

March 7, 2018

# Overview of the Beverage Container Recycling Program

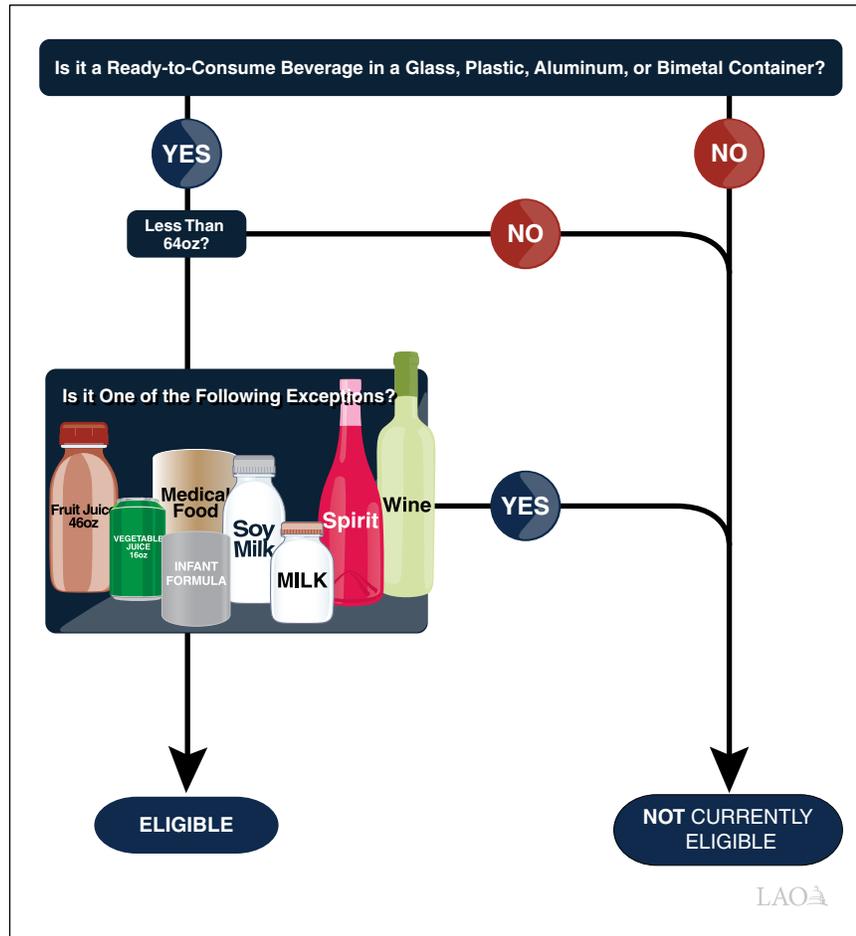
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L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented to:  
Assembly Budget Subcommittee No. 3  
On Resources and Transportation  
Hon Richard Bloom, Chair

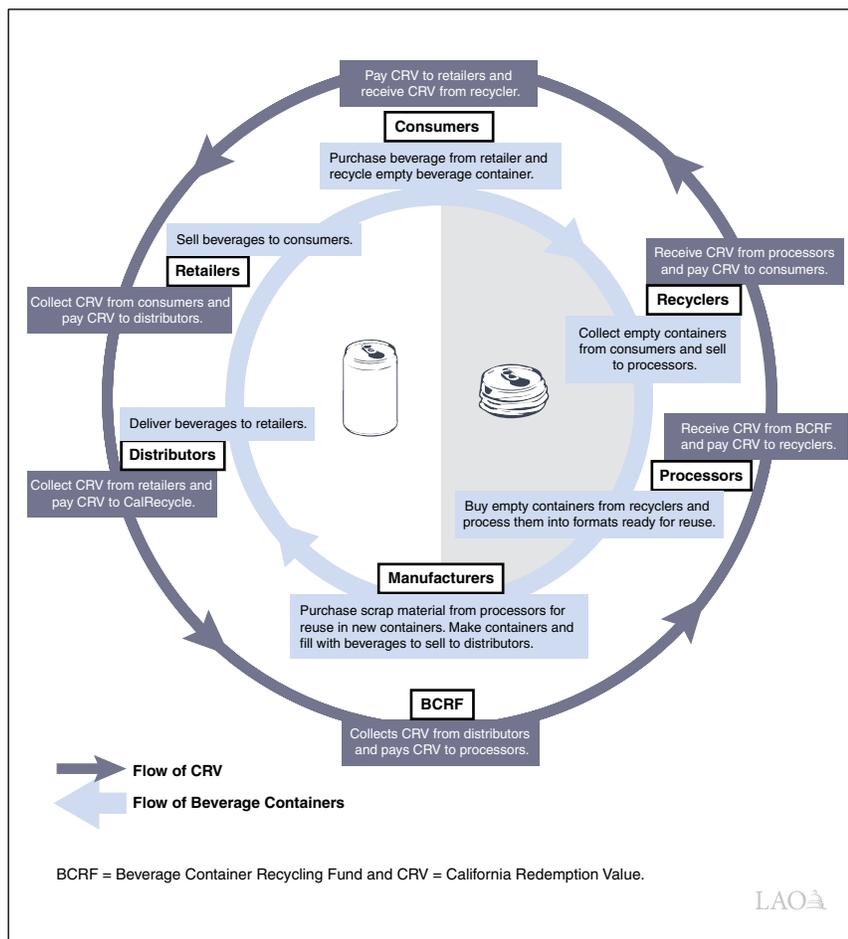


## Eligible Containers



- The Beverage Container Recycling Program (BCRP) is designed to increase recycling of certain beverage containers. Whether a particular container is part of the program depends on the material, size, and content of the container.

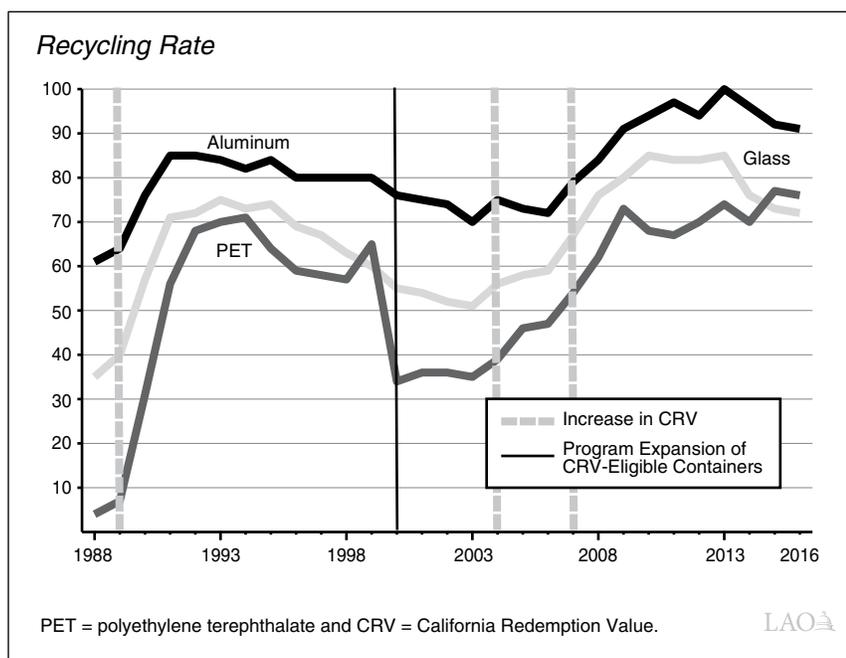
## Flow of Containers and Payments



- Consumers are incentivized to recycle by being required to pay a deposit on each eligible container—currently five cents or ten cents per container, depending on size—which they can recover if they return the container to a certified recycler.
- The BCRP involves the flow of beverage containers and payments (referred to as the California Redemption Value or CRV) among consumers, retailers, distributors, manufacturers, recyclers, processors, and the state’s Beverage Container Recycling Fund (BCRF).



## Recycling of CRV-Eligible Containers Has Increased



- Since the program was first implemented, the recycling rate of eligible containers has increased from 52 percent to about 80 percent in 2016 (the last year for which this data is available). These rates have fluctuated during that time in response to the CRV amount, program expansions, and other factors.
- Over the life of the program, the total number of containers that are recycled has tripled—to 18 billion in 2016—due to the higher recycling rate and several expansions in the types of eligible containers over the years.



## Unredeemed CRV Supports Recycling-Related Activities

<b>BCRF Expenditures</b>	
<i>(In Millions)</i>	
<b>Expenditures</b>	<b>2018-19 Projection</b>
<b>California Redemption Value</b>	<b>\$1,010</b>
<b>Supplemental Program Expenditures</b>	
Processing fee offsets	101.3
CalRecycle administration	52.3
Handling fees	49.6
Administrative fees	46.2
Curbside supplemental payments	15.0
City County Payment Program	10.5
Quality Incentive Payments	10.0
Local Conservation Corps	7.6
Public education and information	2.5
Recycling competitive grants	1.5
Subtotal	(\$296.4)
<b>Total Expenditures</b>	<b>\$1,306.76</b>
BCRF = Beverage Container Recycling Fund and CalRecycle = California Department of Resources Recycling and Recovery.	

- Most revenue into the BCRF is used to redeem customers for recycled containers. State law requires that much of the unredeemed CRV be spent on specified recycling-related programs. These supplemental programs are not directly involved in the exchange of CRV, but they are intended to help achieve programmatic goals.



## Estimated 2018-19 Surplus of \$64 Million

<b>BCRP Surplus Projected in 2018-18</b>	
<i>(In Millions)</i>	
<b>Revenues</b>	
Total CRV paid by consumers	\$1,355
Processing fees paid by manufacturers	16
Subtotal	(\$1,371)
<b>Expenditures</b>	
Total CRV paid out on redeemed containers	\$1,010
Supplemental program expenditures <sup>a</sup>	296
Subtotal	(\$1,307)
<b>Annual Surplus</b>	<b>\$64</b>
<b>Projected Ending Fund Balance</b>	<b>\$401</b>
<sup>a</sup> Includes processing payments and other spending. BCRP = Beverage Container Recycling Fund and CRV = California Redemption Value.	

- The California Department of Resources Recycling and Recovery's (CalRecycle's) most recent quarterly report and budget data project a surplus of \$64 million in 2018-19. (This total includes projected processing fees paid by manufacturers into BCRF subaccounts.)
- This is largely a result of a projection of lower recycling rates, which increase the amount of unredeemed CRV.



## Recycling Center Closures

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- As of January 2018, about 1,600 recycling centers were registered with CalRecycle to redeem CRV containers—976 fewer than the number of centers in 2013—a decline of nearly 40 percent.
- Closures were largely a result of (1) reduced recycler revenues due to declining scrap values for processed materials, (2) increased operating costs, and (3) BCRF payment formulas that did not keep pace with rapid market changes. Small, rural recyclers were particularly affected, likely due to their higher per-container recycling costs.
- The closure of so many recycling centers is problematic for multiple reasons:
  - **Reduces Consumer Convenience.** Some consumers have to travel farther to return their containers and have their deposit returned. Moreover, some recyclers have reported that consumers have had to wait in longer lines due to more consumers going to the remaining centers.
  - **Increases Retailer Costs.** When an area near a supermarket does not have a recycler, the retailer generally is required to either accept containers themselves or pay a fee of \$100 per day to the state.
  - **Fewer Containers Recycled.** The state's overall recycling rate of containers is projected to decline from 85 percent in 2013 (the year prior to many of the closures) to roughly 80 percent in 2018. This decline is likely to be at least in part due to the recycler closures, as well as other factors.

- The state has enacted two changes to help address recycling center closures: (1) Chapter 648 of 2017 (SB 458, Wiener) authorized mobile recycling center pilot programs across the state, which are intended to improve consumer access to redeem CRV containers and (2) emergency regulations authorized CalRecycle to adjust some BCRF payments for calendar year 2018 in order to account for higher operating costs in rural areas and known future cost increases, such as minimum wage adjustments.