CONTAINER RECYCLING INSTITUTE

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August 26, 2022

Assembly Member Luz Rivas (Chair)
Assembly Member Heath Flora (Vice Chair)
Assembly Natural Resources Committee
Legislative Office Building
1020 N Street
Room 164

Submitted via Position Letter Portal

Re: CRI neither supports nor opposes SB 1013 (Atkins, Dodd, Irwin and Ting)

Dear Chair Rivas, Vice Chair Flora, and Members of the Committee,

The Container Recycling Institute is **withdrawing our support** for SB 1013, the bottle bill expansion to include wine and spirits containers. **Our position is now neither support nor opposition**.

Prior to seeing these new 50 pages of amendments, CRI was an enthusiastic supporter of the original 5-page bill that expanded the program to include wine and spirits containers. Recycling these containers instead of landfilling them has enormous environmental benefits, as well as benefits for consumers in California. However, even with the original bill, our analysis did show one consequence of the bill would be unnecessary new spending of $46 million to curbside programs that will be handling LESS material than they currently handle. The original bill had a net cost of $27 million per year.

The new amendments to the bill add several new grant programs, and much of the spending is unnecessary, and will not result in any new recycling. Other portions of the spending are practical. In total, however, **the new spending adds up to nearly $900 million over 6 years**, placing a strain on the ability of the program to operate with financial sustainability. Please see table 1 below for a breakdown of the new spending, and table 2 for Beverage Container Recycling Fund balance projections.

We cannot support the new spending in the bill that does not accomplish any new recycling. Namely, we recommend:

- The market development payments to glass beverage container manufacturers should be eliminated. The $60 million per year program adds up to $300 million in spending over 5 years, and the spending will not result in any new recycling. Robust markets already exist for glass recycling in the state.
- The QIP should apply to both fiberglass manufacturers and glass beverage container manufacturers in the state, as has been the case for many years.
- Two of the grant programs should be limited to just 2-3 years to build additional capacity. Namely, the “Glass Processing Incentive Grant Program” and the “Empty Glass Beverage Container Grants” should sunset as of 12/31/24, one year after wine and spirits containers are added to the program.
- We recommend eliminating the new $10 million grant to the Community Conservation Corps.

- We note that the increase in the glass QIP from $10 million to $15 million will most likely not be spent, as curbside recycling programs will be receiving less glass in the future, not more.
- We continue to recommend that the focus of bottle bill spending be on restoring the infrastructure that has been lost, so that consumers are able to conveniently redeem containers. Currently, the program operates more like a tax in many areas of the state that are redemption deserts.

As an organization that was founded more than 30 years ago to research and support beverage container recycling programs, we would be more than happy to discuss our recommendations for true reform to California's bottle bill.

Table 1.

SB 1013 Financial Analysis (As Amended)									
Name	Start date	End date	Additional cost per year FY 22/23 (in millions)	Additional cost per year FY 23/24 (in millions)	Additional cost per year FY 24/25 (in millions)	Additional cost per year FY 25/26 (in millions)	Additional cost per year FY 26/27 (in millions)	Additional cost per year FY 27/28 (in millions)	**Total (in millions)**
Glass Processing Incentive Grant Program	Jan. 2023	Indefinite	$2	$4	$4	$4	$4	$2	**$20**
Empty Glass Beverage Container Grants	Jan. 2023	Indefinite	$2	$4	$4	$4	$4	$2	**$20**
Empty Glass Beverage Transportation Grant Program	Jan. 2023	Indefinite	$0.5	$1	$1	$1	$1	$1	**$5**
Market development payment to glass beverage container manufacturers	Jan. 2023		$30	$60	$60	$60	$60	$30	**$300**
Community conservation corps	Jan. 2023		$10						**$10**
Market development payments to plastic reclaimers	?	FY 25/26	$10	$10	$10	unspecified			**$30**
QIP for glass (increase from $10 to $15 per year)	Jan. 2023	Indefinite	$5	$5	$5	$5	$5	$5	**$30**
Net new operational costs for expansion to wine and spirits (CRI estimate; concurs with CalRecycle estimate)	Jan. 2024	Indefinite		$14	$27	$27	$27	$27	**$122**
Redemption rate increase operational costs (CRI assumes 5% redemption rate increase from bev. retailer coop. program)	Jan. 2025	Indefinite			$50	$100	$100	$100	**$350**
Annual total cost increase			$60	$98	$161	$201	$201	$167	**$887**
Cumulative Cost Increase			$60	$157	$318	$519	$720	**$887**	

Table 2.

Beverage Container Recycling Fund Balance Projections							
	6/30/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28
Assumed current fund balance	**700**						
Current rate of annual surplus		100	100	100	100	100	100
Projected ending fund balance each year		740.5	743	682	581	480	**413.5**

Please contact me with any questions you may have.

Sincerely,

Susan Collins
President, Container Recycling Institute

About the Container Recycling Institute: *CRI is a nonprofit organization and a leading authority on the economic and environmental impacts of beverage containers and other consumer-product packaging.*

<u>Below is CRI's original analysis of the bill, and at that time we supported it:</u>

July 25, 2022

Assembly Member Chris R. Holden (Chair)
Assembly Member Frank Bigelow (Vice Chair)
Assembly Committee on Appropriations
Legislative Office Building
1021 O Street
Suite 8220

Submitted via Position Letter Portal: approps.committee@assembly.ca.gov

<u>Re: Support for SB 1013 (Atkins and Ting)</u>

Dear Chair Holden, Vice-Chair Bigelow, and Members of the Committee,

We are writing in support of SB1013, "An act to amend Sections 14504 and 14550 of the Public Resources Code, relating to recycling, and making an appropriation therefor." **This bill would place a California Redemption Value (CRV) on wine and distilled spirits (liquor) containers.** At present, most wine and liquor containers are excluded from the "bottle bill," or the California Beverage Container Recycling and Litter Reduction Act. We <u>strongly support</u> the additional recycling that will occur as a result of this bill, however, we also recommend that these concerns be addressed:

- **Consumer convenience needs to be addressed** by providing funding for new redemption points in "redemption deserts." Millions of Californians are currently forced to pay container deposits without nearby, convenient places to get their refunds. In fact, nearly $600 million in deposits are currently not refunded each year. As a result of SB 1013, consumers in underserved areas could be forced to pay *even more* deposits with no opportunities for refunds. There are indications that new, recently approved funding in a budget bill (up to $330 million) will provide new programs to restore consumer convenience in underserved areas.
- **Annual cost estimate of $27 million to $47 million for this expansion:** When fully implemented, and assuming full compliance by beverage distributors, this expansion will cost the beverage container fund (and related accounts) approximately $27 million per year. First year and second year costs may be lower, as residents learn to redeem these new containers. On the other hand, if there is less than full compliance by beverage distributors, the program may receive reduced revenue, estimated at $20 million per year, for a total cost of $47 million per year. (See attachments for full cost analysis.)
- **Address $46 million annual windfall to curbside programs:** Adding these new beverage types to the deposit program will result in more containers being returned to redemption centers, instead of placing wine and spirits containers in trash bins and recycling carts. So it is an unusual fact that this bill will have an unintended consequence of providing <u>new</u> payments -- estimated at $46 million per year -- to California curbside recycling programs, **while the public will receive no new goods or services in exchange for the $46 million of new public spending**. This issue should be addressed to eliminate the excess expenditure, and we offer some options in the attachment.
- **More auditing to deter free-riders:** Historically, "CRV-in" has been under-paid by beverage distributors, amounting to 20% in under-payments each year, or more than $300 million per year. At the 20% under-payment level for wine and spirits, under-payments could amount to $20 million per year. This bill should direct CalRecycle to devote additional staff resources to revenue collection and auditing of distributors to avoid having this

expansion operate at a deficit. (CalRecycle has already requested and received additional funding for administration this year.)

- **Public education.** A change this large must be accompanied by a robust public education program. The bottle bill's existing annual $5 million public education funds are currently being used by CalRecycle on a program to reduce contamination in curbside recycling. This bill should be amended to direct CalRecycle to spend at least $3 million in the first year to educate the public about the new beverage types that will now be included in the deposit-refund system (DRS), beginning at least two months before the start date of the program. The public education should not only tout the benefits of recycling and encourage consumers to redeem containers, but should also inform consumers about the ***new*** beverage types included in the program, amounts of deposit/refunds, where they can return containers for refunds, their consumer rights to obtain refunds, and how to contact CalRecycle if they are refused refunds by participating retailers (option A retailers.)

Coverage of Wine and Spirits in Other States and in Canada

The states of Iowa and Maine have included wine and spirits containers in their bottle bills for many years, and the state of Vermont includes spirits. Maine recently expanded their law to include small spirits containers, also called "nips." Several provinces in Canada also include wine and spirits containers in their programs.

Bill Scope and Benefits

For more than 20 years, CRI's signature project has been the maintenance of a database of beverage packaging materials, with units and weights, and environmental and economic statistics. We purchase data from the same sources as the largest beverage manufacturers, and we cross-check data with more than two dozen sources. According to our data, we estimate that there were approximately **1.3 billion wine and liquor containers** sold in California in 2019. By material:

- 1.16 billion glass bottles (87% of total)
- 120 million plastic bottles (9% of total)
- 22 million aluminum cans (2% of total)
- 38 million aseptic drink boxes and "bag-in-box" wine
- 109 thousand foil pouches, which we believe are not included in SB 1013

According to our analysis, which is attached to this letter, this bill has multiple benefits:

1. **Consumers** will benefit because they will now be able to return nearly all of their beverage bottles and cans without confusion about what is covered by the deposit and what is not.[1]

2. **The environment** will benefit because ***more than half a billion additional bottles and cans will be recycled annually***, or more than 300,000 tons of material that had previously been destined for the landfill. More than 99% of this new material is glass bottles (by weight).

   The addition of wine and spirits containers to California's deposit law will ***eliminate more than 106,000 tons of greenhouse gas emissions.*** That is equivalent to taking about 23,000 cars off the road for a year.

3. **Municipal recycling program operators (and by extension, taxpayers)** will benefit from no longer having to transport, process, and market more than 300,000 tons of glass and plastic; this is a combined number for the *additional* wine and spirits containers that would be recycled if this bill passes. In addition, municipalities, and/or their taxpayers and ratepayers, might save on disposal costs from the approximately 300,000 tons of bottles that will be redirected away from landfills. Most fees for service are already established, and are unlikely to be adjusted

[1] Except for milk and milk substitutes and other minor categories of excluded beverages.

downward, but where there are direct payments per ton, such as in the commercial sector, ratepayers will see reduced costs.

Non-deposit glass that is currently recycled in California has a cost of about $140/ton to collect and process, and has a *negative* market value of about -$20/ton to recycle through a beneficiator. On the other hand, glass handled through redemption centers in the deposit program is high quality: clean, unbroken, and easily color-sorted, therefore having a *positive* market value of about $20/ton.

4. **Manufacturers of glass bottles and fiberglass** will benefit by having more cullet to use as recycled content in place of virgin content. Using cullet (uniform recycled glass pieces) instead of sand and other raw materials to make glass bottles and fiberglass reduces the energy needed for manufacturing, prolongs furnace life, and reduces air emissions, including greenhouse gasses. In California, four glass bottle-making facilities can use the hundreds of thousands of tons of additional glass that this bill would make available: Gallo Glass (Modesto), Ardagh Glass (Madera), and O-I (Los Angeles and Tracy). In addition, there are four fiberglass manufacturing facilities: Certainteed (Chowchilla), Owens Corning (Santa Clara), Johns Manville (Willows), and Knauf (Shasta Lake).

5. **Beverage distributors** will receive a small financial benefit. By law, beverage distributors are entitled to keep 1.5% of the initiated beverage deposit as “administrative fees.” While this only amounts to a small fraction of a cent per container, when multiplied by the 1.3 billion wine and spirits containers sold statewide, the total is more than $1.6 million.

6. The **State of California** will receive an additional $7.7 million per year in sales tax that is applied to the deposit.

7. **Redemption centers will benefit** by having their risk lowered of being found in violation of program rules for inadvertently providing refunds for wine and spirits containers. At present, in theory, they must scrutinize each load of containers turned in to exclude non-CRV wine and spirits containers. Scrutinizing each container is completely impractical, because consumers frequently return bags with more than 100 containers inside. It is highly likely that some consumers are already getting refunds back on wine and spirits containers despite not having paid a deposit on them.

Note: we recommend excluding aseptics, bag-in-box and pouches from the redemption program. These will be extremely small quantities of odd container types for redemption centers. Creating space to store and manage these new material types will increase redemption center costs with minimal environmental benefits.

We agree with the bill language that gives manufacturers more time (an additional year) to update their product labeling.

Please contact me with any questions you may have.

Sincerely,

Susan Collins

Susan Collins
President, Container Recycling Institute

About the Container Recycling Institute: *CRI is a nonprofit organization and a leading authority on the economic and environmental impacts of beverage containers and other consumer-product packaging.*

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CRI Financial Analysis of SB 1013: Adding wine & liquor to the California Bottle Bill

(revised 7/25/22)

Introduction

SB 1013 would add wine and spirits containers to the Beverage Container Recycling and Litter Reduction Act, also known as a container deposit law or bottle bill. Since its 1986 inception, California's deposit law has recycled almost 500 billion containers[1] through a combination of retail redemption (supermarket sites), redemption at certified centers, and curbside recycling and dropoff programs.

In its current form, the law places a "California Redemption Value" (a deposit, or the "CRV") on beer, malt, wine coolers and distilled spirits coolers, and all non-alcoholic beverages except milk. It excludes vegetable juices over 16 ounces, and wine and liquor. The law covers aluminum and bi-metal cans, glass bottles, and plastic bottles. It exempts refillables, and paper, foil, and multi-material beverage containers. It is a two-tier deposit system where beverage containers of under 24 ounces have a CRV of 5¢, and containers of 24 ounces and larger have a CRV of 10¢.

This analysis examines costs and revenues should SB 1013 pass with the current parameters. Upon full implementation, we estimate that there will be a **net cost to CalRecycle's beverage container fund (and related accounts) of $27 million per year**, as Table 1 shows. These expenditures are affordable, given that CalRecycle has an estimated fund balance of more than $600 million currently. CalRecycle has also separately requested funding for additional staff for administration of this expansion, and those additional staff funds were approved in the budget this year.

In addition to the costs we have estimated, we strongly suggest that CalRecycle be allocated additional funding for public education for one year to inform residents of this change to the program, including distributing materials, such as posters, to all redemption centers in the state.

Separately, new sales taxes amounting to **$8 million will also accrue to the State in the general fund**. An important note is that this analysis only includes containers made of aluminum, plastic and glass. We did not include bag-in-box containers, pouches, or aseptic containers in this financial analysis.

Wine and liquor sales in California today

CRI estimates that 1.3 billion wine and liquor containers were sold in California in 2019, the most recent data year available. The vast majority of these were glass bottles: 87% by units and 99% by weight: or about 550,000 tons per year. PET bottles made up 9% of the total by

[1] Source: available historical data from CalRecycle, and CRI estimates for intermediate years based on trends.

units and 1% by weight (less than 7,000 tons per year), while cartons (bag-in-box wine) made up 3% of the total in units and 0% by weight (just over 1,100 tons per year).

New Costs and Revenues to CalRecycle under SB 1013

There are a number of ways that revenues and costs will accrue to CalRecycle (in the beverage container funds), the agency that administers the deposit law, should SB 1013 pass. Table 1 identifies the different financial mechanisms analyzed, who pays what to whom, and is followed by more detailed explanations of each mechanism. *These revenues and expenses are incremental, that is, for the addition of wine and liquor containers only.*

Table 1. Costs and Revenues to CalRecycle's Beverage Container Recycling Fund With Passage of SB 1013

Financial mechanism	(million)
CRV In: deposits "initiated" (paid in) to CalRecycle for beverages with a California Redemption Value (CRV)	$110.1
Administrative fees subtracted from CRV In: distributors retain 1.5% of deposits initiated before they remit the deposits initiated to CalRecycle	($1.7)
CRV Out: deposits refunded (returned) to redeemers and curbside and dropoff programs by CalRecycle	($67.9)
Administrative fees added to CRV Out: paid by CalRecycle to recyclers and processors	($1.7)
Processing payments: paid by CalRecycle to processors, who then pay recyclers (to compensate for operational costs exceeding scrap revenues)	($79.6)
Processing fees: paid by beverage manufacturers to CalRecycle to partially offset the cost of processing payments	$15.5
Handling fees: paid by CalRecycle to redemption centers approved as "handling fee sites"	($1.4)
Quality incentive payments: paid by CalRecycle to facilities that process glass	no change
Net costs to CalRecycle	**($26.6)**
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CRV In and CRV Out

The California Redemption Value (CRV, or “deposits”) that beverage distributors pay for each container sold are a source of **revenue (CRV In)** to CalRecycle, while each container redeemed or recycled through curbside and dropoff programs is a **cost (CRV Out)**.

CRI has estimated that placing deposits on wine and liquor will generate **$110 million in “CRV In” revenues**, as Table 2 shows. If redemption rates for deposit wine and liquor bottles are similar to current redemption rates for CRV beverage containers, then CalRecycle would incur **$68 million in CRV Out costs**. Our analysis uses recycling rates from 2019, which are higher than recycling rates in 2020 and 2021. It is anticipated that modernization spending in the recent budget bill will help restore recycling rates to their former levels.

Table 2. Net CRV revenue under SB 1013 (excluding administrative fees)					
Wine & spirits container size	**Units sold** (billion)	**California Redemption Value** (CRV)	**CRV In Revenue (deposits initiated)** (million)	**CRV Out Costs (deposits refunded)** (million)	**Net CRV revenue (forfeited deposits)** (million)
Less than 24 oz	0.41	5¢	$20	$12	$8
24 oz. or more	0.90	10¢	$90	$56	$34
Total	**1.30**		**$110**	**$68**	**$42**

** Based on "hybrid" recycling rates of 77% for aluminum, 51% for PET, and 62% for glass. These rates are derived by dividing estimated sales (CRI's "2019 Beverage Market Data Analysis," 2022) by containers recycled as reported by CalRecycle.*

Administrative fees associated with CRV

There are two types of **administrative fees:** fees retained by distributors before they remit deposits initiated to CalRecycle (associated with "CRV-In"), and those paid by CalRecycle to recyclers and processors, associated with "CRV-out."

In an earlier section we said we expected $110 million in deposits initiated (CRV in) from the sale of 1.3 billion deposit-bearing wine and liquor containers (at an average CRV of 8.4¢). The administrative fees are 1.5% of CRV in, or **$1.7 million**. This is a cost to CalRecycle, and a revenue source for distributors.

An administrative fee of 2.5% is applied to CRV out (deposits refunded). This formula yields a total of **$1.7 million** in fees paid by CalRecycle to recyclers and processors.

These two sets of administrative fees are listed in Table 1.

Processing Payments

CalRecycle pays recycling processors per-ton processing payments to compensate them when the cost of recycling exceeds the market value of scrap material. These payments are calculated according to CalRecycle formulas, and fluctuate over time along with rises and falls in end market scrap prices, and changes in processing costs as surveyed and reported regularly by CalRecycle. The most recently published processing payments rates are $266 per ton for PET plastic, and $165 per ton for glass. Processing payments are not made on aluminum cans, because their market value is high enough to cover operational costs and a reasonable profit. CRI has estimated that if SB 1013 passes, CalRecycle will pay new processing payments of **$1 million for PET** and **$80 million for glass**, for a total of **$81 million**. Due to recent changes in the scra p value of PET, it is widely anticipated that PET processing payments will soon decline to zero, so we are including an assumption of **zero for PET** in this analysis, and our revised estimate is therefore **$80 million**.

Table 3. Additional processing payments under SB 1013					
Wine & spirits bottles	**Tons sold**	**Recycling rate (includes redemption plus curbside & dropoff)**	**Tons recycled**	**Processing payment per ton**	**Processing payments made** (million)
PET will be reset to zero soon	6,973	50.8%	3,541	$0	Zero
Glass	773,088	62.3%	481,643	$165	$80
Total	**780,061**		**485,184**		**$80**

** Based on "hybrid" recycling rates of 77% for aluminum, 51% for PET, and 62% for glass. These rates are derived by dividing estimated sales (CRI's "2019 Beverage Market Data Analysis," 2022) by containers recycled as reported by CalRecycle.*

Processing fees

Beverage container manufacturers pay processing fees to CalRecycle to partially offset CalRecycle's expenses for processing payments. We roughly estimated processing fees by taking the glass container processing fee from fiscal year 2020-2021 and dividing it by the glass processing payment from fiscal year 2020-2021 to find what percent glass processing fees are of glass processing payments.[2] These current processing fees and payments for glass include only what is already in the California bottle bill, which is predominately beer. Then, multiplying that percent by the estimated processing payments to be paid for wine and liquor, we estimated processing fees that CalRecycle will receive with the passage of SB 1013.

Using these factors, manufacturers' processing fees (and hence, revenues to CalRecycle) come out to **$15.5 million**.

Handling fees

Handling fees of 0.95 cents are paid by CalRecycle for each container redeemed at redemption centers approved as "handling fee sites." In CY2019, 27% of the total CRV paid out went to these sites. We have estimated that if wine and liquor are added to the deposit program, and if redemption rates and channels are consistent with current rates and channels, then CalRecycle can expect to pay an additional **$1.4 million** to handling fee sites for redeemed wine and liquor containers.

[2] Source: State of California Detailed Fund Balance Report, 3970 Department of Resources, Recycling and Recovery, 0269 Glass Processing Fee Account FY 2020-21

Quality incentive payments

Quality incentive payments (QIP) are paid by CalRecycle to facilities that process glass from curbside recycling programs, as an incentive to process glass into a high-quality product that can be melted in furnaces for making fiberglass and bottles. CalRecycle has allocated $10 million per year for QIPs for glass, but they have historically only spent about $9 million, because that is all the glass that goes through curbside programs. We anticipate that curbside glass tonnage will probably be reduced when wine and liquor bottles are added to the bottle bill. On the other hand, more of the material would then be eligible to receive QIPs, so the full $10 million that is allocated will probably be spent. Since these two factors largely cancel each other out, we have estimated that there will be no change to QIPs.

Net costs to CalRecycle

When these costs and revenues are added together, CalRecycle is projected to incur net costs of **$26.6 million** annually, which amounts to six percent of its current $635 million fund balance (as of late April 2022).

Sales tax

The CRV (deposit) is subject to state sales of 7.25%. Assuming $110 million in deposits initiated for wine and liquor bottles, the 7.25% state sales tax amounts to **$8 million**. Sales tax would be paid to the General Fund, not CalRecycle.

$46 million in Expected Revenues to Curbside & Drop-off Programs Under SB 1013

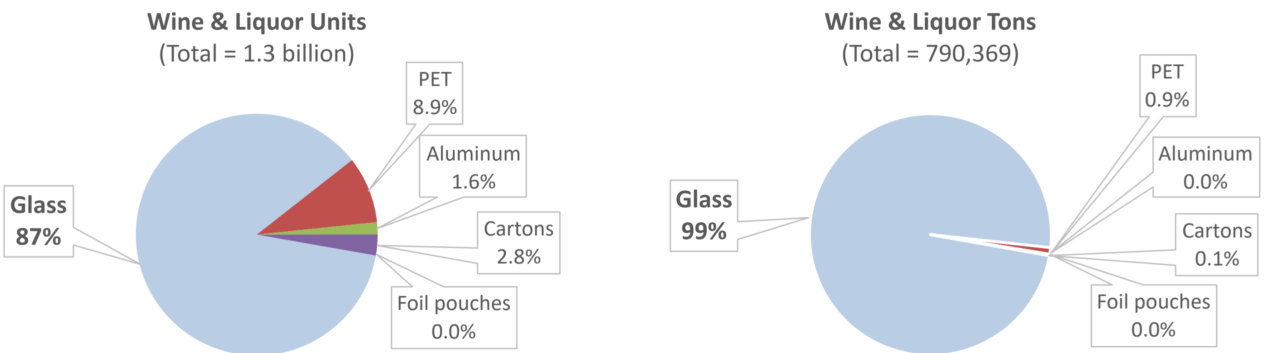
Introduction

CRI has estimated that CalRecycle will pay curbside and drop-off recycling programs **$46 million** for recycling these new deposit containers. **Wine and liquor bottles are currently recycled in curbside programs and will continue to be recycled in exactly the same way, though there will be fewer bottles, as more wine and liquor bottles will be redeemed at redemption centers. However, the wine and liquor bottles that remain in curbside programs will be eligible for program payments amounting to 19¢ per container, on average. As a result of SB 1013, CalRecycle's Beverage Container Recycling Fund (BCRP) will expend $46 million per year without achieving any new recycling of bottles and cans. This $46 million per year will be a windfall for curbside and dropoff programs, and would continue indefinitely.**

The beverage container deposit program in California has a long history of overpaying curbside and dropoff programs for handling beverage containers, that is, paying out more than the "cost of recycling." The majority of the overpayments result from the payment of the deposit refund, or "CRV-out." Curbside recycling programs also receive an annual "curbside supplemental payment" of $15 million; there is no additional recycling that occurs as a result of this payment. CalRecycle has also researched the amount of money that is paid for contaminants in loads of curbside materials, and found it to be $10 million per year. In addition, many materials recovery facilities (MRFs) are eligible to receive even larger payments by applying for the "individual commingled rate" program. Lastly, $10 million is budgeted each year for "quality incentive payments" for curbside materials. CRI documented the extent of the overpayments in our report, "California's CRV Beverage Container Recycling Program: Quantifying Payments to Curbside and Drop-off Programs, 2017," updated and revised, August 2019.

Quantity of new CRV containers to be recycled through curbside and drop-off

The overwhelming majority of wine and liquor containers sold are glass bottles: 87% by units and 99% by weight, as the below pie charts show. PET plastic bottles make up 9% of wine and liquor units sold (less than 1% by weight). Aluminum cans make up only 2% by units and are negligible by weight, while 3% are cartons and foil pouches that are not eligible for CRV.



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If these wine and liquor bottles are recycled *through the same channels at the same proportions* as existing CRV containers, CRI estimates that about 154,000 tons of glass (232 million units) and 460 tons of PET (8 million units) will be recycled through curbside and drop-off programs. These programs will receive CRV and other payments for wine and liquor containers.

Types of payments to be made by CalRecycle

There are three types of payments that CalRecycle makes to curbside and drop-off programs:

1) Processing payments for CRV containers
2) CRV payments for CRV containers
3) Administrative fees for CRV containers (= 0.75% of CRV)

We will discuss each of these in turn.

1) Processing payments for CRV containers

Processing payments are a mechanism CalRecycle uses to make recycling program operators whole when their operating costs are higher than the revenues they get from selling scrap material. In other deposit states, handling fees are used for this purpose. The processing payments are adjusted periodically using a formula that takes scrap values and operating costs into account, as well as a reasonable profit for program operators. At present, processing payments are $165/ton for glass and $266/ton for PET, although PET payments are expected to go to zero soon. When these values are multiplied by the expected quantities of wine and liquor bottles to be recycled through curbside and drop-off programs, the total processing payments CalRecycle can be expected to make to these programs is **$26 million,** as the below table shows.

2) CRV payments for CRV containers

CRV payments are straightforward: they are simply the California Redemption Values that are levied on beverage containers in the deposit system: 5¢ for containers under 24 ounces, and 10¢ for containers of 24 ounces or more. CRI has calculated that the weighted average CRV (deposit value) for wine and liquor containers is 8.4¢. When this amount is multiplied by the anticipated 240 million wine and liquor bottles to be recycled through curbside and drop-off programs, the outlay by CalRecycle is expected to be **$20 million**.

3) Administrative fees for CRV containers

Administrative fees are also straightforward; they are simply 0.75% of the CRV, or about **$15,000**.

The sum of these three types of payments is **$46 million,** as the table shows.[3]

Wine and liquor bottles to be recycled through curbside & drop-off programs						
	Glass		**PET**		**PET & Glass Total**	
	million units	tons	million units	tons	million units	tons
Containers sold	1,163	773,088	120	6,973	1,283	780,061
Expected recycling rate	*62%*		*51%*			
Total containers to be recycled	724	481,643	61	3,541	785	485,184
Proportion of containers recycled thru curbside & drop-off	*32%*		*13%*			
Containers to be recycled through curbside & drop-off	232	154,126	8	460	240	154,586

CalRecycle payments to to curbside & drop-off programs for recycled wine and liquor bottles						
	Glass		**PET**		**PET & Glass Total**	
	per unit	per ton	per unit	per ton		
1. Processing payments for CRV containers	$0.1112	$165	$0.0154	$266		
Processing payments to be made	$25.8	million	$0.1	million	**$25.9**	**million**
2. CRV payments for CRV containers	$0.0844	$126	$0.0844	$1,451		
CRV payments to be made	$19.57	million	$0.7	million	**$20.2**	**million**
3. Administrative fees for CRV containers (= 0.75% of CRV)	0.075%		0.075%			
Administrative fees to be paid	$0.015	million	$0.001	million	**$0.015**	**million**
Total payments to curbside and drop-off	**$45.4**	**million**	**$0.8**	**million**	**$46.1**	**million**

[3] We have not included the following factors into this analysis: scrap revenues (and losses), quality incentive payments, cost of recycling, or profits.

Legislative Options to Reduce Excess Expenditures

If the legislature wishes to address these windfall payments to curbside and dropoff programs (for which no goods or services will be realized), it could specify that curbside and dropoff programs are ineligible to receive CRV payments, processing payments and administrative fees related to wine and liquor bottles. This would save the program from paying $46 million per year while receiving no goods or services in return.

Alternatively, the legislature could eliminate the existing annual “curbside supplemental payment” of $15 million a year, which is another type of expenditure for which no goods or services are received.