



JOHN CHIANG
California State Controller

September 11, 2014

Andrew Suleski, Vice President of Administration
Butte-Glenn Community College District
3536 Butte Campus Drive
Oroville, CA 95965

Dear Mr. Suleski:

The State Controller's Office reviewed the costs claimed by the Butte-Glenn Community College District for the legislatively mandated Integrated Waste Management Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 2006, through June 30, 2007. 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 \$20,116 for the mandated program. Our review found that none of the costs claimed are allowable because the district did not report any savings realized as a result of implementing its integrated waste management plan, as described in the attached Summary of Program Costs (Attachment 1), Summary of Offsetting Savings Calculations (Attachment 2), and the Finding and Recommendation (Attachment 3). The State made no payments to the district.

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/kw

Attachments

RE: S15-MCC-9001

cc: Kimberly Jones, Assistant Director of Facilities, Planning, and Management
Butte-Glenn Community College District
Jose Llamas, Facilities Planning and Management Lead
Butte-Glenn 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, 2006, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 16,050	\$ 16,050	\$ —
Indirect costs	4,066	4,066	—
Total direct and indirect costs	20,116	20,116	—
Less offsetting savings ²	—	(36,170)	(36,170)
Subtotal	20,116	(16,054)	(36,170)
Adjustment to eliminate negative balance	—	16,054	16,054
Total program costs	<u>\$ 20,116</u>	—	<u>\$ (20,116)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</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, 2006, through June 30, 2007**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized		Total	Review Adjustment ¹
		July - December	January - June		
<u>July 1, 2006, through June 30, 2007</u>					
Maximum required diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	64.40%	÷	79.25%	
Allocated diversion percentage		77.64%	63.09%		
Tonnage diverted	×	(550.75)	×	(544.85)	
Statewide average landfill fee per ton	×	\$46.00	×	\$48.00	
Offsetting savings, FY 2006-07	\$ —	\$ (19,670)	\$ (16,500)	\$ (36,170)	\$ (36,170)

¹ See Attachment 3, Finding and Recommendation.

Attachment 3— Finding and Recommendation July 1, 2006, through June 30, 2007

**FINDING—
Unreported offsetting
savings**

The district did not report any offsetting savings on its mandated cost claim for fiscal year (FY) 2006-07. We found that the district realized savings of \$36,170 from implementation of its integrated waste management (IWM) plan.

We informed Andrew Suleski, Vice President of Administration, of the finding via email on August 21, 2014. On August 27, 2014, we conducted a conference call with Kimberly Jones, Assistant Director of Facilities, Planning, and Management. During the phone call, Ms. Jones stated that the adjustment “make sense.”

On March 25, 2004, the Commission on State Mandates (Commission) adopted the statement of decision for the IWM Program. The Commission 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 Commission 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 Commission 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 Commission 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 Commission 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) 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 the multiplied the total by the avoided landfill disposal fee, as follows:

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

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 50% 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 2006 and 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).

Tonnage Diverted

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

For calendar years 2006 and 2007, we used the actual tonnage diverted, as reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1).

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. We used the statewide average disposal fee provided by CalRecycle for calendar years 2006 and 2007. The district did not provide any documentation to support 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.