

CHAPTER SIX

Corrupt

“Almost every single major intractable problem, at the back of it you see a big money interest for whom stopping progress, stopping justice is really important to their bottom line.” – Tom Steyer

Most Californians were first introduced to Tom Steyer by his plaid ties and offbeat debate performances in a vanity campaign for the 2020 Democrat presidential nomination. Although a genuine billionaire, he only had a net worth of a billion or two, making him an underdog even in the billionaires’ bracket of a contest that included Mike Bloomberg. As it happened, neither tycoon did well, and Steyer, a former hedge fund manager, dropped out of the race in February. He managed to spend \$250 million of his own money and get in a shouting match with Joe Biden in South Carolina while never presenting much of a rationale for being our next president.

If you are someone closely involved in politics, however, you were familiar with Tom Steyer long before this. He had been throwing huge sums of money around—exclusively to one side—for many years. Even before spending \$75 million on a “Need to Impeach” campaign he launched within nine months of the President’s inauguration, he was the single largest Democrat political donor of all time. As of July 8, 2019, he had contributed \$247,950,992 to candidates, PACs, and other political groups. Most of it went to the kind of independent expenditures that the infamous *Citizens United* Supreme Court

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decision legalized, although he also wrote checks directly to dozens of California politicians.

After dropping out of the presidential race, Steyer kept a low profile in the early months of 2020. So it was quite a surprise to see him standing next to Gavin Newsom at the Governor's April 17 press conference. The reason for his presence was even more baffling: Newsom had tapped Steyer, described as a "civic leader," to chair a newly assembled 80-member "Task Force on Business and Jobs Recovery." The commission was charged with helping "Californians recover as fast as safely possible from the COVID-19 induced recession and to shape a fair, green, and prosperous future."

It appeared Newsom was treating one of the most important tasks ever to face any state—bringing the world's fifth largest economy back to life—as the mother of all patronage opportunities. As someone who had done everything I could to work towards a cohesive and bipartisan COVID response, I was mortified. "We needed a unifying nonpartisan figure to lead our economic recovery," I said in a statement. "By anointing the nation's biggest partisan political donor, it's hard to imagine Gov. Newsom more wildly missing the mark."

Given Steyer's funding of initiatives like the Green New Deal, his selection struck many as a move towards the "new progressive era" Newsom had promised he would use the coronavirus crisis to deliver. The "torrent of progressive words and phrases" from Newsom, Steyer, and other task force members at the press conference did not discourage that impression. One commentator suggested "the task force is not there to reopen the California economy as much as it is to remake it." Dan Walters observed that if the goal were truly economic recovery, "Steyer, with his penchant for ideological confrontation, in the driver's seat is probably more an impediment than a lubricant." In this respect, the selection solidified Newsom's standing as the nation's most partisan governor, to be discussed in Chapter 9. But above all

what it highlighted, given Steyer's unrivaled mega-donor status, was Newsom's readiness to give access and influence to the highest bidder.

Steyer was actually an atypical example of this tendency. As much as billionaires are villainized for their political activities, they don't have enormous influence at the California Capitol, at least not in a systemic way. Wealthy individuals on the whole, in fact, are a relatively minor source of funding. The real influence lies not with individuals like the Steyer Commission's chair, but with entities like its members: major companies, industry associations, and most of all, massive union conglomerates. This latter Special Interest, which got 14 of the 80 spots on the commission, has the unique luxury of being able to conscript people into its ranks and take a cut of every paycheck. That's the mechanism by which these sprawling entities dominate our state's politics, outspending everyone else by a mile. One report showed the California Teachers Association spent twice as much electing California politicians as the next biggest spender—also a union conglomerate.

While Jerry Brown had a mixed relationship with “labor,” as it is euphemistically called, with Gavin Newsom there was no ambiguity. This Special Interest was even more responsible than PG&E for his rise to power. In the 2018 campaign, the CTA spent millions supporting Newsom, and a large assortment of other labor associations wrote him checks for the \$29,200 maximum. In his first year as Governor, Newsom returned the favor by going to war against charter schools and signing AB 5, among other rewards.

This dynamic was not disrupted by COVID-19. If anything, it was intensified by an escalation of the stakes. For the remainder of 2020, Newsom's solicitude for his biggest funders would drive pandemic-related policy in crucial ways. This, combined with the Governor's assumption of unprecedented power, would produce hardships in California without equal in the COVID era.

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A DOUBLE WHAMMY

Governor Newsom issued his original stay-at-home order on March 19. Even before that, it was apparent that AB 5—the independent contracting ban written by the AFL-CIO and other union conglomerates—was compounding the public health and economic crises of COVID-19 to the point of absurdity. It was impossible for most people to work outside the home, yet the new law made it impossible for many people to work inside the home. If you were to try to invent a policy that was maximally incompatible with a statewide lockdown, AB 5 would be hard to beat.

Beyond that, there were soon reports that the law was “keeping needed health care personnel from working.” On March 12, I wrote a letter to Governor Newsom asking that the law at least be suspended. “Recently enacted limitations on independent contracting—the likes of which exist in no other state—are causing a loss of flexibility over the time and place of work and a reduction in economic opportunity for as many as a million Californians,” the letter said. In addition, AB 5 was making “the provision of care more difficult for physician assistants, nurse practitioners, respiratory therapists, radiology technicians, medical translators, home health providers, elder aides, and other professionals.”

In a single day, I received hundreds more testimonials from Californians who said freedom from the scourge of AB 5 would allow them to cope with the emergency conditions, contribute to economy activity, and perform vital public health services. A woman named Kirstin said, “No online companies are hiring Californians right now. I’m losing my ten-year old business and can’t make ends’ meet. The health crisis + AB 5 is a double whammy. I won’t survive in this state.” An association representing tens of thousands of writers and photographers reported that “the financial devastation that our

California members have experienced in the wake of AB 5 has been compounded exponentially by the economic strife surrounding the COVID-19 crisis.” I shared all of these testimonials with Governor Newsom, along with a letter from 200 Ph.D. economists urging him to suspend the law’s enforcement.

It was all for naught. Newsom ignored these cries for help and insisted on keeping AB 5 in place. If that were the end of the story, it would be bad enough. But the Governor then exploited this moment of unique vulnerability for California workers to ruthlessly hammer the law in and advance its corrupt purposes.

While his EDD unemployment office has become the national poster child for government failure (as we will see in Chapter 8), the office’s incompetence may have been exceeded by its malevolence. A website called *The People v. AB 5* (run by four self-described “Democrats who support unions” but were ardent opponents of the law) explained how the EDD “attempted to weaponize the COVID-19 crisis by leading out-of-work Californians into [a] trap.” Instead of giving them access to benefits Congress included for independent contractors in the CARES Act, Newsom’s EDD try to shoehorn them into the regular unemployment system where they would have to name names of their business partners. Once it had that list, EDD would pounce, launching audits of the named businesses for allegedly violating AB 5 and hitting them with fines ranging from \$5,000 to \$25,000 per “misclassification”—applied retroactively to before the law even existed. The site gave an example of a small “princess-for-your-little-girl’s-birthday-party business” whose owner was audited and fined \$60,000 dating back several years.

Incredibly, as small businesses were on their last legs, the EDD plowed ahead with these harassing audits using personnel that could have been processing unemployment claims. I wrote a letter to the Director and the Governor asking them to cut it out. The EDD Director,

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Sharon Hilliard, wrote me back that the audits “must continue” even during the shutdown. The worst consequence of all of this was that countless freelancers—forced out of work by AB 5, COVID, or some combination of the two—had to wait weeks or months for benefits as the EDD played its political games to cater to Newsom’s Special Interest backers. I heard from several people who couldn’t put food on the table for their families.

But it got worse. On May 14, 2020, Newsom released his revised budget. The state was facing a \$54 billion shortfall. Every dollar was precious. Yet in a budget that included basically nothing to support small businesses or job creation—and with California, throughout the COVID era, having about the worst unemployment in the country—the Governor found \$21 million to specifically fund the enforcement of AB 5 so that more independent contractors would lose their livelihoods. He put three separate agencies on the job: the EDD, the Department of Industrial Relations, and the Department of Justice. It was the single most indecent act I had ever seen during my time in politics.

On the one occasion that the Assembly convened to consider the budget, I spoke directly to Newsom’s \$21 million AB 5 line-item. “Let’s be very clear about what this is,” I said. “This is \$21 million to take aim at small businesses—to audit and prosecute them, to fine and penalize them, to harass and bully them—when they are struggling to survive like never before. It’s \$21 million to finish the job of decimating a community of independent professionals as diverse as California itself: spanning hundreds of professions—many of the most talented people in our state, many of the most vulnerable people in our state. It’s \$21 million to shut down gainful work and destroy livelihoods when we have more unemployed Californians than the total population of half the states in the country.”

I then read to my colleagues the story of Monica from Chapter 2, the cancer survivor who sometimes felt like she wanted to die because

of how AB 5 had ruined her life. “Governor Newsom doesn’t care about Monica,” I continued. “Governor Newsom has denied that people like Monica even exist. Governor Newsom is all too willing to create many more Monicas as a rich reward for the Special Interests with the most juice at this Capitol.”

“Twenty-one million dollars—it’s one line-item, one line-item in a sprawling budget. Yet there is so much dishonor packed into that one line, coiled more tightly than a strand of DNA, it tells you everything about what’s become of California government.”

IT’S NOT ABOUT THE KIDS

The CTA has long been California’s top political spender, and the UTLA, short for United Teachers of Los Angeles, is its largest affiliate. I used to be a UTLA member, when I taught 10th-grade English at a school in inner-city LA. Nowadays, thanks to the United States Supreme Court’s decision in *Janus v. AFSCME*, I would have the right to opt out of the union, although California politicians have done everything in their power to make this difficult. The legal issue in *Janus*, incidentally, first came before the Supreme Court in a lawsuit against the CTA itself, but the Court deadlocked 4-4 after Justice Scalia’s death.

On July 9, 2020, the UTLA published a 17-page “Research Paper” that was something between a manifesto and a hostage note. The debate over when to reopen schools was raging across the state, and the union set forth a list of demands before it would let that happen, including Medicare for All, defunding the police, overturning Proposition 13, imposing a wealth tax, and killing off charter schools. Borrowing Newsom’s language, UTLA said the coronavirus was “an opportunity to create a new normal.” The CTA as a whole had already demanded a new tax on billionaires as one prerequisite to reopening.

The game plan was clear. The unions would keep schools closed as

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long as possible and extract a heavy price for reopening. The first stage of this plan, getting the Governor in line, was easy enough. While he said on July 14 that a statewide order would not work because each district is “unique and distinctive,” that statement proved no obstacle. Just three days later, Newsom did a complete 180, shutting down schools for over 90 percent of the state’s students and overriding local decisions. To be fair, he did have one of his education advisors call me, as Vice Chair of the Education Committee, for “input” the day before the announcement—after the decision had clearly been made.

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At this point, four months into COVID, Newsom had already more than gone to bat for the CTA. At the 11th hour of the budget process in June, he was party to a surprise “trailer bill” that eviscerated the one meaningful driver of school quality in California. A long-time equity advocate put it this way: “In my 30 years of close involvement in the state budget process, I’ve never witnessed such an egregious abuse.” The bill stopped schools that enroll new students from receiving funding for them, which was unprecedented: funding has always followed the student in our public-school system. That’s why it’s called “per pupil.” This was obviously harmful for growing communities, and it hurt school districts that attract families to the community by serving students well. But it was most devastating for charter schools—and that was the point.

Contrary to commonly peddled propaganda, charters are public schools. What’s different about them is they aren’t automatically assigned students in the surrounding neighborhood, as traditional schools are. They aren’t assigned any students. They have to attract families to opt-in with a desirable product. And many were doing that more successfully than ever during COVID after pioneering distance

learning models. Some charters had enrolled hundreds of new students for the coming school year. The Newsom-CTA trailer bill was designed to send those kids back to their neighborhood school, which in many underserved communities meant returning to the failing school they were trying to escape from. For good measure, the bill also barred non-classroom-based charters from billions in federal coronavirus relief.

To try to head off this attack on the very foundation of the charter school community, I gave perhaps my most impassioned speech ever on the Assembly Floor. “Again and again, time after time, we’ve had bills that target this community,” I said. “This legislation only make sense in light of that invidious pattern of discrimination. The parents, and families, and school leaders, and teachers and everyone else who are part of this community, they look upon our state government with nothing but fear. They just wonder, what next? What harm is going to be done to me and my school and my way of life from the rarefied proceedings of this chamber. That’s a dynamic that should never exist in a modern liberal democracy, yet this bill intensifies it like never before.”

Unbothered, Newsom signed the bill. Soon thereafter he was sued in what was called “the most important civil rights education case since *Brown v. Board of Education*,” the case that had overturned the doctrine of separate but equal. “I opened a network of schools to close the African American achievement gap by preparing kids for college in a different way,” said Margaret Fortune, one of the plaintiffs. “We enter into this lawsuit, not lightly. But we will use every resource within our grasp to protect our children and our students.”

Facing this lawsuit, Newsom was forced to backtrack on some of the bill’s harmful provisions. But as my speech alluded to, it was just another front in the war on charters he had started his first year. In a move condemned by civil rights groups, he had signed a package of bills specifically designed to stop them from opening. The Urban Leagues

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of Greater Sacramento, San Diego, and Los Angeles described the bills as “a direct attack to the ability of African American parents to choose the best education possible for their children,” adding: “It is not fair to African American families to take away public charter schools and force them back into failing district-run schools.” Three chapters of the NAACP passed a resolution stating that “African American families are more likely to choose public charter schools” and that “African American students enrolled in public charter schools achieve academic outcomes exceeding their peers in district-run schools.”

The reason Newsom has it out for charter schools is because unionization is voluntary, not automatic. The CTA and related associations have become behemoths by taking a cut of every public-school teacher’s paycheck, and then funneling a large part of that revenue to Newsom and other politicians. Charters are a direct threat to that business model, no matter that they have proven to be the best hope for many underprivileged kids.

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That the school shutdown fight would be drawn upon the same battle lines as the charter wars became clear just a few weeks into the COVID era. On March 26, UTLA wrote a letter to the district’s superintendent to “demand a moratorium on the approval of any new charter schools.” While “incoherently stoking coronavirus fears,” Larry Sand of the Teachers Empowerment Network pointed out, the union was advancing the same demand for which it had orchestrated a district-wide strike the previous year. UTLA’s letter nonsensically “labeled charter students, families, and staff as unique hazards to public health, stoking perverse and unfounded division,” one equity advocate wrote.

Yet as the prospect of a long-term school shutdown came into focus,

CTA and its affiliates and enablers came to realize the stakes were even higher. This was their Super Bowl. In early July, with Step 1 complete (instruct Newsom to close schools), the CTA moved to Step 2, “calling on lawmakers to adopt additional revenues,” including “suspension of corporate tax credits, capturing unrealized capital gains or imposing a tax on the wealthiest billionaires and millionaires.” The CTA and other union conglomerates are always the main proponents for tax increases, because that puts more money on the table to negotiate for—and through their campaign activities, they’ve selected who sits on the “other side” of the table.

At the same time, the CTA saw to it that even the tiny fraction of districts that could, in theory, proceed with some form of reopening under the Governor’s order would not do so, lest it start a trend. The union parachuted in to even the smallest districts. I spoke with one district official, whose district was so small CTA had never bothered much with it, that was suddenly dealing with a top state-level negotiator. Local school board members were being vilified for trying to offer any classroom-based option.

Yet the desire of parents, students, and teachers was clear: I surveyed my district, and of the 6,028 people who responded, 80 percent wanted an in-person learning option to start the school year. To try to deflate this public pressure, the CTA drew an absolute line and deemed any deviation from a total shutdown to be intolerable. After LA public health authorities cleared students with special needs and English language learners to return to school, UTLA still tried to stop it. Meanwhile, private elementary schools were reopening in large numbers, as they were able to serve local families without interference by Sacramento Special Interests.

But pressure to open schools kept growing. On October 14, the mayors of California’s 13 largest cities urged the state to act “quickly and intentionally” to open schools. In San Francisco, where the district

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was spending its time on a “blue ribbon commission” to take the names of insufficiently woke figures like Abraham Lincoln and Dianne Feinstein off of schools sites, Mayor London Breed issued a blistering statement saying the district needed to “focus on reopening our public schools, not renaming them.”

Faced with this emerging consensus—along with the pellucidly clear science, to be discussed in the next chapter—Newsom, the CTA, and their allies dug in, inventing new reasons keep schools closed. A trio of Sacramento unions previewed the new strategy in a letter declaring that even schools that could safely open must remain closed until at least 2021 so that no one gets “a head start.” At an October 14 hearing, I asked the State Superintendent of Public Instruction Tony Thurmond, a close Newsom ally whom the CTA had groomed for the post, to disavow keeping schools closed for reasons unrelated to COVID. He would not. To the contrary, Thurmond tipped his hand that the plan was to keep many schools closed the entire academic year or longer, breathlessly citing “new data” that “COVID could be with us well beyond 2021.”

As 2020 drew to a close, the CTA launched a statewide disinformation campaign to keep schools closed. Teachers throughout the state were blasted with text messages urging them to “call Governor Newsom” and “tell him that no school in counties with COVID-19 rates in the Purple tier should be open for in-person instruction.” The text ticked off a laundry list of preconditions for reopening: “accountability, transparency, and enforceability of all state safety guidelines,” the ability to “monitor, investigate, and enforce all safety standards,” and “accurate and transparent data on COVID transmission rates in schools.” The union’s leadership also put out a cryptic letter declaring that “[s]afety and transparency should not be the minimum standard. They should be our maximum goals.” Ominously, the letter continued, “Safety is not just a today issue. Safety protocols will need to be in place

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while we wait for, through and even after widespread distribution of the COVID-19 vaccine.”

Newsom got the message. On December 30, 2020 he called a special press conference to roll out a new “Safe Schools for All” plan. In fact, the plan did not open schools for anyone, instead simply promising \$2 billion in eventual funding for elementary schools. It also added new barriers and costs for school districts, proposed new penalties that would quickly become a weapon in the hands of school closure interests, and failed to mention middle and high schools at all. It was a classic Gavin Newsom announcement: aimed at getting a big headline while doing next to nothing and keeping Special Interests happy.

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Letting our state’s top campaign contributor dictate school closures was the very definition of politics over science. And for me, it was personal. I taught high school in inner-city LA and ran for the Legislature to fight for quality public schools. But as Vice Chair of the Assembly Education Committee, every attempt I’d made to expand opportunity had been thwarted by the CTA and its enablers at the Capitol. The school closure debate put in sharp relief the central reality of California’s soulless education politics. It’s not—it’s never—about the kids.

THE ROOM WHERE IT HAPPENS

The source of power for the CTA, other union conglomerates, and the broader constellation of Sacramento Special Interests is political contributions. But their instrument for translating these contributions into tangible policy outcomes is a corps of lobbyists whose offices encircle the Capitol—known collectively as the “Third House” because

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of the control they exert over the first two houses, the Assembly and the Senate. Every legislator gets hundreds of thousands of dollars from the Third House, doled out at regular “events” that Legislators hold at restaurants around the Capitol, usually costing at least \$2,000 per ticket with alcohol flowing freely.

Gavin Newsom’s infamous dinner at the French Laundry restaurant put this aspect of Sacramento’s political culture on shocking display. As the Sacramento Bee Editorial Board wrote, “Newsom paid hundreds of dollars—and knowingly risked political scandal—to attend a feast with lobbyists. The French Laundry photos provided a glimpse of the behind-the-scenes world in which powerful interests can privately cajole California’s chief executive over wine and nosh.” In a story headlined “Newsom’s French Laundry dinner shows how lobbyists get access to power in Sacramento,” the San Francisco Chronicle noted that the dinner “highlighted the close ties and revolving door of government that make Sacramento turn, frustrating those who can’t be in the room where it happens.” Jessica Levinson, former president of the Los Angeles Ethics Commission, described the event as “the equivalent of a big sign to the public that says, ‘You’re not welcome at this table.’”

The “French Laundry crew,” as the Bee described those around the table, was a cast of Third House notables. Photos from the dinner showed Newsom “in deep conversation with top lobbyists from the California Medical Association.” The lobbyist whose birthday was being celebrated, Jason Kinney, was considered “a poster boy for the type of shadow influence that pervades Sacramento.” He had earned \$220,000 from PG&E’s creditors to lobby Newsom on the creation of a \$21 billion fund to help the utility emerge from bankruptcy. Emily Rusch of the California Public Interest Research Group said “it certainly can cause the public to question whether any advice the governor is getting is in the public interest or in the interest of the companies that

have paid Kinney's firm to lobby."

Meanwhile, even beyond the enforcement of AB 5 and the closure of schools, the fingerprints of lobbyists seemed to be all over Newsom's COVID response. Kinney, the French Laundry honoree, succeeded in securing an exemption from Newsom's lockdowns for his Hollywood clients. In connection with the BYD affair, the prominent Sacramento lobbyist who represented the checkered company also represented "Bloom Energy, which the state [was] paying \$2 million to refurbish ventilators; Blue Shield, the health care behemoth that dominates the task force Newsom assembled to increase testing for COVID-19; and NextGen America, the progressive advocacy group headed by Tom Steyer." In November, Newsom appointed a new Chief of Staff, Jim DeBoo, who was plucked from the upper echelons of the Third House. Jamie Court of Consumer Watchdog blasted the Governor for turning "over the keys to the castle to this big bucks lobbyist." The San Francisco Chronicle reported that many of Newsom's other staff members were also former lobbyists, including his legislative affairs secretary, his chief deputy legislative affairs secretary, and his chief deputy appointments secretary.

The French Laundry dinner presented such a disturbing image of Newsom as a stooge for lobbyists that he was forced to appoint a "Chief Ethics Advisor" to monitor his relationship with them. For the state's most powerful special interests and their well-heeled "advocates," the era of one-man rule was working out quite well.

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When Tom Steyer announced he was running for President in August of 2019, he said that with "[a]lmost every single major intractable problem, at the back of it you see a big money interest for whom stopping progress, stopping justice is really important to their

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bottom line.” Steyer was talking about Washington, D.C., but it was in his own backyard, at California’s Capitol, where this corruption of our political life had reached a level beyond comparison—and where it was embodied by a Governor under whom Steyer would soon serve.

Steyer’s commission, as it turned out, was as much of a bust as his presidential campaign. At the April press conference announcing its formation, Newsom had set high expectations. “We want to make this meaningful,” he said. “This is not something where, in six months, I’m looking forward to giving you a draft or putting out a long, thick report.” It was actually seven months, and what he gave us was a fairly thin report. On November 20, 2020, the commission was disbanded, quietly issuing a 27-page document titled “Recovery for All” with a series of anodyne recommendations.

This one and only report, Politico noted, contained “no specific new initiatives to protect California businesses in the pandemic,” and it “was not immediately clear why Newsom was shutting down his task force just as California enters a new round of business closures.” Over its “short life,” the article continued, the “task force faced criticism from some business leaders who said that it appeared to be rudderless and provided little substance in terms of detailed planning.” In August, the Los Angeles Times had reported that “months after the governor called together the task force...few details about its work have been made public,” noting that the “task force has operated almost entirely behind closed doors” with Consumer Watchdog likening it to a “star chamber.” Steve Maviglio, a Democratic strategist who was the press secretary for Gray Davis, remarked that the “idea was to bring California’s best minds and brainpower. What’s there to account for that?” The most memorable thing about the commission turned out to be Bob Iger of Disney’s resignation from it in October.

The Steyer episode, while of little ultimate consequence, starkly illustrates the leadership failures of Gavin Newsom that have caused

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so much to go haywire with COVID in California: a tendency for splashy announcements that lead nowhere, a subservience to moneyed interests, a willingness to use crisis for political purposes, an excessive partisan zeal, a denial of public access, and, as we will now see, an ignorance of data and science on questions of monumental importance to 40 million Californians.