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Recycling and Recovery

Semi-Annual Report on the Status of the Beverage Container Recycling Fund

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Executive Summary

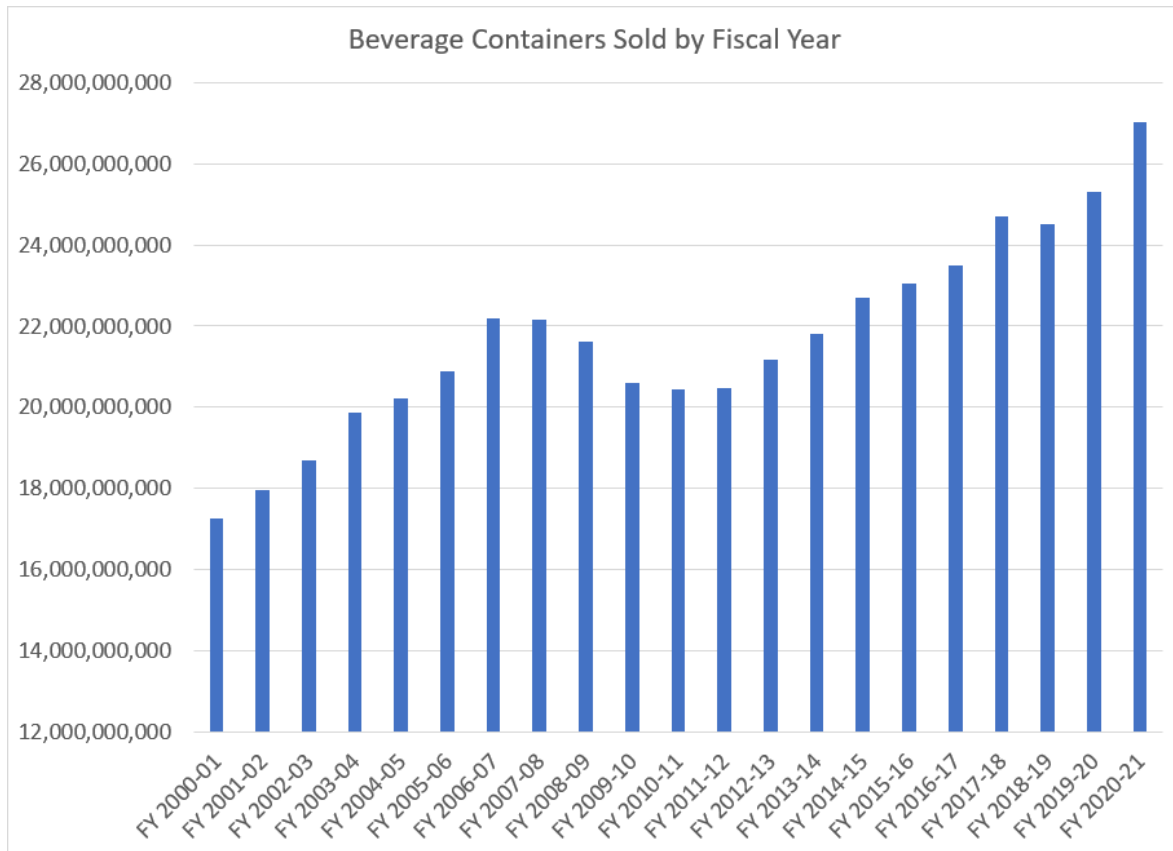
Consistent with statutory requirements and the Department of Resources Recycling and Recovery's (CalRecycle) commitment to transparency, CalRecycle presents the Beverage Container Recycling Fund (Fund) Semi-Annual Report (Report). The Report reviews the Fund's adequacy to make Beverage Container Recycling 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 half of Fiscal Year (FY) 2020-21 and reflects data for sales and returns of beverage containers through June 2021. This Report includes:

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

The fund condition and fund balance reports the amount of revenue that is currently in the Fund. A structural surplus occurs when revenues in (CRV-in) exceeds expenditures (CRV-out and all other program payments) from the Fund within the reported timeline. A structural deficit occurs when program payments exceed program revenue for the reported timeline. Importantly, a positive fund balance does not indicate whether there is a structural surplus or deficit for the reported period.

The consumer behavior during the COVID pandemic has had a significant and sustained impact on this program over the last two years. With the onset of the pandemic, CalRecycle initially anticipated an economic downturn for purposes of preparing the Semi-Annual Report and estimating the fund balance. During previous economic downturns, beverage sales have declined, while recycling increased. However, these past trends did not hold true during the pandemic. The anticipated economic downturn and corresponding consumer behavior did not occur. With social distancing precautions and stay-at-home orders in effect, recycling of beverage containers declined in 2020, rather than increase, and beverage sales increased to an all-time high while consumers stocked up on goods including bottled water and other beverages, rather than decline. In 2021, consumer returns began to increase, but not at a level equivalent to the continued high level of beverage sales.

As a result of reduced recycling in 2020, the amount paid out of the Fund in CRV was much lower than CalRecycle initially projected in the July 2020-December 2020 Semi Annual Report released in September 2021 and for the estimated fund condition as reported in the 2022-23 Governor’s Budget. Due to record high beverage sales, revenues from CRV coming into the Fund increased dramatically compared to initial projections and estimates. Rather than the structural deficit projected initially, these unpredictable impacts of pandemic behavior resulted in a significant structural surplus and an increased balance in the Fund.



This Report includes actual and updated information on the Fund including an updated fund condition reported in the 2022-23 Proposed April 1st Adjustments to the Governor’s Budget.

This Report assumes consumer behavior will continue to reflect recent behavior, including sustained high levels of beverage sales. This report assumes consumer returns of beverage containers will also continue to increase. Should these trends change significantly, the projections in this report will be less accurate.

CalRecycle reports an actual \$115.9 million structural surplus for FY 2020-21. This is a \$27.8 million decrease from the FY 2020-21 structural surplus of \$143.7 million

projected in the previous Semi-Annual Report.¹ This change is primarily attributable to a \$47.2 million increase in CRV-out and a \$5.9 million decrease in program administration.

This Report projects a structural surplus of \$101 million in FY 2021-22 and \$155 million in FY 2022-23.

Further details on the factors contributing to structural deficits and surpluses can be found in Section II. Included in those factors are CRV-in and CRV-out. Currently, a one percent increase or decrease in CRV-in would result in a corresponding change to the Fund balance of approximately \$14.9 million. Alternatively, a one 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 70.3 percent for FY 2020-21.² This projection is a 3.1 percent increase from the projection in the previous Report.

Based on the information presented in this Report, CalRecycle projects that the Fund should have adequate cash resources to support all mandated payments through FY 2022-23.

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

¹ Status of the Beverage Container Recycling Fund FY 2020-21 (July – December 2020): <https://www2.calrecycle.ca.gov/Publications/>

² This Report discusses 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: <https://www2.calrecycle.ca.gov/Docs/Web/117417>

I. Fund Condition Statement

Pursuant to Public Resources Code (PRC) Section 14556(a)(1), this section provides an updated fund condition statement, which includes revenues, transfers, and expenditures into and out of the Fund.³ 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 1a presents the revenues, transfers, and total resources for FY 2019-20 (actuals), FY 2020-21 (actuals), and FY 2021-22 (projections). Table 1b presents the expenditures and the fund balance for FY 2019-20 (actuals), FY 2020-21 (actuals), and FY 2021-22 (projections). For more information on fund condition statements for the processing fee and penalty accounts, see Appendix I.

Table 2a presents revenues, transfers, total resources for July through December 2020, and actuals for January through June 2021. In contrast, Table 2b presents expenditures for the same time period. 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 are low because these transactions are generally applicable to the previous fiscal year. Accordingly, end-of-year activity is high because the period includes actual expenditures and accruals. In other words, actual data show transactions CalRecycle made up to June 30 and transactions CalRecycle expects to be realized after June 30.

Pursuant to PRC Section 14556(a)(7), the total grants awarded during the 2020-2021 fiscal year was \$10,664,000.

For additional information on the fund condition, please see the Governor's Budget Spring Finance Letter on the California Department of Finance's website.

³ The updated fund condition statement may differ from the 2022-23 January 10th release of the Governor's Budget Fund condition statement. See Appendix I for an explanation of differences between the Governor's Budget and this Report.

**Table 1a: Beverage Container Recycling Fund (BCRF) 0133 Fund Condition Statement 2022-23
Governor's Spring Finance Budget Letter (April 1, 2022) — Revenues, Transfers, and Total
Resources**

Category	Description	FY 2019-20 Actuals ⁴	FY 2020-21 Actuals	FY 2021-22 Projected
Resources	Beginning Fund Balance	\$308,895,000	\$274,320,000	\$529,228,000
Resources	Prior Year Adjustment	\$0	\$124,831,000	Not Applicable (N/A)
Resources	Adjusted Beginning Fund Balance	\$308,895,000	\$399,151,000	\$529,228,000
Revenue - 4120000	Beverage Container Redemption Fees (CRV-in)	\$1,330,220,000	\$1,491,585,000	\$1,513,090,000
Revenue - 4163000	Income from Surplus Money Investments	\$3,869,000	\$1,650,000	\$3,869,000
Revenue - 4171400	Escheat of Unclaimed Checks and Warrants	\$32,000	\$227,000	\$32,000
Revenue - 4172500	Option B Payments	\$3,229,000	\$13,199,000	\$3,229,000
Revenue - 4173500	Settlements and Judgements	\$82,000	\$331,000	\$82,000
Revenue - 417300	Penalty Assessments	\$61,000	\$185,000	\$61,000
Revenue	Total Revenue	\$1,337,493,000	\$1,507,177,000	\$1,520,363,000
Transfers	To Glass Processing Fee Account (Fund 0269), Processing Fee Offset	-\$62,003,000	-\$57,908,000	-\$62,931,000
Transfers	To Plastic Processing Fee Account (Fund 0278), Processing Fee Offset	-\$63,752,000	-\$72,721,000	-\$61,797,000
Transfers	Total Transfers	-\$125,755,000	-\$130,629,000	-\$124,728,000

⁴ The FY 2019-20 Actuals are from the Enacted Budget and FY 2020-21 and FY 2021-22 are from the Governor's Spring Finance Budget Letter April 1, 2022.

Revenues and Transfers	Totals, Revenues and Transfers	\$1,211,738,000	\$1,376,548,000	\$1,395,635,000
Resources	Total Resources	\$1,520,633,000	\$1,775,699,000	\$1,924,863,000

Table 1b: BCRF 0133 Expenditures & Fund Balance

Category	Description	FY 2019-20 Actuals	FY 2020-21 Actuals	FY 2021-22 Projected
Expenditures - (3970-001-0133)	Beverage Container Recycling Program Administration	\$59,419,000	\$49,197,000	\$59,367,000
Expenditures - (3970-601-0133)	Handling Fees	\$46,268,000	\$47,755,000	\$49,179,000
Expenditures - (3970-603-0133)	CRV-out	\$1,071,678,000	\$1,091,381,000	\$1,097,740,000
Expenditures - (3970-604-0133)	Curbside Supplemental Payments	\$15,000,000	\$15,000,000	\$15,000,000
Expenditures - (3970-605-0133)	Plastic Market Development Payments	\$10,000,000	\$10,000,000	\$10,000,000
Expenditures - (3970-606-0133)	Grants - Local	\$8,475,000	\$9,343,000	\$10,000,000
Expenditures - (3970-608-0133)	City/County Payments	\$10,500,000	\$9,137,000	\$10,500,000
Expenditures - (3970-609-0133)	Grants - Other	\$1,500,000	\$1,321,000	\$1,500,000
Expenditures - (3970-610-0133)	Public Education and Information	\$5,000,000	\$4,627,000	\$5,000,000
Expenditures - (3970-611-0133)	Quality Incentive Payment	\$10,000,000	\$7,312,000	\$10,000,000
Expenditures - (3970-101-0133)	Pilot Project Grants	\$5,000,000	\$0	\$10,000,000
Expenditures - (3970-102-0133)	Circular Economy Package (SB 170) Quality Incentive Payment	\$0	\$0	\$10,000,000
Expenditures	Assessment for Secretary of Environmental Protection	\$36,000	\$0	\$0
Expenditures	Assessment for Financial Information System for California (Fi\$Cal)	-\$66,000	\$0	\$0
Expenditures	Assessment for Statewide General Administrative Expenditures (Pro Rata)	\$2,408,000	\$303,000	\$0

Category	Description	FY 2019-20 Actuals	FY 2020-21 Actuals	FY 2021-22 Projected
Expenditures	Assessment for Supplemental Pension Payments	\$1,095,000	\$1,095,000	\$1,095,000
Expenditures	Total Expenditures	\$1,246,313,000	\$1,246,471,000	\$1,289,381,000
Resources	Total Resources	\$1,520,633,000	\$1,775,699,000	\$1,924,863,000
Resources	Ending Fund Balance	\$274,320,000	\$529,228,000	\$635,482,000

Table 2a: FY 2020-21 Fund Condition Breakout by 6-Month Period — Revenues, Transfers, and Total Resources

Category	Description	FY 2020-21 Activity	6-Month Period Ending 12/31/2020 Actuals	6-Month Period Ending 6/30/2021 Actuals	Total
Revenue - 4120000	Beverage Container Redemption	\$1,491,585,000	\$560,260,200	\$931,324,800	\$1,491,585,000
Revenue - 4163000	Income from Surplus Money Investments	\$1,650,000	\$492,472	\$1,157,528	\$1,650,000
Revenue - 4171400	Escheat of Unclaimed Checks and Warrants	\$227,000	\$74,132	\$152,868	\$227,000
Revenue - 4172500	Option B Payments	\$13,199,000	\$1,897,450	\$11,301,550	\$13,199,000
Revenue - 4173500	Settlements and Judgements	\$331,000	\$0	\$331,000	\$331,000
Revenue - 4173000	Penalty Assessment	\$185,000	\$66,026	\$118,974	\$185,000
Revenue	Total Revenue	\$1,507,177,000	\$562,790,279	\$944,386,721	\$1,507,177,000
Transfers	Transfers To Glass Processing Fee Account (Glass 0269), Processing Fee Offset	-\$57,908,000	-\$34,490,760	-\$23,417,240	-\$57,908,000
Transfers	Transfers To Plastic Processing Fee Account (Plastic 0278), Processing Fee Offset	-\$72,721,000	-\$35,867,102	-\$36,853,898	-\$72,721,000
Transfers To	Total Transfers To	-\$130,629,000	-\$70,357,862	-\$60,271,138	-\$130,629,000
Resources	Total Resources	\$1,376,548,000	\$492,432,417	\$884,115,583	\$1,376,548,000

Table 2b: FY 2020-21 Fund Condition Breakout by 6-Month Period —Total Expenditures

Category	Description	6-Month Period Ending 12/31/2020 Actuals	6-Month Period Ending 6/30/2021 Actuals	Total
Expenditures – (3970-001-0133)	Beverage Container Recycling Program Administration	\$50,657,642	-\$1,460,642	\$49,197,000
Expenditures – (3970-603-0133)	CRV-out	\$537,397,050	\$553,983,950	\$1,091,381,000
Expenditures – (3970-601-0133)	Handling Fees	\$17,491,402	\$30,263,598	\$47,755,000
Expenditures – (3970-606-0133)	Grants - Local	\$9,343,121	-\$121	\$9,343,000
Expenditures – (3970-609-0133)	Grants - Other	\$0	\$1,321,000	\$1,321,000
Expenditures – (3970-604-0133)	Curbside Supplemental Payments	\$0	\$15,000,000	\$15,000,000
Expenditures – (3970-608-0133)	City/County Payments	\$0	\$9,137,000	\$9,137,000
Expenditures – (3970-610-0133)	Public Education and Information	\$4,627,272	-\$272	\$4,627,000
Expenditures – (3970-605-0133)	Plastic Market Development Payments	\$0	\$10,000,000	\$10,000,000
Expenditures – (3970-611-0133)	Quality Incentive Payment	\$0	\$7,312,000	\$7,312,000
Expenditures – (3970-620-0133)	Pilot Project Grants	\$1,000,000	-\$1,000,000	\$0
Expenditures	Total Expenditures	\$620,516,487	\$624,556,513	\$1,245,073,000

II. Adequate Funds Determination

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 CRV refunds and continue to operate the BCRP.⁵

Structural Deficit and Surplus

BCRP operations are funded by unclaimed CRV. As the recycling rate increases, less funding is available to make all 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. Information on projected sales, returns, and payments can be found in Section IV.

1. Fiscal Year 2020-21 Projected Structural Surplus

As outlined in Table 3, the Fund had structural surplus of \$115.9 million for FY 2020-21. Previous projections for the same period projected a structural surplus of \$143.7 million; a \$27.8 million change from the First Semi-Annual Report. This change is primarily attributable to a \$47.2 million increase in CRV-out and a \$5.9 million decrease in program administration.

2. Fiscal Year 2021-22 Projected Structural Surplus

For FY 2021-22, CalRecycle projects an increase in the structural surplus from a projected surplus of \$72.3 million to a structural surplus of \$101 million. This change is primarily attributable to a projected \$84.2 million increase in CRV-in and a \$56.9 million increase in CRV-out. This equates to approximately \$28.7 million increase in revenue from the previous projection. Simultaneously, there is a projected increase in expenditures of \$27.9 million, including an increase in Processing Fee Offsets for glass and plastic and an increase in handling fees.

3. Fiscal Year 2022-23 Projected Structural Surplus

For FY 2022-23, CalRecycle projects a structural surplus of \$157 million. Compared to the projections in the previous Report, CRV-in is projected to increase by \$108.1 million and CRV-out is projected to increase by \$63.5 million.

⁵ PRC Section 14581(c)

Table 3: BCRF 0133: Structural Deficit / Surplus

Category	Description	FY 2020/21	FY 2021/22	FY 2022/23
Revenue - 4120000	CRV-in	\$1,491,585,000	\$1,513,090,000	\$1,520,496,000
Expenditures - (3970-603-0133)	CRV-out	-\$1,091,381,000	-\$1,097,740,000	-\$1,098,998,000
Expenditures - (3970-001-0133)	Program Administration	-\$49,197,000	-\$59,367,000	-\$59,367,000
Expenditures -(3970-606-0133)	Grants - Local	-\$9,343,000	-\$10,000,000	-\$10,000,000
Resources	Total Available for 14581 Programs	\$341,664,000	\$345,983,000	\$352,131,000
Expenditures -(3970-615-0133)	Proc Fee Offset - Glass	-\$57,908,000	-\$62,931,000	-\$62,306,000
Expenditures - (3970-616-0133)	Proc Fee Offset - Plastic	-\$72,721,000	-\$61,797,000	-\$44,528,000
Expenditures - (3970-601-0133)	Handling Fees	-\$47,755,000	-\$49,179,000	-\$49,227,000
Expenditures - (3970-604-0133)	Curbside Supplemental Payments	-\$15,000,000	-\$15,000,000	-\$15,000,000
Expenditures - (3970-605-0133)	Plastic Market Development Payments	-\$10,000,000	-\$10,000,000	\$0
Expenditures - (3970-608-0133)	City/County Payments	-\$9,137,000	-\$10,500,000	-\$10,500,000
Expenditures - (3970-609-0133)	Grants - Other	-\$1,321,000	-\$1,500,000	-\$1,500,000
Expenditures - (3970-610-0133)	Public Education and Information	-\$4,627,000	-\$5,000,000	-\$2,500,000
Expenditures - (3970-611-0133)	Quality Incentive Payment	-\$7,312,000	-\$10,000,000	-\$10,000,000
Expenditures - (3970-620-0133)	Pilot Project Grants	\$0	-\$10,000,000	\$0
Expenditures - (3970-102-0133)	Circular Economy Package (SB170) Quality Incentive Payment	\$0	-\$10,000,000	\$0
Resources	Total 14581 Programs	-\$225,781,000	-\$245,907,000	-\$195,561,000
Resources	Total Structural Deficit / Surplus	\$115,883,000	\$100,760,000	\$156,570,000

4. Cash Balance and Forecast

The cash balance is the primary factor for assessing the adequacy of resources in the Fund to make mandated payments and to support the administration of the BCRP. The cash balance forecast is used to determine if there are sufficient program funds to maintain BCRP and administrative operations.

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 one percent change in CRV-in would result in an approximately \$14.9 million change to the Fund balance. Additionally, a one percent change in CRV-out would change the balance by approximately \$10.9 million.

The Fund's cash balance (Table 4) 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.⁶ Payments out of the Fund (refunds, administration fees, and processing payments) are typically paid within the month of the transaction or, on average, two weeks after the end of the month.⁷ Other expenditures and payments under PRC Section 14581 are paid according to specific schedules. Handling fee payments, for example, are paid monthly.⁸

⁶ PRC Section 14574(a)(2)

⁷ PRC Section 14573 requires CalRecycle to pay the processor upon presentation of a completed processor invoice accompanied by a shipping report from the supplier of the material.

⁸ PRC Section 14585(a)(1)

Table 4: Cash Balance Summary (As of June 30, 2021)

Fiscal Year	Month	Amount
2019/20	July (Actual)	\$159,188,292
2019/20	Aug (Actual)	\$142,850,863
2019/20	Sept (Actual)	\$162,071,810
2019/20	Oct (Actual)	\$173,933,445
2019/20	Nov (Actual)	\$196,909,106
2019/20	Dec (Actual)	\$252,764,917
2019/20	Jan (Actual)	\$233,490,648
2019/20	Feb (Actual)	\$194,778,640
2019/20	Mar (Actual)	\$216,221,957
2019/20	April (Actual)	\$210,001,252
2019/20	May (Actual)	\$241,609,569
2019/20	June (Actual)	\$300,621,042
2020/21	July (Actual)	\$281,698,197
2020/21	Aug (Actual)	\$301,486,854
2020/21	Sept (Actual)	\$325,323,486
2020/21	Oct (Actual)	\$281,445,464
2020/21	Nov (Actual)	\$324,455,475
2020/21	Dec (Actual)	\$358,306,905
2020/21	Jan (Actual)	\$371,890,738
2020/21	Feb (Actual)	\$374,755,873
2020/21	Mar (Actual)	\$408,657,656
2020/21	April (Actual)	\$421,379,634
2020/21	May (Actual)	\$423,517,583
2020/21	June (Actual)	\$482,239,775
2021/22	July (Projected) ⁹	\$467,313,861
2021/22	Aug (Projected)	\$474,819,872
2021/22	Sept (Projected)	\$516,214,261
2021/22	Oct (Projected)	\$498,888,551
2021/22	Nov (Projected)	\$514,840,379
2021/22	Dec (Projected)	\$530,745,076
2021/22	Jan (Projected)	\$548,703,102
2021/22	Feb (Projected)	\$540,242,800
2021/22	Mar (Projected)	\$578,630,470
2021/22	April (Projected)	\$594,648,192
2021/22	May (Projected)	\$624,482,417
2021/22	June (Projected)	\$658,348,947

⁹ The Cash Balance Summary is based on data received between January – June 2021.

III. Recycling Rates Inferred from CRV Revenues and Expenditures

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 2020-21 and FY 2021-22.¹⁰ 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.¹¹ 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 2020-21 is 70.3 percent. This projection is a 3.1 percent increase from the previous Report.

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

Material Type	FY 2020-21	FY 2021-22
Aluminum	80.3%	77.9%
Glass	62.4%	62.2%
PET Plastic	72.3%	72.5%
HDPE Plastic	62.8%	46.4%
Overall	73.2%	72.5%

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

Material Type	FY 2020-21	FY 2021-22
Aluminum	77.1%	74.9%
Glass	59.9%	59.7%
PET Plastic	69.5%	69.6%
HDPE Plastic	60.3%	44.5%
Overall	70.3%	69.7%

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.

¹⁰ Statute requires this 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.

¹¹ PRC Section 14574(a)(1)

IV. Projected Sales, Returns, and Payments

Pursuant to PRC Sections 14556(a)(4) et seq., this section provides information for projected sales, handling fee payments, and processing payments for FY 2020-21 and FY 2021-22.

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. In contrast, 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 returned for recycling in the state. The container counts shown in Tables 6 and 7 will not align exactly with the recycling rates reported in Tables 5a and 5b, which are based on CRV-in and CRV-out.

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

Material Type	Size	FY 2020-21	FY 2021-22
Aluminum	< 24 oz.	9,575,079,618	10,053,542,168
Aluminum	≥ 24 oz.	683,641,383	723,457,689
Aluminum	All sizes	10,258,721,001	10,776,999,857
Glass	< 24 oz.	2,916,785,433	2,994,782,457
Glass	≥ 24 oz.	201,168,569	197,643,599
Glass	All sizes	3,117,954,002	3,192,426,056
PET Plastic	< 24 oz.	11,824,126,125	12,213,969,070
PET Plastic	≥ 24 oz.	1,590,210,023	1,487,104,490
PET Plastic	All sizes	13,414,336,148	13,701,073,559
HDPE Plastic	< 24 oz.	101,304,856	112,479,634
HDPE Plastic	≥ 24 oz.	96,400,061	116,910,698
HDPE Plastic	All sizes	197,704,917	229,390,332
Bimetal and Other Plastics	< 24 oz.	273,410,876	251,720,237
Bimetal and Other Plastics	≥ 24 oz.	18,862,269	22,952,996
Bimetal and Other Plastics	All sizes	292,273,145	274,673,233
All Material Types	< 24 oz.	24,690,706,908	25,626,493,565
All Material Types	≥ 24 oz.	2,590,282,305	2,548,069,471
Total, All Materials	All Sizes	27,280,989,212	28,174,563,036

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

Material Type	FY 2020-21	FY 2021-22
Aluminum	7,621,076,451	7,905,729,659
Glass	1,936,575,389	1,898,644,828
PET Plastic	9,171,568,156	9,479,202,871
HDPE Plastic	102,077,703	93,218,407
Bimetal and Other Plastics	46,132,522	47,208,383
Total	18,877,430,220	19,424,004,149

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 handling fee per container rate for FY 2020-21 is \$0.00934 and is based on the 2019 Handling Fee Cost Survey effective July 1, 2020. The handling fee per container includes the cost-of-living adjustment.¹²

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

Handling Fees	FY 2020-21	FY 2021-22
Handling Fee Payments	\$48,140,665	\$49,179,057
Fee per Container	\$0.00934	\$0.00950
Estimated Number of Containers	5,154,246,802	5,176,742,873

¹² Handling Fee changes and reports can be found on CalRecycle's website at: <https://www.calrecycle.ca.gov/BevContainer/Notices/#HandlingFees>

C. Projected Processing Payments

This section includes actual and projected processing fee offsets, processing fees, and processing payments by beverage container material type.¹³

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

FY	Material Type	Processing Fees	Processing Fee Offsets	Processing Payments
FY 2020-21	Glass	\$12,882,986	\$57,907,789	\$77,529,873
FY 2020-21	PET plastic	\$15,637,317	\$68,308,109	\$90,154,938
FY 2020-21	HDPE plastic	\$1,532,845	\$4,413,047	\$6,258,415
FY 2020-21	All Other Plastics and Bimetal	\$8,080,771	\$0	\$1,225,736
FY 2020-21	Total	\$38,133,919	\$130,628,945	\$175,168,962
FY 2021-22	Glass	\$13,137,586	\$62,931,033	\$77,955,524
FY 2021-22	PET plastic	\$9,117,127	\$57,746,578	\$68,669,621
FY 2021-22	HDPE plastic	\$1,118,482	\$4,050,719	\$5,218,176
FY 2021-22	All Other Plastics and Bimetal	\$7,289,019	\$0	\$1,245,951
FY 2021-22	Total	\$30,662,214	\$124,728,330	\$153,089,272

Note: Processing fee and payment values reflect new cost of recycling measurements for calendar year (CY) 2020 and 2021 and a “reasonable financial return” (an element in the processing payment calculation) of 10 percent for all recyclers for CY 2020 and 2021.

Projections for processing fees, processing payments, and processing fee offsets are based on the rates in effect when the projections were made.

The sum of the processing fees and processing fee offsets do not equal processing payments due to multiple factors:

- 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.
- Processing fees for Bimetal and All Other Plastics (Plastics #3 – #7) are greater than processing payments due to low redemption volume.
- Quarterly transfers from the Fund to the processing fee accounts (offsets for the quarter) are based on estimates of fees and payments for the upcoming calendar year.
- Processing payments may fluctuate due to quarterly changes in scrap value.
- Transfers to processing fee accounts are required to maintain a minimum balance of five percent of expenditures for the last fiscal year.

¹³ 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>

V. Significant Changes

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 Report.

There have been no significant methodological changes in the forecasting methodology since the Fourth Quarter FY 2019-20 Report.

This Report assumes consumer behavior will continue to reflect recent behavior, including sustained high levels of beverage sales. This report assumes consumer returns of beverage containers will also continue to increase. Should these trends change significantly, the projections in this report will be less accurate.

Appendix I. Updated Fund Conditions Processing Fee and Penalty Accounts

This section contains the fund condition statements for the Processing Fee and Penalty accounts covering FYs 2019-20 through 2021-22. The FY 2019-20 values are based on the FY 2021-22 Governor's Budget FYs 2020-21 thru 2021-22 are based on the January 10, 2022 Governor's Proposed Budget, except for updated values derived from subsequent forecasts.

Below is a brief description of each of the accounts:

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

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

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

Penalty Account, Fund 0276 —This account serves as a depository for civil penalties and fines. The purpose of this account 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 10a: Governor’s Budget (January 10, 2022) — Glass Processing Fee Fund Condition Statement (Fund 0269)

Category	Description	FY 2019-20 Actual ¹⁴	FY 2020-21 Actual	FY 2021-22 Projected
Resources	Beginning Fund Balance	\$24,407,000	\$27,782,000	\$20,859,000
Resources	Prior Year Adjustment	\$0	-\$5,940,000	N/A
Resources	Adjusted Beginning Fund Balance	\$24,407,000	\$21,842,000	\$20,859,000
Revenue - 4120000	Beverage Container Redemption Fees	\$8,642,000	\$14,302,000	\$8,642,000
Revenue - 4163000	Income from Surplus Money Investments	\$587,000	\$161,000	\$57,000
Revenue - 4171400	Escheat of Unclaimed Checks, Warrants, Bonds and Coupon	\$0	\$2,000	\$0
Revenue	Total Revenue	\$9,229,000	\$14,465,000	\$8,699,000
Transfers	From Beverage Container Fund (BCRF)	\$62,003,000	\$57,908,000	\$66,874,000
Transfers	Total Transfers	\$62,003,000	\$57,908,000	\$66,874,000
Revenues and Transfers	Totals, Revenues and Transfers	\$71,232,000	\$72,373,000	\$75,573,000
Resources	Total Resources	\$95,639,000	\$94,215,000	\$96,432,000
Expenditures - (3970-601-0269)	Processing Payments	\$67,862,000	\$73,356,000	\$65,985,000
Expenditures	Assessment for Statewide General Administrative Expenditures (Pro Rata)	-\$5,000	\$0	\$0
Expenditures	Total Expenditures	\$67,857,000	\$73,356,000	\$65,985,000
Resources	Ending Fund Balance	\$27,782,000	\$20,859,000	\$30,447,000

¹⁴ The FY 2019-20 Actuals are from the Enacted Budget and FY 2020-21 and FY 2021-22 are from the Governor's January 10, 2022 Budget.

Table 10b: 2022-23 Forecasted Values — Glass Processing Fee Fund Condition Statement (Fund 0269)

Category	Description	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Projected
Resources	Beginning Fund Balance	\$24,407,000	\$27,782,000	\$20,859,000
Resources	Prior Year Adjustment	\$0	-5,940,000	N/A
Resources	Adjusted Beginning Fund Balance	\$24,407,000	\$21,842,000	\$20,859,000
Revenue - 4120000	Beverage Container Redemption Fees	\$8,642,000	\$14,302,000	\$13,138,000
Revenue - 4163000	Income from Surplus Money Investments	\$587,000	\$161,000	\$587,000
Revenue - 4172500	Escheat of Unclaimed Checks, Warrants, Bonds and Coupon	\$0	\$2,000	\$0
Revenue	Total Revenue	\$9,229,000	\$14,465,000	\$13,725,000
Transfers	From BCRF	\$62,003,000	\$57,908,000	\$62,931,000
Transfers	Total Transfers	\$62,003,000	\$57,908,000	\$62,931,000
Revenues and Transfers	Totals, Revenues and Transfers	\$71,232,000	\$72,373,000	\$76,656,000
Resources	Total Resources	\$95,639,000	\$94,215,000	\$97,515,000
Expenditures - (3970-601-0269)	Processing Payments	\$67,862,000	\$73,356,000	\$77,956,000
Expenditures	Assessment for Statewide General Administrative Expenditures (Pro Rata)	-\$5,000	\$0	\$0
Expenditures	Total Expenditures	\$67,857,000	\$73,356,000	\$77,956,000
Resources	Ending Fund Balance	\$27,782,000	\$20,859,000	\$19,559,000

Table 11a: Governor’s Budget (January 10, 2022) — Plastic Processing Fee Fund Condition Statement (Fund 0278)

Category	Description	FY 2019-20 Actual ¹⁵	FY 2020-21 Actual	FY 2021-22 Projected
Resources	Beginning Fund Balance	\$25,070,000	\$39,392,000	\$31,757,000
Resources	Prior Year Adjustment	\$0	-\$7,858,000	N/A
Resources	Adjusted Beginning Fund Balance	\$25,070,000	\$31,534,000	\$31,757,000
Revenue - 4120000	Beverage Container Redemption Fees	\$12,663,000	\$25,161,000	\$12,556,000
Revenue - 4171400	Escheat of Unclaimed Checks and Warrants	\$0	\$2,000	\$0
Revenue - 4163000	Income from Surplus Money Investments	\$544,000	\$174,000	\$76,000
Revenue	Total Revenue	\$13,207,000	\$25,337,000	\$12,632,000
Transfers	From BCRF	\$63,752,000	\$72,721,000	\$87,071,000
Transfers	Total Transfers	\$63,752,000	\$72,721,000	\$87,071,000
Revenues and Transfers	Totals, Revenues and Transfers	\$76,959,000	\$98,058,000	\$99,703,000
Resources	Total Resources	\$102,029,000	\$129,592,000	\$131,460,000
Expenditures - (3970-601-0278)	Processing Payments	\$62,640,000	\$97,835,000	\$61,649,000
Expenditures	Assessment for Financial Information System for California (Fi\$Cal)	-\$3,000	\$0	\$0
Expenditures	Total Expenditures	\$62,637,000	\$97,835,000	\$61,649,000

¹⁵ The FY 2019-20 Actuals are from the Enacted Budget and FY 2020-21 and FY 2021-22 are from the Governor's January 10, 2022 Budget.

Category	Description	FY 2019-20 Actual ¹⁵	FY 2020-21 Actual	FY 2021-22 Projected
Resources	Ending Fund Balance	\$39,392,000	\$31,757,000	\$69,811,000

Table 11b: 2022-23 Forecasted Values — Plastic Processing Fee Fund Condition Statement (Fund 0278)

Category	Description	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Projected
Resources	Beginning Fund Balance	\$25,070,000	\$39,392,000	\$31,757,000
Resources	Prior Year Adjustment	\$0	-\$7,858,000	N/A
Resources	Adjusted Beginning Fund Balance	\$25,070,000	\$31,534,000	\$31,757,000
Revenue - 4120000	Beverage Container Redemption Fees	\$12,663,000	\$25,161,000	\$15,209,000
Revenue - 4171400	Escheat of Unclaimed Checks and Warrants	\$0	\$2,000	\$0
Revenue - 4163000	Income from Surplus Money Investments	\$544,000	\$174,000	\$544,000
Revenue	Total Revenue	\$13,207,000	\$25,337,000	\$15,753,000
Transfers	From BCRF	\$63,752,000	\$72,721,000	\$61,797,000
Transfers	Total Transfers	\$63,752,000	\$72,721,000	\$61,797,000
Revenues and Transfers	Totals, Revenues and Transfers	\$76,959,000	\$98,058,000	\$77,550,000
Resources	Total Resources	\$102,029,000	\$129,592,000	\$109,307,000
Expenditures - (3970-601-0278)	Processing Payments	\$62,640,000	\$97,835,000	\$74,763,000
Expenditures	Assessment for Fi\$Cal	-\$3,000	\$0	\$0

Category	Description	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Projected
Expenditures	Total Expenditures	\$62,637,000	\$97,835,000	\$74,763,000
Resources	Ending Fund Balance	\$39,392,000	\$31,757,000	\$34,544,000

Table 12a: Governor's Budget (January 10, 2022) — Bimetal Processing Fee Fund Condition Statement (Fund 0277)

Category	Description	FY 2019-20 Actual ¹⁶	FY 2020-21 Actual	FY 2021-22 Projected
Resources	Beginning Fund Balance	\$24,055,000	\$25,672,000	\$30,474,000
Resources	Prior Year Adjustment	\$0	\$935,000	N/A
Resources	Adjusted Beginning Fund Balance	\$24,055,000	\$26,607,000	\$30,474,000
Revenue - 4120000	Beverage Container Redemption Fees	\$1,387,000	\$3,993,000	\$1,387,000
Revenue - 4163000	Income from Surplus Money Investments	\$483,000	\$136,000	\$68,000
Revenue	Total Revenue	\$1,870,000	\$4,129,000	\$1,455,000
Revenues and Transfers	Totals, Revenues and Transfers	\$1,870,000	\$4,129,000	\$1,455,000
Resources	Total Resources	\$25,925,000	\$30,736,000	\$31,929,000
Expenditures - (3970-601-0277)	Processing Payments	\$253,000	\$262,000	\$255,000
Expenditures	Total Expenditures	\$253,000	\$262,000	\$255,000
Resources	Ending Fund Balance	\$25,672,000	\$30,474,000	\$31,674,000

¹⁶ The FY 2019-20 Actuals are from the Enacted Budget and FY 2020-21 and FY 2021-22 are from the Governor's January 10, 2022 Budget.

Table 12b: 2022-23 Forecasted Values — Bimetal Processing Fee Fund Condition Statement (Fund 0277)

Category	Description	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Projected
Resources	Beginning Fund Balance	\$24,055,000	\$25,672,000	\$30,474,000
Resources	Prior Year Adjustment	\$0	\$935,000	N/A
Resources	Adjusted Beginning Fund Balance	\$24,055,000	\$26,607,000	\$30,474,000
Revenue - 4120000	Beverage Container Redemption Fees	\$1,387,000	\$3,993,000	\$2,316,000
Revenue - 4163000	Income from Surplus Money Investments	\$483,000	\$136,000	\$483,000
Revenue	Total Revenue	\$1,870,000	\$4,129,000	\$2,799,000
Revenues and Transfers	Totals, Revenues and Transfers	\$1,870,000	\$4,129,000	\$2,799,000
Resources	Total Resources	\$25,925,000	\$30,736,000	\$33,273,000
Expenditures - (3970-601-0277)	Processing Payments	\$253,000	\$262,000	\$371,000
Expenditures	Total Expenditures	\$253,000	\$262,000	\$371,000
Resources	Ending Fund Balance	\$25,672,000	\$30,474,000	\$32,902,000

Table 13a: Governor’s Budget (January 10, 2022) — Penalty Account Fund Condition Statement (Fund 0276)

Category	Description	FY 2019-20 Actual ¹⁷	FY 2020-21 Actual	FY 2021-22 Projected
Resources	Beginning Fund Balance	\$6,541,000	\$1,802,000	\$1,837,000
Resources	Prior Year Adjustment	\$0	-\$106,000	N/A
Resources	Adjusted Beginning Fund Balance	\$6,541,000	\$1,696,000	\$1,837,000
Revenue - 4163000	Income from Surplus Money Investments	\$106,000	\$9,000	\$4,000
Revenue - 4171400	Escheat of Unclaimed Checks and Warrants	\$0	\$11,000	\$0
Revenue - 4173000	Penalty Assessments	\$170,000	\$136,000	\$170,000
Revenue	Total Revenue	\$276,000	\$156,000	\$174,000
Revenues and Transfers	Totals, Revenues and Transfers	\$276,000	\$156,000	\$174,000
Resources	Total Resources	\$6,817,000	\$1,852,000	\$2,011,000
Expenditures	Assessment for Statewide General Administrative Expenditures (Pro Rata)	\$0	\$0	\$0
Expenditures	Assessment for Supplemental Pension Payments	\$15,000	\$15,000	\$15,000
Expenditures - (3970-001-0276)	State Operations	\$0	\$0	\$0

¹⁷ The FY 2019-20 Actuals are from the Enacted Budget and FY 2020-21 and FY 2021-22 are from the Governor's January 10, 2022 Budget.

Category	Description	FY 2019-20 Actual ¹⁷	FY 2020-21 Actual	FY 2021-22 Projected
Expenditures - (3970-601-0276-2019)	Temporary Assistance	\$5,000,000	\$0	\$0
Expenditures	Total Expenditures	\$5,015,000	\$15,000	\$15,000
Resources	Ending Fund Balance	\$1,802,000	\$1,837,000	\$1,996,000

Table 13b: 2022-23 Forecasted Values — Penalty Account Fund Condition Statement (Fund 0276)

Category	Description	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Projected
Resources	Beginning Fund Balance	\$6,541,000	\$1,802,000	\$1,837,000
Resources	Prior Year Adjustment	\$0	-\$106,000	N/A
Resources	Adjusted Beginning Fund Balance	\$6,541,000	\$1,696,000	\$1,837,000
Revenue - 4163000	Income from Surplus Money Investments	\$106,000	\$9,000	\$106,000
Revenue - 4171400	Escheat of Unclaimed Checks and Warrants	\$0	\$11,000	\$0
Revenue - 4173000	Penalty Assessments	\$170,000	\$136,000	\$170,000
Revenue	Total Revenue	\$276,000	\$156,000	\$276,000
Revenues and Transfers	Totals, Revenues and Transfers	\$276,000	\$156,000	\$276,000
Resources	Total Resources	\$6,817,000	\$1,852,000	\$2,113,000
Expenditures	Assessment for Statewide General Administrative Expenditures (Pro Rata)	\$0	\$0	\$0
Expenditures	Assessment for Supplemental Pension Payments	\$15,000	\$15,000	\$15,000

Category	Description	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Projected
Expenditures - (3970-001-0276)	State Operations	\$0	\$0	\$0
Expenditures - (3970-601-0276- 2019)	Temporary Assistance	\$5,000,000	\$0	\$0
Expenditures	Total Expenditures	\$5,015,000	\$15,000	\$15,000
Resources	Ending Fund Balance	\$1,802,000	\$1,837,000	\$2,098,000

Appendix II. Public Resources Code (PRC) References

California Beverage Container Recycling Fund: PRC Section 14581 (a)

Glass Processing Fee Account: PRC Section 14581 (a)(5)(A)

Plastic Processing Fee Account: PRC Section 14581 (a)(5)(A)

Handling Fees: PRC Section 14581 (a)(1)

CRV-out: PRC Section 14580

Curbside Supplemental Payments: PRC Section 14581 (a)(2)

Plastic Market Development Payments: PRC Section 14581 (a)(8)(A)

Grants - Local Conservation Corps (CCCs): PRC Section 14581.1

City/County Payments: PRC Section 14581 (a)(3)(A)

Grants - Other: PRC Section 14581 (a)(4)

Public Education and Information: PRC Section 14581 (a)(6)

Quality Incentive Payment: PRC Section 14581 (a)(7)

Pilot Project Grants: PRC Section 14581 (a)(9)(A)

Temporary Assistance: Item 3970-101-0276 of Section 2.00 of the Budget Act of 2019 (Chapters 23 and 55, Statutes of 2019)

Supplemental Payments for Low Volume Recyclers: Section 5 of AB 54 (Ting, Chapter 793, Statutes of 2019)

Appendix III. Endnotes

None.