

Summary of 10-09-12 interview of Theodore Jackson

Interview and summary by Thomas M. Patton, Deputy Attorney General

Background and Work History

Theodore “Ted” Jackson worked 28 years for the Department of Parks and Recreation. He started as a park ranger in 1981 and worked in various locations including Los Angeles, Ventura, Santa Barbara, and Folsom. In the 1990s Jackson came to Sacramento headquarters to work in the human rights office. He later transferred agencies and from 1986 to 1999 worked at the Department of Consumer Affairs while earning a bachelor’s degree in business accounting at Sacramento State University. (Ted Jackson October 9, 2012 interview transcript (TJtr), pp. 2-7.)

Jackson returned to Parks in 1999 as an assistant to the Parks and Recreation Commission. In 2000 he became a district superintendent for the San Joaquin District, and in 2002 became chief of the Department’s southern division. Two years later Jackson was again promoted, and from November 2004 to February 2009 served as deputy director of Parks operations. In 2009 Jackson resigned his deputy director position, became a sector superintendent at Folsom Lake, and then retired at the end of December 2011. (TJtr, pp. 2-6.)

Reserves in or Disparities in Balance Reports for the State Parks and Recreation Fund

1. Maintaining a “float” of reserve monies

Jackson estimated that the Parks Department’s entire budget was around \$400 million, and believed that \$200 to \$250 million of the budget was spent on park operations. He identified general fund appropriations and revenues from the State Parks and Recreation Fund (SPRF) as being the two primary funding sources for operations. (TJtr, pp. 8-10.)

Next, a spreadsheet prepared by the Department of Finance (DOF) reflecting disparities in SPRF fund balances reported to the DOF and the State Controller’s Office (SCO) from 1993 to 2011 was shown to Jackson. (Exhibit A attached.) Jackson confirmed that while serving as deputy director of operations he was a member of the Department’s large and small executive committees. Jackson was asked if the subject of reserve SPRF monies or some type of slush fund therein was ever discussed at such executive committee meetings. Jackson stated he did not recall any discussion of a slush fund, but did recall former budget officer Manuel Lopez, who later became administrative services deputy director, talking about a “float.” (TJtr, pp. 10-12.)

Jackson recalled Lopez explaining that the Legislature annually appropriated six million dollars for maintenance, waste water projects, and capital improvements, and the appropriation was conditioned upon the Department generating an additional six million in SPRF revenue beyond what was forecasted. Jackson recalled that Lopez referred to the conditional appropriation as a “float.” Jackson stated he did not recall any discussions about SPRF or Off-Highway Vehicle Fund monies in the context of what the fund balance reports reflected. (TJtr, pp. 13-14.) He noted he was never involved in any conversations where reports were handed out and people were told “here’s what we’re reporting to Finance.” (TJtr, pp. 24-25.)

Jackson recounted that after resigning his deputy director position in 2009 and returning to the field, he heard lots of rumors and gossip from field personnel about pots of money at headquarters. He stated it was hard for him as deputy director to get excited about the numbers because he never really believed what he was hearing. What he knew was there was never a scenario where, despite an unexpected expense or running over budget, the Department incurred a penalty or was unable to “make the rent.” He stated he never had the sense he knew what the true numbers were. Instead, he felt he was a client being fed information and noted that he had a lot of skepticism. (TJtr, pp. 27-28.)

Jackson also recalled that at the end of every fiscal year, with only one exception, there was a consistent exercise of spending excess monies before the year ended. He recognized, however, that the fiscal year ended in the midst of the Department’s main revenue season. Predicting total revenue was thus difficult, and he agreed it was sound practice to retain a reserve to the end of the fiscal year, as he understood Lopez did, in case revenue fell short. (TJtr, pp. 29-32.) Jackson then reiterated that he had heard rumors, which he emphasized were only rumors, that Lopez maintained some secret “pots of money” otherwise referred to as Lopez’s “checkbook.” Jackson also recounted that the rumor was that Lopez would reward those people who were loyal to him. (TJtr, pp. 32-33, 48-49.)

2. History of Parks Department finances; speculation about building a reserve

After reviewing the DOF spreadsheet that details the additional amounts of SPRF funds reported over the years to the SCO but not to the DOF, Jackson shared his recollections concerning the Department’s financial experiences during the same time period, and offered a theory as to why some amount of SPRF monies went undisclosed to the DOF the past 15 years.

Jackson recalled that in the early 1990s, California fell on very hard times and experienced a recession when the Soviet threat disappeared and defense industry employees starting losing jobs and homes. He recalled that the Parks Department went through what was called the “Phoenix” period when it saw its general fund appropriation cut by some \$30 million, and attempted to make up the loss by raising user fees. (TJtr, pp. 16-18.)

Jackson recalled that next, in 1999 and 2000, state government and the Parks Department were suddenly awash in money during the Dot Com financial boom. Jackson recalled that then-director Rusty Areias, at the direction of former Governor Gray Davis, ordered park fees cut in half. Jackson recalled that the cut resulted in a significant uptick in park attendance, although he was not aware whether the increased attendance generated sufficient revenue to make up for what was lost by cutting fees. (TJtr, pp. 15-18, 22-23.) Jackson also recalled that the Department’s general funding levels were not restored to what they had been before the \$30 million dollar cut in the early 1990s. There had been, however, a one-time sizeable appropriation as a result of bond monies from Proposition 12 in 2000.¹ (TJtr, pp. 18-22.)

Next, Jackson noted that the boom times ended as quickly as they had arrived. He stated that by about 2002 the Department was “pretty much broke” and “back on bread crumbs.” Jackson recalled that the Department immediately raised fees (he believes in 2002) and continued to do so ever since. (TJtr, p. 24.)

Jackson then speculated that, since the Department had been regularly whip-sawed and had experienced feast and famine numerous times, and with its increasing reliance on fee revenue, it was possible that--and understandable if--former budget officer Becky Brown² became worried revenues might not reach projections. Continuing with his theory, Jackson stated that perhaps Brown decided to set aside some amount of SPRF monies each year, carry them forward from year to year, and thereby create a little extra cushion in order to survive the

¹ Consistent with Jackson’s recollection, the Parks Department’s website notes: “In 2000, California voters approved a general obligation bond to address several key resources needs. The bond, the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000, known as Proposition 12, allocated \$1.364 billion to California State Parks with \$519 million for additions and improvements to the State Park System. (The remaining \$845 million is for local park grants.)” (See http://www.parks.ca.gov/?page_id=24975.)

² Brown started in the Parks budget office in 1985, and was chief budget officer from 1997 to 2005. (See summary of Becky Brown interview at page 1.)

lean times and even out the financial peaks and valleys that had become the norm. (TJtr, pp. 15-20, 38.) Jackson noted, however, that he did not know for a fact whether his theory was correct, and indicated he had never discussed the possibility with Brown or anyone else.³ (TJtr, p. 20.)

Parks Department Dynamics, Internal Issues, and Jackson's Continued Contacts

When asked why he resigned his post as deputy director of operations, Jackson stated that he reached a point where he could no longer work with then-director Ruth Coleman. He stated that his was a difficult job, and he believed he and Coleman simply tired of each other, noting that she certainly had not encouraged him to stay. Jackson stated that there were many sensitive and political issues he and Coleman disagreed on, and he observed that Coleman was always under significant political pressure. He opined that Coleman was a micro-manager and a negative person who did not like the law enforcement aspect of the Department. He reports that he spent a lot of time having to defend the Department, and noted that as the Department faced an increasingly dire fiscal situation, it became a struggle between them as to who was going to run operations. (TJtr, pp. 34-36, 43-45.)

It was pointed out to Jackson that, since monies not disclosed to the DOF were hidden, they appeared to be essentially pointless as there was no appropriation for and thus no authority to spend them. Jackson agreed the situation was perplexing, and stated that while he initially had the sense some amount of surplus monies had possibly been spent over the years, he conceded he may well be wrong about that. (TJtr, pp. 37-40.) He then observed that perhaps the disparity grew so large over the years that it reached a point where people became reluctant and unwilling to tell anyone about it. (TJtr, pp. 40-41.)

³ The evidence does not support Jackson's theory that the SPRF fund balance disparity and failure to disclose funds to the DOF began as a deliberate effort by Brown or anyone else to build a hidden cache of reserve SPRF funds. Dorothy Kroll explained that in 2001 Brown approached Kroll and Kroll's supervisor, Cheryl Kilzer, and asked for help in determining why the SPRF budget fund balance reported to the DOF did not match accounting reports to the SCO. Kroll states that after examining the issue over the course of a year she reported back to budget staff that errors in calculating prior year adjustments appeared to be the cause of the disparity. (Dorothy Kroll interview summary, pp. 1-2.) The evidence thus indicates the SPRF fund balance reporting disparity began unintentionally. However, the evidence also shows that the Department's failure to disclose SPRF funds to the DOF once the disparity had been discovered, and thus from 2002 or 2003 and continuing to 2012, was indeed quite deliberate.

Lastly, Jackson advised that he maintained numerous contacts at headquarters after returning to the field in 2009. He stated he would hear that things were going badly in administrative services, and that deputy director Lopez and assistant deputy director David Saxby appeared to be unethical and corrupt. When asked what unethical events were reported, Jackson stated he was told people had been fired or demoted for no reason, and was told that relatives of Lopez and Saxby had been hired. Jackson then indicated that “pretty much everyone” on the executive staff, including Lopez, Saxby, Steve Lehman, Ronnie Clark, Tony Perez, Scott Wasserman, and Alan Friedman, had a relative working at the Department. When asked if he knew whether such appointments conformed to applicable competitive selection rules, Jackson stated he did not know and thought that was something the DOF was looking into. (TJtr, pp. 45-48.)

When asked if there were any other unethical issues he wanted to discuss, Jackson discussed the award of a concession contract in Old Town San Diego to a corporation who overbid the contract in order to beat out a 30-year incumbent. Jackson recalled that the former contractor, Diane Powers, had performed well over the years and brought in half the concession revenue the Department realized. He reports that the corporate competitor, Northern Delaware, unrealistically overbid the contract and wound up pulling out and buying its way out of the contract when it could not meet its performance obligations. (TJtr, pp. 56-60.)