



4361 Keystone Ave. • Culver City, CA 90232
Telephone (310) 559-7451 • Fax (310) 839-1142
www.container-recycling.org
www.bottlebill.org

July 24, 2014

Caroll Mortensen
Director
CalRecycle
1001 I Street
Sacramento, CA 95812

Dear Ms. Mortensen:

Thank you for the opportunity to provide feedback and ask questions about CalRecycle's *Quarterly Report on the Status of the Beverage Container Recycling Fund* dated May 9, 2014. We appreciate that certain portions of the current quarterly report have been updated or clarified as a result of our prior comments to the Department.

The Container Recycling Institute has the following comments and questions for the Department to help us clarify our understanding of the Fund's finances. Our biggest questions relate to the use of two different time periods for reporting financial information. As explained on page 28 of the report, the cash balance projection uses financial data for the fiscal year through March 2014, while other financial tables in the report use financial data through December 2013.

We find that program stakeholders are very interested in understanding the information that is contained in CalRecycle's quarterly financial reports, especially the updated quarterly review of actual and projected revenues and expenditures for the Beverage Container Recycling Fund (Fund). The purpose of the review is to report on the expected adequacy of the funds in the Beverage Container Recycling Fund to make the payments specified in PRC §14581 as well as the processing fee reductions required by PRC §14575. Without updated financial information it is neither possible to determine the actual and projected revenues and expenditures, nor is it possible to review the expected adequacy of funds currently in the Fund.

Updated financial information is also required by Public Resource Code (PRC) §14556 and §14581(c)(1). PRC §14556 states in part (emphasis added):

Not less than once every three months, the department shall provide to the Legislature pursuant to subdivision (b), at a minimum, all of the following information for the current fiscal year and the budget year:

- (1) An **updated** fund condition statement that includes the revenues, transfers, and expenditures in to and out of the fund.
- (2) The recycling rate, by beverage container material type, that is inferred using the revenues.
- (3) **An explanation of significant changes to the fund condition statement from the prior report and significant changes to the methodology used for forecasting the fund condition statement.**

(4) **Projected sales, which include all actual data available since the last reporting period**, by beverage container material type and size, and actual or projected returns, which include all actual data available since the last reporting period, by beverage container material type, including an explanation in any case where the actual returns are more than 100 percent of actual sales.

(5) **Projected handling fee payments, which include all actual data available since the last reporting period**, the per beverage container handling fee amount, and the number of beverage containers projected to be eligible for a handling fee payment.

(6) **Projected processing payments, which include all actual data available since the last reporting period**, by beverage container material type, showing the total processing fee offsets, processing fees, and processing payments for each type of beverage container material.

(7) Total grants awarded during the current fiscal year.

Item 1, above, refers to the fund condition statement, which appears in full on page 42 of the May 9 quarterly report. The quarterly report says that “the projections are based on actual volumes through the December 2013 reporting period.” If that is correct, we would have expected the projections to be exactly the same as those reported in the February 14, 2014 quarterly report. However, the projections in the two reports vary in some cases. Specifically, projected revenues changed by approximately \$12 million per year, while projected expenses had a negligible change. We are interested in knowing what would have been reported in the fund condition statement if it had contained all updated information through March 31, 2014.

Item 3, above, requires the quarterly report to provide “an explanation of significant changes to the fund condition statement from the prior report...” We have heard rumors of significantly reduced redemption volumes from processors in the state, but CalRecycle’s report doesn’t provide any information that can confirm or invalidate the reports of reduced volumes. We have heard that the reduced volumes might lead to a decrease in the program’s recycling rate of five to nine points (From 84% to a recycling rate in the high 70’s.)

Items 4, 5, and 6, refer to projections of sales and returns, handling fee payments and processing fee payments, respectively. For all three of these items, the statute requires the use of “all actual data,” yet the quarterly report released in May specifically states that only data through December 2013 was used (page 35 of the May 9 report.) If the May report used exactly the same data as the February report, why are the volumes in Appendix 1 different? How can the numbers be different in the “sales and returns estimates” table on page 35, but “processing fees” are exactly the same in the February and May reports? (See page 36 of the May report.)

The aforementioned Public Resource Code sections do not indicate waiting for “data maturity” as an acceptable substitute for an updated financial report. CRI is requesting that detailed, updated financial information and data be released by CalRecycle as soon as possible. In particular, the “sales and returns estimates” table on page 35 and the fund condition statement (on page 22 and on page 42) will help to confirm or invalidate the rumors of significant recent decreases in the recycling rate. CalRecycle certainly had expectations of reduced volumes after the implementation of its various fraud prevention measures, such as reduced load limits, elimination of the commingled rates, and increased enforcement, certification and training. It would be useful to see recycling rates, by month, for both fiscal years 2012/13 and 2013/14.

I can be reached by e-mail at scollins@container-recycling.org. If you have further questions, please feel free to call me at 310-559-7451. Thank you in advance for your time and assistance.

Respectfully Yours,

A handwritten signature in blue ink, appearing to read "Susan V. Collins". The signature is fluid and cursive, with the first name "Susan" being more legible than the last name "Collins".

Susan V. Collins
President
Container Recycling Institute