COLAB
San Luis Obispo County
The Coalition of Labor Agriculture and Business

WEEKLY UPDATE
May 18-24, 2025

This Weeks Highlights
SLO County Budget – A Lot To Swallow
Singing the Trump Cut Blues
Bucks for the Bang
Just Another few $Million
Happy Trails
Third Quarter Financial Report

The San Luis Obispo County Board of Supervisors is meeting on May 20. The following are highlights of their 30 item agenda.

SLO County Budget –It's a Lot To Swallow

The biggest single item of significance before the Board of Supervisors for quite a while is the San Luis Obispo County budget, After months of speculation, the proposed budget, which is being refered to as a "rebalencing effort" will be submitted to the Board at the Tuesday, May 20 meeting. It appears to be balanced, and the cuts we all anticipated seem to have come mostly in restrained growth rather than reductions from current levels.

On June 9-11, the Board will hold budget hearings to go through a programatic review, with each department head and staff presenting and justifying their budgetary requests. This, after a "comprehensive review of all County programs across departments, assessing impacts along with performance and efficacy to our community", has already been undertaken in development of the proposal.

The surprisingly responsible and common sense process is new to our county, being ushered in by the recently appointed County Administrative Officer Matthew Pontes and newly elected County Supervisor Heather Moreno (who is a CPA).

According to Pontes, “this approach recommended a budget that adjusts the County’s current spending, preventing historical recurring deficits and the need for annual departmental budget cuts”. He goes on to say “The upcoming Fiscal Year marks a pivotal moment for the County of San Luis Obispo. The challenges faced during this budget cycle, marked by flattening revenues, rising service costs, and significant economic uncertainty at the state and federal levels, required difficult decisions and a comprehensive evaluation of how we allocate all our mandatory and discretionary resources. Through the launch of the Financial Rebalancing and Resilience Initiative, we have taken proactive steps to close a significant budget gap while maintaining our commitment to essential services and investments in the workforce, toward long-term fiscal sustainability.”

Prior to this new approach, the County’s multi-year financial forecast showed a potential $67 million budget deficit by FY 2028-29 highlighting the need for long-term structural reductions through strategic rebalancing aligned with the Board’s adopted policies.

Readers should keep in mind that the current document is the starting place proposal, not the final budget. It is possible that the forthcomming budget hearings could bring about cuts (or even increases) not currently reflected in this proposal.

The final budget (after adjustments made at the June 9-11 hearings) could be presented for approval as early as the June 17 Board of Supervisors meeting.

The following charts are taken directly from the budget proposal and illistrate some of the general spending details in the document. The Recommended Budget authorizes a Governmental Funds (core government services and programs funded by specific revenue sources) spending level of $949.9 million, which is a $78.2 million increase (9%) compared to the FY 2024-25 Adopted Budget.
The document in its entirety can be found at:
https://www.slocounty.ca.gov/Departments/Administrative-Office/Forms-Documents/Budget-Documents/Current-Year-County-Special-District-Budgets.aspx

Governmental Funds Budget in Brief

	FY 2024-25 Adopted	FY 2025-26 Recommended	Change from FY 2024-25
Financing Sources			
Operating Revenues	802,345,837	863,272,751	60,926,914
Fund Balance Available	60,708,843	47,173,891	(13,534,952)
Cancelled Reserves	8,660,303	39,424,608	30,764,305
Total Financing Sources	**871,714,985**	**949,871,250**	**78,156,266**
Financing Uses			
Operating Expenditures	808,261,105	869,033,682	60,772,577
Contingencies	33,492,603	37,610,307	4,117,704
New Reserves	29,961,276	43,227,260	13,265,984
Total Financing Uses	**871,714,9845**	**949,871,250**	**78,156,266**

The General Fund (core government services) budget is recommended at $810.6 million, or approximately $53.9 million higher (7%) than the FY 2024-25 Adopted Budget. The General Fund Recommended Budget includes a 5% contingency, budgeted at $37.1 million.

General Fund Budget in Brief

	FY 2024-25 Adopted	FY 2025-26 Recommended	Change from FY 2024-25
Financing Sources			
Operating Revenues	696,767,635	733,517,653	36,750,018
Fund Balance Available	54,427,093	47,173,891	(7,253,202)
Cancelled Reserves	5,564,492	29,933,355	24,368,863
Total Financing Sources	**756,759,220**	**810,624,899**	**53,865,679**
Financing Uses			
Operating Expenditures	709,916,344	769,350,576	59,434,232
Contingencies	32,920,153	37,137,064	4,216,911
New Reserves	13,922,723	4,137,258	(9,785,465)
Total Financing Uses	**756,759,220**	**810,624,899**	**53,865,679**

Overview of Financing Sources

Following is an overview of the recommended County's Governmental Funds financing sources by major category:

Governmental Funds Financing Sources

Revenue Source	FY 2024-25 Adopted	FY 2025-26 Recommended	Change from FY 2024-25
Taxes	282,232,856	291,657,531	9,424,675
Licenses, Permits, and Franchises	15,904,306	16,108,036	203,730
Fines, Forfeitures, and Penalties	4,469,186	4,377,985	(91,201)
Revenue from Use of Money & Property	10,618,404	13,532,068	2,913,664
Intergovernmental Revenue	378,248,355	399,061,582	20,813,227
Charges for Current Services	34,364,771	34,544,597	179,826
Other Revenues	24,355,946	17,478,059	(6,877,887)
Interfund	16,918,535	21,994,943	5,076,408
Other Financing Sources	35,233,478	64,517,949	29,284,471
Fund Balance Available	60,708,843	47,173,891	(13,534,952)
Cancelled Reserves	8,660,303	39,424,608	30,764,305
Total	**871,714,985**	**949,871,250**	**78,156,266**

Overview of Expenditures

Following is an overview of the recommended County's Governmental Funds financing uses by service group:

Governmental Funds Financing Uses by Service Group

Service Group	FY 2024-25 Adopted	FY 2025-26 Recommended	Change from FY 2024-25
Land Based	70,636,506	68,837,239	-1,799,267
Public Protection	227,868,382	254,417,391	26,549,009
Health and Human Services	352,930,045	363,255,473	10,325,428
Community Services	28,771,411	28,383,593	-387,818
Fiscal and Administrative	34,067,827	35,575,984	1,508,157
Support to County Departments	48,569,098	50,859,111	2,290,013
Financing	35,186,184	56,539,833	21,353,649
Capital and Maintenance	10,231,653	11,165,058	933,405
Contingencies	33,492,603	37,610,307	4,117,704
New Reserves	29,961,277	43,227,260	13,265,984
Total	**871,714,985**	**949,871,250**	**78,156,266**

These budget figures were a result of prioritization directives from the Board of Supervisors. Below is a graph illistrating those priorities that guided staff in the preperation of this budget proposal:

Its hard to argue with the Ongoing Priorities category as long as they mean what they say. To most of us, Public Safety means law enforcement and fire services, but to some it could mean homeless services, dedicated bike lanes or even environmental regulations. Fiscal stability might mean wise spending, but it could also be higher revenue streams. Debt Service is a bit ironic seing as it's in many cases the debt they created in the first place with things like pensions that we couldn't afford.

The two tiers are where things get pretty dicey. Top of the list is homelessness, which we continue to spend enormous amounts of money to fix, while the problem worsens. Housing gets lots of attention, but is anybody at the county working hard to find ways to reduce the cost of housing? Economic Development is critical to keeping revenues up to expendature levels, but how hard is the county working on it?

The second tier is where the eyebrow raising really occurs. Resieliency and Organizational Effectiveness should go without saying. Its like making honesty or basic aptitude a priority. And how does one measure such efforts? This leaves Emergency Preparedness and Water on the second tier and there is nothing good to say about that placement.

These priorities say a lot about our Board of Supervisors. Certainly, if the politics of a couple Board Members were different, we would see a far different set of priorities, and likely a different budget with other spending priorities.

This budget document is "hot off the press" and has yet to face public scrutany. Certainly over the next month, members of the public, representatives of service organizations and recipients of county aid efforts will weigh in with specific preferences for changes that they feel are important. COLAB will take a deep dive with the details of the budget inorder to keep members apprised of the important points. In the meantime, while we question some of the Boards priorities, we salute the County for finally adopting this new accountability process – something Mike Brown urged the Board to do for many years.

Singing the "Trump Cut Blues"

A few weeks ago we reported that Supervisor Gibson requested county staff to gather and record federally funded programmatic cuts that were impacting San Luis Obispo County. He was insistent that any cut in federal funding was important to note and claimed that it would be valuable information to have in the future.

Now, Governor Newsom is blaming the $12 Billion California state budget shortfall on President Trump's budgeting programs and what he calls the "Trump Slump".

We know that San Luis Obispo County is experiencing a significant budget shortfall as well, so we wonder if/when Supervisor Gibson will attempt to foist blame for our local budget issues on to President Trump. This, when in fact much of our funding comes from the state.

To be sure, reduced federal funding will impact every state. The Federal government was spending far more than it could afford – just like California and just like San Luis Obispo County. Now, with reality and the heavy dose of fiscal responsibility that the new administration is bringing to the budget process, the big spenders are becoming desperate to deflect blame. Of course, the Trump administration is an ideal target for their consternation. With willing partners in the media, we can expect the blame game to kick into high gear anytime now.

You will be expected to ignore the fact that the federal government was going dangerously deep in debt (causing the recent downgrading of our nation's credit rating). Ignore the fact that California was wasting obscene amounts of taxpayer funds on ineffective and unaccountable programs that it couldn't afford. Imagine that San Luis Obispo County has been careful, wise and prudent in its spending of taxpayer money.

Most of all, you will be asked to take a stroll through Fiscal Fantasyland and pretend that if it wasn't for the Trump administration, everything would be just groovy, and spending could otherwise continue along on its death spiral like it has been for far too long with no implications whatsoever.

So, consider this fair warning that at least one or more of our County Supervisors will probably be singing the "Trump Cut Blues" in the Newsom Choir, and at least one of our local news outlets will likely be sympathetically providing the backup beat and dance routines all in an attempt to keep the non-thinkers from, well, thinking.

In addition to the budget proposal presentation, the Board has plenty of other business to keep it busy for what promises to be a long day.

Bucks for the Bang

As covered last week, the County is preparing to put enforcement measures in place to back up its county-wide ban on fireworks. Item 2 on the agenda seeks to approve the measures outlined in the proposal presented at the last Board meeting. This probably sounds like good news for most property owners who resent the "hold my beer" cowboys firing off illeagel rockets and explosive devises.

However, the proposed regulations reach pretty far in some cases. As an example, the fines are set at $1,000 per violation and include a misdemeaner arrest. The enforcement extends to the host of a gathering where any fireworks are used, and simply being a spectator gets you the same deal. We completely understand the need for strong enforcement, especially regarding the above mentioned practitioners. But, the regulations do not appear to distinguish between the wild party animals with seriously illegal fireworks and the family lighting off Safe and Sane sparklers (fully legal in several cities throughout SLO County) for their kids in the driveway. This is a program that is hoped to pay for its enforcement costs through fine revenue.

Some fireworks violations are serious and should be dealt with using a stiff punishment, but we shudder to think a small impact violation could garner the same punishment as a serious one, or that a spectator would be punished at the same level as the true offender. And how about piling a whole lot of hurt on anyone who causes a fire or injury due to the use of ilegal fireworks?

Just Another Few $ Million for a Simple Consent Item

Item 14 is yet another mental health program expendiature similar to the one we saw at the last meeting for a little over $1 million, or the one at the meeting before that for $8.3 million. This one is for a bit over $5 million. They are similar because they involve requests for huge amounts of taxpayer money and don't seem to offer up much in the way of accountability - and they all appear on the consent calender.

These kind of programs are often mandated and frequently come with some sort of funding mechanism provided by or required by the State of California. They serve a purpose for a segment of our population that otherwise has little support, explaining the need for mandates. This leaves the County little manuvering room, but it certainly does not preclude some form of oversight or assurance that the program is functioning well and delivering good value for the many millions of dollars it receives in taxpayer funding. The measure reads:

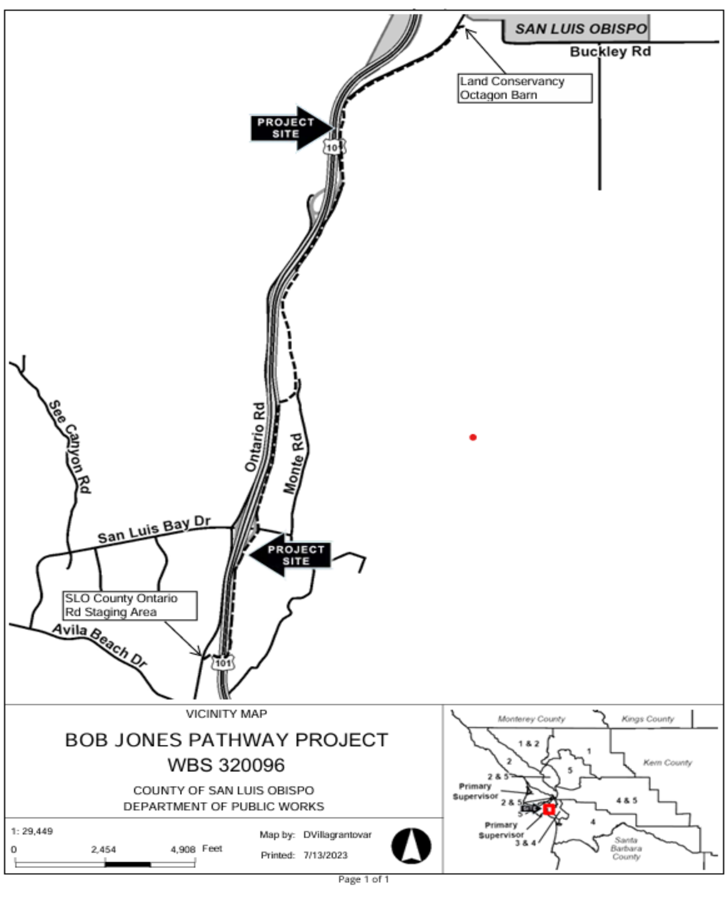
Request to 1) approve an increase to the FY 2024-25 Institutions for Mental Disease (IMD) pool budget to increase the cumulative maximum compensation amount by $1,064,000, for a new cumulative budgeted amount not to exceed $5,077,298; 2) waive the terms of the County Contracting for Services Policy and approve a FY 2024-25 contract with California Psychiatric Transitions in a cumulative budgeted pool amount not to exceed $5,077,298, to provide residential and intensive mental health services in locked facilities called IMD beds for adults who cannot care for themselves due to their mental health disorder and/or severe substance use disorder; and 3) delegate authority to the Health Agency Director or their designee to sign any future amendments that do not increase the level of General Fund support required by the Health Agency.

Happy Trails – An Expensive Bike Ride

Item 20 on the agenda deals with the attempt at "gap closure" on the $45 + million Bob Jones trail. The level of determination and County resources that has been dedicated to this project is seemingly unmatched by any other single endevour. If only we saw the same commitment to improving road conditions…

The measure reads:
Request to 1) accept and execute a Certificate of Acceptance for a Perpetual and 4-year Temporary Construction Easement Agreement No. 22-12.16 with Avila Pismo RV Resort & Campground, LLC in the amount of $108,000 for necessary right of way and easement access for the Bob Jones Pathway "Gap Closure" Project; and 2) authorize the Director of Public Works, or designee, to execute any remaining escrow and payment related documents or instructions necessary to close the transactions associated with the acquisition of these real property interests.

Below is the map illistrating the project location:



Third Quarter Report With Adjustments

Item 26 is the submittal of the FY 2024-25 Third Quarter Financial Status Report and request to approve various financial actions (one or more actions require 4/5 votes).

In terms of overall budgetary performance, the numbers look pretty good. The following is a graph prepared by the County Administrative Office comparing third quarter '24-25 to last years performance over the same period.

Expense and Revenue Comparison

	3rd Quarter FY 2023-24	3rd Quarter FY 2024-25
Governmental Funds:		
Expenditures	47%	48%
Revenue	45%	48%
General Fund:		
Expenditures	59%	55%
Revenue	54%	55%

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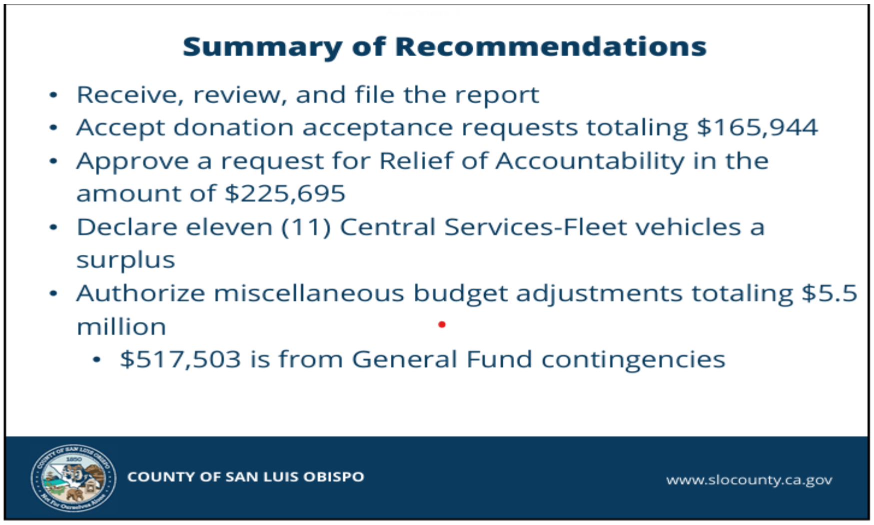
As is often the case, the devil is in the details. There are a few Notible Issues in the report, including the following: The County Court System was $257,338 over budget due to decreased fines, penalties and forfeitures. The Sheriff-Coroner was $2.7 over budget due to unbudgeted saleries and overtime. Human Services was over budget by $459,706 due to unexpected increases in insurance premiums and our Board of Supervisors was over budget by $124,610 because of unbudgeted saleries and benefits.

In all, the figures in the following graph account for all of the third quarter budget adjustments being requested by the County Administrative office:



Last Week Highlights

The May 6, 2025 San Luis Obispo Coounty Board of Supervisors meeting was one of the shortest in recent months, finishing all but closed session business before noon. The agenda appeared to have little of significant consequence, but several items inspired discussion.

A Cranky Tirade for Mike Brown

Supervisor John Peshong was kind enough to put forth a resolution recognizing Mike Brown's retirement from COLAB which was heard early in the meeting. On the day before the meeting, the SLO Democrat Chairman had sent out a nasty gram to his followers alerting them to the resolution. Several smarmy emails ensued, targeted at various Supervisors. However, none of the emailers were inspired enough to leave their keyboards and actually attend the meeting. This left only Supervisor Gibson to do a fine job of painting Mike up as an awful horrible no good evil and down right rotten person. High praise considering the source. At any rate, Gibson did come off as dramatic and determined. After his soliloquy, Supervisors Moreno, Ortiz Legg and Peshong all voted yes, and the resolution passed 3-2.

Common Sense Achieved

A South County Builder appeared before the Board during public comment and shared a difficult permitting situation he was experiencing with a 14 unit project. His building permit was issued with a three-year lifetime, but the solar permit (which he was required to have) only had a one-year lifetime. As often happens with new build projects, his timeline became stretched out beyond the one-year life of his solar permit and he was required to reenter the palace of red tape and high fees to get new solar permits for each unit. Following the tale of bureaucratic headaches, Supervisor Paulding made a motion to align the timing of solar permits with those of accompanying building permits. Motion passed unanimously.

More Common Sense

As reported here last week, the Avila Beach Drive roundabout project timing was the subject of firm discussion from Supervisor Ortiz Legg. Public Works had scheduled the start of the project for July – the peak of tourest season. The potential impact on the business community, along with a couple large-scale events, would likely be difficult if not devastating. After strong encouragement from Ortiz Legg, Public Works reviewed the schedule and came up with an adjustment that allows for construction to begin at the end of August.

Lots of Bucks for the Bang

Item 18, a seemingly simple effort to put some teeth to the regulations regarding Fireworks in SLO County communities had a few points of interest. The item read: “Introduction of an ordinance amending Chapter 6.23 of Title 6 of the San Luis ObispoCounty Code – Fireworks to include enforcement provisions. Hearing date set for May 20, 2025”.
The County Fire Chief presented the case that enforcement was a complicated and expensive process. They are looking at utilizing drones to locate illegal use, but there is an up front cost to such enforcement. The Chief expressed some hope that fines generated from citations issued would help to pay for the effort, but said there is no guarantee.
While all fireworks (including Safe and Sane) are prohibited from county jurisdictions, some cities do allow the sale and use of Safe and Sane fireworks.
The proposed regulations include :

Penalties for Violations
- Misdemeanor and Public Nuisance
- Administrative fine of $1,000 per violation

Response Cost
The County shall be entitled to recover from any person found to be in violation of any provision of this

chapter, the County's full response costs.

- Salary and benefits
- Medical treatment for enforcement officer injuries
- Cost to repair equipment
- Cost of disposal of fireworks

Social Host, Minor, and Spectator Liability

- Any social host shall be strictly liable for any violation of this Chapter occurring at the social host's property or gathering
- Any person having the care, custody, or control of any minor who violates this Chapter shall be strictly liable for the minor's violation of this Chapter
- It shall be unlawful for any person to be knowingly present as a Spectator during an unpermitted fireworks discharge in violation of this Chapter.

Enforcement Officer

Any County employee, agent of the County, or law enforcement officer with the authority to enforce any provision of this Code, including, but not limited to, employees of the County Fire Department, the Sheriff's Office, and Department of Planning and Building.

Administering Department

Department of Planning and Building shall be the department responsible for administering this Chapter.

- Notice of violation and fine - Upon the determination by the Enforcement Officer that a violation occurred, a Notice of Violation and Fine may be prepared and issued
- Appeal process - Pursuant to Government Code section 27721, the appeal shall be heard by the County Hearing Officer, established under Section 22.74.060

An amendment by Supervisor Paulding was offered that would exempt Grover Beach from these regulations and allow for the sale and use of Safe and Sane fireworks. His rationale was that fireworks were permitted prior to a recent community vote to consolidate services with the County, and that this is an unintended consequence of that vote. He pointed out that many local charities depend on the revenue from firework stands. Supervisor Peshong supported the amendment, but the motion failed 3-2.

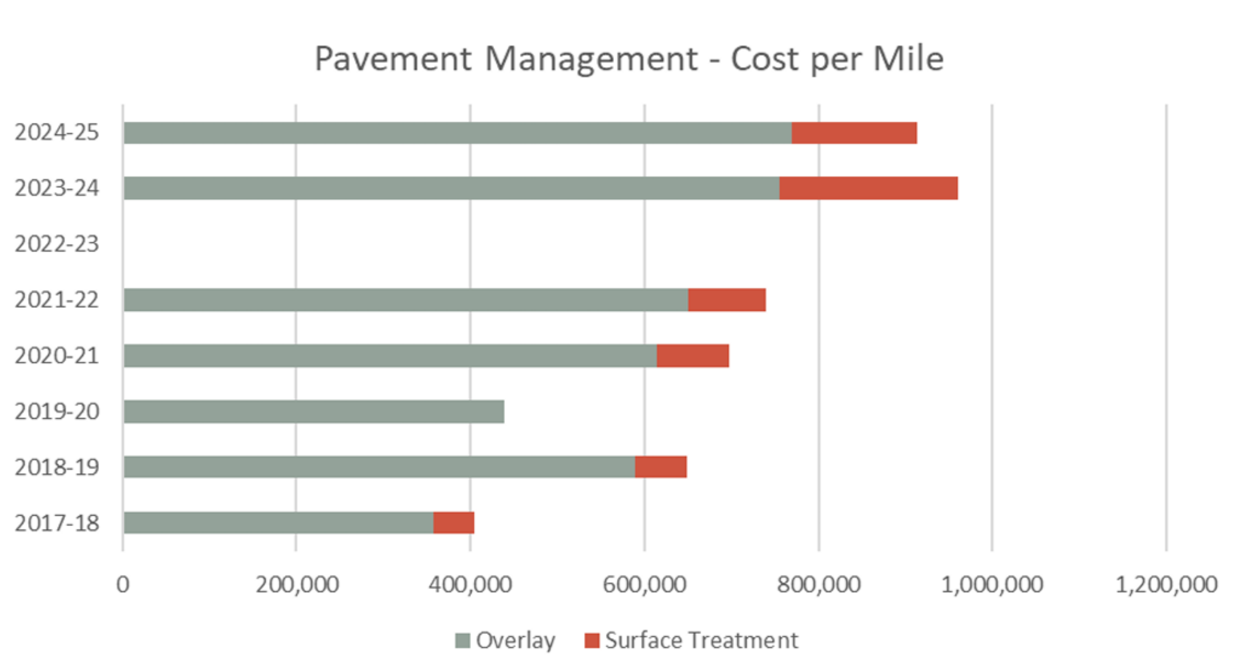
A Bridge Over Troubled Finances?

Aside from the Mike Brown resolution, the most intense action came from Public Works with their update to the Board regarding the County Bridge Maintenance and Pavement Management Programs, which provides direction to staff regarding Road Fund priorities for Program performance measures, strategies, and funding alternatives.
While Public Works has been making good progress on their bridge maintenance and update program, they are facing a number of concerns. The first is collecting the federal matching funds that have been granted, especially from FEMA. The challenge with collecting the funds can cause delays or require construction loans as they move on to new projects with new costs. Even more confounding are the delays due to a very slow permitting process from other government agencies. Finally, costs are increasing dramatically year by year. This means that a project planned and approved last year for X dollars, that can't be started until next year will experience large cost increases over the interim.

The charts below, provided by Public Works, illustrate some of the cost increases.

In addition to bridge maintenance, road surface is another ongoing area of work. PCI stands for Pavement Condition Index, which measures the road surface for potholes, cracks and other failings. A brand new or freshly resurfaced road would be at or near a PCI of 100, and the statewide average is 62. Below are parameters proposed for PCI maintenance efforts:

•Board set PCI targets by Road classification:
- Urban – Good or better (55 min PCI)
- Suburban – Good or better (55 min PCI)
- Rural – Fair or better (35 min PCI) • 2/3 of roads met targets; Avg PCI = 59•$5.5M in budget requests, $1.3M approved.



Examples of cost increases

Expense:		FY 2020-21	FY 2025-26	Net Increase	
	Insurance	$ 301,039	$ 3,632,873	$ 3,331,834	1107%
	CWOH	$ 871,807	$ 1,393,010	$ 521,203	60%
	IDT	$ 231,280	$ 406,964	$ 175,684	76%
Total		$ 1,404,126	$ 5,432,847	$ 4,028,721	287%

In the discussion of bridge maintenance, Supervisor Paulding raised a situation in his district in rural south county where two adjacent bridges are slated for construction in the near future, but the order in which they will be done will create gridlock. He was able to convince Public Works to reexamine the order of the work and likely make the adjustments necessary to improve traffic flow during construction.

Lingering in the background of these discussions was the prospect of a sales tax measure that would provide needed funding as well as extra qualification for state grants. While such a measure has yet to be formally discussed, many people are floating the concept. It remains to be seen whether such a measure would prioritize road improvement or whether it would be carved up into chunks for bike paths, mass transit and homeless services.

Month of May: Affordable Housing

The County has declared the Month of May its Affordable Housing Month. According to the County, "affordable Housing Month provides an opportunity to raise awareness of housing" and puts a focus on "challenges faced by many in our community to promote policies and initiatives that expand access to safe and affordable housing for all residents". The County goes on; "safe, stable, and affordable housing is a fundamental necessity for individuals and families, and provides the foundation of health, economic stability, and community well-being". Further, "San Luis Obispo County, like many communities across California, faces a significant housing affordability crisis, with rising costs placing homeownership and rental housing out of reach for many residents, including low-income families, seniors, veterans, and essential workers".

The County then cites the following: " According to data provided by the US Census, 66% of very low and low income households and 37% **of all households** in San Luis Obispo County experience housing insecurity, highlighting the urgent need for affordable housing solutions".

Hopefully the month of May inspires reflection by policy makers on the regulatory and permitting costs that the County imposes on housing development – making housing expensive.

NEXT WEEK

The Air Pollution District Control Board

Meeting on May 21 for Consideration of Appointment of Public Employee – Air Pollution Control Officer pursuant to Government Code section 54957

This individual could be instrumental in the way San Luis Obispo County addresses issues such as the Pismo Dunes, as well as the implementation of state mandates regarding various forms of emissions and particulate matter.

The next Board of Supervisors Meeting is scheduled for May 20

EMERGENT TRENDS - SEE PAGE 17

Budget Bloat and Blame Games: Inside Newsom's May Revision

Newsom picks more housing over CEQA in backing two bills meant to speed construction

COLAB IN DEPTH
SEE PAGE 24

The U.S. Needs More Nuclear Power To Fuel the AI Boom

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Budget Bloat and Blame Games: Inside Newsom's May Revision

Sheridan Karras
California Policy Center

May 16, 2025

On Wednesday, Gov. Gavin Newsom released his May budget revision, proposing $321.9 in total spending for the next fiscal year. Now he must work with the legislature to pass a budget bill by the June 15th deadline. In a press conference outlining his budget to reporters, Newsom focused on blaming the Trump administration for California's fiscal challenges, and acknowledged the growing strain that Medi-Cal is placing on the state budget.

Casting Blame

Newsom opened his presentation by touting California's economic strength, pointing out that the Golden State is number one in the nation for manufacturing output, agricultural output, innovation, Fortune 500 companies, and the start of new businesses. He said that 18 percent of the world's research and development comes from California, and that the state's total output amounts to $4.1 trillion per year. Newsom also highlighted his meetings with foreign officials — part of his ongoing effort to position California as economically independent from Trump.

Indeed, California is a superpower not only among the states, but globally. Natural resource abundance, optimal weather, and well-situated trade ports provide unique advantages that turned California into the populous, economically diverse economy it is today. California has a strong competitive edge as the home to major technology, biotech, military, defense, and entertainment companies. But under Newsom's leadership, the high cost of living and doing business has driven a steady exodus of employers, entrepreneurs, and families from the state.

A significant portion of Newsom's presentation revolved around the challenge of economic uncertainty, which he tied to President Trump's tariff policies. California is once again grappling with a budget deficit, now totaling $12 billion. The governor said uncertainty caused by the Trump administration is the reason California anticipates a $16 billion decline in revenue over the next two fiscal years.

Newsom presented a chart depicting revenue volatility to emphasize his point that President Trump is to blame for unpredictable and possibly weak revenue — but the chart shows data going back to 1999, with sharp volatility for the entirety of the time span. In reality, if the final budget bill is close to Newsom's $321.9 billion revised proposal, this would constitute budget growth of over $100 billion since the 2019-20 budget at the beginning of his term.

Rather than passing the buck, Newsom should consider how years of runaway spending is responsible for ongoing budget trouble.

Walking it back: Medi-Cal Expansion, CEQA, and utility costs

To address the budget problem, Newsom's May budget revision includes a $5 billion freeze on Medi-Cal expansion, especially for undocumented immigrants. Newsom acknowledged there are 1.6 million undocumented immigrants on Medi-Cal — a "significantly larger [number] than we anticipated," Newsom said.

His admission that the Medi-Cal expansion to undocumented immigrants has proven too costly marks a major shift for Newsom; he made universal healthcare "regardless of immigration status" a cornerstone of his progressive agenda from the beginning of his career.

Gov. Newsom described himself as a strong supporter of entrepreneurism, while arguing the Trump administration has harmed the entrepreneurial spirit in California. He conveniently skipped over how California's own mass of overregulation bogs down economic opportunity. Examples include AB 5, a law Newsom signed which put thousands of independent contractors out of work, and the $20 fast food minimum wage law, which is forcing layoffs at franchises often run by immigrant entrepreneurs. If anything has hurt small business in California, it's Newsom's own progressive agenda.

Newsom also championed reforms to the California Environmental Quality Act (CEQA), a move lawmakers, economists, policy experts, and business owners have sought for decades. The governor acknowledged the problem of sky-high housing costs and demand for affordable housing that exceeds supply, and said he hopes that 42 bills that were passed by the state legislature to "streamline" CEQA will help.

"I'm talking about our own ability to get out of our own way. We're as dumb as we want to be when it comes to the issue of housing," Newsom remarked. Long used by the environmentalist lobby to block new development, CEQA has played a central role in driving up costs and fueling California's housing affordability crisis.

As California Policy Vice President Lance Christensen recently observed, "CEQA reform remains elusive because influential groups in Sacramento — environmental organizations, labor unions, and NIMBY activists — block even modest changes. These groups rely on CEQA's ambiguous standards and litigation threats to control development decisions. Even minor attempts to simplify CEQA are treated as mortal affronts to environmental integrity. The majority party risks alienating powerful allies if they support reform."

Newsom's sudden embrace of reform, after years of inaction, feels more like political cover than conviction. Never one to shy away from more debt for taxpayers, Newsom added, "We need to support a bond to address the issues of housing affordability, but also infrastructure."

In addition, Newsom announced "$60 billion in… rebates that will go back to taxpayers related to utility use," but did not explain the details further. California Senate Republicans noted that the rebate "would be issued via the California Climate Credit… The Climate Credit is simply a rebate of money paid by those customers to help offset the additional costs they are paying. The Climate Credit does nothing to address the expensive energy rates caused by California's climate policies."

Californians pay some of the highest utility rates in the nation, driven by climate policies and layers of regulation that pass costs to ratepayers. These rebates aren't real relief — they're theater to distract from the permanent cost drivers caused by Newsom's aggressive climate mandates and his war on natural gas.

California's chronic homelessness problem

Newsom also painted himself as a champion of communities struggling with homeless encampments, taking credit for the clearing of over 16,000 encampments.

"We need to have that same kind of intentionality with every jurisdiction in the state of California," Newsom said, accusing some localities of being "the obstacle" by refusing to cooperate with the state. "We have done everything to remove as many obstacles as possible," he said, referring to conservatorship programs and CARE court, and projects Homekey and Roomkey (taxpayer-funded programs to provide housing and develop new permanent and interim housing).

Newsom emphasized the state's massive spending on behavioral health services, and 214 new facilities being built to provide more beds for those needing behavioral health treatment. Last year, California voters passed a whopping $6.38 billion bond for behavioral health facilities and services.

Clearing encampments is one step, but California still has the highest number of homeless individuals in the nation — around 187,000 as of 2024, a record high for the state. Instead of pointing fingers at local governments, Newsom should cut through the bureaucracy and ensure measurable outcomes for the billions of dollars in continued homelessness spending.

Education: Spending Grows, Performance Stagnates

Regarding education, Gov. Newsom said that his budget revision includes $25,176 per public school student in California, an increase from about $24,300 last year. He celebrated that California students score “about average” nationally, compared to where they were several years ago.

Responding to the education proposals in the budget, Christensen said Newsom is “proposing more money for fewer public-school students with poorer academic outcomes than when he signed his first budget as governor in 2019.”

Last school year, less than half of California students met state reading standards, and 35.5 percent met state math standards.

The Governor celebrated 2,484 new community schools in California at the cost of $4.6 billion. These are schools that include health care, mental health services, and “family services.” He also praised “longer school days” consisting of before- and after-school care and summer school, as well as the universal implementation of public Transitional Kindergarten. Translation: Newsom is excited that his government is more involved than ever in raising kids.

Rather than throw billions of taxpayer dollars at these overreaching schools, California’s education system should return to what it used to do best: teach kids to read, write, and do math. Missing from Newsom’s presentation is justification for why schools should be taking on health care and other services, when the system is widely failing its original mission.

As the governor approaches the end of his term, he is no doubt considering his future career aspirations. Voters may wonder if Newsom’s vision offers meaningful reform, or just an eleventh-hour attempt to rewrite the narrative before leaving office.

Either way, taxpayers should ask themselves whether the state is delivering the opportunities and results commensurate with the budget’s ever-growing price tag.

Sheridan Karras is the research manager at California Policy Center.

Newsom picks more housing over CEQA in backing two bills meant to speed construction

by Ben Christopher
May 15, 2025

The effort by two Bay Area lawmakers to exempt most urban housing developments from the state's premier environmental regulation — an idea that has drawn some of the state's most powerful interest groups into a fierce legislative debate — just received a prized endorsement from Gov. Gavin Newsom.

While announcing his updated budget proposal for the coming fiscal year, the governor urged the Legislature to pass two housing bills and thanked their Democratic authors, Oakland Assemblymember Buffy Wicks and San Francisco Sen. Scott Wiener.

"It's time to get serious about this issue, period, full stop," Newsom said this morning. "If you care about your kids you care about getting this done. This is the biggest opportunity to do something big and bold and the only impediment is us."

Wicks' Assembly Bill 609 would exempt most "infill" housing developments, projects built in or next to existing developments, from review under the California Environmental Quality Act. That 55-year-old statute requires governments to study the environmental impact of any decisions they make, including the approval of new housing. Any person or organization — construction worker unions, environmental advocates or neighborhood groups, to name a few —can challenge the validity of those studies, delaying approval.

Critics of the law argue that it is regularly abused for non-environmental reasons to delay urban housing projects which are inherently better for the environment than sprawl development. Defenders of the law say such lawsuits are relatively rare.

Wiener's Senate Bill 607 is a highly technical grab bag. Among other things it would make it easier for state and local governments to approve projects — housing and otherwise — without conducting a full, lengthy review and exempt certain zoning changes for infill projects from CEQA entirely.

Newsom said that he would include language that mirrors those policy goals in upcoming budget bills.

"These bills are critical permitting reform proposals, and I applaud Gov. Newsom for including them in his proposed budget," Wiener said in a statement. "By clearing away outdated procedural hurdles, we can address California's outrageous cost of living, grow California's economy, and help the government solve the most pressing problems facing our state."

The governor also published proposed legislative language that would channel certain environmental impact fees collected from development projects toward the construction of new affordable housing located near public transit stops. That mirrors another bill authored by Wicks.

That proposed legislation would also give the California Coastal Commission, a frequent target of pro-development legislation, a deadline for responding to project proposals.

Asha Sharma with the nonprofit Leadership Counsel for Justice and Accountability said it was “definitely concerning” that the governor has vowed to push such significant policy changes through the budget process, shielding it from the legislative and public scrutiny paid to most legislation.

The group, which organizes residents of the San Joaquin and Coachella Valleys, opposes both of the bills Newsom endorsed. Sharma argued that certain portions of the Wiener bill would allow major infrastructure and industrial projects, not just new apartment buildings, to escape rigorous environmental review, a point Wiener has disputed. Its opposition to Wicks’ bill is largely based on the fact that it would provide a CEQA exemption to all infill projects, not just those with units set aside for lower-income residents.

“There needs to be some type of affordability protections in this bill,” she said.

This isn’t the first time the governor has weighed in on the landmark environmental law. Two times in as many years, the administration has urged the Legislature to tinker with the law to make it easier to build infrastructure projects and to expand the state’s renewable energy capacity.

The Legislature hasn’t always listened and the prospect of comprehensive “CEQA reform,” a goal regularly touted by California governors and resisted by environmental groups and many unions, remains elusive.

Those earlier legislative efforts were “weak sauce” and “piddlywinks,” these bills represent much more substantive change to housing and environmental policy, said Chris Elmendorf, a UC Davis Law professor and frequent public critic of CEQA.

“The fact that the governor is willing not just speak in generalities, not just have Ezra Klein on his podcast, but to endorse specific bills and even go beyond endorsing them by tying them to his budget and putting pressure on the Legislature, that, I think is a very big development that we haven’t seen previously from this governor,” he said.

His nod to these two bills comes at a politically important time. Wicks' bill has sailed through the Assembly so far with the explicit backing of Speaker Robert Rivas. Wiener's bill has made its way through two committee, but only barely escaped one over the objections its chair.

Both Legislative leaders have vowed to prioritize legislation that promotes "affordability." Rivas, closely allied with the "yes in my backyard" movement, has publicly endorsed a suite of bills aimed at reducing regulations and speeding up approvals for new housing. McGuire, tasked with wrangling a Senate Democratic caucus with public fractures over housing policy, has been more reluctant to articulate the specifics of his housing agenda.

The U.S. Needs More Nuclear Power To Fuel the AI Boom

Texas, Virginia, and Pennsylvania are turning to nuclear power to meet data centers' energy demands.

Jeff Luse | From the June 2025 issue

AI is bringing enormous benefits to consumers and businesses. It is also bringing significant strain to the power grid. Some researchers estimate that one ChatGPT query requires the energy equivalent of lighting a lightbulb for 20 minutes and 10 times as much electricity as a single Google search. Goldman Sachs projects that AI will increase data center power demand by 160 percent nationwide through 2030.

The Department of Energy also expects data centers' energy use to balloon. A December 2024 report forecasts that cloud computing will account for as much as 12 percent of the nation's annual energy use by 2028—up from 4.4 percent in 2023. Virginia, California, and Texas will each serve as a "primary hub" for both small- and large-scale cloud data centers, according to the Energy Department.

Texas is the fastest-growing consumer of electricity in the nation, according to the Energy Information Administration. In 2024, the Electric Reliability Council of Texas (ERCOT)—which manages about 90 percent of the state's grid—said electricity demands could nearly double by 2030 as data centers and cryptocurrency grow and as oil operations in the Permian Basin begin to run on electricity instead of diesel. In March, ERCOT said it has received requests for 99 gigawatts (GW) of new connections—enough to power almost 25 million homes—

from large power users (including data centers) in the past year. The state will need to add the energy equivalent of 30 nuclear power plants by 2030 to meet demand, reports Bloomberg.

Last Energy is preparing to deliver 30 such reactors—microreactors, that is. In February, the company announced plans to build 30 of its 20-megawatt reactors in Haskell County, Texas, to service data centers across the state. The site is conveniently located 200 miles west of Dallas, where data centers are expected to add 43 GW of demand to the grid through 2029.

The company has filed for a grid connection with ERCOT, which takes about 18–30 months to complete, according to the regulator. Last Energy is also in the process of applying for an Early Site Permit with the Nuclear Regulatory Commission (NRC). Once obtained, the company will have a 10–20 year window to build its reactors.

This will be Last Energy's first operational project in the United States. Despite being an American company, Last Energy has focused on growing its business abroad because of stringent federal regulations. The developer sued the NRC in December 2024, challenging an agency rule requiring all nuclear power–producing entities—including those that do not generate enough electricity to turn on a lightbulb—to obtain an operating license from the commission before turning on.

Texas isn't the only state turning to nuclear power to meet its data center demand. In Virginia, where data centers could double the state's power demands by 2034, Amazon is partnering with Dominion Energy to develop three new nuclear energy projects. Three Mile Island in Middletown, Pennsylvania, is restarting to provide energy to Microsoft's data servers. The power plant was shut down in 2019.

These efforts will only be as cost-effective and efficient as regulations allow. But the renewed interest in clean and reliable nuclear power could allow the U.S. to make advancements in AI with minimal greenhouse gas emissions.

This article originally appeared in print under the headline "AI Boom Turns to Nuclear for Power."

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