

TERU Focus Report - Auditor's Office Rips CalRecycle

Beverage Container Recycling Program Logs Repeated \$100MM Annual Deficit

November 8, 2014 -- Michael Theroux

Introduction

What's wrong with this picture? The Beverage Container Recycling Program administered by the California Department of Resources Recycling and Recovery, affectionately known as CalRecycle, just went through the State Auditor's own Shredder. California's [Bottle Bill](#) was enacted in 1986. Lately, CalRecycle has been claiming 85% Recycling of cans and bottles supposedly sold in-state as mandated by law, while doling out \$100 million per year more than it collected in three of the last four fiscal years.

Beverage containers to be sold in California bear a California Redemption Value (CRV) symbol, and distributors who do sell in the Golden State pay a fee to do so. The CRV fee is tacked onto the price of each container at the store that the buyer pays. Yet cans and bottles are also sold in other states where those fees are not cycled back to California. Folks collect those out-of-state cans and bottles and truck 'em back across state lines to collect a hefty per-container fee without putting any money into the system, a \$100 million deficit per year.

The Auditor's Office has offered recommendations to both the Legislature and to CalRecycle. Beef up the laws to increase revenues, and reduce program administrative costs. Catch up with the data already collected for a real picture of the scale of the fraud, go after the offenders, and enforce the penalties. Extend beyond CalRecycle's current Cal Food and Ag collaboration toward broader Board of Equalization engagement to shift the payment burden from the Public and the Distributor back to the Consumer by implementing a much larger point-of-sale charge.

Just the Facts

The CalRecycle program-audit [Report 2014-110](#) released November 6, 2014 is subtitled, "Beverage Container Recycling Program Continues to Face Deficits and Requires Changes to Become Financially Sustainable". The state has graciously provided both a one-page Executive [Summary](#) and a separate one-page [Fact Sheet](#), perhaps because they recognize few will slog through the entire 65-page in-depth report:

- In the last four fiscal years, the beverage program has been operating with an annual deficit in which the revenue generated was insufficient to cover expenditures.
- The beverage program's collective gap between revenues and expenditures across all five program funds has exceeded \$100 million over three of the last four fiscal years.
- There are viable options available that CalRecycle and the Legislature may want to consider for enhancing revenue and reducing expenditures to the beverage program.
- CalRecycle needs to better respond to the fraud risk presented by the importation of out-of-state beverage containers for recycling refund payments.
- CalRecycle is unable to demonstrate that it is focusing its limited resources in the areas of highest risk to ensure the greatest financial return to the beverage program.

In Context

The audit does just what it set out to do, myopically cutting out and judging one in-trouble program from the surrounding herd of CalRecycle's in-trouble Resources Recycling and Recovery efforts. Consider AB 341, the state's mandatory Commercial Recycling bill, impacting about a half million businesses and multi-family residences, and setting a goal of 75% total recycling to be achieved by 2020. Recycling "beverage containers" would seem to be a natural element of recycling everything else in the state, yet a quick search of the Auditor's Report finds not one mention of AB 341.

The agency's website indicates the state's waste characterization understanding is based on its [2008 waste characterization](#). Much has changed in the past 6 years, yet it was upon this basis that AB 341 was

designed and is now being implemented. In the 2008 state assessment, glass, metal, and plastic counted for just over 15% of the total 40 million tons of overall disposal, or about 6 million tons. Beverage containers logically will only account for a fraction of *that* tonnage. California's beverage container recycling rate is presently claimed as 84%, but there is no direct correlation provided or even assumed between landfill disposal and Bottle Bill program recovery.

CalRecycle is currently engaged in the expansive 2014 Waste Characterization Study, noted as the largest study the agency has ever undertaken. If indeed the data management from just the Bottle Bill fraction of Recycling has proven far too much, how will this incoming state-wide detail ever be accurately collected and organized, much less analyzed?

Parting Shots

Silos of Law inevitably create overlapping and usually conflicting regulations. Finding a realistic, economical fix for the Broken Bottle Bill within the auspices of CalRecycle's mis-administration without thoroughly checking for fit with AB 341 is unlikely.

High-grading the easily-sorted cans and bottles from the Tsunami of Trash has for years been taking more away from California than the entrenched Recycling Industry puts back. Perhaps the problem is not one of trucks crossing our borders loaded with illicit beverage containers. Rather, the *process* is broken and the entire concept of what constitutes Recycling needs to be scrapped and rebuilt. Remember our mantra: Everything is Recyclable, with the Right Tools.

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