



January 23, 2024

Senator Josh Becker

Chair, Subcommittee 2, Resources, Environmental Protection And Energy

Member, Standing Committee on Budget and Fiscal Review

1021 O Street, Suite 7250

Sacramento, CA 95814

Assembly Member Steve Bennett

Chair, Assembly Budget Subcommittee 4 on Climate Crisis, Resources, Energy and

Transportation

1021 O Street, Suite 4710

Sacramento, CA 9581

Re: \$300 Million Understatement of the Bottle Deposit Fund

Dear Senator Becker and Assembly Member Bennett,

The integrity of the state budget is critical for the functioning of the government. We write to point out a \$300 million understatement in the size of CalRecycle's Beverage Container Recycling Fund (BCRF) reflected in the Governor's three-year budget this month.

The current balance in the BCRF fund is reported in the Governor's budget as \$538 million for fiscal year 2022/23. (EP14 : <https://ebudget.ca.gov/2024-25/pdf/GovernorsBudget/3890/3970.pdf>.) The fund in that fiscal year contained \$830 million, according to financial statements submitted by CalRecycle to the Department of Finance (DOF). See: [https://consumerwatchdog.org/wp-content/uploads/2024/01/CalRecycle-PY-Reconciliation-Package-to-DOF-Fund-0133\\_Signed.pdf](https://consumerwatchdog.org/wp-content/uploads/2024/01/CalRecycle-PY-Reconciliation-Package-to-DOF-Fund-0133_Signed.pdf)

That leaves a discrepancy of nearly \$300 million.

This critical mistake has grave implications for CalRecycle by making it appear that it has \$300 million less funds to spend on reform of our broken bottle deposit system as prescribed by SB 1013 (Atkins).

The misrepresentation is not a mere mistake. There is a pattern of the Department of Finance grossly understating the fund balance so that CalRecycle cannot spend legislative-appropriated funds. That allows DOF to more freely borrow against the fund. Read the San Francisco Chronicle's reports on the same misrepresentation last year:

<https://www.sfchronicle.com/politics/article/California-bottle-deposit-program-sitting-on-at-16816060.php>

<https://www.sfchronicle.com/politics/article/The-system-is-so-broken-State-senator-16975757.php>

This year the manipulation of the fund size could have serious implications for the implementation of SB 1013, which goes into effect on January 1, 2025 and is designed to make it convenient for consumers to access to their bottle deposit refunds totaling roughly \$1.5 billion a year.

For example, CalRecycle was allocated \$146 million in the Governor's previous budgets for grants to grocery store chains and recycling centers to modernize the system through installation of automated technology in anticipation of SB 1013's redesign of the bottle deposit system. Any understatement of the funds available in CalRecycle's BCRF creates the appearance of fewer funds available to dispense these grants. CalRecycle has committed to just \$40 million in grants and, without a proper statement of the fund balance in the budget, could be deterred from spending the remaining \$106 million appropriated by the legislature.

This cynical game that permits the DOF's borrowing has gone on for too long, but this year it comes with extreme consequences of the system not being ready for the new rules taking effect in 2025. Automation is key to the creation of successful cooperatives which retailers are to form to satisfy their requirement to take back bottles and cans without the current opt out allowed under today's law.

We urgently ask that you investigate the discrepancies between the BCRF balances reported by CalRecycle and those arrived at by the DOF in the Governor's budget. We urge you to verify what monies are in fact available to spend to provide consumers with convenient redemption options beginning on January 1 next year and to untie CalRecycle's hands so that it can award \$146 million in grants and fulfill its other obligations under SB 1013.

Sincerely,



Jamie Court, President, Consumer Watchdog



Liza Tucker, Consumer Advocate, Consumer Watchdog

CC:

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