COLAB SAN LUIS OBISPO
WEEK OF JANUARY 6 - 12, 2019

THIS WEEK

CEREMONIAL BOS MEETING TO SWEAR IN RE-ELECTED OFFICIALS + ELECTION OF CHAIR AND VICE-CHAIR

11:55 AM MONDAY JANUARY 7, 2019

SLOCOG REAFFIRMING STACK-AND-PACK, GETTING PEOPLE OUT OF CARS, AND LAYING GROUNDWORK FOR A NEW TAX

PLANNING COMMISSION STARTING UP

MATTERS DO NOT SEEM CONTROVERSIAL

PAST 3 WEEKS

NO BOS MEETINGS
CHRISTMAS/NEW YEARS RECESS

OTHER AGENCIES AVOIDED MEETINGS TOO

BUT THE SIERRA CLUB LAUNCHED A NASTY LAWSUIT AGAINST A PRIVATE FAMILY TRUST OVER A FEW EXISTING LOTS

SLO COLAB IN DEPTH

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WEALTH, POVERTY, AND FLIGHT: THE SAME OLD STATE OF CALIFORNIA

BY VICTOR DAVIS HANSON

CALIFORNIA'S STATE AND LOCAL LIABILITIES TOTAL $1.5 TRILLION

BY EDWARD RING AND MARC JOFFE

THIS WEEK'S HIGHLIGHTS

Special Board Meeting of Monday, January 7, 2019 – 11:55 AM (Scheduled)

SWEARING-IN CEREMONY - Swearing-in of elected and re-elected County Officials. This ceremonial meeting will include Supervisors Compton and Gibson as well as the elected Department Heads, including Auditor Controller, DA, Clerk Recorder, Assessor, and Sheriff.

Item 1 - Request to adopt an amendment to the Board of Supervisors Rules of Procedure, and reorganization to elect Supervisor Arnold as Chairperson and Supervisor Hill as Vice-Chairperson for the calendar year 2019 term. The item seems to follow the current rotation pattern for Chair and Vice-Chair.

The first regular Board meeting will take place on Tuesday, January 15, 2019.

San Luis Obispo County Council of Governments (SLOCOG) Meeting of Wednesday, January 9, 2019 (Scheduled)

Item 3.b - Election of Officers and Appointment of the Executive Committee. The Board will elect a President and Vice-President and will appoint a Committee, which usually consists of the President, the Vice-President, and the past President. This is a powerful Board, which handles tens of millions of highway and road funds. It consists of all 5 County Supervisors and a representative (mayor or city councilor) from each of the 7 cities in the County.

Item A.1 - Appointment to Various Boards and Committees. The Board will also be appointing members to a number of inter-agency and state committees. These include lobbying groups, rail advocates, and the National Association of Regional Councils.

Item B.1 - Closure of El Campo Road at Highway 101 Intersection Update. There is pressure to close this dangerous intersection as a result of its substandard structure and a recent traffic death. Per usual, there is to be a study and analysis of the impacts, including other substandard intersections in the area. There is stakeholder group, and frequent meetings are planned. In the big picture, this is just one of thousands of similar catastrophes throughout the State resulting from spending too much money on salaries and benefits versus capital maintenance and improvements. Apparently there is no one in charge with the guts to close it.

Long range solutions depend on the future plans for widening and revamping Highway 101, which in turn are dependent on decades long priority setting and the overall financial status of the State. Even with the retention of the SB-1 gas taxes, the State's deferred and underfunded capital deficit is so large that nothing may actually ever happen until after the current social, political, and economic structure of the State is replaced due to some future cataclysm which results in major reform. As industry departs, as the middle and upper middle classes move away, as retirees die off, and as increased taxes raise decreased amounts of money, the physical decay and growing social and economic disruptions including criminal anarchy will at some point result in reform, imposition of some sort of control by the Federal Government, or worse.

In the near term, there will be pressure for a future Measure J type sales tax to be placed on the ballot in 2020.

Item B.3 - Preliminary Overall 2019/20 Work Program – And While You Were Sleeping. This is pretty much a pro forma report which restates what the agency is already doing. Much of it is boilerplate. It confirms current policy. The translation is in the pink boxes.

SLOCOG Overall Work Program Objectives
1. Proactively secure and maximize local, state and federal funds.
2. Satisfy state and federal regional planning requirements.
3. Improve technical planning capabilities.
4. Continue focus on comprehensive and cost effective intermodal transportation system improvements, including aggressive demand management through the Ridesharing Program.

And where will these funds come from?

5. Maintain and enhance local and regional multimodal mobility, emphasizing safe, secure, convenient and integrated transportation system development coordinated with land use that:
o Encourages more walkable communities
o Maximizes travel choices, and reduces traffic congestion, greenhouse gases, and the amount of vehicle miles traveled.

Stack-and-pack living, make cars and energy more costly, rationing.

6. Continue efforts to influence state and federal legislation addressing transportation revenues.

f. 4301: Sustainable Communities Strategy (SCS) FY 2018/19
* *Develop, model, test, and refine the SCS for the 2019 RTP adoption.*
* *Develop stakeholder and public engagement materials and tools*

Brainwash the public to support the doctrine and more taxes.

b. 7300: Supplemental Funding
* **Explore supplemental funding options through community engagement (from Page B-3-11)**

Have staff (on public time) start working on a sales tax increase for the 2020 ballot.

Planning Commission Meeting of Thursday, January 10, 2019 (Scheduled)

Item 1 - Election of Chairperson and Vice Chairperson for 2019. There will probably be no controversy on this one.

Item 5 - Hearing to consider a request by Peoples' Self-Help Housing for a Development Plan/Coastal Development Permit to allow the construction of 33 apartments in eight buildings with a total floor area of 34,850 square feet, a community services building of 2,880 square feet, and related site improvements. The applicant is seeking a modification to the required front and side setbacks as well as a height exception for one building pursuant to the State Density Bonus Law (65915(d)(2)). The proposal would disturb approximately 2.04 acres of a 5.88-acre parcel in the Residential Multi-family land use category. The project is located on the east side of Schoolhouse Lane across from Santa Lucia Middle School, approximately 0.65-mile north of the Highway 1 / Main Street intersection, in the community of Cambria.

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DRC2012-00052 – PEOPLES SELF HELP HOUSING – PROJECT ELEVATIONS

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DRC2012-00052 – PEOPLES SELF HELP HOUSING – AERIAL VIEW

There does not seem to be any groundswell of opposition at this point. The project is designed to be "affordable" and as noted in the agenda summary is being proposed by the not-for-profit affordable housing developer, Peoples Self Help Housing. Review of the conditions indicates that the project will be subject to all the costly exactions, including road fees, school fees, etc.

It is not clear what the definition of affordable is from the write-up.

PAST WEEKS' HIGHLIGHTS

No Board of Supervisors Meetings on Tuesday, December 18; Tuesday, December 25; and Tuesday, January 1, 2019.

The Board's winter recess provided a 3-week break. Other agencies such as SLOCOG, APCD, and LAFCO were also dormant during this period.

Sierra Club Attacks Family's Private Property Rights

On December 27, 2018 the Sierra Club filed a law suit to overturn the County's recognition of 11 single-family home lots that were created in 1905. The County staff had denied the certificates of conformance which are needed to validate the lots. The Board of Supervisors on a 3/2 vote (Hill and Gibson dissenting) overturned the staff denial on appeal. The Sierra Club's legal brief cites no substantive reasons why it opposes the recognition of the lots or how their approval harms itself or its members. Instead, the brief essentially repeats the reasoning of the staff and County Counsel opposition. County Counsel suggested that the Board approval be conditional on the applicant bearing the costs of any appeal litigation. Accordingly, the Feslers will now have to cover the costs of defending themselves against the huge and well-funded Sierra Club.

The staff and County Counsel wanted to force the owners (the Fesler Family) through a costly and time consuming subdivision application process and the payment of very high permitting fees and tax exactions. Of course, the applicant Feslers could spend hundreds of thousand on the application and still be denied (The county roll of the dice process).

The Sierra Club, which used to sell pretty coffee table nature books and advocate for preservation of valuable natural areas, has become a radical and vicious anti-private property conniver. Why would they go after a small existing family subdivision otherwise? Did Gibson and Hill put them up to it?

Background: The issue is an important property rights appeal case involving antiquated subdivisions (lots created in the 19th & early 20th Centuries, before the adoption of the State Subdivision Map Act). The Planning Director had previously denied the recognition (confirmation) of 11 lots which had been laid out in 1905. Two had actually been recognized by the County in recent years. In fact, the lots appear on both County land maps and Assessor's Parcel Maps.

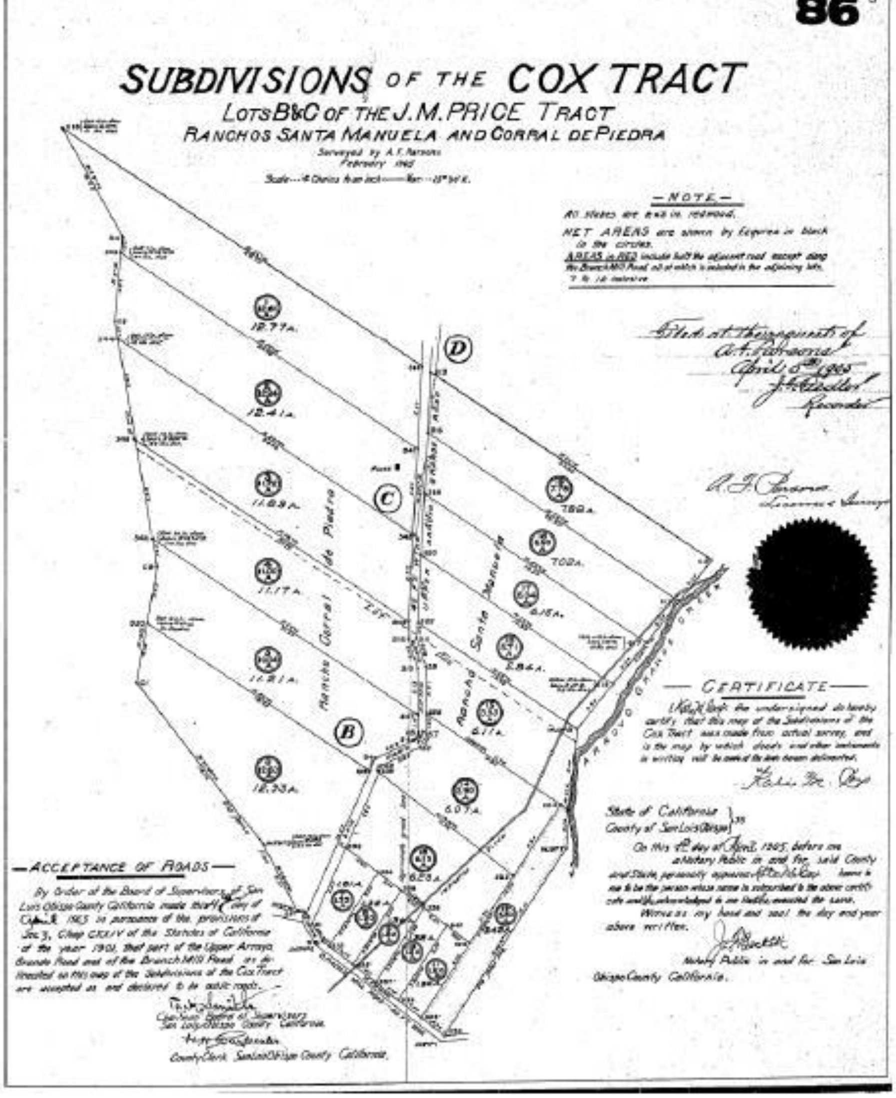
When the owner came in to request that the remaining lots be recognized, the Planning staff denied the request. The matter was then appealed to the Board of Supervisors. During the meeting of July 17, 2018 (and at subsequent meetings) the Board voted to approve the appeal to certify the lots on a vote of 3/2, with Hill and Gibson dissenting vociferously. Gibson, Hill, and the staff would require the owner to go through the full subdivision process and environmental impact assessment, with analysis by Planning, the APCD, Water Agency, Health Department, Fire Department, and Public Works Department, including costs, public hearings, and potential appeals. These processing costs plus the cost of hiring professionals to assist the applicant with the process could cost $100,000 or more. In the end this would be a roll of the dice because the lots could still be denied. Additionally, the owner would have to pay impact fees for schools, roads, Sheriff, Fire, Parks and Recreation, County administration buildings, and a management rake off. On top of this the owner would have to pay so-called Housing-in-Lieu Fees (actually a tax). These could add up to an additional $100,000 or more.

Gibson and Hill maintain that imposing such barriers and costs is not a taking (effective government expropriation of the property), since the owner could go through the subdivision process. In actuality, the costs, time, and uncertainty constitute a taking of existing mapped lots and/or a significant portion of their value.

The lots were created in 1905. The staff denied the certificates on the grounds that they were created before adoption of the Map Act in 1907, and therefore don't comply. They cite much case law and other precedents to support their position. Their problem is that the Map Act grandfathered lots created by any means that were mapped and filed with the County prior to 1907, and therefore that are legal.

For whatever reason, the staff recommended denial and told the Board that the applicant should be required to file a subdivision application and go through the whole lengthy and costly process de novo. The fact that new laws and standards have piled up in the meantime doesn't mean that the government can simply violate your property rights.

One of the points in favor of the applicant is that the County's automated land use permitting record system described these as legal lots. The staff's lame excuse for not accepting this record now is: *This was prior to the tracking system being updated to reflect more recent case law. The tracking system has since been updated and shows that the parcel legality for the subject lots is "U" for undefined. Moreover, a designation in the County's permit tracking system is not a valid* [proof].



These were legal lots in 1905 but not now?

California Public Utilities Commission (CPUC) – Allows Diablo Mitigation Payments in Response to Approval of SB 1090, But the Check is not in the Mail.

The CPUC took action to allow PG&E to file for the consumer rate increases necessary to pay for the portion of the mitigation payments which it rejected last year. PG&E can file on or after January 1, 2019. In summary:

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to collect $85 million in rates to fund the Community Impacts Mitigation Program.

2. Pacific Gas and Electric Company is authorized to collect up to an additional $140.8 million in rates in addition to the $211.3 million authorized in Decision 18-01-022, for a total of up to $352.1 million.

3. Pacific Gas and Electric Company may file a Tier 1 advice letter after January 1, 2019, to implement the rate increases authorized by this decision.

4. This proceeding is closed.

This order is effective today.

Dated November 29, 2018, at San Francisco, California.

The actual order is detailed and contains considerable technical and legal language under which PG&E may file for the rate increases. There are also a number of intervenors swarming around who continue to oppose the action.

This may be why the County has extended its contract for an additional $100,000 with a law firm expert in CPUC matters to push the issue along. The check is not yet in the mail and "it ain't over 'til it's over."

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 AND FORCES

Wealth, Poverty, and Flight: The Same Old State of California

BY VICTOR DAVIS HANSON

California ranks first among the states in the percentage of residents over 25 who have never finished the ninth grade— 9.7 percent of California residents, or about 4 million Californians. It also rates 49th in the number of state residents who never graduated from high school — or about 18 percent of the current population.

In other words, about 7 million Californians do not possess a high-school diploma, about equal to the size of the nine counties of California's Bay Area, roughly from Napa to Silicon Valley. In some sense, inside California, there is a shadow state consisting of high-school dropouts that's larger than 38 other U.S. states.

Yet California also is home to some of the most highly educated municipalities in the United States. In fact, Palo Alto claims that 40 percent of its city population has an M.A, degree or higher, making it No. 1 among American cities with a population above 50,000.

In the same ranking of wealthiest communities, two other California municipalities, nearby Cupertino and Mountain View, were also in the top ten. How can a single state be calibrated as both so educated and so uneducated?

In many global ratings of world research universities, California has four universities (Cal Tech, Stanford, UC Berkeley, and UCLA) in the top 20 — more than any other single nation except the United States itself. Yet the 23-campus California State University system — the largest university in the world — has a student body in which about 20 percent are not proficient in English. The remediation rate (unable to meet minimum college admittance standards in math and English) of incoming freshmen was about 35 percent — at least until such gradations, along with required remedial education, were recently considered archaic, offensive, or worse, and thus scrapped.

To fathom California's near medieval asymmetry, ask how a state with such high taxes can offer such poor services. The top California income-tax rate is 13.3 percent (the nation's highest). The state's average sales tax is (conservatively) about 8.5 percent (ninth in the nation). California's bewildering combined array of gasoline taxes are about 55 cents per gallon and rising (second-highest in the nation).

In exchange, California public-school test scores rank between 44th and 46th in the nation. Its roads and infrastructure are rated in various surveys between 42nd and 45th. Driving from the state's interior to the coast on roads mostly unchanged from 45 years ago takes about twice the time as in the past — if carefully planned at particular times and days of the week.

One no longer just drives on any two-hour or longer journey in California. Instead, he navigates, with the planning, apprehension, and wariness of a 16th-century galleon captain sailing to the New World.

Three concurrent — and yet antithetical — trends explain the malaise, though they're rarely talked about. Indeed, one of the landmarks of the new California mentality is denial and self-righteousness that assume it is illiberal to notice that a quarter of the nation's homeless population sleeps on California streets, or that violent crime is 20 percent higher in California than the national median, or that San Francisco ranks No. 1 in per capita property crime rates of all the nation's largest cities.

The Keep

First, lots of highly educated people have congregated in California's coastal corridor of some 30 million from La Jolla to the Napa Valley. Google, Apple, Facebook, and assorted appendages enjoy market capitalization in aggregate well over $3 trillion dollars. The coast of California faces a booming Asia of China, India, Japan, South Korea, and Taiwan, not a tired and shrinking Europe mired in European Union bureaucratic suicide. The California coast is where steel, plastic toys, and Hondas arrive and everything from California almonds to airplane parts leave. Three of the top five ports in the country are in California — the top two in Long Beach and Los Angeles.

No wonder that communities such as Atherton, Hillsborough, Brentwood, and Los Altos Hills rank near the top of the nation's richest municipalities as measured by average household income. California has more billionaires than any other state. The state's elite universities (Cal Tech, Stanford, UC Berkeley, UCLA, USC, UC San Diego) are on the coastal corridors, as are most of its UC campuses and private elite undergraduate colleges. The corporate headquarters of Silver Lake, Disney, Oracle, Gap, Intel, and Kaiser Permanente are too.

So there is a separate state of Coastal California, a manor of prosperity. And it is probably the richest urban area in the world, or rather in the history of civilization — drawing on its geostrategic location, long coastline, weather, climate, blue-chip universities, and high-tech industries. Residents have the disposable income and leisure to live the life of aristocrats — and do so if gauged by their lifestyle choices, travel, hired servants, and appurtenances.

California residents buy far more Lexuses and Mercedes than people buy in any other state; 16 percent of all in-state car sales are luxury brands. The reigning ideology of aristocratic wealth, however, is neither conservatism nor blue-stocking Republicanism, but a strange blend of capitalism and socialism.

Or, rather, it's explained best in the medieval terms of absolution and penance: a Gallic-like psychological syndrome of wanting lots of money in the concrete but in the abstract justifying such retrograde appetites by promoting cultural progressivism, with the caveat that the wages of entitlements, high taxes, illegal immigration, radical environmentalism, soaring home prices, multiculturalism, and diversity do not really affect those in Palo Verdes, Malibu, Healdsburg, or Menlo Park.

In other words, the costly effects of green mandates on power and gasoline, the rising bloated diversity bureaucracy in the public schools and colleges, the release to the ocean of millions of acre feet of precious stored water in reservoirs, and the $100 billion high-speed-rail debacle under way in Fresno and Kings County are simply the psychological atonements for living the life in a cloistered Versailles.

The Grapes of Wrath — in Reverse

Second, in the last decade and a half, about 6 million Californians over the age of 25 left the state; in the last 30 years, perhaps 10 million fled. There are no accurate statistics on the political ideologies of the departed or even their actual numbers. But most studies suggest that the reasons for radical outmigration were quality-of-life complaints, soaring home prices and taxes, poor state services, failing infrastructure and schools, and rising crime.

The emigrants in aggregate likely mirrored the old core of conservative support in California that once elected Governors Ronald Reagan, George Deukmejian, and Pete Wilson.

In many state-by-state rankings of the "business climate" (regulations and taxes), California now rates anywhere from 47th to last. Translated, that means that small-business operators relocated to more business-friendly states (for example, 60,000 Californians on average have left for Texas each year of the last decade), as did retirees on fixed incomes and young people shut out of the high-priced coastal housing market. According to one study, at least 13,000 companies fled the state over the last decade.

And the results have been striking in political terms.

In the last election, there was no Republican senatorial candidate on the ballot. Nor is there a Republican holding any statewide office. Republicans in 2016 lost seven congressional seats in California — many of them well after Election Day, as apparent Republican winners were buried by a sea of late-arriving "harvested" absentee ballots. Of the state's 53 seats, only seven now remain Republican.

Certainly, the missing 10 million-plus who left California over the last generation and their absent offspring help explain why Hillary Clinton won the state by well over 4 million votes. It is not just a conservative perception that migration out of California has largely been an affair of the middle and upper-middle class who tired of California's regulatory morass, or of those who, after cost-benefit analyses, have sought a more lucrative retirement elsewhere. Would-be Calexit leader Shankar Singam, in a recent television appearance, was unapologetically candid in celebrating the departure of the middle class from California. Indeed, he saw it as a sort of win-win bargain for the state: The tired people are leaving, and the energetic people are replacing them. So Singam argued that the United States "should be grateful for us" for ridding the state of its middle class: "If everyone in the middle class is leaving, that's actually a good thing. We need these spots opened up for the new wave of immigrants to come up. It's what we do."

The Crime Whose Name Must Not Be Spoken

Third, both legal and illegal immigration have also radically changed the demography of the state. It is not just that about 40 percent of the nation's 11–20 million immigrants live in California, a state in which now one in four residents was not born in the United States.

Rather, it is the result of two or three generations of mass influxes of impoverished residents who on average arrive without a high-school diploma, English proficiency, capital, or often legality. California now hosts one of three Americans who are on some sort of federal, state, or local welfare supplement. About a fifth of the state lives below the poverty level. Half of all births in California were paid for by the state-run Medi-Cal program, and 30 percent of Medi-Cal births were to mothers of undocumented immigration status. The San Ysidro border crossing between Tijuana and San Diego is the world's busiest, where some 70 million people cross on foot and in cars into and out of California each year.

The presence of millions without English and without diplomas helps explain much of the alarming poverty in California, for the most part concentrated away from the coast, in the eastern environs of southern California, some of the coastal foothill communities, and the state's Central Valley.

The effect of so many immigrant poor has certainly transformed California into not so much two different states as two different worlds: a highly sophisticated, highly regulated, and uniform coastal gentry versus an impoverished interior of largely immigrant and first-generation Californians who have little ability or desire to adhere to California's labyrinth of rules and regulations. Well over half of all immigrant households in California receive some sort of public assistance. One unmentioned fact of California's metamorphosis is the kinetic effect of millions of immigrants from the poorest regions of an impoverished Mexico — increasingly the state of Oaxaca — joining one of world's most highly educated and affluent populations, in the California coastal corridor.

Three houses within a half-mile of my own home have been the scene of gang shoot-outs, illegal trash dumping, and illicit commerce. This week there was one mass robbery attempt (of farm workers) and a shoot-out on the freeway within a two-mile radius of where I write. I found a stolen and stripped spray rig last night in the orchard. In the Central Valley, two illegal aliens in the last two weeks have murdered three innocents, one a policeman. Their stories are now frighteningly predictable and monotonous: false identities, past deportations, prior felony arrests, aid and comfort from accomplices or family members.

It is illegal in California to rent out trailers behind one's house without proper permits, sewage, or power hookups. It is also illegal to park dozens of unregistered cars without applying for non-use registration. It is not permitted to have dogs that are unlicensed and unvaccinated. And so on.

None of the rules apply, on the unstated theory that enforcement of California's strict regulations would be impossible, or not cost-effective, or somehow biased or racist. The state, then, assumes that part of the population will be hyper-regulated and pay through the nose for misdemeanor violations as a way of subsidizing the other part that will by hypo-regulated and that cannot be cited for felonious behavior.

Requiem

So why is California a blue state? In part, because its conservative base fled, a future blue-state constituency arrived, and both the very wealthy and the very poor, albeit for quite different reasons, preferred a high-tax, big-government redistributionist state government.

It is easy to envision California largely in a tripartite fashion. One population has wealth and privilege enough to create a garden of Eden, with the proviso that it need not experience firsthand any downsides of its envisioned utopia.

The second population is largely that of first- and second-generation immigrants, millions of them without legality, and many of them poor and dependent on generous state entitlements and the non-enforcement of myriads of rules, and regulations.

Then there is the third zombie population: those who want to, or in fact are preparing to, follow the millions who left. They're convinced that they lack the connections and clout of the wealthy that would let them navigate around the new regulatory morass, and they pay more in taxes than they receive in state services. In the end, the diminishing middle lacks the romance of the distant poor and the panache of the coastal affluent.

But California is explained not only by sociology but also by psychology. There is a new mentality in which the virtue-signaling elite enjoy the cheap labor of the poor and do not much care about the poor's inability to access reasonably priced gasoline and electrical power, safe neighborhoods, and quality schools and infrastructure. From their secure keeps, they square that circle by offering generous entitlements, open borders, and progressive empathy — and lots of self-righteous bumper-sticker rhetoric.

Victor Davis Hanson is a Senior Fellow of the Hoover Institution of Stanford University, top selling author, and prominent commenter on public affairs. He has appeared at various COLAB events. This article first appeared in the December 31, 2018 National Review and the Hoover Institution Daily of January 3, 2019.

CALIFORNIA'S STATE AND LOCAL LIABILITIES TOTAL $1.5 TRILLION

By Edward Ring and Marc Joffe

We estimate that California's total state and local government debt as of 6/30/2017 totaled just over $1.5 trillion. That total includes all outstanding bonds, loans, and other long-term liabilities, along with the officially reported unfunded liability for other post-employment benefits (primarily retiree healthcare), as well as unfunded pension liabilities.

Our findings may appear to contradict reports of state surpluses. The state's spare cash and rainy day funds pale before the mountain of long-term liabilities California governments at all levels have accumulated. Moreover, if the stock market continues to drop, personal income tax and capital gains tax revenue will decline precipitously, wiping out these surpluses.

Our analysis increased the amount of estimated unfunded pension liabilities by $530 billion, to a total of $846 billion, by using a more appropriate discount rate. This is more than twice the official estimate of $316 billion. As will be explained, we have high confidence in this greater total. But even using only the officially reported estimates, California's state and local governments are about $1.0 trillion in debt.

California's Total State and Local Government Debt – 6/30/2017 Estimate

Depicted below are the totals for California's state and local government debt as of 6/30/2017. Without any revision to the officially estimated total for unfunded pension liabilities, the total is $981 billion. We have added to that total another $530 billion, however, to reflect what may be a more realistic estimate of total pension obligations.

California's Government Debt, 6/30/2017

Total Estimated Debt and Unfunded Liabilities by Entity ($=B)

	Bonds, Loans Other Liab.	OPEB	Total
Liabilities & OPEB			
State Government	150	107	257
City Governments	77	12	89
County Governments	53	35	88
K-12 Public Schools	87	26	113
Community Colleges	22	2	24
Special Districts, Agencies	93	5	98
Subtotal - Liabilities & OPEB	482	187	669
Underfunded Pensions			
Official Estimate			316
Additional underfunding (Moody's method)			530
Subtotal - Underfunded Pensions			846
Total			1,515

Moody's, the credit rating agency, discounts pension liabilities with the Citigroup Pension Liability Index (CPLI), which is based on high grade corporate bond yields. When Moody's first introduced its pension methodology a few years ago, the CPLI was 5.67%. More recently, CPLI has fallen: in June 2017, it was 3.87%.

Using the CPLI discount rate, we estimate that the real unfunded actuarial accrued liability (UAAL) for California's state and local employee pension systems is $846 billion, which is $530 billion more than the officially reported (the method for restating UAAL based on a different discount rate assumption is described here). An alternative approach used by the Stanford Institute for Economic Policy Research (SIEPR) is to discount the liabilities by a rate closer to the risk-free rate. In a recent report, Stanford researchers used a discount rate of 3%. Using Stanford's methodology, we estimate a UAAL of $1.26 trillion.

California's largest pension system, CalPERS, has already announced to their participating agencies increases to required employer contributions.

A *California Policy Center analysis* released earlier this year extrapolated those officially announced rate increases to estimate that in aggregate, California's state and local government employers will be required to nearly double their annual pension contributions between 2017 and 2024, from an estimated $31 billion in 2017 to $59 billion in 2024.

Comparisons to Previous California Policy Center Debt Studies

This is the third time the California Policy Center has produced a compilation of all California's state and local government debt. Because our methodology has evolved over time, our current estimate is not fully comparable to previous estimates. For example, in this study we included approximately $42 billion of "other long-term liabilities" that we previously excluded. These other long-term liabilities include unpaid employee sick leave (known as "compensated absences"), workers compensation claims payable and pollution remediation obligations.

While a precise comparison between the current and previous studies is not possible, we can note a couple of overall trends. Bonded debt obligations have risen very modestly during the last few years, as new issues have been largely offset by repayments of existing bonds. Pension obligations have risen mostly because of lower discount rates. The CPLI declined from 5.67% on June 30, 2011 the relevant date in our first study to 3.87% on June 30, 2017. CalPERS, CalSTRS and many other California pension systems have made smaller reductions in their assumed rates of return used to produce official pension liability estimates. Finally, we have seen an increase in unfunded OPEB obligations as healthcare costs rise.

Heavily and lightly indebted local governments

Debt burdens vary greatly across agencies. One way to compare debt burdens between agencies of different sizes is to use the ratio of the entity's long-term obligations to total revenue. Most California governments have reported debt-to-revenue ratios below 200%.

One local government with an especially large debt load is Los Angeles Community College District. In the 2017 fiscal year, LACCD reported $1.4 billion in revenues, mostly from property taxes as well as state and federal aid. The district's balance sheet includes $4.2 billion of bond and capital lease obligations – yielding a debt to revenue ratio of 300%.

But if we also consider pension and OPEB debt the situation is even worse. LACCD's balance sheet includes $641 million of net pension liabilities, but these are calculated using CalPERS and CalSTRS discount rates which were about 7% in 2017. If we recalculate these obligations using Moody's methodology, the district's pension debt triples to around $2 billion.

LACCD's balance sheet also shows a $100 million OPEB liability. But this is just a fraction of the district's Unfunded Actuarially Accrued OPEB liability of $568 million. Starting in the 2018 fiscal year, LACCD will be required to reflect the full liability on its balance sheet under new governmental accounting standards.

Finally, the LACCD has over $60 million in other long-term liabilities including compensated absences, workers compensation and a supplementary retirement plan. All told, the district's long-term obligations can be fairly estimated at $6.8 billion or almost five times revenue. It is notable that despite LACCD's apparently dire finances, its general obligation bonds carry relative strong credit ratings: AA+ from Standard & Poor's and Aa1 from Moody's. Because these bonds are serviced by a lien on properties within the district boundaries, they would continue to be serviced even if LACCD went bankrupt, lost accreditation or faced some other extreme circumstance.

Not all community college districts are so deeply indebted. At the other extreme, Feather River Community College District reported $14 million in long term liabilities versus $25 million in revenue. Although the pension portion of its debt would increase sharply if restated using Moody's methodology, most of its unfunded OPEB liability is already on the district's balance sheet. Feather River only pays a portion of the medical benefits for retirees before they become eligible for Medicate and nothing thereafter. Only relatively small Community College districts like Feather River have low debt levels; LACCD's high debt burden is more typical of California's larger Community College districts.

Debt also varies widely among the state's cities. Santa Paula, a small city in Ventura County, reported $160 million in long term liabilities, more than quadruple municipal revenue. Most of the debt took the form of water and wastewater revenue bonds. Reported OPEB obligations were less than $1 million while pension debt was just under $23 million. The reported pension obligation is based on a discount rate of 7.65% and would more than triple if the more conservative Moody's discount rate was applied.

The city's debt service requirements may have contributed to its decision to turn its fire department over to the Ventura County Fire Protection District. According to a Ventura Local Agency Formation Commission staff report, the city has been unable to afford fire station upgrades or an additional station.

Other cities with high debt/revenue ratios include Cathedral City, West Covina and Woodland. By contrast, the City of East Palo Alto has relatively little debt despite its modest economic circumstances. The city's median income is lower than the statewide average and well below that of neighboring communities. As of June 2017, East Palo Alto had no outstanding municipal bonds and did not offer retiree medical coverage. Pension debt accounted for most of the city's $12 million in reported long-term liabilities, which represented about 30% of municipal revenue. Other cities with low debt burdens included Danville and Lafayette – which don't provide defined contribution pension benefits – and Rancho Cucamonga – a city whose OPEBs are fully funded.

What does this all mean?

California's state and local governments have done a surprisingly good job at managing their conventional debt growth over the past five years, but this progress has been more than offset by the growth in unfunded pension liabilities.

Taking into account what we consider to be more realistic discount rates to calculate unfunded pension liabilities, California's total state and local government debt as of 6/30/2017 of $1.5 trillion was equal to 54 percent of California's total gross state product in that year.

When added to publicly held federal debt as a percentage of US GDP, 75 percent, the overall state, local and federal government debt/GDP ratio for California is 129 percent. This amounts to a total per individual California resident of $38,344. Based on IRS Statistics of Income, it equates to a total per individual California taxpayer of $85,087. Put another way, if every California taxpayer were to make principal and interest payments on $85,087, based on a 30-year, 5 percent loan, it would cost each of them $5,520 per year *prior* to paying taxes for any ongoing government operations.

A recent survey by the Public Policy Institute of California (PPIC) found that most respondents preferred to spend California's current surpluses on healthcare and community college, while only 21% wanted to pay down debt. Perhaps if Californians understood the true magnitude of government debt in our state, they would adopt a different point of view. We hope that our study of government financial statements and related documentation will help educate Californians about the true extent of our public debt.

About the authors:

Marc Joffe is a senior policy analyst at Reason Foundation. He is the former Director of Policy Research at the California Policy Center. In 2011, Joffe founded Public Sector Credit Solutions to educate policymakers, investors and citizens about government credit risk. His research has been published by the California State Treasurer's Office, the Mercatus Center at George Mason University, the Reason Foundation, the Haas Institute for a Fair and Inclusive Society at UC Berkeley and the Macdonald-Laurier Institute among others. He is also a regular contributor to The Fiscal

Times. Prior to starting PSCS, Marc was a Senior Director at Moody's Analytics. He has an MBA from New York University and an MPA from San Francisco State University.

Edward Ring is a Contributing Editor and Senior Fellow with the California Policy Center. He is also a regular contributor to American Greatness. His work has appeared in the Los Angeles Times, the Wall Street Journal, Forbes, the Economist, Real Clear Politics, Politico, City Journal, Zero Hedge, and other media outlets. Ring has an undergraduate degree in political philosophy from UC Davis, and an MBA in finance from the University of Southern California.

* * *

ANNOUNCEMENTS

PLEASE SEE FOLLOWING PAGES

Event
Speaker Michael Brown on local government January 7th

Come see local business expert Michael brown Monday, January 7 at 6 PM in the headquarters in Atascadero at 7357 El Camino real. He will be speaking on local government and the board of supervisors of San Luis Obispo County. Michael Brown is a local expert on business as well as former city manager with decades of experience he understands the nuances and inner baseball of what's going on in local government. Mike Brown is also senior member of COLAB the coalition of labor agriculture and business in San Luis Obispo and Santa Barbara County.

This is a rare opportunity to hear from someone who can clear up the political noise surrounding some of the most important issues or county faces. These issues can and will cost you money and safety if you aren't informed.

Be informed – Be Tea Party.

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MEMBERSHIP/DONATION FORM
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MIKE BROWN ADVOCATES BEFORE THE BOS

VICTOR DAVIS HANSON ADDRESSES A COLAB FORUM

DAN WALTERS EXPLAINS SACO MACHINATIONS AT A COLAB FORUM

See the presentation at the link: https://youtu.be/eEdP4cvf-zA

AUTHOR & NATIONALLY SYNDICATED COMMENTATOR BEN SHAPIRO APPEARED AT A COLAB ANNUAL DINNER

NATIONAL RADIO AND TV COMMENTATOR HIGH HEWITT AT COLAB DINNER

Coalition of Labor, Agriculture and Business
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Email: colabslo@gmail.com / Website: colabslo.org

MEMBERSHIP APPLICATION

MEMBERSHIP OPTIONS:

General Member: $100 – $249 ☐ $ _______ **Voting Member: $250 - $5,000 ☐ $ _______**

Sustaining Member: $5,000 +☐ $ _______
(Sustaining Membership includes a table of 10 at the Annual Fundraiser Dinner)

General members will receive all COLAB updates and newsletters. Voting privileges are limited to Voting Members and Sustainable Members with one vote per membership.

MEMBER INFORMATION:

Name: ______________________________

Company: ______________________________

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City: ______________________ State: ____________ Zip: __________

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How Did You Hear About COLAB?

Radio ☐ Internet ☐ Public Hearing ☐ Friend ☐

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NON MEMBER DONATION/CONTRIBUTION OPTION:

For those who choose not to join as a member but would like to support COLAB via a contribution/donation.
I would like to contribute $ ____________ to COLAB and my check or credit card information is enclosed/provided.

Donations/Contributions do not require membership though it is encouraged in order to provide updates and information.
Memberships and donation will be kept confidential if that is your preference.
Confidential Donation/Contribution/Membership ☐

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(Revised 2/2017)