



JOHN CHIANG
California State Controller

April 9, 2014

Al Munoz, Vice President of Administrative Services
Hartnell Community College District
411 Central Avenue
Salinas, CA 93901

Dear Mr. Munoz:

The State Controller's Office reviewed the costs claimed by the Hartnell Community College District for the legislatively mandated Integrated Waste Management (IWM) Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 1999, through June 30, 2001; July 1, 2003, through June 30, 2008; and July 1, 2010, through June 30, 2011. We did not include the costs claimed for the period of July 1, 2001, through June 30, 2003, in the review period because the statute of limitations to initiate a review has expired. In addition, the district did not file an IWM claim for the period of July 1, 2008, through June 30, 2010. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$134,058 for the mandated program. Our review found that \$60,392 is allowable and \$73,666 is unallowable. The costs are unallowable because the district did not report any offsetting savings realized as a result of implementing its IWM plan, as described in the attached Summary of Program Costs, Summary of Offsetting Savings Calculations, and the Finding and Recommendation.

For the fiscal year (FY) 1999-2000, FY 2003-04, FY 2005-06 through FY 2007-08, and FY 2010-11 claims, the State made no payment to the district. Our review found that \$10,977 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2000-01 and FY 2004-05 claims, the State paid the district \$59,672 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$49,415 is allowable. The State will apply \$10,257 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

Attachments

RE: S14-MCC-915

cc: Tracey Richardson, Controller
Hartnell Community College District
Joseph Reyes, Director of Operations, Maintenance, and Asset Management
Hartnell Community College District
Arthur Alvarado, Grounds Supervisor
Hartnell Community College District
Martha Suarez, Administrative Assistant II
Hartnell Community College District
Christine Atalig, Specialist, College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Mollie Quasebarth, Principal Program Budget Analyst
Education Systems Unit, California Department of Finance
Mario Rodriguez, Finance Budget Analyst
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 1999, through June 30, 2001;
July 1, 2003, through June 30, 2008;
and July 1, 2010, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits	\$ 3,807	\$ 3,807	\$ —
Indirect costs	1,872	1,872	—
Total direct and indirect costs	5,679	5,679	—
Less offsetting savings ²	—	(2,163)	(2,163)
Total program costs	<u>\$ 5,679</u>	3,516	<u>\$ (2,163)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,516</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 25,052	\$ 25,052	\$ —
Contract services	7,328	7,328	—
Total direct costs	32,380	32,380	—
Indirect costs	11,704	11,704	—
Total direct and indirect costs	44,084	44,084	—
Less offsetting savings ²	—	(5,519)	(5,519)
Total program costs	<u>\$ 44,084</u>	38,565	<u>\$ (5,519)</u>
Less amount paid by the State ³		(44,084)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (5,519)</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 18,023	\$ 18,023	\$ —
Indirect costs	6,261	6,261	—
Total direct and indirect costs	24,284	24,284	—
Less offsetting savings ²	—	(17,910)	(17,910)
Total program costs	<u>\$ 24,284</u>	6,374	<u>\$ (17,910)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,374</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 16,593	\$ 16,593	\$ —
Contract services	6,070	6,070	—
Total direct costs	22,663	22,663	—
Indirect costs	6,030	6,030	—
Total direct and indirect costs	28,693	28,693	—
Less offsetting savings ²	—	(17,843)	(17,843)
Total program costs	<u>\$ 28,693</u>	10,850	<u>\$ (17,843)</u>
Less amount paid by the State ³		(15,588)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (4,738)</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 4,992	\$ 4,992	\$ —
Indirect costs	1,336	1,336	—
Total direct and indirect costs	6,328	6,328	—
Less offsetting savings ²	—	(12,633)	(12,633)
Subtotal	6,328	(6,305)	(12,633)
Adjustment to eliminate negative balance	—	6,305	6,305
Total program costs	<u>\$ 6,328</u>	—	<u>\$ (6,328)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 8,033	\$ 8,033	\$ —
Indirect costs	1,996	1,996	—
Total direct and indirect costs	10,029	10,029	—
Less offsetting savings ²	—	(33,398)	(33,398)
Subtotal	10,029	(23,369)	(33,398)
Adjustment to eliminate negative balance	—	23,369	23,369
Total program costs	<u>\$ 10,029</u>	—	<u>\$ (10,029)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 10,095	\$ 10,095	\$ —
Indirect costs	2,405	2,405	—
Total direct and indirect costs	12,500	12,500	—
Less offsetting savings ²	—	(29,723)	(29,723)
Subtotal	12,500	(17,223)	(29,723)
Adjustment to eliminate negative balance	—	17,223	17,223
Total program costs	<u>\$ 12,500</u>	—	<u>\$ (12,500)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 1,927	\$ 1,927	\$ —
Indirect costs	935	935	—
Total direct and indirect costs	2,862	2,862	—
Less offsetting reimbursements	(401)	(401)	—
Less offsetting savings ²	—	(1,374)	(1,374)
Total program costs	<u>\$ 2,461</u>	1,087	<u>\$ (1,374)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,087</u>	
<u>Summary: July 1, 1999, through June 30, 2001; July 1, 2003, through June 30, 2008; and July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 88,522	\$ 88,522	\$ —
Contract services	13,398	13,398	—
Total direct costs	101,920	101,920	—
Indirect costs	32,539	32,539	—
Total direct and indirect costs	134,459	134,459	—
Less offsetting reimbursements	(401)	(401)	—
Less offsetting savings	—	(120,563)	(120,563)
Subtotal	134,058	13,495	(120,563)
Adjustment to eliminate negative balance	—	46,897	46,897
Total program costs	<u>\$ 134,058</u>	60,392	<u>\$ (73,666)</u>
Less amount paid by the State		(59,672)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 720</u>	

¹ See Attachment 3, Finding and Recommendation.

² See Attachment 2, Summary of Offsetting Savings Calculations.

³ Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

**Attachment 2—
Summary of Offsetting Savings Calculations
July 1, 1999, through June 30, 2001;
July 1, 2003, through June 30, 2008;
and July 1, 2010, through June 30, 2011**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 1999, through June 30, 2000</u>					
Maximum allowable diversion percentage		—	25.00%		
Actual diversion percentage		÷ —	÷ 37.74%		
Allocated diversion percentage		—	66.24%		
Tonnage diverted	×	—	×	(89.75)	
Actual landfill disposal fee per ton	×	—	×	\$36.39	
Offsetting savings, FY 1999-2000	\$ —	\$ —	\$ (2,163)	\$ (2,163)	\$ (2,163)
<u>July 1, 2000, through June 30, 2001</u>					
Maximum allowable diversion percentage		25.00%	25.00%		
Actual diversion percentage		÷ 37.74%	÷ 51.28%		
Allocated diversion percentage		66.24%	48.75%		
Tonnage diverted	×	(89.75)	×	(135.35)	
Actual landfill disposal fee per ton	×	\$44.00	×	\$44.00	
Offsetting savings, FY 2000-01	\$ —	\$ (2,616)	\$ (2,903)	\$ (5,519)	\$ (5,519)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 56.84%	÷ 80.53%		
Allocated diversion percentage		87.97%	62.09%		
Tonnage diverted	×	(162.70)	×	(396.55)	
Actual landfill disposal fee per ton	×	\$46.00	×	\$46.00	
Offsetting savings, FY 2003-04	\$ —	\$ (6,584)	\$ (11,326)	\$ (17,910)	\$ (17,910)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 80.53%	÷ 70.78%		
Allocated diversion percentage		62.09%	70.64%		
Tonnage diverted	×	(396.55)	×	(177.70)	
Actual landfill disposal fee per ton	×	\$48.00	×	\$48.00	
Offsetting savings, FY 2004-05	\$ —	\$ (11,818)	\$ (6,025)	\$ (17,843)	\$ (17,843)

Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	70.78%	67.68%		
Allocated diversion percentage		70.64%	73.88%		
Tonnage diverted	×	(177.70)	(172.10)		
Actual landfill disposal fee per ton	×	\$50.00	\$50.00		
Offsetting savings, FY 2005-06	\$ —	\$ (6,276)	\$ (6,357)	\$ (12,633)	\$ (12,633)
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	67.68%	92.17%		
Allocated diversion percentage		73.88%	54.25%		
Tonnage diverted	×	(172.10)	(827.05)		
Actual landfill disposal fee per ton	×	\$58.00	\$58.00		
Offsetting savings, FY 2006-07	\$ —	\$ (7,375)	\$ (26,023)	\$ (33,398)	\$ (33,398)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	92.17%	20.77%		
Allocated diversion percentage ²		54.25%	100.00%		
Tonnage diverted	×	(827.05)	(23.11)		
Actual landfill disposal fee per ton	×	\$63.00	\$63.00		
Offsetting savings, FY 2007-08	\$ —	\$ (28,267)	\$ (1,456)	\$ (29,723)	\$ (29,723)
<u>July 1, 2010, through June 30, 2011</u>					
Maximum allowable diversion percentage		50.00%	—		
Actual diversion percentage	÷	31.22%	—		
Allocated diversion percentage ²		100.00%	—		
Tonnage diverted	×	(19.91)	—		
Actual landfill disposal fee per ton	×	\$69.00	—		
Offsetting savings, FY 2010-11	\$ —	\$ (1,374)	\$ —	\$ (1,374)	\$ (1,374)
<u>Summary: July 1, 1999, through June 30, 2001; July 1, 2003, through June 30, 2008; and July 1, 2010, through June 30, 2011</u>					
	\$ —	\$ (64,310)	\$ (56,253)	\$ (120,563)	\$ (120,563)

¹ See Attachment 3, Finding and Recommendation.

² Hartnell Community College did not achieve the maximum allowable diversion percentage in calendar year 2008 and 2010. Therefore, 100% of the tonnage diverted is offsetting savings realized by the district.

**Attachment 3—
Finding and Recommendation
July 1, 1999, through June 30, 2001;
July 1, 2003, through June 30, 2008;
and July 1, 2010, through June 30, 2011**

**FINDING—
Unreported offsetting
savings**

The district did not report any offsetting savings on its mandated cost claims for the review period. We determined that the district realized savings of \$120,563 from implementation of its integrated waste management (IWM) plan.

We informed Al Munoz, Vice President of Administrative Services, of the review finding via email on January 17, 2014. On February 19, 2014, we provided Mr. Munoz with documentation supporting the finding. On February 25, 2014, we conducted a telephone conference call with Mr. Munoz and Joseph Reyes, Director of Operations, Maintenance, and Asset Management. Mr. Munoz and Mr. Reyes indicated that they understood the reason for the finding but did not state whether they agreed with the adjustment.

The following table summarizes the unreported offsetting savings by fiscal year:

<u>Fiscal Year</u>	<u>Offsetting Savings Reported</u>	<u>Offsetting Savings Realized</u>	<u>Review Adjustment</u>
1999-2000	\$ -	\$ (2,163)	\$ (2,163)
2000-01	-	(5,519)	(5,519)
2003-04	-	(17,910)	(17,910)
2004-05	-	(17,843)	(17,843)
2005-06	-	(12,633)	(12,633)
2006-07	-	(33,398)	(33,398)
2007-08	-	(29,723)	(29,723)
2010-11	-	(1,374)	(1,374)
Total	\$ -	\$ (120,563)	\$ (120,563)

On March 25, 2004, the Commission on State Mandates (CSM) adopted the statement of decision for the IWM Program. The CSM determined that Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999, imposed upon community college districts a state mandate reimbursable under Government Code section 17561, commencing July 1, 1999.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on March 30, 2005.

In March 2007, the Department of Finance and the IWM Board filed a petition for Writ of Mandate requesting the CSM to issue new parameters and guidelines that give full consideration to the community colleges' cost savings (e.g. avoided landfill disposal fees) and revenues (from recyclables) by complying with the test claim statutes. The Judgment and a Writ of Mandate were issued on June 30, 2008, ordering the CSM to amend the parameters and guidelines to require community college districts to identify and offset from their claims cost savings realized as a result of implementing their plans.

On September 26, 2008, the CSM amended the parameters and guidelines to the original period of reimbursement because the court's decision interprets the test claim statutes as a question of law. In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist community college districts in claiming mandated-program reimbursable costs.

The parameters and guidelines (section VIII. Offsetting Cost Savings) state:

Reduced or avoided costs realized from implementation of the community college districts' Integrated Waste Management Plans shall be identified and offset from this claim as cost savings, consistent with the direction for revenue in Public Contract Code sections 12167 and 12167.1.

Public Contract Code sections 12167 and 12167.1 require agencies in state-owned and state-leased buildings to deposit all revenues from the sale of recyclables into the IWM Account in the IWM Fund. The revenues are to be continuously appropriated to the Board for the purposes of offsetting recycling program costs. For the review period, the district did not deposit any revenue into the IWM Account in the IWM Fund. As the district had reduced or avoided costs realized from implementation of its IWM Plan that it did not remit to the State, the district should have identified and offset this savings from its claim.

Offsetting Savings Calculation

The CSM's Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #8—CSM hearing of September 26, 2008) state:

. . .cost savings may be calculated from the annual solid waste disposal reduction or diversion rates that community colleges must annually report to the Board pursuant to Public Resources Code section 42926, subdivision (b) (1).

To compute the savings amount, we multiplied the allocated diversion percentage by the tonnage diverted, and then multiplied the total by the avoided landfill disposal fee, as follows:

$$\begin{array}{rcccl}
 & & \text{Allocated Diversion \%} & & \\
 & & \begin{array}{c} \text{Maximum} \\ \text{Allowable} \end{array} & & \text{Avoided} \\
 \text{Offsetting} & & & & \text{Landfill} \\
 \text{Savings} & = & \frac{\text{Diversion \%}}{\text{Actual}} & \times & \text{Disposal Fee} \\
 \text{Realized} & & \text{Diversion \%} & \times & \text{Ton} \\
 & & & & \text{Diverted} \\
 & & & & \text{(per Ton)}
 \end{array}$$

This calculation determines the cost that the district did not incur for solid waste disposal as a result of implementing its IWM Plan. The offsetting savings calculation is presented in Attachment 2 – Summary of Offsetting Savings Calculation.

Allocated Diversion Percentage

Public Resource Code 42921 requires districts to achieve a solid waste diversion percentage of 25% beginning January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines state that districts will be reimbursed for all mandated costs incurred to achieve these levels, without reduction when they fall short of stated goals, but not for amounts used to exceed these state-mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2000 through 2007, we used the actual diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1). For calendar years 2008 and 2010, we used the diversion percentage provided by the district.

Tonnage Diverted

The tonnage diverted is solid waste that the district recycled, composted, and kept out of the landfill.

For calendar years 2000 through 2007, we used the actual tonnage diverted, as reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1). For calendar years 2008 and 2010, we used the tonnage diverted, as provided by the district.

Avoided Landfill Disposal Fee

The avoided landfill disposal fee is used to calculate realized savings because the district no longer incurs a cost to dispose of the diverted tonnage at the landfill. For each fiscal year in the review period, we used the landfill disposal fee provided by the district.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2013-14 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district offset all savings realized from implementation of its IWM plan.