



Quarterly Report on the Status of the Beverage Container Recycling Fund

Department of Resources Recycling and Recovery

April 24, 2013



This page intentionally left blank.

Executive Summary

The Department of Resources Recycling and Recovery (CalRecycle) has completed a quarterly review of actual and projected revenues and expenditures for the Beverage Container Recycling Fund (Recycling Fund) as of April 1, 2013.

CalRecycle projects that the cash balance of Beverage Container Recycling Fund (Recycling Fund) will permanently fall below the prudent reserve in March 2015 without modernization or reforms to the Beverage Container Recycling Program (Program). The projected date of this event is eight months sooner than the date indicated in the projection in the January 2013 Quarterly Report due to declining sales receipts. This projection is based on the assumption that the remaining balance of all General Fund and Air Pollution Control Fund loans made from the Recycling Fund, currently amounting to \$201 million, will be completely repaid by the end of FY 2014-2015, including a \$5 million loan made to the Department of Conservation. This projection is also based on the assumption that proceeds from General Fund loan repayments to the Processing Fee Funds scheduled in FY 2013-2014 will be used to reduce Processing Fee Offsets paid from the Recycling Fund. These same assumptions also applied to the projection in the January 2013 Quarterly Report.

Based on this cash balance projection of the Recycling Fund, CalRecycle would be required to implement proportional reduction at the beginning of FY 2014-2015 in order to maintain fund solvency. The reduction in expenditures would be set at a level to maintain a cash balance that is at least equal to or greater than the prudent reserve, currently amounting to approximately \$56 million.

The Program has been operating under an annual structural deficit averaging about \$100 million since FY 2008-2009 when the recycling rate rose to 78 percent, exceeding the breakeven recycling rate of approximately 70 percent. In the years following, the recycling rate has continued a gradual climb, reaching 83 percent in FY 2011-2012. CalRecycle projects that the recycling rate will remain at the current level even with continued economic recovery based on recycling rates which experienced sharp growth

during a period of economic slowdown occurring in the early 1990s and remained at the same level during the period of prosperity that followed.

The projections contain a degree of uncertainty that will require ongoing monitoring and potential policy actions. CalRecycle is in the process of assessing two significant operational changes that can alter the projections. The first operational change results from the acceleration of the due date of Redemption Fee payments from 60 to 30 days following the reporting month of sale. As expected, this has resulted in a one-time boost in the cash balance and eliminated the need for General Fund loan repayments in FY 2012-2013. However, more recent data indicates that the cash balance has resumed its declining trend. Loan repayments scheduled in the next two fiscal years along with proportional reduction will be needed to maintain Recycling Fund solvency absent additional measures to reform the Program.

The second significant operational change results from the passage and implementation of AB 1933 (Chapter 540, Statutes of 2012). AB 1933 addresses the importation of empty beverage containers into California from neighboring states by decreasing the weight limit of reportable loads, requiring documentation identifying the source and destination of reportable loads, and mandating inspection of reportable loads at a Department of Food and Agriculture plant quarantine inspection station upon entry into California. CalRecycle is currently developing regulations and reporting requirements that will improve the monitoring and control of the illegal redemption of out-of-state material.

CalRecycle held a series of Program reform workshops conducted from July 2012 to October 2012 to address the structural deficit. Based on the workshops, stakeholders shared common key goals including the following:

- Postponing or eliminating the implementation of proportional reduction;
- Encouraging the continued growth in the recycling of empty beverage containers sold in California;
- Significantly reducing the fraudulent redemption of beverage container material;
- and

- Supporting the legitimate transport, trade, and transshipment of beverage container material within the state of California.

In response, CalRecycle prepared a proposal submitted to the Legislature as a Spring Finance Letter on April 2, 2013 that establishes a foundation for future reform efforts.

Specific measures include:

- Introducing a more robust certification application review and probationary process based on standards of performance and accountability to ensure success and service to the public;
- Introducing a formal and ongoing training program to promote best practices, improve compliance, and counteract fraud;
- Requiring all program participants to use the web-based Division of Recycling Integrated Information System (DORIIS); and
- Eliminating redemption of empty beverage containers based on the commingled rate at all recycling centers to reduce loss and to simplify payments to consumers.

If projections continue to indicate a declining trend in the cash balance of the Recycling Fund, then CalRecycle will be compelled to consider more urgent action to maintain the fiscal integrity of the Program. The potential for urgency was also specified in the Spring Finance Letter.

Background

This *Quarterly Report on the Status of the Beverage Container Recycling Fund* (Report) is a review of the adequacy of resources in the Beverage Container Recycling Fund (Recycling Fund) to make the payments specified in Public Resources Code (PRC) Section 14581 and the Processing Fee Offsets specified in PRC Section 14575. This Report provides the updated Fund Condition Statements for all funds in the Beverage Container Recycling Program (Program) and the updated cash balance projection of the Recycling Fund by month. This Report also provides projections for sales, recycling volumes (returns), Processing Payments, Processing Fees, and Processing Fee Offsets, by material type, and Handling Fees. Finally, this Report provides an explanation of significant changes between the current projections and the projections presented in the January 2013 Report.

As of April 1, 2013, CalRecycle is projecting that without Program reform the cash balance of the Recycling Fund will permanently fall below the prudent reserve in March 2015, eight months sooner than the November 2015 date based on the projection in the January 2013 Report. This projection is based on the following assumptions:

- Projections are based on current appropriations and sunset dates specified in PRC Section 14581.
- All General Fund and Air Pollution Control Fund loans made from the Recycling Fund, currently amounting to \$196 million, will be completely repaid by the end of FY 2014-2015.
- The \$5 million loan made to the Department of Conservation will be repaid in FY 2013-2014.
- General Fund loans made from the Processing Fee Funds will be repaid in full in FY 2013-2014 as scheduled in the Budget Act as follows: \$39 million to the Glass Processing Fee Fund and \$27 million to the Plastic Processing Fee Fund.
- Proceeds from loan repayments to the Processing Fee Funds will be used to reduce Processing Fee Offsets paid from the Recycling Fund.

- Projections for Processing Fees, Processing Payments, and Processing Fee Offsets are based on current rates effective January 1, 2013.

The Program is funded from a main account, the Recycling Fund, and four related funds. To determine the assets that are available for appropriation in any one year, it is important to evaluate the resources in all Program funds because the statutory purpose common to all funds is to support the activities and policy goals of the Program as specified in the Beverage Container Recycling and Litter Reduction Act. Fund Condition Statements for all Program Funds and a summary table showing projected fund balances in FY 2015-2016 are provided in Appendix 2 of this report.

Based on the cash balance projection presented on page 14, CalRecycle anticipates that FY 2013-2014 will be the last year that the Recycling Fund will have adequate resources to meet current demands without Program reform. For FY 2014-2015, the Recycling Fund will not have adequate resources to meet current demands, and CalRecycle would be required to implement proportional reduction pursuant to PRC Section 14581(d). Under this scenario, CalRecycle would be required to notify the Legislature pursuant to PRC Section 14581(c)(2) at least 80 days prior to implementing proportional reduction, which is anticipated to begin on July 1, 2014. The reduction in expenditures would be set at level to maintain a cash balance that is at least equal to or greater than the prudent reserve defined by PRC Section 14580(a)(2). The prudent reserve is adjusted annually at the beginning of the calendar year, and the amount established for 2013 is approximately \$56 million.

Below is a complete list of expenditures from the Recycling Fund that are subject to and not subject to proportional reduction:

Table 1: Recycling Fund Expenditures Impacted by Proportional Reduction

Subject to Proportional Reduction	Not Subject to Proportional Reduction
Processing Fee Offsets	California Refund Value
Handling Fees	Beverage Container Recycling Program Administration
Curbside Supplemental Payments	Payments to Control Agencies
Local Conservation Corps Grants	
City/County Payments	
Competitive Grants	
Public Education and Information	
Quality Incentive Payments	
Plastic Market Development	

Structural Deficit

The Program is unique in that it is designed to use surplus resources to fund policy goals. The Program had traditionally had a problem of an excess of revenue due to high sales and relatively low recycling rates. Currently the Program is operating under an annual \$100 million structural deficit due to excess demands on the Recycling Fund.

For the first eight years following the expansion of the Program under SB 332 (Chapter 815, Statutes of 1999), the recycling rate ranged from 55 percent to 67 percent, falling short of the legislative policy goal of 80 percent. Program activities have been traditionally funded by unredeemed Redemption Fees, and with low recycling rates, the Program was operating under a significant year-over-year surplus. To meet policy goals following the enactment of SB 332, Redemption Fees and Refund Value (CRV, collectively) were twice increased as shown in the table below. Each increase in CRV initially resulted in higher year-over-year surpluses, but recycling rates initially did not increase as sharply as anticipated due to increases in sales.

Table 2: CRV per Container Since Enactment of SB 332

Year Enacted	CRV per Container	
	Under 24 Oz.	24 Oz. or More
1992	\$0.025	\$0.05
2004	\$0.04	\$0.08
2007	\$0.05	\$0.10

In the meantime, interfund loans have been made from the Recycling Fund in order to meet critical statewide needs by transferring money mostly to the General Fund. Between FY 2002-2003 and FY 2009-2010, loans made from the Recycling Fund have totaled \$458.7 million. Additionally, in FY 2003-2004 loans totaling \$66 million were made from the Processing Fee Funds to the General Fund.

To further policy goals, the Legislature passed AB 3056 (Chapter 907, Statutes of 2006) which created or supplemented programs to improve the quality of and to promote in-state markets for recycled beverage container material. The combination of incentives through higher CRV and the investments made in recycling infrastructure and technologies converged to raise recycling rates above the policy goal of 80 percent and to expand markets for higher volumes of recycled beverage containers. However, the measures that have contributed to the success of the Program have also resulted in unsustainable demands on the Recycling Fund.

The Program has been operating under an annual structural deficit currently averaging about \$100 million since FY 2008-2009 when the actual recycling rate rose to 78 percent, exceeding the breakeven recycling rate of approximately 70 percent. The breakeven recycling rate is the estimated recycling rate, the quotient of containers recycled over the containers sold, where Redemption Fee revenue equals total expenditures. In the years following, the recycling rate has continued a gradual climb reaching 83 percent in FY 2011-2012 for all material types, and the breakeven recycling rate increased to about 75 percent due to the reduction of fixed expenditures for various incentive programs and a decrease in the Plastic Processing Fee Offset. CalRecycle projects that the recycling rate will remain at the current level at least through FY 2013-2014. From a longer-term perspective, the recycling rate could remain above the breakeven recycling rate indefinitely based on sustained high recycling rates that occurred during the economic prosperity experienced in the 1990s.

The tables below show the actual structural deficits since FY 2007-2008 for all Program funds and the projected structural deficit for FY 2012-2013 for the Recycling Fund showing a simplified list of expenditures based on projected and breakeven scenarios.

Table 3: Historical Structural Deficits for all Program Funds

Fiscal Year	Revenue [Note 1]	Expenditure [Note 2]	Surplus/(Deficit)
2007-08	\$1,225,962,000	\$1,215,731,000	\$10,231,000
2008-09	\$1,177,316,000	\$1,330,618,000	(\$153,302,000)
2009-10 [Note 3]	\$1,199,887,000	\$1,121,379,000	\$78,508,000
2010-11	\$1,150,101,000	\$1,337,230,000	(\$187,129,000)
2011-12	\$1,154,039,000	\$1,262,965,000	(\$108,926,000)
[Note 1] - Redemption Fees and Processing Fees			
[Note 2] - From Governor's Budget, Detail of Appropriations and Adjustments			
[Note 3] - Surplus due to implementing proportional reduction pursuant PRC Sec. 14581(d)			

Table 4: Recycling Fund Expenditures under Projected and Breakeven Scenarios

	FY 2012-13 (Projected)	% of Revenue	FY 2012-13 (Projected) at Breakeven	% of Revenue
Redemption Fee Revenue	\$1,156,817,000	100%	\$1,156,817,000	100%
Program Administration [Note 1]	\$50,588,000	4%	\$50,588,000	4%
14581 Programs - Fixed [Note 2]	\$69,562,000	6%	\$69,562,000	6%
California Refund Value	\$1,066,391,000	92%	\$944,842,000	82%
Processing Fee Offsets [Note 3]	\$65,527,000	6%	\$58,058,000	5%
Handling Fees	\$38,111,000	3%	\$33,767,000	3%
Total Expenditure [Note 4]	\$1,290,179,000	112%	\$1,156,817,000	100%
Structural Deficit	(\$133,362,000)	-12%	\$0	0%
[Note 1] - Includes Pro Rata, Fiscal, and payments to the State Controller				
[Note 2] - Curbside Supplemental Payments, Local Conservation Corps Grants, City/County Payments, Competitive Grants, Quality Incentive Payments, and Plastic Market Development				
[Note 3] - Used for Processing Payments which are paid based on volume recycled				
[Note 4] - Total Expenditure based on projected recycling rate of 84% and breakeven recycling rate of 75%				

The structural deficit has generally been financed by repayments of historical loans made by the Recycling Fund. To date loan repayments to the Recycling Fund have totaled \$257 million plus interest with a balance of outstanding loans to date of \$201 million. The balance of outstanding loans made from the Processing Fee Funds stands at \$66 million.

The need for additional loan repayments has been postponed by accelerating the due date of Redemption Fee payments by 30 days, resulting in a one-time boost in the cash balance of the Recycling Fund. This measure has been implemented twice: the first in April 2010, where the due date was reduced from 90 to 60 days following the reporting month of sale, and the second in August 2012, where the due date was reduced from 60 to 30 days.

Fraud Prevention

Successful fraud prevention results in lower expenditures and higher revenues. It is extremely difficult to reliably estimate the fiscal impact of fraud. The Department of Justice estimates that the fiscal impact of fraud is approximately \$40 million per year. Recent measures such as allocating more resources toward fraud prevention, increasing fines and penalties, tightening the barrier to entry (such as the implementation of lower consumer load limits), and increased monitoring of the movement of out-of-state material has a high probability of reducing the structural deficit in the future.

The actual data used for projections reflects both the ongoing existence of fraud and the counteracting effort undertaken by CalRecycle to suppress fraud. In favor of a more conservative approach, no direct modeling of the impact of increased fraud prevention is applied to the projections.

Long Term Projections

The horizon of the cash balance projection extends to FY 2015-2016 to cover the projected date that the cash balance of the Recycling Fund is projected to permanently fall below the prudent reserve without Program reform. The assumptions behind the cash balance projection are supported by the Recycling Fund Condition Summary Statement. The horizon of the Recycling Fund Condition Summary Statement is the same as the cash balance projection.

The cash balance tends to lead the Fund Balance as an indicator of insolvency because of differences in timing and the methods of reporting. The primary differences are:

- Refund Value and Processing Fee Offsets, the two largest expenditures from the Recycling Fund, are paid in advance of the receipt of revenues for the corresponding reporting period, resulting in a lag that is not reflected in the Fund Balance.
- The cash balance projection reflects the impact of the structural deficit at monthly intervals whereas the Fund Balance is reported at one point in time as of the end of the Fiscal Year.
- The Fund Balance reflects the completion of all loan repayments scheduled for the entire fiscal year whereas the cash balance will not reflect the impact of loan repayments until the actual receipt has occurred.

The Recycling Fund Cash Balance chart shows actual and projected month-end cash balances of the Recycling Fund through the end of FY 2015-2016 with loan repayments by month. For comparison, the chart also shows the previous cash balance projection in the January 2013 Report. Finally, the chart shows the prudent reserve which functions as the threshold for implementing proportional reduction.

The Recycling Fund Condition Summary Statement is an abbreviated form of the Fund Condition Statement organized by fiscal year displaying actual data for FY 2011-2012 and projections for FY 2012-2013 to FY 2015-2016. The Recycling Fund Condition Summary Statement shows the relationship among the Fund Balance, the structural deficit, and the outstanding loans.

The Recycling Fund Cash Balance chart and the Recycling Fund Condition Summary Statement reflect loan repayments scheduled in the Budget Act, which are detailed in the table below.

Table 5: Recycling Fund Loan Repayments

Fiscal Year	General Fund	Air Pollution Control Fund	Dept. of Conservation	Total
2012-13 [Note 1]	\$0	\$16,400,000	\$0	\$16,400,000
2013-14	\$89,400,000	\$8,000,000	\$5,000,000	\$102,400,000
2014-15	\$82,277,000	\$0	\$0	\$82,277,000
Total	\$171,677,000	\$24,400,000	\$5,000,000	\$201,077,000

[Note 1] - General Fund loan repayment amount for FY 2012-13 of \$10 million has been been rescheduled for FY 2014-15 based on the Governor's Budget published in January 2013

For additional information, the full Fund Condition Statements, containing line-item detail covering FY 2011-2012 to FY 2013-2014 for all five Program funds with accompanying notes, can be found in Appendix 2 of this Report.

Chart 1: Recycling Fund Cash Balance Projection

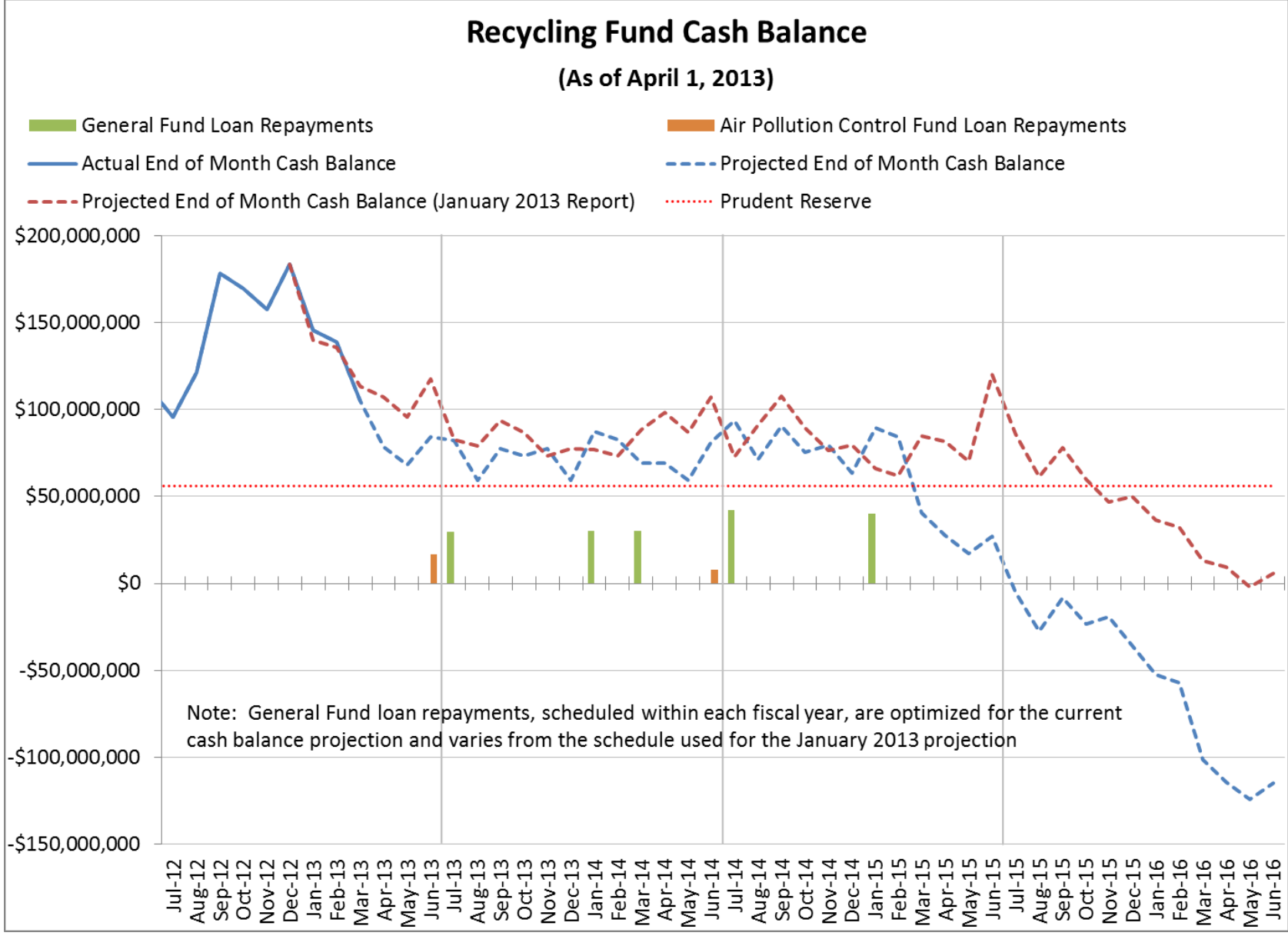


Table 6: Recycling Fund Condition Summary Statement

Recycling Fund Condition Summary Statement					
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
BEGINNING OUTSTANDING LOANS (A)	311,377,000	201,077,000	184,677,000	82,277,000	0
RESOURCES					
Adjusted Beginning Balance	184,984,000	205,285,000	80,360,000	106,839,000	78,640,000
Redemption Fees (B)	1,138,020,000	1,156,817,000	1,156,817,000	1,156,817,000	1,156,817,000
Loan Repayments to Recycling Fund (C) [Note 1]	110,300,000	16,400,000	102,400,000	82,277,000	0
Loan Repayments From Recycling Fund		(8,250,000)			
Other Income	18,219,000	287,000	4,883,000	4,517,000	287,000
TOTAL RESOURCES (D) [Note 2]	1,451,523,000	1,370,539,000	1,344,460,000	1,350,450,000	1,235,744,000
EXPENDITURES					
California Refund Value	1,029,874,000	1,066,391,000	1,066,391,000	1,066,391,000	1,066,391,000
Beverage Container Recycling Program Administration [Note 3]	42,729,000	48,314,000	50,268,000	50,268,000	50,268,000
Glass Processing Fee Offsets	48,222,000	57,781,000	13,374,000	52,374,000	52,374,000
Plastic Processing Fee Offsets	15,343,000	7,746,000	0	0	0
Section 14581 Payments	110,070,000	107,673,000	102,261,000	102,777,000	102,790,000
Other Expenditures		2,274,000	5,327,000		
TOTAL EXPENDITURES (E) [Note 4]	1,246,238,000	1,290,179,000	1,237,621,000	1,271,810,000	1,271,823,000
FUND BALANCE (D)-(E)	205,285,000	80,360,000	106,839,000	78,640,000	(36,079,000)
STRUCTURAL DEFICIT (NET INCOME) (B)-(E) [Note 5]	(108,218,000)	(133,362,000)	(80,804,000)	(114,993,000)	(115,006,000)
OUTSTANDING LOANS AT YEAR-END (A)-(C)	201,077,000	184,677,000	82,277,000	0	0
Notes:					
[Note 1] - Loan repayments are scheduled in the Budget Act					
[Note 2] - Total Resources does not include Beginning Outstanding Loans					
[Note 3] - Includes Pro Rata					
[Note 4] - Total Expenditures do not match totals in Governor's Budget due to the inclusion of Glass and Plastic Processing Fee Offsets					
[Note 5] - Structural Deficit in FY 2013-14 reflects the reduction in Processing Fee Offsets due to General Fund loan repayments to the Processing Fee funds					

The current cash balance projection has shifted downward as compared to the previous cash balance projection shown in the January 2013 report. The downward shift reflects a reversal from the sharp growth in Redemption Fee receipts observed during the July 2012 to December 2012 period to negative growth observed from the January 2013 to March 2013 period. The table below shows a comparison of actual Redemption Fee receipts based on the same monthly due dates of Redemption Fee payments in different years, and the periods consist of the months when the Redemption Fee payments were due. The periods shown in the table are offset because of the change in the Redemption Fee payment due date from 60 days to 30 days effective July 1, 2012. The recent decrease in receipts from Redemption Fee payments could either represent sales of existing inventory from previously reported periods or the beginning of a declining sales trend. Because of the seasonality of beverage sales, receipts of Redemption Fee payments need to be analyzed for at least a 12-month period to determine if the decline in sales observed in the last three months is an emerging trend or a possible short-term adjustment due to clearing inventory.

Table 7: Actual Redemption Fee Receipts by Redemption Fee Payments Due

Period [Note 1]	Number of Monthly Redemption Fee Payments Due	Actual Redemption Fee Receipts in Period
Jul 2011 - Jan 2012	7	\$662,394,452
Jul 2012 - Dec 2012	7	\$741,021,799
% Change		12%
Feb 2012 - Apr 2012	3	\$259,145,905
Jan 2013 - Mar 2013	3	\$248,889,445
% Change		-4%
[Note 1] - The Periods are offset to match the months of Redemption Fee payments due as a result of the due date change from 60 to 30 days following the month of sale effective 7/1/2012		

Based on the cash balance projection, CalRecycle would need to implement a 70 percent proportional reduction in FY 2014-2015 and a 100 percent proportional reduction in FY 2015-2016 to maintain the solvency of the Recycling Fund. This scenario is based on implementing proportional reduction on July 1 at the beginning of

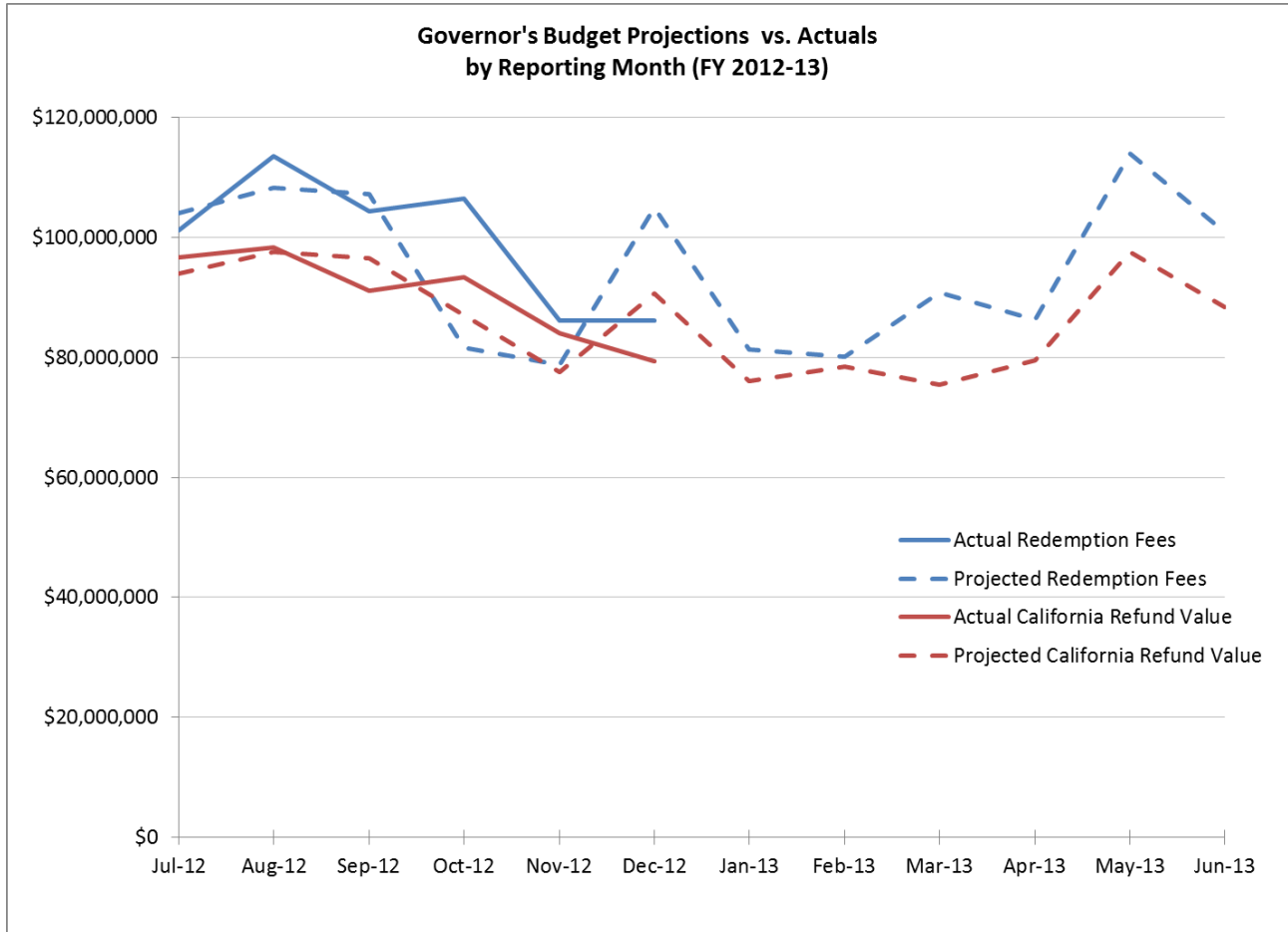
each specified fiscal year, in order to differentiate the funding fiscal year for the expenditure that is subject to be reduced. Prior year expenditures incurred but not paid until FY 2014-2015 will not be subject to proportional reduction. The percent of expenditure reductions in this proportional reduction scenario are projections, and if implemented, the actual percent reductions could differ significantly from those presented here.

As a note of caution, the cash balance projection covers an extended horizon and is highly variable. All projected monthly cash balances are based on the most recent actual cash balance and are very sensitive to the timing and amounts of actual receipts and disbursements. Over successive projections, the timing of critical events is subject to significant shifts in either direction. To further illustrate the variability, the following table and chart show the differences between projections completed for the Governor's budget and the actual data by reporting month for FY 2012-2013. The table shows a comparison of projected and actual data from July 2012 to December 2012, and the chart covers the same data in the table and displays the projections for all of FY 2012-2013.

Table 8: Governor's Budget Projections for July 2012 to December 2012

Sales	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Total for Period
Governor's Budget Projection	\$104,136,739	\$108,311,278	\$107,290,842	\$81,651,175	\$78,709,911	\$104,960,701	\$585,060,646
Actual	\$101,169,145	\$113,507,847	\$104,412,252	\$106,440,605	\$86,167,889	\$86,194,090	\$597,891,826
% Difference	-2.8%	4.8%	-2.7%	30.4%	9.5%	-17.9%	2.2%
Returns	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Total for Period
Governor's Budget Projection	\$94,013,066	\$97,568,247	\$96,482,814	\$87,100,435	\$77,563,606	\$90,695,398	\$543,423,566
Actual	\$96,640,326	\$98,290,768	\$91,154,896	\$93,438,059	\$84,043,102	\$79,436,078	\$543,003,228
% Difference	2.8%	0.7%	-5.5%	7.3%	8.4%	-12.4%	-0.1%

Chart 2: Governor's Budget Projections for FY 2012-2013



Conclusion

This Report is intended to provide updates on the status of all five funds in the Beverage Container Recycling Program and to serve as a guide to formulate and direct policy. The information presented here bears examination. CalRecycle has recently concluded a series of Program reform workshops to modernize the Program for the next 25 years. The workshops revealed the difficult challenges in addressing stakeholder concerns while working to close a \$100 million annual structural deficit. As a result, CalRecycle must shift the balance of its efforts in primarily encouraging recycling to an increased emphasis on Program fiscal integrity under an environment where Californians are enjoying record-high recycling rates.

This Report indicates a growing concern about the need to implement proportional reduction. Even though there is a high degree of variability in the data, the size of the structural deficit suggests that reform measures to maintain the Program's financial and operational integrity must be addressed now to avoid more drastic actions later.

CalRecycle welcomes your feedback concerning this quarterly report. Questions and comments may be sent to BeverageContainerReform@calrecycle.ca.gov or contact the Division of Recycling at (916) 445-8292.

Appendix 1 – Short-Term Projections

The short-term projections provide detail on the actual and projected amounts and beverage container volumes by material type from FY 2011-2012 to FY 2013-2014. The projections are based on actual volumes through the December 2012 reporting period. This section covers sales, returns, Processing Fees, Processing Payments, Processing Fee Offsets, and Handling Fees.

Several of the line items are notated for further description. Those descriptions immediately follow the volume tables. The volume tables presented here are also available in Excel format at

<http://www.calrecycle.ca.gov/BevContainer/RecycleFund/2013/AprCondition.xls> on the CalRecycle website.

SALES AND RETURNS ESTIMATES <i>[Note 1]</i>				
FY 2011-2012 (Actual)				
	Containers Sold		Containers Returned	Recycling Rate
	Over 24 oz.	Under 24 oz.		
Aluminum	507,166,276	7,969,774,044	8,206,643,323	97%
Glass	257,839,208	2,676,129,075	2,495,050,736	85%
PET	1,446,699,018	7,099,366,016	5,922,077,936	69%
HDPE <i>[Note 2]</i>	148,180,582	169,549,729	331,944,233	104%
Total <i>[Note 3]</i>	2,359,885,084	17,914,818,864	16,955,716,228	84%
FY 2012-2013 (Projected)				
	Containers Sold		Containers Returned	Recycling Rate
	Over 24 oz.	Under 24 oz.		
Aluminum	527,350,357	7,975,865,860	8,224,714,096	97%
Glass	297,907,911	2,799,663,185	2,607,513,398	84%
PET	1,415,889,305	7,677,558,103	6,642,859,784	73%
HDPE	140,787,409	271,705,069	346,971,786	84%
Total <i>[Note 3]</i>	2,381,934,982	18,724,792,216	17,822,059,064	84%
FY 2013-2014 (Projected)				
	Containers Sold		Containers Returned	Recycling Rate
	Over 24 oz.	Under 24 oz.		
Aluminum	527,350,357	7,975,865,860	8,224,714,096	97%
Glass	297,907,911	2,799,663,185	2,607,513,398	84%
PET	1,415,889,305	7,677,558,103	6,642,859,784	73%
HDPE	140,787,409	271,705,069	346,971,786	84%
Total <i>[Note 3]</i>	2,381,934,982	18,724,792,216	17,822,059,064	84%

PROCESSING FEE/PAYMENT ESTIMATES [Note 4]			
FY 2011-2012 (Actual)			
	Processing Fees	Processing Fee Offsets	Processing Payments
Glass	\$6,270,000	\$48,222,000	\$57,896,000
PET	\$2,461,000	\$10,446,000	\$13,964,000
HDPE	\$1,276,000	\$4,897,000	\$6,729,000
Total	\$10,007,000	\$63,565,000	\$78,589,000
FY 2012-2013 (Projected)			
	Processing Fees	Processing Fee Offsets	Processing Payments
Glass [Note 5]	\$6,918,000	\$57,781,000	\$58,699,000
PET	\$342,000	\$1,790,000	\$2,132,000
HDPE	\$663,000	\$5,956,000	\$6,619,000
Total	\$7,923,000	\$65,527,000	\$67,450,000
FY 2013-2014 (Projected)			
	Processing Fees	Processing Fee Offsets	Processing Payments
Glass [Note 6]	\$5,983,000	\$13,374,000	\$59,357,000
PET [Note 7]	\$0	\$0	\$4,264,000
HDPE [Note 8]	\$642,000	\$0	\$6,702,000
Total	\$6,625,000	\$13,374,000	\$70,323,000

HANDLING FEE ESTIMATES		
Fiscal Year	Handling Fee	Containers
2011-12 (Actual) [Note 9]	\$38,493,000	4,184,194,968
2012-13 (Projected) [Note 10]	\$38,111,000	4,478,395,860
2013-14 (Projected)	\$34,618,000	4,478,395,860

Appendix 1 Notes:

[Note 1] – Actual sales and returns data are current through the December 2012 reporting period. Data after that reporting period are projections.

[Note 2] – The recycling rate for HDPE exceeds 100 percent due to improper inspection and reporting from a combination of lack of due diligence and fraud. The proportion of the beverage container component in the HDPE recycling stream is only about 32 percent by weight based on the calendar year 2011 participant shares analysis. Because of the high proportion of non-CRV material, HDPE transactions at recycling centers that are recorded as segregated or CRV containers only often contain non-CRV containers. The statewide impact creates a recycling rate that exceeds 100 percent.

[Note 3] – Total volumes exclude bimetal and plastics #3 - #7 due to their extremely low sales and returns volumes. In calendar year 2011 their proportion of sales to all material types was 0.8 percent, and their proportion of returns to all material types was 0.09 percent.

[Note 4] - For FY 2012-2013, the projected amounts shown are the sum of 50 percent of the Processing Fees, Payments, and Offsets established for calendar year 2012 and 50 percent of the amounts established for calendar year 2013. For FY 2013-2014, the projected amounts are based exclusively on the Processing Fees, Payments, and Offsets established for calendar year 2013.

[Note 5] – The projected Glass Processing Fee Offset for FY 2012-2013 includes a one-time \$6 million transfer from the Recycling Fund added to cover a shortfall in FY 2011-2012.

[Note 6] - The Glass Processing Fee Offset for FY 2013-2014 is projected to be reduced by the scheduled \$39 million loan repayment to the Glass Processing Fee Fund. The resulting amount of Glass Processing Fee Offset in FY 2013-2014 is the difference between the Offset established for glass in calendar year 2013 and the loan repayment. The Glass Processing Fee for FY 2013-2014 reflects the \$2 million Glass

Processing Fee reduction pursuant to PRC Section 14575(j). The projected Glass Processing Fee for FY 2013-2014 is the amount established for calendar year 2013 less \$1 million since the reduction will be implemented for half of the fiscal year beginning in calendar year 2014.

[Note 7] - The PET Processing Fee Offset for FY 2013-2014 is projected to be reduced to zero by the scheduled \$27 million loan repayment to the Plastic Processing Fee Fund. Based on the Offset amount established for calendar year 2013, the anticipated Fund Balance in the Plastic Processing Fee Fund resulting from the loan repayment should be sufficient to cover the PET Processing Fee Offset in full for FY 2013-2014. The PET Processing Fee for FY 2013-2014 reflects the \$2 million PET Processing Fee reduction pursuant to PRC Section 14575(j). The PET Processing Fee for FY 2013-2014 is projected to be zero because the amount established for calendar year 2013 is less than the \$1 million reduction eligible to be implemented for half of the fiscal year beginning in calendar year 2014.

[Note 8] - The HDPE Processing Fee Offset for FY 2013-2014 is projected to be reduced to zero by the scheduled \$27 million loan repayment to the Plastic Processing Fee Fund. Based on the Offset amount established for calendar year 2013, the anticipated Fund Balance in the Plastic Processing Fee Fund resulting from the loan repayment should be sufficient to cover the HDPE Processing Fee Offset in full for FY 2013-2014. The Processing Fee reduction pursuant PRC Section 14575(j) does not apply to HDPE.

[Note 9] - The Handling Fee per container rate for FY 2011-2012 was \$0.0089.

[Note 10] - The Handling Fee per container rate for FY 2012-2013 will remain at \$0.0089 for the reporting months of July 2012 through February 2013 pursuant to PRC Section 14585(g)(1). Beginning with the March 2013 reporting month, the handling fee per container rate is projected to be \$0.00773 based on the results from the latest cost survey. The Handling Fee Cost Survey Final Report can be found on the CalRecycle website at <http://www.calrecycle.ca.gov/BevContainer/Fees/Handling/FinalReport.pdf>.

Appendix 2 - Fund Condition Statements

This section contains Fund Condition Statements for all five Program funds, preceded by a brief description for each fund. Each Fund Condition Statement shows one column per fiscal year. The column for FY 2011-2012 contains actual amounts and amounts for FY 2012-2013 and FY 2013-2014 are projections. In addition, this section contains a table summarizing projected fund balances, loan repayments, and required prudent reserves for all Program funds in FY 2015-2016 to cover projections beyond the horizon shown in the Fund Condition Statements. The projections are based on actual volumes through the December 2012 reporting period and are more recent than the projections shown in Governor's Budget published in January 2013.

Several of the line items are notated for further description. Those descriptions immediately follow the Fund Condition Statements. The Fund Condition Statements presented here are also available in Excel format at <http://www.calrecycle.ca.gov/BevContainer/RecycleFund/2013/AprCondition.xls> on the CalRecycle website.

Below is a brief description of the each of the Program funds:

Beverage Container Recycling Fund (Recycling Fund), fund # 0133 – This fund serves as a depository for Redemption Fees paid by beverage distributors. The fund is the source for paying Refund Value for recycling empty beverage containers and funding programs that develop and maintain an infrastructure for beverage container recycling and promote markets for beverage container material.

Glass Processing Fee Fund, fund # 0269 – This fund serves as a depository for Glass Processing Fees paid by beverages manufacturers who package their product in glass bottles. The fund is the source for paying Processing Payments to certified recyclers for handling empty glass beverage containers.

Plastic Processing Fee Fund, fund # 0278 – This fund serves as a depository for Plastic Processing Fees paid by beverages manufacturers who package their product in any type of plastic bottle having a scrap value that is less than the cost of recycling. The

fund is the source for paying Processing Payments to certified recyclers for handling empty plastic beverage containers.

Bimetal Processing Fee Fund, fund # 0277 – This fund serves as a depository for Bi-metal Processing Fees paid by beverages manufacturers who package their product in bi-metal cans. The fund is the source for paying Processing Payments to certified recyclers for handling empty bi-metal beverage containers.

Penalty Fund, fund # 0276 – The fund serves as a depository for civil penalties and fines. There are currently no appropriations from this fund. The purpose of the 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).

California Department of Resources Recycling and Recovery (CalRecycle)				
Beverage Container Recycling Fund Condition Statement (Fund 0133)				
Projected Revenues and Expenditures as of April 1, 2013				
		FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward [Note 1]		71,376,000	205,285,000	80,360,000
Prior Year Adjustments		113,608,000		
Balance Adjusted (A)		184,984,000	205,285,000	80,360,000
Revenues and Transfers				
Receipts				
	Redemption Fees [Note 2]	1,138,020,000	1,156,817,000	1,156,817,000
	Other Income	18,219,000	287,000	4,883,000
	Total Receipts (B)	1,156,239,000	1,157,104,000	1,161,700,000
Transfers				
	Repayment of Air Pollution Control Fund Loan [Note 3]	21,300,000	16,400,000	8,000,000
	Repayment of General Fund Loan [Note 4]	89,000,000		89,400,000
	Repayment of Loan to Department of Conservation			5,000,000
	Transfers to Glass Processing Fee Fund [Note 5]	(48,222,000)	(57,781,000)	(13,374,000)
	Transfers to Plastic Processing Fee Fund [Note 5]	(15,343,000)	(7,746,000)	
	Repayment of Alternative Renewable Fuel & Vehicle Technology Fund Loan [Note 6]		(8,250,000)	
	Total Transfers (C)	46,735,000	(57,377,000)	89,026,000
	Total Transfers and Receipts (B+C)	1,202,974,000	1,099,727,000	1,250,726,000
	Total Resources (D) = (A+B+C)	1,387,958,000	1,305,012,000	1,331,086,000
Expenditures [Note 7]				
Disbursements (CalRecycle)				
	California Refund Value [Note 8]	1,029,874,000	1,066,391,000	1,066,391,000
	Beverage Container Recycling Program Administration	37,102,000	44,099,000	50,268,000
	Handling Fees [Note 9]	38,493,000	38,111,000	34,618,000
	Curbside Supplemental Payments	12,863,000	15,000,000	15,000,000
	Local Conservation Corps Grants [Note 10]	19,492,000	20,073,000	20,643,000
	City/County Payments	10,500,000	10,500,000	10,500,000
	Competitive Grants	697,000	1,500,000	1,500,000
	Public Education and Information [Note 11]			
	Quality Incentive Payments	9,872,000	10,000,000	10,000,000
	Plastic Market Development [Note 12]	18,153,000	12,489,000	10,000,000
	Pro Rata	5,627,000	4,215,000	
	Total Disbursements (CalRecycle) (E)	1,182,673,000	1,222,378,000	1,218,920,000
Disbursements (Other)				
	State Controller		45,000	
	Fiscal		2,229,000	5,327,000
	Total Disbursements (Other) (F)		2,274,000	5,327,000
	Total Expenditures (G) = (E+F)	1,182,673,000	1,224,652,000	1,224,247,000
FUND BALANCE (D-G) [Note 13]		205,285,000	80,360,000	106,839,000

California Department of Resources Recycling and Recovery (CalRecycle)					
Glass Processing Fee Fund Condition Statement (Fund 0269)					
Projected Revenues and Expenditures as of April 1, 2013					
			FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward			288,000	(2,625,000)	3,021,000
Prior Year Adjustments			470,000		
Balance Adjusted (A)			758,000	(2,625,000)	3,021,000
Revenues and Transfers					
Receipts					
Processing Fees			6,270,000	6,918,000	5,983,000
Other Income			21,000		6,035,000
Total Receipts (B)			6,291,000	6,918,000	12,018,000
Transfers					
Transfers from Beverage Container Recycling Fund <i>[Note 14]</i>			48,222,000	57,781,000	13,374,000
Repayment of General Fund Loan <i>[Note 15]</i>					39,000,000
Total Transfers (C)			48,222,000	57,781,000	52,374,000
Total Transfers and Receipts (B+C)			54,513,000	64,699,000	64,392,000
Total Resources (D) = (A+B+C)			55,271,000	62,074,000	67,413,000
Expenditures					
Disbursements (CalRecycle)					
Processing Payments			57,896,000	58,699,000	59,357,000
Pro Rata				65,000	
Total Disbursements (CalRecycle) (E)			57,896,000	58,764,000	59,357,000
Disbursements (Other)					
Fiscal				289,000	248,000
Total Disbursements (Other) (F)				289,000	248,000
Total Expenditures (G) = (E+F)			57,896,000	59,053,000	59,605,000
FUND BALANCE (D-G)			(2,625,000)	3,021,000	7,808,000

California Department of Resources Recycling and Recovery (CalRecycle)				
Plastic Processing Fee Fund Condition Statement (Fund 0278)				
Projected Revenues and Expenditures as of April 1, 2013				
		FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward		1,336,000	5,290,000	9,116,000
Prior Year Adjustments		3,921,000		
Balance Adjusted (A)		5,257,000	5,290,000	9,116,000
Revenues and Transfers				
Receipts				
	Processing Fees <i>[Note 16]</i>	6,679,000	5,581,000	5,602,000
	Other Income	13,000	13,000	4,121,000
	Total Receipts (B)	6,692,000	5,594,000	9,723,000
Transfers				
	Transfers from Beverage Container Recycling Fund <i>[Note 14]</i>	15,343,000	7,746,000	0
	Repayment of General Fund Loan <i>[Note 17]</i>			27,000,000
	Total Transfers (C)	15,343,000	7,746,000	27,000,000
	Total Transfers and Receipts (B+C)	22,035,000	13,340,000	36,723,000
	Total Resources (D) = (A+B+C)	27,292,000	18,630,000	45,839,000
Expenditures				
Disbursements (CalRecycle)				
	Processing Payments <i>[Note 18]</i>	22,002,000	9,273,000	11,455,000
	Pro Rata		65,000	
	Total Disbursements (CalRecycle) (E)	22,002,000	9,338,000	11,455,000
Disbursements (Other)				
	FiŞcal		176,000	151,000
	Total Disbursements (Other) (F)		176,000	151,000
	Total Expenditures (G) = (E+F)	22,002,000	9,514,000	11,606,000
FUND BALANCE (D-G)		5,290,000	9,116,000	34,233,000

California Department of Resources Recycling and Recovery (CalRecycle)				
Bimetal Processing Fee Fund Condition Statement (Fund 0277)				
Projected Revenues and Expenditures as of April 1, 2013				
		FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward		12,611,000	13,984,000	14,898,000
Prior Year Adjustments		219,000		
Balance Adjusted (A)		12,830,000	13,984,000	14,898,000
Revenues and Transfers				
Receipts				
Processing Fees		1,500,000	1,117,000	1,116,000
Other Income		49,000	53,000	57,000
Total Receipts (B)		1,549,000	1,170,000	1,173,000
Transfers				
Transfers from Beverage Container Recycling Fund		0	0	0
Total Transfers (C)		0	0	0
Total Transfers and Receipts (B+C)		1,549,000	1,170,000	1,173,000
Total Resources (D) = (A+B+C)		14,379,000	15,154,000	16,071,000
Expenditures				
Disbursements (CalRecycle)				
Processing Payments		395,000	254,000	283,000
Pro Rata				
Total Disbursements (CalRecycle) (E)		395,000	254,000	283,000
Disbursements (Other)				
Fi\$cal			2,000	2,000
Total Disbursements (Other) (F)			2,000	2,000
Total Expenditures (G) = (E+F)		395,000	256,000	285,000
FUND BALANCE (D-G)		13,984,000	14,898,000	15,786,000

California Department of Resources Recycling and Recovery (CalRecycle)				
Penalty Account Fund Condition Statement (Fund 0276)				
Projected Revenues and Expenditures as of April 1, 2013				
		FY 2011-12	FY 2012-13	FY 2013-14
Balance Forward		6,174,000	5,187,000	5,401,000
Prior Year Adjustments		(2,064,000)		
Balance Adjusted (A)		4,110,000	5,187,000	5,401,000
Revenues and Transfers				
Receipts				
Penalty Assessments		1,061,000	194,000	194,000
Other Income		16,000	20,000	21,000
Total Receipts (B)		1,077,000	214,000	215,000
Transfers				
Transfers		0	0	0
Total Transfers (C)		0	0	0
Total Transfers and Receipts (B+C)		1,077,000	214,000	215,000
Total Resources (D) = (A+B+C)		5,187,000	5,401,000	5,616,000
Expenditures				
Disbursements (CalRecycle)				
State Operations		0	0	0
Pro Rata		0	0	0
Total Disbursements (CalRecycle) (E)		0	0	0
Disbursements (Other)				
Fi\$cal		0	0	0
Total Disbursements (Other) (F)		0	0	0
Total Expenditures (G) = (E+F)		0	0	0
FUND BALANCE (D-G)		5,187,000	5,401,000	5,616,000

Projected Balances for all Program Funds in FY 2015-16 as of April 1, 2013		
	Actual Assets	Projected Assets
Fund Balances	End of FY 2011-12	End of FY 2015-16
Beverage Container Recycling Fund (0133)	\$ 205,285,000	\$ (36,079,000)
Glass Processing Fee Fund (0269)	\$ (2,625,000)	\$ 3,850,000
Plastic Processing Fee Fund (0278)	\$ 5,290,000	\$ 22,569,000
Bi-Metal Processing Fee Fund (0277)	\$ 13,984,000	\$ 17,572,000
Penalty Account Fund (0276)	\$ 5,187,000	\$ 6,049,000
	\$ 227,121,000	\$ 13,961,000
Loan Repayment Balances		
Beverage Container Recycling Fund (0133)	\$ 201,077,000	\$ -
Glass Processing Fee Fund (0269)	\$ 39,000,000	\$ -
Plastic Processing Fee Fund (0278)	\$ 27,000,000	\$ -
	\$ 267,077,000	\$ -
Total Assets	\$ 494,198,000	\$ 13,961,000
Less, Prudent Reserves [Note 19]		
Beverage Container Recycling Fund (0133)	\$ 53,670,000	\$ 57,092,000
Glass Processing Fee Fund (0269)	\$ 2,895,000	\$ 2,968,000
Plastic Processing Fee (0278)	\$ 1,100,000	\$ 573,000
Bimetal Processing Fee Fund (0277)	\$ 20,000	\$ 14,000
Penalty Account Fund (0276)	\$ -	\$ -
Reserve Requirement	\$ 57,685,000	\$ 60,647,000
Assets Available, All Funds	\$ 436,513,000	\$ (46,686,000)

Appendix 2 Notes:

[Note 1] – The FY 2011-2012 Balance Forward amount ties to the Governor’s Budget.

[Note 2] – Redemption Fees, detailed in the table below, exclude the 1.5 percent retention for administrative fees held by beverage distributors.

	FY 2011-12	FY 2012-13	FY 2013-14
Total Redemption Fees	\$1,155,350,000	\$1,174,434,000	\$1,174,434,000
Less 1.5 % Administrative Fee	(\$17,330,000)	(\$17,617,000)	(\$17,617,000)
Net Redemption Fee Revenue	\$1,138,020,000	\$1,156,817,000	\$1,156,817,000

[Note 3] – Loan repayments from the Air Pollution Control Fund for the AB 32 implementation loans are completed for FY 2011-2012 and scheduled for FY 2012-2013 and FY 2013-2014.

[Note 4] – The Repayment of General Fund loan for FY 2012-2013, originally scheduled for \$10 million, has been revised to \$0 based on the Governor’s Budget published in January 2013. General Fund loan repayments scheduled for FY 2013-2014 amount to \$89.4 million.

[Note 5] – Transfers to Glass/Plastic Processing Fee Funds are the expenditures for the Processing Fee Offsets authorized in PRC Section 14581 and PRC Section 14575.

[Note 6] – Repayment of Alternative Renewable Fuel and Vehicle Technology Fund Loan is a repayment for a one-time loan to the Recycling Fund enacted in the FY 2009-2010 budget to provide funding for the Local Conservation Corps.

[Note 7] – Expenditures section is derived primarily from the list of appropriations found in PRC Section 14581.

[Note 8] – California Refund Value, detailed in the table below, includes the 2.5 percent administrative fee paid to certified processors.

	FY 2011-12	FY 2012-13	FY 2013-14
California Refund Value Paid for Empty Beverage Containers	\$1,004,755,000	\$1,040,381,000	\$1,040,381,000
Plus 2.5% Administrative Fee	\$25,119,000	\$26,010,000	\$26,010,000
Total California Refund Value Expenditure	\$1,029,874,000	\$1,066,391,000	\$1,066,391,000

[Note 9] – The total annual amount of Handling Fees authorized is not fixed, and the amount expended every year fluctuates based upon the per container rate and the number of containers recycled. Handling Fee rates change annually on July 1. For FY 2011-2012, the per-container Handling Fee was \$0.0089. For FY 2012-2013, the per-container Handling Fee will remain at the per container rate of \$0.0089 for the July 2012 to February 2013 reporting periods pursuant to PRC Section 14585(g)(1). Beginning in the March 2013 reporting period, the per-container Handling Fee is projected to be \$0.00773 based on the results from the latest cost survey.

[Note 10] – Local Conservation Corps grants are annually adjusted for the cost of living from a baseline of \$15 million, which began in the 2000 calendar year. The source for the adjustment rate is: http://www.dof.ca.gov/html/fs_data/latestEconData/fs_price.htm.

[Note 11] – CalRecycle is not projected to expend the \$5 million annual appropriation for Public Education and Information due to the priority to reduce the structural deficit.

[Note 12] – The amount for the Plastic Market Development payment for FY 2011-2012 and FY 2012-2013 is the sum of the \$10 million baseline provided for each year pursuant to PRC Section 14581(a)(9)(A) and the additional amount specified in PRC Section 14581(a)(9)(B). Effective January 1, 2012, the additional amount, allocated to calendar year 2012, is equal to 50 percent of the difference between the amounts already transferred in calendar year 2011 and scheduled to be transferred in calendar year 2012 from the Recycling Fund to the Plastic Processing Fee Account to cover current year Processing Payments; that is 50 percent of the difference of \$27,135,000 and \$5,852,000 which equals \$10,642,000. The additional amount for calendar year 2012 is projected to be allocated by fiscal year as follows: \$8,153,000 for FY 2011-2012 and \$2,489,000 for FY 2012-2013. Thus the total amount projected for the Plastic Market Development Payment for FY 2011-2012 is \$18,153,000 and \$12,489,000 for FY 2012-2013.

[Note 13] – Fund Balance does not include any prudent reserve calculation. The prudent reserve pursuant to PRC Section 14580(a)(2) would be 5 percent of the total amount paid to processors, currently amounting to approximately \$56 million.

[Note 14] – Transfers from Beverage Container Recycling Fund are the expenditures for the Processing Fee Offsets authorized in PRC Section 14581 and PRC Section 14575. In FY 2013-2014, the Processing Fee Offsets are reduced due to scheduled General Fund loan repayments.

[Note 15] – Repayment of General Fund Loan, the balance of the outstanding General Fund loan made directly from the Glass Processing Fee Fund, amounts to \$39 million scheduled in the Budget Act in FY 2013-2014.

[Note 16] – Processing Fees for plastic include amounts for all types of plastic beverage containers: PET (when applicable), HDPE, and plastics #3 - #7.

[Note 17] – Repayment of General Fund Loan, the balance of the outstanding General Fund loans made directly from the Plastic Processing Fee Fund, amounts to \$27 million scheduled in the Budget Act in FY 2013-2014.

[Note 18] – Processing Payments for plastic include amounts for all types of plastic beverage containers: PET (when applicable), HDPE, and plastics #3 - #7.

[Note 19] – Reserve requirement for fund 0133 based on PRC Section 14580(a)(2); all other funds are based on 5 percent of expenditure.