



CHAIR JODEY ARRINGTON

# HOUSE BUDGET COMMITTEE

## **DON'T CALIFORNIA MY AMERICA:** *The Cost of California Policymaking*

WASHINGTON, D.C. – Last week, President Joe Biden announced he is not seeking another four years in office and intends to pass the torch to his Vice President and Open-Border Czar, Kamala Harris, a Democrat from California.

We often hear that California, if it was its own country would rank 5<sup>th</sup> in GDP. That's why California's policy blunders are particularly damaging. Understanding these failures is crucial if we are to avoid making similar mistakes on the national level. Their progressive policies and regulations would be suffocating if applied on a national scale.

According to [Forbes Advisor](#), **gas in California is the most expensive in the country**, at \$4.89 a gallon in June of 2024. Fast food minimum wage **requirements** of \$20 per hour freeze hiring and have caused firms to lay off workers. On top of this, California also boasts the highest state sales tax in the country at **7.25 percent**, with local taxes increasing to 10.75 percent in some towns.

Bringing California's failed economic policies to the national stage would torpedo America's struggling economy. If the past is prologue, Vice President Harris would bring these policies to the Oval Office.

### STATE BUDGET AND REVENUE

- California's Legislative Analyst Office **updated** their estimate for the state's 2024-25 budget deficit to **\$73 billion, exceeding Governor Newsom's original estimate of \$38 billion.**



- From 2019 to 2022, state **spending** in California increased by 51.1 percent while incomes for California residents rose by just 17.6 percent.
- Adjusted gross income in California **declined** by \$18 billion and \$29 billion in 2020 and 2021, respectively, as residents fled the state.
  - According to the Legislative Analyst’s Office’s revenue **outlook**, the retention rate for corporate headquarters resulted in a **loss of \$2 billion** in corporate tax collections from the Governor’s budget projections, with income tax collections also lagging at **\$3.5 billion** lower than projections.
- In 2008, California voters **approved** a massive high-speed rail project set to be completed in 2020 with an initial cost projection of **\$33 billion**.
  - Today, the initiative is nowhere close to being completed. Costs have ballooned to **\$128 billion, a 287 percent increase** in 16 years, another example of fiscal mismanagement.

## BUSINESS

Reporting from January 2024 by the California Globe underscores why the **“California Business Exodus for Friendlier States Continues”**:

- Chief Executive Magazine **reports** annually on the Best and Worst States for Business. Predictably, in 2023, **California ranked last**.
- The California Policy Institute **counted 237 company headquarters** that have left the state since 2005.
- Most recently, companies such as Oracle, Hewlett Packard, Tesla, Dropbox, Jamba Juice, Charles Schwab, DoorDash, X and SpaceX, have all transferred their California headquarters to Texas in pursuit of more favorable business tax laws such as **no taxes on corporate or individual income**.



## BORDER

In 2018, California Governor Gavin Newsom [publicly ordained](#) California as a "sanctuary state"; [meaning](#), California “promotes laws, ordinances, regulations, resolutions, policies, or other practices that *obstruct* immigration enforcement – either by refusing to or prohibiting agencies from complying with ICE detainers, imposing unreasonable conditions on detainer acceptance, or otherwise impeding communication or information exchanges between their personnel and federal immigration officers”:

- Mass illegal immigration and misguided state policies that provide benefits and services to illegal aliens **cost California's shrinking tax base nearly \$31 billion a year**, according to a 2023 [cost analysis](#) by the Federation for American Immigration Reform (FAIR).
- Among FAIR's key findings:
  - Benefits and services provided to illegal aliens in California in 2022 amounted to **\$22,821,903,942**.
  - California does not allocate funding toward border security, but total national policing expenditures amount to **\$8,952,291,000**.
  - The total cost of **\$30,936,201,468** works out to a per capita cost of **\$7,074**.

## HEALTH CARE

According to an April 2024 report by the [California Health Care Foundation](#), more than half of Californians report skipping care in the past year due to cost, while nearly half of those individuals say forgoing care has worsened their existing condition.

- Further, **one in three Californians reported needing to take on medical debt in 2023**. Half of those who have accumulated medical debt are Californian minority groups who are Black, speak Spanish, or are in low-income households.



- California’s overall health care spending has **increased by 30 percent** between 2015 and 2020, totaling **\$10,299 per person and \$405 billion overall**.

### **Even worse...**

- In January 2024, California became the first state to expand Medicaid to include ***ALL*** illegal immigrants residing in the state, flooding the state’s Medicaid program, Medi-Cal, with as many as 700,000 illegal immigrants despite a record \$68 billion state budget deficit. The cost of California’s Medicaid expansion to illegal immigrants amounts to over **\$2 billion** in state funding annually.
- Last year, California Governor Newsom signed a bill working towards his goal of imposing a **single payer health care system** in California estimated to cost **\$500 billion** annually—**nearly double the size of California’s entire annual budget**.
  - A single payer health care system will also **limit access** to health care providers, lead to longer wait times for treatment, and reduce access to new technologies and medications.

## THE BOTTOM LINE

The national average family of four is paying **an additional \$16,992 per year or \$1,416 per month to purchase the same goods and services**. **The Californication of America** would be a disaster for our nation. California’s expensive and radical policies have led to a mass exodus of company headquarters and their highest earners leaving the state. Now, imagine that on a national scale. **America cannot afford a Harris Presidency**.

## MORE FROM THE HOUSE BUDGET COMMITTEE

**Read** CBO’s Monthly Budget Review for June 2024 **[HERE](#)**.



***Read*** an executive summary of CBO’s updated budget projections for fiscal years (FY) 2024-2034 [HERE](#).

***Read*** comparisons of CBO’s February 2024 baseline report and the June 2024 update, and a comparison of the baseline when President Biden took office to today [HERE](#).

