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Cal-Tax: Misused and Abused Tax Dollars – The Best (Worst?) Reports of "Your Tax \$\$\$ (Not) at Work" in 2005

Better Management of Tax Dollars Should be at the Forefront of Government Budget Discussions

SACRAMENTO – State and local governments in California, including schools, waste billions of dollars each year. It is impossible to say precisely how much is lost, or how much of the waste is due to fraud or merely bureaucratic bungling.

Based on news media reports and government audits, the California Taxpayers' Association (Cal-Tax) estimates that about \$5 billion was misspent due to fraud and mismanagement in 2005 by the state, local government and public school districts, colleges and universities.

Cal-Tax President Larry McCarthy said: "Press reports paint an ominous picture. Fraud and waste continue to plague government budgets at all levels. Better management of our tax dollars should be at the forefront for our governor, state legislators and local elected officials who are responsible for the delivery of high-quality education programs for our children, public safety for our communities, transportation for our economy and numerous other critical public services. It is absurd that the budget debate in Sacramento moves immediately toward more and more taxes and fees when so much money is misspent or misused."

Hardly a day goes by without a report surfacing in the news media of fraud or waste in government. Some of it is in the mere thousands or hundreds of thousands of dollars; other cases are in the millions – even billions (in the case of the state's Medi-Cal program).

Cal-Tax has compiled various reports, including news media investigative reporting and from government-ordered auditing, that have easily, over the past decade, exceeded \$30 billion in fraud or waste. Government officials have said the \$34-billion-a-year Medi-Cal program for the poor hemorrhages as much as \$3 billion, year after year, as crooked doctors, dentists and other providers find ways to cheat the system. That alone would account for as much as \$30 billion over 10 years. Thus the question is how much larger is the overall number? Is it \$40 billion? \$50 billion? Incredibly, it wasn't that long ago that such a figure would match the state's entire general fund budget.

Here is a sampling from more than 50 cases of at least questionable use of tax dollars that Cal-Tax staff has compiled from news media and government audit reports in 2005:

- During 2005, major investigative reports focused on lucrative compensation packages for University of California executives, totaling millions of dollars. They include a secret deal worth hundreds of thousands of dollars to buy off a lawsuit-threatening executive, while the university staff proposed and regents approved pay raises and higher student fees. The *San Francisco Chronicle* broke this story, triggering calls for audits and legislative hearings.
- Updates on cost overruns on the San Francisco Bay Area bridge construction program noted how taxpayers have been soaked for more than \$80 million in the past year on the eastern span of the Bay Bridge and some \$70 million on the Benicia-Martinez span.
- Taxpayers paid the costs of around-the-clock prison guard surveillance of comatose "brain dead" convicts.
- San Diego's pension scandal, which has left taxpayers with a \$1.4 billion headache, also has resulted in felony conflict-of-interest charges against former members of the retirement board who allegedly padded their pensions.
- Mail clerks were getting \$41 an hour, according to an audit of some \$800,000 in unauthorized costs at the Los Angeles Metropolitan Transportation Agency.
- And, of course, Medi-Cal fraud continues to flourish.

Billions of tax dollars are falling off the table or lining the pockets of fraudsters. A compilation of more than 50 cases is at Cal-Tax Online: www.caltax.org.