

Beverage Container Recycling Program Reform Workshop # 4 - Comment Capture – October 3-4, 2012	
II. Modernize Program Operations	
II.C: ) C. Processing Fee & Processing Payment Structure	
II.C: 1.0 ) 1. Eliminate processing fee offset from CBCRF	
	II.C: 1.1 ) The program has been generous with beverage manufacturers by providing offsets in times of surplus; it may be time to reconsider
	II.C: 1.2 ) The current construct of processing fees/payments is inconsistent with the original (1986) intentions of the Act.
	II.C: 1.3 ) The processing fee rewards material types achieving 80% recycling rate by reducing the processing fee paid by the Beverage Manufacturers. It is there to incentivize material that is not achieving its mandated goal.
	II.C: 1.4 ) The processing fee rewards material types achieving 80% recycling rate by reducing the processing fee, but does so by creating a deficit in the fund which threatens the fund's solvency.
	II.C: 1.5 ) One option is to eliminate processing payments and go to a traditional bottle bill.
	II.C: 1.6 ) Before offsets there was a disincentive to recycle, because you only paid processing fees on containers that were recycled.
	II.C: 1.7 ) This is a producer responsibility issue; Beverage Manufacturers should be responsible for paying in \$1 of processing fees for every \$1 of processing payments to cover the cost of recycling material
	II.C: 1.8 ) Increase in processing fees could force packaging changes by Beverage Manufacturers, which would become a cost to the consumer.
	II.C: 1.9 ) The dynamic nature of the revenue stream to the Program based on different material types could cause unanticipated reduction in revenues due to changes in the mix of UBC materials.
	II.C: 1.10 ) Changes in packaging/material types due to the additional expense of processing fees could impact jobs in the State of CA associated with container manufacturing.
II.C: 2.0 ) 2. Reduce amount of the processing fee offset from CBCRF	
II.C: 2.a.0 ) a. Tie PF to minimum content	
	II.C: 2.a.1 ) Not all material types have the same attributes, technical standards for individual material types are unique. Raw stock is a national market and cannot be driven by one state. We would have state regulations that would not sync with a national market for raw stock material. This path has high technical and scientific barriers to a successful implementation.

<p>II.C: 2.a.2 ) Regulations that are out of sync with national markets have been successful in the past.</p>
<p>II.C: 2.a.3 ) Glass is a good material, has high recyclability and is the only material subject to minimum content currently. Recommend that minimum content be applied to all material types under this proposal.</p>
<p><b>II.C: 2.b.0 ) b. Tie PF offset to current recycling rate, by material type</b></p>
<p>II.C: 2.b.1 ) Variant of current methodology - limited merit for this forum</p>
<p><b>II.C: 2.c.0 ) c. Eliminate sliding scale for determining the PF rate</b></p>
<p>II.C: 2.c.1 ) Variant of current methodology - limited merit for this forum</p>
<p><b>II.C: 3.0 ) 3. Shift responsibility for paying PF to Distributors</b></p>
<p>II.C: 3.1 ) The choice of packaging materials and styles is determined by Beverage Manufacturers, not Distributors. Distributors have no influence in determining packaging material types or styles, but would bear the responsibility for the processing fee imposed.</p>
<p>II.C: 3.2 ) Distributors do not have a mechanism for recapturing a fee imposed on alcoholic beverages. Alcoholic Beverage Control rules/regulations prohibit Distributors from charging separately for fees. Also the same rules/regulations prohibit Distributors from requiring payments from dealers sooner than 30 days on alcoholic beverages.</p>
<p>II.C: 3.3 ) The Beer industry is a three tier system. The majority of Distributors are not directly connected to the Beverage Manufacturer of alcoholic beverages. Large soft drink organizations, on the other hand, tend to be vertically integrated and can be a single tier system. The soft drink industry currently is implementing this concept implicitly (vertically integrated Manufacturer/Distributor organizations report and pay processing fees via the Distributor). Existing market of recyclable material (UBC) could be approximately 65% non-alcoholic.</p>
<p>II.C: 3.4 ) But, there is a large percentage of the soft drink industry that is not vertically integrated. See II.C: 3.3 )</p>
<p><b>II.C: 4.0 ) 4. Shift responsibility for paying processing fee from Beverage Manufacturers to Dealers</b></p>
<p>II.C: 4.1 ) There are currently 1450 registered Beverage Manufacturers and approximately 30k Dealers in DORIIS. The restructuring of this process from Manufacturer to Dealer could create substantive cost and complexity if implemented. Many process barriers.</p>
<p>II.C: 4.2 ) Many unresolved technical issues would be involved in collecting processing fees on containers sold outside of dealers. (The current definition of "Dealer" excludes vending machines, lodging, and eating and drinking establishments.) The 30k Dealers is likely underestimated for all entities that could be responsible for processing payments.</p>
<p>II.C: 4.3 ) The 30k number represents Dealer sites, not operators, operators of these sites would be a smaller number.</p>
<p><b>II.C: 5.0 ) 5. Change the PF paid based upon size or weight of the container subject to PF</b></p>

**CalRecycle / Division of Recycling**  
**Beverage Container Recycling and Litter Reduction Program**  
 Program Reform - Focus Group Workshop # 4  
 Comments & New Ideas Capture

II.C: 5.1 ) This would add a layer of complexity increasing the administrative cost and complexity of collecting processing fees.
II.C: 5.2 ) If the Program is expanded to include wine and spirits, it will have substantive impacts on processing fee/payments, because of the container size and weight associated with wine and spirit products.
II.C: 5.3 ) The value of this proposal within the scope of these meetings cannot be assessed without further analysis.
II.C: 5.4 ) Beverage container packaging is dynamic and would add to the complexity (even more).
<b>II.C: 6.0 ) 6. Only pay PP for material types that have a PF paid</b>
II.C: 6.1 ) This is the current process.
II.C: 6.2 ) No comments - limited merit for this forum
<b>II.C: 7.0 ) 7. Abolish material types (e.g., PP, LDPE, PS, etc.)</b>
II.C: 7.1 ) No fiscal advantage to this idea.
II.C: 7.2 ) This proposal is counter to goals of the Program; this rewards container types that have poor recyclability.
<b>II.D: ) D. Redemption Fee Payment Structure</b>
<b>II.D: 1.0 ) 1. Shift responsibility for paying redemption payments to dealers</b>
II.D: 1.1 ) Potential benefit: recovery of CRV paid at Dealers by Consumers, but not paid into the CBCRF.
II.D: 1.2 ) Simplifies the process by which new products are added to the Program
II.D: 1.3 ) This proposal is counterproductive and should be ignored. Need cost benefit analysis to determine if there is any value to this idea. Have there been any complaints about the current system?
II.D: 1.4 ) Observations/logistics. There are sophisticated (automated sales and accounting systems) and nonsophisticated Dealers. Potentially 80% of the Dealers are sophisticated. Need a shares analysis of Dealers identifying the ratio of sophisticated to nonsophisticated Dealers. Though a smaller portion of Dealers are nonsophisticated by count, there could be more entities to pursue for nonreporting/non payment and/or underreporting/underpayment of CRV compared to the current Program. Driver of Distributors collecting CRV with transparency is Statute requiring Distributors to bill CRV as separate line item on invoices.
II.D: 1.5 ) Would Dealers be reimbursed for the cost of new reporting requirements placed upon them?
II.D: 1.6 ) Potentially Distributors are more efficient in their operations and if the responsibility is moved to Dealers it could possibly require increasing the administrative fee paid, due to the lesser efficiencies of small Dealers.

**CalRecycle / Division of Recycling**  
**Beverage Container Recycling and Litter Reduction Program**

Program Reform - Focus Group Workshop # 4  
 Comments & New Ideas Capture

<p>II.D: 1.7 ) If this is a compliance issue, won't the proposal increase the complexity of compliance activities by substantially increasing the quantity of entities that would need to be monitored or audited?</p>
<p>II.D: 1.8 ) If the proposal is implemented, it should also require processing fees be collected at the Dealer as well.</p>
<p>II.D: 1.9 ) What transaction would trigger payment of CRV into CBCRF? The sales to consumers or purchases from Distributor? What about eating and drinking establishments - would they collect and pay CRV as well?</p>
<p>II.D: 1.10 ) The definition of Dealer is in statute and might have to be modified to include any entity that sells CRV beverages to consumers that are not defined as Dealers currently, to ensure the integrity of payments.</p>
<p>II.C: 2.0 – 6.0 The work group had an active dialogue that crossed multiple ideas/topics. The capture did not strictly adhere to a single idea/topic for a portion of the meeting. Many of the comments captured applied to multiple ideas/topics. The global idea/topic for 2-6; maintain the current 5 &amp; 10 cent Refund value with a corresponding 5 &amp; 10 cent redemption value, or modify the current model? Modification considered included; change the refund and redemption values (up or down) and/or implement a variance between the refund value paid by the consumer and the redemption value received by the consumer (e.g. pay 5 cents at Dealer and receive 4 cents at the Recycling center).</p>
<p><b>II.D: 2.0 ) 2. Pay \$0.10 CRV on all beverages deemed "IN" regardless of container size</b></p>
<p><b>II.D: 3.0 ) 3. Keep Redemption Payment at \$0.05 and \$0.10, but decrease CRV paid out (less administrative fees paid).</b></p>
<p><b>II.D: 4.0 ) 4. Increase CRV to \$0.10 and \$0.25 (as an example)</b></p>
<p><b>II.D: 5.0 ) 5. Adjust \$0.10 CRV threshold from 24 oz. to 20 oz. containers</b></p>
<p><b>II.D: 6.0 ) 6. Reduce Redemption payment to \$0.02 and \$0.05 (as an example)</b></p>
<p>II.D: 2.1 ) The state of Michigan can provide a model for experience with 10 cent deposit. Michigan currently has 90% + recycling statewide with over 100% recycling at state border dealers.</p>
<p>II.D: 2.2 ) Increasing CRV to higher levels: this concept does not respond to the current structural issue. Potentially, in 2 years, the program would face reworking same structural issues with vastly larger sums of money.</p>
<p>II.D: 2.3 ) Raising CRV has the potential to decrease sales of beverages in the State by affecting the consumer</p>
<p>II.D: 2.4 ) Increasing CRV would also increase administrative fees by the set percentage of 1.5%.</p>
<p>II.D: 2.5 ) Increasing CRV, when implemented has the potential to impose a short-term lack of funds. A potential new cash flow issue.</p>

**CalRecycle / Division of Recycling**  
**Beverage Container Recycling and Litter Reduction Program**

Program Reform - Focus Group Workshop # 4

Comments & New Ideas Capture

<p>II.D: 2.6 ) The Reform Project would not be necessary if all fraud was stopped and there was zero fraud. Increasing glass to 10 cents would incentivize the importation of glass containers into CA for illegal redemption.</p>
<p>II.D: 2.7 ) Increasing CRV has the impact of increasing the quantity of unredeemed CRV which becomes available to offset structural imbalance.</p>
<p>II.D: 2.8 ) Loss of glass container sales due to increased CRV would have an impact on employment associated with glass packaging production in CA. Also reasonable to assume raising CRV on other material types causing reduced sales will impact many jobs associated with the supply chain for Beverages.</p>
<p>II.D: 2.9 ) Increases in CRV have been used as an incentive to increase redemption and recycling in the past, this was appropriate. Now that the program is meeting its goal increasing the CRV does not seem reasonable. This seems like a PR nightmare.</p>
<p>II.D: 2.10 ) Recommend changing to material-specific CRV rates paid into the Program in addition to container size. Increasing CRV paid into the Program and out increases the quantity of CRV dollars lost to fraud. Currently a truckload of aluminum (20 ton) imported into the State is worth \$60k and the same truckload of PET is worth \$40k of CRV. Increasing CRV would increase the value of these loads. Increasing CRV is wrong. Increasing CRV to offset fraud is not an appropriate use of increasing CRV paid in. Paying a differential - more CRV paid in per container than is paid out in redemption - could potentially be a tax and have legal issues.</p>
<p>II.D: 2.11 ) Public perception is that CRV is a tax due to the variance between container count payment and redemption by weight. Public will probably accept an increase in CRV rates if we are upfront about it.</p>
<p>II.D: 3.1 ) Public would accept a pay variance e.g. 5 cents paid in and 4 cents paid out, but would not accept raising the current rates to higher CRV levels.</p>
<p>II.D: 3.2 ) If the variance had to be accounted for at the point of purchase this would create new accounting requirements on potentially all Dealers and Distributors.</p>
<p>II.D: 3.3 ) The purpose of this effort was to address the deficit in the Program, this deficit is due to the success of the Program in meeting its goals. The Program has wide consumer acceptance and the cost associated with this success should be transparent for the public. The public should be made aware of the cost associated with the success. 14581 participants are challenged to maintain the 80%. The variance (difference between pay in and pay out) would be explained as necessary due to the maturity and success of the Program (high recycling rates reducing available operating funds) to continue to operate the Program and maintain the current recycling rates.</p>

**CalRecycle / Division of Recycling**  
**Beverage Container Recycling and Litter Reduction Program**  
 Program Reform - Focus Group Workshop # 4  
 Comments & New Ideas Capture

II.D: 3.4 ) Operator of buyback centers believes the public currently is invested in a nickel-in and nickel-back. This is a common issue at buyback centers with consumers arguing to make sure they get every penny back. This leads to the idea that if a variance in payments occurred it would have to be a line item at the dealer. Potentially could lead to substantial buyback center complaints.
II.D: 3.5 ) Transparency is necessary for consumer to understand it costs something to operate the Program. There needs to be a reflection of Program costs and internal and external.
II.D: 3.6 ) Consumer education campaign critical to the success/transparency
II.D: 4.1 ) Increasing the CRV rate would potentially increase the volume of material associated with fraud. This can vary based upon the size of the increase in the rate.
II.D: 4.2 ) There is a direct correlation - increasing the CRV paid increases the profit margin for fraud.
II.D: 5.1 ) Potential benefits to increasing accuracy of surveys for curbside rates.
II.D: 5.2 ) This idea has limited merit when addressing structural imbalance
II.D: 5.3 ) This would address a loss caused by comingled rates that are impacted by this cut-off point.
II.D: 6.1 ) Potential benefits of this idea include a reduction in recycling rates reducing CRV paid out for redemption. This is a disincentive to fraud by lowering the profit for fraud. The consumer would have more disposable income available to them that would have been spent on higher CRV rates. This is also a deterrent to scavenging. This could potentially limit the availability of redeemed recycled UBC material for end users and have an impact on the scrap value market possibly raising prices.
II.D: 6.2 ) The immediate impact would be a reduction in administrative fees, lowering profitability and threatening Recycling Centers providing convenient recycling opportunities. Can the administration of the Program survive on this amount?
II.D: 6.3 ) The assertion of lowering CRV and lower recycling rates impacts on scrap value market are contrary to prior experience. There may not be a correlation between lower recycling and higher scrap rates.
<b>II.D: 7.0 ) 7. Administrative &amp; Operational</b>
<b>II.D: 7.a ) a. Include all 'ready-to-drink' beverages for human consumption, except as specifically excluded in the Act (i.e., milk, medical food, and baby formula) in the program.</b>
II.D: 7.a.1 ) Move to Workshop # 7, Oct 31
<b>II.F: ) F: Administrative Fee Payment Structure</b>
<b>II.F: 1.0 ) 1. Reduce the current administrative percentages DS participants are allowed to deduct from their CRV payment</b>

II.F: 1.1 ) In the last 3 years Distributors have facilitated the cash flow of the Fund by accepting shorter reporting periods (60 – 30 days). Distributors are currently floating/gap financing the Fund by fronting CRV payments for Dealers. This is due to lag time between remitting CRV to the Department and receiving payment from Dealers. There should be consideration of increasing the administrative fee due to carrying costs and bad debt.
II.F: 1.2 ) Existing in statute and practice are administrative fees paid to private sector entities collecting revenue on behalf of the State.
II.F: 1.3 ) Hard facts are needed to determine actual costs and the admin fee should be set to define costs incurred by distributors.
<b>II.F: 2.0 ) 2. Reduce the current administrative percentage paid to all disbursement program participants</b>
II.F: 2.1 ) Currently profitability is lean. This would have a detrimental effect on the number of convenient redemption opportunities in terms of eligibility as well as payment.
II.F: 2.2 ) Do not reduce admin payment to RCs - it is critical to their survival.
<b>II.F: 3.0 ) 3. Eliminate current administrative fee paid to all disbursement program participants</b>
II.F: 3.1 ) No comment - lacks merit
<b>NEW IDEAS</b>
<b>FGW4.New: 1.0 ) 1. One option is to eliminate processing payments and go to a traditional bottle bill</b>
FGW4.New: 1.1 ) Move this to Focus Group 5
FGW4.New: 1.2 ) This would save significant Program costs. The Department would not need to perform comingled surveys, cost surveys, and scrap value surveys. And you could fund the Program with the unredeemed CRV and the majority of 14581 would go away.
FGW4.New: 1.3 ) This requires a cost benefit analysis and a comparative analysis of a traditional deposit program and AB2020.
FGW4.New: 1.4 ) conversion to a traditional bottle bill would cost Sac County \$2 million annually to their curbside operation.
<b>FGW4.New: 2.0 ) 2. Tie processing payments to the quality of the processed material</b>
FGW4.New: 2.1 ) This already happens with scrap value and is unnecessary.
FGW4.New: 2.2 ) Potential redistribution of the same money.
FGW4.New: 2.3 ) Limited merit for this forum.
FGW4.New: 2.4 ) Processing payment currently encourage poor practices producing low quality material.
<b>FGW4.New: 3.0 ) 3. Increase admin fee to distributors</b>
FGW4.New: 3.1 ) The intent is to base admin fees on actual costs as opposed to a static value.

<b>FGW4.New: 4.0 ) 4. Selective increasing of CRV for specific material type.</b>
FGW4.New: 4.1 ) The intent is to increase revenue and address the structural imbalance. Create more revenue to offset non CRV costs.
FGW4.New: 4.2 ) If the intent is to increase revenue why would there be separate rates possibly lowering revenue? Level playing field (current system 5 & 10).
FGW4.New: 4.3 ) Would have impacts on processing fees and payment calculations and would add cost and complexity.
FGW4.New: 4.4 ) The rates would be related to the recycling rate for the specific material. Management of CRV rates would be material-specific as opposed to container-specific for achieving recycling goals and increasing Program integrity. Currently aluminum's high recycling and CRV rates are a source of the Program imbalance. Could bring the whole Program down.
<b>FGW4.New: 5.0 ) 5. Add a 1.5 cent recycling fee to redemption to provide operating revenue.</b>
FGW4.New: 5.1 ) This is the Hawaii model.
FGW4.New: 5.2 ) This could also be the definition of the variance when collecting more CRV per container than is paid out in redemption.
FGW4.New: 5.3 ) This needs to be a whole number that can be managed by existing accounting systems in an effective manner that represents the actual amounts collected and paid without rounding issues. Could present substantial barriers for retailers in their software accounting and their POS transaction i.e. cash register 1/2 penny issues.
End