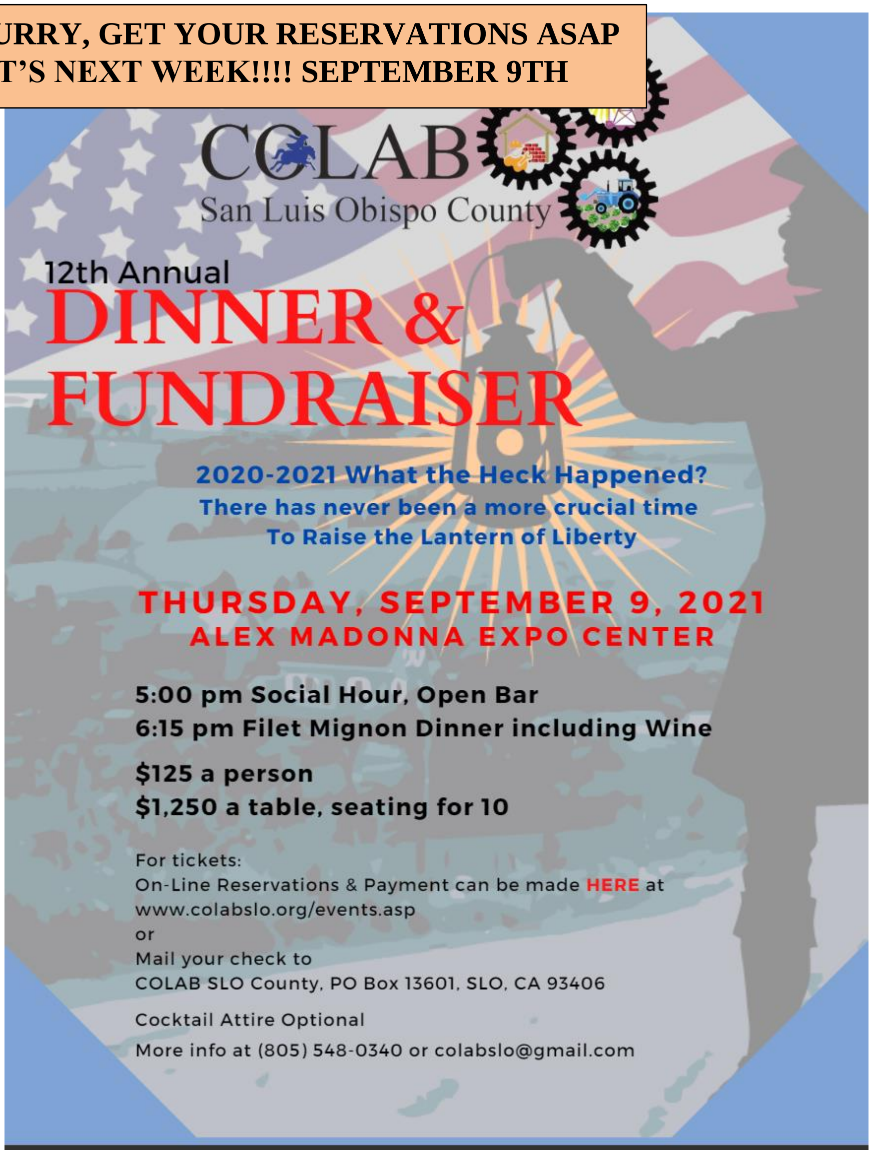
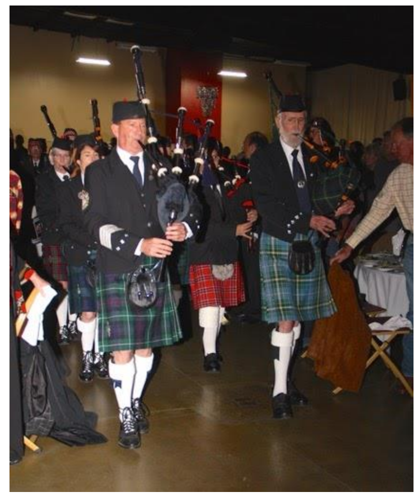
COLAB San Luis Obispo County

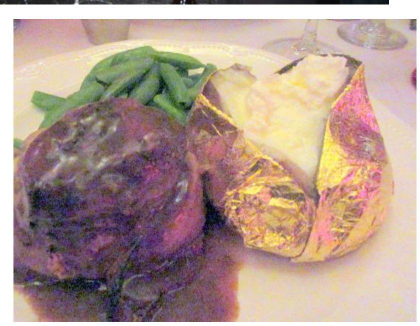
The Coalition of Labor Agriculture and Business

WEEKLY UPDATE
AUGUST 29 – SEPTEMBER 4, 2021

HURRY, GET YOUR RESERVATIONS ASAP - IT'S NEXT WEEK!!!! SEPTEMBER 9TH







THIS WEEK

NO BOS MEETING

CENTRAL COAST ENERGY NEEDS RATE INCREASE
ECONOMIC REALITIES WILL ULTIMATELY BETRAY PROMISES

SLOCOG WANTS YOU OUT OF YOUR CAR
$230 MILLION BICYCLE AND TRAIL PLAN

LAST WEEK

SLO PENSION TRUST
INVESTMENT RETURNS GOOD SO FAR THIS YEAR

BOARD OF SUPERVISORS

NEW WATER SUSTAINABILITY DEPT. TO BE CREATED
WHY, WHAT COST, WHAT PROBLEMS WILL IT SOLVE?
DEAL CONFIRMED: NEW OFFICIAL WILL TAKE IT OVER

WOMENS' JAIL PROJECT OVER BUDGET AGAIN
SPECIAL OUTSIDE COUNSEL HIRED TO DEFEND COUNTY

AMERICAN RESCUE PLAN PROJECTS BEGIN
$15 MILLION OF $55 MILLION ON TABLE
(YOU WILL BE PAYING OFF THE $1.9 TRILLION DEBT FOR GENERATIONS)

SAN LUIS/EDNA VALLEY SGMA PLAN SENT TO CITY

EXTENSION OF PASO BASIN WATER MORATORIUM
PLUS A TRICKY WATER GRAPE GRAB APPROVED

EMERGENT ISSUES

COVID INFECTION RATE UP AGAIN

US NATIONAL DEBT HISTORY AND FUTURE

COLAB IN DEPTH
SEE PAGE 14

CALIFORNIA BUSINESS HEADQUARTERS NOW LEAVING TWICE AS FAST, WITH NO END IN SIGHT
BY LEE OHANIAN & JOSEPH VARNICH

HOW UNIONS COULD SAVE AMERICA
The coalition that is currently running America into the ground is too powerful to be stopped without help from America's powerful unions.
BY EDWARD RING

THIS WEEK'S HIGHLIGHTS
ALL MEETINGS ARE 9:00 AM UNLESS OTHERWISE NOTED

No Board of Supervisors Meeting on Tuesday, August 31, 2021 (Not Scheduled)

The next regularly scheduled meeting is set for Tuesday, September 14, 2021.

Central Coast Community Energy Authority (3CE) Special Meeting of Tuesday, August 31, 2021 (Special Meeting)

Item 2 - Recommend Approval of an Adjustment to the Proposed Electric Generation Rates Set for Implementation on January 1, 2022, for Residents and Businesses in the Pacific Gas & Electric Service Area by 1.0 cent/kWh from January 1, 2022, to September 30, 2022, to Offset Escalating Costs of Energy and Approve a One Time $30 bill credit for CARE, FERA, and/or Medical Baseline Accounts (Action Item). The staff proposes a rate increase as outlined below. Note that unlike the regulated investor owned utilities, (IOUs), 3CE is not subject to California Public Utility Commission (CPUC) rate review and approval.

This recommends that the Policy Board: 1- Adopt a nine month increase of 1.0 cent per kWh to all proposed electric generation retail rates that were approved on June 16, 2021, except for streetlights and traffic control. 2- Approve one-time bill credit for income qualified residential and commercial customers participating in CARE or FERA and/or those residential customers participating in the Medical Baseline Program. 3- Re-Affirm CCCE's commitment to set retail rates to cover the cost to serve the CCCE communities and to base the allocation of the cost on the cost causation principle.

We could not find a link to whatever the "cost causation principle" is on the 3CE website. However, the paragraph below seems to say that if power costs go up and usage goes down and overhead remains the same, rates must go up. Welcome to Econ 1A.

The rising power supply costs, lower-than-expected revenue in the PG&E service area during the first quarter of FY 2021-22 (based on current IOU minus approach), and negative gross margin in the SCE service area create a significant budget revenue shortfall of $32.6 million for FY 2021-22 that should be addressed before the start of the operating year.

Why are energy costs and resource adequacy costs (reservations for energy shortage periods) going up in view of their long-term energy contracts?

Power Supply Cost: Energy and Resource Adequacy costs have been steadily rising, resulting in a forecast increase in power supply cost of $24.3 million for FY 2021-22. These increased costs were not originally considered as part of the COS rate design because power supply costs were forecasted in late 2020 to allow time to develop the COS rates. In accordance with CCCE's Energy Risk Management Policy, only 60% of the power needed to serve our customers for FY 2021-22 was hedged at that time. Throughout the Spring of 2021, staff has continued to hedge the open position intending to be fully hedged for CY 2022 by November 2021.

How are they hedging for the shutdown of the Diablo Power Plan, which provides 20% (all carbon free) of the energy in the PG&E service area?

Proposed COS Rates vs PG&E with projected rates increase of 0.6 cent/kWh across the board in 2022:							
Customer Class		CCCE	PG&E [A]			PG&E vs CCCE	
Cent/kWh	% of Consumption	Proposed 2022 12-month Avg COS Gen Rate	Proposed 2022 Bundled Gen Rate	Proposed 2022 PCIA and FF	Proposed 2022 PG&E's Gen Rate minus PCIA and FF	Headroom	Headroom %
Residential	32.5%	7.06	11.83	4.65	7.18	0.12	1.7%
Small Comm	14.4%	6.35	11.66	4.66	7.00	0.65	10.3%
Medium Comm	10.3%	6.01	11.40	4.47	6.93	0.91	15.2%
Large Comm	24.3%	6.26	10.88	4.26	6.63	0.36	5.8%
Ag	17.8%	6.37	11.46	4.34	7.12	0.75	11.8%
SL	0.6%	5.83	9.69	3.76	5.93	0.10	1.7%
Average						**0.48**	**7.7%**
[A] Based on NewGen's forecast during COS rates development in May 2021							

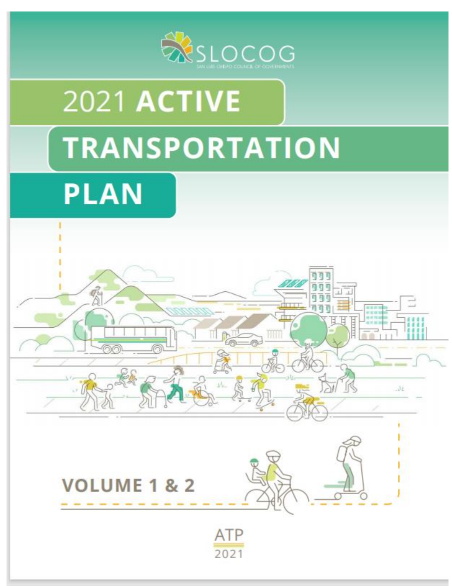
The table is a bit confusing, but in the end it appears that for a household using the California average of 557 kWH per month, the 3CE rate would come out to 66 cents lower per month than PG&E. This assumes that the CPUC grants PG&E a rate increase of .6 tenths of a cent per kwh. Last year the average 3CE "savings" was about a $1.31 per month. It appears that the gap is closing.

Meanwhile, 3CE has signed billions in long term energy contracts. If a particular jurisdiction ever wishes to leave 3CE, it is responsible for its pro rata share. For example, if $200 million is attributable to the City of SLO, it is responsible for paying off or selling an equal amount of long-term energy contracts. The City Council ignored that fact in joining 3 CE. The progressive /liberal mind is not capable of factoring in such data to a woke decision.

San Luis Obispo County Council of Governments (SLOCOG) Meeting of Wednesday, September 1, 2021, 8:30 AM (Scheduled)

Item A-2: Regional Active Transportation Plan Final For 2021. This is a plan for projects and subsidies to get people out of their cars by biking and walking.

The 2021 Regional Active Transportation Plan (ATP) lays out an actionable blueprint for the San Luis Obispo region, including the seven cities and unincorporated communities to create a healthy and appealing alternative to driving. The bicycle and pedestrian planning framework is based on extensive public participation and developed in coordination with local agencies. The plan includes adopting a regional policy for a "Towards Zero Deaths" safety target, for walking and bicycling, clarifying that traffic collisions of any kind, including those resulting in the fatality of a pedestrian or cyclist, are not acceptable.



The full plan can be viewed at the link: [SLOCOG Active Transportation Plan (slocogatp.org)]

The 118-page full color glossy document is more of a PR effort than a serious implementation plan. It calls for a network of bike and pedestrian trails and routes at a cost of $230 million over some period of years. The major goal seems to be to prevent injuries and deaths of cyclists and pedestrians.

The plan does not seem to contain statistics on these deaths and injuries per year nor the reduction targets or timing targets. Like so many government programs, the problem which they are attempting to solve is not adequately detailed. Thus, it is impossible for the public to assess whether it is really necessary and once completed (if ever), if it worked. Some vague data from a national survey purporting to reflect people's preferences for biking, etc., is presented but does not define the problem to be solved.

There is no customer information about how many people ride bikes or walk regularly. Thus, it is hard to determine a cost benefit.

The local driving in the County is for commuting to work and school.

Some of us lived in urban places once and our parents did not have cars. We lived on the 5th floor of a large brick apartment complex. We rode the **7 Train** and buses, carried our groceries home, and froze in the winter and sweated in the summers. People got polio, pneumonia, and bronchitis and died young.

The 1951 black Plymouth coup was one of the most liberating blessings in our lives.

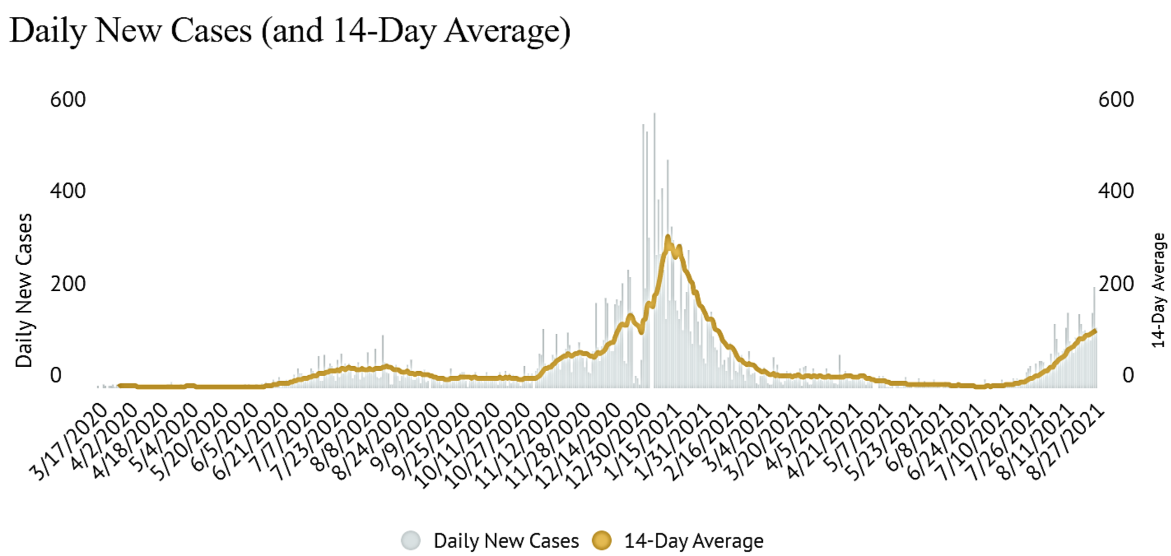
Why should we go back to a 1950 NYC transportation paradigm?

Freezing on the platform is life shortening.

If you rode your bike there, it would get stolen. It's hard to jockey the dry cleaning, 2 kids, and dinner on a bike on a dark winter evening in the sleet. It's hard even in SLO. Who are we building this for - a few wealthy professors with an all expense paid life?

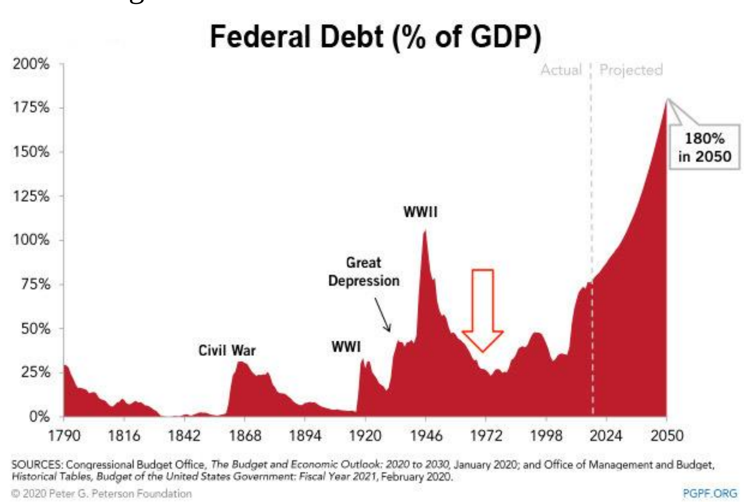
EMERGENT ISSUES

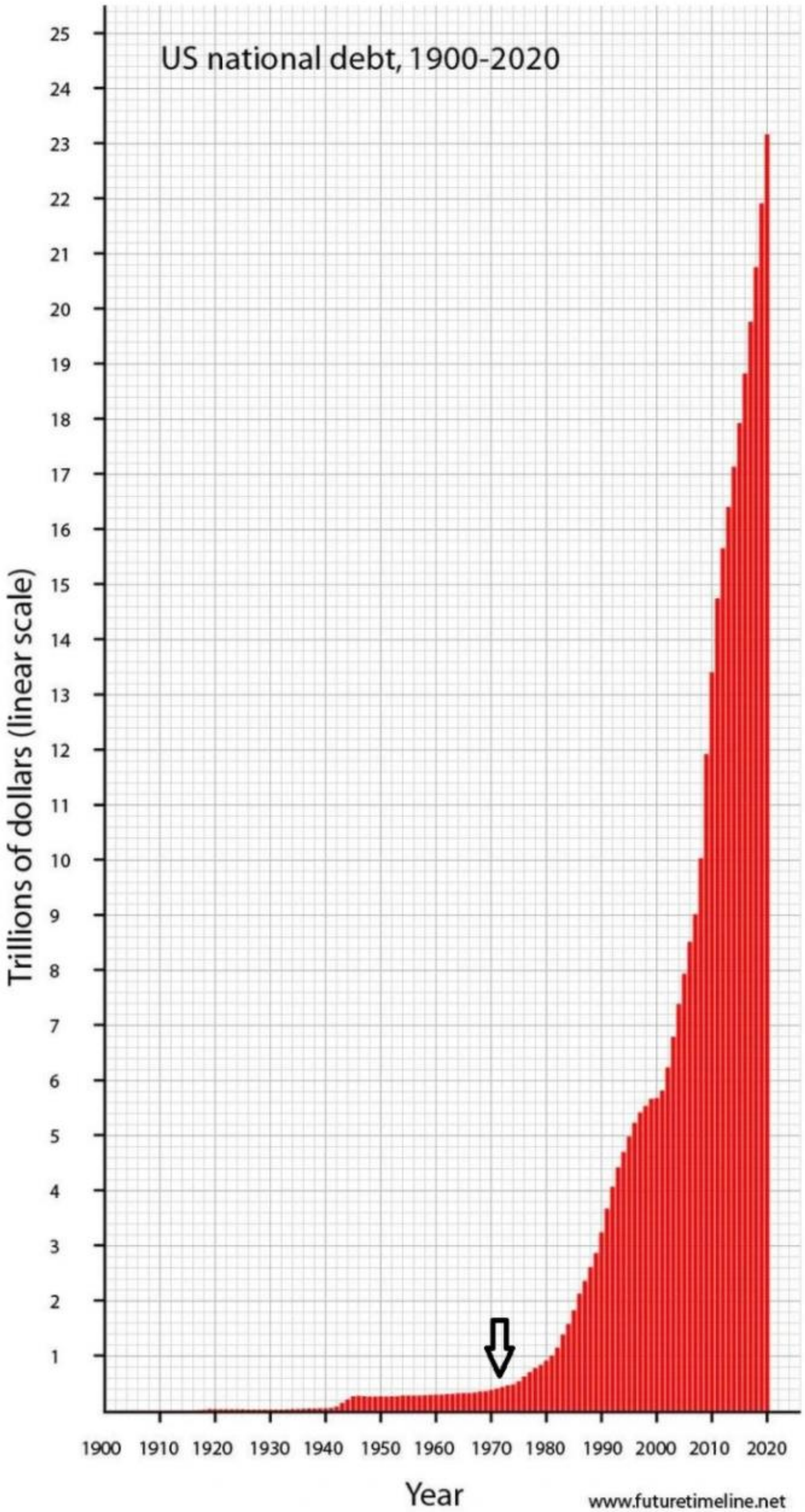
Item 1 - COVID Status. The infection rate clicked up for the 5th week in a row. The average is about where it was last December 14th. Should this trend continue, there will be pressure to resume various restrictions and precautions?



54 (18 ICU) **
SLO County Residents with COVID-19 in Hospital

Item 2 - Federal Debt will eat the Budget and services alive once inflation drives up the interest rates on the notes. See the awful truth in the two tables below. The white arrow points to where the US went off the gold standard.




US national debt, 1900-2020
Trillions of dollars (linear scale)
25
24
23
22
21
20
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17
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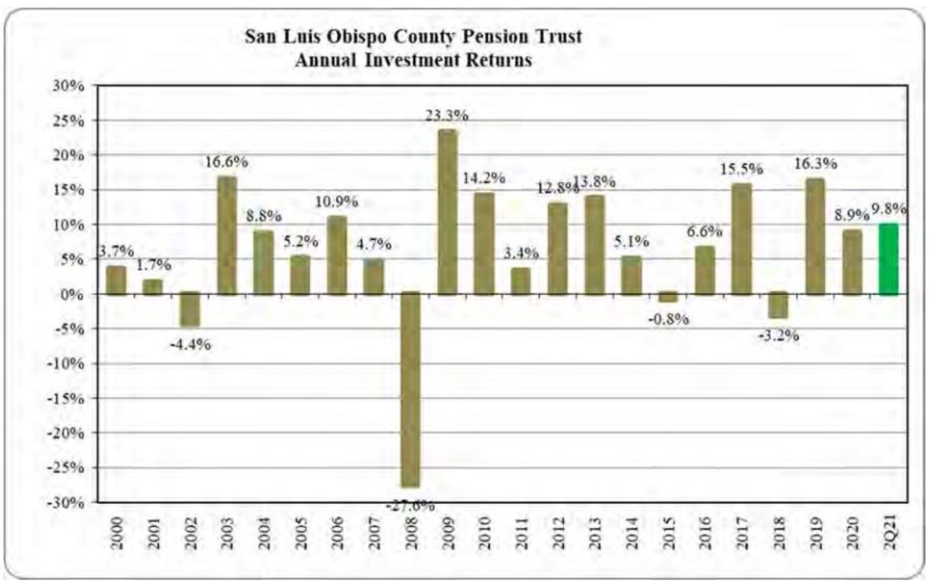
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000 2010 2020
Year
www.futuretimeline.net

The arrow points to when the US went off the gold standard. President Richard Nixon's actions in 1971 to end dollar convertibility to gold and implement wage/price controls were intended to address the international dilemma of a looming gold run and the domestic problem of inflation. The new economic policy marked the beginning of the end of the Bretton Woods international monetary system and temporarily halted inflation – but only temporarily. Gold no longer anchored the dollar.

LAST WEEK'S HIGHLIGHTS

San Luis Obispo Pension Trust Board Meeting of Monday, August 23, 2021 (Completed) 9:30 AM

Item 11 - Quarterly Investment Report for the 2nd Quarter of 2021. The meeting seemed to be uneventful. Investment returns have been good so far this year.



Item 12 - Monthly Investment Report for July 2021.

	July	**Year to Date 2021**		2020	2019	2018	2017	2016
Total Trust Investments ($ millions)	$1,743			$1,552 year end	$1,446 year end	$1,285 year end	$1,351 year end	$1,196 year end
Total Fund Return	0.5% Gross	**10.4% Gross**		8.9 % Gross	16.3 % Gross	-3.2 % Gross	15.5 % Gross	6.6 % Gross
Policy Index Return (r)	0.5%	8.2%		10.0 %	16.4 %	-3.2 %	13.4 %	7.7 %

If the investment returns hit 6.75% or higher each year for the next 18 years, the County's unfunded accumulated pension liability of $808 million would be eliminated.

Board of Supervisors Meeting of Tuesday, August 24, 2021 (Completed)

Item 1 - Introduction of ordinances to amend the County Code by adding Chapter 2, Title 2.02, Sections 2.02.010-2.02.030 to create the Groundwater Sustainability Department and the position of Groundwater Sustainability Director and amending Chapter 2, Title 2.40, Section 2.40.060 to add the Groundwater Sustainability Director to the unclassified service. Hearing date set for September 14, 2021. The Board set the hearing without asking any questions. This formal hearing was set for September 14th, during which the Board will consider creation of a new County Department of Groundwater Sustainability and a new Director of Groundwater Sustainability position. The item write-up did not present data on the ultimate size, staffing, or costs of the new proposed Department. Nor does it contain information on any parallel reductions in the Public Works Department, as its Water Division functions are shifted to the new Department.

The write-up was confusing in that the item presents an in-house staffing model. The Board had directed the staff to research an outside consultant model. No detail is presented on the outside consultant model.

New Departments usually require administrative, clerical, and financial control support. No information is presented as part of this item on any of those details or on what the total annual budget might contain. No organization chart for the new Department detailing the staffing or functions is provided.

The Groundwater Sustainability Director (GSD) will lead, plan, organize and direct the overall operations and activities of groundwater resources management and is responsible for the department's budget development, accounting, and administration. Additional responsibilities include working with local agencies, consultants, the public, and Groundwater Sustainability Agencies (GSAs) to carry out the implementation of the GSP and groundwater management actions in other basins (e.g., San Luis Obispo and Los Osos), managing and directing resources for the efficient performance of operations, and communicating with local and state agencies. This position will also manage consultants providing various technical, administrative, financial, regulatory, legal, Page 3 of 4 and environmental support for GSP and groundwater management implementation activities such as funding management, area-specific mandatory pumping management, monitoring, reporting, and outreach.

A review of the Budget document demonstrates that limited staffing summary information is presented for Fund Center 405. Similarly, only summary funding information is presented. Funding contained in the Fund Center seems to be a catch all of about $45 million for Public Works activities. As noted in the paragraph below, $767,109 of the $45 million is apparently allocated for water management activities. The write-up seems to suggest that this generates matches, but the amount is not estimated. Only one performance measure is included for FC 405, but it is not related to the issues at hand here.

Why would the Board consider this item absent that data? This situation seems all too similar to the approval of a reorganization of the Planning and Building Department two weeks ago that lacked a description of the problems that the effort is meant to correct.

What Is Really Happening? We confirmed that the proposal is part of a deal to allow the CAO to have appointed John Diodati as Public Works Director in exchange for transferring water management functions out of the Department. It is known that Supervisors Arnold and Compton were not keen on having Diodati appointed as permanent Public Works Director due to his alleged past support of Paso Basin water districts controlled by large operators who favor water banking. It is also known that some Supervisors do not have confidence that the Public Works employees involved in water basin management have always been objective. Diodati will probably be relieved to be out to the spotlight on water.

There have been many questions about data related to the Paso Basin, crop water utilization factors, management of the water offset program, and whether the basin should have been declared an "at risk basin" in the first place. It will be interesting to see what a new broom may discover in these regards.

At some point, the sphincters may be snapping shut on this one as well as other ongoing issues in the County. Just imagine if someone cooked the books on Paso Basin outflow and inflow numbers by overstating wine grape water factors, which the Board then used to set a moratorium on the basin? The financial and reputational damages could be immense. Supposing someone ordered subordinate staff to make it appear worse than it really is?

Watch some of those who are worried about this development forcefully oppose the new arrangement.

Item 24 - Request to authorize a budget adjustment using General Fund Contingencies to increase appropriation in Fund Center 230-Capital Projects, WBS 300034-Women's Jail Expansion Project in the amount of $175,000, to fund efforts to defend against claims asserted by the contractor, by 4/5 vote. The new funding was approved 5/0 on the consent calendar without discussion. According to the write-up, the primary contractor and several of the subs on the $45 million dollar project have filed claims against the County, requesting higher than contracted payments. These contractors have now sued the County. The request is for a new $175,000 increased appropriation to pay for specialized outside Counsel to defend the County.

Background: The write-up did not divulge the amount of money in dispute or the why the contractors are asserting that the County owes it. It must be substantial to justify hiring the outside lawyers. Over time, these contracts tend to be increased. The request is reminiscent of the $10 million that the County paid to one of the Contractors on the Los Osos sewer system who asserted that the plans were defective, which resulted in extra work. The County never divulged the facts.

Item 33 - ***Request to approve various water, wastewater and broadband infrastructure projects to be funded with American Rescue Plan Act of 2021 (ARPA) funding; amend the fixed asset list for Fund Center 405 – Public Works Internal Service Fund (ISF) to add a Cyanotoxin Detection System for an estimated amount of $150,000 and water billing software for an estimated amount of $50,000; and authorize a budget adjustment in the amount of $15 million to increase appropriations.*** The Board approved specific capital projects in accordance with the Board priorities and the Federal rules for use of $15 million of the funding. It is not clear if the $14 million for the Public Health Emergency will be taken in as revenue against expenditures already incurred for COVID or whether more new projects are to come.

You will be paying this off as an expanded portion of the increasing national debt for generations to come (assuming there is a nation left to have a debt).

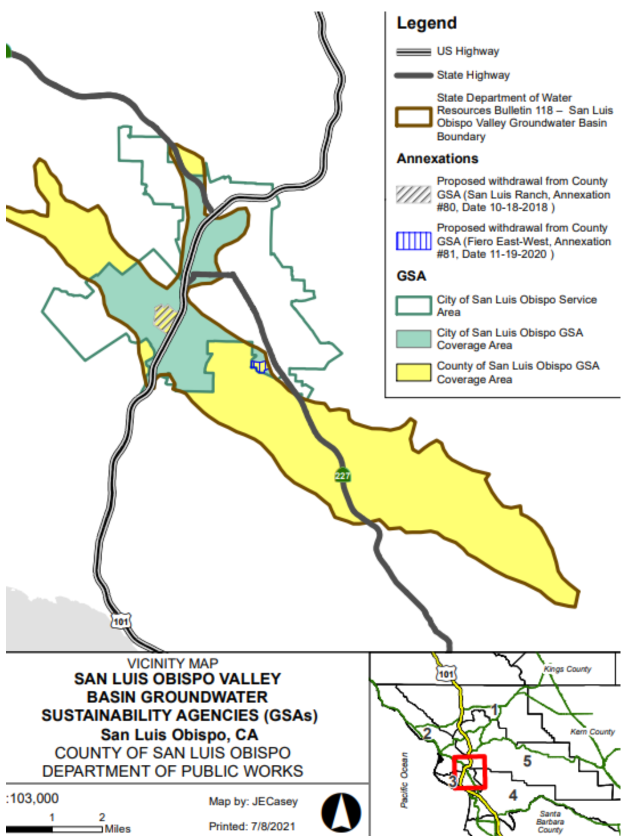
Please see the graphs on pages 7 and 8 above for the magnitude of the problem.

Background: The County expects to receive $55 million under the $1.9 trillion Federal American Rescue Plan. The Board set general priorities for use of the funding back on June 15, 2021, per the table below:

Eligible Use Category	Sub area	BOS direction 6/15/2021
Public Health and Negative Economic Impacts Response		
	Public Health Emergency	**$14M**
	Business, Non-Profit, Childcare Grants	**$9M**
	Housing / Homelessness	**$6M**
	ARPA administrative costs	**$1M**
	Total Category	**$30M**
Restoration of Government Services		**$10M**
Water, Sewer, Broadband		**$15M**
		$55M

Item 37 - Request to 1) receive and file a presentation on the San Luis Obispo Valley Groundwater Basin Draft Groundwater Sustainability Plan (Draft GSP), and 2) authorize and direct the Director of Public Works, or designee, to provide notice to the City of San Luis Obispo (City) of the Draft GSP. The Board authorized sending the Plan to the City of SLO.

Background: The County has completed the State mandated (by SGMA) Ground Water Sustainability Plan (GSP) for the San Luis Valley Basin. As noted, a portion of the Basin underlies the City of SLO. By State law, the County must give the City 90 days to review the Plan.



The key finding is that the Basin overliers are pumping more water each year than flows into the basin from natural sources.

Chapter 6
Water Budget

Basin Area	Sustainable Yield Estimate	Pumping Estimate	Difference
San Luis Valley	2,500 AFY	1,800 AFY	+ 700 AFY
Edna Valley	3,300 AFY	4,400 AFY	- 1,100 AFY

These estimates are consistent with the trends found in measured groundwater well levels for each area.

Item 38 - Hearing to consider an ordinance amending the Agricultural Offset Requirements for the Paso Basin (County Land Use Ordinance Section 22.30.204) to 1) extend the requirements termination date from January 1, 2022 to August 31, 2022, and 2) change the water duty factor for table grapes from 1.25 acre-feet per year per acre to 3.0 acre-feet per year per acre. An addendum to the Supplemental Environmental Impact Report prepared for the Countywide Water Conservation Program in 2015. The extension of the moratorium was approved unanimously. The change of the water duty factor for table grapes was approved 4/1, with Arnold dissenting.

Background: The ordinance amendment extended the water moratorium to August 31, 2022. The urgency ordinance adopted in 2013 was converted to a permanent ordinance that restricts the use of water in the Paso Basin. If a farmer or homeowner wishes to increase water use, that person must first find a way to reduce use on another part of the holdings or pay someone else to reduce their use. These are termed offsets.

The ordinance was originally supposed to sunset when the State Groundwater Sustainability Plan (GSP) for the Basin was completed in January 2020. At that time everyone realized that completion of the plan would actually do nothing to save water or protect the Basin, as it will take decades for the various authorities over the Basin to actually begin to implement the various measures contained in the Plan. Securing cooperation on phased reductions in pumping by large users and construction of works to move water around to recharge the Basin will require time.

The staff is working on major amendments to the ordinance, which will be brought back for Board consideration next spring in an effort to determine how to manage the Basin in the near-term decade. The key action here is to extend the Ordinance until August 2022 to provide time for the work.

Grapes: Separately from the major issues outlined above is a proposal to amend the ordinance to recognize that table grapes use more water than wine grapes. This requires that table grapes be assigned a higher use factor. The wine grapes use 1.8 acre-feet per year. The table grapes use 3.0 acre-feet but had previously been charged the wine grape number. The table grape issue is a ploy to assign greater past use to certain property owners (the look-back period) who can then pull out the grapes, claim higher water use for the look-back period, and then sell water credits, which will be generated based on their "savings."

Planning Commission Meeting of Thursday, August 26, 2021 (Cancelled)

Many applicants were probably away on vacation and did not wish to come in to push their projects. On the other hand, there may be few projects other than cannabis.

COLAB IN DEPTH

IN FIGHTING THE TROUBLESOME, LOCAL DAY-TO-DAY ASSAULTS ON OUR FREEDOM AND PROPERTY, IT IS ALSO IMPORTANT TO KEEP IN MIND THE LARGER UNDERLYING IDEOLOGICAL, POLITICAL, AND ECONOMIC CAUSES

CALIFORNIA BUSINESS HEADQUARTERS NOW LEAVING TWICE AS FAST, WITH NO END IN SIGHT

BY LEE OHANIAN & JOSEPH VARNICH

Align Technology is a $2.47 billion business revolutionizing orthodontics. Darvis is an artificial intelligence firm creating safer and more efficient hospitals. Moov is the first interactive platform for buying and selling high-technology equipment. The common thread? These remarkable companies are among the 74 known California businesses that have relocated their headquarters to another state in the first six months of 2021—double the rate for each of the three previous years. We have identified 265 headquarters relocations out of California since 2018.

When company headquarters migrate out of California, significant economic costs affect not only the state but also communities as well-compensated employees depart and no longer patronize local businesses or pay taxes. Moreover, when advanced technology companies move their headquarters, centers of innovation move with it.

Our just-completed report "Why Company Headquarters Are Leaving California in Unprecedented Numbers" is the most comprehensive and up-to-date documentation and analysis of headquarters relocations among California businesses and their destinations. Prepared by combing through governmental reports, media stories, and other sources, our report shows that the rate of California headquarter relocations has more than doubled compared to recent years. And since most business relocations fly under the radar (most are not reported by the media, nor are there requirements to file relocation compliance reports), the number of businesses leaving the state is much greater than we have counted, perhaps as much as five times higher, according to professionals in the business relocation industry.

These exits are occurring across virtually all industries—manufacturing, aerospace, financial services, real estate, chemicals, and health care—but perhaps most disturbing is the large number of high-technology businesses that are leaving. After all, the tech hubs of Silicon Valley (Apple, Google, Facebook) and San Francisco (Salesforce, Uber, Airbnb) are among the most productive locations on the planet, filled with creative inventors and with venture capital ripe and ready to fund those inventors.

California policy makers have always thought tech would stay, no matter what. But even tech firms are leaving the Golden State at an accelerating rate. These headquarters exits range from big-tech legacy firms including Hewlett-Packard Enterprises and Oracle to smaller, rapidly growing firms such as Darvis, the AI business that is helping hospitals manage room utilization and complex protection protocols.

Losing small but rapidly growing businesses is a death knell to an economy, because long-run economic growth requires new, transformative ideas that ultimately displace old ideas. And the transformative ideas almost invariably are born in young companies. At one time, Kodak and Litton Industries were Fortune 20 companies. Now they are afterthoughts. Out with the old, in with the new.

Some of the small businesses of today will become the blockbusters of tomorrow, and California is losing far too many of these potential game changers. California is also losing the gifted creators of these businesses, creators who may start additional transformative businesses in their lifetimes. And if they do, these new businesses will not be launched in California.

The primary reason why California businesses are leaving is economics, plain and simple. California is too expensive, too regulated, and too heavily taxed, both for companies and for the workers they hire. These businesses are predictably moving to states with lower costs, fewer regulations, lower taxes, and a higher quality of life for their workers, in which families pay far less for a home.

Texas is the number-one state favored by these relocating companies, snagging 114 California headquarters since the beginning of 2018, with Tennessee and Arizona following in the ranking.

Many move to the nation's interior, which is sometimes unfairly disparaged as "flyover country."

The Lone Star State is popular in many important categories. Economic freedom? The American Legislative Exchange Council ranks Texas first, while California nudges out New Jersey to barely avoid the cellar. Ease of opening and operating a small business? California ranks 49th, again barely passing New Jersey, and is far behind the entrepreneurial states of Texas, Nevada, Indiana, and others. Taxes? California ranks 49th (meaning second highest) in overall tax burden as well as individual tax burden, while Texas is near the top. How do CEOs view California's business environment? Annual surveys show they always rank California last and Texas first.

So how much easier is it to live in Texas? The median-priced home in the tech hub of Austin is $562,000, compared to $1.6 million in California's tech hubs of San Francisco and Silicon Valley. Because of these exorbitant housing costs, incomes adjusted for the cost of living are much higher in Austin than in San Francisco. Check out Zillow's "for sale" listings for Austin—and also Dallas, Fort Worth, Houston, and San Antonio—and you will see a plethora of new construction. For San Francisco? We checked and couldn't find any such listing.

Some in California dismiss these losses, arguing that some businesses will invariably leave and that California remains a dynamic economy. But our report also presents statistics on private-sector investments in new facilities, including offices, factories, data centers, and research and development units. These data show California has clearly lost the incredible dynamism that it once had and is now among the worst states in the country for economic investment after adjusting for population size.

Despite California being the largest state, it ranks only 16th in total capital investment projects, trailing Texas, which has 7 times more, and even trailing much smaller states, including Louisiana, South Carolina, and Kentucky. Measured in per-capita terms, California ranks 46th in capital investment projects, trailing Ohio, which has 14 times more. We can think of no worse statistic for the future of California than the failure of businesses to invest more in the state today.

Texas has become the new California, and California is becoming the new Rust Belt, losing businesses and people to states that offer more opportunities and a better, more affordable life. The world has never been more competitive, which means no economy can rest on its past accomplishments. Government policies must be competitive across states, provide value to constituents, protect property and liberties, and facilitate efficiency. California has failed at providing these common-sense policies for years and is now paying the price for this failure. And California will continue to decline until superior tax, spending, regulatory, schooling, water, and housing policies are implemented.

Lee E. Ohanian is a senior fellow at the Hoover Institution and a professor of economics and director of the Ettinger Family Program in Macroeconomic Research at the University of California, Los Angeles (UCLA).

He is associate director of the Center for the Advanced Study in Economic Efficiency at Arizona State University and a research associate at the National Bureau of Economic Research, where he codirects the research initiative Macroeconomics across Time and Space. He is also a fellow in the Society for the Advancement of Economic Theory.

His research focuses on economic crises, economic growth, and the impact of public policy on the economy. Ohanian is coeditor of Government Policies and Delayed Economic Recovery (Hoover Institution Press, 2012). He is an adviser to the Federal Reserve Banks of Minneapolis and St. Louis, has previously advised other Federal Reserve banks, foreign central banks, and the National Science Foundation, and has testified to national and state legislative committees on economic policy. He is on the editorial boards of Econometrica and Macroeconomic Dynamics. He is a frequent media commentator and writes for the Wall Street Journal, Forbes, and Investor's Business Daily. *He has won numerous teaching awards at UCLA and the University of Rochester.*

HOW UNIONS COULD SAVE AMERICA

The coalition that is currently running America into the ground is too powerful to be stopped without help from America's powerful unions.

BY EDWARD RING

The general perception within Conservatism, Inc. and libertarian circles is that collective bargaining is a violation of the right of the individual to seek work without being compelled to join a union. That sounds good in principle, but there's much more to the story.

A few years ago, the workers at a local grocery store chain in California went on strike. The reason they voted to strike was that management had implemented a new policy whereby most of the employees, including full-time career workers, had their hours reduced to fewer than 25 hours per week. At the same time, these employees had their health coverage taken away.

It's easy enough here to simply proclaim that this is the free market working for the greater good. After all, consider the Walmart chain. By sourcing most of its merchandise from overseas, exploiting economies of scale, and offering minimal pay and benefits, consumers are able to purchase food and other goods at prices far lower than a local, unionized grocery store chain could possibly achieve. Survival of the fittest. Economic Darwinism. Creative destruction. What could possibly go wrong?

But when you talk with the people who decided to go on strike, the other side of the story becomes obvious. Not everybody is a freelance gig whiz who can move to a low-cost city while writing code at $100+ per hour to service clients all over the world. Some people just want to do an honest day's work, earn enough to support a family, and live with dignity. And if they've put 30 years into a job, with a decade to go before retirement, and all of a sudden their hours are cut and their benefits are gone, who is going to stand up for them?

More than a century ago, the need for unions was more obvious. The industrial revolution had spawned a manufacturing economy where there were no protections for workers. Adults and children worked long hours in appalling conditions. The emergence of unions in those years was a necessary reaction. Unions played a vital role in securing the rights that workers today take for granted.

While it’s much easier today to adhere to pure free-market orthodoxy, the reality is that America is a mixed economy. The debate over how much government and how many regulations are appropriate is better served by recognizing that neither extreme—pure libertarian capitalism or pure state communism—is a desirable outcome.

Unions in America today come in many varieties. Public-sector unions, which elect the politicians who supposedly manage them, and live on the taxes we pay, may be more problematic than private-sector unions. But in either case, it would be a mistake for right-of-center political movements to not consider many of their members as potential allies.

Unions Don’t Need to Have Wings

The general perception of unions, backed up by plenty of evidence, is that they are invariably committed to left-wing politics. But it doesn’t have to be that way. Union membership, even in some of the most notoriously left-wing unions, is often right-of-center.

As reported in the *Orange County Register* in 2018, the California Teachers Association president admitted that about 35 percent of his membership is Republican. This is in a state where only 24 percent of voters are registered Republicans. The National Education Association teachers union study in 2006 found that 55 percent of public school teachers “leaned conservative.”

The politics of California’s teachers’ unions are unambiguous. Their campaign contributions favor Democratic candidates by a ratio that typically exceeds 20 to 1. Why isn’t it 2 to 1, or less, if you take into account independent voters? Wouldn’t that better represent the membership? And what if NEA spending represented its national membership? Instead of spending 5 to 1 in favor of Democrats in 2020, what if they had spent 55 percent of their money on Republicans? Wouldn’t that more accurately reflect the political sentiments of their members?

In California, up until the rise of the social media mega-billionaires, public-sector unions ran the show. Collecting and spending roughly $1 billion per year, California’s public-sector unions have perennial financial power dwarfing that of any other special interest group. But what if their spending reflected the sentiments of their membership instead of their leadership?

Why, for example, did the firefighters union leaders agree to send their members onto the streets of Los Angeles to march in solidarity with the United Teachers of Los Angeles? Does the ideological agenda of the teachers’ union actually align with the typical political leanings of the average firefighter in California? Probably not.

One may rightly ask why public-sector unions have made it their business to influence politics at all, rather than just concerning themselves with pay, benefits, and issues of job safety. But if they're going to be politically active, might they at least focus on issues where they have expertise? Why aren't California's firefighting unions lobbying to bring back California's decimated timber industry? Restoring California's timber industry would create jobs, pay for forest thinning and clearing around the powerlines, fire roads, and fire breaks, and Californians would no longer have to import lumber from British Columbia.

When right-of-center pragmatic American activists are looking for allies to join their movement, it would be hard to find more powerful potential allies than, for example, the firefighters' union. But who is asking? Why aren't firefighters themselves demanding that their union focus on changing the regulatory environment so private timber companies can thin the forests, saving lives and the forests themselves? Why aren't activists going to these union leaders and saying "help us, only you have the political power to stand up to the extreme environmentalists who have brought us to this point."

Some public-sector unions have already moved right-of-center. This is exemplified in California by the police unions striking back politically against the new lunatic district attorneys who took office thanks to mega-billionaire campaign contributions and dirty campaigns that relied on attacking the incumbent while disguising the motives of the challengers. Crime-friendly idiots like George Gascón in Los Angeles and Chesa Boudin in San Francisco are the result, and police unions have had enough. Nationally, this move to the Right on the part of police organizations was demonstrated by their almost universal support for the reelection of President Trump.

Private-Sector Unions Can Offer Powerful Support to the Right

A fundamental conflict exists between conservatives and private-sector unions: Conservatives support right-to-work laws and private-sector unions see those laws as an existential threat. It's hard to get past a disagreement that big, but that doesn't mean it isn't worth a try.

The approach would go something like this: We're going to keep on fighting each other over the appropriate level of regulation to apply to private-sector unions, but meanwhile, we're going to recognize together that America's left-leaning establishment—co-opted by multinational corporations, mega-billionaires, and extreme environmentalists—is destroying the upward mobility of every working family in America.

This sort of rapprochement was evident in the long battle to open the Dakota Access and Keystone pipelines. After unions lobbied for years in support of these pipelines, AFL-CIO President Richard Trumka was merely "unhappy" when Joe Biden killed it. Is that the best he can do? Trumka and his colleagues need to conduct a serious assessment of what kind of infrastructure is going to truly help the American worker. Not just the workers who get jobs to build the infrastructure, but the rest of America's workers whose ability to pay their bills is enhanced when the *right* infrastructure is built.

Here is where unions can save America. Enabling infrastructure that socializes the cost of basic necessities—transportation, energy, and water—is a use of public funds and union workmanship that lowers the cost of living for *everyone*. When that happens, no matter how much they make, workers can do more with their money. *All* workers.

Union leaders must ask themselves, what is going to help everyone more: High-speed rail or wider and safer freeways? Wind turbines and solar farms, or clean natural gas power and safe nuclear power? Dead trees and water rationing, or water recycling, desalination plants, and new reservoirs?

The coalition that is currently running America into the ground is too powerful to be stopped without help from America's powerful unions. If they want to save America for its middle class and aspiring low-income communities, right-of-center pragmatists and union leaders need to put aside their differences and fight together for the greater good.

Edward Ring is a senior fellow of the Center for American Greatness and co-founder in 2013 of the California Policy Center.

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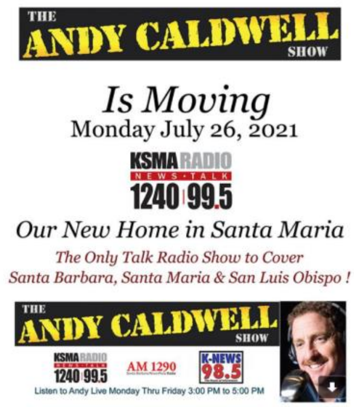

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