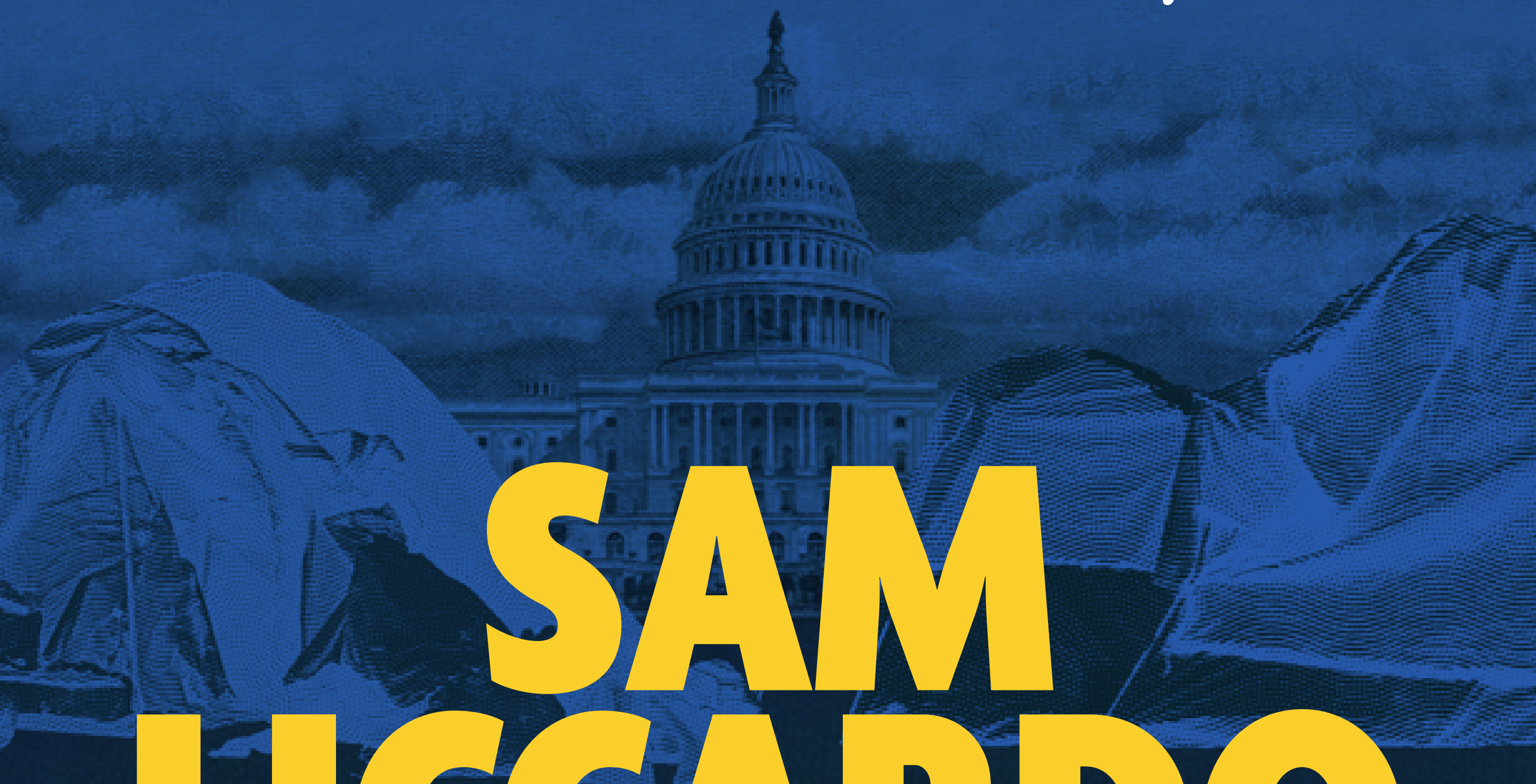
LET'S GET IT DONE:

How Congress can work smarter on homelessness, safety, the cost of living & the issues that matter most to you.



SAM LICCARDO

WHY I WROTE THIS

I WROTE THIS FOR A SIMPLE REASON: before you vote, you deserve to know how your candidates think about solving problems. Too many members of Congress seem convinced that the voters sent them to Washington merely to rail against the opposing party and to rant on TV.

As a mayor, I was accountable to residents to solve problems. People rarely blame legislators for encampments, or a nearby burglary, or a pothole on their street. If they did, legislators would just point at the other party, and say, "it's their fault." However, they hold their mayors accountable. Mayors must respond. Imperfectly or well, mayors do respond. Meanwhile, Congress dismisses national crises like homelessness, crime, and the unaffordability of utilities, housing, or home insurance as mere "local concerns," unworthy of their attention.

We need more leaders who act like mayors in Washington—and better ideas. I'm not going to magically transform all of these ideas into reality. We have a deeply-divided Congress, but they are unified around the time-honored tradition that first-term members are better seen and not heard. Nor do I pretend that this is a comprehensive set of solutions, by any stretch. But I hope this book provokes more substantive conversations about solutions, to provide a refreshing counterbalance to the superficiality and negativity of the election season.

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AN IMPORTANT NOTE ABOUT BALANCING BUDGETS AND BIPARTISANSHIP

EVERY ELECTION SEASON, politicians in both parties happily parade proposals for government programs that sound great but lack any clear means to pay for them. The result: our current $1.7 trillion deficit.[1] In addition to burdening future generations with more than $34 trillion in debt,[2] deficit spending crowds out private borrowing, resulting in higher interest costs for everyone.[3]

Mayors, in contrast, have to balance budgets. If we have a new, brilliant idea, we have to find a way to pay for it—including cutting somebody else's good idea. In my final year in office, in 2022, I worked with our city team to leave my successor with a $30 million surplus,[4] while San Jose reduced street homelessness by 11%[5] and recorded the lowest homicide rate of any major U.S. city.[6] That's what people expect from mayors. We should expect the same from Congress.

Admittedly, some of my proposed measures will require relatively modest federal budgetary offsets, such as expanding vouchers to address homelessness. For that reason, I've focused many other proposals on ideas that provide savings to the federal government, such as cutting agricultural subsidies and reducing Medicare costs for pharmaceuticals.

The common theme is that we need to find bold solutions that both Democrats and Republicans can agree upon and support, within our budget. We have a divided Congress, and that reality will likely persist. As the mayor of a city of one million residents, I routinely reached out to people who disagreed with me to find common ground. From my first day in the Mayor's Office, I had to resolve pension reform and budgetary battles that had left San Jose City Hall—already the most thinly staffed city hall of any major city—with 1,000 fewer employees. We spent the next year negotiating with eleven city unions on a pension reform measure, and voters approved the settlement in 2016 with Measure F. As a result, we're now saving taxpayers $3 billion over the next two decades—while restoring city staff and services.

As with pension reform negotiations, I usually found that there was at least one goal that every key stakeholder could agree upon: the need to solve a problem.

What problems? We face many, but I focus my writing here on a few big ones: 1) homelessness, 2) crime, 3) the high cost of housing, 4) the high cost of living, and 5) the climate and environment. Let's discuss each in turn.

OUR HOMELESSNESS

Why Homelessness Isn't Merely a "Local Issue"

In my many hours walking the halls of Congress, whenever I advocated for greater attention to homelessness—such as for expanding rent limits on Veterans Affairs Supportive Housing (VASH) vouchers to help homeless veterans get off the street—I routinely was told, "that's a local issue."

The data tells us otherwise. Forty-four (44) of America's largest 48 cities have at least 1,000 unhoused residents. Homelessness jumped 12% nationally in the last year alone, and on any given night, 653,000 Americans remain unhoused.

Homelessness is an important "local" issue in virtually every major metropolitan area in this country, from Miami to Anchorage. In other words, it's a national issue. It's just that in anyone's memory we haven't seen any significant policy action by Congress to address homelessness. Plenty of observers have reasonably asked, "If my city and county are spending all of these resources on homelessness, why isn't the federal government doing more?".[7]

Here are a few ways that I believe Congress can make a difference, both for housing and for the related issues of addiction and mental health:

1. **Building Housing Faster and at a Lower Cost**
2. **Better Leveraging the Power of Housing Vouchers**
3. **Financing Affordable Construction More Nimbly**
4. **An Ounce of Prevention Can Save a Pound of Misery**
5. **Eliminate Barriers to Treatment of Addiction and Mental Illness**

1. A Nimbler Way to Build Housing

Two years ago, I had the pleasure of meeting Ludia. She and her grandsons had been living in and out of shelters for several months and could not find an available apartment where the landlord would accept her housing voucher. She was relieved to finally land at a recently-opened transitional housing community for families, on Evans Lane in West San Jose. She told me that her family enjoyed having a small apartment of their own, with the privacy of her own bathroom, a space in the community garden to grow vegetables, a large community kitchen, and a computer lab where her grandsons could do their homework.

Ludia kept looking for permanent housing, with the assistance of a case worker at Evans Lane. Although it took her more than a year to find a landlord in San Jose who would accept her voucher, she stuck through it and is now living on her own in west San Jose.

The traditional approach to building housing isn't cheap—constructing an "affordable" apartment building in our area will cost about $938,700 per unit—and it takes five or six years of planning, city approvals, financing, construction, and inspections before anyone can occupy it. We can't tackle a crisis that afflicts each one of our 12,000 unhoused residents in Santa Clara and San Mateo counties that way. If it takes nearly $1 million per unit and five years to complete an apartment building, we won't eliminate homelessness before we're broke and dead. We need to be much nimbler.

During my mayoral tenure, we worked to find innovative approaches that could help us expand housing supply faster and less expensively. We began converting two motels into housing in 2016, about four years before Governor Gavin Newsom implemented this approach statewide.

We partnered with Habitat for Humanity to build "tiny-home" communities on two sites in 2017, at first with only modest success. With every iteration, we learned, reassessed, and pivoted.

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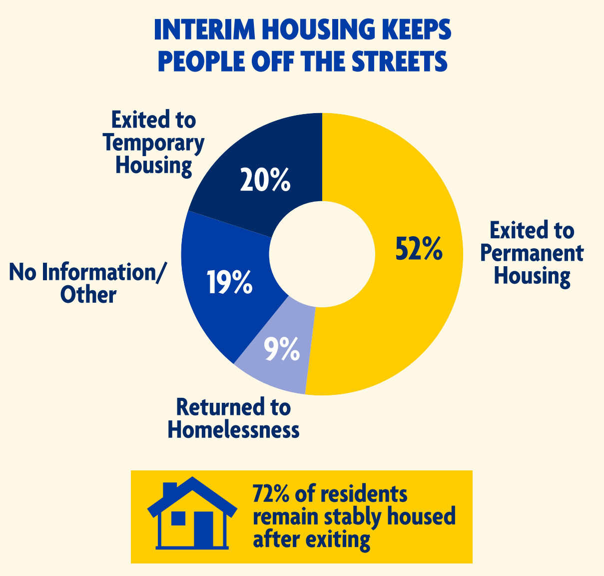
Within the first days of the pandemic in March of 2020, under state orders to vacate our shelters to protect unhoused residents from COVID, I put the challenge to our public works team at the city: how quickly can we could build small communities of prefabricated, modular dorms—with private bedrooms and bathrooms—on public land? We had about $17 million in funds to work with, and I committed to raising money philanthropically. Our team responded—as did Susanna and Peter Pau and Sue and John Sobrato, two generous couples who donated several millions of dollars. We built three "quick-build" communities housing 300 residents in a matter of months, not years. The cost? Less than $110,000 per unit, rather than the conventional $938,700 per unit.

Unlike the "tiny homes" and "tuff sheds," these attached dorms provide residents with private bedrooms and bathrooms, utilities, hot water, a safe lock on their door, as well as a place for their pets and storage for their belongings. These features are not mere conveniences; they're essential to persuade many unhoused people unwilling to leave the streets. Unhoused residents often fear that traditional shelters will fail to offer safety, privacy, or dignity, particularly when they need to bring their pets and belongings. Also, unlike tiny homes, the dormitories' sturdier construction lasts for decades. City-funded non-profits provided mental health counseling and programs to residents grappling with the trauma they experienced on the streets, as well as helping them to find jobs.

To bring people off the streets, we need to create places people will actually choose to go. Regardless of how anyone feels about controversial encampment sweeps, federal courts will make it very difficult on cities who merely want to push people off the streets involuntarily. Consent always yields better outcomes.

To bring people off the streets, we need to create places people will actually choose to go. Regardless of how anyone feels about controversial encampment sweeps, federal courts will make it very difficult on cities who merely want to push people off the streets involuntarily. Consent always yields better outcomes. That's how Ludia became one of our many success stories.

Soon other cities, such as Mountain View and Redwood City, launched prefabricated communities of their own with their own variations on the model. We benefited from learning from each other, and the idea began to scale. Cities typically used these models for low-barrier-to-entry transitional housing: places to stay for several months until permanent housing could be identified. Later iterations of San Jose's prefabricated communities, however, were built to federal standards to use flexibly as permanent housing as well, with small kitchens.



Source: The Framework for an Equitable Homelessness Response

By the time I left office at the end of 2022, San Jose had constructed five quick-build (or "interim") housing communities. It would take time for us to see the outcomes from our work, but I was proud that my successor, Mayor Matt Mahan, could announce the results: unsheltered homelessness dropped nearly 11% in 2022. In the rest of Santa Clara County, homelessness increased.

Critically, the outcomes for the residents also appear promising. In congregate shelters and navigation centers, most of the people return to the street and typically fewer than 20% of residents land in permanent housing. In our interim quick-build communities, more than 72% remained housed more than two years later, most of whom found permanent housing.

Our solution used what's called "factory-built housing," which has taken off, and so has demand. Several years ago, the Northern California Carpenters union perceptively saw the future and began partnering with start-ups like FactoryOS to see how we could accelerate construction at a lower cost, while still maintaining fair union wages.

With the growing demand has come associated challenges. Costs of prefabricated units have increased dramatically since we started in 2020. Supply chain challenges stalled projects throughout the pandemic. In some cases, poor construction quality undermined success. Enabling better, more cost-effective prefabricated "quick-build" construction is a critical path to getting the 653,000 unhoused Americans off the streets and into dignified housing more quickly.

Congress must step up, particularly in helping this nascent industry to scale effectively to better meet the need. Financing new factories has been a challenge for some small companies, particularly given the uncertain demand. Congress can use the government's purchasing power, within the existing authorized budget for the U.S. Department of Housing and Urban Development (HUD), to create a steady demand that many factories need to get the financing to expand. It can establish federal minimum standards for construction for eligibility for federal funding and certify suppliers that meet quality criteria to make it easier for cities and counties that want to find quality builders. It can support efforts, like those of the Carpenters union, to expand workforce training for well-paying jobs in factory-built housing in areas suffering from high unemployment. It can help modular builders satisfy bonding requirements and other requirements associated with conventional construction.[8]

Importantly, Congress can also eliminate the statutory restrictions on the use of federal housing choice vouchers for transitional housing units, like the ones San Jose has built. Federal law allows vouchers to be deployed in units that cost $1 million to build, but not in units that cost $150,000. If cities like San Jose, Mountain View, and Redwood City could accept payment by federal vouchers for their transitional communities, it would help those cities pay for the operations of these communities and clear a path to build more of them. Residents could stay in a transitional community for several months, and when an apartment elsewhere opens, they could take their voucher with them to pay that landlord. To get there, we need changes in the law governing vouchers, which is a topic to which we'll turn next.

2. The Power of Vouchers

Since the demise of federally-funded public housing in the 1970s, the majority of federally-funded rental support comes through housing vouchers for people to use in the private market. About 2.35 million extremely low-income families now use housing choice vouchers to stay housed. Often referred to by such programmatic names as "Section 8" or "VASH," vouchers constitute the most effective federal housing program along several key metrics—for reducing homelessness, housing instability, and overcrowding.[9]

How do vouchers work? Each household must contribute 30 percent of its income, and the voucher covers the rest of the costs of rent and utilities, up to a limit based on HUD's fair market rent estimates. Families with vouchers have the ability to choose where they live, with private landlords receiving most of the voucher revenue.

Vouchers had traditionally been seen as a less bureaucratic approach than the troubled legacy of public housing. Voucher holders had choices about where they would live, rather than facing confinement to deteriorating, government-owned housing projects. Great Society Democrats increasingly embraced the program, and it became a bipartisan program.[10] Despite the many flaws of the program—and there are flaws—it has generally survived because of something resembling a political consensus.

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The biggest challenge is that voucher demand vastly outstrips supply. Only one out of every four families that qualify for vouchers actually get them. In October, the San Francisco Housing Authority opened the waitlist for the first time in nearly a decade, and about 60,000 families signed up—for only 6,500 spots on the waitlist. To be clear, every family had a one-in-ten chance of even making it onto the waitlist, and even then, the "winning" family or individual waits for years before actually receiving a voucher.

And what do these lucky sweepstakes winners get? Not enough of them get housed, unfortunately. Too many vouchers are held by people who can't use them. In high-cost areas like ours, voucher holders can't afford security deposits, application fees, or broker fees to get into apartments. Some landlords, frustrated by the bureaucracy of the system, refuse to accept vouchers, particularly where they have had the experience of leaving apartments vacant for two or three months while they await an inspection or approval from a federal official from HUD. Many housing authorities require reassigning vouchers if a client doesn't use theirs within a specified duration.

So, how can we better use vouchers to get more homeless Americans housed?

More Flexibility

Congress needs to make vouchers more flexible. Under the existing statute, public agencies can't use a voucher for transitional housing. Making that simple change would enable more voucher holders to get off the street until permanent housing becomes available. So long as the transitional facility meets basic standards—providing all of the basic utilities, private bathrooms, lockable bedrooms, etc.—it should be incorporated as part of a federal strategy to move more voucher-holders off the streets. It would also help cash-strapped cities sustain and create more of this low-barrier housing.

For example, after the construction of San Jose's quick-build transitional communities (described in the preceding section), we had to use city funding to provide supportive services like substance use counseling because the County of Santa Clara would not do so. (Counties receive all of the state and federal money to administer health programs in California; if counties refuse to provide mental health or addiction treatment, then cities need to dig into their own pockets.) Those services and operations can cost a typical city in the Bay Area roughly $35,000 per person. If residents had the ability to use federal vouchers at the transitional housing sites, the city could rely on a stream of federal money to support some of the operations of the communities and those services. Yet, according to our local Housing Authority, which administers federal vouchers, federal law prohibited their use for transitional housing.

A spirit of flexibility could also enable Congress to better incentivize landlords to accept vouchers—for example, by mandating provisional approval of a unit with an "inspection pending" where delays exceed a couple of weeks. Streamlining can help as well, as the current "balkanized and inefficient voucher delivery system" consists of thousands of public housing authorities, often with multiple agencies serving the same regional market, creating conflicting mandates and confusion for landlords and tenants.[11]

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More flexible rules would make it easier on tenants as well: loosening the "use-it-or-lose-it" mandates by providing them more time to find apartments in tight housing markets and to enable vouchers to cover the cost of security deposits.[12] Providing greater flexibility on rent caps[13] will also enable tenants to have greater opportunity to move to safer neighborhoods with better schools and resources—an important but often unrealized objective of the program.[14]

More Vouchers

"Better vouchers" is good. "More vouchers" is better. We simply need more vouchers. That's not rocket science; four times as many families need them as have them.

Obviously, it will cost more money. With nearly every one of my proposed solutions, I've pulled back from ideas that simply spend more federal money. Our nation's deficit is bloated enough, and our children don't deserve more of the $34 trillion in debt that we're already giving them.

This issue is one in which I make an exception. Bluntly, we need more vouchers. A lot more of them. I cannot imagine a federal expenditure that could do more to reduce human misery. Many experts believe that the most direct, effective way to reduce homelessness lies in expanding the number of vouchers available to extremely low-income families—and they're right.

How much will it cost? Last year, the federal government spent $30.2 billion for vouchers that house 2.2 million households comprising more than five million Americans. Those 2.2 million households comprise only 25% of the total number of families who qualify for that assistance. Some context: the federal government allots more than $95 billion annually in tax expenditures to homeowners, through such deductions as mortgage interest, state and local taxes, and capital gains on sale.[15]

While I'm a grateful homeowner, it's hard not to see the inequity in that. If we spent even half as much on rental support as we spend on homeowners, we could serve more than another one million families in need, lifting them from abject poverty.

We've seen what dedicated federal funding can do. In November of 2015, I stood with Jennifer Loving, the CEO of Destination: Home, and County Supervisor Dave Cortese to announce "All the Way Home," a partnership to end homelessness among veterans. We had many housing choice vouchers, called "VASH," specifically issued for veterans, but the rent caps appeared too low for the high rents of Silicon Valley. So, I traveled to Washington, DC in 2016 to join Housing Authority officials to lobby the Obama Administration to lift the caps, and we prevailed. Armed with effective VASH vouchers, the partnership moved 1,940 veterans off the street within five years. By 2021, Loving announced that we had reached "functional zero," meaning we could house veterans at a faster rate than they were becoming homeless.

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3. Financing Affordable Housing Better—and More Cost-Effectively

In addition to more vouchers, we need more housing supply.[16] Throughout our Valley and Peninsula, rental vacancy has remained beneath 4% for most of the last decade and a half due to a vastly inadequate supply. Most of that housing supply must be created by the private sector, without government subsidy.

However, market-rate housing will never be affordable to extremely low-income families, no matter how much of it gets built. The rate at which new housing will "filter down" to become affordable to low-income families requires decades (if it ever happens).[17] To address the current crisis, we need to build more housing that is immediately affordable—that is, rent-restricted.[18]

In 1986, in the wake of the demise of public housing programs, Congress created the Low-Income Housing Tax Credit (LIHTC) program to support construction of rent-restricted affordable housing by for-profit and non-profit builders. Developers use LIHTC and their syndicators to attract equity investors in their housing projects, reducing the funding that the builder needs to borrow to finance the project. While an imperfect tool that has proven complex and costly to implement, LIHTC is the nation's largest and most enduring federal tool for constructing affordable housing. Tax credits have provided a stable source of funding for 110,000 new units annually.

The problem is that LIHTCs aren't terribly "affordable" themselves, because LIHTCs only provide part of the subsidy required to make the construction of any apartment building financially viable. Particularly in the high-cost Bay Area, builders need to find many other subsidies to fill the gap. As a result, we see projects that may have five, seven, or even nine other sources of funding—from state, local, private, or philanthropic sources—in the project's "capital stack." The mere arrangement of these highly complex equity and debt deals creates enormous delay and complexity, with conflicting requirements and approval timelines for each local, state, or federal funding source. Above all, these complexities add tremendous cost: about $6,500 per funding source in every apartment unit built, according to one study.[19] Other studies estimate that developing "affordable" housing—with all of the attendant financing and government requirements—costs an additional 19% to 44% more per unit to build than privately-constructed apartments.[20]

Developers and economists alike gripe about the cost, delays, and complexity of the LIHTC program. Regardless, it endures because it's often the only available federal source of financing for an affordable housing project. In the words of Stephen Stills, "If you can't be with the one you love, love the one you're with."

When construction costs rise rapidly—as they did during the pandemic—developers have to hit the pause button and find more funding to fill the gap, exacerbating another round of delay, thereby increasing costs even more.

Even with successful completion of construction, non-profit housing providers still need to find another source of subsidy—typically a Housing Choice Voucher—to help pay for the management, maintenance, and operations of the facility. If they seek to serve extremely low-income residents, seniors, or formerly homeless people, then those services can be very expensive. Currently, LIHTC doesn't pay for any of that. So taxpayers subsidize the construction of the project, yet the rents are still too high for any extremely low-income or homeless individual, so taxpayers pay again for a rental voucher for the same tenant.

A streamlined approach would rely on a single funding source for the entire project, and it would save time and enormous public cost. The head of the Santa Clara County Housing Authority, Preston Prince, came up with a great solution: simply boost the value of the tax credits—which are commonly referred to as "4% credits" and "9% credits"—to enable the LIHTC to supplant all of those disparate layers of funding and financing in the capital stack. At perhaps, say, a 13% credit, projects could move to construction with only one funding source in the capital stack.

Why not do this? Because it costs more money, of course. A larger tax credit represents more foregone tax revenue. Yet, we could substantially reduce that additional cost, in several ways, and get much more housing, delivered more quickly, at a lower cost per unit.

How? First, the elimination of the many other layers of loans, grants, and other parts of the "capital stack" will reduce much of the expenditure on consultants, syndicators, bankers, and lawyers—that alone would save every affordable project millions of dollars. Based on data from a 2020 Terner Center study, simplifying the capital stack could reduce per-unit development costs by roughly $10 million on a typical 100-unit project in the Bay Area, and the cost savings in accelerating project delivery could be even greater. It would also save state and local governments billions of dollars, which could be better directed to other affordable housing and basic services.

Simplifying the capital stack could reduce per-unit development costs by roughly $10 million on a typical 100-unit project in the Bay Area, and the cost savings of accelerating project delivery could be even greater. It would also save state and local governments billions of dollars, which could be better directed to other affordable housing and basic services.

Second, long-overdue reforms in the administration of the LIHTC could save dollars as well. For example, according to the Urban Land Institute, "many affordable housing deals are financed on a 'cost-plus' basis . . . which reduces the direct incentive to lower costs."[21] Some builders inflate estimated budgets to get more credits. Once tax credit allocations are secured, according to a study by the Commerce Department for the state of Washington, "there are limited incentives to reduce development costs because doing so would mean not using the full appropriated federal [tax credits] issued for the project."[22] Project costs—and federal money—can be saved by re-engineering the program's incentives, perhaps by allocating credits against a baseline for private housing construction costs in the region.

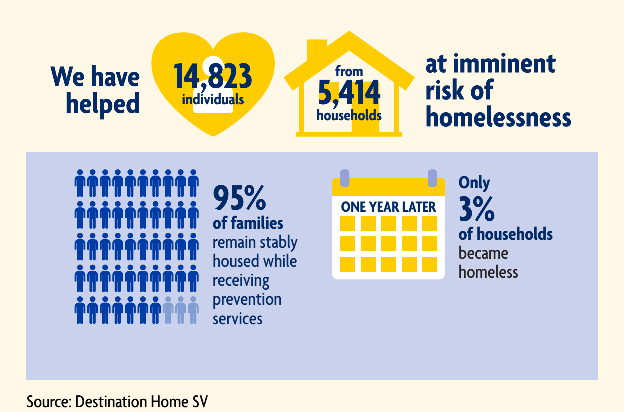
Third, the U.S. Department of the Treasury could condition the issuance of some or all of the "super-LIHTC" tax credits on the use of less costly building techniques, such as the prefabricated approach discussed above. It could also require that jurisdictions only allocate the credits to project sites that are already zoned for multifamily housing, to save years of public battles, and force cities to do the hard work of rezoning with the community ahead of time. Expediting permitting decisions can dramatically reduce the high cost of delay and indecision but need not bypass community engagement or local control.

Finally, it's worth exploring whether by setting the credit sufficiently high, a non-profit developer could create a reserve that could be used for operations. If so, it could free up thousands of federal housing vouchers tied to LIHTC projects and instead redistribute them to help many more people get off the street.

Of course, this will still cost something more—but it will do much, much more than it costs. Some context seems appropriate, moreover. During the 1980s, the Reagan Administration cut about 75% of the federal funding for housing construction at the HUD. Federal funding for affordable housing hasn't recovered, and it shows in the housing burdens endured by millions of American families. Given the federal government's wholesale retreat from housing investment, the benefits of helping thousands of Americans get off the street and into housing are well worth this modest investment.

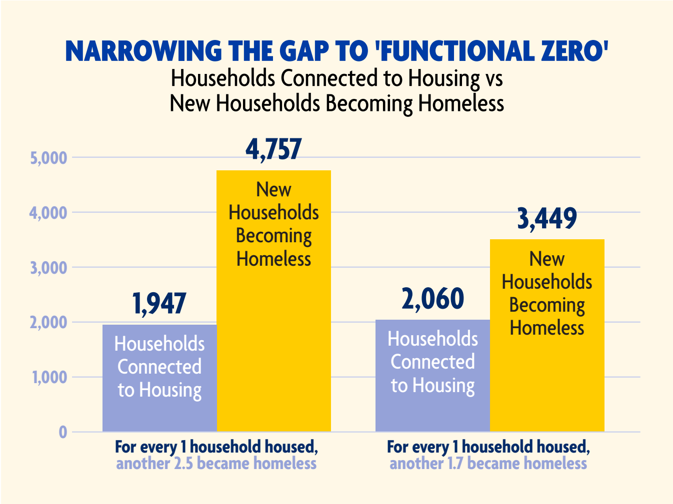
4. An Ounce of Prevention...

Of all the strategies we've deployed to reduce homelessness, by far the most cost-effective initiative had nothing to do with building anything. In 2018, Destination: Home CEO Jennifer Loving persuaded me to invest $750,000 of city funding into a Destination: Home pilot program to expand rental assistance and case management to 271 housed San Jose families. Each of these families had recently experienced a crisis—job loss, divorce, or health emergency, for example—making them unable to pay rent. From the pilot, we learned that simply covering two or three months of rent—at an average of about $3,000—could reduce immense human misery. It also came as a bargain compared to the public cost of people living on the street, which exceeded $83,000 for each of those people needing the highest levels of government intervention such as emergency rooms, police, and emergency medical response, according to a 2015 Santa Clara County study.[23] Best of all, in that first year, 96% of the assisted households remained stably housed—results superior to virtually any other program we've tried.



Source: Destination Home SV

In subsequent years, we doubled down, investing several millions of dollars into a prevention partnership with Sacred Heart Community Services, the county, and Destination: Home, with similar results.[24]



Importantly, we're starting to turn the corner on reducing the rate at which people are becoming homeless. For years, we worked with partners to house thousands of unhoused people, but found that for every one person we housed, two to three more fell into homelessness. With the help of prevention, we've turned the corner, reducing the ratio to 1:1.7 by 2022.

The end goal, of course, is to reduce homelessness to "functional zero". While we didn't get there by the end of my term, University of Notre Dame researchers concluded that the program did indeed reduce homelessness, showing promise as a cost-effective intervention for other cities.[25]

San Jose wasn't unique. Around the same time, my colleague Oakland Mayor Libby Schaff experimented with a similar program in her city. We shared our experiences with our colleagues, and other California cities proposed programs of their own. UCLA's Policy Lab leveraged artificial intelligence to help Los Angeles better target dollars to families at the highest risk of homelessness. Rent assistance and casework has since become recognized as a best practice in the battle against homelessness, and as the Policy Lab shows, technology can make them better.

What's missing in all of this? Federal engagement.

Although we saw some hopeful signs with the one-time pandemic-era $46 billion Emergency Rental Assistance Program, those dollars are now gone. There's no ongoing federal program for flexible emergency cash assistance for families in crisis. It's the most cost-effective intervention that we can identify, and it would require fewer bureaucrats to administer than any program in HUD history. The United States Interagency Council on Homelessness has identified it (in the form of "flexible funding pools") as an area for further research.[26] Yet, you won't find a line item for it in HUD's $73 billion FY2023-24 budget request to Congress.[27] You'll similarly find no references to cash assistance, and only two mentions of "homelessness prevention," which largely relate to shelter and rapid rehousing spending under the diminutive Emergency Services Grant Program. In other words, flexible rental assistance as a prevention strategy isn't on the radar at HUD.

Congress needs to put it there.

5. Eliminating Barriers to Mental Health and Drug Treatment

Finally, confronting homelessness requires better addressing addiction and mental health. Although the percentages vary by subpopulation and study, roughly 25%-40% of homeless individuals have a substance use disorder[28] (SUD) and perhaps 45% have a mental health disorder. While primarily a state and county responsibility, every community relies substantially on federal dollars through Medicaid, Medicare, and federal grants to deliver services.

A political consensus has emerged around the urgency for more mental health and drug treatment of unhoused residents, providing a window of opportunity to focus federal funding in a way that can address the human crises we see daily on our streets. The current system poses many barriers, however, large and small.

A political consensus has emerged around the urgency for more mental health and drug treatment of unhoused residents, providing a window of opportunity to focus federal funding in a way that can address the human crises we see daily on our streets. However, the current system poses many barriers, large and small.

The largest obstacle to treatment lies in paltry Medicaid and Medicare reimbursements, which providers tell me consistently force them to limit the scope of their service. Momentum for Mental Health recently closed six programs in Santa Clara County for that reason, although the state's new California Advancing and Innovating Medi-Cal (CalAIM) reimbursement formulas also had much to do with it. Obviously, more money would help—and would be worth the investment.

In other instances, the barriers aren't about the money. For example, regulations prevent many primary care providers (including those in acute settings like in emergency rooms) from accessing information about a patient's substance abuse treatment without patient consent. This inhibits "whole person" care that many experts find imperative. Other barriers limit how treatment can be provided—which explains much about why we don't see many mental health hospitals any more.

More Treatment Beds: The Imperative for Inpatient Care

Although best practices call for treating drug addiction and mental illness in the least restrictive setting possible, there appears little question that we face a dearth of inpatient treatment for mental health disorders. In the 1960s, the United States had 337 psychiatric treatment beds available per 100,000 residents. Today, that number has plummeted to 12.[29] For people suffering from severe mental illness, the reduction in the number of psychiatric beds correlates strongly with increased rates of homelessness, incarceration, and morbidity.[30]

This appears particularly true for substance use disorder. For unhoused residents addicted to methamphetamine, for example, inpatient care can be critically needed. There is no Federal Drug Administration (FDA) approved pharmacological treatment for meth addiction, and meth use increases the risk of severe psychosis and violent behavior, often making outpatient treatment difficult. More treatable substance-use disorders—such as opioid abuse—are still evading treatment because of the difficulties of administering medications like methadone, buprenorphine, and naltrexone on an outpatient basis. One-third of the 1.5 million people who are enrolled in Medicaid and have opioid use disorder, for example, did not receive prescribed medication, according to the United States Department of Health and Human Services (HHS) Inspector General. While we should always prefer less restrictive care settings, too many unhoused and severely ill community members—particularly with dual diagnoses—aren't getting the inpatient treatment that they need.

Federal restrictions haven't helped. During a 1960s-era push toward community treatment, Congress prohibited the use of federal Medicaid funding for mental health in facilities with more than 16 beds. Known as the Institution for Mental Disease (IMD) exclusion, it largely cuts off federal funding to large inpatient facilities, making such care much more elusive.

Fortunately, some states have begun to reverse course, reinvesting in inpatient treatment within a continuum of care. California and several other states have applied for what are known as "Section 1115 waivers" to use federal money in larger institutions on an experimental basis for either addiction or mental illness. Only 19 counties in California have been approved to pilot the program, however, and the waiver appears revocable and is not permanent.[31]

We simply need more inpatient care, and we can't wait years for waivers and other bureaucratic processes. Let's get Congress to eliminate this statutory relic of the 1960s and get more people the care they critically need.

One challenge with Section 1115 waivers is their uncertain duration. The public and/or private investment in larger facilities requires an ongoing commitment that the treatment will qualify for federal funding. A bipartisan bill, cosponsored by U.S. Representatives Michael Burgess and Ritchie Torres, provides a good first step, allowing Medicaid funding to be used for mental health hospitals.

Some civil rights advocates have pushed back, fearing that it will merely "warehouse" mentally ill people into large institutions in the manner criticized through such portrayals as Ken Kesey's "One Flew Over the Cuckoo's Nest." Fortunately, we've learned many lessons since that era and need not repeat the mistakes of the past. Moreover, equity demands a parity in resource availability for mental and physical health. Removing the IMD exclusion ensures that mental health facilities would have the same eligibility for Medicaid funding as other healthcare institutions. Eliminating the IMD exclusion also reduces some of the stigma that has often accompanied mental health treatment.

Congress can certainly require, as many critics insist, that Medicaid funding be conditioned on ensuring that people with substance use disorders have access to other care they need, including preventive, treatment, and recovery services, all provided in accordance with evidence-based standards. One approach would require what's known as "bundled reimbursement," such that Medicaid guidelines would require a residential stay plus outpatient follow-up as a package of care.

Regardless, we simply need more inpatient care, and we can't wait years for waivers and other bureaucratic processes. Let's get Congress to eliminate this statutory relic of the 1960s and get more people the care they critically need.

OUR SAFETY

When I came into office in 2015, the City of San Jose had just endured the loss of nearly 600 of its police officers, through pay cuts, pension reform battles, layoffs, and other consequences of the Great Recession.[32] I rolled up my sleeves to work diligently with the Police Department and then-Police Chief Eddie Garcia to add more than 200 officers to our severely understaffed department between 2017 and 2020 and greatly expanded teams of non-sworn community service officers to respond to less urgent calls. We invested in expanding the work of community partnerships in gang prevention, such as launching a jobs program for at-risk youth, San Jose Works.

When protests following the 2020 murder of George Floyd brought calls for defunding the police (literally to my doorstep, as protestors spray-painted expletives on my home), I refused. Unlike other mayors who chose to defund, I wasn't going to undo our hard work in rebuilding the department. Instead, I pushed for deep changes in our department, and we strengthened the authority of our independent police auditor's office. When I left office in 2022, San Jose had the lowest homicide rate of America's 50 largest cities.[33]

When I left office in 2022, San Jose had the lowest homicide rate of America's 50 largest cities.

As in all big cities, San Jose's one million residents still endured too much crime, but the data shows that we didn't suffer the severe spikes in violence that other big cities faced because of a strong partnership among our police, city gang prevention teams, non-profit organizations, churches, schools, and a host of community partners.

The federal government needs to play a larger role in those partnerships, and here are a few ways it can start:

1. **Breaking the Connection Between Addiction and Crime**
2. **Preventing Sexual Assault and Domestic Violence**
3. **A Sensible Gun Strategy with a Bipartisan Path**
4. **Nothing Stops a Bullet Like a Job and Nothing Unites Us Like Service**
5. **Retail Thefts: A Federal Role**

1. Breaking the Connection Between Addiction and Crime: "Tough Love" Parole and Treatment in Prison

A FEW MONTHS AGO, I had the pleasure of speaking on the phone with a judge who pioneered the creation of the first drug courts in California in the 1980s, as an alternative to the "lock-'em-up" and "War on Drugs" policies that prevailed at that time. Long lauded as a lion of innovation, he crafted a system that would nudge offenders into treatment. Relying on state laws, such as Proposition 36, he would refrain from entering a judgment of conviction where the addicted offender satisfactorily completed the program.

During our call, the judge complained to me that drug courts don't work anymore. He noted that unless an offender faces the risk of conviction and jail, he simply cannot be incentivized to change his behavior. His words stuck with me: "If nobody can arrest them, and nobody will charge them, then I can't help them."

I am not calling for a puritanical approach to drug and alcohol enforcement. We have moved beyond the "War on Drugs" of the 1980s. Criminalizing addiction doesn't work.

Yet, we also must not put our heads in the sand about the connection between an offender's drug and alcohol use and their criminal conduct. The efforts of some today to "destigmatize" or rationalize the use of synthetic drugs that are killing 200 Americans each day are deeply mistaken.[34] In the view of many, the pendulum has swung too far.

We also must not put our heads in the sand about the connection between an offender's drug and alcohol use and their criminal conduct.

"Tough Love" Parole for Addicted Non-Violent Offenders

It shouldn't surprise anyone that most crimes are committed by people who commit lots of other crimes. So, a sensible crime-reduction strategy should start with reducing the recidivism of people already in the criminal justice system: pretrial detainees, probationers, inmates, and parolees.

Most jail inmates either committed their crimes under the influence of drugs or have a substance use disorder.[35] Many studies show that drug use had a role in a majority of crimes of domestic violence, child abuse and neglect, assault, theft, and burglary.[36] The criminogenic nature of some drugs, such as stimulants like methamphetamine and crack, produce psychopharmacological effects that directly induce violent behavior.[37]

If we can reduce the substance use of addicted offenders, we can have a very direct impact on reducing crime, particularly domestic violence, theft, and assault.[38] There are additional benefits to this crime prevention approach. Reducing drug usage by offenders will sap a key source of revenue for drug dealers and shrink open-air drug markets. It can enable actual rehabilitation of offenders—something that happens too rarely in prisons and jails today—and ensure more families have an earner rather than an onus. All of this argues for focusing our resources on addressing the substance use of troubled addicts already in the criminal justice system.

Incarceration might halt the offender's drug use, but it doesn't itself necessarily kick anyone's habit. Drugs find their way behind bars, of course, but even if they don't, substance use disorders persist well beyond a term of forced abstinence in prison. For decades, few inmates had access to substance abuse treatment behind bars (a subject to which we will return shortly). Even for inmates who get treatment, relapse once back out on the street is frequent.[39]

Congress needs to change how the federal prison system puts offenders back into the community. Congress eliminated parole in the federal prison system in 1987, in what one expert called a "big dumb 'War on Drugs' moment." Without any structured program of supervised release, offenders go from federal detention to the community without a transition. Particularly for those with a drug use disorder, we shouldn't be surprised that they fail to stay clean or out of trouble.

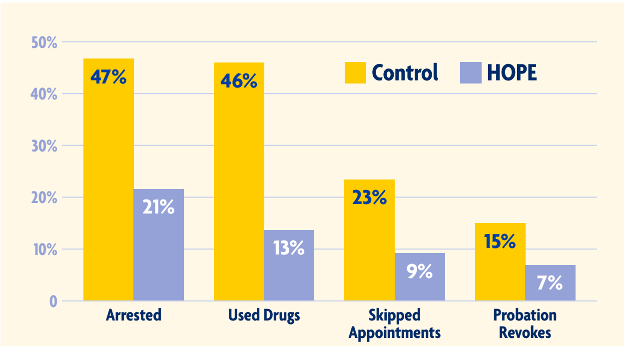
Congress needs to bring back parole, but with an edge—what I call a "tough love parole." Too often, probation and parole supervision consists of an overwhelmed parole officer with a heavy caseload of inconsistently-supervised individuals who fear neither the rare drug test nor sanction for noncompliance. A better approach to parole would place those offenders with a history of substance use disorder into supervision, with one clear requirement—very frequent drug testing, typically twice per week, with immediate sanctions for failed or missed tests.[40] Sanctions need not constitute a return to a lengthy prison term; a single day or weekend in jail can suffice. The important issue is not the severity of the sanction, but rather that the sanction be swift, certain, and fair.[41]

This notion of "swift, certain, and fair" supervision of offenders provided the basis for Hawaii Opportunity Probation with Enforcement (HOPE), which became a national model for reducing crime and substance use that started in Honolulu. Like many California cities, Honolulu has serious challenges with methamphetamine, a drug with a uniquely intractable grip over those addicted to it due to the lack of any FDA-approved pharmacological treatment. Nonetheless, HOPE demonstrated the power of frequent testing and clear sanctions to modify behavior.

One study funded by the U.S. Department of Justice lauded HOPE for having produced results showing that one year after their release, HOPE probationers (compared to a control group of standard probationers convicted of similar offenses) were:[42]

- 55% less likely to be arrested for a new crime.
- 72% less likely to use drugs.
- 53% less likely to have their probation revoked.

As summarized by this chart:[43]



Source: Hawaii's HOPE Program

Simply, the threat of modest sanctions, typically a day or two in jail, sufficed to reduce dirty tests and recidivism substantially—and these successful outcomes held true when studies were performed on the program ten years later. Other jurisdictions have tried to model programs after HOPE, but they typically fail to deploy the very frequent testing required to make those programs work.[44] Doubling test frequency from once to twice weekly increases likelihood of detecting drug use from 35% to 80%.[45] Frequent testing is critical to change behavior.

How can Congress pay for this? Through reduced incarceration of non-violent offenders in the federal system. Parole typically takes six months off of the term of incarceration, creating significant cost savings. Those resources can be reinvested into testing, treatment, supervision, and yes, jail for those who fail. Most offenders won't return to jail, and those who do will have terms that last days, not months or years. The point is that failure and relapse is part of the recovery process, and after a day or a weekend in jail, they can return to their job and family.

Why haven't we seen more successful approaches like HOPE? Because, politically speaking, it has something for everyone to hate. Some hate the idea of using jail as a sanction for drug relapse, even if it works to help offenders stay clean. Some hate the idea of letting inmates out of prison six months earlier than their sentenced term, even if it saves money.

Criminal justice policy is driven by the extremes: "lock 'em up" approaches (featuring mandatory minimum sentences and Three Strikes Laws) pitted against the "catch and release" approach, such as the "depopulate the jail" policy deployed by the Santa Clara County Board of Supervisors[46] (to which the San Jose Police Department[47] and I strenuously objected to in 2022).[48]

I reject both extremes of the pendulum. We must recognize the important and necessary role that jail, with the threat of modest but swift and certain jail terms, can play in enabling accountability and in changing criminal behavior. "Tough love parole" represents a moment to stop the swinging of the political pendulum—hopefully long enough to allow us to focus on evidence-based reductions in criminogenic drug and alcohol use. By doing so, Congress can save resources, reduce crime, and help offenders rebuild their lives.

Provide Addiction Treatment in Jails and Prisons

Dr. Keith Humphreys, a former Obama Administration official who teaches at Stanford University, believes that Congress can have an even bigger impact on breaking the connection between addiction and crime by using a different lever—changing Medicaid rules.[49] Under federal law, a Medicaid recipient's incarceration deactivates their participation in the plan. States and counties pay for it while a perfectly-working prison and health care system would instantly restore Medicaid coverage at the moment of release—it doesn't happen.[50]

As a result, released offenders go into our communities with little access to the tools needed to treat the very substance use disorder that landed them in jail. Beyond the obvious impacts on crime and recidivism in the community, the very life of the offender is at stake as well. In the two weeks after release, former inmates have a death rate 12.7 times higher than other residents, overwhelmingly because of the high rate of drug overdose.[51] Inmates usually lose physical tolerance for opioids and other drugs during their enforced abstinence in custody, making their return to use extremely dangerous.

At the very least, enabling Medicaid coverage for treatment of mental health disorders and addiction would more than pay for itself in averted harm, both to the community and the offender.

Last year, a bipartisan group of members of the U.S. House of Representatives introduced a bill, the Medicaid Reentry Act, to provide Medicaid coverage to people in the last 30 days of their prison or jail sentence.[52] A similar change in Rhode Island reduced post-incarceration overdose deaths by two-thirds after the program was introduced.[53] At the very least, enabling Medicaid coverage for treatment of mental health disorders and addiction would more than pay for itself in averted harm, both to the community and the offender. Although a state-by-state waiver process is in place, for states like California, willing to fund correctional health care in this way, this process is a "slow-moving train at a time when we need high-speed solutions to the opioid epidemic," according to Dr. Humphreys. Congress must pass the Medicaid Reentry Act—or something like it—immediately.

2. Preventing Sexual Assault and Domestic Violence

Twenty years ago, as a young deputy district attorney in Santa Clara County, I received an ominous promotion from my boss, DA George Kennedy; I was being sent upstairs to what was called the "Sex Crimes" Unit. That unit handled some of the most difficult criminal litigation in the office—but also some of the office's most important and impactful.

A year later, I found myself pacing up and down a hallway in a Palo Alto courthouse where a 15-year-old survivor, who I'll call "Mia," sat trembling near the women's bathroom. She had to testify. Even worse, she had to do so the day after her best friend had just told the jury that Mia was lying about her victimization. I knew better, of course. The 20-year-old defendant's gang affiliation ensured that his buddies would threaten several witnesses like Mia's friend. The trial was going south, and I feared that an acquittal would put the defendant back in the very neighborhood where Mia and her family lived.

I saw Mia spend most of that morning inside the bathroom, throwing up into the toilet while her rape crisis counselor, Lara, held her hair. Mia asked, for the fourth or fifth time, if she could avoid testifying.

My heart sank. I told Mia that it was her choice, and she could always choose not to testify. I wasn't going to compel her to do so against her will. Then I had to tell her the truth: "if you don't testify, I don't have any way of keeping you safe. The defendant will walk out of court with an acquittal, and he'll be back in your neighborhood." It was the brutal reality of our criminal justice system, but her counselor agreed that Mia needed to hear the truth.

Mia courageously walked into the courtroom later that afternoon and sat in the witness box, only a few feet away from her young assailant—just as the Sixth Amendment of the U.S. Constitution requires of all witnesses. She trembled and stuttered, but collected herself to recount every detail of her horrible encounter with the defendant. Overwhelmed with stress and anxiety, she nearly fainted on her way out of the courtroom that day as her mom and counselor held her up.

I've never seen a more courageous young person. Fortunately, the defendant took the stand, and I had an opportunity to cross-examine him on every bit of his false testimony. The jury convicted him after four days of deliberation.

Mia's mother gave me a hug as we celebrated the end of the trial, but minutes later, she reminded me that Mia's trial would continue as she took the next steps in her healing and resuming her young life. Months later, the judge sentenced the defendant to 19 years in prison.

I occasionally think about that day and consider what Mia's life would have been like if she hadn't mustered the strength to testify. In particular, I think about how her courage might well have prevented another woman from experiencing the horror she endured, at least for the 19 years of her assailant's prison sentence. She felt empowered to make that choice, though, because she had the support of a rape crisis counselor, and because she was given the hard truth about the need for her to testify.

We need to do more to empower survivors of sexual assault and domestic violence. Doing so will put them in a better position to protect themselves and others.

We need to do more to empower survivors of sexual assault and domestic violence. Doing so will put them in a better position to protect themselves and others. We can start by ensuring that they have all of the support that they need. And we can ensure that we tell them the truth. Both will help survivors make the best decision they can about whether to report their victimization to the police for a crime that is already so severely underreported.

Rape Crisis Centers and Victims of Crime Act Funding

Every year, organizations serving survivors of domestic violence and sexual assault await word of the Congressional appropriation for funding their programs under the Victims of Crime Act (VOCA). VOCA funding provides "the backbone to California's response to crime victim's needs," and organizations are bracing for reductions of more than $100 million in federal funding to the state in mid-2024.[54] The folks depending on that funding include groups providing emergency shelter and transitional housing to tens of thousands of domestic violence victims, and their families, seeking to flee their abusers. They include rape crisis centers that served more than 46,000 survivors of violence last year, helping to inform them about counseling and services and enabling them to navigate often perplexing criminal justice and social service systems. They helped 15,000 elder abuse victims, and more than 1,100 human trafficking survivors last year.

Obviously, this work is critical for the well-being of thousands of Californian survivors of violence, who have suffered enough already. But in many ways, this work can affirmatively prevent future victimization. A battered spouse and children who have found stable housing will be far safer than if they continued to live under the same roof as their batterer. Child sexual assault victims who are supported in their decision to report to the police and testify against their abuser will thereby reduce the risk of harm to other children. Congressional appropriations—what Congress is actually spending—clearly falls short of its budgetary authorization for this life-saving program.

None of my other proposed solutions for congressional action consist of a simple admonition to "fund the program." But this one is. Congress, fund the Victims of Crime Act.

Telling Survivors the Truth

Rideshare and taxi companies operate platforms that necessarily pose risks for drivers and passengers alike, through no fault of those companies. That is, driving anyone to a destination will leave them (or you) isolated and without recourse to help. Tragically, thousands of sexual assaults are associated with these taxi and rideshare platforms every year. In 2019 alone, one company reported that it received 3,045 reports of sexual assault over the prior two years.[55]

To their credit, ride share companies in recent years have substantially improved their protocols to elicit reports from survivors, remove accused assailants from platforms, and support survivors with information. They have created elaborate systems to ensure that trained personnel would receive allegations of sexual assault and report them up the company chain.

There are just two things that the taxi and rideshare companies generally don't do. First, they generally don't call the police to report the crime. Second, they generally don't tell the survivor that the company won't be calling the police.

If the police aren't called, then there's no report to the DA, no charges filed, no restraining order sought, and no consequences for the assailant. In other words, nothing happens. The companies will describe in detail how they take great pains to remove the alleged offender from their rideshare platform. The problem is that he's still out on the street, posing a risk to unknowing future victims.[56]

As I learned more about this from media accounts, I became puzzled about how this could persist, with thousands of assaults happening on these platforms and in taxis every year.[57] I called Santa Clara County District Attorney Jeff Rosen and Supervising District Attorney Terry Harman, who I knew from our work together as young deputy DAs. We agreed that something had to be done.

Through calls and Zoom meetings over several months, we sought to engage the companies' executives and government affairs staff in conversation, seeking to persuade them to report sexual assaults on their platforms to the local police. We had no leverage and no legal way to require them to do so. I threatened a city ordinance, but state law would likely preempt any local regulation in this area, meaning that industry-friendly state regulations trumped anything that the city might legislate.

When Terry, Jeff, and I sought transcripts of the companies' protocols for responding to survivors' reports of abuse, it became apparent that the companies did not make it a practice to affirmatively inform survivors that disclosing the assault to the rideshare company would not result in any referral to the criminal justice system. No criminal investigation would result. No arrest. No prosecution. No restraining order. No sentence or prison term. No restitution. Nothing. We have no way of knowing how many survivors believed otherwise, particularly in this age of "mandated reporters," in which we expect that many people in positions of authority must report sexual abuse to the police.

In other words, the companies had no obligation to affirmatively tell the survivors the truth. Just as I had to tell 15-year-old Mia the truth to enable her to make an informed decision about whether to testify in front of her rapist, the companies need to tell the truth to reporting victims to ensure they can make a well-informed decision about whether they should go to the police.

For victims, the situation was (at least implicitly) misleading. We suspected (based on accounts from several survivors) that survivors believed their reports would be conveyed to the police, and "something would be done." The rideshare companies did tell them about "investigations" that would follow. But the companies never proactively transformed their "company investigations" into "criminal investigations." Nobody mentioned to victims that the investigations would remain confined to the four walls of headquarters, and police would likely never see their reports. The police could always ask for the specific case, but only if they actually knew to ask for it—and local police departments would never know to ask if nobody disclosed the rape or sexual assault to begin with.

We held hearings and talked to the media. The New York Times covered our efforts.[58] But as the months of negotiation continued, the companies ran out the clock. Our final public hearing occurred in December of 2022, a few days before I was scheduled to "term out" after my full two terms as mayor.

Congress needs to step in. At the very least, taxis, rideshare companies, and any other corporate entity that receives a report of sexual assault victimization must clearly tell the reporting party that their report to the company will not result in any action by the criminal justice system. They should be told that they can get a restraining order, an arrest, or restitution only if they themselves call the police. And they should provide the survivor with the phone number for the local police department's sexual assault unit (if they have one), so that specially trained detectives can take the report.

Sexual assault survivors have enough burdens to grapple with already. Congress needs to ensure that they get the whole truth, to enable them to make the best decisions for themselves and their communities.

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3. A Sensible Gun Strategy with a Bipartisan Path

THE SINGLE WORST DAY of every big-city mayor's career is always exactly the same. It starts with a call from police brass, and the only memorable words are "active shooter," recollection blurs in a swirl of emotions mixing adrenaline, horror, and worry.

I've had two of those days in my career. In the first, a young man killed three victims at the Gilroy Garlic Festival, and two of those victims were children living in my city.[59] As I attended an outdoor memorial for six-year-old Stephen Romero, I vividly remembered one outraged cousin of Stephen's who confronted me in Spanish, "¿Que haces tu, Alcalde?" That is, "What are you going to do about this, Mayor?"

She was right. But I also knew our options were very limited. Federal and state law wouldn't allow my city or any other city to tax guns, prohibit assault weapons, create a registry, or license guns. The courts, Congress, and the states have all hamstrung cities from responding to gun violence through a thicket of preemptive laws and prohibitions on potential local regulations. In a nation of 400 million guns, there aren't any easy options left. But we had to do something.

The courts, Congress, and the states have all hamstrung cities from responding to gun violence through a thicket of preemptive laws and prohibitions on potential local regulations. In a nation of 400 million guns, there aren't any easy options left. But we had to do something.

I had already been working for several months with gun violence experts and lawyers to find a constitutional response from a city. It was time for us to air the proposed solution: the nation's first-ever requirement for gun owners to pay fees to support violence reduction efforts and to carry insurance to compensate victims. Many studies show that in every episode of intimate partner violence or depression, outcomes are many times more likely to be fatal if there's a gun in the home.[60] If we could generate the resources to provide mental health treatment, domestic violence services, suicide prevention,[61] and safe gun storage information to people living inside of homes with guns, we should be able to reduce deaths and injuries.

After several publicized hearings and battles, the city council approved the measure in early 2022. As expected, several gun groups immediately filed lawsuits, but top trial attorneys Joe Cotchett and Tamarah Prevost volunteered to represent the city pro bono. A federal district court upheld the constitutionality of our measure in 2023, and the measure now awaits the approval of the 9th Circuit before it will launch.

As the New York Times captioned my op-ed on the subject, "400 Million Guns Aren't Going to Just Go Away. In San Jose, It's Time to Try Something New." It's time to try something new in Congress as well.[62] We may have to live with 400 million guns in our communities, but we must find ways to do so more safely.

During my tenure as Mayor of San Jose, we enacted a safe storage mandate, and I also led an effort to enact a first-in-the-nation liability insurance coverage mandate for all gun owners, which I hope will engage insurance companies in incentivizing safer storage practices, among other behavioral changes.

In Congress, I would join efforts to pass Ethan's Law, a common-sense piece of legislation named after a Connecticut teen who was tragically killed in 2018 by an unsecured gun in a neighbor's home. In addition, we should reinstate the assault weapons ban. The late Senator Dianne Feinstein championed this law, having seen up close the deadly impacts of gun violence. Unfortunately, it was allowed to expire in 2004—and in the decades since, we have lost countless lives in tragedies involving assault weapons. It's long past time for Congress to renew this law.

However, this divided Congress is unlikely to approve a bold proposal like my city council did. Yet, there's plenty that even a polarized Congress should be able to agree upon and approve with the right leadership. I've outlined my ideas into three basic strategies: keeping guns out of the wrong hands, giving the police the information they need, and regulating ammunition.

A divided Congress is unlikely to approve a bold gun safety proposal like my city council did. Yet, there's plenty that even a polarized Congress should be able to agree upon and approve with the right leadership: keeping guns out of the wrong hands, giving the police the information they need, and regulating ammunition.

Keep Guns Out of Dangerous Hands: Passing a Federal "Red Flag" Law, Closing Loopholes, and Enforcing Prohibitions

In October of last year, the sister of an Army reservist in Maine called the Army to notify them that her brother was hearing voices and was experiencing acute mental distress.[63] Maine had a very weak "yellow flag" law, however, which required multiple, time-consuming bureaucratic steps before authorities could remove guns from her brother's home.[64] Weeks later, he killed 18 people and injured 13 more in a bowling alley and restaurant in Lewiston.

Twenty-one states have stronger "red flag" laws—also known as extreme risk protection order (ERPO) laws—with fewer procedural steps. Other states have watered-down versions or no such law at all. However, about one-third of mass shooters clearly evince dangerous warning signs to others before a killing,[65] and 80% of suicidal individuals do the same.[66] Several studies have demonstrated the efficacy of red flag laws in preventing violent attacks.[67] A uniform national red flag or ERPO law is long overdue, and Congress must pass it.

Such laws are just one tool among several—such as background checks, prohibitor laws, and surrender laws—that we can use to keep guns away from those who pose an unreasonably high risk of harm to others because of prior convictions, existing restraining orders, or court determinations of incapacity.

Background checks amount to politically low-hanging fruit since we should all agree with keeping guns away from violent people. The good news: we generally do agree, as provisions to close loopholes on background check requirements and enforcement poll well among both Democrat and Republican voters. More importantly, background checks actually work in reducing both homicides and suicides in many studies.[68]

Congress must close dangerous loopholes, however. Federal law currently allows 45% of recent gun purchasers to avoid background checks by purchasing firearms from an unlicensed gun dealer.[69] Another dangerous gap in the law—known as the "Charleston Loophole" for its role in that horrible attack—enables gun sales to proceed after three days, even if the background check awaits completion. As a result, 5,800 illegal purchasers obtained a gun using this loophole in 2020 alone.[70]

Second, where many states have not done so, Congress must broaden prohibitor laws to match the best practices to keep guns away from people inclined to violent behavior. Congress could ensure that all violent convictions result in a prohibition of gun possession. Currently, most states prohibit gun possession for anyone convicted of a felony or a domestic violence misdemeanor. Yet, other violent misdemeanors, such as assault and battery, do not carry that sanction. If we're concerned about violent offenders carrying guns, then any misdemeanor should suffice—particularly since many of those convictions were actually charged as more serious offenses and negotiated away during plea bargaining.

Most importantly, we need to better enforce existing laws. Relinquishment of firearms by prohibited persons is crucial, but many states don't mandate the surrender of guns after a conviction or a court order, like a domestic violence restraining order. A state law's specific mandate to relinquishment of weapons by domestic abusers, for example, reduces intimate partner homicide by 10%, according to one study.[71] Congress must preempt weak state laws with a federal mandate.

Ultimately, though, enforcement requires supporting often understaffed local police departments to fund specialized units of officers who take on the very dangerous work of showing up at the homes of probationers, parolees, or restraining order subjects to check for and seize weapons. While this idea comes with a price tag, it also comes as a bargain relative to the price of having violent felons keeping their guns.

Enforcement requires supporting often understaffed local police departments to fund specialized units of officers who take on the very dangerous work of showing up at the homes of probationers, parolees, or restraining order subjects to check for and seize weapons. While this idea comes with a price tag, it also comes as a bargain relative to the price of having violent felons keeping their guns.

How can we pay for it? An ammunition tax—similar to the federal excise tax that Congress has imposed on gun sales since 1919—would be a logical vehicle, depending on how courts resolve its constitutionality. The Illinois Supreme Court struck down a Cook County ammunition tax in 2021, but the California legislature enacted a new ammunition tax anyway last year.[72] Obviously, getting an ammunition tax passed would need to await a Democrat-led Congress, at the very least. Moreover, the outcome of the contentious litigation due on the California law will likely provide helpful guidance for Congress' next steps.

Enabling Law Enforcement to Use Records for Enforcement

Through a series of provisions, particularly one known as the "Tiahrt Amendments," Congress hamstrings law enforcement from getting access to gun data critically needed for investigation, enforcement, and prosecution. For example, the law requires the Federal Bureau of Investigation (FBI) to destroy all approved gun purchaser records within 24 hours of approval, making it extremely difficult for the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) to retrieve firearms from prohibited persons who possess guns, according to the Giffords Law Center.[73] It also makes efforts to trace gun use more difficult in criminal investigations. Congress needs to allow the FBI to retain these firearm sales records in a central database, as some states do,[74] and use them to quickly trace the ownership of guns recovered in crime. This data also protects cops responding to emergency calls by letting them know whether people in a residence own a firearm and enables cops to enforce possession prohibitions on people ineligible to own them.

The same provisions prohibit federal agencies from requiring gun stores to report inventories, an essential tool for identifying and combating the flow of stolen guns to criminal organizations, which exceeds tens of thousands of firearms annually.

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Regulate Ammunition Like It's Dangerous—Because It Is

Finally, there's ammunition. In a nation with 400 million guns, scarcer bullets could help. Ammunition remains exempt from many of the regulations that apply to gun ownership, such as dealer licensing, background checks, ammunition sales record-keeping, and regulation of high-volume sales.[75] It's not for lack of popular support: a New York Times survey found that 73% of respondents supported laws requiring background checks on purchasers of ammunition, and 64% supported limits on purchases of ammunition.[76]

Sensible limits on ammunition purchasing seems obvious enough. At the 2012 mass shooting in the Aurora, Colorado movie theater, for example, the shooter ordered 6,000 rounds of ammunition and a 100-round magazine from an unlicensed online retailer. It's time for Congress to step up.

4. Nothing Stops a Bullet like a Job, and Nothing Unites Us Like Service

"**Nothing Stops a Bullet** Like a Job" is the moniker of Homeboy Industries, a non-profit enterprise created by a Jesuit priest, Fr. Greg Boyle, to engage current and former gang members in a host of businesses that would help to revitalize their corner of South Central Los Angeles.[77]

The insight of Homeboy Industries is captured well in academic literature. A summer jobs program in Chicago, focused on youth in gang-impacted neighborhoods, reduced violence by 43% in 16 months.[78]

Amid all of the discussion about mental health-related and other challenges facing our young adults, this might be the most idealistic, energetic generation in our history. My teaching in classrooms at Stanford University and San Jose State University reminded me of that daily. The communities that will prosper in the next decade will harness that energy.

In my first year in office in San Jose, we launched a jobs program for youth, San Jose Works,[79] with a particular focus on at-risk teens living in East San Jose. We helped more than 5,000 young people land their first jobs, along with financial literacy classes, support and guidance for "soft skills" development, and college preparedness. What struck me about my conversations with so many of the students was their tremendous interest in working for the city. They genuinely enjoyed working with seniors at our community centers, tutoring students at our libraries, and caring for our parks. They embraced the value of public service. They wanted to do work with a greater purpose.

That lesson about the power of service stuck with me when the pandemic began. As we assembled a strategy to support our recovery, I worried deeply about the thousands of young people in our most vulnerable communities who could not work to support themselves or their struggling families.

Fortunately, we had some flexible federal funding for pandemic relief. I refused to use that funding solely to backstop "business as usual" city operations (and, fortunately, our city was in pretty decent fiscal condition), so we focused on how we could most effectively deploy the funding to respond to our community's most urgent needs. We needed help with food distribution to keep struggling families fed. We needed to support vaccinations and testing that the county was doing at city sites. We had thousands of kids falling behind because of shuttered schools.

I huddled with our team and with community partners like Dorsey Moore at the San Jose Conservation Corps. I proposed[80] a new variant of our jobs program: the San Jose Resilience Corps.[81] We would pay hundreds of young adults—primarily living in our lowest-income census tracts—to serve the community. They worked in food warehouses with Second Harvest Food Bank, supported vaccination and testing outreach with Gardner Healthcare, tutored kids in our libraries, and worked through the Conservation Corps to help prepare for the next wildfire season by clearing defensible space of brush in outlying neighborhoods. Through these and other efforts, our city team started to identify career pathways for young people in our Parks and Libraries departments, and a "career recruiting and training" element became prominent. The city department heads began to see the Resilience Corps[82] as a recruiting tool to deal with persistent vacancies in key departments at City Hall.

This idea is not a new one. More recently, President Joe Biden has embraced it in a proposal to create an American Climate Corps (ACC) at the federal level to engage young people from struggling neighborhoods in climate-related work including solar panel installation, natural disaster resilience, and ecosystem restoration.[83]

Amid all that divides us, there is something that unites us: service. We all honor the service and sacrifice of those who have fought for our country to defend our freedom. We express gratitude to our teachers for their service, and, especially during the pandemic, to our health care personnel. All of us do so—Republican or Democrat.

It's an idea whose time has come in this deeply divisive moment in our nation. Amid all that divides us, there is something that unites us: service. We all honor the service and sacrifice of those who have fought for our country to defend our freedom. We express gratitude to our teachers for their service, and, especially during the pandemic, to our health care personnel. All of us do so—Republican or Democrat. The call of service to our country and our community is a common calling to each of us to rise above our petty differences.

The challenge is that Congress hasn't funded the ACC. For now, it remains a seed of an idea, funded within the department budgets in an interagency collaboration between AmeriCorps, the National Oceanic and Atmospheric Administration (NOAA), and the Departments of Labor, Interior, Agriculture, and Energy.[84] Although President Biden aspires to train and employ 20,000 workers through the ACC, for now it amounts to a small pilot program in New York employing 80 people in forestry.[85]

We can do far more. With very little or no Congressional funding, we could engage with private sector companies starved for labor. We could reach out to hundreds of HVAC contractors to help train and employ thousands of young adults in the trades to replace gas, air conditioning, and water-heating systems with electric heat pumps in millions of homes. We could help thousands of homeowners install insulation, or gray water systems, or battery systems, in partnership with the trades and local businesses. We simply need to engage a national network of mayors who routinely make these private-public partnerships happen every day in their communities. We could enable many more Americans to participate in the green revolution, and provide real, non-exportable job skills to thousands of young people. And we could do even more if Congress funded it.

We've made it through almost the entire description of this initiative without mentioning crime—at least not since we discussed the Chicago summer jobs initiative that reduced violent crime. Crime reduction, of course, is just one of the many benefits of employing young adults—ensuring that they won't be distracted by less constructive activity. Like public service, it's not a new idea. It's simply an idea whose time has come.

Crime reduction, of course, is just one of the many benefits of employing young adults—ensuring that they won't be distracted by less constructive activity. Like public service, it's not a new idea. It's simply an idea whose time has come.

5. Retail Thefts: A Federal Role

Retail theft rings have become emboldened throughout many U.S. cities, terrorizing small business owners, intimidating customers, and driving up costs for consumers.[86] Some high-profile commercial burglaries and larcenies in the Bay Area have turned violent.[87] Meanwhile, every shopper pays a "theft tax" that reflects the store owner's higher cost of doing business, assuming they still are willing to do business.[88] Retail store closures in high-theft environments like San Francisco leave too many cities pockmarked with vacant storefronts.

Much controversy in California still swirls around the 2014 approval of Proposition 47[89] and what the California legislature may do about it.[90] Nationally, Congress can do its part to help address the problem of retail thefts and burglaries that have plagued all of our communities. It's important to explore the root of the controversy, however, to understand how Congress can help.

Prop 47 relegated thefts and burglaries of property worth less than $950 to "misdemeanor" status, rather than felony. In California, as in most states, police officers cannot arrest anyone for committing a misdemeanor, unless it is committed in the officer's presence. Instead, the officer issues a citation with a notice to appear in court. Since many thefts, auto break-ins, and burglaries involve property worth less than $950, police can no longer arrest petty thieves caught red-handed on store cameras.

Beyond the statistics and studies, emotional motivation plays a role in this story, to be sure. Undoubtedly, thieves have felt emboldened by the lack of immediate consequence—an arrest—for their crime. Some say that the law has been demotivating to many cops wanting to "arrest bad guys" and are too busy racing to high-priority calls to be issuing tickets. And many frustrated store owners and restaurateurs have simply stopped calling the cops—meaning that none of those crimes even get into the crime data to assess Prop 47's impact.

At his Foxworthy and Naglee grocery store locations, Fred Zanotto told me he stopped reporting the two or three daily petty thefts he endures because he's tired of calling cops who can only shrug their shoulders. The Walmart on Monterey Road keeps virtually every toiletry behind locked windows because so many would "disappear" each day. An attendant told me that many shoppers simply bypassed that section of the store because they feel it's too much trouble to keep asking somebody to unlock the display case to get some deodorant. Again, these stories aren't captured in the data, but they all impose costs on restaurants and retailers.

Here's the gist of it: arrests matter. Many studies support the notion that criminal deterrence depends far more on the certainty of getting caught than on the severity of punishment.[91] We don't need long jail terms to deter thieves. We don't even need felony charges to be filed. We do need arrests. Regardless of whatever Prop 47 did or didn't do, we need to arrest crooks to deter crime.

Congress can help. A new federal theft ring statute could enable felony prosecution of higher-level fencing of stolen goods to address the criminal groups that fuel a substantial amount of theft activity. Currently, federal law unnecessarily places an interstate travel requirement on federal enforcement of theft, with a high monetary threshold for charging.[92] For the routine thefts that support a commercial criminal enterprise like a theft ring, Congress could set a lower threshold—say, $500—for felony arrest, though not for filing federal charges (more about that later). Within the legislation, Congress would "cross-designate" local police officers and local prosecutors for new federal theft ring task forces. Typically, local city police officers can't arrest suspects for federal offenses, and local DAs don't prosecute them. But in unique cases—such as under federal drug laws—federal statutes can authorize local police and prosecutors to be "cross-designated" as "federal agents" for purposes of federal investigation and enforcement.[93] As a federal prosecutor, I occasionally worked with local police officers in the 1990s on international narco-trafficking cases, and the partnership proved essential for our ability to connect the evidentiary dots between cocaine smugglers, warehouse owners, and money launderers.

In this way, Congress can empower local cops in every state to deter petty thefts with actual arrests—even if those thieves don't face federal charges or prison terms—regardless of the varying state laws that prevail in each jurisdiction. More importantly, we can ensure local and federal authorities gather arrest data that identifies participants in larger theft rings and criminal gangs. Those participants may become future witnesses in a prosecution of the ringleaders.

We must be clear about what such a law should and shouldn't do. The law must not result in the charging of petty thieves with federal felony offenses. The goal here is arrests, not long sentences nor even felony charges.

Congress can empower local cops in every state to deter petty thefts with actual arrests—even if those thieves don't face federal charges or prison terms.

The law can do so in various ways. A federal statute could mandate a diversion program[94] to enable first-time or low-level offenders to voluntarily enter a program to avoid a conviction or jail term. That is, a typical "deferred entry of judgment" program[95] would allow any first-time or minor offender to avoid a conviction on their criminal history by completing a program that might include, for example, substance abuse treatment or weekend work. Alternatively, the statute might require high prosecutorial thresholds, which govern the charging decisions of DAs and U.S. Attorneys. In this case, the law could ensure that on standalone offenses, no charges could be filed unless the crime meets a minimum of say, three separate incidents meeting a high valuation of loss, or the use of a gun, or some other aggravating circumstance. In other words, first-time and petty thieves generally won't see charges filed, and they won't likely experience more than a few hours in jail, given Constitutional constraints on holding an arrestee without charges.

So, why do it? Again, the threat of arrest does much more to deter crime than the severity of punishment.[96] Repeat arrests, moreover, may bring actual felony charges and a significant jail term. And in every case, an arrest will develop data—fingerprints, photos, witness statements, and the like—that cops and prosecutors can use to link multiple cases together. They may link rings of thieves, or they may connect petty offenses to more serious robberies and violent crimes. The ability to simply get arrestees into an investigatory database is of tremendous value for detectives.

Federal-local cooperation has proved essential in helping local communities struggling with organized crime rings for decades. It's time to put it to work to help small business owners and their neighbors put a stop to widespread theft and burglaries.

OUR HOUSING COSTS

Reducing Costs for Renters and Homeowners

THE LACK OF HOUSING affordable to our residents comprises our region's greatest challenge, one felt intensely by thousands of working families. It's also felt by every employer who struggles to hire and keep good workers here. About half of all renters fit in the category of "rent-burdened" by traditional measures, and 70% of younger Americans say that buying a home will be harder for them than for their parents.[98]

Despite the national scope of the housing crisis in most major U.S. metros, Congress has largely abdicated any responsibility to do much of anything about it. Several federal tools—such as housing choice vouchers and Low-Income Housing Tax Credits—continue to be available since their creation decades ago, but Congress needs to step up with new ideas to address our current housing crisis.

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"The Rent Is Too Damn High"

Renters have suffered disproportionately from our region's housing crisis.[99] Despite the very high rents, new multifamily housing construction has ground to a halt in the Bay Area due to very high costs of construction and financing.[100] Accordingly, we should expect already-painful rents to skyrocket in the years ahead, fueled by severe housing supply constraints.

The federal government, which amounts to only a minor supporting player in the multifamily housing market since the 1970s, can and must play a role in addressing the dearth of multifamily housing. Why? Because this isn't simply a crisis of affordability in the Bay Area but in nearly every major metropolitan area in the nation.[101] Yes, this is a federal problem.[102]

1. Boost Affordable Housing by Revitalizing Empty Downtown Commercial Buildings

IN THE BAY AREA, the steep cost of construction and financing has stalled multi-family housing development, but there's another real estate crisis afoot—commercial real estate. Nationally, almost 20% of office space sits vacant.[103] In San Francisco, the vacancy rate is almost 40%, while in San Jose, the vacancy is almost 30%.[104] This has spurred news coverage of downtown "doom loops,"[105] as restaurants, retail stores, and other small businesses shut their doors in central business districts due to a lack of foot traffic and increases in crime, two mutually reinforcing phenomena.

We can find opportunity in this crisis, however, by rehabilitating those empty office buildings for apartments and condos. According to SPUR, if we converted just 40% of San Francisco's vacant office square footage to housing, that city would see more than 14,000 new housing units.[106] The struggles of downtown San Jose and Oakland present similar opportunities.

What are the advantages of focusing federal investment in our office-rich, occupancy-poor downtowns? Retrofitting already-built high-density buildings won't ruffle the feathers of any suburban neighbors, so we can streamline approvals and public processes. The addition of thousands of new residents into Bay Area's downtowns will revitalize many restaurant and retail districts. We'll dramatically reduce greenhouse gas (GHG) emissions by repurposing existing buildings—always better for the planet than building new—and ensuring that their new residents will live within walking distance to transit, retail, services, and jobs. We can add housing without adding to traffic.

So, why aren't more folks doing it? Or better, "Why isn't anyone breaking ground on such office rehabilitation projects in the Bay Area, despite the media buzz?" The cost. Converting offices to housing—particularly on the West Coast—is prohibitively expensive. Installing plumbing in every apartment, retrofitting windows, separating utilities, and the like drive up construction costs. Even worse, regulatory requirements that accompany a change in a building's use, such as seismic retrofits, fire sprinkler installations, and additional stairwells, will bloat the project budget.

That's not to say it's too costly everywhere. In prior decades, with lower construction costs and interest rates, both Los Angeles[107] and New York[108] launched successful office conversion efforts, and lower-cost metros such as Cleveland and Cincinnati still do so today.[109] Other commercial uses—such as hotels and retail—offer promise for conversion to housing as well.[110]

It's true that only about 15% to 20% of office buildings in most downtowns can be feasibly converted into housing, for various structural reasons.[111] But here's the good news: It appears most feasible to rehabilitate the very buildings that are the least desirable for office uses—typically, the older, pre-1950s buildings with small floor plates and many small windows.[112] A weak hotel industry and struggling retail currently fill many easier-to-convert buildings as well.

That should be the focus for federal action. While the Biden Administration recently announced some regulatory improvements to facilitate more office conversions, there are no new resources to help builders bridge project funding gaps, especially in today's high-interest-rate environment. There are also no federal tools that will incentivize local jurisdictions to streamline permitting or reduce fees.

Congress can dramatically reduce the financing costs by authorizing tax credits (similar to existing New Markets Tax Credits and Low-Income Housing Tax Credits programs) to help builders finance the costly conversion of vacant office and commercial buildings to housing. Developers would supplant high-cost debt with the tax credits, and equity investors typically take a lower return in exchange for tax benefits.

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It's not simply the tax credit that would boost housing production, however. Congress could leverage these dollars to clear red tape, reduce construction costs, and accelerate production. Specifically, the law could require state and local governments to reduce regulatory burdens as a condition of receiving federal tax credit allocations. For example, the Treasury could condition any issuance of tax credits on the city and state's commitment to streamline approvals, allowing by-right zoning changes in downtowns, waive or reduce local fees, and exempt the downtown projects from environmental review processes like the California Environmental Quality Act (CEQA). Builders might even receive an abatement on property taxes by including a defined percentage of rent-restricted, affordable units.

If cities don't want to participate, they don't have to. Those willing to lean in on their local housing crisis will see their downtowns benefit from all of the new housing and private investment, typically $8 of private investment for every $1 of New Markets Tax Credit.[113] Some low-income renters will benefit from the rent-restricted units, but all renters in the city will benefit from the injection of a new supply of housing that will help reduce rents citywide.[114]

The program could be similarly utilized to repurpose long-declining malls and hotels, both industries that have suffered in the past decade. By rehabilitating existing buildings, we'll eliminate blight, improve the climate, create jobs, and even reduce crime.[115] Best of all, we'll build housing.

2. Empower Homeowners to Become Housing Providers

We can expand housing supply in other ways that don't require anyone to destroy hillsides or steamroll single-family neighborhoods. For cities and towns that choose to participate, we can launch a federal program to help modest-income homeowners–those who struggle most to get financing for home improvements–to install accessory dwelling units (ADUs), aka backyard homes or granny units. These homes enable naturally affordable rental housing while providing rental payments that can help struggling homeowners to pay their mortgage.

We can expand housing supply in other ways that don't require anyone to destroy hillsides or steamroll single-family neighborhoods.

We've already seen how cities can dramatically expand ADU production by simplifying permitting processes and reducing fees for homeowners. In San Jose, for example, the planning department worked with prefabricated ADU builders to pre-approve two dozen models of different layouts and sizes, and homeowners could select any of those options online and receive a permit within a single day.[116] As a result, our ADU permitting spiked from about a dozen per year when we started in 2015 to 525 by 2022.[117] In 2020, ADUs comprised one third of our new housing permits.[118]

Some of those permitted units didn't actually get built, however. The obstacle for many homeowners is financing: if they lack sufficient equity in their home, they can't get a loan. My team and I spent hours talking with decision makers at several banks and credit unions, seeking to find a way to facilitate lending. They all pointed to problems with recourse, where mortgage lenders already had a first lien on the home. They agreed that it was a "good risk" to lend to a homeowner who seeks to add value to their property and potential revenue to their income, but those lenders told us they couldn't issue large quantities of such loans that would satisfy conventional lending standards.

Federal intervention can help. Government-sponsored entities like the Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") have shown how to reduce risk and broaden access for millions of homeowners they serve. Fannie Mae and Freddie Mac repackage diverse pools of conventional mortgage loans for investors, and then provide a "backstop" guarantee for this new, diversified pool of assets.[119] This process reduces risks for lenders, reduces interest and financing costs for borrowers, and expands lending capacity in the market. Congress can establish a similar loan guarantee program for homeowners who want to add a backyard home at no or little cost to the federal budget.[120]

Can this make a difference in housing supply? For California towns, ADUs can provide a community-friendly way of satisfying state mandates. A 2019 survey of San Jose homeowners revealed that nearly one-third of them would have seriously considered building a backyard home if they had financing to do so. If only half of those homeowners actually follow through, that would amount to 30,000 new homes—or more than have been built in a decade. Cities like Vancouver (where 35% of single-family lots have ADUs) show us what can be possible, at least in those cities that choose to support ADUs.[121] We'd expect far fewer in more suburban towns.

Many ADUs might simply be used to permit more multi-generational living—to care for an aging parent, or to prevent adult children from being pushed out of the Bay Area. That's certainly not a bad thing. To better target the program, federally-backed lending program might be restricted to homeowners willing to lease their units for some minimum duration, such as five years, at a restricted rent affordable to a nurse or a teacher. Even at those levels of rents—a bit more than $2,000 today for someone who makes about 60% of our area median income in Santa Clara or San Mateo Counties—a Bay Area homeowner could have ample rent to pay off the financing and still have something left to reduce living expenses. Regardless, backyard homes can provide a mechanism to produce thousands of units of rental housing in a housing-starved Bay Area and lessen the burden of mortgage payments for homeowners.

Reducing Costs and Expanding Access to Homeownership

Of course, most young families cannot buy a home in our region. To afford the median home price in the counties of Santa Clara or San Mateo requires an annual salary of nearly $360,000.[122] Yet this is not merely a local problem. Typical home ownership expenses remain beyond the reach of average local wage earners in nearly 80% of America's 578 largest U.S. counties.[123] Here are a couple of ideas about what the federal government can do about it and could actually get passed in a divided Congress:

Most young families cannot buy a home in our region...Yet this is not merely a local problem. Typical home ownership expenses remain beyond the reach of average local wage earners in nearly 80% of America's 578 largest U.S. counties.

1. Boost Sales Inventory by Doubling the Exemption on Capital Gains Taxes

Many homeowners who might otherwise happily sell their homes to downsize have felt "locked in" in recent years by the steep tax consequences of that decision. This has left the market with a very thin inventory of homes for new buyers. High mortgage interest rates have exacerbated the problem, but even as they ease, most homeowners will still shun paying the tax on the capital gain of their home.

Decades ago, Congress created what's called an "exclusion" from capital gains taxation for older homeowners up to $125,000, but it was eliminated in 1997.[124] It instituted a universal $250,000 per individual ($500,000 per couple) exclusion instead.[125]

The problem, the exclusion has not changed since; if adjusted for inflation (and we all know that home values have increased far faster than inflation), it would be twice as high today. That's $500,000 per individual ($1 million per couple). Since the exclusion hasn't been adjusted for inflation in over two decades, many CPAs advise their older clients not to sell and simply pass the home on to their heirs, who can sell the home without paying any capital gains tax at all (through what is known as "stepped-up basis").[126]

As a result, the current system presents us with a lose-lose-lose:

- Younger home buyers encounter a much smaller inventory of older homes that are typically the most accessible to them.
- The Treasury loses revenue due to fewer home sales.
- The Treasury also loses revenue over the long-term because more heirs will pay no tax on the pre-inheritance appreciation their home incurred.

Congressman Jimmy Panetta proposed a sensible bill last year to double the exclusion with bipartisan support, but it has languished in committee.[127] The last time that Congress updated the exclusion in 1997, the housing market saw a substantial boost in home sales.[128]

We need to pass that bill to double the exclusion to expand the inventory of older homes.[129] We should also consider getting ahead of the next "freeze-out" by indexing the exclusion for inflation in the future, and "kick-start" the housing market by making the exclusion expansion retroactive.

What about the cost, and how to pay for it? The current exclusion will account for about $52 billion in lost tax revenues 2024, according to the Treasury.[130] The Congressional Budget Office (CBO) has not yet published an estimated cost of the Panetta bill, but there are several reasons to believe that doubling the exclusion will add only a fraction of that amount to the deficit.[131] Congress could pay for it with a commensurate reduction in the exclusion for capital gains on death, which exempts estates from paying tax on the increased value of assets left to heirs. What is the impact of the offsetting changes? In the aggregate, U.S. taxpayers won't pay anything more, but we'll see more housing supply, improved affordability, and increased economic activity. That's not a bad trade-off.

2. Stop Rubbing SALT in the Wound for Middle-Income Homeowners

In the last major changes to the tax code in 2017, President Donald Trump sought to achieve corporate tax reduction as part of a larger tax bill, but needed to find ways of paying for it. He and Congress landed on several ways to do so, including imposing a limit on the income tax deduction for state and local taxes ("SALT") to $10,000. Since married couples filing jointly remain subject to the same $10,000 cap, this provision is sometimes described as a "marriage penalty" because two people individually could claim a $20,000 deduction. The SALT reduction was met with groans from many homeowners living in Silicon Valley, the Peninsula, and Coastside, where even homeowners with modest incomes have high property taxes to pay.

Eliminating the cap altogether, as some have proposed, would irresponsibly inflate the annual deficit by nearly $170 billion, and nearly 80% of the benefit would accrue to the wealthiest 20% of taxpayers.[132] Both equity and fiscal sensibility argue for a more modest approach. By merely doubling the cap, and including all but the wealthiest 5% of home-owning taxpayers, the cost would drop to less than $2 billion annually and provide many middle-class families with thousands of dollars of tax relief. A targeted restoration of the SALT deduction for married couples can provide fairness at a reasonable cost.

OUR HIGH COST OF LIVING

OUR TRADITIONAL ECONOMIC INDICATORS, like unemployment rates and GDP growth, tell a very different story about the economy than how Americans feel.[97] People continue to express frustration despite historically high levels of wage growth, employment, and economic output.

Of course, it's the very high cost of living which weighs most on Americans' moods. The tide of inflation may have receded from its highwater mark a year ago, but the rising sea of bills has done its damage. Inflation-adjusted wages grew in 2023, but the lasting impact of recent years' inflation has hit families hard. Prices of some of the more volatile commodities have fallen back to earth, but many Bay Area residents continue to struggle mightily against high rents, utility bills, home insurance, grocery bills, and health care costs.

The tide of inflation may have receded from its highwater mark a year ago, but the rising sea of bills has done its damage.

In this section, I'll be discussing a few ways that Congress can proactively reduce the burden of the high cost of living in the Bay Area and across the country. Here are a few of my ideas, and I welcome yours. This list is hardly comprehensive, but these ideas fit into five general categories:

1. **Our Utility Bills**
2. **Our Home Insurance**
3. **Our Groceries and Other Retail**
4. **Our Medicine and Health Insurance**
5. **Our Child Care**

1. Reducing Utility Bills by Going Green: Introducing the Resilience Savings Plan

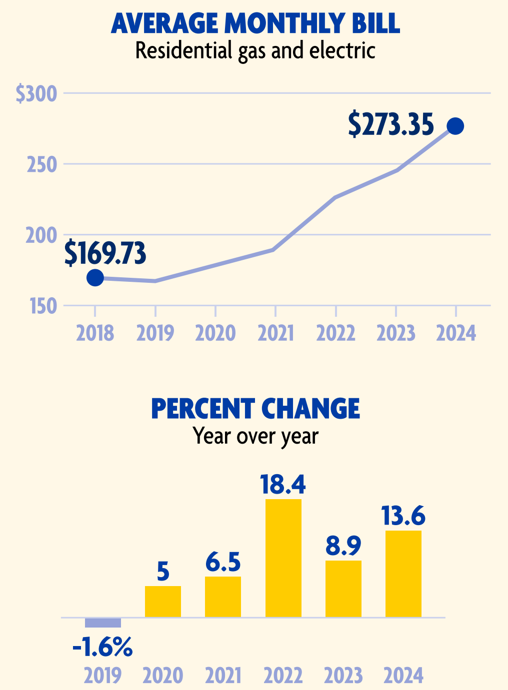
SKYROCKETING UTILITY BILLS have left too many Bay Area residents struggling to keep the lights on, and electricity and gas bills will exceed an average of $300 per household this year.[133] These cost increases, which we incur at a rate more than double the national average,[134] have little to do with the cost of producing the energy. In fact, technology has made solar and wind-generated electricity cheaper than ever.[135]

Rather, rising bills have everything to do with the cost of maintaining, hardening, replacing, and expanding the infrastructure required to deliver that energy. This infrastructure, "the grid," is the world's largest machine. It's also the most important machine in most climate strategies because we cannot get off fossil fuels without electrifying our transportation, buildings, and economy.

As mayor, we launched San Jose Clean Energy to procure cleaner, less expensive power than PG&E for our one million residents and tens of thousands of businesses. We have succeeded so far, beating the utility's rates with electricity that comes from 95% greenhouse-gas-free sources. That's good, but it doesn't shield any of our residents from the skyrocketing costs of transmission and distribution that we all see in our monthly bills. I've repeatedly fought against the additional burdens the Public Utilities Commission places on ratepayers at the behest of investor-owned utilities,[136] and this past year, I have worked to push for greater accountability in spending of ratepayer funds.[137]

Mitigating Utility Costs Through a Federal Resilience Savings Plan

I'll continue to stand up for ratepayers, but at the federal level, we need to find solutions to a hobbled grid with seemingly limitless maintenance and capital needs in the next two decades. In northern California alone, the cost of undergrounding transmission and distribution lines may cost as much as $40 billion, which says nothing about the cost to expand transmission or distribution lines, nor to replace aging transformers and other grid infrastructure.[138] Who will pay for it? Ratepayers. In both January and March of 2024, local residents will see two substantial rate hikes, ostensibly required to pay for hardening and expansion of grid infrastructure. Combined with recent hikes, customers will see their monthly bills increase at four times the rate of inflation over the past year:[139]



Note: 2024 is an estimate that includes the just-approvedrate increase. A final estimate won't be available until later this month.
Source: Bay Area News Group

We need to find alternatives.

One option is to reduce the load on the grid, especially during the peak hours, to mitigate the rate at which some of those huge capital expenditures will be needed. Our residents can do so by generating more of their own electricity and storing it at home.

Homeowners with rooftop solar panels typically reduce their electricity draw from the grid by 69%.[140] By deploying batteries in their garage, homeowners save money by storing electricity generated during the daytime to use in the early evening when electricity prices and usage are highest.[141] Homeowners can also simply use less gas and electricity by installing insulation and upgrading to more energy-efficient heat pumps, electric water heaters, and appliances.

The cheapest energy is the energy we don't use. The combination of solar panels and a heat pump enabled Jessica (my wife) and I to pay only about $20 for our December and January utility bills.

Of course, before we can save money, we have to spend money. These improvements cost tens of thousands of dollars, even after the Inflation Reduction Act rebates.[142] The California Public Utilities Commission just made it a lot more difficult to justify the cost of rooftop solar, by reducing the compensation that homeowners receive from the utilities for generating power for the grid.[143]

Every resident should be able to save money while saving the planet. For most of us, though, doing so requires financing. Federally-backed financing programs, similar to what we saw earlier with Fannie Mae and Freddie Mac, offer one potential avenue to reduce costs for homeowners. Those programs already offer financing for new homeowners who want to include financing for renovations with their purchase. A stand-alone financing program for existing owners for clean energy improvements could operate as a "second" loan to ensure no disruption with their primary mortgage lender. Obviously, lending must remain within prudent loan-to-value limitations, but could explicitly acknowledge the enhancement to home value rendered by a new home battery or heat pump.

A federally-backed financing program could also borrow some of the better features of an idea invented here in the Bay Area: property assessed clean energy, or PACE.[144] Hundreds of thousands of homeowners and multifamily apartment owners in three states have used state and locally-managed PACE programs to invest in energy and water-saving improvements while paying little or nothing up front.[145] Instead, the cost is amortized over several years through their property tax bills. If they sell their property, the buyer picks up the obligation—and of course keeps the asset too. PACE programs have enabled billions of dollars in new investments in rooftop solar, new energy-saving appliances, energy storage, and other improvements. Overwhelmingly, studies show that PACE programs have helped homeowners enhance the value of their property more than the mere cost of the improvements, and that such programs have a very positive impact on jobs and the local economy.[146] Increasingly, businesses and commercial property owners have taken advantage of commercial PACE programs(known as C-PACE) as well.[147]

Locally-regulated PACE programs have encountered challenges, though. They rely on private lenders who must navigate a patchwork of regulations across states, leading to inconsistencies in program design, eligibility criteria, and financial structure. Fraudulent contractors have hoodwinked unwitting homeowners into believing that with nothing down, they're getting improvements at no cost, only to be surprised by higher property tax bills.[148] We've seen lawsuits over forged documents and inflated costs for improvements, primarily due to poor oversight in some states. Mortgage lenders expressed concerns about the priority of PACE liens in case of foreclosure (although 2015 guidance from the Federal Housing Administration and two states have clarified that PACE loans remain subordinate to first mortgages).[149]

A better approach could form the basis of a federal home improvement financing program; let's call it a "Resilience Savings Program" or RSP. An RSP could enable homeowners across the country to invest affordably in cost-saving retrofits, like solar panels, energy-efficient appliances, and batteries, while improving upon the weaknesses of the state PACE programs. Congress and federal agencies can work with states to create uniform consumer protections, building on those recently proposed by the federal Consumer Financial Protection Bureau.[150] Applying Truth in Lending Act consumer protections, particularly for uniform standards for disclosure of information, will help, just as we see today with mortgages.[151] The regulations could be improved by requiring that homeowners see a description of the net effect of the new financing on their monthly obligations. It could establish national standards for the states to certify and regulate contractors eligible to participate in the program, and to investigate fraud. To address concerns of lenders, Congressional authority to prescribe rules for government-sponsored entities (GSEs) such as Fannie Mae and Freddie Mac could resolve any remaining differences with the mortgage industry regarding lien priority.[152] Finally, the high financing costs in some state PACE programs could be reduced through the ability of federal GSEs to access secondary markets for debt investors, which today reduce interest rates for millions of homeowners.

A federal "Resilience Savings Program" could help millions of homeowners and renters save money each month on their utility bills by facilitating energy-saving retrofits, rooftop solar, and local energy storage.

Whether it takes this form, or a better one, a federal RSP could help millions of homeowners and renters save money each month on their utility bills by facilitating energy-saving retrofits, rooftop solar, and local energy storage. Implementing RSP property assessments would require "opt-in" agreements with individual states willing to offer the program to their residents under federal guidelines. Fortunately, many state legislatures (both red and blue) already recognize that enabling homeowners and business owners to save a few dollars while boosting energy efficiency makes for good policy.

2. Saving on Insurance While Preparing for Disasters: Resilience Savings Plans, Redux

Home insurance coverage for fire, flood, storms, and earthquake have become more elusive, and where available, more expensive throughout California. Given the march of climate change in the coming years, it will get worse before it gets better.[153]

For homeowners seeking insurance coverage, this raises two problems. Increasingly, just as many of us will go without earthquake insurance—at our peril—due to its high cost, we'll see more of our neighbors going without coverage, if they don't have a lender mandating insurance as a condition of their mortgage. That presents the costliest option of course, leaving homeowners unprotected from inevitable natural disasters.

Second, as major insurers like Allstate and State Farm decline to sell any new policies in places like California and Florida, we should expect the diminished competition for our business, combined with rising climate risks, will compel state regulators to allow increasingly higher premiums among the pool of remaining insurers.[154]

The most direct way to reduce insurance premiums is to reduce risk. Homeowners with the resources to reduce wildfire risk in the hills of Los Gatos or Woodside, for example, might replace a wood roof with noncombustible materials, like slate or tile.[155] In the thousands of earthquake-vulnerable "soft story" apartments in San Jose, landlords can mitigate seismic risk for thousands of mostly low-income renters in San Jose with retrofits. Homeowners concerned about storm surges in Coastside communities like Half Moon Bay or Pacifica might invest in small modifications like sealing foundations156 or elevating utilities, or more costly protections like installing riprap. On the Bayside, there may be need to invest in vacating the living space on the ground floor,[157] as is common in coastal Florida, to allow occupancy up above. Obviously, soil erosion of our Coastside is different from the mere flooding or rising tide in coastal Florida, so this doesn't purport to be a one-size-fits-all (or "solves all") solution, but it can help many residents.

A federal "Resilience Savings Program" could enable millions of homeowners and apartment owners to affordably upgrade their homes, create thousands of jobs, reduce long-term costs for property owners, improve insurance markets (and costs) for policyholders, and reduce the inevitable taxpayer obligations that accompany every natural disaster that requires FEMA reimbursement.

All of this costs money of course—a lot of it. If the government footed the bill, the cost to taxpayers would balloon the already-bloated federal deficit, given the scale of retrofits required in millions of homes, and crowd out many other budgetary priorities. On the other hand, property owners motivated to improve the value of their property and reduce insurance premiums can be part of the solution—if we can help them afford it.

Cue the RSP, the same plan that we'd use to reduce utilities costs for homeowners. A federal RSP could enable millions of homeowners and apartment owners to affordably upgrade their homes, create thousands of jobs, reduce long-term costs for property owners, improve insurance markets (and costs) for policyholders, and reduce the inevitable taxpayer obligations that accompany every natural disaster that requires Federal Emergency Management Agency (FEMA) reimbursement.

RSP borrows from a familiar formula: an ounce of prevention is worth a pound of cure, and one that Democrats and Republicans should be able to agree upon.

3. Our Food and Groceries

Impacts of Retail Grocery Consolidation on Your Costs

The announcement of the Kroger and Albertsons' merger—at $24.6 billion, the largest grocery consolidation in history—followed a parade of regional and national grocery chain mergers in recent months.[158] Mergers aren't bad in themselves, but consolidation in highly concentrated retail markets, such as the Bay Area, tends to increase prices that we pay at checkout.[159]

As with all questions of economics, the issue comes down to whether the market is working or not—and for whom. Competition generally enables consumers to pay lower prices and get better quality. In the grocery industry, Walmart and the Kroger-Albertson's company now control 47% of the market nationally.[160] In some communities, they'll likely shutter some of their own stores where they perceive redundancy, which will narrow choices. There may be more food deserts, particularly in lower-income neighborhoods, and less competition. Already in the United States, 76 rural counties lack any grocery store at all.[161]

The age of the small, local grocer (like my grandfather's Notre Dame Market seventy years ago) has largely passed. The Federal Trade Commission (FTC) should not litigate every merger, nor litigate merely because one company or another seems "too big." The question comes down to whether sufficient competition exists in the market to enable consumers to benefit from a well-functioning market. Answering that question requires extensive economic analysis and expertise and won't be resolved in a campaign bumper-sticker.

Nonetheless, it seems indisputable that technology and globalization have had profound impacts on markets in recent decades, and not merely in high-profile, tech-rich industries. The two primary sources of federal antitrust laws—the Sherman Act (1890), Federal Trade Commission Act (1914), and the Clayton Act (1914)—have seen little revision in that time, and it's time to take a closer look.[162] Congress has an oversight role with the FTC as well. Congress should review the FTC's role in those industries whose price increases have had particularly painful impacts on consumers, to understand where the market is working, and where consolidation is creating monopolistic behavior that hurts consumers.

Stop Spending Taxpayer Dollars on Subsidies that Make Food Cost More

Agricultural subsidies have long had a controversial role for many economists and policymakers, but one thing we should all agree upon is to stop spending taxpayer money to make our food more expensive.

For example, corn comes to consumers in many forms each day, from Corn Flakes and grits in the morning, to tamales and tacos at lunch, to corn-on-the-cob at dinner. Corn prices remain elevated due to billions of wasted tax dollars for ethanol subsidies. By artificially increasing the demand for corn for biofuels such as ethanol, corn butanol, and biodiesel, the biofuel industry drives up the cost of corn as a food source.[163] Consumers not only pay more for their food, they pay for tens of billions in federal subsidies to benefit an industry that needs to either stand on its own or perish as other private industries must.

These massive biofuel subsidies—totaling tens of billions of dollars over the last four decades—come in many forms: favorable treatment under the tax code, tariff protection from foreign competition, and infrastructure subsidies.[164] The largest subsidy, though, lies in the existing Renewable Fuel Standard (RFS) mandate, which requires refineries to blend a minimum volume of biofuels with U.S. gasoline and diesel each year. While originally intended to serve as a catalyst to wean Americans from fossil fuels, most biofuels have failed to live up to their promise. A recent study from the National Academy of Sciences found that ethanol may contribute to even greater greenhouse gas emissions than gasoline.[165] The biofuel industry disputes these studies,[166] but regardless, technological progress since the passage of 1980s-era biofuel laws has made electric vehicles a far more promising and certain path to a future of green transportation than biofuels. Moreover, Congress intended to promote non-food biofuels (e.g. cellulosic biofuels) to fulfill the RFS requirements, but corn-based fuels still comprise 75% of these additives.

In the meantime, Americans pay for these biofuel subsidies in three ways: through higher prices for corn at the grocery store, higher prices at the pump, and higher taxes for the subsidies. If there are merits in the use of biofuels, let's let the markets and the science decide, rather than wasting taxpayer money to tip the scale. American consumers and taxpayers will be the beneficiaries.

Reduce Tariffs

Both parties have become fond of imposing trade restrictions to support U.S. industries. To be sure, there can be good reasons to hike tariffs and impose other trade barriers to accomplish critical political or economic goals, such as to attempt to deter China from engaging in trade secret theft or to protect national security.

While I support trade strategies narrowly focused on preserving national security and intellectual property, we've also seen protectionist measures that don't appear clearly targeted. Too often, moreover, tit-for-tat escalation persists until trade wars and export controls quickly outlive their utility.

Economists have told politicians for decades that the real losers of any trade battle are consumers who pay in the form of higher prices, as well as domestic industries that must face retaliatory tariffs in foreign markets. Low-income families disproportionately bear the burden of higher retail prices. The most recent trade war, waged by the Trump Administration in 2018, illustrates these harmful impacts.

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In 2018, the United States imposed tariffs on steel and aluminum imports from major trading partners and separate tariffs on a broad range of imports from China.[168] In response, Canada, China, the European Union (EU), India, Mexico, and Turkey imposed retaliatory tariffs on many U.S. exports, including a wide range of agricultural and food products. Individual product lines experienced tariff increases ranging from two to 140 percent.[169] The overall effect was a substantial reduction in U.S. agricultural exports, according to the United States Department of Agriculture (USDA).

MAJOR APPLIANCE CPI

Note: Monthly CPI of ELI HK01 — Major Appliances. Series indexed to 100 inFebruary 2018. The yellow dashed line indicates the implementation of the January 22nd tariffs on washing machines.

Source: Bureau of Labor Statistics

Meanwhile, U.S. consumers paid the price.[170] This chart, for example, shows how the price of major household appliances, which had fallen for many years, jumped with the imposition of the 2018 tariffs:[171]

More broadly, by December 2018, tariffs on imports cost U.S. consumers and importing firms an additional $3.2 billion per month in higher prices, according to Federal Reserve economist Mary Amiti and her colleagues.[172] The Tax Foundation found that the Trump Administration's tariffs had the equivalent effect of an $80 billion tax on American consumers.[173] We felt these impacts directly in our valley; homebuilders told me that they stalled multifamily housing developments due to spikes in steel and wood prices, for example.

While protectionist proponents would like to believe that the cost of the American tariffs will be born by foreign manufacturers, a National Bureau of Economic Research study concluded that the tariffs imposed in 2018 were "almost completely passed through into U.S. domestic prices, so that the entire incidence of the tariffs fell on domestic consumers and importers…with no impact so far on the prices received by foreign exporters".[174]

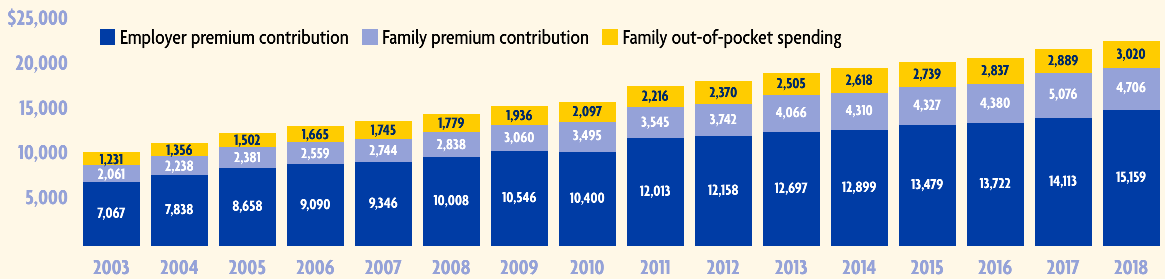
In short, we all pay for the higher tariffs we impose on foreign products.

Our tariffs create other costs as well. China's retaliation for the Trump Administration tariffs increased barriers on our own products. The USDA estimated a loss of $27 billion in American agricultural exports over an 18 month period due to the retaliation from the Trump-era tariffs, depressing economic growth in several midwestern states.[175] Two Federal Reserve economists concluded that the 2018 trade war resulted in a loss in gross domestic product and economic growth.[176]

4. Our Medicine and Health Insurance

Of all of our expenditures, the cost of medical expenses has become the scariest for many of us with health vulnerabilities. For families fortunate enough to have employer-provided health insurance, health care costs have grown at more than twice the rate of inflation, according to the Kaiser Family Foundation—and that's prior to the pandemic:[177]

HEALTH SPENDING BY AND ON BEHALF OF FAMILIES WITH LARGE EMPLOYER COVERAGE, 2003–2018

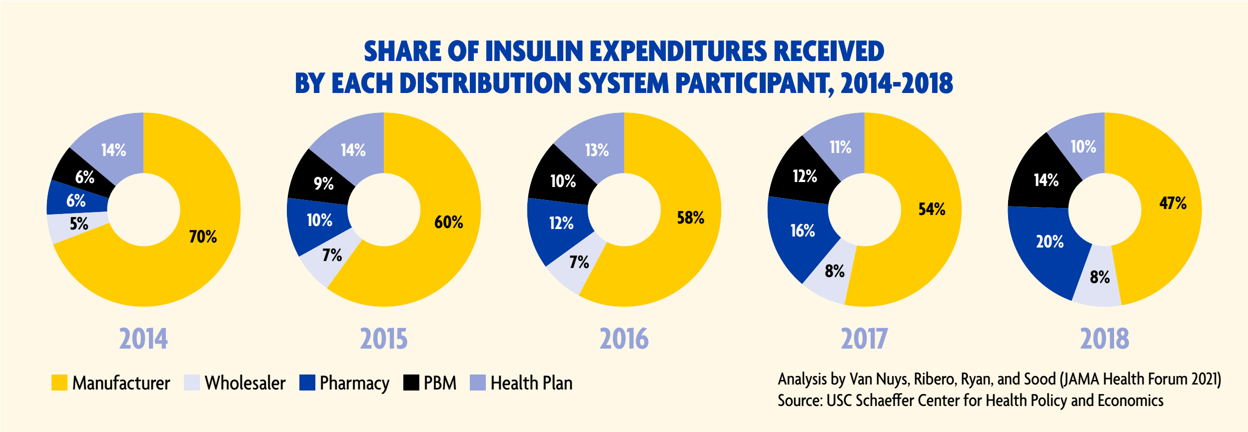


Note: Out-of-pocket costs are inflated from 2017 to 2018 because data are not yet available. Large firms have one thousand or more employees.
Source: KFF analysis of IBM MarketScan Commercial Claims and Encounters Database and KFF Employer Health Benefits Survey.

I don't pretend to have all of the answers, particularly in addressing the many complexities of this enormous industry, but a couple of promising solutions seem worthy of pursuit by Congress to reduce pharmaceutical and administrative costs.

The Cost of Pharmacy Benefit Managers: Why Shopping at Costco Saves Billions

It's no secret that the cost of pharmaceutical drugs has ballooned in recent years and increased over 15% from 2022 to 2023 alone.[178] In 2021, an estimated 18 million Americans couldn't pay for needed drugs.[179] While much of the policy debate focuses on the role of pharmaceutical manufacturers, it has largely overlooked the role of intermediaries or "middlemen" who transmit the drugs and payments between the manufacturer and patients, and every stakeholder in between. One 2021 study assessed the proportion of insulin expenditures attributable to charges of these middlemen.



In particular, pharmacy benefit managers (PBMs) operate in the middle of nearly every financial transaction in the drug delivery system.[180] While they often provide much-needed services to drug companies, insurers, employers, and patients, their position also provides them with extraordinary information access and leverage. Under most contracts that govern stakeholders in the drug delivery system, pharmaceutical prices remain confidential, proprietary, masked, or otherwise opaque to regulators, researchers, and the public.

The size and leverage of PBMs—the three largest are among the top 10 in the Fortune 500[181] and control 80% of the market[182]—enables them to negotiate better prices from drug makers, and that's good. That same leverage can also enable them to suppress market competition, raise drug costs, and pocket much of the difference. That's the problem.

How much of a difference? Economists at USC's Schaefer Center began to quantify that cost about a decade ago and found that for every $100 spent on retail pharmaceuticals in 2013, $41 went to distribution system intermediaries.[183] This happened for several reasons.

Some research has found that PBMs routinely steered patients toward higher-cost drugs despite the availability of lower-cost generic options.[184] Economists also point to practices such as "spread pricing," where a PBM reimburses a pharmacy one price for a prescription, while charging the health plan sponsor a higher price and pockets the difference (the "spread"). Neither the insurer nor the pharmacy knows what the other side was paid or charged, so the PBM's high margins remain hidden. The result? We all pay more for insurance premiums, and in many cases, on our prescription copays.

More transparency in the market wouldn't merely save us money as consumers, but as taxpayers as well. A study published in JAMA Internal Medicine found that for the 184 most common generic prescription drugs, Medicare could have saved $2.6 billion in 2018 if those same medicines had been purchased without insurance at Costco—at about a 21% discount.[185] Another study by Ohio's State Auditor found an even larger gap—31.4% on generic prescriptions filled for Medicaid recipients—costing Ohio taxpayers $208 million in one year.[186] Much more is spent on branded drugs than generics, likely exacerbating the PBMs' impacts on taxpayers.

Fortunately, some modest reforms have emerged—for example, in 2018, federal law finally prohibited "gag clauses" that PBMs used to prohibit pharmacists from telling customers that their co-pay for some drugs actually exceeded the retail price of the drug.[187] But large spreads persist, at the expense of consumers and taxpayers.

What's needed to make the market work better? Pricing transparency and competition. Senators Chuck Grassley and Maria Cantwell offer a good start with a bipartisan bill that would prohibit PBMs from engaging in spread pricing and another gouging technique known as "pharmacy clawbacks" unless they pass all rebates and concessions received from drug makers to insurers and disclose all pricing information and all fees, markups, and discounts charged to health plans and pharmacies.[188] The bill was placed on the Senate's legislative calendar in December 2023,[189] and the next Congress must vote to pass it.

More competition could help as well. We could start by reducing the barriers to entry for competitors in many states' PBM markets—something most effectively done at the federal level—and possibly expanding access to Canadian drug suppliers who meet FDA safety standards.[190] Above all, we need to ensure market participants have fair access to information, by requiring greater pricing transparency for regulators and consumers.[191] Markets work to deliver quality products at competitive prices only when buyers and sellers have information—let's give it to them.

Paying Less for Paper: Reduce Administrative Costs

Administrative costs account for an estimated 25% of U.S. health care expenditures, with 82% of administrative costs attributable to billing and insurance-related (BIR) tasks.[192] The United States has significantly higher BIR costs than comparable wealthy nations.

The greatest source of difference? U.S. health care employees spend many more minutes on billing tasks, especially coding activities.[193] One CEO reported that doctors in his health care system spent 46% of their time resolving issues with coding.[194] Countries with reduced BIR costs—such as Canada, Germany, Singapore, and the Netherlands—each standardize how payers compensate providers. Many of them use a single coding schedule to automatically generate billing codes from diagnoses.

By contrast, each U.S. payer requires different sets of forms and documentation. Providers must carefully document patient conditions and diagnoses, then justify treatment using 180,000 billing codes.[195] Coding complexity encourages fraud and allows insurance companies to reject claims as medically unnecessary.[196]

Simplifying and standardizing payment contracts would reduce BIR costs and reduce fraud, translating to reduced premiums. One study estimated that this strategy would reduce a $22,000 annual premium by up to $2,100.[197]

How can Congress help? It could require the HHS to convene industry leaders to come to agreement on standardization of coding and contracts.[198] Thousands of American manufacturers of electrical appliances implicitly agree on a single way for plugging their products into a wall socket, but it always starts with the largest players in the market. To provide an incentive to get to agreement, Congress can condition federal Medicare and Medicaid payments on adoption of industry standards within, say, 24 months. If they fail to agree, then HHS can issue its own framework and mandate state compliance.

Republicans and Democrats may not agree often, but we should all agree that eliminating the deadweight costs of administrative paperwork from our health bills should provide a win-win-win.

Republicans and Democrats may not agree often, but we should all agree that eliminating the deadweight costs of administrative paperwork from our health bills should provide a win-win-win: more affordable and better care for residents, lower costs for taxpayers, and many relieved doctors and health care workers who feel less chained to the burden of these administrative tasks.

5. Our Child Care

Of course, children comprise the subject of our families' most important expenditures. Child care also constitutes the biggest expense for many, after rent. The lack of affordable care has become a crisis that prevents many parents–overwhelmingly women–from returning to the workforce. Even where parents can work, too many children are nervously left in the hands of poorly skilled caregivers.

Even before the pandemic, more than 60% of California families lived in a "child care desert." The crisis has since become more acute, as three out of 10 care providers disappeared through the pandemic. We hear similar tales of woe in other high-cost regions of the country, and Congressional action is long overdue.

The lack of affordable child care has become a crisis that prevents many parents–overwhelmingly women–from returning to the workforce

Two approaches appear essential: first, we must boost support for struggling families that cannot afford child care and must work. Second, we need to expand the supply of qualified caregiving for every family, regardless of income. Congress can help with both; if it's willing to recognize the urgency of this problem.

Let's start with families who struggle the most financially. For them and for our economy, there can be few or no better investments of federal money than for child care. In the short term, the economy and federal tax coffers benefit from thousands of young parents, particularly women, returning to a wide range of industries suffering from substantial labor shortages. We see this particularly within low-income families, where one federal study found that higher child care subsidies substantially increased employment rates of mothers with young children. In the longer run, high-quality care produces benefits we see in the children themselves, in their personal development, education, and economic opportunity. Many sociologists find intrinsic value in children seeing their parents going to work each morning, inculcating expectations of responsibility for their own schooling and work in the future.

One obvious mechanism for supporting families lies in the child tax credit. The most recent tax package included a refundable $2,000 child tax credit that passed with strong bipartisan support in the House in January and now goes to the Senate. The fact that a deeply divided house can pass such a measure by an overwhelming margin should give us all hope. A larger tax credit, means-tested to reduce its budgetary impact and to target benefits for our poorest families, could do even more, as we saw during the pandemic-era $3,600 credit that lifted millions of children out of poverty.

A more direct subsidy for families struggling with child care is provided by the Child Care and Development Fund (CCDF), which provides direct assistance to low-income families who need child care to work or attend school. One study concluded that tripling the scope of CCDF support (currently only 15% of eligible low-income families actually receive help) could lead to the additional employment of more than 652,000 women with young children. That could provide a dramatic boost to the economy, to many employers, and to more than half a million families.

How to pay for any of this? We can start by recognizing the additional tax revenue generated when more parents work. Their additional household income, of course, has ripple effects throughout an economy—or what economists call a "multiplier effect"—that also boosts the

Treasury's coffers. Of course, some cuts will need to be made to other programs to pay for it. Here's one idea: we could triple the CCDF, as noted earlier, with only a small fraction of the massive $96 billion in tax expenditures and direct subsidies that the federal government provides to the oil and gas industry, primarily through tax benefits on the extraction of fossil fuels outside of the United States. That's a trade-off that every member of Congress should be forced to consider, and if they lack the fortitude to do so, they should be required to explain their position to thousands of working parents in their districts.

To expand the supply of child care, federal block grants can support one-time investments with long-term beneficial impacts nationwide. Investing in programs that provide training and certification for child care providers, along with small business technical assistance for tasks like web design and child safety training, can help many in-home care providers get their start. We could also broaden an earlier idea of mine, described in the "Housing Costs" section (for expanded tax credits to renovate empty office and retail buildings), to stimulate the creation of child-friendly ground-floor spaces in existing buildings. The tax revenues generated by the revival of these moribund buildings can help to offset some of the public cost of these investments.

OUR ENVIRONMENT AND CLIMATE

Too many politicians—particularly in my own party—eagerly set ambitious climate goals and targets through legislative resolutions. Everyone cheers for goals. Goals make for great press releases. Setting goals doesn't invite messy battles or bruising political fights with well-financed opponents or powerful stakeholders. Goals help their champions in election seasons. Goals just don't do a lot to actually save our planet.

The much harder work comes in implementation. It requires fighting difficult battles against the oil and gas industry, wealthy developers, the plastics industry, large corporate gas and electric utility companies, and other politically powerful interests. It requires enacting policies with direct impacts and implementing the change we need to move the needle in reducing GHG emissions.

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I've divided this discussion into two parts: what I've done, and what I commit to do. You deserve to know both.

My Record

As Mayor of San Jose, I led coalitions and initiatives that battle against billionaire developers, the gas industry, large corporate utilities, the plastics industry, to:

- Reduce San Jose's community-wide greenhouse gas emissions by 36% between 2008 and 2021 (even starting from a Great Recession-induced nadir in emissions).
- Make San Jose the largest U.S. city to launch a community choice clean energy utility in 2018, which today provides lower-cost 95% GHG-free electricity to one million residents and thousands of businesses.
- Permanently protect hillsides and open spaces against development in two heavily contested ballot measures (2018 Measures B & C), overcoming billionaire developers who spent millions on deceptive voter ads.

- Permanently preserve Coyote Valley, leading a voter approved measure (2018 Measure T) that would protect open space, hillsides, and clean water resources for future generations.
- Made San Jose the largest city in the U.S. to mandate all-electric residential and office construction, that is, banning gas on new construction. Even the best gas piping releases methane, and gas is 28 times more potent than CO2 at trapping heat in the atmosphere.
- Launch the San Jose Resilience Corps, employing hundreds of young adults from low-income neighborhoods in jobs improving climate resilience, such as by planting drought-tolerant trees in City parks, and clearing defensible space to protect neighborhoods from wildfires.
- Advocate before Congress (in my 2021 Congressional testimony) for stricter fuel efficiency standards, spoke by invitation to international audiences at COP 27 in Egypt, the Vatican, and other major convenings about how San Jose provides a model for other cities to tackle climate change.
- Co-lead (raising money, speaking to the media, etc.) four ballot measures to generate funding for regional transit projects, such as CalTrain, bus rapid-transit, and BART.
- Champion San Jose's rapid expansion of safe cycling infrastructure, adding hundreds of miles of bike lanes and dozens of miles of "protected" lanes, while implementing many miles of "road diets" and eliminating parking minimums for new development.
- Partner with the private sector to open the nation's largest dry anaerobic digestion waste-to-energy plant in the nation, which captures methane before it can get into the atmosphere to fuel operations.
- Take on the plastics industry and make San Jose the largest city in the U.S. to ban plastic bags (as a councilmember, working with Save the Bay and Councilmember Kansen Chu, in 2009).

My Priorities

My environmental priorities as your representative in Congress will fall into six categories:

1. Accelerate the Transition from Fossil Fuels

Climate action is not a spectator sport. Accelerating the transition from fossil fuels will require everyone's participation. One tool that could help, as I've noted earlier, a RSP program. That is, Congress could enact federally-backed financing to empower homeowners, apartment owners, and small businesses to invest in battery storage, rooftop solar, heat pumps, and other ways of greening their energy use and reducing their power bills. This plan, derived from a combination of PACE programs and GSE-based financing, is described in greater detail in the "Cost of Living" section of this book, in Chapter 4.

Congress must do more to free itself, and our country, from the grip of the powerful gas and oil industry. In the near term, we must push against any new offshore drilling and fracking, and impose strict limits and enforce the expiration of leases on existing drilling and fracking sites. We can dramatically reduce our deficit and save taxpayers by eliminating federal subsidies or oil and gas production, including cuts of more than $96 billion in direct subsidies and tax expenditures proposed by the President's FY2024 budget (but rejected by Congress this year). All of this requires a more independent Congress. For that reason, I have pledged to refuse any campaign contributions from big oil, big gas, or other prominent fossil fuel interests.

To drive transformation over the longer haul, we'll need to push to put a price on carbon. I support the implementation of what is known as a "carbon dividend," which incentivizes consumers to shift to renewables by directly providing revenue generated from carbon-based fees on major fossil fuel companies to taxpayers. This amounts to the most powerful market-based approach to holding the fossil fuel industry accountable.

2. Protect and Preserve Our Precious Coastline, Shoreline, and Hillsides

Protecting our natural resources must begin by embracing and implementing what conservationists know as "30×30." The national and global campaign to conserve 30% of the Earth's land, inland waters, and oceans by the year 2030 will be essential for our environmental goals. However, it also requires hard choices at every level of government and federal partnership with local efforts by organizations like the Peninsula Open Space Trust to preserve our Valley's hillsides and open spaces, to protect our shoreline and Peninsula hillsides, and to provide incentives for private landowners to conserve their lands permanently. I will also champion federal funding for wetlands restoration, coastal protection, and natural adaptation to sea-level rise, such as in the South Bay Salt Ponds and the rest of the Shoreline Plan.

3. Focus on the Grid

Our electric grid is the world's largest machine, and the most important tool to enable our transition from fossil fuels to renewables.

A serious question exists as to whether the grid is up to the task; it requires massive investment to improve its capacity and reliability. I will push to reduce "peak load" burdens on the grid through distributed

Our electric grid is the world's largest machine, and the most important tool to enable our transition from fossil fuels to renewables...But a serious question exists as to whether the grid is up to the task.

generation and storage. As described in the “Cost of Living” section of my book, posted above, I’ve proposed a federally-backed financing program to empower homeowners, apartment owners, and small businesses to invest in battery storage, rooftop solar, heat pumps, and other ways of greening their energy use.

We also need permitting reform. Grid reliability and capacity critically depends on our ability to rapidly and cost-effectively expand our interstate transmission lines, which must navigate the permitting processes of 50 different states. Legislation like the BIG WIRES Act, which would require grids in different regions of the country to share power between them so that we can more efficiently get the energy from where it’s made to where it’s needed.

4. Prepare our Communities for Climate Impacts

It’s already here. Wildfire smoke. Hotter days. Flooding. Sea level rise. While we push hard to slow down climate change, we must also prepare ourselves for the new reality. The federal Bipartisan Infrastructure Law provides more than $50 billion to projects around the country to protect against floods, heat, droughts, wildfires, and other climate change impacts. I will push to ensure that our district gets its share of these federal funds. I will also push to create a federal program to provide federally-backed, low-cost financing to homeowners and apartment owners to harden their homes against climate change (e.g. replacing wood shingles with fire-resistant roofing and installing ceiling sprinklers) and other improvements that would save lives and property, and help residents obtain and retain property insurance coverage.

5. Kicking Our Plastics Addiction

Plastic is produced overwhelmingly from natural gas feedstocks, and to a lesser extent, from oil. We need some plastics, and others appear superfluous, but nearly all plastics are full of toxic chemicals that never biodegrade—“forever chemicals” that are now found in our blood and in practically every living thing on Earth. We are just beginning to understand the great harm caused to human health and to the environment.

Oil and gas companies that see us transitioning away from using fossil fuels have a destructive Plan B: get us even more hooked on plastic and plans appear underway to massively accelerate petrochemical plastic production over the next decade. Just 10% of plastics are recycled. We can do better. I will push to require the petrochemical industry to take responsibility for the post-consumer management of their products, and to ensure the plastics around us remain safe for humans, other creatures, and our environment.

6. Fund the American Climate Corps

When I was mayor, I created the San Jose Resilience Corps to leverage the energy and idealism of our young adults to engage in specific projects—ranging from tree planting, to water conservation, to wildfire hardening—that protected our environment and improved our climate resilience. We provided hundreds of paid jobs to hundreds of young adults living in low-income neighborhoods, and our community saw concrete benefits. The program provided a major "pivot" for many young adults disconnected from school or work, and we could see their energy and passion build as they became more involved in the work. We also provided career pathways for dozens of the participants to employment where the city and other employers had struggled to fill positions with qualified candidates. They now have a "training program" that enabled them to see who performed at a high level despite less-than-perfect resumes.

At the urging of young climate activists, President Biden recently created the American Climate Corps with a similar idea. However, it remains largely unfunded by Congress. We need to make the Climate Corps a reality, echoing an earlier generation's call for service to our planet in a moment of urgent need.

Working with our environmental advocates, regulatory agencies, and industry, Congress must move quickly to save our planet. Let's get it done.

UNDER CONSTRUCTION

This book is under continued expansion and revision. I intend to add more to the "Our Environment and Climate" chapter while also starting a new chapter, entitled "Our Innovation Economy." The topics covered under the **"Our Innovation Economy"** will include:

- Protecting Our Children Online
- Immigration and the War for Talent
- Workforce Development and Equity
- Artificial Intelligence and Pandora's Box
- Regulation of Cryptocurrency and Blockchain
- Research and Development Investment, Incentives, and Disincentives
- Protecting Intellectual Property in a Hostile World

Please check online at samliccardo.com/plan to find new sections and revisions.

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