



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

Department of Resources Recycling and Recovery

July 16, 2012



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## OVERVIEW

As required by Public Resource Code (PRC) Sections 14556 and 14581(c)(1), 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). This review reports on the expected adequacy of funds in the Recycling Fund to make the payments specified in PRC Section 14581 as well as the Processing Fee reductions required by PRC Section 14575. The review also provides information about Handling Fees, Processing Fees, Processing Payments, and projections of sales and returns of beverage containers.

In general terms, the Recycling Fund Condition Summary indicates that the Recycling Fund will be solvent through FY 2012-13. The Recycling Fund balance is not projected to reach a level that would require proportionate reduction in FY 2012-2013. To maintain Recycling Fund solvency, the due date for Redemption Fees from distributors has changed from two months following the month of sale to one month effective July 1, 2012. The acceleration of Redemption Fee payments will reduce the revenue lag and provide revenues to CalRecycle sooner to meet current commitments. In other words, resources become available roughly 30 days sooner, equating to about \$90 million less that CalRecycle must expend prior to receiving revenue for corresponding periods.

For FY 2011-2012, loan repayments of \$89 million from the General Fund and \$21 million from the Air Pollution Control Fund have been completed. For FY 2012-2013, the Governor's Budget provides for loan repayments of \$10 million from the General Fund plus \$16 million from the Air Pollution Control Fund.

This report is based upon sales of beverage containers and recycling (or "returns") of beverage containers in California. Any assessment of the Recycling Fund's ability to support program activities must rest on both actual observed sales/returns activity and on projections of those sales and returns. For this report, actual sales and actual returns data are current through the February 2012 reporting period. Data after that reporting period are projections.

The report includes sections discussing beverage container sales and returns estimates, as well as Handling Fee and Processing Fee/Payment estimates. Those Handling Fee and Processing Fee/Payment estimates rely upon projections of sales and returns and make no assumptions about changes in the actual Fee or Payment rate. Current Handling Fee and Processing Fee/Payment rates were used and, thus, the estimates are subject to change, given changes in costs of recycling and scrap values.

This report consists of seven main sections:

- A *Recycling Fund Condition Summary* that is a slightly revised, summary version of the entire fund condition. At the request of many interested parties, it has been re-formatted for ease of reference, but all data on the chart can be tied directly to the detailed Quarterly Status Report.
- A discussion on *Fund Balance vs. Cash Balance* and the potential for future implementation of proportional reduction.
- A discussion of the *Projections* used in this report and a comparison of past projections to actual observed values.
- *Sales and Returns Estimates* that display actual and projected numbers of containers sold and returned.
- *Handling Fees* and associated assumptions.
- *Processing Fees and Processing Payments* that include the amounts used for actual and projected processing fees, and processing fee offsets, by material type.
- Finally, the detailed *Quarterly Status Report* is shown as an Appendix, with annotations to corresponding entries in the Fund Condition.

## **RECYCLING FUND CONDITION SUMMARY**

As CalRecycle continues to prepare and present these quarterly statements regarding the Recycling Fund, we welcome feedback from stakeholders and interested parties. One suggestion implemented is a Fund Condition Summary. This summary incorporates minute details of a Fund Condition to allow the reader to focus on high-level points. The Redemption Fee and California Refund Value (Refund Value) payments are shown as stand-alone details. Similarly, the individual expenditures specified in PRC Section 14581 are itemized, but other categories of revenues and expenditures are summarized. The full Fund Condition Statement can be found in the Appendix with all of the requisite notations.

Recycling Fund Condition Summary Statement				
		FY 2010-11	FY 2011-12	FY 2012-13
<b>RESOURCES</b>	<b>RESOURCES</b>			
	Balance Forward	6,594,000	154,345,277	180,366,159
	Redemption Fees (A)	1,132,189,537	1,135,603,514	1,139,990,513
	Transfers (Loans Made/Repaid)	119,470,000	110,300,000	18,150,000
	Adjustments	214,088,292	19,147,353	2,808,030
	<b>TOTAL RESOURCES</b>	<b>1,472,341,829</b>	<b>1,419,396,144</b>	<b>1,341,314,702</b>
<b>EXPENDITURES</b>	<b>EXPENDITURES</b>			
	California Refund Value	1,059,019,264	1,009,869,599	1,009,869,599
	Beverage Container Recycling Program Administration	39,930,688	46,101,000	44,665,000
	Handling Fees	51,007,206	40,268,046	34,974,382
	Curbside Supplemental Payments	23,250,000	15,000,000	15,000,000
	Local Conservation Corps Grants	19,543,673	19,501,680	20,072,788
	Local Conservation Corps Grants (one-time)	(689,525)		
	City/County Payments	10,500,000	10,500,000	10,500,000
	Competitive Grants	(281,176)	750,000	1,500,000
	Glass Processing Fee Offsets	53,687,972	48,222,049	51,188,000
	Plastic Processing Fee Offsets	32,954,496	15,343,459	5,852,000
	Public Education and Information	(116,462)		
	Quality Incentive Payments	15,626,806	10,000,000	10,000,000
	Market Development Grants	(2,977,901)		
	Plastic Market Development Payments	12,123,130	17,847,152	12,794,474
	Grants Multi-family Housing (low income)	(653,409)		
Other Disbursements	5,071,790	5,627,000	10,510,000	
<b>TOTAL EXPENDITURES (B)</b>	<b>1,317,996,552</b>	<b>1,239,029,985</b>	<b>1,226,926,243</b>	
<b>FUND BALANCE</b>	<b>154,345,277</b>	<b>180,366,159</b>	<b>114,388,459</b>	
<b>NET INCOME (A)-(B)</b>	<b>(185,807,015)</b>	<b>(103,426,471)</b>	<b>(86,935,730)</b>	
NOTES:	1. "Transfers" are entirely repayment of General Fund and ARB Implementation loans. Absent those payments, the Fund Balance changes significantly (as shown at right). In FY2012-13 transfers also include repayment of \$8.25 M loan from the Alternative and Renewable Fuel and Vehicle Technology Fund	34,875,277	70,066,159	96,238,459
	2. "Processing Fee Offsets" are shown in Expenditures for ease of reference and to provide consistency with the statutory listing of PRC 14581-authorized expenditures.			
	3. "Adjustments" includes Prior Year Adjustments and Other Income.			
	4. "Other Disbursements" includes Pro Rata and other required payments to control agencies, as required of all special funds.			
	5. "Net Income" is CRV Revenues less Total Expenditures. In previous reports Net Income included Adjustments. Net Income now excludes Balance Forward, Transfers, and Adjustments. The measure is intended to help convey the actual difference in annual revenues and costs.			

By statute, the amount of the prudent reserve in the Recycling Fund should equal 5 percent of the prior year's expenditures to processors. Including Refund Value and Processing Payments to processors, the prudent reserve is approximately \$54 million. However, due to the seasonality of the Recycling Fund's revenues and expenditures, planning for an end-of-year Recycling Fund balance of \$54 million results in insufficient funds in certain months throughout the year. For instance, August and September are traditionally months when Refund Value payments are high, due to peak consumer recycling of beverage containers resulting from summer-time consumption patterns. However, Redemption Fee payments from distributors in August and September decrease because distributors are reducing shipment amounts from the summer-time high sales volumes in preparation for slower traditional autumn sales. A 5 percent prudent reserve does not provide a sufficient account balance to accommodate seasonal consumption patterns that affect the Recycling Fund. At times payment to processors may be slowed to ensure that sufficient resources exist in the Recycling Fund to make the claimed payments. This translates to delayed payments to processors, recyclers, grantees, and anyone else receiving payments from the Recycling Fund.

This Summary also includes a "Net Income" reference. This value is equal to Redemption Fee revenue less total expenditures in that given year. The Net Income values for all fiscal years in the Summary are negative, reflecting a structural deficit. If the current trends continue, the structural deficit is anticipated to drive the Recycling Fund into insolvency, absent any programmatic modernization to the Recycling Program.

## **FUND BALANCE VS. CASH BALANCE**

The fund balance depicted in the Fund Condition Statement contained in this report does not represent what is immediately available in cash. Although the Recycling Fund is solvent from a fund condition standpoint, there are still cash flow problems at various times of the year. The differences between fund balance and cash available for current operations are mainly attributable to revenue lag, the structural deficit, and the status of General Fund loan repayments.

Revenue lag represents the total amount of expenditures paid prior to the corresponding collection of revenues for the same reporting period. Routine expenditures, such as processor claims for Refund Value and Processing Payments, are generally paid within 20 days after the end of the reporting month. Redemption Fee payments from distributors, which is the main revenue source for the Recycling Fund, were due no later than the last day of the second month following the sale (60 days). This resulted in a revenue lag of approximately 40 days. During FY 2010-2011, revenue lag averaged roughly \$78 million (with some months being as low as \$26 million, and others as high as \$142 million). Effective July 1, 2012, Redemption Fee payments shall be paid no later than the last day of the month following the sale (30 days), which is anticipated to reduce the duration and the amount of the revenue lag. The impact of 30-day Redemption Fee payments on revenue lag will be based on actual revenues and expenditures. As CalRecycle is better able to determine the actual impacts, they will be included in subsequent reports.

The structural deficit is the present condition where program expenditures exceed program revenues. Program operations are traditionally funded by unclaimed Redemption Fees. Between FY 2006-2007 and FY 2009-2010 the recycling rate increased from 63 percent to 82 percent, thereby increasing demands on the Recycling Fund and causing the program to operate under a structural deficit. Analysis on the FY 2010-2011 figures indicates that under the current structure, a maximum recycling rate of 70 percent is required to maintain Recycling Fund solvency.

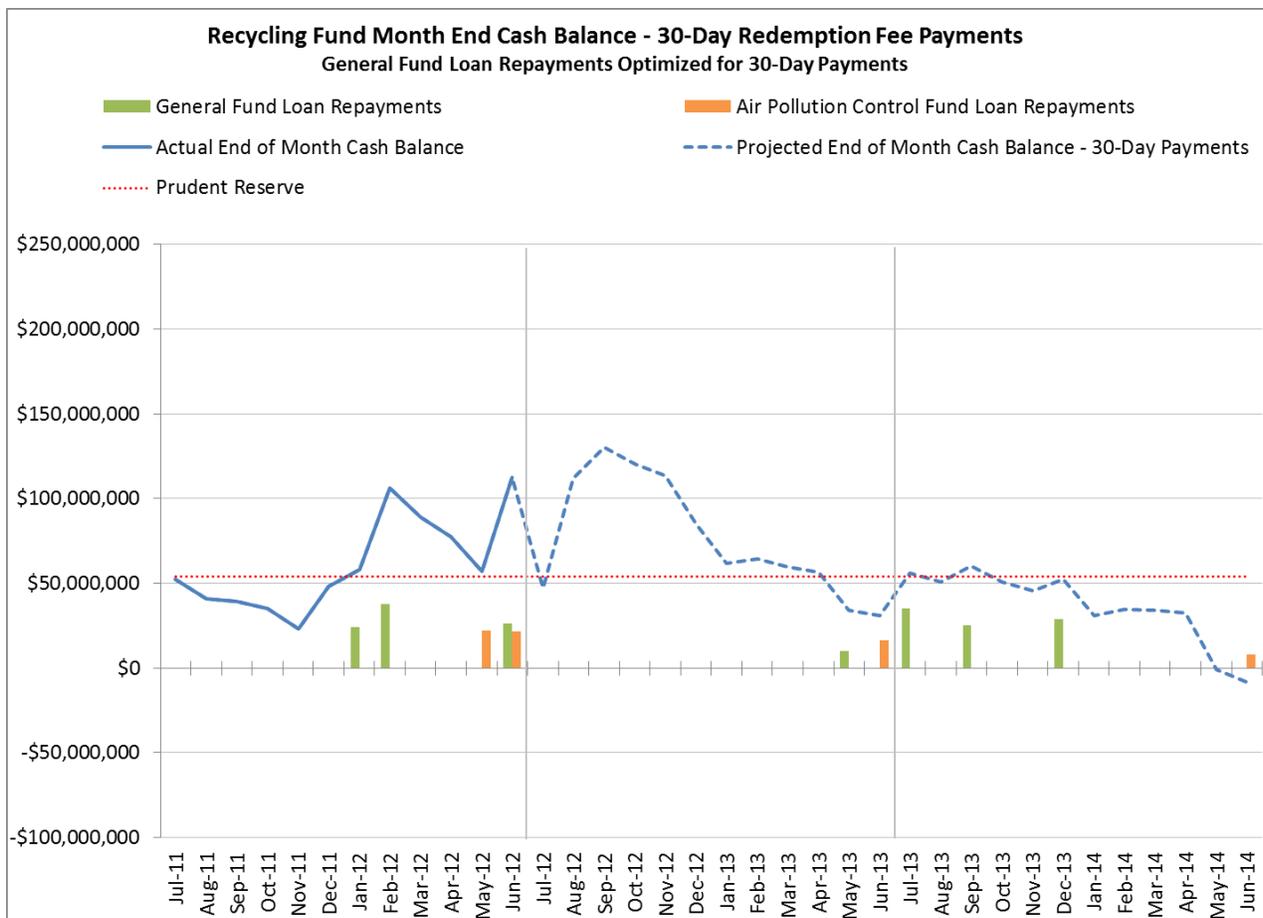
General Fund loan repayments mitigate the structural deficit, and temporarily maintain Recycling Fund solvency. The Recycling Fund Balance shown on the Fund Condition includes all expected loan repayments scheduled for the fiscal year, and any outstanding loan repayments do not currently reside in the Recycling Fund as cash. The timing of loan repayments is dependent on the Recycling Fund's cash flow needs throughout the fiscal year, as well as the ability for the General Fund to make the payment.

In addition to the items above, the daily cash balance fluctuates during the course of each month. In general, receipt of revenue occurs at the beginning of the month, while program payments occur in the middle of the month. As a result, cash availability is typically lowest mid-month, and during this time cash in the Recycling Fund may not meet cash demand, thereby delaying program payments.

CalRecycle has developed a cash model that displays how the combined effects of revenue lag, the structural deficit, and the status of General Fund loan repayments affect the cash balance of the Recycling Fund on a monthly basis. The Fund Balance shown on the Fund Condition reflects this same affect, only on an annual basis. As a result, utilizing the cash balance, shown in the cash model, as a trigger for implementing future proportional reduction will provide CalRecycle and its stakeholders ample time and data to determine when such a decision is needed.

CalRecycle closely monitors the cash balance to ensure there are sufficient funds to make program payments. If there are insufficient funds to make program payments as specified in PRC Sections 14575 and 14581, then CalRecycle shall reduce all payments proportionally pursuant to PRC Section 14581(d). CalRecycle would implement proportional reduction if the projected cash balance of the Recycling Fund dropped and remained below the 5 percent prudent reserve for an extended period of one quarter or longer. This reduction would not affect the collection of Redemption Fees and the payment of Refund Value, nor would it affect administrative fees retained or paid.

The chart below shows the projected cash balance of the Recycling Fund by month and includes the effect of changing the former 60-day Redemption Fee payment schedule to the current 30-day schedule, effective July 1, 2012. The chart reflects General Fund loan repayments of \$10 million scheduled for FY 2012-2013 and \$89 million scheduled for FY 2013-2014. As this chart reveals, the cash balance would generally remain at or above the prudent reserve until January 2014 and then drops to a negative balance by June 2014. Absent program modernization, the Recycling Fund would require an additional General Fund loan repayment in January 2014, or CalRecycle would be required to implement proportional reduction in FY 2013-2014.



## **PROJECTIONS**

CalRecycle's projections for sales and return volumes in containers for this quarterly reporting period are slightly upwards for both sales and returns for the next 12 months as compared to sales and return volumes in containers for FY 2010-2011. The sales projections follow a trend line projection that is more reflective of long-term historical changes. CalRecycle is projecting a slightly higher sales volume in containers in FY 2011-2012 and FY 2012-2013 than in FY 2010-2011.

The returns projections follow a month-over-month projection that is more reflective of recent historical changes. Longer-term trend line analyses are influenced by years of heavy growth in recycling volumes in containers. These years followed the increase in Refund Value per container and witnessed 10 percent growth in total recycling volumes in containers for three consecutive fiscal years (FY 2006-2007 through FY 2008-2009). Growth from FY 2008-2009 through FY 2009-2010, however, radically slowed to 1 percent growth. Recycling volume in containers decreased 2 percent in FY 2010-2011 as compared to FY 2009-2010 due primarily to declining sales. CalRecycle is projecting a slight increase in recycling volumes in containers for FY 2011-2012 and remaining steady for FY 2012-2013.

The recycling rate for FY 2010-2011 is 82 percent. CalRecycle is projecting that recycling rates will remain at 82 percent for FY 2011-2012 and FY 2012-2013.

As with the May 2012 Report, this report includes a comparison of how well the prior projections predicted the three additional months of actuals sales and returns data. The following tables show the comparison.

Sales	Dec-11	Jan-12	Feb-12
April 2012 Projection	\$108,870,849	\$75,467,502	\$81,788,108
Actual	\$101,161,144	\$77,009,121	\$78,515,094
% Difference	7.1%	-2.0%	4.0%

Returns	Dec-11	Jan-12	Feb-12
April 2012 Projection	\$81,230,120	\$85,602,670	\$67,922,679
Actual	\$83,209,617	\$76,396,955	\$71,759,100
% Difference	-2.4%	10.8%	-5.6%

### **SALES AND RETURNS ESTIMATES**

The tables below show projections of sales and returns for FY 2010-2011 through FY 2012-2013. The table for FY 2010-2011 is based on actual data from the Biannual Report of Beverage Container Sales, Returns, Redemption, and Recycling Rates at <http://www.calrecycle.ca.gov/BevContainer/Rates/BiannualRpt/default.htm>. Data regarding sales and returns for FY 2011-2012 and FY 2012-2013 include only projections.

<b>Sales and Returns FY 2010-2011</b>			
	Sales Over 24 oz.	Sales Under 24 oz.	Containers Returned
AL	486,750,091	8,227,822,178	8,356,540,553
GL	268,996,072	2,622,472,651	2,445,890,600
PET	1,349,041,033	7,001,723,994	5,550,978,054
HDPE	164,209,863	156,993,271	306,556,333
Total	2,268,997,059	18,009,012,094	16,659,965,540

<b>Sales and Returns FY 2011-2012 (Projected)</b>			
	Sales Over 24 oz.	Sales Under 24 oz.	Containers Returned
AL	511,287,307	8,129,155,110	8,227,638,173
GL	307,449,671	2,684,019,741	2,441,039,622
PET	1,435,293,942	7,268,942,996	5,956,856,196
HDPE	153,408,669	160,941,658	320,103,205
Total	2,407,439,589	18,243,059,506	16,945,637,196

<b>Sales and Returns FY 2012-2013 (Projected)</b>			
	Sales Over 24 oz.	Sales Under 24 oz.	Containers Returned
AL	527,549,940	7,574,631,539	8,227,638,173
GL	339,669,316	2,717,880,394	2,441,039,622
PET	1,578,383,024	7,508,551,596	5,956,856,196
HDPE	135,738,526	183,269,662	320,103,205
Total	2,581,340,806	17,984,333,190	16,945,637,196

Reported recycling rates based on container volumes will not match exactly to a formula of “returns divided by sales” when applied to the dollar amounts for Refund Value and Redemption Fees for a given year. This is because the dollar amounts include reduced payment from distributors and extra payments to processors and recyclers for administrative fees. In addition, the Refund Value per Pound rates vary from year to year due to changes in the composition of the beverage container recycling stream. CalRecycle can provide further information upon request.

## **HANDLING FEES**

Handling fees are a set amount per container, regardless of container type. The table below shows three years of Handling Fee payments. The actual amount for FY 2010-2011 reflects a one-time adjustment to tie CalRecycle financial records to State Controller’s Office records. For the FY 2011-2012 and FY 2012-2013 periods, the total amount is based on projections. The handling fee per container rate changed from \$0.0089 to \$0.00773 effective July 1, 2012, 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>.

Fiscal Year	Handling Fee	Containers
2010-2011 (Actual)	\$51,007,206	4,462,188,307
2011-2012 (Projected)	\$40,268,046	4,524,499,551
2012-2013 (Projected)	\$34,974,382	4,524,499,551

## **PROCESSING FEES/PAYMENTS**

Processing Fees are collected from beverage manufacturers that package their beverages in plastic and glass. Processing Payments are made to recyclers from the Processing Fees paid by manufacturers, plus the Processing Fee Offsets transferred from the unredeemed Redemption Fee payments.

For FY 2010-2011 Processing Fees and Processing Payments were influenced by limitations on the amount of Processing Fee Offsets. ABX8 7 (Committee on Budget, Chapter 5, Statutes of 2009-10 Eighth Extraordinary Session) capped the Offsets for calendar years 2010 and 2011 at the amount expended per container type in the 2008 calendar year. Processing Payments for glass and PET required less Processing Fee Offset than was used in the 2008 baseline year. Processing Payments for HDPE required more Processing Fee Offset than the law allows and, as such, Processing Fees for HDPE were higher than they would have been if there was no cap on offsets.

For FY 2011-2012 the projected amounts shown are the sum of 50 percent of the Processing Fees and Payments established for calendar year 2011 and 50 percent of the amounts established for calendar year 2012. The ABX8 7 cap on total offsets by material type became inoperative at the end of calendar year 2011. For calendar year 2012 there has been no Processing Fee assessed on PET beverage containers because the scrap value has exceeded the cost of recycling determined from the latest cost survey. As a result, the Processing Fees and Payments for PET projected for FY 2011-2012 are significantly lower than the amounts for FY 2010-2011. The Processing Fee Offsets for FY 2011-2012 are the actual amounts transferred and will not change.

For FY 2012-2013, the projected amounts are based exclusively on the Processing Fees, Payments, and Offsets established for calendar year 2012. Using calendar year 2012 as a proxy implies that no Processing Fee will be assessed on PET beverage containers in FY 2012-2013, which will be confirmed when Fees are established for calendar year 2013. As CalRecycle is better able to determine those amounts, they will be reflected in subsequent reports.

<b>FY 2010-2011 (Actual)</b>			
	Processing Fees	Processing Fee Offsets	Processing Payments
Glass	\$5,527,790	\$53,687,972	\$56,597,682
PET	\$14,098,044	\$28,366,120	\$38,637,732
HDPE	\$3,689,351	\$4,588,376	\$7,048,761
Total	\$23,315,185	\$86,642,468	\$102,284,175

<b>FY 2011-2012 (Projected)</b>			
	Processing Fees	Processing Fee Offsets	Processing Payments
Glass	\$6,702,000	\$48,222,049	\$56,001,000
PET	\$2,058,000	\$10,446,270	\$13,331,000
HDPE	\$1,132,000	\$4,897,189	\$6,352,000
Total	\$9,892,000	\$63,565,508	\$75,684,000

<b>FY 2012-2013 (Projected)</b>			
	Processing Fees	Processing Fee Offsets	Processing Payments
Glass	\$6,853,000	\$51,188,000	\$58,041,000
PET	\$0	\$0	\$0
HDPE	\$684,000	\$5,852,000	\$6,536,000
Total	\$7,537,000	\$57,040,000	\$64,577,000

## **APPENDIX 1 -- QUARTERLY STATUS REPORT DETAILS**

The following Quarterly Status Report shows three columns of fiscal data, one column per fiscal year. All values of sales, returns, revenues and expenditures for FY 2011-2012 and FY 2012-2013 are projections.

Several of the line items in the Revenues and Transfers section and the Expenditures section are notated for further description. Those descriptions immediately follow the Quarterly Status Report. The Quarterly Status Report presented here also is available in Excel format at <http://www.calrecycle.ca.gov/BevContainer/RecycleFund/2012/JulCondition.xls> on the CalRecycle webpage.

<b>California Department of Resources Recycling and Recovery (CalRecycle)</b>				
<b>Beverage Container Recycling Fund Condition Statement</b>				
<b>Projected Revenues and Expenditures as of July 1, 2012</b>				
		FY 2010-11	FY 2011-12	FY 2012-13
<b>Balance Forward [Note 1]</b>		6,594,000	154,345,277	180,366,159
<b>Prior Year Adjustments</b>		192,125,222		
<b>Balance Adjusted (A)</b>		198,719,222	154,345,277	180,366,159
<b>Revenues and Transfers</b>				
<b>Receipts</b>				
	Redemption Fees [Note 2]	1,132,189,537	1,135,603,514	1,139,990,513
	Other Income	21,963,070	19,147,353	2,808,030
	<b>Total Receipts (B)</b>	<b>1,154,152,607</b>	<b>1,154,750,867</b>	<b>1,142,798,543</b>
<b>Transfers</b>				
	Repayment of Air Pollution Control Fund Loan [Note 3]	21,300,000	21,300,000	16,400,000
	Repayment of General Fund Loan [Note 4]	98,170,000	89,000,000	10,000,000
	Transfers to Glass Processing Fee Account [Note 5]	(53,687,972)	(48,222,049)	(51,188,000)
	Transfers to Plastic Processing Fee Account [Note 5]	(32,954,496)	(15,343,459)	(5,852,000)
	Repayment of Alternative Renewable Fuel & Vehicle Technology Fund Loan [Note 6]			(8,250,000)
	<b>Total Transfers (C)</b>	<b>32,827,532</b>	<b>46,734,492</b>	<b>(38,890,000)</b>
	<b>Total Transfers and Receipts (B+C)</b>	<b>1,186,980,139</b>	<b>1,201,485,359</b>	<b>1,103,908,543</b>
	<b>Total Resources (D) = (A+B+C)</b>	<b>1,385,699,361</b>	<b>1,355,830,636</b>	<b>1,284,274,702</b>
<b>Expenditures [Note 7]</b>				
<b>Disbursements (CalRecycle)</b>				
	California Refund Value [Note 8]	1,059,019,264	1,009,869,599	1,009,869,599
	Beverage Container Recycling Program Administration	39,930,688	46,101,000	44,665,000
	Handling Fees [Note 9]	51,007,206	40,268,046	34,974,382
	Curbside Supplemental Payments	23,250,000	15,000,000	15,000,000
	Local Conservation Corps Grants [Note 10]	19,543,673	19,501,680	20,072,788
	Local Conservation Corps Grants (one-time) [Note 13]	(689,525)		
	City/County Payments	10,500,000	10,500,000	10,500,000
	Competitive Grants [Notes 11, 13]	(281,176)	750,000	1,500,000
	Public Education and Information [Note 11]	(116,462)		
	Quality Incentive Payments	15,626,806	10,000,000	10,000,000
	Market Development Grants [Note 13]	(2,977,901)		
	Plastic Market Development [Note 12]	12,123,130	17,847,152	12,794,474
	Grants Multi-family Housing (low income) [Note 13]	(653,409)		
	Pro Rata	4,933,790	5,627,000	4,215,000
	<b>Total Disbursements (CalRecycle) (E)</b>	<b>1,231,216,084</b>	<b>1,175,464,477</b>	<b>1,163,591,243</b>
<b>Disbursements (Other)</b>				
	State Controller	138,000		36,000
	FiŞcal			6,214,000
	HRMS			45,000
	<b>Total Disbursements (Other) (F)</b>	<b>138,000</b>		<b>6,295,000</b>
	<b>Total Expenditures (G) = (E+F)</b>	<b>1,231,354,084</b>	<b>1,175,464,477</b>	<b>1,169,886,243</b>
<b>FUND BALANCE (D-G) [Note 14]</b>		<b>154,345,277</b>	<b>180,366,159</b>	<b>114,388,459</b>

Notes:

**[Note 1]** – The FY 2010-2011 Balance Forward amount ties to State Controller’s Office records.

**[Note 2]** – Redemption Fees are derived from projections of beverage container sales, added to known actual sales volumes. Actual sales are current through the February 2012 reporting period; all subsequent sales are projections.

**[Note 3]** – Loan repayments from the Air Pollution Control Fund for the AB 32 implementation loans are completed for FY 2010-2011 and FY 2011-2012 and scheduled for FY2 012-2013.

**[Note 4]** – The “Repayment of General Fund” for FY 2011-2012 amounts to \$89 million of which all has been repaid to date. General Fund loan repayments scheduled for FY 2012-2013 amount to \$10 million.

**[Note 5]** – “Transfers to Glass/Plastic Processing Fee Accounts” are the expenditures for the Processing Fee Offsets authorized in PRC Section 14581 and PRC Section 14575. They are capped per ABX8 7 for calendar years 2010 and 2011 at the level expended, by material type, in the 2008 calendar year. Please see discussion of Processing Fees found in the body of this report regarding FY 2011-2012 and FY 2012-2013 Processing Fee, Payment, and Processing Fee Offset amounts displayed in this report. Note that in the Recycling Fund Condition Summary Statement on page 6 of this report, Processing Fee Offsets are shown as expenditures of unredeemed Redemption Fees.

**[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 California Conservation Corps.

**[Note 7]** – “Expenditures” section is derived primarily from the list of appropriations found in PRC Section 14581. For FY 2010-2011, expenditure amounts reflect one-time adjustments to tie CalRecycle financial records to State Controller’s Office records. FY

2011-2012 amounts include the mid-year reinstatement of certain programs suspended by ABX8 7 until Jan. 1, 2012.

**[Note 8]** – Refund Value is derived from projections of recycling volumes, combined with actual recycling volumes. Actual recycling volumes applied to projections extend through the February 2012 reporting period.

**[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 amount and the number of containers recycled. Handling Fee rates change annually on July 1. For FY 2010-2011, the amount reflects a one-time adjustment to tie CalRecycle financial records to State Controller’s Office records. For FY 2011-2012, the per-container Handling Fee is \$0.0089. For FY 2012-2013, the per-container Handling Fee is \$0.00773 based on the results from the latest cost survey.

**[Note 10]** – Local Conservation Corp 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](http://www.dof.ca.gov/html/fs_data/latestEconData/fs_price.htm).

**[Note 11]** – The Quarterly Status Report indicates a half-year of funding available in FY 2011-2012, reflecting the end of the 2-calendar-year suspension ABX8 7 established for those programs and full funding in FY 2012-2013.

**[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 Jan. 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 \$27,134,872 and \$5,851,620 which equals \$10,641,626. The additional amount for calendar year 2012 is projected to be allocated by fiscal year as follows: \$7,847,152 for FY 2011-2012 and \$2,794,474 for FY 2012-2013. Thus the total amount projected for the Plastic

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Market Development Payment for FY 2011-2012 is \$17,847,152 and \$12,794,474 for FY 2012-2013.

**[Note 13]** – Amounts in these lines are negative because they reflect cancellations of previously awarded grants.

**[Note 14]** -- Fund Balance does not include any prudent reserve calculation. The prudent reserve pursuant to PRC 14580(a)(2) would be 5 percent of the total amount paid to processors, currently amounting to approximately \$54 million.