FOLLOW THE MONEY



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HOWARD JARVIS TAXPAYERS FOUNDATION

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Introduction

CITIZEN TAXPAYERS STRUGGLE WHILE OUR POLITICAL LEADERS LIVE WELL...

Last November, California's political leadership won billions in tax increases on income, bags, and tobacco in addition to hundreds of new bonds passed around the state. With all the taxes Californians pay combined with Sacramento's constant drumbeat for more, isn't it time taxpayers asked whether our tax dollars are being spent wisely?

California's median per-capita income is just over \$30,000,1 but the Governor and members of the State Legislature were recently named the highest paid in the nation, at \$190,100 and \$104,115 respectively. Lawmakers appointed to powerful leadership positions such as Assembly Speaker and Senate President Pro Tem, earn even more, clocking in at \$119,734.2

Today, 20.6 percent of Californians live in poverty.³ Our state suffers one of the nation's highest rates of joblessness.⁴ We also pay some of the nation's highest tax rates: a 7.5 percent state sales tax, 13.3 percent individual income tax and 8.84 percent corporate income tax.⁵ Despite some of the country's highest gas prices and gas taxes, our crumbling roads rank 42nd out of 50,⁶ and our education system is ranked 41st.⁷

How does Sacramento spend so much money and yet still fail to competently address our state's pressing problems or provide the services people care about?

Follow the Money 2017 addresses these questions with documented examples of waste, fraud and abuse gleaned from official reports and investigations by journalists. While many policy issues are subject to debate, all Californians should be able to agree it is unacceptable for citizens' hard earned taxpayer dollars to be wasted.

In all, the examples exposed in *Follow the Money 2017*, amount to billions of dollars - money that could have been spent on education, public safety or to provide tax relief to beleaguered taxpayers.

Bureaucracy and Corruption

California's oversized bureaucracy, as shown by this year's and previous reports, suffers from a lack of oversight and a culture of inertia. As observed by economist and author Thomas Sowell:

"It is hard to imagine a more stupid or more dangerous way of making decisions than by putting those decisions in the hands of people who pay no price for being wrong" — Thomas Sowell⁸

\$36.3 million to Southern California tribe after state reneges on casino deal

The state of California will pay \$36.3 million to a Southern California Indian tribe over a casino deal negotiated by Gov. Arnold Schwarzenegger. Although the tribes signed compacts in 1999 designed to bring Las Vegas-style gaming to California, the tribes say the Schwarzenegger administration held up the plans to pressure the tribes to pay millions more.9



\$7.8 million in free tickets to public officials

Over the course of the last three years, Oakland and Alameda County officials have received 7,000 tickets to Warriors games worth \$7.8 million. These officials are also the very same individuals who are reviewing and approving the contracts of Oakland's sports teams. "A perk worth more than a quarter million dollars in just three years." 10 11

CPUC Requests \$6 million to pay legal bills from corruption investigation

Corruption investigations into activities by the California Public Utilities Commission have led to a \$6 million legal tab. The troubled agency has requested taxpayers bear the cost of these legal bills.¹²

Sacramento Metro Fire Captain paid \$1.1 million over the past four years

Sacramento Metropolitan Fire District captain Randall Wootton received \$1.1 million in pay over the past four years, in large part due to overtime, collecting at least \$108,000 in overtime every year since 2012.¹³

Audit reveals \$372,000 in waste including forgeries and false time reporting

An investigation into bureaucratic waste by the State Auditor identified \$372,000 in wasted funds ranging from: the misuses of state resources, forgeries, false time reporting, violations of financial interest's disclosure, and waste of state funds. 14 15 16

Ex-CalPERS chief will collect part of state pension in prison

Former CalPERS Chief executive Fred Buenrostro will receive retirement benefits while serving his prison sentence for his bribery schemes. His punishment was cutting his pension benefits from \$16,800 a month to \$11,769 a month, but he will still collect 70 percent of his original pension from the very agency he victimized.¹⁷



\$130,000 in new furniture for tax official

The Sacramento Bee reported Board of Equalization member and then-Chairman Jerome Horton, furnished his office 300 feet above the Capitol Mall at a cost of \$130,000 to taxpayers. The fancy office was nicknamed "Jerome's aquarium." 18

Oakland company laundered campaign donations to mayoral, council candidates

AB&I Foundry laundered campaign contributions to mayoral and City Council candidates in Oakland. The investigation launched last year by the state's Fair Political Practices Commis ion and Oakland's Public Ethics Commission reached a settlement where AB&I would pay more than \$114,000.19

Commerce councilwoman faces state's largest-ever penalty against a locally elected official

City of Commerce councilwoman Tina Baca Del Rio is facing the largest penalty ever for a sitting elected official of \$104,000 for illegal transferring campaign funds into her personal account on top of other transgressions.²⁰

\$17,000 to replace a door?

The Sacramento Bee reported a California agency nearly spent \$17,000 to replace a door before calling off the project.²¹

More corruption emerges in southeast L.A. County

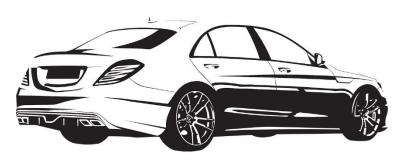
City officials in Huntington Park gave monopoly rights to a towing company in return for "gifts" sent to those very officials. The towing company padded its profits by targeting illegal immigrants with exorbitant fees.²²

Education

Education spending comprises the largest portion of the state's budget at over 40 percent, or \$45 billion devoted to K-12 schooling.²³ When Federal funds and other revenues are included, California spends upwards of \$77 billion on education. However, despite spending so much money, California's school system ranks as the 9th worst in the country.

\$13 billion spent – but we don't know how

A 2013 law called the Local Control Funding Formula and billed as a reform provided \$13 billion in new funding to low income districts with high percentages of Englishlanguage learners. However, officials have failed to collect data on how the money was spent or whether the spending succeeded at helping the students for which it was intended. The San Diego Union Tribune reported some of the funds may have in fact gone to increases in pay.²⁴



UCD Chancellor enjoys limousines, first class international travel & fancy hotels at taxpayer expense

According to the Sacramento Bee, UC Davis Chancellor Linda P. B. Katehi cost the university and taxpayers \$174,000 in traveling expenses between 2010 and

2016. Katehi used her university credit card to hire tour guides and upgrade her hotel rooms.

Under Katehi's director, UC Davis spent a further \$175,000 on public relations consultants hired to silence internet outrage over 2011 allegations that campus police used excessive force on protesters.²⁵

Teacher Credentialing Commission ordered to pay \$3.1 million after retaliating against whistleblower

The Sacramento Bee reported whistleblower Kathleen Carroll was awarded \$3.1 million after she was fired for disclosing a three-year backlog into teacher misconduct and complaints. Carroll's disclosures led to a state audit exposing sweeping backlogs, nepotism, and favoritism at the agency.²⁶

City College can't prove it taught 16K students, must pay \$39 million

An audit revealed the City College of San Francisco was unable to prove that instructors taught thousands of students in hundreds of online classes from 2011 to 2014. To receive state funds, online course instructors are required to document time spent the required amount of time interacting with students. According to the audit, "it was not evident that students both participated and/or knew about the instructional activities and expectations of the courses."27

Infrastructure and Technology

California motorists suffer from some of the country's worst roads, despite high gas taxes. The California State Auditor reported last summer Caltrans held as many as 3,500 unnecessary jobs, costing taxpayers hundreds of millions. In addition to the poor quality of our roads, the state has continued to experience a parade of ill-fated attempts at technology upgrades.



Caltrans wins Golden Fleece Award for Its \$10 Billion Highway Robbery

The Oakland-based Independent Institute awarded its second Golden Fleece Award to CalTrans. Billions in waste, lying to lawmakers, and multiple deferred maintenance projects were factors in CalTrans' receipt of the dubious honor. ²⁸

California settles lawsuit over failed government payroll project

California paid a contractor \$254 million to upgrade its outdated payroll system. Still lacking an upgraded

system, the state sued the contractor and received a \$59 million settlement. However, plans to hire a new contractor or to establish a timeline for the project's completion were still yet to be determined when the settlement was announced.²⁹

Bid-rigging scheme nets \$3 million in state contracts

A pair of San Francisco software vendors were discovered for a bid-rigging scheme that steered at least 30 contracts to their software company, according to a Justice Department indictment. The conspirators led officials to believe they had received multiple legitimate bids when in fact the bids were a setup by the one company.³⁰

BART janitor grossed \$270K in pay and benefits last year

Lax oversight resulted in 35 BART employees receiving overtime pay in excess of their base salaries in 2016, including a BART janitor who received \$270,000 and a maintenance worker at the Port of Oakland who received over \$200,000.³¹

Most California agencies at risk of hacks and security breaches

A State Auditor's report found security shortcomings at 73 of 77 agencies including the Board of Equalization, Public Utilities Commission, and the judicial branch, which are not subject to the standards other agencies are required to follow. Agencies at risk hold sensitive information such as Californians' social security numbers, medical records, and addresses. 32

Health

Just a few decades ago, our healthcare system was primarily a private industry, with decisions about care determined between doctors and patients without as extensive involvement by government or large insurance companies. Increased bureaucracy and regulations have led to higher healthcare costs.³³

California currently dedicates 31.5% of the budget to healthcare.³⁴ It is worthwhile to ask: Are we getting our money's worth for such a large share of the budget?

California Prison Record System Cost Doubles to \$386 Million

In an attempt to modernize California's prison inmate record-keeping, the state initiated a project to replace paper-based records with an electronic system. Costs have doubled from an initial estimate of \$182 million to \$386.5 million. While the project is still not complete, where it has been implemented, many users report they dislike it.³⁵



71 percent of California healthcare costs borne by taxpayers

Health care expenses for California in 2016 are estimated to cost more than \$367 billion, with 71% coming from public funds, state and federal.³⁶

Medi-Cal/Healthy Families and Medicare make up the biggest percentages of the total cost at 27% and 20% respectively. Despite billions in taxpayer-funded healthcare spending, California is still ranked only average in healthcare outcomes.³⁷

Covered California planning to exclude hospitals with high C-section rates

Covered California has threatened to remove from its approved provider networks hospitals and doctors that have Cesarean section rates higher than the national average.

The plan to remove these providers is not based on some objective medical criteria but is instead tied to an arbitrary Obamacare plan to decrease the number of C-sections nationwide.³⁸

Environment

While all Californians agree protecting the environment is important, overzealous environmental regulations have caused good jobs to leave while failing to actually protect the environment. California boasts the sixth largest economy in the world and yet produces less than one percent of the world's greenhouse gas emissions.

Regulators' crusade to further eliminate emissions for the sake of stopping climate change are unlikely to have any impact on climate change other than to harm our economy.³⁹ 40 41

\$340 million turf replacement program plagued by poor planning and oversight

An audit into the Los Angeles Metropolitan Water District's massive \$340-million turf rebate program revealed it was plagued by poor planning and oversight by the agency. The audit found that the MWD did a "less than satisfactory" job administering the program due to "inadequate planning, execution, and follow-up."



During the period that auditors reviewed May 2014 to July 2015, MWD received more than 85,000 applications to remove about 270 million square feet of turf. More than 46,000 of those applications were approved for a payout of \$239 million.⁴²

Moo! \$50 million cow flatulence plan

The California Air Resources Board has issued unique regulations on 'livestock emissions," or cow flatulence. Because California is the nation's top dairy producer, these regulations could have a serious impact on the state's economy.

The state has budgeted \$50 million for equipment associated with the program, but farmers say the money budgeted will not cover compliance costs.⁴³

Air quality regulator goes on expensive trips while consumer costs increases

Despite fee increases to consumers and a budget gap of \$8 million, Bay Area Air Quality Management District spent \$54,000 on a lavish trip to New Orleans, including a \$2,300 dinner for the trip attendees.⁴⁴

Jobs and income to be casualties of the war on climate change

Legislation passed in 2016 as part of the state's already-ambitious climate change agenda is likely to result in hidden taxes on gasoline, electricity, food, and new homes, according to the Los Angeles Times. Jobs and income also are likely to be affected by the plans.⁴⁵

Conclusion

Californians may have different viewpoints on how to best govern and distribute taxpayer money. However, almost everyone can agree that taxpayer money should be spent responsibly and should not be lost to waste, fraud, and abuse.

The examples listed in *Follow the Money*, are only a sampling of those that have been exposed. It is reasonable to believe only a fraction of the transgressions against taxpayers have come to light. There are many more similar cases of waste still to be uncovered by investigations or whistleblowers.

Over the past decade, the Howard Jarvis Taxpayers Foundation has released yearly reports documenting government waste. The predecessor of *Follow the Money* was a similar report by the Foundation titled "Piglet Book." Sadly, these reports show year after year our state government throws millions, if not billions of hard-earned taxpayer dollars down the drain.

California voters have repeatedly approved new taxes in the hopes the funds would bring about the better services promised. However, the political leadership's failure to rein in waste or to provide a measurable increase in service quality to correspond with the increase in funds reveals the real problem may not have anything to do with too little tax revenue.

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