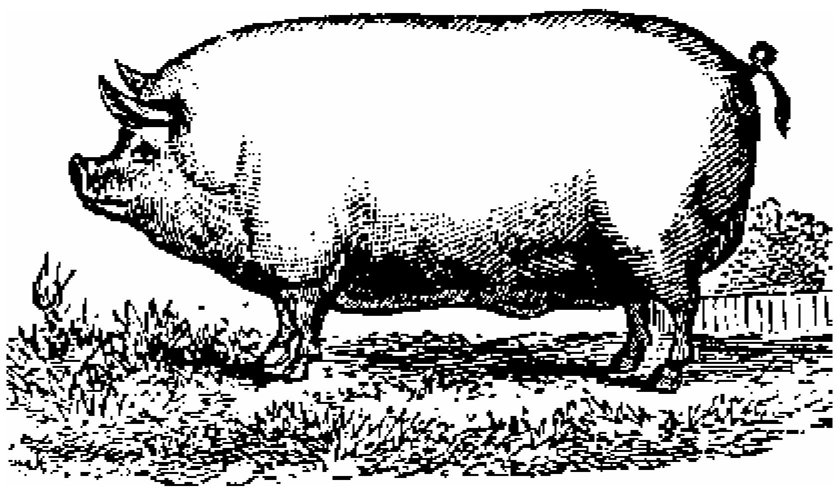
Citizens Against Government Waste
and
The Howard Jarvis Taxpayers Foundation



2006 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 one million members and supporters nationwide. Since 1986, CAGW and its members have helped save taxpayers $758 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.

The 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, HJTA 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 *2006 California Piglet Book* is a joint publication of the Howard Jarvis Taxpayers Foundation (HJTF) and Citizens Against Government Waste (CAGW). This book is the fourth annual joint publication for HJTF and CAGW. In these past four years, our work has revealed the extraordinary amount of tax dollars being wasted and abused by government officials throughout California. Despite our previous work, waste, abuse, and fraudulent use of taxpayer dollars is still rampant. Until there is substantial reform with increased auditing, accountability and a new respect for taxpayer dollars in Sacramento and across the state, the *California Piglet Book* will continue to be published. This booklet makes no attempt to outline all the wasted tax dollars in the past year. That would be an impossible task. But this Piglet, like its predecessors, gives taxpayers a better understanding of the scope of the problem and gives policy makers a tool to adopt appropriate policies in future years.

The consequences of bad tax and expenditure policies are clear. A 2006 study by the Tax Foundation placed California 40th in the country for business tax climate. Tax climate can influence businesses to cross borders for a more favorable taxation policies and a more welcoming environment.

The Tax Foundation's tax climate index is a formula weighing five different types of taxes: business taxes, individual income taxes, sales taxes, unemployment insurance taxes, and wealth taxes, including taxes on property and inheritances.

Fortunately, California did something right in 1978 by passing Proposition 13. As the *Santa Cruz Sentinel* reported on February 27, 2006, the Tax Foundation’s spokesman Bill Ahern said “the inclusion of property taxes, which were omitted from the formula two years ago, and recalculating the rankings for an ‘apple to apple comparison’ meant California improved from 45th place in 2004. Proposition 13 limits increases in property taxes for homeowners and businesses.”

However, one should note that California did rank 47th, obviously near the bottom, for individual taxes. With ongoing waste, fraud, abuse, and high taxes, it is little wonder the shine is fading from the Golden State. And with our political leaders and agency managers showing no signs of bringing government spending under control, the *2006 California Piglet Book* is now more important than ever.

TAXES AND PROPOSITIONS

One of the most intriguing aspects of California politics is the use of ballot propositions to pass tax increases or cuts. Proposition 13 was a watershed event in California taxation which limited increases in property taxes for homeowners and businesses.

But use of the initiative process is a two-edged sword for taxpayers. This year, there are numerous propositions on the ballot which seek to impose *additional* taxes. For example, Proposition 86, The Tobacco Tax Act of 2006, proposes to generate $2.1 billion annually for healthcare initiatives by increasing the excise tax on cigarettes by $2.60 per pack and indirectly raising taxes on other tobacco products. A special-interest effort by hospital corporations, Proposition 86 contains 38 pages of spending mandates. In fact, 40 percent of this tax would go to help fund failing hospitals, rather than to help fight smoking as proponents are trying to lead voters to believe. A mere 10 percent of funds raised will go toward helping cigarette, cigar, and smokeless tobacco consumers quit, or help prevent kids from starting. Aside from the required use of the new tax, history demonstrates that excessively high excise taxes lead many consumers to purchase products out-of-state, online, or through illegal sales. Ultimately, the projected excise tax revenues will not materialize, leaving taxpayers footing the bill for an array of new and costly healthcare mandates. In addition, law enforcement has documented a correlation between raising tobacco excise taxes and an increase in illegal cigarette trafficking by gangs, organized crime, and even terrorist organizations.

The big taxers and spenders have also placed a $4 billion oil tax for California on the upcoming ballot. Proposition 87 will impose a tax on oil production, not oil profits, which means the costs will be absorbed by everyone. Californians already have seen shockingly high prices at the gas pump in 2006; Proposition 87 would ensure that California has the most expensive gasoline in the country if it passes. As common sense would suggest, higher taxes on instate oil production will only reduce instate oil production, and even further the state's dependence on outside sources.

Also on the upcoming 2006 ballot: Proposition 88, the new state-wide parcel tax. This initiative will raise $50 annually on every parcel in California, regardless of value, size, or location. California has not had a statewide property tax in decades and this measure sets a very dangerous precedent for all property owners. Furthermore, while proponents claim that the millions of dollars raised will go straight to the classrooms, the reality is that the funds would be allocated by politicians in Sacramento. This loss of local control has even led to many pro-education groups, like the PTA, opposing the measure.

The tax increase proposals on the ballot are, not surprisingly, generating heated campaigns over their relative merits. However, in the context of this 2006 Piglet, there is a broader issue of whether any new tax is even necessary. If sufficient savings can be achieved by reducing waste, fraud and abuse, those funds can be returned to the taxpayers or be allocated to more efficient and higher priority government programs. For this reason, addressing waste, fraud and abuse should be a truly non-partisan effort embraced by both fiscal conservatives and progressives.

Few people outside of California have heard of how state-wide initiatives can be fueled in part with taxpayer-funds. But California residents are well aware of the controversy surrounding Proposition 82, a proposed tax increase which appeared on the 2006 primary ballot. On February 23, 2006 the *Union Tribune* reported how “Hollywood actor-director-activist” Rob Reiner’s role in “orchestrating the use of millions in taxpayer money to push his latest cause is beyond slimy and way past arrogant.”

In late 2005 and early 2006, Reiner was the principal backer of Proposition 82, a measure that would have provided for universal preschool. “It was bad enough to learn in December that the First 5 California Commission – the agency created under Reiner's previous initiative to distribute tobacco-tax proceeds – had spent $18 million in taxpayer funds on a ‘preschool for all’ TV ad campaign while Reiner was trying to gather signatures for his ‘preschool for all’ initiative,” according to the San Diego *Union Tribune*.

Of course the Reiner camp dismissed the charges by saying it was a mere coincidence that Reiner was trying to qualify a universal preschool ballot measure while millions of tax dollars were being spent on advertisements proclaiming the virtues of preschool for children.

But it gets worse. Reiner also managed to direct $206,000 to three political consultants to run the TV ad campaign. The ad campaign stopped as soon as his initiative qualified for the ballot. The consultants did not; they simply became official Prop 82 campaign consultants. Any rational person would recognize this as more than a coincidence. The final cost to California taxpayers and money that was supposed to go to children in need was $23 million.

In addition, several statewide and local investigations have been launched over the use of “First Five” funds. Not surprisingly, Mr. Reiner has kept a relatively low profile since his measure failed miserably in the June, 2006 election.

Local governments also ask voters to approve propositions and bond measures to raise taxes. One such effort was made in San Diego. On March 27, 2006, the *Voice of San Diego*’s Scott Lewis released a report on a scandal involving the Grossmont Hospital in East San Diego. Lewis became suspicious after watching a television advertisement for the facility.

Lewis reported, “With incredibly soothing music in the background, a nice man talks about the hospital while scenes of nurses and doctors taking care of business flash on the screen: Our nurses, staff and affiliated physicians don't answer to shareholders, they answer to patients. And at a time like this, that's a very comforting thought. Grossmont Hospital: Not for profit, but for people.”

This ad seemed innocent and pleasant enough. However, to Lewis, something seemed askew. He was right. Grossmont Hospital is a publicly-owned entity, which means, it is funded by taxpayer dollars. Since it isn't trying to sell anything, it does need to advertise its services when doctors and nurses are already saying they are too busy.

Lewis soon found out that Grossmont Healthcare District had just put a $247 million general obligation (G.O.) bond measure on the June ballot and voters were going to be asked to take on a new parcel tax to fund the bond.

Suddenly the advertisement on television during prime time shows doesn't seem so random after all. Lewis contacted Grossmont Hospital's Marketing and Communications Manager Bruce Hartman about the advertisements. Hartman's response, as printed in the *Voice*: "They're part of our community awareness and education campaign," he said. "Part of the initiative is to educate the community and also kind of set the stage for the G.O. bond initiative that we're developing," according to Lewis' report in the *Voice.*

Since the Grossmont Healthcare District is supported by taxpayers, it must have been using taxpayer dollars to fund its primetime commercials advertising the hospital's usefulness to the community.

Such activities are of questionable legality. Taxpayer funds cannot be used to "expressly advocate" in favor or against a ballot measure. While purely "informational" activities may be legal, the question is always at what point does a government's activities cross the line into advocacy.

Grossmont CEO Michele Tarbet said, "Grossmont was initially planning to put the bond measure on the ballot in November but decided not to because polling had showed that it was not a good time to put something on the ballot. And if you recall, most propositions failed in November," (*Voice of San Diego*).

Lewis put two and two together:

> So, let's get the timeline straight: Grossmont wants to raise more than $225 million. So it does some polling to see if voters will support a bond measure of that size in the November election. Officials determine that the measure would probably lose. Then they buy a bunch of ads during popular television shows and now polling indicates that the measure is likely to pass so Grossmont officials approve putting the measure on the ballot two weeks before the ads stop running on television.

When a government agency's program isn't producing the expected results or benefits it promised, the agency looks to taxpayers to bail them out by asking for more money. A January 22, 2006 KCBS-TV 5 news report described how the

Sonoma-Marin Area Rail Transit (SMART) District would like to increase the sales tax for the rail line. Despite having projected low ridership numbers, proponents are demanding a commuter train to run from Marin to Sonoma. A draft environmental report commissioned by SMART (no need to point out the obvious irony) found that only 4,800 riders a day would use this service. In comparison to most transit lines, this is a low number.

The kicker is that the transit district argues that focusing on the amount of riders means ignoring the environmental benefits of a project that opponents refer to derisively as the "train to nowhere."

The next example of foolish government programs asks the important question of who is responsible for those who litter the streets of California's cities, the individual doing the littering, or the business from whom the littered product first originated? The City Council of Oakland believes it is business owners, and is imposing an unprecedented litter tax. As reported in the *San Francisco Chronicle* on January 25, 2006, the tax in the city of Oakland would fund additional garbage services. This new trash tax would range from $230 to $3,815 per year, depending on the size of the business. The nearly quarter-million dollars this tax is expected to generate will be used to hire clean-up crews.

Of course, as the *Chronicle* points out, "most of Oakland's merchant groups oppose the proposal, arguing that it unfairly singles out some businesses and noting that many businesses already pay for trash cleanup through city taxes and business improvement districts."

"I pay my employees to pick up trash near our business, to keep the streets of our neighborhood clean," said Rob Lew, owner of a Kentucky Fried Chicken on MacArthur Boulevard in the Laurel District. "We should be getting a tax benefit that shows we do care instead of being penalized," he told the *Chronicle*.

The tax, which was eventually enacted, was opposed by taxpayer groups and affected business organizations. "This fee doesn't attack the crime of littering on Oakland's streets," said Johnisse Foster Downs, director of local government affairs for the California Restaurant Association. "The businesses are also a victim of litter. You're penalizing them for the crimes of others. That's what's called a scapegoat," she said to the *Chronicle.*

Talk about being swindled. The *Ventura County Star* reported on January 23, 2006 that the Ventura is looking at how to generate more money with a possible police and fire tax. Ventura city leaders were considering spending $60,000 of taxpayer dollars to hire the Lew Edwards group, which has experience in helping cities determine "how best to craft and promote public safety finance measures," according to the *Star*. Also, the council would like to spend $25,000 to conduct a survey in order to better understand voters' safety priorities and dispositions towards this type of a tax.

The Star reported: "Public safety unions have been repeating that they are overworked and underpaid," Councilman Neal Andrews said. "And we've been struggling to find the right solutions for the better part of a year."

Even though state law does allow cities and school districts to spend taxpayer dollars on assessing and educating residents about public safety needs, the localities are prohibited from campaigning. Apparently, the city of Ventura does not consider financing and conducting public opinion polls, or hiring a consultant to analyze the polling results and write ballot language in consideration of those results, to be the groundwork of a typical campaign. Keep in mind, the Ventura City Council is spending thousands of public tax dollars in order to create this campaign to convince voters to give them more tax dollars.

Speaking of grabbing tax dollars, the ReadyReturn program has been pushed on California taxpayers by California's Franchise Tax Board (FTB). The FTB is California's version of the IRS, but for years the FTB has sought to expand its role beyond tax collector and into the tax preparation business. Under ReadyReturn, the FTB uses tax information sent to the state by employers to prepare and calculate the amount an individual taxpayer owes or is due in a refund.

ReadyReturn is a fatally flawed program. Having the state tax collector prepare taxes ushers in a host of serious complications and conflicts. It is in the interest of every taxpayer to legally pay as little tax as possible; it is in the state tax collector's interest to collect as much tax from every taxpayer as possible. With the tax collector also serving as the tax preparer, it's clear whose best interests would be served, and who would be fleeced. The FTB may not provide taxpayers with all the deductions and credits to which they are legally entitled.

Additionally, even if the state tax agency prepares a person's taxes, that person will still have to prepare the return a second time. Why? Because if the state's calculations are too low, and the taxpayer pays too little tax, they will have inadvertently committed tax fraud by trusting the state's calculations. So, if a tax filer has undergone a life change that might change their tax status (such as marriage, birth of a child, or the purchase of a home), or is simply earning more income than was reported to the state, that taxpayer would be liable if the state computers led them to underpay their taxes. What good is a large government program aimed at helping reduce the tax burden when the system *still* requires taxpayers to calculate their own tax liability?

Since last year, the state legislature has passed legislation limiting the FTB's ability to expand the ReadyReturn program. But the tax agency has tried several times during the most recent legislative year to pass new legislation that would eliminate those limitations and allow them to expand the program from 50,000 Californians to 3 million next year. Those efforts were thwarted, but the FTB maintains that despite the current law, they have the authority to expand the program and may plan to do so for the upcoming tax season.

FTB officials have repeatedly suggested the costs of ReadyReturn are minimal, but have not produced any program analysis or budget numbers to confirm these pronouncements. One analysis has suggested that the cost could exceed $50 million or more to build and maintain such a massive government technology project. Considering California’s abysmal track record of information technology projects, as well as the FTB’s underreporting of other government tax system costs, the final price tag likely will be exorbitant. California’s ReadyReturn is an overreaching government boondoggle predicated upon a non-existent public need and should be eliminated.

EDUCATION

Federal, state and local governments share responsibility for funding education, and all three levels of government have failed to deliver a good education product at a reasonable cost. The following examples show the need for more competition and less government in educating the children of California.

Undue labor influence is a major source of poor education in California. For example, the teachers union in the city of Ramona recently played hard ball with city officials over a school bond measure. The *North County Times* reported on January 20, 2006 that the Ramona Unified School District was considering putting a school construction bond measure on the November ballot and the local teachers union was set against it unless their demands were met first.

About 135 members of the 350-member Ramona Teachers Association attended the school bond meeting to express their disappointment in the latest contract offer that the district has made to the union. Teachers wanted to make it clear that the bond issue would go nowhere unless officials adhered to union demands. In fact, Union President Michael Harrelson boldly told trustees that a successful bond campaign would need the support of the union.

The *Times* reported that Harrelson went on to say, "It's a dilemma for teacher leadership. We support the bond. The difficult thing is, it's a labor-intensive effort. ... If the teachers are focusing the energy on the teachers association getting a contract approved, they aren't going to have the energy or desire to help out on any other effort, and that includes the bond."

“Recently, the five-member school board voted unanimously to spend $45,000 to hire the political consulting firm of The Lew Edwards Group to analyze the survey results, determine the feasibility of a bond and come up with strategies to inform the public about the district's need for the money,” according to the *Times.*

The district serves 6,784 students in 10 schools. It has not passed a bond in more than 40 years, according to the Superintendent of the district, Peter Schiff. The last attempt was a $25 million bond in 2002 that needed 55 percent of the vote to pass, but it only received 49.4 percent.

Schiff said the district decided to survey likely voters this time, before making a decision about an election. “That's why we're doing a survey this time. That's why were getting a clearer picture,” Schiff told the *Times.* In other words, they are justified in fraudulently using tax dollars for campaign work in order to make sure they finally win a tax-increasing bond issue.

Apparently though, they have their work cut out for them. Available data led David Ostermann, assistant superintendent of administrative services to say, “If we went out today, in all likelihood, we would not pass the bond… We have our work cut out for us,” as reported by the *Times.*

Voters ought to keep in mind that Ramona Unified does not have the best track record. In 2002, the Neighborhood Alliance for Safe Ramona Schools opposed that year’s school bond and even filed a civil suit alleging that district employees were illegally using time on the job to campaign in favor of the bond. A judge ordered the district not use its resources to promote the bond, but did not rule on the charges that the district had done so. Nevertheless, the public knew in 2002 to be wary of school officials and unions and the bond failed.

Ramona Unified is not alone however. Since the passage of Proposition 39, local school districts have saddled California property owners with billions of dollars of additional debt. Proposition 39, which was financed by a few Silicon Valley millionaires in 2000, allows education facilities bonds to pass with only a 55% threshold rather than the two-thirds vote required by the California Constitution for over 100 years. The following are examples of how the so-called "accountability" provisions of Prop 39 fail to deliver as promised.

A January 27, 2006, *Los Angeles Daily News* editorial makes it clear that instead of the promised accountability, the only real constant under Prop 39 is that property owners will end up paying higher property taxes for decades to come. According to the *Daily News* editorial, “The citizens committee charged with providing oversight of $15 billion in money to build hundreds of new schools in Los Angeles and to rebuild many others has done a poor job for a long time and has lost credibility.”

The controversies of the Los Angeles Unified School District with its numerous bond measures are legendary. Take, for example, the appearance of a possible conflict of interest involving the Taylor Yard property in Glassell Park that a wealthy developer and the Los Angeles Unified School District are fighting over. The LAUSD wanted the 23-acre property along the banks of the Los Angeles

River for a new high school in the Eastside neighborhood. But the district was edged out by prominent downtown L.A. developer Richard Meruelo, a top contributor to Mayor Antonio Villaraigosa's political campaign.

Meruelo came out of nowhere to scoop up the property rights when school officials say they were getting ready to buy it. Now the LAUSD is looking at seizing the land through eminent domain, paying a fair-market value. But Meruelo is trying to get the school board to partner with him to develop a $600 million, mixed-use project along the river that would include a campus. The twist in the plot comes from the role of Robert Garcia. Garcia resigned as the bond oversight chairman last July at the same time that his nonprofit group, the Center for Law in the Public Interest, was possibly going to get a $1 million gift from Meruelo.

The highlight of Garcia's five-year tenure on the oversight committee was how he “harassed” and finally got the resignation of LAUSD Inspector General Don Mullinax, the only person really overseeing all the money passing through the nation's second-largest school district.

When the LAUSD board voted to go ahead with its plan for the property, new information came out that added another twist to the story. Prior to the vote, board members were given a letter from the Center for Law in the Public Interest urging them to consider every alternative to condemning the property, which would, of course, include Meruelo's plan.

That led to disclosure that one of the center’s board members is none other than Tom Rubin, the bond oversight committee's highly paid consultant.

In the end, the LAUSD decided to ignore Meruelo and the request from Garcia's group. But the entire affair was enough to cast serious doubt on the credibility of the bond oversight committee and whether it is truly watching out for the public interest.

Lexington Junior High in Cypress is the perfect model of failure when it comes to the so-called accountability provisions as promised with Proposition 39 school bonds. According to the *Orange County Register*, improvements outlined for Lexington Junior High are nearly two years late. In 2003, a campaign for a $132 million school construction bond measure for the schools of Anaheim was then subsequently passed.

But three years after the lofty promises and approval from the voters, the students of Lexington Junior High still cannot use the promised gym or the 20,000 books for the school library. Parents and students are upset over the dramatic and costly stall. Many parents who thought their children would directly benefit from the school improvements they voted for no longer have students attending the school.

Currently, there are no working fire alarms, so "a hard-hatted inspector patrols the campus from 7 a.m. to 3 p.m., looking for smoke," according to the *Register*. One must wonder how the cost of hiring a living, breathing, human fire inspector every day compares to simply installing fire alarms.

There is a reason for the dismal situation for this junior high. According to the *Register*, "Independent auditors found in September that mismanagement had led to a $49 million shortfall." To add insult to injury, the mismanagement of the money also "accounted for a 10-month delay at Lexington, according to the audit, and problems with the selected contractor delayed the projects for another year." Though the bond campaign went off without a hitch, according to the audit, the promises of the campaign were not being met due to "a poorly structured plan and little oversight."

Among other problems as reported by the *Register:* Air-conditioning units were inoperable during September due to wiring problems which could have produced a noxious gas; portable toilets have been used as restrooms and changing stalls because locker rooms and permanent restroom construction had not been completed on time; and the school health clerk worked out of a portable classroom.

The *Los Angeles Daily News* reported on February 26, 2006, that Lancaster's Westside Union School District was mulling over a school bond tax for its voters. Westside school board trustees approved a $12,000 expenditure to hire a consulting firm to conduct a public opinion survey in order to find out how much money voters were willing to be taxed for the new school construction. They found that almost 60 percent of voters would approve an annual $27 tax per $100,000 of assessed valuation. The bond would generate anywhere from $52 million to $75 million. Yet another example of school officials using tax dollars to finance the groundwork of tax-increasing projects.

Lisa Sodders of the *Los Angeles Daily News* reported on November 28, 2005 that the "cash-strapped Los Angeles Community College District (LACCD) lost nearly $1 million over the last three years on its food-service operation, a problem that district officials blame on high labor costs and the difficulty of feeding finicky students." The labor rates are essentially taking away taxpayer dollars from the college and students. Cafeteria workers in the LACCD received $15 per hour compensation, plus benefits, despite the state's current minimum wage being $6.75 per hour. State law requires the college district to use these unionized classified employees to flip the burgers and ring the register, a legal holdover still in effect from when the district was operated by the Los Angeles Unified School District.

This is a classic example of why government and schools should be permitted to make more use of contracting out to the private sector for services. The community has also complained that the college let the problem persist without making substantial changes. Aram Nagapetyan, 18, of North Hollywood hit the nail on the head when he commented to the *Daily News*, “If you see a huge amount of money going down the drain, it shouldn’t take you that long to figure out something’s wrong.” At least Aram learned something at the taxpayers’ expense.

On January 25, 2006, the *Oakland Tribune* reported that when former UC Berkeley Chancellor Robert Berdahl left his campus teaching gig for a new job in May of 2006, he did not have to repay any of the $355,000 salary he earned on a yearlong sabbatical. University policy requires him to teach for at least as long as his sabbatical; however, the new chancellor, Robert Birgeneau, granted a policy exemption in Berdahl's case, saying the former leader's new job as president of American Universities will bring a benefit to the campus and the nation. We wonder what the students at Berkeley think about this gift of public funds as they face increased tuition and book fees.

Another higher education scandal was reported by the *Los Angeles Times’* on November 29, 2005. University of California professors are demanding an independent investigation into the UC’s compensation practices in the wake of a report that the university spent millions of dollars in recent years on executives’ bonuses and other perks.

Another stark example of misplaced priorities was reported in the *San Francisco Chronicle* on February 19, 2006. While no one questions that students with special needs should be accommodated by public schools, such accommodation should be reasonable and in proportion to the needs of the regular school population. Sadly, that is not the case.

Woodside High School, in the Sequoia Union School District in San Mateo County, went over the top for a 15 year-old boy with learning disabilities and anxiety. The school made available to him college-prep classes, daily assistance from a special education expert, a laptop computer, extra time for tests, and an education advocate to work with his teachers. The district even agreed that, if the student experienced an anxiety attack, he would be permitted to leave the classroom and receive immediate medical attention. But even these benefits and assistance offered by Woodside High were not quite enough for his parents. According to the *Chronicle*, “Instead, they enrolled him in a $30,000-a-year prep school in Maine, then sent the bill to their local public school district.”

This story is not unique to San Mateo County. In fact, the Chronicle reported, “similar stories are playing out up and down California as more parents of special education students seek extra-special education at public expense: private day schools, boarding schools, summer camps, aqua therapy, horseback therapy, travel costs, personal aides and more."

It is a wonder how school districts – which seemingly are always short on cash – can afford to offer such enhanced programs. Believe it or not, they argue that it is actually cost-effective to offer some of these extra benefits in order to satisfy demanding parents who threaten the schools with costly litigation.

The special education director for the Tampalpais Union High School District in Marin County told the *Chronicle* that legal proceedings "are a huge time drain on your administration and your teachers. You don't want to spend precious dollars on this, so districts will settle a case to avoid it."

According to a February 19, 2006 article in the *Chronicle*, the result is costly but, even worse, it is disarmingly discreet to taxpayers: "Expensive legal judgments and confidential settlements add hundreds of millions of dollars to already soaring special education costs across California, while taxpayers are kept in the dark about how the money is spent."

In fact, more than a billion dollars a year is spent in general funds for special needs. "This is not sustainable," said Paul Goldfinger, a California school finance expert in a classic understatement.

The following short summaries of cases involving school districts paying outrageous costs for special needs students were acquired by *The Chronicle* through the Public Records Act:

San Rafael Elementary District 2003 (Case No. 400):

This case revolves around whether or not the school is responsible for at-home behavior if a child makes some academic and behavioral progress at school but exhibits inappropriate and dangerous behavior at home. It also examined whether or not the district should pay year-round residential tuition, cross-country transportation, food and lodging costs for six visits by parents and siblings, and interest on the school loan.

The hearing officer ruled that the school district was indeed responsible for the student's behavior outside of class, that a 24-hour residential school was necessary, and its costs should be covered by the district. The district was ordered to pay for the family's tuition and cross-country travel to attend two required meetings at the school.

Bottom line: The San Rafael Elementary District has so far paid $356,052, including the family's legal expenses. Elements of the case are being appealed in federal court.

San Francisco Unified School District 2002 (Case No. 192)

At issue here is whether or not a kindergarten-age girl with an autism-like condition should receive a personal aide, play therapy, psychological therapy and a private education at public expense. The case also reviewed whether those services should continue even after the local public school district has developed a similar program that administrators say is tailored to meet her needs.

The hearing officer ruled that this district was late in offering the child an individualized education plan, and therefore it must pay for the student's private tuition costs and reimburse the family for all other services requested, except the neuropsychological and vision care. The district has paid approximately $314,000, including legal expenses, to the family thus far. Since the hearing, the school has developed a program specifically for this student, but according to the hearing officer, the family does not have to enroll their daughter in the program if they do not want to. They have chosen not to.

PAY, PERKS, PENSIONS AND RETIREMENT

Pay, perks, and pensions are part of an employee's total compensation package. In the public sector, compensation for employees is vastly superior to that in the private sector. And as far as California is concerned, public sector employees have hit the jackpot.

The *Los Angeles Daily News* reported on March 21, 2006 that "Los Angeles police and firefighter bonuses soared last year to $80 million, accounting for nearly three-quarters of the $117 million in bonus payments to all municipal workers." You don't need a pay increase when you have bonuses like that.

These bonus payments have quadrupled over the past five years due to, of course, intense labor negotiations which have expanded the number of available bonuses and the number of these employees who are now eligible to receive them. There are now 149 different types of bonuses these public employees can receive; more than doubling the previous amount.

The *Daily News* further reports that according to documents obtained under the California Public Records Act, "the number of paid bonuses rose from 11,383 to 52,272 last year, with some employees receiving more than one. The steepest climbs have been in the Police Department, where bonuses have grown by an average of 22 percent annually since 2001. In the Fire Department, the annual rise has averaged a whopping 41 percent."
To put this in perspective, Los Angeles is currently battling a budget deficit of nearly $300 million over the next five years. It is difficult to determine whether elected officials or public employee unions run the city. "To see the huge dollar increases in bonuses over the last five years – it's enormous," City Controller Laura Chick said in an interview. "I think the most pure and simple answer is

labor asked for these bonuses, and the city gave them."

The end is nowhere in sight. It is reported that officials say bonuses could be on the table in upcoming negotiations with police and firefighter unions. Taxpayers should hold on to their pocketbooks pending the outcome of those meetings.

The *San Diego Union-Tribune* reported on March 25, 2006 on the impending pay raises for state firefighters. Specifically, a significant number of state firefighters received a pay raise in June of 2006 that reaches an estimated average of 22 percent, and others will now be able to retire with pensions higher than even their final salary. This particular state labor union will receive the largest one-time pay increase ever received by members of any state labor union. This has nothing to do with supporting the men and women of the state's safety departments; this has to do with unions taking taxpayers for a ride. This historical raise is estimated to cost taxpayers an additional $38.7 million next fiscal year.
The details, according to the California Department of Finance: Total annual pay for 1,340 fire captains will have increased to approximately $103,266 at the top salary step. In addition, 265 battalion chiefs' salaries will have increased to $130,579 at the top step. This analysis does not include overtime, which in past years has added huge costs to taxpayers.

The state firefighters, like the prison guards and highway patrol, negotiated a contract that increased their pension benefits on January 1, 2006 giving them a very lucrative retirement formula in which they can retire at age 50 with 3 percent of the highest annual salary for each year served.   The Department of Personnel Administration has not increased the pension benefit for firefighter supervisors, leaving them at 3 percent at age 55.

Here is where it gets really interesting.

A cap on state pensions limits retirement payments to no more than 90 percent of a worker's highest salary. But now there is a question about whether some firefighters can exceed the cap by retiring after having worked in both union and nonunion jobs. Essentially, a firefighter would leave the union retirement system and start the clock over in the nonunion system.

As a result, some think the department inadvertently created two separate retirement categories that will allow firefighters who have been both union members and nonunion supervisors to get higher pension payments.

According to a September 25, 2006 article in the *Union Tribune*, union legislative director Jim Rissmiller is concerned about the precedent: "I think it now has the likely potential of allowing some people to retire at over the 90 percent cap and in some cases over 100 percent."

On February 16, 2006, the *Sacramento Bee* reported that Sutter County Supervisors, Jim Whiteaker and Dan Silva have become the target of a recall because of a pension benefit increase for county workers in 2004.The county has an annual budget of about $165 million and already owes $31.4 million to the California Public Employees' Retirement System. It is not clear how much additional public employee benefit-related costs the budget can absorb without a tax increase.

Citizens for Change filed notices of intent to recall the supervisors, telling the *Bee* that “Whiteaker and Silva ‘knew or should have known the county of Sutter lacked sufficient pension fund reserves to pay for the increased retirement benefits without incurring long-term debt and failed to seek qualified financial analysis of the costs.’”

On February 26, 2006, the *Orange County Register* reported on GASB-45, an acronym for Section 45, a policy enacted in 2004 as part of the Government Accounting Standards Board (an operating arm of the private Financial Accounting Foundation). This new accounting system has started to reveal terrible, and to some, shocking news about California’s retirees’ obligated health care costs. GASB-45 requires that all “governments must account today for future costs of guaranteed medical benefits for retirees.”

For taxpayer advocates, this news is anything but new. Many groups have been banging the drum on costly public employee benefits, but to no avail. GASB-45 will help shed light on reality for those in government who have been ignoring this issue for far too long.

As the *Register* pointed out, “This is similar to what is happening to General Motors, Ford and other big companies, which decades ago signed generous health-care guarantees for workers' retirements but didn't account for the future costs. Now those costs have come due and are severely damaging the companies' profitability.”

However, with government, the problem is even worse. Government is not supposed to be in the profit-making business, and as such, does not have some of the options afforded to the private sector employers. At the end of the day, these higher costs must be paid for or services must be cut. As outlined in the *Register*, total costs just for California city governments “are north of $600 million to $750 million a year.” To keep things in perspective, retiree health care is going to be nearly double the cost of existing workers’ heath care.

Standard and Poor's rates government credit and takes this particular issue very seriously. In a December 2004 report, S & P warned that GASB-45 could expose the real debt a government has and could “seriously strain operations,” and could ultimately hurt governments’ credit ratings.

Appalling statistics were also revealed by state legislative analyst Elizabeth Hill, indicating that the state of California will accumulate a huge debt in the very near future. For starters, Hill concluded "that state government liabilities are likely in the range of $40 billion to $70 billion – and perhaps more over 30 years. In addition, the liabilities of the University of California, local school districts and cities could exceed those of the state itself – meaning another $70 billion or more." This makes California taxpayers liable for up to $140 billion or more in health care costs over the next 30 years.

The *Marin Independent Journal* reported on January 25, 2006 that Marin County officials have a new privacy policy prohibiting the public from obtaining names of public employees and their pay. For more than 130 county employees, Marin officials doled out more than $120,000 in pay raises. The Marin County Board of Supervisors voted 5-0 to approve the pay increases, without so much as a discussion with the public.

The discussions which did take place were negotiations involving union groups and individuals. The increases ranged from 0.5 percent annually to 8.5 percent annually. Peter Scheer, executive director of the California First Amendment Coalition, said current litigation will resolve the issue of disclosure of public employee compensation. "In our view, [Marin] county does have an obligation under the Public Records Act to tell the public how much salary and benefits people receive, by name," Scheer told the *Journal*. "Until that issue is finally resolved at the Supreme Court level, we believe that local governments should stay with their policies they've had in the past. It's public money - people have a right to know how their tax money is being spent."

On November 23, 2005, the *Wall Street Journal* published an article by Deborah Solomon reporting that state and local officials around the country are facing costly retirement health-care problems without having a plan to finance the costs. Despite the obvious costs with such a dilemma, "cutting benefits for government workers is especially tough given that many employees are protected by strong unions that will challenge any such efforts." This problem didn't develop overnight. Government has been expanding at an unprecedented and unnecessary rate for years, all the while promising good salaries and very generous benefits. California has yet to officially determine the state's health care liability, "but policy watchers and credit-ratings analysts expect those numbers will be significant. Some have predicted that California's obligation could be $40 billion or more," according to the *Journal*. This means politicians and bureaucrats will have to take unpopular stands against the public employee unions — or substantially raise taxes.

On March 27, 2006, the *Sacramento Bee* reported that "California's deficit-ridden coffers have lost millions in potential revenues because several state agencies have provided discounted or free housing to employees without properly reporting the benefits, according to a state auditor report." In other words, a recent state audit indicates that a number of state employees have the perk of living rent-free, or at least getting some very significant discounts.

Auditor Elaine M. Howle reported that there are 13 state agencies providing housing to certain state employees at a fraction of potential fair market rents. Worse, these state agencies were also failing to report the employee perks as a "taxable fringe benefit." It is estimated that these perks cost the state some $8.3 million in possible rent revenues in 2003 alone. According to the audit, it seems state and federal tax agencies also lost nearly $3 million due to employee compensation being underreported.

The *Bee* reported that this audit originated from a whistleblower reporting that "several state employees and volunteers had lived rent-free in housing provided by the state Department of Fish and Game in its North Coast region."

These allegations led investigators to a problem bigger than they expected. It was revealed that "seven department volunteers and six employees were provided rent-free housing for a total of 718 months between January 1984 and December 2005," as reported by the *Bee*. At the very least, Fish and Game should have been reporting this benefit as a taxable fringe benefit, rather than sweeping it under the rug.

Other departments provide housing for employees, at a deeply discounted price, and have also failed to report these benefits. The *Bee* reported on March 27, 2006 that, "According to a survey by the state Department of Personnel Administration published in the auditor's report, 13 state agencies in 2003 provided 1,181 rental units to employees and charged them a combined $3 million in rent. The rent was $8.3 million less than what the state could have gotten if all the units were rented at fair market value, the report said."

The *Bee* also reported that California has a unique "bird sanctuary" costing taxpayers hundreds of thousands in questionable costs. This "sanctuary" is the department which operates the National Guard. The Guard is staffed with retired military colonels, whose rank is signified by an eagle, along with other high-ranking former officers. The problem seems to be that the "birds" have made their "nests" with inflated salaries and outrageous pensions, paid for by the California taxpayer.

The *Bee* further reported that these former officers routinely earn $100,000-plus salaries on top of tax-free perks such as allowances for housing and food. To add to it, they are further eligible to collect state pensions in addition to their federal retirement incomes. Most states have retired military officers, but California has 400 on the state payroll. A retired colonel admitted to the *Bee* that while none of this is illegal, the practice definitely serves to "pad the salaries and create jobs for these old cronies." The positions are only available to those with a military background, and most of the positions go to former military officers who are eligible for retirement.

While most examples of government can be seen across the country, this story seems to be unique to the Golden State. The *Bee* reported that in the 10 largest states in the country, excluding California of course, the National Guard is largely run by civilian civil servants and active guard soldiers on the national government's payroll only. The state is wasting money which could be used to actually help California improve public safety.

CITY AND LOCAL GOVERNMENTS

Obviously, not all waste occurs in the state government. The *San Diego Union-Tribune* reported on January 22, 2006 that San Diego sewer and water users have been hit with steep rate increases in the last few years, leading many to call for a look at the departments' books.

Specifically, San Diego residents have seen their sewer rates increase 57 percent since 1996, and their water rates increase 24 percent since 2003, with an expected 6 percent increase coming in 2007.

At the time this report went to print, city officials have yet to account for how this additional money has been spent, which could potentially lead to big fines which will have to be absorbed by the taxpayers.

Mayor Jerry Sanders has warned that new rate increases could be on the way due to mandatory upgrades to the different systems. Before they go to ratepayers' pockets for more money, Sanders has said he'd like some fundamental questions answered, including whether or not ratepayers were charged for projects that never got completed or exactly how much, if any, water and wastewater money was diverted to prop up a straining general fund, which pays for day-to-day city services.

If there was in fact a diversion of fees and city officials did not report it, the city could have violated state and federal laws.

To put the icing on the cake, according to the *Tribune*, "the city's sewer rate structure already is under investigation by the Securities and Exchange Commission. And a lawsuit, now in settlement talks, accuses the city of illegally charging homeowners sewer rates that should have been paid by commercial users."

The question remains as to where the money went considering the need for more money to fund the mandatory system upgrades.

On January 26, 2006, the *Voice of San Diego* reported that the Internal Revenue Service has launched an inquiry into the city of San Diego's finances. Specifically, the IRS has requested documents relating to bonds issued by the city in 1993 and in 2003. This isn't the first time the city has had inquires into its finances. The IRS request indicated that it is joining the Securities and Exchange and the Justice Department in their own probes of the city's sketchy, and possibly illegal, finances.

According to the *Voice*, the investigation by the IRS is related to the release of tax-exempt bonds for the Old Town trolley extension. The city first issued $19 million in bonds for its construction in 1993. Ten years later, the city refinanced the debt with another round of $15.3 million in bonds because interest rates for municipal bonds were at an all-time low. In such cases, because municipalities are given tax-exempt status, they have the privilege to borrow money at lower interest rates and allowing investors to avoid paying federal or California state income taxes on their returns.

The inquiry by the IRS signals that it will evaluate how the bonds were issued and if the proceeds were spent for the proper purposes. If the IRS were to deem the bonds taxable, investors would be forced to pay federal income tax on their income, past and future, from the investment. Such a ruling could spark litigation against the city by harmed investors, some experts said.

"That obviously is a big deal to investors because suddenly you thought you had a tax-exempt investment and you based your interest rate on that, and then you don't," Amy Doppelt, managing director at Fitch Ratings, a credit rating firm, told the *Voice*.

According to the article, a spokesman for the IRS declined to comment on the inquiry.

On January 27, 2006, the *San Francisco Chronicle* reported that San Francisco has spent more than $2.3 million of taxpayers' money in the past four and a half years on bottled water, according to public records. Despite owning a pristine reservoir in the Sierra Nevada which touts some of the nation's best-tasting tap water, San Francisco officials apparently see no reason why they should have to drink tap water when they can soak taxpayers with the bill.

The *Chronicle* wrote, "'It's everywhere you go around City Hall and outside of this place,' said Jake McGoldrick, who is alone among the 11 members of the Board of Supervisors in not having city-funded bottled water delivered to his City Hall office. 'People have come to assume that even though we have the best water in the entire U.S., they still need bottled water. It's become the chic thing.'"

To his credit, even Los Angeles Mayor Antonio Villaraigosa recently ordered city agencies to stop using public money to buy bottled water for employees after widespread reporting by the media exposed the fact that the city had spent $90,000 on bottled water while the Los Angeles Department of Water and Power was financing a $1 million campaign advertising the virtues of local tap water.

San Francisco outspends Los Angeles on bottled water, and despite news reports highlighting the unnecessary spending, the city's thirst for bottled water and tax dollars cannot be quenched.

Specifically, during the 2004-2005 fiscal year, which ended June 30, 2005, $499,275 went to bottled water and related expenses, a slight increase from the $495,974 that the city spent the previous year. According to the *Chronicle*, "one reason spending on water is so high, city officials say, is that the city's contracts with a handful of employee unions require bottled water for employees. They include unions representing nurses and automotive machinists."

The Public Utilities Commission (PUC) tested water in drinking fountains and sinks at City Hall last year and other city buildings like Laguna Honda Hospital and the Hall of Justice. Susan Leal, general manager of the city PUC, told the *Chronicle*, "Its pristine water coming out of those taps." Leal went on to say, "I think it's a shame that people don't understand how great the drinking water is that comes from Hetch Hetchy," as quoted in the *Chronicle*.

The bigger shame is that the public sector has no problem flooding taxpayers with unnecessary costs.

ODDS AND ENDS

There are some cases of government waste that don't fit nicely into any category but are outrageous enough to be chronicled.

The *Los Angeles Daily News* wrote an editorial on May 21, 2006 commenting on the typical lack of judgment coming from state bureaucracy. The *Daily News* reported that in "the same week when terror experts warned that America's next Sept. 11-style attack would likely come via the ports… L.A.'s, auditors found L.A. County has wasted thousands of dollars of its federal terror funds." The audit found that thousands of dollars from the anti-terrorism fund were spent on completely unrelated items, such as dozens of $600 office chairs. It is unlikely throwing office chairs at al-Qaida will win the war on terror.

Since terrorism is a very real threat, government officials in Los Angeles should ensure that funds are spent properly. Lack of prudence could end of being much more costly – in dollars and human lives -- than they ever imagined. Regretably, politicians use sympathetic government programs, such as anti-terror efforts, to scare citizens into supporting higher spending. But these higher levels of spending are often accompanied by higher than usual levels of waste, fraud, and abuse.

Government is not alone in wasting public funds. Often, the politically powerful and well connected can influence government into bad spending choices. The *Los Angeles Daily News* wrote an editorial slamming Eli Broad's demand for a $440 million public subsidy on March 26, 2006, insisting that his massive project does not deserve it.The *Daily News* opined, "For years, we have heard that billionaire Eli Broad's vision for his Grand Avenue [in Los Angeles] project – enthusiastically backed by city and county leaders – wouldn't require public funding. Somehow, a grandiose development in the heart of a downtown that no one wants would pay for itself." Apparently Broad and his friends met reality and had no choice but admit their shortsightedness and desperately need as much as $440 million of taxpayer dollars as a public subsidy.

The city of Los Angeles could use that $440 million to fix a few streets, hire more cops and safety workers, and stop the high trash tax.

Despite the amount of public subsidies poured into downtown Los Angeles, there are not enough people to support the high-end retail and entertainment venues the Grand Avenue proponents imagine. It seems that no one wants to stay downtown on evenings or weekends when there is such a variety of other things to do – many of which are closer to home. As the *Daily News* pointed out, "common sense tells us that if a business plan can't succeed without a subsidy, it's not a very good business plan." Unfortunately, common sense is in short supply among Los Angeles city leaders.

The *Los Angeles Daily News* published an article on February 21, 2006 blasting the Los Angeles Department of Water and Power for once again allowing mismanagement to wreak havoc. According to the *Daily News*, DWP owns approximately 315,000 acres of property in the Southwest, yet it earns only $7.5 million annually from the properties, a relatively small return for such a large amount of property.

To put it in perspective, privately owned Southern California Edison generates $20 million annually from its comparable investment properties. The same article reported that "DWP officials acknowledge that the property could be sold or leased for additional millions of dollars if put to more productive use, but they haven't done much about it."

Their attention has indeed been elsewhere; it seems the DWP's first priority is imposing a rate increase on its Los Angeles users. Two years ago, the DWP placed an 11 percent rate increase on residents. Last year, DWP commissioners approved a 3.8 percent water rate hike, which would have been implemented this year if it had not been suspended when new commissioners took over. However, further hikes are planned for the years ahead, according to the *Daily News*.

Taxpayers have to rely on DWP for their utility services in the Los Angeles area because DWP is a government-owned monopoly. When rates go up, consumers have no other choice but to find a way to pay for the increased rates. If DWP put as much effort into their real-estate portfolio as it does on tax increase strategies, they would yield higher investment returns and reduce the need for drastic rate increases.

This is in addition to the fact that DWP has had numerous scandals relating to abuse, waste, and fraudulent use of taxpayer dollars. As the *Daily News* reminded everybody, “We know that DWP wastes exorbitant sums on lavish union contracts, on needless P.R., on padding the city's general fund, on giveaways to well-connected groups and on a highly questionable contracting system. And now we also know that the DWP fails to take full advantage of the assets at its disposal. Is this an operation that deserves still more money?”

Leave it to the DWP monopoly to waste taxpayer dollars in other ways. The *Los Angeles Daily News* reported on March 20, 2006 that the DWP employees earned $51 million in overtime in the last two quarters of 2005. This payout accounts for “more than 30 percent of some divisions’ payroll,” according to the *Daily News*.

Records show that more than half of the public utility's 8,100 workers had their hand in this cookie jar and that nine out of 10 employees were working serious overtime in some DWP divisions. Finally, this overtime added more than 50 percent to their base salaries, which already range between $74,000-$100,000.

The DWP monopoly has raised water rates significantly and has “sought an additional $23 million annual hike, [considering] overtime pay on the water-side alone is on pace to hit more than $20 million this fiscal year,” as reported by the *Daily News* on March 20, 2006**.** Considering that overtime pay rates are higher than typical work hour rates, one can understand the incentive for workers to ensure their need to stay after hours. The DWP needs a serious wake-up call.

According to the *Los Angeles Daily News* on January 26, 2006, Los Angeles Auditor Elaine Howle released a report criticizing Los Angeles City Attorney Rocky Delgadillo's office for spending more than $32 million last year on private attorneys, despite having a staff of 500 lawyers. According to the audit, Delgadillo is at fault for allowing lax contracting and budget controls for the private attorneys, for failing to justify hirings and monitor costs, and for not enforcing accountability.

Apparently the $32 million is nearly double what was spent for outside counsel six years ago. The *Daily News* reported, “With a total of 800 employees and an annual budget of $139.3 million, the City Attorney's Office is one of the nation's largest public law firms. It pales in comparison to the California Attorney General’s office, which employs about 1,000 staff attorneys and has an annual budget of about $690 million. But a spokesman said that office spends just $3 million to $5 million a year on outside attorneys, most of it connected to the cleanup of a Superfund site at Riverside."

The 71-page audit outlines the city's costs to hire private attorneys, which occurs when the city has a conflict of interest or a case requires a high level of expertise. The report also shows "significant costs to hire private attorneys to work with the Department of Water and Power and with Los Angeles World Airports."

DWP needed costly legal counsel for a series of overcharge cases in the wake of the energy crisis. Legal costs spiked to $16 million two years ago before settling at $2.5 million last year. As a result of its expansion program, the airports agency's private legal costs soared from $2.6 million in 1999-2000 to $5.9 million last year.

In another tidbit of waste, the California State Auditor/Bureau of State Audits conducted an investigation of improper activities made by state departments and employees in the last six months of 2005.

The report, released on March 22, 2006, identified the following improper activities:

- Providing gifts of free rent of more than $87,000 to employees;
- Failing to capture as much as $8.3 million annually in potential rental revenue;
- Improperly allowed employees to accrue $17,164 worth of leave credits;
- Improperly authorized around-the-clock overtime payments for employees who, as a result, received nearly $58,000 to which they were not entitled;
- Making duplicate payments to an employee of nearly $26,000; and
- Falsifying time sheets to receive $3,445 in wages for hours not worked.

Finally, the benefits of contracting were noted in the previous section on education. Unfortunately, the political strength of public employee unions makes it difficult for local school districts to contract out food service, transportation and basic facilities maintenance.

But California should do all it can to preserve as many options in delivering service. No where is this more true than in information technology. Specifically, one way to save tax dollars is to avoid choosing one type of technology over another and consider the total cost of ownership when purchasing software. Massachusetts Governor Mitt Romney has proposed the Enterprise Information Technology Architecture technology policy, which will severely limit procurement options among Massachusetts government agencies by requiring agencies to use an open format for its documents. Government earns the best value for taxpayer dollars through a competitive, transparent, and accountable bidding process and should accept bids from any company that can provide the desired product or service. To avoid the mistakes being made in Massachusetts, California should keep all of its technological options open and avoid establishing any specific software preference.

CONCLUSION

California's inability to address waste, fraud and abuse threaten the state's economic health. Other states face similar problems but many have shown that good management, accountability, and elected officials with integrity can help a state overcome wasteful spending.

California taxpayers can be thankful that Governor Schwarzenegger has held true to his no new tax pledge. But more needs to be done on the expenditure side of the equation. California's budget is still not balanced and until the state – as well as its political subdivisions – address waste, fraud and abuse in a meaningful fashion, taxpayers will continue to be shortchanged.

Upon his election in the recall election, Governor Schwarzenegger rolled back California's dreaded car tax. He also launched an aggressive review of the state's spending practices with a comprehensive California Performance Review process. While hoping to "blow up the boxes" of state government, the Governor, unfortunately, ran headlong into entrenched and powerful special interests wanting to preserve the status quo.

Should Governor Schwarzenegger be reelected to office, taxpayers hope that he – along with the California Legislature – aggressively pursue the elimination of waste, fraud and abuse of taxpayers dollars at all levels of government. Taxpayers deserve nothing less.