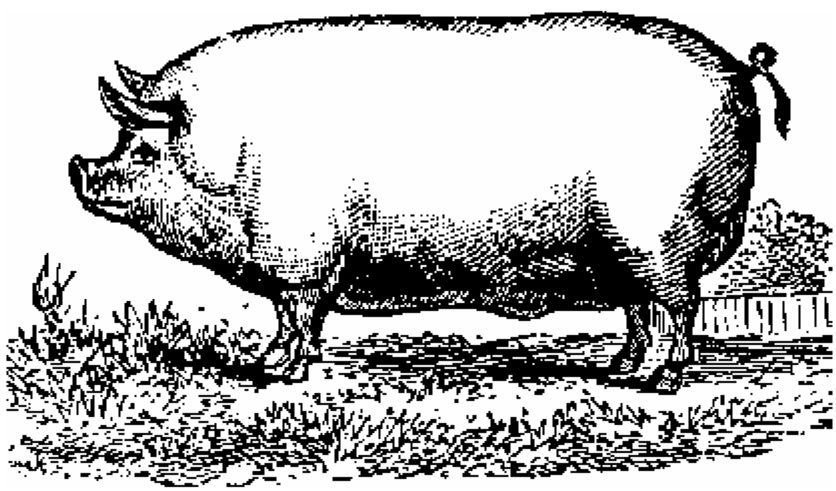
Citizens Against Government Waste
and
The Howard Jarvis Taxpayers Foundation



2004 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 more than $750 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 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

In 2003, Citizens Against Government Waste (CAGW) and the Howard Jarvis Taxpayer Foundation (HJTF) released the first *California Piglet Book* to demonstrate that elected officials, especially the new governor, should put government waste at the top of their "to do" list. In 2004, CAGW and HJTF are releasing the second *California Piglet Book*.

In his first year in office, Governor Schwarzenegger established the California Performance Review (CPR) in order to restructure, reorganize, and reform state government to make it more accountable to the taxpayers of California. With the recommended changes from the CPR report in place, the state could save $5.1 billion taxpayer dollars.

Even with positive momentum created by the governor, the state is still mired in a fiscal crisis. On January 11, 2004, the *Pasadena Star-News* reported that Californians are the most taxed citizens in the country: "The combination of high income taxes, bond measures and various and sundry levies imposed by our lawmakers means we pay nearly one percent more on average than everywhere else." This may not seem like a considerable amount but with a budget deficit of $15 billion it starts to add up.

To continue moving forward in the effort to promote fiscal discipline, Gov. Schwarzenegger can look to the past for his vision of the future. Upon entering the White House in 1980, former California Governor Ronald Reagan, inspired by his successful state waste-fighting commission, empanelled a team of 161 senior business executives and more than 2,000 private sector volunteers to undertake a comprehensive review of the federal government. The report of the President's Private Sector Survey on Cost Control, better known as the Grace Commission after the panel's chairman, the late J. Peter Grace, made 2,478 recommendations to eliminate waste, mismanagement, and inefficiency in Washington, with three-year savings of $424.4 billion.

More importantly, Peter Grace joined with syndicated columnist and Pulitzer Prize winner Jack Anderson to form CAGW to promote implementation of Grace Commission recommendations and promulgate similar proposals at every level of government. Since 1984, CAGW and its more than one million members and supporters have helped taxpayers save $758.7 billion.

Similarly, to ensure that Proposition 13 remained the law of the land in California, and that subsequent efforts to limit taxes and the growth of state government would also be approved by taxpayers and the legislature, HJTF was established in 1979.

Since 1979, HJTF, and its affiliated organization, the Howard Jarvis Taxpayers Association, have been instrumental in many tax battles in Washington, D.C. and California, including: delivering more than one million petitions to Washington supporting President Reagan's 25 percent cut in federal income taxes; passing Proposition 7, which prevents state income taxes from being raised by inflation and helped save an estimated $82 billion over the past 25 years; waging several campaigns – including a current fight – seeking to protect the two-thirds vote requirement as a condition for raising taxes; filing – and winning – numerous lawsuits on behalf of taxpayers against wasteful spending; and bringing to the voters additional initiative measures to protect taxpayer rights. In short, HJTF is the premier organization in California working day in and day out on behalf of the taxpayers.

Once again, CAGW and HJTF are combining forces to produce the *California Piglet Book*. This compilation of wasteful, unnecessary, and duplicative expenditures is intended to educate the public, the media, Governor Schwarzenegger, and legislators about the available options to balanced California's budget without raising taxes.

The *Piglet Book* is modeled on CAGW's two most well-known publications, the *Congressional Pig Book* and *Prime Cuts*. It also follows the publication of the 2004 *Oklahoma Piglet Book* and the Arizona and Oregon *Piglet Books* in 2002. Since 1991, CAGW has published its *Congressional Pig Book*, an annual expose of pork-barrel spending in the 13 federal appropriations bills. After 13 years of documenting pork, CAGW has compiled a database of 52,459 projects costing federal taxpayers $185 billion. The list of federal pork includes everything from building a canoe in Hawaii to trace the path that the Polynesians took to those islands to mapping the genome of the trout in West Virginia. The *2004 Pig Book* cites $22.9 billion in pork and 10,656 projects, both record numbers.

CAGW's *Prime Cuts* is a comprehensive look at the depth and breadth of waste throughout the federal government. Issues ranging from eliminating corporate welfare to unneeded defense systems are listed as potential cost savings. *Prime Cuts 2004* identified $217 billion in potential one-year savings and $1.6 trillion in five-year savings. Considering that the federal deficit is projected to be at least $422 billion in fiscal 2004, *Prime Cuts* alone could go a long way toward balancing the budget.

While the *California Piglet Book* would be an appropriate publication under any budgetary circumstances, it is particularly timely given California's track record of billion dollar budget deficits and the raging debate over how to resolve this issue with the new administration in place. While the state's Department of Finance is mandated to have a balanced budget for this fiscal year, there is still a $15 billion deficit.

The former governor is to blame for most of California's woes. A September 13, 2003 article in the *Los Angles Daily News* indicated that "under Governor Gray Davis, California went on its biggest spending spree in at least 50 years, driving up the cost of government by 22 percent and the cost to each resident by 20 percent, budget documents and interviews show." The state increased total employee salary costs by 22 percent, including a 16 percent increase in the number of employees. According to the U.S. Census Bureau, California State employees are now the nation's highest-paid state workers, even though California ranks nationally near the bottom for the ratio of state workers to population.

This report will reveal numerous examples of how politicians and bureaucrats, whose increasing wages are financed by the same taxpayers that pay for the programs they are supposedly running, have wasted billions of taxpayers' dollars, as well as provide a road map to recovery from the budget crisis.

EDUCATION

In every state, the wise expenditure of education funds is of the utmost importance. Education is the foundation for every person's success. When education resources are diverted to non-education purposes, everybody loses. Unfortunately, California has done a woeful job of ensuring that education dollars are being spent wisely. Despite the fact that schools are slashing programs and jobs throughout the state, the education budget for California reserves near-record levels of per-student spending in kindergarten through 12th grade.

On July 23, 2004, the *Los Angeles Times* reported that a federal grand jury is now investigating the Los Angeles Unified School District's $74.5-million acquisition of a downtown high-rise building which now serves as its administrative headquarters. In 2003, the Los Angles County district attorney's major fraud division launched an inquiry into whether or not the school district overpaid for the purchase of this building in order to bail out its past investors, such as billionaire Eli Broad. Despite the dual investigations, an additional $73 million has been spent on improvements and repairs on the new headquarters, bringing the total to $147 million, an amount which even the teachers union and other critics allege is a waste.

There is also a new $40 million plan to build additional parking areas for the headquarters. According to the *Los Angles Times*, Board of Education President Jose Huizar abstained from the original vote on the purchase of the building and still concedes that "from a financial and location criteria, this wasn't the best possibility" for a district headquarters.

The University of California Institute for Labor and Employment (ILE) has received more than $17 million from state taxpayers since its creation in July of 2000. Based at UCLA and UC Berkeley, the ILE is a strong force behind many union-backed legislative victories such as paid family leave, changes in overtime rules, and a living-wage law. The August 8, 2003, *Orange County Register* report stated that this tax-funded union lobby received $4 million in former Governor Gray Davis' fiscal 2004 budget. The *Register* noted that ILE is involved in other questionable activities, such as:

- $50,000 awarded to the *California Labor History Textbook Project*, which provides textbooks for "suitable for use in high schools" and seeks to "disseminate core union values as broadly as possible to young working people in California;" and

- $20,000 awarded for the two-part study *Making People Pro-Union*, to reflect on "the proposition that a culture of capitalism pervades

> contemporary U.S. society, which represents a significant obstacle both to establishing union organizations and to developing pro-union identities among workers."

The *Stockton Record* reported on December 19, 2003 that a San Joaquin County judge ruled in favor of the County Office of Education, allowing them to use "eminent domain to forcibly purchase a piece of Hammer Lane, land on which it accidentally built part of a new school." Not only was the property owner wronged and forced to give up what was rightfully his, but the taxpayers get to pay extra to compensate for the property that was taken. "Instead of fixing the mistake, the schools office decided to buy the land using eminent domain, the government's right to buy land for public use against a property owner's will," the *Record* pointed out. The lesson is simple: beware when purchasing property near a public school.

The *Fresno Bee* reported on February 6, 2004 that four men, including two West Fresno School District Board members and a former administrator, were charged with theft from the cash-strapped school district.

There is no telling what other horror stories are ensconced in the education bureaucracy. A thorough review of all education spending is necessary to ensure that all tax dollars are being spent wisely.

LOCAL

Former Speaker of the United States House of Representatives Thomas "Tip" O'Neill once stated that all politics is local. California cities and localities have shown that most waste is local.

Local governments routinely assesses property at a much higher rate than it is worth. On one hand, it is satisfying to learn that one's property has gone up in value, but on the other hand, this means the tax bill went up accordingly. The *San Francisco Chronicle* reported that on February 5, 2004 San Francisco Assessor Mabel Teng asked the "wealthiest property owners, those whose properties are valued at $50 million or more, to make ...sacrifices," just as she has made sacrifices by cutting her own salary by 15 percent. Apparently, there are 174 property owners who have appealed their assessments because they believe that their properties have been over assessed in order to increase local revenues during budget woes. The property owners are arguing that the values, "in the aggregate, are $8.8 billion lower than what the assessor put on the roll."

Despite the blaming of Proposition 13 for lack of government revenue, local governments are receiving more money now than ever before. According to the *Los Angeles Times* (July 17, 2004), the assessed value of Orange County property is up by nearly nine percent since last year, totaling about $308.6 billion. The Orange County Assessor's office also reported that Irvine has realized a nearly 11 percent increase in assessed property value in the past year. Newport Beach experienced a 9.7 percent increase over last year, while San Clemente and Laguna each had an increase of about 13 percent over last year alone. As the *Times* article states, to put these percentage increases into perspective, "the total value of Orange County property in 1975 – the year Proposition 13 went into effect, changing the way property values were assessed – was about $27.5 billion." This generates into a lot of new tax revenue for local governments.

The *San Francisco Chronicle* reported on March 28, 2004 that the budget crisis the city is facing is due to its runaway payroll of public employees. With a projected shortfall of about $350 million for the coming fiscal year, everyone was looking for something or someone to point the blame. According to the *Chronicle*:

- San Francisco's payroll costs went from $1.3 billion to $2 billion from 1996 to 2003;

- The city's workforce grew by 14 percent from 1996 to 2003 even though the city's population grew only about 5 percent during that same period;

- While 4,000 new positions were added to the city workforce from 1996 to 2003, overtime costs nearly doubled;

- Total overtime costs grew from $55 million in 1995 to nearly $99 million in 2003;

- In 2000, 925 employees earned more than $100,000, but by 2003, that number had nearly tripled to 2,693 employees earning more than $100,000; and

- Resident satisfaction with city services in 2003 was less favorable than in prior years.

A January 11, 2004 article in the *San Diego Union-Tribune* outlined waste in San Diego. One example is the San Diego Data Processing Corp., a city-created nonprofit organization responsible for meeting the city's computing and telecommunications needs. With a budget of nearly $68 million in 2004 and more than 300 employees, the corporation receives nearly all of its revenue from the taxpayers of San Diego.

According to the *Tribune*, "Executives of the city-owned San Diego Data Processing Corp. have been drinking, partying, traveling, and dining at taxpayer expenses, according to a report by the city auditor." The detailed report indicated money went to charitable donations, a spouse's travel, dining club memberships, holiday parties, and a number of other expenses which could not be easily related to the company's purpose. An example of the out-of-control spending cited by an auditor was a two-day meeting for 13 senior managers, costing $6,740, with $1,210.80 for alcoholic beverages including $25 tequila drinks and two bottles of wine at $121 each.

A March 9, 2004 *Los Angeles Daily News* article titled "County Fraud Loss Up 17,000 percent," showed that a record number of convictions and firings in 2003 were the result of fraud and waste by Los Angeles County employees and contractors in the amount of $1.5 million. The 17,000 percent was calculated based on the actual amount uncovered in these cases, which increased from $8,876 in 2000 to $1.5 million in 2003. The good news in these findings is that there seems to be a dramatic increase in finding the waste. The bad news is that taxpayers are starting to realize just how bad the mismanagement has been. The article goes on to report that Los Angeles County alone loses nearly $250 million per year to the waste, fraud, and abuse of taxpayer dollars. Here are the gruesome details as reported by the *Daily News*:

- One Child Support Services Department employee "misdirected $220,000 in child support payments to his personal checking account;"

- "Two former employees of a contractor with an office in Glendale were arrested on charges of embezzling $800,000 from a program that provides job-training services to immigrant refugees;" and

- Investigators found that nearly a dozen county employees used computers for unauthorized purposes – including the distribution of pornography.

An article appearing in the *Inland Valley Daily Bulletin* on December 2, 2003 cited the way in which cities are "buying" funds from each other. While this idea may seem beneficial for certain local governments, there are legal issues to consider. For example, Claremont is purchasing $600,000 in transportation funds from the cities of La Verne and Diamond Bar for $430,000 – a 30 percent savings for Claremont. La Verne has agreed to trade $250,000 of transportation funds for $180,000 in general fund money from Claremont. Diamond Bar will trade $350,000 of their transportation funds for $250,000 of general fund money from Claremont. When taxpayers approve any tax, they expect those funds will be used for the specific purpose for which they were specified. As Claremont's budget and finance manager Michael Busch said, "I think we got the better end of the deal." Unfortunately, the taxpayers of La Verne and Diamond Bar have been shortchanged.

The city of Los Angeles ran up excessive costs for refreshments at city-sponsored events, according to a November 1, 2003 article in the *Los Angeles Times*. Councilman Dennis Zine described the recent $62,000 bill for a Congress of Neighborhoods meeting organized by the city a "rip-off." Zine also noted that he paid an expected market price of $1.19 price for a bottle of water that was "the same size as the bottle purchased by the city for $3 from city concessionaire Aramark at the Convention Center." The continental breakfast per person came to about $16, while the boxed lunches came to $18.50. That same $62,000 refreshment bill can be trimmed down to $8,000 for a similar meeting in the future, according to the head of the Department of Neighborhood Empowerment.

The *Los Angeles Daily News* reported on March 5, 2004 about recycling scams across Los Angeles County. "Inspectors visited hundreds of recycling centers throughout the county and found that they were underpaid almost 20 percent of the time." This means that recycling facilities have been accused of "scamming the public out of $15 million a year by shortchanging people who redeem glass, plastic, and aluminum containers." The state is collecting hundreds of millions of dollars from those who distribute such products as recyclable bottles and cans. The inspectors noted that in the 20 percent of occasions which they themselves were shortchanged, sometimes by significant amounts, they determined that half the time the problem had to do with the scale, and the other half of the time it was due to miscalculations.

The *Contra Costa Times* reported on September 9, 2004 that Contra Costa County is now facing a $30 million spike in retirement expenses next year. This figure is 10 times higher than the County Administrator John Sweeten had predicted earlier this year. This is the result of the enhanced retirement benefits which county supervisors approved in 2002.

Just like corporations, businesses, and special interests, local governments are paying top dollar to hire influential lobbyists to go to Sacramento to stake a bigger piece of the pie. While the battle over tax revenue is intense, it is not justifiable to spend taxpayer dollars on hiring someone who is supposed to try to get their employer, in this case local government entities, more taxpayer dollars. For example, a report by Tom Chorneau with the *Associated Press* on January 3, 2004, stated that local governments have "billed taxpayers more than $76 million during the last full legislative session of 2001-2002, 40 percent more than the $45 million local governments spent in 1995-1996. So far, they've spent $34 million during the first third of the current session."

The *Daily Breeze* reported on January 8, 2004 that the Los Angeles City Council is working with the Department of Water and Power to pour $10 million into affordable housing projects, amidst concerns that utility funds are being spent on something unrelated to utility service. This expenditure comes as DWP is calling for two water rate increases in order to "generate $24 million from its water customers by June 30 and another $65 million in the 2004-05 fiscal year, according to DWP documents." This practice of using other agencies to gouge the public is at best questionable; at worst, outrageous.

On February 2, 2004 the *San Francisco Chronicle* quoted Richmond City Council Member Tom Butt as saying, "Our budget is so screwy that not even people who are trained to read financial documents can understand it." Despite the fact that the city just signed a generous pension to firefighters amidst budget deficits, the *Chronicle* noted that the City Council had decided to cancel its next meeting due to the lack of an agenda.

The February 6, 2004 edition of the *Caltaxletter* reported that Lake County is responsible for a $200,000 fine because California is being penalized by the federal government for still not having implemented an operative statewide system for the tracking of child support cases. The newsletter said, "The state is being fined $200 million and has decided to pass along some of the fine to the counties." This is not the first time the county has had to face this penalty. In fact, it was reported on May 17, 2004 on Governor Schwarzenegger's own website (schwarzenegger.com) that "California has paid in excess of $600 million in penalties since 1998 for its failure to implement a single statewide automated child support system." Clearly, the state has had to pay fines for roughly six years and there isn't a clear sign that the solution is in sight.

In San Jose, taxpayers are being charged $3 million in attorney's fees after the city lost a case regarding the city's takeover of a failed shopping center, according to the *San Jose Mercury News* on February 5, 2004. Rick Doyle, the San Jose city attorney, claimed that excessive costs such as charging $3,900 an hour for attorney fees, and $50,925 for five-page trial briefs should be dismissed by the court. Doyle indicated that the total should be approximately $729,000 instead of $3 million.

On January 31, 2004, the *Orange County Register* revealed that on top of Orange County pensions they were receiving, five retired county workers were collecting unemployment payments as well. Under an old law, counties can rehire their retirees for part-time work, as the workers continue to draw their pensions. When the part-time workers/retirees are laid off, they then collect unemployment.

The *Roseville Press Tribune* reported on January 23, 2004 that Roseville's City Manager, Craig Robinson, received a hefty pay raise, bumping his salary by $24,784 to $192,274. Elk Grove City Manager John Danielson receives an annual salary of $205,000 due to his recent $43,000 pay raise. In early January of 2004, the Roseville city council approved the Robinson-recommended pay raise for the electric utility director, Tom Habashi, making his salary $175,259. This pay increase put Habashi's salary ahead of Robinson. Therefore, in adhering to the "directives of the contract, the city council gave Robinson a 10 percent raise over Habashi's new contract." The conflict of interests is clear. At a time when there isn't enough money to fund that which the city deems necessary, it is not an appropriate time for pay raises.

Former San Francisco assessor Doris Ward has been accused of misusing taxpayer dollars for her own political campaigns and purposes. The *San Francisco Chronicle* reported on February 3, 2004 that she allegedly put her political consultant, Claude Everhart, on the city's payroll while he produced campaign handouts using the city's printer, copier, and paper.

PERKS

Whether you are a Fortune 500 executive with access to your own washroom or a politician or state worker that receives extra benefits, you are happy to have those "extras." The difference between the executive and the politician and state worker is that taxpayers are paying for the politicians' and state workers' perks.

The *Los Angeles Daily News* reported on September 13, 2004 that the state's workers are the highest paid in the nation. "The average state worker now has a $56,800 compensation package, including about $12,700 in benefits – excluding those in the legislature, judiciary, or university system." Don't be shocked to hear that many state workers earn a higher wage than they could in the private-sector for the same work. The article points out that since the 1950s, California has experienced a tripling of population, while the California state government has increased fivefold during that same time period. According to the *Daily News*, "The average state worker nationwide made just over $40,000 – or more than 25 percent less than the average California state worker."

According to the December 7, 2003 *Contra Costa Times*, public safety workers are rapidly retiring in order to cash in on the enhanced retirement package approved by former Governor Gray Davis and the California Legislature. Contra Costa supervisors approved an increased pension deal for public safety workers in 2002, resulting in a retirement exodus. According to county records, more than one-third of those retiring will receive more money in their first year of retirement than they did in their last year of service. There is a clear incentive for those near retirement to leave the workforce and start collecting their pension. No one will argue that public safety workers should receive a benefit package after years of service in which their lives are on the line. But it is an insult to taxpayers when workers earn more in retirement than they received on the job.

Apparently the income, perks, and luxuries state legislators receive while in office become a necessary part of their post-political life. According to a May 30, 2004 *Associated Press* article by Tom Chorneau, many former lawmakers who have been "awarded appointments to highly paid state commissions," are frequently increasing their state pay "with consulting fees – sometimes from agencies and companies that do business with the state." One such example is former Los Angeles Assemblyman Thomas Calderon. Soon after being named to a $99,000 per year post with the California Medical Assistance Commission, Calderon added to that a full-time position with the Calderon Group, augmenting his salary with between $10,000 and $100,000, according to state disclosure forms.

Former Assembly Speaker Antonio Villaraigosa was serving on the Speaker's Commission on State/Local Government Finance while earning more than $100,000 as a consultant from June 2001 until he left the commission in February 2002.

BUREAUCRACY

The typical view of any bureaucracy, whether it is local or federal, is a monolithic entity that moves slower than continental drift. California has unfortunately reinforced that stereotype.

On January 21, 2004 Steve Duscha with the *San Francisco Chronicle* reported that billions of taxpayer dollars go toward job training, yet the results are rather disconcerting at best and reveal outright fraud at worst. For example, the "California State Library counts 39 separate programs that spend $5.6 billion to train almost 7 million Californians… But by the state's own count, less than 10 percent of those enrolled in six of the biggest programs ever complete that program and then go on to work part-or full-time in the year after training."

Assemblyman Ray Haynes posted an article with *Capitol Report* on March 23, 2004 in which he points out the way "profit-fattened program administrators use human suffering to protect their phoney-baloney jobs." He noted the following: "In 1998-99 the state spent $9,500 on each person with a disability served by a Regional Center. Today, it is $13,400. In addition, in ’98-’99, the state spent $124,000 on each person who has to live in state-run disability facilities, called developmental centers. Today it is $205,000.” On top of those numbers, Assemblyman Haynes also points out that these developmental centers have a 20 percent vacancy rate. According to Haynes’ article, the regional centers have fallen into the hands of the “providers” who profit from this system. As one lobbyist privately indicated to Haynes, “of the 21 Regional Centers, seven are adequate, seven are bad, and seven are evil.” This program has become a way to profit of off the disabled with taxpayer money.

Several state agencies run much less efficiently than the average California household when it comes to budgets and paying the bills. On June 21, 2004, *The Sacramento Bee* published a story on how California officials lack specifics on the size and gasoline use of the taxpayer funded vehicle fleet. Rob Schlichting, spokesman for the California Energy Commission, admitted to the *Bee* that “Neither (the Department of) General Services or the Department of Motor Vehicles can really describe what the vehicle fleet is like.”

The Energy Commission reported in July 2003 that the state vehicle fleet uses about 46 million gallons of gasoline and 9 million gallons of diesel fuel a year, but Schlichting confessed that he couldn’t say exactly how those figures came about. Upon questioning the Board of Equalization (BOE), whose job is to collect and distribute the tax revenue generated from gasoline, Schlichting said the BOE confirmed that “they don’t even have a handle on what the state is using.” The convenient aspect to this story is that without actual data, no single entity can be held responsible for failing to ensue that tax dollars are being spent in an efficient manner.

The Sacramento Bee, however, did a bit of investigating of its own. As the *Bee* noted, there are two ways by which state agencies or officials buy gasoline: from state operated bulk fueling stations, of which there are about 473 statewide, or from public gas stations using a state issued credit card. Following the breakdown of numbers, the *Bee* found from credit card statements that the state paid $45.9 million for 22.8 million gallons of fuel at public gas stations using state credit cards. Of the 12 agencies with the highest card usage for gasoline, they purchased 19.9 million gallons from public gas stations whose average price was well over two dollars a gallon. The state bulk fueling stations have costs between $1.63 and $1.74 a gallon. The price differences are mainly due to taxes and fees placed on retail gasoline. This means, as the *Bee* stated, “[T]he state paid more than $6.7 million in taxes on retail gasoline purchases that would have been saved if they had bought bulk fuel.”

The Department of Water and Power (DWP) in Los Angeles has a monopoly on water and power, yet it has a $3 million per year contract with a public relations firm, which is being audited by City Controller Laura Chick. DWP, which already has a dozen employees as in-house staff for handling public and media relations, has hired the public relations firm Fleishman-Hillard, Inc. According to the *Los Angeles Times*, “The DWP has paid Fleishman-Hillard nearly $20 million over the last seven years.” Fleishman-

Hillard had won more than $23 million as a result of contract negotiations with three city departments according to recent records the *Times* reported on last year. During that same period, "the firm and its executives made $137,000 in political contributions to Mayor James K. Hahn and other city politicians. The firm also has provided pro bono services to Hahn and has held fundraising events for him."

To add insult to injury, DWP is looking to raise water rates by 18 percent. As City Councilman Jack Weiss said, "I've always wondered why a public utility needs an outside public relations firm to convince people to flick on their light switch and turn on their water faucet."

Prisons

The California State Auditor reviewed the California Department of Corrections' process of contracting health care services. Here are some of the report's highlights from the Auditor's April 2004 report:

- Corrections staff who negotiate contracts tend to rely on a 30-year old state policy exemption that allows them to award contracts for most medical services without seeking competitive bids;

- Corrections' negotiation practices are flawed… some of the Health Care Services Division's and prisons' hospital contracts leave out information vital to ensuring that the State receives discounts those contracts specify;

- Corrections is unable to justify awarding contracts for rates above its standards, violating this requirement of Corrections' contract manual; and

- Corrections sometimes exceeds the authorized contract amount and fails to obtain proper approvals before receiving non-emergency services.

The *Los Angeles Times* reported on March 4, 2004 that the state may now have to find $210 million more in the next two years to cover the expenses from state prison guards' pay raises. Specifically, "newly released records show that pay raises for guards could soar beyond the highest previous estimate of 37 percent." Despite the fact that California is facing billions in shortages, lawmakers are going to try to squeeze a few hundred million more dollars from taxpayers to meet contract obligations. The deal was negotiated under former Governor Gray Davis as he entered his 2002 re-election campaign. According to the *Bee*, "The prison officers union ultimately contributed more than $1 million to Davis' reelection effort in 2002, after having spent more than $2 million to help elect him in 1998."

On November 14, 2003, *The New York Times* cited a study conducted by the Little Hoover Commission (a state watchdog agency) which concluded that the California parole system is in fact a $1 billion failure. The state sends large numbers of recently released inmates back to prison for minor parole violations, such as missing an appointment with a parole officer or failing a drug test. According to the *N.Y. Times*, the commission found that "67 percent of those sent to prison in California were parolees being returned for violating a condition of their release, almost double the national average of 35 percent."

If two-thirds of the inmates have to return for parole violations, perhaps their release wasn't in the best judgment of the court, and the bulk of money spent by parole agents who spend much of their time filling out paperwork to send parolees back to prison could be saved or spent more productively. That money spent on releasing, then returning, parolees to and from prison could be better spent on "drug treatment, job training and education for inmates before release… [Thereby] greatly reducing the number of people returned to prison." The study found that even though nearly 75 percent of the 160,000 inmates have drug or alcohol problems, a mere 6 percent of them get treatment.

The prison system is clearly ripe for reform. But the experts quoted by the *N.Y. Times* noted the primary reason for the status quo is that "the prison guards' union, the California Correctional Peace Officers Association, is the most powerful union in the state and contributes the largest amount of any political action committee to politicians in the state." Jeremy Travis, a senior research fellow at the Urban Institute in Washington, D.C., was quoted by the *Times* as saying, "the corrections officers' union is considered to be the major stumbling block to reform in California." The guards' union did not respond to inquiries seeking comment according to the *Times* article.

Mark Gladstone with the *Mercury News* reported on February 27, 2004 that working for the state's prisons may have some rough requirements, but points out that many prison guards are earning salaries much higher than one would think. Last year alone, 391 California correctional officers received overtime pay that pushed their annual income above $100,000. The analysis conducted by the *News* shows that the average overtime payment for the six-figure incomes was about $45,000.

A March 2004 report by the State Auditor found that the Department of Corrections and the California State Prison in Los Angeles County mismanaged $3,300 it collected from televisions and motion picture production companies which used the prison grounds for filming.

STATE AUDITOR

The Bureau of State Audits (BSA), which is led by the California State Auditor (CSA), is one of the few beacons of light in an otherwise dark and dismal state of budgetary affairs. The BSA serves as a watchdog organization equipped with the means and tools to highlight the inefficiencies of state and local governments. The agency conducts its analysis and reviews in a non-partisan manner, free from political pressures or influences. CSA's mission is to promote the "efficient and effective management of public funds and programs by providing to citizens and government independent, objective, accurate, and timely evaluations of state and local governments' activities."

There have been 28 audits completed by the BSA/CSA in the past year; the results of three are as follows:

In January 2004, CSA attempted to investigate the California's Workers' Compensation Program but ran into the following problems:

- The "analysis was limited because the data entered into State Fund's medical bill review file were often incomplete, individual items were summarized without retaining their unique identifiers, and the database design prevented certain detailed analysis;"

- Due to certain limitations in the data, the auditors were only able to analyze $14.5 million of the $43 million in identifiable facility fee payments to surgical centers and of that $14.5 million, the analysis resulted in "a range of potential savings with a midpoint of approximately $8.4 million, or 54 percent;" and

- "The division continues to lack a comprehensive database to monitor workers' compensation medical payments."

A March 2004 CSA report highlighted state employees and/or state departments engaged in improper activities. For example:

- A California Youth Authority manager was found to be involved in "incompatible activities and wasting state resources" by directing state employees to carry out activities in connection to his outside employment;

- A Department of Social Services employee was found to be excessively using state equipment and personnel in the operation of his own personal business on state time; Social Services also obtained evidence which led them to be suspect whether this employee ever earned a college degree – a requirement for his position; and, the employee resigned when asked about this, and it was later confirmed that he had not received his college diploma;

- Department of Transportation supervisors were found to have improperly spent hundreds of dollars that were received from recycling materials collected along the highways;

- A manager employed at the Office of Criminal Justice Planning unlawfully participated in the formation of a contract with the employer of her spouse;

- A Department of Forestry and Fire Protection employee used his state computer "to visit 3,000 adult-oriented Web sites" in a three to four month period; and

- The California Unemployment Insurance Appeals Board violated state law as it paid its own employee $13,579 for interpreting and translating services.

A June 2004 report reviewed the state's eight autonomous water districts and exposed the following:

- The eight water districts had "accumulated resources totaling $485 million" as of the close for fiscal year 2003. While five of the eight districts have "trouble defending to their ratepayers and taxpayers the need for some portion of their accumulated resources;" and

- Upon a review of the expense records for each district, the state auditors concluded that a certain amount of expenses for the districts' directors "did not appear to be reasonable and necessary uses of public funds." Some of these questionable events, which three of the water districts paid for their directors to participate in, were retirement, anniversary and holiday celebrations; social mixers; and chambers of commerce functions. In some instances, directors received stipends for attending the events, and the costs for their spouses were paid as well. One district was overly generous with public funds as it paid nearly $18,000 for 15 meals provided to its directors and others while away from the district, averaging $64 to $155 per person, per meal.

UNIONS

Once thought of as the backbone of the American workforce, unions are now a mere shadow of themselves. Instead of protecting the rights of workers, unions have become viewed as bloated bureaucracies. For example, the federal law known as Davis-Bacon requires that prevailing wage be paid on all federal construction projects. Passed in the 1930's, Davis-Bacon was supposed to prevent un-qualified gypsy construction crews from traveling around the country underbidding local unions. Today, this law inflates the cost of federal construction by at least 15 to 20 percent. Unions have been instrumental in making sure the law is not repealed.

On May 15, 2004, the *Bakersfield Californian* listed more outrageous stories as a result of the union-driven Senate Bill 1419 passed in 2002. This piece of legislation has limited the ability of California public school districts to hire private companies to perform public services. The following examples show why repealing this bill must be a high priority of elected officials:

- Computers remain in their shipping boxes and unopened in the Santa Ana Unified School District because district employees do not have the time to install the computers and SB 1419 blocks the district from hiring a private company to set the computers up properly;

- Repairs for drinking fountains in a small desert area school district are being neglected because the custodian had too many other projects and SB 1419 blocked the district from hiring a plumber; and

- Thanks to SB 1419, the Reed Union Elementary School District had to turn down an offer from the local sports league to help keep up the playing fields because the district's only groundskeeper couldn't do all the work alone.

The *Orange County Register* also points to the dispute surrounding SB 1419 as it notes that a certain number of "opponents of the law say districts statewide could save up to $300 million through privatization." The Capistrano Unified School District in Orange County could save nearly $2 million simply by taking busing, groundskeeping, and other services to the private sector for a competitive bid.

PENSIONS

Pensions are in crisis across the country both in the private and public sector. Certain private sector companies are looking for taxpayer-funded pension bailouts while certain public sector entities are increasing pension benefits without any real funding plan.

On August 11, 2004, the *Long Beach Press Telegram* called the current pension crisis in Orange County a "Ponzi scheme," as the latest contract proposal would give county employees pensions up to 100 percent of their salaries. The article claims that such a scheme boils down to a fraud which uses present day investor dollars to pay the over-inflated returns to earlier investors, until the whole deck of cards collapses on them. In this case, the younger employees currently working for the government are being asked to pay now for distant benefits "while older colleagues are ready to walk out the door with absurdly fat pensions."

On May 10, 2004, the *Sacramento Bee* reported that the California pension formula for public safety personnel equates to a questionable handing out of taxpayer dollars. Employees receive a lifetime medical pension of untaxed half pay. This is for those who are injured badly enough that they can no longer do their public safety jobs. Those who serve the public should instead have an adequately self-funded disability retirement program. There is a difference between the young officer who is disabled after an accident on the streets, and "a state nurse who suffers anxiety about sick people." And, there is also a difference between the firefighter who suffered severe lung damage on the job, and "a prison guard who hurt his knee schlepping a big coffeepot upstairs."

According to the *Bee*, one investigator racked up two consecutive disability pensions, both for the same heart condition. The system is open to abuse as many legislators during the Governor Gray Davis era passed bills which expanded the eligibility requirements to receive medical pensions. It has become another entitlement and a boost in retirement income for too many workers.

On September 12, 2004, the *Orange County Register* reported that the Orange County Board of Supervisors voted 3-2 to "dramatically spike pensions for public employees, apparently believing the union's claims that 60-percent-plus immediate increases in pensions won't cost county taxpayers a dime." According to the *Register*, this squandering of taxpayers' dollars has been done in order to "placate a loud and surly union that has threatened to release the 'hounds of hell' against any politician that gets in its way." The voice of reason in the storm came from Treasurer John Moorlach, who warned the Board of Supervisors that their decision would create an immediate $300 million price tag. What is even more shocking is that the pension system in Orange County is "already $1 billion in the hole to meet current obligations."

TRANSPORTATION

There is no government service more visible to taxpayers than driving down the road and seeing their hard-earned dollars at work. But in many cases, politicians tend to use transportation projects as re-election props.

Troy Anderson reported in the *Los Angeles Daily News* on May 30, 2004 that many are fearing a grand disaster for the $1.2 billion Grand Avenue project in downtown Los Angeles. The issue for taxpayers is that up to 25 percent of the $1.2 billion will come from public funds. In other words, an estimated $300 million in taxpayer dollars will be necessary to pay for this downtown project, which includes "underground parking facilities, street improvements and a 16-acre 'grand civic park' stretching from City Hall to the Department of Water and Power building." There is a glimmer of hope that donations and other sources or revenue will offset certain costs. History has shown that the rosy scenarios are not very likely because several efforts to create or rejuvenate a central park downtown have failed since the 1930s.

On September 5, 2003 the *Inland Valley Daily Bulletin* stated, "California drivers will pay for the state's budget irresponsibility by sitting in traffic." As it turns out, for the last several years certain legislators have been siphoning money from the state's transportation accounts in order to balance the state budget, thus leaving transportation projects as backed up as Los Angeles' I-10 freeway in rush hour. More specifically, the *Daily Bulletin* indicated that "more than $2 billion set aside for transportation needs was siphoned into the general fund since 2001-02, and the chances that it will be repaid any time soon look grim."

Proposition 42, as passed by voters on March 5, 2002, would set aside revenues generated from the gasoline taxes solely for transportation purposes. Aside from the 36 cents a gallon gasoline tax which drivers pay, the new revenue was supposed to create nearly $1 billion annually to fund transportation projects. The taxpayers of California and the government of California may not see eye to eye on many things, but at least they are both predictable and consistent. The taxpayers kept their end of the bargain; the lawmakers didn't.

NONSENSE LEGISLATION

Late night talk show hosts often use nonsense legislation as fodder for opening monologues. The following examples indicate that California is aptly the target of such jokes:

Assemblyman Ray Haynes outlined some nonsense bills in his May 17, 2004 *Monday Morning Memorandum*. On February 18, 2004, The *Modesto Bee* highlighted some of the most ridiculous items of legislation which cost taxpayers money to process through the various committees of the California Legislature. Not surprisingly, special interest groups are at the bottom of these boondoggle bills.

AB 1805, authored by Assemblyman Lloyd Levine (D-Van Nuys), is a bill that would ban "farm raised salmon" because a certain group of environmentalists claim that farm raised salmon are genetically different than wild salmon. The impetus for the bill was President Bush's planned ruling that "all farm raised salmon are to be included in the count of wild salmon when determining whether or not a species is endangered." This would change the content of the environmentalists' endangered species list, so their answer is to outlaw farm raised salmon. That is ironic, because more people will have to eat wild salmon – possibly leading to its addition to the endangered species list – rather than the abundant amount of farm raised salmon.

AB 2732 by Assemblyman Mervyn Dymally (D-Compton) will declare wiping rags a toxic substance, which ought to be treated accordingly. The California Legislature would want individuals to search kitchens, garages, and restrooms, since such toxins could apparently be lurking anywhere.

ACR 144, proposed by Assemblyman Leland Yee (D-San Francisco), would require certain public buildings to accommodate Feng Shui – an ancient Chinese art in designing and architecture which is supposedly used to create a harmonious energy flow in the space.

SB 1520, proposed by Senator John Burton of San Francisco, President Pro-Tem of the State Legislature, aims to "outlaw the feeding of geese in the way that is necessary to create pate de foie gras." There is only one farm in California which raises geese for pate de fois gras. Sen. Burton wants to take his business away because he is offended by the way the geese are raised.

ODDS AND ENDS

The following examples didn't fit neatly into any of the previous categories but provide additional impetus to take action against wasteful spending.

There are times when even the best intentions go awry. When Gov. Schwarzenegger instituted the Californian Performance Review (CPR), there was an expectation that finally California was headed down the correct road. But, one glaring error was made that California taxpayers should be concerned about.

Instead of maintaining a neutral procurement policy in which technology purchases are based on value and performance, the CRC recommends that California favor open source software alternatives over traditional commercial software.

Ostensibly, this is being done to cut acquisition costs, but that short-sighted approach ignores the total cost of ownership. Maintenance, training, and support are often more expensive for open source than proprietary software. Imagine the state DMV being responsible for programming the software that runs its computers. Every little problem would require an outside consultant, racking up fees and slowing down services. Like all procurement decisions, the best policy on software is to place all products on equal footing with no preferential treatment.

The *Contra Costa Times* reported on July 11, 2004 that state and local governments are replacing the word "tax" with the more friendly word "fee." For example, there is now an e-waste disposal fee for such items as televisions and computers. State government is aiming to make all Californians purchasing a new television or computer liable for a $6 to $10 fee before they even get to plug in their new electronics. This is one of a number of advance fees that are rooting themselves in state policy. From fluorescent light bulbs and diapers to plastic bags, the General Assembly is trying to pass legislation which would generate more revenue for the purpose of recycling. The article says that "Advance fees are meant to bolster recycling programs… But critics say advance fees are just another way to pad public coffers without calling it a tax."

On April 2, 2004, the *San Francisco Chronicle* outlined some of the most ridiculous and expensive expenditures and the role these so-called "efficiencies" play in California's budget problems. The article reminds readers about how "Sacramento buys $36,000 wheelchairs for the disabled when less expensive wheelchairs work fine… how legislators slipped $266,000 into their budget for their own meals because $15 a day for food and housing didn't satisfy their finer tastes[.]"

The July 24, 2004 *Los Angeles Daily News* reported on a newly planned Los Angeles Convention Center hotel and some of the controversies surrounding it. The first concern is that taxpayers will be gouged for a project which does not even warrant the government's involvement in the first place. "One-third to one-half of the 55-story hotel's estimated cost of $300 million [which could still balloon according to some] will be financed through city tax dollars according to estimates." As Adrian Moore with the Reason Foundation so practically put it, "Our view is that if this is an economically viable project, why does it need such a large subsidy from the city? And, if it's not commercially viable, how will it help develop the economy in the long run?" His point is clear. In either scenario, tax dollars should not be used to build a hotel. To add fuel to the fire, critics point to the fact that the hotel will be built with union labor, sweetening workers' paychecks while handing the taxpayer a bill that will be higher than it should be.

The other issue arising in the Convention Center hotel debate is the hotel bed tax, which currently stands at 14 percent and brings in about $100 million each year to the city's general fund. It seems that this new hotel would not be held to the same tax liabilities as other hotels in order to operate. As Peter Zen, a local hotel operator near the Convention Center, put it, "We have 1,350 rooms, and we provide $6 million a year to the city. The new hotel will generate about the same amount, which means they are getting a subsidy of $120 million over 20 years." That amount of money will give the new taxpayer-subsidized hotel a substantial competitive advantage over surrounding private sector hotels.

Even the bureaucrats got to horse around with public funds. The *Los Angeles Daily News* on August 11, 2004 reported that the $110 million makeover of the Los Angeles County Zoo has been delayed from its 2004 deadline. The voters of Los Angeles passed bond measures for the city to go ahead with the "substantial reconstruction project that was supposed to give Los Angeles a world-class zoo." Apparently, the project is not only behind schedule but also substantially over costs as zoo officials have recently admitted.

On March 5, 2004 the *Los Angeles Daily News* reported that state lawmakers have asked Los Angeles County authorities to investigate its foster care program after hearing numerous complaints about fraud and waste in the system. A *Daily News* investigation uncovered that as many as "half of the 75,000 children in county foster care and adoptive homes were needlessly placed in a system often more dangerous than the homes from which they were removed."

Why would such abuse take place? When counties receive $30,000 to $150,000 a year for each child placed in the system, the answer is self-evident. Clearly there are financial incentives which encourage the placement of children in foster care. As one who ran group homes in Lancaster and South Los Angles, former Glendale resident Fred Baker told the *Daily News* it is a "money-driven, demonic system."

According to the March 16, 2004 *Orange County Register*, the California Department of Insurance has a videotape that depicts workers' compensation fraud. In one case, an 80-year old man collecting worker's compensation on the claim that he is wheel-chair bound due to an on-the-job injury is tossing bales of hay off a truck. Another part of the tape shows a dock worker competing in a Jet Ski race despite the fact that he is also collecting workers' compensation because of his "disabling" back injury. To top it off, the injured truck driver was caught at a rodeo performing on horseback. According to this article, Laura Clifford, the executive director of the Employers Fraud Task Force, stated that "[t]he estimates of prosecutable fraud are $2 billion to $6 billion. Soft fraud is even greater."

A resident of Santa Cruz took matters into his own hands in 1998 when he sued Santa Cruz County for illegally collecting on a utility tax which was the result of an ordinance passed by the Santa Cruz Board of Supervisors. According to the December 21, 2003 *Santa Cruz Sentinel*, Harold Griffith, the plaintiff in the case, cited a 1995 California Supreme Court decision which recognized the fact that a two-thirds vote of the people is necessary for the approval of new taxes as outlined by Proposition 62, which passed in 1964. Though this case suffered in the court system for 5 years, in its final ruling the court "agreed that the county utility tax was collected after 1995 without the voter approval required under Proposition 62 and, accordingly, was invalid." By this time, Santa Cruz County had collected $65 million from taxpayers without their vote through this ordinance.

The judge's ruling also concluded that "The County's exposure for refund of utility taxes is only as to those persons filing claims for utility taxes paid within one year of the date of filing of their claims." Since his ruling was made on March 4, 2003, and the utility tax stopped being collected on April 19, 2003, a taxpayer's maximum reimbursement would be a month-and-a-half of an illegal utility tax which they had been paying for roughly seven years. According to the *Sentinel*, the total amount of money refunded to taxpayers was $2,561.64, a far cry from the $65 million the county illegally collected.

In 1998, voters approved a cigarette tax increase to allegedly solve many problems in California – from discouraging smoking to funding children health and welfare programs. The *Los Angeles Daily News* reported on July 18, 2004 that state auditors have slammed Los Angeles and four other California counties for failing to validate their share of the billions generated by the 50-cents a pack cigarette tax. Not only that, a report by state auditors found that many counties don't even know if their programs are working and have left much of the money unspent. Throwing tax dollars at problems doesn't necessarily solve problems, but it does take money away from families and allow for more bureaucratic mismanagement.

In an effort to sell that which the state does not need, Governor Schwarzenegger ordered state agencies to figure out California's properties and assets, according to a May 15, 2004 *Sacramento Bee* article. A possible $1 billion in questionable assets would be sold off, according to a bill written by State Senators Jeff Denham (R-Stanislaus) and Jim Battin (R-Rancho Cucamonga). In the past, selling off assets was scoffed at in Sacramento. It's time for common sense to be used this time around.

The Court Reporter Protection Act is a new form of protection for an outgoing species. Indeed, the California court reporters have joined together to lobby for protection for their profession from a more efficient and money-saving method of electronic reporting. According to the February issue of the California Court Reporters Association newsletter, electronic reporting is "currently being used in many courts in California… [Where] the job description for a court reporter now states that the employee must be able to run a tape machine and be willing to transcribe tapes."

The *San Jose Mercury News* reported on February 1, 2004 that the use of these electronic recorders for four Santa Clara County courtrooms was postponed because of the protest put up by the court reporters union. These four recording systems cost a total of $25,000, whereas the starting salary for a single court reporter is $50,000. Clearly, court reporters feel threatened, so they have asked the state government to make sure that, despite the fiscal and efficiency costs, their job remains the same in the future as it was yesterday.

CONCLUSION

One year ago, California was facing a crisis of financial confidence. Then-Governor Gray Davis was fighting for his political life as he faced a pitched battle to oust him from office. Taxpayers were staring down the barrel of a $38 billion deficit with little or no hope of rescue.

Today, Gray Davis is a distant memory in the minds of Californians and Arnold Schwarzenegger is the governor. Following his victory at the ballot box, Gov. Schwarzenegger began to address the state's fundamental financial problems by creating the California Performance Review (CPR) in order to restructure, reorganize, and reform state government. While progress has been made, the *2004 California Piglet Book* shows that the effort to hunt down and eliminate government waste, fraud, and abuse wherever it may hide is far from over.

The *2003 California Piglet Book* helped Gov. Schwarzenegger start down the road of economic recovery. The *2004 California Piglet Book* is the next step to assist the governor and all California legislators to ensure a strong fiscal future for California.