

# California: Political Challenges and Potential

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# Why is California influential?



**Population:**  
39.5 million residents!



**Wealth:**  
More millionaires and  
billionaires reside there  
than anywhere else in  
the world



**Societal Influence:**  
Cultural trendsetter that controls  
much of what we see, hear and read.  
Movies, music, social media, etc.

# What folks like about The Golden State

**Like** **Dislike**

- The Weather!
- The landscape: ocean, mountains, lakes, etc.
- The activities: You can surf in San Diego, hike Yosemite, ski at Mammoth, go wine tasting, golf, and then go gambling all within hours of each other.
- The beautiful people
- Did I mention The Weather?
- The high gas prices and high cost of living.
- The homelessness
- The housing crisis
- The quality of public schools
- The debt
- The crime
- Too many policy failures



- Illegal Immigration?



# California's harsh reality

- More than 20% of Californians live in poverty under the calculation that includes the cost of living, this is the highest poverty rate in the nation.
- For every 1 billionaire that is created, CA creates 100,000 people that will live below the poverty line! That is a banana republic.
- One-third of the nation's welfare recipients now reside in California.
- There is a housing shortage and home prices are exorbitant. Many are "house poor."
- Last year's homeless count revealed that about 130,000 Californians were homeless—nearly a quarter of the national total.
- California is the #1 importer of low-skilled, uneducated workers from across the globe. When manual labor jobs disappear, they will become completely reliant on the state.
- There is a middle class exodus as California has become state that is very good only for the very rich and the very poor.
- CA's debt is \$1.3 trillion including its unfunded pension liability.



But we are the  
5<sup>th</sup> largest  
economy in  
the world.

**CALIFORNIA REPUBLIC**

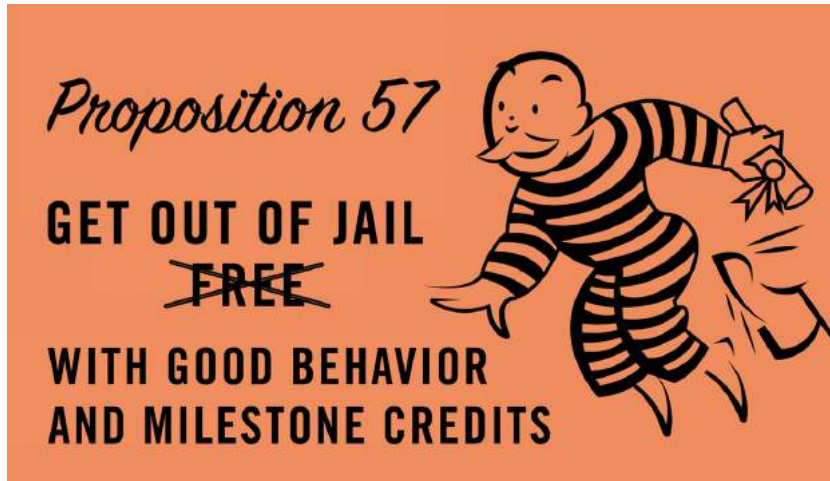


# The Politics of California

- Strong Governor and a statutorily weak Lt. Gov.
- Legislature: Assembly and Senate both of which are controlled by Democratic super-majorities. 45 years of almost unbroken one party control. 12 year term limits!
- Executive branch and state bureaucracy are also under one party control. Not one Republican won statewide office in the last several election cycles.
- The “Third House” which consists of lobbying firms, unions, special interests and local gov’ts. The California Coastal Commission?
- Direct Democracy. Statewide ballot measures.
- CA is a divided state. Divided along political lines, regional lines (coastal elites vs inland/agriculture), economic lines, etc.
- Too much misdirection and misinformation, gut and amend legislation.



# Ballot Measures



# Ballot Measures

**You can pass powerful policies by using mass marketing campaigns that cost tens of millions of dollars.**

- **There are around 20 of these measures on each ballot.**
- **Many of these measures are often intentionally misleading in nature, often redirects money to the general fund and/or the Governor's discretionary fund, and targets an uninformed public.**
- **These initiatives range in subject from plastic bags usage, to gas taxes, to the early release of felons.**
- **Propositions can put fiscal restraints or constraints on the state, either limiting spending or requiring spending.**
- **Extremely divisive and controversial in many cases. Notable measures affecting education, public safety and finance.**
- **Not enough of the voting public reads the fine print.**
- **“If you put schools or marijuana in the title, chances are the measure will pass.” *Every California Government Affairs Professional***



# **Ballot Measures affecting Education, Finance and Public Safety**

- **Prop 13 (1978) – Capped raises on property tax.**
- **Prop 98 (1988) – Guaranteed certain funding for K-14.**
- **Prop 111 (1990) – Guaranteed that guarantee, except for bad economic times.**
- **Prop 30 (2012) – Titled “The Schools and Public Safety Protection Act of 2012 - Temporary Taxes to Fund Education Measure.”**
- **Prop 47 (2014) – Titled the “The Safe Neighborhoods and Schools Act.” It recategorized some nonviolent offenses as misdemeanors, rather than felonies.**
- **Prop 51 (2016) – Enables the state to sell bonds in order to pay for school facilities.**
- **Prop 57 (2016) – “Public Safety and Rehabilitation Act” provided for early release of nonviolent offenders.**
- **Prop 6 (2018) – Repeal of gas tax (Failed).**
- **What’s the myth? What’s the reality? Where did the money go?**

# Current Example - Split Roll Tax

**An \$11 billion property tax initiative has qualified for the November 2020 ballot euphemistically titled "The California Schools and Local Community Funding Act of 2018."**

- **This is a proposal for a split roll property tax. Currently all property tax in CA is capped thanks to Prop 13.**
- **If approved, this initiative would amend Prop. 13 and increase taxes by reassessing business property every two-three years to the market price.**
- **The impact on retail, commercial and industrial property will be huge; we are talking 100% property tax increases.**
- **This would then ultimately effect those tenants who pay rent. Small businesses cannot absorb a huge increases to operating costs.**



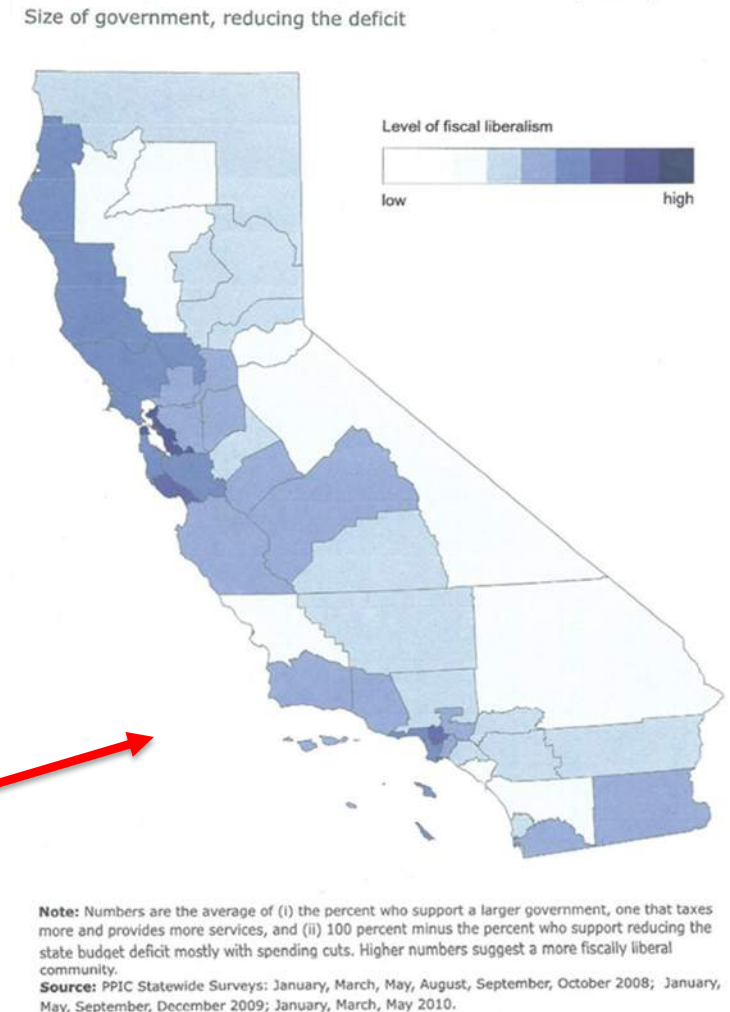
# Continuing & Emerging Issues

- Artificially inflated economy & tech relocation
- Unfunded Pension Liability
- Gas, gas, gas
- Water Shortages
- Housing shortage
- Statewide Rent Control
- Skilled labor shortage
- Exodus of middle class & businesses
- Automation will lead to higher unemployment
- Move towards a 100% green economy



# Tips to Help You Navigate GR in CA

- **Manage your clients' expectations.**
- **Understand that CA is state of ideological extremes in political leadership.**
- **Be a coalition builder.**
- **Engage with stakeholders early and often.**
- **Be a news maven and know more than your opposition.**
- **Be the institutional knowledge where there isn't any.**
- **Know your audience (CA has several different ones).**
- **Understand maps like this (PPIC).**
- **Know people, be connected.**
- **Enjoy the weather!**





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