



BETTY T. YEE
California State Controller

October 13, 2017

Linda Fisher, Director of Finance
Sierra Joint Community College District
5100 Sierra College Boulevard
Rocklin, CA 95677

Dear Ms. Fisher:

The State Controller's Office (SCO) reviewed the costs claimed by Sierra 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, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2010. 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 the review had expired. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

This reissued letter report updates our previous letter report, issued July 22, 2013. The previous letter report identified \$171,209 in unreported offsetting savings for the fiscal year (FY) 1999-2000 through FY 2000-01, and FY 2003-04 through FY 2009-10. On July 28, 2017, the Commission on State Mandates (Commission) issued a decision in response to an Incorrect Reduction Claim filed by the district for the IWM Program. In its decision, the Commission concluded that our offsetting savings calculation for the first half of FY 2003-04 based on a diversion rate of 45.59 %, rather than 25%, was incorrect and that the difference of \$3,393 was incorrectly reduced and should be reinstated. In compliance with the Commission's decision, we reinstated \$3,393 for the first half of FY 2003-04. As a result, allowable costs increased by \$3,393, from \$98,784 to \$102,177. We advised you of the revision to this report on September 25, 2017.

The district claimed \$238,419 for the mandated program. Our review found that \$102,177 is allowable and \$136,242 is unallowable. The costs are unallowable because the district did not report any offsetting savings realized as a result of implementing its integrated waste management plan, as described in the attached Summary of Program Costs, Summary of Offsetting Savings Calculations, and the Finding and Recommendation. The State paid the district \$98,784. The SCO's Local Government Programs and Services Division will send the district a separate notification letter to resolve allowable costs in excess of the amount paid, totaling \$3,393. The letter will be sent within 30 days from the issuance date of this report.

If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

Attachments

RE: S13-MCC-942R

cc: Beverly Yoha, Finance Manager
 Sierra Joint Community College District
Judy Ahlquist, Finance Manager
 Sierra Joint Community College District
Mario Rodriguez, Vice Chancellor
 College Finance and Facilities Planning
 California Community Colleges Chancellor's Office
Frances Parmelee, Assistant Vice Chancellor
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Wrenna Finche, Director of Fiscal Standards and Accountability
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 Education Systems Unit, California Department of Finance
Keith Nezaam, Staff Finance Budget Analyst
 Education Systems Unit, California Department of Finance
Anita Dagan, Manager
 Local Government Programs and Services Division
 State Controller's Office

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

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustments ¹
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits	\$ 14,738	\$ 14,738	\$ -
Materials and supplies	2,259	2,259	-
Total direct costs	16,997	16,997	-
Indirect costs	6,197	6,197	-
Total direct and indirect costs	23,194	23,194	-
Less offsetting savings ²	-	(3,981)	(3,981)
Total program costs	<u>\$ 23,194</u>	19,213	<u>\$ (3,981)</u>
Less amount paid by the State		(19,213)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 17,330	\$ 17,330	\$ -
Materials and supplies	1,743	1,743	-
Total direct costs	19,073	19,073	-
Indirect costs	7,165	7,165	-
Total direct and indirect costs	26,238	26,238	-
Less offsetting savings ²	-	(7,250)	(7,250)
Total program costs	<u>\$ 26,238</u>	18,988	<u>\$ (7,250)</u>
Less amount paid by the State		(18,988)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 16,342	\$ 16,342	\$ -
Materials and supplies	2,239	2,239	-
Total direct costs	18,581	18,581	-
Indirect costs	6,276	6,276	-
Total direct and indirect costs	24,857	24,857	-
Less offsetting savings ²	-	(13,702)	(13,702)
Total program costs	<u>\$ 24,857</u>	11,155	<u>\$ (13,702)</u>
Less amount paid by the State		(7,762)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,393</u>	

Revised Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustments ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 18,552	\$ 18,552	\$ -
Materials and supplies	1,986	1,986	-
Total direct costs	20,538	20,538	-
Indirect costs	7,587	7,587	-
Total direct and indirect costs	28,125	28,125	-
Less offsetting savings ²	-	(19,634)	(19,634)
Total program costs	<u>\$ 28,125</u>	8,491	<u>\$ (19,634)</u>
Less amount paid by the State		(8,491)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 27,227	\$ 27,227	\$ -
Total direct costs	27,227	27,227	-
Indirect costs	9,721	9,721	-
Total direct and indirect costs	36,948	36,948	-
Less offsetting savings ²	-	(22,011)	(22,011)
Total program costs	<u>\$ 36,948</u>	14,937	<u>\$ (22,011)</u>
Less amount paid by the State		(14,937)	
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	\$ 20,995	\$ 20,995	\$ -
Materials and supplies	24,050	24,050	-
Total direct costs	45,045	45,045	-
Indirect costs	8,080	8,080	-
Total direct and indirect costs	53,125	53,125	-
Less offsetting savings ²	-	(23,732)	(23,732)
Total program costs	<u>\$ 53,125</u>	29,393	<u>\$ (23,732)</u>
Less amount paid by the State		(29,393)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Revised Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustments ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 14,067	\$ 14,067	\$ -
Total direct costs	14,067	14,067	-
Indirect costs	5,321	5,321	-
Total direct and indirect costs	19,388	19,388	-
Less offsetting savings ²	-	(24,282)	(24,282)
Subtotal	19,388	(4,894)	(24,282)
Adjustment to eliminate negative balance	-	4,894	4,894
Total program costs	<u>\$ 19,388</u>	-	<u>\$ (19,388)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits	\$ 10,219	\$ 10,219	\$ -
Total direct costs	10,219	10,219	-
Indirect costs	4,827	4,827	-
Total direct and indirect costs	15,046	15,046	-
Less offsetting savings ²	-	(25,999)	(25,999)
Subtotal	15,046	(10,953)	(25,999)
Adjustment to eliminate negative balance	-	10,953	10,953
Total program costs	<u>\$ 15,046</u>	-	<u>\$ (15,046)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 7,809	\$ 7,809	\$ -
Total direct costs	7,809	7,809	-
Indirect costs	3,689	3,689	-
Total direct and indirect costs	11,498	11,498	-
Less offsetting savings ²	-	(27,225)	(27,225)
Subtotal	11,498	(15,727)	(27,225)
Adjustment to eliminate negative balance	-	15,727	15,727
Total program costs	<u>\$ 11,498</u>	-	<u>\$ (11,498)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ -</u>	

Revised Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustments ¹
<u>Summary July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 147,279	\$ 147,279	\$ -
Materials and supplies	32,277	32,277	-
Total direct costs	179,556	179,556	-
Indirect costs	58,863	58,863	-
Total direct and indirect costs	238,419	238,419	-
Less offsetting savings ²	-	(167,816)	(167,816)
Subtotal	238,419	70,603	(167,816)
Adjustment to eliminate negative balance	-	31,574	31,574
Total program costs	<u>\$ 238,419</u>	102,177	<u>\$ (136,242)</u>
Less amount paid by the State		(98,784)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,393</u>	

¹ See Revised Attachment 3, Finding and Recommendation.

² See Revised Attachment 2, Summary of Offsetting Savings Calculations.

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

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	÷	—	÷	33.39%	
Allocated diversion percentage		—		74.87%	
Tonnage diverted	x	—	x	(146.10)	
Statewide average landfill fee per ton	x	—	x	\$36.39	
Total offsetting savings, FY 1999-2000	\$ —	\$ —	\$ (3,981)	\$ (3,981)	\$ (3,981)
<u>July 1, 2000, through June 30, 2001</u>					
Maximum allowable diversion percentage		25.00%		25.00%	
Actual diversion percentage	÷	33.39%	÷	28.62%	
Allocated diversion percentage		74.87%		87.35%	
Tonnage diverted	x	(146.10)	x	(102.85)	
Statewide average landfill fee per ton	x	\$36.39	x	\$36.39	
Total offsetting savings, FY 2000-01	\$ —	\$ (3,981)	\$ (3,269)	\$ (7,250)	\$ (7,250)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		25.00%		50.00%	
Actual diversion percentage	÷	45.59%	÷	53.98%	
Allocated diversion percentage		54.84%		92.63%	
Tonnage diverted	x	(204)	x	(269.25)	
Statewide average landfill fee per ton	x	\$36.83	x	\$38.42	
Total offsetting savings, FY 2003-04	\$ —	\$ (4,120)	\$ (9,582)	\$ (13,702)	\$ (13,702)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%		50.00%	
Actual diversion percentage	÷	53.98%	÷	55.26%	
Allocated diversion percentage		92.63%		90.48%	
Tonnage diverted	x	(269.25)	x	(284.85)	
Statewide average landfill fee per ton	x	\$38.42	x	\$39.00	
Total offsetting savings, FY 2004-05	\$ —	\$ (9,582)	\$ (10,052)	\$ (19,634)	\$ (19,634)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%		50.00%	
Actual diversion percentage	÷	55.26%	÷	55.91%	
Allocated diversion percentage		90.48%		89.43%	
Tonnage diverted	x	(284.85)	x	(290.70)	
Statewide average landfill fee per ton	x	\$39.00	x	\$46.00	
Total offsetting savings, FY 2005-06	\$ —	\$ (10,052)	\$ (11,959)	\$ (22,011)	\$ (22,011)

Revised Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	55.91%	÷	60.27%	
Allocated diversion percentage		89.43%	82.96%		
Tonnage diverted	x	(290.70)	x	(295.65)	
Statewide average landfill fee per ton	x	\$46.00	x	\$48.00	
Total offsetting savings, FY 2006-07	\$ —	\$ (11,959)	\$ (11,773)	\$ (23,732)	\$ (23,732)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	60.27%	÷	60.27%	
Allocated diversion percentage		82.96%	82.96%		
Tonnage diverted	x	(295.65)	x	(295.65)	
Statewide average landfill fee per ton	x	\$48.00	x	\$51.00	
Total offsetting savings, FY 2007-08	\$ —	\$ (11,773)	\$ (12,509)	\$ (24,282)	\$ (24,282)
<u>July 1, 2008, through June 30, 2009</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	60.27%	÷	60.27%	
Allocated diversion percentage		82.96%	82.96%		
Tonnage diverted	x	(295.65)	x	(295.65)	
Statewide average landfill fee per ton	x	\$51.00	x	\$55.00	
Total offsetting savings, FY 2008-09	\$ —	\$ (12,509)	\$ (13,490)	\$ (25,999)	\$ (25,999)
<u>July 1, 2009, through June 30, 2010</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	60.27%	÷	60.27%	
Allocated diversion percentage		82.96%	82.96%		
Tonnage diverted	x	(295.65)	x	(295.65)	
Statewide average landfill fee per ton	x	\$55.00	x	\$56.00	
Total offsetting savings, FY 2009-10	\$ —	\$ (13,490)	\$ (13,735)	\$ (27,225)	\$ (27,225)
<u>Total offsetting savings, July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2010</u>					
	\$ —	\$ (77,466)	\$ (90,350)	\$ (167,816)	\$ (167,816)

¹ See Revised Attachment 3, Finding and Recommendation.

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

BACKGROUND—

On March 25, 2004, the Commission adopted its statement of decision, finding that Public Resources Code sections 40148, 40196.3, 42920-42928; Public Contract Code sections 12167 and 12167.1; and the State Agency Model Integrated Waste Management Plan (February 2000); require new activities that constitute new programs or higher levels of service for community college districts within the meaning of Article XIII B, section 6, of the California Constitution, and impose costs mandated by the State pursuant to Government Code (GC) section 17514.

Specifically, the Commission approved the test claim for the increased costs of performing the following specific activities:

- Complying with the model plan (Public Resources Code section 42920(b)(3) and State Agency Model Integrated Waste Management Plan, February, 2000)
- Designating a solid waste reduction and recycling coordinator (Public Resources Code section 42920(c))
- Diverting solid waste (Public Resources Code sections 42921 and 42922(i))
- Reporting to the Board (Public Resources Code sections 42926(a) and 42922(i))
- Submitting recycled material reports (Public Contract Code section 12167.1)

In March 2007, the Department of Finance and the IWM Board filed a petition for writ of mandate requesting that the Commission 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 plans.

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 GC section 17558, the SCO issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated-program reimbursable costs.

**REVISED FINDING—
Unreported offsetting
savings**

The district did not report any offsetting savings on its mandated cost claims for the review period. We found that the district realized savings of \$167,816 from implementation of its IWM plan.

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

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
1999-2000	\$ -	\$ (3,981)	\$ (3,981)
2000-01	-	(7,250)	(7,250)
2003-04	-	(13,702)	(13,702)
2004-05	-	(19,634)	(19,634)
2005-06	-	(22,011)	(22,011)
2006-07	-	(23,732)	(23,732)
2007-08	-	(24,282)	(24,282)
2008-09	-	(25,999)	(25,999)
2009-10	-	(27,225)	(27,225)
Total	\$ -	\$ (167,816)	\$ (167,816)

Section VIII. (Offsetting Savings) of the amended parameters and guidelines states:

Reduced or avoided costs realized from implementation of the community college districts' Integrated Waste Management Plan 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; these revenues are continuously appropriated to the IWM 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. We determined that the district incurred reduced or avoided costs realized from implementation of its IWM plan that it did not identify and offset from its claims as cost savings.

Offsetting Savings Calculation

The Commission's Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item No. 8—Commission 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 by the avoided landfill disposal fee, as follows:

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

This calculation identifies the costs that the district did not incur for solid waste disposal as a result of implementing its IWM plan. The offsetting savings calculations are presented in Attachment 2 – Summary of Offsetting Savings Calculations.

Allocated Diversion Percentage

Public Resource Code 42921 requires districts 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).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of “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 FY 2007-08, FY 2008-09, and FY 2009-10. The district did not provide documentation to support a different diversion percentage.

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).

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, FY 2008-09, and FY 2009-10. The district provided no documentation to support a different tonnage amount.

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 the landfill. For each fiscal year in the review period, we used the statewide average disposal fee provided by CalRecycle. The district provided no documentation to support a different disposal fee.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2016-17 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program pursuant to GC 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 the community college district's IWM plan.