

California Fiscal Focus

A Monthly Report from State Controller Betty T. Yee

December 2022

Reflecting on Controller Yee's Tenure as State CFO

In *California Fiscal Focus* each month, the Public Affairs Office (PAO) showcases the work of California State Controller Betty T. Yee, who has worn many hats in guiding California policy, operations, and oversight. Her agency has been described as the “engine room” of the state. Controller Yee has served for eight years as chief fiscal officer of the world’s fifth-largest economy (by many accounts soon to be fourth). In this capacity, she has ensured, among other things, that state employees, retirees, tax filers, vendors, and local governments are paid accurately and on time; public funds are properly accounted for; and the state manages its cash diligently to avoid any external borrowing in order for California to pay its bills. Her team issues 54 million payments in a typical year; that figure increased dramatically during the pandemic with the addition of the [Golden State Stimulus I and II](#) and the Middle Class Tax Refund.

The PAO is proud to highlight and recap some of Controller Yee’s other most significant work in this final issue of *California Fiscal Focus*.

Inside the State Controller’s Office

Independent Audit Authority Protects Taxpayer Dollars

California’s State Controller has the only audit authority that is independent of the legislature and the governor. Controller Yee’s team audits all funds disbursed by the state and all claims presented to the State Controller’s Office (SCO) for payment. The [Audits team](#) also reviews audits performed by independent local auditors; performs field audits of state and federal programs, audits highway users’ tax funds and the allocation and apportionment of local property taxes, and assists and advises local governments in effective and uniform tax collecting procedures and internal fiscal controls.

When financial reports submitted by agencies that spend public dollars raise red flags, Controller Yee’s team may conduct special reviews to ensure these entities have the proper controls and oversight to ensure funds are used as intended.

From January 2015 – when Controller Yee took office – through October 2022, her Audits team uncovered more than \$7.32 billion in waste, abuse, and fiscal mismanagement. These audit findings include: \$3.78 billion in unlawful or unallowable spending identified in field audits or pre-audit processes; \$496.9 million in increased revenue; \$2.12 billion in savings or cost cutting; and

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Highlights of
Controller Yee's
Eight Years as
California's Chief
Fiscal Officer**



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\$966.8 million in consumer protections such as unclaimed property examination results.

Controller Yee Works to Reunite Owners with Unclaimed Property


SCO also administers the state's [Unclaimed Property](#) Law, a consumer protection program in place since 1959 to prevent businesses from keeping property belonging to customers or former employees with whom they have lost

contact for a certain length of time – three years for most property types. Common types of unclaimed property include bank accounts, wages, stocks, bonds, uncashed checks, insurance benefits, and safe deposit box contents.

Many advances to the program were made under Controller Yee's leadership. In her first year in office, the number of properties which could be claimed online was greatly expanded. The value limit for online claims was increased, and a change in state law made it possible to list savings bonds and military awards found in safe deposit boxes under the named owner of the item, rather than the owner of the safe deposit box.

Controller Yee's team then set to work developing a "shopping cart" feature to allow claimants to file multiple property claims at once. Controller Yee also advanced legislation to allow SCO to automatically return property belonging to schools and government agencies without those entities having to file a claim.

Since Controller Yee took office in January 2015, her team has reunited nearly 6.6 million properties valued at \$5.2 billion with their rightful owners. Controller Yee has pushed for heightened efforts to educate property holders about their responsibility to remit unclaimed property to the state, so more owners can be made whole. Outreach continued undeterred throughout the pandemic, thanks to webinars and other electronic communications. Controller Yee's team continues to safeguard 64 million properties valued at \$11.2 billion.

SCO Defers Property Taxes for Struggling Homeowners

Sidelined during the Great Recession, California's [Property Tax Postponement](#) (PTP) Program made a comeback early in Controller Yee's first term. The program allows many income-eligible homeowners who are seniors, are blind, or are living with a disability – and who meet certain other requirements – to defer payment of property taxes on their primary residence. In the years since the program's return, eligibility for PTP has been expanded by the addition of mobile homes and increases to the income limit.

Since the 2016-17 tax year, struggling California homeowners have been able to defer more than \$23.6 million in property taxes under the PTP program, helping to keep vulnerable residents in their homes as California grapples with a housing crisis.

Agency Pivots Nimble Amid Pandemic: SCO Called "Fiscal First Responder"

While the COVID-19 pandemic necessitated workplace changes across the globe, Controller Yee has expressed great pride in the way her team nimbly pivoted, turning a challenge into an opportunity to automate or [streamline manual processes](#).

When the pandemic hit, SCO already was hard at work creating a secure, user-friendly web portal to allow state and California State University employees to view, print, and electronically save their own W-2, leave balances, and direct-deposit earnings statements – historically only available in paper form.



Originally slated for statewide rollout in six waves by August 2021, a cross-divisional team of SCO employees worked together to expedite the release of Cal Employee Connect (CEC) amid the sudden and unexpected shift to working from home. CEC was rolled out in just three waves, with the last going live in June 2020 – more than a year ahead of schedule. The effort earned Controller

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Yee's team a [Best of California](#) Award from *Government Technology* magazine.

With so many Californians working from home, Controller Yee took the opportunity to increase virtual outreach and connect with even more people through regional [small business webinars](#) with local, state, and federal partners sharing their knowledge of requirements and resources. She also hosted wide-ranging online discussions related to [financial readiness](#), touching on everything from food insecurity to the impact of financial stress on physical and mental health.

However, many critical SCO tasks could not be done online or from home, such as printing payroll and processing tangible unclaimed property. Controller Yee's team have been described as "[fiscal first responders](#)," a name she gratefully adopted to explain the selfless efforts staff undertook to keep printers running and checks going out the door when public health fears related to in-person work were at their highest.

California Moves to Modernize State Payroll

Another major SCO modernization project is nearing a milestone. Launched under Controller Yee's leadership in 2016, the [California State Payroll System](#) (CSPS) Project is in Stage 4 of the California Department of Technology's Project Approval Lifecycle process – Project Readiness and Approval. This multi-year project is set to replace the state's decades-old Uniform State Payroll System, which predates collective bargaining for California state employees, as well as associated systems used to produce payroll for more than 300,000 people. Co-owned by SCO and the California Department of Human Resources, CSPS is on track to begin implementation in the second quarter of 2023, with full implementation anticipated by 2028.

Controller Yee's Role Beyond SCO

In addition to these direct SCO operational and oversight functions, Controller Yee has served on more than 70 boards, commissions, and finance committees affecting policy in issue areas ranging from land management, affordable housing, and alternative

transportation to crime victim compensation and health and educational facilities.

State Lands Commission Protects Critical Public Resources

As a member of the [State Lands Commission](#) – and

as its chair in even-numbered years – Controller Yee has provided stewardship of public-trust lands, waterways, and marine resources through economic development, protection, preservation, and restoration consistent with the state's environmental needs.

In the months leading up to her first year as chair, Controller Yee convened a diverse group of shareholders to reach agreement on the first five-year strategic plan in the Commission's history. The plan served as a blueprint guiding the Commission's work, positioning SLC as a leader in land and resource management, prioritizing transparency and environmental protection, and leveraging technology to increase public engagement and help SLC be more innovative in its service to Californians.

Through its first-ever strategic plan, SLC: dedicated more than 16,000 acres to the California Coastal Sanctuary; plugged and abandoned dozens of coastal oil wells ahead of schedule and under budget; entered into a landmark collaboration agreement to inform the development of a coastal access program at Hollister Ranch in Santa Barbara County; and launched a new web-mapping application for state waters offshore in San Diego.

Controller Yee has made a conscious effort to view all policy decisions through a lens of equity, working to ensure resolutions do not have unintended negative consequences for vulnerable people and communities. To that end, she places the utmost importance on environmental justice and tribal engagement in all of the Commission's work. The first strategic plan led to the adoption of a meaningful Tribal Consultation Policy, and SLC's first Environmental Justice Policy.

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In 2020, these changes made possible the [return of 40 acres of tribal land](#) in Inyo County to the Lone Pine Paiute-Shoshone people, one of Controller Yee's proudest achievements

during her tenure on SLC. Another important achievement Controller Yee led is the shuttering of the last state oil platform in the Santa Barbara Channel.

Throughout Controller Yee's tenure on SLC (as well as the Ocean Protection Council and California Coastal Commission in years she chairs the SLC), she has worked to address the threat of sea-level rise, the [scourge of ocean plastics](#), the needed decommissioning of offshore oil wells, and the growing effects of climate change, with a priority to protect the long-term health of our ocean, marine and coastal resources, waterways, and lands — and supporting the vital blue and green economies.

The Commission now is working under the [2021-25 Strategic Plan](#), which builds on the accomplishments of the first strategic plan with a focus on SLC's foundational values of inclusion, accessibility, equity, sustainability, and environmental justice.

Pension Funds Leverage Influence to Advance Sustainable Practices

Climate was the focus not only of boards with jurisdiction over environment and natural resources. It was an overarching issue of concern among all boards and commissions on which Controller Yee has served. This is certainly the case for the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS). The nation's two largest public pension funds are responsible for the retirement income security of three million Californians; Controller Yee and fellow fiduciaries realize long-term fiscal health is not possible without sustainable corporate practices, for both natural resources and the number one resource of business — its people.

CalSTRS and CalPERS were among the earliest signatories to Climate Action 100+, an investor-led initiative Controller Yee helped launch at the One Planet Summit in 2016. Under this initiative, global institutional investors engage with the world's worst corporate greenhouse gas emitters on taking action to address climate risk. Climate Action 100+, and the Valuing Water initiative, are spearheaded by the global sustainability nonprofit Ceres, on whose board Controller Yee will continue to serve.

With a combined \$737 billion assets under management, CalPERS and CalSTRS are well-positioned to effect change on a global scale through active engagement with the companies in their portfolios. Both funds have committed to [ambitious carbon reduction goals](#) within their investments by 2050. While some activists at both ends of the political spectrum make frequent calls for divestment, Controller Yee ardently believes the funds must maintain their seat at the table and use their voice to effectively move the needle on climate and good corporate governance.



CalPERS and CalSTRS are signatories to the United Nations' Principles for Responsible Investment and incorporate environmental, social, and governance (ESG) considerations into investment decisions, internal operations, and real estate holdings. ESG extends beyond climate to include positive corporate leadership and human capital management. Controller Yee has been a strong advocate for [board diversity](#) and workplace metrics that encourage [high-road employment](#). There is a strong correlation between companies in the highest quartile for diversity and companies with the highest returns, benefitting the retirees whose security depends on the pension funds' investment success.

Controller Pushes for Housing Finance Streamlining

Another of the State Controller's many hats is her role on California's housing finance committees, the California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC). These committees are one link in a complex chain with the potential to help address the critical need for more

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affordable housing in California. Through her participation on these committees, Controller Yee found that needed production was being delayed and curtailed by inefficiencies in the financing process.

In 2019, Controller Yee [called on the legislature and the governor](#) to streamline the state housing financing programs and process under a single allocation agency, removing hurdles for developers and creating clear authority and accountability. While some permitting efficiencies have since been implemented, the financing process continues to span multiple agencies. This year, CDLAC updated its scoring criteria for [private activity bonds](#) to prioritize the development of affordable housing, but much more remains to be done to meet the state's urgent need.

Controller Yee Works to Unite Californians with Available Tax Benefits

As California's chief fiscal officer, Controller Yee also serves as chair of the [Franchise Tax Board](#) (FTB). On a deeply personal level, Controller Yee wants for each individual the same financial stability she works to ensure for the state. To that end, she has sought to educate Californians on the tax credits, free filing assistance, and relief opportunities available to them through FTB.

The federal Earned Income Tax Credit (EITC) has long been regarded as one of the nation's best anti-poverty tools. A key challenge in getting credits aimed at low-income people into the hands of those who qualify is that many do not earn enough to be required to file a tax return. If they qualify and do not file, they could be leaving hundreds or even thousands of dollars on the table.



When California introduced its own earned income tax credit – known as CalEITC – early in Controller Yee's first term, she partnered with legislators, nonprofit organizations, and educational institutions to get the word out, hosting or amplifying [Volunteer Income Tax Assistance](#) (VITA) sites throughout the state. Controller Yee has continued educational outreach on CalEITC and expanded those efforts to include the subsequently added Young

Child Tax Credit and recently enacted Foster Youth Tax Credit she was key in designing and sponsoring.

While in-person VITA activities were necessarily curtailed early in the COVID-19 pandemic, free online assistance remains available, and Controller Yee is hopeful in-person events can rebound this tax season.

A Final Note from Controller Yee

"Guided by the belief that California's economic health rests on the economic health of each among us, the perspectives I and my team have put forth in each of the issues of my *California Fiscal Focus* newsletter are intended to inform and inspire broader engagement, based in the unique vantage point of my office where we see the workings of California's economy and the performance of our government.

I am grateful for the vast contributions of my senior team and the 1,400-person-strong SCO I have been honored to lead, and our shared commitment to making state government work better for the more than 39 million people who call California home.

The work of the SCO continues, integral to every aspect of state operations. I extend a warm welcome to the incoming Controller, the Honorable Malia Cohen, and my very best wishes for success during her tenure."

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