CRI Summary of CalRecycle’s Budget Change Proposal
“Beverage Container Recycling Program Reform Phase II: Sustainably Reducing the Structural Operating Deficit” (Second of three proposals, first quarter 2014)

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

BACKGROUND

California’s Beverage Container Recycling Fund (BCRF) currently expends over $100 million more annually than it receives in revenue. That is, beverage distributors annually pay roughly $100 million less into the BCRF (as California redemption payments) than the Program is required to payout for:

1. California Redemption Value (CRV) when consumers redeem their used beverage containers at certified recycling centers;
2. Other program payments mandated by statute, and
3. Program operations.

In recent years, reserves in the BCRF accumulated when recycling rates were below the break-even point-have offset the program’s structural deficit and provided the liquidity necessary to maintain operations. CalRecycle projects that, on a cash basis, the reserves will be depleted by July 2015. The FY 2012-13 structural deficit is $121 million. CalRecycle’s most recent (November 2013) Quarterly Report on the Status of the Beverage Container Recycling Fund forecasts that the Program will require nearly $161 million in expenditure reductions in 2015-16.

Specifically, the Budget proposes the following reforms:

• **Three-year phase-out of processing fee offsets.**
• **Eliminate fee payments.** Administrative fees paid to processors and recyclers will be cut in half the in 2014-15 and eliminated entirely thereafter. They will also be required to file reports electronically.
• **Eliminate City and County Payments ($10.5 million/year); Create new $7 million Recycling Enforcement Grant Program.** Existing city and county payments will be eliminated. A new program will be established: a $7 million Recycling Enforcement competitive grant program. An existing competitive grant program (now $1.5 million per year) would be increased to $5 million per year.
• **Diversify funding for local conservation corps.** The proposal would reduce $15 million of existing BCRF grant funding to local conservation corps, and redirect a like amount of other special funds to support local corps recycling programs. New funding for local corps will be provided by the Tire Recycling Management Fund ($5 million), the Electronic Waste Recovery and Recycling Account ($8 million), and the Used Oil Recycling Fund ($2 million). The BCRF would provide $6 million in grants.
• **Eliminate payments to curbside programs of $15 million per year.**
• **Cut handling fees by $7.4 million per year by limiting payments to $1,700 per site.**
• **Adding to the expenditures of CalRecycle by adding 12 new staff for the new Recycling Enforcement Grants and analyzing new data from the distributors at a cost of $1.5 million per year.** Distributors would be required to provide additional data to CalRecycle, including:
- Total gross sales amounts (both CRV and non-CRV)
- Out-of-state and out-of-country sales (excluded from CRV)
- Common carrier (e.g., airlines, railroads, bus companies, etc.) sales (excluded from CRV)
- Sales by zip code
- Beverage types (e.g., beer, soda, water, iced tea, etc.)

In total, when fully implemented, these proposals will reduce annual BCRF expenditures by roughly $127 million (as compared to actual past expenditures).