WEEKLY UPDATE
July 27 - August 2, 2025

The next scheduled San Luis Obispo County Board of Supervisors meeting is August 5. With July having nearly 5 weeks, the Board schedule has a three-week gap. The agenda for the Aug. 5 meeting has yet to be released.

This Week

Two Board Seats on the Next Ballot

We won't invoke the tired old cliché about the races heating up for the two County Supervisor seats that will be on the ballot on June 2, 2026 - in less than 11 months, because, well, they haven't yet. That doesn't mean that they don't have the potential to become quite competitive.

With Supervisor Bruce Gibson not running for reelection (after nearly 16 years) to the 2nd District, that open seat would naturally be attractive to all sorts of aspirational community leaders. So far, the two candidates to declare are Jim Dantona (President and CEO of the SLO Chamber of Commerce), a lifelong Democrat and resident of Cayucos and, just recently, Micheal Erin Woody from Morro Bay (a civil engineer and former Fresno City Councilman) and a former Republican who left the party in Trump's first term.

Through his service as President and CEO of the SLO Chamber of Commerce, it seems likely that Dantona will have a good fundraising base and a comprehensive knowledge of the issues facing SLO County.

Dantona's statement to the Tribune was: "I'm running for supervisor because I believe San Luis Obispo County can be a model for what's possible. We have the tools, the talent, and the values to protect our environment and coastline while building something even better, with smart planning and bold leadership, we can grow an economy that creates good-paying jobs and affordable housing, supports working families and ensures the next generation has every reason to stay."

Woody has a lengthy list of civic involvement and has served in elected office in the past. He should have a clear idea of what it takes to successfully fundraise, but it remains to be seen whether his network of primarily anti-wind power/battery storage activists will be able to help him raise sufficient funds to be competitive.

Woody, in his statement declaring his candidacy, according to CalCoast News, said "For too long, District 2's coastal communities from Los Osos to the Monterey County Line have not been heard by local politicians " which seems to be a direct swipe at Supervisor Gibson.

The apparent shot across the bow makes the race somewhat intriguing. While Gibson and COLAB rarely agree on much, it's hard to imagine anyone being more receptive to coastal environmental issues than Supervisor Gibson.
.
In the 4th District, Supervisor Jimmy Paulding, a Democrat, is running for reelection, with Adam Verdin (local businessman) challenging.

While County Supervisor races are "non-partisan", they often seem to follow party lines. It is likely that the local Republican and Democrat Parties will get deeply involved in the 4th District race, clearly distinguishing which candidate is from which party and drumming up support from party loyalists.

Voter registration in Paulding's 4th district is 38% Republican, 35% Democrat and 17% Decline to State. The numbers make this district competitive from a partisan standpoint.

Gibson's 2nd district is solid blue, with registration at 24% Republican, 47% Democrat and 19% Decline to State. These numbers indicate that any Republican candidate would be dreaming if they hoped to have a chance.

With the advantage of incumbency, Paulding should have little trouble raising funds, but it remains to be seen how successful his fundraising will be in a race that requires an expensive campaign. It does seem to be apparent that Paulding is working hard at constituent services and getting face to face with the voting public. One big question is whether Paulding's voting record aligns with the values of his constituents.

Paulding's statement to the Tribune reads: "This isn't just a campaign; it's a continuation of the work we've done together to build a more fair, resilient and responsive county government," Paulding said. "But that progress is at risk. Special interests are already gearing up to try and take back this seat and bring back the old way of doing things — political games, incivility and a lack of real results. We can't let that happen."

Verdin's family business, the well-known Old Juans Cantina in Oceano, is a popular and successful local business. Established over 40 years ago by Adam's father, the restaurant has been a fixture in south county culture for generations. The Verdin family has been deeply involved in the community and is well connected among much of the voting population in the 4th district. In addition to the family business, Verdin is a professional pilot and has served on several boards and commissions throughout San Luis Obispo Conty.

Verdin's statement on his campaign webpage reads: "I am running for San Luis Obispo County Supervisor because I love this community and want to do everything we can to keep it safe, prosperous, and affordable for future generations. I believe we need local leaders who truly understand our community and will work tirelessly to improve it. We face real challenges—affordability, infrastructure, public safety and homelessness—but with focused, experienced leadership, we can secure a bright future for everyone who calls this place home."

Like Paulding, Verdin will be challenged to raise sufficient funds to get his message out. Also, like Paulding, Verdin has been highly visible and seems to be connecting with community leaders and voters at an aggressive pace.

Estimates for the cost of a competitive race run from $250,000 to nearly $500,000. Costs include polling, consulting, staff and communications. The latter will involve not just direct mail and media buys, but a wide variety of social media. Knocking on doors and attending every community event possible will also be part of the winning strategy.

It is far too early to make any predictions or bets, but it is refreshing to see accomplished community leaders with strong business backgrounds running. San Luis Obispo County is facing economic stagnation. Our county budget spending (nearly $1 billion annually) is starting to outpace our revenues. If we continue without a different approach, it won't be long before we face severe cuts. Strong fiscal restraint and careful economic development can take us on a more prosperous and sustainable tract, but it will require a change in the way the Board of Supervisors does business.

Paso Water Basin

A nearly last-minute announcement was made just after our publish deadline for the last edition of this newsletter establishing a meeting for the Paso Robles Area Groundwater Authority (PRAGA) on Wednesday, July 23 at 4:00 PM at the Paso Robles City Council Chambers.

Apparently, the meeting was primarily to discuss pending litigation. And what a discussion it must have been! Shortly after the meeting began, it was adjourned for closed session with legal counsel. The subject matter according to the agenda was one lawsuit. More than an hour of closed discussion passed before the public meeting resumed.

One of the additional items on the agenda was supposed to be a report from Land IQ, the firm responsible for estimating water usage via satellite technology. Unfortunately, they did not show up for the meeting.

Another agenda item was to be a discussion on short-term funding alternatives, but that topic was deferred.

The scheduled August 1 meeting remains the date to count protests that were sent in by Ag Irrigator parcel owners. We understand that about 1300 notices were mailed, meaning 651 protests would need to be filed to overturn the establishment of the JPA. Protests filed by De Minimus users will not be counted, but will be tracked by opponents of the JPA. Any litigation would need to be filed within 45 days of the August 1 count.

There is still a lot of sable rattling going on within the community regarding various supposed breaches of legal procedure and questions about authority, but it remains to be seen whether anything else gets filed.

Below is the accounting of PRAGA'S assets and recent expenditures that was released at the July 23 meeting:

Paso Robles Area Groundwater Authority

Balance Sheet

As of June 30, 2025

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Chase Bank Checking	223,312.71
Total Bank Accounts	**$223,312.71**
Total Current Assets	**$223,312.71**
TOTAL ASSETS	**$223,312.71**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts payable	104,739.99
Total Accounts Payable	**$104,739.99**
Total Current Liabilities	**$104,739.99**
Total Liabilities	**$104,739.99**
Equity	
Retained Earnings	
Net Income	118,572.72
Total Equity	**$118,572.72**

Receipts and Disbursements

Paso Robles Area Groundwater Authority

May 1-June 30, 2025

TRANSACTION DATE	TRANSACTION TYPE	NUM	NAME	FULL NAME	AMOUNT	BALANCE
Chase Bank Checking						
05/29/2025	Bill Payment (Check)	2500	HUB International Insurance Services	Chase Bank Checking	-5,835.29	-5,835.29
05/29/2025	Payment	1096591149Ff	Estrella-El Pomar-Creston Water District	Chase Bank Checking	10,000.00	4,164.71
06/04/2025	Payment	Unknown	Shandon-San Juan Water District	Chase Bank Checking	47,719.00	51,883.71
06/10/2025	Payment	76646	City of Paso Robles	Chase Bank Checking	35,908.00	87,791.71
06/10/2025	Payment	3078495	County of San Luis Obispo GSA	Chase Bank Checking	76,304.00	164,095.71
06/10/2025	Payment	1412	Estrella-El Pomar-Creston Water District	Chase Bank Checking	59,217.00	223,312.71
Total for Chase Bank Checking					**$223,312.71**	
TOTAL					**$223,312.71**	

Budgetary procedures were discussed. The gap between $223,312 and the estimated $3 million annually required to manage the basin under the JPA has a lot of water bills in its future.

The 30-page draft Cost of Service Study can be found at:

https://www.pasoroblesaga.org/files/bdf961ce6/DRAFT_Paso+Robles+Area+Groundwater+Authority+Cost+of+Service+Study+May+2025.pdf

Last Week

The July 15 San Luis Obispo County Supervisors meeting started off as a cruise in paradise. Almost the entire agenda was on consent, with none of those 23 items causing controversy. In fact, one item, a resolution recognizing Scott Yoo in his 20th Season as Music Director with the Mozart Festival Association, came with a beautiful mini concert from a talented quartet that is part of the festival. The vibe didn't last long, however, as the last item on the agenda was a hearing full of frustration.

Cannabis Tension From Neighbors

Imagine living in a beautiful area east of Templeton with bucolic rolling hills, the occasional small vineyard or farm and quiet surroundings. Now, imagine getting a new neighbor – a cannabis farm. Suddenly you are worried about the odor of marijuana, the traffic from all sorts, the noise from fans and diminishing groundwater levels in your vicinity.

It's in County jurisdiction and the county planning department has issued it a permit. What can you do but appeal the permit to the Board of Supervisors.

Now, imagine you are an investor who wants to get into the legal cannabis business. You find a property in a valley, out of sight from the neighbors. It has a small vineyard and an orchard and is zoned for agriculture. You procure the property, and in 2018, hire expert consultants and follow all regulations and requirements. After nearly seven years of interactions with planning authorities, you are ultimately awarded a permit in 2025.

Neighbors are upset and file an appeal.

Now, imagine you are a County Supervisor tasked with hearing the appeal in a judicial fashion, meaning that you are required to consider the points made by the appellant and not whether you approve or disapprove of the concept.

The appellants show up with lots of justified passion and emotion among the dozen or so people seeking to overturn the permit. At one part of the hearing, there is confusion about the time rules for speakers, with a vocal bit of consternation taking place before everybody could be accommodated. Their points are compelling, but in the long run, you find that they don't rise to the level that you can overturn the planning department's decision that the investor/cannabis grower met the requirements set forth in the law and in the applicable planning and building codes.

This is the scenario that played out at the July 15 Board of Supervisors meeting, when the Board voted to deny the appeal. The appellants say they will litigate, but it's not clear who they will sue and on what grounds. It's possible that the grower would have sued, had the appeal been upheld.

Either way, it was a tough day to be a County Supervisor.

This case does bring to light the bigger question of where cannabis farms should be allowed, and where they become inappropriate. What sorts of impact to neighboring properties matter? The appellants strongly suggested that this operation should be located in an industrial setting, not in what they described as a neighborhood. Since it's an entirely indoor operation, neighbors are legitimately concerned by noise levels from fans that need to run at all times for odor suppression. They are also worried about light pollution and security – all valid concerns.

County staff say that the water usage will be metered quarterly, with a hard cutoff if the growers exceed their allotment. The grower says that they are displacing the water usage currently attributed to the vineyard by two to one, and that the fans are especially designed to be quiet.

The proposed cannabis farm, called “Eden’s Dream” is located east of Templeton.

At this point, it seems the grower can proceed, but if the neighbors go forward with a lawsuit, the grower may be stalled until the conclusion. Should a lawsuit take place, its outcome will likely have a big influence on any future cannabis endeavors in San Luis Obispo County.

A fascinating tangent to this issue is that most of the legal commercial growers in SLO County complain that they are barely making a profit. That this particular project can hope to return enough on the investment to be worthwhile seems inconsistent with the rest of the local industry.

Paso Groundwater Basin – the Saga Continues

The Paso Basin JPA efforts continue through the end of July, with the next meeting scheduled for Aug 1. At that meeting, protest Prop 218 “votes” will be counted. If a simple majority prevails, the JPA will not proceed – at least in the currently proposed form.

By now, it’s old news that the SLO County Farm Bureau has weighed in, offering a professional opinion that the project has strong merit. To date, they appear to be the only big community organization supporting the effort.

It’s not entirely clear how many groups oppose the JPA. One group has made an outreach to all Irrigated Ag overlayers (the land owners who got notices of the formation) encouraging protest votes. The same group has had some interaction with the Howard Jarvis Taxpayer Association seeking legal help.

There are still a few unknowns about the process:

-What happens if people who were entitled to a 218 vote did not get to do so due to mistakes in the process of identifying who was eligible?

-How has the organizational effort been funded to date, and when will it become self-sufficient?

-What will happen if the project is rejected by a majority of rate payers?

-Why is Supervisor Gibson so involved when he doesn't represent any of the basin that will be covered by the JPA?

-How will the "votes" be counted?

On the last question, it certainly would behoove the organizers to hold the counting process open to oversight from impartial members of the public. The vote should take place in one setting, with all correspondence opened at the same time in front of witnesses that can honestly verify the results.

The most glaring part of this entire process has been the mishandling of information. There is severe mistrust within the Paso Basin community, with far too much hyperbole and too many misconstrued "facts". Whatever the outcome, it's apparent that the mistrust will linger for a long time. Perhaps the only bonus from this process is that a whole new best example textbook case of how not to create a water basin JPA has been accomplished.

Phillips 66 Property Appeal Postponed

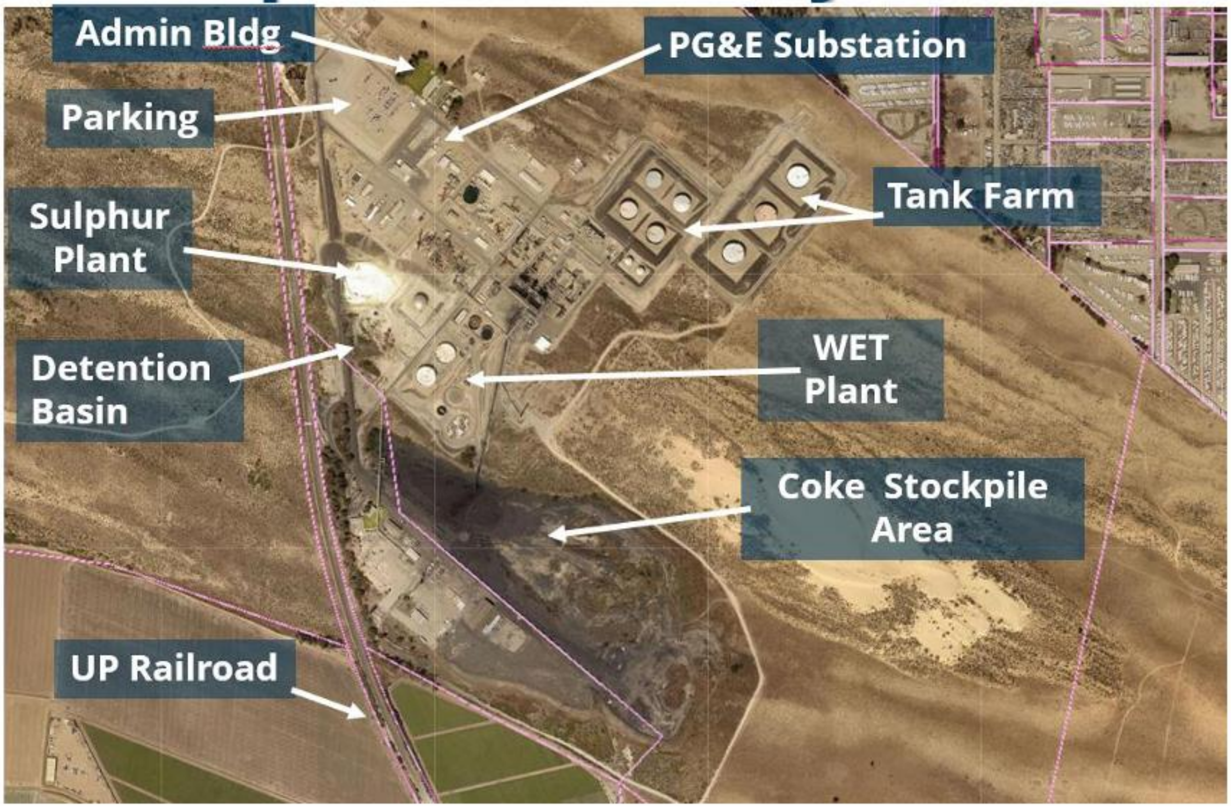
The California Coastal Commission has appealed the October '24 SLO County Planning Department permit granted to Phillips 66 for the remediation and clean-up of its former refinery in south county. The appeal was set to be heard on July 15, but has been continued until Aug 19.

Aside from the loss of an important refinery in California, we should all be concerned with what could be the kind of heavy-handed tactics that have, in the past, come from this unelected, but very powerful commission.

The courts have dealt the Coastal Commission several losses recently, including one seeking heavy restrictions on the Pismo Dunes related to off road vehicle operations. It is not clear if the legal system has become more sensitive to property rights and common sense, or if the commission has reached the point of absurd overreach.

Either way, we can only hope that the commission does not attempt to bigfoot the restoration plan, demanding dedicated public space, bike trails and expensive accommodations - all paid for by a company that has already been forced to shut down its California operations due to excessive costs and regulations.

Below is a map of the current facility:



Below is a listing of the remediation efforts that Phillips 66 has planned. Note that these steps were reviewed by the SLO County Planning Department and found to be within the scope of Coastal Zone regulations and sufficient for closure,

- Removal of structures to ground level
  - Segregation, stockpiling of demolition materials
  - Loading & hauling by truck & rail to offsite disposal sites
- Duration: ~ 8 Months, overlapping belowground work

Belowground remediation with limited belowground demolition:

- Site characterization soil testing to assess remediation needs
- Soil remediation where needed
- Grading, soil backfill, and hardscape surface replacement

- Duration: Majority in first 3-4 years
  - Some work continuing up to 10 years
- Future re-use of site is not proposed with this Project

The postponement of the appeal hearing might suggest that negotiations are underway between the Coastal Commission and Phillips 66. It's always nice when two conflicting parties can reach common ground, but we hope that a piece of private property doesn't get usurped by a bunch of bullies threatening years of countless legal maneuvers all funded by taxpayer dollars.

Stay tuned. It is a sure bet that there is a lot more to come.

Next Week

The Paso Robles Area Groundwater Authority (PRAGA) is proposing a Groundwater Management Charge to fund local groundwater sustainability efforts in the Paso Robles Subbasin. Charges would apply to agricultural and commercial parcels that pump groundwater, and public water supply groundwater pumpers based on consumptive groundwater use. A public hearing is scheduled for August 1, 2025 and the draft Paso Robles Area Groundwater Authority Cost of Service Study and proposed charge program notice is provided for further information. Protest notices filed by Ag Irrigating property owners will be counted at the meeting. An estimated 651 protests are required to prevent the final formation of the JPA.

EMERGENT TRENDS - SEE PAGE 13

California lags in financial transparency

California Might Stop Making Necessary Debt Payments for 2 Years

COLAB IN DEPTH
SEE PAGE 18

The Clock Is Running Out for Covid Fraud Investigations

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California lags in financial transparency

By Jon Coupal and Sheila Weinberg
PUBLISHED: July 19, 2025

Truth in Accounting (TIA) is a think tank that analyzes government financial reports. As part of its mission, it encourages public entities to produce financial reports that are comprehensive, clear, and transparent; and which inform the public of the importance of truthful accounting.

Last year, this column reported on TIA's fifteenth annual Financial State of the States report, which ranks all 50 states by financial health. No one was shocked by California's less-than-stellar fiscal health rating.

Earlier this month, TIA released a new report, The States Financial Transparency Score 2025, focusing specifically on financial transparency noting that, while "state budgets receive most of the public and media's attention, their outcomes are detailed in each government's Annual Comprehensive Financial Report (ACFR), which is audited annually by certified public accountants." TIA's transparency score is based on key criteria outlining best practices, offering government officials and citizens a roadmap to enhance fiscal transparency and accountability.

For a state to achieve a top score of 100 points, its ACFR must meet the following criteria:

50 points: Receive a clean opinion from an independent auditor (This criterion also applies to the annual report of the state government's largest pension plan.)

15 points: Include a net position not distorted by misleading and confusing deferred items.

10 points: Report all retirement liabilities on its balance sheet (Statement of Net Position).

10 points: Be published within 100 days of the government's fiscal year-end.

5 points: Be searchable with useful links from the table of contents and bookmarks.

5 points: Be audited by an independent auditor who is not an employee of the government (This criterion also applies to the annual report of the state government's largest pension plan.).

5 points: Measure the net pension liability using the same date as the annual report.

For government entities, a major impediment to assessing both financial health and transparency is that the data is frequently delayed for periods much longer than that found in the private sector. For this report, TIAs data was based on information available as of August 31, 2024. For Arizona, California, Illinois, Mississippi, Oklahoma, and Nevada, fiscal year 2022 data was used, as 2023 data was not yet available. For the other 44 states, 2023 data was available.

California's inability to provide timely financial data is legendary. As TIA's earlier report noted, as of August 31, 2024, California had not released its fiscal year 2023 annual financial report, making it the fifth year in a row California has been late submitting critical information.

Regrettably, the lack of transparency regarding the financial health of California is consistent with a pattern of actions by elected leaders and agencies that limit access to vital information and restrict transparency for citizens and the media. For example, legislative leaders have, in the past year, been increasingly hostile to reporters, limiting their access to the floor of the Assembly. Likewise, non-disclosure agreements, also known as NDAs, are legally binding contracts that keep information secret.

Despite serious concerns about violations of the First Amendment by limiting free speech and the freedom of the press, their use in the state capital continues. Taxpayers can only hope that the latest effort to ban NDAs will succeed in the legislature.

Elected leaders owe it to their constituents to be open and transparent in all their official duties. That especially applies in financial matters where responsible stewardship is paramount.

Jon Coupal is the president of the Howard Jarvis Taxpayers Association. Sheila Weinberg is the founder and CEO of Truth in Accounting.

California Might Stop Making Necessary Debt Payments for 2 Years

John Moorlach
Center for Public Accountability
July 11, 2025

It's July. The California State Legislature has successfully met the budget submission deadline of June 15, and it was signed by the governor. There was one small fly in the ointment: how to cut $12 billion in spending? All while trying to provide $750 million in tax credits annually to one specific industry: Hollywood. Go figure.

One massive spending reduction strategy that Gov. Gavin Newsom is negotiating is nonpayment for two years of the state's unfunded actuarial accrued liability for retiree medical benefits. This nearly $85 billion debt would not be paid down by Sacramento and its employees, causing this languishing debt to increase from interest costs, for this unique lifetime benefit rarely seen in the private sector.

The wrong way to address the obligation of future costs is the "pay as you go" method, which deals with the immediate and not the upcoming higher bills on the horizon. Known as an "other post-employment benefit," or OPEB, paying these retiree medical bills is a future cost that should be addressed systematically with an "annual required contribution," or ARC, every year. Not doing so fits the definition of "kicking the can down the road."

Not paying the ARC, or a higher amount, each year is a technique being pursued by what I would refer to as bottom-dwelling states that can't afford to honor their commitments.

It's July. It's also backpacking season. And camping etiquette 101 is "Leave your campsite better than you found it." But Sacramento, over the last decade, has failed to leave California's balance sheet in better shape, even in flush economic times when this would have been a smart money move to make.

Reducing liabilities with higher payments helps to reduce the annual minimum payment, like with a credit card balance. But California leaders did not renegotiate or aggressively pay down the retiree medical liabilities.

I reminded both the Brown and Newsom administrations of this every year I served in the California State Senate, from 2015 to 2020. Not to toot my own horn, but I was vocal every budget cycle, to no avail.

Here is what I stated during my first State budget experience in June of 2015 in the Sierra Sun Times:

“The state is at a critical juncture, ‘an inflection point,’ where the state begins to seriously address its unrestricted net deficit and unfunded liabilities or continue to hire more state employees who will pay more dues to the unions that appear to be running California. This budget before us departs from Governor Brown’s call for greater fiscal restraint. Instead, it takes the most fiscally optimistic revenue estimates and spends up to that line. And many expenditures are also optimistic, if recent trends continue. Staying on this current course will lead to a fiscal implosion. The time to change course is now.”

In June of 2016, The Bond Buyer provided the following quote from me:

“I’m thankful that Governor Brown has worked to model out a softening economy and a budget agreement that grants a $2 billion increase for the rainy day fund; however, we still have much work to do to constrain spending and address our ever increasing debts and liabilities.”

In June of 2017, the Orange County Breeze provided my thoughts:

“Governor Jerry Brown has openly stated that a recession is coming and that budget cuts are inevitable. So I began my comments on the final budget acknowledging the uncomfortable fact that—at $125 billion—this is California’s largest general fund budget ever. It is difficult to reconcile the fact that a future deficit is a foregone conclusion while we quickly ramp up spending. Now would be the prudent time to put a little extra to the side and draw down our debts.”

In June of 2018, The Associated Press reported:

“Republicans praised the focus on savings but said the budget doesn’t do enough to pay down debt and irresponsibly increases long-term commitments that will hamstring the state in the future. Sen. John Moorlach, a Republican from Costa Mesa in Orange County, said the state isn’t doing enough to address growing obligations for pensions and retiree health care.

“‘In a year when one enjoys a bumper crop, one must set aside cash and pay down the credit card balance,’” Moorlach said. “‘We’ve got to get ahead of this mess.’”

In June of 2019, The Epoch Times would communicate my concerns about California's balance sheet:

"When asked as to whether this provision would add to the debt, Senator Moorlach pointed out that Betty Yee, the state's Controller, highlighted the significant increase in the state deficit for this fiscal year.

"'In the middle of the budget conference committee meetings, the State Controller, Betty Yee, released the comprehensive annual financial report for the year end of June 30th 2018. It was finally completed in the middle of June, a year later. [The report] will show you that the retiree medical liability for health benefits for state employees has increased by $44 billion and our unrestricted net deficit went up from $169.5 billion to $213 billion. The state not only this last week approved the largest budget in its history, but it's also been notified that its unrestricted net deficit is also the largest in its history as well,' he said."

And in June of 2020, Amanda Carroll of KFBK AM 1530 stated my position: "We're not making any systemic corrections or fixes. We're not addressing pension plans. We're not addressing retiree medical. And so those costs will increase in future years."

So here we are in 2025, and Californians are burdened with even greater debts. And now the governor wants to skip making payments on liabilities that he has ignored during his tenure, allowing them to grow by the high 7 percent interest costs. Worse, he's also risking that those benefits may not be fully funded when state retirees will need them.

State leaders were warned to improve the campsite, to no avail. Now, California's ever-increasing debt is a fiscal train wreck in slow motion. And it's one that lawmakers and officials should have avoided. Now the Golden State is reaping the results of prior poor financial management, and the next governor is going to be very disappointed with the mess the prior campers left.

John Moorlach is the director of the CPC's Center for Public Accountability. He has served as a California State Senator and Orange County Supervisor and Treasurer-Tax Collector.

The Clock Is Running Out for Covid Fraud Investigations

Will Swaim
May 30, 2025

For all of the five-year remembrances of Covid-19, few have paused to recall the cyber smash-and-grab that hoovered billions of dollars out of state unemployment offices. Inmates in California grabbed thousands of dollars from prison library computers. Government-aligned Russian and Chinese crime gangs did the really heavy lifting, making off with billions more. The Government Accountability Office estimates total state and federal losses to be between $100 billion and $135 billion. Outside experts say that number could run as high as $400 billion. Because of the complexity of the crimes, very little has been recovered.

It's probably childish to wish that the nation's lawmakers were governed by something like the MPAA's Hays Code provision requiring movies to show that crime never pays. But the five-year statute of limitations is ticking down on the greatest criminal fraud in the nation's history, and neither the president nor the Senate seems eager to identify and prosecute the perpetrators.

The House did its job in March, when members approved the Pandemic Unemployment Fraud Enforcement Act (HR 1156), giving investigators another five years to track down and file federal criminal charges related to the fraud. Their 295–127–10 vote was a rare instance of bipartisanship in the Capitol, and it came just two weeks before March 27, the date in 2020 on which the first crimes took place.

"This is a must-pass bill," the bill's author, Ways and Means Committee Chairman Jason Smith (R., Mo.), said during debate. "The statute of limitations for these investigations starts to run out in 16 days, on March 27. If we don't extend it, the criminals who stole money from the pockets of taxpayers — and continue to do so to this day will get away. . . . A no vote is a vote to allow these criminals to keep what they stole."

The bill arrived in the Senate one day later but has languished ever since. Its prognosis is grim. Multiple Capitol Hill sources said that Senate Majority Leader John Thune (R., S.D.) fears that Democrats, unable to filibuster the budget bill passed by the House last week, will instead filibuster HR 1156. That could block any public debate on the budget. They say the House bill will likely die without ever getting a floor vote.

That is some good news — for America's enemies.

Where It All Started

When Covid hit the U.S. in March 2020, the makeshift masks went up and the government-mandated closures came down hard. Suddenly out of work, Americans took to their state unemployment offices for aid. As demand for assistance overwhelmed state unemployment trust funds, frantic local officials begged for federal action.

To backstop the cratering state agencies and what their failure may portend for the economy and society, President Trump signed off on $50 billion in federal loans, including $20 billion for California's Employment Development Division (EDD) alone.

That's when Covid, already terrifying for the then-mysterious nature of the virus, became a financial and national-security crisis.

California was the setting for the worst crimes. Julie Su, then the state's labor secretary, had ignored years of warnings about vulnerabilities in the state's unemployment-benefits system. She claimed that the tougher ID verification standards recommended by state auditors would disproportionately hurt black and brown Californians. When the federal cash poured in, Su's Employment Development Division was unprepared. Throughout the spring and into that summer, Su lost some $32 billion to fraudsters, including those Chinese and Russian criminal gangs.

In a move that might provide evidence of his failing mental acuity, President Biden airlifted Su out of that mess, nominating her to run the federal Department of Labor. She used her new position in a failed attempt to hide California's embarrassing losses. At the same time, back in Sacramento, Governor Gavin Newsom, who had appointed Su, declined to repay the federal loan. That triggered an automatic hike in the rate that California employers pay in federal withholding taxes. That tax hike will ratchet upward annually until the entire debt is paid. A state auditor told National Review that, given California's chaotic economy, his agency can no longer say when California employers will be able to pay off the state's federal debt.

HR 1156’s supporters argue that this is precisely why extending the statute of limitations is essential. Financial fraud cases are complex, they say. They require a very particular set of skills — for one, knowledge of foreign criminal gangs, such as China’s government-connected Advanced Persistent Threat, as well as familiarity with forensic accounting, foreign banking regulations, cryptocurrency, and digital technology.

Catch Them If You Can

“The staggering fraud committed against California’s EDD during the pandemic is alarming, but the real danger lies in what those stolen billions are now funding,” said Paul Eckloff, a retired U.S. Secret Service special agent who now works to thwart fraud at LexisNexis Risk Solutions. “Nation-states and transnational criminal groups are using this money to fuel illicit narcotics, human trafficking and activities that actively undermine our financial institutions and national security.”

“Even more alarming, these groups haven’t stopped — they’re continuing to target state programs across the country, promoting terror, crime, and undermining the rule of law,” he said.

If the Senate’s Republican leaders bring HR 1156 to the Senate for a vote, it’s likely Democrats there would take the opportunity to prove their anti-Trump credentials. That’s how it played out in the House. There, the Democrats who voted against HR 1156 were unmoved by evidence of bad foreign actors or the recovery of billions of dollars. California Representative Judy Chu used her moment in the spotlight to attack the firing of Inspector General Larry Turner, noting that Turner “had recommended that Congress extend the statute of limitations in the first place. It is outrageous that Republicans now want to act on the IG’s recommendation but refuse to address the illegal firing of IG Turner and 18 other nonpartisan inspectors general across the Federal Government.”

Other Democrats raised precisely the sorts of concerns that led to the California catastrophe five years ago. It’s possible that extending the statute of limitations will lead to the prosecution of individuals who inadvertently received overpayments, some said. Others, discovering fiscal conservatism for perhaps the first time, worried about the impact on the federal budget. The most consistent theme was that Trump cannot be trusted.

California Representative Kevin Kiley, a Republican who called out California’s ham-fisted response to the heist from his seat in the State Assembly, cut through the opposition’s arguments.

"What do you think [the fraudsters] are going to do with the money?" he asked House Democrats. "Give it to charity? No. They are going to use it for further criminal activity."

Failure to identify and punish the fraudsters means there's likely worse news ahead: Those who benefited most from the unemployment-insurance fraud scandal have learned "an important lesson," said a state investigator who requested anonymity when speaking with National Review.

"They've learned that American governments are an easy mark because you won't get caught. What we have unfortunately seen is that more and more of these transnational crime groups [are] targeting US governments," capitalizing on "antiquated tools and technology in government."

Those international crime groups may also capitalize on something else: Americans don't seem determined to catch them. According to the state's tracker, California officials report that "over 2,000 investigations have been opened, hundreds of suspects have been arrested, and many have been criminally charged and convicted." They claim to have recovered approximately $6 billion.

But that $6 billion represents just 11 percent of the $55 billion that California estimates it lost to scammers. And that number hasn't changed in over a year. That's a sign, perhaps, that, as usual in California, there's no one manning the transparency desk.

This outcome might have been clear from the beginning: Speaking about the challenge of tracking transnational crime groups in 2022, California's lead investigator predicted that no matter how hard he worked, "at the end of the day it's all going to be pennies on the dollar because most of it is long gone."

It could also be a symptom of the state's waning interest in justice or in Hollywood endings of the sort once required under the aforementioned Hays Code, like that moment in White Heat when James Cagney, surrounded by police in a natural-gas storage facility in Long Beach, Calif., shouts, "Made it, Ma! Top of the world!" and then gets vaporized in a mushroom cloud. This time, it's Americans everywhere who will pay the price for official indifference.

Will Swaim is president of the California Policy Center and co-host with David Bahnsen of National Review's "Radio Free California" podcast.

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