

# Quarterly Report on the Status of the Beverage Container Recycling Fund

(FY 2018-19 – Second Quarter)

September 30, 2019



California Department of Resources Recycling and Recovery

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# Executive Summary

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Consistent with statutory requirements and the Department of Resources Recycling and Recovery's (CalRecycle) commitment to transparency, CalRecycle presents the Beverage Container Recycling Fund (Fund) Quarterly Status Report (Quarterly Report). The Quarterly Report reviews the Fund's adequacy to make Beverage Container Recycling Program (BCRP) payments. The Fund is the BCRP's primary financial account and is the depository of California Refund Value (CRV).

This edition reports on the second quarter (Q2) for Fiscal Year (FY) 2018-19 (October through December 2018) and reflects:

- A fund condition statement, including revenues, transfers, and expenditures.
- Assessments of the Fund's structural deficit and/or surplus and ability to make BCRP payments.
- Recycling rates inferred from revenues.
- Significant changes between current and previous projections and the methodology used for forecasting.
- Projected sales, returns, handling fee and processing payments, and grants awarded.

Current trends affecting the BCRP include increased sales of CRV beverage containers and stable returns, resulting in a shift from a structural deficit to a structural surplus.

In brief, this Quarterly Report projects a \$10.2 million structural deficit for FY 2018-19. This is a \$16.7 million change in the Fund status from the previous projection of a \$26.9 million structural deficit for the same period reflected in the [FY 2018-19 First Quarter Quarterly Report \(Q1\)](#).

For FY 2019-20, the projected trend is for CRV-in to increase at a greater rate than CRV-out, resulting in a \$17.9 million projected surplus. For FY 2020-21, sales of beverage containers are projected to further increase over CRV-out, resulting in a \$41.7 million projected surplus.

Further details on the factors attributable to structural deficits and surpluses can be found in Section II. Included in those factors are CRV-in and CRV-out. Currently, a 1 percent increase or decrease in CRV-in would result in a corresponding change to the Fund balance of approximately \$13.7 million. Alternatively, a 1 percent increase or decrease in CRV-out would result in a corresponding change in the Fund balance of approximately \$10.9 million.

CalRecycle projects the overall recycling rate inferred from CRV-in and CRV-out (excluding administrative fees) to be 76.9 percent for FY 2018-19.<sup>1</sup> This projection is a 0.9 percent decrease from the Q1 projection.

Given the recent trends, CalRecycle projects that the Fund should have adequate cash resources to support payments through FY 2020-21.

The numbers contained in this report are based on actual data through December 2018 and projections as of January 2019. As such, the impact of the of the August 2019 recycling centers closures are not reflected in this Quarterly Report. The recycling center closures may impact future reports and will be reflected accordingly. In June 2019, the Governor's Budget appropriated \$5 million dollars from the Penalty Account to provide temporary assistance to low-volume recyclers for FY 19-20<sup>2</sup>. This is reflected in the Penalty Account Fund Condition Statement in Table 13 in Appendix I.

CalRecycle welcomes your feedback. Please send questions and comments to [opa@calrecycle.ca.gov](mailto:opa@calrecycle.ca.gov) or contact the Office of Public Affairs at (916) 341-6300.

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<sup>1</sup> Quarterly Reports discuss the Fund's financial status. For recycling rates based on container counts and the numbers of pounds of material redeemed, please consult CalRecycle's [Biannual Reports](#).

<sup>2</sup> AB 74 Budget Act of 2019:  
[http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201920200AB74](http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB74)

# I. Fund Condition Statement

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Pursuant to Public Resources Code (PRC) Section 14556(a)(1), this section provides an updated fund condition statement,<sup>3</sup> which includes revenues, transfers, and expenditures into and out of the Fund. The primary revenues and expenditures from the Fund, the BCRP's primary financial account, are CRV-in (paid by beverage distributors when selling beverages within the state) and CRV-out (refunds paid for the collection of beverage containers).

The fund condition statements in this report include accrued revenues (i.e., revenues recognized before cash is received) and accrued expenses (i.e., expenses recognized before cash is paid out) at the end of each fiscal year.

Table 1 shows the fund condition statement for FY 2017-18 and projections for FY 2018-19 and FY 2019-20. For more information on fund condition statements for the processing fee and penalty accounts, see Appendix I.

Table 2 presents more detailed information regarding the status of Q2. CalRecycle collects and pays expenditures in arrears and practices the accrual method of accounting. As such, receipt and expenditure activities in the first two months of the new fiscal year (i.e., within Q1) are low because these transactions are generally applicable to the previous fiscal year. Accordingly, Q4 activity is high because the period includes projected (or assumed) expenditures and accruals. In other words, projections show transactions CalRecycle expects to be processed before June 30 and transactions CalRecycle expects to be realized after June 30.

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<sup>3</sup> The updated fund condition statement may differ from the Governor's Budget fund condition statement. See Appendix I for an explanation of differences between the Governor's Budget and BCRF Quarterly Reports.

Table 1: Beverage Container Recycling Fund 0133 – Fund Condition Statement FY 2017-18 & Projections for FY 2018-19, FY 2019-20

	2019-20 GOVERNOR'S BUDGET			Updated - Forecasted Values		
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2017-18	FY 2018-19	FY 2019-20
<b>BEGINNING BALANCE</b>	<b>\$275,401,000</b>	<b>\$297,528,000</b>	<b>\$307,634,000</b>	<b>\$275,401,000</b>	<b>\$297,528,000</b>	<b>\$289,740,000</b>
Prior Year Adjustments	\$995,000			\$995,000		
<b>Balance, Adjusted</b>	<b>\$276,396,000</b>	<b>\$297,528,000</b>	<b>\$307,634,000</b>	<b>\$276,396,000</b>	<b>\$297,528,000</b>	<b>\$289,740,000</b>
<b>REVENUES AND TRANSFERS</b>						
Revenues:						
4120000 Beverage Container Redemption Fees	\$1,342,961,000	\$1,356,538,000	\$1,374,396,000	\$1,342,961,000	\$1,368,322,000	\$1,397,805,000
4140000 Sales of Documents	\$3,000	\$0	\$0	\$3,000	\$0	\$0
4163000 Income from surplus money investments	\$1,991,000	\$1,991,000	\$1,991,000	\$1,991,000	\$1,991,000	\$1,991,000 *
4171400 Escheat of unclaimed checks & warrants	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000	\$32,000
4172500 Miscellaneous Revenue (option B)	\$3,229,000	\$3,229,000	\$3,229,000	\$3,229,000	\$3,229,000	\$3,229,000
4173500 Settlements/Judgements	\$6,000	\$82,000	\$82,000	\$6,000	\$82,000	\$82,000
4173000 Penalty Assessment	\$61,000	\$61,000	\$61,000	\$61,000	\$61,000	\$61,000
4171200 Court Filing Fees	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Revenues</b>	<b>\$1,348,283,000</b>	<b>\$1,361,933,000</b>	<b>\$1,379,791,000</b>	<b>\$1,348,283,000</b>	<b>\$1,373,717,000</b>	<b>\$1,403,200,000</b>
Transfers From Other Funds:						
<b>Total Transfers From</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Transfers to Other Funds:						
TO0269 To Glass Processing Fee Account (Glass) (0269), PRC 14581 (a)(5)(A)	-\$55,789,000	-\$57,445,000	-\$54,886,000	-\$55,789,000	-\$58,838,000	-\$57,880,000
TO0278 To PET Processing Fee Account (PET) (0278), PRC 14581 (a)(5)(A)	-\$44,192,000	-\$41,500,000	-\$37,674,000	-\$44,192,000	-\$50,534,000	-\$52,657,000
TO0269 To Glass (0269), 3 Yr Reconciliation Payback	-\$7,392,000	-\$7,392,000	\$0	-\$7,392,000	-\$7,392,000	\$0
TO0278 To PET (0278), 3 Yr Reconciliation Payback	-\$3,256,000	-\$3,256,000	\$0	-\$3,256,000	-\$3,256,000	\$0
<b>Total Transfers To</b>	<b>-\$110,629,000</b>	<b>-\$109,593,000</b>	<b>-\$92,560,000</b>	<b>-\$110,629,000</b>	<b>-\$120,020,000</b>	<b>-\$110,537,000</b>
<b>Totals, Revenues and Transfers</b>	<b>\$1,237,654,000</b>	<b>\$1,252,340,000</b>	<b>\$1,287,231,000</b>	<b>\$1,237,654,000</b>	<b>\$1,253,697,000</b>	<b>\$1,292,663,000</b>
<b>Total Resources</b>	<b>\$1,514,050,000</b>	<b>\$1,549,868,000</b>	<b>\$1,594,865,000</b>	<b>\$1,514,050,000</b>	<b>\$1,551,225,000</b>	<b>\$1,582,403,000</b>
<b>EXPENDITURES</b>						
Disbursements:						
<b>0555 Secretary for Environmental Protection</b>	\$0	\$375,000	\$375,000	\$0	\$375,000	\$375,000
<b>8880 Financial Information System for CA (F\$Cal)</b>	\$63,000	\$6,000	-\$139,000	\$63,000	\$6,000	-\$139,000
<b>9900 Statewide General Administrative Expenditures (Pro Rata)</b>	\$283,000	\$2,109,000	\$2,408,000	\$283,000	\$2,109,000	\$2,408,000
<b>9892 Supplemental Pension Payments</b>	\$0	\$490,000	\$1,095,000	\$0	\$490,000	\$1,095,000
<b>3970 CalRecycle</b>						
<b>State Operations</b>						
(3970-001-0133) Departmental Support	\$44,749,000	\$57,405,000	\$55,589,000	\$44,749,000	\$57,405,000	\$55,589,000
<b>Local Assistance</b>						
(3970-601-0133) Handling Fees, PRC 14581 (a)(1)	\$50,548,000	\$44,446,000	\$45,802,000	\$50,548,000	\$43,943,000	\$45,016,000
(3970-603-0133) CRV Out, PRC 14580	\$1,073,509,000	\$1,075,090,000	\$1,070,782,000	\$1,073,509,000	\$1,094,844,000	\$1,108,312,000
(3970-604-0133) Curbside, PRC 14581 (a)(2)	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
(3970-605-0133) Plastic Mkt Development, PRC 14581 (a)(8)(A)	\$4,981,000	\$15,000,000	\$10,000,000	\$4,981,000	\$15,000,000	\$10,000,000
(3970-606-0133) Grants - Local CCCs, PRC 14581.1	\$7,142,000	\$7,813,000	\$8,475,000	\$7,142,000	\$7,813,000	\$8,475,000
(3970-608-0133) Prmts to Cities and Counties, PRC 14581 (a)(3)(A)	\$8,926,000	\$10,500,000	\$10,500,000	\$8,926,000	\$10,500,000	\$10,500,000
(3970-609-0133) Grants - other, PRC 14581 (a)(4)	\$1,412,000	\$1,500,000	\$1,500,000	\$1,412,000	\$1,500,000	\$1,500,000
(3970-610-0133) Public Education, PRC 14581 (a)(6)	\$0	\$2,500,000	\$5,000,000	\$0	\$2,500,000	\$5,000,000
(3970-611-0133) Quality Incentive Payment PRC 14581 (a)(7)	\$9,909,000	\$10,000,000	\$10,000,000	\$9,909,000	\$10,000,000	\$10,000,000
<b>Total Expenditures</b>	<b>\$1,216,522,000</b>	<b>\$1,242,234,000</b>	<b>\$1,236,387,000</b>	<b>\$1,216,522,000</b>	<b>\$1,261,485,000</b>	<b>\$1,273,131,000</b>
<b>FUND BALANCE</b>	<b>\$297,528,000</b>	<b>\$307,634,000</b>	<b>\$358,478,000</b>	<b>\$297,528,000</b>	<b>\$289,740,000</b>	<b>\$309,272,000</b>

\* Surplus Money Investment Fund projections are adjusted to match PY actuals to give a more accurate calculation.

Table 2: FY 2018-19 Fund Condition Breakout by Quarter

<b>CA BEVERAGE CONTAINER RECYCLING FUND (0133)</b>		<b>Actual Expenditures for FY 2018-19</b>				
<b>FY 2018-19 ACTIVITY REPORT</b>		<b>Q1 (July-Sept)</b>	<b>Q2 (Oct-Dec)</b>	<b>Q3 (Jan-Mar)</b>	<b>Q4 (Apr-June)</b>	<b>Total</b>
		<b>(Actuals)</b>	<b>(Actuals)</b>	<b>(Projections)</b>	<b>(Projections)</b>	
<b>REVENUES AND TRANSFERS</b>						
Revenues:						
4120000	Beverage Container Redemption Fees	\$178,362,376	\$343,008,411	\$417,583,607	\$417,583,607	\$1,356,538,000
4140000	Sales of Documents	\$0	\$0	\$0	\$0	\$0
4143500	Miscellaneous Services to the Public	\$275	\$15	-\$145	-\$145	\$0
4163000	Income from surplus money investments	\$0	\$1,036,706	\$477,147	\$477,147	\$1,991,000
4171400	Escheat of unclaimed checks & warrants	\$60,219	-\$39,511	\$5,646	\$5,646	\$32,000
4172500	Miscellaneous Revenue <sup>2</sup>	\$313,010	\$671,701	\$1,122,145	\$1,122,145	\$3,229,000
4173500	Settlements/Judgements	\$0	\$0	\$41,000	\$41,000	\$82,000
4173000	Penalty Assessment	\$11,256	\$18,989	\$15,378	\$15,378	\$61,000
<b>Total Revenues</b>		<b>\$178,747,136</b>	<b>\$344,696,310</b>	<b>\$419,244,777</b>	<b>\$419,244,777</b>	<b>\$1,361,933,000</b>
Transfers From Other Funds:		\$0	\$0	\$0	\$0	\$0
<b>Total Transfers From</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Transfers to Other Funds:						
TO0269	To Glass Processing Fee Account (Glass) (0269), PRC 14581 (a)(5)(A) <sup>3</sup>	-\$16,848,805	-\$14,191,340	-\$16,898,428	-\$16,898,428	-\$64,837,000
TO0278	To PET Processing Fee Account (PET) (0278), PRC 14581 (a)(5)(A) <sup>3</sup>	-\$12,145,644	-\$12,662,342	-\$9,974,007	-\$9,974,007	-\$44,756,000
<b>Total Transfers To</b>		<b>-\$28,994,449</b>	<b>-\$26,853,682</b>	<b>-\$26,872,435</b>	<b>-\$26,872,435</b>	<b>-\$109,593,000</b>
<b>Totals, Revenues and Transfers</b>		<b>\$149,752,687</b>	<b>\$317,842,628</b>	<b>\$392,372,342</b>	<b>\$392,372,342</b>	<b>\$1,252,340,000</b>
<b>EXPENDITURES</b>						
Disbursements:						
<b>3970 CalRecycle</b>						
<b>State Operations</b>		<b>\$18,753,458</b>	<b>\$5,915,867</b>	<b>\$16,367,838</b>	<b>\$16,367,838</b>	<b>\$57,405,000</b>
(3970-001-0133) Departmental Support		\$18,753,458	\$5,915,867	\$16,367,838	\$16,367,838	\$57,405,000
<b>Local Assistance</b>		<b>\$257,553,000</b>	<b>\$287,227,000</b>	<b>\$318,534,500</b>	<b>\$318,534,500</b>	<b>\$1,181,849,000</b>
(3970-603-0133) CRV Out, PRC 14580		\$253,519,897	\$268,213,365	\$276,678,369	\$276,678,369	\$1,075,090,000
(3970-601-0133) Handling Fees, PRC 14581 (a)(1)		\$4,032,748	\$11,946,018	\$14,233,617	\$14,233,617	\$44,446,000
(3970-606-0133) Grants - Local CCCs, PRC 14581.1		\$0	\$2,292,813	\$2,760,093	\$2,760,093	\$7,813,000
(3970-609-0133) Grants - other, PRC 14581 (a)(4)		\$0	\$0	\$750,000	\$750,000	\$1,500,000
(3970-604-0133) Curbside, PRC 14581 (a)(2)		\$0	\$0	\$7,500,000	\$7,500,000	\$15,000,000
(3970-608-0133) Pmts to Cities and Counties, PRC 14581 (a)(3)(A)		\$0	-\$225,449	\$5,362,725	\$5,362,725	\$10,500,000
(3970-610-0133) Public Education PRC 14581 (a)(6)		\$0	\$0	\$1,250,000	\$1,250,000	\$2,500,000
(3970-605-0133) Plastic Mkt Development, PRC 14581 (a)(8)(A)		\$0	\$4,999,863	\$5,000,069	\$5,000,069	\$15,000,000
(3970-611-0133) Quality Incentive Payment PRC 14581 (a)(7)		\$0	\$0	\$5,000,000	\$5,000,000	\$10,000,000
<b>Total Expenditures</b>		<b>\$276,306,458</b>	<b>\$293,142,867</b>	<b>\$334,902,338</b>	<b>\$334,902,338</b>	<b>\$1,239,254,000</b>

Notes: Final values for continuous appropriations in the Governor's Budget will not tie out to the quarter breakout because they include activity from previous fiscal years, while this quarter breakout is specifically for FY 2018/19.

<sup>1</sup> Numbers are rounded to be displayed the same as Governor's Budget

<sup>2</sup> Includes Option B Payments

<sup>3</sup> Includes 3 yr. Reconciliation

## II. Adequate Funds Determination

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In accordance with PRC Section 14556(c), this section explains whether there are adequate funds to make all BCRP payments. If there are insufficient funds, CalRecycle shall proportionally reduce specified payments to ensure it is able to provide consumers their CRV refunds and to continue to operate the BCRP.<sup>4</sup>

### **Structural Deficit and Surplus**

BCRP operations are funded by unclaimed CRV. As the recycling rate increases, less funding is available to make all of the budgeted payments prescribed in statute, including CRV-out, BCRP administration, local conservation corps grants, and payments and transfers outlined in PRC Section 14581. A structural deficit occurs when expenditures exceed revenues in the same period. Alternatively, as expenditures decrease (due to a reduction of CRV-out) and revenues increase (due to an increase of CRV-in) the deficit will shrink and lead to a structural surplus.

As outlined in Table 3, CalRecycle projects a structural deficit of \$10.2 million for FY 2018-19 due to changes in revenue and expenditures. Previous projections for the same period projected a structural deficit of \$26.9; a \$16.7 million change from previous projections from Q1. This is due, primarily, to a \$17.8 million increase in revenue from CRV-in and a \$2.2 million increase in CRV-out.

In FY 2019-20, CalRecycle forecasts that sales of beverage containers will continue to increase, resulting in a shift from a structural deficit to a structural surplus of \$17.9 million. Previous projections for the same period projected a structural deficit of \$10.4 million; a \$28.2 million change from Q1. This is attributable primarily to a projected \$33.7 million increase in CRV-in and a \$6.6 million increase in CRV-out. Other factors contributing to the structural surplus include the completion of the three year reconciliation transfers to the Processing Fee Accounts that began in FY 2016-17 and will conclude in FY 2018-19.

For FY 2020-21, CalRecycle projects that CRV-in will increase at a greater rate than CRV-out resulting in a \$41.7 million structural surplus.

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<sup>4</sup> PRC Section 14581(c).



Table 3: CA Beverage Container Recycling Fund (0133) Structural Deficit and Surplus

<u>Base Revenue/Expenditures</u>	FY 2018/19	FY 2019/20	FY 2020/21
(Source 4120000) CRV-In	\$1,368,322,000	\$1,397,805,000	\$1,426,456,000
(3970-603-0133) CRV-Out	-\$1,094,844,000	-\$1,108,312,000	-\$1,112,280,000
(3970-001-0133) Program Administration	-\$57,405,000	-\$55,589,000	-\$55,589,000
(3970-606-0133) Grants - Local CCCs	-\$7,813,000	-\$8,475,000	-\$8,475,000
<b>Total Available for 14581 Programs</b>	<b>\$208,260,000</b>	<b>\$225,429,000</b>	<b>\$250,112,000</b>
<u>14581 Programs</u>			
(3970-615-0133) Proc Fee Offset - Glass	-\$58,838,000	-\$57,880,000	-\$57,830,000
(3970-615-0133) Proc Fee Offset - Glass 3yr Reconciliation			
Payback	-\$7,392,000	\$0	\$0
(3970-616-0133) Proc Fee Offset - PET	-\$50,534,000	-\$52,657,000	-\$52,612,000
(3970-616-0133) Proc Fee Offset - PET 3yr Reconciliation Payback	-\$3,256,000	\$0	\$0
(3970-601-0133) Handling Fees	-\$43,943,000	-\$45,016,000	-\$45,940,000
(3970-604-0133) Curbside	-\$15,000,000	-\$15,000,000	-\$15,000,000
(3970-605-0133) Plastic Mkt Development	-\$15,000,000	-\$10,000,000	-\$10,000,000
(3970-608-0133) Payments to Cities and Counties	-\$10,500,000	-\$10,500,000	-\$10,500,000
(3970-609-0133) Grants - NPO	-\$1,500,000	-\$1,500,000	-\$1,500,000
(3970-610-0133) Public Education	-\$2,500,000	-\$5,000,000	-\$5,000,000
(3970-611-0133) Quality Incentive Payment	-\$10,000,000	-\$10,000,000	-\$10,000,000
<b>Total 14581 Programs</b>	<b>-\$218,463,000</b>	<b>-\$207,553,000</b>	<b>-\$208,382,000</b>
<b>Total Structural Deficit / Surplus</b>	<b>-\$10,203,000</b>	<b>\$17,876,000</b>	<b>\$41,730,000</b>

Given the impact of minor CRV-in and CRV-out changes on revenue and expenditures, it is critical to evaluate the timing of actual revenue and disbursements to assess the risk of an insufficient cash balance to maintain uninterrupted BCRP and administrative operations. A careful analysis of cash flow and cash balances indicate if CalRecycle needs to invoke measures to ensure cash solvency.

A cash forecast is used to manage cash flow, track revenue and expenditures, and estimate when the cash balance will be below the required minimum reserve. CalRecycle projects sufficient cash reserves to support BCRP payments through the forecast period. However, minor changes in sales and returns can translate to significant effects on cash reserves. Currently, a 1 percent change in CRV-in would result in an approximately \$13.7 million change to the Fund balance. Additionally, a 1 percent change in CRV-out would change the balance by approximately \$10.9 million.

Table 4: Cash Balance Summary (As of December 31, 2018)

2017/18			2018/19			2019/20		
1st Qtr	Jul (Actual)	\$ 208,512,782.38	1st Qtr	Jul (Actual)	\$ 192,560,411.12	1st Qtr	Jul (Projected)	\$ 204,897,033.67
	Aug (Actual)	\$ 169,217,834.78		Aug (Actual)	\$ 214,382,892.04		Aug (Projected)	\$ 200,264,211.96
	Sept (Actual)	\$ 185,874,939.51		Sept (Actual)	\$ 193,242,126.33		Sept (Projected)	\$ 217,338,418.50
2nd Qtr	Oct (Actual)	\$ 134,755,942.60	2nd Qtr	Oct (Actual)	\$ 205,812,700.99	2nd Qtr	Oct (Projected)	\$ 215,117,125.06
	Nov (Actual)	\$ 187,832,943.70		Nov (Actual)	\$ 240,451,340.46		Nov (Projected)	\$ 234,550,531.44
	Dec (Actual)	\$ 168,719,506.68		Dec (Actual)	\$ 228,664,826.07		Dec (Projected)	\$ 257,014,609.39
3rd Qtr	Jan (Actual)	\$ 159,715,895.61	3rd Qtr	Jan (Actual)	\$ 213,410,487.87	3rd Qtr	Jan (Projected)	\$ 223,209,459.99
	Feb (Actual)	\$ 168,356,555.26		Feb (Actual)	\$ 207,349,600.88		Feb (Projected)	\$ 237,429,930.06
	Mar (Actual)	\$ 183,854,666.43		Mar (Projected)	\$ 217,256,030.06		Mar (Projected)	\$ 248,978,750.18
4th Qtr	April (Actual)	\$ 152,944,695.68	4th Qtr	April (Projected)	\$ 186,678,679.40	4th Qtr	April (Projected)	\$ 229,923,774.49
	May (Actual)	\$ 163,148,821.07		May (Projected)	\$ 194,852,831.46		May (Projected)	\$ 242,627,482.42
	June (Actual)	\$ 198,317,998.75		June (Projected)	\$ 196,086,596.76		June (Projected)	\$ 256,403,001.94

The cash balance of the Fund is impacted by different timing of receipts and payments for any given month. Receipts into the Fund made by distributors must be made no later than the last day of the month following the sale of the beverage container.<sup>5</sup> Payments out of the Fund (refunds, administration fees, and processing payments) are paid typically within the month of the transaction or, on average, two weeks after the end of the month.<sup>6</sup> Other expenditures and payments under PRC Section 14581 are paid according to specific schedules. Handling fee payments, for example, are paid monthly.<sup>7</sup>

<sup>5</sup> PRC Section 14574(a)(2).

<sup>6</sup> PRC Section 14573 requires the CalRecycle to pay the processor upon presentation of a completed processor invoice accompanied by a shipping report from the supplier of the material.

<sup>7</sup> PRC Section 14585(a)(1).

### III. Recycling Rates Inferred from CRV Revenues and Expenditures

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In accordance with PRC Section 14556(a)(2), this section provides information regarding the recycling rates inferred from CRV-in and CRV-out for FY 2018-19 and FY 2019-20.<sup>8</sup> Table 5a displays the ratio of CRV expenditures to CRV revenues, net of both the administrative fee (2.5 percent of CRV-out) paid by CalRecycle to processors and recyclers by law, and of the administrative fee (1.5 percent of CRV-in) retained by distributors.<sup>9</sup> In contrast, Table 5b excludes those administrative fees and just displays the ratio of CRV expenditures to CRV revenues.

The projected overall recycling rate (excluding administrative fees) for all beverage container material types combined for FY 2018-19 is 76.9 percent. This projection is a 0.9 percent decrease from the previous projection in Q1.

*Table 5a: Recycling Rates Inferred from CRV Revenues and Expenditures (Including Administrative Fees)*

<b>Material Type</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
Aluminum	89.8%	89.7%
Glass	67.1%	67.2%
PET Plastic	78.0%	77.0%
HDPE Plastic	81.5%	78.9%
Overall	80.0%	79.3%

Note: Other beverage container materials (bimetal and other plastics) are included in the overall rate but not shown on their own lines because they are sold and recycled in small volumes. This table satisfies the statutory requirement for “recycling rates” inferred from revenues.

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<sup>8</sup> Statute requires the Quarterly Report to include a recycling rate inferred from revenues, which is calculated by dividing CRV-out by CRV-in. The recycling rates displayed in CalRecycle’s Biannual Report of Beverage Container Sales, Returns, Redemption, and Recycling Rates (Biannual Report) are based on formulas stipulated in PRC Section 14551 used to calculate the percentage of *containers* recycled.

<sup>9</sup> PRC Section 14574(a)(1)

*Table 5b: Recycling Rates Inferred from CRV Revenues and Expenditures (Excluding Administrative Fees)*

<b>Material Type</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
Aluminum	86.3%	86.2%
Glass	64.5%	64.6%
PET Plastic	74.9%	74.0%
HDPE Plastic	78.3%	75.8%
Overall	76.9%	76.2%

Note: Other beverage container materials (bimetal and other plastics) are included in the overall rate but not shown on their own lines because they are sold and recycled in small volumes. This table satisfies the statutory requirement for “recycling rates” inferred from revenues.

## IV. Projections and Estimates

Pursuant to PRC Sections 14556(a)(4) et seq., this section provides information for projected sales, handling fee payments, and processing payments for FY 2018-19 and FY 2019-20.

### A. Sales and Returns by Material Type

Tables 6 and 7 reflect California sales and returns of beverage containers by material and size.

Sold container counts are derived from reports that beverage distributors send directly to CalRecycle, whereas recycled container counts are calculated from the redemption weight reported on shipping reports, multiplied by the current container per pound rate. The container per pound rate is regularly adjusted to reflect changes in the mix of beverage containers in the state. As such, the calculated number of returns will not align exactly with the recycling rates reported above.

*Table 6: Sales in Containers by Material and Size, Actuals and Forecasts*

		FY 2018-19	FY 2019-20
Aluminum	< 24 oz.	7,819,365,174	7,658,612,797
	≥ 24 oz.	680,513,507	709,528,721
	All sizes	<b>8,499,878,681</b>	<b>8,368,141,518</b>
Glass	< 24 oz.	3,076,770,419	3,165,860,830
	≥ 24 oz.	208,998,698	188,212,544
	All sizes	<b>3,285,769,117</b>	<b>3,354,073,374</b>
PET Plastic	< 24 oz.	11,065,367,271	11,624,169,427
	≥ 24 oz.	1,752,060,747	1,787,535,926
	All sizes	<b>12,817,428,019</b>	<b>13,411,705,353</b>
HDPE Plastic	< 24 oz.	90,172,989	96,186,641
	≥ 24 oz.	98,288,847	90,690,167
	All sizes	<b>188,461,837</b>	<b>186,876,808</b>
Bimetal and Other Plastics	< 24 oz.	194,312,756	213,760,530
	≥ 24 oz.	28,740,604	35,654,231
	All sizes	<b>223,053,360</b>	<b>249,414,762</b>
All Materials	< 24 oz.	22,245,988,610	22,758,590,225
	≥ 24 oz.	2,768,602,404	2,811,621,589
<b>Total, All Materials and All Sizes</b>		<b>25,014,591,014</b>	<b>25,570,211,814</b>

Table 7: Returns in Containers by Material, Actuals and Forecast

	FY 2018-19	FY 2019-20
Aluminum	7,176,885,393	7,053,365,210
Glass	2,103,113,586	2,131,526,943
PET Plastic	9,662,001,777	9,955,513,309
HDPE Plastic	128,005,040	119,816,463
Bimetal and Other Plastics	41,744,985	47,721,995
<b>Total</b>	<b>19,111,750,782</b>	<b>19,307,943,921</b>

### **B. Projected Handling Fee Payments**

This section includes handling fee payments, the fee per container, and the number of beverage containers projected to be eligible for a handling fee payment. The total annual amount of handling fees authorized fluctuates annually based upon the per container handling fee rate and the total number of containers returned at eligible recycling centers.

The projected handling fees for FY 2018-19 are calculated based on a handling fee per container rate of \$0.00833 derived from the most recent cost survey effective July 1, 2018.<sup>10</sup> The FY 2019-20 handling fee rate will be derived from the most recent cost survey, effective July 1, 2019, and will be reflected in future quarterly reports.

Table 8: Handling Fee Payments, Rates, and Containers, Actuals and Forecasts

Handling Fees	FY 2018-19	FY 2019-20
Handling Fee Payments	\$43,943,298	\$45,016,344
Fee per Container	\$0.00833	\$0.00833
Estimated Number of Containers	5,275,305,915	5,404,122,934

<sup>10</sup> The Handling Fee Cost Survey Final Report can be found on the CalRecycle website at <https://www.calrecycle.ca.gov/docs/cr/bevcontainer/notices/2018/handlingfee.pdf>

### C. Projected Processing Payments

This section includes actual and projected processing fee offsets, processing fees, and processing payments by beverage container material type.<sup>11</sup>

Table 9: Processing Fees, Processing Payments, and Processing Offsets by Material Type, Actuals and Forecasts

		Processing Fees	Processing Fee Offsets	Processing Payments
FY 2018-19	Glass	\$9,187,543	\$58,837,575	\$69,985,839
	PET Plastic	\$5,944,474	\$46,839,440	\$55,068,791
	HDPE Plastic	\$856,812	\$3,694,217	\$4,562,589
	All Other Plastics and Bimetal	\$5,966,029	\$0	\$826,979
	<b>Total</b>	<b>\$21,954,857</b>	<b>\$109,371,233</b>	<b>\$130,444,199</b>
FY 2019-20	Glass	\$9,233,079	\$57,880,163	\$69,099,901
	PET Plastic	\$6,644,945	\$49,295,380	\$57,946,346
	HDPE Plastic	\$814,855	\$3,361,832	\$4,176,687
	All Other Plastics and Bimetal	\$6,291,418	\$0	\$817,879
	<b>Total</b>	<b>\$22,984,298</b>	<b>\$110,537,374</b>	<b>\$132,040,814</b>

Projections for processing fees, processing payments, and processing fee offsets for this report are based on the rates in effect at the time the projections were made. The sum of the processing fees and processing fee offsets do not equal processing payments. This discrepancy is due to two factors.

First, beverage manufacturers receive \$2 million in discounts (direct reductions of manufacturers' processing fee liabilities taken from the processing fee accounts) for glass and polyethylene terephthalate (PET) plastic processing fees. The processing fee amounts for glass and PET displayed in Table 9 reflect these discounts.

Second, the processing fee offset (transfers from the Fund to the processing fee accounts) includes an annual reconciliation covering the most recent calendar year.

<sup>11</sup> Processing Payments are adjusted based on the cost of recycling and average scrap value for each beverage container material type. Processing Payment information is available on the CalRecycle website at <https://www.calrecycle.ca.gov/BevContainer/Notices/#Processing>.

Reconciliation is on a calendar year basis, while this report displays fiscal year amounts. This accounts for the discrepancy between the processing payments and the sum of the offsets and processing fees.

Overall, the factors below impact the processing fee offset:

- Quarterly transfers from the Fund to the processing fee accounts (offsets for the quarter) based on estimates of fees and payments for the upcoming calendar year.
- Changes to the processing payments due to quarterly changes in scrap value.
- Transfers to processing fee accounts as required to maintain a minimum balance of 5 percent of expenditures for the last fiscal year.

## **V. Significant Changes**

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Pursuant to PRC Section 14556 (a) and (c), this section details changes to the methodology used for forecasting the fund condition statement and any other significant changes to the fund condition statement from the previous Quarterly Report.

Since the Q1 FY 2018-19 report (August 2019), there have been no significant methodological changes.



# Appendix I. Updated Fund Condition Report 2019-2020 Governor's Budget

This section contains the fund condition statements for the remaining four BCRP funds covering FYs 2017-18 through 2019-20. The values are based on the FY 2019-20 Governor's Budget except for updated values derived from subsequent forecasts.

Below is a brief description of each of the funds:

**Glass Processing Fee Account, Fund 0269** – This fund serves as a depository for glass processing fees paid by beverage manufacturers who package products in glass bottles. This fund is the source for paying processing payments to certified recyclers for handling empty glass beverage containers.

**Plastic Processing Fee Account, Fund 0278** – This fund serves as a depository for plastic processing fees paid by beverage manufacturers who package products in any type of plastic bottle having a scrap value that is less than the cost of recycling. This fund is the source for paying processing payments to certified recyclers for handling empty plastic beverage containers.

**Bimetal Processing Fee Account, Fund 0277** – This fund serves as a depository for bimetal processing fees paid by beverage manufacturers who package products in bimetal cans. This fund is the source for paying processing payments to certified recyclers for handling empty bimetal beverage containers.

**Penalty Account, Fund 0276** – This fund serves as a depository for civil penalties and fines. The purpose of this fund is to assist in carrying out the activities specified in the Beverage Container Recycling and Litter Reduction Act as specified in PRC Section 14580(d).

Table 10: Glass Processing Fee Fund Condition Statement (Fund 0269)

	2019-20 GOVERNOR'S BUDGET			Updated - Forecasted Values		
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2017-18	FY 2018-19	FY 2019-20
<b>BEGINNING BALANCE</b>	<b>\$13,106,000</b>	<b>\$19,097,000</b>	<b>\$24,751,000</b>	<b>\$13,106,000</b>	<b>\$19,097,000</b>	<b>\$24,790,000</b>
Prior Year Adjustment	\$158,000			\$158,000		
<b>Balance, Adjusted</b>	<b>\$13,264,000</b>	<b>\$19,097,000</b>	<b>\$24,751,000</b>	<b>\$13,264,000</b>	<b>\$19,097,000</b>	<b>\$24,790,000</b>
<b>REVENUES AND TRANSFERS</b>						
Revenues:						
412000 Beverage Container Redemption Fees	\$8,188,000	\$8,642,000	\$8,642,000	\$8,188,000	\$9,188,000	\$9,233,000
4163000 Income from Surplus Money Investments	\$261,000	\$261,000	\$261,000	\$261,000	\$261,000	\$261,000
4150500 Interest Income from Inter-fund loans						
4171400 Escheat of Unclaimed Checks, Warrants, Bonds and Coupon	\$42,000	\$0	\$0	\$42,000	\$0	\$0
<b>Total Revenues</b>	<b>\$8,491,000</b>	<b>\$8,903,000</b>	<b>\$8,903,000</b>	<b>\$8,491,000</b>	<b>\$9,449,000</b>	<b>\$9,494,000</b>
Transfers:						
FO0133 From CA Beverage Container Fund (CBCRF), PRC 14581 (a)	\$55,789,000	\$57,445,000	\$54,886,000	\$55,789,000	\$58,838,000	\$57,880,000
FO0133 From CBCRF, 3 Yr Reconciliation Payback	\$7,392,000	\$7,392,000	\$0	\$7,392,000	\$7,392,000	\$0
<b>Total Transfers From</b>	<b>\$63,181,000</b>	<b>\$64,837,000</b>	<b>\$54,886,000</b>	<b>\$63,181,000</b>	<b>\$66,230,000</b>	<b>\$57,880,000</b>
<b>Total Revenues and Transfers</b>	<b>\$71,672,000</b>	<b>\$73,740,000</b>	<b>\$63,789,000</b>	<b>\$71,672,000</b>	<b>\$75,679,000</b>	<b>\$67,374,000</b>
<b>Total Resources</b>	<b>\$84,936,000</b>	<b>\$92,837,000</b>	<b>\$88,540,000</b>	<b>\$84,936,000</b>	<b>\$94,776,000</b>	<b>\$92,164,000</b>
<b>EXPENDITURES</b>						
Disbursements:						
<b>3970 CalRecycle - Local Assistance</b>						
(3970-601-0269) Processing Payments	\$65,839,000	\$68,086,000	\$68,086,000	\$65,839,000	\$69,986,000	\$69,100,000
(8880 Financial Information System for CA)	\$0	\$0	-\$10,000	\$0	\$0	-\$10,000
<b>Total Expenditures</b>	<b>\$65,839,000</b>	<b>\$68,086,000</b>	<b>\$68,076,000</b>	<b>\$65,839,000</b>	<b>\$69,986,000</b>	<b>\$69,090,000</b>
<b>FUND BALANCE</b>	<b>\$19,097,000</b>	<b>\$24,751,000</b>	<b>\$20,464,000</b>	<b>\$19,097,000</b>	<b>\$24,790,000</b>	<b>\$23,074,000</b>

\* Surplus Money Investment Fund projections adjusted to match PY actuals to give a more accurate calculation.



Table 11: Plastic Processing Fee Fund Condition Statement (Fund 0278)

	2019-20 GOVERNOR'S BUDGET			Updated - Forecasted Values		
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2017-18	FY 2018-19	FY 2019-20
<b>BEGINNING BALANCE</b>	<b>\$17,579,000</b>	<b>\$18,377,000</b>	<b>\$23,299,000</b>	<b>\$17,579,000</b>	<b>\$18,377,000</b>	<b>\$23,648,000</b>
Prior Year Adjustment	\$708,000			\$708,000		
<b>Balance, Adjusted</b>	<b>\$18,287,000</b>	<b>\$18,377,000</b>	<b>\$23,299,000</b>	<b>\$18,287,000</b>	<b>\$18,377,000</b>	<b>\$23,648,000</b>
<b>REVENUES AND TRANSFERS</b>						
Revenues:						
4120000 Beverage Container Redemption Fees	\$9,767,000	\$9,428,000	\$8,605,000	\$9,767,000	\$11,422,000	\$12,581,000
4163000 Income from Surplus Money Investments	\$265,000	\$265,000	\$265,000	\$265,000	\$265,000	\$265,000*
<b>Total Revenues</b>	<b>\$10,032,000</b>	<b>\$9,693,000</b>	<b>\$8,870,000</b>	<b>\$10,032,000</b>	<b>\$11,687,000</b>	<b>\$12,846,000</b>
Transfers:						
FO0133 From CBCRF, PRC 14581 (a)	\$44,192,000	\$41,500,000	\$37,674,000	\$44,192,000	\$50,534,000	\$52,657,000
FO0133 From CBCRF, 3 Yr Reconciliation Payback	\$3,256,000	\$3,256,000	\$0	\$3,256,000	\$3,256,000	\$0
<b>Total Transfers From</b>	<b>\$47,448,000</b>	<b>\$44,756,000</b>	<b>\$37,674,000</b>	<b>\$47,448,000</b>	<b>\$53,790,000</b>	<b>\$52,657,000</b>
<b>Total Revenues and Transfers</b>	<b>\$57,480,000</b>	<b>\$54,449,000</b>	<b>\$46,544,000</b>	<b>\$57,480,000</b>	<b>\$65,477,000</b>	<b>\$65,503,000</b>
<b>Total Resources</b>	<b>\$75,767,000</b>	<b>\$72,826,000</b>	<b>\$69,843,000</b>	<b>\$75,767,000</b>	<b>\$83,854,000</b>	<b>\$89,151,000</b>
<b>EXPENDITURES</b>						
Disbursements:						
<b>3970 CalRecycle - Local Assistance</b>						
(3970-601-0278) Processing Payments	\$57,390,000	\$49,527,000	\$49,527,000	\$57,390,000	\$60,206,000	\$62,692,000
(8880 Financial Information System for CA)	\$0	\$0	-\$6,000	\$0	\$0	-\$6,000
<b>Total Expenditures</b>	<b>\$57,390,000</b>	<b>\$49,527,000</b>	<b>\$49,521,000</b>	<b>\$57,390,000</b>	<b>\$60,206,000</b>	<b>\$62,686,000</b>
<b>FUND BALANCE</b>	<b>\$18,377,000</b>	<b>\$23,299,000</b>	<b>\$20,322,000</b>	<b>\$18,377,000</b>	<b>\$23,648,000</b>	<b>\$26,465,000</b>

\* Surplus Money Investment Fund projections are adjusted to match PY actuals to give a more accurate calculation.

Table 12: Bimetal Processing Fee Fund Condition Statement (Fund 0277)

	2019-20 GOVERNOR'S BUDGET			Updated - Forecasted Values		
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2017-18	FY 2018-19	FY 2019-20
<b>BEGINNING BALANCE</b>	<b>\$20,191,000</b>	<b>\$22,184,000</b>	<b>\$23,669,000</b>	<b>\$20,191,000</b>	<b>\$22,184,000</b>	<b>\$23,551,000</b>
Prior Year Adjustment	\$63,000			\$63,000		
<b>Balance, Adjusted</b>	<b>\$20,254,000</b>	<b>\$22,184,000</b>	<b>\$23,669,000</b>	<b>\$20,254,000</b>	<b>\$22,184,000</b>	<b>\$23,551,000</b>
<b>REVENUES AND TRANSFERS</b>						
Revenues:						
4120000 Beverage Container Redemption Fees	\$1,901,000	\$1,454,000	\$1,387,000	\$1,901,000	\$1,345,000	\$1,170,000
4163000 Income from Surplus Money Investments	\$275,000	\$275,000	\$275,000	\$275,000	\$275,000	\$275,000 *
4171400 Escheat- Unclaimed checks	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Revenues</b>	<b>\$2,176,000</b>	<b>\$1,729,000</b>	<b>\$1,662,000</b>	<b>\$2,176,000</b>	<b>\$1,620,000</b>	<b>\$1,445,000</b>
<b>Total Revenues and Transfers</b>	<b>\$2,176,000</b>	<b>\$1,729,000</b>	<b>\$1,662,000</b>	<b>\$2,176,000</b>	<b>\$1,620,000</b>	<b>\$1,445,000</b>
<b>Total Resources</b>	<b>\$22,430,000</b>	<b>\$23,913,000</b>	<b>\$25,331,000</b>	<b>\$22,430,000</b>	<b>\$23,804,000</b>	<b>\$24,996,000</b>
<b>EXPENDITURES</b>						
Disbursements:						
<b>3970 CalRecycle - Local Assistance</b>						
(3970-601-0277) Processing Payments	\$246,000	\$244,000	\$244,000	\$246,000	\$253,000	\$249,000
<b>Total Expenditures</b>	<b>\$246,000</b>	<b>\$244,000</b>	<b>\$244,000</b>	<b>\$246,000</b>	<b>\$253,000</b>	<b>\$249,000</b>
<b>FUND BALANCE</b>	<b>\$22,184,000</b>	<b>\$23,669,000</b>	<b>\$25,087,000</b>	<b>\$22,184,000</b>	<b>\$23,551,000</b>	<b>\$24,747,000</b>

\* Surplus Money Investment Fund projections adjusted to match PY actuals to give a more accurate calculation.

Table 13: Penalty Account Fund Condition Statement (Fund 0276)

	2019-20 GOVERNOR'S BUDGET			Updated - Forecasted Values		
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2017-18	FY 2018-19	FY 2019-20
<b>BEGINNING BALANCE</b>	\$5,441,000	\$5,605,000	\$5,818,000	\$5,441,000	\$5,605,000	\$5,818,000
Prior Year Adjustment	-\$9,000			-\$9,000		
<b>Balance, Adjusted</b>	\$5,432,000	\$5,605,000	\$5,818,000	\$5,432,000	\$5,605,000	\$5,818,000
<b>REVENUES AND TRANSFERS</b>						
Revenues:						
4163000 Income from Surplus Money Investments	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000	\$71,000 *
4173000 Penalty Assessments	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000	\$170,000
<b>Total Revenues</b>	<b>\$241,000</b>	<b>\$241,000</b>	<b>\$241,000</b>	<b>\$241,000</b>	<b>\$241,000</b>	<b>\$241,000</b>
<b>Total Revenues and Transfers</b>	<b>\$241,000</b>	<b>\$241,000</b>	<b>\$241,000</b>	<b>\$241,000</b>	<b>\$241,000</b>	<b>\$241,000</b>
<b>Total Resources</b>	<b>\$5,673,000</b>	<b>\$5,846,000</b>	<b>\$6,059,000</b>	<b>\$5,673,000</b>	<b>\$5,846,000</b>	<b>\$6,059,000</b>
<b>EXPENDITURES</b>						
Disbursements:						
8880 Financial Information System for CA (FIS) Licenses	\$2,000	\$0	\$0	\$2,000	\$0	\$0
9900 Statewide General Administrative Expenditures	\$33,000	\$22,000	\$0	\$33,000	\$22,000	\$0
9892 Supplemental Pension Payments	\$0	\$6,000	\$15,000	\$0	\$6,000	\$15,000
3970 CalRecycle - State Operations	\$33,000	\$0	\$0	\$33,000	\$0	\$0
3970 CalRecycle - Local Assistance (3970-601-0276-2019) Temporary Assistance						\$5,000,000
<b>Total Expenditures</b>	<b>\$68,000</b>	<b>\$28,000</b>	<b>\$15,000</b>	<b>\$68,000</b>	<b>\$28,000</b>	<b>\$5,015,000</b>
<b>FUND BALANCE</b>	<b>\$5,605,000</b>	<b>\$5,818,000</b>	<b>\$6,044,000</b>	<b>\$5,605,000</b>	<b>\$5,818,000</b>	<b>\$1,044,000</b>

\* Surplus Money Investment Fund projections are adjusted to match PY actuals to give a more accurate calculation.