California Waste, Fraud & Abuse

Draft Report
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Introduction

The following, in no particular order, presents examples of waste, fraud, and abuse in public spending in California. Most of the information is taken from agency reports and general web searches on specific topics. Separate sections provide pertinent examples from other reports on this issue by the State Auditor, Howard Jarvis, and Hoover Institute.

Some of the Preliminary Draft items also have been updated:

- Total homeless spending is $38 billion, translates that number into the equivalent number of rental months it could have been used for, and some additional information on lack of performance data (Homeless or Hopeless Programs?).

- Added Medi-Cal Malpractice.

- Added Planning for Failure.

- Added We'll Agree to Your Demands, If Somebody Else Will Pay for Them

- Added Wage Roulette, Local Edition

In No Particular Order

<u>High Speed Fail</u>

What the voters were told they would get in approving the nearly $10 billion in High Speed Rail bonds: 800-mile rail system costing $45 billion to be completed by 2030, with 100 million users at an average cost of $50 a ride after attracting billions in private investments. The ride from LA to San Francisco would only take 2.5 hours.

What they're getting after 17 years of mismanagement and cost overruns: 171-mile segment linking Merced and Bakersfield to be completed who-knows-when costing $29.3 billion, serving only an average of 1.9 million riders annually, and relying on Cap-and-Trade monies ultimately paid by households and employers with no private investment. The costs for the full system have since ballooned to as much to $128 billion, or an 184% increase over what voters were promised.

The $9.95 billion in bonds for High Speed Rail and some local projects were proposed by AB 3034 (Galgani, 2008) and passed by the voters as Proposition 1A by 52.62% - 47.38%. AB 3034 included a provision that it was the intent of the legislature "that it be completed no later than 2020" with connections between the major centers of the state including at the extremes, San Francisco, Sacramento, Inland Empire, and San Diego. The measure required at least $9 billion in matching funds from federal and private sources before the bond proceeds could be spent. The legislation also required that the Rail Authority prior to receiving funding from the bond certify that "the planned passenger train service to be provided by the authority, or pursuant to its authority, will not require operating subsidy." Similar measures had been enacted for the 2004 and 2006 ballots, but these were removed and the bonds finally moved to 2008.

The LAO fiscal analysis in the Voter Information Guide stated that "The authority estimated in 2006 that the total cost to develop and construct the entire high-speed train system would be about $45 billion." The Authority's 2008 Business Plan promised an 800-mile system annually servicing 100 million passengers by 2030, with speeds up to 220 miles per hour enabling travel between Los Angeles and San Francisco in about 2.5 hours at about $50 per person. Capital costs for the LA-SF backbone of the system were estimated at $32.8 - $33.8 billion. The plan also projected "an annual operating surplus of more than $1.1 billion" once this component was built to finance the remaining expansion.

In his 2019 State of the State speech, Governor Newsom declared the broader project dead:

> *But let's be real. The project, as currently planned, would cost too much and take too long. There's been too little oversight and not enough transparency.*
>
> *Right now, there simply isn't a path to get from Sacramento to San Diego, let alone from San Francisco to LA. I wish there were.*

The governor also directed the Authority to scale the project back to the 171-mile Merced-Bakersfield portion (EOS segment), which the Authority estimated in 2020 would cost $21.9 - $23.4 billion and that would be completed by 2030.

The 2024 Business Plan projected that costs for the full system would rise to as much as $128 billion with a mid-range estimate of $109 billion. Ridership was lowered to 28.4 million by 2040. The Merced-Bakersfield component alone was set at $28.5 - $35.3 billion; recent legislation requires the Authority to update this number. While the document provides only minimal information on its assumptions, the medium revenue case would put fares at about $130 in 2040.

In a scathing June 2025 review of the project's performance, the US Department of Transportation concluded:

> *In essence, CHSRA has conned the taxpayer out of its $4 billion [federal funds] investment, with no viable plan to deliver even that partial segment on time.*

Specific charges included:

> *CHSRA has already missed its deadline for finalizing its rolling stock procurement per its commitment in the FSP Agreement.*
>
> *CHSRA has a $7 billion funding gap (based on FRA's conservative estimates) to complete the EOS, with no credible plan to secure additional funds.*
>
> *CHSRA does not have a viable path to complete the EOS by 2033 per its commitment in the FY10 Agreement and the FSP Agreement.*
>
> *CHSRA has not adequately budgeted enough time or money to electrify the entire EOS to support revenue operations by 2033.*
>
> *CHSRA has overrepresented its ridership projections for the EOS substantially.*
>
> *CHSRA lacks the capacity to deliver the EOS by 2033.*

As reflected in the Authority's recent August 2025 financial report:

> Current costs for the EOS are $29.3 billion.
>
> Expected funding sources are: $9 billion bonds, $6.9 billion federal funds, Cap & Trade $13.4 billion. There are no current or expected private funds. Cap & Trade is paid by households and employers through higher costs for gasoline, diesel, electricity, natural gas, concrete, and other manufactured products. **The matching amounts from federal and private sources continue to violate the provisions enacted by voters in Proposition 1A.**

Not a single foot of track has been laid. The most the Authority can claim is that they will soon complete the staging facilities that may allow them to finally start laying track sometime in 2026.

<u>$31 Billion Blown In the Wind</u>

Amid their rush to get unemployment payments out the door with few questions asked, the state Employment Development Department (EDD) later admitted that up to $31 billion was paid out to fraudulent claims by scammers, prisoners, and known international organized crime rings. As stated in the report:

> **CA EDD admits paying as much as $31 billion in unemployment funds to criminals**
>
> *As much as $31 billion in California unemployment funds have been paid out to scammers, California EDD admits.*
>
> *ABC7 News' 7 On Your Side has been tracking the numerous fraudulent claims that have been plaguing the EDD and on Monday afternoon, it confirmed that even more money than previously reported has been paid out to scammers.*

. . . In an EDD conference call, Julie Su, secretary for the California Labor and Workforce Development Agency said, "Of the 114 billion dollars in unemployment paid by California since March, approximately 10% has been confirmed as fraudulent. An additional 17% of the paid claims have been identified as potentially fraudulent."

KGO News, January 25, 2021

While the state blames the rapid rise in unemployment claims during the pandemic, a CalMatters investigation concluded that these problems were building at the department well before the pandemic:

Internal documents reveal the story behind California's unemployment crash

A year-long CalMatters investigation found that the EDD was primed for disaster by years of failing to heed red flags, stalling reforms and abruptly abandoning a pre-pandemic effort to get ahead of exploding online fraud — issues that rose to the top of political agendas and budgets around recessions, but were never really fixed as governors, legislators and federal regulations changed. Once it all boiled over in the spring of 2020, California got the worst of both worlds: tens of billions of dollars lost to fraud, and workers who lost their financial stability, their homes or, in extreme cases, their lives. [many other good quotes in this article and the following 3 in this series]

CalMatters, November 7, 2023

Total Pandemic Fraud

A 2023 GAO report estimated that total unemployment insurance fraud nationwide in the US during the pandemic was $100 to $135 billion, or 11% to 15% of total benefits handed out in this period:

UNEMPLOYMENT INSURANCE: Estimated Amount of Fraud during Pandemic Likely Between $100 Billion and $135 Billion

We estimate that the fraud in UI programs during the pandemic—from April 2020 through May 2023—was likely between $100 billion and $135 billion. This represents about 11 percent and about 15 percent, respectively, of the total amount of UI benefits paid during the pandemic.

GAO, September 2023

A 2023 SBA report estimated that over $200 billion of Economic Injury Disaster Loan and Paycheck Protection Program payments were fraudulent, or 17% of the total paid out.

COVID-19 Pandemic EIDL and PPP Loan Fraud Landscape

We estimate that SBA disbursed over $200 billion in potentially fraudulent COVID-19 EIDLs, EIDL Targeted Advances, Supplemental Targeted Advances, and PPP loans. This means at least 17 percent of all COVID-19 EIDL and PPP funds were disbursed to potentially fraudulent actors.

SBA, September 2023

An AP investigation concluded that total fraud affecting pandemic payments reached $280 billion, with another $123 wasted or misspent:

The Great Grift: How billions in COVID-19 relief aid was stolen or wasted

An Associated Press analysis found that fraudsters potentially stole more than $280 billion in COVID-19 relief funding; another $123 billion was wasted or misspent. Combined, the loss represents 10% of the $4.2 trillion the U.S. government has so far disbursed in COVID relief aid.

AP News, June 11, 2023

A 2025 GAO report concluded that total pandemic fraud was in the hundreds of billion, but that the true number will never be known:

COVID-19 Relief: Consequences of Fraud and Lessons for Prevention

The full extent of fraud within the pandemic-relief programs will never be known with certainty. The scope of the pandemic-relief response; the inherently deceptive nature of fraudulent activities; and the resources needed for detection, investigation, and prosecution of fraud make it difficult to measure. However, estimates indicate hundreds of billions of dollars in potentially fraudulent payments were disbursed.

GAO, April 9, 2025

Haywood Talcover, CEO of Lexis Nexis Risk Solution, in congressional testimony earlier this year stated that total pandemic fraud was likely $1 trillion, or 20% of the total allocated funds:

Witness at First DOGE Hearing Confronts Lawmakers with Scale of Covid Fraud: 'They Stole $1 Trillion'

Outdated government systems permit criminals to access unlimited sums of money. During the pandemic, they stole $1 trillion dollars, 70 percent of those dollars went overseas. Shockingly, it's just not criminals exploiting the system, it's the flawed system itself acting as the accomplice. If left unchecked, the U.S. government will continue to lead the world in funding cyber criminals.

National Review, February 12, 2025

In his written testimony, Talcover concluded that having successfully defrauded the emergency programs during COVID, criminal gangs have since turned their honed skills to the broad array of ongoing benefit programs. Not only did government lose hundreds of billions during the pandemic, but in the process also trained a generation of criminals primed to continue looting the public systems.

WRITTEN TESTIMONY OF HAYWOOD TALCOVE, CHIEF EXECUTIVE OFFICER, LEXISNEXIS SPECIAL SERVICES INC. BEFORE THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON WAYS AND MEANS SUBCOMMITTEE ON WORK AND WELFARE

The scale and sophistication of fraud targeting government programs—particularly, but certainly not limited to, unemployment insurance—have reached alarming new heights, exposing vulnerabilities to our systems and demonstrating just how easily malicious actors can exploit them. Post-COVID, these criminals have shifted their focus toward all government assistance programs as a lucrative target, treating public benefits like a low-risk, high-reward business model. Of the nearly $1 trillion estimated to have been stolen across all relief programs, only about $4 billion has been recovered—a sobering reminder of how much remains lost.

Submitted Testimony, February 6, 2025

These fraudulent payments were covered by increasing the federal deficit, which is now being paid off in part by annual interest payments of nearly $1.2 trillion, with your federal tax dollars going more to pay off what has already been spent rather than services and infrastructure that help improve the country.

Double-Dipping Fraud

Virtually all of the $31 billion in fraudulent payments will never be recovered. Still, some fraudsters have been arrested, including a number of LA County workers. Unlike many in private sector jobs, government workers were paid through the pandemic. Some, apparently, used that paid time to scam out additional public cash.

> **24 LA County employees charged with stealing over $700K in COVID unemployment benefits**
>
> *Eleven additional Los Angeles County employees have been charged with felony grand theft for fraudulently claiming unemployment benefits between 2020 and 2023 while they were still employed full-time.*
>
> *What we know: A total of 24 Los Angeles County employees allegedly submitted fraudulent unemployment insurance claims to the California Employment Development Department (EDD) between 2020 and 2023 topping $741,518, according to the Los Angeles County District Attorney's Office.*

Fox 11 Los Angeles, December 6, 2025

Definition of Insanity—Doing the Same Thing Over and Over and Over and Losing Even More Billions in the Process

In spite of its continually documented failures, mismanagement remains the guiding principle at EDD. In a recent damning audit, the State Auditor revealed that California's management of this program has been even worse than previously indicated. As reported by the Auditor:

> **Internal Control and Compliance Audit Report for the Fiscal Year Ended June 30, 2024**
>
> *The Employment Development Department (EDD) materially restated its Federal Fund and Governmental Activities financial statements . . . because EDD had incorrectly reported ineligible unemployment insurance (UI) benefit payments as a liability to the federal government in its fiscal year 2022–23 financial statements.*
>
> *EDD also misstated liabilities, expenses, and beginning fund net position in its Unemployment Programs Fund financial statements for fiscal year 2023–24. Furthermore, EDD did not have adequate internal controls in place over its accounting and financial reporting, such as timely and thorough reconciliations of multiple material account balances.*

California State Auditor, September 2025

The department's continued lax controls over determining benefit eligibility saw EDD claiming as much as $46.2 billion in ineligible payments with no justification for how they had arrived at this amount:

> *EDD restated its Federal Fund and Governmental Activities financial statements by $46.2 billion. As reported in our internal control reports for the past four fiscal years, EDD's approach for preventing ineligible UI payments had significant weaknesses during fiscal years 2019–20 through 2022–23. As of June 30, 2023, EDD accrued $46.2 billion in paid ineligible benefits as Other Liabilities in its Federal Fund and Governmental Activities financial statements. However, as reported in our fiscal year 2022–23 internal control report, EDD was unable to provide accurate and complete financial information supporting this estimate.*

Blowing a $23 Billion and Climbing Hole in the Unemployment Safety Net

After the governor's March 2020 stay-at-home orders closed jobs throughout the state, millions of workers had to fall back on unemployment insurance benefits to get by. California, like several other states, ran up substantial debt to the federal government as state unemployment funds ran dry, but California's debt was by far the largest of any state. At the end of 2021—the year the governor finally reopened the economy—California owed $19.6 billion, or 49% of the total owed by all the states.

Among the $5 trillion in federal pandemic assistance, states were specifically allowed to use federal funds given to them the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and the 2021 American Rescue Plan (ARP) to pay off this debt as well as restore the fiscal health of their state funds to pre-pandemic levels. Virtually every other state did so, with New York the last to pay off its $7 billion debt this summer using state reserve funds. California—the only state still carrying a pandemic UI debt—used those funds for other purposes.

> **California businesses continue to shoulder state's $20 billion debt to the federal government**
>
> *Businesses large and small across California are paying even more on their payroll taxes to the federal government this year because of spending decisions the state's Legislature and governor made within the last few years.*
>
> *California is the only state in the nation that has not paid its pandemic unemployment debt to the federal government.*

KCRA 3, December 21, 2025

California's debt instead continues to grow, most recently to $21.2 billion. As a result, employers are facing higher employment taxes not to provide benefits to workers but to pay off the consequences of the state's poor financial decisions. The state also has to pay about $660 million a year in interest that could otherwise go to other programs. More importantly, the unemployment fund workers relied on during the pandemic and will look to again during the next inevitable economic turndown is functionally bankrupt. Even the Legislative Analysts' Office recently concluded the fund is "structurally insolvent."

Note that this debt is due to the regular unemployment benefits. While a sizeable portion likely was paid to ineligible claims due to the system's wider problems, the earlier fraud estimates are specific to the federal enhanced pandemic benefits that were paid fully out of federal funds.

You Are Caller #2,397,452, Please Stay on the Line . . .

Legitimate claimants who wanted to make sure they were entitled to these benefits, however, were largely out of luck. While fraudsters walked off with up to $31 billion in easy money, legitimately unemployed workers had to get in line. While the state found it easy to close jobs, its preparation for the onslaught of unemployment claims was pathetic. From EDD data, the backlog for action on both initial and continuing claim applications, even after EDD redefined down what would qualify as "backlog," still remained near 900,000 cases the first half of 2021. Those seeking answers on the status of their applications flooded EDD with calls, which reached a peak of 9.7 million calls the second week of 2021—EDD only managed to answer 3.2% of them. Even by July that year, the number of calls were still at an average of about 3 million a week, but EDD still only picked up the phone on 8.1% of them. At its worst, applicants had to make nearly 15 calls on average before they were able to reach a live person. As indicated in the CalMatters piece above, EDD's mismanagement resulted in "*workers who lost their financial stability, their homes or, in extreme cases, their lives.*"

Planning for Failure

EDD's abysmal performance was not due just to the pandemic overload. A State Audit concluded that the department's failings were well documented prior to the pandemic, and that its response only made things worse. One key response failure was that as EDD took heat for its massive and growing backlog, it began to simply waive people through the line. In doing, it massively increased the options for fraud and placed those who legitimately qualified for assistance at jeopardy in the future.

Employment Development Department, EDD's Poor Planning and Ineffective Management Left It Unprepared to Assist Californians Unemployed by COVID-19 Shutdowns

> Significant Weaknesses in EDD's Claims Processing and Workload Management Leave It at Risk of a Continuing Backlog of Claims.
>
> *EDD has presented unclear information about its claim backlog. In December 2020, EDD publicly reported a backlog of about 685,700 claims. However, fewer than 20,000 of these claims were waiting for payment because of EDD's failure to resolve an issue with them. EDD's presentation of backlog information has led to confusion about its performance during the pandemic. Nevertheless, when claims rose dramatically in mid-March, EDD's inefficient processes contributed to significant delays in its payment of UI claims. Specifically, EDD was unable to automatically process nearly half of the claims submitted online between March and September 2020; instead, many of these claims required manual intervention from staff. As a result, as of September 2020, the timeliness of payments to claimants had declined when compared to the year before. Hundreds of thousands of claimants waited longer than 21 days—EDD's measure of how quickly it should process a claim—to receive their first benefit payment. Beginning in March 2020, EDD began modifying its practices and processes to increase the rate at which it automatically processes online claims, eventually reaching an automation rate of more than 90 percent by November 2020. However, it is unlikely to sustain that rate when it returns to post-pandemic operations because of the short-term nature of some of the automation measures it has taken to address the backlog.*
> *Because EDD Responded to the Claim Surge by Suspending Certain Eligibility Requirements, Many Californians Are at Risk of Needing to Repay Benefits.*
>
> *In March 2020, the secretary of the Labor and Workforce Development Agency (agency secretary) directed EDD to pay claimants UI benefits before determining whether they met key program eligibility requirements, and EDD expanded this directive to include most program eligibility determinations. In April 2020, the agency secretary further directed EDD to temporarily stop collecting the certifications claimants must regularly submit that assert they remain eligible for benefits. Although both directives were designed to provide Californians with benefit payments as quickly as possible, the United States Department of Labor had not waived the federal requirements addressed by the directives and has since questioned the actions EDD took. As a result, EDD now faces the challenge of processing delayed determinations and certifications of eligibility, which will require significant time and resources, and it has not adequately planned how it will address this impending workload. These actions also removed a barrier to fraud, and claimants who applied in good faith may have to repay the benefits they received if EDD finds them retroactively ineligible for some or all of those benefits.*
> *EDD Took Uninformed and Inadequate Steps to Resolve Its Call Center Deficiencies.*
>
> *Even before the claim surge, EDD struggled to answer claimants' calls. Once the claim surge began, EDD's call center performance deteriorated dramatically: it answered less than 1 percent of the calls it received. EDD quadrupled its available call center staff to more than 5,600 people in response to its call center problems, but these staff were often unable to assist callers and only marginally improved the percentage of calls it answered. Despite knowing for years that it had problems in the call center, EDD has not yet adopted best practices for managing the call center or for providing assistance to callers—such as tracking the reasons why claimants call and whether it resolves callers' issues—leaving it less prepared to effectively assist the many Californians attempting to navigate the claim process for the first time as a result of the pandemic.*
> *Despite Multiple Warnings, EDD Failed to Prepare for an Economic Downturn.*

During the Great Recession of 2008 and 2009, EDD experienced many problems similar to those we note in this report. Further, it has been aware of deficiencies with its claim process and call center for years. Nonetheless, in March 2020, EDD had no comprehensive plan for how it would respond if California experienced a recession and UI claims increased correspondingly. The 2020 claim surge was unprecedented and would have presented significant challenges no matter how prepared EDD was, but it failed to act comprehensively to prepare for downturns and to address known deficiencies. As a result, its areas of weakness became key deficiencies in its response to the claim surge, and these were a cause of serious frustration for unemployed Californians in need of assistance.

State Auditor, January 26, 2021

While EDD eventually sent out notices demanding refunds of overpayments, it eventually agreed to stop these demands under the terms of a lawsuit settlement, but at an unknown cost to taxpayers and unknown disruption of the lives of unemployed workers who had just made it through the state-ordered closures. The Department of Labor later standardized this overpayment forgiveness for the portion of additional benefits paid solely through federal funds.

EDD Bought Phones It Apparently Hoped Would Answer Themselves

As EDD faced growing pressures due to its mismanagement, the agency went on a shopping spree for new cellphones for its call center employees. Somehow, it forgot to count how many employees it had, and wasted $4.6 million on fees for phones that were never used, in some cases paying monthly for phones that were never used over 4 years.

California's unemployment agency kept paying cellphone bills for four and a half years without checking whether its workers were actually using the devices.

That's how it racked up $4.6 million in fees for mobile devices its workers were not using, according to a new state audit detailing wasteful spending at several government agencies.

. . . It acquired 7,224 cellphones and wireless hotspots by December 2020. State auditors analyzed 54 months of invoices since then and found half the devices were unused for at least two years, 25% were unused for three years and 99 of them were never used at all.

. . . From the beginning, the department had about 2,000 more cellphones than call center employees, according to the audit. The gap widened over time after the pandemic ended and the department's staffing returned to its normal headcount.

As of April, the audit said the department had 1,787 unemployment call center employees, but was paying monthly service fees for 5,097 mobile devices.

. . . "We would have expected EDD management to have reconsidered the need to pay the monthly service fees for so many devices that had no voice, message, or data usage," the audit said.

CalMatters, California unemployment agency paid $4.6 million in monthly fees for unused cellphones, December 12, 2025

Workers Chumpensation

Unemployment insurance is only one of several programs the state operates for the presumed benefit of workers, but that instead falls short of their purposes. Under Workers Compensation, California employers pay the highest tax rate among the states, and they do so not because California workers are prone to injury but because California government programs are prone to fraud.

> **California workers' compensation system plagued by high costs and fraud**
>
> *Today, work comp, as it's dubbed, is a huge program – well over $20 billion a year – whose operating rules are a source of perennial political jousting.*
>
> *. . . Usually, what's called "reform" involves financial gains for its sponsors and financial hits on those left out of the deal. It last happened in 2012 when employers and unions, with the tacit approval of work comp insurers, agreed to raise cash benefits and pay for them by tightening medical care and rehabilitation services. It angered medical providers and lawyers, of course, but followup studies indicate it's done what it was supposed to do.*
>
> *However, it still left California employers with – by far – the nation's highest work comp burden. The 2016 annual survey of costs by the Oregon Department of Consumer and Business Services kept California in the No. 1 spot with an average cost of 3.24 percent of payroll for work comp insurance, 76 percent above the national average.*
>
> *Obviously, working in California is not inherently more dangerous than in other states, and cash benefits to disabled California workers are not out of line, so the enormous cost differential must be rooted in the system itself, which explains why its rules are the subject of constant political infighting.*
>
> *One factor in those costs is what officials say is an enormous amount of fraud, concentrated in Southern California.*
>
> *Last year, the Center for Investigative Reporting reviewed work comp fraud cases that had been prosecuted and reported that they totaled more than $1 billion. But authorities believe that prosecutions merely are the tip of the iceberg.*
>
> *Why Southern California? Its large numbers of immigrant workers are easily persuaded by recruitment agents, called "cappers," to file claims that allow unscrupulous lawyers and medical providers to milk inflated payments for nonexistent injuries.*
>
> *. . . The continuing litany of cases underscores that concern. Just last month, Orange County prosecutors filed fraud charges against 10 attorneys and six others in an alleged scheme involving more than 33,000 "patients" for which more than $300 million in insurance payments had been made. Two months earlier, Orange County had busted a similar operation, bringing charges against more than two dozen doctors, pharmacists and business owners.*

CalMatters, June 23, 2020

Taxpayer Dollars Can Do Wonders for Your Complexion

> **Glendale doctor charged with filing $45M fraudulent Botox claims to Medicare**
>
> *A Glendale physician is accused of defrauding Medicare by deceitful claims for Botox injections and falsifying medical records, the U.S. Justice Department announced Thursday.*
>
> *A federal grand jury has indicted Dr. Violetta Mailyan for submitting more than $45[M] in fake Medicare claims although the Botox injections were not medically necessary or never provided, according to the DOJ.*

NBC San Diego, December 18, 2025

Deep Fried Fraud on a Stick

How California's county fairs have become cotton candy for fraud, theft and mismanagement

But along with its Ferris wheels and funnel cakes, the Humboldt County event shares something darker in common with a number of California's 77 local fairs: It has been racked with fraud and mismanagement.

The fair's former bookkeeper is due in federal court early next year after pleading guilty to stealing $430,000 from the fair, according to documents filed in federal court. Police had arrested her after catching up with her at a local casino.

Humboldt is hardly an outlier. A Los Angeles Times investigation has found that one-third of the state's 77 fairs — hallowed celebrations of the state's agrarian tradition — have been plagued by an array of problems. Workers from at least four fairs have been prosecuted in the last few years for theft, bribery or embezzlement, with more than $1 million stolen, according to a Times review of criminal court filings. State auditors have accused officials at dozens of other fairs of misspending millions more, according to a Times review. Ventura suffered a cash heist, Santa Clara a kickback scheme, and across much of California, public funds have been spent in violation of state rules, including on prime rib steaks and fancy wines while once-proud fairgrounds crumble into disrepair.

DYNUZ, February 11, 2025

Fraud on Top of Fraud

In the biggest sex abuse settlement in U.S. history, some claim they were paid to sue

Over the last year, a Times investigation found a practice of paying for plaintiffs among a nebulous network of vendors, who usher people desperate for cash toward a law firm that could profit significantly from their business.

The Times spent two weeks outside the county social services office in South Central Los Angeles, where a constant flow of people applied for food stamps and cash aid, and spoke with seven people who said they were paid there within the last year to sue the county for sex abuse.

. . . All the claims involving alleged payments were filed by Downtown LA Law Group, a pivotal player in the county's recent $4-billion settlement for sex abuse inside its juvenile halls and foster homes — the largest such payout in U.S. history. Of the roughly 11,000 plaintiffs in the settlement, The Times found that nearly one-fourth were represented by the firm.

LA Times, October 2, 2025

L.A. County DA investigates alleged fraud in $4.8B sex abuse settlements

Los Angeles County District Attorney Nathan Hochman announced Wednesday that his office is investigating lawyers and other individuals accused of lying to obtain part of the $4.8 billion in taxpayer money paid out through sexual abuse settlements against the county.

The announcement comes about six weeks after a Los Angeles Times investigation revealed that some plaintiffs were allegedly directed to a local law firm and offered cash to fabricate claims. Others told the Times they were abused but had not planned to sue until they were offered money.

KTLA 5, October 19, 2025

Fraud Begins at Home

Newsom's 'National Model' for Homeless Wracked by Fraud

Gov. Gavin Newsom has made reducing the homelessness crisis in California a top priority, saying the scale of the state's efforts is "unprecedented" and calling for the continued expansion of his signature effort – Project Homekey – that has already cost $3.75 billion.

But in a state with more than 181,000 homeless individuals, or about one-third of the U.S. total, Homekey has been marred by failures and scandals, including a lack of government oversight and accountability as well as a federal investigation into allegations of fraud in Los Angeles.

. . . In one case, Cody Holmes, the former CFO of developer Shangri-La Industries, allegedly falsified bank records to obtain $26 million in Homekey funds, only to siphon off more than $2 million to pay his own credit card bill, Essayli told the media.

. . . L.A. County received $550 million in Homekey funds between 2021-2024, which was used to acquire 32 buildings with 2,157 rooms. An investigation by Westside Current found that 71% of units remained vacant as of May 2025 due to construction delays.

In the city of L.A., the housing authority used $48.9 million in Homekey money to acquire and complete a building that was under construction. Developer Haroni Investments was chosen to construct a 75,105-square-foot building with 127 housing units. A similar project in the area would typically cost roughly $18.8 million, according to experts who spoke to local reporters. HACLA's purchase price of $48.9 million represents a 165% profit at taxpayer expense, the story noted.

A June 2025 memo from L.A. Mayor Karen Bass' office estimated that the building would be completed later that month. In August, city officials held a ribbon-cutting ceremony even though the building was not yet finished. As of December, the LA Housing Department's website says the building "is not yet built," and there are no listings for available units. Requests for comment from Bass' office have not been returned.

In addition to overspending and delays, there are allegations of fraud. One case involves homeless service provider Weingart Center Association using $27.3 million in Homekey grants to purchase a 76-unit senior living complex in L.A., which it planned to convert into housing units with additional funding from the city.

But federal prosecutors say the deal was shady and shrouded in secrecy. Steven Taylor, the real estate developer who sold the property to the Weingart Center, used fake bank statements to obtain loans and credit to buy the property for $11.2 million, just months before flipping it for a $16.1 million markup. Taylor made no improvements or renovations to the building. A contract clause ensured that his involvement would be kept secret.

. . . In August, federal authorities arrested Taylor, who is facing nine felony counts of bank fraud and money laundering. Taylor maintains his innocence and is free on a $3.6 million bond. Bass is cooperating with the ongoing federal investigation.

Real Clear Investigations, December 11, 2025 (other examples in the article)

<u>A Penchant for Pensions</u>

Regardless of past reform efforts, unfunded state and local pension debt keeps growing. In 2023, the largest public pension systems in the state combined had unfunded pension commitments (present value) valued officially at $279.9 billion, or the equivalent of $20,300 per household. Work by Stanford researchers indicates these numbers are heavily underestimated by more than 2/3 due to the fact that pension payments are guaranteed property rights, that must be paid either from pension funds or from annual tax revenues. Using a risk-free discount rate that reflects this fact, total unfunded pension debt in California was just shy of $1 trillion, or the equivalent of $69,600 per household, and this amount keeps growing each time the unions secure yet another wage hike or convince the public officials they helped elect to office to weaken the few reforms that have tried to rein in these liabilities.

These debts are already taking state tax revenues from other priorities. Since pre-Prop 30 (and 55) 2010-11, total annual state payments for pensions and employee (current and retired) health benefits have ballooned by $14.2 billion (171%). In contrast, the Prop 30/55 revenues that were passed by telling the public that education would benefit have averaged only $8 billion.

The growing public pension debt both in California and the rest of the nation are based on the fact that they are defined benefit plans with guaranteed future payments regardless of whether money remains in a pension fund or if it has to be taken from annual tax revenues that would otherwise pay for programs such as education and public safety. The latest data from US Bureau of Labor Statistics shows that in 2025, 86% of state and local government workers nationally had access to a defined benefit plan, while only 14% of private sector workers who have to support these plans still did. The problem became worse in California as unions have been able to sideline periodic reforms, demand pension sweeteners in place of wage hikes when their employers have run out of money, and jump their retirement payments—which are based on their highest earning years—each time they win yet another wage increase. And unlike private sector workers, state workers have the option to have a deathbed conversion and switch to a de facto defined contributions plan:

Return of Remaining Contributions Option 1

- *With this option, you'll get a slightly lower monthly allowance than the Unmodified Allowance.*
- *When you pass away, any money left in your account from your member contributions and interest is given to your chosen beneficiary or beneficiaries as a lump sum.*

Or even, with a slight decrease in their monthly benefits, pass on this guaranteed income flow to their kids for their lifetime as well:

100% Beneficiary Option 2 With Allowance Increase

- *Like the 100% Beneficiary option, you'll receive a reduced monthly allowance.*
- *After you pass away, your chosen beneficiary receives 100% of your monthly allowance for life.*

CalPERS, Curious About CalPERS Retirement Payment Options?, accessed December 23, 2025

There are several components to the state's pension debt. CalPERS manages retirement funds for most state employees and under contract, funds for hundreds of local agencies and school districts (generally non-teacher staff). Most accounts are under the Public Employees Retirement Fund (PERF), but a number of smaller funds are also maintained for the Judiciary, remaining eligible legislators, and others. CalSTRS manages funds for teachers. The state has direct obligations for its portion of the costs, and indirectly pays for much of the local share through Prop. 98 funding. CalSTRS has additional financial significance due to the fact that teachers are not covered by Social Security (and consequently retain the value of the wage taxes that would otherwise be paid for this benefit), whereas state and many, but not all, local government employees are. Retiree health benefits (OPEB—other postemployment benefits) until recently have been funded on a pay-as-you-go basis. State and employee contributions have been accumulated only in recent years to prefund this growing liability. As indicated below, there are also separate systems for UC and for some of the larger local governments.

The state pension systems historically were moving to a deficit position, but this trend was reversed through reforms (Tier 2 for PERF) adopted in the 1990s. Just as the legislature greatly expanded spending based on presumed revenue booms at the end of the 1990s, unions used the resulting surplus accumulating in PERF to push for repeal of Tier 2 and subsequent sweetening of state benefits on the erroneous claim that the state could afford it without any need for future tax increases. SB 400 (1999) passed with Republican votes enacted major pension increases for state employees, including retroactive provisions. Local governments later adopted these increases or were more generous. Similar pension boosts for CalSTRS were adopted incrementally through several pieces of legislation. As the economy slowed and as it fell during the Great Recession, pension funding levels plummeted and local governments in particular made the situation worse by countering union wage demands—which they could not afford—with unfunded pension increases, which had no immediate cost but kept adding to the growing pension deficits. For example, it's not unusual for cities to contribute 50% or more of wages to cover public safety pension commitments, a factor that contributed heavily to Vallejo's bankruptcy in 2008.

California's big pension fund sees better return, but not out of the woods

> *CalPERS still has scarcely two-thirds of the money it needs to meet its pension obligations – even assuming a 7 percent annual earnings target that many independent authorities and even its own staff believe is unattainable.*
>
> *. . . It would take years of double-digit returns to narrow CalPERS' pension debt, now more than a quarter-trillion dollars, and reach the 80 percent funded level deemed to be minimally sufficient.*
>
> *The more likely scenario is that the gap between what it needs and what it has will continue to languish, and even grow, even though CalPERS continues to ramp up mandatory "contributions" from state and local governments – or more accurately their taxpayers. Those inflows have more than doubled in recent years, hitting cities especially hard because they devote so much of their budgets to highly paid police and fire staffs that have the most lavish, and therefore most expensive, pension promises.*
>
> *It's not unusual for government employers to be paying 50 percent of payroll for police officers. In other words, for each dollar of salary, they must kick in another 50 cents to their pension accounts.*

CalMatters, June 23, 2020

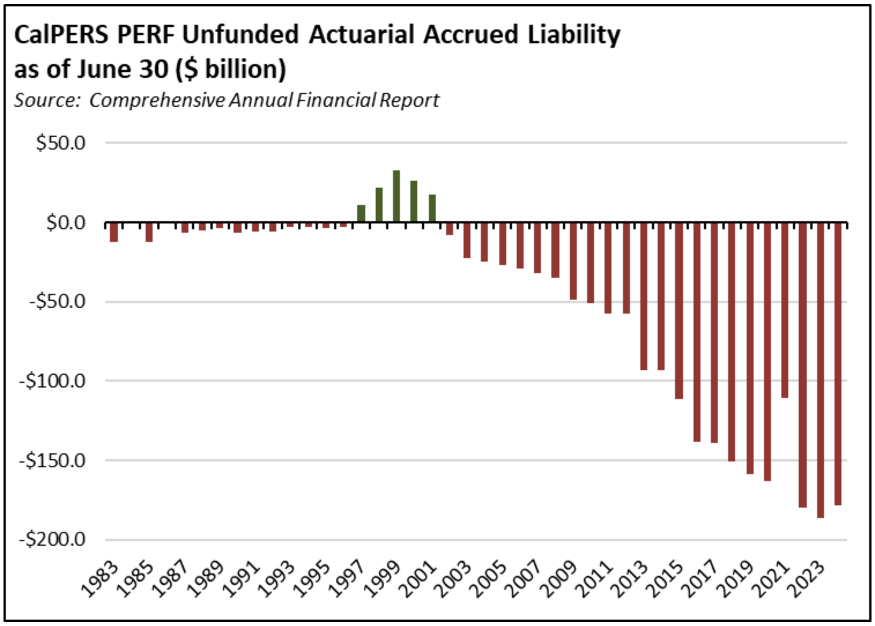
A new round of reforms adopted under Governor Brown helped bring the pension funds especially CalSTRS back from the brink, but the funds still remain short of the 80% funding goals. Unions also are once again seeking to undermine these reforms as well.

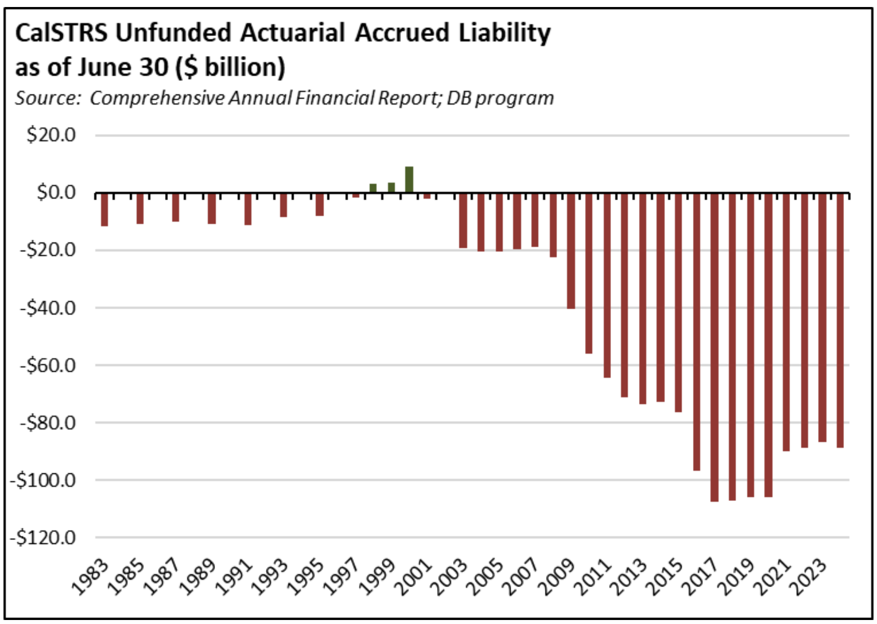
Lawmakers might undermine California's landmark public pension reform

> *A Democrat-dominated Legislature passed and a Democratic governor, Jerry Brown, signed a significant overhaul of state and local public employee pension systems.*
>
> *. . . Mandatory pension payments into the California Public Employee Retirement System had been factors in the bankruptcies of two cities, and unfunded obligations for future benefits totaled many tens of billions of dollars.*

CalMatters, May 1, 2025

In the most recent financial reports, the UAAL (unfunded actuarial accrued liability) for CalPERS PERF was $178.6 billion as of June 30, 2024, and CalSTRS was $88.7 billion. CalPERS was only 73.9% funded, down from 81.2% in 2021 and worse than 76.3% 10 years ago in 2014. CalSTRS was 76.7%, showing little change over a 4-year period but substantially better than the 57.1% level in 2020. Pension funds below 50% are generally considered to be locked into a death spiral, soon after which all pension payments would have to come from annual tax revenues.





Using data from the Center for Retirement Research (updated with the 2024 CalPERS number), unfunded liabilities for the 16 largest public pension plans in the state have grown by $116.8 billion (53%) over the last 10 years. The $337.4 billion in liabilities in 2024 equates to $24,320 per household.

Top 16 Pension Systems, UAAL
Source: Center for Retirement Research, Public Plans Data

2014	CalPERS PERF	$93.5
	CalSTRS	72.7
	University of California	12.1

	LA County	11.3
	Los Angeles	5.3
	Orange County	5.0
	San Francisco	3.1
	Los Angeles Fire and Police	2.4
	San Diego County	2.3
	Kern County	2.2
	Los Angeles Water and Power	2.1
	San Diego	2.0
	San Bernadino County	1.9
	Alameda County	1.9
	Contra Costa County	1.5
	Sacramento County	1.3
	Total	$220.6
2024	CalPERS PERF	$178.6
	CalSTRS	88.7
	University of California	20.4
	LA County	18.1
	Los Angeles	7.0
	San Diego County	5.1
	Orange County	4.6
	San Diego	3.5
	Kern County	2.5
	San Bernadino County	2.2
	Sacramento County	2.2
	Alameda County	1.5
	San Francisco	1.3
	Contra Costa County	1.2
	Los Angeles Water and Power	0.4
	Los Angeles Fire and Police	0.1
	Total	$337.4
	Change	53%

These numbers, however, are likely undercounted. These valuations are based on discount rates—based on what have proven to be historically optimistic rates of return—used by each of the funds rather than how they would be valued in the market. In a series of research papers, Ted Rauh of the Stanford Institute for Economic Policy Research has long argued that public pension liabilities should instead be assessed using a risk-free rate. Investments by the funds are subject to market vagaries, but the benefits that form their liabilities are guaranteed, risk-free income streams that—as the courts have determined—are property rights that must be paid either from pension funds or, when they run out, from annual public revenues.

Reported vs. Market Valuation, California

Source: Stanford Public Pension Dashboard, 2023; $ billion

	Reported	Market
State	$211.7	$687.9
Local (36 funds)	68.2	270.2
Total	$279.9	$958.1

His latest work looks at state and local pension funds that comprise about 90% of the national total and that cover both the state and 36 local funds in California. Rauh estimates that the looming pension bill in California is undervalued by more than 2/3. Rather than a 2023 unfunded liability of $279.9 billion, this future commitment of public funds should instead be valued as $958.1 billion. Rather than a reported funding level of 78.1%, the state's public pensions instead are funded closer to the death spiral rate at 52.2%. His results also show California has also greatly overpromised what it can pay compared to other states. The reported valuation represents 17.1% of the national debt total, while the market valuation is at 20.9%. In contrast, California only contains 11.6% of the national population.

Public pensions are mixing risky investments with unrealistic predictions

By using an inappropriate discount rate, public employers have obscured the real long-term costs. "That's enabled politicians to kick the can down the road for a long time, and that tab will ultimately have to be paid by future generations," Rauh says. "Without reform, state and local governments will increasingly have to draw on tax revenue to meet their obligations, crowding out spending on things like education and public safety." Cities could go bankrupt, and states like California could see a continued exodus of high-income taxpayers as government services are squeezed by the financial demands of keeping pension systems afloat.

Stanford Institute for Economic Policy Research, accessed 12/23/2025

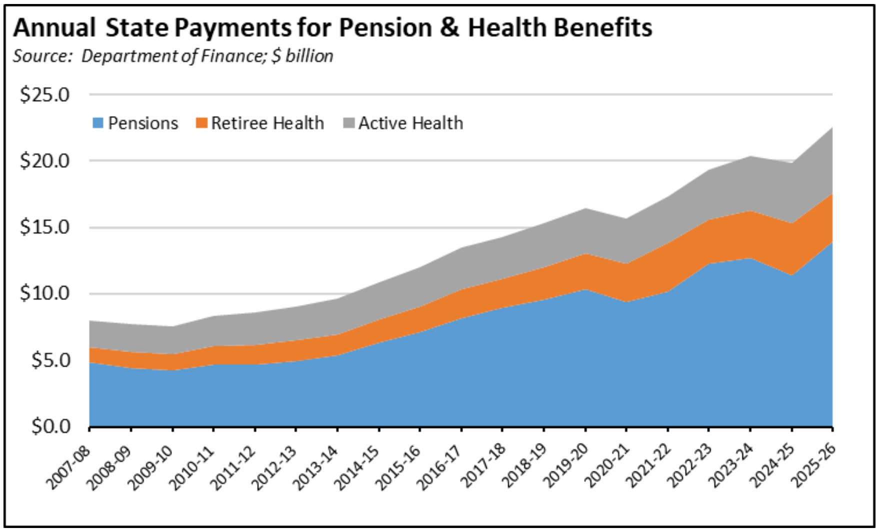
And in fact, unfunded pension promises are already diverting tax revenues away from their intended purposes. In part to pay for the Brown reforms, annual payments drawn from other priorities in the state budget have been rising as well, both for pensions along with related health benefits for current and retired workers.

State Retirement and Health Care Contributions 1/ 2/ 3/
(Dollars in Millions)

	CalPERS	CSU CalPERS	CalSTRS	JRS	JRS II	LRS 5/	Active Health & Dental 6/	Retiree Health & Dental	CSU Retiree Health	Employer OPEB Prefunding 7/
2016-17	$ 4,754	$ 621	$ 2,473	$202	$ 68	$1	$ 3,104	$ 1,623	$ 272	$ 342 8/
2017-18	5,188	661	2,790	199	80	1	3,192	1,695	285	189
2018-19	5,506	683	3,082	194	84	1	3,255	1,759	313	394
2019-20	5,946	716	3,323	242	91	1	3,371	1,844	326	562
2020-21	4,925	680	3,428 4/	225	84	1	3,398	1,938	339	600
2021-22	5,363	677	3,862	194	91	1	3,501	2,019	356	1,292 9/
2022-23	7,475	744	3,712	208	86	1	3,731	2,208	392	735
2023-24	7,728	744	3,939	211	89	0	4,139	2,417	428	711
2024-25	6,251	609	4,257	217	92	0	4,574	2,723	484	663
2025-26 10/	8,279	731	4,632	181	95	0	5,012	3,030	542	53 11/

Source: Department of Finance, Enacted Budget Summary, 2025-26

In all, total annual state spending on employee—both current and retiree—pensions and health benefits has grown 171% since 2010-11, the budget year just prior to the revenue increases coming from the Prop. 30 (and later 55) tax increases. While both these propositions were promoted as ensuring funds kept flowing to the schools, the reality is that they went to fund employee benefits. The State Controller estimates that these propositions have raised an average of $8 billion annually. This amount is dwarfed by the $14.2 billion rise in the annual cost of employee benefits in this period.



As indicated, pension reforms have little staying power in the state. The latest example comes from the OPEB liability situation. Historically, the state has not prefunded this debt as it (partially) has pensions, but in 2016, both the state and employees began making contributions for this purpose. Even with these payments, the unfunded portion of this retirement debts remains over $90 billion as costs have grown.

Net OPEB Liability
Source: California Controller, $ billion

2017	-$91.01
2018	-$85.59
2019	-$91.93
2020	-$95.19
2021	-$95.51
2022	-$82.41
2023	-$85.18
2024	-$91.48

These payments were previously tolled in 2020 as a deficit reduction measure in return for the unions agreeing to furloughs. The unions, however, got paid twice for this concession: temporary elimination of the OPEB paycheck deduction and additional leave that workers were able to sell back to the state in the future at a profit when they were earning higher salaries.

In 2025, Governor Newsom again put the OPEB payments—by both the state and workers—on hold for two years in return for an agreement to delay a previously negotiated wage increase. The concession, as usual, was no concession. What the unions gave on the salary increase, they got back in relief from the OPEB paycheck deduction plus additional leave in return for delaying a wage increase they will still get in the future. Taxpayers of course are still on the hook for the now-increased debt plus the additional costs of the additional leave.

> *Suspending the state's prefunding contributions reduces the state's costs by between 1 percent of pay and 4.5 percent of pay in 2025-26 and 2026-27. . .The reduced amount of money invested in the trust fund will result in higher unfunded liabilities in the long run.*

. . . Reduced State Costs Through 2026-27. As Figure 5 shows, the administration estimates that the agreements will reduces [sic] state costs by $720 million ($351 million General Fund) in 2025-26 and $645 million ($289 million General Fund) in 2026-27. These savings will help address the state's immediate budget problem.

. . . Long-Term, Higher State Costs. The agreements result in higher annual state costs beginning in 2027-28 as the state resumes contributing money to prefund retiree health benefits and employees receive the pay increases deferred under PLP 2025. The administration estimates that the state's annual costs will increase by $1.8 billion in 2027-28 ($941 million General Fund) relative to 2024-25.

Legislative Analysts' Office, Labor Agreements to Achieve Budgetary Savings**,**
accessed December 23, 2025

Federal Fraud

The federal government loses the equivalent of 3 to 7% of its annual expenditures to fraud. The annual estimated fraud cost works out to the equivalent of $1,760 to $3,940 per household.

Fraud Risk Management: 2018-2022 Data Show Federal Government Loses an Estimated $233 Billion to $521 Billion Annually to Fraud, Based on Various Risk Environments

We estimated direct annual financial losses to the federal government from fraud to be between approximately $233 billion and $521 billion . . . The estimated losses represent about 3 to 7 percent of average federal obligations for fiscal years 2018 through 2022.

US General Accounting Office, April 16, 2024

In addition, GAO in another study also found that 16 agencies reported $162 billion in improper payments across 68 programs. Since FY 2003, these losses have totaled $2.3 trillion. Improper payments in some instances also may involve fraud, but in general they are payments to ineligible persons or payments that are made for incorrect amounts. The programs with the greatest incidence of fraud are Medicare ($54.3 billion), Medicaid (Medi-Cal in California) $31.1 billion, Earned Income Tax Credit (EITC, $15.9 billion), and Supplemental Nutritional Assistance Program (SNAP—food stamps, $10.5 billion). This estimate moreover is only the tip of the problem and only covers the 16 reporting agencies. Just adding this partial amount to the above, however, results in a fraud and improper payment costs of $2,990 to $5,170 per household in 2024.

Improper Payments: Information on Agencies' Fiscal Year 2024 Estimates

Federal improper payments since FY 2003 are estimated at about $2.8 trillion.

. . . For fiscal year 2024, 16 agencies reported a total estimated $162 billion in improper payments across 68 programs. Agencies reported that about $135 billion (approximately 84 percent) of this total was the result of overpayments. About $121 billion (approximately 75 percent) was concentrated in five program areas. Eighteen federal programs reported improper payment rate estimates of at least 10 percent, including six programs whose rates ranged from over 25 percent to about 45 percent.

. . . However, the improper payment estimates do not represent the full extent of government-wide improper payments. For instance, the $162 billion total represents a small subset of all federal programs and does not include certain programs that agencies have determined are susceptible to significant improper payments.

US General Accounting Office, March 11, 2025

The vocational training effect provided by the states' administration of pandemic era assistance programs (see Total Pandemic Fraud) may see these costs spike in the following years. In a test of the system, GAO recently ran a covert fraud testing exercise by submitting fictious applications for premium tax credits under the Obamacare health exchanges (Covered California in California). Nearly all of these fictitious applications were approved to receive the federal tax credit funds, often with no questions asked. Even in cases where GAO was asked to provide documentation to prove eligibility, GAO did not respond to the requests and the applications were still approved. Almost all of the fictitious accounts are still receiving federal tax payments.

> **Preliminary Results of Ongoing Work Suggest Fraud Risks in the Advance Premium Tax Credit Persist**
>
> *Preliminary results from GAO's ongoing covert testing suggest fraud risks in the advance premium tax credit (APTC) persist. The federal Marketplace approved coverage for nearly all of GAO's fictitious applicants in plan years 2024 and 2025, generally consistent with similar GAO testing in 2014 through 2016. GAO's covert testing is illustrative and cannot be generalized to the enrollee population.*
>
> - ***Plan year 2024.*** *The federal Marketplace approved subsidized coverage for all four of GAO's fictitious applicants submitted in October 2024. In total, the Centers for Medicare & Medicaid Services (CMS) paid about $2,350 per month in APTC in November and December for these fictitious enrollees. For some, the federal Marketplace requested documentation to support Social Security numbers (SSN), citizenship, and reported income. GAO did not provide documentation yet received coverage.*
>
> - ***Plan year 2025.*** *Of 20 fictitious applicants, 18 remain actively covered as of September 2025. APTC for these 18 enrollees totals over $10,000 per month. GAO continues to monitor the enrollments as part of its ongoing work.*
>
> *. . . More broadly, GAO's preliminary analyses identified vulnerabilities related to potential SSN misuse and likely unauthorized enrollment changes in federal Marketplace data for plan years 2023 and 2024. . . GAO's preliminary analysis of data from tax year 2023 could not identify evidence of reconciliation for over $21 billion in APTC for enrollees who provided SSNs to the federal Marketplace for plan year 2023.*

US General Accounting Office, December 10, 2025

Note these estimates apply directly to California. With the exception of EITC and Medicare, most of these programs are administered by the states using federal funds and, in the case of California, administered by both the state and the counties.

Squeezing Blood from a (fire-blackened) Stone

Eight months ago, Mayor Bass promised to speed up recovery from the January 2025 fires by eliminating plan check, permit, and art fees otherwise required to rebuild. Eight months later, these promises remain unfilled as the City Council continues to delay action.

> **LA City delays vote on Palisades Fire fee waivers, bringing some survivors to tears**
>
> *Anger and heartbreak filled the Los Angeles City Council chamber Tuesday as Pacific Palisades fire survivors broke down in tears when the council again delayed a vote on whether to waive reconstruction fees — nearly a year after the deadly Palisades fire.*
>
> *For many victims, the decision could determine whether they rebuild or leave the community. The difference could amount to tens of thousands of dollars, and residents are still waiting.*

Dozens of fire victims packed City Hall, some crying as council members postponed the decision once more.

Fox 11, , December 2, 2025

Paying More to Get Less

In order to meet court-mandated staffing levels, the state began throwing money at its employees through bonuses and other incentives. Rather than go down to the mandated levels, vacancy rates continued to rise with the state lacking even basic management systems to allow it to determine why.

> **Prison health workers are among the best-paid public employees. Why are so many jobs vacant?**
>
> *Despite spending hundreds of millions of dollars to fill vacant medical and mental health positions at prisons and state hospitals, California has little to show for it, according to a new report from the state auditor.*
>
> *Job vacancy rates have increased since 2019 at the three facilities examined in the audit, as has the state's reliance on pricey temporary workers. Atascadero State Hospital, Porterville Developmental Center and Salinas Valley State Prison had health-related vacancy rates topping 30% during fiscal year 2023-24. At Salinas Valley State Prison more than 50% of health positions were unfilled.*
>
> *. . . A board-certified psychiatrist at Atascadero State Hospital — some of the highest paid state employees — can earn more than $397,000 in base pay. They also retire with pensions through the California Public Employees' Retirement System. In comparison, the mean wage for a psychiatrist in California is $328,560, according to the U.S. Bureau of Labor Statistics.*
>
> *. . . The audit found:*
>
> - *The facilities had a "significant number of vacant positions" that were not filled by temporary workers or staff overtime.*
> - *Neither the Department of State Hospitals nor the Department of Developmental Services, which houses some people with developmental disabilities in Porterville, had procedures to adequately evaluate or budget for staffing needs annually.*
> - *The state hospitals and developmental services departments as well as the Department of Corrections and Rehabilitation have no process to determine whether facilities are meeting staffing minimums during each shift.*

CalMatters, December 15, 2025

Wasting $28 Million to Make Things Worse

In 2019, UC awarded $28 million in IT contracts to replace its outdated pension computer system. As with many of the state IT contracts awarded in the home of Silicon Valley, the system was a flop.

> **University of California's $28 million system for pension payouts produced chaos and complaints**
>
> *Twelve years ago, UC officials awarded contracts to two companies, Sagitec Solutions and Linea Solutions, worth $28 million to upgrade the pension system's outdated computer system.*

When the upgrade was tested a half-decade later, chaos erupted. Pension payments weren't delivered on time, pension calculations were riddled with errors, UC retirees pelted the system's administration with complaints, and the contractors and UC executives began pointing fingers of blame at each other.

UC accused the vendors of shoddy work. The vendors complained that UC officials muddied the waters with requests for multiple changes as the system was being installed. The conflict is still in the courts.

CalMatters, December 16, 2025

FI$CAL Fantasy

One of the state's more enduring cost overruns has been its effort to centralize its budget and cost reporting under a single accounting system, FI$CAL. The project was originally announced in 2005 with a more limited scope based on a total cost of $138 million and a completion date of July 2011. Costs have since ballooned to nearly $1 billion and will continue to rise as the state attempts to meet a completion data now optimistically set at 2032.

California's list of failed tech projects just added an agency

The state's most ambitious effort, the Financial Information System for California, or FI$Cal for short, has been a poster child for very expensive, much delayed and only partially implemented technology.

Launched in 2005, FI$Cal was to replace multiple outdated systems and become a one-stop application for managing state government finances.

Two decades later, about a billion dollars has been spent and some state agencies have been incorporated into the system, but complete deployment is not scheduled until 2032.

"The project office will not complete the project by its scheduled end date of June 2022," a 2022 report from the state auditor's office declared, citing a lack of staff and other impediments.

"Even when the project office officially declares the project done," the audit continued, "it will not have implemented all promised functionality, and doing so will likely incur significant expense.

"As we described in our two most recent reports, the project office postponed the development of some features, thus reducing the number of key features the system will have when the project formally ends."

A followup auditor's report issued last November found some progress toward completion but noted that some of the state's "largest and most complex" departments remain to be hooked into the system, "and their transition to FI$Cal must be complete by July 1, 2032."

CalMatters, March 6, 2025

Good Enough for Government Work

Rather than admit defeat, the state even tried to snatch victory by declaring the project was complete even though it remained at least a decade away from its goals.

State puts lipstick on its porcine IT project

The Legislature has been frustrated by the project's sorry record and as the June deadline approached, both legislative houses voted for more oversight. They passed a bill requiring detailed annual reports on the number and length of unplanned outages and changes to make FI$Cal function well enough to comply with federal requirements.

The measure's author, Assemblyman Rudy Salas, a Bakersfield Democrat, told his fellow legislators in a statement, "As FI$Cal enters its 18th year at a cost of approximately $1 billion, it is clear that stronger oversight and transparency needs to be established," adding, "This bill will help establish better oversight and functionality with a high-risk state project, and help get FI$Cal back on track."

Eight days after passing Salas' bill on June 23, the Legislature did something else about FI$Cal, although few lawmakers were probably aware of what they were doing, since it was buried in one of the many budget "trailer bills" that are passed with little scrutiny.

The trailer bill simply declared that "the system's project objectives … are determined to be complete as of July 1, 2022. Therefore, no further reporting pursuant to Section 11546 on system development, implementation, enhancement, maintenance and operations, security, or related workload is required."

In other words, the trailer bill put into law what project managers had once tried to do on their own — declare FI$Cal to be complete even though it's clearly not. The legislation also removed the state auditor as an independent overseer of the entire project, relegating it to a much-narrower role, and in essence gave the project's managers another 10 years to make it fully useable.

Last week, Gov. Gavin Newsom completed the fictional exercise of declaring the obviously incomplete FI$Cal to be finished by vetoing Salas' bill.

Santa Ynez Valley News, September 29, 2022

New state auditor report pinpoints California's high-tech failures

The state's most spectacular example of California's high-tech shortcomings is a project called "Financial Information System for California," an awkward name devised to create a cute acronym, "FI$Cal."

It's supposedly a comprehensive financial management tool that seamlessly empowers state agencies to handle the many billions of dollars that the state spends each year. However, it's never been fully baked, as the state auditor's office has repeatedly pointed out.

At one point, project managers tried to declare it complete and therefore no longer subject to the auditor's oversight, but when that failed, Newsom and the Legislature slipped such a declaration into a budget "trailer" bill. He also vetoed legislation that would have required detailed annual reports on the number and length of FI$Cal's unplanned outages and changes need to make the project work well enough to comply with federal reporting requirements.

In other words, even though FI$Cal is still a troubled work in progress, state law now deems it good enough for government work. So much for Newsom's lofty vision of California's becoming a high-tech utopia.

CalMatters, April 24, 2023

A Billion Dollars Late and Many, Many Days Short

The FI$CAL delays have had one of the most meaningful impacts on the state's financial reporting, with the state repeatedly missing its mandated April 1 deadline for its Annual Comprehensive Financial Report. The FY 2022 report was just shy of a year late in mid-March 2024. The FY 2023 report was not released until mid-December 2024. The FY 2024 report was released in mid-September 2025. The State Auditor has previously warned that aside from making state spending less transparent, these continued delays may also have a financial cost by increasing the state's debt costs.

FI$Cal Status, California's New, Centralized Fiscal System Will Miss Its Completion Target Again While Agencies Still Struggle to Use the New Technology

From the beginning, the FI$Cal system was meant to improve the State's fiscal controls by enhancing the timeliness of financial management information; however, fiscal year 2019–20 will be the third consecutive reporting cycle in which the State will publish late financial statements. Each year the State Controller prepares a comprehensive set of financial statements, which our office audits for accuracy and compliance with accounting standards. State bond agreements require the State to publish these financial statements, including the audited statements, if available, by April 1 of the year following the end of the fiscal year. Federal funding requirements have typically set this same deadline for publishing financial statements, although the federal government extended the deadline because of the COVID-19 pandemic. Figure 2 shows that the State has failed to meet the April 1 deadline for the past three years.

These financial reporting delays may ultimately prove costly for the State. The State's ability to publish accurate and timely financial statements is important for the State to sustain the trust of financial markets and maintain a high credit rating. A high credit rating helps ensure access to low-interest debt. If the State suffers a downgraded credit rating, it could substantially increase borrowing costs, affecting the State's ability to pay for debt-financed projects such as schools and levees. Publishing late financial statements also creates a risk to the State's access to federal funding. Because it receives billions of dollars in federal funds each year, the federal government requires the State to prepare financial statements and have these statements audited.

California State Auditor, January 4, 2022

California's Fi$Cal project overruns now threaten state's credit rating, auditor warns

Many years and $918 million later, California is still struggling to bring agencies online to a unified financial management system. And now California State Auditor Elaine Howle warns that complications with the budgeting, accounting, procurement and cash management system known as the Financial Information System for California, or FI$Cal, are threatening the state's credit rating.

. . . The auditor reports that 41 of 89 state entities using FI$Cal missed financial reporting deadlines in April. The agencies now scheduled to join Fi$Cal represent a large enough portion of the state's budget, the auditor warns, that if they miss yearend financial reporting deadlines, as others have missed monthly deadlines, it "could negatively affect credibility among investors, the public, and credit rating agencies."

Statescoop, August 17, 2018

21st??? I Meant 22nd

FI$Cal is only the latest and enduring of the state's accounting fiascos. An earlier effort—dubbed the 21st Century Project—wasted $250 million and nearly two decades on an update for the state's payroll system. First, as delays made the title outdated, the state tried face saving by renaming the effort as MyCalPAYS. After a disastrous rollout, the system was abandoned and descended into suits and countersuits.

California settles lawsuit over failed state payroll system

The state has spent about $250 million pursuing a new system since the late 1990s, when the project was dubbed "the 21st Century Project." When that name became outdated, the project was rechristened "also known as MyCalPAYS."

. . . The latest failure dramatically surfaced in February 2013 when then-Controller John Chiang canceled SAP's $90 million contract to launch the system. Glitches had plagued trial runs of the program, and a small rollout affecting 1,500 state workers ended in disaster. Government officials learned of the failures from affected employees, not SAP. The mistakes included everything from child-support payments incorrectly withheld to outright pay miscalculations.

Sacramento Bee, June 7, 2016

Who's Guarding the Guarddog?

After an endless stream of IT fiascos—in the state that is the birthplace of IT to begin with—it's not unreasonable to expect that someone in government would try to fix it. Turns out, someone is supposed in charge, but their nearly $1 billion a year budget has done little but keep those hits still coming.

California settles lawsuit over failed state payroll system

California is the world capital of high technology, but one of the most puzzling – and infuriating – aspects of its government is a stubborn failure to employ technology effectively.

It's particularly vexing because 10 years ago, the head of California's government, Gavin Newsom, published a book, "Citizenville: How to Take the Town Square Digital and Reinvent Government," that touted the use of technology to improve government efficiency and responsiveness.

Just before then-Lt. Gov. Newsom's book appeared, then-Gov. Jerry Brown had created a new state agency, the California Department of Technology, or CDT, charged with cutting through bureaucratic bungling on use of information technology, which had led to multiple projects wasting untold millions of dollars without becoming effective tools.

CDT now has about 1,000 employees and a nearly $1 billion annual budget, but has not produced the high-tech nirvana envisioned in Newsom's book, even though his election as governor gave him the opportunity to make it happen.

. . . Last week, in a new report, state auditor Grant Parks told the Legislature that California's high-tech efforts have fallen short because the CDT – the agency created a decade ago to make technology work – is itself deficient.

Point-by-point, the auditor describes what CDT is doing – or not doing – that inhibits the efficient use of technology.

"CDT has broad responsibility and authority over nearly all aspects of IT in the State, including providing strategic direction, assessing IT security, and performing project oversight," Parks wrote in his report. "However, it has not fulfilled important responsibilities in these areas, resulting in significant consequences for the state. CDT has not provided the state with sufficient strategic direction to ensure that critical IT systems are modernized, secure, and that the systems effectively provide important services. For example, CDT has yet to identify the systems statewide that are outdated or obsolete and require modernization, leaving the state at risk of outage or failure."

The report cites one obvious example of a critical IT system failure, the 2016 meltdown of the Department of Motor Vehicles' IT apparatus that "left some offices unable to provide certain services for about two weeks, which affected its ability to process driver's licenses and vehicle registration transactions."

CalMatters, April 24, 2023

Court of Fiscal Follies

Begun in 2002, the state Judicial Council and the Administrative Office of the Courts began developing a centralized management system for the courts' caseload. After wasting $530 million and a decade, the failed system was abandoned. Looking for the silver lining, at least one county clerk took advantage of the situation by refusing to release any court documents until they had been processed by some as yet unknown replacement system. The federal courts, however, objected to this gross violation of First Amendment rights.

How California court system wasted millions

Prior to the FI$Cal, the most spectacular IT failure was another comprehensive project, managed — or mismanaged — by the state Judicial Council and the Administrative Office of the Courts. Launched in 2002, it was supposed to be a centralized management system for the millions of civil and legal cases handled by the courts each year.

The project was abandoned a decade later after $530 million had been spent on unsuccessful efforts to make it work. But one aspect of the debacle continued for another decade and only this month was finally concluded.

The former Ventura County clerk, Michael Planet, who had been one of the IT project's strongest backers and an early user, was forced to revert to paper filings when it was abandoned but continued to insist that lawsuits and other filings would not be made public until they had been processed.

That policy ran counter to a long-standing practice that once filed, lawsuits immediately became public documents and Courthouse News, a publication that specializes in legal matters, decided to fight Planet on the issue, eventually going to court itself.

The Judicial Council, whose members set policy for court operations, backed Planet by passing a rule saying documents were not public until processed and hired a law firm to battle Courthouse News for another decade.

As Courthouse News reported this month, "Filed in 2011, the saga of Courthouse News v. Planet included three trips to the Ninth Circuit. The last one, handed down in 2020, is referred to as Planet III, and it said the First Amendment right of access attaches to new complaints when they are filed.

CalMatters, March 23, 2022

Who Ya Gonna Call?

California's 911 system is a critical communications tool during its frequent emergencies. Recognizing its long established shortcomings, the state spent $450 million to upgrade it using a new system designed just for the state rather than an off-the-shelf version already used by other states. It did not work. The state had to trash the $450 million and start from scratch.

Newsom's 911 debacle is California's latest failed tech adoption

Six years ago, shortly after the Legislature enacted his first state budget, Gov. Gavin Newsom embarked on a celebratory tour to tout the spending plan's major provisions.

Newsom's last stop was in San Francisco, where he bragged about increasing fees on telephone service to finance an upgrade of California's 911 emergency communication system, whose deficiencies had become painfully apparent during a series of destructive and deadly wildfires.

. . . "California's antiquated, analog microwave network must be upgraded to a digital network to maintain safety operations that can integrate into the 21st century technology everyone is using," Newsom added.

Fast forward to 2025. Wildfires still plague the state, including the massively destructive fires that swept through Los Angeles neighborhoods. Californians also remain at risk from earthquakes and floods, not to mention crimes and medical crises.

They still are depending on an emergency communication system that Newsom denounced as antiquated. What happened to the promised upgrade?

Since 2019 the state has spent $450 million on a new system, but this year Newsom's administration threw in the towel, abandoning what had already been built and declaring it unworkable and that the process must start all over again.

. . . In 2024, California's Office of Emergency Services switched on a few dispatch centers as a test and discovered that it was operationally so flawed that officialdom "decided to scrap the regional design and go back to the drawing board," the Bee found. The state now proposes a new design similar to what other states have adopted. Cal OES will seek proposals next year for a substitute, the Bee reported, "at an additional cost of potentially hundreds of millions of dollars."

Santa Maria Times, December 3, 2025

<u>I May Not Be a Lawyer, but I Still Hope to Play One in California</u>

IT disasters leave no agency untouched. The State Bar was another that tried and failed spectacularly.

> **State Bar's botched exam for new lawyers is California's latest entry to the hall of shame**
>
> *California doesn't need another entrant on its list of managerial failures, but it has one in what happened when the State Bar changed its test of aspiring lawyers.*
>
> *The licensing agency was feeling a financial pinch and formulated its own test to save money. When the exam was administered in February, it was a disaster.*
>
> *"The online testing platforms repeatedly crashed before some applicants even started," the Los Angeles Times reported. "Others struggled to finish and save essays, experienced screen lags and error messages and could not copy and paste text from test questions into the exam's response field — a function officials had stated would be possible."*
>
> *Ever since, State Bar officials, exam takers, legislators and state Supreme Court justices have been arguing over what should be done with the obviously flawed results, especially after it was revealed that the agency used artificial intelligence to formulate exam questions — without making that known.*
>
> *Last week, the Supreme Court lowered the passing score for the February exam and ordered the State Bar to dump its new system and return to the traditional test format.*
>
> CalMatters, , May 7, 2025
>
> **California's new bar exam launch was a 'disaster.' Now test takers are suing**
>
> *A dozen California law school deans have urged the California Supreme Court to intervene, the Los Angeles Times reported. Erwin Chemerinsky, dean of UC Berkeley's law school, described the situation to the outlet as a "stunning incompetence from an entity that exists to measure competence."*
>
> MSN, February 28, 2025

<u>If You Have to Ask the Price, You Can't Afford It</u>

The state's ongoing saga to replace the Capitol Annex has ballooned from $543 million to the current $1.1 billion approved for the project, although the eventual cost is still unknown and neither the governor nor the legislature has released this information. Construction is now expected to be completed in fall 2027, two years over schedule. Tracking of the costs and construction progress, however, has been difficult as the Legislature has attempted to keep much of this information away from the public, going so far as to require over 2,000 NDAs from persons active in the project. Reports also indicate the new structure will include "secret corridors" to enable legislators to continue hiding from the public.

> **Construction on Sacramento's Capitol Annex is halfway done, new report says**
>
> *The project is expected to be completed in fall 2027, almost two years behind schedule. . .*
>
> *One thing that was missing was a new estimation of costs. The original project was estimated to cost $543 million.*
>
> *When the plans were approved, in June 2018, legislators allocated $755 million to the Annex project. In the following years, more funding was allocated, with $1.1 billion currently approved for the project.*

. . . The public has received few updates about the project, chiefly due to advice by the Legislature's counsel not to comment while litigation was underway, said Alina Evans, communications manager for Pacheco's office. Evans said they were advised to not even update the website.

The project has come under scrutiny for its secretive process. Reporting by KCRA 3 found more than 2,093 people signed non-disclosure agreements to not discuss the project.

The December 2025 report also addressed some of the reporting that has been circulating around the project in recent years, including reports it would have "secret corridors" for avoiding the public.

Sacramento Bee, December 18, 2025

Just Spend the $$—We Don't CARE If It Really Works

First announced in 2022, the new CARE Courts were a key part of the governor's homeless strategy to get persons with serious mental illnesses off the streets and into appropriate treatment. This program later became part of the governor's campaign for Proposition 1 (2024) to restructure the Millionaire's Tax to provide homeless services including the treatment and housing programs required to enable the new courts to function. Prop 1 was barely approved by only 26,000 votes. Neither the state nor the counties have bothered tracking whether CARE Court really works, but a CalMatters investigation found few who have benefited.

Newsom promised real progress on mental health with CARE Court. Here's what the numbers show

But in the nearly two years since Newsom launched CARE Court, it has reached only a few hundred people. That's barely more than the law he criticized, and certainly not the thousands he promised.

*. . . While Newsom's administration estimated between **7,000 and 12,000 Californians** would qualify for CARE Court, **just 2,421 petitions** have been filed through July, according to the Judicial Council of California. Only 528 of those have resulted in treatment agreements or plans.*

*. . . Courts across California are **dismissing a significant percentage** of CARE Court petitions – about 45% statewide, although that number includes the handful of cases in which someone has successfully "graduated" from the program. The rate is even higher in some counties, such as San Francisco, where **nearly two-thirds of petitions are thrown out**.*

*The allure of CARE Court for many supporters was the promise of court-ordered treatment plans that would encourage sick people to accept the help they'd been resisting. But the courts have ordered **just 14 treatment plans** so far, according to the Judicial Council. Instead, most counties are solely offering voluntary treatment "agreements," which sick people are free to ignore.*

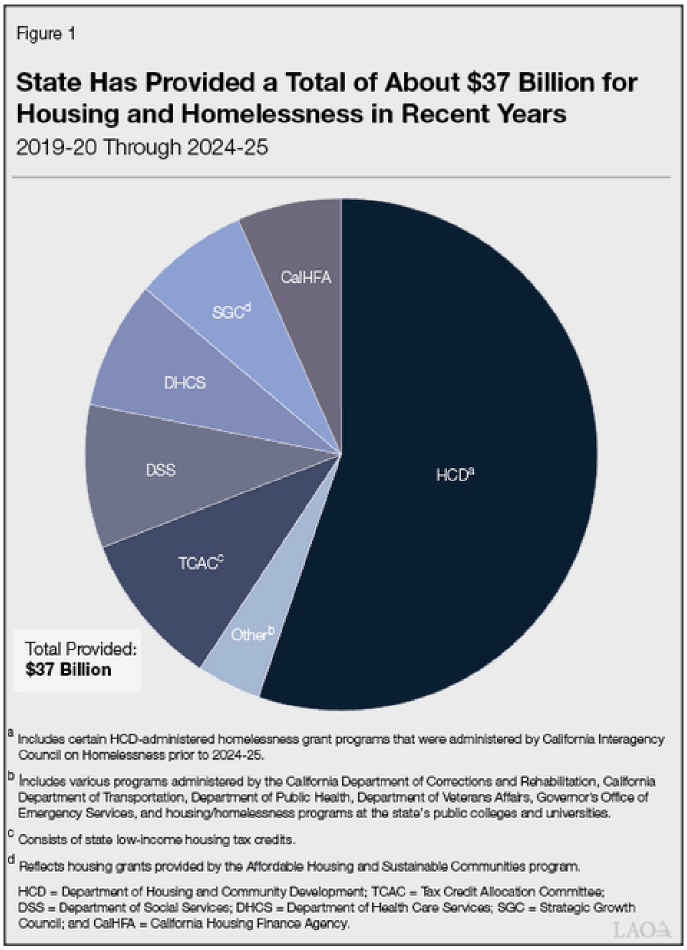
***Very few people have successfully completed CARE Court**. Despite the fact that it has the most petitions, **Los Angeles County has had no graduations**. Nine counties have been operating CARE Court long enough to have graduations (the program takes at least a year to complete).*

The state has not made detailed, up-to-date data about CARE Court performance public.

CalMatters, September 2, 2025 (note: this is a 7-part series on the program failures)

Homeless or Hopeless Programs?

Current LAO estimates indicate that from 2019-20 through 2024-25, the state has spent $37 billion on homeless programs. Budget documents indicate homeless spending increased by another $1.0 billion in 2025-26, bringing the total to more than $38 billion. Using the 2024 PIT data on the number of homeless households (160,784) and average California rent for a 1-bedroom apartment ($1,870 from Apartment List), this amount of money rather then being wasted could have been used to put each homeless household into a rental for 10.5 years.



Source: Legislative Analysts' Office, The 2025-26 Budget, Oversight of Encampment Resolution Funding, March 5, 2025

As a result of throwing money at the problem, homelessness has increased every year since 2018. From the HUD Point-in-Time estimates, both total homelessness (persons) and number of unsheltered homeless have continued to rise. Compared to its 11.6% share of national population in 2024, California had 24.3% of the homeless population (45.2% of unsheltered population), little changed from its 23.9% (46.8%) share in 2017.

California Homeless Estimate

Source: US Department of Housing & Urban Development

	Total	Unsheltered
2017	131,532	88,896
2018	129,972	89,543
2019	151,278	108,432
2020	161,548	113,660
2021		
2022	171,521	115,491
2023	181,399	123,423
2024	187,084	123,974

Note that these estimates contain a number of issues, with methods used in the surveys changing in some years, some years with incomplete reports from the counties, and other issues attendant to estimating the population based on two nights of street surveying. They are, however, the only numbers available. Also note that 2025 reports are not yet available due to the federal closedown, but typically are released in mid-December. Preliminary analyses of the partial county submissions suggest that the state may show a small decrease, but this is yet to be determined. There are some results from 2021, but most counties did not conduct the surveys and the partial numbers are consequently not shown in the table.

More importantly, the state has little data showing that the billions spent has accomplished anything other than somehow managing to spend billions of taxpayer funds. A 2024 report by the State Auditor slammed the state agencies for failing to track the cash.

> **Homelessness in California, The State Must Do More to Assess the Cost-Effectiveness of Its Homelessness Programs**
>
> *The State lacks current information on the ongoing costs and outcomes of its homelessness programs, because Cal ICH has not consistently tracked and evaluated the State's efforts to prevent and end homelessness. Although Cal ICH reported in 2023 financial information covering fiscal years 2018–19 through 2020–21 related to all state-funded homelessness programs, it has not continued to track and report this data since that time, despite the significant amount of additional funding the State awarded to these efforts in the past two years. Cal ICH has also not aligned its action plan to end homelessness with its statutory goals to collect financial information and ensure accountability and results. Thus, it lacks assurance that the actions it takes will effectively enable it to achieve those goals. Another significant gap in the State's ability to assess programs' effectiveness is that it does not have a consistent method for gathering information on the costs and outcomes for individual programs.*

State Auditor, April 9, 2024

This complaint was echoed in the LAO analysis of the billions of grant funds going to local governments:

> ***Little Data Provided to Date on Program Outputs and Outcomes…*** *According to HCD, the more than 100 grantees funded through Round 3 (2023-24) collectively set a goal to transition more than 20,000 people out of homelessness using their ERF awards. Despite the various reporting requirements described in the previous section, though, as of this writing, no data have been provided to the Legislature on how many people living in an encampment have received permanent housing (or any other type of housing). The Legislature lacks other key outcomes data such as the number of encampments that have been resolved. In addition, although some partial information on outputs was shared with the Legislature in prior years, updated and more complete data have not been provided. As a result, the Legislature does not have basic information on program outputs such as how many people in encampments have been*

provided with case management services (such as housing search assistance) and the number of housing units brought on line with grant funds.

Legislative Analysts' Office, The 2025-26 Budget,
Oversight of Encampment Resolution Funding, March 5, 2025

National Model for Fraud

One of the key elements of the governor's homeless programs was Homekey, under which the state provided funds to buy hotels and motels made vacant by the state's pandemic orders and convert them into rooms for the homeless. As revealed in the State Auditor report above, the lack of data tracking makes it impossible to determine how effective the program has been, "national model" or not. Later investigations in the Los Angeles area also uncovered cases of outright fraud, not at all unusual in cases where the government rains money on a problem without bothering to track how it's being spent.

The program also may have worked against itself. The state only provided funding to buy up rooms, and somehow deemed that number bought as an indicator of success without delving into how it was serving the homeless population. Homekey put homeless into rooms, with the state expecting that somehow the counties—who were otherwise stressed financially during the pandemic due to state-ordered closures—would step up and provide any needed services. The result instead was just to provide a private space to take drugs and in many cases overdose on drugs without anyone around to help them.

Newsom's 'National Model' for Homeless Wracked by Fraud

Gov. Gavin Newsom has made reducing the homelessness crisis in California a top priority, saying the scale of the state's efforts is "unprecedented" and calling for the continued expansion of his signature effort – Project Homekey – that has already cost $3.75 billion.

But in a state with more than 181,000 homeless individuals, or about one-third of the U.S. total, Homekey has been marred by failures and scandals, including a lack of government oversight and accountability as well as a federal investigation into allegations of fraud in Los Angeles.

. . . But with huge contracts available to developers and very little oversight of their activities, some of that cost savings was lost to fraud, according to federal prosecutors. First Assistant U.S. Attorney Bill Essayli for the Central District of California launched a fraud and corruption task force to find out where the money went, and in October filed criminal charges involving two developers who allegedly defrauded the system.

In one case, Cody Holmes, the former CFO of developer Shangri-La Industries, allegedly falsified bank records to obtain $26 million in Homekey funds, only to siphon off more than $2 million to pay his own credit card bill, Essayli told the media.

. . . Rather than helping the homeless, Homekey units have allowed people to privately take drugs and overdose. Drug overdose was the cause of death in seven out of eight cases at the Airtel Plaza Hotel in Van Nuys from April 2020 through June 2021, according to L.A. agencies.

"I think local leaders knew that there was a risk in placing people addicted to hard drugs like heroin or fentanyl or meth into private rooms where no one is around to act in case of an overdose," a former Homekey service provider from Oakland said on the condition of anonymity. "Think about how stupid it is to place an addict in a room alone where no one can administer Narcan," a medicine that can prevent overdose death.

. . . L.A. County received $550 million in Homekey funds between 2021-2024, which was used to acquire 32 buildings with 2,157 rooms. An investigation by Westside Current found that 71% of units remained vacant as of May 2025 due to construction delays.

In the city of L.A., the housing authority used $48.9 million in Homekey money to acquire and complete a building that was under construction. Developer Haroni Investments was chosen to construct a 75,105-square-foot building with 127 housing units. A similar project in the area would typically cost roughly $18.8 million, according to experts who spoke to local reporters. HACLA's purchase price of $48.9 million represents a 165% profit at taxpayer expense, the story noted.

A June 2025 memo from L.A. Mayor Karen Bass' office estimated that the building would be completed later that month. In August, city officials held a ribbon-cutting ceremony even though the building was not yet finished. As of December, the LA Housing Department's website says the building "is not yet built," and there are no listings for available units. Requests for comment from Bass' office have not been returned.

In addition to overspending and delays, there are allegations of fraud. One case involves homeless service provider Weingart Center Association using $27.3 million in Homekey grants to purchase a 76-unit senior living complex in L.A., which it planned to convert into housing units with additional funding from the city.

But federal prosecutors say the deal was shady and shrouded in secrecy. Steven Taylor, the real estate developer who sold the property to the Weingart Center, used fake bank statements to obtain loans and credit to buy the property for $11.2 million, just months before flipping it for a $16.1 million markup. Taylor made no improvements or renovations to the building. A contract clause ensured that his involvement would be kept secret.

While the property was in escrow, the Weingart Center submitted an application for additional Homekey funds. The application, according to prosecutors, made no mention of the pending sale involving Taylor. Bass allocated $20 million in city dollars toward the project.

Bass and Newsom celebrated the purchase as a critical tool in solving homelessness. A spokesperson with the Weingart Center said the property isn't expected to open until next year, even though the grant agreement required it to be fully occupied by February 2025.

In August, federal authorities arrested Taylor, who is facing nine felony counts of bank fraud and money laundering. Taylor maintains his innocence and is free on a $3.6 million bond. Bass is cooperating with the ongoing federal investigation.

. . . Homekey ran into other problems with L.A.-based developer Shangri-La Industries, which was hired to purchase and convert properties across the state. Federal prosecutors allege that the developer defrauded the HCD by misrepresenting its financial assets in order to qualify for a $26 million Homekey grant related to a housing project in Thousand Oaks. After securing the money, Holmes, the CFO, allegedly spent lavishly on himself and his girlfriend. Prosecutors say that Holmes rented a sprawling $46,000-a-month mansion in Beverly Hills, where Holmes was ultimately arrested.

Overall, the HCD awarded the Shangri-La a total of $117 million in grants for seven housing projects. The only two projects that Shangri-La managed to complete amount to 174 homeless housing units, costing the state $672,000 a pop. Holmes pleaded not guilty in November, and a trial is set for Jan. 5.

Essayli says his investigation into Shangri-La is "just the beginning" in the Justice Department's quest to recoup billions in misused public funds for the homeless.

Real Clear Investigations, December 11, 2025

What's an Accountant?

Transparency and accountability go by the wayside when government just throws taxpayer dollars at an issue. A scathing audit of the Los Angeles Homeless Service Authority showed as the cash flowed in, they didn't bother to track where or if it was being spent.

> **Calls to Defund LAHSA Grow After Audit Reveals Widespread Financial Failures**
>
> *A long-anticipated audit of the Los Angeles Homeless Services Authority (LAHSA) has revealed severe financial mismanagement, poor oversight, and a lack of accountability, sparking renewed calls to overhaul—or even dismantle—the agency altogether.*
>
> *The 158-page report, released by a court-appointed auditor, paints a grim picture of LAHSA's operations, showing that billions in taxpayer dollars have been spent with little transparency or measurable success in reducing homelessness.*
>
> *The agency, a joint city-county entity, was established 31 years ago to coordinate homeless services across Los Angeles. But for years, it has faced mounting criticism for its inability to track spending, ensure providers meet contract requirements, or demonstrate meaningful results.*
>
> *Now, with the latest audit exposing financial mismanagement and systemic failures, some city leaders and outside organizations say it's time to reconsider LAHSA's role altogether.*
>
> *The findings confirm a long-standing crisis, according to LA Alliance for Human Rights, the organization that filed the lawsuit prompting the audit.*
>
> *"What we found in that document was quite shocking," said Paul Webster, executive director of LA Alliance for Human Rights, in an interview with the Current. "Details of a fractured, ineffective system of trying to help people who are experiencing homelessness. Poor oversight, lack of accountability, severe financial mismanagement, inaccurate and inconsistent data—an inability to track payments, track services, track people—and really a complete absence of accountability."*
>
> *The audit estimates that at least $2.3 billion in homelessness spending by LAHSA, the city, and the county was poorly documented. Auditors said they struggled to determine where the money went and whether it had any tangible impact. Due to missing or incomplete records, the auditors said they were forced to analyze just one-third of the total budget, suggesting the real figure could be far higher*
>
> *"The auditors couldn't get the data they needed," said Webster. "There was a lot of complexity in deciphering how payments were made, what programs they were attached to, and how invoices were linked to payments and services. Even determining the number of people served was challenging. The information was so difficult to obtain that auditors had to rely on just a one-third sample of the total budget.*

Westside Current, March 7, 2025

It's Resting

Just because government agencies say they need more money doesn't always mean they're going to spend it. Sometimes, they just like to have it sit around so they can look at it, as in the case of the state's homelessness crisis.

Los Angeles Controller says city failed to spend $500M in homeless funding

Los Angeles City Controller Kenneth Mejia said this week that he's identified more than $500 million budgeted for homelessness programs that wasn't spent during the 2023-2024 fiscal year.

"That's why we're here, as the city controller, is to provide transparency and accountability on tax dollars, and I think that's what people want, especially with the passing of Measure A and in solving homelessness is: Where is the money going?," Mejia said.

He said the city budgeted $1.3 billion for homelessness services and spent or committed nearly $800 million, including on programs like Mayor Karen Bass' Inside Safe program's emergency shelter effort.

NBC Los Angeles, November 15, 2024

A Counting Fraud

In 2022, Governor Newsom took the stage to brag about a $97.5 billion surplus, crowing that *"No other state in American history has ever experienced a surplus as large as this . . ."* No other state has, including as it turns out California. The presumed surplus quickly evaporated, turning into a $31.5 billion deficit the following year and growing as revenues failed to meet even those reduced expectations.

$165 billion revenue error continues to haunt California's budget

History will — or at least should — see a $165 billion error in revenue estimates as one of California's most boneheaded political acts.

It happened in 2022, as the state was emerging from the effects of the COVID-19 pandemic.

Gov. Gavin Newsom's Department of Finance, based on one short-term spike in income taxes, projected that revenues from the state's three largest sources would remain above $200 billion a year indefinitely.

Newsom then declared that the budget had a $97.5 billion surplus, although that number never appeared in any documents.

"No other state in American history has ever experienced a surplus as large as this," Newsom bragged as he unveiled a 2022-23 fiscal year budget that topped $300 billion.

With that in mind, he and the Legislature adopted a budget with billions in new spending, most notably on health and welfare programs and cash payments to poor families.

Within a few weeks, Newsom and legislators learned that real revenues were falling well short of the rosy projections. But the damage, in terms of expanded spending, was done.

Two years later, buried in its fine print, the deficit-ridden 2024-25 budget acknowledged that sales taxes and personal and corporate income tax revenues would fall well short of the $200 billion a year projection, estimating a $165.1 billion shortfall over four years.

The past two years have seen budgets with deficits papered over with direct and indirect borrowing, tapped emergency reserves, vague assumptions of future spending cuts, and accounting gimmicks. For instance, the current budget "saves" several billion dollars by counting next June's state payroll as an expenditure in the following fiscal year.

This bit of fiscal history is important to remember because the twin 2022 acts of overestimating revenues and overspending billions of nonexistent dollars on new and expanded services continues to haunt the state, as a new analysis indicates.

CalMatters, November 11, 2024

California's budget whiplash showed the pitfalls of forecasting revenue

A year after his surplus boasting, Newsom presented a 2023-24 budget that dealt with a projected $31.5 billion deficit. Since its passage in June, revenues have continued to fall below estimates, which means a continuing gap between income and outgo.

CalMatters, October 25, 2023

The state should have double-checked and triple-checked its numbers. The prior year, Newsom warned the state was headed to a $54.3 billion deficit as a result of the pandemic and his orders to close businesses and shelter in place. Although that number was used to good effect to argue that California should get more than its fair share in the looming flood of federal pandemic assistance payments, it also was wrong. From Department of Finance Schedule 8, the 2020 Budget Act assumed general fund revenues would be $137.7 billion. They in fact turned out to be $186.8 billion, a difference of $49.1 billion or a measly and easily handled shortfall of only $5.2 billion that year.

California doom: Staggering $54 billion budget deficit looms

California will have a budget shortfall of $54.3 billion because of the economic devastation wrought by the coronavirus, Gov. Gavin Newsom's administration announced Thursday, a stunning reversal for a state that had a $21 billion surplus a year ago.

. . . "These numbers are jaw dropping," Newsom said. "I just hope that people are preparing themselves … for the effort that we all need to engage together to undertake to unwind that and get back on our feet."

APNews, May 7, 2020

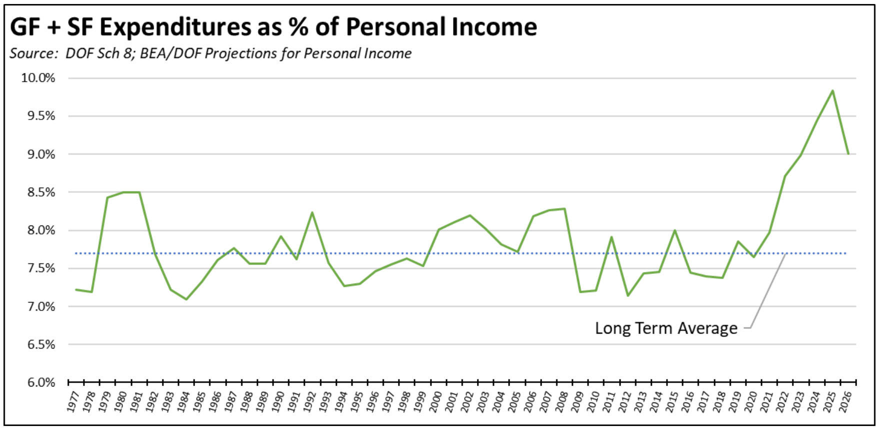
But the $97.5 billion surplus turned into more than just a myth. That number was used to fuel one of the largest spending expansions in the state's budgetary history.

How Program Spending Grew in Recent Years

- *As a share of the economy, total state spending was largely flat since the late 1980s.*
- *Following historic revenue increases in 2020 and after, total state spending has increased substantially.*

LAO, January 5, 2023

As first cited by LAO, the presumed surplus was used to justify a spending explosion that took state spending (general and special funds) from a long-term and highly stable 7.7% of the state's economy (as measured by personal income) to nearly 10%.

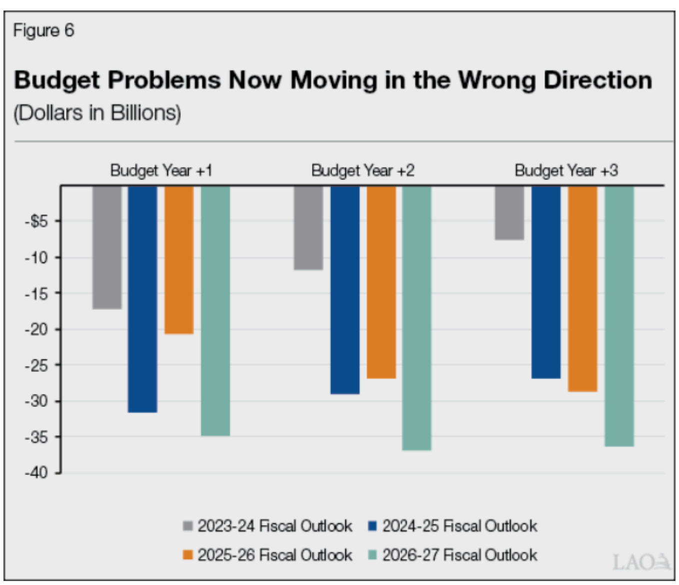


Spending has increased. Revenues have not kept up. As shown below, the exuberant spending has produced a structural deficit with the state now spending about $20 billion a year (general fund) more than what it takes in from taxes. This deficit spending has even reached into the special funds—which are supposed to be reserved for dedicated purposes—which have been tapped to substitute in for general fund spending, both through borrowing and shifting formerly general fund programs to special fund fees.

Structural Deficit

Source: Schedules 8 & 9, Department of Finance

	Revenues			Expenditures			Current Year Balance		
	GF	*SF*	*Total*	*GF*	*SF*	*Total*	*GF*	*SF*	*Total*
2021-22	$223.5	66.4	$289.9	$216.8	45.3	$262.0	$6.7	21.1	$27.8
2022-23	$179.2	67.7	$247.0	$195.2	74.9	$270.1	-$16.0	-7.2	-$23.1
2023-24	$195.3	80.5	$275.8	$205.7	93.3	$299.0	-$10.4	-12.8	-$23.2
2024-25	$213.0	88.0	$301.0	$233.6	98.6	$332.2	-$20.5	-10.7	-$31.2
2025-26	$206.4	90.2	$296.6	$228.4	88.8	$317.2	-$21.9	1.4	-$20.5



LAO, The 2026-27 Budget, California's Fiscal Outlook, November 19, 2025

These deficits are getting worse. As the state has continued to delay the inevitable cuts vs. major tax increase question, this unaffordable spending has been propped up primarily by borrowing and other budgetary smoke and mirrors (see below). As a result, in their most recent Fiscal Outlook for next year's budget, LAO now expects the structural deficit to be $18 billion in 2026-27 and to balloon to more than $35 billion annually over the subsequent 3 years.

The extra spending is significant. Compared to the current budget bill, bringing spending back to the historical average of 7.7% would curtail expenditures by $46 billion, or more than enough to erase the projected structural deficits and still leave enough over for the state's more pressing priorities.

This budgetary malpractice sets the stage for a major tax increase down the road. So-called budget cuts to date have not been true cuts but as was the case in the current budget bill, have been more in line with reducing the pace of some of the major program expansions in recent years, such as reducing who is eligible for the expanded healthcare benefits for undocumented immigrants. Both of the tax increase measures now headed to the ballot also will not address this situation at all. The proposed extension of the Prop 30/55 high earner income tax rates only extends current revenues and keeps the $35 billion annual hole from growing, on average, by another $8 billion. The proposed billionaire wealth tax would raise billions for **new spending**, leaving another $25 billion hole at the end of its 4 years gasping for new tax support.

Just Another Brick in the Wall . . . of Debt

One of the budget priorities during the Governor Brown years was paying down what he termed the "wall of debt." This category covered a number of budget obligations built up during the Great Recession as the state resorted to its usual budget tricks rather than working to bring spending in line with available revenues. Specific items included budget borrowing from special funds and other state sources, payment deferrals, bonds issued during the Schwarzenegger years to cover current year spending rather than capital investments (c.f., New York City bankruptcy in 1975), and underfunding what the state owed to schools and local governments. At its height, the wall of debt reached $34.7 billion at the end of 2010-11, or the equivalent of 38% of total general fund expenditures that fiscal year.

Current state budgets have returned to the same tactics of deferrals, borrowing, and illusory revenue assumptions rather than making the hard decisions of what to cut from the massive run up in spending in the past few years. These are among the several tricks being used to bolster the governor's claim that he is signing balanced budgets, including the government equivalent of check kiting or the old "check's in the mail" accounting ruse of waiting to pay obligations due in one fiscal year until the beginning of the next. These obligations still have to be paid and paid likely through future tax increases such as Governor Brown finally resorted to in promoting the Prop 30 income and sales tax hikes. As a result of the 2025-26 budget bill, the new wall of debt has already reached $21.6 billion, not that the governor has taken any steps to keep people—including the legislature—informed about this off-the-books debt.

The State's New Wall of Debt
(In Billions)

Borrowing type	Amount
Existing	
Payroll deferral	$1.6
Proposition 98 maneuver (cash borrowing)	6.4
Special fund loans	4.0
Total	**$12.0**
Adopted in 2025-26 Budget Package	
Medi-Cal maneuver (cash borrowing)	$4.4
Settle up	1.9
Special fund loans (unallocated)	1.5
Middle Class Scholarships arrears budgeting	0.9
Special fund loans (allocated)	0.6
University payment deferrals	0.3
Total	**$9.6**
Total Outstanding Budgetary Borrowing	**$21.6**

> ***Balance of the State's Outstanding Budgetary Borrowing Has Increased.*** *The actions described in this section increase the amount of outstanding borrowing the state has used to address its budget problems. (This borrowing is similar to the measures used during the Great Recession—collectively previously referred to as the state's "wall of debt"—and create obligations that should be repaid or reversed in the future.) While the state has various financial and accounting reports that allow policy makers and observers to track a variety of the state's outstanding liabilities, the administration does not produce an easily accessible, public list of the state's outstanding budgetary borrowing incurred to address recent deficits. We have provided this list in Figure 2. As shown in Figure 2, the 2025-26 spending plan includes nearly $10 billion in new borrowing, increasing total outstanding budgetary borrowing from $12 billion to $22 billion.*

California Legislative Analysts' Office, The 2025-26 Budget, Overview of the Spending Plan, October 16, 2025

Why We Don't Have Nice Things

In order to save money for other budget spending, the state has historically underfunded deferred maintenance on state-owned facilities, including buildings, roads, and parks. As estimated in the 5-Year Infrastructure Plans prepared by Department of Finance, total deferred maintenance of state facilities grew from $67.2 billion in 2018 to $84.2 billion in 2022.

Identified Statewide Deferred Maintenance[1/] (Dollars in Millions)	
Department of Transportation	$61,500
University of California	7,277
Judicial Branch	5,013
Department of Water Resources	5,000
Department of Parks and Recreation	1,207
California State University	1,003
Department of State Hospitals	1,000
Department of Corrections and Rehabilitation	860
California Community Colleges	327
Department of General Services	315
Network of California Fairs	227
State Special Schools	89
Department of Fish and Wildlife	81
California Military Department	78
Department of Veterans Affairs	57
Department of Forestry and Fire Protection	54
California Highway Patrol	34
Department of Developmental Services	33
Department of Motor Vehicles	19
Department of Food and Agriculture	16
California Exposition Park	17
Employment Development Department	11
California Conservation Corps	7
Office of Emergency Services	2
Total	**$84,227**

[1/]Represents total deferred maintenance need. Costs may be distributed between local, state, and federal entities.

Department of Finance, 2022 Five-Year Infrastructure Plan, January 2022

More recent information is not available. As is usually the case with inconvenient budget news, Finance no longer provides an accounting of the state's total infrastructure needs and instead has shifted this mandated report to a more press availability-eligible listing of projects proposed to be funded over the coming 5 years.

Incorporating local disinvestment as well, California rated only a C- in ASCE's most recent 2025 Report Card, meaning ". . . California's infrastructure is in **mediocre condition and requires attention**." Specific problem areas include:

- *Over the last five years, many of California's commercial airports have invested heavily in improving areas of their infrastructure, from new terminals and airfield pavement to public transit connections. While the B- grade represents an overall improvement from the 2019 Report Card, the improvements in some areas have come at the expense of deferred maintenance or deterioration of other areas, such as utilities.*

- *While efforts have reduced the number of poor bridges, nearly half of the state's bridges require maintenance to prevent further deterioration. . . In California, as of December 2024, 11,798 bridges — or 46% of the total bridge stock in the state — are in good condition. Some 12,523 bridges — or 48% — are in fair condition and* *the remaining 1,527 bridges — or 6% — are in poor condition. In 2019, 65% of California's bridges were good and 30% were fair, and those distributions are now 46% good and 48% fair.*

- *Approximately 78% of the dams in the state were constructed over 50 years ago with an average age of 76 years; this exceeds the national average dam age of 64 years. About 700 high hazard dams are over 50 years old, with approximately 40% exceeding 75 years and 20% exceeding 100 years of age . . . The California DSOD published their latest condition assessment data for all the dams under its jurisdiction in 2024; out of the 1,233 dams regulated by the DSOD, 131 were rated less than satisfactory including 95 high hazard dams. . . Aging condition and climate impacts threaten the beneficial, or actually available storage capacity that California's dams provide. An estimated 380,000 acre-feet of storage capacity, the equivalent annual water usage for 3.6 million people, has been lost due to dam safety concerns prompting reservoir restrictions.*

- *California's drinking water infrastructure is under increasing strain, particularly in small and rural communities where aging pipelines frequently leak and break. While 98% of residents receive water that meets safety standards, nearly 400 small water systems remain non-compliant—highlighting persistent inequities in access and reliability. The state faces a significant funding shortfall: an estimated $11.5 billion is needed for infrastructure upgrades over the next five years, yet only $3.5 billion is currently available. . . Aging infrastructure and deferred maintenance are widespread challenges in California's drinking water systems. Over 85% of water utilities surveyed for this report, indicated that portions of their pipelines or facilities have exceeded their design life.*

- *According to the May 2024 Utility Compliance Filings (R.18-07-005), nearly one in five current IOU customers are behind on their bills. California has the second highest average retail price per kWh in the nation, second only to Hawaii. Per the 2022 affordability index, customers needed to work up to 12 hours per week at minimum wage just to pay their electric bills. Affordability for customers is a major issue in California, and yet the need for funding continues to grow due to public safety concerns, additional capacity needs, and renewable energy requirements.*

- *The state ranks first in the nation for urban highway congestion, with drivers in major metropolitan areas losing over 100 hours annually due to traffic delays. Nearly one-third of California's roads are in poor condition, placing the state among the worst for pavement quality. . . According to the 2025 State and Local Transportation System Needs Assessment, prepared by Caltrans and approved by the California Transportation Commission, the projected funding gap for maintenance, rehabilitation, and multimodal transportation needs over the next 10 years is approximately $216 billion (needs: ~$757 billion; revenues: ~$541 billion). . . Each motorist pays* ***$830*** *per year driving on roads in need of repair and every resident loses* ***$1,039*** *annually due to crashes.*

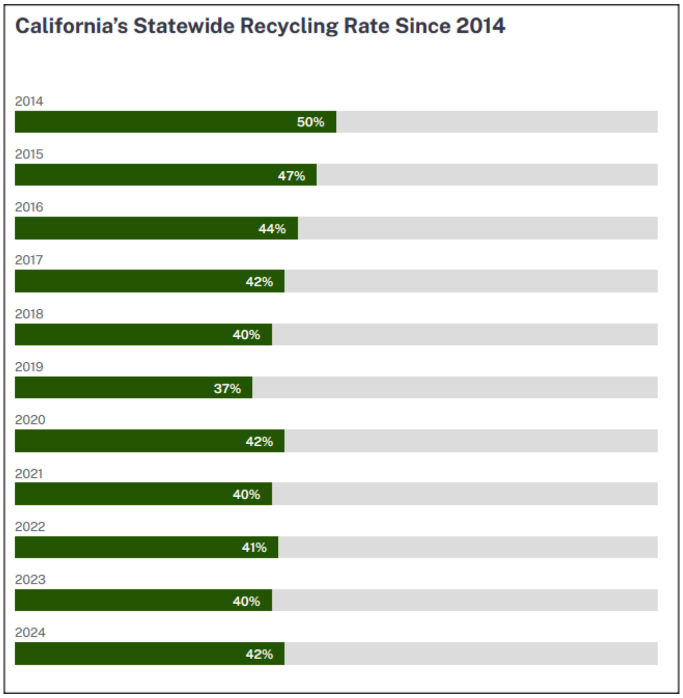
- *While structural safety has improved since the 1933 Field Act, aging infrastructure remains critical—30% of schools are over 50 years old and require significant modernization. . . In 2024, the California State Auditor estimated funding of $15-$17 billion is needed annually to meet basic facility needs, to ensure safety, resilience, and climate-readiness. Total statewide capital needs for modernization and new construction exceed $100 billion over the next decade.*

- *The EPA's 2022 Clean Watersheds Needs Survey estimated California's wastewater infrastructure needs exceed $65 billion, or about $1,657 per person. With California's population projected to surpass 40 million by 2033, conveyance systems are estimated to require up to $15 billion for repairs and new construction, and advanced treatment needs another $10 billion. Overall, California's wastewater financial needs have doubled since 2012.*

ASCE, 2025 Report Card for California's Infrastructure, December 2025

Recycling Ratepayer Cash

California committed to 75% recycling by 2020 through AB 341 (Chapter 476, Statutes of 2011). It did not make it. In fact, as more money has been thrown at the program, the overall state recycling rate has generally gotten worse.



CalRecycle, State of Disposal and Recycling in California, Calendar Year 2024

Californians, however, are being charged to support a 75% recycling capacity through their local garbage/recycling rates, an ever-growing number of deposit and product-specific disposal fees, and other related state taxes. As calculated in a Center for Jobs report, Californians paid an estimated $5.6 billion in 2019 for failing recycling programs, or the equivalent of $567 per household. And they will pay more. In a first attempt at developing implementing regulations for the new plastic recycling mandates under SB 54 (2022), CalRecycle estimated the additional costs at $300 per household. Faced with this cost estimate, the governor directed the department to go back and try again.

ROI Rage

A recent Wallethub study compared what taxpayers in each pay compared to the quality of the services they receive. California came in as 47th.

State and Local Taxes Paid vs. Spending Received by State			
Taxpayer ROI Rank*	**State**	**Total Taxes Paid per Capita Rank****	**Overall Government Services Rank**
50	New Mexico	48	50
49	Hawaii	49	24
48	Alaska	34	48
47	California	40	38
46	North Dakota	50	9

Wallethub, States with the Best & Worst Taxpayer ROI (2026), March 25, 2025

Californians don't get much bang for billions of bucks

In March, Wallet Hub, a website devoted to consumer finance, released a study of what it calls "return on investment," merging tax burdens with quality of services to develop an index that compares states on how efficiently they spend public funds.

The factors included in the service side of the equation include schools, roadways, hospitals, crime, water quality and poverty. Minnesota is scored as having the best services.

Unfortunately — but perhaps not surprisingly — California does not fare well in its "return on investment" score. In fact, it's the fourth worst overall, just ahead of Hawaii, New Mexico and North Dakota. New Hampshire scores the highest, followed by Florida and South Dakota.

In services, California ranks 34th, but its tax burden, one of the highest in the nation, pulls down its overall "return on investment" score. Arch-rival Texas, incidentally, has the seventh highest return.

The HJTA report and the Wallet Hub comparison underscore an irritating aspect of governance in California — the eagerness of political officeholders to create new projects and services and their reluctance to evaluate whether their pet programs are delivering the promised results and intervene when they are falling short.

CalMatters, April 22, 2022

If At First You Don't Succeed, Spend, Spend Again

DMV stands out as a serial violator in the world of IT failures. Its 1994 effort was supposed to take 5 years and $28 million to bring the Department into the computer age, but was canceled 7 years and an updated $201 million cost later after spending $44 million with nothing to show for it. DMV tried again in 2006 with a planned 6-year, $208 million effort, but it also was trashed after spending $134 million with again nothing to show.

Déjà Vu All Over Again: California's DMV IT Project Cancelled

The Golden State's Department of Motor Vehicles (DMV) must think it has checked into an IT version of Hotel California, where once a DMV modernization project is started, it can never ever finish it.

Last week, on behalf of DMV's management, California's CIO informed state legislators that it had decided to cancel at the end of January the remainder of its US $208 million, 6-year IT modernization project with Hewlett-Packard, which was supposed to be completed in May of this year. As reported in the LA Times, after spending some $134 million ($50 million on HP) and having "significant concerns with the lack of progress," the DMV decided to call it quits and do a rethink of the program's direction. HP had apparently saw the handwriting on the wall. Its contract ended last November, and HP refused to hire key staff until the contract was renegotiated.

The DMV IT modernization program was started in 2006 in the wake of a previous DMV project failure (called Info/California) that blew through $44 million between its start in 1987 and cancellation in 1994. That "hopeless failure," as it was then described, was supposed to be a 5-year, $28 million effort; when it was terminated seven years in, the project's cost to complete had skyrocketed to an estimated $201 million with an uncertain finish date. A 1994 LA Times story reported that an assessment found the DMV had limited experience in computer technology, grossly underestimated the project's scope and size, and lacked consistent and sustained management. The project's failure also sparked a full legislative probe.

The current DMV debacle, along with this month's termination of the MyCalPay's project, has spurred calls for yet another probe. Legislators could save a lot of time and money by just cutting and pasting from the earlier project's investigation. I'm sure they'll find a lot of the same inexperience, underestimating, and inconsistent management.

Not all was lost in the current effort: at least a new system for issuing California drivers' licenses was rolled out. However, the critical vehicle registration portion of the DMV system, with its decades-old "dangerously antiquated technology" (pdf), will have to stay in use while a new go-forward plan is developed.

In looking over the latest project status reports, I couldn't help but notice how California Technology Agency can be so exact with the project's total estimated cost ($208 million), yet be so inexact about the DMV's IT modernization status. According to the CTA's dashboard, the project's status was "yellow" (meaning that the project is slipping) right up until the day it was cancelled. As far as I can tell it never reached "red," meaning "a project that is in need of immediate intervention." Coincidentally, the US Air Force's $1 billion Expeditionary Combat Support System (ECSS) project humiliation was also rated by the US Department of Defense's CIO as "yellow" right up to the day it was terminated. Maybe we should alert the fashion press that yellow is the new red.

. . . I don't know the record length of time and number of attempts for trying to replace an IT legacy system, but for the moment, California's DMV's 26 years and two attempts and still counting has to be close. Anyone have one better?

IEEE Spectrum, February 21, 2013

DMV experienced a sustained computer outage in 2016 because in trying to save shelf space, its system was not designed to handle this type of event.

DMV was unprepared for massive computer meltdown, experts said

The California Department of Motor Vehicles does not appear to have had an adequate disaster-recovery system in place before a computer meltdown wiped out most operations for several days, two information technology experts say.

Based on limited information the DMV provided in response to questions submitted by the Associated Press, experts said it appears the DMV's technology infrastructure falls short of the best industry practices.

In particular, they said, the DMV should have a plan to recover from a catastrophic failure that involves distinct computer systems that are physically separated with independent power supplies. That way, if one data center — or even one section of a data center — overheats or experiences a power surge, backup systems aren't affected.

Los Angeles Times, October 28, 2016

Computer glitches in 2018 led to waiting lines—at the height of the rush for REAL IDs—that would make even other state DMVs blush.

State audit of California's DMV finds 'significant weaknesses'

A state audit of California's Department of Motor Vehicles released Wednesday pointed to operational and technological issues that led to hours-long wait times in 2018.

The audit was conducted by the California Department of Finance, Office of State Audits and Evaluations. Then-Gov. Jerry Brown authorized the audit last year after long wait times in the summer of 2018 were made worse by IT outages.
Advertisement

The audit said several factors are negatively affecting customers' experiences at the DMV as California residents start to update their driver's licences [sic] to meet new federal security standards known as Real ID.

Airport security checkpoints won't accept cards without special markings required by the federal government after Oct. 1, 2020. Californians must apply in person at DMV offices to get the new cards.

"Although the (Real) ID implementation and long wait times during summer 2018 highlighted problems at the DMV, the findings and recommendations described throughout this report indicate DMV has operated with significant weaknesses in its underlying governance structure and organizational culture," the audit's executive summary reads.

KCRA 3, March 27, 2019

These were the major outages. Most drivers should feel lucky they weren't standing in line during the repeated minor ones.

Five Enduring Government IT Failures

The lack of a modern California Department of Motor Vehicles system has caused numerous problems including long customer waiting lines, incorrect voter registrations, and issues in the implementation of the Real ID law. There were also major IT outages in 2016 and 2018, along with an untold number of minor ones. For example, there were 34 IT outages between January 2017 and mid-August 2018 alone.

The ongoing problems with California's Department of Motor Vehicles turned into a major campaign issue in last fall's election for governor. All of the candidates promised to address the lingering problem if elected. Newly elected Governor Gavin Newsom announced soon after taking office that he had created a DMV Reinvention Strike Team to correct what he termed the chronic mismanagement of the department. Newsom also pledged that DMV offices would actually begin to accept credit cards for payment by the end of 2019, something that hasn't ever been allowed.

Before becoming governor, Newsom stated that any California governor who couldn't fix the Department of Motor Vehicles "should be recalled." Long suffering California DMV customers may take his words to heart if the agency isn't fixed soon.

IEEE Spectrum, February 5, 2019

In the latest, 325,000 drivers have just been told they have to get back in line.

California DMV botches more than 300,000 real IDs thanks to software problems

California's Department of Motor Vehicles revealed that about 325,000 people will be required to obtain a new REAL ID driver's license due to a software issue dating back more than 20 years.

The REAL ID, a federally accepted driver's license, was officially implemented nationwide in May 2025 after Congress passed the REAL ID Act in 2005. With travelers now required to show either a REAL ID or a passport when flying, the DMV released a statement Wednesday saying an estimated 325,000 people will receive notices instructing them to correct their licenses.

"We proactively reviewed our records, identified a legacy system issue from 2006, and are notifying impacted customers with clear guidance on how to maintain a valid California-issued credential," California DMV Director Steve Gordon said. "For nearly 99% of REAL ID holders, no action is required. The DMV remains committed to serving all Californians and ensuring REAL ID credentials meet federal standards."

The error, according to the California DMV, stemmed from a "software configuration" dating back to 2006 under former Republican California Gov. Arnold Schwarzenegger's administration.

BizPac Review, January 2, 2026

Not a Lot of Bang for the Really Big Bucks—Schooldays Version

Proposition 30 in 2012 and later Proposition 55 were approved based on campaigns claiming new taxes were needed to save the schools. Prop 30 imposed a temporary increase in sales tax on everybody and increases in personal income tax rates for high earners. Prop 55 retained the high earner rates.

The campaign was truthful in saying that the schools were facing a cut, but somehow they left out why. In passing the 2011 Realignment package, the state shifted taxes that previously were treated as general fund into the new realignment special fund. In doing so, the state created a hole in school finances by reducing the base against which the Prop 98 funding guarantee was applied and through this accounting trick met the requirements for a balanced budget in a year of reduced revenues. The teacher unions, however, were taking no chances. The realignment funding was in fact contingent on voters approving new taxes. If Prop 55 was approved, schools would be made whole. If Prop 55 was not approved, the schools would still be made whole because the general fund shift would become invalid.

This bill would state that specified sales and use tax revenues transferred pursuant to certain provisions of the Revenue and Taxation Code are not General Fund revenues for these purposes. The bill would provide that its provisions would be operative for the 2011–12 fiscal year and subsequent years only if one or more ballot measures approved before November 17, 2012, authorize those revenues to be so treated, and provide funding for school districts and community college districts in an amount equal to that which would have been provided if the tax revenues were General Fund revenues.

The bill would require, if the aforementioned provisions of law are rendered inoperative because the ballot measure or measures are not approved, that by December 17, 2012, the Director of Finance, in consultation with the Superintendent of Public Instruction, determine the amount by which the minimum amount of moneys required to be applied by the state for the support of school districts and community college districts was reduced pursuant to the operation of the aforementioned provisions of law for the 2011–12 fiscal year. Following the determination of this amount, the bill would appropriate an amount equal to 17.8% of that amount from the General Fund to the Superintendent for each of the 2012–13 to 2016–17, inclusive, fiscal years in accordance with a specified priority order, and would appropriate 2.2% of that amount from the General Fund to the Chancellor of the California Community Colleges for each of the 2012–13 to 2016–17, inclusive, fiscal years, in accordance with a specified priority order.

Legislative Counsel's Digest, AB 43 (Chapter 43, Statutes of 2011)

The most recent audits from the State Controller show Proposition 55 generated $6.8 billion in 2017-18 and $8.6 billion in 2018-19. Using their projections through June 2024, the two propositions together (including the previous sales tax component) have averaged $8.0 billion annually.

What has the public gotten for the $8 billion?

- Along with other amounts coming from the persistent rise in state revenues, per pupil spending has grown by 140%. In K-12, per pupil spending (all fund sources) rose from $10,610 in 2011-12 prior to Proposition 30, to $25,481 in the recent budget bill (down slightly from all time high of $26,117 the previous year).

- More money is going to fewer students. Department of Finance data shows total K-12 enrollment in this period declined 6.8% to 5.8 million. Over the next 10 years, enrollment is expected to decline by another 648,000 (11.2%).

- In spite of the massive increase in spending, test scores have shown little change. In the oldest available scores from the Department of Education under the current testing, only 44% of students met or exceeded standards for English in 2014-15 and only 33% for Math. In the most recent results for 2024-25, English showed only minor movement at 49% after 10 years, while Math was even more tepid at 37%.

Full accountability is not possible because: (1) Governor Brown actively opposed including accountability standards both in this spending and his shift of education spending to the current Local Control Funding Formula and (2) the education establishment keeps changing how it measures performance (see next topic). The Center for Jobs, however, tracks results from the previous testing as well beginning in 2005. In the year prior to passage of Prop 30, the comparable metric for English was 54% and Math 46%. While the education establishment claims the two test results cannot be compared for obvious reasons, the results clearly show there has been a substantial drop. More spending. Worse results.

It All Depends on How You Define the Word "Success"

In addition to changes to how they measure, the schools also continue to expand what they measure, hoping somewhere they will find something that can make them look good. This obfuscation over results is embodied in the Department of Education's California School Dashboard which is designed more to confuse rather than provide public transparency on what taxpayers are getting for their education bucks.

> **California's dysfunctional 'dashboard' of school ratings finally gets a well-deserved beatdown**
>
> *Nine years ago, as the state Board of Education was working on a system to inform Californians about what was happening in schools, one of its professional advisors, Nancy Brownell, delivered what she described as a "very brief" summary.*
>
> *Quoted in full from a recording of the July 28, 2015, meeting:*
>
> *"The conversation around what we're learning and the development of the evaluation rubric obviously applies in the context of accountability at the larger context. So what the specifics of really being able to build a larger system that emphasizes the cohesive framework that leads to a sense of how we are going to operationalize the demands and expectations in Ed Code around the rubric around how the components, then, of an accountability system that focuses on multiple measures and tries to, as several of you have said, weave the pieces together to help think about the context of the state priorities and how the guiding principles are a lens, we want to continue to develop the details. I have taken to using a picture of an iceberg in some of the presentations on accountability. There is a lot of agreement in some ways*

on the surface level. None of us would question the importance of the principles. It's really below the surface in the huge picture I use of what does that really look like in an operationalized system."

. . . Nearly a decade later the achievement gap remains large and, in fact, widened during the chaotic months of the COVID-19 pandemic, when schools were closed and kids were stuck with instruction via the internet.

The shortcomings of California's dashboard are finally being recognized.

The Center for Reinventing Public Education, based at Arizona State University, has issued a state-by-state report on school system transparency in test scores in math, social studies, reading and science, as well as absenteeism, graduation rates and English learner progress. California's dashboard received a "D."

"I have a Ph.D. in education policy and I can barely navigate these sites," Morgan Polikoff, a USC professor who worked on the report, told CalMatters. "How do we expect a typical parent to access this information and make sense of it?"

In a rational world, officialdom would see the damning report as a mandate for reform. But California's education establishment is no more interested in real accountability than it was nine years ago. It much prefers to bury reality in indecipherable jargon.

CalMatters, September 13, 2024

We'll Agree to Your Demands, If Somebody Else Will Pay for Them

After a prolonged and contentious labor dispute, CSU in January 2024 agreed to a deal that included a 10% wage increase over two years, salary step increases, and enhanced benefits such as increased paid parental leave from six to 10 weeks. The wage component alone carried a price tag of $310 million a year.

The only problem with this labor treaty was that CSU did not have the money. In 2023, the system faced a deficit of $1.5 billion.

New report says Cal State has $1.5 billion funding gap, suggests tuition hikes

A new analysis shows that the California State University system doesn't make or receive enough money to cover its costs, even with state support. The report and lawmakers urge the system to increase tuition, but even that might not be enough.

CalMatters, May 24, 2023

By 2025—even with increased state general fund support, cost cutting, and a 34% tuition increase paced over 5 years—the deficit grew to $2.3 billion in large part due to the labor cost increases CSU agreed to knowing full well they couldn't afford them and hoping that the state taxpayers would bail them out.

Cal State is still in the red despite tuition increase and spending cuts

California State University says it's short $2.3 billion, a staggering budget gap that's grown sharply since the system first revealed two years ago that it didn't have the money to properly educate its students.

. . . How did Cal State's cumulative funding gap grow from $1.5 billion to $2.3 billion since 2023? Chancellor's office staff point to these latest budget realities:

- *$143.8 million: the amount of Cal State's cut in state support this year*

- *$310.5 million: the growth in labor costs*
- *$322 million: the budget shortfalls at Cal State's campuses the past three years*

> *In that same time, Cal State's revenue grew, but not by enough to cover the increase in costs. State funding that goes to the system's operating budget — the corpus of money to pay for its education mission — grew from $4.5 billion to $4.87 billion last year. State support is Cal State's largest source of funding for its operations. And the system's tuition revenue jumped from $3.24 billion to $3.53 billion. Combined, those are increases of almost $700 million, according to the system's financial transparency portal.*
>
> *Cal State budget officials say that the system will incur $365 million in new, mandatory costs in 2026-27, including $63 million in increased staff health care premiums and about $160 million in wage increases. That amount doesn't include growing enrollment by the 3,500 students that the compact requires, which would cost $56 million.*

CalMatters, July 24, 2025

With its budget decisions blowing up in its face, CSU then pivoted to the only logical option—it reneged on its labor pact. CSU argues that the $144 million cut by the state to their budget in 2025 allows them to reopen negotiations under terms of the contract. The unions are countering that they worked to get the cuts down to this level and convince the Legislature to provide a $144 million general fund loan to tide the system over.

> **'Broken promises.' Cal State workers berate trustees over wage hike cancellation**
>
> *When Catherine Hutchinson opened an email from Cal State management, it delivered a jarring message: the university system lacked the financial resources to honor contracts for salary step increases and cost-of-living adjustments, despite the state's offer of zero-interest loans to assist.*
>
> *. . . That decision by the university system has ignited a backlash from unions representing more than 80,000 California State University faculty, staff and skilled trade workers. They accuse CSU leadership of going back on promised raises after the unions successfully advocated for crucial state funding.*

Sacramento Bee, July 24, 2025

After cutting the wages of its professors and workers, CSU then decided to reward its management with raises ranging from 5% to 20%.

> **Sacramento State President Luke Wood sees salary boost to $504,799 in latest CSU raises**
>
> *Thirteen Cal State University presidents are set to receive pay increases after the CSU system's trustees approved a new framework for calculating executive salaries and subsequent salary boosts Wednesday afternoon.*
>
> *. . . The approved raises ranged from 5% to 20% — with Cal Poly San Luis Obispo President Jeffrey Armstrong receiving the largest bump at over $100,000, agenda documents showed.*

Sacramento Bee, November 24, 2025

Wage Roulette, Local Edition

A similar story played out at LAUSD, but with much larger financial consequences. In 2022, the unions eyed the District's reserves as ripe for use to meet their wage demands, spending now and hoping the taxpayers step up with more in the future. The subsequent deal produced a 21% wage increase spread out over 4 years, including 1 retroactive. Increases were much higher for various specialties, including a $20,000 bump for nurses. Additional spending commitments in the deal included class size reduction and a range of special programs.

New contract would raise average L.A. teacher salary to $106,000 and lower class size

The Los Angeles school district and the teachers union have reached a tentative agreement that provides a 21% wage increase over about three years, raising the average teacher salary to $106,000 while averting the potential of a second strike this school year.

. . . Hard-to-staff positions such as nurses would see additional salary hikes.

. . . "The only plus for the district in this deal is that it stretched out the increases to three years," Antonucci said. "I read this as: hiring more employees, paying everyone 21% more — all amid historic declines in enrollment. So, no, I don't believe the district can afford it."

Over the coming years, the district also must manage multibillion dollar unfunded liabilities for retiree health benefits as well as steep state-pension costs, said Lance Christensen of California Policy Center . . .

Los Angeles Times, April 18, 2023

While the District maintained a healthy reserve, budget projections showed it would quickly come under stress as enrollment continued to plummet. Moreover, the reserve was largely built from unspent pandemic assistance funds rather than any stable revenue source required to support these new costs.

A wealth of cash in L.A. Unified but for how long?

The financial forecast for Los Angeles schools calls for relatively blue skies for three years — including $3 billion left over at the end of the current school year — but warns that there could be serious shortfalls later, offering both opportunity and risk for the ambitious agenda of new Supt. Alberto Carvalho.

The funding picture, presented at Tuesday's school board meeting, represents an improvement from the previous update in December. That earlier forecast had predicted that the 2023-24 school year could be financially shaky. That's not the case any longer.

. . . But there's an accompanying dark cloud. From July forward, the district is projected to spend about $1 billion more than it will take in over a two-year period. The district also must wrestle with underfunded retiree health benefits.

. . . Tuesday's financial report stated the situation in sober bureaucratic language: "The district continues to be challenged with a structural deficit wherein current year ongoing expenditures are greater than projected ongoing revenues."

. . . So how does a district that spends more than it receives end up with so much extra cash?
The budget is flush because of COVID relief aid, a one-time boost; record state tax revenues, which fluctuate with the economy; and previous, unspent relief funds. After initial fears of a COVID-related financial disaster, the nation's second-largest school system has had, for more than a year, more money on hand than it could spend — a historical anomaly.

Los Angeles Time, March 9, 2022

The unions succeeded. The reserves are now on their way to being gone. Costs have risen. Enrollment has continued to drop. The District as result must now make much more drastic cuts. Faced with a $2 billion operating shortfall, the District is now exhausting its remaining reserves—putting it at risk to shifts in the highly volatile state funding—and increasing long term liabilities by halting contributions to fund its long term retiree health obligations, currently underfunded by about $8 billion.

> **With Costs Rising and Relief Money Gone, LAUSD Taps Reserves to Pay for New Budget**
>
> *The Los Angeles Unified board unanimously approved a $18.8 billion budget that relies on diminishing reserves to make ends meet.*
>
> *"There is a tempest ahead, uncertainty, instability, a threat to public education as we know it," Superintendent Alberto Carvalho said as he gave updates to the district's financial plan Tuesday.*
>
> *. . . LAUSD is spending more money than it brings in. The district will pull from its reserves for a second year to make up a nearly $3 billion deficit.*
>
> *It has not closed schools or significantly reduced staff as costs have increased and billions of dollars of federal pandemic relief money ran out.*
>
> *That's a different approach than other local districts. Pasadena and Santa Ana Unified, for instance, announced plans this year to lay off hundreds of staff before next school year.*
>
> *California law requires districts to create a "fiscal stabilization plan" if they're at risk of not meeting their financial obligations. LAUSD's board approved a plan last week that includes the possibility of school closures, layoffs of non-school-based staff, and cutting how much money individual schools can carry over in their budgets from year to year.*
>
> LA School Report, June 26, 2025
>
> **Layoffs, Cuts and Closures Are Coming to LAUSD Schools As District Confronts Budget Shortfalls**
>
> *Budget cuts, staffing reductions and school consolidations are coming to Los Angeles Unified as the cash-strapped district works to balance its shrinking budget, a top school official said.*
>
> *LAUSD's chief financial officer in an interview last week said declining enrollments and the end of pandemic relief funds have forced the district to take cost-cutting measures.*
>
> *Schools have already been notified of how much they will have to cut from their budgets. The cuts will go into effect starting in August.*
>
> *LAUSD officials in June had predicted a $1.6 billion deficit for the 2027-28 school year. But an updated version of the budget approved by the board last week eliminates the deficit by using reserve funds plus cost-cutting measures over the next two years.*
>
> *The planned cuts to school budgets will begin in the 2026-27 school year, with school consolidations and staffing reductions planned for the following school year, said LAUSD Chief Financial Officer Saman Bravo-Karimi.*
>
> *. . . Enrollment last year fell to 408,083, from a peak of 746,831 in 2002. Nearly half of the district's zoned elementary schools are half-full or less, and 56 have seen rosters fall by 70% or more.*
>
> *Bravo-Karimi said in the current school year the district will spend about $2 billion more than it took in from state, local and federal funding. The trend of overspending is expected to continue next year and the year after that, he said.*

The district's board in June approved a three-year budget plan that included a $18.8-billion budget for the current school year. The plan delayed layoffs until next year, and funded higher spending in part by reducing a fund for retirees' health benefits.

The 74, December 23, 2025

Note that while the numbers in the article are inconsistent and likely mix enrollment with ADA (average daily attendance), Department of Finance projections show LAUSD enrollment falling another 20% by 2034-35.

The LAUSD experience is not unique. Teachers unions throughout the state, including in a reprise LAUSD where the unions are demanding a $4 billion hike even as the District goes broke, are now preparing for strikes to achieve comparable hefty wage hikes.

California teachers unions consider strikes amid ongoing contract disputes

From Los Angeles to Sacramento, teachers unions, many fueled by the "We Can't Wait" campaign organized by the California Teachers Association and a slew of contract renewals, are rallying for higher pay, better benefits, smaller class sizes and other classroom improvements. Some are threatening to strike.

In the West Contra Costa Unified School District, the call for improved pay and benefits, and classroom improvements, resulted in a four-day strike by the district's 1,450 teachers that ended earlier this month. The teachers won an 8% pay raise over two years and will no longer have to pay health premiums.

The strike is emboldening other teachers unions that are at an impasse with their districts over contract negotiations.

. . . There are at least 14 school districts around the state that are at an impasse with teachers unions over contract negotiations. They are: Los Angeles Unified, San Francisco Unified, Oakland Unified, Berkeley Unified, Madera Unified, Evergreen School District, Little Lake City, Upper Lake Unified, Duarte Unified, Newport-Mesa Unified, Oak Grove Union, Apple Valley Unified, Twin Rivers Unified and Natomas Unified.

. . . Most of these districts' unions are part of the CTA's "We Can't Wait" campaign, which has spent the last few years aligning contracts to end on the same date in order to add pressure on districts in areas where multiple unions would be negotiating and could potentially strike at once.

. . . Los Angeles Unified teachers and the district are negotiating a three-year contract that would have started at the beginning of this school year. Teachers want a complete overhaul of their salary schedule, beginning with an $80,000 starting salary for new teachers, instead of the current $65,000, Van Winkle said.

. . . Los Angeles Unified district leaders have increased their offers to UTLA multiple times in ongoing negotiations, most recently offering a 4.5% raise and 1% bonus, according to a district spokesperson. The district estimates that UTLA's demands throughout the 2027-28 school year total more than $4 billion above the district's current expenditures.

EdSource, December 15, 2025

<u>Realigning the Realignment</u>

A portion of the 2011 Realignment was supposed to go local jails, shifting inmates away from state prisons to meet the court-ordered overcrowding mandates. Counties took the realignment monies but somehow forgot the realignment responsibilities as funds were shifted to other purposes. In at least one instance, inmate deaths rose as the local jails were shortchanged.

California Sent $8 Billion to Counties to Improve Jails and Services but Failed to Track the Money, Says Auditor

A decade after California embarked on a sweeping prison overhaul that diverted thousands of inmates to county jails, state and local governing bodies have failed to adequately track billions of dollars intended for improving county lockups and rehabilitating offenders, a state audit has found.

The lack of oversight has created enormous budget surpluses, opaque spending practices and progress reports to lawmakers that are "inconsistent and incomplete," California Auditor Elaine M. Howle's office said in a wide-ranging report issued Thursday.

The 2011 law signed by former Gov. Jerry Brown, which called the changes "realignment," was designed to drastically reduce the population of California's prisons, which were so overcrowded that the U.S. Supreme Court stepped in. The law sent billions of dollars to counties to bolster county jails and services throughout the state in exchange for housing more inmates.

But the audit, which was requested more than a year ago by a state senator following a surge of jail deaths reported on by The Sacramento Bee and ProPublica, found that county commissions that monitor the money and the California Board of State and Community Corrections have failed to adequately account for the spending.

"Without comprehensive planning and oversight, counties cannot ensure that their decisions regarding the use of public safety realignment funds are well informed," the report says. "In addition, we found that counties do not adequately evaluate their realignment programs to determine their effectiveness or to ensure that they are spending public safety realignment funding in the most prudent manner."

Sacramento Bee, March 26, 2021

Medi-Cal? More Like Medi-Con

As indicated previously, the illusory $98 billion surplus was used to expand state spending well beyond the capacity of the state's actual revenues, and nowhere is this more evident than in the massive growth of state spending on healthcare programs. Since June 2018, the Medi-Cal caseload has grown 12.7% to encompass 37% of the state's total population. Enrollees using the subsidized Covered California add another 1.9 million, bringing health care benefit users to 42% of the state's population. Budget documents show total state spending (state and federal funds) on healthcare has grown from $93.8 billion in 2018-19, to $225.7 billion expected in 2025-26, a 141% increase.

Along with this spending comes more opportunities for fraud.

25 Southern California Defendants Face Federal Charges Alleging Fraud Schemes that Cost Health Care Programs Millions of Dollars

A local health care fraud enforcement action has resulted in federal charges against of 25 Southern California defendants for their alleged involvement in healthcare fraud schemes that fraudulently sought over $150 million from the Medicare and Medicaid programs, as well as private insurers and union health benefit plans. Fourteen of those charged in federal court in Los Angeles and Santa Ana are doctors or medical professionals.

The charges announced today target schemes billing Medicare, Medicaid and other health care plans for services, testing and prescriptions that were not medically necessary or not actually provided to beneficiaries.

US States Attorney Office, September 18, 2019

Orange County Man Charged in Federal Complaint Alleging He Helped $270 Million Medi-Cal Scam Involving Medication Reimbursement

An Orange County man has been charged via federal criminal complaint with submitting over an 11-month span nearly $270 million in fraudulent claims to Medi-Cal for expensive prescription drugs containing generic ingredients that were not medically necessary and, in many instances, not provided to the purported recipients, the Justice Department announced today.

US States Attorney Office, June 30, 2025

Five arrested over 'sham hospices' alleged to bilk Medicare for over $15 million

Federal officials announced that five people were arrested this week in Los Angeles over an alleged scheme to bilk the Medicare program of more than $15 million.

The U.S. Department of Justice said three of the San Fernando Valley residents who were arrested — Petros Fichidzhyan, also known as Peter; Juan Carlos Esparza; and Karpis Srapyan, also known as Tony Levy — were accused of running "sham hospice companies" and turning in fraudulent claims to Medicare for hospice services.

In an indictment unsealed this week, federal prosecutors alleged the three had sought Medicare payments for patients who were not terminally ill and hadn't been cared for at the sham hospices. In some cases, the men claimed that the same patient had received care from more than one of the fake hospices, prosecutors alleged.

Los Angeles Times, June 8, 2024

Five Defendants Charged For Their Roles In Health Care Fraud And Illegal Drug Diversion Schemes

Today, United States Attorney Craig H. Missakian announced criminal charges against five defendants in connection with allegations that they defrauded Medicare and other federal health care benefit programs and illegally diverted drugs. The charges filed in federal court are part of the Department of Justice's 2025 National Health Care Fraud Takedown. The charges stem from various schemes, including a doctor who submitted unnecessary claims for medical equipment, individuals who ran or participated in fraud schemes to obtain money from federally funded health insurance programs through false claims, and a nurse who diverted pain medication for his own use.

States Attorney Office, June 30, 2025

Attorney General Bonta Combats Medi-Cal Fraud, Securing a $10 Million Settlement Against Southern California Provider

Attorney General Rob Bonta today announced a settlement with the owners of R&B Medical Group, Universal Diagnostic Laboratories, and Southern California Medical Center for submitting false claims to the Medicare and Medi-Cal programs. The settlement resolves allegations that Dr. Mohammad Rasekhi and his wife, Sheila Busheri engaged in a kickback scheme and made self-referrals during the years between 2014 and 2021. As part of today's settlement, Dr. Mohammad Rasekhi and Sheila Busheri, will pay a total of $10 million, with the State of California receiving $4 million and the federal government receiving $6 million.

California Department of Justice, June 2, 2025

Attorney General Bonta Announces Indictment of Southern California Healthcare Provider for Medi-Cal Fraud of Nearly $60 Million

California Attorney General Rob Bonta today announced the grand jury indictment of Southern California healthcare provider, Gerardo Santillan, along with seven other individuals, for defrauding the state Medi-Cal program of nearly $60 million through their operation of three home health agencies between 2016 and 2022.

Following grand jury proceedings, Gerardo Santillan, Ruth Elizabeth Eley, Marisol, Rodriguez, Christopher Gonzalez, Vivien Kono, Maria Consorcia Pagtakhan Lim, Vivian Bonotan Pagtakhan, and Vartan Akopyan, were indicted on 23 felony charges. The charges include conspiracy to commit insurance fraud, conspiracy to commit money laundering, grand theft, Medi-Cal fraud, insurance fraud, and money laundering.

California Department of Justice, June 18, 2024

California Home Health Owner Sentenced for Medicare Fraud, Thwarting FBI

Veronica Katz, a San Francisco home health agency owner, was sentenced to two years in federal prison and ordered to pay $543,634 in restitution for committing health care fraud. The sentencing was handed down by James Donato, U.S. District Judge.

Katz was indicted by a federal grand jury on Oct. 17, 2023, and pleaded guilty on Apr. 18, 2024, to one count of health care fraud. Katz was the owner and operator of HealthNow Home Healthcare and Hospice, a home health agency that provided in-home medical care to patients in the San Francisco Bay area. While operating HealthNow, Katz billed Medicare and private insurance companies for in-home medical care and submitted false documentation to Medicare to obtain reimbursements that were in violation of Medicare's rules and regulations.

HomeCare, December 11, 2024

42 DEFENDANTS INDICTED IN $4.6 MILLION MEDI-CAL FRAUD CASE

Federal and State authorities this morning arrested 20 defendants accused of being part of ring that defrauded Medi-Cal out of nearly $4.6 million by using unlicensed individuals to provide in-home care to scores of disabled patients, many of them children with cerebral palsy or developmental disabilities.

The 20 defendants arrested this morning are among 42 defendants named in a 41-count indictment that was returned by a federal grand jury on June 25. The indictment is part of an investigation called Operation License Integrity, a two-year investigation conducted by the Federal Bureau of Investigation, the U.S. Department of Health and Human Services Office of Inspector General, and the Office of the California Attorney General-Bureau of Medi-Cal Fraud and Elder Abuse. The indictment alleges that the 42 defendants and two others, one of whom has already pleaded guilty to health care fraud charges, conspired to bill Medi-Cal nearly $4.6 million for in-home licensed nursing services that were actually provided by unlicensed individuals.

The organizer of the ring, Priscilla Villabroza, a registered nurse who ran a Santa Fe Springs-based company called Medcare Plus Home Health Providers, pleaded guilty in federal court last year to five counts of health care fraud. According to court documents, Villabroza and others hired individuals to provide care to disabled Medi-Cal patients, many of whom were children and young adults served under a program called Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Supplemental Services. The indictment alleges that from August 2004 through the end of 2007, Villabroza and others hired unlicensed individuals to provide services to the disabled Medi-Cal patients and billed Medi-Cal as if they were licensed vocational nurses (LVNs). Some of the unlicensed individuals had foreign training, but never passed a nursing exam here. Some of them had no medical training at all.

California Department of Justice, July 9, 2009

Medi-Cal Malpractice

Medi-Cal, however, is plagued by more than just good old-fashioned fraud. A 2018 State Audit found some $4 billion in questionable payments over a 4-year period. The Audit also concluded that due to improper management, the was likely broader than what they were able to find.

> **Department of Health Care Services, It Paid Billions in Questionable Medi-Cal Premiums and Claims Because It Failed to Follow Up on Eligibility Discrepancies**
>
> *This report presents the results of our high risk audit concerning $4 billion in questionable California Medical Assistance Program (Medi-Cal) payments that the Department of Health Care Services (Health Care Services) made from 2014 through 2017 because it failed to ensure that counties resolved discrepancies between the state and county Medi-Cal eligibility systems.*
>
> *. . . Our statewide comparison of Medi-Cal beneficiary eligibility data identified pervasive discrepancies between the state and county systems. Specifically, our analysis of 10.7 million Medi-Cal beneficiary records from December 2017 revealed more than 453,000 beneficiaries marked as eligible in the State's eligibility system although they were not listed as eligible in the counties' eligibility systems for at least three months. Upon examining the data for these beneficiaries from 2014 through 2017, we found that 57 percent of these discrepancies had persisted for more than two years.*
>
> *. . . In addition to questionable payments, we identified more than 54,000 individuals who were not recorded as eligible for Medi-Cal in Health Care Services' system, even though the counties' records indicated that they were eligible. Because health care providers use Health Care Services' records to authorize care for beneficiaries, eligible individuals may encounter hardship when their eligibility status is not accurately reflected in Health Care Services' records. Further, there may be additional data discrepancies related to people who qualify for Medi-Cal benefits through other entitlement programs.*

State Auditor, October 30, 2018

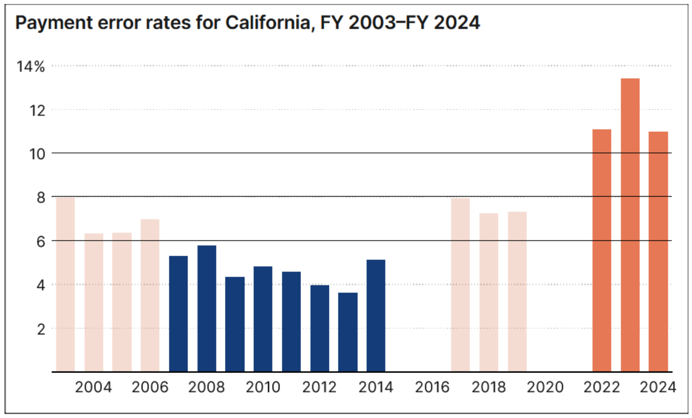
More recent audits indicate the problems continue, with at least another $1.9 billion added to improper payment total.

> *Although it has made some progress since our last assessment, Health Care Services has not adequately resolved problems involving Medi-Cal eligibility and will remain on the state high-risk list. As of April 2025, the number of eligibility discrepancies between the county and state eligibility systems remains only somewhat below the level that we identified in 2021 that was estimated to have caused the State to disburse $1.9 billion in questionable payments. Additionally, as we have previously reported (this is a pdf file), Health Care Services may also deny benefits to individuals who may be entitled to receive them. The large number of eligibility discrepancies continues to present a substantial risk of serious financial detriment to the State, as well as to some Californians seeking healthcare services.*

State Auditor, December 11, 2025

SNAP Misjudgments

States administer the SNAP food stamps program using federal funds plus, in the case of California, state funds to cover persons not otherwise eligible under the federal rules. In FFY 2025, US Department of Agriculture data shows California spent $12,577,000,329 on this program. Ongoing reports also show in FFY 2024, 11% of the payments made by the state were in error and had escalated substantially in recent years. Assuming this rate remained constant means California paid out $1.4 billion more than it should have.



Source: The Hamilton Project, SNAP payment error rates by state, FY 2003–24

This lax management will have a direct impact on the state's taxpayers. Under the federal OBBB, states now have to provide matching funds depending on how they mismanage the program, starting at 0% match for states that manage to keep the error rate below 6%. California, of course, would fall under the highest match, 15% for states with error rates over 10%. Again using the most recent data, California's mismanagement means taxpayers will be on the hook for $1.9 billion, consistent with the $2 billion estimate recently made by the State Auditor.

Seven Charged in Theft of California Benefits for Low-Income Families

Seven people were arrested and charged this week in connection with the theft of hundreds of thousands of dollars in public-assistance benefits from low-income families that need the funds to pay for food, housing and other necessities.

The defendants were taken into custody by a U.S. Secret Service-led task force as part of a three-day effort to crack down on this devastating and growing fraud in which California benefits are drained from recipients' accounts almost immediately after the funds are dispersed by the state, typically early in the month. A simultaneous operation netted three arrests in the Northern District of California.

Marian Dogaru, Catalan Craciun, Vasile Ionita, Andrei Cristian Geangasau, Domitru Ducila Unguru, Roberto Calin and Razvan Iulian Gaspar are charged with stealing Electronic Benefit Transfer (EBT) account information and making fraudulent cash withdrawals at ATMs using that stolen EBT information.

According to the complaints, between June 2022 and February 2024, over $181 million has been stolen from EBT beneficiaries in California. Most of these stolen funds have come from unauthorized ATM withdrawals. The complaints also allege that victims of the scheme are largely low-income families who depend on EBT benefits to buy food and other household necessities.

US Secret Service, April 4, 2024

School for Scoundrels

1.2 million fake students applied to California community colleges last year. What's being done?

Of those who applied to state community colleges from January through December 2024, 31% were determined to be likely fraudulent. That's more than 1.2 million applications, according to data from the office of the chancellor for the college system.

Anyone who applies to a California community college is admitted. This accessibility, coupled with the increase in remote and hybrid formats for classes since the COVID-19 pandemic, creates vulnerabilities that scammers exploit to cash in on both state and federal financial aid.

Fraudsters, with the help of stolen identities, bots and artificial intelligence, act as dozens or even hundreds of students. They join classes and remain enrolled until they receive their financial aid checks. The fake students often take up limited spots in classes actual students need to take, creating headaches for both students and staff.

Although any financial aid goes toward tuition first, low-income community college students pay little or no tuition in California, meaning they receive funds directly to use for books, housing, food or other needs while they're in school.

Some fraudsters have spent that cash on plastic surgery, elaborate vacations and designer bags, federal officials say.

Los Angeles Times, June 24, 2025

$100 Million Flash Fried Takeout

Ivanpah solar facility is a $2.2 billion plant that was hailed as an innovative leap in clean energy, demonstrating the ability to produce power through a vast field of mirrors concentrating the sun's rays on a central steam-generating tower. The plant never lived up to its hype, instead demonstrating that mirrors break when left outdoors and that innovative clean power is very effective at flash frying birds by the thousands as they go after insects attracted by the shiny and still intact portion of the mirrors. The facility also never met its claimed generation capacity, while still charging ratepayers more than 4 times the cost of solar power from new facilities.

Due to the costs, PG&E recently announced it intended to cancel its agreement with Ivanpah. In pursuit of the state's clean energy goals—damn the costs—the CPUC recently ordered PG&E to keep Ivanpah open, at an estimated cost of $105 million a year to the utility's ratepayers.

Gavin Newsom Sticks It To California Ratepayers

Launched in 2014, the $2.2 billion solar facility located 230 miles northeast of Los Angeles, was designed to produce 392 megawatts of electricity by focusing sunlight on 459-foot-high towers. At the ribbon-cutting ceremony, then-Secretary of Energy Ernie Moniz claimed the sprawling project, which covers nearly six square miles of the Mojave Desert, was a "shining example" of America's leadership in solar energy.

But Ivanpah was a flop. It never generated more than 75% of its planned electricity output. It relies heavily on natural gas to ensure its complex generators operate properly. The juice it produces is absurdly expensive. And it has been a disaster for wildlife. Some 6,000 birds are being killed every year while flying between the mirrors and the towers. The project also required relocating endangered desert tortoises. Even the goofballs at the Sierra Club, an outfit that has never met a solar, wind, or battery project it couldn't slobber over, have called Ivanpah a "financial boondoggle and environmental disaster."

In January, Pacific Gas & Electric, California's largest utility, announced it was terminating power purchase agreements it signed 15 years ago and the plant, which is operated, and partially owned by Houston-based NRG, would be shuttered and dismantled. Those contracts were expected to run through 2039. Ending the contracts, PG&E said, "will save customers money." But last week, the California Public Utility Commission rejected the proposed shutdown and ordered the plant to stay open.

. . . Let's do the math. Ivanpah is producing about 750,000 megawatt-hours of electricity per year. Reports show that PG&E has been paying about $180 per megawatt-hour for the electricity from Ivanpah. For comparison, new solar PV projects can produce power for about $40 per MWh. Thus, the CPUC commissioners — all appointed by Newsom — are requiring California ratepayers to pay a premium of $140 per MWh for the juice from Ivanpah, even though they could get the same electricity from cheaper sources. Simple multiplication ($140/MWh x 750,000 MWh/yr) shows that Newsom's minions are mandating Californians to pay $105 million per year more for electricity from Ivanpah than they should be paying.

Robert Bryce Substack, December 12, 2025

Hoover Institution

The Hoover Institution periodically reports on instances of government overreach or mismanagement. Selected items from Lee Ohanian's California in 2025: Another Bad Year of Governance cover the following. All reference source documents are available, in most cases with more picture-ready headlines.

LA's $1 Billion, Eight-Mile Bike Lane

> *Yes, $1 billion for eight miles of a bike and walking path about 16 to 20 feet wide. The city and LA Metro (the Los Angeles County Metropolitan Transportation Authority) want a continuous 51-mile path along the Los Angeles River, with the eight-mile gap between Elysian Valley and Vernon being the most expensive piece, involving new bridges, retaining walls, habitat mitigation, and right-of-way issues. This was supposed to be completed this year. However, construction hasn't begun, and the environmental review is ongoing.*
>
> *This isn't what Angelenos planned for when they approved Measure M nine years ago, authorizing a half-cent sales tax increase for 30 years to pay for more transit.*

Aging Water Storage and Conveyance Waits to Get Repaired

> *The Society of Civil Engineers gives a grade of C- to California's dams, 70 percent of which are at least 50 years old. The state has identified 42 dams in need of repairs for safety purposes, which reduces their collective storage capacity by over 100 billion gallons. Yet the $100 million dam repair budget was cut in half last fiscal year. Surely there was a way to fully fund this high-priority investment within a roughly $300 billion overall state budget?*

Howard Jarvis Taxpayers Foundation

HJTF previously jointly produced an annual California Piglet report on waste, fraud, and abuse through 2008. This series was replaced with their own annual Follow the Money series through 2023. Year references below indicate from which report the individual selected items are taken. As above, the source documents are also available along with the annual reports.

Reward for Failure (2023)

Sacramento City Manager Receives $20,000 Raise Amidst Budget Deficits and Brown Act Violation

Sacramento's City Manager, Howard Chan received a $20,000 raise on top of his $493,655 salary. This raise was granted by the Sacramento City Council during a meeting where they also violated the Brown Act, a state law ensuring transparency in government meetings. Despite facing budget deficits, the city council approved the raise and additional leave time for Chan. This decision comes on top of financial challenges, including rising labor costs, pension costs, and other liabilities faced by Sacramento.[1]

Driving While Legislating (2023)

Lawmakers' Retain Access to Taxpayer Funded Vehicles Despite DUI's

Assembly member Bill Essayli's proposal to restrict state legislators' access to taxpayer-funded vehicles if charged or convicted of DUI highlights California's government dysfunction and wastefulness. The need for such a resolution and the fact that the proposal has been delayed with no action taken at this point underscores the lack of accountability with which the California Legislature considers routine.[5,6]

Inmate #128655, Would You Also Like a Turndown Tonight? (2023)

LA County Board of Supervisors Approves Free Phone Calls for Jail Inmates; Cost Estimated up to $30 Million Annually

Despite reservations regarding the program's financial impact, the Los Angeles County Board of Supervisors greenlit free phone calls for jail inmates. Supervisor Holly Mitchell's call for a 90-day delay highlighted concerns about the undisclosed funding sources and potential budget strains, while County CEO Fesia Davenport estimated the true cost could escalate to $30 million annually, further fueling skepticism about the feasibility of the initiative amidst existing budgetary constraints.[7]

Deficit? I Don't Have No Stinkin' Deficit (2023)

$25 Million Guaranteed Income Program Despite Budget Crisis

Despite a huge and growing budget deficit, the state approved a controversial pilot program allocating $600 monthly to 500 Riverside County residents, potentially exacerbating financial strains. The initiative, funded partially by state grants and requiring matching funds, raises questions about priorities amid fiscal challenges.[9]

$180 Million Guaranteed Income Expansion

California has allocated $180 million for guaranteed income for 12,000 low-income residents. The giveaway raises concerns about sustainability and discourages people from working.[14]

What's Public Service Good for If You Can't Profit from It? (2023)

Assembly Speaker's Wife Receives Nearly $600,000 from Local Government Lobbying Group

As Assembly Speaker Anthony Rendon steps down, questions arise over his wife Annie Lam's significant earnings, with reports showing her consultancy business received nearly $600,000 from the League of California Cities over the last year and a half. Concerns persist about potential conflicts of interest, underscoring the necessity for greater transparency and ethical standards in the realm of political spouses' financial activities.[10]

What's Public Service Good for If You Can't Profit from It #2? (2023)

Silicon Valley Bank's $100,000 Donation to Newsom's Nonprofit

The collapse of Silicon Valley Bank, along with its substantial $100,000 donation to Governor Gavin Newsom's nonprofit, raises red flags about potential conflicts of interest and the influence of corporate donations on political agendas. Amidst regulatory intervention to stabilize the bank's finances, the connection between corporate contributions and governmental actions underscores the need for heightened transparency and accountability in political financing.[11]

Jennifer Siebel Newsom's Charity Violates Regulations, Solicits Donations Despite Noncompliance with $17.5 Million Revenue

Jennifer Siebel Newsom's charity, The Representation Project, with revenue of $17.5 million since 2011, raised ethical concerns by continuing to solicit donations despite being out of compliance with charitable solicitation regulations. Major corporations with business before the state have given five and six figure donations to the organization.[18]

<u>What's Public Service Good for If You Can't Profit from It #3? (2023)</u>

Assemblymember Mia Bonta Refuses to Answer Conflict of Interest Questions Over Her Handling Husband's $1.2 Billion Budget

Amid concerns of conflict of interest, Assemblymember Mia Bonta has refused to address questions regarding her oversight of her husband, Attorney General Rob Bonta's budget. With her role in a key budget committee, critics question the ethical implications and transparency of the legislative process.[12]

<u>What're Public Programs Good for If You Can't Profit from Them? (2023)</u>

CalOptima Executive Salaries Raise Eyebrows Over $840,000 Payouts

CalOptima, responsible for healthcare of Orange County's vulnerable, faces criticism for executive salaries exceeding $840,000—more than double the President's pay. Former officials question the fairness of such hikes while rank-and-file employees see modest increases. State investigators are now examining the agency's financial practices.[13]

Yet a Third Way to Receive Your Food Stamp Benefits (2023)

Department of Social Services $34 Million Welfare Theft

The California Department of Social Services faces a dire $34 million welfare theft crisis, underscoring serious flaws in its stewardship of taxpayer funds. The agency's inability to thwart such theft not only depletes resources intended to support low-income families but also places taxpayers at risk of bearing the financial burden caused by the shortfall.[16]

No Wonder Housing's So Expensive (2023)

San Francisco Homeless Nonprofit Receiving Tens of Millions in Taxpayer Dollars Accused of Misusing Funds

A lawsuit filed against the United Council of Human Services (UCHS) and its CEO, Gwendolyn Westbrook, alleged misuse of funds designated for homeless services, including support for Westbrook's reported extravagant spending on multiple vehicles, high-priced jewelry, and fertility treatments for relatives. The complaint, highlights concerns about financial transparency and accountability for tens of millions in taxpayer dollars provided to UCHS, as well as allegations of unchecked drug use and sex work at UCHS housing sites.[15]

Taxpayer Burden Mounts: Skid Row Housing Trust Bailout Nears $40 Million

The city of Los Angeles faces escalating costs nearing $40 million to rescue the troubled Skid Row Housing Trust, with further expenditures anticipated in mid-2024. Despite efforts to stabilize the trust's properties and transition them to other housing providers, ongoing financial mismanagement and deficiencies in the existing structure continue to strain taxpayer resources.[19]

If You Like Your Insurance, You Can Keep Your Insurance . . . As Long as You Fork Over More (2023)

CalPERS Long-Term Care Insurance Fiasco Wastes $2.7 Billion in Taxpayer Dollars

California's CalPERS long-term care insurance program, initiated in 1995, has resulted in a multi-billion dollar debacle, with premiums skyrocketing and promises broken. The mismanagement underscores the state's history of bungling large-scale projects, leaving taxpayers to foot the bill for governmental incompetence and negligence.[17]

Homeless Funding? More Like Endless Funding (2023)

1.5 Times More LA Homeless Despite $1.2 Billion Prop. HHH Initiative

Los Angeles' homelessness crisis has only escalated despite the 2016 Prop. HHH measure, a tax increase proponents promised would alleviate it. Despite the failure of Prop. HHH to address the situation, many local officials continue to insist yet more taxes are the answer.[22]

San Diego Spends $383,000 per Homeless Home

San Diego's Housing Commission is pursuing the purchase of three extended-stay hotels, with each unit costing approximately $383,000, to provide homeless housing. Critics argue that the hefty price tag demonstrates poor financial planning and overlooks more cost-effective approaches to address homelessness.[23]

BART's $350K Homeless Program Serves Only One Person

BART's $350,000 initiative with the Salvation Army to address homelessness served only one person over three years. The inspector general's report highlighted flaws in the program's oversight and accountability, underscoring the need for transparent metrics and outcomes in future initiatives to ensure taxpayer money is effectively utilized.[24]

Los Angeles "Mansion Tax" Worsens Housing Shortage Despite Promising The Opposite

Despite its promises to address homelessness, the implementation of Measure ULA in Los Angeles has exacerbated the housing shortage and affordability crisis. The significant increase in transfer taxes on commercial and residential sales over $4 million has deterred lenders from providing construction loans for multifamily projects, leading to a drying up of financing and a decline in new housing supply. As a result, the tax, intended to fund homelessness solutions, has paradoxically worsened the very housing shortage it aimed to alleviate.[25]

Trying to Bag It (2023)

Bag Fee Found to Increase Plastic Waste and Lawmakers Fail to Understand Government Involvement has Proven Counterproductive

In 2014, Californians narrowly passed an initiative to impose a ten-cent bag fee after proponents claimed the measure would protect the environment by reducing plastic waste.. Instead, the fee has not only hit consumers in the pocket book but has *increased* plastic waste. Because the bags required by the law are thicker than the bags consumers previously received for free, not only has the volume of plastic waste increased but the new thick bags are also impossible for many recycling facilities to process. In response to this situation, which was worsened by government intervention in the first place, lawmakers have paradoxically proposed yet more regulation.[33]

Don't Fence Me In (2023)

UC Berkeley's $341K Security Fence Fails to Halt Vandalism, Raises Concerns of Wasted Funds

Despite spending $341,477 on a security fence to protect the Berkeley home of UC President Michael Drake from vandalism and racist graffiti, the University of California found it ineffective. The exorbitant cost, a 37% increase from the original estimate, highlights concerns over the allocation of funds, especially as the fence failed to fulfill its intended purpose.[29]

On the Plus Side, the History Texts Still Talk About President Eisenhower Plans to End the War in Korea (2023)

Oakland School District's Half-Filled Classrooms

With a surplus of schools, Oakland's education system faces a dire financial predicament, wasting millions annually on underutilized facilities and escalating operational costs.[30]

But Have You Seen the Price of Golden Toilet Seats Lately (2023)?

San Francisco's Toiletgate 2.0: $1.7 Million for Two Toilets

San Francisco supervisors approved $1.7 million in state funds for two public toilets after criticism over inflated costs. The controversy began with plans for a costly toilet in Noe Valley, leading to a donated modular toilet and cost reduction efforts. However, another planned toilet in Precita Park is estimated to cost $1.4 million. [46]

Whatever Did We Do Before AI (2022)

Bay Area county pays woman $2.45 million to write book she allegedly plagiarized from Wikipedia
5/5/22

Santa Clara County paid over $2 million for an employee to write a 580-page manuscript on the history of the county, but large portions of this manuscript have been reported to have been plagiarized from Wikipedia, from various newspapers, and from the county itself. This already expensive project was made even more expensive by a two-year delay that caused the project's timeline to be extended.

Meanwhile, the Mercury News reported even if the book is published it is unclear where it will be available besides the county office and archives.7

But I Was Trying to Educate the Voters (2022)

San Mateo Community College administrator admits using district resources for political purposes 1/6/22

A San Mateo Community College Vice Chancellor admitted to using district resources for political purposes in a plea agreement that saw authorities drop embezzlement and perjury charges against him. The administrator had been charged with a total of 15 felonies. A district representative stated the administrator was placed on leave.14

Bonding Over the Cash (2022)

San Gabriel Valley school district official and consulting firm CEO charged with$1.4 million embezzlement scheme 8/23/22

A former superintendent of Bassett Unified School District, in L.A. County's San Gabriel Valley, and a consulting firm CEO were charged with a scheme to divert a portion of a $30 million school construction bond for their own gain. An investigation by the District Attorney's office alleged that $1 million of invoices had been approved for work that was never actually done as part of the scheme.20

Recycling the Cash (2022)

$200 million likely lost to recycling fraud 1/10/22

A Consumer Watchdog investigation into recycling fraud found the state loses $200 million a year to scammers bringing in trash from out of state and mixing extra materials with cans and bottles to increase its weight. The advocacy group also noted that CalRecycle, the agency responsible for overseeing this program has conducted 62,259 audits, investigations, and inspections over the past decade, of which the agency has recovered $1,611 per action — likely less than the cost to taxpayers of each investigation itself.21

Putting a Little Bling into Being Homeless (2022)

$700,000+ homes for select Los Angeles homeless 2/24/22 (2022)

An audit of a $1.2 billion bond program that promised voters 10,000 units of new housing for Los Angeles' homeless population found that only 1,200 homes had been built since the spending was approved in 2016, while the number of homeless residents in the city rose from an estimated 28,000 to about 41,000. Of the homes built, 14 percent came at a cost of over $700,000 each and one project under development was estimated at $837,000 per unit.28,29

Another Way to Solve the Homeless Problem (2022)

LA homeless agency fails at counting 10/26/22

Los Angeles officials called for an "evaluation" of the accuracy of the annual count of the homeless population conducted by the Los Angeles Homeless Services Authority after the results of its point-in-time count were disputed by City Council members, Rand Corp. surveyors and residents.

For example, the report stated that the number of homeless people in the northwest quarter of Venice living in tents, cars, or RVs had dropped from 509 to 0, while the situation on the ground still clearly showed many such homeless individuals present in exactly these conditions.
The Los Angeles Homeless Services Authority (LAHSA) is responsible for managing more than $800 million in annual spending of federal, state, county and city taxpayer dollars.30,31,32

Cashguards (2021)

Los Angeles County lifeguards make up to $392,000 3/27/21

An investigation by auditors at the nonprofit OpenTheBooks.com found L.A. lifeguards can make a virtual fortune. They found in 2019, 82 lifeguards made over $200,000 and seven made over $300,000, including the value of benefits.7

A License to Steal (2021)

DMV employees admitted taking bribes for licenses 5/18/21

5 DMV employees at the agency's Torrance and Lincoln Park offices admitted taking bribes in exchange for issuing licenses to unqualified drivers. Tens of thousands of dollars were received in connection with the scandal and the employees involved admitted to taking bribes several times a week. The scam was discovered by a DMV investigator who noticed an unusual pattern associated with the fraudulent applications.9

See: What's Public Service Good for If You Can't Profit from It #2? Above (2021)

California's "First Partner" Jennifer Siebel Newsom receives corporate donations 6/4/21

An investigation by the Sacramento Bee found Governor Newsom's wife's nonprofit, an organization focusing on gender equity in film, has received $800,000 in donations from companies involved in lobbying the state. These companies, which have also donated to the Governor's political activities, include PG&E, Kaiser Permanente, AT&T, and Comcast. The Governor denies the donations to his wife's nonprofit have any inappropriate influence on his decisions, stating in response to reporters' questions, "There's no correlation, period, full stop. Absolutely none."10

Do As I Say, Not What I Do (2021)

Top union leader charged with tax fraud, embezzlement, perjury and failure to pay taxes 10/14/21

The executive director of the SEIU, the state's largest union and an advocate of higher taxes, resigned after being charged with numerous crimes including failure to pay her own taxes. Under this official's tenure, the union donated more than $6 million to Gavin Newsom's anti-Recall campaign.11

The Blind Fleecing the Binded (2021)

State employment chief says she doesn't know why unemployment is high 10/26/21

California's unemployment rate soared to historic highs as strict COVID-19 rules combined with the state's usual high tax and anti-business political stance.

However, when Assemblyman Kevin Kiley questioned the Director of the Employment Development Department on why unemployment was so high she was absolutely baffled, and said she would have a "research team" look into it.12

AIDing Themselves (2021)

State employees embezzle $2.7 million intended for AIDS patients 11/16/21

State employees conspired to bilk the California Office of AIDS of $2.7 million through a scheme where fake invoices were submitted on behalf of a company that didn't actually exist. The funds embezzled were used to fund travel, cruises, parties and trips to sporting events. The fraud was first discovered when an official asked for more information on the fake company, but not until millions had already been stolen. Government watchdogs pointed to the situation as an example of why more safeguards are needed to ensure taxpayer funds are spent appropriately.14

Another Way to Deal with High Tuition Costs (2021)

LA Councilman charged with funneling lucrative contracts to USC in exchange for a professorship and scholarship for disgraced son 10/15/21

A federal grand jury indicted South L.A. Councilman Mark Ridley-Thomas on charges of funneling millions of dollars of contracts to the University of Southern California in exchange for an admission with a full scholarship and a paid professorship for his son. His son, Sebastian Ridley-Thomas, is himself no stranger to scandal. Sebastian Ridley-Thomas was a State Assemblymember embroiled in a "#metoo" scandal before resigning his position with the Assembly to become a professor, despite lacking a graduate degree.16

I Meant Geographic Diversity (2021)

California diversity bureaucrat doesn't even live in California 12/14/21

California's Superintendent of Equity, a brand new position paying $180,000 a year, resigned after Politico revealed he didn't even live in California, but lived in Philadelphia where he ran a business. Further questions were raised about the ethics of how he was hired. The position was not found to have been publicly posted on the state's website and the official's resume did not show any experience working with California school districts. Meanwhile, it was revealed he had a decades-long friendship with the State Superintendent of schools.18,19

Putting Cash Where the Sun Don't Shine (2021)

Authorities charge four with $20 million theft associated with non-existent solar project 9/9/21

The Los Angeles County district attorney charged four men including a former state senator with stealing $20 million intended for a solar project. One of the individuals is accused of spending over $8 million of these funds on personal items.23

Police Cuts Check (2021)

LA cuts police funding, diverts funds to free money payouts 4/19/21

L.A. Mayor Eric Garcetti's budget included $24 million dedicated to no-strings-attached $1,000-a-month payments to Angelenos. Low income parents and people suffering from medical conditions are expected to receive priority in the selection process. An additional $6 million diverted from the Los Angeles Police Department is set to provide payments to single parents in L.A.'s City Council District 9, which includes the communities of South Central and downtown. Considering that these payments are paid for by police cutbacks, who are the recipients supposed to call if their check is stolen?25

Think Maybe They'll Use the Cash to Buy a Gun and Then Demand More $$ (2021)

San Francisco plans to pay people $300 a month to not shoot others 9/2/21

10 individuals in San Francisco deemed to be at risk of being part of a shooting will receive $300 a month to behave better. These payments, which are funded by a nonprofit through a partnership with the city, will be in the form of gift cards, and the payments can be bumped up to $500 if the individuals participating also perform some volunteer work.27

Maybe Other People Don't Like Riding in Them? (2021)

How do electric cars prevent coronavirus? 1/16/21

Governor Newsom's COVID-19 relief budget raised some eyebrows when a closer look at the proposal revealed it included $1.5 billion for electric car infrastructure and incentives. In fact, the amount of money allocated to electric cars was nearly triple the $575 million planned for helping small businesses weather thepandemic.28

What's a Crisis if You Can't Profit from It? (2021)

EDD and Bank of America "nifty little kickback scheme" 2/5/21

While many Californians struggled to receive unemployment benefits, the EDD and Bank of America were receiving revenue every time debit cards issued by the agency were swiped, according to a CalMatters report. Although officials said they did not know how much money Bank of America received, and Bank of America itself declined to comment, the EDD reported receiving $5.2 million in September alone in response to a public records request by CalMatters. "This is essentially a nifty little hidden kickback scheme," said Assemblymember Jim Patterson.30

Immunization from IT Success (2021)

California spends $50 million on "glitchy" COVID-19 appointment website 4/22/21

Only 27 percent of Californians who received coronavirus vaccinations used "MyTurn" to schedule their appointments due in part to multiple glitches in the hastily-built site. The site failed to list many providers and pharmacies where Californians could be vaccinated and the site also frustrated and confused people by requiring multiple logins. The contract to build the site itself was awarded to Blue Shield of California on a "no bid" basis.33

Testing Taxpayer Patience (2021)

Lab awarded $1.7 billion contract despite reports they were sleeping on the job 11/4/21

Whistleblowers exposed a COVID-19 test facility for serious problems including lab techs sleeping while processing samples and test swabs found in bathrooms. First, state officials denied the existence of any problem at all. While they later did acknowledge "serious deficiencies" were present, they still renewed a contract worth $1.7 billion with the same lab.35

See: No Wonder Housing's So Expensive Above (2021)

When does an 8-foot shed cost $130,000? When the government is in charge of buying it. 2/8/21

A program to build "tiny home villages" in Los Angeles consisting of 64-square-foot aluminum and composite sheds, paid $130,000 each for the structures, ten times what other cities spent, according to a Los Angeles Times report.36

Tents that cost more than luxury apartments 6/25/21

The San Francisco Chronicle reported 260 tents San Francisco maintains in six "sleeping villages" cost the city $5,000 per tent per month, or $60,000 annually. In addition to tents, the sleeping villages provide access to showers and 3 meals a day, but some have raised concerns about the cost. At $5,000 per tent per month, the rent on a luxury apartment would be less, and the rent on an average 1-bedroom apartment in San Francisco would be less than half.37,38

LA nonprofit staff embezzled $400,000 in homeless funds 10/25/21

Three women working for a Los Angeles based nonprofit were charged with embezzling $400,000 intended to assist people experiencing homelessness. The women enlisted friends and family members to apply for assistance with falsified documents. The fraud occurred in 2017 but since being brought to light the women involved have been charged with 56 felonies including embezzlement and grand theft.40,41

$600,000+ condos for the homeless in Los Angeles 1/7/20

A new 72-unit apartment complex for the homeless in Los Angeles clocked in at a $600,000 to $700,000 per unit cost to taxpayers. The spiffy new homes, located in a trendy part of town, range from studios to 3 bedroom units and are more expensive than the median home price in Los Angeles County. That means many taxpayers paid to give the homeless more expensive homes than they themselves reside in

<u>Cleaning Up More than Just the Poopies (2020)</u>

"Mr. Clean"? Not so much … 1/28/20

In a story that could only come from the most left city on the left coast, the public servant tasked with overseeing San Francisco's "poop patrol," and who went by the nickname of "Mr. Clean," was implemented in a web of scandals including bribery, wire fraud and misuse of public funds.

Among the alleged scams in which Mr. Clean was involved were spending over $400,000 commissioning a PR agency to develop a fake study claiming the city was spotless, when in fact human-waste incidents had increased by 200 percent, and suspicious dealings with a Chinese development company. Also uncovered was a past affair with and a $5,600 loan to San Francisco mayor London Breed, possibly explaining why Mr. Clean, whose real name is Mohammed Nuru, was not relieved of his job earlier.1,2

<u>The Vote Count Will Take a Little Longer than Expected (2020)</u>

Voting system cost $300 million but doesn't work as promised 4/10/20

Los Angeles County spent $300 million on new voting technology. Officials had promised that the new system would use paper ballots that would provide the means for citizens to verify election results. But when a Long Beach sales tax *narrowly passed, opponents were told accessing the ballots would be so complicated and labor intensive that they would need to pay up to $200,000 for the privilege.*

Parting is Such Sweet Payoff (2020)

Please stop managing — here's a half million dollars 4/23/20

The city of Anaheim unexpectedly announced the resignation of its city manager and paid him a $475,000 severance package, far more than his contract required if he was terminated. In the previous five years, Anaheim "parted ways" with three city managers, three city attorneys and a police chief. Severance pay and legal settlements totaled more than $2.5 million

Scraping By (2020)

$800,000 bribery scheme, a giant skyscraper, and an expensive sexual harassment coverup 6/23/20

Los Angeles City Councilman Jose Huizar was charged with receiving over $800,000 in bribes and gifts from a Chinese developer in connection with a plan to win approval to build the highest skyscraper west of the Mississippi River. The developer provided $600,000 to settle a sexual harassment suit against Huizar, who is now no longer in office.

Lotto Bucks (2020)

A losing bet 2/29/20

California's lottery was once promoted as a way to provide more funding for schools. However, a report by the State Auditor found the lottery shortchanged the schools by $36 million. The Auditor's investigation also turned up other problems at the lottery showing a pattern of unrestrained spending including $300,000 in inappropriate spending for food, travel, and accommodations; $720,000 in agreements that were not properly vetted; and $5.7 million awarded in eight contracts that failed to meet bidding requirements.

A Raise on a Wing and a Prayer (2020)

School district gives raises they can't afford, leading to layoffs 6/23/20

An audit of San Diego's Sweetwater Union High School District found instances of "fraud, misappropriation of funds or assets, or other illegal fiscal practices" that preceded the district's decision to secure bond funds and give teachers a raise.
Ultimately as the bills came due, 200 district employees were laid off. This situation is much like a family lying about their income on their home loan application only to be foreclosed on when they can't make the payments.14

Taking the Credit (2020)

Fun-loving solar scammers rack up almost $1 billion; spend it on Nascar sponsorship, private Pitbull concert, cars and private jets 1/24/20

The owners of California-based DC Solar were convicted of running a $912 million Ponzi scheme, forging documents, and covering up the fact that many of their ostensible solar generators didn't actually exist. Investors were attracted by tax credit programs meant to stimulate green energy investments, making this another in a long list of examples of taxpayers paying the bill for scams sold with a promise of saving the planet

Nursing a Fudge (2020)

Nursing board covered up failure to investigate complaints 6/30/20

A scathing State Auditor's report in 2016 found the state's Board of Registered Nursing failed to promptly investigate complaints and directed the agency to clear its backlog. However, in a fraud that also put lives in danger, instead of clearing the backlog, the board falsified reports to cover up their lack of progress. A later audit of the ongoing situation stated: "The executives' obstruction violated state law and constituted gross misconduct.

No Need to Look, Citizen, Keep Moving (2020)

High-speed rail employees pressured to hide bad news 3/09/20

Employees for California's lead high-speed rail consultant reported they were pressured to cover up delays and cost overruns or face termination. Multiple employees in the company's Fresno office have corroborated the account, which was filed in an ethics complaint

We'll Make It Up in Taxes (2020)

Failure to develop plan results in expiration of $2.7 billion in affordable housing bond funds 11/19/20

A report from the State Auditor revealed that an agency under the State Treasurer's office allowed $2.7 billion in authorized bond capacity for affordable housing to expire, unused, between 2015 and 2017. During that time, homelessness in San Francisco alone increased by 17%. The auditor's report said California has four agencies that handle housing, "but there is no sound, well-coordinated strategy or plan" to effectively spend the money allocated to them for affordable housing projects

More Medi-Con (2020)

$1.6 million fraud targeted immigrant women 9/24/20

Fraudsters ran Facebook ads offering insurance to pregnant immigrant women in the country on tourist and work visas. In fact, while the women paid thousands of dollars to them, the insurance didn't exist. Instead the fraudsters falsified application forms to illegally enroll the women in the taxpayer funded MediCal program

$69 million fraudulently billed for fake COVID-19 tests 6/9/20

A Northern California company marketing a bogus allergy test seized the apparent opportunity presented by the pandemic to launch a bogus COVID-19 test.

Investigators said the company exploited patients interested in an alternative to the standard blood test and then used bribes and kickbacks to defraud Medicare before they were busted. The fraudulent tests seem to have been modeled on the high-profile Theranos fraud, which appealed to people queasy about blood tests with the false promise of an accurate test from just a finger prick

State Auditor Reports

In addition to reports on specific issues, the Auditor produces two regular relevant series: Improper Activities by State Agencies and Employees and their High-Risk Audit program. Links to the source reports are provided in the date citations.

Relevant instances from the Improper Activities reports include the following, most of which in general were brought to the Auditor's attention through the state Whistleblower program. The reports contain useful visuals including, for example, shelves full of unused cell phones at EDD, doctored invoices, and various graphics.

Nice Work If You Can Get It

> *The California Air Resources Board did not accurately track an employee's leave hours, continuing to pay the employee for many months after he had fully depleted his leave hours and was no longer working. It consequently overpaid the employee by $171,446 for nearly 15 months from June 2023 through August 2024. (December 2025)*

A Veteran's Home is Supposed to Be a Home for Veterans

> *The Yountville Veterans Home operated by the California Department of Veterans Affairs did not report more than $400,000 in taxable housing benefits for employees who rented state-owned housing on the facility grounds from 2023 through 2025. The affected employee-tenants may face significant unpaid tax liabilities. (December 2025)*

But the Buses Were Running Late

> *A manager at the Department of Alcoholic Beverage Control misused state vehicles by using them to commute and for other personal business, such as taking a child to and from school. This manager also stored the vehicles at home without the required storage permit and did not accurately document trips in travel logs as required. We found that the supervisor condoned this manager's and other managers' commuting in state vehicles even when no work-related purpose existed for taking vehicles home. (December 2025)*

Creative Accounting

> *Two employees at the Department of Parks and Recreation (State Parks) submitted altered receipts to support purchases they made with a state purchasing card. They also failed to record some purchases into State Parks' inventory and did not follow the proper separation of duties during the purchasing process as state policy requires. One of the employees also allowed other employees to use his state purchasing card. (December 2025)*

It Looked Nice Sitting Framed Over My Fireplace

> *An accounting supervisor with the Department of Health Care Services (Health Care Services) failed to deposit a check for nearly $875,000 from the county of Los Angeles more than two years ago. Health Care Services' failure to promptly deposit the check resulted in waste and inefficiency. (November 2024)*

Padding the Expense Account

> *The California Department of Tax and Fee Administration (CDTFA) did not promptly identify travel expenses that lacked support justifying a business purpose. As a result, nearly 150 current and former employees incurred more than $92,000 for unsupported travel expenses that occurred before 2024. CDFTA's delay in identifying travel expenses that lack support also prevented the department from efficiently recovering funds from employees who failed to provide adequate support demonstrating a business purpose for their travel. (November 2024)*

It Looked Nice on the Patio

The California Department of Veterans Affairs made an economically wasteful decision when one of its veterans homes purchased furniture and stored it outside, exposed to the elements for an extended period, causing it to be no longer serviceable. Specifically, the veterans home stored new mattresses outside for about six months and stored new bed frames outside for over four years. The cost of the damaged furniture was approximately $23,500. (November 2024)

Working from Work

A manager who worked at various state agencies violated state law and engaged in gross misconduct by operating a personal business in which he coached prospective state employees on how to improperly obtain state employment. The manager's misconduct led to his clients receiving unlawful appointments to state positions at various state agencies. Moreover, the manager utilized the methods he promoted in his business to unlawfully obtain state positions for himself. (November 2024)

All in the Family

A custodian supervisor and two building managers at the Department of General Services engaged in improper hiring practices, including hiring family members and providing special assistance to their acquaintances during the hiring process. (November 2024)

Double Dipping

Two employees retired from the California Department of Social Services (Social Services) before they reached their normal retirement age, which made them subject to special requirements governing when and how they were allowed to return to state service as retired annuitants. However, before their official retirement dates from Social Services, each made an agreement with a department executive to return to work for Social Services after retirement. These agreements violated state laws that prohibit hiring prearrangements for employees who retire before reaching their normal retirement age. (November 2024)

Cybercrime Internships

A chief information security officer improperly disclosed personal information about multiple candidates for a student assistant position to another candidate for the position. The personal information included employment histories, dates of birth, addresses, and partial social security numbers for the other candidates. We are not naming the agency that is the subject of this report because doing so may identify or lead to the identification of the individuals mentioned in the report, which would violate state law. (November 2024)

We'll Be There by 10, but Pay Us Double and We Won't Show Up at All

The California Department of Education (Education) does not conduct on-site reviews of nonpublic agencies as required by state law, despite collecting $1.6 million for the 2024 calendar year from nonpublic agencies to do so, nor does it have an established process to monitor nonpublic agencies. Education's on-site reviews are intended to ensure that nonpublic agencies are appropriately providing alternative special education services to students with exceptional needs. (November 2024)

Nice Work If You Can Get It #2

Officials at a state agency wasted nearly $114,000 in public funds when they placed and kept an analyst on Administrative Time Off for approximately 20 months when she could have continued working during much of that time. We are not naming the agency that is the subject of this report because doing so may identify or lead to *the identification of the individuals mentioned in the report, which would violate Government Code section 8547.7, subdivision (c). (May 2023)*

Verbal Agreements

An executive at a district agricultural association (DAA) did not ensure that the DAA had written contracts with two contractors who provided the DAA with finance-related services. In addition, one of these contractors violated state conflict-of-interest law by returning to the DAA as a contractor within 12 months of leaving the DAA. We are not identifying the DAA because doing so may identify or may lead to the identification of the individuals mentioned in the report, which would violate Government Code section 8547.7, subdivision (c). (May 2023)

Nice Work If You Can Get It #3

Human resources staff for a psychiatric program at a facility under the authority of the California Correctional Health Care Services did not account for a supervising registered nurse II's absences totaling 600 hours between October 2019 and November 2021. The unaccounted-for hours represent an overpayment of more than $38,000. (May 2023)

Nice Work If You Can Get It #4

A psychiatric technician at the Department of State Hospitals did not account for absences totaling nearly 400 hours from October 2018 through August 2021, resulting in a cost to the State of about $12,500. (May 2023)

Bus Must Have Been Late Again

A supervisor who oversaw and controlled access to several state vehicles for the Department of Industrial Relations repeatedly misused one of the state vehicles for his daily commute over a period of three years, causing the State to incur nearly $11,000 in vehicle costs. (May 2023)

Working from Work #2

A water and sewage plant supervisor with the California Department of Corrections and Rehabilitation misused state resources, including a state-owned backflow testing kit, for his private business and used state computers to regularly shop online during work hours. (May 2023)

Being At Work Is Just Like Being at Home

A supervisor at the Department of Parks and Recreation (State Parks) used a public boat dock to store his personal boat for more than six years, causing State Parks to lose up to $36,000 in potential revenue from members of the public. In addition, State Parks did not report as a part of the supervisor's taxable income approximately $67,000 in housing benefits that resulted from his living in state-owned housing. (May 2023)

Hire the Handicapped, but Don't Bother Paying Them

In 2020 an employee's inexcusable neglect of duty and dishonesty caused the Department of Developmental Services (Developmental Services) to pay $305,000 in additional wages to workers whose earnings or productive capacity was impaired by a physical or mental disability. Developmental Services incurred the additional cost because an employee failed to submit an application to the U.S. Department of Labor that would have certified Developmental Services to lawfully pay subminimum wages to the workers in question. The responsible employee was dishonest with management about submitting the application, and his supervisors failed to ensure that he had done so. (May 2022)

Support Your Local Union

The California Department of Corrections and Rehabilitation (CDCR) paid eight employees nearly $15,000 in salary for union leave time that either was not properly approved or should have been paid using union resources rather than state funds. Our investigation revealed that the union leave reconciliation process involving CDCR's Office of Labor Relations, CDCR's individual institutions, and the employee union was inefficient, in part due to their failure to communicate with each other to resolve discrepancies and to reconcile hours to source documents. (May 2022)

That Darn Bus Again

For almost five years, a superintendent at the California Department of Transportation misused a state-owned vehicle for his commute and personal errands. Over this period, he misused the vehicle for a total of 41,000 miles, at a cost to the State of nearly $23,000. (May 2022)

Nice Work if You Can Get It #5

Two employees of the California State Lottery abused state time for almost two years and received at least $16,000 for hours they did not work. The employees' time abuse was facilitated by their managers, who failed to provide adequate supervision. (May 2022)

Judge & Jury

A senior manager at the California Governor's Office of Emergency Services (Cal OES) unlawfully preselected a candidate and provided her with confidential information that gave her an unfair advantage over other candidates in the hiring process. That candidate—who had been a junior manager at Cal OES—initially participated as an evaluator on the hiring panel for the same position for which she eventually applied and to which she was promoted. (May 2022)

You Mean We Actually Should be Doing Our Job?

The California Department of Transportation (Caltrans) wasted as much as $1.5 million by failing to provide notice to employees of its intent to collect overpayments that they received as a result of salary advances it made directly to them. If Caltrans had appropriately notified recipients of the overpayments it made, it might have been able to recover the money due. However, because it often failed to provide notice within three years of the overpayments, it forfeited the opportunity to pursue collection efforts. Caltrans' forfeiture balance might have risen from $1.5 million to nearly $3 million if our investigation had not prompted it to take action. Inefficiency and incompetency in Caltrans' division of human resources contributed significantly to its failure to notify recipients and collect on the outstanding salary advances. (May 2021)

Working for Work

An administrator at the California Department of Tax and Fee Administration (CDTFA) violated state law and the agency's policy on incompatible activities when the administrator advertised his current and past state experience on the website of his private tax preparation and consultation business and when the administrator prepared private tax returns for clients who had CDTFA seller's permits. Both of these activities are prohibited. In addition, the administrator was dishonest with CDTFA when interviewed about his improper activities. (May 2021)

Nice Work If You Can Get It #6

From 2017 through 2020, two California State University, Los Angeles (Cal State LA) employees who work in scientific laboratories spent an estimated 2,800 hours—valued at more than $103,000—teaching classes at local community colleges while they were also being paid to do their Cal State LA work. These employees failed to follow the terms of their collective bargaining agreement: they did not ensure that their secondary employment did not conflict with *their university duties and responsibilities, they did not seek permission to adjust their university work schedules, and they did not work sufficient hours as outlined in their union agreement. In addition, the employees chose to disregard their regular work schedules, asserting that they believed that the nature of their work should have qualified them for salaried positions, not hourly job classifications. (May 2021)*

Nice Work If You Can Get It #7

Three investigations at the Department of General Services (General Services) revealed that employees had engaged in the misuse of state time. One of these investigations concluded that two electricians misused 60 percent and 44 percent, respectively, of their work time in the three-month period during which they were under observation by investigators. Their misuse of state time cost the State nearly $5,000. A second investigation revealed that another General Services employee misused state time in 2018 by leaving work early, failing to notify the employee's supervisor, and failing to account for missed time by not charging it to the employee's balance of accrued leave. The value of the employee's missed work time was $2,100. A third investigation found that three custodians and two custodian supervisors failed to use state time and resources appropriately. The three custodians did not start cleaning their assigned work areas for up to 90 minutes after they should have because of inadequate supervision by two custodian supervisors, one of whom also spent about two hours daily watching personal videos on a work computer. (May 2021)

Being At Work Is Just Like Being at Home#2

An executive at a district agricultural association, which the California Department of Food and Agriculture (Food and Agriculture) oversees, allowed a relative who was not a state employee to live for several months in state-owned housing and to park on-site for free. In addition, the executive stayed overnight in this housing and allowed several others to do the same without documenting this use or requiring anyone to pay the applicable daily rates. Finally, the executive failed to establish and reinforce policies regarding the use of the state-owned housing and did not work with Food and Agriculture to adjust rental rates as required to ensure that the State could collect fair payment for the use of the resource. (May 2021)

I May Not Be a Manager, But I Play One at Work

As early as 2015, managers at the California Department of Social Services (Social Services) became aware that a deficiency in the electronic time-reporting system that salaried employees used forced some employees to underreport the leave they took. However, Social Services has yet to take corrective action to fix this deficiency. Although Social Services management decided on a workaround to the problem in 2015, it never effectively communicated the solution to employees or their supervisors and it never followed up to ensure that the system accounted for all appropriate leave. (May 2021)

It Looked Nice Sitting Framed Over My Fireplace #2

The California Department of Fish and Wildlife (Fish and Wildlife) wasted more than a half million dollars of state and federal funds when it purchased a custom-built boat in June 2017 that it cannot use for research surveys as it intended. Weaknesses in Fish and Wildlife's procurement process enabled this wasteful purchase.

In particular, it relied on a now-retired environmental program manager (program manager) to write a technical scope of work for construction of the research boat. However, the program manager lacked the necessary skills and did not seek help from appropriate experts. In addition, the program manager did not inform Fish and Wildlife when he verbally agreed to significant changes to the contract that he should have documented. To compound matters, Fish and Wildlife's regional manager approved final payment to the contractor for services and equipment that it did not receive.

Ultimately, the original specifications and subsequent changes were inadequate to ensure that Fish and Wildlife could use the research boat as it intended. As a result, the research boat has been largely unused for more than two years. (April 2020)

It Looked Nice on the Patio #2

A veterans long-term care home (veterans home) administrator at the California Department of Veterans Affairs wasted nearly $38,000 in state funds by failing to ensure that veterans home staff followed state procedures to inspect a bedbug treatment oven (equipment) upon delivery. The equipment has been inoperable since its delivery in 2015 and has deteriorated because staff left it outdoor and unprotected from the elements for more than four years (April 2020)

My Uncle Died Again Tuesday

From July 2016 through June 2018, seven employees at five state agencies—the California Air Resources Board, the California Department of Transportation (Caltrans), the Department of General Services, the California Department of Social Services (Social Services), and the Employment Development Department— improperly claimed a total of more than 320 hours of bereavement leave with a value of almost $10,000. In all seven instances, the supervisors for the employees failed to adequately review their timesheets to ensure that employees charged bereavement leave in accordance with permissible limits. (April 2020)

Nice Work If You Can Get It #8

For several years, a supervisor at the California Energy Commission (commission) violated state law when she improperly distributed commission-paid parking permits to up to seven of her staff members so that she and they could park their personal vehicles at the State's expense. Her misuse of the parking permits resulted in the employees receiving free parking at an estimated cost to the State of $13,500. (April 2020)

The Bus, Again

Two Caltrans employees failed to obtain valid vehicle home storage permits for their state-owned vehicles. They also improperly used these vehicles to commute between their homes and headquarters. (April 2020)

Working from Work #3

A psychiatrist at one of the hospitals in the Department of State Hospitals (DSH) improperly used 46 hours of state-compensated continuing medical education leave to work at another job that conflicted with the psychiatrist's regularly scheduled workdays at the DSH hospital. The psychiatrist's misuse of this leave cost the State nearly $6,500. In addition, a psychiatric technician at one of the DSH hospitals reported working nearly 50 hours that the technician did not actually work resulting in a cost to the State of about $1,500. (April 2020)

Nice Work If You Can Get It #9

Two employees of the California Department of Public Health arrived to work late, took extended breaks, and left work early without accounting for their missed work time. We estimate that during the one-year period we reviewed, these employees missed nearly 300 hours of work, costing the State more than $9,300 in salary it paid for work that was not performed. (April 2020)

Nice Work If You Can Get It #10

An administrator at the Franchise Tax Board did not work her agreed-upon work hours, and she was dishonest about the hours that she actually worked. In addition, the administrator's most recent supervisor neglected his responsibility to ensure that the administrator properly accounted for her work hours. (April 2020)

Nice Work If You Can Get It #11

Over a three-year period, three California Prison Industry Authority supervisors in one unit failed to ensure that the attendance records for a subordinate employee were accurate, even though they were aware that these records likely did not reflect the employee's actual attendance. In addition, the employee was dishonest during the investigation when he provided conflicting information about his attendance. (April 2020)

Nice Work If You Can Get It #12

The California Department of Tax and Fee Administration (CDTFA) and the former State Board of Equalization failed to ensure that 25 managers and supervisors, who worked non-standard work schedules and who were exempt from requirements of the federal Fair Labor Standards Act, accurately charged their leave time. As a result, these departments have overpaid those 25 employees a total of at least $72,000 since 2016. We estimated that the total overpayments made to all similarly affected employees throughout CDTFA may be more than $500,000. (April 2019)

Nice Work If You Can Get It #13

During 2017 and 2018, a California State University (CSU) campus police officer engaged in time and attendance abuse and failed to adequately perform her duties by regularly taking time at work to lie down and at times fall asleep. This misuse resulted in a waste of funds that totaled as much as $16,400. CSU additionally paid this campus police officer more than $3,900 for ot ours for which she did not work or could not account. (April 2019)

Nice Work If You Can Get It #14

Three engineers at the State Water Resources Control Board (State Water Board) misused an estimated 1,000 hours of state time by arriving late to work, taking extended lunches, and leaving work early. In a separate case, another State Water Board employee failed to accurately report his absences, resulting in an estimated 35 hours of work that he missed and failed to deduct as leave on his timesheets from May 2017 through early May 2018. This same employee, during the same time period, sometimes worked more than his regularly scheduled hours, but neither he nor his supervisor kept accurate records of the overtime, which compounded the inaccuracy of his time records. The misuse by these four employees cost the State more than $48,000 in salaries paid for work the employees did not perform. (April 2019)

My Uncle Died Yet Again on Wednesday

From February 2016 through September 2018, an information technology associate (associate) at the California Department of Transportation (Caltrans) improperly claimed 80 hours of bereavement leave and 173 hours of work that she did not perform, which cost the State more than $8,400. The associate's supervisor also inexcusably neglected his duty to oversee the associate, which enabled her improper use of bereavement leave and other leave. (April 2019)

I May Not Be a Manager, But I Play One at Work #2

A manager at the State Controller's Office allowed his subordinate employees to informally adjust their work schedules, which resulted in at least one of them failing to account for 23 hours of work time in late 2017. (April 2019)

I May Not Be a Manager, But I Play One at Work #3

Two supervisors at the Department of Industrial Relations (Industrial Relations) failed to monitor the time and attendance of two clerical employees. Consequently, Industrial Relations could not determine the actual hours employees from June 2017 through March 2018. (April 2019)

I May Not Be a Manager, But I Play One at Work #4

> *A supervisor at the California Department of Social Services failed to take progressive discipline with a subordinate employee whom the supervisor knew was not performing his job duties satisfactorily. (April 2019)*

Individual program audits include the following.

More Money Means We Have to Take More Time

Between 2018-19 and 2023-24, Department of Finance information shows Department of Pesticide Regulation's budget grew by 25%. That much more money, of course, meant they had more resources to do their job, as the State Auditor discovered, including taking twice as long to register new pesticides which generally are safer both for the environment and public health. Note that to begin with, the Department's work is duplicative. Pesticides are generally registered nationally through the USEPA, meaning the 49 states allow their use while California takes another 3.5 years to determine whether they are safe to use here. DPR's answer to speeding up the work—give us more taxes.

> *DPR's pesticide registration application processing times have been increasing: in 2023 the department took an average of more than 3.5 years to process registrations for pesticides with new active ingredients and major new uses, twice as long as it took in 2019. Although DPR asserts that the existing regulatory standards for the length of its data evaluations are outdated, it has not taken steps to substantively update them since 1989, even though it is required to review its regulations every five years. Long application processing times can delay the medical, agricultural, and other benefits that pesticide products provide, and it can reduce revenue for businesses providing those products.*
>
> *One of the causes of DPR's delays in processing registrations is its lack of adequate staffing, and DPR has recently taken steps to request additional positions. Nonetheless, it lacks a formal and ongoing process to determine its staffing needs. Additionally, DPR's registration process relies on paper documentation and 24 disparate data systems, creating significant inefficiencies. DPR plans to begin implementing the first stage of a new, integrated data system in August 2024. However, addressing its staffing levels and implementing its new data system have contributed to its growing expenses. The DPR Fund balance has declined by more than $7 million in the last five years. DPR hopes to address these rising costs, in part, by raising its registration fees and its mill assessment.*

State Auditor, June 2, 2024

Why Crime on Campus is Going Down

The federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) requires institutions of high education to follow certain public safety procedures to keep their campuses safe and maintain crime reporting to allow students to make reasoned decisions on where they want to go. In an audit of 6 California, 5 were found to be in noncompliance including failure to record crime reports in their data logs.

> *The six institutions we reviewed reported crime statistics in their 2023 annual security reports, but five of them did not do so accurately. We also found omissions in four of these institutions' crime logs—public records that are intended to provide timely information about all criminal activity on campus. Because of these errors and omissions, current and prospective students, staff, and other stakeholders may have an inaccurate understanding of campus safety.*
>
> *Finally, we found that none of the six institutions we reviewed had fully complied with the Clery Act, federal regulations, and certain state law provisions that require institutions to have in place specific security policies and disclose these policies in their annual security reports. If institutions do not disclose all required policies, students and*

other stakeholders may not have the information necessary to make informed decisions about their personal security, or they may not be aware of resources available to help ensure their safety.

State Auditor, July 30, 2024

Why Learning on Campus is Going Down

The state's 50 Percent Law requires community colleges to spend at least 50% of their budget on salaries for instructors. The audit found that the districts were not correctly reporting their compliance rates and were able to do so due to poor oversight from the Chancellor's Office. The audit also found that the colleges had increased the number of administrator's 15 times greater than the number of instructors, although the data they used was iffy again due to lax oversight by the Chancellor's Office.

The Chancellor's Office relies on annual Certified Public Accountant (CPA) audits to gain confidence in the accuracy of these financial reports, including the 50 percent calculation, but we found errors in reporting from many of the districts we reviewed that the CPA audits did not identify. We reviewed 30 transactions that took place during five fiscal years at each of the 10 districts we selected for review, for a total of 300 transactions. The errors we identified included districts incorrectly reporting certain transactions as Instructor Salaries and incorrectly categorizing noninstructional personnel. The districts' reporting errors we identified resulted in them overstating their compliance rates. However, not all cases resulted in a large enough change to affect their compliance with the 50 Percent Law.

. . . Data show that districts' investment in administrators, including management and executives, far outpaced their investment in faculty, which includes classroom instructors. Statewide data show that from fiscal years 2013–14 through 2023–24, districts increased the number of administrators by 45 percent compared to an increase of just 3 percent for faculty and 7 percent for support staff. However, we identified anomalies and discrepancies in the Chancellor's Office statewide staffing and salary data that made us question its reliability. Nevertheless, because it is the most readily available source of the aggregate data across 73 districts, we present the Chancellor's Office's data in this report.

State Auditor, April 8, 2025

Tossing Bales of Cash Off the Deck of the Titanic

In a rare instance of being forced to return tax dollars to taxpayers under the Gann Limit, the state authorized the Middle Class Tax Refund (MCTR) in 2022. In the rush to get the dollars out the door in time for the press releases, the state didn't bother checking on whether it was sending the checks to the right people.

Although FTB issued MCTR payments relatively quickly compared to similar payment programs in California and other states, FTB's agreement with Money Network created difficulties related to the administration of the payments. For example, FTB did not ensure that Money Network provided the required level of customer service, because FTB's agreement with Money Network had no accountability measures for contractor underperformance, short of terminating the agreement. Additionally, the agreement does not define fraud, and Money Network has not tracked fraud in the program adequately enough for the State to know the true rate of fraud.

In an effort to distribute financial assistance as quickly as possible, the State selected its vendor and negotiated the agreement with Money Network at a greatly accelerated pace. However, the speed of the procurement likely contributed to the problems we found with the agreement.

State Auditor, March 7, 2024

If a Law Is Not Enforced in the Woods, Does It Make a Sound or Even a Difference

The Department of Industrial Relations' Division of Labor Standards Enforcement, also known as the Labor Commissioner's Office (LCO), is responsible for investigating charges of wage theft and recovering funds to make workers whole where the charges prove true. The audit found that growing backlogs severely affected the agency's effectiveness in doing this job, a situation that was made worse by their overly bureaucratic process in bringing on new staff. Note that because of this mismanagement, more workers instead turned to lawsuits under the state's draconian Private Attorneys General Act (PAGA).

> *According to the LCO's data, it had 47,000 backlogged claims at the end of fiscal year 2022–23. Its Wage Claims Adjudications Unit (Adjudications Unit) lacks a sufficient number of staff throughout its field offices and thus can neither process new wage claims in a timely manner nor efficiently reduce the extensive backlog of wage claims. Further, the LCO lacks complete and accurate data to enable it to provide proper oversight and ensure compliance with statutory requirements. We analyzed the LCO's staffing and available workload data, and estimated that it needs hundreds of additional positions under its existing process to resolve the backlog. The lack of adequate staffing is exacerbated by the fact that the LCO currently has a high vacancy rate, and an inefficient and lengthy recruitment process.*
>
> *In addition to its delays in processing wage claims, the LCO has not been successful in collecting judgments from employers. For those workers who choose to have the LCO's Judgment Enforcement Unit (Enforcement Unit) attempt to collect payment, the Enforcement Unit was successful in collecting the entire amount owed in only 12 percent of cases from 2018 through November 2023.*

State Auditor, May 29, 2024

High Risk reports, including both the state and local, include the following.

Hard to Budget When You Don't Keep the Books

> *For several years, the city council approved spending despite indications that the city's budgets were based on unreliable financial data. As a result, the city's general fund was in a deficit from fiscal years 2014–15 through 2018–19. Since then, Calexico has maintained a positive fund balance in its general fund. However, its reserves are below the minimum level recommended to mitigate the risks of revenue shortfalls and unanticipated expenditures. Calexico also has inadequate processes for allocating the resources it requires to operate efficiently and identifying how it will generate sufficient revenue. For example, to sustain existing operations over the next four fiscal years, the city projects that it must generate additional revenue of up to $1.3 million annually, yet it lacks a plan for doing so. Calexico also presents its budget in English only—a format that limits the engagement of its residents, the vast majority of whom speak Spanish.*

State Auditor, October 20, 2022

Highest At-Risk City in the State

> *Since October 2019, our local high-risk dashboard has ranked Compton as the most financially at-risk city in California, and our audit of the city found that financial mismanagement and a lack of leadership have threatened Compton's ability to serve the public.*
>
> *Compton's deteriorating infrastructure presents health and safety risks to the public and is emblematic of the city's overall troubles. One reason for its infrastructure's state of disrepair is that the city has not updated its plan for prioritizing and funding infrastructure projects since 2014. Compton's financial mismanagement and problematic budgeting practices have also allowed millions of dollars in certain funds to sit idle while the city could have used them for street repairs and water system improvements.*

The overarching cause of Compton's challenges has been its inability to hire and retain qualified leaders and staff. In the past six fiscal years, Compton has had six city managers—a position that is critical to a city's effective operation. One likely cause for such turnover is that the city has not consistently used an open and competitive hiring process when selecting individuals to serve in important roles. Compton has also suffered chronic understaffing, and issues related to the city's human resources department have compromised its ability to recruit and retain staff.

State Auditor, October 13, 2022

Pension Pac-Man

Soaring pension payments contributed to overall mismanagement undermining the city's budget. A $110 million pension passed to help defer pressure in 2005 now has saddled residents with debt payments through 2044.

Richmond forecasts a significant long-term deficit, which we believe may worsen based on emerging financial trends. The city anticipates that these deficits may average as much as $6.7 million annually beginning in fiscal year 2023–24 and continue through at least fiscal year 2027–28. Despite having increased its general fund reserves to nearly $49 million in fiscal year 2021–22, Richmond projects that its deficit will deplete those reserves to less than $9 million by fiscal year 2027–28, which is well below levels recommended by financial experts.

Richmond's growing annual pension costs are a significant barrier to balancing its budgets. In fiscal year 2020–21, Richmond paid $37 million in pension costs. However, these costs could reach $53 million by fiscal year 2028–29. Richmond attempted to mitigate its pension costs in 2005 by issuing $115 million in bonds and investing the proceeds but, after refinancing those bonds in 2022, the city now expects its residents to pay millions in annual debt service until 2044.

Finally, the mismanagement of Richmond's housing authority has resulted in the federal government disallowing millions of dollars in reimbursement of city expenses and requiring the housing authority to transfer its public housing responsibilities to other entities. However, the housing authority has missed numerous federal deadlines associated with this transfer and the city, which provides staff and financial support to the housing authority, may need to provide additional resources to resolve this ongoing problem.

State Auditor, November 10, 2022

Over Spending Leads to Debt Leads to Over Spending . . .

El Cerrito depleted its financial reserves in fiscal year 2016–17 and has since relied on short-term loans to continue operating. The city's poor budget development practices have led to substantial increases in budgeted expenditures that it cannot afford. Poor budget monitoring practices have also allowed city departments to routinely overspend. For example, El Cerrito's city management department spent a total of $1.9 million beyond its budget from fiscal years 2015–16 through 2019–20, even after the city approved budget increases for each of these years. Moreover, even though El Cerrito recently proposed spending reductions of $1.7 million for fiscal year 2020–21, we question whether those reductions are realistic, given the absence of specific detail in the city's budget, which should explain how the city's departments intend to achieve the reductions.

State Auditor, March 16, 2021

Raiding Peter to Pay Paul

Balancing a local budget is easy if you violate state law.

Lindsay has improved the condition of its general fund over the past several fiscal years, and it appears to have recently met recommended reserve levels. However, this apparent turnaround was largely because the city forgave more than $6 million in loans from restricted funds to its general fund, a violation of Proposition 218, which restricts the use of certain local government funds. This unlawful action has exposed the city to possible litigation from taxpayers and utility ratepayers, and it obscures what we estimate to be a general fund deficit of more than $3 million as of June 30, 2020, instead of its apparent surplus.

Because of both Lindsay's loan forgiveness and the fact that it has not regularly updated the fees and rates it charges for city services and utilities, it lacks resources in some of its utility funds. The city's water fund recently incurred a nearly $1 million deficit and is unable to pay for necessary infrastructure projects, forcing Lindsay to seek to increase ratepayers' water rates. Not only has Lindsay forgone revenue by not adjusting the majority of its fees and rates for years, its general fund must now cover some of the city's costs to provide utilities and other services. Finally, the city lacks a long-term financial plan to adequately address its financial problems, which include the need to pay for its aging public safety vehicles and retirement obligations, such as its retiree health care costs.

State Auditor, August 26, 2021

Ignore the Problem and Maybe It Will Go Away

Although Lynwood has taken some action to address the risk areas we identified in our 2018 audit, the city's financial stability continues to be at risk because its general fund expenditures are projected to outpace its revenue during the next two fiscal years while its financial reserves have fallen below recommended minimum balances. Despite such uncertainty about its long-term fiscal outlook, the city has not implemented monitoring procedures, such as preparing multiyear revenue and expenditure projections or providing interim budget reports to the city council at regular intervals.

Moreover, the city remains at risk of violating state law because it has been subsidizing its general fund with restricted revenue from water and sewer fees. In addition, Lynwood has neither developed a strategic plan nor undertaken other efforts that would allow the city to provide meaningful guidance to its departments on aligning resources with citywide goals and priorities. To address these concerns, we present several recommendations, which include following best practices to develop and monitor its budget, maintaining sufficient financial reserves, discontinuing its inappropriate use of water and sewer revenue, and engaging in strategic planning.

State Auditor, September 23, 2021

Spend It Like You Got It, Even If You Don't

Since San Gabriel depleted its general fund reserves, it has relied on borrowing from other city funds to cover its short-term expenses. This situation began when San Gabriel entered into a loan in 2014 to build a public works facility that set aside $7.8 million of its general fund cash as collateral for 10 years—essentially limiting the city's ability to pay for city services from the general fund. Despite this condition, the city continued to spend more than the revenues it received between fiscal years 2015–16 and 2017–18, which further deteriorated its financial health. As of June 2020, the city's general fund reserves had a deficit of $8.1 million. With the prolonged and uncertain economic impact of the COVID-19 pandemic exacerbating the situation, San Gabriel's lack of financial reserves will continue to threaten the city's financial health. Although the current city management has taken steps to strengthen its financial policies and practices, the city does not have a comprehensive plan to adequately address the city's poor financial condition, including how to pay for its large retirement obligations, such as its rising retiree health care costs.

State Auditor, April 27, 2021

Another Pension Pac-Man

> *This report concludes that West Covina is a high risk city because of the significant risks it faces related to its financial and operational management. West Covina reduced its year-end general fund reserve balance by $10.6 million—more than half—during the past several fiscal years, primarily due to its inability to address substantial increases in citywide expenditures and its significant pension liability. The city has also likely underestimated the financial impact of the COVID-19 pandemic during this current fiscal year.*

State Auditor, December 1, 2020

When Budget Controls Go Missing

> *El Cerrito depleted its financial reserves in fiscal year 2016–17 and has since relied on short-term loans to continue operating. The city's poor budget development practices have led to substantial increases in budgeted expenditures that it cannot afford. Poor budget monitoring practices have also allowed city departments to routinely overspend. For example, El Cerrito's city management department spent a total of $1.9 million beyond its budget from fiscal years 2015–16 through 2019–20, even after the city approved budget increases for each of these years. Moreover, even though El Cerrito recently proposed spending reductions of $1.7 million for fiscal year 2020–21, we question whether those reductions are realistic, given the absence of specific detail in the city's budget, which should explain how the city's departments intend to achieve the reductions.*

State Auditor, March 16, 2021

Even Drunken Sailors Would Have Shown More Restraint

The same rush to spend was also applied to the $285 billion in federal pandemic assistance funds received by the state.

> *We first designated the State's management of federal funds related to COVID-19 (federal COVID-19 funds) as a high-risk statewide issue in Report 2020-602, August 2020, based on the significant amount of funding granted to the State, the urgent need for the funding, and the rapid nature of the allocation of this funding to state departments, among other factors. As part of its response to the COVID-19 pandemic (pandemic), the federal government provided the State with $285 billion in federal COVID-19 funds over the course of two years. The accompanying need to create new programs and to support significant expansion of benefits under existing programs in a short time posed a risk that the State would not manage the funding effectively. As a result, we initially designated the State's management of these funds as a statewide high-risk issue in August 2020.*
>
> *. . . In an effort to mitigate the risk that the State would not spend all of its federal COVID-19 funds, we performed 11 state high-risk audits of agencies and programs that received the substantial influx of funding and found that they frequently experienced significant hurdles in using those funds. In total, the 11 audits resulted in 85 recommendations. For example, our audit of the Board of State and Community Corrections found that it had allocated funds to the California Department of Corrections and Rehabilitation without justifications and that its allocation methodology did not consider important elements, such as the impact of the pandemic. Of the 85 recommendations we made among the 11 audits, 20 remain unimplemented. Finance similarly completed eight audits of agencies' use of federal COVID-19 funds that resulted in 42 recommendations. For example, Finance found that the Department of Housing and Community Development (HCD) could improve its efforts to develop clear outcome statements and report accurate and complete performance data to Finance in accordance with federal requirements. Five of Finance's recommendations remain unimplemented as of August 2025.*

State Auditor, December 11, 2025

Driving for Dollars

In 2017, California raised its fuel taxes to the highest the nation through SB 1 (2017), and continues to keep that distinction by raising the tax further every year. As indicated in the most recent Center for Jobs energy report, all taxes and fees—state, local, and federal—cost Californians an average of $1.43 per gallon of gasoline in November 2025, or 30.9% of the total price per gallon. Yet even with the highest-in-the-nation fuel taxes, it's still not enough to fix the roads let alone build ones to relieve the crippling congestion.

> *Maintenance needs for the state transportation system exceed the available funding. In 2021 Caltrans published a draft of its management plan in which it projected a $6.1 billion annual funding shortfall over the next 10 years, which is significantly larger than the $3.6 billion annual shortfall it projected in 2019. Caltrans attributes this increased shortfall, in part, to the addition of new performance objectives, such as incorporating the impacts of rising sea levels on the state system, which Caltrans did not include in its previous management plans. According to the management plan, Caltrans is currently focusing available funding on core system assets, such as roads and bridges, to achieve the Repair Act performance targets. However, Caltrans may face additional funding challenges. In its 2020 report, Transportation Funding in California, Caltrans wrote that as more people turn to electric vehicles, fuel tax revenues will decrease, affecting funding for the transportation network. Given that Caltrans must demonstrate sustained progress toward meeting the State's maintenance needs and expects funding challenges, transportation infrastructure continues to be a high-risk statewide issue.*

State Auditor, August 2021

High Risk? What High Risk?

More complete tracking of high risk issues among local governments was long maintained by the Auditor through their High-Risk dashboard. In yet another blow against transparency, this tool vanished without a trace or explanation.

> **California's High-Risk Dashboard is Gone Without a Trace but Should Not be Forgotten**
>
> *Last October, California's State Auditor took down a dashboard that had been tracking the financial health of high-risk cities in California since 2019.*
>
> *Just another loss for transparency in the Golden State.*
>
> *Providing important public data and key financial metrics for over 470 California cities, the dashboard was an essential tool for holding local governments accountable for their substantial financial problems. Now all evidence of the dashboard's existence has been scrubbed from the State Auditor's website.*
>
> *When the dashboard was originally removed, a quick Google search for the dashboard took you to a landing page with a message that the state auditor was shifting resources to prioritize the states' Annual Comprehensive Financial Report (ACFR), a key audit of the state's financial position.*
>
> *Today, a search for the dashboard will only lead to reports on the removal of the dashboard. Links to the previous dashboard site return a "Page Not Found" message.*

Orange County Register, July 7, 2024