

June 7, 2010

Agenda Page 11—California Jobs Budget: Securitization of “Bottle Bill” Monies Overview of the Bottle Bill Program

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Budget Conference Committee



Fundamentals of the Beverage Container Recycling Program

June 7, 2010
Page 1

| Beverage Container Recycling Program Coverage | | | |
|--|---------------------------|----------------------|----------------------------|
| | Container Type | Beverage Type | Container Size |
| Covered in Program | Glass | Soda | 24 oz or less—5 cent CRV |
| | Plastic (all resin types) | Water | 24 oz to 64 oz—10 cent CRV |
| | Aluminum | Sports drinks | |
| | Bi-metal | Fruit juice | |
| | | Beer | |
| Not Covered in Program | Aseptic | Wine | 64 oz or more |
| | Foil pouches | Distilled spirits | |
| | Styrofoam | Milk | |
| | | Vegetable juices | |
| | | Soy drinks | |
| | | | |

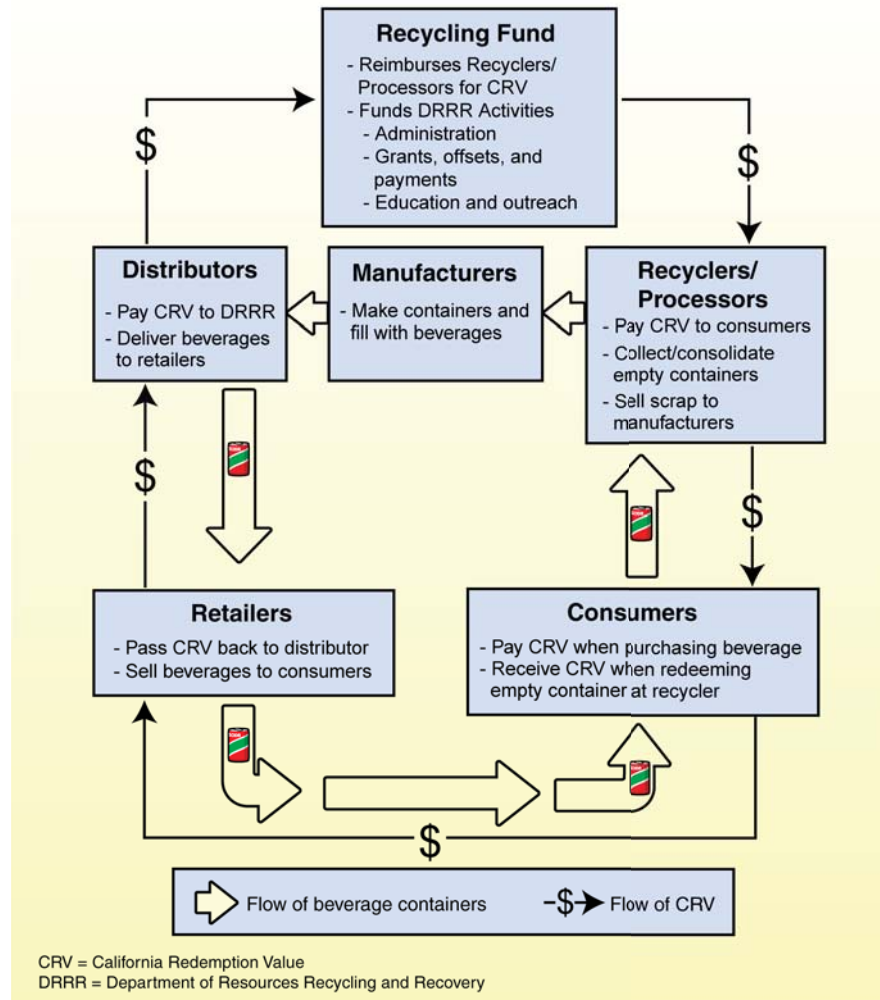
CRV = California Redemption Value.

- Program Covers Most Beverage Container Types.** As shown in the figure above, the Beverage Container Recycling Program (Program) covers most disposable beverage containers sold in the state. The Program encourages the voluntary recycling of most beverage containers by guaranteeing a minimum payment (termed a California Redemption Value [CRV]) for each container returned to certified recyclers.

- Recycling Rate Was 75 Percent in 2008.** In calendar year 2008, over 21 billion containers covered by the Program were sold and 16 billion were recycled, reflecting a 75 percent recycling rate.

Operation and Funding of The Beverage Container Recycling Program

June 7, 2010
Page 2

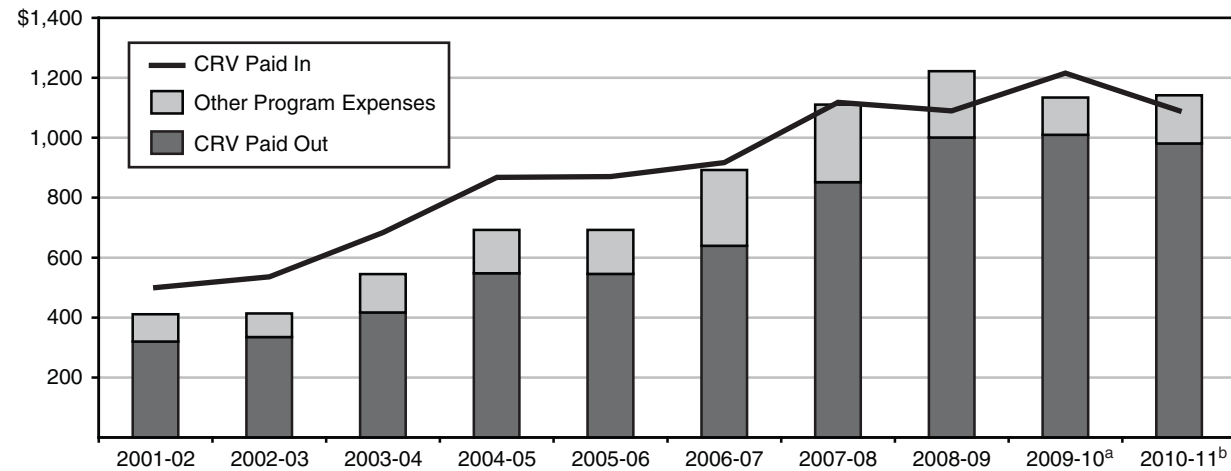


Most of the Beverage Container Recycling Fund's (BCRF) Revenues Flow Back to Consumers

June 7, 2010
Page 3

California Beverage Container Recycling Program Revenues and Expenditures, (Excluding Loans)

2001-02 Through 2010-11 (In Millions)



^a Estimated as of April 1, 2010. Includes one additional month of accelerated payments per Chapter 5, Statutes of 2010 (ABX8 7, Evans).

^b Projected. Does not include any General Fund loan repayments.

CRV=California Redemption Value.

Over \$500 Million Has Been Loaned From the BCRF

June 7, 2010
Page 4

| Loans From the Beverage Container Recycling Fund | | | | | |
|---|---------------------|--------------------|--------------------------------|-------------------------------|--|
| <i>(Dollars in Millions)</i> | | | | | |
| Special Fund Making Loan | Date of Loan | Loan Amount | Original Repayment Date | Amended Repayment Date | Terms of Loan |
| Loans to General Fund | | | | | |
| BCRF | 2002-03 | \$188 | 6/30/2009 | 6/30/2013 | Original authorized loan amount was for \$218 million, but the BCRF could only accommodate a loan of \$188 million. |
| BCRF | 2003-04 | 98 | 6/30/2009 | 6/30/2013 | |
| BCRF | 2009-10 | 99 | 6/30/2013 | — | |
| PET Processing Fee Account ^a | 2003-04 | 27 | 6/30/2009 | 6/30/2012 | Original authorized loan amount was for \$45 million, but the account could only accommodate a loan of \$27 million. |
| Glass Processing Fee Account ^b | 2003-04 | 39 | 6/30/2009 | 6/30/2012 | |
| Subtotal | | <u>(\$452)</u> | | | |
| Loans to Air Pollution Control Fund | | | | | |
| BCRF | 2008-09 | \$32 | 6/30/2013 | | One-third of the loan is to be repaid on or before June 30, 2011. |
| BCRF | 2009-10 | 35 | 6/30/2014 | | One-third of the loan is to be repaid on or before June 30, 2012. |
| Subtotal | | <u>(\$67)</u> | | | |
| Total Loans | | \$519 | | | |

^a Sub-account of the BCRF used to subsidize polyethylene terephthalate (PET) recycling.

^b Sub-account of the BCRF used to subsidize glass recycling.

BCRF = California Beverage Container Recycling Fund.

Recent Legislative Action Sought to Restore Solvency to the BCRF

June 7, 2010
Page 5

- ☑ ***The Legislature Took Action During the Special Session to Ensure the Fund Remained Solvent.*** The Legislature passed—and the Governor signed—Chapter 5, Statutes of 2010 (ABX8 7, Evans) during the special session to address current- and budget-year shortfalls in the BCRF. Specifically, Chapter 5 contains provisions that:
 - Accelerate the collection of CRV Revenues.
 - Caps or suspends some program expenditures.
 - Restricts future borrowing from the BCRF.

- ☑ ***Fiscal Effects of Special Session Changes.*** The changes enacted under Chapter 5 reduced the need for repayment of General Fund loans in the current and budget years while creating a prudent reserve in the fund.

- ☑ ***Fund Projections Are Subject to Significant Uncertainty.*** The department has acknowledged significant shortcomings in its forecast methodology for both sales and redemption rates. Given these shortcomings, there is significant uncertainty as to the BCRF balance in the budget year, meaning that further actions may be required to bring the fund into balance.