



JOHN CHIANG
California State Controller

June 17, 2014

Morris Rodrigue, Vice President of
Administrative Services
Shasta-Tehama-Trinity Joint
Community College District
P.O. Box 496006
Redding, CA 96049-6006

Dear Mr. Rodrigue:

The State Controller's Office reviewed the costs claimed by the Shasta-Tehama-Trinity Joint 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, 2005, 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 \$152,172 for the mandated program. Our review found that \$81,076 is allowable and \$71,096 is unallowable. The costs are unallowable because the district understated 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. The State made no payment to the district. The State will pay \$81,076, contingent upon available appropriations.

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

Morris Rodrigue,
Vice President of Administrative Services -2-

June 17, 2014

Attachments

RE: S14-MCC-925

cc: Nancy Funk, Comptroller

Shasta-Tehama-Trinity Joint Community College District
George Estrada, Director of Physical Plant

Shasta-Tehama-Trinity Joint Community College District
Greg Wacker, Custodial Services Supervisor

Shasta-Tehama-Trinity Joint 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, 2005, through June 30, 2010**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 17,129	\$ 17,129	\$ —
Indirect costs	3,124	3,124	—
Total direct and indirect costs	20,253	20,253	—
Less offsetting savings ²	—	(16,034)	(16,034)
Total program costs	<u>\$ 20,253</u>	4,219	<u>\$ (16,034)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,219</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 13,617	\$ 13,617	\$ —
Indirect costs	4,272	4,272	—
Total direct and indirect costs	17,889	17,889	—
Less offsetting savings ²	(2,297)	(17,813)	(15,516)
Total program costs	<u>\$ 15,592</u>	76	<u>\$ (15,516)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 76</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 54,450	\$ 54,450	\$ —
Indirect costs	17,539	17,539	—
Total direct and indirect costs	71,989	71,989	—
Less offsetting savings ²	(3,400)	(18,302)	(14,902)
Total program costs	<u>\$ 68,589</u>	53,687	<u>\$ (14,902)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 53,687</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits	\$ 28,540	\$ 28,540	\$ —
Indirect costs	14,150	14,150	—
Total direct and indirect costs	42,690	42,690	—
Less offsetting savings ²	—	(19,596)	(19,596)
Total program costs	<u>\$ 42,690</u>	23,094	<u>\$ (19,596)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 23,094</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 3,310	\$ 3,310	\$ —
Indirect costs	1,738	1,738	—
Total direct and indirect costs	5,048	5,048	—
Less offsetting savings ²	—	(20,521)	(20,521)
Subtotal	5,048	(15,473)	(20,521)
Less adjustment to eliminate negative balance	—	15,473	15,473
Total program costs	<u>\$ 5,048</u>	—	<u>\$ (5,048)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2005, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 117,046	\$ 117,046	\$ —
Indirect costs	40,823	40,823	—
Total direct and indirect costs	157,869	157,869	—
Less offsetting savings	(5,697)	(92,266)	(86,569)
Subtotal	152,172	65,603	(86,569)
Less adjustment to eliminate negative balance	—	15,473	15,473
Total program costs	<u>\$ 152,172</u>	81,076	<u>\$ (71,096)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 81,076</u>	

¹ See Attachment 3, Finding and Recommendation.

² See Attachment 2, Summary of Offsetting Savings Calculations.

**Attachment 2—
Summary of Offsetting Savings Calculations
July 1, 2005, through June 30, 2010**

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 required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 54.03%	÷ 56.44%		
Allocated diversion percentage		92.54%	88.59%		
Tonnage diverted		× (196.60)	× (219.35)		
Statewide average landfill fee per ton		× \$39.00	× \$46.00		
Offsetting savings, FY 2005-06	\$ —	\$ (7,095)	\$ (8,939)	\$ (16,034)	\$ (16,034)
<u>July 1, 2006, through June 30, 2007</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 56.44%	÷ 50.13%		
Allocated diversion percentage		88.59%	99.74%		
Tonnage diverted		× (219.35)	× (185.35)		
Statewide average landfill fee per ton		× \$46.00	× \$48.00		
Offsetting savings, FY 2006-07	\$ (2,297)	\$ (8,939)	\$ (8,874)	\$ (17,813)	\$ (15,516)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 50.13%	÷ 50.13%		
Allocated diversion percentage		99.74%	99.74%		
Tonnage diverted		× (185.35)	× (185.35)		
Statewide average landfill fee per ton		× \$48.00	× \$51.00		
Offsetting savings, FY 2007-08	\$ (3,400)	\$ (8,874)	\$ (9,428)	\$ (18,302)	\$ (14,902)
<u>July 1, 2008, through June 30, 2009</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 50.13%	÷ 50.13%		
Allocated diversion percentage		99.74%	99.74%		
Tonnage diverted		× (185.35)	× (185.35)		
Statewide average landfill fee per ton		× \$51.00	× \$55.00		
Offsetting savings, FY 2008-09	\$ —	\$ (9,428)	\$ (10,168)	\$ (19,596)	\$ (19,596)

Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2009, through June 30, 2010</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 50.13%	÷ 50.13%		
Allocated diversion percentage		99.74%	99.74%		
Tonnage diverted		× (185.35)	× (185.35)		
Statewide average landfill fee per ton		× \$55.00	× \$56.00		
Offsetting savings, FY 2009-10	\$ —	\$ (10,168)	\$ (10,353)	\$ (20,521)	\$ (20,521)
<u>Summary: July 1, 2005, through June 30, 2010</u>	<u>\$ (5,697)</u>	<u>\$ (44,504)</u>	<u>\$ (47,762)</u>	<u>\$ (92,266)</u>	<u>\$ (86,569)</u>

¹ See Attachment 3, Finding and Recommendation.

Attachment 3— Finding and Recommendation July 1, 2005, through June 30, 2010

**FINDING—
Understated offsetting
savings**

The district reported \$5,697 in offsetting savings on its mandated costs claims for the review period. We found that the district realized savings of \$92,266 from implementation of its integrated waste management (IWM) plan. The district understated offsetting savings by \$86,569.

We informed Morris Rodrigue, Vice President of Administrative Services, of the review finding via email on May 9, 2014. We did not receive a response to the finding from the district.

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

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
2005-06	\$ -	\$ (16,034)	\$ (16,034)
2006-07	(2,297)	(17,813)	(15,516)
2007-08	(3,400)	(18,302)	(14,902)
2008-09	-	(19,596)	(19,596)
2009-10	-	(20,521)	(20,521)
Total	<u>\$ (5,697)</u>	<u>\$ (92,266)</u>	<u>\$ (86,569)</u>

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 a 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 plan.

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 purpose of offsetting recycling program costs. For the review period, the district did not remit to the State the savings realized from implementation of its IWM plan.

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) states:

...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:

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

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 Calculations.

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 that exceed these state-mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2005 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).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of a “diversion percentage.” As a result, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted, and the annual reports no longer identify a “diversion percentage.” Therefore, we used the 2007 diversion percentage to calculate the offsetting savings for fiscal year (FY) 2007-08 through FY 2009-10. The district did not provide any documentation supporting a different diversion percentage.

Tonnage Diverted

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

For calendar years 2005 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).

As previously noted, in 2008, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Therefore, we used the tonnage diverted in 2007 to calculate the offsetting savings for FY 2007-08 through FY 2009-10. The district did not provide any documentation supporting a different amount of tonnage diverted.

Avoided Landfill Disposal Fee (per Ton)

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 a landfill. For each fiscal year in the review period, we used the statewide average disposal fee provided by CalRecycle. The district did not provide any documentation supporting a different disposal fee.

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.