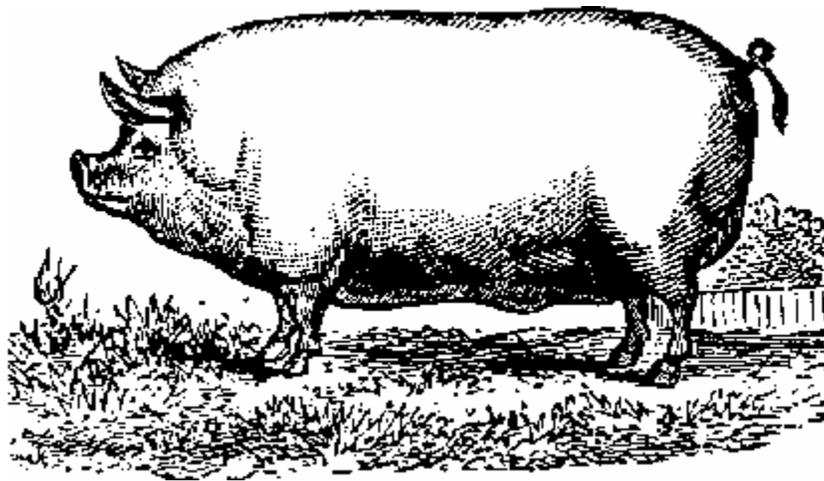


**Citizens Against Government Waste  
and  
The Howard Jarvis Taxpayers  
Foundation**



**2007 CALIFORNIA  
PIGLET BOOK**

“The Book Sacramento Doesn’t Want You to Read”

## **CITIZENS AGAINST GOVERNMENT WASTE**

Citizens Against Government Waste (CAGW) is a private, nonprofit, nonpartisan organization dedicated to educating the American public about waste, mismanagement, and inefficiency in the federal government.

CAGW was founded in 1984 by J. Peter Grace and nationally-syndicated columnist Jack Anderson to build support for implementation of the Grace Commission recommendations and other waste-cutting proposals. Since its inception, CAGW has been at the forefront of the fight for efficiency, economy, and accountability in government.

CAGW has 1.2 million members and supporters nationwide. Since 1986, CAGW and its members have helped save taxpayers \$944 billion. CAGW publishes a quarterly newsletter, *Government Waste Watch*, and produces special reports, monographs, and television documentaries examining government waste and what citizens can do to stop it.

CAGW is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954 and is recognized as a publicly-supported organization described in Section 509(a)(1) and 170(b)(A)(vi) of the code. Individuals, corporations, companies, associations, and foundations are eligible to support the work of CAGW through tax-deductible gifts.

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## **THE HOWARD JARVIS TAXPAYERS FOUNDATION**

The Howard Jarvis Taxpayers Foundation (HJTF) is the affiliated foundation of the Howard Jarvis Taxpayers Association (HJTA). Both HJTF and HJTA are dedicated to the protection of Proposition 13 and fighting for taxpayer rights in the state of California.

These organizations are named for Howard Jarvis, the father of the modern tax revolt movement who, along with his wife Estelle, worked tirelessly to preserve homeownership for millions of Californians who were being threatened by steep increases in property taxes.

Today, with over 200,000 members, HJTF maintains offices in both Los Angeles and Sacramento conducting its lobbying activities, litigation efforts and, of course, proposing new citizen sponsored initiatives to keep government taxation and spending in check

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## **Introduction**

The *2007 California Piglet Book* marks the fifth consecutive year of publication for the joint exposé of the waste, fraud, abuse and mismanagement by California government officials by the Howard Jarvis Taxpayers Foundation (HJTF) and Citizens Against Government Waste (CAGW).

The purpose of the *California Piglet Book* is to focus public attention on the misuse of the taxpayers' money. Both J. Peter Grace and Jack Anderson, the co-founders of CAGW, and Howard Jarvis, the father of Proposition 13, believed that an informed citizenry armed with the facts was the best weapon to fight wasteful spending on the part of those entrusted with our tax dollars.

What follows is an extensive compilation of some of the worst examples of the abuse of taxpayer dollars by California politicians and bureaucrats since the publication of the *2006 California Piglet Book* in September 2006. The examples vary from millions of dollars spent on non-functioning computer systems, to funding provided for "ghost" students, to the sweetening of a contract for a deceased public employee, to water agencies funding education museums and tree planting programs with ratepayer dollars. The waste, fraud and abuse listed in the *2007 Piglet Book* totals more than \$3 billion. All of the examples herein reflect a profound lack of respect by many in government for the efforts by taxpayers to provide these public dollars. Sadly, these instances are only the tip of the iceberg.

While those responsible for the worst acts of waste, fraud and abuse may believe that the public is not watching or does not care, most are capable of being embarrassed when they are caught behaving badly. They should feel a sense of humiliation as their incompetence and misconduct receives this additional public scrutiny. The goal of this publication to inspire those currently serving in government to work harder to spend the taxpayers' money responsibly and avoid inclusion in the *2008 California Piglet Book*.

## **Local Government Waste & Overspending**

Former Speaker of the House of Representatives Tip O'Neill quipped that all politics is local. This section illustrates that the same can be true for government waste.

A January 8, 2007 article in the *Los Angeles Daily News* reported that fraud and abuse by Los Angeles County employees and recipients of county services may be costing taxpayers nearly \$2 billion a year. Figures from a county grand jury estimated that welfare recipients are stealing \$500 million a year, and prosecutors have estimated fraud in food stamp and healthcare programs is costing taxpayers more than \$200 million annually.

A December 12, 2006 article in the *Daily News* detailed the scam, which involves grocery and convenience stores exchanging electronic food stamps for 50 cents on the dollar, and then keeping the rest. The stamps are usually fraudulently obtained in the first place. The article noted that nationally, the food stamp program represents \$29 billion in benefits, and many beneficiaries are now using electronic cards instead of traditional food stamps. A *Los Angeles Times* article on December 15, 2006 cited merchants who said they are more than happy to exchange food card benefits for cash, as long as they get their cut. The article quoted Los Angeles Police Captain Andrew Smith: "We have taxpayer money meant for food being converted to cash that goes to buy drugs from dealers and gang members."

The local fraud extends well beyond food stamps and welfare, to childcare and Section 8 housing. "It's as though in all the public assistance someone put a pot of gold in the middle of the street and walked away from it with very little integrity controls. It's bad throughout the entire county. We do two or three major sweeps a year where we go out and arrest people. In case after case, they are driving Beemers, Lexus and Mercedes automobiles, or we have evidence they are taking expensive vacations, going on very nice cruises or living in expensive homes," said James Cosper, head deputy in the District Attorney's Office Welfare Fraud Division in a January 6, 2007 *Daily News* piece by reporter Troy Anderson.

The National Association of Certified Fraud Examiners estimates 5 percent of the revenues of businesses and government agencies are lost to employee fraud, waste and abuse each year. Anderson's article extrapolated this figure against the \$21 billion L.A. County government budget and estimated the county loses at least \$1 billion annually.

County employee fraud also emerged as a concern after investigators discovered more than 120 instances of "falling out of chair" workers compensation claims as well as doctors who worked 24 hours a day for weeks at a time at Martin Luther King-Drew Medical Center. The latter time card issue has proven to be very serious, according to the *Daily News*, as the Los Angeles County Board of Supervisors has received thousands of reports that, "employees earned overtime equal to half or more of their pay and hundreds doubled or tripled their salaries." This has caused county overtime costs to increase dramatically, from \$296 million in 2003-2004 to \$423 million in the 2005-2006 fiscal year, or \$113 million over budget.

The *Daily News*, on April 30, 2007, reported that Compass Group USA Inc., which runs the inmate stores at Los Angeles County jails, underpaid the county by nearly \$650,000 between 1999-2005 while at the same time treating Sheriff's Department employees to free meals. The company also used some of that money for its own travel costs, meals, and entertainment.

The January 29, 2007 *Daily News* reported that the Los Angeles Congress of Neighborhood Councils

planned to hold a one-day meeting in April 2007 at a cost of \$160,000. Not only is that figure excessive for any one-day conference, the article also noted that only 2,000 were expecting to attend, averaging out to \$80 per person. Those are some expensive meals.

Kerry Cavanaugh reported in the May 21, 2007 *Daily News* on L.A.'s \$6.8 billion General Fund annual budget (covering public safety, roads etc.), which is enough to buy four NASA space shuttles at about \$1.7 billion apiece. Cultural and education programs make up nearly 2 percent of costs. This category includes \$290,000 for artists in residence and \$350,000 for festivities celebrating Asian Pacific Islander and other heritage months. Additional wasteful expenditures include \$550,000 for calligraphers to decorate proclamations and honors.

Abuse of taxpayer dollars by public health institutions is enough to make a citizen sick. Ryan Huff of the *Contra Costa Times* wrote on November 19, 2006 that, in 2004, the healthcare district that runs Doctor's Medical Center in Contra Costa County told voters that a \$6 million parcel tax (about \$52 per home) was the only way they could continue to operate. Taxpayers responded by passing the tax, putting their trust in a new administration to turn the beleaguered hospital around. Management took this vote of confidence and, according to Huff, spent more than \$50,000 over three years on items such as the following:

- One hospital board member "spent \$1,800 of taxpayer money to attend a leadership conference at a world-class resort near Palm Springs, where seminar topics included ethics and restoring public trust." This occurred two weeks after the tax passed.
- "When Christmas rolled around that year, hospital CEO Irwin Hansen made sure to spread a little holiday cheer among eight administrative employees and five board members – buying them a total of \$2,600 worth of crystal doves and other glass gifts. Taxpayers also pitched in \$1,950 for a holiday party so those leaders and their guests could drink Napa merlot and dine on coconut prawns and savory baked brie.
- "Even as the bankrupt hospital reported losses of more than \$1 million per month and nearly closed, its leaders stayed at five-star hotels, spent thousands on catered events and ate at fancy restaurants on the public's dime, according to a *Times* investigation of financial records obtained under the state's Public Records Act."

Perhaps feeling guilty over his impropriety (and his \$240,000 annual salary) Hansen responded to the allegations by saying, "I'm sick of this. I am going to quit this (expletive) job," he said. "I don't need this kind of scrutiny." However, a little bit of scrutiny regarding Mr. Hansen was performed by Chris Rauber of the *East Bay Business Times* on December 3, 2004. He noted that the hospital was turning around following the passage of the parcel tax, and then added, "The turnaround at Doctors is something of a professional turnaround for Hansen, too. When he resigned as president and CEO of Alta Bates Summit Medical Center in 2001, the hospital was \$40 million in the red."

Not surprisingly, Hansen's turnaround at Doctor's was similarly short-lived. The hospital filed for Chapter Nine bankruptcy in October 2006, and Hansen resigned in April 2007. The county is now running the hospital through a Joint Powers Authority agreement and it is still losing \$2 million a month, according to a May 18, 2007 article in the *East Bay Business Times*. Discussions are underway to determine how the hospital can become solvent. Options may include, you guessed it, another parcel tax.

The ABC television affiliate KFSN in Fresno County, on December 12, 2006, reported that county administrators over-billed the California Department of Mental Health by millions of dollars. These accounting mishaps were first discovered by Fresno County Auditor Vicki Crow, who noted that the Fresno County Board of Supervisors will be stuck with the mess. She told KFSN, “As a result, every year we have had to pay back between \$3-5 million to the state...it’s like me buying a Mercedes knowing I can’t make the thousand dollar payments, but I keep sending bad checks.” In the months following this report, Fresno County officials have said they will need to cut about \$10 million in mental health programs out of the forthcoming fiscal budget, according to a story in *The Fresno Bee* published in April, 2007.

A November 22, 2006 article in the *Stockton Record* highlighted a San Joaquin County supervisor’s attempt to pork up the county with various projects. The problem began in 2003 when the county allowed each of the four supervisors to receive \$100,000 a year in 2003 and 2004, \$200,000 in 2005 and \$500,000 in 2006 for “special projects.” Reporter Greg Kane noted that during that time, one supervisor had “used \$200,000 to save a struggling children’s dentistry program, while another had contributed nearly \$65,000 for everything from youth projects to agricultural marketing programs.”

However, actions by now termed-out Supervisor Jack Sieglöck take the cake. It turns out that Sieglöck, who hadn’t spent any of his money, had two months left in office and more than \$800,000 burning a hole in his pocket. While the board put a temporary hold on Sieglöck’s biggest projects, it still approved \$120,000 in spending including the purchase of new vans at a community center.

The only real winner out of this debacle may be Supervisor Victor Mow, who has not spent a dime of his money. He believes in the radical idea that county departments should make these requests in hearings, where they can be appropriately analyzed. “This process kind of flies in the face of [the budget] process,” Mow said.

Doug Oakley of the MediaNews service reported on May 22, 2007 that the Berkeley Housing Authority could not determine which of its tenants were alive, as it doled out federal rent subsidies for 15 dead tenants for perhaps as long as two years. In a smart move, the Berkeley City Council responded by firing all 22 housing authority employees.

However, that decision was frustrated by the fact that 14 employees are protected by union contracts, so they must be transferred to other departments within the city. The logic perturbed Councilman Kriss Worthington, who commented, “If they messed up, why in the world would we want to move them to another department, where they can mess up there, too?” Beyond paying for dead tenants, other errors by the housing authority included paying Section 8 rent subsidies for tenants who did not qualify financially, and failing to verify whether subsidized apartments were occupied.

An October 31, 2006 *San Francisco Chronicle* article by Kevin Fagan documented how money is spent on San Francisco’s homeless population. This represents bureaucracy at its finest; a twisted web of eight city departments that spend at least \$108 million annually on direct services to the homeless or those in danger of becoming so. According to the *Chronicle*, “this consists of \$89 million going to about 76 private, mostly nonprofit organizations under some 400 separate contracts.”

Crucial in keeping track of this money is a computer system that would allow the city to better allocate resources. In 2002, it was estimated that such a system would cost \$340,000. While a system is now available to compile who is in a shelter at any given point – costing taxpayers \$2.1 million – there is still no way to connect these agencies together. However, San Francisco and the federal government

continue to squander tax dollars on this program, appropriating a combined \$600,000 to pay for consulting staff and equipment in the 2006-2007 fiscal year alone.

*San Francisco Chronicle* columnists Phil Matier and Andy Ross, on April 22, 2007, wrote about a crackdown on MUNI (San Francisco Municipal Railway), the city's public transit system, for throwing two lavish parties that cost taxpayers \$158,000 to celebrate the opening of a new metro line. A ribbon-cutting ceremony included a "harpist, uniformed servers passing around quiche and salmon treats, and a red carpet." The second gathering included a giant tent and lots of free food and entertainment.

However, the party only added to the cost of a project that was already well over budget after cost overruns and change orders. In a January 15, 2007 Matier & Ross article, the columnists noted that these alterations totaled \$154 million and included mis-designed stations, leaving structural steel supports hanging well into the roadway, and suspect concrete poured by a sub-contractor. A host of unfixed problems still remain, such as flimsy railings, rusting joints, and at one station, a platform lower than track level.

Sadly, this was not the only taxpayer-funded party in 2007. The Benicia-Martinez Bridge east of San Francisco faced substantial cost overruns totaling approximately \$750 million, and delays extending for years. To celebrate that tremendous achievement, Caltrans and the Bay Area Toll Authority (BATA) decided to waste even more money. They hired a consultant to help plan a lavish party for the grand opening of the bridge that could cost more than \$600,000. Denis Cuff, in the July, 11, 2007 *Contra Costa Times* reported that BATA scaled the party down to \$75,000, and much of that will come from private donations.

A *Los Angeles Times* article by Steve Lopez on November 29, 2006 shed light on Mr. Tennie Pierce, an African-American Los Angeles Fire Department veteran who is suing the city for millions of dollars after being secretly fed dog chow on the job. Despite the fact that such incidents have occurred before and were considered "hazing," Pierce is suing anyway, citing racial discrimination and emotional distress (even though white officers were subject to the same prank in the past). As of June 4, 2007, Tennie's lawsuit against the city is moving forward in trial. Los Angeles Mayor Antonio Villaraigosa wisely vetoed a City Council-approved \$2.7 million settlement, forcing the trial. While damages could end up higher than the settlement, it is the taxpayers' hope that the message will be sent that government will not roll over in the face of frivolous lawsuits that take money from vital public services.

Matt Lait of the *Los Angeles Times*, on January 27, 2007, reported that the Metropolitan Water District (MWD) has spent \$16 million in ratepayer money to finance a yet-to-be open museum, the Center for Water Education in Hemet, which tells "the story of water" in Southern California. What's worse is that the MWD asked its board of directors to authorize \$4 million to save the project from bankruptcy. Less than a month after the *Times* article was published, the board granted this request and then some, giving the museum \$4.67 million.

If taxpayers weren't seeing red before the board's decision, they certainly were soon thereafter. Following this vote, the MWD Board of Directors made a proposal to increase wholesale water rates in January 2008 by \$30 an acre-foot. If approved, ratepayers would see an increase of between 70 cents to \$1.25 in their monthly bills.

"We think this is horrible public policy," HJTA President Jon Coupal told the *Times*. "I think most taxpayers would be deeply offended to see their money going toward a water museum. If they really want to inform the public on conservation, they could include an insert with your bill."

*Los Angeles Times* reporter Cara Mia DiMassa, on May 3, 2007, described a device quickly making its way around Los Angeles that clearly deserves to be washed away: a \$300,000 automated toilet. “Costing as much as a small downtown condo, it offers instructions in Vietnamese, French, Italian, Spanish, English and Braille, advising passersby to drop a quarter in the slot and step inside,” wrote DiMassa.

Taxpayers have not received much for this large investment. The article continued, “Six months after the arrival of the automated public toilet in Pershing Square – and 2 1/2 years after officials began installing public toilets in the city – only one of seven facilities actually works.” Six non-functional toilets equals a cost to taxpayers of \$1.8 million, not counting maintenance and upkeep from the three city departments tasked with keeping them functioning. The result is a classic case of government impeding itself, rather than assisting citizens. Even if the city was flush with money, this would still be a waste.

The California Taxpayers Association (Cal-Tax) *Digest*, on September 18, 2006, reported that San Jose officials have been violating city spending policies. For example, \$135,000 was spent between July 2004 and June 2005 on meals that violated the reimbursement limit. One official spent \$900 over the course of five days. Three \$180 Mont Blanc pens were given by city officials to airline executives and six \$95 Tiffany key rings were given to visiting Japanese airport officials.

Top officials and board members of the San Diego County Regional Airport Authority spent about \$466,000 on business and travel expenses from 2003 to 2006 according to Craig Gustafson in the June 20, 2007 *San Diego Union Tribune*. The expenses included about 240 taxpayer-funded trips to distant locations, including: Bermuda, Hawaii, London, New Zealand, Paris, the Philippines and Tokyo, covering hotel costs, plane tickets and gifts.

According to the article, “the four-year-old authority paid about \$665,000 in relocation benefits to entice 10 new executives to move to San Diego. That includes about \$195,000 in closing costs paid on the homes bought and sold by executives.” This did not include temporary housing for the new executives, with monthly rents as high as \$4,175. The authority also picked up bills for cable television, furniture rentals, utilities and house cleaning.

The San Diego Chargers had the most successful season in their history in 2006, going 14-2 in the regular season, before losing in the second round of the playoffs. Nonetheless, the city still lost between \$400,000-\$900,000 on the season. The city spent \$600,000 on rent and more than \$700,000 on police. Taxpayers must question if it is worth it to them to continue to absorb such losses.

However, that is not the end of the story. The Chargers are looking to move out of aging Qualcomm Stadium to other places that could generate more revenue, including Oceanside and Chula Vista, according to David Sterrett in the *North Coast Times* on March 22, 2007. Because of that, Oceanside (clearly not learning from San Diego’s experience) has set aside \$100,000 of taxpayer money for a “stadium consultant.” And the cycle begins again.

The May 10, 2007 *Ukiah Daily Journal* reported that a Mendocino County grand jury found that county supervisors are making false mileage and meeting claims, which helped to more than double the expense budget between fiscal years 2005-2006 and 2006-2007. Supervisors, beyond their \$68,000 salary, also receive an annual vehicle stipend of nearly \$1,800 and another \$300 for serving as “county road inspectors.” If these perks weren’t sweet enough, supervisors are now abusing their mileage privileges. One supervisor claimed 22 round trips to Ukiah in one month, one trip for every weekday despite the fact that supervisors usually meet only two days per week.

The city of Ventura has gone to great lengths, at taxpayer expense, to hire a new city attorney. The *Ventura County Star* reported on July 12, 2007 that Ariel Calonne will be brought in from Boulder, Colorado because there are apparently no qualified attorneys in California. Beyond his nearly \$200,000 salary, Calonne will get other perks for moving, including \$12,000 annually paid to a retirement account and another \$4,200 for an annual car allowance. If that wasn't enough, the city will also pay for up to five round-trip coach airfares between Denver and Los Angeles in his first six months, or until 10 days after he sells his Boulder house.

In yet another example of local agencies sucking taxpayers dry, the *Palm Springs Desert-Sun* reported on June 13, 2007 that the Coachella Valley Mosquito and Vector Control District has a windfall of nearly \$13 million in reserves. However, it still insists on collecting a "benefit assessment" tax that generates \$2.5 million a year, at about \$16.50 per household. Naturally, this much money gives local agencies more excuses to deviate from what taxpayers expect from them.

*The Sacramento Bee*, on April 4, 2007, reported on an audit finding that the Sacramento Department of Parks and Recreation has not properly tracked incoming money, after \$15,000 disappeared. The audit noted it was difficult to trace where money from several recreation classes went. The city paid \$50,000 to a consulting firm specializing in financial oversight to find out why it lost \$15,000.

The excesses are even occurring in California's conservative bastion of Orange County. In a June 3, 2007 *Los Angeles Times* article, reporter Christian Berthelsen took county supervisors to task over \$1.1 million in expenditures, such as four 52-inch flat screen televisions that totaled nearly \$20,000. Other questionable expenses included:

- A supervisor purchased an \$8,990 desk for his reception foyer, and spent \$10,300 on shelving in the supply room.
- Another supervisor spent \$4,500 on a conference table and executive high-back chair.
- A third supervisor installed \$1,300 worth of track lighting with a dimmer switch.

The *San Bernardino Sun* wrote an editorial on May 2, 2007 about the Bighorn-Desert View Water Agency in Yucca Valley sweetening the contract of an employee after he was already dead. The agency gave full medical benefits to Thomas Shollenberger and his wife, along with a \$20,000 life insurance policy. The problem was Shollenberger had died 13 hours before the benefits were awarded. Regardless of when district officials knew Shollenberger had died, he should not have been awarded medical benefits in the first place, since he was a part-time employee. The editorial noted that he had been receiving benefits despite having only been employed as a general manager for two-and-a-half years. In the aftermath, benefits were ultimately denied for both Shollenberger and his widow Eleanor. However, she was paid the proceeds of the life insurance policy.

Paul Oberjuerge reported in the February 21, 2007 *Inland Valley Daily Bulletin* that the city of Ontario voted to build a 9,500-capacity arena that will cost about \$130 million when it opens in late 2008. However, the article noted that officials had been wary of putting a price tag on the stadium, which just a few years earlier was estimated to cost about \$55 million.

One would think the city would learn from its previously failed sports ventures. The arena used to be the home of the Ontario Motor Speedway, a racetrack open for 10 years that quickly became a failure at a cost to taxpayers of tens of millions of dollars, even after the land was sold. The fact that the arena's cost

has more than doubled before construction has started should not fill anyone with much confidence. As evidenced by failures at the ballot box to raise taxes in Sacramento and Seattle to build arenas, these ventures are best pursued within the private sector. If not enough money is raised, that should tell local government that the project is not financially viable.

The February 11, 2007 *Stockton Record* newsletter reported that the new Stockton Arena lost \$2.7 million, about \$1 million more than city officials expected. The yearly deficit comes to \$9.94 for every man, woman and child in the city. This figure does not represent the full extent of the loss, as it does not include the interest payments on the bond used to finance the arena.

According to *Record* reporter David Siders on April 5, 2007, part of the loss could stem from faulty catering contracts. Siders reported that, “every time someone buys catered food or beer in a luxury suite or at the Comcast Club during hockey and football games at Stockton Arena, taxpayers lose money – 10 percent of revenue, or \$32,583 last year, officials said.” While the city was supposed to receive 20 percent of all catering revenue, in contracts with the Stockton Thunder and Lightning sports teams, two of the arena’s biggest tenants, the teams were instead paid 30 percent of all the revenue. This baffled Stockton City Councilman Clem Lee, who said, “We should be running around saying, Don’t eat! Don’t eat!”

The May 8, 2007 *San Francisco Chronicle* noted that San Mateo County spent more than \$14,000 for employees to participate in a law enforcement relay race that ended in Las Vegas. The cost to taxpayers included \$6,276 for salaries of employees participating in the race and \$5,971 in expenses for 11 county vehicles used to support runners in the 120-mile event.

Kerry Cavanaugh, a reporter at the *Los Angeles Daily News*, wrote on May 8, 2007 how Los Angeles Department of Water and Power (DWP) ratepayers spent \$101 each time the city delivered a \$12 tree to a ratepayer. The program, Trees for a Green L.A., started in 2001 with the goal of planting 100,000 trees a year at a cost of \$40 a tree. However, the utility was only able to plant 36,000 trees over three-and-a-half years, more than doubling the cost. A recent DWP audit noted that estimated labor costs added at least \$63 per delivered tree.

*Los Angeles Times* reporters Patrick McGreevy and Duke Helfand wrote on March 23, 2007 that Southern California local government leaders are asking numerous staff to join them on their annual trips to Washington, D.C. to ask for federal funding. Los Angeles Mayor Antonio Villaraigosa took seven staff members and a security detail on their annual D.C. trip in April 2007. According to the article, Villaraigosa had also taken three staff members to Miami for one day while he addressed a conference. Taxpayers deserve far better than this from their elected officials.

Many Bay Area residents are familiar with the frustrating saga of the San Francisco Bay Bridge, a section of which was damaged during the 1989 Loma Prieta earthquake. Nearly 19 years later, a contract has finally been approved for a new, safer span and tower. Now, the Metropolitan Transportation Administration (MTA), which oversees the collection of bridge tolls, wants to use \$3.5 million to hire a videographer to not only film the construction, but also to go on location in China, Japan, Oregon and Texas to capture the steel being forged and the tower being fabricated.

Columnists Phil Matier and Andy Ross of the *San Francisco Chronicle* noted in a May 30, 2007 article that any video project won’t be a true portrayal as the filmmakers will have missed years of political back and forth and billions of dollars of cost overruns. Tolls on the Bay Bridge increased by \$1.00, to

\$4.00, in 2006. If the MTA has this kind of money to throw around for wasteful projects, perhaps tolls should be lowered.

The December 9, 2007 *Stockton Record* reported on a bank in Omaha that sends out water and sewer bills to residents of the city of Stockton. To hide the fact that the collection agency is in another state, the city requires the payments to be mailed to a Stockton post office box. There, a local courier paid by the city collects and forwards them to Omaha. The extra step costs the city \$30,000 a year. If this isn't absurd enough, nobody seems to think this is a serious problem. City Manager Gordon Palmer said, "Sending (payments) to Omaha may not make sense to people," and the issue is "not high on my list of priorities."

The Davis Toad Tunnel was a corrugated steel tube built 12 years ago in an effort to save the Western toad from being squished while crossing Interstate 80. After \$14,000 of taxpayer funds were spent, the tunnel has not helped the critters. The 200-foot tunnel got too hot in the summer, roasting the toads, and there is little evidence the toads could find the tunnel in the first place since they were not given road maps. According to a June 14, 2007 Associated Press article, the toad, which is not an endangered or threatened species, has disappeared from the area.

Ed Fletcher, in the March 14, 2007 *Sacramento Bee*, reported on a plan to pay a car dealership, Mike Daugherty Chevrolet, \$1 million over the next 10 years to keep it in Sacramento County. Taxpayers have grave concerns that such subsidies will lead to a flood of similar requests. While high sales tax revenues generated by new car sales would add thousands of dollars each year to Sacramento's treasury, a more appropriate solution would be to lower taxes on all businesses to draw more of them into the county, thus increasing the tax base.

Jessica Garrison & Ted Rohrlich wrote in the May 11, 2007 *Los Angeles Times* that the city's housing department "has paid thousands of dollars to a Zen Buddhist priest from Hawaii for management training that includes teaching breathing with sphincter control, learning 'how to stand' and playing with wooden sticks." Norma Wong has been paid \$18,819 since 2005 to conduct at least four training sessions. Such use of taxpayer dollars was justified by Mercedes Marquez, the general manager of the department, who said the training was designed to "help 'center' Housing Department managers and teach them to react nimbly to problems such as the city's housing shortage."

Lynn Hansen, a former assistant general manager who left the department in 2005, took part in the first session. The article noted that [Hansen] "said she was 'put off by the presumption that she and her colleagues had to be taught how to breathe' and how to stand. I'm not sure how that helps me face an irate constituent."

## Salaries, Perks, and Benefits

Local government salaries and benefits continue to increase – often at a rate far faster than in the private sector. While much of the increase has been in extravagant pension benefits, an increase in base salaries and incentives has forced taxpayers to shell out big bucks. This “keep up with the Jones’ s” mentality has pushed public agency salaries into the stratosphere, to the detriment of taxpayers.

This argument was cogently summarized in a May 26, 2007 article by Daniel Thigpen of the *Stockton Record*. He reported that the Stockton City Council had taken action to increase pay to relocate new department heads from \$2,000 to \$5,000. The concern noted in the article is that, “local governments aren’t using the private sector as a benchmark and rather are competing with other public agencies, inflating employee costs to taxpayers.” Data from the U.S. Bureau of Labor Statistics, noted in the article, appears to bear this out. Public employees across the United States on average earn nearly a third more per hour in total compensation – wages, benefits, etc. – than their private-sector counterparts, or nearly \$13.00 more per hour.

A *Los Angeles Daily News* article on April 23, 2007 reported that the city’s pension board has boosted salary ranges by more than 40 percent for its investment staffers. Salaries could potentially increase to as high as \$353,000, and if that occurred, that individual would be the highest-paid county employee. In the article, Cal-Tax spokesman David Kline stressed the need to remember that these expensive games of one-upmanship ultimately occur with public dollars, saying, “You certainly need to pay an adequate salary to get someone who will be a good steward of the money, but you can’t get into a bidding war with the private sector. It’s simply impossible for every government worker to expect the same high salaries and perks that might come with a private-sector job that is similar but doesn’t have the public-service aspect.”

Elected members of legislative bodies are not “employees” in the traditional sense. So it makes sense that the *Merced Sun-Star* reported on June 26, 2007 that Merced County supervisors don’t receive sick days. Instead, they are paid a set amount of \$69,360 each year. Beyond the troubling question of whether or not they could call in sick every day comes an even more disturbing revelation that supervisors with 10 years experience will receive a \$26,000 “sick day” payout on top of any retirement benefits they might receive. They should build the sick days into the base salary, and put it to a vote of county residents. Let them decide if it is worth their tax dollars.

Jenny Shearer of *The Bakersfield Californian* reported on April 5, 2007 about Steve Ladd, the former executive director of First 5 in Kern County. Thanks to a severance agreement Ladd worked out in 2004, because he was terminated without cause, he is eligible to receive a year’s salary or \$113,000.

Salary and benefit increases are occurring in cities all over California, and even in the State Capitol. A March 27, 2007 article by Peter Nicholas in the *Los Angeles Times* noted that 49 state administrators are receiving pay raises as high as 23 percent, a substantial figure given California’s \$5 billion structural budget deficit. Legislators and elected constitutional officers also received anywhere from a 2.75-5 percent raise in June 2007.

Meanwhile, in Los Angeles, according to a November 7, 2006 *Los Angeles Times* article, new Los Angeles Unified School District Superintendent David Brewer receives \$36,000 a year in housing allowance funds to go along with a \$300,000 salary. The article also noted that the 18 Los Angeles City Council members can pick a car from the city’s fleet of automobiles to go along with their six-figure annual salaries.

However, this extravagance for 18 people pales in comparison to the \$1.3 million budget increase being sought by just one man – new Oakland Mayor Ron Dellums. A May 7, 2007 article by Phil Matier and Andy Ross in the *San Francisco Chronicle* said that Dellums, a 71 year-old former Congressman with a long history in California politics, seems determined to continue living the high life. He is asking the Oakland City Council to give him a \$130,000 chief of staff, two \$100,000-plus senior deputies, a full-time bodyguard and a driver.

In total, Dellums is asking for seven more positions in his office, on top of the 17 employed by his predecessor, Jerry Brown. Two of these staff members, costing \$350,000, would be “intergovernmental relations” assistants to lobby Sacramento and Washington D.C. for more grant funds. Council members are so afraid of upsetting Dellums’ spending free-for-all that one chose to speak off the record, telling Matier and Ross, “it just doesn’t make sense for me to say anything snide. . . . It would be insane for me to criticize (Dellums) in public. We have to work with him. The facts speak for themselves.”

Ken Mandler of *Capitol Weekly* reported in the March 15, 2007 edition about the benefits saga of Elk Grove Unified School District Superintendent Steven Ladd. In late 2005, Ladd received a \$35,762 a year raise, from \$185,774 a year to \$221,536 a year. Totally eschewing the concept of merit-based pay, Ladd also received a parity agreement, meaning he would get an automatic raise if superintendents in other similarly-sized districts got raises as well.

However, the story quickly became even more expensive for taxpayers. The contract provided for Ladd and his wife to receive lifetime health insurance benefits. Elk Grove management employees, like Ladd, typically have to work at least 10 years to secure such benefits and if Ladd predeceased his wife, she would have had to pay directly for her own benefits. Ladd had worked for the district about two years when he received the package, which came to a total value of \$750,000. These benefits came despite the fact that the school district has been burdened with an unfunded liability for retiree healthcare that is between \$150-600 million.

The *Los Angeles Daily News* reported on February 20, 2007 that an internal audit of the Los Angeles DWP found that more than \$100 million in overtime was paid between March 2005 and February 2006. This high level of overtime increased the chances for abuse. The audit found that “about 14 percent of those charging for overtime took an absence for the same day. Thirty-two people reported overtime on the same date as absences more than 10 times each.” DWP also seems to facilitate such behavior by allowing employees to get time and a half when working outside their normal work schedule, including those who take a Friday off and work Saturday.

Dana DeBare, in the February 6, 2007 *San Francisco Chronicle*, reported on a new law in San Francisco that requires all city businesses to provide one hour of paid sick time for every 30 hours of work. The hours would be capped at either 40 or 72 hours, depending on the business size. Business groups opposed the measure on the grounds it will drive up costs for consumers and drive small retailers out of the city. Labor leaders countered by saying sick leave should be a “basic human right.”

MUNI, San Francisco’s public transit agency, has a new idea to entice workers to show up: pay them extra for not calling in sick, according to Rachel Gordon in the May 30, 2007 *Chronicle*. Employees would get a \$350 annual bonus if they limit their sick leave, under a contract with a local union. Gordon reported, “The union represents 287 employees, including fare inspectors, street supervisors and control-room operators. To be eligible for the payment, workers must have worked a minimum of 1,880 hours – not including overtime – during the current fiscal year, which ends June 30. That still allows the employees five weeks off for vacation and sick days.”

Robert Rogers of the *San Bernardino Sun* reported in a November 7, 2006 article that retiring upper-level police officers for the city of San Bernardino would receive \$200 per month for 20 years of service and \$450 after 30 years for health benefit needs. The approval resolution by the San Bernardino City Council also creates a “3 percent at 50” retirement pension package effective in 2008. This means that those retirees older than 50 can receive 3 percent of their final salary multiplied by their years of service. This would allow those employees who worked 30 years to receive 90 percent of their final salary.

An article in the April 1, 2007 *San Jose Mercury News* by Scott Herhold discussed a proposal offered by the city’s Association of Retired San Jose Police Officers and Firefighters. Herhold termed it “the trophy wife clause” and it would work as follows. If a 55 year-old retired firefighter dates and marries someone who is 30, upon death, the spouse would enjoy a survivor’s pension of roughly \$40,000 per year for life, plus medical benefits. The measure would fail to take into account that the new spouse entered the picture well after retirement, and thus shouldered none of the legitimate hardships most wives experience with public safety employee husbands. Under the proposal, spouse number one would get nothing. This would come on top of the 85-90 percent of full salary police and firefighters already get upon retirement, as well as lifetime medical benefits.

An article by Deborah Lohse of the *San Jose Mercury News* on November 14, 2006 characterized the pretentious nature of so many elected officials. In a blatant abuse of power, San Jose Councilwoman Linda LeZotte tried to snag lifetime benefits before her term-limited departure for herself and others in City Hall. Such benefits could have cost the city hundreds of thousands of dollars per recipient.

The timing of the request could have been better. Lohse noted that LeZotte’s request came within days of city budget officials revealing that San Jose “owes more than \$1 billion to fund existing retiree healthcare obligations.” Thankfully, this idea was quickly quashed shortly after the article was published. Lohse wrote a week earlier, on November 7, that to fund these healthcare obligations may result in a \$100 million bill, more than 10 percent of the total city budget and six times more than the \$15 million that the city and its employees contributed to such benefits in 2004.

However, despite the pension liabilities, according to the May 22, 2007 *San Jose Mercury News*, the city council voted itself a \$15,000 pay raise, plus a car allowance totaling \$4,200 annually. Mayor Chuck Reed voted against the increase and won’t accept his additional \$22,000 in salary.

John Woolfolk, in the March 25, 2007 *Contra Costa Times*, reported that San Jose is also taking care of its employees in other ways. Woolfolk wrote about “special pays,” a combination of overtime, on-call work and other extras that allowed one police officer to more than double his salary to more than \$175,000. San Jose’s benefits structure includes 135 “special pay” categories. These include flex cash options for employees who decline the city’s health and dental coverage or who don’t use all of their vacation time. These two benefits by themselves could net employees thousands of dollars beyond their base salary every year. The city will also pay more than \$1,000 a year to those who can speak, read and write in another language.

Woolfolk wrote in the March 7, 2007 *San Jose Mercury News* that city employee salaries have consistently increased over the last six years, rising 33 percent for all employees while retirement benefits have increased 96 percent, and health benefits and other perks went up by nearly 100 percent. The total results in approximately a 45 percent average salary and benefit increase.

Scott Smith reported in the May 3, 2007 *Stockton Record* that the San Joaquin County Employees’ Retirement Association lost a court decision against former county District Attorney John Phillips.

Phillips, 62, left the position saying that job stress had contributed to two strokes. He claimed that as a result, his wife Claudia should receive 100 percent of his \$132,000 pension should she outlive him. The association held that Claudia should be entitled to just 60 percent due to the likelihood that smoking and drinking, not the job, had led to the strokes. The county's generous offer still would have led to an annual benefits package worth more than \$79,000. However, the court ruled in favor of the Phillips.

The March 23, 2007 *Cal-Tax Digest* described four Hanford University officials who traveled to New York for "training." The trip cost \$8,000 (more than \$1.50 per district student) and included rooms at the \$447-per-night Westin Times Square, along with \$7,130 in cash advances for meals and transportation.

Chip Johnson, in a January 2, 2007 *San Francisco Chronicle* article, discussed a 60 percent pay raise that the Contra Costa Board of Supervisors approved for themselves late last year, raising their salaries to more than \$94,000 annually. They justified this increase by noting that it achieves parity with supervisors in the nine county Bay Area region. Sadly, all it really does is perpetuate a bidding war among local governments with little concept as to what the positions are actually worth compared to the private sector.

## **State Bureaucracy Gone Mad**

Matt Tennis from the Associated Builders & Contractors (ABC) found a classic wasteful line item in the state budget: \$6 million for the Miguel Contreras (noted labor leader) Labor Institute. Last year, Governor Schwarzenegger restored the full \$6 million worth of funds after cutting that number almost in half in both of his first two years in office. The institute is commonly known as a “union think tank” for its creation and promotion of numerous pro-labor studies using taxpayer dollars.

ABC Government Affairs Director Kevin Dayton penned a column for the conservative blog *Flash Report* on July 11, 2006 that said the Labor Institute “produced dozens of biased studies in support of union-backed state and local legislation and timed the release of these studies to the media just before key votes. It also provided biased quotes to news media during labor disputes between unions and businesses, while portraying itself as a neutral, scholarly academic program.” Dayton noted that the institute “convened training seminars for union organizers and funded summer internships to allow college students to help organize companies. The institute also trained union activists to fight the recall of Gray Davis and otherwise engage in partisan politics.”

To add insult to injury, even in the years Governor Schwarzenegger cut funding, taxpayer support was being provided by other sources. Through a public records request, ABC found that the University of California (the Labor Institute has sites at both UC Berkeley and UCLA) gave more than \$2.6 million in 2005-2006 for “Labor Research Programs.” This included \$1.25 million in temporary funding that was “redirected from research programs that were also initiated as legislative priorities and have received large amounts of state funds in the past.” Apparently, taxpayers are giving the UC system far more money than it needs to operate if money can be moved from existing programs to fund such “priorities” as the Labor Institute.

Governor Schwarzenegger’s 2007 budget did not include funding for the program. Democrats, including Assembly Speaker Fabian Nunez (D-Los Angeles), a former labor leader himself, howled in protest and the funding was reinserted.

Michael Gardner, in the May 7, 2007 *San Diego Union-Tribune*, reported that Gov. Schwarzenegger asked the legislature to approve 126 new specialists and \$36 million to slow greenhouse gas emissions and stop global warming. The funding comes in response to a bill, AB 32, signed by the Governor in 2006, which calls for a decrease of greenhouse gas emissions to 1990 levels by the year 2020, or a 25 percent reduction.

However, the AB 32 mandate failed to stipulate where the money would come from to pay for such drastic action. Not surprisingly, legislators decided to burden the public. AB 118, a bill introduced by Speaker Nunez and signed by Governor Schwarzenegger on October 15, 2007, includes a litany of fee hikes through 2015, such as increasing vehicle registration fees from \$31 to \$34, increasing boat vessel registration fees from \$10 to \$20 or \$20 to \$40 depending on the size of the boat, and increasing specified service fees for identification plates from \$15 to \$20. The new fees will cost California taxpayers \$130 million annually.

Ed Mendel of *The San Diego Union-Tribune* reported on March 28, 2007 that California paid \$1.2 billion in federal penalties over the last decade because it could not put together a computer system to collect child support payments. If the penalties were not enough, the state also lost another \$150 million through the abandonment of a computer system and a court award to a computer firm. The federal

government offered to pay 90 percent of the costs if California had met the original 1995 deadline, giving the state a full seven years from the date of the federal law. At long last, Mendel noted that California is nearing completion of a \$1.6 billion system, but that is too little, too late to recover all of the funds to which the state should have been entitled.

Clea Benson, in the March 25, 2007 *Sacramento Bee*, reported on the newest state agency, the Department of Public Health (DPH). It was hoped that by splitting it off from the larger Department of Health Services (DHS) that state services for everything from E. coli outbreaks to obesity prevention could be streamlined and done less expensively.

Unfortunately, history has shown that few new government agencies lead to a more efficient government. The same is true here. Benson outlined the costs of the new department, which include an \$800,000 office renovation for the director and \$150,000 so that outside consultants can develop “change management” and “organizational leadership” plans for DPH. State officials are also preparing to staff the new operations with 82 administrators and support workers, and will spend \$138,000 on new furniture and items including bulletproof glass. The transition also dictates that there must be no additional net cost to the state; the new agency must remain revenue neutral. Given the above cost estimates, it is questionable that this will occur.

A series of accounting blunders in a state program that provides mental health services to children has resulted in a \$300 million blow to the California budget, according to Evan Halper in a March 13, 2007 *Los Angeles Times* article. Halper wrote that officials at the California Department of Mental Health “told a state Senate panel that they thought they had money to cover their bills when in fact it had been appropriated for other uses under a new accounting practice.” The department also undercounted the number of families it believed it would serve, leaving it short tens of millions of dollars. Errors in the program include:

- The managers of the department’s Early, Periodic Screening and Treatment Program thought they had plenty of money to cover bills, not realizing that at the end of the fiscal year in June 2006 that unused money had been taken out of their account to be sent to the state’s General Fund.
- The program double-billed the federal government more than \$100 million, and now may owe fines in addition to having to repay the money.
- Managers seriously underestimated the number of children who would use the benefit, so they ran far over budget.
- Because the services were provided by the counties, they have been left holding the proverbial bag and want to be reimbursed. On the other side, the Legislative Analyst’s Office is asking that repayment wait until the problem can be fixed. The latter certainly seems to be the fiscally appropriate solution.

The State Controller’s Office, in a press release dated April 18, 2007 said that not only do prison inmates get food, clothing, education and shelter, but they also get paid to be there. Controller John Chiang said that inmates are receiving \$400,000 in state and federal benefit payments to which they are not entitled, according to a small audit. Total overpayments could add up to millions of dollars. Social Security benefits are supposed to be terminated for those jailed longer than 30 days. To his credit, Controller Chiang appears to be working diligently on fixing this problem, but it never should have

been an issue in the first place.

In a classic case of more money creating more problems, *The Sacramento Bee* reported on January 5, 2007 that the California Highway Patrol (CHP) needed to spend money, and fast. The CHP's Valley Division found an unused \$600,000 overtime reserve in May 2006, and had to spend it in order to get the same amount the following year. This led to employees taking overtime on vacation or sick time, which for some workers added up to more than 24 hours in a day. This is perhaps because "division commander, Stan Perez, granted approval for civilian employees (who include dispatchers, truck inspectors and custodians) to use as much overtime as they wanted without making requests" wrote *The Bee*.

The February 7, 2007 *Sacramento Bee* reported on a state procurement analyst, Carey Renee Aceves, who went on a \$320,000 shopping spree with her state credit card, including a flat-screen television, hot tub, gazebo, and iPods. Aceves was able to mask her actions by shifting departments during her six years as an employee for the state, first with the Department of Fish and Game (2001-2005), then 17 months with the Child Support Services Department, where the abuse was first uncovered. She then moved to the State Board of Equalization (BOE) in January of 2007 where, shockingly, she was given training to make purchases because Child Support Services was not allowed to pass along the information to the BOE while the claim was ongoing. Even after the BOE found out what was going on, they still placed Aceves on paid administrative leave until the case could be sorted out.

Aceves was able to mask her activity by changing paperwork to show that she bought office supplies with her credit card. California clearly needs better information sharing and financial controls in and among its state agencies to prevent employees from profiting off of layers upon layers of state bureaucracy.

*Los Angeles Times* reporters Patrick McGreevy & Stuart Pfeifer wrote on May 12, 2007 about the arduous construction process of the Los Angeles Regional Crime Lab, a new five-story building that will consolidate and house the county's hundreds of criminalists. While a grand opening occurred in May, many were not able to move in until July or later because the building had not yet been completed. The project, on the CSU Los Angeles campus, was delayed for years by squabbles and came in \$11.5 million more expensive than first estimated. Meanwhile, the delays are keeping violent criminals on the streets because technicians can only process 18 of 370 DNA cases, and 60 of 2,000 backlogged shell casings a week.

Proving that illegal immigrants do put a strain on both the social welfare system and taxpayers, a *Los Angeles Times* article on December 23, 2006 reported that private hospitals are turning a profit on birth-related care for illegal immigrants, due to a Medi-Cal reimbursement that costs the state about \$400 million a year. This figure represents more than one-third of the \$1 billion of Medi-Cal spending on illegal immigrants each year.

The reason these hospitals are so apt to participate in these births is that the federal government allows hospitals to count two patients – mother and child – for each Medi-Cal birth. Clearly this is a welfare magnet that just encourages more breaking of immigration laws and creates additional costs for taxpayers. The *Times* noted that, "according to state records, there are more than 100,000 children born each year in California to undocumented mothers. That is 20 percent of all births in the state."

An article by Thomas Peele in the April 17, 2007 *Contra Costa Times* reported that beyond wasting money, the state cannot even collect the money to which it is entitled. He wrote, "The State Controller's

Office will audit the California Public Utilities Commission's debt collections systems after it determined that \$33 million worth of fines have not been collected for the past eight years." An internal PUC memo mentioned in the article commented that, "the commission's procedures for pursuing debts were not in written form and were ineffective and inadequate." The PUC failed to collect nine fees, mostly against telecommunications companies. Only one of these cases went to court, where the PUC won a \$7 million judgment plus 10 percent annual interest against Vista Communications, but failed to collect the money. Vista Communications was decertified as a corporation in January, 2007.

State boards and commissions are always a prime target of fraud and abuse. The April 24, 2007 *Capitol Morning Report* described an \$85 million tax-exempt bond that was approved by the California Infrastructure and Economic Development Bank Commission for the American Center for Wine, Food and the Arts (COPIA) in Napa. The COPIA website describes the group as a "non-profit discovery center whose mission is to explore, celebrate and share the many pleasures and benefits of wine, its relationship to food and its significance to our culture." However, it also funds some strange art projects, as the Catholic League noted in a January 10, 2002 press release: "California taxpayers are footing the bill for an 'art' exhibit that features Santa Claus, the Pope, several nuns and Fidel Castro defecating in an exhibit entitled 'Active ingredients.'"

Daniel Weintraub of *The Sacramento Bee*, in his April 19, 2007 column, reported on the power of the California Correctional Peace Officers Association (CCPOA), most notably how they cost taxpayers thousands of dollars every year, and impact inmate safety. A total of 488 grievances were filed by prison guards to the Department of Personnel Administration. Investigating and appealing such claims cannot be cheap. According to Weintraub, more than 300 of these grievances are based on a provision in a recent contract called the "entire agreement" clause. He explained, "The provision allows the union to object whenever a warden or the statewide prison bosses try to put in place a policy change that affects the way the correctional officers do their jobs. The grievances are filed on the grounds that the changes, even if they don't violate a specific provision of the contract, violate the entire agreement because they affect the working conditions of a significant number of officers."

While some of these grievances are perhaps legitimate, many are not. Grievances were filed for trying to add 80 new bunk beds in a gym, using safer plastic food trays to feed inmates during a lockdown, doing visual suicide checks for inmates in solitary confinement, and not allowing guards to use a new piece of equipment when administering cardio-pulmonary resuscitation. Removing this grievance clause could be difficult considering it is in every other state union contract. However, in the last contract, former Governor Gray Davis made a deal with the union that once these disputes are settled they must be placed in the master contract. This makes them unchangeable until new negotiations begin.

Michael Blood of the Associated Press reported on January 31, 2007 that legislative leaders want California Justice Department officials to explain why millions of dollars of contracts for lobbyists, lawyers and consultants were hidden from the public. The AP investigation found 1,700 confidential contracts were wrongly labeled as such and not included in state records. Many of these contracts were no-bid, at a total cost of more than \$100 million.

In March of 2007, the AP wrote that Caltrans was up to the same tricks as it withheld details of 290 contracts worth \$13 million. Not only were these contracts often no-bid, but in some cases, they authorized payments of up to \$7,000 per day to experts in various fields for their testimony or legal opinions. The AP also found that the Department of Mental Health spent \$21,000 on a two-day training conference in Los Angeles, not the mis-typing of \$877 million that state records showed in 2005. This lack of transparency is another shining example that government truly has no clue what it is doing with the people's money.

## **Pension and Healthcare Benefits Saddle Taxpayers with Crushing Costs**

In tandem with the Center for Government Analysis, HJTF released a report in January 2007 showing that cities and counties had well over \$10 billion worth of unfunded mandates as of 2003-2004. In the stock market boom of the 1990s, pension systems were well-funded, causing elected officials to dole out greater amounts of popular benefits. Often, these individuals did not have to be held accountable for their actions, since increases in retirement benefits were not required to be placed on the books.

A new federal government accounting standard, the GASB 45, which takes effect in 2009, will require all state and local governments to report these obligations and factor them into their budgets. This should create shockwaves around the nation. *USA Today* reported on February 21, 2007 that “retired government workers are twice as likely to get a pension as their counterparts in the private sector, and the typical benefit is far more generous.” The nation’s 6 million retired civil servants – teachers, police, administrators, laborers – received a median benefit of \$17,640 in 2005, according to the Congressional Research Service. Meanwhile, 11 million private-sector retirees received less than half as much, under \$8,000.

A number of cities and counties in California are already working on comprehensive plans to try and pay down pension and other post-retirement benefit costs in a timely manner. For instance, Gilbert Chan reported in the December 27, 2006 *Sacramento Bee* that some agencies, including the Sacramento County Office of Education (SCCOE) are moving proactively. The result is that employees will put between 1-2 percent of their cost-of-living adjustment into a fund to pay for healthcare benefits. Employees hired after November 1, 2006 will have to work 15 years to become vested. Previous employees were vested immediately. This change alone will shave \$20 million off of the SCCOE’s pension deficit.

In addition, former State Assemblyman Keith Richman (R-Santa Clarita) has long sought to bring this ticking time bomb to the attention of more Californians. In June 2007, he filed a ballot proposition that would maintain the benefits of those already retired and move the start of benefits for non-public safety employees from 55 to 65. According to Richman, this could save \$500 billion over 30 years. In the meantime, stories about increased benefits continue to appear in all corners of the state.

Evan Halper of the *Los Angeles Times* on June 10, 2007 highlighted how debilitating the pension crisis will be for various Los Angeles government agencies:

- “Over the next three decades, the Los Angeles Unified School District will have to pay out hundreds of millions of dollars a year for retiree health benefits. It has yet to set funds aside to cover the bill. ‘These costs are just crushing,’ said district general counsel Kevin Reed.
- “In just four years ending in fiscal 2004-05, the cost of providing healthcare to the average Los Angeles County retiree doubled. By 2011, government retiree healthcare costs statewide are projected to be nearly triple those in 2004.
- “The state of California estimates that the price tag for providing such health benefits has reached more than \$500,000 for a married retiree and spouse who live 20 years after retiring. Because many government employees retire before 60 and since life expectancies continue to grow, the cost could easily reach \$1 million for some employees.”

Stephen Greenhut, a columnist with *The Orange County Register*, noted in a May 13, 2007 article that

the time is quickly approaching for action. He wrote, "State Controller John Chiang announced that California needs to start setting aside at least \$2.2 billion a year to address the liability for its retiring workers. The state's pension deficit is at least \$50 billion." This does not include unfunded retiree healthcare benefits, which potentially total another \$50 billion.

*The Sacramento Bee*, on March 10, 2007, reported on the retiring superintendent of the Davis Joint Unified School District, who is slated to continue receiving his \$13,400-a-month salary for 10 months after he leaves. School Board President Jim Provenza appeared to justify the action by saying the amount received by the 60-year-old retiree will not exceed \$160,696.60, and will be offset if he finds another job. As a side note, the state budget for 2007 includes more than \$50 billion on K-12 education, on top of the \$10 billion bond voters passed last year for school facilities. Perhaps with fewer enormous payouts to top officials, there would be more money in the classroom for students.

The October 18, 2006 *Oakland Tribune* wrote about pension deficits in the Sonoma County town of Rohnert Park, population 44,000. Amazingly, the city's healthcare liability (\$54 million) is almost double its \$28 million annual budget. Erasing the deficit in the next 30 years would require that the city set aside \$4.6 million annually, about 16 percent of the budget. According to the article, that is "an amount equivalent to about half of what the city now spends on everything other than public safety."

Richard Ek, a former Chico journalism instructor, reported in the March 29, 2007 *Chico News & Review* that city manager Greg Jones fears that unless pension benefits are scaled down, the city could run through both its operational and emergency reserves within six years. The culprit is retirement benefits for city employees that have shot up 379 percent since 2000. A basic HMO plan is free for the employee, but costs the city \$343 a month. Furthermore, Ek wrote, "All city workers also enjoy a city-paid life-insurance policy – cost: 34 cents per \$1,000 – worth a dollar of coverage for every dollar earned. Thus an employee who earns, say, \$75,000 carries a free \$75,000 life-insurance policy." In the ultimate show of hypocrisy, Jones in 2006 sent out a glossy four-page "citizen newsletter" to all Chico residents at a cost to taxpayers of \$7,000 to "pinpoint the problem."

Ryan Huff wrote in the *Contra Costa Times* on March 2, 2007 that the county is in a league of its own when it comes to pension benefits, and that is not a good thing. According to a report released by the county, it has a \$2.6 billion unfunded liability in medical coverage alone. This is \$1.6 billion higher than it was six years ago. This obligation is more than the combined total of similar obligations in Alameda, Orange, Riverside, Sacramento, and San Diego counties.

Contra Costa currently picks up the tab for 80-98 percent of these costs, and does not cap its contributions, which Huff noted can be as high as \$885 per family per month. The report noted that the county will be paying \$33 million to cover costs this year, but that does not address costs in previous years. The article noted that the county should be saving seven times that, or nearly \$230 million annually. A *Contra Costa Times* editorial on March 5, 2007 noted that, "in 10 years, Contra Costa will be spending 6.5 percent of revenue for retiree health costs. In 30 years, that will rise to 15.6 percent and will continue upward unless something is done now to fund the liability."

A November 29, 2006 *San Diego Union-Tribune* editorial focused on the bold actions of two San Diego County supervisors when it comes to managing pension costs. Supervisors Dianne Jacob and Pam Slater-Price have a plan that would end healthcare subsidies for county workers who retired after March 2002 and for future retirees. The plan would save the system \$1.8 billion over 20 years. In exchange, public employees who retired before 2002 would enjoy a health insurance subsidy that is fully funded.

“Fully funded” means that county retirees who retire at 55 receive a \$400 stipend to pay their insurance premiums until they qualify for Medicare at 65. However, even then, employees would still receive \$300 a month for supplemental coverage. This is on top of lifetime pension benefits that could allow one to retire at 60 with up to 90 percent of his or her full salary.

In June 2007, the San Diego Board of Supervisors approved the reform plan. Had it not been approved, San Diego County likely would have withheld about \$30 million annually to put into a tax-free health fund, thereby stripping benefits from all 12,300 retirees. This alternative was not palatable to either politicians or public employee unions, and a compromise was struck.

A more revealing *San Diego Union-Tribune* editorial published on February 11, 2007 detailed the retirement benefits of a firefighter or other public safety official in San Diego: “A typical firefighter making \$75,000 a year can retire at age 55 with a pension of \$99,767 – or 133 percent of his highest-year salary. That’s right, a worker earning \$75,000 can retire with a pension just shy of a hundred grand, along with annual cost-of-living increases, for the rest of his life.” The program that makes this possible, the Deferred Retirement Option Plan (DROP), requires public safety workers to work until age 55 instead of the normal retirement age of 50. The plan is also offered to non-public safety workers, who would have to work until 60 instead of 55.

The editorial described how the benefits add up. DROP allows workers to collect both a full paycheck and regular pension retirement check during the additional five years of employment. For the firefighter making \$75,000, his DROP account will have \$403,343 at the end of those five years. The pension plan pays a guaranteed 8 percent compounded interest on the \$403,343, which equals \$32,267 a year. The total pension of \$99,767 is arrived at by adding the guaranteed interest of \$32,267 to the pension amount of \$67,500 (90 percent of the \$75,000 salary).

While the San Diego City Council abolished DROP for all workers hired after June 2005, it waited until February 2007 to formalize that decision. As a result, the city now may have to offer program benefits to hundreds of additional employees, which could cost millions. According to Jennifer Vigil of *The San Diego Union-Tribune* on August 19, 2007, this oversight could have been prevented by simply inserting the changes into the city’s municipal code when the benefits were eliminated two years ago. This will further increase San Diego’s long-term pension deficit, which currently stands at \$1 billion.

Matthew Hall reported in a March 29, 2007 *San Diego Union-Tribune* article that the city is pondering gouging taxpayers with increased fees to combat its pension problems. Fee options include “increased costs for phone service, emergency assistance and attending sporting and other events at city facilities...[which] could generate more than \$30 million a year.”

The December 14, 2006 *Redding Record-Searchlight* highlighted pension concerns in Shasta County. Beginning in January, employees are eligible to receive unlimited free legal and financial advice by telephone and up to three visits a year to a psychologist, lawyer, social worker or other professional. What’s more, they can also take advantage of new pet care benefits (no, this is not a joke) that include “unlimited consulting and referrals on veterinarians, pet replacement, training and discipline, and grooming. The worker gets up to two free visits for pet-loss support or meetings with a specialist dealing with pet psychology, including behavioral problems and discipline.” The cost to taxpayers could reach a minimum of \$172,000 over four years.

The February 19, 2007 *Gilroy Dispatch* included an article about the two top police officials in Gilroy, both of whom retired but then returned in order to be paid by the hour. This move helped double their

\$100,000 salaries. Rank-and-file police officers were unaware of the “un-retirement.”

The February 21, 2007 *San Francisco Examiner* reported that retiree healthcare costs in San Francisco have soared from \$17 million in 2000 to an estimated \$115 million currently. Over the next 30 years, the city could be faced with an estimated \$5 billion total price tag. Local officials have managed to pay down about one tenth of one percent of this deficit – a mere \$500,000.

Barney McManigal reported in the April 25, 2007 *Santa Barbara Newsroom* that the deficit in the Ventura County retirement fund has widened to \$257 million, and that the overall deficit increased by more than \$10 million from the previous year.

Scott Mobley, in the *Redding Record Searchlight* on October 22, 2006, told the story of former Redding City Manager Mike Warren’s pension benefits. In a classic case of pension-spiking, where public employees receive raises in their final months of work, which increases their take-home pensions, Warren retired with a \$246,000 salary – about 25 percent higher than the amount originally reported in the paper. The increase came thanks to a nearly \$40,000 performance bonus, which Warren received five months before retiring. Mobley noted that when counted as part of his salary, the bonus increased Warren’s pension to nearly \$186,000 a year.

A March 10, 2007 article by Adam Townsend in *The Orange County Register* reported that the city of Placentia will pay its resigning police chief John Schaefer \$167,000 (for reasons that were never disclosed) and will provide five years of health insurance for him and his wife. This is \$96,500 more in severance pay and four-and-a-half more years of health insurance than he should have received.

Troy Anderson, in the November 17, 2006 *Los Angeles Daily News*, reported a pension raise by the Los Angeles County Board of Supervisors. The deal, for 50,000 members of an SEIU local union, included a 15 percent pay increase over three years and fully funded health benefits, among other perks. However, if that wasn’t expensive enough, it was recently expanded to include 12,000 nonunion employees such as managers, executive secretaries, and others. The deal is expected to cost an extra \$341 million in 2007-08, and increase the strain on the county’s pension system. According to Anderson, the system is currently 86 percent funded. Many pension experts agree that any number below 80 percent should be considered a serious and grave situation. Contracts like these only serve to make an already risky situation perilously worse.

Higher pension and healthcare benefits, along with other perks, have already burdened taxpayers. However, politicians in Los Angeles want to use pension dues to fund affordable housing projects. Never mind that the city cannot even begin to pay the obligations it already owes; it now wants to expand into a whole new arena. Reporter Rick Orlov, in a November 14, 2006 *Los Angeles Daily News* article, cited Los Angeles Mayor Antonio Villaraigosa’s new housing plan to invest \$65 million out of three public pension funds. “This has to be just the start [of funding],” said Villaraigosa.

## **Placing Taxpayers in “Bondage” with Wasteful Pork Projects**

Last November, California voters passed more than \$42 billion of bonds through Propositions 1B-1E and 84. Bonds are usually intended to be used in financing certain capital outlay projects, such as freeways, that will last at least as long as it takes to pay off the bond, usually 30 years. But California has strained its bond capacity by using funds to provide ongoing maintenance on its aging infrastructure. Not only do these repairs usually not last the length of the bond, but it also makes it tougher to issue bonds in the future since interest must also be paid on the principal approved by voters. This can double costs, making a \$42 billion bond package, like that passed last November, worth about \$84 billion by the time it is paid off.

Sadly, these dollars are not always spent wisely, as Ed Mendel of the *San Diego Union Tribune* made clear in a November 28, 2006 article. Proposition 1D was a \$10.4 billion bond that will fund primarily school facility construction. But that bond included \$200 million to allow “telemedicine” at the five University of California medical schools. Mendel describes telemedicine as “a broad term for the use of modern communications technology in healthcare for things such as two-way video discussions, transferring X-ray and other diagnostic images and remote monitoring of patient vital signs.” Mendel also noted that this expenditure represented more than 20 percent of the UC’s total bond funding. With technology changing a lot more quickly than government can adapt, this investment will definitely not last as long as it will take for the bond to be paid off.

Proposition 84 authorized \$5.3 billion of borrowing for “Water Quality, Safety and Supply. Flood Control. Natural Resource Protection. Park Improvements.” One would think that resources would be going toward shoring up levees, and ensuring that the growing population of California has enough water storage capacity and fresh drinking water. That is not the case, and voters are now paying approximately \$10 billion (the principal of the bond plus interest) for the privilege of funding largely legislative pork projects. According to Evan Halper in the May 21, 2007 *Los Angeles Times*, examples include:

- “Sen. Mark Ridley-Thomas (D-Los Angeles) drafted a bill that would give the Natural History Museum of Los Angeles County and the Huntington Botanical Gardens – two projects supported by the senator – an edge in grant applications. Those institutions could use bond money to fund construction and exhibits.”
- Central Valley lawmakers demanded that a Fresno aquarium project also have a shot at the funds. Promotional material for the aquarium says it will be a “world-class facility off California 99.” Featuring a “2-million-gallon ‘oceanarium’ filled with spotted eagle rays and hammerhead sharks, among other marine life, it would re-create the ancient saltwater sea that once covered the San Joaquin Valley.”
- Assembly members Ted Gaines (R-Roseville) and Lois Wolk (D-Davis) propose using bond money to establish a “Lake Tahoe water trail to link access to the waters of Lake Tahoe that are available for navigation by human-powered boats and beachable sail craft, and provide for diverse water-accessible overnight accommodations.” The idea is to create a network of boater-friendly facilities around the lake’s shoreline to draw activity to the area.

How can legislators appropriate this money? The language in Proposition 84 is so vague and short-sighted that it allows for the foregoing projects, and more. Five hundred million dollars is set aside for parks and museums, while other funding goes to “wildlife habitat protection” (\$225 million) and the

very well-defined “other projects” (\$189 million). There is no money for water storage or levee repair; taxpayer dollars are clearly being wasted.

Nationally-syndicated columnist and economist Thomas Sowell wrote on February 20, 2007 that bond money is also being used to prop up six San Francisco city-owned municipal golf courses, all of which are losing money. Selling or privatizing the courses could allow the city to receive millions of dollars due to the city’s sky-high real estate values. Sowell wrote that recent course renovations alone have cost the city more than \$23 million, a gap closed with “\$16.6 million from state bond funds meant for recreation and park projects in underserved and economically disadvantaged areas.” In other words, golfers win out over lower-income individuals who cannot afford a 9-iron. Taxpayers are quite teed off about the \$33 million hit (the principal of the bond plus interest) to subsidize this losing proposition.

The October 13, 2006 *Cal-Tax Digest* also took bond money spending to task when it cited a Department of Finance audit that found millions of dollars in wasted and misused state bond funds. Between 2002-2004, voters approved four environmental bonds. Cleaner water, trees, and perhaps more open space should be the results of such efforts. Instead, the audit found that the Oakland-based California Coastal Conservancy “spent \$38,000 on questionable purposes, including \$29,000 for Washington, D.C. lobbying, \$5,000 for employee transit subsidies and \$3,500 for employee yoga and weight-loss programs.”

In addition, “some of the Santa Monica Mountain Conservancy’s (SMMC) nearly \$100 million in bond financing was used to pay for its executive director’s Red Carpet Club airport membership, his wife’s travel, and \$577 for room service. Also, the conservancy’s overhead costs were 350 times those of other agencies, with millions spent on such projects as emergency preparedness kits, shuttle buses between parks and questionable legal fees and public relations.”

Stefanie Frith, in the December 21, 2006 *Desert Sun*, reported that the Palm Springs City Council voted to begin the process to shift nearly half of its pension burden of \$41 million to a bond package. The move could supposedly save the city nearly \$308,000 a year over the next 30 years. Taxpayers question both the logic and the legality of such a move and are watching closely. The city will still have to continue to pay off this deficit every year, except now it must also worry about the interest payments it must make. It is doubtful that over the long term this approach will save the city any money.

The Pacific Legal Foundation won a decision in July 2007 that addressed a similar issue. The state had attempted to float \$560 million in bonds for government pensions without voter approval. The Third District Court of Appeal ruled this was illegal as all state debt over \$300,000 must be voter approved. This calls Palm Springs’ decision into question.

In light of the Pacific Legal Foundation case, taxpayers are also scrutinizing the legality of \$10.9 billion worth of prison bonds approved by the state legislature in late April 2007. As first noted by HJTA President Jon Coupal in his May 7, 2007 weekly commentary, this money was approved under a type of bond called “lease-revenue.” Unlike the more typical “general obligation bonds” (such as the five bonds approved by voters last November) lease-revenue bonds are required to be paid with revenues generated by the project in question, such as a parking garage. Furthermore, lease-revenue bonds at the state level are, in theory, not required to be paid out of the General Fund so the \$300,000 debt limit would not apply. Since prisons are not revenue generators, a \$10.9 billion bond cannot possibly be paid off without help from the General Fund. As such, these bonds should require voter approval.

Lisa Snell, a writer for *Reason* magazine, penned an op-ed for the *San Diego Union Tribune* on

November 2, 2006. In it, she questioned the need for Proposition funds with regard to the San Diego school system. While voters did pass the \$10.4 billion Proposition 1D for school construction and maintenance, the state still had \$3 billion for this purpose that it had not even touched yet.

Snell reported that local voters in San Diego “approved a \$1.51 billion local bond measure in 1998 and were promised 13 new schools and three rebuilt schools.” Instead, voters got delays, costly change-orders, and cost overruns, as three school projects ran a combined \$28.2 million over budget.

## **Education Funding**

A November 5, 2006 *San Diego Union-Tribune* editorial tried to make some sense out of where the more than \$50 billion of K-14 money goes after it is handed out by politicians in Sacramento. Increasingly, too little of the money ultimately makes it into the classroom.

According to SchoolMatters, a politically neutral clearinghouse, the San Diego Unified School District spent only 53 percent of its total operating budget in classrooms, down from 62.5 percent five years ago. SchoolMatters has determined the state average to be about 62 percent. This percentage covers the money and time that teachers spend with students, including teacher salaries, benefits, supplies and class materials.

Sadly, local educators often have limited flexibility in spending choices due to the layers of bureaucracy that come out of Sacramento each year. Lawmakers have created at least 80 separate categories of restricted funds, which limit the ability of resources to be used where they are needed the most. The result is that as class sizes grow in many districts, administrators' hands are often tied when it comes to apportioning money to areas and students that could be greatly aided by some additional dollars.

On March 9, 2007, the *Sacramento Business Journal* reported that a UC Davis program to convert medical records from paper files into computer files was running \$9 million over budget, was three months late, and was only halfway finished. The article mentioned an audit that concluded "there is nothing to show why existing staff was not assigned to do what the university paid outside consultants \$17 million to do." A previous audit found that consultants were paid approximately \$1,300 for fitness club dues and printing expenses that should not have been billed to the university.

Beginning in April, 2007, the *Los Angeles Times* wrote several stories on the Val Verde School District and its misappropriation of state bond money. Maeve Reston led off the stories on April 25, writing that the district believed it was well within its bounds when it used "hardship" money to "build 5,000-square-foot weight rooms, stainless steel whirlpools in locker rooms and other accoutrements."

Val Verde has qualified since 1999 to be a hardship district, which means it does not have the revenue to pick up at least 50 percent of new school planning and construction costs as required by state law. In order to keep class sizes low and building construction progressing smoothly, the state steps in and picks up nearly all the costs. However, the assumption is that if the state does this, the money will be spent on crucial items such as heat, restrooms and classrooms. Instead, money was allegedly spent on "a state-of-the-art football stadium, a bell tower, separate staff locker rooms and sun shades to protect students while they eat lunch outside," Reston wrote. This kind of egregious use of taxpayer dollars caused the Riverside County Office of Education to warn that Val Verde's long-term financial solvency could be at risk due to its \$136.5 million in outstanding debt.

This story then took a bizarre turn. On July 12, 2007, Reston wrote that the district had decided to sue the state over the funds. Val Verde is attempting to have the best of both worlds, by trying to get the State Allocation Board (SAB) to agree to let the district use \$90 million of non-voter approved debt to supplement what it was getting from the state. The SAB argued, and rightly so, that borrowed district money should be used first, followed then by hardship money. The SAB has stood firm, and the lawsuit is moving forward.

A Los Angeles County Office of Education audit that reviewed the Gorman Learning Center, a charter

school, turned up many questionable expenses. Among the findings:

- The school incorrectly categorized thousands in expenditures and excluded hundreds of thousands in revenue from state reports. It may have to repay the California Department of Education approximately \$7.7 million in general purpose and categorical block grant funds that it was overpaid.
- The school's executive director used school funds for personal airfare to Texas and alcohol purchases were made on the school's credit card.
- A board member claimed \$2,700 for attending a retreat on Catalina Island, of which \$400 was disallowed for personal expenditures. She failed to provide documentation for the rest.

In one of the most ridiculous and wasteful stories of the year, the *North County Times* on May 16, 2007 reported that Mira Costa College President Victoria Munoz Richart has been targeted for removal after spending at least \$200,000 to investigate what ultimately became the theft of one \$305 tree. Costs included spending \$195,000 on a \$151-an-hour private investigator when the college had 11 fully-trained police officers at its disposal. While a former professor in the horticulture program pled guilty to this "grand theft," that hardly seems worth the cost to taxpayers.

One would expect Richart to lose her job, but even more taxpayer dollars were squandered in the process. The June 22, 2007 *Cal-Tax Digest* described the end of the "treegate" scandal: "College trustees announced June 20, at 5:40 a.m. after an all-night meeting, that Ms. Richart will receive a settlement of \$650,000 in damages, \$43,500 for attorney fees, along with full salary and expenses for 18 months, which amounts to another \$383,490. In addition, she and her husband will receive full health benefits until age 65 (she is 58 now), and then a Medicare supplement until age 75. Ms. Richart had worked for the college just three years."

Here is a novel concept: a \$7 million study that is meant to save money. The University of California has hired a consultant to study an efficient reorganization of the office of UC President Robert Dynes, according to the April 24, 2007 *San Francisco Chronicle*. The study does not meet the \$10 million amount that would warrant approval from the Board of Regents. It will be looking closely at Dynes' administrative office, which includes 516 full-time positions and an \$81 million annual budget.

A December 15, 2006 article in the *San Francisco Chronicle* reported that the UC system has spent "about \$500,000 trying to learn what people think of UC and how it can change the people's image." One way would be to avoid spending \$7 million on how to reorganize the UC president's office.

Michelle Maitre, a reporter with the ANG Newspaper Group, reported on November 8, 2006 that the California State University system is taking steps to trim transition pay for its executives. According to the article, "The existing executive transition program allows CSU Chancellor Charles Reed to temporarily assign duties to campus presidents and other top-level system administrators who resign from their posts. The former executives usually remain on the payroll to work on special projects, but some administrators were paid after taking jobs outside the state." CSU has paid as much as \$4 million over the last 10 years into this transitional program, including \$157,926 to former Monterey Bay President Peter Smith, who resigned in 2005 and took a one-year leave for a job in Paris, France.

*The Sacramento Bee* reported on December 3, 2006 about the University of California's low-interest loan program. Ideally, this money should be used to help staff members find housing close to their

campus. However, the program has now become a \$1 billion behemoth, with nine full-time employees. According to the article, nearly 50 employees have used the system to refinance their homes with 3 percent interest rates, and “they saved on monthly payments or took cash out from the gain in equity to renovate their homes with swimming pools, backyard barbecue islands and granite kitchen counters – often under threat of leaving the university for another job. Some used the funds to buy out an ex-spouse.” The UC claims that the program pays for itself through fees, but even if that is true, taxpayer dollars should not be used to provide excessive perks.

Reporter Seema Mehta wrote in the May 9, 2007 *Los Angeles Times* that Capistrano Unified School District officials would lease out one-third of their new \$36 million administrative center. Constructed at a time when students were being taught in portable classrooms, opponents had quickly labeled the project an unnecessary and extravagant “Taj Mahal.” The center, which opened in June of 2006, “is an airy, Mission-style complex with expansive picture windows.” While the lease agreement will bring more than \$200,000 of annual revenue to the district, opponents argue it is further proof the complex was not necessary in the first place.

According to a June 7, 2007 article in the *San Francisco Chronicle*, a San Mateo County grand jury released a report stating that the San Mateo County High School District was fiscally irresponsible. According to the report, thousands were paid with no documentation for consulting overtime, false certifications were used to qualify for \$23.8 million in state funds, and transfers from the building fund to the instructional fund were never repaid. The latter situation could cost the district millions. The report also questioned a \$1 million loan the district made in 2006 from the building fund to the general fund to pay for water damage in the San Mateo High gym. The grand jury could find no evidence that the money was paid back.

An audit of Compton Community College by the California Fiscal Crisis and Management Assistance Team revealed unprecedented fraud and abuse between 2003-2005. According to a March 14, 2007 *Torrance Daily Breeze* article, some findings included:

- “Ghost” students, instructors and classes were included in the calculations for state funds.
- A large amount of computer equipment could not be located.
- Contracts with vendors had inadequate supporting documents. Many consultants were also employees of the district.
- Payroll was disorganized, and many employees received payments in addition to salary.
- Fraud appears to have occurred involving CalWORKS funds. A large number of records were destroyed.
- A “College Development Foundation” fund was used to pay employees’ non-taxable income.
- A former employee was arrested and charged with issuing thousands of fake diplomas.

California Community Colleges Chancellor Marshall Drummond estimated that \$5 million was stolen from the college during the two-year period.

A Los Angeles Unified School District press release on February 13, 2007 announced that it had signed

a three-year contract with teachers that includes a retroactive 6 percent raise for 2006-07 and a reduction in class size. An additional \$60 million was provided to fully fund existing health benefits. All told, the contract will cost \$200 million more than the original budget.

*The Modesto Bee* reported on April 2, 2007 that taxpayers took more than a \$90,000 hit in the search to find a new UC chancellor. The new chancellor, Sung-Mo Kang, was found at the UC Santa Cruz campus and will make \$295,000 his first year. That number is significant, because the search firm charged with finding him, Edward W. Kelley and Partners, will be paid one-third of Kang's first year salary for its efforts. Beyond his salary, Kang's benefits include a free residence, a \$9,000 car allowance, \$10,000 in moving expenses, and access to funds for "official" entertainment.

*The Sacramento Bee* reported on April 25, 2007 that 11 voters (all of those that lived in the proposed district at the time of the election) approved a \$115 million bond for a high school in West Roseville. However, these voters won't be burdened with paying this off on their own. The area has been targeted for 25,000 housing units within the next few years, all of which will have to pay for the bond even though they never voted on it. The bond will result in a tax rate of \$26.29 a year per \$100,000 assessed value, to be levied only on properties sold after December 16, 2007 to ensure that the tax is disclosed to future property owners.

Many schools are using tax dollars to ask voters about new taxes, according to the June 26, 2007 *San Mateo Daily Journal*. For instance, the Burlingame Elementary School District has budgeted \$60,000 to pay for a consultant regarding a parcel tax and the various election expenses, such as surveys, that go along with it. Taxpayer money should certainly not be used in the promotion of projects that all taxpayers may not support.

One of the most mind-numbing examples of waste, fraud and abuse came from *San Francisco Chronicle* reporter Tanya Schevitz on July 10, 2007. The article discussed the Green Music Center on the campus of Sonoma State University, about 45 minutes north of the Golden Gate Bridge.

The center was the brainchild of university president Ruben Armiñana, who more than 10 years ago set his heart on modeling it after the famous Tanglewood Hall in Massachusetts. Today, his vision is coming to pass, but at a tremendous cost to taxpayers. Despite the fact that only about 300 students are majoring or taking classes in music, theatre, or other forms of visual arts (4 percent of the 7,500 students at the university), Armiñana insisted on his grandiose 105,000 square foot building. The project, originally expected to break ground in 2002 and be completed by 2005, is instead only about one-quarter built. Meanwhile, the price tag has exploded to about \$100 million, more than five times the original cost. Another \$12-22 million will likely be needed to cover interior work such as concert seats.

While about half of the money to date has come from private donations, taxpayer costs include \$18.1 million from state construction bonds and \$25 million from the state capital program for the music faculty offices and instructional equipment. If that's not bad enough, taxpayers will also fund the more than \$900,000 it will cost each year to operate the center once it is completed.

Armiñana has also saddled up to the trough so that he and other university employees could take nine trips to Tanglewood over the last decade. On the most recent of these jaunts in 2006, the university (taxpayers) paid nearly \$50,000 in catering, supplies, lodging and travel expenses.

State Assemblyman Mike Duvall (R-Yorba Linda) personally alerted HJTF to the saga of James Lindberg, a veteran California Department of Education (CDE) employee who blew the whistle on

corruption and fraud that occurred between 1995 and 2000. In this case, funds were given to community-based organizations – some of which didn't exist – to teach English to adults. Not only were his reports ignored by then-superintendent Delaine Eastin, but he was also retaliated against by the CDE, which transferred him to another job with no responsibilities. Lindberg sued and was awarded \$4 million in 2002.

According to a June 24, 2007 *Sacramento Bee* column by Dan Walters, the CDE won a new trial on appeal. However, that judge upped the damages to \$7.6 million. In June of 2007, Sacramento Superior Court Judge Talmadge Jones denied the state's request for a third trial, but the CDE insists it will continue trying. The CDE has spent millions of dollars defending itself in this case. Walters cited an Associated Press report that much of the money was shifted from funds designated for educational purposes.

Naturally, Assemblyman Duvall is concerned about how the CDE plans to pay for the attorneys (who are steadily making the problem worse) and judgment costs as well as how the situation has gotten to this point. He has also inquired about the potential personal liability of Ms. Eastin, arguing that the first jury found she had "acted with malice" and held her personally liable for \$1.45 million in damages. One has little sympathy for Ms. Eastin, who was quoted in *The Fresno Bee* on May 10, 2007 as saying, "It really is taking money away from the children to give to a guy who's really no more entitled to it than a man on the moon." Assemblyman Duvall's requests continue to be ignored by the CDE as of press time.

## **Transportation**

At the federal level, transportation is one of the most popular forms of pork-barrel spending because of its visibility. Members of Congress love photo ops next to a new bus station or highway interchange. It looks as though transportation spending in California provides the same opportunity for state lawmakers, with similar wasteful consequences.

An October 15, 2006 article in *The Orange County Register* by Kimberly Kindy and Natalya Shulyakovskaya shed light on a long-standing state government policy that allows CalTrans to use eminent domain procedures to remove people from their homes to clear the way for new highways and roads. While this is legal, Caltrans is failing to get around to build all of the roads.

As a result, the agency is now a landlord to residents and workers in more than 1,300 homes and businesses. However, unlike landlords, Caltrans is not required to clean up these properties, some of which it has owned for 30 years. Some have served as temporary drug dens and homeless encampments, creating a danger to communities. Sadly, this is only part of the story of this incredible abuse of power. Other salient points from the *Register* article include:

- Under the most conservative estimates, the department's large portfolio of unused land has deprived counties of at least \$78 million in lost property tax revenues. The real loss may be closer to \$300 million when one considers the state's strong property values.
- When Caltrans does part with unused land, it has fared poorly. Almost half the time, the department sold properties for on average 60 percent less than the state paid for them.
- Caltrans owns more than 12,000 acres – not counting freeways or roads. At least one-third of the department's land was bought more than three decades ago.
- "Its land holdings are so vast, Caltrans has trouble accounting for it all. Until this summer, the department didn't know about a Laguna Beach day-labor site on land it has owned since the 1950s. The department's record keeping, meanwhile, is so shoddy that when asked, Caltrans officials couldn't estimate the value of its land."

Thankfully, things appear to be improving at Caltrans under director Will Kempton, who, unlike previous administrators, recognizes there is a problem and appears to be working judiciously to sell or clean up unused land. To help speed Caltrans along in this process, State Assemblyman Chuck DeVore (R-Orange) has introduced Assembly Constitutional Amendment 9. This would remove the property tax exemption for all Caltrans-owned real properties if a county assessor determines that it has not been used for at least five years.

Amy Taxin wrote on March 25, 2007 in *The Orange County Register* that the city of Santa Ana paid a consulting firm \$25,000 to conduct a survey that asked residents whether they would be willing to pay a paving parcel tax. As of press time, the result of the study or any action taken by the city was not known.

A study released in January 2007 by HJTF and the Center for Government Analysis showed that local government revenues have increased by more than 8.25 percent in inflation adjusted dollars since the passage of Proposition 13. In addition, the July 13, 2007 *Cal-Tax Digest* noted that property tax revenue increased in the large majority of California's 58 counties despite a downturn in the housing market that

started in 2006. Taken cumulatively, the average revenue increase will be slightly more than 9 percent greater than the 2006 tax roll. This figure includes a \$1 trillion return from Los Angeles County alone. Cities are clearly not starving for revenue.

Barry Nestande, chief of staff for Assemblyman John Benoit (R-Bermuda Dunes) and a regular contributor on the conservative *FlashReport* blog, wrote on January 29, 2007 about a re-stripping project on the 91 Freeway near the Riverside/Orange County line. Various time delays and other red-tape bureaucracy issues have served to push the cost to \$1.5 million. The project is scheduled to take a year and is complicated by the fact that another government entity, the South Coast Air Quality Management Agency, is requiring an air quality impact study, despite the fact that cars already travel on the road. The failure to repaint a freeway stripe in a year is one of many reasons why California does not have more lane capacity.

## Odds & Ends

Tracy Correa reported in a February 17, 2007 *Fresno Bee* article on Valley Health Team, a nonprofit healthcare clinic that aids low-income residents. Valley Health board members became alarmed when they realized CEO Sylvia Disney was making more than \$400,000 in 2005, almost five times the nearly \$82,000 she made when she arrived in 1999. Disney's salary alone constituted approximately 10 percent of the hospital's overall budget. While the board took the immediate step of cutting Disney's pay in half, the clinic now might have trouble getting financial backing for an earlier \$5.6 million hospital expansion loan. Making the story worse is the fact that the federal government failed in its oversight job, as it provided \$595,000 in grant funding while failing to notice Disney's exorbitant salary.

Edwin Garcia, writing in the July 26, 2007 *San Jose Mercury News*, reported about a longstanding policy in the California legislature that forces taxpayers, not legislators, to pay for any damage that occurs to a vehicle. This occurs regardless of whether the accident occurred on official state businesses, or if the legislator was not driving the vehicle at the time. In the latter case, the article referred to former North Bay legislator Virginia Strom-Martin (D-Humboldt), whose daughter Caitlin rear-ended another vehicle to the tune of \$2,218. Legislators already receive plenty of benefits beyond their \$113,000 annual salary. Taxpayers, who must foot a \$500 monthly bill so legislators can lease a car of their choice, also pay for gasoline and maintenance expenses. All told, taxpayers have spent more than \$300,000 on repairs for legislative vehicles over the past five years.

In the days leading up to the November 2006 election, *Los Angeles Times* reporter Dan Morain wrote a scathing piece on Lieutenant Governor Cruz Bustamante, who ended up losing the Californian Insurance Commissioner election to Steve Poizner. Morain reported that Bustamante failed to run a tight ship. The lieutenant governor's office fell \$300,000 behind in office rent, cell phones were shut off, and a former fiscal officer, Michael Keolanui, made more than \$30,000 in illegal purchases with a state credit card, including a down payment on a sports car, traveling to Hawaii, and buying stereo and computer equipment. Even though Keolanui ultimately pled guilty and was sentenced to three months in jail, that hardly seems like just punishment for stealing from California taxpayers. Email correspondence detailed in the article appears to show that Keolanui was out of the office for much of 2003, yet he was not fired until June 2004, when the embezzlement was fully uncovered.

Shane Goldmacher wrote in the July 2, 2007 *Sacramento Bee* that two legislators, Sen. Edward Vincent (D-Los Angeles) and Assemblywoman Nell Soto (D-Pomona), have missed a combined six months of the 2007 legislative session due to illness. However, despite living hundreds of miles from the Capitol, they still received more than \$35,000 between them in "per diem" – money traditionally meant for traveling and living expenses. Legislators receive \$162 per day tax-free whenever the legislature is in session on top of their \$113,000 salary. While one certainly wishes Soto and Vincent a quick recovery, their argument that they needed the per diem to pay rent on their Sacramento residence doesn't hold much water with taxpayers. Surely making \$113,000 annually is enough to pick up the rent for a few months.

The *Contra Costa Times* noted on March 29, 2007 that if someone works for the United States Department of Energy (DOE) in California, he or she can still be on the payroll despite working in, yes, another country. A DOE audit referenced in the article included many examples, such as:

- A scientist at the University of California-managed Lawrence Livermore weapons lab left in 1998 to go to work for a French research facility, but has been paid more than \$2.7 million from

Lawrence Livermore since leaving. He still collects approximately \$300,000 per year for salary, housing, furniture rental and private school for his daughter – and in the past, he was reimbursed for foreign language lessons for his wife.

- A director of the Los Alamos lab was reassigned after a rocky tenure, and now works at the U.S. Defense Threat Reduction Agency while still collecting a Los Alamos salary of \$235,000 a year (earlier, he had been collecting \$289,000 a year even though he had been reassigned).

Over the course of 2007, taxpayer watchdogs have followed the pending development of Great Park, a 1,347-acre project on part of what used to be the El Toro Marine Base. At first, it seemed as if fees and taxes from the housing that was to be built on the edge of the park would cover costs. However, as the price has soared to more than \$1 billion, this appears to be a taxpayer boondoggle of epic proportions in the making. *Los Angeles Times* writers Roy Rivenburg and Tony Barboza reported on July 13, 2007 about some of the project costs, which include:

- A \$5 million helium tethered balloon, meant to serve as the biggest attraction in the park.
- A French-trained pilot earning a six-figure salary, who will use a remote control device to lower the balloon to earth when the 15-minute voyage ends.
- A \$300,000 visitor center tent, designed to resemble an airplane hangar, which costs \$75,000 a year to clean and \$370,000 to staff with four people.
- A series of orange dots painted along the park's entrance road at a cost of \$14,000.

Even more troubling is the fact that many of the park's contracts were awarded without competitive bids. For instance, the \$75,000 cleaning tab went to Automotive Marketing Consultants. Their responsibility was to wash the outside of the visitor center tent six times a year and clean the interior weekly.

Other wasteful proposals in the park's design include a 60-foot-deep canyon, a botanical garden and a sports complex. If city officials insist on using no-bid contracts for these projects, a \$1 billion cost estimate may turn out to be peanuts. That means taxpayers get stuck with the bill. Great Park spokeswoman Marsha Burgess told the *Times* she doubted the financial viability of the park, saying, "If you could make money on parks, the private sector would be building them."

Matthew Yi, in his February 6, 2007 *San Francisco Chronicle* blog, reported that state assembly Democrats forced taxpayers to foot the hotel room bill for their caucus's three night retreat earlier this year. The grand total for 48 legislators at \$143 a night was \$20,592.

In the June 7, 2006 *Contra Costa Times*, Rowena Coetsee reported on the cost to taxpayers to remove a pair of humpback whales stuck in the Sacramento Delta for nearly two weeks. It is estimated that three state agencies, the Department of Fish and Game, CHP, and the Governor's Office of Emergency Services spent more than \$200,000 on the project. The CHP also spent another \$50,000 so that officers could control the thousands of sightseers gathered at the site.

Ken Mandler has had a longtime workshop and publication on how to land a job in the biggest state government in the country. Mandler announced on June 28, 2007 in the political publication *Capitol Weekly* that the state of California employed a record 235,461 people in May, nearly a thousand more

individuals than employed by Governor Schwarzenegger's predecessor, the recalled Gray Davis. Mandler reported that, "Every fourth household in Sacramento consists of a state employee or a retired state employee." Given the size of government, it is not surprising that waste, fraud and abuse continues unabated.

The Bureau of State Audits is one of California's foremost authorities in uncovering such behavior. Its July 2006-January 2007 report cited the following examples:

- "An employee with the Franchise Tax Board made or received personal phone calls totaling 495 hours between January 1, 2003, and June 30, 2006. We estimate that the employee received \$15,765 in salary for those 495 hours. Also, the board reported that for a portion of this period, from June 1, 2005, to June 30, 2006, 71 percent of the employee's phone calls were not work-related."
- An employee with the Department of Industrial Relations improperly claimed two days of bereavement leave by indicating that her aunt had died. However, the employee was incarcerated in a Los Angeles County jail during those two days.
- Between January 2004 and December 2005, an employee with the Department of Forestry and Fire Protection improperly claimed \$17,904 in wages for 672 hours he did not work.

While all of the above examples were dealt with in some capacity, either through suspension, termination, restitution, new payroll procedures, or a combination of the above, many transgressions must fall under the radar in such a large government.

In 2007, the California Legislature focused on "nanny government legislation," or bills that allow the legislature to control more of personal lives. A bill introduced by Assemblyman Lloyd Levine (D-Van Nuys) would have prohibited the sale of the standard incandescent light bulb by 2012. However, its likely replacement, the compact fluorescent (CF) bulb, is much more expensive, may not work in all appliances, and may not generate enough light to be effective in all rooms. Not only does the technology need to be improved, it should not be subject to a legislative mandate.

However, the same process is happening on the local government level. The Irvine City Council approved \$100,000 for 60,000 CF bulbs, one for every household in the city, according to Sonya Smith's article in the April 12, 2007 *Orange County Register*.

## **Conclusion**

The *2007 California Piglet Book* is only the first step in uncovering, exposing, and eliminating wasteful spending. California should adopt a Funding Accountability and Transparency Act – legislation that would create a Google-like search engine and database to track state grants, contracts, and earmarks. This would be similar to the federal legislation that Senators Tom Coburn (R-Okla.) and Barack Obama (D-Ill.) were able to push through in 2006.

On July 5, 2006, the *Oklahoman* stated that “putting federal contracting and subcontracting information on the Internet in a searchable format would instantly create thousands, perhaps millions, of watchdogs. ... That kind of sunshine, as Coburn puts it, could be a significant brake on the traditional way money gets ladled out in Washington. ... Coburn’s proposal won’t solve Washington’s spending problems. But bringing contracts and grants into the open for all to see will help foster greater accountability.” Certainly the same principles apply at the state capitol. Currently, 10 states have either passed legislation or an executive order has been issued to provide the information to taxpayers.

The good news is that Sacramento officials are not yet pursuing tax increases for a state that already ranks eighth in per capita taxation. The bad news is that this year’s record California General Fund budget is dependent on billions of dollars of revenues that may not materialize. Unless the most optimistic economic projections become reality, the state will find itself in an even deeper fiscal hole in the upcoming fiscal year. Without taking measures to cut government spending and limit waste, everyone will share the blame if there is no longer enough money to support vital services.