

# Impact



Spring 2025

A Pacific Research Institute Publication

## California Burning For Answers

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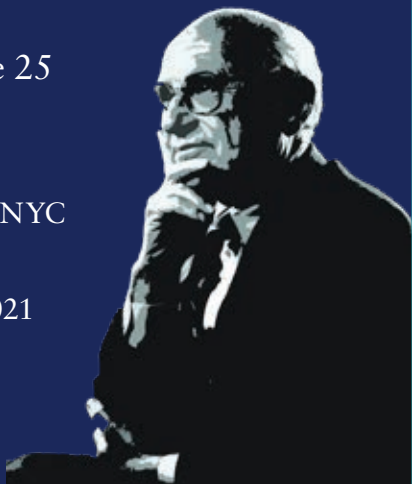
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Sailing and Dinner  
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Celebrate William F. Buckley, Jr.’s  
100th birthday by “Sailing in Paradise”  
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The sailing adventure will be followed by  
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Reminisce Bill Buckley’s life and times with  
Ramesh Ponnuru, editor of *National Review*;  
Charles Kesler, editor of the *Claremont Review  
of Books*; and Peter Robinson, senior fellow of  
the Hoover Institution.

Dear Friends  
and Supporters,

Since the last issue of *Impact Magazine*, a lot  
has happened. Donald Trump was inaugurated  
as the 47th president of the United States and  
Republicans now have control of all three levels  
of government. And, just before the inauguration,  
Southern California was affected by disastrous  
fires that have caused unimaginable damage with  
many homes destroyed and the residents losing  
everything. The recovery will be slow and costly.

This *Impact* begins with Tim Anaya highlighting  
how what Gov. Gavin Newsom calls “The  
California Way” is already letting down Angelenos  
as they look to rebuild in the wake of the wildfires  
(page 3). Then Steven Greenhut reports how the  
state’s self-created insurance crisis hurts wildfire-  
affected homeowners (page 8). And finally, Lance  
Izumi offers a path forward for students who have  
lost their homes and belongings in the fires (page  
11).

As the new Trump Administration enacts some  
much-needed reforms through the Executive  
Orders he has signed in his first 100 days, I  
outline five ways President Trump can work to  
improve our health care system, which you can  
find on pages 16-17. Also, we are so delighted that  
Chris Wright, a PRI board member since 2007  
and founder of Denver’s Liberty Energy, was  
confirmed as Secretary of Energy! See page 19 for  
more details.

Also in this issue:

- On pages 14-15, Nikhil Agarwal takes a  
critical look at Gov. Gavin Newsom’s budget  
and breaks down the governor’s ridiculous  
claim that California is not a high-tax state.

- We welcome two new scholars to the PRI  
team: Gordon Chang, a widely regarded ex-  
pert on China, and Professor Wilfred Reilly,  
a renowned voice on the problems with  
identity politics and reparations. On pages  
10-11, Gordon explains China’s fixation on  
taking over Taiwan, while Wilfred on pages  
12-13 frames the fundamental problems  
with reparations.
- Senior Fellow Wayne Winegarden Ph.D and  
Matt Fleming show how California’s never  
ending push for electric vehicles is missing  
its stated goals while making matters worse  
for California drivers, on pages 18-19.
- On pages 20-21 we feature some of the  
important policy insights from Steven  
Greenhut’s latest Free Cities Center booklet,  
*Building Cities From Scratch*.

I want to thank you all for making our work possi-  
ble. It is only through your continued support that  
we can keep fighting for liberty.



Sally

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

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By following PRI on Facebook, you’ll be the first to read free-market  
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You’ll also be the first to know when tickets go on sale for PRI’s  
must-attend luncheons, dinners, and other events in California and  
beyond featuring top policy analysts like Michael Shellenberger,  
Gordon Chang, and Steve Hilton.

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# Southern California Wildfires Show Just How Destructive the ‘California Way’ Can Be

Tim Anaya, originally published in the *Orange County Register*

You’ll forgive Southern Californians for throwing up their hands in frustration as destructive wildfires rage across the region.

Watching their homes burn and loved ones evacuated, California’s ruling class hasn’t exactly channeled their inner-Rudy Giuliani on 9/11.

This was exemplified by Los Angeles Mayor Karen Bass’ cringeworthy non-response to a Sky News reporter aggressively questioning why she went to Africa when the city faced a high fire risk.

Really? You have nothing to say.

Watching the Mayor refuse to say anything with an expressionless gaze didn’t give those evacuated much hope that local and state government will deliver a competent fire response.

“When you look at the people in charge, Gavin Newsom flew in to do these sort of performance art stunts,” Victor Davis Hanson said of the California governor’s public fire response.

This included giving a word salad to NBC’s “Meet the Press” in response to a question about whether he was passing the buck to Bass in ordering an investigation into lack of water supply in the first hours following the fire’s breakout.

He told CNN’s Anderson Cooper of the water infrastructure failures – “look, the local folks are going to have to figure that out.”

Newsom at times has seemed more interested in shoring up his nascent 2028 presidential campaign than leading.

How else does one explain his be-moaning “the hurricane force winds of mis- and disinformation” to President Biden after finally getting him on the line after a cringeworthy exchange dodging an angry constituent? (“What are you going to do?” she challenged him.)

With fires growing in Tarzana, he went on the “Pod Save America” podcast hosted by the Obama bros to criticize President Trump and had his team set up a campaign website to combat factually correct criticism of his administration’s wildfire budget priorities.

In many ways, what we’re seeing embodies what Newsom calls “the California Way” – the litany of state policies and regulations that make it more difficult and expensive to live here.



The California Way didn't start the fires. But years of reckless policies and misplaced priorities advanced by Newsom, Bass and their allies have made containing the fires harder – and will make recovery and rebuilding more difficult.

It's an agenda that brings us inadequate water infrastructure, improperly maintained forestland, bureaucratic red tape, investments in lesser priorities, and weakened public safety laws.

To be fair, Newsom has taken some good steps, such as issuing an executive order waving CEQA review and Coastal Commission permits for rebuilding.

But Southern Californians can't help but think that he only acted decisively because his supporters in the bluest precincts were victimized. By comparison, no such relief was granted for Camp Fire victims. All they got were lectures about climate change.

The California Way is as much about attitude as it is policy – Newsom and state bureaucrats know better than Californians how they should live their lives.

Those living in wildfire-prone areas from Paradise to Pacific Palisades aren't living as government thinks they should. After all, most live in single-family homes with big yards, cook with gas appliances, drive SUVs long distances, demand their kids are offered Algebra 1 in the eighth grade, and support strengthened retail theft laws – all in opposition to Newsom's wishes.

If they lived the California Way as he envisions it, they'd be doing their part for equity and climate change by living in a small apartment in a dense high-rise, eating a vegan diet, riding their bikes or taking the bus, and giving up their daughter's spot at UCLA in the name of fighting racism.

In many ways, the fire victims caused their own disaster by living a freedom-filled life.

How dare Californians criticize Newsom, he argues on his "misinformation"-busting campaign, when he has promoted many big-government spending initiatives on wildfires and water.

But those now without a home correctly ask if he can point to any successful outcomes. The answer is, tragically, no.

But that's the California Way – vibes and tweets are more important than delivering the essential services hard-working taxpayers expect.

Only when competence and reasonableness rule the day in policy-making will anything change.

Read the latest from PRI's scholars about the Southern California wildfires recovery and rebuilding. [www.pacificresearch.org/issues/wildfires](http://www.pacificresearch.org/issues/wildfires)



# An insurance emergency after officials let crisis fester

By Steven Greenhut, *Free Cities Center*

Horrific wildfires in Los Angeles have focused attention on California's ongoing insurance troubles, but because of the state's inaction its insurance industry is facing an existential crisis.

"Uncharted territory," as one insurance agent put it. It may be uncharted, but officials have long known where this path would lead.

Insurance companies had been waving the warning flags for years, but to no avail. And I wrote about this a few years ago in a piece appropriately called, "California's Coming Insurance Crisis." Even as top insurers stopped writing new property insurance policies or exited the state altogether, the governor and Legislature failed to make the issue a priority.

It's taken far too long for the Insurance Commissioner Ricardo Lara to implement some modest, albeit sensible reforms. They are useful, as they finally

allow insurance companies to use catastrophe models in setting rates rather than relying entirely on past claims. Our officials blame climate change for virtually every problem, yet had refused to let insurance companies price their policies based on information about increasing heat and drought risks likely caused by a warming climate.

The reforms also finally allow insurers to account for rising rates for reinsurance – the insurance policies that insurance companies buy to protect their capital reserves and allow them to write more policies. The department also has worked to speed up the rate-review process, which can take months or even years for insurers to get the OK to adjust rates to reflect market conditions. In exchange, insurers agree to write more policies in fire-prone areas. It may be too little, too late. *(continued on next page)*





# Give fire victim families emergency school choice

Lance Izumi, originally published at *EdSource*

As Gov. Gavin Newsom stood near a burned-down school, Pacific Palisades mom Rachel Darvish pleaded with Newsom: “That was my daughter’s school, what are you going to do?” Newsom offered no real answer for the distraught parent at the time.

Well, here’s the answer he should have given: all families affected by the Los Angeles fires should be eligible for emergency education savings accounts parents can use to pay for education alternatives for their children.

The Los Angeles fires have not only destroyed people’s homes and businesses, they have also razed neighborhood schools. Initial reports indicate at least a dozen schools in the Los Angeles area have burned, affecting more than 5,700 students.

In the Altadena area, which was devastated by the Eaton fire, nearly 2,000 students are school-less. “I’m just really sad,” one 7-year-old Altadena girl told a CBS-TV reporter, “because I love that school.”

Describing the impact of losing her children’s neighborhood school, an Altadena mom said: “School is a big part of it because it’s the foundation of a family’s daily life. Now we don’t have that anymore.”

The sad reality for affected families is that rebuilding schools, like rebuilding homes, will take a lot of time and money, and only \$1 million of Newsom’s \$2.5 billion wildfire relief bill was designated for rebuilding schools.



The problem is more fundamental. Insurance companies are in the business of writing insurance policies. When those companies are pulling back from or out of a market that suggests an underlying regulatory problem. In California, the problem centers on our prior-approval insurance system (shared by 12 other states), approved by voters in 1988.

It turned the insurance commissioner into an elected position and rolled back property and auto insurance rates by 20%. It created a Byzantine process by which the commissioner must approve rate changes. It’s a system of price controls. Government officials employ a variety of formulas to determine the “reasonable” profits that an insurer can earn. The initiative created a process whereby “intervenor” are paid to essentially oppose rate hikes.

As elected officials, insurance commissioners have a built-in incentive to oppose rate hikes, which aren’t great for political careers.

In one instance, the state’s largest insurer, State Farm, proposed raising rates 6.9% but the commissioner instead ordered the firm to lower rates by 7% and provide \$100 million in retroactive rebates to consumers. Years later, the company won its lawsuit, but you can quickly understand why insurers quietly reduce their presence in the state rather than deal with this process – especially after a series of costly wildfires required massive payouts and losses.

“Fires in 2017 and 2018 wiped out a full quarter-century of profits for insurers, leading many carriers to reduce the number of homeowners they covered,” reported *The New York Times*. “In response, California officials temporarily blocked insurers from dropping homeowners in areas hit by wildfires.”

Lara just announced a similar moratorium, by blocking insurers from dropping homeowners in the affected Los Angeles fires for a year. Whatever relief that may provide individual homeowners, it will only exacerbate the problem.

“ True insurance reform would require another ballot measure, but lawmakers could make improvements within the Prop. 103 straitjacket.

Recently, Gov. Gavin Newsom announced special legislative efforts to protect California from the incoming Trump administration. Last year, he held an emergency session to deal with supposed oil-company price gouging – a pointless act of performative politics given we all know the cause of our high gas prices (state gas taxes, special fuels formulation and efforts to shutter the fossil-fuels industry).

Newsom obviously has some tools at his disposal to deal with a true crisis but has refused to use his political capital to use them. As the Pacific Research Institute’s 2021 book “Saving California” explained, the governor could use his emergency powers to step up forest-clearing efforts and divert funds from the floundering high-speed rail project to projects that will reduce wildfire risk.

It’s a matter of misbegotten priorities. True insurance reform would require another ballot measure, but lawmakers could make improvements within the Prop. 103 straitjacket.

The latest insurance reforms have shown some sign of helping as a couple of insurers announced their willingness to start writing more policies, but throw this unprecedented fire disaster into the mix and all bets are off. To make matters worse, the state-created, industry-funded Fair Access to Insurance Requirements (FAIR) Plan could be on the brink of insolvency as this bare-bones insurer of last resort is dealing with an influx of policy holders and claims.

Insurance provides the backbone to homeownership and our economy. State officials have long known that a massive disaster could pose an existential crisis. Instead of taking the matter seriously, they’ve continued to focus on their usual progressive policy nostrums allowing true crises to fester. We are indeed heading into dangerous, uncharted territory. Sadly, it seems unlikely that they have the fortitude to lead us out of it.

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



Even in normal times, it takes two years or more to build a school, and school construction costs range from \$70 million to \$100 million per school.

What are families to do in the meantime?

Many affected families have been dispersed to various parts of Southern California and beyond. Since their homes will not be rebuilt soon, government leaders can address the individual needs of children in this diaspora by giving every child affected by the fires a publicly funded education savings account.

According to the school-choice organization EdChoice, education savings accounts “establish for parents publicly funded government-authorized savings accounts with restricted, but multiple uses for educational purposes,” to be used in-state.

Parents can use these funds to cover “school tuition, tutoring, online education programs, therapies for students with special needs, textbooks or other instructional materials, and sometimes save for college,” whatever policymakers determine. Some programs cover home school costs.

California leaders can model on Arizona, where education savings accounts are funded at 90% of the state’s per-pupil funding, with special needs students receiving higher amounts.

In Newsom’s proposed 2025-26 budget, \$83 billion from the state’s general fund would go to K-12 education. Using Arizona as a guide, \$12,800 could be made available for these accounts for each affected child.

With thousands of affected students, the total cost for an emergency education savings account program would be around \$73 million — a drop in the bucket compared with the billions of dollars in aid being discussed for other aspects of the affected areas.

Education savings accounts are popular with parents. In Arizona, a large majority of parents support such accounts.

**Government leaders can address the individual needs of children in this diaspora by giving every child affected by the fires a publicly funded education savings account.**

For example, after talking with Arizona State Board of Education member Jenny Clark about the state’s education savings account program, one family said, “We continue to utilize the ... program to tailor our son’s education to meet both his great strengths and real challenges.”

Today, 18 states from Wyoming to West Virginia have similar programs.

Public schools could be held financially harmless during the existence of these accounts. As EdChoice noted, in states with school choice

programs, “many have funding protection policies.” In California’s case, districts could continue to receive their current average daily attendance funding.

Education savings accounts could be funded through the billions of dollars in aid the state will surely receive from the federal government. President Donald Trump would likely look favorably on this program since he proposed a similar program at the federal level in his first administration. The education savings account program should be reevaluated after a few years to ensure it’s working as designed and improved as needed.

While the catastrophe of the Los Angeles fires has created great uncertainty, one thing is certain: Parents affected by the fires will need the flexibility to pivot and choose educational alternatives that best suit the individual needs of their children.

Parents cannot wait for bureaucratic processes to rebuild the schools that had been. These families need tools right now to pay for and provide for educational services to meet their immediate needs.

“We are so thankful for the educational freedom,” said another Arizona family that used their account funds for a home school hybrid program.

With National School Choice Week upon us, it is a perfect time to give fire-affected Los Angeles parents the freedom and flexibility they so desperately need.

*Lance Izumi is Pacific Research Institute’s Senior Director, Education Studies.*

# Why China Believes Taiwan is an Existential Threat

Gordon Chang, *Gordon Chang Report*

“The reunification of the motherland is a historical inevitability,” Xi Jinping proclaimed in his 2024 New Year’s address, referring to Taiwan.

China’s annexation of Taiwan as its 34th province, however, is by no means guaranteed.

So far, Taiwan—officially the Republic of China—remains beyond the grasp of Xi’s People’s Republic of China. If events are moving in any direction, they are headed toward permanent separation of the two states.

There are many reasons for the forever division of the two republics, and two mutually incompatible ones stand out. First, most of the people on Taiwan do not think they are “Chinese.” Second, the Chinese in China disagree, believing the people living in Taiwan are of the same blood.

“All Chinese on both sides of the Taiwan Strait should be bound by a common sense of purpose and share in the glory of the rejuvenation of the Chinese nation,” China’s leader also stated in his New Year’s address. He can say this because he believes there is a common bond based on blood lines.

Through decades of relentless Communist Party indoctrination, the people of the People’s Republic agree with their leader. The “family” line of argument of course supports what the Party terms “reunification” with Taiwan—families, after all, should not remain divided—but the notion of one family also makes war on the island republic extremely unpopular.

China’s people often say among themselves that “Chinese should not kill Chinese.” A war against Taiwan would almost certainly result in tens of thousands and, more likely, hundreds of thousands of deaths.

The Chinese people, devastated by the first prolonged economic downturn since the 1970s, are in no mood for war and are even withdrawing from society in large numbers. Killing Chinese “compatriots” on a mass scale is the last thing China’s people want their rulers to do.

Most living in Taiwan, on the other hand, do not see themselves as “Chinese.” In fact, no Chinese ruling group has ever held indisputable sovereignty to the island... China’s historical and oth-

er arguments have fallen flat with Taiwan’s people. Xi Jinping has been promoting Beijing’s rule of the island republic under the “one country, two systems” formula, but that promise has fallen flat with most Taiwanese.

The DPP, as Taiwan’s governing party is known, can thank Xi for its big victory this January when Vice President Lai Ching-te won the presidency. Lai’s campaign was ailing in the weeks before the election because voters were expressing dissatisfaction with DPP governance on bread-and-butter issues. Then Beijing decided to weigh in, calling the vice president a “separatist” and “destroyer of peace.” As a result, ethnic Taiwanese voters began to focus on their ethnicity and the China threat.

China’s extensive political warfare efforts directed at Taiwan, therefore, have been counterproductive for Beijing. Yet Xi Jinping keeps adopting the same hardline approach.



Taiwan will not voluntarily agree to become a Chinese province. Yet Xi demands just that. Xi, in his first year as ruler of China, created a marker and staked his legitimacy on annexing the island republic. He has repeated his demand many times since this landmark statement.

To annex Taiwan, therefore, China will have to use force. The People's Liberation Army, however, is not ready to invade. Even if it has sufficient firepower to do so, as many analysts believe, the senior leadership of the PLA, as China's military is known, is in disarray, wracked by purges during the last two years.

Because China is not ready to invade, Xi may try something else. Taiwan officials late this year have told visiting foreigners that they expect Beijing to impose a quarantine over the island republic in the coming months.

Xi cannot back down if his quarantine fails. Only the most hostile answers are considered acceptable in senior Communist Party circles, so the world has to be prepared for anything, at any place, and at any time.

Would the fight be worth it to Xi? He evidently believes that Taiwan poses an existential threat to the mighty People's Republic of China. Because the Chinese people believe Taiwan's people are of the same blood, the people of Taiwan fatally undermine the Communist Party's core narrative that the Chinese are not yet ready to govern themselves. Taiwan's democracy is vibrant, and the island republic is proof that the Chinese people are capable of good governance.

Taiwan, therefore, must be prepared because the Communist Party believes it cannot allow the island republic to remain independent. Conflict, therefore, is virtually inevitable. Success for China's regime, however, is not.

**Gordon Chang is** an author, lawyer and public speaker who is widely considered an expert on China. He lived and worked in China and Hong Kong for nearly two decades.

His writings have appeared in many of America's top publications, like *The New York Times*, *The Wall Street Journal*, *Commentary*, *National Review* and *Newsweek*. He graduated from Cornell Law School and has spoken at many ivy league institutions, think tanks and even congressional committees.

We are honored to have him as a regular contributor.

Read the Gordon Chang Report every month at [pacificresearch.org/gordon-chang-reports/](http://pacificresearch.org/gordon-chang-reports/)







# Three Questions That Probably Doom California's Reparations Push

Wilfred Reilly, originally published in *National Review*

Wilfred Reilly is an associate professor of political science at Kentucky State University. He is widely regarded as an expert on the effects of identity politics and reparations. He has a Ph.D. in political science from Southern Illinois University and J.D. from the University of Illinois College of Law.

He's a brilliant and provocative writer whose work appears regularly in *National Review*. We are excited to have him as a regular contributor to PRI.

As California seriously debates the logic of paying reparations to black Americans, it is important to review the implausibility of a reparations plan.

The first question might sound easy to answer: “Black people” get reparations money. But who counts as black? Does that pool include the 12 percent of African Americans born in a foreign country, or the 9–10 percent who were “born in the U.S. (but) have at least one foreign-born parent”? How about the perhaps 40 percent of black Americans who have at least an immigrant grandmother or grandad? What about members of the 10.2 percent of the country who identify as biracial, a group that is disproportionately made up of people who are half black and half white?

It should be noted that these populations are doing quite well. Nigerian-Americans often test as the best-educated group in the United States, and black immigrants as a whole earn around the U.S. average, despite their short tenure in the country. The Brookings Institution recently found that multiracial Americans—half of whom, in its sample, were black and white—have achieved academic parity with white students and “have the

same test scores as whites on math, science, and writing” exams. On reading tests, multiracial kids “outperform other groups, . . . including Asians”—which certainly bodes well for their futures.

This raises the question—should an upper-middle-class child who is (say) half Caucasian and half Kenyan be given money or privileges for “being black”?

Morally speaking, the “Who gives?” question is even trickier than the “Who gets?”—which has some plausible if creepy answers. Are first- and second-generation non-black immigrants, or the descendants of Ellis Island- or Bracero Program-era migrants, who have had nothing to do with slavery, expected to pay into a communal kitty to compensate the distant descendants of slaves?

What about the descendants of the Union soldiers who freed the slaves—losing one man in Northern blue for every nine captive Africans who were let go? What about us black folks? All state- or national-level government programs are funded by taxes or the redivision of tax revenue. Am I, at my current level of income, going to have to pay substantially to write myself an unearned check?

The last question waits in the shadows: “Who’s next?” Americans think of repa-

rations as a “black thing.” However, at some level, Native Americans probably faced more specific and remediable harms—including broken treaties that had promised tribes certain tracts of land, for example—than any other group across the sweep of American history. Beyond Native Americans, there seems to be no reason other groups might not qualify for a “stimulus package.” Descendants of the Appalachian bondsmen who were brought here on “white guinea-men” and who long “owed their soul to the company store,” the Chinese railroad workers bound by some of history’s most dubious contracts and long denied full U.S. citizenship, and the Mexican Bracero Program peons would all seem to have a solid claim. Women might as well. As any feminist friend will gladly remind you, women only obtained the vote in 1920, and rape by husbands was not made nationally illegal until 1993.

One final point, separate from the three questions, is that the amounts proposed for reparations payments make no sense. While reparations bills authored by California state senator Steven Bradford “merely” propose setting up a major new agency to study the reparations question and eventually manage payouts, the reparations-commis-

sion plan—estimated to provide about \$1.4 million to each payee—would cost the state \$2.8 trillion over 30 years, according to the Pacific Research Institute’s analysis.

This idea is, frankly, absurd.

State senator Bradford proposed two bills, one creating “a new state agency” to oversee state efforts to compensate blacks for past abuses and the second establishing a “state fund for reparations” capable of eventually making payouts. Governor Gavin Newsom wanted to convert the proposals into a study, which Bradford rejected. Ironically, members of the Legislative Black Caucus did Newsom’s bidding in blocking the bills on the last night of the legislative session.

As Newsom and other lawmakers dodge the political hot potato, it’s important that they ask themselves the three key questions above before charting the state’s path on reparations.





# The Newsom Budget on Taxes: Yes, Governor, California Is a High Tax State

By Nikhil Agarwal, *Right by the Bay*

In his 2025-26 state budget rollout, Governor Newsom declared that California “is not a high-tax state.” This statement, shocking to the millions of Californians paying the states excessively burdensome taxes, is patently untrue.

California imposes the highest top marginal state income tax rate and one of the highest state and local sales tax rates in the country. It is simply illogical to claim that a state with the highest income tax rate and a very high state and local sales tax rates is not a high tax state.

The Tax Foundation, in its annual evaluation of the competitiveness of all 50 states’ tax systems, found that California has the third worst state tax system. The Golden State ranks so low because it imposes exceptionally high tax rates and has an uncompetitive tax structure. When examining the total amount of taxes collected, the Tax Foundation found that California’s per capita state tax collections was the highest.

It’s not just the Tax Foundation. WalletHub has similar findings, as does *U.S. News & World Report*.

Dumping cold water on the Governor’s claim is essential because Governor Newsom claims this year’s expected balanced budget’ is proof that California has undertaken a disciplined approach to spending. Nonsense.

As we have argued previously, the budget is being propped up by large capital gain realizations enabled by the strong stock market performance. Relying on the stock market is an unsustainable and risky strategy, which even California Director of Finance Joe Stephenshaw acknowledged.

“ **California imposes the highest top marginal state income tax rate and one of the highest state and local sales tax rates in the country.**

While estimating that the 2025-26 budget remains ‘roughly’ balanced, the Legislative Analyst’s Office predicts that spending growth will outstrip revenue growth by close to two percentage points by the end of the decade. The result will be recurring future budget crises.

And yet, Newsom is keen on expanding Medi-Cal coverage, universal Pre-K, and providing tax credits for Hollywood. Stephenshaw was eager to stress that the new budget limits new funding and touted the elimination of thousands of vacant government positions. He admitted, however, that ‘ongoing baseline costs continue to increase above revenue projections.’ It is unsurprising then that the budget calls for a withdrawal of \$7.1 billion from California’s rainy-day fund. That

surely is the tell-tale sign that Newsom’s happy talk about the budget surplus is a smokescreen designed to obfuscate the long-term pain Californians will feel should the government continue on its current spending trajectory.

Newsom has sought to pre-emptively deflect responsibility for any decline in the State’s financial health in the upcoming months, suggesting that ‘the bottom could completely fall out’ should the incoming Trump Administration decrease Federal aid. The spate of wildfires that have broken out across Southern California have also thrown a spanner in the works.

Not only will the State have to divert resources towards the affected communities, but Stephenshaw anticipated likely delays in tax collection that would impair the state’s ability to generate revenue.

Factors beyond the State’s control will hamper even the best of plans. California’s budget, however, is a continuation of the same economic thinking that has placed a heavy tax burden on its citizens and driven many of them out of the state in recent years. Acknowledging that the state has a tax and spending problem is the first step toward establishing a more judicious spending plan that will benefit Californians in the long-run.

*Nikhil Agarwal is a Research Associate at the Pacific Research Institute.*



# Five ways Trump can improve healthcare

Sally C. Pipes, originally published in the *Washington Examiner*

President Donald Trump famously stated he has “concepts of a plan” for healthcare reform. Now, those concepts may soon become reality.

**Here are five ways Trump and a Republican Congress can reduce health costs and expand access to affordable healthcare.**

1



## Scrap Biden’s enhanced Obamacare subsidies

These subsidies allow people who earn between 100% and 150% of the federal poverty line, between \$31,200 and \$46,800 for a family of four, and who don’t qualify for Medicaid to obtain zero-premium taxpayer-funded health coverage through the exchanges.

As a person’s income rises, he has to cover an increasing share of his premium, until he reaches 400% of the federal poverty level, \$124,800 for a four-person household, at which point his contributions are capped at 8.5% of income. Making these subsidies permanent would cost taxpayers \$383 billion over the next decade. Republicans would do well to let the subsidies expire, as scheduled, at the end of 2025.

2



## Implement work requirements for Medicaid

During his first administration, Trump approved 13 state waivers requiring Medicaid enrollees to work, attend school, or volunteer. States typically exempted pregnant women and other vulnerable people.

President Joe Biden revoked those waivers. Some states should look to restore them.

Federal work requirements could save the government \$109 billion over 10 years. And they could have the added benefit of nudging people off government dependence and eventually onto private coverage, possibly through their new workplaces.

3



## Equalize Medicaid matching funds

The federal government covers a greater share of Medicaid costs for those earning up to 138% of the poverty level, who became eligible under Obamacare, than for the program’s legacy enrollees, which include pregnant women and disabled people.

That discrepancy gives states an incentive to prioritize enrolling able-bodied people over the truly indigent. That’s wrong. The federal match for the Medicaid expansion population should be lowered to the rate for the legacy population.

4



## Boost access to short-term health plans

Short-term health plans don’t have to comply with Obamacare’s cost-inflating mandates. Premiums are often lower as a result.

In 2018, Trump expanded short-term health plans to last up to 364 days and let insurers extend them for up to three years. Roughly 3 million people signed up for the plans in 2019.

But Democrats undid the Trump-era rules when they took back power and limited short-term plans to no more than three months, with an option for a one-month renewal. Now, Trump can reinstate his own policy and offer people more affordable alternatives to exchange coverage.

5



## Expand access to health savings accounts

HSAs allow people to set aside money for future health needs. Deposits are untaxed, the principal grows tax-free, and withdrawals are untaxed, provided they cover qualifying health expenses.

Right now, only people with high-deductible health plans can contribute to HSAs. Next year, individuals will be able to contribute up to \$4,300 and families up to \$8,550. The Trump administration and Congress should work to give everyone, including those on Medicare, the ability to contribute to an HSA, and it should raise those contribution limits.

Trump just won an opportunity to make healthcare freer and more affordable. Let’s hope he takes it.

## PRI continues fighting for free market solutions.

Recently, we filed an amicus brief arguing the Gilead Tenofovir Cases threaten pharmaceutical innovation by imposing retroactive liability on drug development timelines. The brief warns that allowing the case to proceed could deter companies from developing new treatments due to the risk of massive legal penalties.

**Read the brief at [medecon.org](https://medecon.org)**







# California's Regulatory Assault On Drivers Continues

Wayne Winegarden and  
Matt Fleming,  
Originally published in *Forbes*

Californians already suffering from significantly higher gas prices will be dismayed to learn that the regulatory state has decided to make things worse. For the rest of the country, the changes stand as a stark warning.

Recently, the California Air Resources Board, known as CARB, voted to increase the burden from the state's Low Carbon Fuel Standard (LCFS). CARB claims the changes will help the state reach its emissions goals, but given the current technological constraints, that assertion is uncertain at best.

What is certain is that these changes will increase fuel costs in the state. According to the Kleinman Center for Energy Policy at the University of Pennsylvania, the proposed changes to the LCFS will increase gasoline costs by as much as 65 cents per gallon by 2030. An analysis CARB conducted projected that gasoline prices would increase by an average of 37 cents per gallon. The estimated costs from the regulations will then continue to mount potentially reaching \$1.50 within a decade.

All these added costs will make it more expensive for drivers in California. Using a price increase estimate of 50-cents a gallon, a family purchasing 15 gallons of gasoline a week would spend an additional \$390 annually just to cover the costs of the new mandates. Should the cost increases hit \$1.50 a gallon, the additional costs explode to \$1,170 annually.

Unfortunately, these aren't the only cost increases being foisted on California drivers. Another new law California just passed imposes additional storage mandates on refiners that will increase gas prices by around \$0.11 a gallon. There are also the cap and trade costs and the state's gas tax that automatically rise each year based on changes in inflation.

The common expectation is that "the LCFS program" will "incentivize the utilization of zero emission battery electric vehicles". The economics of the situation illustrate that this common perception is likely overstated if not outright wrong because it will be infeasible for most families to switch to electric vehicles.

According to Edmunds, the largest price gap between EVs and internal combustion engine vehicles was for compact SUVs where the "average fully electric model, with a starting MSRP of \$53,048, was a wallet-draining \$17,326 more than the average of \$35,722 for a gas-burning compact crossover." Even the smallest gap for large pickups was "18% at \$76,475 for electrics versus \$64,784 for ICE vehicles." The price gap for sub-compacts was around \$9,000.

In other words, to avoid the additional costs that the LCFS will impose on families, families will need to spend an additional \$9,000 to \$17,000 when purchasing a new vehicle. For perspective, this difference exceeds the entire bank account balance for the me-



dian household, which is around \$8,000.

EVs lack of affordability is even worse than these figures indicate because the additional thousands of dollars to purchase a home charging station have not been considered. Unable to come up with the money to pay for all these costs, and with limited ability to shorten their driving distances, California families will wind up enduring the large financial burden from the LCFS without meaningfully reducing their greenhouse gas emissions.

In response to the undeniably higher costs to purchase EVs, advocates will often claim that EVs have lower operating costs that will make the total cost of owning an electric vehicle worthwhile. Here again there are reasons for skepticism.

A website tool from the U.S. Department of Energy estimates the operational savings from an EV. According to this online tool, the annual savings can be as high as \$2,200 annually but it is unlikely that these savings can be realized in practice. EVs' range often underperforms the factory potential because, in the real world, temperatures become extremely cold in the winter and excessively hot in the summer. Drivers must also navigate adverse weather conditions, and batteries degrade over time. All these realities reduce EVs' realizable performance.

Ignoring these factors, and assuming the \$2,200 in estimated savings will be achieved, the operational savings still do not justify the cur-

rent additional costs. According to Car and Driver, the average service life of an EV is "between eight and 12 years". Assuming a 10-year life for the EV and a 6 percent discount rate, the present value of the operational savings is around \$16,000, which is around the price premium of an EV. In other words, assuming a best-case savings scenario, the EV savings are minimal or nonexistent.

Making the costs even higher, the above has only considered the direct impact from the mandates on families. Industries, such as agriculture, manufacturing, and transportation, will also face higher costs in addition to real concerns over the availability and reliability of commercial EVs and trucks. Consequently, the changes will further dim the vibrancy of the business sector in California and add additional burdens on consumers.

The LCFS is one of many policies that make California an unaffordable place to live and an inhospitable place to do business. Increasing its stringency as CARB has just approved only worsens these problems and encourages an even greater exodus from the state.

For the rest of the country, California's current policies provide important lessons regarding what not to do.

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*Matt Fleming is Pacific Research Institute's Communications Director.*



## Congratulations, Mr. Secretary

Please join us in congratulating former PRI Board Member Chris Wright on his confirmation as the U.S. Secretary of Energy.

Chris is the Chief Executive Office and Chairman of the Board for Liberty Energy, a company he founded in 2011. He is a great defender of liberty and a brilliant leader and there is no one better suited to lead the nation's Energy Department.

Chris was a PRI board member since 2007. In his new position as Secretary of Energy, he will be a strong defender of market-based solutions to the nation's energy issues over the next four years.

Want to know more about Chris? **Watch a webinar with Chris in conversation with PRI's Steve Hayward at [youtube.com/PacificResearch1](https://youtube.com/PacificResearch1).**

Photo © By Donica Payne

# Building Cities From Scratch: America's Long History of Urban Experimentation

Steven Greenhut

The plan by a group of San Francisco Bay Area venture capitalists to build an entirely new city on ranch land in Solano County between the Bay Area and Sacramento has become one of the most controversial housing plans in Northern California in years. The East Solano Plan might be delayed, but the proposal sparked a necessary debate about building new cities and planned communities to meet market demand and offset California's housing crisis.

In a new booklet, the Pacific Research Institute's Steven Greenhut, director of PRI's Free Cities Center, analyzes the proposal and what it means for the future of city planning. "Building Cities from Scratch" looks at America's long and successful history of building new cities. It argues that such proposals not only offer the promise of more housing but offer opportunities for experimenting in urban design and in improving the provision of municipal services.

"New cities are in fact nothing new in America," Greenhut said. "They have always provided the impetus for innovation. California's housing crisis is driven by an excess of government planning and control.

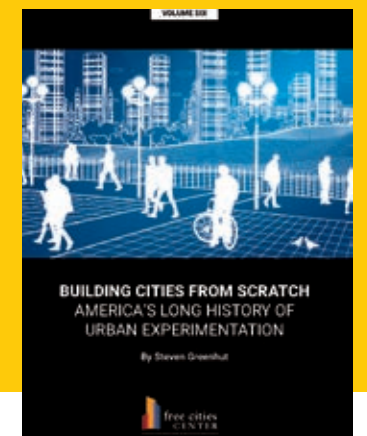
The state needs to free private investors and developers to meet market demand if it ever hopes to turn the corner on its housing crisis. There's much we can learn by past new-city examples."

The California Forever proposal in exurban Solano County is designed to be a walkable "real" city that would house 50,000 new residents to start, but the plan was derailed for at least two years by local opposition, low approval ratings and a tight-lipped and ineffective public relations campaign. The group recently pulled a measure from the November ballot that would have allowed the rezoning of the property. Interestingly, the proposal sparked a debate within the YIMBY (Yes In My Back Yard) community, between those who applauded its plan to build more housing and those who viewed it as sprawl.

But whatever California Forever's fate, the idea of building new cities is an important one. The PRI booklet recounts the history of some of the nation's most significant ones, from post-war communities such as Levittown, N.Y., to Midwestern utopian communities built along religious lines to Irvine in Orange County, Calif, which embodied some of the most forward-looking design concepts at the time.

The booklet also looks at the concept of Special Economic Zones and other private cities in developing nations, which have evolved as a means to circumvent corrupt and incompetent governments. Although developed nations such as the United States have largely conquered these problems, our country – and California in particular – has been struggling with basic governance issues that offer new opportunities for private zones or entire cities. Competition from new cities might help.

"Building Cities from Scratch" looks at real-world proposals and new city thought experiments create innovative urban thinking.



Download a copy of *Building Cities from Scratch* at [pacificresearch.org](https://pacificresearch.org)



# Cultivating Leaders in Education

PRI held four hugely successful school board member training conferences in the fall of 2024. Policy experts shared advice on improving student performance, budgeting more effectively, and shared thoughts on how to be a more effective board member.



School Board Member Training Conference in Anaheim, California



School Board Member Training Conference in Spokane, Washington



School Board Member Training Conference in San Antonio, Texas

# Honors and Celebrations



Festschrift Dinner honoring Professor Charles Kesler; Newport Beach, CA; December 2024



"Woodrow Wilson: The Light Withdrawn" Luncheon and Book Signing with the Honorable Christopher Cox; Newport Beach, CA; January 2025



Baroness Thatcher Dinner with Gordon Chang and Honoring Linden Blue; La Jolla, CA; March 2025





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Pacific Research Institute champions freedom, opportunity, and personal responsibility by advancing free-market policy solutions. PRI provides practical solutions for policy issues that impact the daily lives of all Americans, and demonstrates why the free market is more effective than the government at providing the important results we all seek: good schools, quality health care, a clean environment, and a robust economy.

Founded in 1979, PRI is a non-profit, non-partisan organization supported by private contributions. Its activities include publications, public events, videos, media commentary (including op-eds, radio and television interviews), as well as article citations, community leadership, invited legislative testimony, *amicus* briefs, social media campaigns, and academic outreach.



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