



# **Beverage Container Recycling and Litter Reduction Program- Program Reform**

**August 21, 2012**



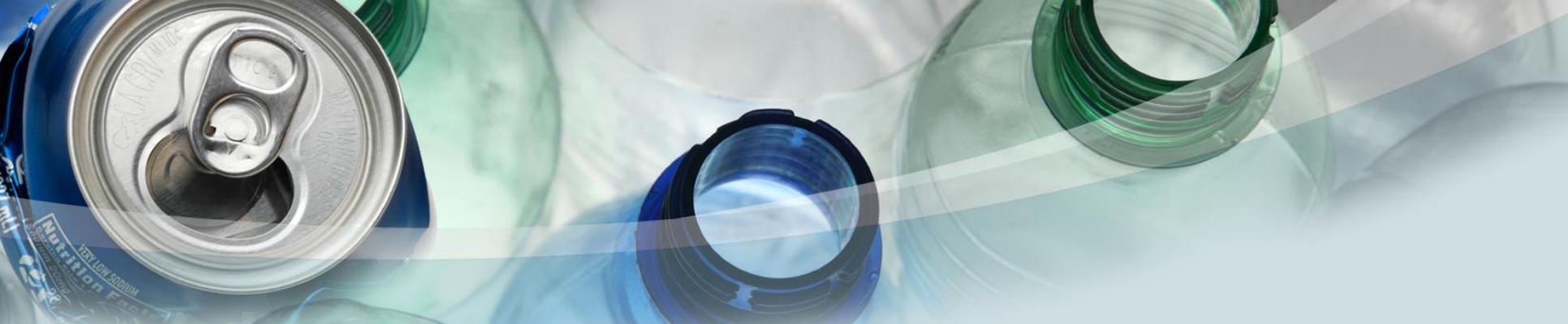
# AGENDA

- **Welcome/Introductions**
- **Recap – July 10<sup>th</sup> Program Reform Workshop**
- **Overview of Comments Received in Response to July 10<sup>th</sup> Workshop**
- **Review & Discuss Approach for Conducting Program Reform ‘Focus Group’ Workshops**
- **Discussion & Feedback**
- **Next Steps**



# INTRODUCTION

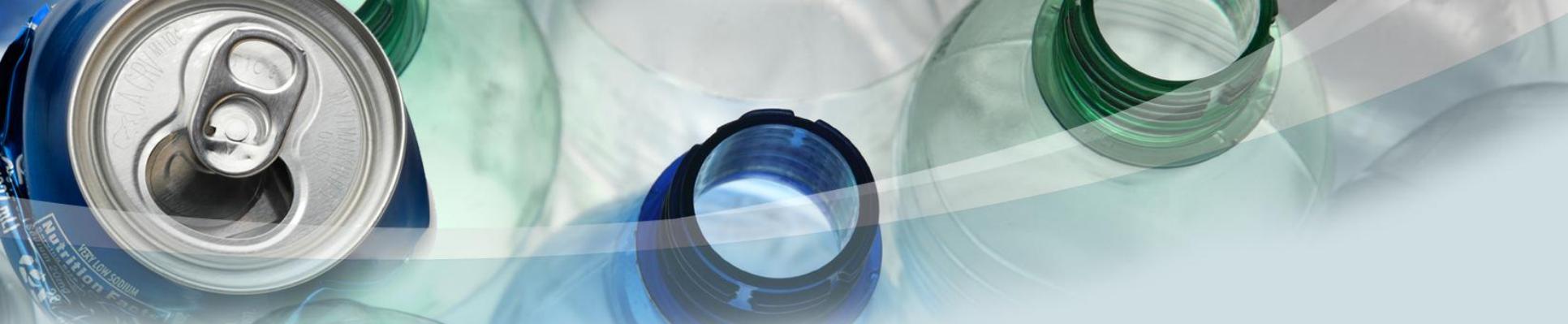
- **Why pursue CA Beverage Container Recycling and Litter Reduction Program (Program) reform at this time?**
  - Current Status of the Fund / Structural Deficit
  - High Recycling Rates
  - Program Integrity Issues
  - Program change has historically been difficult & time consuming



# RE-CAP OF JULY WORKSHOP

## ➤ Status of the Beverage Container Recycling Fund

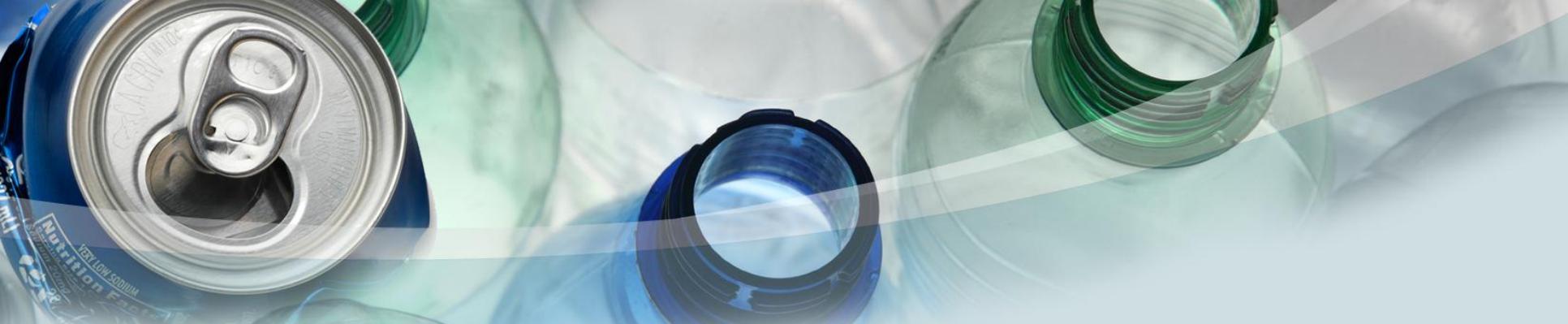
- Program is funded by unredeemed beverage containers
- Structural Deficit – Currently year-over-year expenditures exceed program revenues by approximately \$95M annually
- Positive fund balance generally maintained from General Fund loan repayments to the Fund
- Outstanding loan repayments amount to \$200M
- Recycling rates not anticipated to drop



# RE-CAP OF JULY WORKSHOP

## ➤ Status of the Fund (continued)

- Cash balance leading indicator of Fund solvency
- Revenue Lag – expenditure precedes revenues by \$30M to \$140M
- Redemption Fee payment due date accelerated to 30-days effective for July 2012 reporting period
- General Fund loan repayments of \$10M is scheduled for FY 12-13
- Appears General Fund loan repayments needed in FY 13-14 to avoid proportional reduction



# RECAP OF JULY WORKSHOP

## ➤ Program Integrity Issues

- Illegal CRV redemption of UBCs imported by individuals and entities into CA from out-of-state
- Illegal redemption of previously redeemed CRV UBCs
- RCs paying segregated CRV for commingled materials
- Failure to remit CRV collected to CalRecycle
- Failure to notify and register with CalRecycle when new companies and or new products are distributed / offered for sale in CA
- Product determination...is the beverage 'IN' or 'OUT' of the program



# RECAP OF JULY WORKSHOP

- **Ensure Integrity of Program Payments Paid In & Paid Out**
- **Modernize Program Operations**
- **Improve Cash Flow**
  - Increase Receivables
  - Reduce Payables



# JULY WORKSHOP - NEXT STEPS

- Obtain your feedback, in writing, regarding the issues and ideas presented today and/or your ideas for program reform
- CalRecycle will compile and review all comments received

# OVERVIEW - COMMENTS RECEIVED AFTER JULY WORKSHOP

BEVERAGE REFORM IDEAS	INDUSTRY & INTERESTED PARTIES	LCC & SUPPORTERS
1a Daily Load Limits	3.8	3.6
1b Mark Failure to Remit CRV Collected a Crime	3.8	3.2
1c Post a Security Bond	3.2	3.2
1d Require an Application Fee	3.3	2.7
1e Require Use of DORiis	4.1	2.9
2a Modernize Redemption Fee Structure	3.7	3.1
2b Modernize Process Fee Structure	3.5	2.8
2c Modernize CZ/Handling Fee Structure	4.3	2.6
2d Modernize Calculation/Application of Commingled Rates	4.2	2.7
2e Shift Payment of CRV to Dealers	2.5	2.4
2f Shift Payment of Processing Fee to Dealers	2.6	2.3
2g Criteria for Distribution of Unspent Fund Balance	4.4	3.5
3a Increase Interest Assessment Percentage for Underpayment/Late Payment	3.9	3.8
3b Include all 'Ready to Drink' Beverages to the Program	3.8	4.6
3c Assess Fee to Process Applications and Hardcopy Reporting Forms	3.0	2.7
3d Reduce PRC 14581 (approx. \$73.5M)	3.4	2.1
3e Find Alternative Funding Source for Local Conservation Corps	4.0	4.9
3f Reduce Amount of Processing Fee Offset	3.2	2.9
3g Re-Evaluate Need for Admin Fee Offset/Payments	3.0	3.2

# OVERVIEW - COMMENTS RECEIVED AFTER JULY WORKSHOP

<b>TOP 5 CRITICAL BEVERAGE REFORM IDEAS</b>	<b>INDUSTRY &amp; INTERESTED PARTIES</b>
2g Criteria for Distribution of Unspent Fund Balance	4.4
2c Modernize CZ/Handling Fee Structure	4.3
2d Modernize Calculation/Application of Commingled Rates	4.2
1e Require Use of DORiis	4.1
3e Find Alternative Funding Source for Local Conservation Corps	4.0

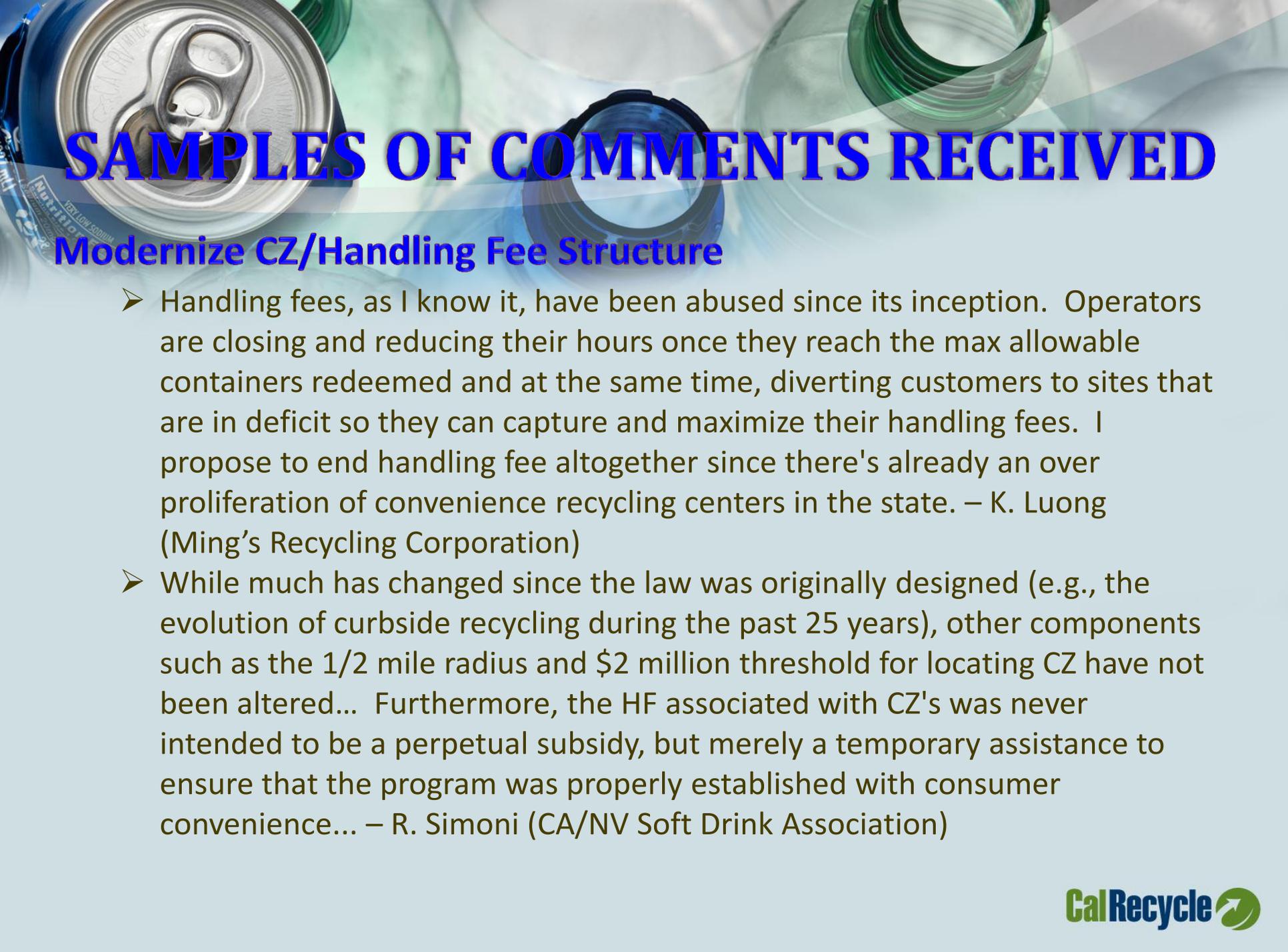
<b>TOP 2 CRITICAL BEVERAGE REFORM IDEAS</b>	<b>LCC &amp; SUPPORTERS</b>
3e Find Alternative Funding Source for Local Conservation Corps	4.9
3b Include all 'Ready to Drink' Beverages to the Program	4.6



# **SAMPLES OF COMMENTS RECEIVED**

## **Criteria for Distribution of Unspent Fund Balance**

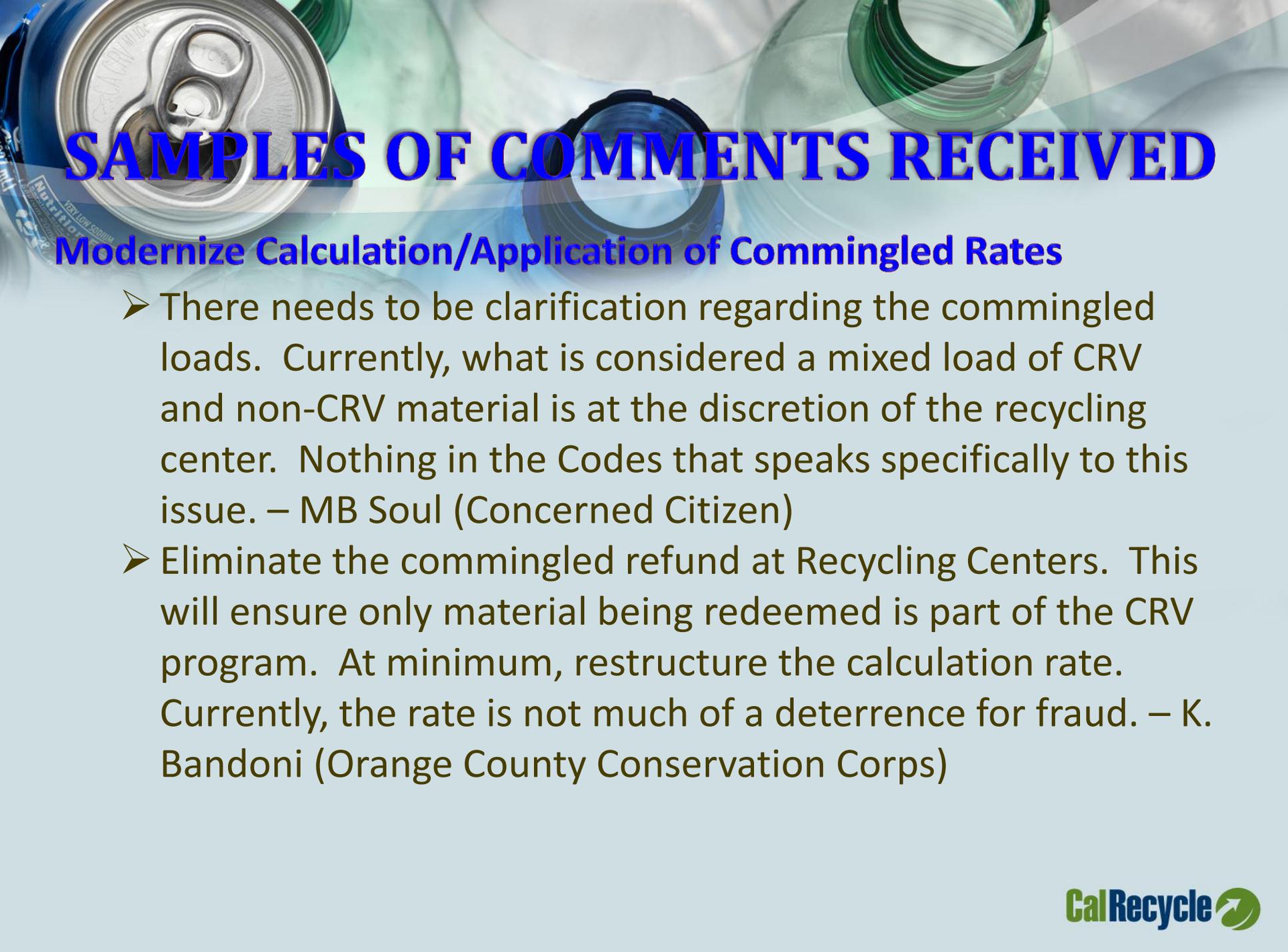
- It should be carried over or build a reserve account.  
– Carlos Garcia (Pena's Disposal)
- Modernize the Marketing/Outreach line item.  
Currently rates are at 83% recovery. Allocate these funds to support direct recovery of CRV material (i.e., local Conservation Corps). – K. Bandoni (Orange County Conservation Corps)



# SAMPLES OF COMMENTS RECEIVED

## Modernize CZ/Handling Fee Structure

- Handling fees, as I know it, have been abused since its inception. Operators are closing and reducing their hours once they reach the max allowable containers redeemed and at the same time, diverting customers to sites that are in deficit so they can capture and maximize their handling fees. I propose to end handling fee altogether since there's already an over proliferation of convenience recycling centers in the state. – K. Luong (Ming's Recycling Corporation)
- While much has changed since the law was originally designed (e.g., the evolution of curbside recycling during the past 25 years), other components such as the 1/2 mile radius and \$2 million threshold for locating CZ have not been altered... Furthermore, the HF associated with CZ's was never intended to be a perpetual subsidy, but merely a temporary assistance to ensure that the program was properly established with consumer convenience... – R. Simoni (CA/NV Soft Drink Association)



# SAMPLES OF COMMENTS RECEIVED

## Modernize Calculation/Application of Commingled Rates

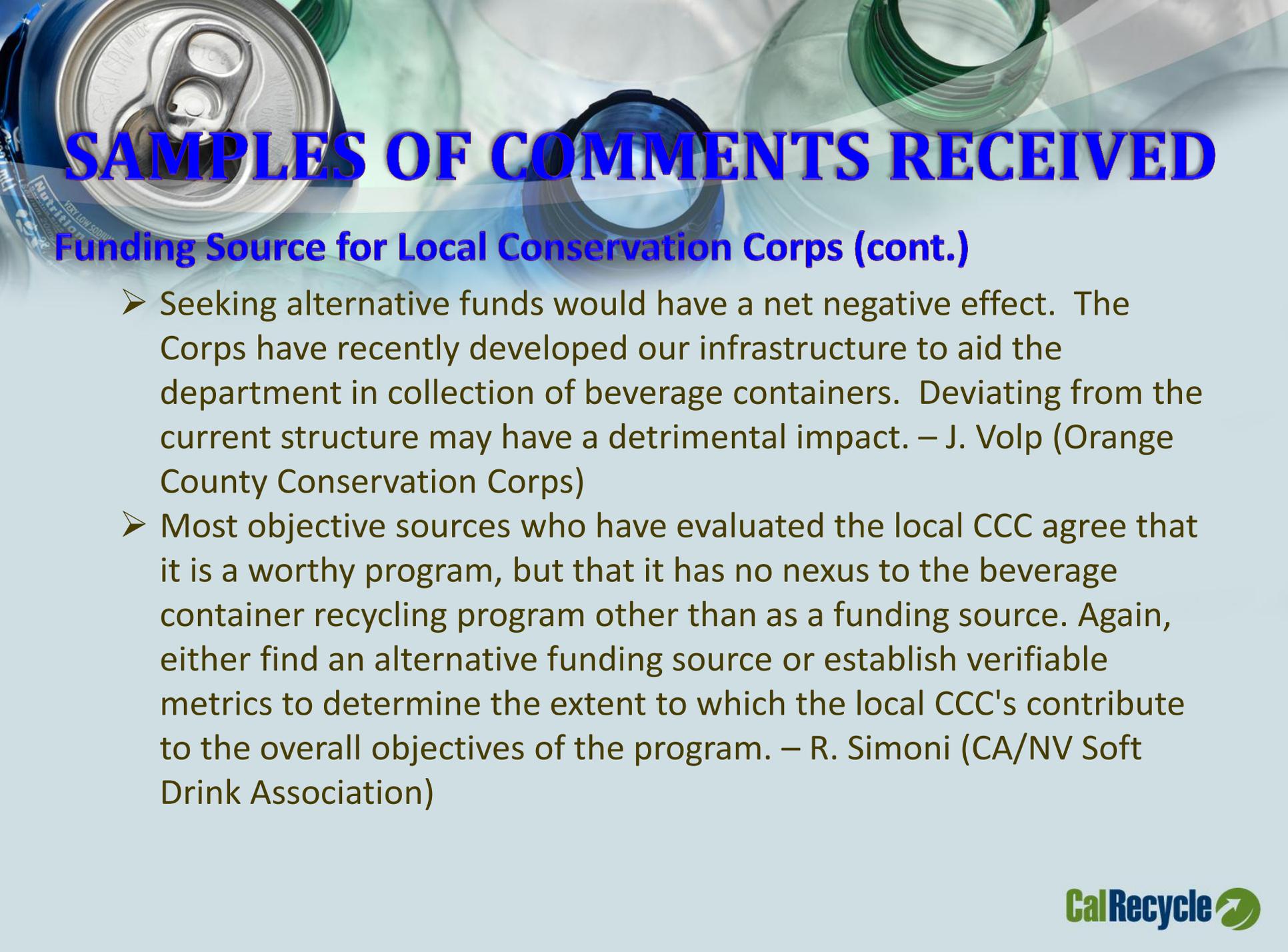
- There needs to be clarification regarding the commingled loads. Currently, what is considered a mixed load of CRV and non-CRV material is at the discretion of the recycling center. Nothing in the Codes that speaks specifically to this issue. – MB Soul (Concerned Citizen)
- Eliminate the commingled refund at Recycling Centers. This will ensure only material being redeemed is part of the CRV program. At minimum, restructure the calculation rate. Currently, the rate is not much of a deterrence for fraud. – K. Bandoni (Orange County Conservation Corps)



# SAMPLES OF COMMENTS RECEIVED

## Require Use of DORiis

- A unified system to track and report would only benefit this program. – A. Morales (San Jose Conservation Corps)
- With the technology we have today, everyone should be able to report to DORIIS. Exceptions can be made for rural recyclers that may not have internet access or when DORIIS is down for maintenance or unexpected system failure. – K. Luong (Ming's Recycling Corporation)



# SAMPLES OF COMMENTS RECEIVED

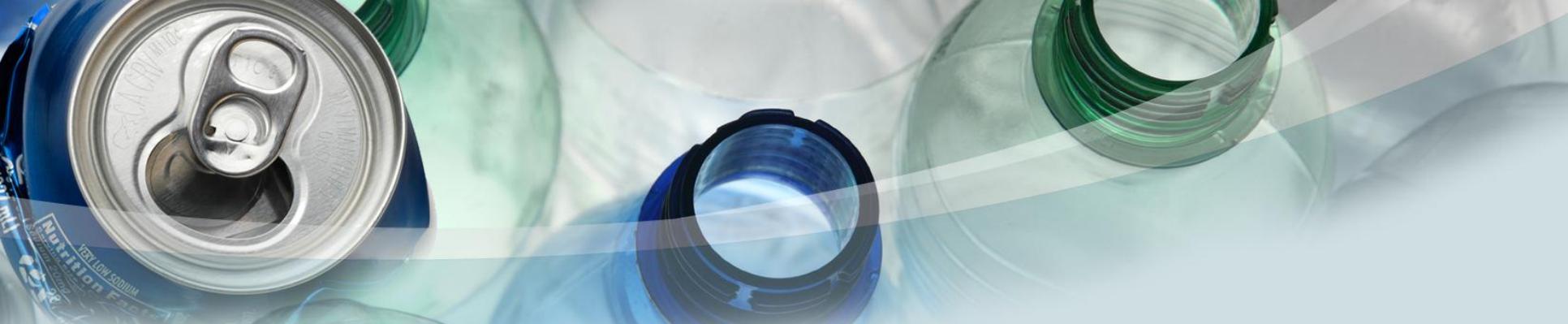
## Funding Source for Local Conservation Corps (cont.)

- Seeking alternative funds would have a net negative effect. The Corps have recently developed our infrastructure to aid the department in collection of beverage containers. Deviating from the current structure may have a detrimental impact. – J. Volp (Orange County Conservation Corps)
- Most objective sources who have evaluated the local CCC agree that it is a worthy program, but that it has no nexus to the beverage container recycling program other than as a funding source. Again, either find an alternative funding source or establish verifiable metrics to determine the extent to which the local CCC's contribute to the overall objectives of the program. – R. Simoni (CA/NV Soft Drink Association)



# JULY WORKSHOP - NEXT STEPS

- Subsequent workshops will be scheduled between now and next legislative session
- Future workshops will focus on specific issue areas / ideas identified through this workshop and via feedback received from industry



# 'FOCUS GROUP' WORKSHOPS - APPROACH

## ➤ Approach:

- CalRecycle staff will facilitate ALL focus group meetings
- Ensure meeting process and outcomes are as transparent as possible
- Ensure meeting process is inclusive and collaborative
- Encourage submission of additional program reform ideas
- Identify and educate each other about potential impacts / issues associated with program reform ideas
- Develop, document and communicate metrics and supporting data for program reform ideas



# 'FOCUS GROUP' WORKSHOPS - APPROACH

## ➤ Approach:

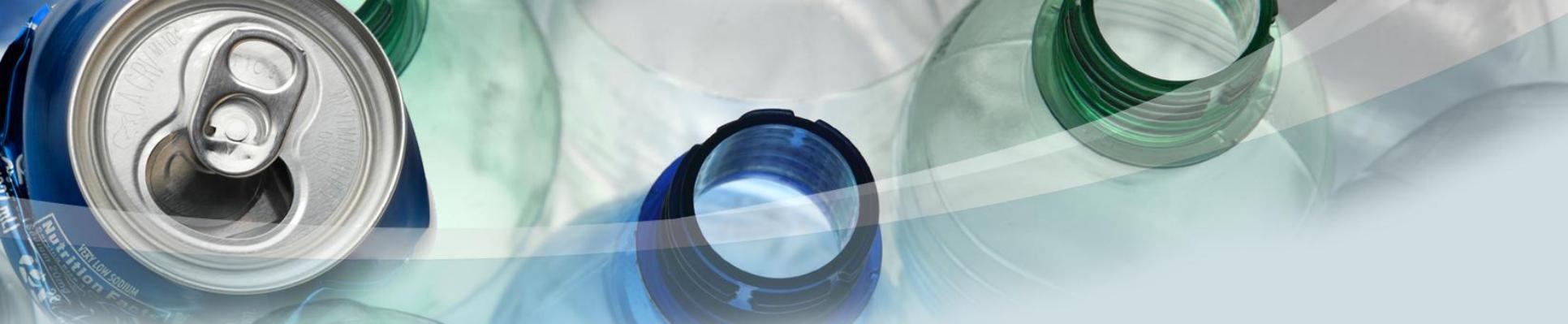
- Use standardized format(s) for capturing meeting process outcomes
- Prioritize program reform ideas in each defined topic area
- Focus limited resources on highest priority program reform idea(s) in each topic area
- Develop deliverables to support CalRecycle Executives, program participants and CA Legislative efforts to reform the BCRP



# 'FOCUS GROUP' WORKSHOPS - APPROACH

## ➤ Logistics:

- Focus group workshops will begin week of September 10 and continue weekly until week of November 20
- Dates/times for all focus group workshop schedule will be posted by COB August 30, at the latest
- If possible, schedule meetings on Tuesdays, Wednesdays or Thursdays. Monday and/or Friday meetings may be required to accommodate CalRecycle meeting room availability
- ALL focus group meetings will be held in Sacramento, but attendees will have the ability to attend via GoToMeeting



# 'FOCUS GROUP' WORKSHOPS - APPROACH

## ➤ Logistics:

- Focus group workshop sessions will be schedule in 2 to 3 hour blocks
- Focus group workshop sessions will not be scheduled concurrently



# **PROPOSED - 'FOCUS GROUP' WORKSHOPS**



# DISCUSSION AND FEEDBACK



# NEXT STEPS

## ➤ CalRecycle will:

- Finalize logistics and post program reform workshop schedule no later than COB August 30
- Finalize facilitated focus group meeting processes
- Finalize standardized format(s) for capturing meeting process outcomes, data, metrics, etc.
- Begin compiling data and metrics associated with current program reform ideas