

Calculation & Application of Commingled Rates

Why Do We Have A Commingled Rate?

- Makes it convenient for industry to purchase material from consumers and receive reimbursement for CRV.
- Makes it convenient for consumers to receive CRV because they don't have to sort / separate CRV and non-CRV containers.

Definitions

- **Commingled Rate**
 - ‘Commingled rate’ means the ratio of empty CRV beverage containers to all other non-CRV containers of the same material type.

Purpose of the Commingled Rate

- Provides for the distribution of **\$1 billion** of the CRV Fund annually to:
 - Consumers (via Recycling Centers and RVMs)
 - Curbside Programs (CSs)
 - Collection / Drop-off Programs (CPs)
 - Community Service Programs (SPs)

Commingled Rate Study (CMRS)

- CalRecycle conducts a 12-month study of 150 recycling facility sites annually.
- CalRecycle utilizes a methodology that has been examined and approved by third-party entities in the past to ensure best practices.
- Commingled rates are reviewed annually and adjusted effective January 1st each year.

Commingled Rate Issues

- No clear / legal definition of “commingled”.
- CalRecycle may be overpaying CRV funds, thereby contributing to structural deficit.
- CalRecycle understands the necessity to work with the industry to modify commingled rate survey procedures to better match current industry realities.

“Definition” Issue

- The lack of a clear / legal definition of “commingled” could cause a financial loss to the CRV Fund or the consumer:
 - 99 non-CRV containers, 1 CRV container
 - Hurts the CRV Fund
 - 1 non-CRV container, 99 CRV containers
 - Hurts the consumer

“Overpayments” Issue

- CalRecycle pays for materials that have dirt and other contaminants.
- Total negative Fund impact estimated at \$20 - \$30 million annually, which contributes to CRV Fund Structural Deficit.

Individual Commingled Rate

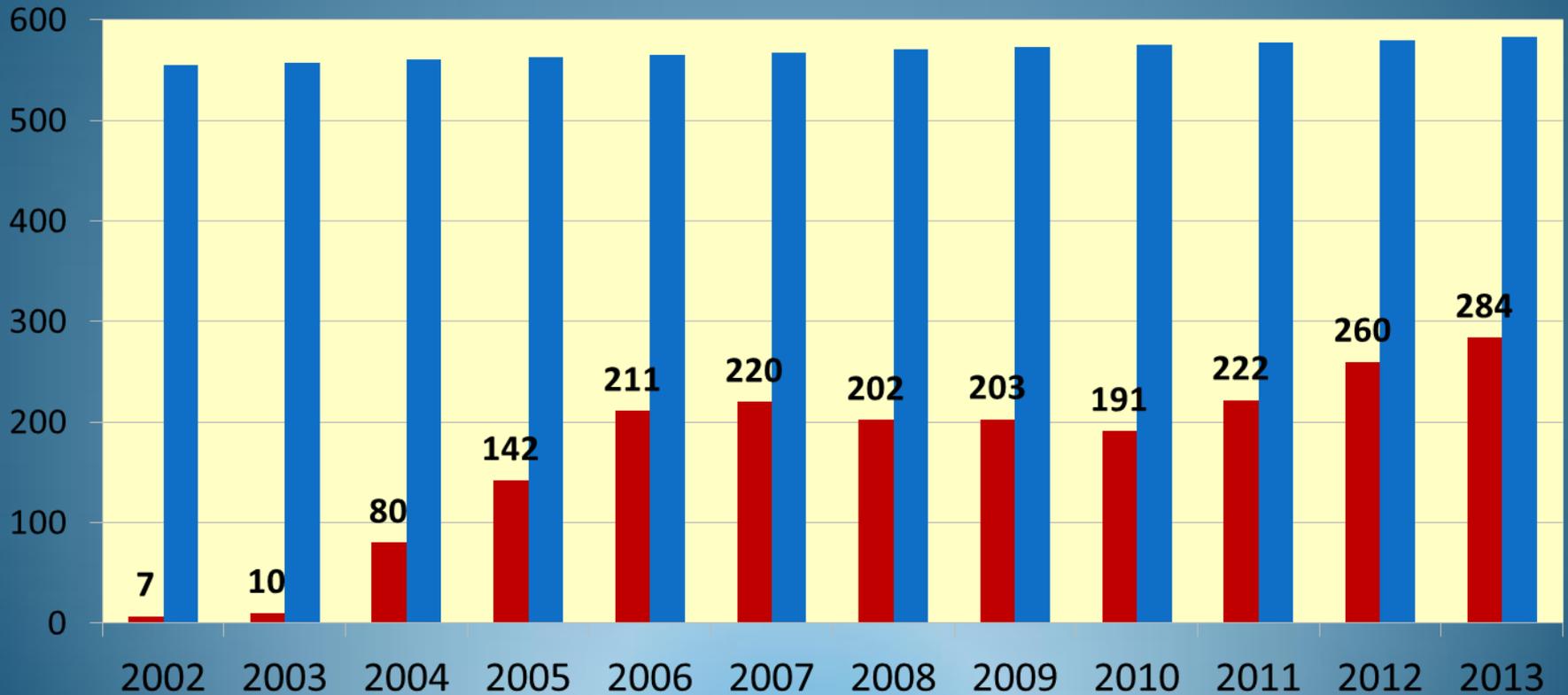
Why Do We Have Individual Rates?

- Allows for programs with a higher CRV ratio than the Statewide average to be paid more than the Statewide Rate.
 - Due to special processing of their material, or because they have sources of high-CRV material.

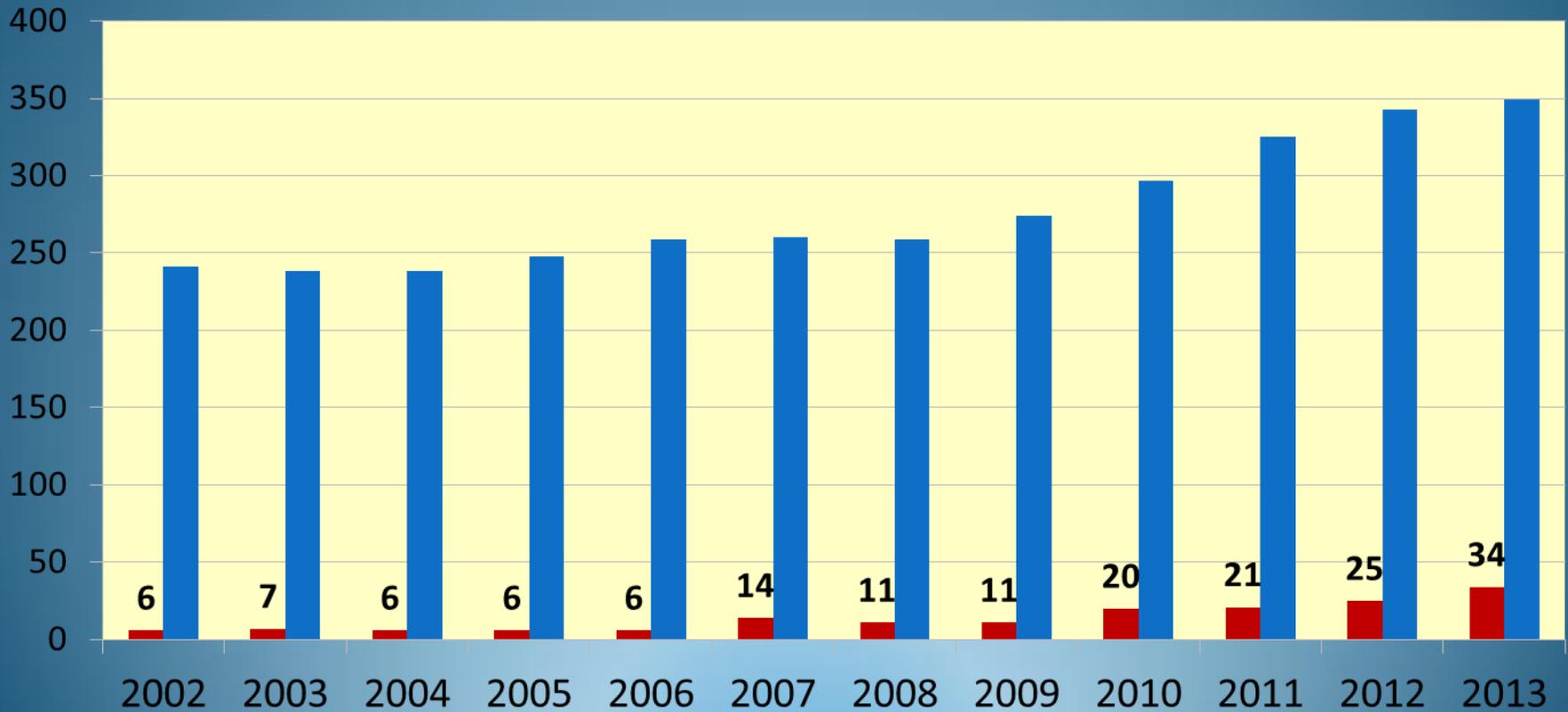
Definitions

- Individual Commingled rates apply to:
 - Curbside Programs (CSs)
 - Collection / Drop-Off Programs (CPs)
 - Community Service Programs (SPs)
- No Recycling Centers (RCs) or RVMs are included in the ICRS program.

Curbsides in ICRS Program



Collection / Drop-Off / Service Programs in ICRS



Individual Commingled Rate Study (ICRS)

- Participants are required to conduct self-surveys of their materials according to methodologies detailed in Regulations.
- Statute requires CalRecycle to conduct annual parallel audits of each program participant.
- Participant self-survey results must fall within specified statistical parameters compared with CalRecycle parallel audits to be valid.

ICRS Program Issues

- Participants can pick and choose which of their material is subject to ICRS.
- Participants can never be paid below the Statewide Rate, even if they self-survey below the Statewide Rate.

ICRS Program Issues

- CalRecycle calculates that ICRS participants will receive \$7 million more than they would have with the Statewide Rate in 2012.
- Participants self- surveys are often error prone
 - Deviate from approved survey methodology
 - Lack understanding what is CRV – vs - non-CRV
 - Don't self-survey contaminants
- CalRecycle estimates that \$2 million of the \$7 million is overpaid due to errors in self-surveys.

ICRS Program Issues

- Limited CalRecycle Staff
 - Audits only conducted 1-3 times annually
 - CalRecycle presence only 3% - 10% of the time during ICRS self-surveys
- Vulnerability to Fraud
 - Without adequate state parallel audits, results of participant surveys are often overstated.