

# 50% LAW: COMPLIANCE, AUDIT INSIGHTS, AND BEST PRACTICES

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ACBO SPRING CONFERENCE MAY 20, 2025

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# OBJECTIVE FOR THIS SESSION

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- Strengthen understanding of 50% law and provide you with tips on how to comply with the 50% law.
- Understand the results of the State Audit of the 50% Law

# OVERVIEW

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- Brief History of the 50% law
- Core requirement of the 50% Law
- Best Practices for Institutional Compliance
- Common Challenges Districts face in complying with the 50% law
- Review the 50% Law State Audit
- Provide resources and Information for complying with 50% law.

# BRIEF SUMMARY OF THE 50% LAW

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- Origin: The 50% Law was enacted as part of Assembly Bill 602 in 1961 and codified in California Ed. code section 84362
- Purpose: It was designed to ensure that a minimum portion of a college's budget is dedicated to direct classroom instruction, prioritizing instructional activities over administrative or non-instructional spending
- Implementation: law calculates the percentage based on Current Expense of Education (CEE), within the unrestricted general fund.
  - At least 50% CEE must go to the salaries and benefits of employees in the classroom
- Oversight: The CCC Chancellor's Office monitors compliance.
  - Districts report annually within the 311
    - Failure to comply results in reduction in apportionment the third year after non-compliance
- Criticism: The law is outdated and doesn't reflect modern instructional delivery methods, such as online learning or student support services that are critical to student success.

# KEY DEADLINES AND REQUIRED ACTIONS

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- **September 15<sup>th</sup>** (self-identified)
  - If your district has calculated below the threshold of 50%, complete the CCFS-350A.
- **(25 days later) October 10<sup>th</sup>**
  - All districts are required to submit the 50% Law Supplemental report.
- **December 1<sup>st</sup>** (self-identified)
  - If your district is below the threshold of 50%, complete the second part of the application: CCFS-350B.
- **December 15<sup>th</sup>**
  - Last call for any updates to Fifty Percent Law
- **January 10<sup>th</sup>** (annually)
  - Fifty Percent Law is due to Legislature.
- **June 30<sup>th</sup>** (optional)
  - For districts who did not meet the 50% threshold, must submit an action plan.

# HOW TO CALCULATION THE 50% LAW

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Salaries of Classroom Instructors (Numerator)

Obj 11xx, 13xx, 22xx, 24xx Act. (01xxxx-59xxxx,  
6110xx)

Total Current Education Expense CEE (Denominator)

Obj 1xxx-5xxx, 6420 Act. (01xxxx-67xxxx)

=% of Current Education Expense

**>50%**

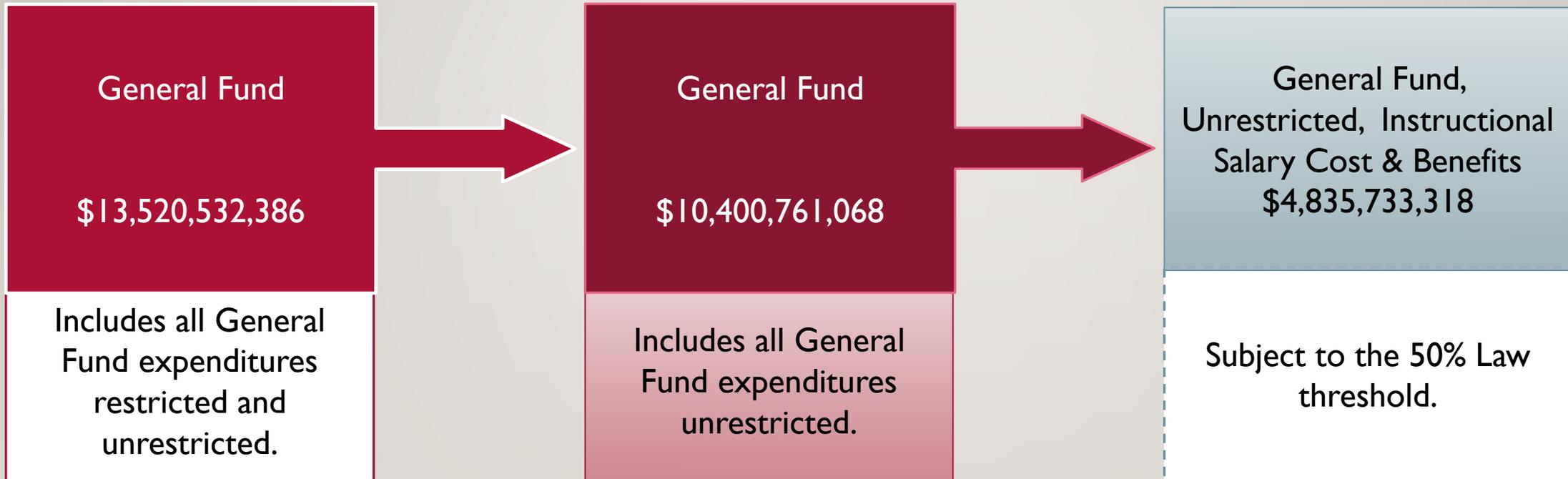
# **CORE REQUIREMENTS OF THE 50% LAW**

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Presented by Jubilee Smallwood

# GENERAL FUND SPENDING: LOCAL CONTROL, STATE EXPECTATIONS

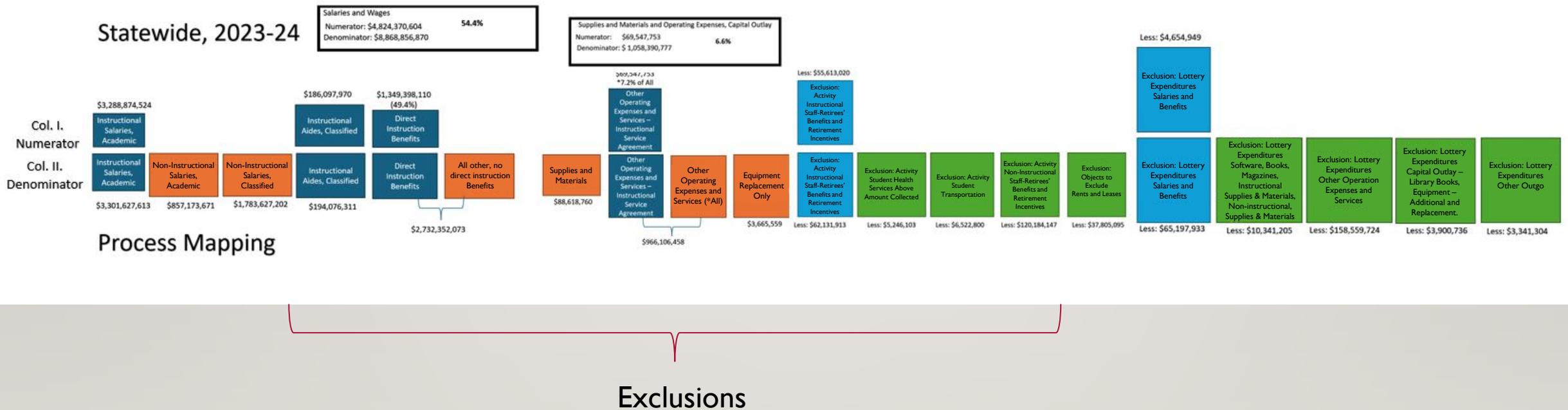
Districts control how General Fund dollars are spent. However, the Chancellor's Office expects that at least 50% of Unrestricted General Fund spending goes toward instructional salaries and benefits (ECS 84362).



Districts determine spending priorities. The Chancellor's Office ensures only that district meet statutory thresholds like the Fifty Percent Law.

# High-Level Mapping

- This outline provides a structured approach to, ensuring clarity and establishing accountability.



# COLUMN-BY-COLUMN UNDERSTANDING THE 50% LAW DATA SCREEN DESIGN



## Fiscal Portal

Home Enter 311 Data ▾ Enter 311Q Data ▾ Admin ▾ CCFS-311 Reports CCFS-311Q Reports Log off

### 50% Law Data

District is locked, contact a state administrator to edit data.

DISTRICT: MENDOCINO-LAKE

FUND: 11: UNRESTRICTED SUBFUND

FUND GROUP: 10: GENERAL FUND

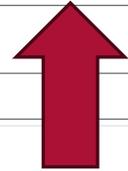
# Col. I Col. II Col. III Col. IV

Actual Year: 2024-2025

Budget Year: 2025-2026

	Object Code	ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110	ECS 84362 B Total CEE AC 0100-6790	Excluded Activities AC 6800-7390	Total
<b>Academic Salaries</b>					
<b>Instructional Salaries</b>					
Contact or Regular	1100	10 <sup>0</sup>	30 <sup>0</sup>	<del>26<sup>0</sup></del>	66 <sup>0</sup>
	1300				
<b>Total Instructional Salaries</b>					0
<b>Non-Instructional Salaries</b>					
Contract or Regular	1200				0
Other	1400				0
<b>Total Non-Instructional Salaries</b>					0
<b>Total Academic Salaries</b>		0	0	0	0

Inputs:



About 60% is necessary for calculation.

40% used for reconciliation.

# COL. I: CLARIFYING ACTIVITIES AND EXPENDITURES

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Apply expenditures to **Instructional Activity Codes (AC) 0100-5900 & Instructional Support Services AC 6110.**

Focus on expenditures classified under *Education Code section 84362(A)* as **Instructional Salary Cost** across the following six data expenditures categories:

- **1100 – Academic Salaries, Contact or Regular** (Instructional)
- **1300 – Academic Salaries, Other** (Instructional)
- **2200 – Classified Salaries, Regular Status** (Instructional Aides)
- **2400 – Classified Salaries, Other** (Instructional Aides)
- **3000 – Employee Benefits** (For Direct Instruction Only)
- **5000 – Other Operating Expenses** (Include contract expense for Instructional Costs associated with Instructional Services Agreements only.)

# COL. I (CONTINUED): EXCLUSIONS FROM INSTRUCTIONAL SALARY COST

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Two key exclusions apply:

- 1. Instructional Activity 5900** – *Instructional Staff–Retirees’ Benefits and Retirement Incentives*
  1. Per the **Budget and Accounting Manual (BAM)**, this expenditure is **not** included in instructional salary cost.
  2. It is specifically **reduced** from the reported instructional salary cost.
- 2. Lottery Instructional Activities (AC 0100-5900, 6110)** – *Academic Salaries (1000), Classified Salaries (2000), and Employee Benefits (3000)*

# COL. II: CLARIFYING CURRENT EXPENSE OF EDUCATION EXPENDITURES (CEE)

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Apply expenditures to **Instructional Activity Codes (AC) 0100-5900 & Administrative and Support Activities (AC) 6000-6790.**

Focus on expenditures classified under *Education Code section 84362(B)* as **Current Expense of Education** across the following **twelve** data expenditures categories:

- **1100 – Academic Contact or Regular** (Instructional Salaries)
  - **1300 – Other Instructional Salaries** (Instructional)
  - **1200 – Academic Contact or Regular** (Noninstructional Salaries)
  - **1400 – Other Noninstructional Salaries** (Noninstructional)
  - **2100 – Classified Regular Status** (Noninstructional Salaries)
  - **2300 – Other** (Noninstructional Salaries)
  - **2200 – Classified Regular Status** (Instructional Aides Salaries)
  - **2400 – Other** (Instructional Aides Salaries)
  - **3000 – Employee Benefits**
  - **4000 – Supplies and Materials**
  - **5000 – Other Operating Expenses**
  - **6420 – Equipment Replacement**
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# COL. II (CONTINUED) EXCLUSIONS FROM CURRENT EXPENSE OF EDUCATION

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Key exclusions apply to:

- **Activities**

- Instructional Activity 5900 – Instructional Staff–Retirees’ Benefits and Retirement Incentives
- Administrative Activity 6400’s
  - Student Health Services Above Amount Collected
  - Student Transportation
- General Institutional Support Services Activity 6700’s –Noninstructional Staff Retirees' Benefits and Retirement Incentives

- **Objects**

- Other Operating Expenses and Services - Rents and Leases

- **Expenditures Covered by the Lottery Proceeds**

- Salaries and Wages, Supplies and Materials, Other Operating Expenses and Services, Capital Outlay, and Other Outgo



# Strategy

**Maximize: Focus on Instructional salaries and benefits**



Instructional Salaries, Academic

Instructional Aides, Classified

Direct Instruction Benefits

Exclusion: Activity Instructional Staff-Retirees' Benefits and Retirement Incentives

Exclusion: Lottery Expenditures Salaries and Benefits

Under *Education Code section 84362(A)* as **Instructional Salary Cost** is categorized for the following expenditures:

- 1100 – Academic Salaries, Contact or Regular** (Instructional)
- 1300 – Academic Salaries, Other** (Instructional)
- 2200 – Classified Salaries, Regular Status** (Instructional Aides)
- 2400 – Classified Salaries, Other** (Instructional Aides)
- 3000 – Employee Benefits** (For Direct Instruction Only)



Non-Instructional Salaries, Academic

Non-Instructional Salaries, Classified

All other, no direct instruction Benefits

Exclusion: Activity Non-Instructional Staff-Retirees' Benefits and Retirement Incentives

Focus on expenditures classified under *Education Code section 84362(B)* as **Current Expense of Education (CEE)** across the following nine Salaries and wage

- 1100 – Academic Contact or Regular** (Instructional Salaries)
- 1300 – Other Instructional Salaries** (Instructional)
- 1200 – Academic Contact or Regular** (Noninstructional Salaries)
- 1400 – Other Noninstructional Salaries** (Noninstructional)
- 2100 – Classified Regular Status** (Noninstructional Salaries)
- 2300 – Other** (Noninstructional Salaries)
- 2200 – Classified Regular Status** (Instructional Aides Salaries)
- 2400 – Other** (Instructional Aides Salaries)
- 3000 – Employee Benefits**

**Minimize: Noninstructional salaries and benefits**

**Maximize (not salaries and benefits)**



Exclusion: Activity Student Health Services Above Amount Collected

Exclusion: Activity Student Transportation

Exclusion: Objects to Exclude Rents and Leases

Other Operating Expenses and Services – Instructional Service Agreement

Using lottery unrestricted to offset Supplies and Materials and Other Operating Expenses & Supplies or Capital Outlay also includes additional record keeping.

Exclusion: Lottery Expenditures Software, Books, Magazines, Instructional Supplies & Materials, Non-instructional, Supplies & Materials

Exclusion: Lottery Expenditures Other Operation Expenses and Services

Exclusion: Lottery Expenditures Capital Outlay – Library Books, Equipment – Additional and Replacement.

Exclusion: Lottery Expenditures Other Outgo



Supplies and Materials

Other Operating Expenses and Services (All)

Equipment Replacement Only

**4000 – Supplies and Materials**  
**5000 – Other Operating Expenses**  
**6420 – Equipment Replacement**

**Minimize (not salaries and benefits)**



# BEST PRACTICES FOR COMPLYING WITH 50% LAW

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# INCLUDE (NUMERATOR) IN CLASSROOM

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## SALARIES AND BENEFITS (CLASSROOM)

- Faculty – Teaching 11xx, 13xx
- Classified Employees 22xx, 24xx
  - Lab Tech – Bio, Chemistry, etc.
  - Instructional IT
  - Interpreter
  - Embedded Tutors
- Curriculum Committee/Development
- Classroom Evaluations
- STRS On Behalf Payments
- PERS On Behalf Payments (Only when Applicable)
- Faculty Sabbaticals
- Teaching Administrators – prorated portion

## SUPPLIES AND SERVICES

- ISA's contracted expenses
  - (only teaching portion)
- Interpreter Contracted Services \*
  - Classroom portion

\* Discuss with auditors to determine if allowable

# REMOVE FROM CCE (DENOMINATOR)

## NOT INCLUDED IN CCE

- Bad Debt Expense (Contra Revenue) Object code 8xxx
- Indirect Costs (Contra Expense Obj 5900)
  - Debit the expense in the Restricted Fund & Credit the expenses in the Unrestricted Genral Fund
- Equipment (6400)
  - All equipment is new and not replacement
- Charge the appropriate portion of Audit fees to Funds/Grant
- Software – excess of one year (obj 6400)
  - Capitalize software (This cannot be maintenance agreements, only the portion of software) – Discuss with auditors
- Move Self Insurance JPA costs to Fund 61 (Self-Insurance)

## 311 CCE EXCLUSION

- Lottery unrestricted portion \*\*\*\*
  - Non-instructional expenses (Utilities)
- Student Transportation
- Classroom Rent Expense

\*\*\*\* Discuss this further in the State Audit Finding

# ACTIVITY EXCLUDED ACTIVITIES 68XXX-739XXX

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## EXCLUDED ACTIVITIES

- 68xxxx Community services and Economic Development
  - Community use of Facilities
    - Outside events
  - 6890xx- Other
    - Dual Enrollment – Portion of Dean Level salaries and benefits to develop CCAP pathways at high school for workforce improvement
- 69xxxx Ancillary Services
  - Student and Co Curricular Activity's
    - Student newspapers, Intercollegiate athletics, Clubs

## EXCLUDED ACTIVITIES

- 7xxxxx Auxiliary Operations
  - Contractual Education
- 71xxxx Physical Property and related Acquisitions
  - Salaries and Benefits of Facilities and IT Managers, Facilities Planners, & support Staff)
    - % of VP Admin, Director of Facilities, President
- 73xxx Transfers
  - Transfer, Student Aid, Other Outgoing

# CHALLENGES DISTRICTS FACE MEETING THE 50% LAW

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- Limited Scope – Only classroom instruction counts – Excludes key support services like counseling, tutors.
- Modern Needs – Rising demand for student support, online learning, and tech-based instruction not reflected in the law.
- Rigid Regulation – Outdated framework limits flexibility to meet current educational and community needs like dual enrollment
- Faculty Release Time for special projects outside classroom.
- Fluctuation of Apportionment Revenue

# **50% LAW STATE AUDIT**

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# 50 PERCENT LAW AUDIT BY THE STATE AUDITOR'S OFFICE

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Released April 8, 2025:

Published on the CA State Auditors  
webpage report: *2023-126 California  
Community Colleges*

The 50 Percent Law Requires Districts to Spend a Minimum Percentage of Funds on Instructor Salaries and Benefits

## 50 PERCENT LAW CALCULATION

### *Instructor Salaries (Numerator)*

Salaries and the cost of health and welfare benefits for full-time and part-time instructors, and instructional aides.



### *Current Educational Expenses (Denominator)*

Generally includes the salaries and cost of certain benefits of academic and classified employees including those in *Instructor Salaries*, as well as the cost of certain supplies, contracted services, and other operating expenses, among other items that are paid from the unrestricted general fund.

**= At Least 50 Percent**

# KEY ISSUES IDENTIFIED

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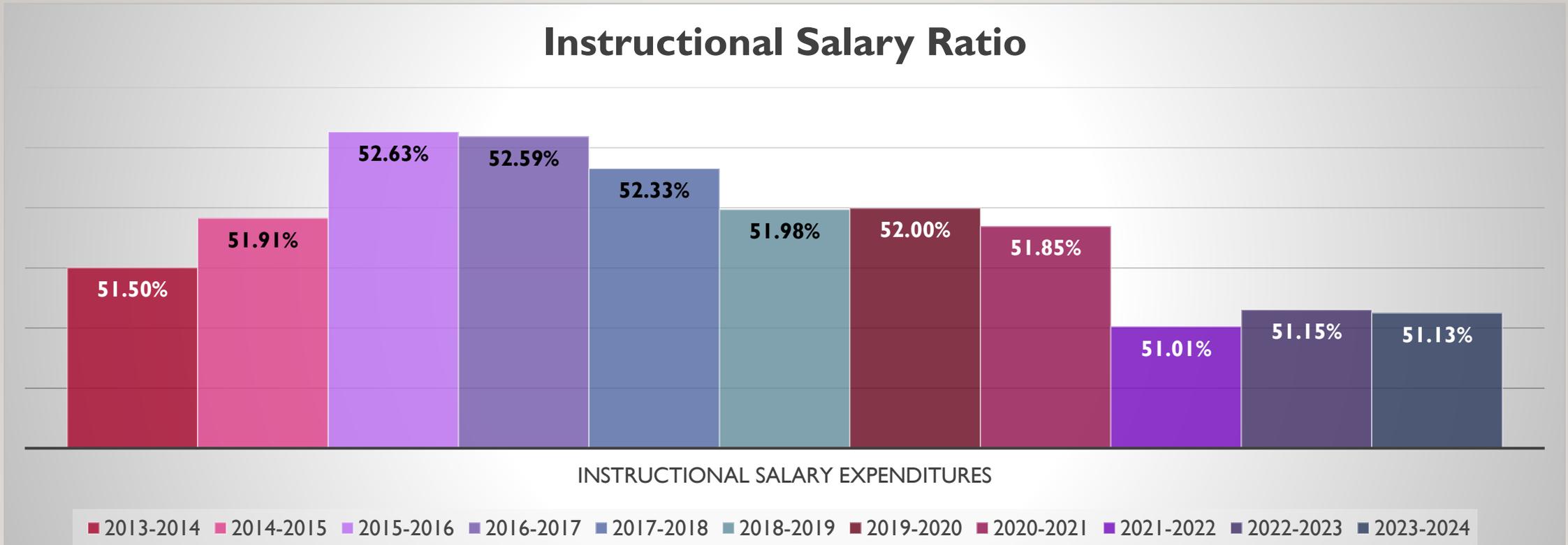
- The 50 Percent Law limits districts' ability to fund essential student support services outside the classroom, such as counseling and library services, which are critical to student success.
- Limited oversight by the Chancellor's Office allowed districts to inaccurately report their compliance rate.
- Districts' investment in administrative staff and salaries had increased at a faster rate than investments in faculty.

# RECOMMENDATIONS

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- The Legislature could consider amending the law to include student support services such as counseling and library services in the definition and to exclude technology expenses related to instruction from the 50 Percent Law calculation.
- The Chancellor's Office should update the Budget and Accounting Manual (BAM) to clarify how districts should track spending on basic needs services.
- The Chancellor's Office should improve training and guidance to districts, conduct basic reviews of submitted financial reports to identify errors, and ensure districts follow the proper exemption process when not in compliance.
- The Chancellor's Office should perform regular checks of staffing and salary data for administrators, faculty and support staff, follow up on any discrepancies, and implement a required training to improve the accuracy of reported data.

# ACHIEVING STATEWIDE COMPLIANCE



Chancellor's Office Reports – 2025 Reports: Fifty Percent Law, January 10, 2025

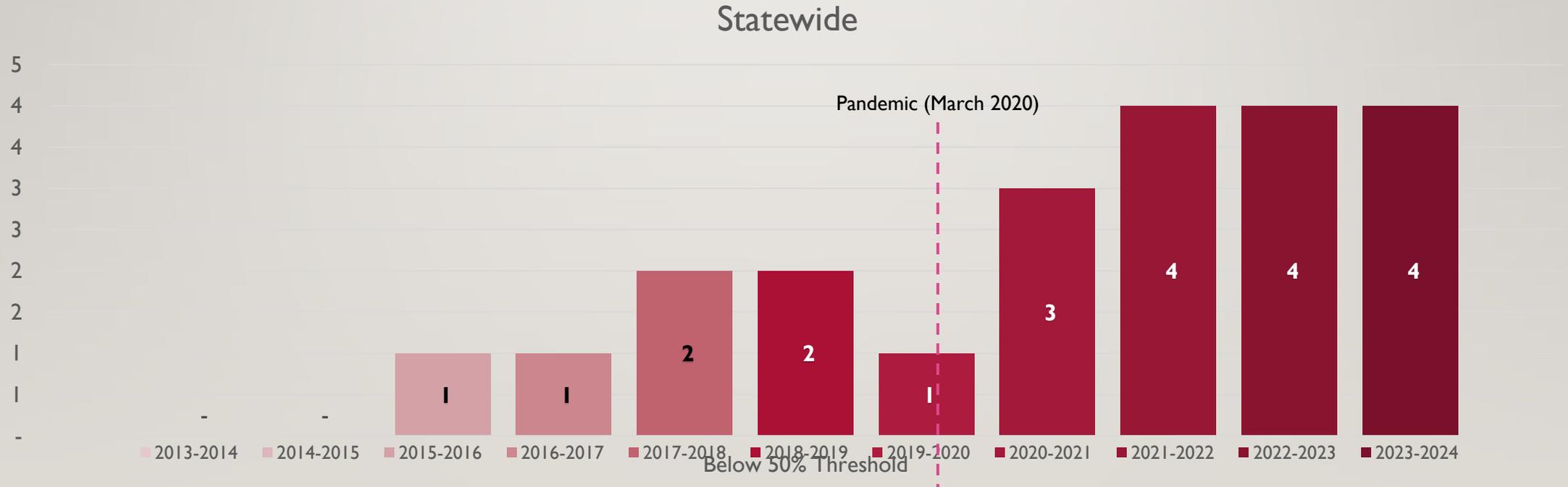
# DASHBOARD DATA



More than half districts experience turnover in the last two years

# DISTRICTS BELOW THE THRESHOLD OF 50%

Over the past 10 years, starting with the 2013–14 fiscal year, a noticeable trend has emerged.



# FINDINGS BY THE STATE AUDIT

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- **Incorrect Reporting of Transactions**

- **Non-Instructional Costs:** Reported non-instructional costs (e.g., computer software licenses, maintenance contracts) as Instructor Salaries.
- **Instructional Aides:** Incorrectly categorized non-instructional personnel as instructional aides.

- **Prorating Salaries**

- **Non-Instructional Tasks:** Districts did not prorate salaries of instructional aides for non-instructional tasks.

- **Reporting Larger Amounts in Instructor Salaries**

- **Numerator vs. Denominator:** Districts reported larger amounts in Instructor Salaries than in Current Educational Expenses.

- **Use of Lottery Funds**

- **Non-Instructional Purposes:** Potentially used lottery funds for non-instructional purposes like utility payments and bank fees.

- **Insufficient Training and Guidance**

- Lack of clear guidance and regular training led to reporting errors across multiple districts.
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# **50% LAW STATE AUDIT**

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# CASE STUDIES – COMMON QUESTIONS ASKED RELATED TO 50% LAW

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Can Interpreting expense (5xxx) be included in the numerator?

- That depends on the following:
- **If interpreters are present in the classroom to assist students with disabilities** during instructional time,
- And their services are **integral to enabling direct instruction** to occur (e.g., for a deaf student),
- Then one might argue that the interpreter's role is **instructionally supportive** and **directly related to the conduct of instruction**.
- This is similar to how **Embedded tutors** are treated when providing in-class instructional support.

When is this challenged?

- Interpreting costs typically fall under object code 5xxx (professional services), which are normally excluded from the numerator.
- State audits have questioned such inclusions, even when interpreters work inside classrooms, arguing that:
  - Interpreters are not instructors, They are not hired as part of the certificated instructional staff, And they may be considered ancillary or student support services, not instructional personnel.
- The Chancellor's Office has historically recommended caution in including these expenses

**BEST Practice:**

- Document the role of the interpreter as classroom-based and instructional-supportive
  - Document in writing your reasoning and logic of why you are including the expense
  - Prorate only the portion that directly related to the in-classroom interpreting
  - Discuss with your auditor before including the expenses.
  - Include these expenses in Both the Numerator and Denominator
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# CASE STUDIES – COMMON QUESTIONS ASKED RELATED TO 50% LAW

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Can IT Classified Salaries be included in the numerator?

- That Depends on the Following:
- If the IT employee is directly **supporting classroom instruction**, such as:
  - Providing real-time technical support during a live distance education class, Assisting faculty and students in a way that is integral to the delivery of instruction, Operating instructional technology platforms (i.e., video systems) as an in-classroom teaching aid.
- Their work must be:
  - Instructionally supportive, Directly related to the conduct of instruction, Occurring during instructional hours, Under the direction or supervision of a faculty member.

When is it challenged?

- If they are performing general IT support (e.g., maintaining systems, infrastructure, helpdesk services),
- If they are not tied directly to specific class sections,
- If their role is administrative, security, or systems-focused,
- Or if their support is for collegewide or institutional tech, not classroom-specific.

**BEST Practices:**

- Since these exceptions are considered rare, they must be clearly documented.
- Be prepared to justify inclusion to auditors or Chancellor's Office
- Include time logs, job descriptions, and explanations showing that the IT employee is functioning similarly to instructional aides.

# CASE STUDIES – COMMON QUESTIONS ASKED RELATED TO 50% LAW

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Can Certificated Administrator be included in the Numerator

That depends if:

- If the administrator is the instructor of record
- Their duties are clearly instructional in nature and not administrative.

BEST Practice:

- Document the role of the Certificated Administrator and the Teaching Component
- Document in writing your reasoning and logic of why you are including the employee
- Prorate only the portion that directly related to the in-classroom instruction
- Include this language in the Job description
- Discuss with your auditor before including the employee.

# CASE STUDIES – COMMON QUESTIONS ASKED RELATED TO 50% LAW

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Can Tutors be included in the numerator?

That depends if:

- They provide instructional support during class sessions (i.e., are **embedded** in the classroom).
- Their work is **directly related to the instruction of students**.
- They are **under the supervision of a certificated (faculty) employee**.
- Their duties are clearly instructional in nature and not clerical or administrative.

**When does it get challenged?**

- If they work in learning centers, tutoring labs, or provide support outside of class sessions.
- If their duties are administrative, clerical, or not directly connected to instruction.
- If they are not under the direct supervision of instructional staff.

BEST Practice

- Document the role of the Tutor as classroom-based and instructional-supportive (Embedded Tutor)
  - Document in writing your reasoning and logic of why you are including the employee
  - Prorate only the portion that directly related to the in-classroom Tutoring
  - Discuss with your auditor before including the employee.
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# CASE STUDIES – COMMON QUESTIONS ASKED RELATED TO 50% LAW

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Can Curriculum Chair be included in the Numerator?

No

- Typically the Curriculum chair is not included in the Numerator because it is more clerical and Administration related.
- This is not in-classroom instruction or related to providing the instruction to students

BEST Practice:

- **Do not include Curriculum Chair in the Numerator**
- You can include Curriculum development because it relates to specific work to provide instruction in the classroom for that specific course.
  - Review with auditors before including curriculum development.
  - Document the logic and rational

# CASE STUDIES – COMMON QUESTIONS ASKED RELATED TO 50% LAW

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Can Faculty Reassigned time for coordination of a Specific program be included in the Numerator?

No

- This is not in-classroom instruction
- Rule of thumb: anything with Coordination or Coordinator in the title is probably not included in the numerator.
- Most Faculty Reassigned time should not be included in the Numerator.

BEST Practice:

- **Do not include Reassigned time in the Numerator**
- If you have an exception and a valid reason for including the employee in the Numerator make sure you do the following:
  - Document your logic and rationale
  - **Discuss with Auditors and Chancellor's office before including in the numerator.**

# 50% LAW - RESOURCES

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- Talk to your Auditors, if any questions arises related to the 50% Law
- CCCCO Chancellors website
  - [Fifty Percent Law | California Community Colleges Chancellor's Office](#)
- BAM - review activities and Funds to insure reporting correctly.
  - [Complete BAM, 2024 Edition](#)
- CDAM – Review how the auditors will audit and the compliance requirement.
  - [\*\*Completed 2024-25 Contracted District Audit Manual \(PDF\)\*\*](#)
- Review the State Audit report
  - [2023-126 California Community Colleges - California State Auditor](#)

# Q & A

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# CONTACT INFORMATION

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