



SUBMITTED STATEMENT OF
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HEARING TITLED
“CALIFORNIA FIRES AND THE CONSEQUENCES OF OVERREGULATION”

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“CALIFORNIA FIRES AND THE CONSEQUENCES OF OVERREGULATION”

Chairman Fitzgerald, Ranking Member Nadler and members of the subcommittee,

My name is Steven Greenhut. I am a senior fellow and the Western region director for the R Street Institute, a think tank dedicated to free markets and limited, effective government. I am based in Sacramento and have been a California resident for 27 years. I write about California issues for 12 newspapers in Southern California. I've written several books on California policy. I lived in Los Angeles and Orange counties for 11 years and have traveled to every one of the state's 58 counties. I love California and want to see it prosper.

One of the common themes in my writing has been the state's commitment to expanding bureaucracy and regulation, without much regard for whether the new programs accomplish their stated goals.¹ Residents and businesses simply deal with the new taxes and red tape and adapt. California is such a beautiful and energetic place that people here muddle through despite the burdens the state government puts in their way. Of course, California has lost population in recent years (although it recently experienced a slight rebound) and businesses continue to flee – to a large degree because of our regulatory and tax policies.²

But the Los Angeles wildfires – likely to be one of the costliest natural disasters in U.S. history³ – have exposed festering regulatory hurdles that have exacerbated the crisis. Many are years in the making, maddeningly complex and not given to quick solutions. It's a confluence of bad policy involving brush clearance, water, insurance, firefighting, housing and climate change.

Simply put, California has created a tangled web of regulation that renders this once-innovative state incapable of accomplishing anything efficiently.⁴ I'd like to start by touching on California's extensive climate-change agenda.⁵ I'm not here to debate the overarching climate issue. But instead of building a resilient system that handles whatever Mother Nature throws our way, our state constantly uses climate change as an excuse for inaction on nuts-and-bolts issues.⁶

By the way, uncontrolled wildfires undermine whatever progress we're making in reducing carbon-dioxide emissions. University of Chicago research found that the 2020 wildfires emitted “close to double

¹ Greenhut, Steven. “California's Wildfires Exposed Failings of State's Leadership,” *Reason*, Jan. 31, 2025, <https://reason.com/2025/01/31/californias-wildfires-exposed-failings-of-the-states-leadership/>

² Cain, Bruce and Hehmeyer, Preeti. “California's population drain,” Stanford Institute for Economic Policy Research, October 2023, <https://siepr.stanford.edu/publications/policy-brief/californias-population-drain>

³ Lotz, Avery. “L.A. fires could be the U.S.' worst natural disaster, Newsom says,” *Axios*, Jan. 12, 2025, <https://www.axios.com/2025/01/12/la-wildfires-gavin-newsom-natural-disaster>

⁴ Skelton, George. “California used to be good at building things. What happened?” *Los Angeles Times*, June 26, 2023, <https://www.latimes.com/california/story/2023-06-26/what-happened-to-home-building-in-california-let-me>

⁵ “California Climate Policy Dashboard,” UC Berkeley, Accessed Jan. 31, 2025, <https://www.law.berkeley.edu/research/clee/research/climate/climate-policy-dashboard/>

⁶ Wehner, Greg. “California's Newsom blames climate change, to seek federal assistance as more storms line up to batter state,” *Fox News*, Jan. 8, 2023, <https://www.foxnews.com/us/californias-newsom-blame-climate-change-seek-federal-assistance-storms-line-up-batter-state>

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(the state’s) emissions reductions achieved over 16 years.”⁷ All the focus and expenditure is for naught unless the state figures out how to more effectively battle regularly occurring fires. As the University of Chicago researcher put it, “Wildfire emissions need to be a key part of climate policy if California is going to meet its emission reduction goals.”⁸

Regarding brush clearance, the governor has agreed that we need to step up the process. But very little has happened. We need to clear 1 million acres a year per state and federal estimates, but we have averaged only 125,000 acres or less a year.⁹ Yet CAL FIRE estimates that the state desperately needs to clear around 15 million acres, 10 million of which are federally owned. As former associate state justice Daniel Kolkey explained in his chapter in the 2021 book “Saving California,” the state’s “progress have been slow and its vision wanting.” Most recent wildfire initiatives have been “too modest to rise to the challenge.”¹⁰ It’s once again a matter of priorities.

The California Environmental Quality Act, or CEQA, and other laws require Environmental Impact Reports (EIRs) for clearance projects and two to three approvals for controlled burns. After the devastating Paradise fire in 2018, it took two years to get the first permit out for bid. The state could, for instance, consider using more funds from the Greenhouse Gas Reduction Fund to pay for this,¹¹ rather than, say, prioritizing a high-speed-rail system that is unlikely to do much about the climate.¹² The state prioritizes such boutique “climate” projects over its fundamental responsibilities, and even those projects are plagued by cost overruns and delayed timelines.

The wildfires have also highlighted California’s counterproductive insurance regulations. I’ve been writing for years about the coming insurance catastrophe. It can take many months for insurers to wade through the process of hearings, rate reviews and opposition to such hikes by consumer-attorney “intervenor”¹³ who earn large fees for their efforts. This process is so cumbersome that it reduces competition, leading to too-few insurers. State officials have recognized this problem, but they have failed to stand up to vested interests and actually reform the system.

The problem goes back to Proposition 103, the 1988 ballot initiative that made the state insurance commissioner an elected position, instituted the prior-approval system for rate increases and rolled

⁷ Staff, “Wildfires are Erasing California’s Climate Gains,” University of Chicago Energy Policy Institute, Oct. 17, 2022, <https://epic.uchicago.edu/news/wildfires-are-erasing-californias-climate-gains/>

⁸ Ibid.

⁹ Kolkey, Daniel M. “California Burning: Wildfires and Climate Change,” Chapter 9, p. 128, “Saving California,” August 2021, Pacific Research Institute, <https://www.amazon.com/Saving-California-Steven-Greenhut/dp/1934276448>

¹⁰ Ibid.

¹¹ Ibid.

¹² Joffe, Marc. “New Figures Show That California High-Speed Rail Won’t Do Much about Climate Change,” Cato Institute Commentary, Feb. 26, 2024, <https://www.cato.org/commentary/new-figures-show-california-high-speed-rail-wont-do-much-about-climate-change>

¹³ California Department of Insurance, “Proposition 103 Consumer Intervenor Process,” Accessed Jan. 31, 2025, <https://www.insurance.ca.gov/01-consumers/150-other-prog/01-intervenor/>

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back rates. It created a price-control system.¹⁴ Elected commissioners have a political interest in not approving insurance rate hikes. Unable to easily adjust rates to reflect risk, insurers quietly – and then not so quietly – began exiting. In 2023, the state’s largest property insurer, State Farm General Insurance Co., stopped writing new policies in California.¹⁵ Others followed suit and increasingly have stopped renewing existing policies.

The insurance commissioner crafted a suite of useful reforms that were showing some promise, but why did it take so long?¹⁶ With this catastrophic wildfire, it remains to be seen whether these changes will be enough to stop the continued exodus.

Because of the regulation-driven contraction of our insurance market, many homeowners in the L.A. area didn’t have coverage or were reliant on the state-created insurer of last resort, the FAIR Plan.¹⁷ There’s much talk of that barebones system facing possible insolvency.¹⁸ Rather than addressing the insurance emergency, the governor and lawmakers found time for a performative special legislative session about so-called oil-industry price gouging.¹⁹ They knew their insurance market was crumbling, but preferred high-profile hearings about our high gas prices, which ironically are caused by regulatory policies they support (highest-in-the-nation gas taxes, a special formulation requirement that reduces supply and state policy that is trying to drive away fossil fuels).

Water policy is a somewhat tangential issue related to wildfires. But California has built little new water infrastructure since the 1970s when the population was roughly half what it is today.²⁰ The Delta smelt issue has been an impediment since 1982, yet progress on one potential solution – building a tunnel

¹⁴ Powell, Lawrence; Lehmann, R.J.; and Adams, Ian. “Rethinking Prop. 103’s Approach to Insurance Regulation,” International Center for Law & Economics, Nov. 6, 2023, <https://laweconcenter.org/resources/rethinking-prop-103s-approach-to-insurance-regulation/>

¹⁵ Talerico, Kate and Varian, Ethan. “State Farm projects dropping 1 million policies in California over next five years,” *Mercury News*, Sept. 30, 2024, <https://www.mercurynews.com/2024/09/27/state-farm-projects-dropping-1-million-policies-in-california-over-next-five-years/>

¹⁶ California Department of Insurance, “Commissioner Lara issues landmark regulation to expand insurance access for Californians amid growing climate risks,” Dec. 30, 2024, <https://www.insurance.ca.gov/0400-news/0100-press-releases/2024/release065-2024.cfm>

¹⁷ Arnold, Willis Ryder; Chakrabarti, Meghna; Skoog, Tim. “The broken home insurance market – in California and beyond,” *WBUR*, Jan. 24, 2025, <https://www.wbur.org/onpoint/2025/01/24/broken-home-insurance-market-california>

¹⁸ Darmiento, Laurence. “California’s FAIR Plan, the home insurer of last resort, may need a bailout after the L.A. fires,” *Los Angeles Times*, Jan. 18, 2025, <https://www.latimes.com/business/story/2025-01-18/california-fair-plan-the-home-insurer-of-last-resort-may-need-bailout-after-fire-losses>

¹⁹ Office of Gov. Gavin Newsom, “Ahead of first special session vote, Governor Newsom meets with supporters of proposal to prevent gas price spikes,” Sept. 26, 2024, <https://www.gov.ca.gov/2024/09/26/ahead-of-first-special-session-vote-governor-newsom-meets-with-supporters-of-proposal-to-prevent-gas-price-spikes/>

²⁰ Greenhut, Steven. “‘Environmental Justice’ Starts by Providing More Water for Everyone,” *Reason*, Sept. 25, 2020, <https://reason.com/2020/09/25/environmental-justice-starts-by-providing-more-water-for-everyone/>

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project through the Sacramento-San Joaquin Delta – has been excruciatingly slow.²¹ The state passed a major water bond a decade ago, but we’ve seen little progress on building traditional water infrastructure projects. The fine print on that bond prioritized environmental projects rather than water-storage projects. Sites Reservoir – a proposal for an off-stream storage project north of Sacramento – has been on the drawing board for decades.²² If California officials were interested in expanding water storage, they would have fast-tracked that proposal.

The state foolishly blocks privately funded water projects that could vastly expand water resources. For instance, the California Coastal Commission in 2022 rejected a desalination plant on an industrial site in Huntington Beach over concerns about plankton.²³ The governor publicly supported the project, yet his commission nominees voted against it. Frankly, it would take more time now to complete an EIR for a major water project than it took to build the entire State Water Project.²⁴

More water would not have stopped the wildfires, but additional water resources would bolster firefighting efforts and mitigate some of the effects of drought seasons. As an aside, the state’s limits on natural gas make it hard for water districts to permit generators to move water to where it’s needed most.²⁵ Again, water policy just has not been a state priority with lawmakers pointing fingers at climate change without recognizing policies they could embrace that would mitigate its effects.

Instead of building the kind of basic water infrastructure prioritized under, say, the Pat Brown administration,²⁶ recent administrations have focused almost entirely on conservation and rationing.²⁷ Approximately 50 percent of California’s water flows out to the Pacific, 40 percent is used for agriculture

²¹ Moyle, Peter. “The Failed Recovery Plan for the Delta and Delta Smelt,” UC Davis Center for Watershed Sciences, May 29, 2022, <https://californiawaterblog.com/2022/05/29/the-failed-recovery-plan-for-the-delta-and-delta-smelt/>

²² Gonzalez, Vicki. “Sites Reservoir project finally gets green light, construction expected to begin in 2024,” Capital Public Radio, Nov. 24, 2023, <https://www.caprдио.org/articles/2023/11/24/sites-reservoir-project-finally-gets-green-light-construction-expected-to-begin-in-2024/#:~:text=It's%20the%20site%20of%20the,proposed%20several%20times%20since%20then.>

²³ Becker, Rachel. “A salty dispute: California Coastal Commission unanimously rejects desalination plant,” *CalMatters*, May 12, 2022, <https://calmatters.org/environment/2022/05/california-desalination-plant-coastal-commission/>

²⁴ California Department of Water Resources, “SWP Timeline,” Accessed Jan. 31, 2025, <https://water.ca.gov/Programs/State-Water-Project/SWP-Facilities/History/SWP-Timeline>

²⁵ California Insider, Interview with Brett Barbre, January 2025, <https://www.youtube.com/watch?v=yH19B6dMXx0>

²⁶ California Department of Water Resources, “Milestones in California Infrastructure Thinking, Planning and Policy-Making,” Accessed Jan. 31, 2025, https://resources.ca.gov/CNRALegacyFiles/docs/climate/ab2800/Appendix12_Milestones_FINAL.pdf

²⁷ Becker, Rachel. California now has mandatory water conservation in urban areas: How will the new rules affect your supplier?, *CalMatters*, July 3, 2024, <https://calmatters.org/environment/water/2024/07/california-water-conservation-rules-adopted/>

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and 10 percent is for urban uses. Only 5.7 percent is used by households, so limiting swimming pools and car washing is no solution.²⁸

We’ve seen criticisms about an inadequate number of firefighters. Thanks to union power, the median municipal firefighter pay package is around \$225,000.²⁹ Public databases show an abundance of LA firefighters earning total compensation packages above \$500,000 a year, with one captain earning more than \$900,000.³⁰ If pay reflected market rates, California state government and municipalities could afford to hire more of them rather than relying on underpaid prison labor.

Finally, I want to touch on California’s cumbersome building regulations, which are a notable hurdle in the rebuilding process. Thankfully, the governor issued an executive order suspending CEQA, which poses endless obstacles, and the Coastal Act for LA wildfire victims.³¹ But why has it taken a disaster to do so? State officials have relaxed some of these rules for specific high-density building projects and sports arenas, but have failed to reform them in a far-reaching manner.³² Many state lawmakers from both parties admit that CEQA, which provides an open invitation for lawsuits from any stakeholder, slows or stops the construction of needed housing projects (and much else).³³

The overall problem touches on the purpose of this hearing. No one failing resulted in the recent devastation. Instead, little by little California has built up an administrative state noted for its reliance on regulation and bureaucracy. Instead of reforming rules that impede progress, the state just spends more money and adds more rules. When disaster strikes, our officials point fingers elsewhere.³⁴ I’m hoping the heartbreaking nature of the wildfires will finally cause state officials to rethink this failed approach.

Thank you for your time and the opportunity to testify.

²⁸ Mount, Jeffrey; Hanak, Ellen; and Peterson, Caitlin. “Water Use in California,” Public Policy Institute of California, April 2023, <https://www.ppic.org/publication/water-use-in-california/>

²⁹ Ring, Edward. “Average Pay for Manhattan Beach Firefighters is \$328,000 a Year,” California Policy Center, Aug. 12, 2022, <https://californiapolicycenter.org/average-pay-for-manhattan-beach-firefighters-is-328000-per-year/>

³⁰ Transparent California public-employee salary database, <https://transparentcalifornia.com/salaries/2023/los-angeles/>

³¹ Office of Gov. Gavin Newsom, “Governor Newsom cuts red tape, further suspends Coastal Commission rules to help LA firestorm survivors rebuild,” Jan. 27, 2025, <https://www.gov.ca.gov/2025/01/27/governor-newsom-cuts-red-tape-further-suspends-coastal-commission-rules-to-help-la-firestorm-survivors-rebuild/>

³² Greenhut, Steven. “Berkeley NIMBYs spotlight the ill effects of CEQA,” *The Orange County Register*, Feb. 25, 2022, <https://www.ocregister.com/2022/02/25/berkeley-nimbys-spotlight-the-ill-effects-of-ceqa/>

³³ Brownlow, Bradley. “California Court Decries CEQA Abuse: ‘Something Is Very Wrong with This Picture,’” Holland & Knight Alert, Accessed Jan. 31, 2025, <https://www.hklaw.com/en/insights/publications/2022/05/california-court-decries-ceqa-abuse>

³⁴ Ring, Edward. “When Will Gavin Newsom Stop Deflecting Blame for the Wildfires?” *City Journal*, Jan 24, 2025, <https://www.city-journal.org/article/gavin-newsom-la-wildfires-criticism>