

Year in Review: Change Was the Only Constant in 2022

Change was in the air in 2022, as California experienced a massive swing in state revenue and saw many new faces in key government and private-sector positions, while the governor launched an unprecedented attack with a tax-like “penalty” on one industry’s quarterly earnings.

One of the changes brought great sadness – in June, taxpayers lost one of their strongest advocates when David R. Doerr, recognized as California’s foremost tax policy expert for more than five decades, passed away. Doerr had served as CalTax’s chief tax consultant since 1987, after working more than 23 years as the chief consultant for the Assembly Revenue and Taxation Committee.

Elections were rife with change, too, as elected officials, initiative proponents, and judges made atypical last-minute alterations to state and local ballots.

Two things that didn’t change: employers continued to leave California for lower-cost states and California’s cost of living kept increasing, largely due to inflation and a variety of tax increases.

Taxpayers still fared well in 2022, for the most part, as the most damaging tax proposals were defeated. However, taxpayers lost out when Governor Gavin Newsom vetoed legislation that would have improved the economy by expanding the sales and use tax exemption for manufacturing and research-and-development equipment (AB 1951). The bill, co-sponsored by CalTax and the California Manufacturers and Technology Association, received overwhelming bipartisan support in the Legislature.

Will 2023 be another rollercoaster year, or will there be a return to normalcy? Will the accuracy of the state’s revenue estimates improve? Will Californians and the state economy continue to recover from the worst of the COVID-19 pandemic? Time will tell.

In keeping with our annual tradition, CalTax marks the arrival of the new year by presenting a summary of the one just ended ...

Balanced Budgets Have Been Quickly Followed by Huge Deficits

When the state budget was crafted, Governor Gavin Newsom’s administration projected that revenue would continue pouring into the state coffers. Newsom’s January proposal called for \$286.4 billion in total spending – \$23.8 billion more than in the prior year – and his May revision increased the spending to \$300.7 billion. By the time the Legislature and governor agreed to the budget bill in June, the total had increased to \$308 billion, marking the first time in state history that the budget topped \$300 billion.

The budget process began earlier than usual, and by early February the Legislature and governor had approved SB 113, restoring the business tax credits – including research-and-development credits and net operating loss deductions – that were limited by AB 85 of 2020.

In late April, the legislative analyst reported that revenue “could end up \$33 billion to \$39 billion higher than the Governor’s Budget assumes,” and Newsom made headlines in May when he projected an operating surplus of \$97.5 billion – a dramatic increase from the \$45.7 billion projected a few months earlier.

As the year progressed, Democrats and Republicans offered numerous proposals described as gas tax relief, prompted by soaring fuel prices.

The proposals included a suspension of the inflation adjustment for the state gas and diesel excise taxes (Newsom); a \$400 “rebate” to every taxpayer (a group of Democratic lawmakers); a \$200 “rebate” to taxpayers and dependents with income below \$250,000 (Senate President Pro Tem Toni Atkins and Assembly Speaker Anthony Rendon); \$400 debit cards for registered vehicle owners, capped at \$800 for those who own more than one vehicle (Newsom); a six-month suspension of the gas tax (Republican lawmakers); and a study of gas prices (Rendon).

In the end, the governor and Legislature allowed the excise tax on gas to increase July 1 from 51.1 cents per gallon to 53.9 cents per gallon. Rather than providing direct gas tax relief, the final budget included an estimated \$9.5 billion in “Middle-Class Tax Refunds” to specified taxpayers (up to \$1,050 per family, based on income rather than taxes paid), distributed shortly before the November election.

The budget also included a new tax on lithium extraction, a one-year suspension of the state sales tax on diesel fuel, and a repeal of the state’s cannabis cultivation tax.

The main budget bill was approved June 13, but changes continued throughout the remainder of the legislative session.

Newsom also used the budget process to promote his positions on social issues and to criticize states with Republican governors. His May revision included what his office described as \$2.1 billion in new “incentive opportunities for businesses to relocate to California or grow jobs and their economic footprint here from states with anti-abortion and anti-LGBTQ+ laws.” In August, Newsom linked California’s film tax credit to the issue of abortion rights, stating, “As other states restrict freedoms and rights, California doubles down on offering the best value and best values for the film industry and its workers.”

The Legislature’s 2021-22 session ended August 31 with a flurry of activity on last-minute bills pushed by Newsom to address climate change.

By the end of 2022 – the midway point of the fiscal year – it was evident that inflation was still running higher than 7 percent and the budget’s revenue estimates were billions of dollars too high. The Legislative Analyst’s Office reported that based on collections through November and projections for the year ahead, California could face a \$25 billion operating deficit in 2023-24 if current spending levels remain unchanged. (**CalTax:** Years ago, Governor Jerry Brown presented the press corps with a poster highlighting California’s budget volatility. The poster, which reads “Balanced budgets have been quickly followed by huge deficits,” now hangs in the CalTax conference room.)

Lawmakers and the governor indicated they hope to avoid major spending reductions, in part by tapping into the state's record-high reserves.

Newsom Calls a Special Session

In late September, the activist group Consumer Watchdog asked Newsom to call the Legislature into a special session to consider a "windfall profits tax" on oil production companies. Initially, there was no indication that Newsom would do so, but within days he began touting the idea.

In late November, Newsom declared a special session to "pass a price gouging penalty on oil companies that will keep money in Californians' pockets." The special session began December 5, and the tax-like "penalty" was introduced in skeletal form by Senator Nancy Skinner as SB 2X.

Shortly before the special session began, the California Energy Commission held a lengthy hearing during which experts testified that California's gas prices are higher than those in other states due to supply-and-demand issues – including government actions that limit the supply – and the highest regulatory costs and gas taxes in the United States.

Taxes Are Too High, Californians Say

Asked about their combined state and local tax burden, 62 percent of California adults said they are paying more than they think they should, and 3 percent said they think they are undertaxed, according to a Public Policy Institute of California (PPIC) poll released in March.

A Berkeley Institute of Governmental Studies poll released the next month threw federal taxes into the mix and revealed that 64 percent of California voters believe their state and federal income taxes are too high (a 10 percentage-point increase since 2016, the last time a comparable question was asked by the pollster) and only 1 percent believe they are too low.

Californians also showed strong support for Proposition 13, the 1978 tax reform initiative that limits property tax increases and makes the tax predictable for property owners. A PPIC poll released in May found that 64 percent of likely voters agree that Proposition 13 "turned out to be mostly a good thing for California."

News stories from around the country illustrated why Californians support Proposition 13 and its 2 percent cap on year-to-year property tax increases (absent a change in ownership, new construction, or a return from decline-in-value status). A roundup published by CalTax showed that homeowners' property taxes increased 7 percent to 20 percent in many states.

Major Tax Hikes Defeated

During the final year of the 2021-22 legislative session, state lawmakers considered raising annual taxes and fees by more than \$198.9 billion, but CalTax and others worked together to defeat the vast majority of proposed tax hikes.

The defeated measures included:

- AB 71, which initially would have increased the corporate income tax rate and additionally proposed a tax increase that would require a taxpayer that makes a water's-edge election to consider 50 percent of the global intangible low-taxed income and 40 percent of the repatriation income of its affiliated corporations.
- ACA 1, lowering the vote threshold for local taxes that finance "affordable housing" and "public infrastructure," as broadly defined by the measure.
- ACA 11, an estimated \$163 billion tax increase to fund a government-run healthcare system (the measure included a gross receipts tax on businesses, a payroll tax on employers and employees, and a personal income tax increase).

There were many others, including AB 65, proposing a 1 percent surcharge on income above \$2 million to provide monthly basic income payments; AB 310 and AB 2289, proposing a wealth tax; AB 1253, proposing higher income tax rates for income above \$1 million; and AB 1771, proposing a 25 percent tax on capital gains from the sale of recently purchased residential property.

Some taxes were approved, however. Newsom signed legislation increasing payroll taxes on California employees by repealing the cap on wages subject to the State Disability Insurance tax (SB 951), creating a duplicative local housing agency in Los Angeles and granting the agency the authority to impose voter-approved taxes (SB 679), imposing a new tax on telecommunications services to fund a suicide-prevention hotline (AB 988), increasing taxes a cumulative \$250 million per year on telecommunications services to generate funds for broadband expansion (AB 14 and SB 4), and imposing an excise tax on electronic cigarettes (SB 395).

Newsom Re-Elected, Cohen Elected Controller

Newsom was re-elected with 59 percent of the vote, without doing much campaigning. His challenger, Republican state Senator Brian Dahle, failed to gain traction in a state where Republican voter registration is just 23.8 percent. Dahle's Senate seat was not up for election, so he remains in the Legislature.

In the race for state controller, Democratic State Board of Equalization Chair Malia Cohen was elected with 55.3 percent of the vote, handily defeating Republican Lanhee Chen in the two-candidate race.

As controller, Cohen is an ex officio member of the BOE and the three-member Franchise Tax Board, among many other boards and commissions.

New Lawmakers Make Up Nearly One-Third of Legislature

Thanks largely to redistricting and retirements, the 2022 elections resulted in 38 first-time lawmakers taking the oath of office (just under 32 percent of the Legislature). The 120-member Legislature now includes 50 women, up from the previous high of 39 set in the prior session.

There were several unusual circumstances in the legislative election:

- Former San Diego City Council Member Georgette Gomez finished first in the June primary for Assembly District 80, but second in a special election held the same day, so she dropped out of the race shortly before the general election. The special election winner, David Alvarez, took office June 15 and cruised to victory in November as an incumbent.
- Eric Rigard, a Republican candidate for Assembly District 10 in the Elk Grove area, died after the June primary, while still in contention to advance to the November election. The top two candidates each ended up finishing roughly 2 percentage points ahead of Rigard.
- Democrat Giselle Hale, who finished in the top two in the primary for Assembly District 21, dropped out of the race in July, saying the campaign was taking a toll on her family. The only remaining candidate, Democrat Diane Papan, was elected in November.

Assembly Member Robert Rivas courted support from many of the incoming Democrats, and in December was elected to be the next speaker of the Assembly, with the transition from Assembly Speaker Anthony Rendon scheduled at the end of June.

Voters Reject PIT Hike, and 2024 Election Starts Taking Shape

At the beginning of 2022, it appeared that the voters were likely to be faced with a plethora of propositions related to taxes. That wasn't the case, however, as most of the high-profile measures were dropped, negotiated off by the ballot by the Legislature, or pushed to the 2024 ballot.

The June primary ballot had no statewide measures at all – the first time since 1964 that this was the case.

Seven measures appeared on the November 8 ballot, including just one tax measure: Proposition 30, seeking to increase California's top personal income tax rate to raise revenue for electric vehicle infrastructure and wildfire prevention. The PIT hike was soundly rejected, with 57.6 percent of the voters opposed.

Draft language for Proposition 30 also included an increase in the corporate income and franchise tax. However, after discussions with CalTax and others in the business community, the proponents of Proposition 30 revised the initiative to exclude these provisions.

Shortly before the election, the Legislature added Proposition 1, a constitutional amendment to enshrine the right to abortion in the state constitution. While the numbering may have confused some Californians – the measures went from Proposition 1 to Proposition 26, with nothing in between – voters overwhelming approved the amendment, with 69.9 percent in favor.

After historically expensive campaigns by supporters and opponents, two rival gambling measures (Proposition 26 and Proposition 27) both got trounced, as did a rehash of a twice-failed effort to increase regulation of kidney dialysis centers (Proposition 29).

Voters reacted more favorably to Proposition 28, allocating more existing funds to public school arts and music programs, and Proposition 31, which upheld the 2020 law that bans the retail sale of certain flavored tobacco products in California.

Some of the most newsworthy measures did *not* appear on the ballot in 2022, for a variety of reasons:

- The California Business Roundtable filed a new version of its “Taxpayer Protection and Government Accountability Act,” which would overhaul the process for how taxes are enacted, so the measure is now aiming for the November 2024 ballot. The courts extended the signature-verification deadline for the initiative, but it is expected to qualify next month.
- A CalTax-opposed plastic tax initiative was removed from the November ballot on June 30, the final day for such action, after the Legislature approved a compromise reached by proponents and opponents.
- Two commercial property tax increases proposed by the Service Employees International Union’s United Healthcare Workers West were dropped by the sponsors during the signature-gathering phase.
- An initiative to impose a 0.75 percent tax on income over \$5 million missed the deadline for 2022 but is eligible for the November 2024 ballot. The tax increase would be in effect for 10 years, with revenue earmarked for the pandemic prevention efforts and other programs.
- An initiative proposing a large increase in the state minimum wage qualified one day too late to make the November ballot, so it now is qualified for the 2024 ballot.
- A proposal to increase the corporation income tax rate was dropped by the proponents, who opted to pursue Proposition 30 instead. (An earlier version also proposed to eliminate the water’s-edge election and require all corporate taxpayers to determine their income using the worldwide combined reporting method.)
- The Howard Jarvis Taxpayers Association’s initiative to repeal portions of Proposition 19 (the provisions that increase taxes on intergenerational transfers of property) did not qualify for the ballot.
- Referendums have been filed to overturn two new state laws: a statute requiring the state to create an entity to facilitate the unionization of fast-food employees (AB 257, Holden) and a law restricting oil facilities from operating near “health protection zones” (SB 1137, Gonzalez). Voters are likely to decide the fate of both in November 2024.

Next year's ballot also could feature another attempt to increase property taxes on business properties, as activists indicated in late 2022 that they hope to qualify a new version of Proposition 15, the split-roll measure that was rejected by voters in 2020.

Hundreds of Local Tax Increases Approved

In local elections held in 2022, voters approved 250 tax increases, cumulatively representing more than \$1.5 billion in direct taxes and \$23 billion in bond debt that will be repaid, with interest, via property tax increases.

One of the biggest local measures was Measure ULA, an initiative that appeared on the November 8 ballot in Los Angeles. The measure, which received 57.7 percent of the vote, proposes a large increase in the documentary transfer tax on real estate sales or transfers of more than \$5 million, with revenue dedicated to housing and homeless services. The measure has been challenged by the Howard Jarvis Taxpayers Association, as transfer taxes are generally prohibited by the California Constitution – and while transfer taxes that are undedicated “general taxes” have been permitted in charter cities under case law since 1990, transfer taxes that are “special taxes” – including Measure ULA – are prohibited for all local governments.

In San Francisco, a large tax hike was removed from the ballot by the courts – at the urging of its sponsors, who had spent more than \$500,000 to qualify it for the November ballot. Proposition K, an e-commerce tax increase opposed by CalTax, was withdrawn after the proponents acknowledged that it would hit small businesses rather than the large online marketplace they intended to target.

In Fresno, the City Council approved \$600,000 in contracts for “voter education” materials on two local tax measures on the November ballot, but the city manager canceled the contracts after taxpayers objected to the use of public funds to produce one-sided materials that essentially would constitute campaign advertising.

COVID State of Emergency Set to End

Newsom announced early in 2022 that the state would treat COVID-19 as an endemic rather than a pandemic, and announced late in the year that after nearly three years in place, his COVID-19 state of emergency will end February 28, 2023. The governor has used his authority under the emergency declaration to issue 596 orders, including stay-at-home orders, orders delaying various tax deadlines, and orders that some lawmakers said usurped the role of the legislative branch.

The easing of the pandemic was noticeable throughout the state as Californians returned to concerts, restaurants, and other public gatherings – including CalTax's 96th Annual Meeting, a June 2 meeting that marked the association's first in-person event since the beginning of the pandemic.

Acting Governor Makes History

California became a state in 1850, but it wasn't until March 31, 2022, that a woman signed a piece of legislation into state law. Lieutenant Governor Eleni Kounalakis, serving as acting governor while

Newsom vacationed in Central America, signed AB 2179, extending a ban on evicting renters participating in rental assistance programs, and SB 504, allowing military and overseas voters and voters with disabilities to complete a same-day voter registration and cast a ballot.

Property Tax Revenue Increases

In March, the State Board of Equalization reported that property tax revenue increased 6 percent in 2021, averaged statewide.

Mid-year reports from county assessors showed that property tax revenue grew significantly in 2022, as well, indicating that local governments will receive significant increases in property tax revenue – even as individual property owners are protected by Proposition 13 from large annual tax hikes.

Los Angeles County's assessment roll grew 6.95 percent, Assessor Jeff Prang announced, marking the 12th consecutive year of increases. Santa Clara County's assessment roll increased 7.46 percent from 2021 to 2022, Orange County reported growth of 6.37 percent, and Sacramento County reported growth of 8 percent.

Unemployment Insurance Fund Still in the Red

The Employment Development Department (EDD) projected that the state's unemployment insurance fund would owe the federal government \$18.2 billion at the end 2022 and \$16.3 billion at the end of 2023 – the amount needed to repay loans used to keep unemployment benefits going after the fund ran out of money during the pandemic. The outstanding debt triggers higher payroll taxes for employers.

The state budget included only a small debt repayment – much lower than that sought by the business community – despite the state's strong financial condition when the budget was approved.

On the bright side, the EDD announced in June that it had recovered \$1.1 billion in unemployment insurance funds that were thought to be lost to fraud. The funds were on approximately 780,000 inactivated benefit cards, the EDD reported.

In September, testimony during a legislative oversight hearing indicated that the EDD, which handed out tens of billions of dollars' worth of fraudulent unemployment insurance benefits during the pandemic, has made some improvements to reduce fraud.

The Courts

Taxpayers continued to experience a losing streak in the California courts and the state Supreme Court once again declined to review several Court of Appeal decisions in tax cases.

Perhaps the most notable example was the Supreme Court's decision not to review the Court of Appeal's precedential ruling against the taxpayer in *The 2009 Metropoulos Family Trust v. Franchise Tax Board*, a dispute over the pro rata taxation of nonresident trust shareholders resulting from a transaction that involved the sale of an S corporation's wholly owned subsidiary.

There were some wins, however, including the high court's August ruling that the city of Oakland's imposition of "fees" on waste-hauling companies violated the California Constitution's requirement that local taxes be approved by voters (*Robert Zolly v. City of Oakland*).

Other notable action in the courts:

- An Alameda County Superior Court judge ruled that Measure C, a special tax in Alameda County, is legal even though it was not supported by at least two-thirds of the voters in a March 2020 election.
- An association representing remote-selling merchants sued the Franchise Tax Board, alleging that the FTB is attempting to illegally expand its taxing authority via a technical advice memorandum (TAM) and related guidance publication that "directly contradict the plain language" of a federal law they purport to interpret (*American Catalog Mailers Association v. Franchise Tax Board*, pending in the San Francisco County Superior Court).
- The city of Moreno Valley sued the California Department of Tax and Fee Administration, alleging that the agency is wrongfully refusing to collect a tax increase approved by voters in 2021. The CDFTA said it is prohibited from collecting the tax "because the City Council and voters approved an unlawful increase in the city's Bradley-Burns Uniform Local SUT from 1 percent to 2 percent."

The Tax Agencies

Officials at the **California Department of Tax and Fee Administration** announced a new regulatory project to amend regulations relating to marketplace sales and marketplace facilitators (regulation 1684.5), and also proposed amendments to Audit Manual Chapter 13 (regarding statistical sampling) and Chapter 4 (relating to general audit procedures).

At the **Office of Tax Appeals**, an opinion released in March was notable as the first issued by a single administrative law judge under the OTA's Small Case Program, which was authorized by legislation that became effective in 2021. Under the program, parties can opt to have their case heard and decided by a single judge rather than a three-judge panel if the amount in dispute meets certain qualifications (for personal income tax disputes, the amount must be less than \$5,000).

The OTA issued 15 precedential opinions in 2022, down from its average of 26 per year from 2019 through 2021.

In August, the **Franchise Tax Board** reported that student loan debt forgiven under President Joe Biden's program would be taxable as income in California – prompting Democratic legislators to announce plans to fast-track legislation in 2023 to create a special exclusion.

The FTB issued two legal rulings in 2022: one providing guidance with respect to the assignment of gross receipts from the sales of services, and another relating to California sourcing rules when a nonresident disposes of interest in a partnership that holds unrealized receivables or inventory.

The impact of rising prices was evident in September, when the FTB released the tax year 2022 indexed amounts for personal income tax based on the 8.3 percent inflation rate.

The **State Board of Equalization** returned to in-person hearings midway through the year, and formed the Property Tax Abatement Workgroup to discuss the potential for using property tax relief as a tool to stimulate housing development. County officials and public employee unions generally opposed the idea, testifying that the removal of value from the assessment roll would result in counties having less revenue for schools and other vital services.

The BOE also held an informative discussion of the pros and cons of assessment appeals boards conducting virtual hearings.

During its September meeting, the BOE discussed a significant change for 2023 – a plan to have staff present assessment practices survey reports during the board's public meetings to prompt more discussion of any issues raised in the reports.

Assessors

County assessors sounding an alarm that staffing problems threaten their ability to meet all of their offices' increasing responsibilities, and warned that the problem will get worse as experienced employees retire.

The assessors were pleased, however, that the state approved grants to make technological improvements in their offices, designed to increase efficiency and accuracy.

Kings County Assessor Kristine Lee took over as president of the California Assessors' Association, succeeding Shasta County Assessor Leslie Morgan.

A large number of county assessors retired in 2022 rather than seeking re-election: Diane Brown (Butte County), Leslie Davis (Calaveras County), Karl Weiland (El Dorado County), Mari Wilson (Humboldt County), Jon Lifquist (Kern County), Brian Glover (Madera County), Stephen Vagnini (Monterey County), Sue Horne (Nevada County), Ernest Dronenburg Jr. (San Diego County), Sean Saldavia (Santa Cruz County), Marc Tonnesen (Solano County), and Dan Goodwin (Ventura County).

Still, the occupant of the office stayed constant in a majority of California's 58 counties, as 35 incumbents ran unopposed.

All but two of the elections were decided in the June primary, and one of the remaining elections featured an unopposed incumbent. In the only contested election in November, Jordan Marks, the taxpayer advocate in the San Diego County Assessor's Office, was chosen to succeed his boss, Assessor Dronenburg, who retired after serving in the position since 2010.

Regulatory Board Bans Gas-Powered Vehicles

The California Air Resources Board voted August 25 to approve rules that ban the sale of new gasoline-powered cars by 2035 and set interim targets to phase out gas-burning vehicles. The 16-member board is comprised of unelected officials appointed by the governor, the Assembly speaker, and the Senate Rules Committee.

During discussions of gas prices later in the year, experts noted that the ban discourages investment in new gas stations and refineries, thus increasing the cost of fuel by limiting the supply.

Businesses Leave California

There were occasional signs in 2022 that California's economy could flourish, including a report that California is expected to overtake Germany as the world's fourth-largest economy, and statistics showing that the state's film and television tax credit generated \$2.3 billion in economic activity in 2021-22, an increase of \$200 million from the prior year.

Unfortunately, there were many other signs indicating that California's taxes and regulatory policies have prompted an exodus of employers and jobs. California lost 352 headquarters to other states from January 1, 2018, to December 31, 2021, according to a Hoover Institution report.

The 2022 Kosmont-Rose Institute Cost of Doing Business Survey found that the cost of doing business in California is higher than in other states in the western United States, and the Washington, D.C.-based Tax Foundation reported in October that the Golden State maintained its longstanding position of having a business tax climate that is worse than 47 other states, but better than New York and New Jersey.

At the end of the year, the U.S. Census Bureau reported that California's population declined by 114,000 people (to approximately 39 million) in 2022 – a 0.3 percent decrease following a 0.9 percent decrease in 2021 that led to the loss of a seat in the U.S. House of Representatives. While births outnumbered deaths in California, the population shrank because 343,230 people moved out of the state.

A sampling of relocations and related actions in 2022 included: **Review Wave**, a tech company in Irvine, announced that it is moving to McKinney, Texas; **Marrone Bio Innovations Inc.**, which makes biologically based products to replace farm chemicals, moved its corporate headquarters from Davis to Raleigh, North Carolina; San Francisco-based **Zynga** – the video game company that produces "Farmville" and "Words With Friends" – was purchased and will be managed out of the new owner's headquarters in New York City; **Kaiser Aluminum**, a 76-year-old manufacturing company based in Orange County, moved its headquarters to suburban Nashville, Tennessee; **Hyperion**, a hydrogen-electric tech and transportation company, relocated its headquarters from Southern California to Columbus, Ohio; **DoubleLine Capital**, a \$134 billion asset management firm, moved its main office from Southern California to Florida; the **Farmer John** plant, the largest employer in the city of Vernon, is set to close due to the "escalating cost of doing business in California," and operations will be moved to other states; electronics repair company **iFixit**, headquartered in San Luis Obispo, is expanding in Chattanooga, Tennessee, planning to invest \$24.2 million and create more than 200 jobs there during the next five years; **Amy's Kitchen**, an organic and healthy frozen food producer, closed its San Jose production center while keeping operations open in other states.

Government Waste Continues

Unfortunately for taxpayers, there were many examples of government waste and mismanagement reported in 2022. Some of the more notable cases:

- The projected cost of California's high-speed rail project increased another \$5 billion, and now is estimated to top \$105 billion – more than double the \$40 billion projected when voters approved a bond measure for high-speed rail in 2008.
- A \$145 million project to add a suicide-preventing net to the Golden Gate Bridge is running five years late and the cost now is expected to top \$400 million.
- Construction of a 150-square-foot, one-toilet restroom in San Francisco was scheduled to cost taxpayers \$1.7 million and take more than three years to build. Reacting to media coverage of the costly commode, Newsom said he plans to hold the funds or revoke the appropriation when the Legislature reconvenes.
- San Francisco spent \$250,000 to develop a database intended to track the performance of contractors on city construction projects, but three years later the database has yet to be used.
- California spent eight times more than other states, per capita, to conduct the 2020 census (\$4.75 per capita compared to an average of 55 cents in the other states) and reported the same level of accuracy as the more efficient states.
- Approximately \$7 million worth of taxpayer-funded COVID-19 supplies were left in the rain by San Mateo County, resulting in a loss of approximately \$128,000 worth of supplies.
- The Medi-Cal system paid \$17.6 million to a Long Beach nonprofit that fraudulently obtained the money by submitting claims for drug and alcohol abuse treatment.
- Anaheim Mayor Harry Sidhu resigned in the wake of corruption charges, including allegations that he planned to solicit \$1 million in campaign funds from the Angels baseball team in exchange for getting the team a better deal on buying their stadium from the city.
- The city of Sacramento spent \$617,000 to prepare to open a homeless shelter that never opened.

Changing of the Guard

The year's unusually large changing of the guard included many private-sector notables and members of all three branches of government:

Controller **Betty Yee**, a fixture of California's tax administration system for more than 18 years, left office at the beginning of 2023 after completing her second term; U.S. Representative **Karen Bass** was elected mayor of Los Angeles, becoming the first woman to preside over the nation's second-most-populous city;

Sacramento political strategist **Dana Williamson** was appointed as Governor Gavin Newsom's new chief of staff, succeeding **Jim DeBoo**, who has held the position for two years; Newsom appointed **Joe Stephanshaw** as the new director of the Department of Finance, succeeding **Keely Bosler**, who was appointed to the Central Valley Flood Protection Board; Newsom hired **Analea Patterson** as cabinet secretary, succeeding **Ana Matosantos**, who was appointed to the State Personnel Board;

Newsom nominated California Supreme Court Justice **Patricia Guerrero** to serve as California's next chief justice – the head of the judicial branch – succeeding **Tani Gorre Cantil-Sakauye**, who left to become the new president and chief executive officer of the Public Policy Institute of California (PPIC); earlier in the year, Guerrero filled the vacancy left by the resignation of Justice **Mariano Florentino Cuéllar**, who resigned and became the new president of the Carnegie Endowment for International Peace; at the PPIC, Cantil-Sakauye succeeds **Mark Baldassare**, who had led the organization since 1998;

Newsom appointed **Grant Parks**, the former principal manager of audit services at the Judicial Council of California, as state auditor, succeeding **Elaine Howle**, who left at the end of 2021 and recently joined Balance Public Relations as the firm's principal chief strategist;

Bart Baer, who led Deloitte Tax's national California tax services practice group for more than 21 years, was named CalTax's chief tax counsel; State Board of Equalization Executive Director **Brenda Fleming** retire after serving in various state government roles for more than 33 years, and was succeeded by **Yvette Stowers**, who previously served as deputy state controller; **Anthony Epolite** filled in as deputy state controller for taxation, then returned to Franchise Tax Board's Legal Department at the end of Yee's term; Newsom appointed **Regina Evans**, chief of staff to BOE Chair Cohen, to the State Compensation Insurance Fund; **Elliott Scott Ewing**, a former managing director at Deloitte Tax LLP and tax counsel for the Franchise Tax Board, retired from the Office of Tax Appeals after serving as an administrative law judge since 2019; **William Hilson Jr.** retired after more than 21 years with the Franchise Tax Board, serving as the FTB's lead counsel on many cases; **Patricia Lumsden**, longtime chief of the State Board of Equalization's County-Assessed Properties Division, retired;

Former California Chamber of Commerce President **Allan Zaremborg** joined Lucas Public Affairs as senior counsel; California Cable & Telecommunications Association President **Carolyn McIntyre** resigned and was succeeded by **Janus Norman**; Assembly Member **Autumn Burke**, chair of the Assembly Revenue and Taxation Committee, resigned to become a principal at Axiom Advisors; Orange County Taxpayers Association President **Carolyn Cavecche** retired after leading the organization for 10 years and was succeeded by **Sara Catalan**;

Newsom appointed **Nancy Farias** as director of the Employment Development Department (EDD), making her the third person in 13 months to direct the department responsible for administering employment taxes and operating the unemployment insurance system;

Respected *Los Angeles Times* reporter **John Myers** left the private sector to join the California Public Employees' Retirement System as chair of public affairs;

San Bernardino County Assessor-Recorder **Bob Dutton** died at the age of 71 after a battle with cancer, and Assistant Assessor **Christopher Wilhite** was appointed to fill the vacancy through 2024; **Lewis K. Uhler**, founder of the National Tax Limitation Committee, passed away at the age of 88; **Jack Stewart**, former president of the California Manufacturers and Technology Association, passed away at the age of 73 after a lengthy battle with cancer; longtime BOE property tax expert **Rose Marie Kinnee** passed away, and is survived by her husband, former BOE Executive Director **Dean Kinnee**.