



Quarterly Report on the Status of the Beverage Container Recycling Fund

Department of Resources Recycling and Recovery

July 24, 2013



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Executive Summary

The Department of Resources Recycling and Recovery (CalRecycle) has completed a quarterly review of actual and projected revenues and expenditures for the Beverage Container Recycling Fund (Recycling Fund) as of July 1, 2013.

CalRecycle projects that the cash balance of the Recycling Fund will permanently fall below the prudent reserve in March 2015 without modernization or reforms to the Beverage Container Recycling Program (Program). The projected date of this event is unchanged from the date indicated in the projection in the April 2013 Quarterly Report. This projection is based on the assumption that the remaining balance of all General Fund and Air Pollution Control Fund loans made from the Recycling Fund, currently amounting to \$185 million, will be completely repaid by the end of FY 2014-2015, including a \$5 million loan made to the Department of Conservation. This projection is also based on the assumption that proceeds from General Fund loan repayments to the Processing Fee Funds scheduled in FY 2013-2014 will be used to reduce Processing Fee Offsets paid from the Recycling Fund. These same assumptions also applied to the projection in the April 2013 Quarterly Report.

Based on this cash balance projection of the Recycling Fund, CalRecycle would be required to implement proportional reduction at the beginning of FY 2014-2015 in order to maintain fund solvency. The reduction in expenditures would be set at a level to maintain a cash balance that is at least equal to or greater than the prudent reserve, currently amounting to approximately \$56 million. This would require CalRecycle to implement a 75 percent proportional reduction in FY 2014-2015 and a 100 percent proportional reduction in FY 2015-2016. The fiscal impacts of proportional reduction are shown in the tables below:

Table 1: Recycling Fund Expenditures Impacted by Proportional Reduction

Expenditures Subject to Proportional Reduction [Note 1]	Estimated Expenditures FY 2012-13 [Note 2]	Estimated Expenditures FY 2014-15 at 75% Proportional Reduction	Estimated Expenditures FY 2015-16 at 100% Proportional Reduction
Processing Fee Offsets	\$68,330,000	\$17,082,500	\$0
Handling Fees	\$40,168,000	\$10,042,000	\$0
Curbside Supplemental Payments	\$15,000,000	\$3,750,000	\$0
Local Conservation Corps	\$20,073,000	\$5,018,250	\$0
City/County Payments	\$10,500,000	\$2,625,000	\$0
Competitive Grants	\$1,500,000	\$375,000	\$0
Public Education and Information	\$0	\$0	\$0
Quality Incentive Payments	\$10,000,000	\$2,500,000	\$0
Plastic Market Development	\$12,489,000	\$3,122,250	\$0
Total	\$178,060,000	\$44,515,000	\$0
[Note 1] - California Refund Value, Beverage Container Recycling Program Administration, and payments to control agencies are not subject to proportional reduction			
[Note 2] - FY 2012-13 is used as a baseline to better reflect the estimated Processing Fee Offset amounts for FY 2014-15 and FY 2015-16			

The tables below show the impacts of proportional reduction on Processing Fee revenue and Processing Payment expenditure based on the parameters used to calculate the amounts estimated for FY 2013-2014. As proportional reduction increases, the Processing Fee per container approaches the maximum 65 percent of the Processing Payment per container pursuant to PRC Sec. 14575(d), and the Processing Payment decreases for material types having a recycling rate over 65 percent.

Table 2: Impact of Proportional Reduction on Processing Fees

Material Type	Estimated FY 2013-14	Estimated FY 2014-15 (75% Prop. Reduction)	Estimated FY 2015-16 (100% Prop. Reduction)
Glass	\$6,498,000	\$35,872,000	\$45,497,000
PET	\$739,000	\$5,808,000	\$7,331,000
HDPE	\$642,000	\$3,287,000	\$4,169,000

Table 3: Impact of Proportional Reduction on Processing Payments

Material Type	Recycling Rate (CY 2012)	Estimated FY 2013-14	Estimated FY 2014-15 (75% Prop. Reduction)	Estimated FY 2015-16 (100% Prop. Reduction)
Glass	84%	\$59,655,000	\$49,131,000	\$45,622,000
PET	70%	\$10,778,000	\$10,307,000	\$10,148,000
HDPE	91%	\$6,702,000	\$4,817,000	\$4,188,000

The Program has been operating under an annual structural deficit averaging about \$100 million since FY 2008-2009 when the recycling rate rose to 78 percent, exceeding the breakeven recycling rate of approximately 70 percent. In the years following, the recycling rate has continued a gradual climb reaching 83 percent in FY 2011-2012. CalRecycle projects that the recycling rate will remain at the current level even with continued economic recovery, based on recycling rates which experienced sharp growth during the period of economic slowdown occurring in the early 1990s and remained at the same level during the period of prosperity that followed.

CalRecycle held a series of Program reform workshops conducted from July 2012 to October 2012 to address the structural deficit. Based on the workshops, stakeholders shared common key goals including the following:

- Postponing or eliminating the implementation of proportional reduction.
- Encouraging the continued growth in the recycling of empty beverage containers sold in California.
- Significantly reducing the fraudulent redemption of beverage container material
- Supporting the legitimate transport, trade, and transshipment of beverage container material within the state of California.

In response, CalRecycle prepared a proposal submitted to the Legislature as a Spring Finance Letter on April 2, 2013 that establishes a foundation for future reform efforts. The measures in the Spring Finance Letter, currently contained in trailer bill language, include the following:

- Introducing a more robust certification application review and probationary process based on standards of performance and accountability to ensure success and service to the public.
- Introducing a formal and ongoing training program to promote best practices, improve compliance, and counteract fraud.
- Requiring all program participants to use the web-based Division of Recycling Integrated Information System (DORIIS).
- Eliminating redemption of empty beverage containers based on the commingled rate at all recycling centers to reduce loss and to simplify payments to consumers.

The timing of the approval of the trailer bill language is unknown resulting in the potential loss of cost savings. The first measure scheduled for implementation in the bill is the elimination of redemption at recycling centers based on the commingled rate effective September 1, 2013. The implementation of additional measures could be impacted depending on the length of the delay. In the meantime, CalRecycle does not have the ability to conduct regulations workshops, which would likely delay the adoption of regulations required to implement the changes in law.

The projections contain a degree of uncertainty that will require ongoing monitoring and potential policy actions. CalRecycle is in the process of implementing operational changes that can alter the projections, in addition to the measures pending in the trailer bill language. The first significant operational change results from the passage and implementation of AB 1933 (Chapter 540, Statutes of 2012). AB 1933 addresses the importation of empty beverage containers into California from neighboring states by decreasing the weight limit of reportable loads, requiring documentation identifying the source and destination of reportable loads, and mandating inspection of reportable loads at a Department of Food and Agriculture plant quarantine inspection station upon entry into California. CalRecycle is currently developing regulations and reporting requirements that will improve the monitoring and control of the illegal redemption of out-of-state material.

The second operational change is decreasing the daily load limits of beverage container material that can be redeemed at recycling centers. CalRecycle is in the process of

amending the regulations to reduce the daily load limits of empty beverage containers per person, per day from 500 pounds to 100 pounds each for aluminum and plastic, and from 2,500 pounds to 1,000 pounds for glass.

The third operational change consists of efforts to refine business practices to increase Redemption Fee and Processing Fee revenue. CalRecycle is planning to conduct shelf surveys at retailers, perform product characterizations at recycling facilities, and compare the findings with reported sales in order to identify potential revenue gaps and to develop solutions to close those gaps. Potential opportunities for revenue enhancement include reducing the lag time in identifying new distributors and new beverage products, increasing the accuracy of reporting in-state point-of-sale volume versus exports of beverage products shipped for sale outside of California, and reporting the correct beverage types that are assessed CRV.

The operational changes undertaken by CalRecycle are intended to counteract fraud and enhance the existing revenue stream. Preliminary data suggests a trend toward lower recycling volumes potentially in anticipation of implementing tighter monitoring of the importation of out-of-state empty beverage containers into California. Recycling rates generally experienced a sharper than normal seasonal decrease between the January 2012 to June 2012 and July 2012 to December 2012 periods.

However, if projections continue to indicate a declining trend in the cash balance of the Recycling Fund, then CalRecycle will be compelled to consider more urgent action to maintain the fiscal integrity of the Program.

Background

This *Quarterly Report on the Status of the Beverage Container Recycling Fund* (Report) is a review of the adequacy of resources in the Beverage Container Recycling Fund (Recycling Fund) to make the payments specified in Public Resources Code (PRC) Section 14581 and the Processing Fee Offsets specified in PRC Section 14575. This Report provides the updated Fund Condition Statements for all funds in the Beverage Container Recycling Program (Program) and the updated cash balance projection of the Recycling Fund by month. This Report also provides projections for sales, recycling volumes (returns), Processing Payments, Processing Fees, and Processing Fee Offsets, by material type, and Handling Fees. Finally, this Report provides an explanation of significant changes between the current projections and the projections presented in the April 2013 Report.

As of July 1, 2013, CalRecycle is projecting that without Program reform the cash balance of the Recycling Fund will permanently fall below the prudent reserve in March 2015, which is unchanged from the date based on the projection in the April 2013 Report. This projection is based on the following assumptions:

- Projections are based on current appropriations and sunset dates specified in PRC Section 14581.
- All General Fund and Air Pollution Control Fund loans made from the Recycling Fund, currently amounting to \$180 million, will be completely repaid by the end of FY 2014-2015.
- The \$5 million loan made to the Department of Conservation will be repaid in FY 2013-2014.
- General Fund loans made from the Processing Fee Funds will be repaid in full in FY 2013-2014 as scheduled in the Budget Act as follows: \$39 million to the Glass Processing Fee Fund and \$27 million to the Plastic Processing Fee Fund.
- Proceeds from loan repayments to the Processing Fee Funds will be used to reduce Processing Fee Offsets paid from the Recycling Fund.

- Projections for Processing Fees, Processing Payments, and Processing Fee Offsets are based on current rates effective January 1, 2013 and amended rates effective August 1, 2013.

The Program is funded from a main account, the Recycling Fund, and four related funds. To determine the assets that are available for appropriation in any one year, it is important to evaluate the resources in all Program funds because the statutory purpose common to all funds is to support the activities and policy goals of the Program as specified in the Beverage Container Recycling and Litter Reduction Act. Fund Condition Statements for all Program Funds and a summary table showing projected fund balances in FY 2015-2016 are provided in Appendix 2 of this report.

Based on the cash balance projection presented on page 15, CalRecycle anticipates that FY 2013-2014 will be the last year that the Recycling Fund will have adequate resources to meet current demands without Program reform. For FY 2014-2015 the Recycling Fund will not have adequate resources to meet current demands, and CalRecycle would be required to implement proportional reduction pursuant to PRC Section 14581(d). Under this scenario, CalRecycle would be required to notify the Legislature pursuant to PRC Section 14581(c)(2) at least 80 days prior to implementing proportional reduction, which is anticipated to begin on July 1, 2014. The reduction in expenditures would be set at level to maintain a cash balance that is at least equal to or greater than the prudent reserve defined by PRC Section 14580(a)(2). The prudent reserve is adjusted annually at the beginning of the calendar year, and the amount established for 2013 is approximately \$56 million.

Structural Deficit

The Program is unique in that it is designed to use surplus resources to fund policy goals. The Program had traditionally had a problem of an excess of revenue due to high sales and relatively low recycling rates. Currently the Program is operating under an annual \$100 million structural deficit due to excess demands on the Recycling Fund.

For the first eight years following the expansion of the Program under SB 332 (Chapter 815, Statutes of 1999), the recycling rate ranged from 55 percent to 67 percent, falling short of the legislative policy goal of 80 percent. Program activities have been traditionally funded by unredeemed Redemption Fees, and with low recycling rates, the Program was operating under a significant year-over-year surplus. To meet policy goals following the enactment of SB 332, Redemption Fees and Refund Value (CRV, collectively) were twice increased as shown in the table below. Each increase in CRV initially resulted in higher year-over-year surpluses, but recycling rates initially did not increase as sharply as anticipated due to increases in sales.

Table 4: CRV per Container since Enactment of SB 332

Year Enacted	CRV per Container	
	Under 24 Oz.	24 Oz. or More
1992	\$0.025	\$0.05
2004	\$0.04	\$0.08
2007	\$0.05	\$0.10

In the meantime, interfund loans have been made from the Recycling Fund in order to meet critical statewide needs by transferring money mostly to the General Fund. Between FY 2002-2003 and FY 2009-2010, loans made from the Recycling Fund have totaled \$458.7 million. Additionally, in FY 2003-2004 loans totaling \$66 million were made from the Processing Fee Funds to the General Fund.

To further policy goals, the Legislature passed AB 3056 (Chapter 907, Statutes of 2006) which created or supplemented programs to improve the quality of, and to promote, in-state markets for recycled beverage container material. The combination of incentives through higher CRV and the investments made in recycling infrastructure and technologies converged to raise recycling rates above the policy goal of 80 percent and to expand markets for higher volumes of recycled beverage containers. However, the measures that have contributed to the success of the Program have also resulted in unsustainable demands on the Recycling Fund.

The Program has been operating under an annual structural deficit currently averaging about \$100 million since FY 2008-2009 when the actual recycling rate rose to 78 percent, exceeding the breakeven recycling rate of approximately 70 percent. The breakeven recycling rate is the estimated recycling rate, the quotient of containers recycled over the containers sold, where Redemption Fee revenue equals total expenditures. In the years following, the recycling rate has continued a gradual climb reaching 83 percent in FY 2011-2012 for all material types, and the breakeven recycling rate increased to about 75 percent due to the reduction of fixed expenditures for various incentive programs and a decrease in the Plastic Processing Fee Offset. CalRecycle projects that the recycling rate will remain at the current level at least through FY 2013-2014. From a longer-term perspective, the recycling rate could remain above the breakeven recycling rate indefinitely based on sustained high recycling rates that occurred during the economic prosperity experienced in the 1990s.

The tables below show the actual structural deficits since FY 2007-2008 for all Program funds and the projected structural deficit for FY 2012-2013 for the Recycling Fund showing a simplified list of expenditures based on projected and breakeven scenarios.

Table 5: Historical Structural Deficits for all Program Funds

Fiscal Year	Revenue [Note 1]	Expenditure [Note 2]	Surplus/(Deficit)
2007-08	\$1,225,962,000	\$1,215,731,000	\$10,231,000
2008-09	\$1,177,316,000	\$1,330,618,000	(\$153,302,000)
2009-10 [Note 3]	\$1,199,887,000	\$1,121,379,000	\$78,508,000
2010-11	\$1,150,101,000	\$1,337,230,000	(\$187,129,000)
2011-12	\$1,154,039,000	\$1,262,965,000	(\$108,926,000)
[Note 1] - Redemption Fees and Processing Fees			
[Note 2] - From Governor's Budget, Detail of Appropriations and Adjustments			
[Note 3] - Surplus due to implementing proportional reduction pursuant PRC Sec. 14581(d)			

Table 6: Recycling Fund Expenditures under Projected and Breakeven Scenarios

	FY 2012-13 (Projected)	% of Revenue	FY 2012-13 (Projected) at Breakeven	% of Revenue
Redemption Fee Revenue	\$1,152,628,000	100%	\$1,152,628,000	100%
Program Administration <i>[Note 1]</i>	\$50,588,000	4%	\$50,588,000	4%
14581 Programs - Fixed <i>[Note 2]</i>	\$69,562,000	6%	\$69,562,000	6%
California Refund Value	\$1,070,673,000	93%	\$938,193,000	81%
Processing Fee Offsets <i>[Note 3]</i>	\$67,430,000	6%	\$59,087,000	5%
Handling Fees	\$40,168,000	3%	\$35,198,000	3%
Total Expenditure <i>[Note 4]</i>	\$1,298,421,000	113%	\$1,152,628,000	100%
Structural Deficit	(\$145,793,000)	-13%	\$0	0%
<i>[Note 1]</i> - Includes Pro Rata, Fi\$cal, and payments to the State Controller				
<i>[Note 2]</i> - Curbside Supplemental Payments, Local Conservation Corps Grants, City/County Payments, Competitive Grants, Quality Incentive Payments, and Plastic Market Development				
<i>[Note 3]</i> - Used for Processing Payments which are paid based on volume recycled				
<i>[Note 4]</i> - Total Expenditure based on projected recycling rate of 85% and breakeven recycling rate of 75%				

The structural deficit has generally been financed by repayments of historical loans made by the Recycling Fund. To date loan repayments to the Recycling Fund have totaled \$274 million plus interest with a balance of outstanding loans to date of \$185 million. The balance of outstanding loans made from the Processing Fee Funds stands at \$66 million.

The need for additional loan repayments has been postponed by accelerating the due date of Redemption Fee payments by 30 days, resulting in a one-time boost in the cash balance of the Recycling Fund. This measure has been implemented twice: the first in April 2010, where the due date was reduced from 90 to 60 days following the reporting month of sale, and the second in August 2012, where the due date was reduced from 60 to 30 days.

Fraud Prevention

Successful fraud prevention results in lower expenditures and higher revenues. It is extremely difficult to reliably estimate the fiscal impact of fraud. The Department of

Justice estimates that the fiscal impact of fraud is approximately \$40 million per year. Recent measures such as allocating more resources towards fraud prevention, increasing fines and penalties, tightening the barrier to entry such as the implementation of lower consumer load limits, and increased monitoring of the movement of out-of-state material has a high probability of reducing the structural deficit in the future.

The actual data used for projections reflects both the ongoing existence of fraud and the counteracting effort undertaken by CalRecycle to suppress fraud. In favor of a more conservative approach, no direct modeling of the impact of increased fraud prevention is applied to the projections.

Long-Term Projections

The horizon of the cash balance projection extends to FY 2015-2016 to cover the projected date that the cash balance of the Recycling Fund is projected to permanently fall below the prudent reserve without Program reform. The assumptions behind the cash balance projection are supported by the Recycling Fund Condition Summary Statement. The horizon of the Recycling Fund Condition Summary Statement is the same as the cash balance projection.

The cash balance tends to lead the Fund Balance as an indicator of insolvency because of differences in timing and the methods of reporting. The primary differences are:

- Refund Value and Processing Fee Offsets, the two largest expenditures from the Recycling Fund, are paid in advance of the receipt of revenues for the corresponding reporting period resulting in a lag that is not reflected in the Fund Balance.
- The cash balance projection reflects the impact of the structural deficit at monthly intervals whereas the Fund Balance is reported at one point in time as of the end of the Fiscal Year.
- The Fund Balance reflects the completion of all loan repayments scheduled for the entire fiscal year whereas the cash balance will not reflect the impact of loan repayments until the actual receipt has occurred.

The Recycling Fund Cash Balance chart shows actual and projected month-end cash balances of the Recycling Fund through the end of FY 2015-2016 with loan repayments by month. For comparison, the chart also shows the previous cash balance projection in the April 2013 Report. Finally, the chart shows the prudent reserve which functions as the threshold for implementing proportional reduction.

The Recycling Fund Condition Summary Statement is an abbreviated form of the Fund Condition Statement organized by fiscal year displaying actual data for FY 2011-2012 and projections for FY 2012-2013 to FY 2015-2016. The Recycling Fund Condition Summary Statement shows the relationship among the Fund Balance, the structural deficit, and the outstanding loans.

The Recycling Fund Cash Balance chart and the Recycling Fund Condition Summary Statement reflect loan repayments scheduled in the Budget Act, which are detailed in the table below.

Table 7: Recycling Fund Loan Repayments

Fiscal Year	General Fund <i>[Note 1]</i>	Air Pollution Control Fund	Dept. of Conservation	Total
2013-14	\$89,400,000	\$8,000,000	\$5,000,000	\$102,400,000
2014-15	\$82,277,000	\$0	\$0	\$82,277,000
Total	\$171,677,000	\$8,000,000	\$5,000,000	\$184,677,000

For additional information, the full Fund Condition Statements, containing line-item detail covering FY 2011-2012 to FY 2013-2014 for all five Program funds with accompanying notes, can be found in Appendix 2 of this Report.

Chart 1: Recycling Fund Cash Balance Projection

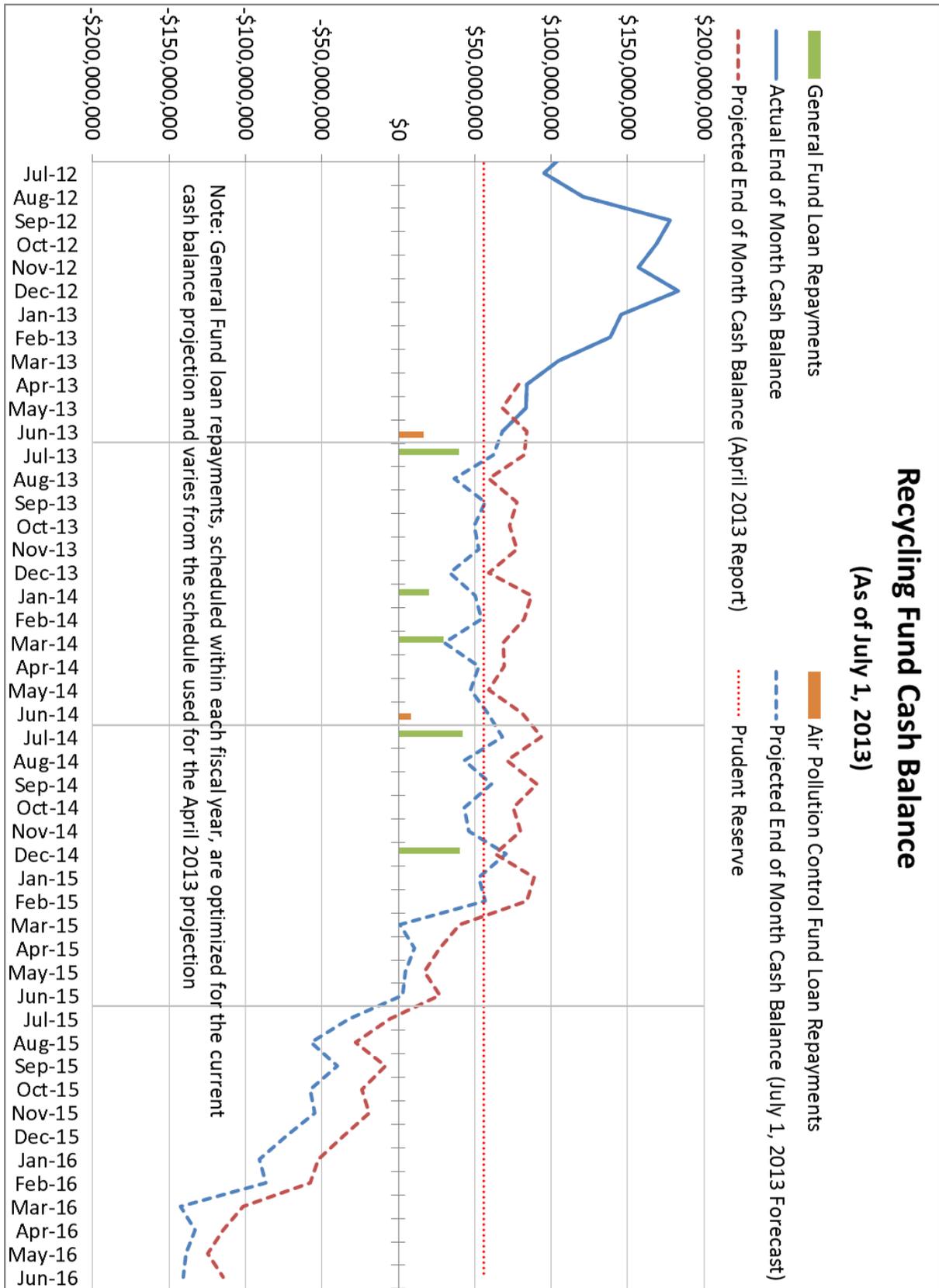


Table 8: Recycling Fund Condition Summary Statement

Recycling Fund Condition Summary Statement [Notes]						
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	
BEGINNING OUTSTANDING LOANS (A)	311,377,000	201,077,000	184,677,000	82,277,000	0	
RESOURCES						
Adjusted Beginning Balance	184,984,000	205,285,000	67,929,000	91,885,000	61,139,000	
Redemption Fees (B)	1,138,020,000	1,152,628,000	1,164,697,000	1,164,697,000	1,164,697,000	
Loan Repayments to Recycling Fund (C) [Note 2]	110,300,000	16,400,000	102,400,000	82,277,000	0	
Loan Repayments From Recycling Fund		(8,250,000)				
Other Income	18,219,000	287,000	4,883,000	4,517,000	287,000	
TOTAL RESOURCES (D) [Note 3]	1,451,523,000	1,366,350,000	1,339,909,000	1,343,376,000	1,226,123,000	
EXPENDITURES						
California Refund Value	1,029,874,000	1,070,673,000	1,070,673,000	1,070,673,000	1,070,673,000	
Beverage Container Recycling Program Administration [Note 4]	42,729,000	48,314,000	50,268,000	50,268,000	50,268,000	
Glass Processing Fee Offsets	48,222,000	58,972,000	13,645,000	52,669,000	52,669,000	
Plastic Processing Fee Offsets	15,343,000	8,458,000	0	0	0	
Section 14581 Payments	110,070,000	109,730,000	108,111,000	108,627,000	108,640,000	
Other Expenditures		2,274,000	5,327,000			
TOTAL EXPENDITURES (E) [Note 5]	1,246,238,000	1,298,421,000	1,248,024,000	1,282,237,000	1,282,250,000	
FUND BALANCE (D)-(E) [Note 6]	205,285,000	67,929,000	91,885,000	61,139,000	(56,127,000)	
STRUCTURAL DEFICIT (NET INCOME) (B)-(E) [Note 7]	(108,218,000)	(145,793,000)	(83,327,000)	(117,540,000)	(117,553,000)	
OUTSTANDING LOANS AT YEAR-END (A)-(C)	201,077,000	184,677,000	82,277,000	0	0	
Notes:						
[Note 1] - This table does not reflect the impacts of proportional reduction						
[Note 2] - Loan repayments are scheduled in the Budget Act						
[Note 3] - Total Resources does not include Beginning Outstanding Loans						
[Note 4] - Includes Pro Rata						
[Note 5] - Total Expenditures do not match totals in Governor's Budget due to the inclusion of Glass and Plastic Processing Fee Offsets						
[Note 6] - Fund Balance includes year-end accruals that are not reflected in the cash balance projection until the receipt or expenditure is projected to occur						
[Note 7] - Structural Deficit in FY 2013-14 reflects the reduction in Processing Fee Offsets due to General Fund loan repayments to the Processing Fee funds						

The current cash balance projection has shifted downwards as compared to the previous cash balance projection shown in the April 2013 report. The downward shift reflects growth in California Refund Value expenditure that exceeds the growth in Redemption Fee receipts. The tables below show a comparison of both growth rates of cash flow in FY 2011-2012 versus FY 2012-2013. For Redemption Fees, actual receipts are based on the same monthly due dates of Redemption Fee payments in different years, and the periods consist of the months when the Redemption Fee payments were due. The periods shown in the Redemption Fee table are offset because of the change in the payment due date from 60 days to 30 days effective July 1, 2012. Overall, the tables show a five percent difference in the growth in California Refund Value expenditure versus Redemption Fee revenue.

Table 9: Actual Redemption Fee Receipts by Redemption Fee Payments Due

Period <i>[Note 1]</i>	Number of Monthly Redemption Fee Payments Due	Actual Redemption Fee Receipts in Period
Jul 2011 - Jul 2012	13	\$1,232,892,114
Jul 2012 - Jun 2013	13	\$1,271,648,297
% Change		3%

[Note 1] - The Periods are offset to match the months of Redemption Fee payments due as a result of the due date change from 60 to 30 days following the month of sale effective 7/1/2012

Table 10: Actual California Refund Value Expenditure

Period	Actual California Refund Value Expenditure in Period
Jul 2011 - Jun 2012	\$1,001,167,829
Jul 2012 - Jun 2013	\$1,082,753,271
% Change	8%

Based on the cash balance projection, CalRecycle would need to implement a 75-percent proportional reduction in FY 2014-2015 and a 100-percent proportional

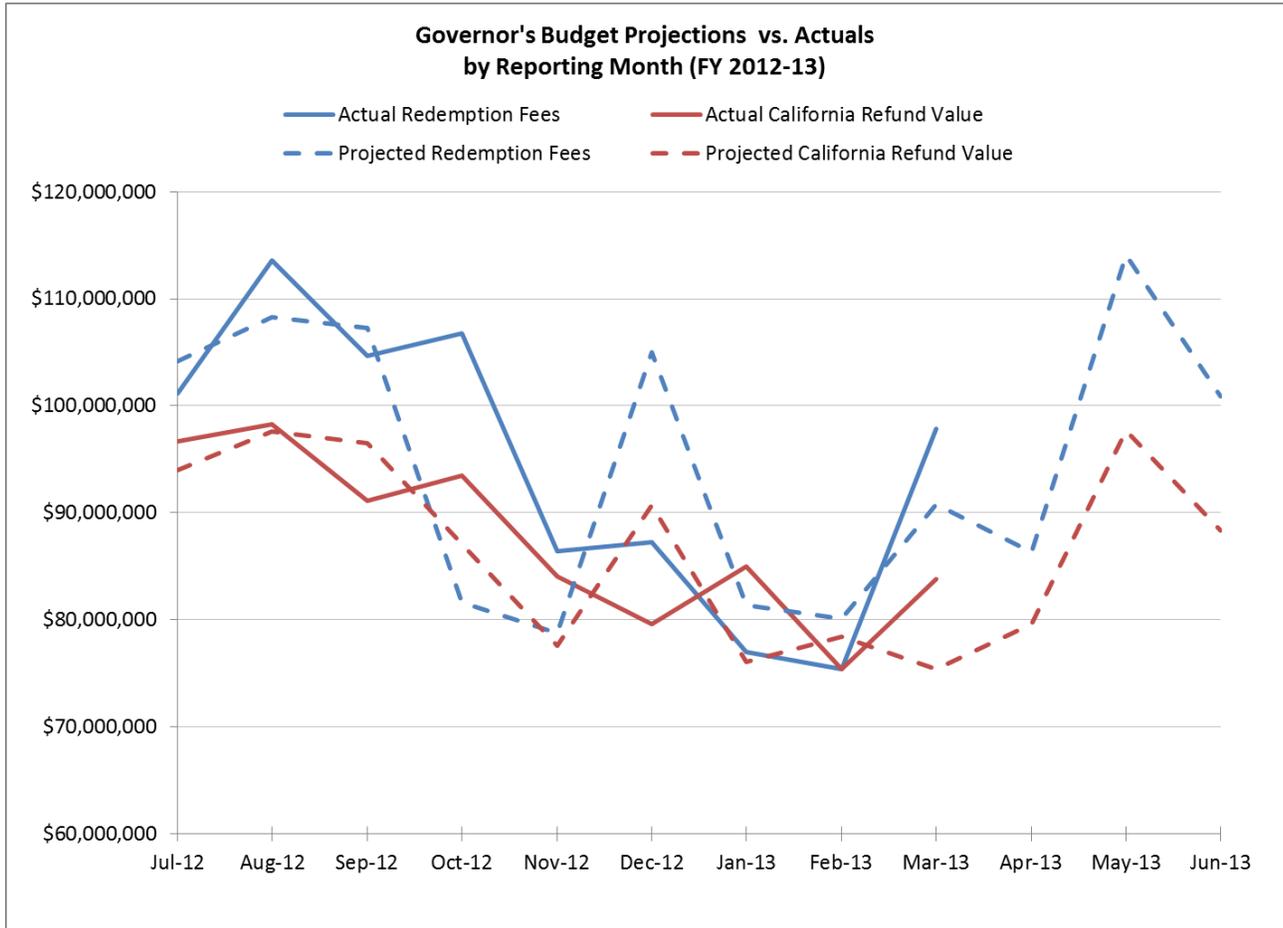
reduction in FY 2015-2016 to maintain the solvency of the Recycling Fund. This scenario is based on implementing proportional reduction on July 1 at the beginning of each specified fiscal year, in order to differentiate the funding fiscal year for the expenditure that is subject to be reduced. Prior year expenditures incurred but not paid until FY 2014-2015 will not be subject to proportional reduction. The percent of expenditure reductions in this proportional reduction scenario are projections, and if implemented, the actual percent reductions could differ significantly from those presented here.

As a note of caution, the cash balance projection covers an extended horizon and is highly variable. All projected monthly cash balances are based on the most recent actual cash balance and are very sensitive to the timing and amounts of actual receipts and disbursements. Over successive projections, the timing of critical events is subject to significant shifts in either direction. To further illustrate the variability, the following table and chart show the differences between projections completed for the Governor's budget and the actual data by reporting month for FY 2012-2013. The table shows a comparison of projected and actual data from July 2012 to March 2013, and the chart covers the same data in the table and displays the projections for all of FY 2012-2013.

Table 11: Governor's Budget Projections for July 2012 to March 2013

Sales	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total for Period
Governor's Budget Projection	\$104,136,739	\$108,311,278	\$107,290,842	\$81,651,175	\$78,709,911	\$104,960,701	\$81,358,368	\$80,079,879	\$90,818,326	\$837,317,219
Actual	\$101,101,439	\$113,568,406	\$104,645,579	\$106,762,167	\$86,374,406	\$87,267,675	\$76,980,863	\$75,344,260	\$97,853,775	\$849,898,570
% Difference	-2.9%	4.9%	-2.5%	30.8%	9.7%	-16.9%	-5.4%	-5.9%	7.7%	1.5%
Returns	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Total for Period
Governor's Budget Projection	\$94,013,066	\$97,568,247	\$96,482,814	\$87,100,435	\$77,563,606	\$90,695,398	\$76,026,348	\$78,410,654	\$75,414,993	\$773,275,560
Actual	\$96,649,323	\$98,302,676	\$91,154,896	\$93,438,059	\$84,057,252	\$79,616,115	\$84,935,628	\$75,354,038	\$83,768,184	\$787,276,170
% Difference	2.8%	0.8%	-5.5%	7.3%	8.4%	-12.2%	11.7%	-3.9%	11.1%	1.8%

Chart 2: Governor's Budget Projections for FY 2012-2013



Conclusion

This Report is intended to provide updates on the status of all five funds in the Beverage Container Recycling Program and to serve as a guide to formulate and direct policy. The information presented here bears examination. CalRecycle has recently concluded a series of Program reform workshops to modernize the Program for the next 25 years. The workshops revealed the difficult challenges in addressing stakeholder concerns while working to close a \$100 million annual structural deficit. As a result, CalRecycle must shift the balance of its efforts in primarily encouraging recycling to an increased emphasis on Program fiscal integrity under an environment where Californians are enjoying record high recycling rates.

This Report indicates a growing concern about the need to implement proportional reduction. Even though there is a high degree of variability in the data, the size of the structural deficit suggests that reform measures to maintain the Program's financial and operational integrity must be addressed now to avoid more drastic actions later.

CalRecycle welcomes your feedback concerning this quarterly Report. Questions and comments may be sent to BeverageContainerReform@calrecycle.ca.gov or contact the Division of Recycling at (916) 445-8292.

Appendix 1 – Short-Term Projections

The short-term projections provide detail on the actual and projected amounts and beverage container volumes by material type from FY 2011-2012 to FY 2013-2014. The projections are based on actual volumes through the March 2013 reporting period. This section covers sales, returns, Processing Fees, Processing Payments, Processing Fee Offsets, and Handling Fees.

Several of the line items are notated for further description. Those descriptions immediately follow the volume tables. The volume tables presented here are also available in Excel format at

<http://www.calrecycle.ca.gov/BevContainer/RecycleFund/2013/JulCondition.xls> on the CalRecycle webpage.

SALES AND RETURNS ESTIMATES <i>[Note 1]</i>				
FY 2011-2012 (Actual)				
	Containers Sold		Containers Returned	Recycling Rate
	Over 24 oz.	Under 24 oz.		
Aluminum	507,166,276	7,969,774,044	8,206,643,323	97%
Glass	257,839,208	2,676,129,075	2,495,050,736	85%
PET	1,446,699,018	7,099,366,016	5,922,077,936	69%
HDPE <i>[Note 2]</i>	148,180,582	169,549,729	331,944,233	104%
Total <i>[Note 3]</i>	2,359,885,084	17,914,818,864	16,955,716,228	84%
FY 2012-2013 (Projected)				
	Containers Sold		Containers Returned	Recycling Rate
	Over 24 oz.	Under 24 oz.		
Aluminum	525,248,300	7,937,604,257	8,327,415,606	98%
Glass	299,247,735	2,773,838,975	2,557,407,661	83%
PET	1,436,098,547	7,650,473,562	6,689,693,500	74%
HDPE	130,869,906	258,770,864	328,909,712	84%
Total <i>[Note 3]</i>	2,391,464,488	18,620,687,658	17,903,426,479	85%
FY 2013-2014 (Projected)				
	Containers Sold		Containers Returned	Recycling Rate
	Over 24 oz.	Under 24 oz.		
Aluminum	527,042,922	7,943,042,002	8,327,415,606	98%
Glass	365,735,498	2,817,446,648	2,557,407,661	80%
PET	1,421,290,230	7,743,092,331	6,689,693,500	73%
HDPE	120,943,008	275,071,525	328,909,712	83%
Total <i>[Note 3]</i>	2,435,011,659	18,778,652,507	17,903,426,479	84%

PROCESSING FEE/PAYMENT ESTIMATES [Note 4]			
FY 2011-2012 (Actual)			
	Processing Fees	Processing Fee Offsets	Processing Payments
Glass	\$6,270,000	\$48,222,000	\$57,896,000
PET	\$2,461,000	\$10,446,000	\$13,964,000
HDPE	\$1,276,000	\$4,897,000	\$6,729,000
Total	\$10,007,000	\$63,565,000	\$78,589,000
FY 2012-2013 (Projected)			
	Processing Fees	Processing Fee Offsets	Processing Payments
Glass [Note 5]	\$6,918,000	\$58,972,000	\$58,699,000
PET	\$342,000	\$1,790,000	\$2,132,000
HDPE [Note 6]	\$663,000	\$6,668,000	\$6,619,000
Total	\$7,923,000	\$67,430,000	\$67,450,000
FY 2013-2014 (Projected)			
	Processing Fees	Processing Fee Offsets	Processing Payments
Glass [Note 7]	\$6,498,000	\$13,645,000	\$59,655,000
PET [Note 8]	\$739,000	\$0	\$10,778,000
HDPE [Note 9]	\$642,000	\$0	\$6,702,000
Total	\$7,879,000	\$13,645,000	\$77,135,000

HANDLING FEE ESTIMATES		
Fiscal Year	Handling Fee	Containers
2011-12 (Actual) [Note 10]	\$38,493,000	4,184,194,968
2012-13 (Projected) [Note 11]	\$40,168,000	4,496,444,444
2013-14 (Projected)	\$40,468,000	4,496,444,444

Appendix 1 Notes:

[Note 1] – Actual sales and returns data are current through the March 2013 reporting period. Data after that reporting period are projections

[Note 2] – The recycling rate for HDPE exceeds 100 percent due to improper inspection and reporting from a combination of lack of due diligence and fraud. The proportion of the beverage container component in the HDPE recycling stream is only about 32 percent by weight based on the calendar year 2011 participant shares analysis. Because of the high proportion of non-CRV material, HDPE transactions at recycling centers that are recorded as segregated or CRV containers only often contain non-CRV containers. The statewide impact creates a recycling rate that exceeds 100 percent.

[Note 3] – Total volumes exclude bimetal and plastics #3 - #7 due to their extremely low sales and returns volumes. In calendar year 2012 their proportion of sales to all material types was 0.88 percent, and their proportion of returns to all material types was 0.13 percent.

[Note 4] - For FY 2012-2013, the projected amounts shown are the sum of 50 percent of the Processing Fees, Payments, and Offsets established for calendar year 2012 and 50 percent of the amounts established for calendar year 2013. For FY 2013-2014, the projected amounts are based exclusively on the Processing Fees, Payments, and Offsets established for calendar year 2013.

[Note 5] – The Glass Processing Fee Offset for FY 2012-2013 includes two additional transfers from the Recycling Fund: a one-time \$6 million transfer to cover a shortfall in FY 2011-2012 and a \$1.2 million transfer to cover Processing Payment expenditure in excess of the Processing Fee Offset and Processing Fee revenue during calendar year 2012.

[Note 6] – The HDPE Processing Fee Offset for FY 2012-2013 includes an additional \$0.7 million transfer from the Recycling Fund to cover Processing Payment expenditure

in excess of the Processing Fee Offset and Processing Fee revenue during calendar year 2012.

[Note 7] - The Glass Processing Fee Offset for FY 2013-2014 is projected to be reduced by the scheduled \$39 million loan repayment to the Glass Processing Fee Fund. The resulting amount of Glass Processing Fee Offset in FY 2013-2014 is the difference between the Offset established for Glass in calendar year 2013 and the loan repayment. The Glass Processing Fee for FY 2013-2014 reflects the \$2 million Glass Processing Fee reduction pursuant to PRC Section 14575(j). The projected Glass Processing Fee for FY 2013-2014 are the amounts established for calendar year 2013 less \$1 million since the reduction will be implemented for half of the fiscal year beginning in calendar year 2014. All amounts for FY 2013-2014 reflect the increase in the Glass Processing Payment per pound from \$0.04568 to \$0.04593 effective August 1, 2013.

[Note 8] - The PET Processing Fee Offset for FY 2013-2014 is projected to be reduced to zero by the scheduled \$27 million loan repayment to the Plastic Processing Fee Fund. Based on the Offset amount established for calendar year 2013, the anticipated Fund Balance in the Plastic Processing Fee Fund resulting from the loan repayment should be sufficient to cover the PET Processing Fee Offset in full for FY 2013-2014. The PET Processing Fee for FY 2013-2014 reflects the \$2 million PET Processing Fee reduction pursuant to PRC Section 14575(j). The projected PET Processing Fee for FY 2013-2014 are the amounts established for calendar year 2013 less \$1 million since the reduction will be implemented for half of the fiscal year beginning in calendar year 2014. The PET Processing Fee and Payment for FY 2013-2014 reflect the increase in the PET Processing Payment per pound from \$0.01226 to \$0.03262 effective August 1, 2013.

[Note 9] - The HDPE Processing Fee Offset for FY 2013-2014 is projected to be reduced to zero by the scheduled \$27 million loan repayment to the Plastic Processing Fee Fund. Based on the Offset amount established for calendar year 2013, the anticipated Fund Balance in the Plastic Processing Fee Fund resulting from the loan

repayment should be sufficient to cover the HDPE Processing Fee Offset in full for FY 2013-2014. The Processing Fee reduction pursuant PRC Section 14575(j) does not apply to HDPE.

[Note 10] - The Handling Fee per container rate for FY 2011-2012 was \$0.0089.

[Note 11] - The Handling Fee per container rate for FY 2012-2013 was \$0.0089 for the reporting months of July 2012 through February 2013 pursuant to PRC Section 14585(g)(1). Beginning with the March 2013 reporting month, the handling fee per container rate is \$0.0090 derived from the latest cost survey. The Handling Fee Cost Survey Final Report can be found on the CalRecycle website at <http://www.calrecycle.ca.gov/BevContainer/Fees/Handling/FinalReport.pdf>.

Appendix 2 - Fund Condition Statements

This section contains Fund Condition Statements for all five Program funds, preceded by a brief description for each fund. Each Fund Condition Statement shows one column per fiscal year. The column for FY 2011-2012 contains actual amounts and amounts for FY 2012-2013 and FY 2013-2014 are projections. In addition, this section contains a table summarizing projected fund balances, loan repayments, and required prudent reserves for all Program funds in FY 2015-2016 to cover projections beyond the horizon shown in the Fund Condition Statements. The projections are based on actual volumes through the December 2012 reporting period and are more recent than the projections shown in Governor's Budget published in January 2013.

Several of the line items are notated for further description. Those descriptions immediately follow the Fund Condition Statements. The Fund Condition Statements presented here are also available in Excel format at <http://www.calrecycle.ca.gov/BevContainer/RecycleFund/2013/JulCondition.xls> on the CalRecycle webpage.

Below is a brief description of the each of the Program funds:

Beverage Container Recycling Fund (Recycling Fund), fund # 0133 – This fund serves as a depository for Redemption Fees paid by beverage distributors. The fund is the source for paying Refund Value for recycling empty beverage containers and funding programs that develop and maintain an infrastructure for beverage container recycling and promote markets for beverage container material.

Glass Processing Fee Fund, fund # 0269 – This fund serves as a depository for Glass Processing Fees paid by beverages manufacturers who package their product in glass bottles. The fund is the source for paying Processing Payments to certified recyclers for handling empty glass beverage containers.

Plastic Processing Fee Fund, fund # 0278 – This fund serves as a depository for Plastic Processing Fees paid by beverages manufacturers who package their product in any type of plastic bottle having a scrap value that is less than the cost of recycling. The

fund is the source for paying Processing Payments to certified recyclers for handling empty plastic beverage containers.

Bimetal Processing Fee Fund, fund # 0277 – This fund serves as a depository for Bi-metal Processing Fees paid by beverages manufacturers who package their product in bi-metal cans. The fund is the source for paying Processing Payments to certified recyclers for handling empty bi-metal beverage containers.

Penalty Fund, fund # 0276 – The fund serves as a depository for civil penalties and fines.. The purpose of the fund is to assist in carrying out the activities specified in the Beverage Container Recycling and Litter Reduction Act as specified in PRC Section 14580(d).

California Department of Resources Recycling and Recovery (CalRecycle)				
Beverage Container Recycling Fund Condition Statement (Fund 0133)				
Projected Revenues and Expenditures as of July 1, 2013				
		FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward [Note 1]		71,376,000	205,285,000	67,929,000
Prior Year Adjustments		113,608,000		
Balance Adjusted (A)		184,984,000	205,285,000	67,929,000
Revenues and Transfers				
Receipts				
	Redemption Fees [Note 2]	1,138,020,000	1,152,628,000	1,164,697,000
	Other Income	18,219,000	287,000	4,883,000
	Total Receipts (B)	1,156,239,000	1,152,915,000	1,169,580,000
Transfers				
	Repayment of Air Pollution Control Fund Loan [Note 3]	21,300,000	16,400,000	8,000,000
	Repayment of General Fund Loan [Note 4]	89,000,000		89,400,000
	Repayment of Loan to Department of Conservation			5,000,000
	Transfers to Glass Processing Fee Fund [Note 5]	(48,222,000)	(58,972,000)	(13,645,000)
	Transfers to Plastic Processing Fee Fund [Note 5]	(15,343,000)	(8,458,000)	
	Repayment of Alternative Renewable Fuel & Vehicle Technology Fund Loan [Note 6]		(8,250,000)	
	Total Transfers (C)	46,735,000	(59,280,000)	88,755,000
	Total Transfers and Receipts (B+C)	1,202,974,000	1,093,635,000	1,258,335,000
	Total Resources (D) = (A+B+C)	1,387,958,000	1,298,920,000	1,326,264,000
Expenditures [Note 7]				
Disbursements (CalRecycle)				
	California Refund Value [Note 8]	1,029,874,000	1,070,673,000	1,070,673,000
	Beverage Container Recycling Program Administration	37,102,000	44,099,000	45,215,000
	Handling Fees [Note 9]	38,493,000	40,168,000	40,468,000
	Curbside Supplemental Payments	12,863,000	15,000,000	15,000,000
	Local Conservation Corps Grants [Note 10]	19,492,000	20,073,000	20,643,000
	City/County Payments	10,500,000	10,500,000	10,500,000
	Competitive Grants	697,000	1,500,000	1,500,000
	Public Education and Information [Note 11]			
	Quality Incentive Payments	9,872,000	10,000,000	10,000,000
	Plastic Market Development [Note 12]	18,153,000	12,489,000	10,000,000
	Pro Rata	5,627,000	4,215,000	5,053,000
	Total Disbursements (CalRecycle) (E)	1,182,673,000	1,228,717,000	1,229,052,000
Disbursements (Other)				
	State Controller		45,000	
	Fiscal		2,229,000	5,327,000
	Total Disbursements (Other) (F)		2,274,000	5,327,000
	Total Expenditures (G) = (E+F)	1,182,673,000	1,230,991,000	1,234,379,000
FUND BALANCE (D-G) [Note 13]		205,285,000	67,929,000	91,885,000

California Department of Resources Recycling and Recovery (CalRecycle)					
Glass Processing Fee Fund Condition Statement (Fund 0269)					
Projected Revenues and Expenditures as of July 1, 2013					
			FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward			288,000	(2,625,000)	4,212,000
Prior Year Adjustments			470,000		
Balance Adjusted (A)			758,000	(2,625,000)	4,212,000
Revenues and Transfers					
Receipts					
	Processing Fees		6,270,000	6,918,000	6,498,000
	Other Income		21,000		6,035,000
	Total Receipts (B)		6,291,000	6,918,000	12,533,000
Transfers					
	Transfers from Beverage Container Recycling Fund <i>[Note 14]</i>		48,222,000	58,972,000	13,645,000
	Repayment of General Fund Loan <i>[Note 15]</i>				39,000,000
	Total Transfers (C)		48,222,000	58,972,000	52,645,000
	Total Transfers and Receipts (B+C)		54,513,000	65,890,000	65,178,000
	Total Resources (D) = (A+B+C)		55,271,000	63,265,000	69,390,000
Expenditures					
Disbursements (CalRecycle)					
	Processing Payments		57,896,000	58,699,000	59,655,000
	Pro Rata			65,000	
	Total Disbursements (CalRecycle) (E)		57,896,000	58,764,000	59,655,000
Disbursements (Other)					
	Fiscal			289,000	248,000
	Total Disbursements (Other) (F)			289,000	248,000
	Total Expenditures (G) = (E+F)		57,896,000	59,053,000	59,903,000
FUND BALANCE (D-G)			(2,625,000)	4,212,000	9,487,000

California Department of Resources Recycling and Recovery (CalRecycle)				
Plastic Processing Fee Fund Condition Statement (Fund 0278)				
Projected Revenues and Expenditures as of July 1, 2013				
		FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward		1,336,000	5,290,000	9,269,000
Prior Year Adjustments		3,921,000		
Balance Adjusted (A)		5,257,000	5,290,000	9,269,000
Revenues and Transfers				
Receipts				
	Processing Fees <i>[Note 16]</i>	6,679,000	5,022,000	6,341,000
	Other Income	13,000	13,000	4,121,000
	Total Receipts (B)	6,692,000	5,035,000	10,462,000
Transfers				
	Transfers from Beverage Container Recycling Fund <i>[Note 14]</i>	15,343,000	8,458,000	0
	Repayment of General Fund Loan <i>[Note 17]</i>			27,000,000
	Total Transfers (C)	15,343,000	8,458,000	27,000,000
	Total Transfers and Receipts (B+C)	22,035,000	13,493,000	37,462,000
	Total Resources (D) = (A+B+C)	27,292,000	18,783,000	46,731,000
Expenditures				
Disbursements (CalRecycle)				
	Processing Payments <i>[Note 18]</i>	22,002,000	9,273,000	17,969,000
	Pro Rata		65,000	
	Total Disbursements (CalRecycle) (E)	22,002,000	9,338,000	17,969,000
Disbursements (Other)				
	FiŞcal		176,000	151,000
	Total Disbursements (Other) (F)		176,000	151,000
	Total Expenditures (G) = (E+F)	22,002,000	9,514,000	18,120,000
	FUND BALANCE (D-G)	5,290,000	9,269,000	28,611,000

California Department of Resources Recycling and Recovery (CalRecycle)				
Bimetal Processing Fee Fund Condition Statement (Fund 0277)				
Projected Revenues and Expenditures as of July 1, 2013				
		FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward		12,611,000	13,984,000	14,898,000
Prior Year Adjustments		219,000		
Balance Adjusted (A)		12,830,000	13,984,000	14,898,000
Revenues and Transfers				
Receipts				
	Processing Fees	1,500,000	1,117,000	1,116,000
	Other Income	49,000	53,000	57,000
	Total Receipts (B)	1,549,000	1,170,000	1,173,000
Transfers				
	Transfers from Beverage Container Recycling Fund	0	0	0
	Total Transfers (C)	0	0	0
	Total Transfers and Receipts (B+C)	1,549,000	1,170,000	1,173,000
	Total Resources (D) = (A+B+C)	14,379,000	15,154,000	16,071,000
Expenditures				
Disbursements (CalRecycle)				
	Processing Payments	395,000	254,000	283,000
	Pro Rata			
	Total Disbursements (CalRecycle) (E)	395,000	254,000	283,000
Disbursements (Other)				
	Fi\$cal		2,000	2,000
	Total Disbursements (Other) (F)		2,000	2,000
	Total Expenditures (G) = (E+F)	395,000	256,000	285,000
	FUND BALANCE (D-G)	13,984,000	14,898,000	15,786,000

California Department of Resources Recycling and Recovery (CalRecycle)				
Penalty Account Fund Condition Statement (Fund 0276)				
Projected Revenues and Expenditures as of July 1, 2013				
		FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward		6,174,000	5,187,000	5,401,000
Prior Year Adjustments		(2,064,000)		
Balance Adjusted (A)		4,110,000	5,187,000	5,401,000
Revenues and Transfers				
Receipts				
	Penalty Assessments	1,061,000	194,000	194,000
	Other Income	16,000	20,000	21,000
	Total Receipts (B)	1,077,000	214,000	215,000
Transfers				
	Transfers	0	0	0
	Total Transfers (C)	0	0	0
	Total Transfers and Receipts (B+C)	1,077,000	214,000	215,000
	Total Resources (D) = (A+B+C)	5,187,000	5,401,000	5,616,000
Expenditures				
Disbursements (CalRecycle)				
	State Operations <i>[Note 19]</i>	0	0	984,000
	Pro Rata	0	0	0
	Total Disbursements (CalRecycle) (E)	0	0	984,000
Disbursements (Other)				
	Fi\$cal	0	0	0
	Total Disbursements (Other) (F)	0	0	0
	Total Expenditures (G) = (E+F)	0	0	984,000
FUND BALANCE (D-G)		5,187,000	5,401,000	4,632,000

Projected Balances for all Program Funds in FY 2015-16 as of July 1, 2013		
	Actual Assets	Projected Assets
Fund Balances	End of FY 2011-12	End of FY 2015-16
Beverage Container Recycling Fund (0133)	\$ 205,285,000	\$ (56,127,000)
Glass Processing Fee Fund (0269)	\$ (2,625,000)	\$ 5,527,000
Plastic Processing Fee Fund (0278)	\$ 5,290,000	\$ 2,323,000
Bi-Metal Processing Fee Fund (0277)	\$ 13,984,000	\$ 17,572,000
Penalty Account Fund (0276)	\$ 5,187,000	\$ 3,163,000
	\$ 227,121,000	\$ (27,542,000)
Loan Repayment Balances		
Beverage Container Recycling Fund (0133)	\$ 201,077,000	\$ -
Glass Processing Fee Fund (0269)	\$ 39,000,000	\$ -
Plastic Processing Fee Fund (0278)	\$ 27,000,000	\$ -
	\$ 267,077,000	\$ -
Total Assets	\$ 494,198,000	\$ (27,542,000)
Less, Prudent Reserves [Note 20]		
Beverage Container Recycling Fund (0133)	\$ 53,670,000	\$ 57,679,000
Glass Processing Fee Fund (0269)	\$ 2,895,000	\$ 2,984,000
Plastic Processing Fee (0278)	\$ 1,100,000	\$ 928,000
Bimetal Processing Fee Fund (0277)	\$ 20,000	\$ 14,000
Penalty Account Fund (0276)	\$ -	\$ 48,000
Reserve Requirement	\$ 57,685,000	\$ 61,653,000
Assets Available, All Funds	\$ 436,513,000	\$ (89,195,000)

Appendix 2 Notes:

[Note 1] – The FY 2011-2012 Balance Forward amount ties to the Governor’s Budget.

[Note 2] – Redemption Fees, detailed in the table below, exclude the 1.5 percent retention for administrative fees held by beverage distributors.

	FY 2011-12	FY 2012-13	FY 2013-14
Total Redemption Fees	\$1,155,350,000	\$1,170,181,000	\$1,182,434,000
Less 1.5 % Administrative Fee	(\$17,330,000)	(\$17,553,000)	(\$17,737,000)
Net Redemption Fee Revenue	\$1,138,020,000	\$1,152,628,000	\$1,164,697,000

[Note 3] – Loan repayments from the Air Pollution Control Fund for the AB 32 implementation loans are completed for FY 2011-2012 and FY 2012-2013 and scheduled for FY 2013-2014.

[Note 4] – The Repayment of General Fund loan for FY 2012-2013, originally scheduled for \$10 million, has been revised to \$0 based on the Governor’s Budget published in January 2013. General Fund loan repayments scheduled for FY 2013-2014 amount to \$89.4 million.

[Note 5] – Transfers to Glass/Plastic Processing Fee Funds are the expenditures for the Processing Fee Offsets authorized in PRC Section 14581 and PRC Section 14575.

[Note 6] – Repayment of Alternative Renewable Fuel and Vehicle Technology Fund Loan is a repayment for a one-time loan to the Recycling Fund enacted in the FY 2009-2010 budget to provide funding for the Local Conservation Corps.

[Note 7] – Expenditures section is derived primarily from the list of appropriations found in PRC Section 14581.

[Note 8] – California Refund Value, detailed in the table below, includes the 2.5 percent administrative fee paid to certified processors.

	FY 2011-12	FY 2012-13	FY 2013-14
California Refund Value Paid for Empty Beverage Containers	\$1,004,755,000	\$1,044,559,000	\$1,044,559,000
Plus 2.5% Administrative Fee	\$25,119,000	\$26,114,000	\$26,114,000
Total California Refund Value Expenditure	\$1,029,874,000	\$1,070,673,000	\$1,070,673,000

[Note 9] – The total annual amount of Handling Fees authorized is not fixed, and the amount expended every year fluctuates based upon the per-container rate and the number of containers recycled. Handling Fee rates change annually on July 1. For FY 2011-2012, the per-container Handling Fee was \$0.0089. For FY 2012-2013, the per-container Handling Fee will remain at the per-container rate of \$0.0089 for the July 2012 to February 2013 reporting periods pursuant to PRC Section 14585(g)(1). Beginning in the March 2013 reporting period, the per-container Handling Fee is \$0.0090.

[Note 10] – Local Conservation Corps grants are annually adjusted for the cost of living from a baseline of \$15 million, which began in the 2000 calendar year. The source for the adjustment rate is: http://www.dof.ca.gov/html/fs_data/latestEconData/fs_price.htm.

[Note 11] – CalRecycle is not projected to expend the \$5 million annual appropriation for Public Education and Information due to the priority to reduce the structural deficit.

[Note 12] – The amount for the Plastic Market Development payment for FY 2011-2012 and FY 2012-2013 is the sum of the \$10 million baseline provided for each year pursuant to PRC Section 14581(a)(9)(A) and the additional amount specified in PRC Section 14581(a)(9)(B). Effective January 1, 2012, the additional amount, allocated to calendar year 2012, is equal to 50 percent of the difference between the amounts already transferred in calendar year 2011 and scheduled to be transferred in calendar year 2012 from the Recycling Fund to the Plastic Processing Fee Account to cover current year Processing Payments; that is 50 percent of the difference of \$27,135,000 and \$5,852,000 which equals \$10,642,000. The additional amount for calendar year 2012 is projected to be allocated by fiscal year as follows: \$8,153,000 for FY 2011-2012 and \$2,489,000 for FY 2012-2013. Thus the total amount projected for the Plastic Market Development Payment for FY 2011-2012 is \$18,153,000 and \$12,489,000 for FY 2012-2013.

[Note 13] – Fund Balance does not include any prudent reserve calculation. The prudent reserve pursuant to PRC Section 14580(a)(2) would be 5 percent of the total amount paid to processors, currently amounting to approximately \$56 million.

[Note 14] – Transfers from Beverage Container Recycling Fund are the expenditures for the Processing Fee Offsets authorized in PRC Section 14581 and PRC Section 14575. In FY 2013-2014, the Processing Fee Offsets are reduced due to scheduled General Fund loan repayments.

[Note 15] – Repayment of General Fund Loan, the balance of the outstanding General Fund loan made directly from the Glass Processing Fee Fund, amounts to \$39 million scheduled in the Budget Act in FY 2013-2014.

[Note 16] – Processing Fees for plastic include amounts for all types of plastic beverage containers: PET (when applicable), HDPE, and plastics #3 - #7.

[Note 17] – Repayment of General Fund Loan, the balance of the outstanding General Fund loans made directly from the Plastic Processing Fee Fund, amounts to \$27 million scheduled in the Budget Act in FY 2013-2014.

[Note 18] – Processing Payments for plastic include amounts for all types of plastic beverage containers: PET (when applicable), HDPE, and plastics #3 - #7.

[Note 19] – Expenditure from fund 0276 used for eight limited-term positions to implement Program reform activities specified in the Spring Finance Letter.

[Note 20] – Reserve requirement for fund 0133 based on PRC Section 14580(a)(2); all other funds are based on 5 percent of expenditure.