

CalRecycle Stakeholder Meeting, January 13, 2014

The purpose of this meeting is to review the Beverage Container Recycling Program's Budget Change Proposals introduced in the Governor's Budget. This meeting is part of Director Mortensen's continuing commitment to engage stakeholders in the process of addressing the \$100 million annual structural operating deficit.

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- Public Resources Code Section 14556 requires that CalRecycle provide the Legislature with specific fund, recycling rate, and projections not less than every three months.
- Public Resources Code Section 14581(c)(1) and (d) require that CalRecycle notify the Legislature if it determines that there are inadequate funds and authorizes proportional reductions to all payments authorized in Section 14581 and Section 14575 (processing payments).

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- It has been public knowledge that CalRecycle spends approximately \$100 million more than it receives annually since about 2008-09.
- In addition, a large accumulated reserve in the fund is gradually eroding.
- CalRecycle implemented proportional reductions in the 2009-10 fiscal year.
- Among the impacts of the proportional reductions were new reporting requirements and operational reforms.
- In addition, Director Mortensen instructed the Division of Recycling to begin stakeholder workshops in 2012.

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To address the structural deficit, CalRecycle held a series of Program reform workshops conducted between July and November 2012. Based on the workshops, stakeholders shared common key goals including the following:

1. Postponing or eliminating proportional reduction.
2. Encouraging the continued growth in the recycling of empty beverage containers sold in California.
3. Reducing the fraudulent redemption of beverage container material.
4. Supporting the legitimate transport, trade, and transshipment of beverage container material within the state of California.

Of course, the Act continues to maintain an 80% recycling rate target that includes reducing litter. In both of these regards it's important to note that the program has been successful. Taking into account the industry and the jobs created since the Act was passed, the Program is immensely successful and requires careful stewardship going forward.

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Fiscal Climate Going Forward: Quarterly Reports Projections Contain Variability

- For the 2013 calendar year:
 - January 31, 2013 report forecast proportional reductions beginning in the 2015-16 fiscal year;
 - April 24, 2013 report forecast proportional reductions beginning in the 2014-15 fiscal year;
 - July 24, 2013 report forecast proportional reductions beginning in the 2014-15 fiscal year;
 - November 18, 2013 report forecast proportional reductions beginning in the 2015-16 fiscal year.

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Where we think we will be in 2016-17.

Beverage Container Recycling Program:
Effects of Proposed Phase II Program Reforms when fully implemented in BY 16/17
(dollars in thousands)

Item	BY 16/17 Without Reforms	BY 16/17 BCP #1 Impact	BCRF (0133) (Savings) / Costs	Related Policy Changes
Revenues				
Redemption Fees	\$1,131,347	\$1,131,347	\$0	
Other Income	\$227	\$227	\$0	
Total Revenue	\$1,131,574	\$1,131,574	\$0	
Expenditures				
California Refund Value	\$1,034,649	\$1,008,783	(\$25,866)	Restructure of the Administrative fee begins January 1, 2015
Program Administration	\$45,771	\$47,253	\$1,482	\$1.482 million for 12 additional positions for BCP implementation
Processing Fees Offsets	\$67,430	\$0	(\$67,430)	Phased elimination of processing fee offsets begins in FY 14/15 and is complete by FY 15/16.
Handling Fees	\$40,380	\$33,000	(\$7,380)	Restructure of handling fee to result in \$7.38 million in savings
Local Conservation Corps Grants	\$20,974	\$5,974	(\$15,000)	Total program funding unchanged. Fund shift results in \$15M in savings to BCRF
Curbside Supplemental Payments	\$15,000	\$0	(\$15,000)	Eliminated
City/County Payments	\$10,500	\$0	(\$10,500)	Redirected to grant programs
Quality Incentive Payments	\$10,000	\$10,000	\$0	No change
Plastic Market Development	\$10,000	\$10,000	\$0	No change
Beverage Container Recycling Grants	\$1,500	\$5,000	\$3,500	\$3.5 million redirection from City/County Payments
Recycling Enforcement Agency Grants	\$0	\$7,000	\$7,000	\$7 million redirection from City/County Payments
Public Education and Information	\$0	\$2,500	\$2,500	Needed for education on reform implementation
Total Expenditures	\$1,256,204	\$1,129,510	(\$126,694)	
Net/(Structural Deficit)	(\$124,630)	\$2,064		
Total Impact of Proposal (Reduction in Transfers/Expenditures)			(\$126,694)	

Notes: Revenues and expenditures shown for the Beverage Container Recycling Fund (0133) only.

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CalRecycle hopes to avoid triggering proportional reductions by increasing program sustainability, minimizing consumer/industry disruptions, reducing non-critical expenditures and increasing the effectiveness of other expenditures.

Proposal	Effective Date	Projected Annual Savings
<p>1. To improve forecasting and reinforce the integrity of revenues, CalRecycle proposes to require beverage distributors to provide CalRecycle with additional information. Distributors will retain 1.5% of redemption payments to cover the costs of providing this information.</p>	<p>January 1, 2015</p>	<p>No projected savings. Additional information sought: total gross number of container sales and transfers in CA by container type and by zip code as well as information regarding sales or transfers originating in CA.</p>
<p>2. The mandated use of DORIIS creates efficiencies that minimize costs to processors and recyclers. CalRecycle therefore proposes to eliminate administrative fee payments to processors and recyclers. Some portion of recycler costs will be recovered through processing payments.</p>	<p>January 1, 2015</p>	<p>\$26 million annually with about half of this amount to be realized in the 2014-15 fiscal year.</p>
<p>3. Handling fees are to be paid for the unique costs of convenience. Current payments are based on the volume of eligible containers recycled through convenience zone recyclers. This proposal recognizes that there remain a large number of unserved zones that may require other incentives to reach consumers. CalRecycle therefore proposes to pay a flat \$1,700 per month to convenience zone recyclers regardless of the volume of eligible containers processed. On this basis CalRecycle expects recyclers to serve another 400 unserved zones.</p>	<p>July 1, 2014</p>	<p>\$7 million annually.</p>
<p>4. Eliminate the consumer subsidy to manufacturers and introduce a fixed reserve to avoid accumulating surpluses due to low recycling rates. To minimize industry disruption, phase-in the reduced offsets.</p>	<p>January 1, 2015</p>	<p>This will reduce CalRecycle's annual expenditures by roughly \$26.3 million in FY 14-15, \$52.6 million in FY 15-16 and approximately \$67.4 million thereafter.</p>

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Proposal	Effective Date	Projected Annual Savings
<p>5. Redirect local City/County payments to invest in competitively based grants to (a) enhance local BCRP compliance and enforcement activity and (b) bolster the current competitive grants to create better recycling and litter reduction outcomes based on explicit performance measures designed to ensure that the grant recipients perform as intended. Local governments will continue to receive \$10.5 million.</p>	<p>July 1, 2014</p>	<p>No projected savings. The proposal redirects the current \$10.5 million to fund a new local \$7M Recycling Enforcement Agency grant while supplementing the current \$1.5 million Competitive Recycling Grants Program by \$3.5 million.</p>
<p>6. Eliminate curbside supplemental payments. The current \$15 million curbside supplemental payment helped to build the curbside infrastructure in California. Today there are 600 registered curbside programs serving approximately 85% of all single family dwellings.</p>	<p>July 1, 2014</p>	<p>\$15 million annually.</p>
<p>7. Diversify the funding to the local conservation corps and change statute to authorize the corps to do education and outreach based on the new fund sources. The local corps funding for FY 14-15 will be:</p> <ol style="list-style-type: none"> 1. Electronic Waste Recovery and Recycling Account (\$8 million) 2. Beverage Container Recycling Fund (\$6 million) 3. Tire Recycling Management Fund (\$5 million) 4. Used Oil Recycling Fund (\$2 million) 	<p>July 1, 2014</p>	<p>\$15 million annually.</p>
<p>8. In order to implement elements of this proposal 12.5 positions and approximately \$1.5 million BCRF funding is required.</p>	<p>July 1, 2014</p>	<p>This will increase annual costs by \$1.5 million annually.</p>