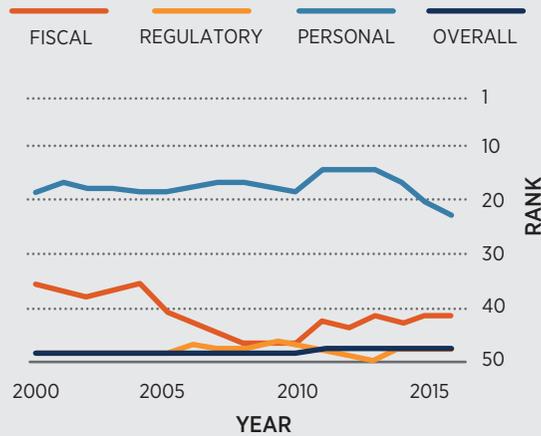


# CALIFORNIA

2016 RANK  
**48th**



## POLICY RECOMMENDATIONS

- **Fiscal:** Cut spending in the areas of health and hospitals, housing and community development, and employee retirement, where it is above the national average, and use the proceeds to reduce indebtedness.
- **Regulatory:** Penalize localities with exclusionary zoning by withholding state housing funds. Reduce the ability of residents to force local referenda on new housing developments.
- **Personal:** Expand legal gambling. California's political culture is unlikely to have many qualms about gaming, but legalizing nontribal casinos would require a constitutional amendment.



Population, 2017  
**39,536,653**

Net Migration Rate  
**-6.0%**



State Taxes, Percent of Personal Income, FY 2017  
**6.98%**

Local Taxes, Percent of Personal Income, FY 2015  
**3.85%**

Partisan Lean, 2016  
**D +14.4**



Real Per Capita Personal Income, 2016, in 2009 \$  
**\$44,562**

Real Personal Income Growth, CAGR, 2000-15  
**1.8%**

## ANALYSIS

California is one of the least free states in the country, largely because of its long-standing poor performance on economic freedom. Given this, it is likely no surprise that the Golden State is the most cronyist state in the union. It has long suffered from a wide disparity between its economic freedom and personal freedom ranking, but it is not as if the state is a top performer in the latter dimension. Indeed, it is quite mediocre on personal freedom.

Despite Proposition 13, California is one of the highest-taxed states in the country. California's combined state and local tax collections were 10.8 percent of adjusted personal income. Moreover, because of the infamous *Serrano* decision on school funding, California is a fiscally centralized state. Local taxes are about average nationally, while state taxes are well above average. Government debt is high, at 20.9 percent of personal income. The state's government employment is lower than the national average, at 11.2 percent of private employment.

Regulatory policy is even more of a problem for the state than fiscal policy. California is one of the worst states on land-use freedom. Some cities have rent control, new housing supply is tightly restricted in the coastal areas despite high demand, and eminent domain reform has been nugatory. The state even mandates speech protections in privately owned shopping malls. Labor law is anti-employment, with no right-to-work law, high minimum wages, strict workers' compensation mandates, mandated short-term disability insurance, stricter-than-federal anti-discrimination law, and prohibitions on consensual noncompete agreements.

Occupational licensing is extensive and strict, especially in construction trades. The state is tied for worst in nursing practice freedom. The state's mandatory cancer labeling law (Proposition 65) has significant economic costs.<sup>116</sup> California is one of the worst states for consumers' freedom of choice in homeowner's and automobile insurance. On the plus side, there is no certificate-of-need law for new hospitals, there have been some moves to deregulate cable and telecommunications, and the civil liability regime has improved gradually over the past 14 years.

California is a classic left-wing state on social issues. Gun rights are among the weakest in the country and have been weakened consistently over time. It was one of the first states to adopt a smoking ban on private property, but other states have since leapfrogged California in their restrictiveness, and tobacco taxes are actually a bit lower than average. California was an early leader on cannabis liberalization, fell behind in recent years, and has again become the top state for marijuana freedom with the 2016 passage of Proposition 64 legalizing the cultivation, sale, and possession of marijuana. Alcohol is not as strictly regulated as in most other states and taxes on alcohol are relatively low. Physician-assisted suicide was legalized in 2015. Private school choice programs are nonexistent, and the state risks falling behind its neighbors Nevada and Arizona as an education entrepreneur. There is some public school choice, and homeschooling is moderately regulated. Incarceration and drug arrest rates used to be higher than average but have fallen over time, especially since 2010. The state is a leader in marriage freedom, adopting same-sex partnerships and then civil unions fairly early (although it gained same-sex marriage only recently).

116. David R. Henderson, "Proposition 65: When Government Cries Wolf," *Econlog*, April 14, 2013, [http://econlog.econlib.org/archives/2013/04/proposition\\_65\\_1.html](http://econlog.econlib.org/archives/2013/04/proposition_65_1.html).