Citizens Against Government Waste and
The Howard Jarvis Taxpayers Foundation

2005 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 $686 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

For the third year in a row, the Howard Jarvis Taxpayers Foundation (HJTF) and Citizens Against Government Waste (CAGW) have published the California Piglet Book. After two years of providing detailed recommendations to reduce waste, fraud, abuse and mismanagement and fraud in California government, much remains to be done to improve efficiency and accountability in Sacramento.

Over the past several years, a majority of California lawmakers have ignored the consequences of declining revenues and increased spending. On October 7, 2003, the voters of California released some of their frustration by recalling Governor Gray Davis, the leader of the tax-and-spenders who got California into its fiscal mess. Arnold Schwarzenegger was elected to replace him, but the road to fiscal responsibility remains filled with potholes.

The deficits of recent years still haunt the legislature, and as a result, many lawmakers constantly threaten Californians with immense tax increases. With waste and fraud of taxpayer dollars still running rampant, Californians cannot be expected to continually give more money to the government. Taxpayers must be able to trust that the hard-earned money that they pay their government is used in the most efficient and effective manner.

Governor Schwarzenegger was elected on the premise that he would shake up the current system and bring logic, common sense, and good management to the state Capitol. While the Governor has tried to ensure balanced budgets, the work of the people is not a one-man job. The legislature must understand the meaning of fiscal responsibility as well. First trying to implement change through the legislature, including changing and streamlining the budget process, the Governor got nowhere – really fast. Unfortunately, on November 9, 2005 voters rejected several special election initiatives, including the “Live Within Our Means” budget, a reapportionment proposal to break the stronghold of safe legislative districts which currently accepts and even prefers the status quo, and paycheck protection for public employee union members. Since the voters failed to give the Governor these tools to bring about the changes he was elected to do – starting with major budget reform – the recommendations in the Piglet Book are even more critical.

The 2005 California Piglet Book is intended to educate the public, the media, Governor Schwarzenegger, and lawmakers at all levels about the available options to balance California’s budget without raising taxes. Indeed, this report reveals numerous examples of how politicians and bureaucrats have wasted millions and millions of tax dollars. Each example in this report represents a missed opportunity of reform and a dollar wasted that didn’t have to be. Taken together as a whole, the recommendations are a road map to recovery from the entrenched system of overspending and overtaxing that has plagued California for too many years.
No one would disagree that employees at all levels of government should be fairly compensated for their work. But taxpayers should not be footing the bill for excessive pay and benefits.

**Salaries**

On January 24, 2005, the *San Diego Union-Tribune* published an article noting that state lawmakers will often juggle their schedules in Sacramento in order to boost their pay over three-day weekends and holidays.

To understand the scheme, you have to know the rules of the game. Typically, state lawmakers are “released from the Capitol on Thursdays, ostensibly to give them a workday at home before returning to Sacramento on Monday.” They can still collect a $138 per diem check over their three-day weekend. However, under current law, legislators will lose this per diem if more than three consecutive days pass without meeting for a floor session at the Capitol. Therefore, if the following Monday is a holiday, they will in fact have a four day absence and as such they will not qualify for the extra pay.

Not surprisingly, lawmakers have found the secret to having their cake and eating it too – at the taxpayers’ expense. One tactic is to agree to hold a quick floor session the Friday morning before they leave for the weekend. The *Union-Tribune* noted, “the Assembly met for 22 minutes on Friday, Jan. 14, and just 14 minutes on Tuesday, Jan. 18. By doing that, members collected an extra $44,160.” Another scheme is to have members “check in” throughout the day so that once a majority signals that they are all in the Capitol at the same time, every lawmaker qualifies for per diem payments. These “calendar manipulations could cost taxpayers about $115,000” annually.

At the time the *Union-Tribune* article was printed, the Senate had not convened for two weeks, but by using the check-in procedure, “senators will still pocket $71,760 in per diem payments as if they have been meeting.” The pay for not showing up is outrageous and illustrates legislators’ lack of respect for the taxpayers’ money.

When a business in the private sector is having financial difficulties, it usually must suspend any hiring for the time being, and even lay off workers, in order to not go broke from spending that supersedes income. Apparently, government doesn’t live by those rules. The *Orange County Register* reported on July 5, 2005 that Governor Schwarzenegger has decided to fill the taxpayer funded payrolls with nearly 5,000 workers in fiscal year 2004-2005, and plans to add at least 6,000 more in fiscal year 2005-2006. One must bear in mind that “Californians will be paying for many of these new hires for more than half a century because they’ll benefit from the over-generous pensions that have been spiked in recent years.” Despite the campaign speeches to curb government growth and spending, the Governor has allowed the public employee ranks to swell and melted the hiring freeze.
In fact, if one only paid attention to the overplayed media sound bites that local governments don’t have enough money, one would easily understand the notion that local governments are under constant and ever-growing financial difficulties. However, on December 14, 2004, the *Los Angeles Daily News* prints that “an analysis of county payroll expenditures in California indicates that county employees have done very well over the past several years. In 1997, the total payroll for county government employees in California was approximately $12.1 billion. By 2002, that number had shot up to $17.9 billion, an increase of almost 48 percent.”

In an era of increased vigilance for terrorists, one would expect that this additional funding would be for public safety, one of the highest priorities for local governments. However, the facts indicate otherwise. The *Daily News* article noted that payroll expenditures for county police increased statewide by 11.5 percent in five years, from $1.74 billion in 1997 to more than $1.94 billion in 2002, while payroll expenditure for welfare system employees increased statewide by 72 percent in those same five years, from $1.58 billion in 1997 to $2.72 billion in 2002. This increase occurred despite the fact that “the total number of welfare recipients in California actually declined by over a million during those same 5 years.”

The welfare payroll figure is similar to other non-security local expenditures. During these same five years, 1997-2002, county judicial and legal payrolls experienced a 68 percent increase, county health system payrolls saw a 67 percent jump, county financial administration payroll expenditures leaped about 45 percent, and general government administration expenses rose 41 percent.

The *Contra Costa Times* revealed on December 8, 2004 that the city of Oakland paid nearly $97 million to 811 city employees, many in public safety jobs, who earned at least $100,000 between July 2003 and June 2004. Such mismanagement allows overtime costs to create financial havoc in a city budget. The newspaper found that “Many employees made base salaries well below $100,000 but received extras that pushed their pay much higher. It remains unclear what the extra earnings include in most cases. Escalating department head earnings are of particular concern because those employees do not qualify for overtime.” Top earners include “Fire Battalion Chief Edward J. Kilmartin IV, who made $230,400 with a base salary of $128,300” and Oakland’s “Web master, Taina Everett, [who] made $187,386 on a base salary of $85,100.” Roughly 57 percent of the city’s fire employees topped the $100,000 salary mark last year as well.

The *Los Angeles Daily News* reported on October 19, 2004 that a half-dozen non-union executives working at the Metropolitan Transportation Authority (MTA) have passed the six-figure salary mark, while chief executive officer Roger Snoble is receiving a little more than $350,000 in salary and benefits. Top executives aren’t the only ones padding their wallet with taxpayer dollars. All in all, the MTA currently pays a total of 114 employees at least $100,000 annually, with 17 of those employees earning at least $150,000. In fact, though it is standard for union employees to get an annual 2.5 percent pay increase, according to the *Daily News*, “A number of MTA executives got pay boosts beyond the standard 2.5 percent bump.”
Oakland and Los Angeles aren’t the only places where excessive overtime costs are hurting taxpayers. The San Francisco Chronicle reported on June 21, 2005 that overtime pay has been soaring in the Bay Area as well. For example, Dr. Tam Bui, a doctor and surgeon working at San Quentin State Prison, earned $294,496 in 2004 – including $161,642 in overtime alone. Last year’s salary wasn’t a stroke of luck or good fortune; it was expected. In 2002, Dr. Bui earned $415,717, making him one of the state’s top paid public employees. No one is against paying a qualified professional a good and decent salary… but when does it become too much and when are taxpayers simply being taken for a ride? Dr. Bui is not the only state employee to work such an overwhelming amount of overtime hours. In fact, last year at least 69 state employees more than doubled their salary by working overtime.

On June 19, 2004, the Long Beach Press-Telegram reported that Los Angeles County’s overtime costs were going through the roof, despite serious budget problems. More specifically, “A review of three of the five county departments that spent the most on overtime in 2002-03 reveals 1,395 employees earned more than $10,000 apiece in overtime, 390 were able to boost their salaries more than 50 percent through overtime and eight employees more than doubled their annual income.” Poor management combined with a lack of cost control has increased the woes of this fiscally troubled county. While sometimes overtime is necessary, this expensive practice shouldn’t be abused.

For example, payroll records obtained came out as the Los Angeles County Board of Supervisors was set to begin deliberations on overtime. Among the Telegram’s findings: “A deputy probation officer, paid $60,019 a year, also pocketed an extra $77,352 in overtime. A probation camp cook made $39,280 a year and also collected $46,322 in overtime. A hospital nurse practitioner, paid $81,021 a year, also raked in $93,967 in overtime. And a hospital doctor in the Antelope Valley wound up becoming the highest-paid county employee in history, boosting her $224,864 salary with $70,690 in overtime for record-setting pay of $295,554, surpassing the county's top salary of $279,125 earned by her boss, Dr. Thomas Garthwaite, director of the county health department.”

In fact, in roughly seven years, the county's overtime costs have shot up from $239 million to an anticipated $306 million this fiscal year. This problem is nothing new, as county auditors have been expressing concerns for some time over the amount of overtime abuse among public employees.

Public payrolls include those elected to represent everyone’s best interests, but salaries continue to rise despite budget troubles.

The Los Angeles Times reported on June 29, 2005 that Pomona City Council members will be quadrupling their salary by creating community development commissions and conveniently appointing themselves to those high-paying seats. State law allows City Council members to increase their salary up to 5 percent a year without
voter approval, but the creation of community development commissions by city councils around the state is a new method to circumvent the voters.

While Pomona council members make a part-time salary of $10,000 per year, the decision to appoint themselves to these commissions pumps up their salary to $40,000. For that extra $30,000 a year, the community development commission meets twice a month for about an hour to discuss and handle housing and redevelopment issues within the city – ostensibly what the city council itself should be doing. Many other cities have been able to do the same job at a much more reasonable cost to taxpayers.

Luckily, some council members are now refusing to take the pay. For example, Councilwoman Paula Lantz voted against the establishment of a community development commission because “the sole purpose in creating [it] was creating an additional funding source for the council,” she said. Lantz further noted, “I have yet to have anybody tell me what we can do now that we couldn't do then, except get $2,500 more a month.” Taxpayers should be even more wary of these commissions, because under current law, local authorities can use their powers of eminent domain to choose if they would prefer a tax-revenue-producing strip mall on a certain street in place of your home.

The Los Angeles Times reported on August 8, 2005 that officials of the Los Angeles County’s Department of Water and Power are requesting a 34 percent salary increase over five years. This request has put in because officials say they need to be competitive with other utilities throughout the state. However, “agency officials admit they did not research how their salaries compared with other utilities before recommending the raises.” Had they done their homework, they would have found that DWP workers currently earn more than most of their peers at other utilities in the state. This is due to a few factors. First, DWP pays more for less-skilled workers, including painters and meter readers. For meter readers, Los Angeles pays a starting salary of $21 per hour, compared with $18.01 by the Sacramento district, $13.45 by Edison and $11.80 by San Diego.

Second, DWP salaries have been tied to a consumer price index for urban wage earners in Los Angeles over the last two years, including a 5 percent minimum. Therefore, when the CPI went up only 4 percent during 2004, and 2.4 percent in 2003, DWP wages rose 5 percent each year. The result is DWP workers are earning more than their peers at other utilities and even more than workers in the private sector. It’s a bit shocking when they demand a pay raise – especially when DWP officials haven’t even researched the pay scales of the “competition.”

As the saying goes, where there’s smoke, there’s fire. The Times reported “the proposed DWP contract is one of the first thorny political issues to confront Mayor Antonio Villaraigosa, who… received substantial financial and political support from the union that represents DWP workers.” Apparently the blame game has begun and Villaraigosa has faulted former Mayor James K. Hahn.
The Los Angeles Daily News reported on June 25, 2005 that local lifeguards are creating waves within the community because they are requesting uniform allowances. According to the newspaper, “envious that firefighters get $1,000 to buy uniforms, the Los Angeles County lifeguards are seeking $600 a year for their own duds.” Some residents are calling the costs ridiculous and wonder how much money is needed for such little cloth every year. Currently, the red swimming suits, white shirts and other beachwear worn by lifeguards is donated to the county by sportswear manufacturer Izod.

On top of the requested uniform allowance, the proposed contract would allow lifeguards to receive an annual $400 “swim proficiency bonus” if they can swim 500 meters in a pool within nine minutes. One would think that an applicant would have to be proficient in swimming in order to become a lifeguard. And it is quite wasteful to pay proficiency bonuses for lifeguards to do what they were hired to do.

Drowning taxpayers even further in red ink, the Daily News reported that 140 permanent lifeguards at county beaches and lakes would “also get a 5 percent raise this year and a one-time lump-sum payment of $2,500 to make up for going without raises since 2002, officials said.”

Pensions

Pensions are a benefit offered by many employers – if they can afford it. When the job involves taxpayer dollars, it is important to ensure that the amounts are not excessive, but fair and affordable for the employer – that is; the taxpayers. However, in California, public employee pension system costs have gone completely out of control, as unions donate money to their choice candidates, who in turn promise plush salaries, benefits, and of course, pensions. Across the state, counties are breaking their budgets to comply with these extraordinary pension deals.

Assemblyman Keith Richman (R-Northridge) introduced Assembly Constitutional Amendment (ACA) 5, which would scrap the defined-benefits plan currently bankrupting the system to an affordable and predictable 401(k)-style investment plan. Despite support from taxpayers, ACA 5 was killed in committee by tax-and-spend legislators. Distortions and half-truths filled the committee room and it was clear that the Amendment wasn’t going anywhere.

Governor Schwarzenegger joined with the Howard Jarvis Taxpayers Association and tried to take the amendment to the ballot so voters would have the opportunity to fix the problem themselves. However, with false campaign advertisements taking the media by storm, claiming that death and disability benefits would be taken away from public safety workers, the entire issue was muddled and the measure was taken off the ballot for the 2005 special election. But the problem remains and taxpayers can expect their taxes to rise if something isn’t done in the very near future to resolve future pension liabilities.

Indeed, California is spending more on public employee pensions than ever before due to lavish benefit deals pushed by unions and agreed to by willing elected officials.
On February 11, 2005, the *Sacramento Bee* reported how these sweetheart deals were able to pass, and that the result “is a pension price tag that shot up in five years from $160 million to $2.6 billion.” On January 25, 2005 the *Los Angeles Times* commented that, “These public pension plans are quite generous compared with their private-sector counterparts,” and “California can't afford to keep its current pension system in place.”

The city of San Diego is a classic example of lavish pensions promised to public employees. The city's pension system, according to the *San Diego Union Tribune* on July 6, 2005, has a deficit of at least $1.4 billion with unfunded retiree health-care costs totaling more than $500 million. The outright fraud of taxpayer dollars is so alarming that the FBI and U.S. Attorney's Office have been called in to investigate whether federal fraud and public corruption laws were violated. Even if the city were to get its books in order today, the taxpayers of San Diego must finance an enormous pension obligation.

The *Contra Costa Times* reported on December 18, 2004 that the city of Contra Costa has racked up a $1.2 billion shortfall in its public employee pension system since 2000. According to a report commissioned by county supervisors investigating the problem, “top factors were enhanced benefits and court decisions granting employees and retirees new ways to increase their pensions.” Some are quick to blame the economy and market losses, however, this same commission found that market losses “played a relatively minor role, accounting for $24.4 million, or about 2 percent, of the problem.” Retirement rates combined with excessive benefits have created a monster that taxpayers cannot, and should not be expected to, afford. The city’s retirement system became a “focus of public scrutiny after supervisors in 2002 increased pensions for firefighters, deputy sheriffs and probation officers by as much as 50 percent.”

The *Orange County Register* reported on June 21, 2005 that county supervisors are looking for ways to cope with and evaluate the county’s $2.3 billion pension shortfall. The first plan seems to be “putting off a scheduled July 1 benefit increase for county workers.” This makes sense since the $2.3 billion shortfall is not going to improve with added benefits. However, public employee unions are not being quite as reasonable. In fact, upon hearing this, “the employees' union immediately said it will not go along” with Supervisor Bill Campbell’s plan. They don’t seem to understand that a bankrupt county is likely to have to resort to layoffs and firings to cut back on expenses. You can only bite the hand that feeds you so many times before government finally realizes that something has to change.

“Politics… a higher calling, and a great pension.” That was the headline of a November 4, 2004, story in the *Orange County Register*. The newspaper reported on a pension plot by Coast Community College District Board of Trustee incumbent Armando Ruiz, who was running for re-election. Ruiz had until 5 p.m. on the Friday before the election to officially retire from the board of trustees, otherwise he would miss his opportunity to really gouge Orange County taxpayers by double dipping his pension by taking advantage of an old “loophole that allows a person who exits two state jobs on the same day to count the highest-paying of the two as the salary for both jobs for the
purpose of calculating his pension.” This loophole has been closed for some time, but Ruiz was grandfathered in years ago.

A few minutes before the deadline, Ruiz faxed in his official notice to “retire” (while he was running for re-election), “as a part-time trustee of the Coast district and as a full-time counselor at Irvine Valley College.” While the trustee position pays just a $9,800 annual salary, Ruiz was able to use his $106,000 salary from the counselor position twice to calculate his state pension. This means Ruiz’s pension was based on a $212,000 salary he never actually earned, making his pension come to roughly $108,000 a year for life. It is unlikely voters knew of this liability, since Ruiz was re-elected to the board of trustees.

Benefits

Besides excessive salaries and lavish pensions, legislators and bureaucrats often indulge themselves with other benefits that aren’t as apparent to the public. Regardless of the form these perks come in, the bottom line is that taxpayers are funding them… all of them.

On September 21, 2004, the San Francisco Chronicle reported on the business of San Francisco Assessor Mabel Teng. Apparently the assessor had been involved in some highly questionable hiring practices and the San Francisco Civil Service Commission had begun an investigation on the matter. A week earlier, the Chronicle reported that “the Assessor hired her nephew and a number of campaign contributors,” leaving Commissioner Donald Casper to remark that “The allegations raised go to the heart of this city’s Civil Service merit system.” On October 7, 2004, the Chronicle again reported on the situation, noting that a report shows Teng had altered the minimum qualifications to the jobs she assigned to a campaign consultant and her nephew.

On September 26, 2004, the Chronicle reported that Teng charged the city’s taxpayers for a trip taken to the Democratic National Convention during the summer of 2004, as a member of the “Rainbow Coalition.” Taxpayers ended up paying the $660 bill Teng charged for airfare and meals.

In an article on November 28, 2004, the Los Angeles Times reported that the five members of the Los Angeles County Board of Supervisors “each get about $1 million a year in discretionary funds to hand out as they see fit, winning thanks from appreciative constituents and cementing their political images with money provided by county taxpayers.” This happens without public notice, vote, or oversight.

In fact, according to the Times, during the last five years, county supervisors have maneuvered more than $11 million to projects and causes close to their hearts. This distribution of cash becomes problematic when hospitals and schools are being threatened with being shut down because there isn’t enough money to go around. In 2005, while the supervisors used their discretionary funds for music festivals and
swimming pools, they placed a measure on the ballot that asked voters to raise the sales tax to help the county hire more sheriff's deputies. Voters said no.

Sometimes, however, supervisors dip into these discretionary funds and choose to help county agencies that are in dire need of financial help. For example, Supervisor “Antonovich gave more than $700,000 to the Department of Parks and Recreation, with more than $95,000 going to keep Castaic Lake Recreation Area and the Placerita Canyon Nature Center in Newhall open during last year’s budget crunch.” Regardless, it seems taxpayers ought to have a say in how their tax dollars are being directed.

On July 26, 2005, the Los Angeles Daily News reported that Los Angeles developed a plan to let residents themselves pay for local public work crews’ overtime costs in order to get faster service for basic maintenance and repair services, such as trimming trees and repairing potholes. Taxpayers would be paying twice for the same services in order for the work to be completed in a timely manner. It is unclear why these jobs cannot be done promptly and why more money is needed since the “city budget has grown at a faster pace than is justified by population growth and inflation.” This will create inequity in services when poorer neighborhoods whose residents cannot pony up the money to get their streets repaired will have their needs put on the bottom of the list.

On October 14, 2004, the Los Angeles Times reported the alleged misdeeds of Secretary of State Kevin Shelley. In the two years Shelley held office as Secretary of State – as the state’s top elections official – he has allegedly assigned taxpayer-paid staff to duties promoting his private political agenda.

On October 7, 2004, the Sacramento Bee reported that with the secretary of state standing in the room, Shelley’s top aide told election workers, whose duties were public outreach, to try and find people who would also financially support Shelley’s future campaigns. On that same date, the San Jose Mercury News reported that Shelley had hired a private investigator to question former staff, seemingly to root out those who had spoken anonymously to reporters. To add to his troubles, at the time the articles were printed, the FBI was conducting an investigation of supposed money laundering activities related to Shelley’s campaign efforts to become California Secretary of State.

BAD GOVERNMENT, BAD MANAGEMENT, AND… MORE TAXES

Talk about stealing from the mouths of babes… First 5 Kern, located in Kern County, is an agency established as a result of the California Children and Families Act of 1998. That measure taxes tobacco products in order to fund local health, childcare, and education programs to promote healthy early childhood development for children of ages prenatal to five. In other words, First 5 Kern is a clearinghouse of tax dollars to be given throughout the community to help children in need.

However, it seems that First 5 Kern itself is in need of help. The Bakersfield Californian reported on December 4, 2004 that in the last six years nearly $4.8 million
originally intended to help disadvantaged children in the First 5 Kern program has instead been spent on ‘‘professional and specialized’’ services, which include consultants, media efforts and studies of the agency, according to financial statements.” Nearly $3 million of that has been spent on services such as these in the last fiscal year alone – representing nearly a quarter of the program’s operating revenues.

To add insult to injury, “steep pay increases nabbed by executive director Steve Ladd – whose $60,000 starting pay in the fall of 1999 has since risen to almost $110,000 – are echoed throughout the agency’s payroll according to financial records requested by The Californian.” The salary of First 5 Kern’s Chief Program Officer, Guillermina Alexis Esparza, has climbed from $39,600 to $73,295 in the same amount of time.

Across the state, there are a number of First 5 commissions just like First 5 Kern, including First 5 LA, and First 5 Sacramento. While The Californian did not specify which commissions in particular are misappropriating funds like First 5 Kern, it did report that a number have “come under fire for lavish spending on salaries and travel while health and preschooling for the state's poorest children remain underfunded.” Instead of being spent on the programs’ targeted beneficiaries, a quarter of every dollar is being spent on building political fiefdoms and politicians patting each other on the back.

In 2004, Los Angeles County proposed a half-cent sales tax increase for public safety purposes. The county claimed there was not enough revenue and a tax increase was the only option left for officials to maintain a sufficient level of public safety. However, on September 28, 2004, six weeks before the tax measure would be before the voters, the Los Angeles Daily News reported that Los Angeles County supervisors suddenly found themselves sitting on a $1.4 billion surplus from the prior fiscal year, and decided to spend $309 million of this surplus, mostly on salary increases and building maintenance. Critics had been saying for months prior to the vote that Los Angeles, like the state of California, faced a spending and management problem, not a revenue shortfall. While the tax increase was defeated on November 2, proponents will try again.

On August 7, 2005, the San Diego Union-Tribune reported that a “multimillion-dollar program that gives county supervisors the freedom to hand out hundreds of taxpayer-funded grants is riddled with shoddy bookkeeping and lax oversight.” In San Diego, each of the five county supervisors are given $2 million to give to the organizations they wish. The $10 million comes from the general fund, which is used to cover the county’s operation costs. The Union-Tribune reported that records for 54 grants, worth $1 million, seem to have been misplaced. The records that could be found indicate that “money has been spent on everything from Cheetos to seared ahi crostini.”

As with most problems in government, it gets worse. In July, 2005, according to the same Union-Tribune article, county officials couldn't account for nearly $2 million in grants that had been dished out since 1999. “After learning of the newspaper's investigation, officials notified grant recipients of the probe and scrambled to find about half the missing receipts.” This program appears to allow public officials to award their pet programs with substantial income or reward those who have been politically loyal,
thus seemingly creating a conflict of interest and further implanting the notion that votes can be bought. Since there are no regulations or specific guidelines supervisors should follow, one can only presume that this lack of accountability and integrity was built into this system on purpose.

LEGISLATORS AT PLAY

At times it seems like California state legislators have way too much time on their hands. The following examples bring into question whether the legislative session should be substantially shortened so that lawmakers can stick to their purpose of being in office; that is, to be good stewards and representatives of their constituents.

On June 27, 2005, the Sacramento Bee provided an example of how ineffective, and at times even corrupt, the California State Legislature can be by highlighting SB 792. This bill would allow the North Coast Railroad Authority (NCRA) to use $5.5 million for “operational purposes,” but the funds were originally tagged to repay a federal loan. Some history of the NCRA is useful to appreciate the context of SB 792.

According to the Bee, for 70 years the Northwestern Pacific Railroad operated a 300 mile-long line connecting the Bay Area with upper northern California, mostly carrying lumber. However, NWP was costly to maintain because of its geological location and weather damage. In the 1980s, the line was shut down because it was poorly run and unprofitable. A private business sought to take control a few years later, but that attempt failed with the company going bankrupt.

In 1989, the state legislature created the NCRA to take over the upper region line, believing that public ownership would recreate and sustain it. Of course, NCRA couldn’t live up to those expectations. In 1998 the line was shut down by federal authorities because it was so poorly maintained. Today, the tracks do not and cannot operate as a functioning railroad line.

However, this did not stop officials from soaking up tens of millions of taxpayer dollars on this poor excuse for a “railroad.” As the Bee put it, “NCRA has become, instead, a pretend railroad, existing primarily to garner federal and state funds.” Some of these funds “pay the salaries of those whose only real purpose is to get more taxpayers’ money to pay their salaries” disguised as overhead costs for a non-operating railroad. “And local federal and state legislators, [pushed by local lumber and business interests, which use the nonexistent railroad to bargain for better freight rates from truckers], eager to deliver pork, keep seeking more, including regular injections of federal "disaster relief" funds to pay for storm damage on the fallacy that it really is a railroad.” Unfortunately, it appears that Democrats in the legislature are sending 5.5 million taxpayer dollars down the track with no chance of seeing any return on that “investment.”

In fact, taking a closer look at legislators themselves and the Capitol at which they are supposed to be doing the people’s business, there are glaring examples of waste every
day. Take, for example, the elevator button pushers in modern automatic elevators, as Frank Duclose, writing for the *California Public Review*, noted on April 4, 2005. He writes of his experience, “I used to imagine that these old ladies on chairs were semi-retired Capitol tour guides, perhaps assigned these jobs after a long career in civil service. Dare I admit that I had a bit of sympathetic acceptance for them? I was surprised then one morning last year when I stepped on for my chauffeured vertical ride. There sat a new, younger lady. On her lap she had all the paperwork and tax forms that are given to new-hires. She was busily filling them out on top of what I recognized as the benefits booklet that the personnel office gives full-time employees. Not only are unneeded elevator operators still being hired, but they being provided some really nice benefits.” The only thing missing from this article is the dollar amount taxpayers dish out so legislators and lobbyists can have chauffeured elevator rides.

On June 24, 2005, a *Sacramento Bee* article reported that lawmakers are allowing $6.8 million to be spent on building a fence around the state Capitol as a means of increasing public safety. Despite the ridiculous behavior of certain lawmakers, of course Californians want their legislators to be safe and secure in this age of terror and unpredictable threats. However, it is not clear that a fence really needs to cost $6.8 million, and there may be better ways to use that money to increase public safety.

While the Capitol must always be considered a target of potential terrorist threats, downtown Sacramento is filled with government buildings that do not have the privilege of reaching into the taxpayers’ pockets to build such a costly fence. That raises more questions about that glaring $6.8 million figure for the fence. According to the Bee, “Under the rules laid out by [those] who control the Legislature, only union construction firms were allowed to bid on the project and a slew of other construction jobs at the Capitol in recent years.” Without competitive bids, taxpayers ought to be infuriated that legislators have such a lack of respect for the millions and millions of tax dollars they willingly pay every year.

**FRAUDULENT WORKERS’ COMPENSATION**

Workers faking injury or prolonging workers’ compensation claims are problems that plague private industry and governments. With the legendary lack of oversight by the California state government, it is no wonder that fraudulent workers’ compensation runs rampant.

The *Los Angeles Daily News* reported on September 20, 2004 that Los Angeles County government had not made sufficient progress in reining in soaring workers’ compensation claims, even though reforms and changes have been promised, according to a study issued by the county’s Citizens Economy Efficiency Commission. The commission recommended 46 steps the county should take to control workers’ compensation costs, which is “estimated to reach $2 billion over the next several years.” From fiscal year 1997-98 to fiscal year 2004-05, the county saw its workers' compensation costs nearly quadruple – from $114 million to approximately $414 million.
For fiscal year 2003-04, workers’ compensation in Los Angeles County cost taxpayers $325 million.

The *Daily News* reported on January 24, 2005 that a study released earlier in the month found that “Los Angeles County’s injured-worker policy encourages employees to file workers’ compensation claims and boost their retirement packages with hefty disability pensions.” Basically, the system encourages fraudulent behavior since it allows county employees to add any workers’ compensation benefits they receive before they retire to their overall pension package, instead of subtracting those benefits from retirement plans. This could explain why “county sheriff and fire employees retire on lucrative disability pensions at rates two to three times those of their counterparts in the city of Los Angeles.”

Public safety employees sometimes file many claims over their careers, and many more are filed in the year preceding their expected retirement, usually in order to maximize the retirement package. While there are real dangers associated with public safety employees, when reports show that “70 percent of officers retiring from the California Highway Patrol went out on industrial disability retirements,” and “80 percent of top CHP administrators filed workers’ compensation claims within two years of retiring,” there is clearly an abuse of the system and taxpayers are paying the bill.

Another classic example of this kind of waste was outlined in the *Sacramento Bee* on September 14, 2004 by columnist Daniel Weintraub, who wrote that California Highway Patrol Officer Spike Helmick had dedicated his entire professional life to public service, yet one “of his final acts in the job might, in a perverse way, end up being his single biggest contribution to the people of California.” Basically, nearing retirement, Helmick filed a disability claim, though for years he had grumbled about the abuse of workers’ compensation. With the advice of his lawyers, the rationale was simple: the money is there for those willing to take it. This boiled down to getting half of a $131,000 annual pension tax-free, “allowing him to take home far more in retirement than he ever earned on the job.”

In a case of the fox guarding the hen house, judges handling workers’ compensation cases seem prone to the same type of temptations as some public safety officers. On November 21, 2004, the *Sacramento Bee* published an article noting that “California’s 150 workers’ compensation judges are six times more likely to file on-the-job injury cases than their judicial counterparts in state government.” Not to make light of workers truly entitled to workers’ compensation from an employer, it is interesting to see how certain judges were injured while on the job; from rearranging artwork, slipping on a lunchroom puddle, loading a crate in a trunk, tripping over a phone cord, and even writer’s cramp. The courthouse seems to be booby-trapped, with accidents just waiting to happen.

The obvious question is who judges the judges’ workers’ compensation complaints? None other than the colleagues with whom they share the workers’ compensation bench. To add insult to injury (pun intended), it is not unusual for the
same lawyers and doctors representing plaintiffs in a judge’s courtroom to represent that
same judge for his or her workers’ compensation case. These judges know that many
claims are rarely seriously challenged in the courtroom, and they know how to win a case
better than anyone else involved in the system.

Pamela Foust, who has not filed any claims during her 20 years as a workers'
compensation judge, told the *Sacramento Bee* (November 21, 2004), “As a practical
matter, it seems like the adjustors will accept just about anything, and the judges certainly
know that.” She added, “I could say I got wrinkles from job stress, get a doctor to agree,
and they'd probably pay to get my wrinkles fixed.” One clear example of an expanded
(and absurd) definition of worker’s compensation occurred when Judge Bernardine
Baldwin of Santa Monica filed a claim in August of 2004 for injuries to her “heart and
psyche from ‘inadequate staffing and security, deadlines, attorneys’ and parties’
harassment & conflicts (with) angry, hostile litigants.” One wonders if the Judge
Baldwin knew what a judge actually did every day at work. As the saying goes, if you
can’t stand the heat, get out of the kitchen.

There is some good news on the worker’s compensation front. On October 5,
2004, the *Los Angeles Times* reported that the Los Angeles Unified School District
(LAUSD) is attempting to put a stop to fraudulent workers’ compensation claims. Mark
Bailey, 47, of Hawthorne, a former food worker in the LAUSD, was arrested for
collecting $128,000 in benefits for a shoulder injury in 1999 while taking similar jobs at
other school districts around the state during the time he was on leave. A total of 31
cases of fraudulent workers compensation were forwarded to the city’s district attorney,
doubling the total for the previous four years. Hopefully this will curb any further
workers’ compensation costs, which nearly quadrupled in 2004 compared to recent years.

TRANSPORTATION

The *San Jose Mercury News* reported on September 2, 2004 that the Valley
Transportation Authority (VTA) is preparing to “spend $7.7 million on a public relations
campaign to boost its image.” Even though the VTA cannot afford to build the San Jose
BART (Bay Area Rapid Transit) extension, VTA officials have spent most of the $7.7
million to promote it. In fact, this outrageous expense is being considered even as the
VTA is confronted with extraordinary financial problems: an annual projected shortfall
of $100 million in its roughly $328 million operating budget. Already there have been
deep cuts in bus and trolley services, as well as layoffs and fare increases.

Where there is smoke there is fire, and where there is government spending there
is a new tax. The *Mercury News* noted, “VTA leaders plan to ask voters to approve an
additional sales tax in 2006 to cover the shortfall for BART and the other Measure A
projects, which could be as much as $2 billion.” But VTA officials quickly denied that
the public relations spending would be related to the tax increase, and instead would be
focused on communicating to and educating the public on the value of their service.
Mountain View Councilman Greg Perry told the newspaper he sees things differently:
“It seems like an attempt to use public money to advertise BART so that their new tax measure passes. It's completely inappropriate. Tax dollars should not be used to sway elections.”

It turns out that Councilman Perry was correct. On September 23, 2004, the *Mercury News* reported that despite the VTA officials’ denials, their own documents showed that sales tax approval was precisely what the public relations contract was designed to do. Several months prior to the election, Ronald Danton, the VTA’s senior contracts administrator, wrote: “This will be on a tight schedule – the company hired will be charged with changing the public's perception of VTA so that the public will vote for an additional sales tax in November 2006.” It doesn’t get any clearer than that.

But the picture for taxpayers gets even worse. Despite the half-cent sales tax approved in 2000, and disregarding the current legislative attempts to increase existing transportation taxes and “fees” in the area, officials are planning to ask for another tax in 2006 in order to extend their projects.

Taking into account that fares have risen, services have decreased, and employees have been laid off, if the VTA didn’t have a public relations problem before, they sure have created one for themselves now. It is offensive to taxpayers that millions of their hard-earned dollars would be spent on public relations projects, especially while the state legislature and local elected officials impose new and increased tax measures in order to take care of basic services. Furthermore, taxpayers do not need spin-doctors to convince them which transit line to take to and from work.

On September 17, 2004, the *Tri-Valley Herald* reported that BART had begun its $1.3 billion project to strengthen the underwater structure against future earthquakes in the Bay Area. The newspaper reported, “Officials say BART has only enough money for one of five phases of the complete seismic retrofit,” so they will be looking to voters to approve additional tax measures, or increase BART fares again, in order to obtain the revenue required to complete a project of this size.

A June 26, 2005 *Contra Costa Times* article revealed public records, obtained after a series of successful lawsuits, showing that “the number of BART employees making at least $100,000 nearly tripled since 2000.” Not only have base salaries been on the rise, but for BART’s highest paid employees, overtime costs increased by 147 percent during the same time period. Some workers are even earning more in overtime pay than their base pay.

At the top of the pay scale is General Manager Thomas Margro. His pay has gone up by 57 percent over six years, giving him a $309,000 total contract today. Taxpayers and watchdog groups have expressed their outrage over the salary increases of BART's highest-paid employees, especially the $99,000 income brought down by the average worker in pay and benefits – a number in ugly contrast to the nine-county Bay Area 2004 median income of $54,558 (a number without benefits).
In addition to the salary scandal, BART officials and union representatives cannot agree on how to make the system more efficient. “BART hopes to stamp out a $24 million deficit by instituting a wage freeze, cutting benefits and slicing 115 positions, while unions have proposed an initial package with 30 percent pay and benefit raises over three years,” according to the June 26, 2005 Times article. BART management says they are hoping to change work rules during these negotiations to make the system run more efficiently. Right now, for example, it takes two employees to set up a single computer and get a user online – one employee to set the computer up and the other to get the software running. It will take two employees to pick up a piece of trash blowing around – one employee to pick it up if it blows in the station and the other to pick it up if it blows outside the station. Basic efficiency and cost control practices can go a long way toward getting the real waste out of BART.

More disturbingly, voters have been told that BART doesn’t have enough money to finish projects. In fact, according to the Times, BART has “raised fares three times, imposed new parking charges and asked voters to approve a $1 billion seismic safety bond, arguing the district did not have enough money to cover its expenses.”

EDUCATION

Apparently the sky is falling on every school district and school officials are telling voters that they need help every chance they get. While blaming Proposition 13 for a lack of school funding, and despite nearly $10,000 per-student spending in kindergarden-12th grade and lavish employee benefits, there is seemingly never enough money to turn the public education system into a resounding success. That might be credible if there were not strong evidence that schools have been wasting tax dollars, which is what really makes it so difficult to make ends meet.

On September 24, 2004, the Tri-Valley Herald reported that Oakland schools Administrator Randolph Ward has had a personal bodyguard provided for his safety at the tune of $173,308. While no one would criticize the administrator for having a personal bodyguard when the situation warrants it, Ward’s decision has found its fair share of criticism for other reasons. According to the Herald, Ward first estimated the personal bodyguard expenses to the district would be $70,000. However, “officials later put the cost at $140,000 for a full year.” Like most school projects, this one was underestimated as well. The actual cost to the school district turns out to be $173,308. Board member Greg Hodge is quoted as saying, “I was livid about it when I heard about it (last) spring, because that was right around the time we were laying off campus security officers.”

On September 28, 2004, the Los Angeles Daily News reported that the Los Angeles Community College District has plans to spend nearly a quarter of a million taxpayer dollars a year to continue with their image-boosting spending. While the $240,000 to be paid to the public relations firm MWW Group is $150,000 less that what the district was billed last year by Fleishman-Hillard (a firm being sued by city
government for over-billing a $3 million-per-year Department of Water and Power contract), one would question the policy of a school district spending so much money on spinmeisters in the first place. The Daily News also reported that “political observers question why the college district needs to hire high-powered external consultants to do the job when it already spends about $340,000 a year on six public-relations staff members.”

Property owners in the Moraga area are most likely familiar with the controversy that hit the local school board. According to a June 18, 2004 Contra Costa Times article, Moraga School Districts Superintendent Rick Schafer received a 31 percent generous pay raise, which puts Schafer’s salary up to $167,000.

Despite the size of the pay increase, the more alarming notion is that it came right after city voters approved a parcel tax based on the dire outlook of the school district’s finances. The local teachers union was a bit surprised as well. According to the Times, Moraga teachers received a 2 percent pay raise this year, and are “really upset by the news.” Joan Caraska, the local teacher’s union president, couldn’t have said it better: “We hear there is no money during the year, and then there is. That becomes a problem.” Perhaps they’ve heard taxpayers say the exact same thing once or twice.

On June 28, 2005, the Los Angeles Times reported that parents and teachers in the High Desert district are furious with a recent decision made by school trustees who approved a very generous compensation package to Victorville’s elementary school superintendent, Ralph Baker. This package includes bumping Baker’s current pay up 78.6 percent from $140,000 a year to $250,000; providing health and dental insurance for him and his wife for life; a one-time bonus of $200,000 on August 1, 2005; and $10,000 raises each of the next three years. While parents are putting on fashion shows and silent auctions in the district to help their elementary classrooms pay for filed trips and supplies, many “are taking the $1.2 million contract as a personal affront,” according to the Times. Trustees have been threatened with a recall.

On March 31, 2005, Peter Schrag of the Pasadena Star-News noted that the waste of taxpayer dollars on outlandish pensions and salaries isn’t the only exorbitant cost taxpayers face in funding public school system employees. The article noted, “Put most simply, [California’s largest school] districts have collectively piled up an estimated $17 billion in unfunded health-benefit liabilities for retired teachers and other school employees, present and future. Many districts try hard not to even think about it. Some may not know how deep they’re in the hole.”

Once again, the L.A. Unified School District reported some of the highest numbers, with some $5 billion in unfunded liabilities, the equivalent to nearly 80 percent of the district’s current operating budget. In fact, Thomas Henry, executive director of the state's Fiscal Crisis and Management Assistance Team, calls it “the most serious fiscal problem he's seen in 30 years.” Undoubtedly, these increased costs will take away tax dollars that currently fund school programs.
On July 7, 2005, the *Los Angeles Daily News* reported that LAUSD and eight other county districts have been placed on a financial watch list due to their overspending in recent years. According to the article, for the first time in 12 years, school districts together overspent in fiscal year 2003-2004 by $682 million. In light of increased salaries and benefits, these numbers aren’t exactly surprising. In fact, the “LAUSD has been accused by the teachers union and others of maintaining a top-heavy bureaucracy, but [State Controller Steve] Westly and state Superintendent Jack O’Connell said most districts have been forced into a situation where they have to overspend in order to compete with districts in other states.” Nice try; but according to salary reports, California teachers earn on average more than any other teachers in the nation – including New York. Enforced rules, strict oversight, and reasonable employee benefits could go a long way in preventing such excess.

The California State Auditor published Report 2004-120 in June 2005, which looked into the problems arising with school districts’ English Learners Programs and how grant money awarded to school districts is spent. According to the report, since the number of English learners enrolled in a school district is a primary factor in funding formulas for English learner programs, it seems that some school districts have not been re-designating students who become fluent in English back into regular classrooms in order to keep money flowing into these programs.

The total funding for the three largest English learner programs in California is estimated to be $605 million in 2003-2004. The audit found that while most of the funding was spent on salaries and benefits for teachers and staff, “some school districts have inadequate documentation practices and sometimes spend funds for unallowable or questionable purposes.” The state auditor tested 180 expenditures in eight different school districts and found that nearly one-third were either for unallowable or questionable purposes.

Besides outrageous salaries and outdated curriculum, school bonds have become an area of discontent for California taxpayers.

Since Proposition 39 passed in 2000, allowing school construction bonds to pass with 55 percent voter approval rather than the original two-thirds under Proposition 13, school bonds have been approved across the state with relative ease. In fact, school bonds have become a staple on ballots and even if they fail, school districts have no shame in presenting the opportunity again soon thereafter. Unfortunately, tax dollars which are dedicated to school construction by these bonds are often misused and abused by those trusted to appropriate as the voters intended.

On September 21, 2004, the *Los Angeles Daily News* reported that voters in the Los Angeles Unified School District had been lied to by the districts’ bond consultants. Three months before voters passed the $3.8 billion bond, a LAUSD bond consultant, with the seeming approval of the Citizens Bond Oversight Committee, sent out a mailer to registered voters “claiming that school construction costs were under budget when they were actually as much as 25 percent over budget,” according to a report done by LAUSD
Inspector General Don Mullinax. Tom Rubin, a consultant on the Bond Oversight Committee, admitted to the inspector general that it was known that the project was not under budget when the mailer was sent to voters.

According to the Daily News, Rubin earns “up to $150,000 a year heading the committee that oversees the district’s first bond issue.” To add fuel to the fire, Rubin was also found to have billed the school district for “170 meals for his cousin and his cousin’s spouse, saying he felt justified because he was not charging for hotel expenses.” We are glad to see that members of LAUSD’s Citizen Bond Oversight Committee ensure such prudence and discretion with taxpayer dollars.

On July 14, 2005, The Union Democrat reported that South Tuolumne County is also getting in on the school bond wagon. A $9.3 million bond measure is scheduled to be on the special election November ballot. The board of trustees voted 4-0 to put this measure on the ballot, with only trustee Charles Day abstaining. According to Day, “it is the wrong time to seek a bond measure because there are many controversial issues... on the ballot. Those issues will likely increase voter turnout which... would mean more ‘no’ votes for the bond measure.” It turns out Day’s instincts were correct, because the bond measure, which was defeated three years ago, was approved by a vote of 1,320-631, meaning 67.7 percent in favor, or 12.7 percentage points higher than the 55 percent necessary for passage.

The Los Angeles Daily News reported on November 18, 2004 that the LAUSD Bond Oversight Committee decided to get serious about business and questioned how the school district was spending school bond money approved by voters, warning officials that the district could run out of money before projects were completed. The committee was asked to approve bond money paying for salaries, leases, and expense reimbursements, “which members noted... violate the spirit of the two bond measures – to build and repair schools.” It also violates the committee’s own purpose statement, which includes overseeing “the expenditure of money for the construction, repair, and modernization of schools... so that school bond funds are invested as the voters intended and projects are completed wisely and efficiently.” Clearly there hasn’t been a set policy of precisely how the voter-approved school bond funds are to be appropriated, which means taxpayers within the LAUSD can count on their pockets being picked again.

On December 5, 2004, the Daily News reported that soaring construction costs have also forced cutbacks to the ambitious construction plans of the Los Angeles Community College District. The cutbacks are not exactly essential to educating students. The $2.2 billion school bond will cut back on such things as “the height of ceramic tiles in the bathrooms to the size of offices. Fountains and decorative trellises are being scrapped, in favor of energy-efficient materials and classrooms.” Such tragedy! Not that the LACCD would ever intentionally engage in “bait-and-switch” tactics, but it isn’t uncommon for school districts to overstate their project lists, come up with reasons why the projects can’t be completed, then go back to the taxpayers for more money. Soaring construction costs seem to be this year’s favorite.
The *Santa Cruz Sentinel* reported on June 25, 2005 that Live Oak School District’s $14.5 million voter-approved bond is likely to be effected by rising construction costs, which “have gone up 20 percent annually in recent years.”

On December 10, 2004, the *Los Angeles Daily News* reported that the LAUSD is facing two deadlines with serious implications: cutting an additional $137 million out of the 2005-06 budget in order to get a positive rating to keep interest rates on billions of dollars of school bonds low, and a $90 million teacher salary increase fiercely supported by the United Teachers Los Angeles, which helped elect the majority of school board members. West Valley board member Jon Lauritzen, one of the union-supported board members, is quoted in the *Daily News* as saying, “It really is a dilemma, and I know every board member is really doing a lot of soul searching right now.” The *Daily News* also reported that most board members are pushing for these salary raises, despite the consequences of having to tell the county that the school district’s financial future is uncertain.

The *Napa News* reported on June 27, 2005 that Vintage High School officials are delaying plans to start construction of their new $2.25 million pool at the high school so that activists can try to raise funds to expand the project. The community has one Olympic-sized pool at Napa Valley College, and advocates say the community should have a second one. According to the report, money for the pool was provided with Measure M, a $95 million bond measure that voters approved in 2002. With money from the bond, and matching state grants, an additional $1.3 million is necessary. Since the project has been meeting substantial delays, the cost of the project continues to rise. A little annoyance is that a larger pool will increase operating costs from $70,000 a year to $120,000. So much for using bonds for educational activities, such as reading, writing, and arithmetic.

An *Associated Press* story on July 4, 2005 reported that the Los Angeles school district is wrestling with environmental issues once again in its most recent building boom. The newly built Santee High School in LAUSD has been built upon “the contaminated site of an old dairy,” and the state Department of Toxic Substances Control noted that the developer had used “contaminated rubble from the dairy as backfill.” According to the AP, the material contained varying levels of PCBs, lead and other potentially toxic chemicals. While officials say they don’t think it will pose a serious threat to students, one can’t help but be reminded of the notorious $270 million Belmont High School mistake of just five years ago.

The *Orange County Register* reported on July 24, 2005 that the $180 million school facilities bond approved last year by voters in the Saddleback Valley Unified School District has turned out to not be enough money to fulfill all the promises proponents had made to voters in the March 2004 election. Apparently construction costs are up quite a bit since last year officials claim and thus “scores of projects might be dropped.” Without a doubt, voters can expect school officials to ask for yet another tax in order to finish these projects. Intentional or not, it is this lack of clarity and openness
about school bond spending that infuses distrust and skepticism about every bond measure on the ballot.

For those communities where voters are not approving the bonds with the 55 percent voter approval requirement, they are left with trying parcel taxes. If the case is made to the community, there is a genuine need for a new parcel tax, and it is communicated how the school will efficiently spend the money, more often than not the two-thirds voter approval can be met. Parcel taxes fail when voters do not trust that their local school districts are being good stewards of the current funds they have. Eugene West, a retired reliability engineer residing in the Fremont Union High School District, articulated it better than most can: “Never once has any school district to my knowledge given us a detailed explanation of their costs, particularly teachers’ and administrators’ salaries. Until they’re more forthcoming, I will vote against a parcel tax every time.” (San Jose Mercury News, September 30, 2004).

The Contra Costa Times reported on November 25, 2004 that Mt. Diablo Unified School District is looking into a new parcel tax in order to repel cuts. While the district has reportedly faced budget cuts in 2004, the nearly 2,000 member teachers’ union has become quite upset with the prospect of losing out on a pay increase, despite the 2.5 percent raise teachers received at the end of 2003. Wearing black on Wednesdays and depositing hundreds of “Teacher Appreciation Day” coffee mugs at school board trustees’ feet at a school board meeting are only two ways teachers are airing their objections.

According to a November 25, 2004 report in the Marin Independent Journal, the November 2 election in Marin didn’t favor supporters of the proposed parcel tax to fund school projects. Do not fear! If the tax increasers can’t win the first time, they will try, try, and try again. Indeed, the Journal reported that the “Navato school board has already initiated plans to return to voters with a parcel tax extension.”

On November 25, 2004 the Tahoe Daily Tribune reported that the Lake Tahoe Unified School District is aiming to put another parcel tax before voters since their first attempt failed with only 55 percent voter approval. The school board plans to really do its homework this time by hiring a company to survey voters on how much they are willing to embrace.

EXTRA CREDIT

When a school district can’t convince 55 percent of their voters to pass a school bond, or get two-thirds of their voters to agree to a parcel tax, they have a third alternative. They call for the overly abused benefit “assessment” tax.

As one example, On November 30, 2004, the Sonoma Index-Tribune reported that the Sonoma Valley Unified School District was exploring the benefit assessment option in order to tax homeowners based on how certain improvements to school recreational
facilities benefit their property. Several months earlier, Sonoma voters rejected the school district’s attempt at passing a parcel tax. Given the difficulty of directly linking school picnic tables to a nearby landowner, this abusive assessment ought to be rejected again.

When it comes to private school construction, a December 2004 Reason Foundation study, “Addition and Subtraction: State and Local Regulatory Obstacles to Opening a New Private School,” found that red tape and increased tuition rates are holding back the establishment of much-needed private schools. With many parents seeking other choices to send their children to in order to get a decent education, many private schools are filled to their maximum capacity. Long waiting lists and increased tuition rates are all parents are left with. Those interested in building new private schools can hardly get started before they run into government regulations and find themselves tied in red tape.

According to the December 26, 2004 Orange County Register, those obstacles got in the way of Michael Leahy, founder of the Alsion Montessori Middle/High School in Fremont. The estimated cost of building his school came to $400,000. Government regulations, such as installing a red tile roof, triple his cost to $1.2 million. Also, “a 10,000 square foot roof on a school property, simply a structure without walls, to protect the area from the rain and sun,” requires the installation of a “$40,000 sprinkler system even though the structure [is] made entirely of steel.”

At the same time the state is making it harder for private schools, costs could skyrocket for public schools. The traditional K-12 may become P-16 (pre-school through college) if California Superintendent Jack O’Connell has his way. During his annual state of education speech he said he would “work for additional funds to support free, voluntary preschool for all of the state's students, either through legislation or through a ballot initiative,” according to the San Francisco Examiner on January 25, 2005. On that date as well, the Sacramento Bee reported that O’Connell’s taxpayer funded free education doesn’t only begin with preschool, but “ends four years after high school graduation.” O’Connell has apparently failed to notice that government has not done an impressive job in carefully and efficiently investing tax dollars into the current system.

Interestingly enough, the respected RAND Corporation, a nonprofit research organization often quoted by public education advocates and tax-and-spenders in Sacramento, did not mention preschool education as determining factor in a child’s readiness for elementary school. In fact, a RAND news release dated September 16, 2004 stated, “The key factors that determine whether a child will be adequately prepared to begin elementary school are the educational level attained by the child’s mother and the level of poverty in the child’s neighborhood, according to a RAND Corporation study of Los Angeles-area families issued today.” The study’s lead author, Sandraluz Lara-Cinisomo, said, “While this study looked only at children in Los Angeles County, we expect that a wider study would produce comparable results in similar communities.” Too bad for O’Connell’s next initiative that it’s the family background and home life, and not state funded preschool, that truly prepares a child’s readiness for education.
As any good tax-and-spender does, O’Connell knows persistence is the key to getting your way someday. So, how does O’Connell propose we find the funds to implement his P-16 vision? Conveniently enough, Senate Constitutional Amendment 8, authored by Senator Joe Simitian (D-Palo Alto), was introduced in early 2005. This amendment aims to allow school districts to impose parcel taxes with only 55 percent of voter approval, rather than the current two-thirds requirement of Proposition 13. This is a both direct attack on homeowners and unfair in nature because parcel taxes demand the same payments from businesses as from retired people on fixed incomes.

As with Proposition 39, which allowed school construction bonds to be passed with only 55 percent of the vote rather than two-thirds, the parcel tax will likely receive the backing and financial support of various businesses, mostly technological firms, who sympathize with their cause. In fact, more than a million dollars in Proposition 39 campaign contributions came from such businesses. As a result, voters passed that proposition in 2000, and school bonds have been passing with relative ease across the state ever since.

With that in mind, it is revealing to see that while these businesses accept increasing taxes on the ordinary taxpayer, these same businesses paid no corporate income taxes in recent years and demanded refunds for certain tax credits. According to a *Los Angeles Times* article on January 26, 2005, the “state tax board has awarded a group of companies that paid no corporate income taxes in recent years $80.6 million in refunds.” Eighteen companies, most of them these same technology firms, had requested refunds for manufacturing equipment they had purchased. Senator Carole Migden (D-San Francisco) is quoted as saying, “The state is hemorrhaging real cash. These are refunds for taxes not even paid. It is scandalous.” Scandalous… or perhaps hypocritical… take your pick.

**SICKLY HEALTHCARE PRACTICES**

One of the biggest challenges facing virtually every state is the exploding cost of healthcare. Medi-Cal (Medicaid) is the primary source of health care insurance for one in every six Californians, or more than six million California residents. The California Healthcare Foundation reported in January 2004 that 15 percent of the state’s General Fund spending goes toward this publicly funded health care program.

Furthermore, Medi-Cal insures nearly one in four of California’s children, covers the majority of persons living with AIDS, and paid for 42 percent of all births in California in 2000. It pays for two-thirds of all nursing home days, as well as acute and long-term care without charging premiums or co-payments from many beneficiaries. In the state’s Fiscal Year 2003-2004, Medicaid’s budget funding sources included $10.5 billion from the state’s general fund, and $16.6 billion in federal funds.
On July 14, 2005, the *Los Angeles Daily News* reported that Los Angeles County hospital workers have been cashing in at the taxpayers’ expense. In fact, 26 of the 100 highest paid public employees in this county work at the problematic Martin Luther King-Drew Medical Center, a hospital which is under state monitoring due to a number of deaths blamed on lapses in patient care and multiple instances of employee fraud – including a number of instances of employees falsifying their timecards, which raises concerns when the salary numbers are tallied. These employees are earning annual salaries on average between $178,903 and $291,308. First the patients, and always the taxpayers, are the victims of this fraud.

Sonoma Valley officials have a unique answer to the problem of hospital overcrowding: build an entirely new one, of course. On September 3, 2004, the *Sonoma News* reported that a preliminary estimate “on the cost to replace the existing Sonoma Valley Hospital is in the $100 million range.” Though the current hospital was constructed in the 1950’s, 60’s, and 70’s, and seemingly has serviced the community since, “tough seismic regulations and other challenges make it unfeasible to retrofit the existing facility or to demolish and rebuild on the same site. Interestingly enough, just two years ago, when the hospital was negotiating with Sutter Health about affiliating, “Sutter officials put the cost of a new hospital in the $40 million to $45 million range,” in order to provide services for the community.

**A TAXING PROBLEM**

California is facing two significant decisions in regard to taxes. One is within its control – the preparation of tax returns, which will waste tax dollars and compete with the private sector. The other issue, related to drivers’ licenses and identification cards, will be decided by the federal government, which will be setting the standards for all 50 states in the near future. But Californians and legislators can make their position clear: the federal standard should be the least costly while providing the most secure identification.

In 2002, California’s Franchise Tax Board (FTB) began delving into online tax filing by encouraging taxpayers to file income tax returns electronically through the FTB website, which also provides a few additional services. One year later, the FTB jumped directly into the tax preparation business – competing with the private sector – by launching ReadyReturn for the 2004 tax season.

Designated as a pilot program, ReadyReturn allowed the state of California to identify 50,000 taxpayers whose tax filing history met certain criteria (single filers with no dependents, who do not itemize, and have wages from a single employer). The FTB then prepared their tax returns for them and sent them a finished return by mail. The taxpayer was asked to either accept or amend the return and send it back. According to the FTB, 11,500 taxpayers used the ReadyReturn program for the 2004 tax filing season.

ReadyReturn ushers in a host of serious complications and conflicts. The ReadyReturn Program short circuits the natural and appropriate tension between
taxpayers, whose interests are in minimizing their tax burdens and retaining as much of their income as legally possible, and the state, whose interest is to maximize revenues. There is a clear conflict of interest in having the tax collector and enforcer also serve as the tax preparer. The FTB may not provide taxpayers with all the deductions and credits to which they are legally entitled. There is the potential for inadvertent tax fraud if taxpayers accept the government’s calculations, even though the tax filer has undergone life changes (such as marriage, birth of a child, or the purchase of a home), or is earning more income. In other words, the FTB has created a new government program, at significant taxpayer expense, for a system that still requires taxpayers to calculate their tax liability.

The program presents a myriad of accountability problems, as well. In spite of the fact that the state prepares the return and may include errors, taxpayers continue to be solely liable for the information on their returns and have little recourse in the case of an FTB error.

The FTB had planned to fully implement the program and target 3 million taxpayers for the 2005 tax season. However, the California legislature opted to continue the program as a pilot targeting no more than 50,000 taxpayers for the next tax filing season. In the meantime, eligible California taxpayers continue to have access to low or no-cost tax preparations services, since the FTB’s website links visitors to at least nine private-sector tax preparation companies offering their services to tax filers for free.

In terms of program costs, FTB officials have repeatedly indicated they would be minimal, but have not produced any program analysis or budget numbers to confirm these pronouncements. 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 will likely be exorbitant. California’s ReadyReturn is an overreaching government boondoggle predicated upon a non-existent public need and should be eliminated.

The taxpayer preparation business is one of those few times that a state government should follow the example of the federal government, since Congress rejected an attempt to have the Internal Revenue Service directly offer this service in the fiscal 2006 Transportation, Treasury, and Housing and Urban Development Appropriations Act.

On the other hand, when it comes to the matter of identification cards, California is trying to stop the federal government from imposing unnecessary costs and new taxes on its citizens. Senate Bill 768, the Identity Information Protection Act of 2005, would prohibit the use of radio waves, such as those in RFID or similar computer chips, to “transmit personal information or to enable personal information to be read remotely” in drivers’ licenses or ID cards issued under the state motor vehicle laws, school identification cards, health insurance cards, and library cards.
SB 768 was introduced in February of 2005 after Brittan Elementary School in Sutter, California, received national attention for establishing an RFID program to track students while failing to appropriately notify students and parents. The bill was approved by the Senate by a vote of 29-7 on May 16, 2005 but failed to get through the assembly this year.

The bill’s sponsor, Sen. Joe Simitian, noted that his legislation was a direct response to the use of computer chips in U.S. passports, as well as the Real ID Act, telling Wired News on April 29, 2005, that “you’ve got a discussion going on that reaches from the neighborhood elementary schools to the U.S. Department of State, that suggests that it’s the time to confront the position and try to put some thoughtful, rational policy into place.” The Real ID Act was signed into law in May, 2005, and it for the first time authorizes the federal government to set uniform standards for state drivers’ licenses and ID cards. A spokesman for the bill’s primary author, House Judiciary Committee Chairman James Sensenbrenner, said Congress modeled many provisions in the Real ID Act after current standards in states including California, Florida, New York, and Virginia.

But this congressional intent to provide a reasonably priced, secure license may not be getting through to the federal Department of Homeland Security (DHS), which was charged with the development of ID security standards but has no previous experience in making ID cards on a massive scale. DHS is consulting with state departments of motor vehicles (DMVs), which do have a great deal of expertise and produce more than 72 million cards each year. The states are aware of the technologies that do and do not work. Existing technologies include unique biometric identifiers, facial recognition, holograms, two-dimensional bar codes, and highly-secure machine readable codes. Drivers’ licenses with these features are currently produced in many states for less than $1.50 per card depending on volume.

However, DHS may ignore the existing technology and instead mandate that state-issued IDs include embedded computer chips. Many states have rejected this dubious scheme as unworkable due to the huge cost and lack of durability, and Sen. Simitian’s bill makes a statement on behalf of California. In addition, New York, Virginia, and West Virginia in the past year have examined and rejected the chip idea as costing far too much for very little benefit.

CAGW’s recent study of the chip idea, The Real ID Act: Big Brother Could Cost Big Money, agreed with the conclusions of a recent London School of Economics report: If the cost of building an entirely new infrastructure is factored in, embedded computer chips could push the cost past $90.00 per card and would pose significant privacy risks. Instead of paying $24.00 for a new license, the cost would go up by at least 275 percent in California. To the extent that the costs would not be covered by the fees, a general tax increase would be imposed on all Californians, including non-drivers.

The basis for personal privacy concerns is that radio frequency chips can more easily be mined for personal information by unauthorized persons, even from some
distance away. The encryption for these chips has been successfully hacked even by high school students.

Several state DMVs are also concerned that brittle computer chips cannot survive the wear and tear of every day use. Male drivers in particular tend to carry licenses in their back pockets and often bend cards beyond the breaking point of a chip.

The passage of SB 768 by the California State Senate is sending a message to DHS: the federal government can achieve the security goals set by Real ID simply by following Congress’s intent to keep the cost reasonable and, working more closely with governors and state DMVs to gain the maximum benefit from a mix of existing security features that have already proven to be practical on a large scale.

DHS Secretary Michael Chertoff promised such cooperation when he met with the National Governors Association in July. On October 18, 2005 DHS held a meeting with state officials to discuss Real ID regulations, which could be finalized at any time. The secretary should heed the states’ views and make it clear that he opposes costly, unfunded, intrusive, and unnecessary mandates as part of any federal standard. If the chips fall where they should, they will not be included in any Californian’s ID card.

ODDS AND ENDS

On November 30, 2004, the San Jose Mercury News posted an article showing how lawmakers race to waste taxpayer funds. The July 31 Champ Car World Series race is a $3 million event which requires certain public funds to ensure that it is a success – including police overtime and the costs required to prepare the course. The Mercury News reported that in October, 2003, Mayor Ron Gonzales’ budget chief Joe Guerra stated that “the city could contribute no more than $200,000 in public money,” to this race. By mid-November, that $200,000 figure had transformed into $690,000 in taxpayer money that will be paid. According to the article, that figure could reach $815,000. The starter’s mantra, “gentlemen, start your engines,” apparently also means, “taxpayers, watch your wallets!”

The Los Angeles Times reported on September 29, 2004 that a University of California researcher is being investigated for misspending as much as $2.3 million received in federal and state funds. Most of this money was earmarked for cancer research, but a large portion seems to have been spent on unauthorized software and data projects, according to auditors.

According to a November 20, 2004 article by Mariel Garza in the Los Angeles Daily News, Los Angeles City Controller Laura Chick recently announced some unnerving findings in the result of her audit of the city’s contract with public-relations giant Fleishman-Hillard. The firm allegedly over-billed the Department of Water and Power utility company by $4.2 million. Aside from that problem, one must wonder why “the high-powered international public-relations company had millions of dollars in
contracts to shill for a public utility with monopoly power.” DWP is not competing for the public’s business; it simply has to do a good job and utility users will offer enough good advertisement that they won’t have to worry about spinning their “message” to the public ever again. There is no reason why a public entity should be paying a P.R. firm millions of dollars to tell the public how great a job it is doing.

Of course there is more to the story. Garza reported, “As things are turning out, it seems the P.R. company was getting paid to help Mayor James Hahn look good as he fought against secession and hoped for a second term.” In other words, taxpayer dollars were used to make politicians look good and influence voters – which could be interpreted as thinly-veiled campaigning. As Garza put it, “There's something fundamentally wrong about bureaucracies or politicians spinning the public on how hard they are working. We pay them to do a good job, not to be yapping about it all the time.”

Aside from the millions spent on lobbying the legislature to increase tax revenues, local government agencies often use taxpayer funds for their own self-promotion. Another example from the Daily News article is how the Los Angeles Community College District “paid Fleishman-Hillard $400,000 a year to talk up what a great job it was doing with its bond construction program – and the college board paid the bill out of the taxpayers' bond money.”

According to a Cal-Tax Letter dated October 15, 2004, the city of Livermore spent “$40,000 on a ceramic mural with misspellings,” outside a city library. From there, the city council soon “approved an additional $6,000 more to bring the artist back from Miami to make the corrections.” Apparently California students aren’t the only ones who cannot spell well in the country. Of 175 names or words on the mural worked on by this artist, no less than 11 were misspelled. Einstein, Shakespeare, Van Gogh and Michelangelo were among the erroneous names. As an October 6, 2004 Associated Press article reported, it didn’t take a nuclear physicist to realize changes were needed when the mural was unveiled outside the new library. Maria Alquilar, the artist of the masterpiece, remarked that a true artisan wouldn’t notice the misspelled words and, according to an October 8, 2004 Contra Costa Times article, she had decided that she changed her mind and would not correct the misspellings.

On September 2, 2004, the Desert Sun reported that Palm Springs City hall had approved spending thousands of taxpayer dollars on campaign “informational” material intended to inform voters about a ballot measure proposing an increase in the utility users tax, but more accurately the project uses taxpayer dollars to convince local taxpayers to raise their own taxes. While state law prohibits government officials from spending taxpayer dollars to promote the support or opposition to a ballot measure, it does allow “informational” campaigns. Mayor Ron Oden said that they are simply trying to “educate the community about the fiscal issue of the city,” and that it is “not specifically about the utility users tax.” The Sun noted that John Stiles, the former chairman of the city’s Budget Task Force, questioned whether the city’s informational campaign could truly be impartial.
The February 3, 2005 *Sacramento Bee* reported that “hundreds of millions of dollars flowing through the state’s now-disbanded Office of Criminal Justice Planning was never properly documented in what officials described... as one of the worst accounting nightmares in recent state history.” Apparently the job was done so poorly that the correction effort isn’t even being called an audit, but rather a “reconstruction of financial events.”

The job called for 16,000 hours spent by a 46-person audit team to digest and understand the mess the department is in. Ultimately, the team called into question $425 million in federal grants that was administered through the OCJP during 1999-2004. The accounting was such a mess that the auditors forwarded their findings to the California Attorney General’s Office for review. Samuel E. Hull, chief of the Department of Finance’s Office of State Audits and Evaluations, told the *Bee*, “In my 30 years of experience, this is the worst thing I have ever seen.”

The *Contra Costa Times* reported on June 23, 2004 that Contra Costa County hired a consultant to prepare impartial documents for a proposed tax measure to protect open space, though this consultant group stands to financially benefit if the measure were to pass. This countrywide assessment will be voted on via mail-in ballots. More specifically, Shilts Consultants was hired with taxpayer dollars to assist and organize certain tasks for this measure, including drafting ballot language and preparing a comprehensive report outlining the measure for the voters information.

However, according to internal county records, this same consulting group also “helped proponents develop a plan to sell the project to voters.” To underscore the ethical questions raised there, Shilts stands to financially benefit if the measure passes, not only from the initial fees it can charge the county for it’s services, but also in that the company will be in a good position to win a contract to update the levies for nearly 30 years as the measure would require. So much for impartiality.

The *Sacramento Bee*, on October 13, 2004 reported that Sacramento Fire Chief Joe Cherry had to dismiss six firefighters, including a high-ranking captain, due to an investigation confirming that the firefighters were drinking on the job and offering joy rides to women on fire engines. Earlier in the year, other on-duty firefighters were seen attending and acting inappropriately at a “Porn Star Costume Ball” at a Sacramento hotel. All in all, there had been up to 25 firefighters disciplined in three months for bad behavior.

According to the *Monterey County Herald* on September 27, 2004, the small city of Seaside spent $500,000 in consultant fees to develop a plan to modernize the city’s Auto Mall. Pressure from taxpayers halted the city from spending more money at this point. However, as Tom Maher, an opponent of the deal, said, the half-million taxpayer dollars spent represented “a waste of money” and that “the city hasn’t accomplished anything.”
On October 8, 2004, the Vallejo Times-Herald reported that dozens of Vallejo Unified School District retired employees have received $275,000 in health benefits by mistake, and the district has asked the retirees to return the money. Unfortunately, no one is rushing to return their checks. In fact, a union representing these retired school employees, the Vallejo Education Association, has actually complained that the letters requesting the retirees to return the checks “borders on harassment,” and the union president, Janice Sullivan, even said the retirees will not return this money (that they never really earned) unless they are given five years of health benefits.

CONCLUSION

As the largest state, California’s fiscal problems are appropriately immense, but that doesn’t mean they can’t be solved. Other states face similar problems and have shown that good management, accountability, and elected officials with integrity can help a state recover from budget crises. For example, Arizona and Oregon have shown resilience in recent years in trying to overcome lags in their own economy, and CAGW has produced Piglet Books in conjunction with their statewide taxpayer organizations.

While the initial temptation to solve budget deficits has been to raise taxes, HJTA and CAGW call on taxpayers to require elected officials to make changes in how they spend money. They should demand greater accountability, a reality check on pension and health care benefits for public employees, and better management. Californians are already some of the highest taxed citizens in the country, and yet time and again there are many examples of waste and abuse of taxpayer dollars. The next time an elected official insists a new tax should be adopted, taxpayers should question what is being done to ensure that existing tax dollars are being spent efficiently and effectively.

Just two years ago, California was facing seemingly insurmountable problems with Governor Gray Davis at the helm. While changes do not happen overnight, even with a recall election, Governor Schwarzenegger is trying to balance the state budget and clean up the abuse, waste, and fraudulent spending of taxpayer dollars. A tax-and-spend dominated state legislature does not help the situation, but even they cannot deny something must be changed, or else the system or the taxpayers will go broke. The state does not operate under the direction of one man, and its budget problems cannot be summed up in a few paragraphs. However, Governor Schwarzenegger was elected to shake up the system and enforce the changes that taxpayers are calling for. The Governor needs lawmakers via legislation, or voters via ballot initiatives, to give him the tools he needs to make these changes happen.

The 2003 and 2004 California Piglet Books helped Governor Schwarzenegger and lawmakers start down the road of economic recovery. The 2005 California Piglet Book reminds the governor, the state legislature and all California residents that there is much work still to do as it outlines even more fraud, abuse, and waste of taxpayer dollars. Taxpayers must demand that their elected officials no longer close their eyes to these problems, which can easily be remedied and can help California on its road to recovery.