

Press Reports and Audits on Governmental Waste, Fraud and Mismanagement

Compiled by the California Taxpayers' Association

Public Pensions

Public Pension System Needs More Tax Dollars

Dollar Amount: \$3,000,000,000

According to Sacramento Bee columnist Daniel Weintraub (May 8, 2003), bad news coming out of the California Public Employees Retirement System – the nation's largest pension fund – is about to get worse. He reported that CalPERS has just completed annual calculations to determine how much the state must pay as the employer's share of the retirement fund. Because of fund losses in the stock market and a package of boosted benefits, the system now needs a record amount – more than \$3 billion – from taxpayers in the fiscal year starting July 1. That's more than double the employer's contribution in the fiscal year ending June 30. Normally, Mr. Weintraub wrote, the system makes up for a down stock market by using reserves, but the reserves are being depleted by enhanced benefit increases. "Next year we will be paying about 15 percent of payroll to finance the pensions for most state workers, double what we paid this year and the highest in 16 years. For officers in the California Highway Patrol, the taxpayers will be contributing about 33 cents to the retirement fund for every dollar paid in salaries, the highest rate in 25 years."

Region: Statewide

Jurisdiction: State

Source: Sacramento Bee - Daniel Weintraub, May 8, 2003

San Diego: Colossal Financial Crisis

Dollar Amount: \$1,157,000,000

San Diego's financial woes are colossal in scope and largely of its own making, according to the Los Angeles Times (September 1, 2004) in a lengthy article headlined: "Fall From Frugality Puts San Diego on Fiscal Brink." The article details San Diego's problem, including underfunding of its public employee pension program by \$1.157 billion, noting that the City Council sweetened pension benefits, then watched the stock market crash and leave the pension fund on hard times. "San Diego is in a real mess," said Scott Barnett, former leader of the San Diego County Taxpayers Association. "All the bad financial news is coming together at the same time, and the city is facing a load of hurt." This story, with regard to public employee pension largesse, has been repeated in cities and counties around the state.

Region: So. California

Jurisdiction: City

Source: LA Times - Sept. 1, 2004

"Chiefs' Disease"

Dollar Amount: \$100,000,000

The Sacramento Bee, in a comprehensive investigative series, reported how many top officers of the California Highway Patrol file for workers' compensation with claims of job-related injury or stress as they near retirement. Besides lucrative workers' comp settlements, they tend to gain disability pensions nearly matching their highest annual salaries -- and actually exceeding them since half of a disability pension is not taxable. The Bee reported that an internal investigation ordered by the CHP's new commissioner found 15 cases meriting further investigation for possible fraud, even criminal prosecution (The Bee, November 30, 2004). A special legislative hearing was scheduled in January 2005 to bring even more visibility to the problem and hopefully set the stage for long-needed reforms. On December 19, The Bee's pension abuses reporting team of John Hill and Dorothy Korber explained how a 1990 state law resulted in fatter state pensions, including one retiree who spiked her pension by \$18,000 a year. This occurred because a bill allowed the pensions of state employees to be calculated on the basis of highest salary over the employee's final year on the job, instead of an average over the final three to five years, which is what other states allow. It was approved in a deal to get state employee unions to sign off on use of pension funds to help balance the state budget, and it was to increase the employer (taxpayer) cost of state pensions by \$63 million. Its cost is now \$100 million, according to The Bee's analysis of retirement data.

Region: Statewide

Jurisdiction: State

Source: Sacramento Bee - J. Hill & D. Korber, Dec. 19, 2004

Nation's Highest Public Pension

Dollar Amount: \$232,908

The widow of former Sheriff Sherman Block is receiving the highest annual public pension in the nation - \$232,908 a year. An outraged Los Angeles County Board of Supervisors voted unanimously on November 16 to seek ways to close "loopholes" in the county's retirement system. Supervisor Zev Yaroslavsky, according to a report in the Daily News, said the county must be at the "forefront of trying to restore common sense to the disability pension system." State legislation may be necessary, he said. According to the newspaper, the county's retirement board approved a full disability pension for the sheriff even though his death was related to a bathtub fall. The board ruled that his widow was entitled to the full pension because he had been in ill health due to long-term job stress. The county already pays \$243 million into the pension system annually, and that figure is expected to go up next year when a new state law allows police and firefighters to claim full disability pensions for cancer without proof that it is job-related.

Region: So. California

Jurisdiction: County

Source: LA Daily News - 1999

Taking it With Him

Dollar Amount: \$150,000

According to the Sacramento Bee (December 3) state workers everywhere are envious as word spread about the gold-plated retirement of Elwood "Woody" Allshouse. The deputy director of the California Department of Forestry and Fire Protection retired November 30 at the age of 52 and collected about \$150,000, before taxes, for about 17 months worth of unused sick leave, personal holidays and vacation time. He says all this was built up over 33 years of service because he often worked 24 hours a day, seven days a week. Lynelle Jolley of the state Department of Personnel Administration said state employees with 30-some years of service usually earn 30 days annually of combined sick leave and vacation time. Governor Gray Davis appointed him deputy director in 1999. Mr. Allshouse was the subject of a Dan Walters column in the Sacramento Bee last September over the department's lease of an expensive airplane that was unsuitable for fighting fires. Records showed that Mr. Allshouse was a frequent pilot of the aircraft.

Region: Statewide

Jurisdiction: State

Source: Sacramento Bee - Dec. 3, 2002

Disability Retirement - for Gambling

Dollar Amount:

An editorial in the San Jose Mercury News skewered the disability pension system that it said provides "easy supplementary income for anybody with the slightest problem who wants to try a new career. Add gambling to the list of excuses." The newspaper cited the decision of the San Jose Police and Fire Retirement Board to grant disability retirement to ex-cop Johnny Venzon Jr., who, at the time of the November 9, 1998 editorial, was awaiting trial on charges that he stole from people while on duty as a cop. His non-service-related disability: a gambling addiction. He was offered help for this problem by the department, but refused. He is accused of trying to make up for his off-duty gambling losses by rifling dead bodies for jewelry.

Region: Bay Area

Jurisdiction: City

Source: San Jose Mercury News - Nov. 9, 1998

Pension Costs Squeeze Locals

Dollar Amount:

Tales of woe continue to flow from local governments trying to make ends meet while giving generous retirement benefits. To wit: Orange County might have to sell bonds to cover a \$734 million pension funding gap that has resulted from declining value of fund investments and generous retirement benefits for public employees, the Los Angeles Times reported May 30, 2003. The county's pension board set the stage for the problem in December 2001, voting to boost benefits for public safety members so they could retire at age 50 with 90 percent of their last year of pay for life if they have 30 years of service. The Orange County system board is scheduled to consider a \$734 million bond to provide the employer (taxpayer) contributions to the fund that has resulted from the added benefits and three years of investment losses. The fund is now \$4.2 billion. The county grand jury in April criticized county officials for not thoroughly analyzing the impact of an extra \$75 million in benefits, including the public safety retirement, a 2 percent bonus program and the merging of sick leave with vacation time. The jury wrote: "Salary and employee benefit increases have been generously distributed with little regard to impacts on county budgets or taxpayer interests." (Editor's note: Orange County's pension problems are typical of what is occurring in the state. For additional coverage of this important issue, see Cal-Tax Online: <http://www.caltax.org/PublicPensions.htm>) According to the Santa Cruz Sentinel (June 9, 2003), the city of Santa Cruz, which on May 27 finalized a pension increase for police, expects to pay \$4.4 million more for retirement over the next two years. In Santa Cruz County, bigger pensions for sheriff's deputies will mean a nearly \$1 million increase in county (taxpayer) costs next year. This is in addition to the \$5 million more in pension costs the county is shouldering because of the stock market decline. The Riverside Press Enterprise (June 1) reported that Riverside County expects to pay \$48 million for the county's pension obligations this fiscal year. The cost could climb to \$142 million by 2004-05. Riverside County Supervisor Jim Venable, noting that dozens of cities and counties are searching for ways to pay for increased pension benefits, said the city of Colton may propose a tax increase because pension costs have increased \$3.2 million above forecast for 2004-05. Rialto voters on June 3 approved a utility tax that will help pay its higher pension costs. And San Bernardino County's pension costs have gone from zero to \$67.8 million this fiscal year. A budget analyst for San Bernardino County, Gary McBride, said, "This is a huge driving concern that all local governments are going to be concerned with in future years. The dollars are huge." In San Francisco, the Chronicle quoted John Russo, Oakland city attorney and president of the League of California Cities, as suggesting that the next big state crisis will be over pensions. The newspaper (June 8) reported that a ballot measure pushed last year by police and firefighter unions, bringing their retirement rates in line with what the state provides, will cost the city \$28 million this year.

Region: C. Valley

Jurisdiction: City

Source: Bakersfield Californian - April 29, 2004

Cities Back Away From Opposing Cops' Pension Hike

Dollar Amount:

In an April 15, 2003 column, Daniel Weintraub of The Sacramento Bee says the state's law enforcement unions hold the Legislature in a "death grip." Their campaign endorsements are of immense value, and when they go for a bill to sweeten their pensions, it usually passes. Now it is reported that the League of California Cities, which once opposed SB 100 (Dunn), giving as much as 100 percent of highest salary to law enforcement pensions, has gone neutral on the bill. Is it mere coincidence that local government is counting on the clout of law enforcement unions to help make it easier to raise taxes? Mr. Weintraub thinks not, concluding: "So now the law enforcement unions are not only writing the bills that increase their benefits and pressuring state lawmakers to approve them, they are also leaning on local officials to refrain from opposing these measures. This takes political arrogance to new heights."

Region: Statewide

Jurisdiction: State

Source: Sacramento Bee - Daniel Weintraub, April 15, 2003

Bigger Pensions Lure More Cops

Dollar Amount:

Sacramento is facing an exodus of police officers lured into retirement by pensions that may be too good to refuse. How about 90 percent of final-year salary for those with 30 years of service and past 50th birthdays? The city plans a \$500,000 marketing campaign to increase the number of cadet applicants. (Sacramento Bee, March 20, 2002.)

Region: C. Valley

Jurisdiction: County

Source: Sacramento Bee - Mar. 20, 2002

Disability Pensions

Dollar Amount:

The Los Angeles County retirement board granted work-connected disability pensions to 53 percent of 1,034 retiring public safety employees in the past three years. That contrasts with 20 percent of retiring Los Angeles city police and firefighters receiving disability pensions. A disability pension provides a higher percentage of salary, with half of it tax-free. Surviving spouses get 100 percent of a disability pension, not 60 percent under routine pensions. (Los Angeles Daily News, May 9, 2000.)

Region: So. California

Jurisdiction: County

Source: LA Daily News - May 9, 2000

Solano County Retirement Debt Highest in History

Dollar Amount:

Retirement goodies provided Solano County bureaucrats that surpassed those given in other counties have pushed Solano County's retirement debt to the highest level in history, the Fairfield Daily Republic reported March 9, 2004. County supervisors are considering a \$160 million bond sale to pay the county's debt to the California Public Retirement System. The big retirement bonanza approved two years ago gives most county employees 2.7 percent in pay for every year they work when they retire at 55 (a 30-year employee could retire at 71 percent of current pay and retire at 55). According to the paper, most comparable counties offer only 2 percent at 55. Supervisor Duane Kromm, who voted for the benefit, said, "Frankly, I regretted it (the vote) since, because of the cost to the county." Art Grubel, executive director of the local SEIU (employee union) defended the retirement program.

Region: C. Valley

Jurisdiction: County

Source: Fairfield Daily Republic - Mar. 9, 2004

Development Boards Key to Higher Council Paychecks

Dollar Amount:

Pomona is the latest of a growing list of city councils – such as Maywood, Baldwin Park, Huntington Park and National City – that have fattened council members' compensation by forming development boards. Pomona's council recently made headlines by quadrupling \$10,000-a-year salaries by forming a community development commission and attending twice-monthly meetings for \$2,500 a month, or \$30,000 a year. (Los Angeles Times, June 29, 2005.)

Region: So. California

Jurisdiction: City

Source: LA Times - June 29, 2005

Perking Up Pensions in L.A

Dollar Amount:

City and county employees augment their salaries with hundreds of bonuses that the courts have held can beef up pensions. For example, a Fire Department arson investigator gets a "shooting bonus" of up to \$32 a month, as approved by Los Angeles County supervisors in May. However, none can recall ever having to fire a weapon at someone. Another bonus: \$120 a month for county janitors who wax floor, and if a custodian agrees to act as a watchman to guard against fire, weekly pay jumps 5.5 percent. Jon Coupal, president of the Howard Jarvis Taxpayers Association, called it "a nefarious yet successful means to disguise both pay and pension-spiking. It's clearly a way to hide from taxpayers the true cost of public employment." (Los Angeles Daily News, May 24, 2005.)

Region: So. California

Jurisdiction: County

Source: LA Daily News - May 24, 2005

Six Charged in San Diego Pension Scam

Dollar Amount:

Six former or current members of the San Diego City Employee Retirement System were charged with felony conflict-of-interest – designing and voting for a contract tied to increases in their own pensions. Each was charged with three felony counts of state law, each charge carrying a maximum sentence of three years in prison. Accused of violating state law were the head of the city firefighters union, two city officials who resigned on May 16, and another who has been placed on administrative leave for refusing to cooperate with federal investigators. District Attorney Bonnie Dumanis announced the criminal charges and called this case the "first step in restoring public trust in our government institutions." The pension deals, including the pension board's signoff on a scheme that reduced the city's contributions to the system and contributed to a \$1.4 billion deficit, are being investigated by local and federal authorities to determine whether fraud and public corruption laws were violated. For example, the district attorney said votes that enhance pensions were cast by Ronald Saathoff, veteran fire captain and president of San Diego Firefighters Local 145, who has represented firefighters on the pension board since 1985. His pension increased by \$2,530 a month, taking it to \$9,703, or \$116,436 a year. (San Diego Union-Tribune, May 17, 2005.)

Region: So. California

Jurisdiction: City

Source: SD Union-Tribune - May 17, 2005

Workers' Comp Claims that Lead to Disability Pensions are on the Rise in L.A. County **Dollar Amount:**

Troy Anderson of the Los Angeles Daily News (December 12, 2004) reported the alarming frequency by which Los Angeles County firefighters and sheriff's deputies file workers' comp claims in the year before retirement. Los Angeles County supervisors ordered an investigation upon learning that 85 percent of county firefighters who got disability retirements claimed a disabling injury a year earlier. Supervisor Gloria Molina: "It would seem to me that it's very unlikely that 85 percent of our retirees became disabled in the last year of their service with us. These numbers are horrendous. This is costing us an awful lot of money."

Region: So. California

Jurisdiction: County

Source: LA Daily News - Troy Anderson, Dec. 12, 2004
