



Beverage Container Recycling and Litter Reduction Program- Program Reform Discussion

July 10, 2012

A collage of recycled plastic bottles and a metal can lid. The background features several clear and green plastic bottles, some with their caps removed, and a blue metal can lid with a pull tab. The items are arranged in a way that suggests recycling and environmental sustainability.

AGENDA

- **Introduction**
- **Overview**
- **Program Reform - Approach & Ideas**
- **Discussion and Feedback**
- **Next Steps**



INTRODUCTION

- **Why pursue CA Beverage Container Recycling and Litter Reduction Program (Program) reform at this time?**
 - Current Status of the Fund / Structural Deficit
 - High Recycling Rates
 - Program Integrity Issues
 - Program change has historically been difficult & time consuming



OVERVIEW

➤ Status of the Beverage Container Recycling Fund

- Program is funded by unredeemed beverage containers
- Structural Deficit – Currently year-over-year expenditures exceed program revenues by approximately \$95M annually
- Positive fund balance generally maintained from General Fund loan repayments to the Fund
- Outstanding loan repayments amount to \$200M
- Recycling rates not anticipated to drop



OVERVIEW

➤ Status of the Fund (continued)

- Cash balance leading indicator of Fund solvency
- Revenue Lag – expenditure precedes revenues by \$30M to \$140M
- Redemption Fee payment due date accelerated to 30-days effective for July 2012 reporting period
- General Fund loan repayments of \$10M is scheduled for FY 12-13
- Appears General Fund loan repayments needed in FY 13-14 to avoid proportional reduction



OVERVIEW

➤ Structural Deficit

- The structural deficit is where program expenditures exceed program revenues
- Under the current structure, a maximum recycling rate of 70 percent is required to maintain Recycling Fund solvency
- Between FY 2006-2007 and FY 2009-2010 the recycling rate increased from 63 percent to 82 percent, thereby increasing demands on the Recycling Fund and causing the program to operate under a structural deficit

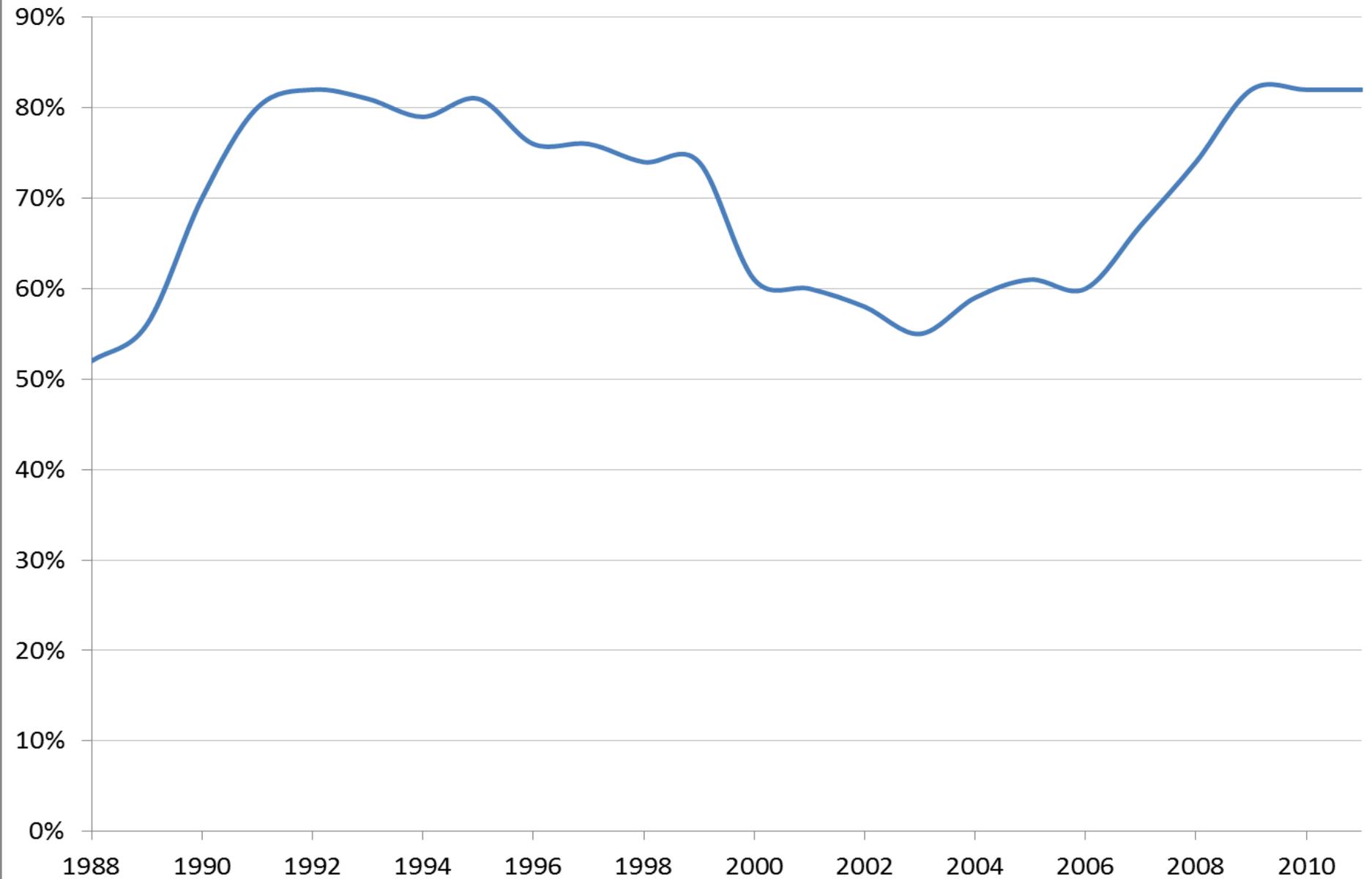


OVERVIEW

➤ High Recycling Rates

- Current recycling rate for All Materials is 82% (CY 2011)
 - Aluminum - 97%
 - Glass - 84%
 - #1 PET - 67%
 - #2 HDPE – 104%
- Projection for sales and return volumes for next 18 months are slightly upwards compared to FY 2010/11

Recycling Rate





OVERVIEW

➤ Program Integrity Issues

- Illegal CRV redemption of UBCs imported by individuals and entities into CA from out-of-state
- Illegal redemption of previously redeemed CRV UBCs
- RCs paying segregated CRV for commingled materials
- Failure to remit CRV collected to CalRecycle
- Failure to notify and register with CalRecycle when new companies and or new products are distributed / offered for sale in CA
- Product determination...is the beverage 'IN' or 'OUT' of the program

A collage of recycled plastic bottles and a metal can lid. The background features several clear and green plastic bottles, some with their caps removed, and a blue metal can lid with a pull tab. The text "OVERVIEW" is centered in a bold, blue, serif font.

OVERVIEW

➤ Findings / Intent / Purpose of the Act

- Reach an 80% overall recycling rate
- Create and maintain a marketplace profitable enough for sufficient recycling centers and locations to provide consumers with convenient recycling opportunities
- Ensure that every container type proves its own recyclability
- Urges cities and counties to act favorably on siting recycling centers & other recycling opportunities



OVERVIEW

➤ Findings / Intent / Purpose of the Act

- Responsibilities and regulations of the Department shall favor recycling of redeemed containers as opposed to disposal
- Enhance profitability of recycling center locations and other beverage container recycling programs
- Provide convenient, efficient , and economical redemption opportunities
- Contribute significantly to the reduction of UBC component of litter in this state



PROGRAM REFORM - APPROACH

- **Ensure Integrity of Program Payments Paid In & Paid Out**

- **Modernize Program Operations**

- **Improve Cash Flow**
 - Increase Receivables
 - Reduce Payables



PROGRAM REFORM IDEAS

➤ Ensure Integrity of Program Payments Paid In / Out

- Implement daily allowable load limit reductions
- Implement the OOS Beverage Container Importation Monitoring Program
- Develop implementing regulations for Person's Importing Statute (PRC 14596(a))
- Make failure to remit CRV collected to the Department a crime
- Require all certified and registered participants to post security bond
- Require application fee for all entities seeking program certification
- Require all certified or registered entities to submit required reports using DORiis



PROGRAM REFORM IDEAS

➤ Modernize Program Operations

- Modernize the redemption fee structure
- Modernize the processing fee / payment structure
- Modernize convenience zone / handling fee structure
- Modernize calculation and application of commingled rates
- Shift responsibility for paying redemption payments to dealers
- Shift responsibility for paying processing fee from beverage manufacturers to dealers
- Establish criteria for distribution of unspent Fund balance



PROGRAM REFORM IDEAS

➤ Improve Cash Flow / Increase Receivables

- Increase interest assessment percentage for underpayment & late payment of CRV and/or processing fees
- Include all 'ready-to-drink' beverages for human consumption, except as specifically excluded in the Act (i.e., milk, medical food, and baby formula) in the program
- Assess fees to recover costs associated with processing certification and registration applications and processing hardcopy reporting forms



PROGRAM REFORM IDEAS

➤ Improve Cash Flow / Reduce Payables

- Reduce the following PRC 14581 (approx. \$73.5M):
 - Curbside Supplemental - \$15M
 - City and County Payments - \$10.5M
 - Plastic Market Development Payment - \$10M
 - Quality Incentive Payments - \$10M
 - Public Outreach & Education -\$5M
 - Competitive & LCC Grants – approx. \$23M
- Find alternate funding source for Local Community Conservation Corps



PROGRAM REFORM IDEAS

➤ Improve Cash Flow / Reduce Payables

- Reduce amount of the processing fee offset from Fund
- Re-evaluate need for administrative fee offset and payments



DISCUSSION AND FEEDBACK



NEXT STEPS

- Obtain your feedback, in writing, regarding the issues and ideas presented today and/or your ideas for program reform
- CalRecycle will compile and review all comments received
- Subsequent workshops will be scheduled between now and next legislative session
- Future workshops will focus on specific issue areas / ideas identified through this workshop and via feedback received from industry