CRI Summary of CalRecycle’s Budget Change Proposal

“Increase Beverage Container Recycling Revenue through Increased Audit Coverage”
(First of three proposals, First Quarter 2014)

This is a Summary Document only. For the Full Report see:

OVERVIEW

• CalRecycle is requesting increased funding to hire 5 auditors for three-year limited term positions, with a cost of $566,000 per year. CalRecycle projects this effort will bring in $2.5 million over a three-year period, or $837,000 per year, net of staff expenses (page 2, 4)

BACKGROUND

There are 3,182 registered beverage manufacturers and distributors in the state (page 1)
“The State is at risk of not receiving an estimated $1.88 million in moneys owed to the Fund per fiscal year.”
Audits would seek to recover both CRV due as well as processing fees due.
“The indirect impact would come from a deterrence created with increased field audit presence.”

CALRECYCLE’S DESCRIPTION OF EXISTING PROBLEMS

1. Out-of-state manufacturers not complying
   In some cases, out of state manufacturers are not paying processing fees.
2. Companies not Registered with the System
   CalRecycle states that there are 709 – 951 companies that have not been reporting to the State each year since 2010-11, and these companies have not been audited. (page 3)
3. Penalties not Being Assessed Currently
   Page 5 implies that CalRecycle has not been utilizing the “Department’s statutory authority to assess civil penalties, up to $5,000 per repeat violation” or the “statutory authority to assess civil penalties of up to 15 percent of the amount due for underpayments.”
4. Companies are delegating reporting responsibility to other companies who aren’t paying CalRecycle.
5. “Corporations have product shipped to warehouses outside of California and subsequently ship the product directly to California retail locations, thereby bypassing processing fee and redemption payments.” (page 4.)
6. Companies simply do not report to CalRecycle or remit payments until they are audited.
7. Companies importing beverages to CA may be paying CRV, but not paying processing fees.