CALIFORNIA'S POLICY EUREKA ECONOMICS, AND POLITICS

Issue 1801 The Unstated State of the Nation-State January

INTRODUCTION

A New Year, a California Governor's Final Year, a Lot of Unknowns

By Bill Whalen

California governors don't make New Year's resolutions—publicly, at least. The closest they come to vows of self-improvement is the annual State of the State Address, delivered every January before a joint session of the State Legislature.

About that governmental rite: I worked on such addresses when I was the chief speechwriter for former California governor Pete Wilson, who oversaw the Golden State for a majority of the 1990s. The address took the better of a month to research, draft, and rehearse. It was delivered as early as possible in the new year so as to get the jump on about thirty other Republican state executives all swimming in the same lane of welfare reform, lower taxes, class-size reduction, and tougher anticrime laws.

The current California governor is a different animal, to put it mildly, as reflected by his truncated State of the State Addresses these past seven years.

Jerry Brown, entering his sixteenth and final year as California's chief executive (no one's served longer), has delivered his addresses in late January and well after other governors' speeches are popping up on C-SPAN. No concern there about beating his peers to the punch.

In the land of Silicon Valley and beach, Brown's rhetorical style is jarringly low tech. He forgoes a Teleprompter, rushing through his remarks with his head down, at times stepping on applause lines.

Then there's the matter of content.

Brown's addresses have clocked in at about twenty minutes; presidential State of the Union addresses run triple that time. Brevity may be the soul of wit but not for a nation-state with myriad problems. Each time Jerry Brown has stood before the State Legislature this decade, the narrative has been as much what he left out of the rhetorical stew as were the ingredients he chose.

In this, the final year of the Brown era in California politics (Jerry's father and namesake, the fabled Pat Brown, was first elected governor in 1958 making it a six-decade bookend), there are two questions as to how the son plans to ride off into the sunset:

1. How willing is Brown to slow the state's leftward tilt?

2. With California sporting a revenue surplus, will Brown engage lawmakers in a showdown over investing versus saving for the inevitable economic turndown?

About the state's spending: earlier this month, Brown proposed a $190.3 billion budget for the new fiscal year that begins in July (the current budget weighs in at $183 billion). But he also proposed adding to the state's rainy-day fund and played up the notion of a growth economy's living on borrowed time. That won't please lawmakers who have

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different thoughts on what to do with the surplus. (Assembly Democrats want to expand health care for illegal immigrants; Republicans want to whittle down the state's debt.)

That conflict comes against a backdrop of matters where Governor Brown may or may not share coastal Democrats' passion for a progressive utopia.

That would include

1. Single-Payer Care. Democratic state legislators pushed for a statewide single-payer system in 2017, but the effort collapsed under the burden of the anticipated costs and Brown's evident reluctance to buy into the vision. The issue will be front and center in the fall's governor's race; the legislature may put it in the summer headlines too.

2. Fossil-Fueled Cars. Introduced the first day the legislature reconvened earlier this month, this measure would ban new fossil-fueled cars in California beginning in 2040. That's in line with Brown's call for 1.5 million zero-emission vehicles on California roads by 2025 (five times the current number of ZEV's in the Golden State). But will the governor deem the 2040 mandate overly ambitious?

3. Sexual Misconduct. California's State Legislature entered 2018 under a cloud of sexual misconduct that will require internal remedies. But should lawmakers engage in private-sector remedies? One bill that eventually might reach Brown would require California hotels to maintain a "no-fly" list of guests who have allegedly harassed employees, denying them service for three years. Brown hasn't had much to say regarding the legislature's #metoo problems, so how far he'll go on such legislation is anyone's guess.

In the past, Governor Brown and Democratic lawmakers have avoided their differences by compromising in private or Brown dropping public hints about veto intentions.

Not coincidentally fewer bills have headed the governor's way. Last year Brown dealt with a sum total of 977 bills. But as you'll see in the accompanying illustration, that's small potatoes compared to past gubernatorial exit years.

In fact, Brown is receiving far less legislation, in his third and fourth terms as governor, than in his first and second terms back in the 1970s and 1980s. He's also been far more generous with the veto pen, especially in comparison to his previous gubernatorial walk year in 1982.

It begs this question: Does the larger number of rejections reflect Brown's evolution since the early 1980's (before returning as governor in 2011, he also served as mayor of Oakland and state attorney general); or does it underscore the Democratic legislature's more leftist tendencies today versus thirty-five and forty years ago?

	TOTAL BILLS	VETOS	VETO %
Ronald Reagan (1974)	1,679	120	7.15%
Jerry Brown (1982)	1,674	30	1.79%
George Deukmejian (1990)	2,143	436	20.35%
Pete Wilson (1998)	1,431	351	24.53%
Arnold Schwarzenegger (2010)	1,029	296	28.77%
Jerry Brown (Average per year, 2011-2017)	973.3	127.7	13.1%

** This does not include Gov. Gray Davis, recalled in 2003 his fifth year in office*

Source: California Senate Office of Research

FACTS ON THE ISSUE ☑

In this edition of *Eureka*, we've chosen a handful of topics of importance to the Golden State that deserve more than a passing mention in a State of the State address.

That includes

- Joshua Rauh, the Hoover Institution's director of research and a professor of finance at the Stanford Graduate School of Business, explains how rising pension obligations continue to menace California's long-term fiscal outlook.
- David Crane, a lecturer in public policy at Stanford University, a past aide to former Governor Arnold Schwarzenegger, and president of Govern for California, explains how California's complex licensing regime limits economic opportunity for the state's poor, hurting their chances to access higher-paying professions.
- Austin Beutner, former *Los Angeles Times* publisher and deputy mayor of Los Angeles, and Laphonza Butler, president of SEIU Local 2015, discuss their LA Unified Advisory Task Force's findings on poor student attendance in California's largest school district.
- Dan Jacobson, state director for Environment California, explains what else a climate-change governor can do to cement his legacy as a steward of the land: a legacy that at present is somewhat complicated.
- Assemblywoman Catharine Baker, an East Bay Republican representing parts of Alameda and Contra Costa Counties, discusses the current culture under the State Capitol Dome and whether a new bipartisanship spirit will emerge as the legislature engages in image repair.

We hope you enjoy this latest installment of *Eureka* and that it gets you thinking about where California stands and whether we're moving in the right direction.

Bill Whalen is a Hoover Institution research fellow, primarily studying California's political trends. From 1995 to 1999, Bill served as chief speechwriter and director of public affairs for former California governor Pete Wilson.

FEATURED COMMENTARY

Can California Save Itself from a Pension Disaster?

By Joshua Rauh

The California Public Employees' Retirement System (CalPERS) and other pension systems in the Golden State might be celebrating their recent investment returns, but don't be fooled. Their problems are nowhere close to solved—and those problems are taxpayers' problems.

Unfunded pension liabilities continue to represent a colossal fiscal burden for both the state government and local governments within California. They're the reason that taxes are higher than ever, crowding out the services that the state and cities deliver.

And it's getting worse.

At the state level, pension contributions have grown from 2.1% of the budget in 2002–2003 to 6.5% in 2016–2017. They're set to grow even more in the current fiscal year and into the future. Cities such as Los Angeles and San Jose are now contributing well over 10% of their budgets to pensions, and CalPERS is charging smaller cities amounts that are north of 15% of their general fund revenue.

At the same time as all these contribution hikes, the stock market has roared to record highs. Investors that participated in the S&P 500 since the end of 2002 would have started 2018 with a four-times return on their money, or around 10.5% per year. So of course, with all this extra contribution money and massive windfalls from the stock market, the pension funds must now be in pretty good shape, right?

Wrong.

Take CalPERS, for example. At the end of FY 2002, it had a (mere) $22 billion unfunded liability when assets are valued on a market basis. As of the last full report for FY 2016, its reported unfunded liability was $139 billion. Even with the stock market's burst upward in 2017 and early 2018, the unfunded liability would currently be around $110 billion. More bad news: the situation is only that "good" if CalPERS can achieve its 7% return target forever, as it and other pension funds, such as the California State Teachers' Retirement System (CalSTRS), assume will happen with certainty every year when they craft their budgets.

Maybe they will achieve those returns, but maybe they won't. Combining all the pension funds in California and recalculating their liabilities based on the principles of finance, as opposed to governmental accounting magic, I find that the collective debts that California taxpayers owe public pension funds is $769 billion—over $60,000 per California household.

If things have gotten so bad during a time when the stock market was rocketing forward and municipal governments were shoveling piles of cash into pension funds at the expense of bridges, roads, and libraries, what's going to happen when financial markets inevitably cool off? California cities risk insolvency, and the crisis threatens the state's ability to deliver on key budgetary priorities.

California Governor Jerry Brown knows that pensions are a problem. In 2011, the first year of his second turn as governor, he proposed a 12-point pension overhaul. The California State Legislature passed some of these points, particularly those that affect new hires. These new members of the workforce will face higher retirement ages, and there will be more sharing of costs between them and their municipal employers.

Unfortunately, the true pension costs are far higher than the costs as reflected in current budgets, which is the part that would be shared. It's like my committing to share costs with you in advance of your taking me out to dinner at a very fine restaurant—but my contribution is only based on the expected cost of a hamburger at a fast-food joint. The bulk of the true costs only shows up later when the actual bill arrives. In the time that it takes even those minimal savings to be realized (remember, these changes are only for new hires), pensions will wreak considerably more havoc on the budget.

Other points in Gov. Brown's plan were passed but are currently being litigated, such as the limitations against pension spiking—the practice under which some public employees artificially inflate compensation in the years before retirement in order to set themselves up for a higher lifetime payment on the taxpayer dime. Believe it or not, many public employees assert that they have a right to such practices. They contend that the body of precedent informally called the California Rule gives public employees a right to whatever benefit was available to them on their initial day of employment, including the right to manipulate the compensation that determines their lifetime pension benefit.

Recent appeals court decisions have upheld employees' right to spike, but the California Supreme Court has taken up the issue. Gov. Brown is now staking his reputation on what he called his "hunch" that the Supreme Court will agree with him and stop the odious practice of spiking. Furthermore, he is hoping that this will open the floodgates to allow the governor in the next recession to "have the option of considering pension cutbacks for the first time." The Supreme Court may or may not eliminate spiking, but wagering that their decision will be broad enough to allow more general cutbacks—or eliminate the California Rule entirely—is certainly optimistic thinking.

Gov. Brown can rightly say that the legislature didn't do everything he proposed, including the introduction of a hybrid plan (for new employees) that would mix a 401(k)-type component with a defined-benefit component. Indeed, this approach was taken by the federal government for its workers in 1986. And while federal pension legacy liabilities have continued to balloon, the newer part of the program is reasonably well funded. There's a big difference though: the federal plan uses a 5.25% budgeting rate—still high, but not as insane as the 7% rate to which CalPERS and CalSTRS are desperately clinging. As a result, Gov. Brown's hybrid plan would at best have had the effect of slightly reducing the explosive rate of growth of new unfunded liabilities for new employees.

State and local governments simply refuse to recognize the true cost of providing annuity benefits to workers. Giving employees pensions is akin to promising them payments from government bonds. And while one can fund those with risky assets and hope for the best, that strategy destabilizes public finances. The debts keep growing as the bills come due.

What are the alternatives?

Some states and cities have considered the idea of introducing defined-contribution 401(k) plans, as US companies have done in large number. According to one study, 24% of *Fortune 500* companies started bringing new employees into 401(k) plans instead of traditional pensions between 1998 and 2015, and 39% had "hard frozen" their plans. In a hard freeze, no earned pension benefits are taken away, but employees earn no new pension rights in the future and instead receive contributions to a 401(k). This practice is commonplace and perfectly legal in the private sector; but under the California Rule, it is a non-starter for public employees.

While such transitions may be motivated by a desire to avoid insolvency, they're beneficial to many types of employees as well. A study last year by authors from a nonprofit partnership focused on changing education and life outcomes for underserved children found that most teachers get a bad deal on pensions because they suffer great financial losses if they change jobs or states. The study concludes that better teachers could be attracted with fewer very expensive traditional pensions that give the longest-tenured teachers the jackpot, and more 401(k)s whose fruits are portable.

Efforts to introduce 401(k) plans in the public sector often fail because public employees (or their unions) look at typical 401(k) contribution rates in the private sector and laugh. Private-sector 401(k) plans on average offer a maximum employer contribution rate of 5% of pay. A public-sector defined-contribution plan pays promised income for life. Cities and states can ask public employees to accept a much less generous benefit, but you can't blame those public employees for saying "no."

A better approach to transitioning to 401(k)-type plans would be to entice employees to recognize the benefits of a defined-contribution arrangement by offering more generous contribution rates in those plans than is common in the private sector. The reality is that the great many public employees who are unsure whether they want to follow the lifetime civil servant model would be much better served by a portable 401(k) plan with, say, a substantial 10% annual contribution rate from their employer—a level private-sector employees can only dream of.

Real pension reform would recognize that moving away from defined-benefit pensions is essential to rescuing state finances, as well as benefiting many public-sector workers if structured correctly. The state and cities should press the issue with changes that transition from traditional pension plans toward 401(k)-like plans, even if the contribution rates are ultimately more generous than in private-sector counterparts. The Federal Thrift Savings Plan, a 401(k)-like defined- contribution plan with rock-bottom costs and sensible investment options offered to federal employees, provides a sound governance model.

Even at these higher contribution rates, the introduction of well-governed defined-contribution plans would be a vast improvement over the current system. Indeed, such a model is the only one that can save the state of California and its cities from pension disaster.

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CalNotes:

NOT EXACTLY ANARCHY IN THE UK, BUT . . .

Meanwhile, on the other side of the "Pond," England is having anything but a jolly old time dealing with its state pension fund. In the nation, the state pension age is currently sixty-five for men and sixty-four for women; it is set to equalize this year and to rise to sixty-seven by 2029 and sixty-eight by 2046. According to the Government Actuary's Department, which uses national insurance contributions to pay state benefits, the fund will reach zero by the 2030s. One solution: would be a 5 percent hike in contributions for workers (for an individual earning £40,000 [about $54,000] the cost would be an extra £190, or $257). Small wonder British workers are less than enthusiastic about their future. According to YouGov research for the Charity Age UK, half of all workers aged forty to sixty-four—about eight million Brits—don't expect to have enough money to stop work and retire when they reach their state pension age. One-third expects to be working the same hours well into their sixties. Forget ruling the waves; Brittania rues its finances.

California Should Address Licensing Reform—And Stop Adding Violins to the String Section

By David Crane

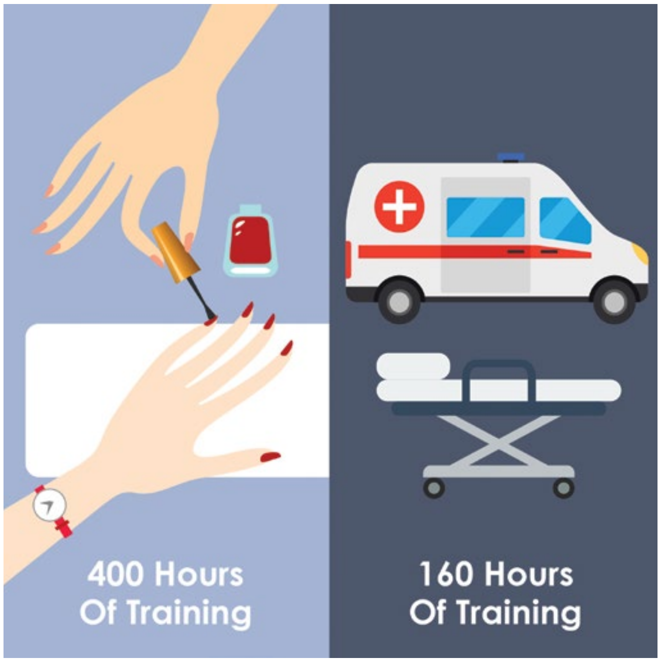
In 1850 California passed its first professional licensing law requiring foreigners to buy a monthly license to mine gold. During the next hundred years the state so dramatically expanded its licensing regime that by 1950 one in every twenty workers required a license. Today one in five working Californians requires a license from the state government; a recent study found that California is the most broadly licensed state in the nation.

Hurt most by such regimes are low-income people. A 2017 study by the Institute for Justice reported that California requires licenses for 76 of 102 lower-income professions. To receive a professional license in California requires on average $486 in annual fees, 827 days of education and experience, and two exams. The list of occupations requiring a license in California is so lengthy that a state commission could not compile a complete list.

The principal beneficiaries of licensing laws are those who already hold licenses, which allow them to drive up prices and reduce competition. The principal losers are consumers, who pay higher prices and suffer more inconvenience, and potential workers, who find fewer work opportunities and suffer lower wages. Consumers annually pay an extra $200 billion annually as a result of professional licensing requirements, which also prevent the existence of nearly three million jobs nationwide, concentrated most in states like California that employ the most onerous licensing regimes.

California's professional licensing regime is also inconsistent, with many professions with safety concerns requiring less onerous licensing than those without safety concerns. For example, manicurists require four hundred hours of training and education compared to a hundred and sixty hours for an emergency medical technician and none for a crane operator. California requires professional licenses for a number of professions, including animal trainer, tree trimmer, psychiatric technician, still machine setter for dairy equipment, travel agent, and dental assistant, that are licensed in fewer than ten states.

Professional licensing is especially costly to former offenders, military spouses, veterans, immigrants, and the poor. Former offenders are frequently denied professional licenses on the basis of their past criminal convictions even when those convictions have nothing to do with the profession in question. Denying professional licenses to them makes it even more difficult for them to turn their lives around. Between 1997



and 2007 recidivism rates grew by more than 9 percent in states with the heaviest licensing burdens and shrank by nearly 3 percent in states with the lowest licensing burdens.

Military spouses move frequently and face different professional licensing requirements between states, which offer little reciprocity in licensing. Although California has passed laws in recent years to help military spouses secure some professional licenses more quickly, a more comprehensive solution is necessary. California should consider solutions for everyone who has moved here, not just military spouses. Veterans face their own challenges when they complete military service. Often they're required to redo education and training already received while in the military to meet professional licensing requirements.

California has made some efforts to help veterans with this issue during the last few years, but, similar to the efforts for spouses, they're piecemeal. Immigrants face substantial challenges from professional licensing requirements that do not always credit their foreign education and experience, trapping them in lower-wage employment not reflecting their skills and putting up bureaucratic barriers difficult to navigate for people new to the country.

Studies have consistently found that licensing laws produce no better or safer services for consumers than do less protectionist and less costly alternatives. California's Little Hoover Commission (no relation to the Hoover Institution) determined in an October 2016 report that the professional licensing process "often is a political activity instead of a thoughtful examination of how best to protect consumers." Special interests' representing existing professional license holders focus the discussion on what is best for practitioners, not consumers. They fight to expand the areas where only they can do business. For example, only licensed funeral directors in several states (but fortunately not including California) can sell funeral merchandise such as caskets.

The first step in addressing California's protectionist and harmful professional licensing regime is to stop adding to it. To his credit, California governor Jerry Brown has stood up against special interest groups' protectionist attempts to add new licensing requirements. For example, in October 2015 he vetoed legislation (Assembly Bill 1279, the so-called Music Therapy Act) that would have regulated music therapists, writing in his veto message that the bill "appears to be unnecessary as . . . a private sector group already has defined standards for board certification. Why has the state now add another violin to the orchestra?"

Now it's time for Governor Brown to ask the State Legislature to modernize California's entire licensing system. To begin, he should identify all licensed professions and determine whether state licensing is necessary, particularly for professions that are not licensed in other states and not suffering negative consequences from the lack of licensing.

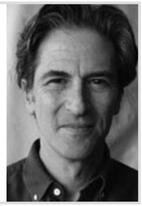
A number of alternatives to licensing offer benefits to consumers and job seekers with fewer costs, including quality service self-disclosure, third-party professional certification, voluntary bonding or insurance, and market competition.

Regulatory options not requiring professional licensing include private causes of action, deceptive trade practice acts, inspections, mandatory bonding or insurance, registration, or state certification. For professions that remain licensed, the requirements should be reduced and modernized whenever possible. All professional licensing requirements should receive sunset provisions that would require the legislature to regularly reevaluate them to ensure they are still necessary. California should also consider creating a legal right to challenge unnecessary licensing restrictions. That would give workers an avenue to push back on restrictions when special interests control the legislature.

Professional licensing reform is an opportunity for politicians to show they are concerned about jobs and wages. The Federal Trade Commission is even willing to provide funding and support with which states would be able to address professional licensing reform.

Governor Brown should seize this issue and cement a legacy of securing increased economic opportunity for low-income and marginalized Californians.

David Crane is a lecturer at Stanford University and president of Govern for California, a network of political philanthropists. He also served as a special adviser for jobs and growth to former California governor Arnold Schwarzenegger for jobs and growth.



CalNotes:

THE BIG EASY, UNLESS YOU'RE INTO DECOR

The toughest state for escaping licensing overkill? According to this report by the Virginia-based Institute for Justice, it's Louisiana, which licensed 71 of 102 low- to middle-income occupations (everything from auctioneer and animal breeder to tree trimmer and terrazzo contractor). Arizona (sixty-four licenses required), California (sixty-two), and Oregon made up the top four. Looking to live relatively freer and unlicensed? Try Wyoming, which qualified for only twenty-four licenses, or Vermont and Kentucky (twenty-seven apiece). Not that it's a worker's paradise: Wyoming is one of twenty-one states to license travel guides (usually for outdoor or hunting expeditions). Two things you might want to avoid down in the Bayou: flowers (Louisiana requires aspiring florists to pass a subjective exam) and décor (it's one of only four jurisdictions that require interior decorators to spend six years in school and apprenticeship to pass an example. So much for laissez les bon temps rouler.

Absent for Too Long: Urgently Addressing California School Truancy

By Austin Beutner & LaPhonza Butler

A quality public education is the right of every child and the foundation of every community. A good education is the best path out of poverty and will provide every child with a chance to succeed in life. Yet in Los Angeles less than 30 percent of students meet state standards in math; less than 40 percent of students meet state standards in English. Only one-third of LA Unified School District's 2015/16 graduating cohort met the standards to apply to California's public universities. Another 25 percent did not graduate.

Simply put, the status quo is not good enough and is failing California's children.

It was this challenge that prompted the creation of the Los Angeles Unified Advisory Task Force to help Superintendent Michelle King and her team make changes. Made up of volunteers with experience in education, nonprofits, government, business, and labor, the task force will provide recommendations and support to the district in its efforts to make progress on a number of issues, including attendance, student achievement, and budget issues. Although it is the role of the board of LA Unified to set strategy and establish policy, there is much work to be done at the operating level to accelerate the pace of change.

What we've observed so far is that attendance matters.

If kids aren't in school, they can't learn. Students who attend class more often do better in school, and students who are chronically absent—meaning they miss at least fifteen days of school in a year—fall behind. Children who are chronically absent in kindergarten and first grade are much less likely to read at grade level by third grade. If students cannot read at grade level by the end of third grade, they are four times more likely to drop out of high school.

The financial impact of student absence is significant as well. In California, the vast majority of revenue school districts receive from the state is tied to student attendance. If a student is absent, the entire learning environment suffers as funding is reduced. If every child in LA Unified attended one more day of school, the district would have approximately $30 million more each year to invest in the classroom.

In the Los Angeles Unified School District, more than 80,000 students (14.3 percent) were chronically absent in school year 2016. If you add in the 17.9 percent of students who missed eight to fourteen days, almost one-third of LA Unified students missed significant amounts of school.

This is more than a California problem, by the way. The US Department of Education estimates that as many as six million student will miss fifteen or more days of school. That's about one in seven students nationwide. In that report, chronic absenteeism rates are highest in high school; other research indicates that students in early elementary grades also experience high rates of absence from the classroom.

Reducing absenteeism is a significant challenge for which there are no simple solutions. Students and families face real and significant barriers that prevent students from making it to school, including inadequate transportation, health issues, and other conditions related to living near or below the poverty line.

Our task force has recommended a multifaceted approach to address the problem, including broad-based outreach to students, parents, and the community, as well as targeted approaches that support the unique needs of individual students and families.

First, America's second largest school district (with K–12 enrollment of nearly 600,000 students) needs to improve the effectiveness of what it is already doing. LA Unified currently spends $40 million on twenty-seven programs related to attendance but lacks the ability to measure the efficacy of these programs. It needs to increase accountability for existing programs and redirect resources to the programs that work.

Second, LA Unified needs to engage the whole community so that every parent, student, and neighbor knows why attending school is important. Our task force will help the district work with community and business leaders, sports and entertainment figures, and civic groups to spread the word that kids belong in school.

Third, the district should use some common, but effective, campaign tactics—direct mail, text messages, phones banks, and neighborhood canvassing—to target at-risk students and their families.

Fourth, the district should provide individual schools with cash incentives when they reach their attendance goals. The principals at these schools can use the money how they see best to improve their schools.

Finally, LA Unified should provide more one-on-one counseling to students and families most in need.

The above approaches should be tested as pilot programs, targeting a relatively small group of schools and students, so that LA Unified can measure the effectiveness of each approach. Our task force, on behalf of private philanthropy from the community, will provide half of the funding and oversight for the programs; we will also work together with the district to help provide transparency and accountability. The programs will be measured against the status quo and each other. When we find what works, we will help the district roll out the initiatives throughout the district.

LA Unified cannot meet these challenges on its own. It will take committed and engaged parents, educators, and the entire community. Attendance matters: let's start working together to make sure every kid gets to school.

Austin Beutner, co-chair of LA Unified Advisory Task Force, is a past deputy mayor of Los Angeles and founder of Vision To Learn, which provides free eye exams and free eyeglasses to students in low-income communities nationwide.

LaPhonza Butler, also a co-chair of LA Unified Advisory Task Force, is the president of Los Angeles–based SEIU Local 2015.

CalNotes:

GOOD LUCK SPELLING "BELICHICK"

California has had a truancy law in effect for nearly 145 years. Should Sacramento lawmakers decide to further explore absenteeism in Golden State classrooms, they won't have to look far. In the most recent school year, 14.8 percent of all Sacramento County students missed at least one-tenth of their classes, a rate higher than all but two of California's twenty largest counties (Sonoma and San Joaquin being the leaders—or laggers—depending on one's perspective). It's not as dire as another capital city on the East Coast, where about 25 percent of public school kids are absent each year. That prompted Boston public schools to place "I'm In" stay-in-school posters on approximately three hundred buses and subways trains citywide. One problem: someone didn't do their homework correctly. On one poster, featuring a tenth-grade student, the word "sophomore" appeared without the second "o." The moral of the story: stay in school . . . and learn how to spell.

California's Green Governor: A Climate Hero with a Wrinkled Cape

By Dan Jacobson

When Californians look back a generation from now on the environmental legacy of Governor Jerry Brown, what will they see?

It's a good bet that they will view Brown as one of the key leaders worldwide in what was—with any kind of luck—a successful fight to lessen the damage from global warming.

Within California Brown has presided over a doubling of wind power production, a nineteenfold increase in solar energy, and the deployment of more than a quarter million electric vehicles statewide. With energy efficiency improvements, California consumed less energy in 2015 than it did when he was elected in November 2010, despite the growth in population and economic activity.

California has emerged as a leader on climate policy, adopting ambitious standards for renewable energy and a first in the United States system for putting a price on carbon pollution in most of our economy and committing to investment in the infrastructure that's required for a carbon-free future, from high-speed rail to more trees in our communities.

In this era of global warming denial at the federal level, Brown has positioned California as an example of effective state leadership, helping rally local and state leaders across the US and around the world to the cause of addressing climate change.

That's a lot to be proud of.

But there is a less happy side to Governor Brown's environmental legacy, one that he has the chance to change during his last year in office.

Under Brown California has remained America's third-leading producer of crude oil, trailing only Texas and North Dakota, and is the nation's fifteenth-largest producer of natural gas. Were all the oil and gas produced each year in California to be burned, it would emit roughly ninety million metric tons of carbon dioxide. When combined with the greenhouse gas emissions from oil and gas production, processing, and refining, California's carbon footprint from fossil fuel supply could amount to nearly a third of the greenhouse gas emissions accounted for in California's greenhouse gas inventory.

That much fossil fuel production is hard to square with the notion of California as a global climate leader.

The processes of producing oil and gas don't just threaten the climate. Emissions from refineries and oil fields create health-threatening air pollution, with the chemicals used to

extract gas through hydraulic fracturing endangering our water supply. On top of that we've got the risks inherent in storing and moving fossil fuels around the state: witness the Aliso Canyon natural gas storage site blowout in 2016.

So far Brown has resisted measures to reduce California's production of fossil fuels, including limits on the use of the most environmentally damaging practices, such as fracking. His logic is that as long as people still need oil for our cars and factories, fossil fuels are going to be produced somewhere, if not in California, then in Oklahoma or Alberta. Since California has stronger environmental protections than many other oil-producing regions, the argument seems to go, it would be irresponsible for the state to stop pumping oil and gas out of the ground and, at the same time, stop benefiting from the dollars flowing into the state.

That argument won't cut it. As a world we've got some tough realities to face; one of them is that we need to put ourselves on a diet where fossil fuels are concerned. There will be economic pain in some sectors and opportunity in others, but if we don't suffer the pain and grab the opportunities, we're going to end up having to find some other planet to live on, and that won't be cheap or pretty. If enough cities, states, and countries vowed to limit fossil fuel production and "keep it in the ground," fossil fuels would get more expensive and difficult to obtain, hastening the transition to clean energy sources and limiting global warming.

Last month France became the first country in the world to ban fossil fuel exploration, effective immediately, and fossil fuel production, beginning in 2040. France produces roughly a tenth as much oil as California, making the move both easier and less significant. But if California, with its mighty role in the industry, were to lead other oil producers in making a similar commitment or even, in the short run, commit to phase out the worst and most environmentally damaging methods of fossil fuel production, that would set an example for the world.

As gutsy as Governor Brown's leadership has been on climate change, the steps the Golden State has taken on climate change thus far have largely played to our strengths. California's clean tech industry is a global force, thanks to the state's early and aggressive efforts to promote solar energy, energy efficiency, and other technology-based approaches to cutting greenhouse gas pollution.

Curbing our production of fossil fuels, however, will be harder. But it will be even more of a challenge in poorer states–West Virginia, Oklahoma, North Dakota—and we're asking them to do it too. California has far more resources than some of those places to weather a sacrifice in the interests of the greater good.

Let's be clear: through his first seven years in office in his second turn as California's governor, Jerry Brown has proven himself an environmental hero. It is hard to imagine where the Golden State and the world would be without his leadership.

But as this environmental hero approaches the end of his term as governor, the wrinkles in his cape are clearly visible. By committing California to reduced production of fossil fuels—as well as reduced use—Governor Brown can cement the state's reputation as a true environmental leader, set a powerful example for the rest of the world to follow, and bring a safe climate one step closer for our kids and the kids of the future.

Dan Jacobson is the state director for Environment California, a statewide citizen-based environmental advocacy organization.

CalNotes:

"DRILL, BABY, DRILL" . . . IN CALIFORNIA?

The new year began with an old environmental controversy in California: whether to further invest in offshore oil drilling, which the Trump administration wants to begin expanding in 2019, much to the coastal locals' chagrin? The Trump plan would allow oil and gas companies to lease seven areas in the Pacific Ocean: two off Northern California, two off Central California, two off Southern California, and up north off Washington State. The last time California offshore leases were offered? It was 1984 and the heady days of James Watt, when areas off Big Sur, San Mateo, and Sonoma Counties were in play (there are presently twenty-three oil platforms in federal waters off California and four in state waters). Speaking of which, there's the making for a state/federal showdown: California's State Lands Commission has jurisdiction over waters extending roughly three miles offshore. Meaning: thatthe state can make it difficult to transport oil and gas from sea to land. Leases may get sold and rigs may go up, but they won't be getting in the way of paddle-boarders and kayakers.

For Sacramento, Will This Be a Year of Opportunities Taken or Missed?

By Catharine Baker

Now that the 2018 legislative session has begun and Governor Jerry Brown has delivered his last State of the State address, Capitol leaders are faced with a year of opportunities.

The question becomes: will they take those opportunities or miss them?

Three uncommon political circumstances make this year, in particular, a year opportunities can best be taken.

Democrats do not have a supermajority—for now. The majority party gained a two-thirds supermajority in the 2016 elections, but three Democratic members of the assembly recently resigned—two as a result of well-founded accusations of sexual harassment and misconduct and one for health reasons. An additional Democratic state senator has taken a "leave of absence" pending investigation of what also appears to be well-founded sexual harassment claims. As a result, neither the assembly nor the Senate has a voting supermajority— at least until elections fill these vacancies.

Legislative supermajorities do not make for good government. When one party has such overwhelming power that it never needs to consider the other's views, extreme policies dominate the agenda, hyper-partisanship sets in, and Californian's voices are lost in the process.

One needs look no further for illustration than Senate Bill 1 (SB 1) and subsequent legislation changing the recall election process, both of which passed in 2017 under Democratic supermajorities. SB 1 raised the car and gas tax by over $6 billion a year without a single substantive reform to improve how transportation dollars are spent. It also failed to include a comprehensive "lock box" in which all transportation fees and taxes must be secured to protect them from being raided for non-transportation spending.

But SB 1 did include a provision that ensures car taxes and fees will continue to increase automatically without voter approval or legislative input. After it passed, Sen. Josh Newman, a Democrat who voted for SB 1, immediately faced a recall effort in response to his vote. So, the supermajority kicked in and rammed "emergency" election law legislation through—only possible with a two-thirds supermajority vote—changing the rules for recall elections to protect Newman and create hurdles for those who sought to recall him.

Admittedly, even after losing the supermajority from resignations, legislative Democrats have healthy majorities in both houses to pass most bills via party-line votes. Yet not having the supermajority creates more opportunity for bipartisan compromise—sorely needed to effectively address the challenges facing the state.

One such issue most in need of bipartisanship is a deeply engrained cultural problem desperately in need of change: a culture in the Capitol that has allowed sexual harassment and misconduct to go unchecked.

Starting in the fall with the #MeToo movement and the release of the "We Said Enough" letter, truly courageous women working inside and around the Capitol have come public with their experiences of groping, harassment, grossly inappropriate behavior, threats, retaliation, and assaults by men in positions of power.

I signed the "We Said Enough" letter, based on my own personal experience. The stories shared, and the subsequent conversations, speak for themselves. Now the legislature must speak for those who have been victims, and make the changes needed in the Capitol community to prevent the perpetuation of behavior that has no place in public service or anywhere else. These changes must have zero taint of politics and partisanship, two elements that permeate the legislature.

There are signs of hope that legislators can put politics and partisan games aside. In the first two weeks of this session, members of both parties have introduced bipartisan legislation to provide much-needed whistle-blower protections to legislative staff (AB 403), extend the statute of limitations for sexual harassment and misconduct claims (AB 1870), and hold lawmakers more accountable by preventing the use of taxpayer money to pay settlements of sexual harassment cases (AB 1750).

Legislators have begun to conduct joint, bicameral hearings to bring the problem of harassment out in the open and identify changes needing legislation. These are just small steps toward improving the Capitol culture, but we should welcome them and use this sense of bipartisanship as a road map for working together on other problems plaguing Californians.

Additionally, the state's economy is relatively healthy. Gov. Brown's 2018–2019 budget proposal assumes the state will have a $6.1 billion budget surplus by midyear. The legislature and governor have an opportunity to decide what should be done with those "extra" dollars should they materialize. They can approach the surplus as a responsible family, small business, or individual would use an unanticipated inflow of funds: pay down debt, save for a rainy day, or consider one-time spending that has long-term benefits without recurring financial commitment.

However, the legislature's practice of late, with the governor's help, has been to increase spending. Since the start of the current Brown administration, state spending has increased $45.6 billion—nearly three times the rate of inflation in

California during that same time. Had California's budget grown at the rate of inflation since Gov. Brown began his current term, the budget would be $100.7 billion for 2018–2019, not the $132 billion he proposed earlier this month.

It is time to break from the past, resist the insatiable appetite to spend anew, and get California's financial house in order for the long term. Public employee pensions in California are underfunded to the tune of hundreds of billions of dollars. Paying down pension debt—better yet, restructuring our pension system—is an opportunity the legislature and the governor should not miss.

Finally, California has a governor who is termed out. This is Jerry Brown's last year in office. He has no reelection race looming over him and no political calculus to solve to secure future office. This presents Brown with an opportunity to tackle significant issues on which a governor facing reelection would not want to spend political capital or risk alienating powerful supporters.

The significance of Gov. Brown's final year cannot be overstated. Gov. Brown enjoys favorable approval ratings, a large financial war chest to campaign for or against policy initiatives of his choosing, and influence over the legislature that no California governor in recent memory has had. Unless he engages in discussions about the most controversial issues, bills to address them won't happen either. And when he does engage on a bill and sets his mind to making it become law, it will pass. He has the influence, popularity, and political freedom to tackle issues Californians need addressed.

Gov. Brown could and should spend some of this political capital and influence on education accountability like reforms of the tenure systems, professional development, and seniority rules.

But will that occur?

Even the most modest efforts at accountability reforms, such as assembly member Shirley Weber's AB 1220 (extending the time in which a teacher is up for tenure from two years to three) have died in the legislature under the weight of opposition from teachers' unions, yet the status quo in education is not working for our kids. California's fourth graders rank 46th in math and 48th in reading, while eighth graders rank 40th in math and 43rd in reading. The Local Control Funding Formula Gov. Brown pushed earlier in his current term leaves schools across the state slashing budgets and considering layoffs. Education remains one of the single most important issues to Californians. Brown has an opportunity to push back against the status quo that hampers our children and work with the legislature to make lasting changes to our K–12 system.

At the national level, 2018 is known as a midterm election year, with all the politics that come with it. But here in Sacramento, 2018 can be a year of opportunities to put the state's financial house more in order, tackle issues only a termed-out and influential governor can tackle, and improve the partisanship and conduct in the Capitol.

These are opportunities to help restore trust in our legislative process among California voters.

These are opportunities too important to be missed.

Catharine Baker represents California's 16th Assembly District, located in the eastern region ("East Bay") of the San Francisco Bay Area.

CalNotes:

FOR WOMEN, STRENGTH IN NUMBERS IN SACRAMENTO?

The day after the Golden Globe Awards and celebrities clad in black to acknowledge workplace sexual harassment, California female lawmakers wore black to their State Senate and Assembly floor sessions. The year 2018 may turn out to be a "year of the woman" in terms of rebalancing the scales of justice. But what about women who want to attain office? Only one woman—former superintendent of public instruction Delaine Eastin—is running for governor; she barely registers in statewide polls. At present, seventeen assembly members and nine senators make up the California Legislative Women's Caucus. Nationally, women hold nearly one-fourth of all state legislative seats. That's in line with national numbers. According to Rutgers University's Center for American Women in Politics, 74 of 312 statewide executive offices nationwide are held by women. In California, it's only one in seven. The year 2018 marks the centennial of four women breaking the State Legislature's glass ceiling. What else will there be for California women to celebrate in November?

EUREKA

ABOUT THE PUBLICATION

Eureka was created to serve as an occasional discussion of the policy, political, and economic issues confronting California. Like the Golden State motto from which this forum's title was borrowed, the goal here is one of discovery—identifying underlying problems and offering reasonable and common-sense reforms for America's great nation-state.

Ever since Archimedes supposedly first uttered the word, *eureka* has meant joy, satisfaction, and a sense of accomplishment. Drawing on the combined wisdom of Hoover's policy experts and leading California thinkers, we hope that you'll find enlightenment in these pages. Hoover research fellow Bill Whalen, who has nearly two decades of experience in California politics and public policy, serves as this forum's editor.

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