org/category/single-payer/

HOW TO ESTABLISH AN EFFICIENT HEALTH CARE SAFETY NET

By Tim Anaya

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Providing cash-based support to the vulnerable to purchase private health insurance would increase access to quality healthcare at roughly the same per enrollee costs as Medicaid programs – finds the latest paper in the *Coverage Denied* series by PRI's Center for Medical Economics and Innovation.

“Tens of millions are stuck in a flawed government-run healthcare system that provides sub-par care to patients, imposes huge taxpayer costs, and harms the broader healthcare system,” said Dr. Wayne Winegarden, the series author. “By providing cash-based support, we can empower the vulnerable to buy private insurance, expand access to care, improve efficiency and promote innovation benefitting all patients.”

“Establishing an Efficient Healthcare Safety Net” documents that Medicaid, which is supposed to provide access to quality healthcare regardless of income, is failing to serve its purpose. Compared to private insurance,

Medicaid provides patients with low quality care, underpays providers, and imposes massive taxpayer costs.

The study presents data showing that Medicaid costs are more expensive per enrollee compared to private health insurance for individuals (\$8,984 per enrollee for Medicaid versus \$7,911 for private) and roughly the same for family/household coverage (\$22,463 per household for Medicaid versus \$22,461 for private).

Winegarden argues that unless Medicaid provides superior healthcare compared to private coverage, it is more efficient to replace the program with a cash-based system enabling people to purchase private health insurance.

The *Coverage Denied* series documents how the third-party payment system has turned insurance companies or government – as the largest healthcare payers – into gatekeepers restricting access to care, while imposing greater financial burdens on patients.

Reforming Medicaid is an essential component of reforms to remove the disincentives driving up health care costs and reduce healthcare quality and create a more efficient system. Other reforms suggested in the series include:

- Making health insurance tax deductible for individuals, giving them the same tax advantages as employers;
- Expanding the use of tax-advantaged health savings accounts, which empower patients to better control how their healthcare dollars are spent;
- Promoting greater drug affordability, including improving price transparency and fixing the drug formulary bias against low-cost medicines; and
- Removing barriers that disincentivize innovation, such as eliminating certificate of need and scope of practice laws and allowing plans to be sold across state lines.

“Patients and doctors should be empowered to make healthcare decisions, not third-party payers, drug middlemen or government,” said Winegarden. “A patient-centered healthcare payment system would better control rising costs, increase health outcomes, and improve efficiency.”

Visit Pacific Research Institute's YouTube channel to watch the *Coverage Denied* series' latest video: **Promoting Transparency and Competition in the Drug Market**. Join Penny and the Professor as they go grocery shopping and learn how we can promote competition and innovation for prescription drugs through reforms that put patients first.

www.youtube.com/PacificResearch1



Download the
study at
www.medecon.org

COVERAGE DENIED



TRANSIT BAILOUT WILL ONLY DELAY THE DAY OF RECKONING

By Steven Greenhut

It was inevitable that the California Legislature would bail out the state's ailing public-transportation systems, which are facing dire fiscal crises as federal pandemic aid dries up. Although he had resisted a cash infusion, Gov. Gavin Newsom agreed to a \$5.1-billion Democratic package of operating and construction subsidies to avoid threats of transit service cuts.

Bloomberg reported that, under Newsom's original budget plan, the agencies would have to choose between using the money to keep their current routes operating and investing in new systems and infrastructure. The extra \$2 billion added in the final deal will reduce the need for such "tough" choices. It's meant to stop a death spiral. As systems cut routes to save money, even fewer people ride the trains and buses, thus leading to more service cuts.

But, in reality, the money – coming at a tough financial time, as the state faces a nearly \$32-billion budget deficit – will not spark real change in the way the state's transit agencies operate, despite promises of new "accountability" and oversight measures. It's still unclear what those measures entail, although the governor secured some reforms to the California Environmental Quality Act (CEQA) to expedite construction of big infrastructure projects.

Bay Area lawmakers introduced a separate bill to boost bridge tolls to help support transit. Certainly, the money

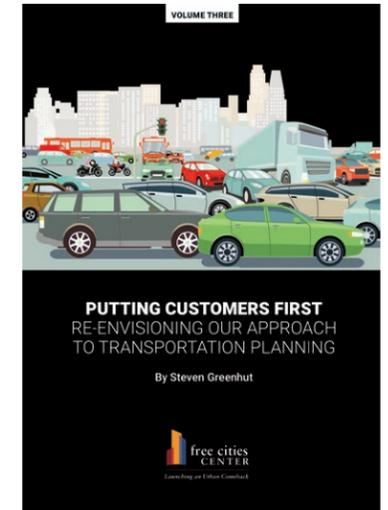
gives agencies time to avoid service cutbacks. But we've all seen how public agencies use new revenues. They rarely make fundamental changes in, say, salary and pension structures. They rarely embrace privatization or other cutting-edge technological improvements. They take the cash and continue with business as usual until they run out of money again.

There's no realistic reason to think that transit systems will identify real cost savers – or that new accountability rules amount to anything other than promises designed to secure support for new funding. Advocates for the bailout argue that cutting transit would have undermined the state's climate goals – but Californians already are avoiding these systems, so it's hard to see how extra cash will help reduce our reliance on automobiles.

Instead of focusing on building better transit systems and improving the efficiencies of the current systems, California policy makers have focused on sometimes absurd policies designed to encourage commuters to abandon their cars, such as "road diets" that reduce traffic lanes and replace them with bicycle lanes.

Steven Greenhut is director of the Pacific Research Institute's Free Cities Center.

READ THE NEW FREE CITIES CENTER BOOKLET "PUTTING CUSTOMER FIRST: RE-ENVISIONING OUR APPROACH TO TRANSPORTATION PLANNING"



State and local transportation officials are planning transportation projects around social engineering, rather than building transportation systems that meet customers where they are and where they want to go, concludes the new book "Putting Customers First" released by PRI's Free Cities Center.

"Public transit ridership is falling in California and across the country—not just because of the COVID-19 pandemic, but because many transit systems are not appealing to ride," said Steven Greenhut, the book's author. "Our new book explores market-based reforms to make transit more hospitable to customers and prioritize new freeway and road construction, without hectoring drivers to get out of our cars."

Greenhut writes that it's true, as critics say, that freeways have often been built over the years in ways that bisected functioning neighborhoods. But the answer, he argues, isn't to stop building freeways as the state has done in recent years.

Rather, additional highway capacity should be built in the right places where they're necessary.

State lawmakers passed Senate Bill 1 in 2017 to increase transportation funding by \$52 billion. Voters who upheld the law at the ballot box, Greenhut notes, were told that these dollars would be used for critical projects to reduce traffic gridlock. But a lot of that money went for social engineering, rather than transportation engineering.

Cities such as Sacramento, for example, used the money to impose "road diets," whereby money that was supposed to be used to increase road capacity was actually used to reduce road capacity. The city has reduced the number of lanes for automobile traffic on busy streets like J Street in Downtown Sacramento and replacing them with new bike lanes. These policies, Greenhut argues, increase congestion and make Californians increasingly cynical about how our money is spent.

The money that is spent in California is not well spent. He cites the Reason Foundation's latest report on state highway building, which found that California spends nearly three times per mile more than Texas (\$205,924 v. \$75,153) on building roads and freeways. "One of the things that California's transportation planners fail to do is put customers first. Instead of trying to change our behavior, California's transportation planners need to build the roads, freeways, bridges and streets that meet us where we are, rather than spending so much time trying to convince us to abandon our cars and take transit," said Greenhut.

Download a copy of
"Putting Customers First"
at
www.pacificresearch.org

PRI's YouTube channel is Must Watch!

Watch webinars, videos, and other original content on PRI's YouTube page, including Free Cities Center video tours and interviews.



How Can California Transportation Policy Better Serve Customers?

Watch transportation expert Marc Joffe of the Cato Institute tour the Walnut Creek BART station with Steven Greenhut. They discuss how to transform transportation policy in California to better serve customers and focus on transportation engineering rather than social engineering.



Urban Ag Promotes Healthy Food, Thriving Gardens

Watch as Steven Greenhut tours City Slicker Farms in Oakland, an urban agriculture program that promotes access to healthy food, thriving gardens and urban green spaces.



How Art Can Improve Urban Quality of Life with Roberta Ahmanson

Steven Greenhut discusses how art can improve the quality of life in urban centers, help address social ills, and inspire people to turn their lives around and forge new, vibrant communities with Roberta Ahmanson of Fieldstead and Company.



Charter Schools Can Improve Urban Learning Options

One problem holding back more families from moving to urban centers and thriving is the poor state of traditional public schools in these areas. But charter schools can be a catalyst for providing students in urban communities with quality education options. Steven Greenhut talks with Natomas Charter School Executive Director Dr. Joe Wood and tours the innovative campus that is changing lives in a diverse Sacramento community.



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'END POVERTY IN CALIFORNIA' CAUCUS POISED TO WORSEN STATE'S POVERTY PROBLEM

By Tim Anaya

Excerpt of blog originally published in *Right by the Bay*

A new legislative caucus was announced in July to address California's status as the worst-in-the-nation state for poverty. The "End Poverty in California" legislative caucus is the brainchild of former Stockton Mayor Michael Tubbs and will be helmed by new Assembly Majority Leader Isaac Bryan, D-Los Angeles.

Tubbs told *Politico* that he sees EPIC's role as being "kind of an outside agitator and policy shop for their allies in the Assembly and the Senate" and that the group aims to let lawmakers "know there will always be a bunch of annoying people talking about poverty."

EPIC promotes "a worker-centered ecosystem that protects the right to organize" and "changing an upside-down tax code that rewards the rich, misses the middle, and penalizes the poor."

Ironically, this would include laws like California's AB 5 restrictions on gig work, which PRI's Kerry Jackson

has described as a "a cruel law that for no good reason can stop people from earning income."

California, of course, already has a \$15 minimum wage, and there are movements to create a \$20 or higher minimum wage. Enacting so-called "living wage" proposals would worsen the state's cost-of-living problem, create unsustainable costs for new businesses and are not-worker friendly, Jackson argues. A separate push to create a \$25 minimum wage for all health care workers could lead to more state hospital closures, writes PRI's McKenzie Richards.

Altogether, the EPIC policy agenda would exacerbate the outflow of jobs, opportunity, tax revenue and people out of the state. As Jackson and Dr. Wayne Winegarden observed in PRI's "California Migrating" study, "the state's increasingly detrimental policy environment creates numerous obstacles that reduce people's quality of life and inhibits their ability to prosper." The EPIC policy agenda

doubles down on failed policies that hurt the poor and working class they aim to help.

"Breaking down these barriers and embracing free-market reforms," as Winegarden writes, "are perhaps the most important things we can do to lift people out of poverty."

If Tubbs, Bryan and his colleagues are serious about ending poverty in California, they'd pick up a copy of PRI's *Breaking Down Barriers to Opportunity* and work on embracing market-based reforms to alleviate poverty – and spare us from yet another documentary that won't help anyone in need.

Tim Anaya is the Pacific Research Institute's vice president of marketing and communications.

TORT REFORM OFFERS A WIN-WIN STIMULUS FOR THE ECONOMY

By Wayne Winegarden
 Excerpt of op-ed originally published in *Forbes*

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Alleviating the long-term burdens created by tort abuse should be a top priority regardless of the economic outlook. Considering our current economic struggles, however, the benefits from effective tort reform are more important than ever.

The inflationary surge that began in mid-2021, even if it is ending, has left far too many families worse off financially. Adding to the stress, mixed economic signals raise the risk of continued weakness. And should we avoid a potential recession, there is still little evidence that robust economic growth will resume anytime soon. Consequently, it will take too much time for people to recover from the economic damage wrought by the last two years.

Effective tort reform can help. Studies have consistently found that frivolous litigation reduces economic opportunities, jobs, and government revenues while increasing

costs for all Americans. A 2021 study from the Perryman Group estimates that the full costs to the U.S. economy from tort abuse are 4.24 million lost jobs, \$429.35 billion in lost output annually, and lost government revenues (federal, state, and local) of more than \$110 billion annually. On a per-person basis, this is a “tort tax” of \$1,303.

Alleviating the losses from tort abuse all at once would boost the U.S. economy by approximately 2 percent. While not all the benefits would be realized immediately, tort reform would help mitigate the heightened risks of an economic slowdown by reducing costs to businesses (particularly small businesses), lowering prices for consumers, and incentivizing greater economic activity.

The accelerated economic activity would generate more revenues for the federal, state, and local governments without the harmful effects caused by raising tax rates. Perhaps most important, families would see noticeable relief from the severe affordability crisis currently afflicting the nation.

All these benefits would be gained without having to re-argue the typical stimulus debates in Washington, D.C. In the current uncertain economic times, tort reform offers a win-win-win opportunity to improve our economic future.

Effective tort reform does not prevent people who suffer injuries from attempting to receive just compensation through the court system. Just compensation for injuries

not only promotes a more vibrant economy, but it is the right thing to do. Effective tort reforms safeguard access to the court system while minimizing frivolous and meritless litigation.

Dr. Wayne Winegarden is a senior fellow in business and economics at the Pacific Research Institute and co-author of the study “Sapping California’s Energy Future.”



Read PRI’s new study “Enriching Lawyers, Not Helping Victims” at www.pacificresearch.org

ANTI-CAMPING ORDINANCES OR HOUSING FIRST PROGRAMS?

By Emily Humpal

Excerpt of blog originally published in *Right by the Bay*

It's no surprise to any resident that, for more than a decade, a disproportionate share of the homeless population has been living in California, and that number continues to grow. We see it every day: on the way to work, dropping our kids off at school, enjoying a nice dinner out.

But after years of the state spending billions of dollars on failed homelessness programs, cities are now taking matters into their own hands with a more forward, and what some are calling, "aggressive" approach.

In response to the increasing public pressure to do something, cities are imposing homeless encampment bans near schools, parks and other community facilities. And these aren't just your typical smaller, rural, right-leaning cities you would expect. It is left-wing dominated cities such as Los Angeles and Sacramento.

Sacramento County passed an anti-camping ordinance September

2022 citing safety concerns along the American River as reason.

"Not only the increase in campers but the increase in violence, the increase in fires that are both damaging to the parkway and dangerous to those living on the parkway, people who have homes along the parkway as well as the animal life on the parkway," said Janna Haynes with Sacramento County told ABC 10 in Sacramento.

The Los Angeles City Council approved an ordinance to prohibit homeless people from setting up tents within 500 feet of schools and day-care centers last August.

These cities may have taken this approach even further if not for the landmark decision, *Martin vs. City of Boise*, by the U.S. 9th Circuit Court of Appeals in 2018. City policing powers in the nine western states, including California, are now curbed due to the court's decision that it is unconstitutional to punish

people for sleeping on the sidewalk when there aren't enough shelter beds or housing available as an alternative – another obstacle hampering the ability of cities to solve this crisis.

The state, however, is taking a different path. Earlier this year, members of the Assembly Public Safety Committee voted down Assembly-member Josh Hoover's proposal to ban homeless encampments near school and parks – showing a significant divide between some of California's largest cities and the state legislature.

The state's sights are set on different solutions.

Governor Newsom touted last March during his State of the State roadshow the more than \$15 billion California has invested into solving homelessness in just the last five years and boasted about the "success" of his Housing First programs such as Project Homekey.

The Governor announced at Cal Expo a \$1 billion proposal to build 1,200 interim tiny homes in the cities of Sacramento, San Jose, Los Angeles and San Diego... for the estimated 115,000 unsheltered homeless across the state. Doing the math, building 115,000 tiny homes across the state would cost California taxpayers over \$95 billion.

So why not just bite the bullet, invest \$95 billion and indefinitely solve homelessness? One problem: the cost. \$95 billion is around one-half of the expected total revenues from the "big three" taxes – personal income, sales, and corporate taxes.

Another problem is that, despite spending billions of dollars, California's Housing First approach doesn't work. Housing First is the idea that the first priority should be providing homeless individuals with safe and decent homes (including converted hotels, tiny homes or apartments).

Then, from this stable platform, other support services like addiction counseling or mental health services can be provided. The largest example of this approach is Project Homekey, which was introduced during the COVID-19 pandemic. Project Homekey converted hotels and motels across the state into housing for the unsheltered.

The problem with the Housing First approach, beyond the expense, is it too often turns into Housing Only. The necessary support services, which are essential for sustainably addressing the homelessness problem, often never arrive. Emblematic of this failure, after three years of implementing Project Homekey, the overall homeless population has increased by about 6%.

Instead of doubling down on the failed Project Homekey strategy, the state can better support California's cities by shifting their focus. Sacra-

mento should prioritize addressing the causal problems of addiction and mental health treatment, encourage and support connecting homeless with private nonprofits, and reforming laws that hinder housing supply and affordability such as CEQA.

Enough throwing money at the problem or enacting "band-aid" solutions. The state should support cities growing focus on promoting public safety and enact policies that address the root of the homelessness issue.

Emily Humpal is the Pacific Research Institute's deputy communications director.



SOMETHING IS CLEARLY OFF WITH CALIFORNIA'S HOMELESS SPENDING

By Wayne Winegarden & Kerry Jackson
Excerpt of blog post originally published in *CalMatters*

California put aside \$7.2 billion to address homelessness in the 2021-22 state budget. Last year, there were an estimated 172,000 homeless statewide, which equates to spending nearly \$42,000 per homeless person.

Spending of this magnitude – which only accounts for state money – is sufficient if it were applied effectively. The worsening crisis indicates that something is off with how the state spends its resources.

This perspective is important in light of a comprehensive homeless survey by UC San Francisco. Many of its findings are enlightening, but too many of its suggestions call for more spending.

It strains credulity to believe that spending \$42,000 per person is insufficient, but if bumped up to \$45,000, all will be OK. California does not have the worst-in-the-nation homeless crisis because it spends too little.

Continued calls for more government subsidies supporting the state's ineffective housing-first approach will waste money while failing to alleviate the emergency.

The survey confirms some things we already know, such as most of the homeless in California (78%) are unsheltered. It also provides essential information to help sustainably address homelessness, such as the pivotal role housing unaffordability plays in driving the problem.

Solutions require policymakers to leverage all we have learned to adopt a more innovative structure for addressing the grim conditions.

The UCSF Benioff Homelessness and Housing Initiative does recommend some innovative policies. Gov. Gavin Newsom has also sought to create homelessness courts. While neither a perfect nor sweeping solution, a court system ordering treatment programs for homeless people could make a difference.

If the effort has the necessary scope and force, it can help move homeless people suffering from mental illness and addiction into a setting of care rather than the current invisible asylum of “the street, the jail, and the emergency room.”

Other suggestions merely throw money at the current ineffective government-run programs, a poor strategy bound to fail. Instead, California should fund well-run and fully accountable private sector groups that help homeless people gain control, address any issues and then become self-sufficient. The “California Way” bias has blinded lawmakers from successful initiatives in other states and tailoring them to West Coast needs. Partnerships and nonprofits in Virginia, Tennessee and elsewhere have shown that they can sustainably address homelessness through novel methods, flexibility and personalization.

Another flaw is government's focus on “controlling the cost of housing” rather than removing disincentives driving the housing shortage. As rising inflation reminds us, you don't lower the cost of anything by throwing money at people. We need to incentivize more housing supply by lowering costs and construction time through deregulation and avoiding harmful policies like rent control that worsen housing unaffordability.

The richest target for deregulation is also the state's most firmly entrenched law: the California Environmental Quality Act. While well-intended when enacted in 1970, it has become a destructive force derailing “the

possibility of homeownership” among the “hardworking members of Latino, Black and other minority communities,” says Jennifer Hernandez, an environmental and land-use lawyer who has documented CEQA's long list of litigation abuses.

Both Newsom and before him Gov. Jerry Brown have publicly supported CEQA reform, which is a start. A better plan would be a legislative initiative to repeal and replace.

Concerns that dismantling CEQA would invite environmental mayhem are overblown. Fresh legislation relying on the volumes of knowledge gained in protecting the environment since CEQA became law, and including provisions that would prevent it from becoming another tool for abuse should not be beyond the abilities of lawmakers.

Spending \$42,000 a year per homeless person is wheel-spinning on a grand scale. It shows a lack of reflection and a poverty of ideas. The progressive policy framework has made no progress on homelessness. It shouldn't be too much to ask lawmakers to rethink their premises.

Kerry Jackson is a fellow with the Center for California Reform at the Pacific Research Institute.

Wayne Winegarden is a senior fellow in business and economics at the Pacific Research Institute.



To learn more about California's homeless problem, read PRI's study “Project Homekey Provides No Way Home for California's Homeless.” Download a copy at www.pacificresearch.org

\$25 MINIMUM WAGE FOR ALL “HEALTHCARE WORKERS” WOULD INCREASE HOSPITAL CLOSURES

By McKenzie Richards
Excerpt of blog originally published in *Right by the Bay*

While those who do these jobs are hard-working and deserve to be paid well for doing such tough work, forcibly increasing the minimum wage to an unaffordable \$25 per hour will cause increased financial strain on hospitals and healthcare facilities already struggling to keep doors open.

In the current economic crisis, many hospitals simply cannot afford to serve the public and patients, while significantly increasing their labor costs. For example, the average pay of an unarmed security guard in California in the private sector is just below \$18 an hour; receptionists also make about \$18 an hour;

janitors make \$17 an hour. Increasing wages by \$7 per hour or more for such employees would result in a significant financial burden for hospitals.

In early February, the President and CEO of the California Hospital Association, Carmela Coyle, released a statement emphasizing the current financial hardship facing California hospitals. One California hospital sadly closed its doors early this year, with more closures predicted to follow soon. Other healthcare facilities cut services or entire departments. She wrote, “it’s the most vulnerable patients who are suffering most.”

The closed hospital referenced in Coyle’s statement was the Madera Community Hospital which was located in a rural, low-income, and largely Latino community in the center of the state. Local residents depended on the hospital for care, but now must drive further for care or go without.

Requiring already strained hospitals to significantly increase their labor costs will only result in larger unintentional health consequences for vulnerable individuals as healthcare services diminish. Proponents of the bill claim that increased pay would incentivize healthcare workers to continue working in

hospitals. As frequently reported throughout the pandemic, nurses and doctors are overworked. Hospitals cannot find enough healthcare workers to sufficiently care for patients.

Nurses and doctors already make more than \$25 an hour, which makes the bill inapplicable to them. The bill would only apply to lower-wage, unskilled positions. Unions leveraging nursing and doctor shortages to increase pay for non-healthcare positions distract lawmakers from focusing on effective solutions.

It is true, inflation and the pandemic hit low-income workers especially hard. As the cost of housing and food increases many struggle to afford to live on the state’s current minimum wage.

In a protest organized by SEIU-UHW, a hospital cook spoke about how after his 8-hour workday, he drives an additional 6 hours for Lyft. His story demonstrates the current economic crisis in California, which is the fault of bad public policy enacted by Democratic state lawmakers- not hospitals paying too little to their workers. Rather than risk increased hospital closures,

lawmakers should focus on making California a more affordable place to live through reduced taxes, regulations, and mandates.

A study by Pacific Research Institute’s Wayne Winegarden found that the cost of living in California is a direct result of onerous taxation and legislative restrictions. To make California more affordable for workers in every field, not just those who work at hospitals and in healthcare facilities, lawmakers should look to repeal taxes such as the gas tax to address our unaffordable energy burdens, approve more housing development by getting rid of CEQA and other restrictive regulations to lower housing costs -and remove other needless legislation that make it very expensive to live here.

To solve the nursing and doctor shortage, California could lower the cost of education so that more individuals from all backgrounds can pursue an education in the healthcare field. Additionally, removing California-specific restrictive licensure and scope of practice laws would allow more qualified nurses to practice in California.

Additionally, by investing in more hospital residency positions, California could educate more aspiring specialist doctors. Earlier this year, the Governor’s office pledged almost \$50 million in grants to fund healthcare programs and residency positions.

Finally, eliminating Medi-Cal fraud by removing individuals from Medi-Cal who no longer qualify for taxpayer-funded healthcare would allow the government to pay more to hospitals for services without increasing taxes. By increasing reimbursement rates for actual services rendered through the jointly funded state and federal government Medi-Cal program, hospitals could then hire more nurses and doctors.

SB-525 fails to adequately solve current issues facing California’s healthcare system and will even exacerbate future hospital and medical center closures.

McKenzie Richards is a policy associate at the Pacific Research Institute.



PROP 12 UPHELD BY SCOTUS: WHAT WILL RULING MEAN FOR FARMERS AND PORK LOVERS?

By Pam Lewison
Excerpt of blog post
originally published in
Right by the Bay

The verdict is in on Prop 12 – the Supreme Court of the United States has upheld the California law as constitutional.

There was no clear-cut verdict in the decision with the justices offering different opinions on the two-pronged argument brought by the National Pork Producers Council and the American Farm Bureau Federation. Attorneys for the NPPC and AFBF argued Prop 12 violated the “dormant commerce clause” and imposed more cost on producers than benefit for consumers, using *Pike v. Bruce Church* as their benchmark.

NPPC President, Scott Hays, issued a statement after the ruling was announced indicating his displeasure and suggesting the ruling would lead to more consolidation of pork production. “We are very disappointed with the Supreme Court’s decision. Allowing state overreach will increase prices for consumers and drive small farms out of business ...”

The decision leaves pork producers around the country with a difficult choice: comply with Prop 12 or don’t sell pork in California.

Passed in 2018, Prop 12 requires pork producers wishing to sell their products in California to abide by housing and other husbandry rules that include communal penning or providing each sow on their farm with at least 24-square feet of pen space without touching either the sides of the pen or another animal. Prop 12 also includes housing requirements for chickens which have already been widely adopted and were not at issue in the court case.

Prop 12 was marketed to California voters to improve animal welfare and food safety. Instead, the proposition disregarded science about how to raise happy, healthy hogs and put those most food insecure residents of California at risk by making food more expensive and out of reach.

Pam Lewison is a family farmer, Pacific Research Institute fellow and director of the Washington Policy Center’s Initiative on Agriculture.



ARE YOU LISTENING TO PRI'S NEXT ROUND PODCAST?

Every week on PRI’s “Next Round” podcast, Rowena Itchon and Tim Anaya break down the latest happenings in Washington and Sacramento, and then interview free market thinkers, elected officials, media voices, authors, and others about their work and how market-based reforms can build a stronger California. Here are a few highlights from recent episodes:

How Bad Sacramento Policy is Causing Victims’ Families to Relive Traumatic Memories with Bob Spano, Carl Olson, and Steve Smith

In a special episode, Rowena and Tim talked with Bob Spano and Carl Olson, whose beloved family members were tragically murdered decades ago, and who have recently been forced to relive these traumatic memories when the individuals who murdered their family members were granted parole. PRI senior fellow Steve Smith discussed how misguided policy changes and executive actions are contributing to the state’s broken parole system, and what lawmakers and Gov. Newsom should do to fix the problem.

How Much More Will You Pay for Electricity Under Revived Clean Power Plan with Rea Hederman Jr.

The Biden Administration revived the Obama-era Clean Power Plan, which is another costly green mandate on the production of electricity in the U.S. Buckeye Institute Vice President of Policy Rea Hederman Jr. joined Rowena and Tim to discuss their new report showing how much more Californians and Ohioans could pay for electricity if the plan takes effect, and how it would subject the rest of the country to the type of green energy mandates that Californians have been struggling to afford for years.

Latest on Debates on TikTok, ChatGPT and Privacy with Bartlett Cleland

PRI Senior Fellow in Tech and Innovation Bartlett Cleland joined Next Round for a discussion on the hot debates in Washington and Sacramento on tech policy. Bartlett and Tim discussed what federal policymakers should do on TikTok and ChatGPT. They also explored the just-announced regulations to implement California’s upcoming privacy law and state legislation aimed at protecting minors online.

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Bestselling author and Manhattan Institute senior fellow Heather Mac Donald discusses her new book, *When Race Trumps Merit*, in Newport Beach, CA



Lance Izumi visits Cristo Rey Orange County High School on the first day of school



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