

California Beverage Container Recycling Fund Program Reform Initiative

WORKSHOP #6

III. Improve Cash Flow / Reduce Payables

B. Reduce costs associated with CalRecycle administration
of the CBCRP

October 25, *Thursday*: @ 9AM – 12 / 1:30 – 4:30 [*Sierra Hearing Room*]

Fiscal Year	California Beverage Container Recycling Fund	% Change from Prior Year	Operating Costs	% Change from Prior Year	Operations as a Percentage of All Expenditures
FY2010/11	\$1,231,216,000		\$49,538,000		4.0%
FY2011/12	\$1,157,368,000	-6%	\$48,525,000	-2%	4.2%
FY2012/13	\$1,161,490,000	0.35%	\$44,665,000	-8%	3.8%
Source: 2012-13 Governor's Budget					

- By design the Beverage Container Program is operationally lean.
- The 3.8% “overhead” compares favorably across industries, whether for profit or non-profits.
- Furthermore, the design centralizes operations and costs from grocers and recyclers driven by where the efficiencies are.
- When compared to other beverage container programs, California’s model is one of the most complex, and yet most efficient operations. It is the only one that uses unredeemed deposits to drive public policy.
- In the prior two years, operating costs have been reduced further by about 10%.

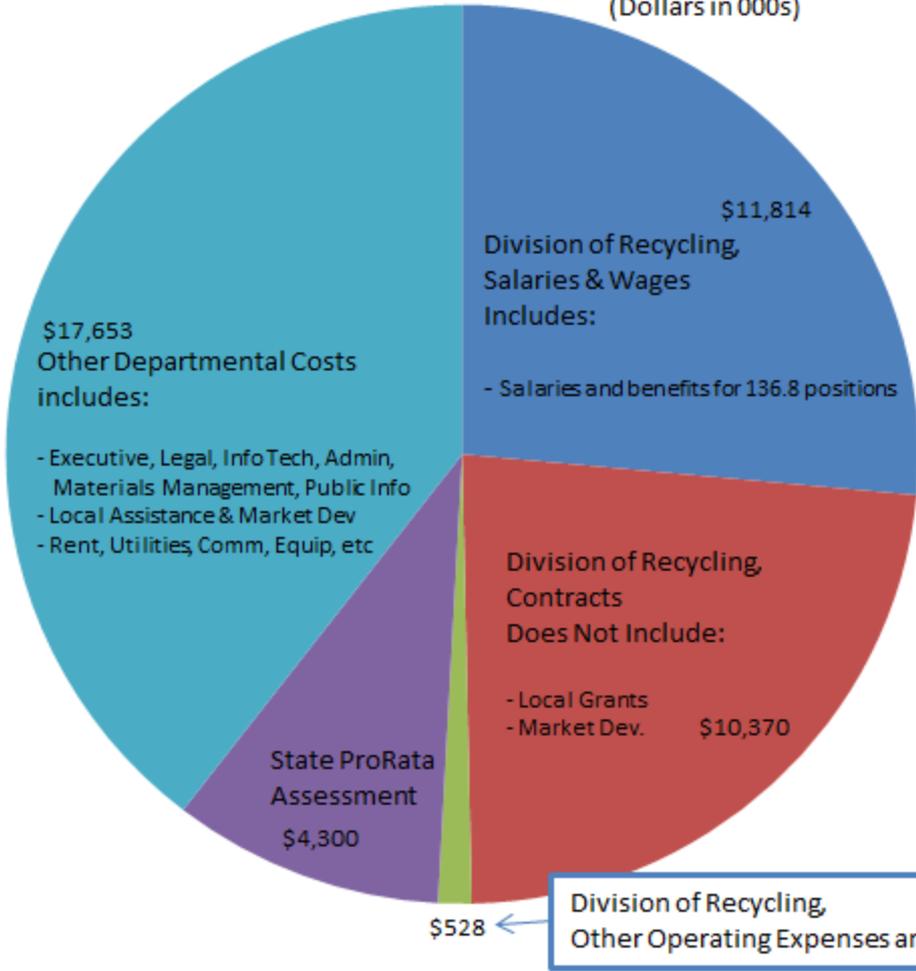
Governor’s Budget Detailed Appropriations

0133 California Beverage Container Recycling Fund	2010-11*	2011-12*	2012-13*
APPROPRIATIONS			
001 Budget Act appropriation	\$49,538	\$48,525	\$44,665
Allocation for employee compensation	75	51	-
Adjustment per Section 3.60	396	171	-
Adjustment per Section 3.90	-1,346	-347	-
Adjustment per Section 3.91	-2,392	-	-
Adjustment per Section 3.91 (b) Cell Phone Reductions	-	-38	-
Adjustment per Section 3.91 (b) Operational Efficiency Plan	-	-2,261	-
Public Resources Code Section 14581 (Grants and Plastic Market Development Payments)	18,875	23,000	25,500
Public Resources Code Sections 14580 and 14581 (for payments to recycling industries)	1,078,890	-	-
Public Resources Code Section 14580 (for payments to recycling industries)	-	1,013,237	1,014,853
Public Resources Code Sections 14581 (Grants, Handling Fees and Cost Surveys)	70,270	60,030	61,472
Public Resources Code Sections 14581 (Curbside and Neighborhood Drop-off Program Payments)	23,250	15,000	15,000
Public Resources Code Sections 14581(a) (Transfer to Glass Processing Fee Account)	(53,688)	(47,410)	(47,410)
Public Resources Code Sections 14581(a) (Transfer to PET Processing Fee Account)	(32,954)	(27,616)	(28,099)
Totals Available	\$1,237,556	\$1,157,368	\$1,161,490
Unexpended balance, estimated savings	-6,340	-	-
TOTALS, EXPENDITURES	\$1,231,216	\$1,157,368	\$1,161,490

- Operational efficiencies included reductions to staffing, contracts, and phones.
- The Program continues to examine opportunities to save and avoid costs.

CalRecycle

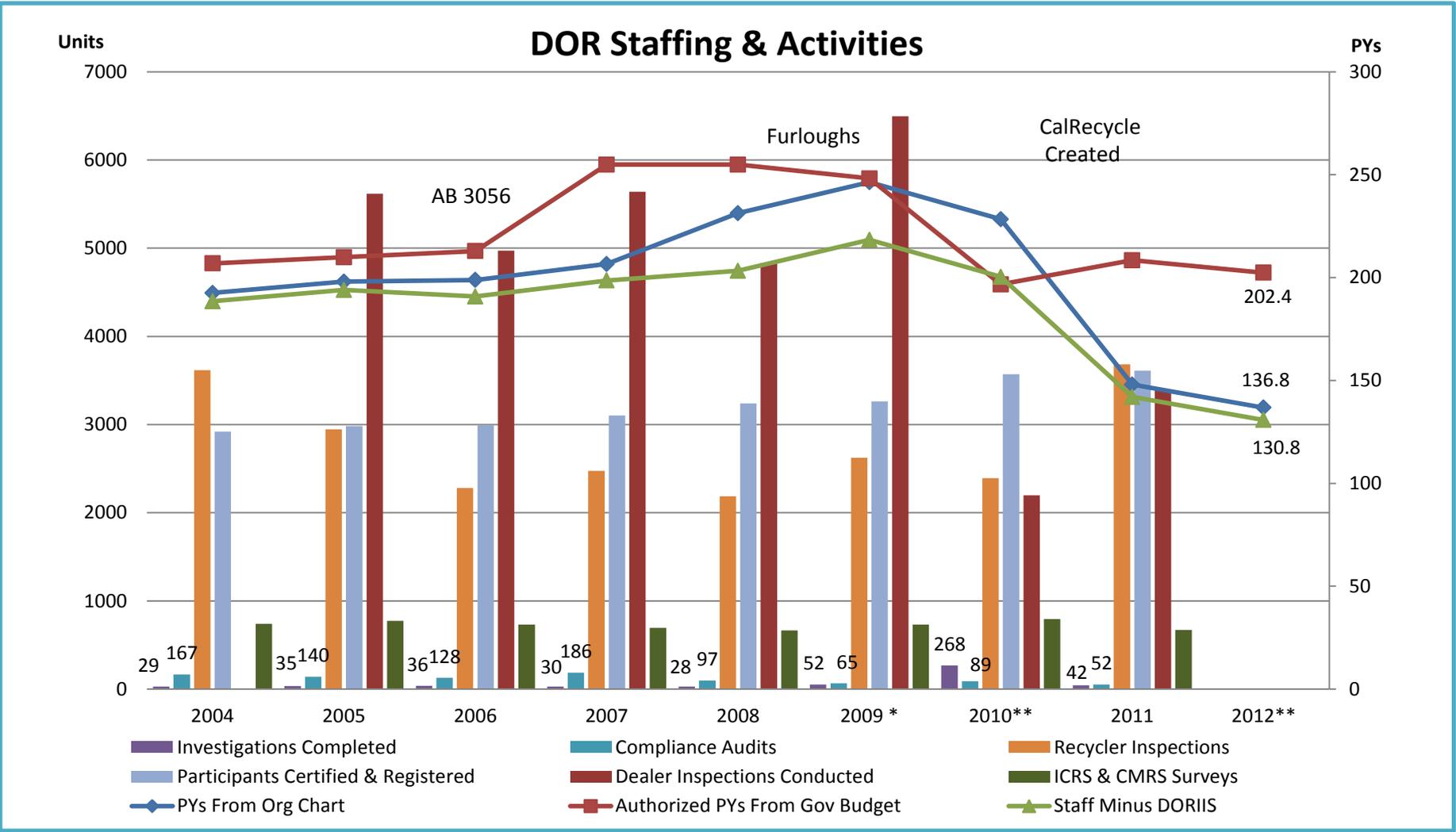
2012-13 Beverage Container Recycling Program Support Costs as Proposed in Governor's Budget (Dollars in 000s)



Total Appropriation = \$44.665 Million

- DOR Personal Services
- DOR Contracts
- DOR Operating Expense & Equipment
- ProRata
- Other Department

Division of Recycling, Other Operating Expenses and Equipment



- The Program’s “Fact Sheet” captures some of the major milestones.
- Since 2004 new responsibilities and challenges have been assumed.

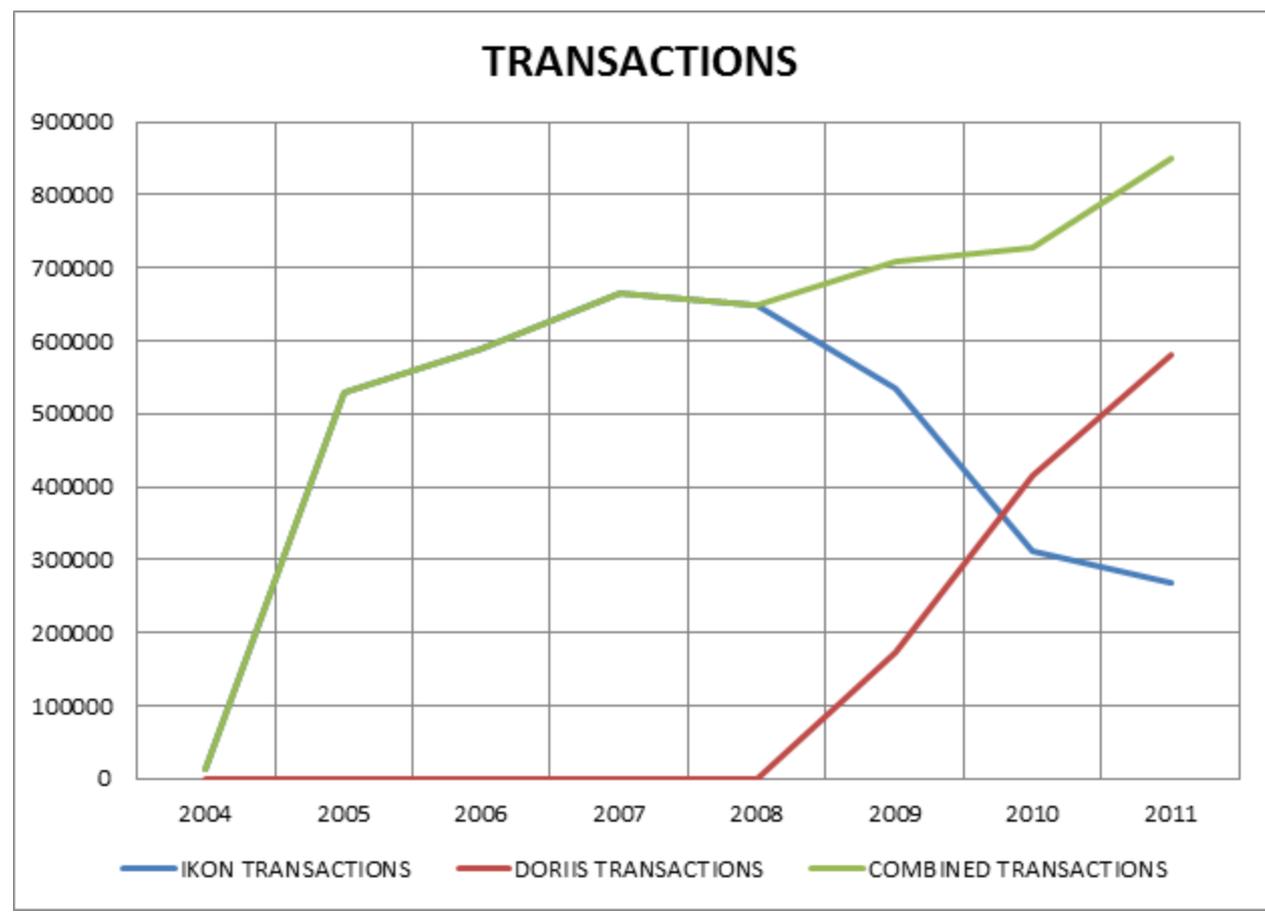
- ❑ The number of Program participants (Recycling Centers, Curbside Programs, Processors, Beverage Manufactures and Distributors) has remained stable during this same time frame. Personnel savings depicted in the chart above are largely contract related and result from efficiencies gained in the transition to DORiis.
- ❑ Staffing has remained relatively constant. Organizationally, the merger has established different reporting relationships from 2004. Currently 9 Staff focus on DORIIS. Grant staff work for Materials Management and Local Assistance Division. Auditors work for the Audit Branch within the Executive Division.
- ❑ Outside of personal services, budgetary resources are greatest in contracts. The following table identifies all of the approved and scheduled contracts under the authority of the division for 2012-13.

	Project Title	Amount
1	Maintenance and operations of DORIIS consisting of Oracle e-Business Suite	\$2,128,009
2	Investigation Services for the California Beverage Container and Recycling Fund	\$3,553,000
3	Action against Alcoholic Beverage Manufacturers who fail to pay processing fees	\$1,000
4	Electronic Library Services	\$37,941
5	Maintenance of VSC6000 and VSC5000 (Forensic Workstation)	\$10,800
6	Data Entry for the California Beverage Container Recycling Program	\$672,400
7	Out-of-State Beverage Container Importation Monitoring Program	\$1,432,000
8	IT Support Services for Out-of-State Beverage Container Importation Program	\$500,000
9	California Beverage Container Recycling Program Management Report Development Business Views/SQL	\$500,000
10	California Beverage Container Recycling Program Fraud/Loss Study	\$500,000
11	Processing Fee & Handling Fee Cost Survey	\$1,000,000
12	Review calculation report and analyze impacts regarding improved accuracy of payments to beverage container participants and stakeholders	\$18,000
13	Scale calibration and repair	\$2,500
TOTAL		\$10,355,650

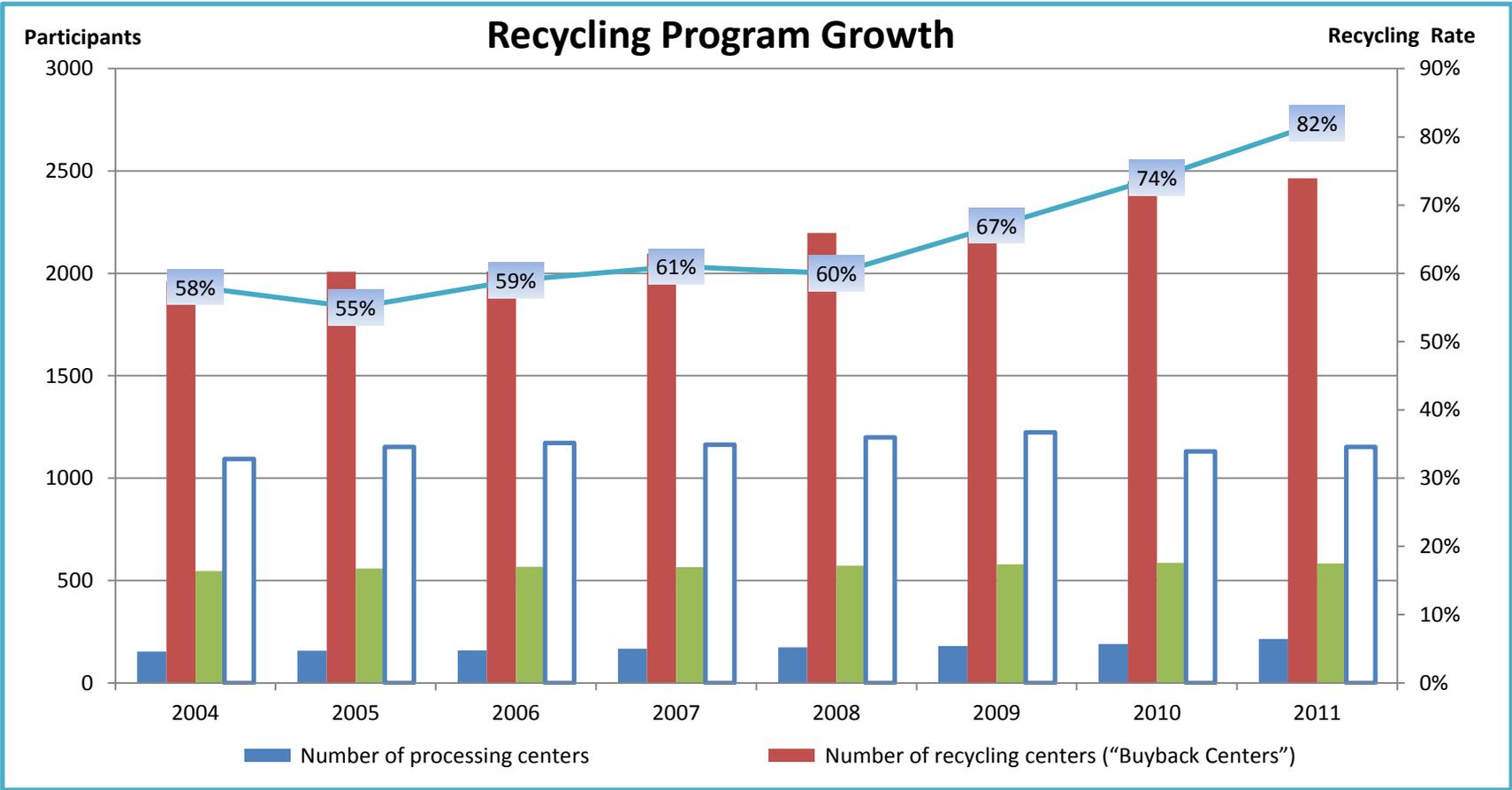
Opportunities to reduce contract costs further are dependent on focus group workshop associated reforms.

- ❑ Cancelling current contracts would impact DOR as those services cannot be performed by DOR or staff would need to be redirected (and re-trained) from other activities.
- ❑ Other savings/revenue opportunities that have been examined/realized include:
 - A full transition to DORiis (will require legislation, but could save close to \$700K and introduce new enforcement potential).
 - A more robust Collections Unit
 - Rent, employee and employee benefit, travel, phone, and other savings

- Despite the Program’s growth, DORiis has had a large beneficial impact on the Program’s operations and efficiencies. More is still possible if DORiis use is mandatory.



❑ The potential for additional savings will depend on efforts to streamline and simplify the operation of the Program.



❑ Current growth presents additional challenges. Since 2006 recycling centers have increased by almost 25% and are a large workload driver.

- ❑ In the process of reinventing the California Beverage Container Program, the many achievements should be kept in mind along with the noble goals for the future. Noble goals without consideration for how they can be implemented, however, frequently lead to disappointment and the loss of public support.

- ❑ Thank you for helping us to strengthen the Program.