COLAB San Luis Obispo County

The Coalition of Labor Agriculture and Business

WEEKLY UPDATE
March 29 - April 5, 2025

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BY VICTOR DAVIS HANSON

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THIS WEEK'S HIGHLIGHTS

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LAST WEEK'S HIGHLIGHTS

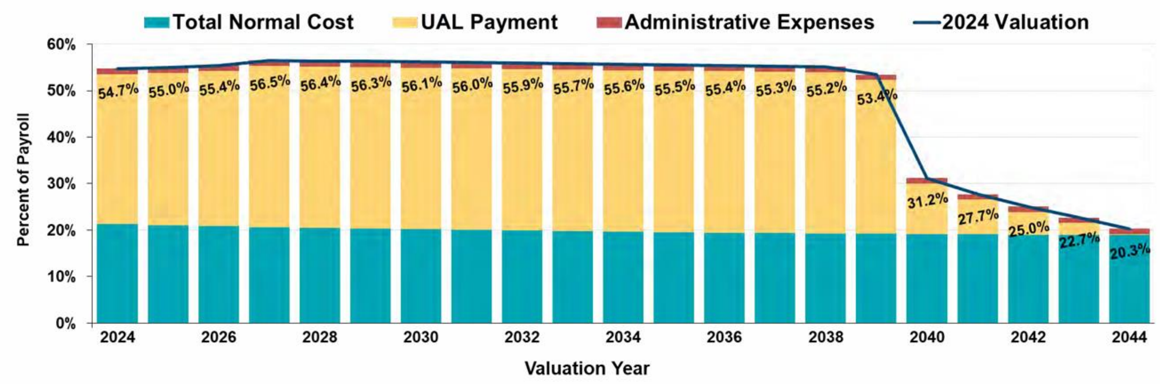
SLO County Pension Trust Meeting of Monday, March 24, 2025 (Completed)

Item 8 - 2025 Actuarial Valuation Planning. The Pension Trust Board received a preview of the actuarial status of the plan. The good news is that rates charged to the County and the employees will increase only slightly. Thus for every dollar paid in salary, the contribution to the pension system will go from 55.0 cents to 55.4 cents. Superficially, the County pays about 39.7 cents of this, while the employees pay about 15.7 cents. However, the County provides what is called a "pension offset" benefit payment to the employees, which reduces the employee share to about 4% of the total. Additionally, the non- safety employees receive social security. The County contribution to Social Security for the 2023 calendar year was 6.20% of wages, up to $160,200. The County also matches the employee's contribution to Medicare. The 2023 calendar year Medicare rate is 1.45% of total wages (no maximum). Thus, in addition to the 55.4 cents, there are 6.2 cents for Social Security and 1.45 cents for Medicare, or a total of 63.3 cents per dollar of salary going to retirement.

The table below illustrates the actuary's projection for the amortization of the unfunded liability over the next 2 decades. It assumes that the system earns an average of 6.75% return on investment for every year over the 20 years. This is highly unlikely, given the fragility of the national and world economic situation with $36 trillion in national debt; multi-trillion annual national deficits; pervasive leftist radicalism on climate, economics, and civic order; accelerating decay of the metropolitan cities; and the growing power of the Sino-Russian-Iranian-North Korean Axis. Of course, SLO County is a geographic captive of the lunatic California State government and its marginalization of business, agriculture, private sector labor, and private property.

Thus, don't count on this prediction for reduction of the liability, which has now reached just over $1 billion.

See the graphic below:



- The contribution rate is expected to increase the next two years (2026-2027) as the 2022 investment losses are phased-in
- Starting with the 2028 valuation, rates are expected to gradually decrease as PEPRA members, with lower normal cost rates, replace members in Tiers 1 and 2 when they retire
- With the 2040 valuation, the largest UAL layer, which is 19.3% of payroll, will be fully paid off or amortized

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March 24, 2025

Agenda Item #8 - Attachment A 14

Item 12 - Monthly Investment Report for February 2025. February was a down month for the financial markets. The Report stated in part:

Following a strong start to the year, February was a month of increased volatility and deteriorating investor sentiment. This was driven by both economic news and geopolitical developments. Domestic equity markets experienced their steepest declines since April 2024, with the S&P 500 down 1.3%. Investors responded by seeking safety in U.S. Treasury Bonds.

	1-month	YTD	2024	2023	2022	2021	2020
Total Fund (%) *(Gross)*	0.30	2.1	7.0	8.9	(8.0)	15.2	8.9
Policy Index (%)	0.40	1.9	8.5	10.2	(9.7)	12.8	10

	YTD	2024	2023	2022	2021	2020
Market Value *(millions)*	$1,796	$1,763	$1,694	$1,614	$1,775	$1,552

* Policy index as of Nov. 2021 Strategic Asset Allocation Policy with 2024 Interim targets:

Public Mkt Equity-	20% Russell 3000, 17% MSCI ACWI ex-US
Public Mkt Debt-	4% Bloomberg/Barclays US Aggregate,
Risk Diversifying	8% Barclays 7-10yr Treasury, 7% Barclays 5-10yr US TIPS
Real Estate & Infrastructure-	14% NCREIF Index (inc. Infrastructure)
Private Equity-	12% actual private equity returns
Private Credit-	10% actual private credit returns
Liquidity-	8% 90-day T-Bills

Pending annual updates to interim targets.

Summary of Board Actions for March 25, 2025

The March 25 Board of Supervisors meeting was a four person session, with Supervisor Peschong out of town for the day.

As usual, the consent agenda was robust with 32 items slated. Items of note included an "agreement" with the Cal Poly Corporation for renovation and expansion at the cost of $350,000. This on the heels of recent $200,000 in County funding also for the Cal Poly Corporation. These funds are for economic development, but they raise a few questions, including whether there is criteria for establishing which economic development organizations should qualify for and receive funding? Is there a metric for understanding the performance of such funding? Are the funded projects staying in SLO County for the long term impact that we look for in such economic development? The funding agreement was approved.

Arguably the most impactful item on the consent agenda was the request to appoint Supervisor Bruce Gibson as the Director and Supervisor Heather Moreno as the Alternate Director representing the County on the Paso Robles Area Groundwater Authority Board of Directors, and authorize the Director of Groundwater Sustainability to make filings related to execution of a Four-Party Joint Exercise of Powers Agreement in connection with the formation of a new authority and termination of the Paso Basin Cooperative Committee and associated Memorandum of Agreement. This action sets in motion the formation of a new government agency that is expected to establish water rates for all groundwater users in the basin. Numerous residents have spoken out against the plan, both at the prior meeting where the County agreed to join the JPA, and at this meeting. The latest protests were not only about the JPA, but also about having their county rep being someone that does not live in the basin. Meanwhile, frustration is building amongst residents of the Paso Basin who could be looking at ways to challenge the legitimacy of the JPA.

Another item that had no comment other than concern and opposition from Supervisor Moreno was a request to authorize submission of a grant application to the Ca Dept. of Social Services in the amount of up to$4,750,000 for the Older Adults Guaranteed Income Pilot program. No guarantee of income was proposed for the taxpayers funding the program. Motion passed. District Attorney Dan Dow presented a substantive kick off for SLO Crime Victim's Awareness Month.

In other business, the Board was requested to receive a framework and provide staff direction for a proposed land use amendment to allow cannabis storefront retail within the Coastal Zone as a Tier 2 planning priority. Staff recommendations included utilizing requirements stricter than those set forth by the state for items such as setbacks for sensitive sites (schools, parks, etc.) and hours of operation. Supervisor Gibson requested that staff formulate their proposal based only on state standards. Supervisor Moreno clarified that any framework efforts would be undertaken only when housing work was satisfied.

The Board also heard a request by the County Board of Education requesting a Land Use Ordinance Amendment to allow for school district housing on their property on Pennington Rd, just east of Hwy 1 between San Luis Obispo and Morro Bay. The issue raises a plethora of questions such as will education resources be diverted for the construction, management, liability and upkeep of housing? If not, where will these resources originate? Who will be offered housing, and who won't? Will housing become part of the collective bargaining for teacher contracts? None of these questions were addressed. The motion passed.

As the meeting came to an end, Supervisor Moreno raised a question for future consideration. She suggested the Board re-examine the fee structure for appeals of County issued planning permits. Currently, fees for appealing inland projects are $850, cannabis projects are $2,000 and coastal projects are free. Apparently, the original rational for free appeals in the coastal zone is that should an appellant lose at the county level, they have one last opportunity with the Coastal Commission. Making the appeal process free keeps the County in the loop. However, Moreno's interest is how many appellants go on to the Coastal Commission anyway if they lose at the county level. Her point is that some see the appeal process simply as a form of harassment that slows down a project by many months. Her point is that it might eliminate delay if appellants could just go directly to the Coastal Commission. The Board took her comments under advisement.

Item 7 - It is recommended that the Board approve the agreement with the Cal Poly Corporation to support the Cal Poly - Center for Innovation and Entrepreneurship HotHouse renovation and expansion in the amount of $350,000 from SB1090 Economic Development Funds. This appears to be a $350,000 grant for building renovations at a new Hothouse Office. This is on top of the $200,000 already allocated to the program (at the last Board meeting) that is run by the Cal Poly Corporation. The Cal Poly Corporation is a semi-captive not-for-profit service provider for the University. It runs cafeterias, housing, and other facilities.

The progress report submitted with that item listed various jobs created and business loans obtained for some of the incubated firms. The program has been running for at least ten years. The metric would be how many of the incubated firms have survived from each year, how much have they grown, and how many people are they now employing.

The Board and County management should examine the actual impact of the millions provided to the program over the years.

Is this $350,000 grant for a capital expenditure currently budgeted, and if not, shouldn't it require a 4/5 vote? Are the Diablo settlement dollars just a slush fund for anyone's pet project?

Item 23 - Request to: 1) authorize a budget adjustment in the amount of $200,000 to Fund Center (FC) 230 – Capital Projects in WBS 320054 – Morro Bay to Cayucos Connector Pathway Project using funds from the Parks Public Facilities Fees Designation in FC 247 - Public Facility Fees, by 4/5 vote; 2) approve and execute Contract Amendment No. 8 with Cannon Corporation, in an amount not to exceed $210,126 for additional engineering design, environmental review, Caltrans coordination, environmental permitting, right-of-way, acquisition, and construction documents services for the Morro Bay to Cayucos Connector Pathway Project. Is this project dead for now? It is on the SLOCOG list of projects to be reprogrammed to fund the new $7.5 million required for the Bob Jones trail.

Item 28 - Request to authorize submission of a grant application to the California Department of Social Services in the total amount up to $4,750,000 for the Older Adults

Guaranteed Income Pilot Program. This item authorizes staff to apply for a State grant, that if approved, would provide elderly people (defined as over 60) with a $750 per month grant.

Eligible recipients: o Staff proposes to serve the following subpopulations:

▪ *Residents of San Luis Obispo County who are age 60 or above and who are either experiencing homelessness or at imminent risk of homelessness. A current point in time count indicates there are 816 individuals currently enrolled in homeless serving programs who are age 60 or above.*

▪ *Residents of San Luis Obispo County who are age 60 or above and who are caring for a dependent minor placed through foster care with the County of San Luis Obispo.*

It is anticipated the GI Program will serve a minimum of 200 clients. If all 200 clients do not receive the full amount of payments, additional clients may be added if there is sufficient funding.

What happens when the money runs out? Won't there be pressure for the County to step up and backfill?

Below is a summary of the estimated program cost and funding distribution:

Item	Annual Funding	Total Funding
County staffing costs for two Limited Term FTE	$260,104	$897,691
Indirect costs		$332,500
Direct benefits to participating clients (monthly payments plus supportive services)	$1,634,904.50	$3,269,809
Contract services for case management	$125.000	$250,000
		$4,750,000

It seems like a very inefficient program: The non-direct benefits, staffing, and contract services add up to $1,480,000, or 31% of the funding.

Item 35 - Request to 1) receive and file a presentation regarding the Fiscal Year 2025-26 County and State Budgets, including the County's Financial Rebalancing and Resilience Initiative; and 2) provide staff direction as necessary. The purposes of this item include updating the Board on the financial forecast for preparation of the FY 2025-26 Budget and soliciting any related new Board direction based on that information.

In General:

1. The County Budget has historically been developed from the standpoint of the so-called "status quo budget." The status quo budget is one that contains all the services and costs from the prior year and then is adjusted upwards based on higher personnel costs and higher prices for goods and services. New or expanded programs are considered as add-ons, called budget expansion requests BARs. These are approved on a limited basis.

2. The fundamental budget problem facing the County is that its personnel costs continue to outstrip the natural growth of revenues, such as the property tax, sales tax, hotel tax, and recurring grants from the State government. As the Board letter states:

While the FY 2025-26 status quo gap is calculated at $15.3 million, the multi-year forecast continues to present a challenging picture as projections indicate that the County will continue to experience constrained revenue growth with expenditures outpacing revenues. Additionally, as we progress through the current fiscal year, the County remains focused on a key internal priority: strengthening our workforce. To recruit and retain the talent necessary to deliver consistent, high-quality services, we must continue our efforts to provide competitive wages and benefits

Thus, the County is trapped in a system where personnel costs increase relentlessly. Much of the County workforce consists of technical professionals, including engineers, attorneys, information technology types, nurses, doctors, social workers, accountants, managerial experts, and so forth. A very large segment consists of public safety professionals, including deputy sheriffs, custodial officers, fire fighters, and probation officers. These groups have become increasingly highly trained over the decades and are now subject to complex educational and legal requirements. The discipline and the flawless personal records required are rare in our society today. The jobs often require long shifts away from home and, of course, night and weekend work. They are also dangerous and require mental courage and physical conditioning. Many in society cannot or will not meet the requirements.

At the same time and as noted above, local and State supplied revenues cannot keep up with the costs.

Moreover, government personnel systems include ridged civil service ranks, work rules, pay grades, and seniority rules, and are often filled with minute requirements. Reinforcing this environment is the fact that almost all the employees are in labor unions that negotiate for pay and working conditions, further complicating operations. Until the 1960's it was inconceivable that government staffers could be part of unions that can bargain adversarially and take other actions. Finally, the unions themselves have become powerful political forces, endorsing candidates, injecting campaign funding, and lending other support to candidates who end up representing governments such as the County at the bargaining table.

Most of these employees are professional, service oriented, approachable, and hard working. Thus, it is difficult for executive management and elected officials ignore their needs. The price of homes, medical care, and other goods and services adds consistent pressure.

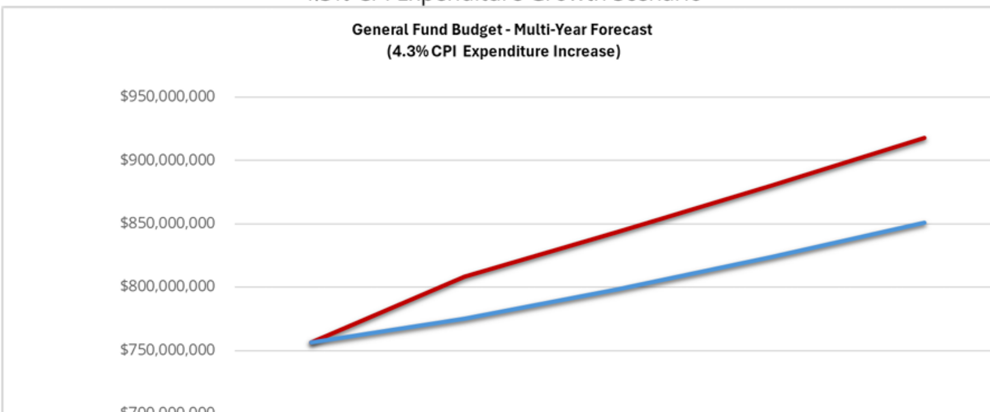
Hence the relentless pressure of higher taxes and fees.

3. The County, at least in the last decade, has not related its Budget to its strategic land use, economic development, social, and environmental policies. SLO County has benefited especially from is agricultural land owners who have protected and enhanced its environment for 200 years. Its charming small cities and unincorporated villages have provided a perfect complement.

Yet now, the urban places cannot provide sufficient revenue to fund the increasingly expensive and expanding government services. CAO Pontes has rendered a great service this year by providing a 5-year budget forecast – the current year plus 4 subsequent years.

Chart 1: Multi-Year Forecast

4.3% CPI Expenditure Growth Scenario



	24-25 Final Budget	25-26 Status Quo	26-27 Projection	27-28 Projection	28-29 Projection
Total Expenditures	$756,759,220	$808,572,677	$844,031,207	$880,117,501	$917,755,505
Total Revenue	$756,759,220	$775,158,295	$798,677,968	$824,133,925	$850,967,632
Total (if + gap, if - surplus)	$-	$33,414,382	$45,353,239	$55,983,576	$66,787,873

Note that the projected revenue expenditure gaps for each year (Status Quo Budgets) total $201.5 million cumulatively over the 4 years. Remember that in addition to this recurring shortfall, the County needs $19 million (and growing) of increased revenue to properly fund the Fire Department. Similarly, the County and 7 incorporated cities are short billions for needed road and highway projects. Likewise, the pension unfunded liability is $1 billion, and even if all of its investment projections work out, it will still have to pay hundreds of millions over the next 40 years.

Thus, when we say the County is broke, it is not a term of art.

The Projected 2025- 26 Budget

1. The forecast is for a $15.3 million revenue/expenditure gap on a government funds $790.4 million Budget next fiscal year. The term “government funds” is important, as these do not include expenditures for some of the County dependent utility districts, water agency, and others that add another $102 million. Those are presented in a separate budget book from the main budget.

with departments to refine the status quo budget.

Table 1: FY 2025-26 General Fund Budget (Status Quo)

FY 2025-26 General Fund Budget	November Forecast	Status Quo
Total Financing Uses (expenditures)	$770,428,209	$790,467,963
Total Financing Sources (revenues)	$756,515,505	$775,158295
Total General Fund (if + gap, if - surplus)	**$13,912,704**	**$15,309,668**

2. The gap is probably greater because the County does not build into its estimates dollars for negotiated raises.

Salaries and Benefits – Salaries and benefits or labor costs are budgeted at $421 million in the status quo budget which is $18.2 million or 4.5% higher than the FY 2024-25 adopted budget and includes additional salary and benefit costs only for increases that have already been negotiated and approved by the Board and are being paid for as of the current year. A pension rate cost increase is assumed for rate increases for July 1, 2025.

These costs are likely to be higher because there are other contracts under negotiation, including the Sheriff's Deputies.

3. Reducing the gap will require each department to reduce or eliminate some programs. New this year, the CAO is conducting an analysis of each program. The Boards letter states in part:

This structural imbalance highlights the need for reductions through strategic rebalancing as well as sustained ongoing efforts aligned with the Board's adopted policies. The County Administrative Office is currently reviewing departmental budget submittals, including status quo budget submittals, Budget Augmentation Requests (additional resource requests), and reduction lists to develop the Recommended Budget. Due to the increasing magnitude and permanent nature of deficits in updated forecasts, the County Administrative Officer is recommending an alternative deficit reduction approach, namely a "Financial Rebalancing and Resilience Initiative", in place of the "Austerity Plan", in developing the FY 2025-26 Recommended budget. The plan targets to reduce an estimated $40 million of General Fund support in FY 2025-26 to help the course correct the structural budget imbalance and better align our expenditures with the projected revenue growth. To support this rebalancing effort, we are conducting a comprehensive review of all County programs across departments, assessing program impacts and efficacy to our community, costs, outcome tracking, and overall alignment with our Board Priorities. This approach aims to recommend a budget that adjusts the County's current spending, preventing recurring deficits and the need for annual budget cuts. v

This is a very positive step and should be supported strongly by the Board and the public. Undoubtedly, there will be some staff whining and end-run attempts. The Board should not tolerate these.

4. An element of warning is included here. Last year and prior to the new CAO arriving, Supervisor Gibson was pushing for budget reductions. His general reasoning was that we would be entering tougher financial times. Of course, the tougher financial times are primarily a result of decades of cumulative decisions about land use, economic development, environmental overreach, and failure to link budgeting and these larger strategic factors. He is the primary author and instigator of the policies over the decades. So, why the sudden concern now? Does he want to lay the groundwork for tax increases? Or is there a cafeteria of new social programs for the homeless that he might wish to install?

Item 37 - Request to 1) receive and file a Board-requested policy framework for a proposed Land use ordinance amendment to allow cannabis storefront retail within the Coastal Zone and provide staff direction, as necessary; and 2) Provide staff direction as deemed necessary to initiate an amendment to County Code Title 23 to allow for storefront retail dispensaries within the Coastal Zone Land use ordinance as a Tier II Planning and

Building priority. The staff has developed a set of principles and recommendations for inclusion in an ordinance that would permit retail storefront cannabis shops in the unincorporated county. The purpose to the item is to allow the Board to pick and choose among the policies and add or delete them.

The outline of the polices can be viewed at the link:

https://agenda.slocounty.ca.gov/iip/sanluisobispo/file/getfile/168511

The proposed ordinance amendment should consider allowing for storefront retail dispensaries in the CR, IND, and CS within the Urban Reserve Line land use categories. Allowing storefront retail dispensaries within the CR, IND, and CS land use categories (and maintaining the prohibition of storefront retail dispensaries within AGnps, RR, and RL land use categories) would ensure that storefront retail dispensaries are primarily located in areas with traditional retail characteristics. This amendment provides for enhanced storefront visibility, improved customer experience, and would avoid commercial retail-induced impacts to areas of the unincorporated county that are not suited for customer-serving locations.

Item 38 - Hearing to consider a request by the San Luis Obispo County Office of Education (SLOCOE) for a Land Use Ordinance (LUO) Amendment (Case Number: LRP2023-00001) to allow for school district housing on a SLOCOE property (APN: 073-221-021). The project is located at 2450 Pennington Creek Road, on the east side of Highway 1, near the intersection of Gilardi Road and Education Drive in the County of San Luis Obispo. The Planning Commission kind of-sort of approved the project, but in doing so sent the Board a complex list of choices. Aside from the zoning nuances, the project raises a major policy issue of the morality of governments providing housing for their employees when they won't even allow the private sector to provide housing for the citizens.

More Socialism

COLAB is covering this item, as it constitutes a new expansion of the role of Government. The County Education Office is seeking amendments to the land use ordinance to create faculty and staff housing. Previously, the State legislature approved laws to permit and encourage this activity. At this time no specific project is proposed. If approved, this item would include provisions to the Land Use Ordinance that would allow applications for specific permits in the future.

On September 26, 2023, the Board of Supervisors ("Board") authorized processing of the SLOCOE request pursuant to the typical analysis. At that meeting, Board expressed their interest in the potential to expand school district housing to other local educational agency parcels and directed staff to develop a framework that may be expanded to other parcels in the future, but for the purpose of this request, would limit school district housing to the project site until otherwise directed by Board.

The San Luis Obispo Office of Education (SLOCOE) submitted a request for a Land Use Ordinance (LUO) Amendment (LRP2023-00001) to allow for school district housing on a 1.4 acre portion of a SLOCOE property at 2450 Pennington Creek Road (APN 073-221-021). T

The request stems from difficulty of retaining faculty and staff due to the high cost and limited supply of housing in the region and a desire by the applicant to provide affordable housing options for current and future employees (**Attachment 6**). The recommended amendment would allow for residential use on the project site; however, any proposed residential development would be subject to a separate discretionary review. The larger policy issue is: Should local governments get into the housing business with units provided for their employees? Some universities have offered faculty housing over the years in an effort to attract and retain both up-and-coming and experienced professors. However, easing the County and local school districts into a "new business" opens a new level of government activity that could spread to other jobs, including public safety, medical specialties, engineers, planners, social workers, financial experts, and others.

Over the years, more and more housing would be developed and would need to be managed, maintained, insured, receive utility services, etc. Administering the developing personnel issues, including selection of who receives the housing, when do they have to move out if fired or laid off, labor contract issues, and all the rest. As these groups grow in number, they will become a political interest group protecting their status.

Labor negotiations will become even more complex and costly, especially when the unions assert equity issues. The teachers and other government employees already receive salaries and benefits that exceed those of most of the taxpayers who are funding them. They have double protection of civil service and unions.

The problem is that the State, counties, and cities simply refuse to zone enough land for homes in the name of resource unavailability, climate change, and the desire to preserve a leafy and visually pleasing environment. The madness continues. Go look at the City of Thousand Oaks, that was planned and began developing in the 1960's by a private developer (Bill Janns) who converted the Lynn Ranch in the Conejo Valley into a new city. There was no CEQA, no ten-year permitting process, no design review, etc. It is much better designed than most of the crap that is being so tortuously planned today by governments.

COLAB IN DEPTH

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

CALIFORNIA AND ITS COLLAPSING BLUE-STATE DEMOCRAT MODEL

BY VICTOR DAVIS HANSON

While the media and the new Democrat Party grow hysterical over the Trump counter-revolution, they are missing some of the most revolutionary and insidious changes in American society of the last century.

Much has been written about the collapse of the old orthodox Democratic Party, along with the growing irrelevance and dysfunction of the legacy media, elite universities, and state and federal agencies. But their growing unattractiveness is all related and was not just the result of top-down development.

Rather, current Democrat Party radicalism, street theater, and violence were merely reflections of its own preexisting cultural antipathy toward the middle class. The party is now a pyramidal coalition of the very wealthy and professional classes comprising the capstone, resting atop a vast, expanding bottom of the subsidized and working poor, strapped pensioners and retirees, angry indebted students, 30s-something urban wannabees, impoverished immigrants—including perhaps 30 million here illegally—and, increasingly, trapped residents of a dystopian big-city America.

The collapse of the blue-state/blue-city model and those who work within and promote it reflects the radical environmentalism of the college-educated, as well as an array of high taxes, high crime, endless government regulations, housing shortages, massive homelessness, illegal immigration, critical-legal-theory prosecutors, ethnic and racial chauvinism, defund-the-police city councils, and, most importantly, chronic budget deficits and vast, unfunded pension liabilities and obligations.

In response to this progressive implosion that accounts for Democrat Party unpopularity, under the radar are historic demographic shifts. They reflect two insidious phenomena.

One, the blue-state, urban/professional/college-educated profile has become antithetical to fertility.

No one knows exactly the contributory relative roles to childlessness played by the progressive embrace of abortion on demand or secularism and atheism. Certainly, the fixations on higher education certification, massive student loan debt, years of student limbo, prohibitive housing prices, and a cultural value system that places status, titles, careers, and degrees over children all further promote a declining birthrate.

But in the end, the cause of asymmetrical fertility does not matter: red-state, traditional populations are simply growing, while blue-state fertility remains stagnant.

Second, we are witnessing the greatest internal migration in U.S. history since the post-Civil War era. Millions are leaving California, New York, New Jersey, Pennsylvania, Minnesota, Illinois, and other northern blue states. And they usually head to Florida, Texas, Tennessee, South Carolina, and other red, low- or no-tax states. So large have become the dislocations that conservative red states will in the next decade grab some 10-12 congressional seats away from liberal blue states along with some 10 or so votes in the electoral college.

The trends are not static but occurring at a geometric rate. The upper-middle and professional classes head to states with perceived lower crime, lower taxes, fewer regulations, better schools, and more affordable housing. Meanwhile, those left in blue states to pay the tab for the subsidized poor and expanding social welfare overhead shrink. For these remaining, the burdens per capita surge—in turn feeding even more exoduses.

We also may be witnessing soon the de facto implosion of a once affluent California—its growing poverty already visible in its decaying roads and infrastructure, dangerous and substandard public schools, soaring property crime, overcrowded, dysfunctional, and dangerous health care system, ethnic fragmentation, and the general bankruptcy and medievalism of San Francisco and Los Angeles.

Those left to pay for its escalating social welfare costs and debt service are beginning to lament that the advantages of the state's climate, beauty, and once upbeat culture are no longer worth the downsides of its costs: big-city homelessness, decayed infrastructure, incompetent government workforce, crime, and general social dystopia.

In California, 50 percent of all births are now paid for by Medi-Cal, which serves 40 percent of the state. And yet the health welfare system is flat broke, nearing $7 billion in the red. California has the highest taxes in the nation at 13.3 percent (plus an additional millionaire's tax). Its sales and gas taxes are also among the nation's steepest, while utilities charge the highest gas and electricity rates in the continental U.S.

These disequilibria are increasingly unsustainable.

One percent of Californians pay well over 50 percent of the state's income taxes—and is leaving in droves. Power is exorbitant, in part due to inefficient solar/wind/green mandates, restrictions on oil, natural gas, nuclear energy, and new hydroelectric production.

In addition, some 4 million—or nearly 25 percent of utility users—simply no longer pay their monthly power bills and are yet usually not subject to cutoffs of power. They in turn must be subsidized by a shrinking number whose rates climb almost yearly.

There are two general rules of California's liberal, uni-party politics that symbolize the collapsing blue-state model: all know that the open borders and the generous welfare subsidies of the state explain why half the nation's illegal immigrants flocked to California, almost all in need of massive government aid.

And two, given the political demographics of a minority/majority state, it is political suicide to associate that 50-year massive influx with vast unfunded social service liabilities, poorer schools, rising crime, and the creation of an all-powerful ultra-left-wing government.

The California model addresses inequality not by insisting on legal-only immigration, rapid assimilation, integration, and acculturation of immigrants. It does not acculturate by back-to-basics K-12 schooling to ensure an emerging younger workforce competent in oral and written English, math, and civic education.

Instead, any resulting disequilibria brought about by the sudden vast influx of some of the world's poorest is explained by systemic racism and unearned "privilege"—and thus to be remedied by DEI therapeutics. Rather than fighting the left to acculturate 27 percent of the resident population that is foreign-born and prepping them to help run a once sophisticated and complex state government, each year hundreds of thousands of exasperated Californians just flee.

Moreover, California is thought to have one of the largest underground economies of the 50 states, likely reflecting that its huge foreign-born and mostly poorer population is struggling economically. In the Central Valley, it is not unusual to see thousands of residents shopping at vast weekend swap meets, eating regularly at local, ad hoc roadside canteens, and buying everything from flowers to bicycles from entrepreneurial vendors that dot almost every busy rural crossroads. Most of these exchanges are not recorded for either sales or income tax purposes and pose a huge loss of revenue for the state.

Another blue-state pathology is the asymmetrical application of the laws. And California again reflects this trend of being the most overregulated and underregulated, the most lawful and lawless state in the nation. Its upper-class coastal elite insists upon the nation's strictest zoning and green regulations. (Gavin Newsom used the voter-approved multibillion-dollar water construction bond not to build a single reservoir as mandated, but rather to blow up four existing dams and lakes.)

The result makes it almost impossible to build new power plants, housing developments, freeways, dams, reservoirs, aqueducts, or even to either finish or quit the monstrous high-speed rail, multibillion-dollar boondoggle.

Half the state, mostly its poorer and immigrant population, largely seeks to bypass these cumbersome regulations. It is almost impossible to travel through the state's interior and not see single-family homes with surrounding shacks, trailers, and lean-tos with substandard, illegal wiring, plumbing, and sanitation. Semi-rural homesteads that traditionally housed one family may now include four or five.

The regulatory agencies of the state exempt the poor from their massive violations of housing and building codes. They compensate for their dereliction by redirecting their energies instead to auditing the shrinking number who follow the laws and will pay fines if cited—yet another reason why the more affluent flee California.

I once asked a building inspector who arrived to certify an upgraded solar breaker box whether he was aware that a mere half-mile away, twenty or so people were living in what was once a single-house compound. Sagging Romex wire without conduit was visibly strung to a number of parked trailers, all without toilet facilities. When I asked him why not venture into that complex, he flashed, "I'm not crazy, sir."

The result is a growing cynicism in California, as in all the blue states. Left-controlled city councils, state legislatures, universities, and executive agencies promote the narrative that the wealthy are greedy, selfish, and 'don't pay their fair share.' The problem with that strategy of blame-gaming the more successful is that it is starting to run out of the more successful. As revenue shrinks and deficits climb, shouting at the increasingly diminishing upper-middle class only makes them more resentful and determined to leave.

In the current conundrum, we have forgotten completely the old themes of a blue-state Democrat Party. The 1996 Democratic National Convention manifesto that spearheaded Bill Clinton's successful reelection emphasized secure borders, legal-only immigration, tough crime enforcement and punishment, balanced budgets, fiscal responsibility, and "personal accountability." That agenda today in California would condemn any adherent as a racist, xenophobe, or MAGA fanatic.

In its place, the party became more intolerant, narrower in its cultural emphases, and uninterested in existential crises such as housing, secure borders, power generation, infrastructure, and crime. Without answers or correctives to the damage it inflicted, it instead focused on what was largely seen as irrelevant to the state's struggling minority populations—LGBT advocacies, transgendered men competing in women's sports, racial reparations, DEI-mandated programs, and boutique environmentalism.

The result may be that Californians no longer really believe there is a political solution to their crises and fleeing is becoming the only viable option—for those who can afford or are willing to move. Those left are inured to their dogmas that "they"—the allegedly culpable and greedy—will always remain so rich, so selfish, and so always a part of California, California that the government income streams will remain limitless to fund redistribution.

The only mystery is whether other blue states following California's disastrous lead will pause and pivot, or are also already too far gone to make the necessary adjustments.

In addition, the growing dysfunction and irrelevance of the mainstream media—from network news to the old print conglomerates—of elite universities and of the federal government itself are, in part, due to their location in and symbiosis with the dead-end, blue-state model of culture, economics, and politics.

In sum, America is entering a historic reversal.

The old traditional impoverished South is becoming the engine of American prosperity. The Northern Midwest, the Northeast, and the West Coast—for a century the font of American dynamism—have become stagnant and inert, and are shrinking.

These blue loci survive for a while longer on the fumes of the work of past generations who operated under completely different assumptions and models antithetical to those of the present—and thus are regularly damned by those who squandered their once-rich inheritance.

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