



## THE ACCOUNTABILITY FILES

### **Billions of taxpayer dollars are wasted**

State and local governments' mismanagement, poor judgment, even incompetence and criminal acts, have combined to waste or misspend billions of tax dollars in California.

That's a pretty strong statement, but where, you might ask, are the examples? Based mainly on press reports from newspapers around the state, specific cases total in excess of **\$6 billion** in just the last three years. This amount of waste is drawn from a random survey of newspaper articles and not from any systematic public review of spending throughout California. We think this represents the tip of the iceberg.

In addition to government reports from watchdog agencies, Cal-Tax staff regularly combs newspapers for cases of questionable use of taxpayer dollars. Many of these have been listed in *Cal-Tax Digest* over the years under "The Accountability Files" heading.

More than 130 reports are compiled and briefly noted below. More detail on each report can be found on the Cal-Tax Web site, including identification of the news organization reporting the problem:

<http://www.caltax.org/member/digest/nov2001/11.2001.AccountabilityFiles.01htm>.

The \$6 billion (a moving target as virtually each day brings news of additional problems with the public purse) can be broken into four categories:

- State Government: \$2.67 billion.
- Local Government: \$1.23 billion.
- Transportation: \$1.31 billion.
- Education: \$824 million.

A number of the examples are long-running scandals, such as the Belmont high school saga in Los Angeles, or, in the Bay Area, the long-delayed work to make the east span of the Bay Bridge earthquake-safe. There are huge dollars associated with some, such as welfare fraud, and just a few thousand dollars in others. In some instances there are no bottom-line numbers, just the obvious bad news for taxpayers as bills come due for lucrative public pension deals, or the school district accounting staff that can't say how much cash is on hand, or how many teachers are on the payroll.

This listing underscores the need for a systematic evaluation of state and local spending to assure the public that tax dollars are being managed for cost effectiveness to meet the priority needs of California. Taxpayers deserve a consistent and comprehensive effort by public officials to assure that hard-earned tax dollars are carefully managed.

Reading some of these cases will definitely cause shaking of heads. Some of these chronicles will elicit laughter. Overall, however, serious issues of accountability are at stake. These are not laughing matters.

Here are 10 of the more than 130 press reports of serious spending problems. Detail on each of these is found at:

[www.caltax.org/member/digest/nov2001/11.2001.AccountabilityFiles.01htm](http://www.caltax.org/member/digest/nov2001/11.2001.AccountabilityFiles.01htm)

**Bay Bridge.** Since the 1989 Loma Prieta earthquake collapsed part of the Bay Bridge between Oakland and San Francisco, politicians and bureaucrats have been debating how to rebuild it. Meanwhile, the cost more than doubled, to \$2.6 billion, plus unknown overruns that virtually everyone anticipates. Part of the costs will be picked up by motorists whose \$2 tolls include a \$1 surcharge for at least the next 30 years. And, yes, work could start next January. Politicians, whose turf battles contributed to the delays, have been gambling that another earthquake won't kill people on the bridge before it can be strengthened (*San Francisco Chronicle* and *Oakland Tribune*).

**Belmont.** The apparent waste of \$170 million by the Los Angeles Unified School District has made headlines across the country. The district board has voted to abandon the project. However, it may yet be used as a high school if someone can figure out how to protect students and faculty from potentially explosive gases from the former oil and gas field near downtown Los Angeles (*Los Angeles Times* and *Daily News*).

**LAUSD Admin Building.** The Los Angeles Unified School District's five-year lease of a downtown office building raised eyebrows. The \$180 million financing plan involves a building that twice earned the "lemon award" from a downtown business group. But it has a view of the district's controversial Belmont Learning Center (*Los Angeles Daily News*).

**Medi-Cal Fraud.** The FBI has estimated that Medi-Cal fraud in California will eventually total \$1 billion. Forces to fight health care crime were beefed up by Governor Gray Davis, who was advised that 70 percent of the billings for crutches, adult diapers, wheelchairs and other medical equipment have involved fraud (*Los Angeles Times*).

**Computer Snafus.** The state has abandoned an \$18 million project to link four welfare computer networks. It is the fifth time in a decade that the state has "frittered away millions of dollars" on computer systems, wasting nearly \$500 million (*Los Angeles Times*).

**Football Tickets.** The National Football League Chargers and the city of San Diego entered into an agreement in 1996 that requires the city (taxpayers) to pay for enough tickets to ensure a sold-out stadium so home games can be televised. For the 2000 season, the city spent \$7.97 million on unsold tickets, and this ridiculous deal has cost taxpayers many more millions of dollars over the years. Politicians have complained to the NFL and tried to get out of the deal, but to no avail (*San Diego Union-Tribune*).

**Legal Fees.** The state's \$500 million refund program to those who paid \$300 fees to license out-of-state vehicles in the 1990s was prompted by a lawsuit, and the attorneys managed to talk an arbitration panel into giving them \$88.5 million in fees. The state balked, however, and Governor Gray Davis took it to court, winning a trial court verdict (which cost the state \$400,000 in fees to lawyers hired by the governor). The trial lawyers, who feel they were illegally jilted, have filed an appeal (*Los Angeles Times*, *Copley News Service*).

**Welfare Fraud.** Welfare fraud may be costing taxpayers as much as \$500 million a year, says the Los Angeles County Grand Jury in a report describing the potential for fraud as enormous in the county's Department of Public Social Services (*Los Angeles Times*).

**Mismanagement.** According to Los Angeles City Controller Rick Tuttle, more than \$100 million a year is mishandled by the city. Permit and license fee checks have been allowed to sit uncashed for months. He also was critical of the city's enforcement of its business tax, noting that some 60,000 businesses do not pay a total of \$60 million (*Los Angeles Daily News*).

**Police Corruption Costs.** Settling lawsuits stemming from the Los Angeles Police Department corruption scandal may cost taxpayers as much as \$125 million, according to the police chief. Others say that amount is a conservative estimate and threatens many city services for years to come (*Los Angeles Times* and *Los Angeles Daily News*).

To read more, go to [Cal-Tax Online](#). You'll see that:

- Oceanside paid \$3,600 for a therapist to assist police officers to relieve the tension from a move to a new building.
- Atherton paid a \$22,000 settlement in the "botched" sale of a police dog.
- A "retired" California judge on 60-day assignments made \$216,000, including pension, compared to the U.S. chief justice's \$181,400 annual pay.
- A state correctional officer doubled his salary with overtime.
- A San Francisco employee used incredible amounts of overtime to pad his pension.
- Telephone "sex" calls cost taxpayers thousands of dollars.
- Test improvement rewards totaling \$750,000 were sent to the wrong schools, and, in Los Angeles, more experienced teachers get bigger bonuses than colleagues whose students showed more improvement on tests.

- Inaction by a state tax agency could prevent taxpayers from saving \$35 million over 10 years, not to mention risking a costly breakdown of the system that processes sales taxes.
- The state paid millions of dollars in additional interest and penalties for failing to make payments on \$4.3 billion borrowed last summer to help cover energy costs.
- The state lost \$25 million trading excess power in April, May and June, essentially giving it away in one case.
- The state from 1999 through this year is paying \$359 million in fines to the federal government for failing to implement a computer system to enforce child-support payments.
- Failure to regulate non-profit groups that use youngsters to sell candy and cookies has cost the state millions of dollars in unpaid sales taxes from bogus operations.
- The state Department of Forestry and Fire Protection has an expensive, very fast, executive-style aircraft unsuited to any serious firefighting role. The lease costs taxpayers \$600,000 a year.
- The state controller balked at paying \$3,600 in Department of Water Resources credit card charges for food. Department employees, working long days because of the electricity crisis, ordered pizza and sushi takeout.
- The state Resources Agency spent \$12,000 on a series of poetry readings.
- Caltrans proposed to spend \$500,000 per home in a program to rehabilitate 39 historic structures to be moved away from a South Pasadena freeway project.
- The California Independent System Operator, which oversees the flow of electricity, has a \$225 million budget, spending twice as much as other system operators.
- The state loses \$200 million a year in tax revenue because the tobacco tax was more than doubled. Californians spend \$500 million a year getting their smokes through the Internet, mail order or underground markets.
- It costs the Department of Corrections 31 percent more to use prison inmates for construction projects than it does to hire a private contractor.
- Excessive overtime and use of sick leave among state correctional officers cost taxpayers millions of dollars.

- A 14<sup>th</sup> paid holiday for state employees – Cesar Chavez' birthday on March 31 – costs taxpayers \$46.5 million a year.
- Three people participated in a program to help low-income persons have smog check repairs on their cars, although the state budgeted \$62 million for the program in 1998-99 and proposed the same for 1999-2000.
- New legislation allowing public employee unions to negotiate higher pensions with cities and counties could stick taxpayers with \$1 billion in additional costs.
- Los Angeles paid \$800,000 in penalties for failing to process workers' compensation claims on time.
- The mayor of Fairfield has been criticized for taking 31 city-paid trips in the last three years and taking his daughter to lunch 23 times, amounting to \$34,238 on his city expense account.
- Less than two years after building a new \$10 million Jack London Square marina, the Port of Oakland was told by Caltrans that part of it has to be ripped apart so tunnels can be shored up in an earthquake retrofit project. Cost to taxpayers: \$1.5 million.
- Oakland is paying \$240,000 to the young daughter of a man fatally shot in the back by a police officer after a foot chase in 1998. Police say the man ignored the officer's command to halt and was shot while reaching toward his waistband. A pistol was found on the ground.
- A no-bid contract with a Virginia-based company to handle lie detector tests of Los Angeles police recruits is costing taxpayers about \$300,000 more than if it had been handled by a local company.
- Los Angeles County Sheriff Lee Baca's purchase of a \$2.4 million airplane drew criticism from county supervisors who had been told the sheriff lacked funds to provide adequate health care for jail inmates.
- Los Angeles park and recreation officials have bungled dozens of major construction projects, with inadequate staffing and thick red tape blamed for work running nearly a year behind schedule. About \$50 million in projects have such problems. The department has its sixth general manager of planning and construction in the last five years.
- Thirty-five leaders of various Sacramento municipal agencies spent three days at Greenhorn Creek Resort for a \$15,000 retreat.
- Sacramento taxpayers have invested \$5.7 million to restore a Victorian mansion and move it one block. Developers bought it for \$1.2 million and sold it to the city for \$2.2 million.

- A 47-year-old man, who until recently was homeless, dialed 911 more than 1,200 times to complain of chest pains, even waiting until he finished a cigarette before calling (can't smoke in an ambulance). Estimated cost since 1996 for emergency services and hospital care: \$900,000.
- Los Angeles officials had to pull \$800,000 from another budget to fix a leaky roof that was not covered in the \$300 million renovation of City Hall.
- Riverside County officials would dine well under a proposed travel policy providing \$30 for dinner, an increase from \$18.
- Saving an endangered rat in San Bernardino and Riverside counties will cost between \$14 million and \$74 million.
- In San Bernardino County, a former top administrator told investigators that he was his boss's alibi dinner guest and that he himself over-billed the county. Travel vouchers were a "joke" among the county administrator's executive staff from 1986 to 1998.
- The San Francisco Housing Authority spent \$121,000 on an invalid waiting list and \$800,000 on questionable or prohibited expenses.
- The relocation of the San Francisco police academy to Treasure Island cost the department \$1.2 million in rent, not the \$1-a-year deal that had been planned.
- Oakland settled a sexual harassment claim for \$50,000 against Jacques Barzaghi, Mayor Jerry Brown's closest adviser and long-time confidant.
- Cloverdale paid the Internal Revenue Service \$114,000 in penalties for missing payroll tax deadlines and failing to file tax returns on time. The city also canned an assistant city manager, although she got \$72,000 as a year's pay.
- San Diego hired an "off-leash dog park" consultant for \$124,000.
- San Francisco's acting elections chief said 3,600 ballots were missing and the elections director and top deputy failed to act. The acting chief also alleged that bogus time sheets cost the city more than \$1 million.
- San Jose planned to soundproof 800 low-income homes near the airport at a cost of \$50 million, or \$62,000 per home.
- Despite the computer age, Marin County spends thousands of dollars storing documents.
- Sacramento County charged \$240,000 in fees for environmental reviews that didn't happen.

- Redondo Beach paid a \$1 million settlement to a former city manager fired for allegedly spying on a police union's private meeting.
- A committee appointed by the mayor to cut costs caused some delay and higher costs for renovation of the Los Angeles City Hall, a city official said, but a spokesperson for the mayor blamed the City Council for the \$26 million cost overrun.
- In San Francisco, 523 police officers, firefighters, bus drivers, sheriff's deputies and water department workers will make more than \$100,000 a year at the current rate of overtime pay.
- San Francisco's absentee ballots are one-eighth of an inch too tall to qualify for the 33-cent postage rate. The city asked the postal service to go ahead and deliver them and the city would pay an additional 11 cents per ballot.
- The taxpayer cost to move and spruce up the historic Montgomery Hotel in San Jose has ballooned by \$6.1 million.
- The San Francisco Assessor's Office sent out some 1,000 duplicate tax bills, then sent out 1,300 notices to disregard the bills, then 300 "disregard" notices to those who shouldn't have gotten the initial disregard letter. No word on the cost.
- Los Angeles County judges are receiving duplicate benefits and perks that amount to \$30,000 a year above their base salaries.
- Riverside County's lack of oversight has caused the price tag of a new justice center to go from \$50 million to \$97.4 million.
- Los Angeles County Park Department officials overspent the budget by \$3 million.
- Petaluma's retirement package for city police and firefighters could cost taxpayers millions of dollars.
- Los Angeles has sent some \$900,000 to dead city pensioners in 1998 and 1999.
- Los Angeles city and county will spend at least \$17.6 million in the 2000-01 fiscal year investigating police corruption and improving the department.
- San Francisco Mayor Willie Brown wants to spend \$12,000 for two dozen doggie bag dispensers and dog warning signs to go along with two new park patrol officers to guard against dogs pooping in parks or running without leashes.

- Fifty-three percent of 1,034 retiring Los Angeles County public safety employees have been granted work-related disability pensions in the past three years.
- San Rafael's high-profile New Year's Eve bash resulted in a \$1.2 million loss to the city because only 6,100 people attended.
- A disability retirement was approved for a former San Jose police officer because of a gambling addiction.
- Los Angeles paid \$517,000 in late fees on telephone bills, plus \$7,000 a month for directory assistance.
- A special \$340,000 mailing was ordered after the Los Angeles City Clerk left the list of proposed police and fire protection projects out of voter pamphlets for a \$744 million bond election.
- Los Angeles spends \$20 million a year for consultants to study such things as building a bigger airport and taxing hot dog vendors.
- San Francisco spends \$9.7 million to cover missed shifts because 25 percent of parking meter officers are unavailable on a given day. The Department of Parking and Traffic also spent \$6,898 to repair a \$124 Cushman vehicle.
- Assistant Santa Clara County Sheriff Ruben Dias was paid his salary even though he did not report to work because the sheriff, who defeated him at the polls, didn't want him around.
- Lawyers got \$180,000 for winning a \$1,200 false arrest claim against the city of Los Angeles.
- Taxpayers spent \$1.7 million on a special election at which a library tax measure was defeated. Waiting a year for a general election would have saved enough money to build a library.
- A wall of bureaucratic inefficiency stalled the Los Angeles City Council's Government Efficiency Committee's work to improve city contracting procedures.
- San Francisco budget and payroll have skyrocketed, with spending up 43 percent in just five years and the number of special assistants to the mayor going from 119 to about 400 under Mayor Willie Brown.
- Local governments in California spent \$44 million lobbying state government during a two-year legislative session, as government competes with itself for tax dollars.

- Protecting the Delhi Sands flower loving fly could cost \$220 million, federal officials told government leaders of San Bernardino County and five area cities.
- When cities were flush with money, what did they do? Los Angeles County supervisors approved a \$51,878 pay raise for the district attorney.
- Los Angeles and a city employees union were negotiating an agreement that could cost the city as much as \$2 million in back wages because of workplace noise.
- Ninety percent of the waste water going into San Diego's \$201 million reclamation plant's expensive treatment process was being discharged into the ocean.
- Los Angeles' \$17 million automated payroll system was behind schedule with doubts that it would work.
- San Francisco's \$137.5 million library, only three years old, has problems that could cost millions of dollars to fix.
- Berkeley spent \$300,000 analyzing 24 sites for a new courthouse, rejecting them all, and now it's too expensive to build.
- A federal jury awarded \$410,000 to an Imperial County health worker who complained that she was religiously harassed by her superior in the county's Mental Health Department.
- Missed workdays by Santa Barbara County employees are costing taxpayers \$10 million a year.
- In San Francisco, a Muni transit dispatcher retired with a \$92,400-a-year pension. He made \$196,039 in his final year on the job, including more than \$100,000 in overtime. Without the overtime, the pension would be \$28,121.
- Because of a mistake in using an airport as collateral for a loan (which is forbidden), San Bernardino County had to spend up to \$290,000 to revise the public property used to secure the loan.
- Travel costs for Orange County employees increased 83 percent in two years, to \$1.3 million in 1999.
- Ventura County had to pay the federal government \$15.3 million for nine years of Medicare payments covering unnecessary or unsubstantiated medical treatments.

- The Little Hoover Commission said the Los Angeles Unified School District withheld information from a citizens committee created to oversee a \$2.4 billion bond issue.
- The Alameda County Grand jury is probing more than \$167,000 in international travel by Peralta Community College officials.
- The Emery School District received a \$2.3 million state bailout as a result of former school chief J.L. Handy's mismanagement, including credit card spending for alleged personal expenses.
- A Cal State University audit is charging a former Humboldt State administrator with claiming \$60,000 to \$70,000 in fraudulent expenses.
- The tiny Orchard School District in Santa Clara County bought a \$79,856 BMW for the superintendent and promoted his assistant who used a district credit card to buy a \$468 pen for the superintendent.
- The state suspects some school districts are padding attendance figures to get more money.
- Sacramento City College spent \$27,000 to take students on recruitment trips to other parts of the country.
- The San Francisco Unified School District, since 1989, spent \$60 million intended for school construction on employee pay and benefits.
- As much as \$51.3 million has been wasted on Los Angeles school bond issue management fees that could have gone into school construction.
- At Chico State, 90 percent of the 6,000 books checked out by faculty were overdue, and immune from fines.
- The superintendent of the Los Hills Union School District (two small elementary schools) makes \$50,000 more than the average school chief in California, plus numerous perks.
- The Los Angeles Unified School District bought 7.6 acres for \$280,000 in Pacific Palisades for a school that was never built, and leases the property to a private horse-riding club for \$16,000 a year.
- In an 18-month period, San Francisco Unified School Board Member Jill Wynns spent \$18,000 of the district's money on travel, including a two-week trip to Japan.
- State auditors found more than 400 teachers on the Oakland School District payroll than in the budget.

- The Los Angeles Unified School District spent \$712,500 on a useless video series on teen health.
- The San Francisco Unified School District board members don't remember why they spent \$7.7 million to buy a 91-year-old building that remained largely vacant.
- In 1999, the Los Angeles Unified School District sat on \$330 million, due to poor management and "squabbling" among decision-makers.
- The Los Angeles Unified School District's chief investigator found checks issued to non-existent employees that went undetected.
- The Santa Barbara Unified School District paid \$17,000 to the Libertarian Party to settle a suit that the district illegally used public funds on a political campaign.
- Members of the Los Angeles Unified School District had a \$1 million slush fund to be used by school board members as each saw fit.
- A \$510,000 BART sculpture-elevator sits broken and boarded up, as drunks and the homeless have used it as a vertical toilet.
- Replacing faulty drain filters installed by Caltrans along an Orange County toll way will cost taxpayers \$13.3 million.
- The Golden Gate Transit District is looking to help build a \$2 million prototype, clean-running bus.
- The Metropolitan Transportation Authority in Los Angeles exchanged \$50 million worth of advertising space for 10 toilets.
- Someone in the San Francisco transit department forgot to salvage a \$13,000 fare box from a bus donated for police terrorist training.
- The Joint Legislative Audit Committee was given \$87,750 to study why the Century Freeway was constructed over a shallow aquifer that has undermined the freeway.