



2014-15 Budget Change Proposals

CalRecycle/Governor Brown's
Proposed Changes to the Beverage
Container Recycling Program

Overview

- o Background
- o Proposals to 2014-15 Budget
- o Impacts & Concerns
- o Recommendations



Background

- o The Beverage Container Recycling Program (BCRP) was established following the passage of AB 2020 in 1986.
- o Over **21 billion** CRV containers are sold each year, raising over **\$1.1 billion** in revenue.
- o Most of the collected revenue goes towards repaying deposits by consumers, and the excess revenue pays for administrative costs and provides grants for various programs.

Budget Woes

- o Due to high recycling rates, fraud, and general fund loans, expenditures have exceeded revenues since 2009. Even after loans are repaid, the current budget gap is ~ \$100 million.
- o Fraud is considered a significant concern for the program, from imported containers, inflated handling fee claims, and under-payment of redemption fees by beverage distributors.
- o The most recent recycling rate is **93%**, including a **107%** recovery rate for Al. and **116%** for HPDE.

Budget Proposals

- o The Governor's proposed 2014-15 budget included a number of changes to the BCRP.
- o On 1/13/14, CalRecycle hosted a workshop to describe the proposals and solicit feedback.
- o These proposals are in addition to previously adopted changes to the BCRP, such as eliminating the "commingled rate" for CRV reimbursements to consumers and additional reporting measures.
- o *All budget changes must be adopted via legislation.*

Proposal #1

- o CalRecycle proposes to phase-out processing fee subsidies over 3 years.
- o Currently, \$65 million is provided to recyclers, curbside, dropoff and community programs.
- o The funds are intended to subsidize glass and plastic manufacturers by offsetting a portion of the cost to recycle containers.
- o CalRecycle believes eliminating the subsidy will force manufacturers bear the full cost of recycling.

Proposal #2

- o CalRecycle proposes to eliminate \$26 million in administrative fees paid to processors and recyclers.
- o CalRecycle feels this is offset by reduced administrative burden due to the new requirement to file electronically through the DORIIS system.

Proposal #3

- o Eliminate the City/County Payment Program, which provides \$10.5 million in direct payments to local gov't for litter reduction and education programs.
- o According to CalRecycle “existing payments to cities and counties do not provide incentives to increase recycling.”
- o CalRecycle proposes shifting \$3.5 million to the existing competitive grant program, and the other \$7 million to a new “Recycling Enforcement” competitive grant program.

Proposal #4: CCC

- o CalRecycle proposes to diversify funding for local conservation corps, replacing \$15 million of existing grant funding from the Tire Fund (\$5 million), the E-Waste Fund (\$8 million), and the Used Oil Fund (\$2 million).
- o The impact this diversification would have on other funds need to be analyzed.

Concerns about proposals

- o Replacing the City/County payment program with competitive grants is highly problematic:
 1. Grants from CalRecycle are disproportionately provided to rural/NorCal jurisdictions
 2. Competitive grants take limited resources to develop applications
 3. There is no guarantee sufficient, or any, funding will be provided even if applying
- o Eliminating payments may increase costs for curbside programs, reduce incentives to recycle
- o No guarantee impacts would be mitigated

Recommendations

- o CalRecycle states without these programmatic changes, they will be forced to implement “Proportional Reduction” – but since CRV and Program Admin cannot be reduced, this would wipe out 100% of the additional program costs
- o Since City/County program is reinvested, jurisdictions need to weigh in regarding this proposal since it does not directly address structural deficit.
- o Recommend letter to CalRecycle, cities.