

# LITTLE HOOVER COMMISSION



## BEYOND BOTTLES AND CANS: REORGANIZING CALIFORNIA'S RECYCLING EFFORTS

*March 1994*

## **LITTLE HOOVER COMMISSION**

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Executive Director

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March 10, 1994

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*Executive Director*

The Honorable Pete Wilson  
Governor of California

The Honorable Bill Lockyer  
President Pro Tempore of the Senate  
and Members of the Senate

The Honorable Willie L. Brown Jr.  
Speaker of the Assembly  
and Members of the Assembly

The Honorable Kenneth L. Maddy  
Senate Minority Floor Leader

The Honorable James Brulte  
Assembly Minority Floor Leader

Dear Governor and Members of the Legislature:

Although California has positioned itself to manage its solid wastes intelligently, the State has not taken the necessary steps to move its programs and policies into the 21st Century. Nowhere is this more clear than in the area of recycling. To borrow a sports analogy, the State has a clear game plan and a credible coach in place -- but for some reason half the team is playing on a different field and is missing the game signals.

The Little Hoover Commission last examined the State's solid waste management techniques in 1989 when it became clear that landfill space was disappearing and that alternatives would have to be vigorously pursued. Of particular concern at that time was a state management structure that filtered all solid waste decisions through a body that was more interested in landfills than in recycling. Since then the State has created a rational structure to guide the integration of solid waste policies and to emphasize source reduction, reuse of products and recycling of used materials. But the State's major container recycling program was created before this structure was put into place and it has not been brought into the fold since.

A key policy question for the State is whether an orphan recycling program can be as effective and efficient as one that is an integral part of the State's overall solid waste management program. The Commission undertook its current study of that issue both in response to a legislative request that expressed concern about the efficiency of the current container recycling program and as a follow-up to the Commission's own assessment when Cal-EPA was created that the effectiveness of California's environmental efforts hinge on consolidating functions under one agency. The report transmitted to the Governor and the Legislature with this letter reflects the Commission's two findings and nine recommendations.

Milton Marks Commission on California State Government Organization and Economy

The first finding deals with the fragmented structure that has arisen. Primary authority and responsibility for solid waste management is vested in the California Integrated Waste Management Board under Cal-EPA. The State's container recycling program, which diverts 3 percent of all solid waste from landfills, is run by the Division of Recycling under the Department of Conservation in the Resources Agency. This has resulted in overlapping functions, duplicated activities and needless waste of resources. In addition, it has allowed a mixed message to reach the public about the importance of reducing solid waste disposal in landfills: While the Division of Recycling is busy emphasizing the success it has had in getting the public to return cans and bottles, the Integrated Waste Management Board is trying to persuade consumers that recycling containers is not enough and that more thoughtful decisions about buying and throwing away materials are needed.

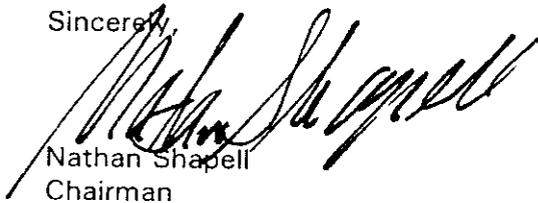
After careful analysis of a range of options, the Commission recommends that the functions of both the Division of Recycling and the Integrated Waste Management Board be merged in a new department under Cal-EPA. The streamlined structure is expected to save more than \$12 million annually, provide more effective implementation of policy and centralize accountability for solid waste management.

The Commission's second finding examines the container recycling program, known as the 2020 program. While extremely successful in terms of meeting recycling percentage goals, the program is complex and costly, both to the State and to industry. One result is that the 2020 program has not provided the expected solid foundation that would allow the expansion of the recycling mandate to other containers and materials.

Of particular concern in the 2020 program are the heavily subsidized convenience zone recycling centers and the "moving-target" processing fee. The Commission recommends the overhaul of both aspects of the program before any attempt is made to add further materials to the list of mandated recyclables.

Finally, the Commission notes that these organizational and program changes are important not just because of the environmental effect of solid waste disposal but also because of the emerging recyclable-materials industries. California has the opportunity to encourage the growth of productive businesses that will create jobs for citizens and revenues for state programs, as well as conserve resources. It is an opportunity the State cannot afford to ignore. The Commission looks forward to working with the State's decision-makers to bring California's written solid waste policies into reality.

Sincerely,

A handwritten signature in black ink, appearing to read "Nathan Shapell", written over a horizontal line.

Nathan Shapell  
Chairman

# **Beyond Bottles and Cans:**

*Reorganizing California's Recycling Efforts*

**March 1994**



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# **Executive Summary**

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# Executive Summary

**T**he beverage container recycling program (known as the AB 2020 program) has clearly been a success in meeting recycling goals. However, its limited coverage of only some beverage containers has had but a small impact on the State's solid waste stream and the program has not become the cornerstone for a state comprehensive reuse and recycling structure.

The need for major streamlining and simplification of the 2020 program has become apparent, as has a reorganization of the State's fragmented approach to resource reuse and recycling. Improved public education and outreach, as well as reduced costs, will result from a consolidation of all resource reuse and recycling programs under a single point of accountability.

The Little Hoover Commission recommends to the Governor and Legislature that a new comprehensive recycling program be established in Cal-EPA to bring both policy focus and program accountability to the State's recycling efforts. In the interim, numerous program overlaps and areas lacking coordination can be resolved by the Department of Conservation and the Californian Integrated Waste Management Board working together to consolidate successful operations.

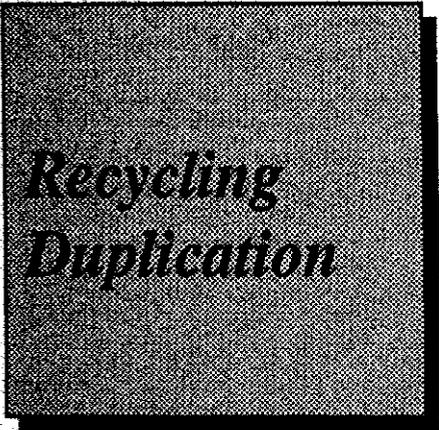
In addition, the Commission believes it is important to improve the processes of the 2020 program before any expansion is considered. It is necessary to streamline the 2020 program, eliminating such expensive nonessentials as the convenience zone mandate and its handling fee, replacing these zones with market-driven decisions or economically viable urban recycling districts. In addition, the complex processing fee can be replaced by moving the program closer to the principles of manufacturer's responsibility with a simpler advance disposal fee to fund collection processes.

With these improvements, the State of California will have in place the necessary structure for a comprehensive recycling program that can stimulate market development and increase reuse of a wide range of materials that must be diverted from the solid waste stream to meet state-mandated goals.

To address these problems and opportunities, the commission focused on two primary issues:

- The separation of responsibility for the State's recycling programs in two different agencies: 1) the Division of Recycling within the Department of Conservation in the Resources Agency and 2) the California Integrated Waste Management Board in the California Environmental Protection Agency.
- The complexity and the narrow focus of the major recycling program established by AB 2020 in 1986, an elaborate, subsidized and selective beverage container collection process that addresses only about 3 percent of the solid waste stream.

These areas are addressed in the two findings and nine recommendations summarized below.



## *Recycling Duplication*

**F**inding #1: The placement of overlapping recycling mandates in two separate agencies has resulted in duplication of work, public confusion and lost opportunities for maximum effectiveness in implementing state policies.

Because of the existence of multiple laws and two state agencies addressing waste control and/or recycling (with a third responsible for toxics waste management), there is lacking a coordinated, comprehensive approach to waste reduction and resource reuse and recycling in California. The evolution of several different legislative approaches to recycling has splintered the State's policy, created duplication of efforts, and reduced the needed focus on primary objectives, such as ensuring markets are available for increasing amounts of diverted waste materials. In addition, both the Integrated Waste Management Board and the Department of Conservation have organizational deficiencies that limit their potential as lead agencies for a comprehensive recycling program.

**Recommendation 1:** The Governor and the Legislature should enact legislation establishing a consolidated and comprehensive waste reduction, resource reuse and recycling program within Cal-EPA.

The best approach to reorganizing the State's recycling program is to eliminate the Division of Recycling and the Integrated Waste Management Board, creating in their place a consolidated department under Cal-EPA. Other alternatives also offer improvements, although not of the same magnitude. The grid on the next page shows these options.

<b>OPTIONS FOR CONSOLIDATING WASTE AND RECYCLING PROGRAMS</b>			
<b>Choice</b>	<b><i>Optimum Recommendation</i></b>	<b><i>Alternative A</i></b>	<b><i>Alternative B</i></b>
<b>Overview</b>	<b>Create Department of Solid Waste Management within Cal-EPA to handle all "reduce, reuse, recycle" programs and integrated waste management policies</b>	Create Department of Recycling within Cal-EPA, transferring some functions from the Integrated Waste Management Board	Move all recycling functions to an improved Integrated Waste Management Board
<b>Status of present entities under options</b>	<b>Eliminate the Division of Recycling; eliminate the Integrated Waste Management Board</b>	Eliminate Division of Recycling; retain Integrated Waste Management Board but removes some functions	Eliminate Division of Recycling; reform the Integrated Waste Management Board to a 5-member board
<b>New division of functions</b>	<p>The new department would handle everything now covered by the Division and the Board.</p> <p>An alternative with only minor modifications would shift the Board's current waste facility regulatory and waste transformation functions to the existing Department of Toxic Substances Control (which could be renamed the Department of Toxic and Solid Waste Management), leaving all other functions to the new department (which could be named the Department of Resource Reuse and Recycling).</p>	The new department would incorporate all of the Division and the recycling public information and market development functions of the Board. The Board would continue to have authority over waste plans, solid waste facilities, waste transformation and source reduction.	The Division would be folded into the Board's current operations. The Board would be reformed to make it more accountable and efficient in operation, including reducing the membership from six to five so that deadlocked votes do not occur.

**Recommendation 2:** Until the consolidation and reorganization occurs, the Governor and the Legislature should enact legislation clarifying that the California Integrated Waste Management Board is the lead agency for all recycling issues outside of toxic substances and beverage containers.

**Recommendation 3:** The California Integrated Waste Management Board and the Department of Conservation should execute a memorandum of understanding to resolve areas of overlap and duplication.

**Recommendation 4:** The California Integrated Waste Management Board, the Department of Conservation and the Department of Toxic Substances Control should establish an on-going task force to coordinate all market and technology development activities of the three agencies, with the immediate task of integrating CALMAX (Board), the California Market Watch (Department) and the California Waste Exchange (ToxicSubstances) programs into a single computerized format.



**F**inding 2: The complexity of the beverage container recycling program hinders its expansion, undermines cost-effective implementation and increases opportunities for fraud.

The 2020 beverage container recycling program is a complex mechanism that the State has

designed to push containers through a collection and reuse system, with financial penalties and incentives -- rather than free-market forces -- prodding participation by consumers and industry alike. The complexity and imperfections of the program have led to continuous criticism and calls for change. The original perception that the program would be a prototype for other recycling efforts has faded, since the effort to efficiently link government regulation and market processes has been viewed by many as a failure. Especially cited for reform attention are costly subsidies for convenience-zone recycling centers and a convoluted, fluctuating processing fee structure. In addition, the program limitation to containers for beverages that are carbonated, while other similar container materials are excluded, is seen as confusing to the public and limiting the recycling program in an illogical way. And the complexity of the program, with large amounts of money passing through multiple hands, continues to cause concern that fraud is possible.

**Recommendation 5:** The Governor and the Legislature should enact legislation amending the California Beverage Container Recycling Act to abolish the convenience zones mandate and supermarket-site handling fee payments, and to establish an alternative system.

**Recommendation 6:** The Governor and the Legislature should enact legislation that establishes a new simplified and predictable fee arrangement for subsidizing the 2020 collection system.

**Recommendation 7:** After reorganization and streamlining of the state's recycling programs have been authorized, the Governor and the Legislature should enact legislation expanding the coverage of the 2020 program to include all beverage containers that can be

accommodated by the recycled materials market.

**Recommendation 8:** The Governor and the Legislature should enact legislation requiring out-of-state aluminum container and beverage bottling industries to ensure that all CRV-imprinted cans are shipped to California and not to other states.

**Recommendation 9:** The Governor and the Legislature should enact legislation that allows the Department of Conservation to establish rewards for information leading to the discovery of fraudulent practices by participants in the 2020 program.



# **Introduction**



# Introduction

**C**alifornia has been in search of a broad, effective resource recycling system since the early 1970s when the capacity of the State's landfills to handle increasing amounts of solid waste was recognized as limited. In 1972, passage of the Solid Waste Management and Resource Recovery Act established what was described as a "comprehensive state solid waste management and resource recovery" policy and system. New laws and agencies were created to carry out the 1972 act, but recycling did not emerge as a mainstay of the State's solid waste decisions and policies.

The 1986 creation of a beverage container recycling program was a quantum leap forward for recycling in California, and other steps have been taken since to increase recycling and reuse of waste. But in spite of California's efforts to "close the circle" -- that is, to bring solid waste back into the production and reuse cycle -- gaps and overlaps remain in the system the State has created.

*Lack of integration hampers efforts to increase recycling*

**M**ost of the tools that are necessary to create a comprehensive program are now in place, but the lack of integrated organizational structures and functions have limited the effectiveness of the state's recycling efforts. Two main issues are:

- The separation of responsibility for the State's recycling thrust in two different agencies: 1) the

Division of Recycling within the Department of Conservation in the Resources Agency and 2) the California Integrated Waste Management Board in the California Environmental Protection Agency.

- The complexity and the narrow focus of the major recycling program established by AB 2020 in 1986, an elaborate, subsidized and selective beverage container collection process that addresses only about 3 percent of the solid waste stream.

Divided responsibility for recycling has resulted in overlap of functions, creating public confusion, missed opportunities to maximize the use of staff expertise, lost economies of operations and some variance in the implementation of the State's recycling goals. The complexity of the beverage container recycling program -- generally referred to as the 2020 program -- raises concerns about cost-effective implementation and the ability to monitor its processes and enforce legal requirements.

*Recycling goal  
has evolved  
during past  
two decades*

**H**ow the State handles recycling is an issue that has gained importance over the past two decades as compelling forces -- such as diminishing landfill capacity and the creation of new business opportunities in a recession-plagued economy -- have gained momentum. The evolution of philosophy and public policy has gone from the treatment of solid waste as mere garbage to today's new competition over waste as a valuable resource and commodity. From 1970 until today, there have been these phases:

- Litter reduction as a component of beautification campaigns.
- Reliance on landfills to dispose of garbage, and the view of recycling as a private-sector function with only minor government involvement.
- Solid waste as an energy source (during the oil crisis of the 1970s).
- Beverage container recycling for litter control and resource conservation (the AB 2020 program, 1986).
- Landfill capacity concerns, leading to a new state policy of "integrated waste management" and the establishment of waste reduction goals (25 percent by 1995 and 50 percent by 2000) to be

implemented by local governments (AB 939, 1989).

- More recently, a series of piecemeal steps to encourage broad-based recycling and reuse, including:
  - Mandates on state agencies to buy products with recycled content.
  - Mandates on manufacturers to use increasing levels of recycled material in new production.
  - Governmental support for development of new markets using recycled materials.
  - Increasing use by local governments of curbside collection services to pick up recyclables at residences.
  - Development of "material recovery facilities" at landfills where recyclables are removed from the solid waste stream before disposal.

*Recycling helps  
State's economy  
as well as  
environment*

**T**his evolution has led to increasing awareness and agreement within industry, the public and government that recycling is both an important environmental and economic activity. A report on pollution prevention in California, published by the California Environmental Protection Agency, finds that:

*Creating a demand for secondary materials is not only important for landfill diversion, it is also important for California's economy. As this State and others compete in a farther-reaching world market, more efficient uses of our existing virgin and secondary resources must be found to remain competitive. Additionally, California is paying a cost in environmental degradation that cannot be quantified, as minerals are mined, timber is cut and oil is extracted. And this cost increases as raw materials become even scarcer. California has an opportunity to discover the wealth it is currently discarding in its landfills.<sup>1</sup>*

The economic importance of recycling to California has also been recognized in a report by the California Integrated Waste Management Board:

*Market development for recyclables has the potential to solve an environmental problem as it creates an industry. Made with material formerly considered garbage but now diverted in increasingly large amounts from landfill, products made from recyclables create jobs as they lessen the environmental impact of solid waste. ... [P]otentially 20,000 jobs could be created in California's manufacturing sector, along with another 25,000 in sorting and processing, and many more from multiplier effects.<sup>2</sup>*

With the emerging importance of recycling as a landfill- diversion necessity and an economic stimulus opportunity, California has a strong incentive to maximize its recycling efforts and clearly delineate its recycling policies. The widespread perception, however, is that the State has thus far failed to accomplish that. With this goal in mind (and at the request of Senator Dan McCorquodale), the Little Hoover Commission decided to examine the State's existing recycling efforts, focusing on two areas:

- The most appropriate administrative placement for the Division of Recycling to ensure the state's recycling programs are efficient, effective and consistent with the objectives of both the California Beverage Container Recycling (AB 2020, 1986) and the Integrated Waste Management Act (AB 939, 1989).
- The complexity of the 2020 program and methods for streamlining it while maintaining its effectiveness.

The Commission conducted a public hearing addressing these issues in Los Angeles on November 16, 1993 (please see **Appendix A** for a list of witnesses). The four-month study included a review of literature and numerous interviews with government, industry and environmental experts.

The study has resulted in this report, which begins with a transmittal letter, Executive Summary and this introduction. The following sections include a background,

two chapters of findings and recommendations, and a conclusion. The report ends with a glossary, appendices and endnotes.



# Background

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- *Californians throw away twice the national average of garbage each day, almost 40 million tons a year.*
- *Container recycling diverts 3 percent of the State's waste stream from landfills.*
- *Recycling has matured from the early days of beautification and anti-litter campaigns into an ethic that promotes resource conservation and material reuse.*
- *The challenge is to move beyond recycling bottles and cans to full-fledged integrated solid waste management, with benefits for both the environment and the economy.*



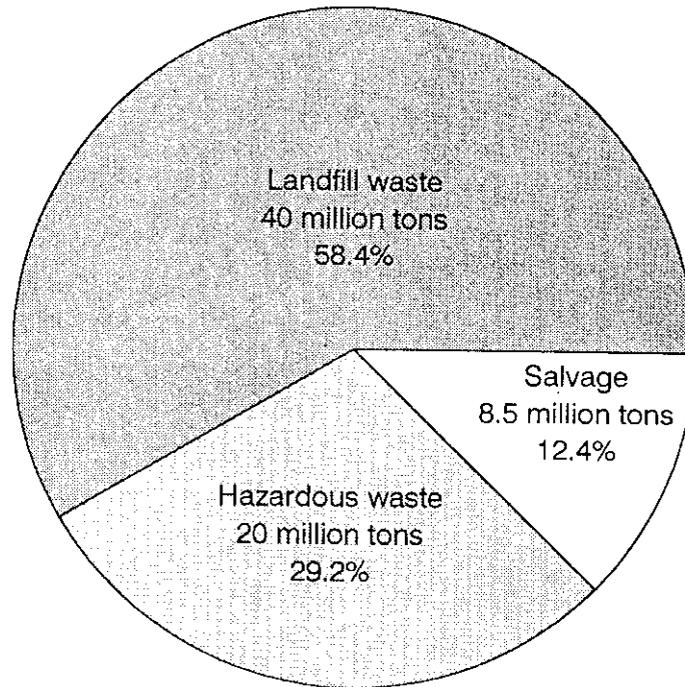
# Background

**T**he nation's "throwaway" ethic is nowhere more vividly carried out than in California, where citizens dispose of twice the national average of garbage each day.<sup>3</sup> For the past 25 years, California has made increasingly stronger efforts to encourage recycling and divert materials from hard-pressed landfills. But two thrusts not yet pursued aggressively by the State -- manufacturers' responsibility for packaging and the development of markets for recycled material -- are widely recognized as the key to making recycling a dynamic, successful policy in the future.

*State's garbage weighed in at 40 million tons in 1992*

**C**alifornia produced almost 40 million tons of garbage in 1992, which, after allowing for materials recovered for reuse, comprised the "solid waste stream" flowing from homes, businesses and industries to landfill facilities.<sup>4</sup> But as the chart on the next page indicates, this single figure does not tell the whole story:

Chart A  
California's Discarded Materials



**A**s Chart A reflects, there are more than 20 million tons of hazardous waste produced annually that require special handling under regulations established by the Department of Toxic Substances Control.<sup>5</sup> Of that amount, two million tons must be transported from their point of generation to other facilities for recycling, treatment, storage and/or disposal.<sup>6</sup> Up to another 8.5 million tons of recyclable commodities, in the form of metals and paper, do not enter the waste stream (and therefore are not technically "solid waste" or "garbage") because they are purchased by salvage operations directly from factories and resold for their scrap value.<sup>7</sup>

Although the popular perception is that used disposable diapers are the prime reason that landfill space is quickly diminishing, the reality is quite different. Table 1 on the next page shows the composition of California's solid waste stream.

<b>Table 1 COMPOSITION OF STATE'S WASTE STREAM</b>	
<i>Type of Waste</i>	<i>Percent</i>
Food and yard organic waste	38%
Paper	31%
Other (inert solids, household hazardous wastes, furniture, etc.)	15%
Plastics	6%
Metals	4%
Glass	3%
2020 recycled containers	3%

Source: California Integrated Waste Management Board, October 22, 1993

**A**s Table 1 indicates, almost four-tenths of the solid waste in California is made up of food and yard clippings. When combined with paper products, these items make up more than two-thirds of all garbage.

Another way of classifying types of waste is by initial use. From this perspective, packaging and containers of all types equate to around 30 percent of the total.<sup>8</sup> A document published by the California Integrated Waste Management Board observes, "The bulk of what we throw away is packaging and one-use, disposable items."<sup>9</sup> According to the U.S. Department of Agriculture, Americans spend more on food packaging than is spent on food.<sup>10</sup> Because of its large contribution to the waste stream, packaging has been the priority target of most recycling programs across the nation, with special attention given to containers for beer, sodas and other beverages largely because of their high visibility as litter.

***Landfill capacity  
diminishing rapidly  
in counties with  
largest population***

**T**he need to recycle is documented in another set of statistics -- those that measure the extent to which landfills can continue to cope with waste. About half of the state's counties, which have 70 percent of California's population, report 13 years of remaining landfill disposal capacity if 1990 waste generation trends persist. Almost 40 percent of the state's population live in ten counties reporting less than five years of disposal capacity.<sup>11</sup> This might appear to be an adequate lead time for planning, but it must be measured against the proven 10 to 14 years required today to secure community approval and all permits for siting a new landfill facility.<sup>12</sup>

The popular emphasis on recycling over recent years has not yet had a huge impact on the overall solid waste stream. California today diverts (that is, recovers, reuses, and/or recycles) about 12 percent of the total, leaving about 88 percent of all waste generated to be disposed of in landfills.<sup>13</sup> But the effect is beginning to show in annual statistics, which used to reflect continuing growth in the amounts dumped in landfills. In 1985, disposed solid waste came to approximately 30 million tons<sup>14</sup> and by 1990 it was about 43.6 million tons.<sup>15</sup> Most projections for the year 2000 have estimated that California's solid waste will add up to 60 millions tons.<sup>16</sup> However, between 1989 and 1992 waste actually reaching landfills has decreased each year, dropping to 39.5 million tons in 1992.<sup>17</sup> This apparently is the result of improving diversion efforts, plus the recessionary consequences of consumers purchasing fewer products.

*Solid waste policies have matured since beautification days*

**T**he turnaround comes after many years of both major overhauls and minor tinkering with the State's solid waste policies. With the start of the 1970s and the so-called "age of ecology," initial legislative attention was given to litter control, an extension of the beautification campaigns of the 1960s. While scrap dealers have been recycling many materials for decades, the first community bottle, can and newspaper recycling center was in operation by 1971 in Berkeley. That year a container packaging recycling bill, to be funded through per-unit fees paid by manufacturers, was drafted but not introduced in the Legislature when industry support diminished.

The concept of recycling did appear in legislation in 1972, but had only a minor role in California's first effort to create a State-level policy and program. The passage of the Solid Waste Management and Resource Recovery Act created the now-superseded State Solid Waste Management Board, which became responsible for regulation of solid waste landfills and other facilities. Among the act's findings and declarations was: "Methods of solid waste management emphasizing source reduction, recovery, conversion and recycling of all solid wastes are essential to the long range preservation of the health, safety and well-being of the public...." The act declared it in the public interest to establish and maintain a "comprehensive state solid waste management and resource recovery policy" to "provide for the maximum reutilization and conversion to other uses of the resources contained" within solid waste.<sup>18</sup>

However, the act gave the solid waste board little more than a directive to guide state research and development efforts and to conduct special studies and demonstration projects on "the recovery of useful energy and resources from solid wastes."<sup>19</sup> In time, the board was perceived as developing an industry bias that relied extensively on landfill solutions, all but ignoring recycling as an option.

The next phase of public interest saw advocacy of a "bottle bill" program, again largely a reaction to litter concerns and the high visibility of soda pop and beer containers which consumers carried with them and often randomly discarded. Traditional bottle bills required retail stores to charge a deposit, usually a nickel, on each sale of a beverage container, then receive empties back with reimbursement of the nickel to the consumer. Retail outlets had the responsibility of holding these soiled containers at their facilities until the distributors (wholesalers) could return to pick them up. While nine states now have such programs (please see **Appendix B** for a summary of other states' recycling programs), grocery and retail outlets have resisted them vigorously. This was also the case in California. Repeated efforts to pass legislation into the early 1980s failed.

Environmental groups then took the initiative route and, working through an organization called Californians Against Waste (CAW), qualified Proposition 11 for the ballot in 1982. With extensive opposition by retailers, container and beverage manufacturers -- as well as consumers -- the proposal was rejected by voters.

***Current recycling program outgrowth of 1986 effort to compromise***

**A**fter failure of subsequent bills in the Legislature, CAW in 1986 again sought to qualify an initiative for the ballot. To avoid another expensive campaign, representatives of the key industries met with recyclers, environmental groups and legislative staff to develop a bill that would address beverage containers without a logistical burden being placed on retailers and distributors. The result was the California Beverage Container Recycling and Litter Reduction Act (AB 2020, Chapter 1290, Statutes of 1986), often referred to as the "2020 program."<sup>20</sup> This collection program, based on a deposit and refund process, was placed in the Department of Conservation, located in the Resources Agency, as a political compromise when environmentalists opposed placement in the State Solid Waste Management Board, which they felt was tilted too strongly toward landfill policies.<sup>21</sup>

In the late 1980s, public policy began addressing the concept of "integrated waste management," especially as concern grew over diminishing landfill capacity. The need to reduce the amount of waste produced and reuse more of it prior to disposal became the cornerstone of the California Integrated Waste Management Act (AB 939, Chapter 1095, Statutes of 1989), which replaced the industry-leaning State Solid Waste Management Board with the broader-based California Integrated Waste Management Board.

Thus, within the span of three years, the State had created a major recycling program from scratch and then established an entirely separate entity with the mandates of integrating solid waste options and emphasizing recycling -- a situation that remains today. Many experts believe this split in responsibility makes it difficult for the State to move forward in two areas that are regarded as the key to further development of recycling efforts:

- ***Manufacturers' responsibility:*** This relatively new approach to solid waste and recycling includes many components, but it can be characterized as a program of waste reduction, use of post-consumer recycled material, and required minimum levels of recycling, which together create a "menu of options" for manufacturers to use in meeting public policy goals. If they fail to do so, they would be required to pay for each item sold in California a fee that the State could then use to defray the costs of coping with solid waste.
  
- ***Market development:*** The concept most vital to "closing the circle" within waste management is market development. An optimistic view of the commercial value of solid waste was recently expressed by a journalist, who declared, "There's a new kind of gold in California.... This gold is garbage." He added, "Due to the efforts of California policymakers, what was once tossed and forgotten is now being mined by growing numbers of forward-looking companies from around the globe."<sup>22</sup> However, this optimism is belied by the often expressed concern that the increasing amounts of diverted materials cannot be absorbed by the existing marketplace. That this is a critical component of recycling success is widely acknowledged. As one study noted: "A recyclable commodity is not truly recycled until that commodity has been transformed into another

usable product. Just collecting a material does not really get it recycled."<sup>23</sup>

*Challenge is to move beyond simple recycling of cans, bottles*

**W**ithout a coordinated, efficient structure to streamline present efforts and pursue these new avenues, the State's ability to meet solid waste challenges is diminished. The following two findings and nine recommendations address the steps the State needs to take to position itself to have a positive impact on this important environmental and economic issue.



# Recycling Duplication

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- *The State has created a major successful recycling program in one agency -- and then put primary responsibility for all solid waste management in a different agency.*
- *The split authority and responsibility has resulted in costly duplication, public confusion and lost opportunities for maximizing effectiveness.*

## *Recommendations:*

- *Create a new Solid Waste Management Department within Cal-EPA, eliminating both the Division of Recycling and the Integrated Waste Management Board.*
- *Until this critical reorganization takes place, the Board and the Division should coordinate all activities to eliminate overlap.*



# Recycling Duplication

**Finding #1: The placement of overlapping recycling mandates in two separate agencies has resulted in duplication of work, public confusion and lost opportunities for maximum effectiveness in implementing state policies.**

**B**ecause of the existence of multiple laws and two state agencies addressing waste control and/or recycling (with a third responsible for toxics waste management), there is lacking a coordinated, comprehensive approach to waste reduction and resource reuse and recycling in California. The evolution of several different legislative approaches to recycling has splintered the State's policy, created duplication of efforts, and reduced the needed focus on primary objectives, such as ensuring markets are available for increasing amounts of diverted waste materials. In addition, both the Integrated Waste Management Board and the Department of Conservation have organizational deficiencies that limit their potential as lead agencies for a comprehensive recycling program.

Separate enabling acts have given two state agencies major, and sometimes conflicting, roles in recycling management:

- The Integrated Waste Management Act (AB 939, Statutes of 1989), created the Integrated Waste Management Board, located in the California Environmental Protection Agency (Cal-EPA). The Board is directed by the statute to concentrate on -- in order of priority -- source reduction, recycling and composting, and transformation (incineration, chemical alteration, etc.) and landfilling.
- The California Beverage Container Recycling Act (AB 2020, Statutes of 1986), created the Division of Recycling in the Department of Conservation, located in the Resources Agency. The program was given the goal of recovering and processing 80 percent of the aluminum, glass, plastic and bi-metal containers for certain beverages sold in California.

*Efforts to deal with waste lack uniform base of laws*

**T**hese acts, and others that deal with the recycling of specific materials, have created important portions of a comprehensive waste and recycling program for California. But the effort lacks unity.

An example of the different emphasis of the Integrated Waste Management Board and the Department of Conservation is found in the enabling legislation for each. The laws contain separate definitions of recycling, which demonstrates the potential for disparate operations by these two agencies:

- The act creating the 2020 program defines recycling as "the reuse of filling of empty beverage containers, or the process of sorting, cleansing, treating, and reconstituting empty post-filled beverage containers for the purpose of using the altered form." Recycling in this act does not include "merely sorting, shredding, stripping, compressing, storing, landfilling with, or disposing of an empty beverage container."<sup>24</sup>
- The Integrated Waste Management Act defines recycling as "the process of collecting, sorting, cleansing, treating and reconstituting materials that would otherwise become solid waste, and returning them to the economic mainstream in the form of raw material for new, reused, or reconstituted products which meet the quality standards necessary to be used in the marketplace."<sup>25</sup>

In addition to the Integrated Waste Management Board and the Department of Conservation, the Department of Toxic Substances Control in Cal-EPA also

handles some recycling activities under the Hazardous Waste Control Act and the Hazardous Substances Account Act.<sup>26</sup> This entity is responsible for the management of industrial and commercial substances that are known to create risks to public health and safety. The recycling efforts include a market program that is designed to find users for wastes; regulations for the recycling of drained, used oil and the metal in used oil filters; and regulations for the recycling of used latex paint. Even in the arena of hazardous wastes, however, the distinctions between agencies are not clear cut: While hazardous wastes fall under the purview of the Department of Toxic Substances Control, the management of household hazardous wastes has been retained by the Integrated Waste Management Board. In addition, the Board has a well-publicized used-oil recycling program.

The result of these scattered mandates is a splintered, unfocused series of efforts that do not come together to achieve comprehensive results. The evolution of conflicts between the state's recycling agencies was noted in the Secretary of Environmental Protection's presentation at the Commission's hearing:

*The passage of AB 939 in 1989 greatly changed the face of waste management in California -- and planted the seeds of the growing overlaps and duplications of effort which subsequently arose between the Board and [the Division of Recycling]. AB 939 created a much broader mandate for the new Integrated Waste Management Board ... and significantly expanded the scope of the previous Board's activities to emphasize source reduction, recycling and composting in order to meet aggressive waste diversion goals statewide by 1995 and the year 2000. This expansion of the previous Board's charter led to the unplanned intersection of these two programs. These historical changes to the charter and mandates of the Board require a fresh look at the proper relationship of the beverage container recycling program to the larger waste diversion and recycling goals created for the Board.<sup>27</sup>*

***Double-agency approach means duplication, overlap, conflict***

**W**ith two agencies involved in recycling, it was undoubtedly inevitable that some of their activities and expenditures would become duplicative, fail to be mutually reinforcing or, at least

occasionally, conflict with each other. This duality has caused public confusion in understanding the roles of the agencies. It is not always clear to consumers that the Department of Conservation has a narrow mandate -- to recycle certain beverage containers -- and the Integrated Waste Management Board has the broad mandate -- to promote the public's involvement in reducing, reusing, and recycling waste materials, as part of the legislatively mandated hierarchy of priorities.

Part of this confusion has been a consequence of the Department's tendency to address recycling issues of all types, reaching beyond just beverage container issues and crossing into areas specifically assigned to the Board. This was noted in an analysis of the Division of Recycling's public outreach and promotion program, commissioned by the Department and published in November 1993, which observed that there has been a propensity of the program to address the full spectrum of materials that can be recycled:

*There is a large amount of work that could be done to address these other recycling issues and the temptation always exists to expand the [Division of Recycling's] activities to address these broader issues.... The constant temptation to "expand" beverage container recycling to the recycling of other materials is evident in most all of the [Division] activities.* <sup>28</sup>

This "temptation" has, no doubt, been stimulated by the strong public interest in recycling and the fact that the Department initially was the only state agency involved with the issue. But the 2020 program's failure to maintain a focus on beverage containers is not just an issue of duplication, but also one of accountability of funding. All the funding for the Department's recycling program comes from the unclaimed refunds from the sale of beverage containers. As was stated by an industry speaker at the Commission hearing, "We believe that the [Department] should, as a general rule, use beverage container funds and resources only for the purposes of promoting and forwarding the cause of beverage container recycling."<sup>29</sup> Creating public information and other programs that address all issues of recycling beyond those of cans and bottles puts an unfair fiscal burden on the participating beverage industries that created a revenue base intended for the 2020 program alone.

*Duplication and  
lack of coordination  
has costly  
implications*

**T**here is ample evidence that duplication of activities has occurred and that the lack of coordination between the Board and the Department has been costly to the State. The results are especially apparent in public education and information outreach, market development, minimum-content monitoring, and grant and loan programs. In addition, the most appropriate lead role between the two agencies regarding curbside collection programs appears to have become confused by legislative directives.

■ **Public outreach:** Both the Department and the Board have vigorous public education and outreach programs designed to communicate their views on the public's role in recycling and solid waste reduction. The Department has spent more than \$8 million on advertising and public information while the Board has expended nearly \$5 million.<sup>30</sup>

To be effective, any advertising and public education program must be clear and consistent in its message. Anything less can be a waste of the investment and even counter-productive in results, according to public relations experts. Nevertheless, the Department and the Board have engaged in separate advertising, publishing and information services that have not been coordinated by the two agencies.

An example of how public outreach programs can go in separate directions is found in the separate outdoor advertising campaigns conducted in 1993 by the two agencies. The Board's billboard message, run in February, was "Leave Less Behind For The Future. Reduce Reuse Recycle."<sup>31</sup> The Department's message, appearing during April-September, was twofold, with one billboard declaring, "Let's Talk Trash. 1-800-RECYCLE" and the other, superimposed over a picture of cans and bottles, announcing "Over 11 Billion Recycled Last Year. It Works."<sup>32</sup>

*Mixed messages  
of separate  
ad campaigns  
dilute results*

**T**hese billboards, which had not been coordinated in advance for timing or content, did not create serious conflicts, although the "Let's Talk Trash" message would have more effectively advertised the Board's 800 number rather than the Department's, since it is the Board that deals with all solid waste. But they illustrate the potential for the two agencies to continue to create a variety of messages through various media that may not be compatible or mutually reinforcing. In the words of an observer from the Legislature, "With two agencies and two advertising campaigns, the public is

getting a fuzzy message at best, and contradictory messages at worst."<sup>33</sup>

The problem is becoming more pressing as the Board moves to use public education as the key tool for helping the State meet diversion mandates -- a goal that requires a shift away from emphasizing recycling. State law requires local governments to divert 25 percent of all solid waste from landfills by 1995 and 50 percent by 2000. As the executive director of the Board recently told a legislative committee, "It is clear that unless we teach the public to change their long-ingrained habits -- to prevent waste -- we will not be able to solve our waste challenge in the long run."<sup>34</sup> The Board's recent annual report also addressed the need for its public information program to move beyond the issue of recycling alone and more thoroughly address the complete hierarchy of waste reduction and reuse actions:

*Although there is substantial awareness of California's solid waste problem, both businesses and consumers believe they are doing all they can to help solve the problem by recycling bottles, cans and newspapers. Although a majority of Californians understand and accept recycling, many do not realize that there is far more they can do -- reduce waste, reuse products, and buy recycled, to name a few behavioral changes.<sup>35</sup>*

In 1993, the Board undertook a communication campaign designed to "leverage the momentum of high recycling participation" and to convince Californians to take the next logical environmental step of "think before you buy," then purchase recycled and recyclable products. This campaign was believed to offer an "infinitely more complex message" than the public had previously heard:

*Recycling dealt with beverage containers, and provided a financial reward for compliance. Litter and toxic wastes were straightforward and easy to comprehend. Source reduction is a complex set of actions that requires an "unlearning" of several environmental practices and a reorientation of the way we shop and dispose of our trash.<sup>36</sup>*

***Reduce, reuse  
emphasis conflicts  
with push  
for recycling***

**T**o reach the diversion goals, many believe the Board must significantly increase the public's and the industrial/commercial sectors' willingness to reduce and reuse solid waste, beyond just recycling cans, bottles and newspapers. In the meantime, the Department has not always recognized this distinction in its public outreach efforts -- and with good reason since its mandate only concerns recycling. The Department's message always leads with recycling as the goal, while the Board's presentation is a cautionary reminder "that recycling is not enough; that other actions such as reducing waste, buying recycled or buying recyclable goods and reusing materials are needed."<sup>37</sup>

Even when the Department does refer to the legislated waste management priorities -- "reduce, reuse, recycle" -- it has switched the sequence so that recycling is listed first. On the following page, this is shown in a promotional handout for the Recycle Rex "spokesdinosaur" persona that the Department is using for elementary school student education.



The distinction of which goal to list first -- reduce, reuse or recycle -- may seem minor. But when such variation in presenting the State's objectives is extended through millions of dollars of promotion, the Board believes it can have more than a subtle impact on public thinking. A memo from the executive director of the Board to the Cal-EPA Secretary reported that as a result of the Department's promotion efforts, "Public perception of beverage container recycling as **the** means of reducing the quantity of waste generated may make it more difficult for other forms of recycling and composting to succeed."<sup>38</sup>

At the Commission's hearing, the spokesperson for the California Resources Recovery Association (CRRA) urged uniformity in publicity efforts to overcome the present "dual approach:"

*A more coordinated, comprehensive and consistent approach is needed for disbursing any new money for recycling promotion statewide. Both state agencies should coordinate the launching of promotional campaigns with regard to time, message and outreach approach. Campaigns should not continue to conflict as in the past, with one state agency telling the public how horrible the problem is while another state agency is saying how well they are doing.*<sup>39</sup>

***Both Board  
and Department  
offer assistance  
to local government***

**A**nother issue related to overlapping education and outreach involves assistance to local governments. The Board is specifically directed to provide assistance to cities and counties in preparing local source reduction and reuse plans and county integrated waste management plans.<sup>40</sup> But the Department also responds to governmental inquiries on broad recycling efforts and has conducted a statewide survey of local governments on their waste diversion programs that included the full range of materials in the waste stream.<sup>41</sup> In 1991, the Department published a study that offered a "model planning approach for comprehensive city and county waste reuse, reduction, recycling, and composting."<sup>42</sup> Both the survey and the report were directly duplicative of and intrusive into the Board's mandate to assist local agencies with planning matters.

Duplication in the public outreach area also is evident in the "dueling 800 numbers" of the Department and Board. The Program Development Section of the Department maintains a toll-free 800 number

(1-800-RECYCLE) for citizen's information requests, an automated system that allows callers to input their zip code to learn if there is a recycling center operating in that area. The Department also publishes a computerized list of these certified centers. Up to 52,000 calls a year are now being received. In calendar year 1993, the first year that a streamlined version of this service was in operation, the approximate cost was \$162,000.<sup>43</sup>

The Board also maintains a toll-free number (1-800-553-2962) for its own recycling hotline that is operator-answered and linked to an electronic database to service information requests, including the location of nearby recycling centers and household toxics collection sites. About 48,000 calls a year are received. The cost of this program was about \$148,000 in FY 1992/93. The Board has contracted for a new, lower cost service and estimates its FY 1993/94 costs will be about \$110,000.<sup>44</sup>

A random usage of these public information systems suggests that improvements can be made. During the course of this study, the Commission was contacted by a citizen who had been unable to locate a recycling center in Mariposa County. To evaluate the convenience of recycling in rural areas, Commission staff called both 800 numbers. The Board's system identified a recycling operation at the landfill site, but was then unaware of any certified drop-off services in the county. (A follow-up call two months later found an updated report that included one other buy-back center and a household hazardous waste drop-off site.)

In comparison, the Department's computerized hot line reported that there were no recycling centers in that area. (A follow-up call two months later found that this report had been updated and had information on the landfill site.) A current computer printout of state certified operations provided by the Department included the landfill operation plus four drop-off centers. One of these did not have a working phone number and another identified itself on the phone as also a CRV redemption center and not just a drop-off site.

*Efforts to maintain separate hotline could be redirected*

**T**his case example revealed enough discrepancies to underscore the need for the staff time now being used in maintaining two systems to be invested in ensuring the database is accurate and more frequently updated. The existence of two 800 numbers has become a symbol of the overall duplication between the two agencies.

Overlapping functions extend to publications issued by the Department and the Board. The Department has published a number of documents that address multiple topics in the overall recycling field. An example is the popular *15 Simple Things Californians Can Do To Recycle*, which includes paper and oil, as well as container, recycling. Also discussing issues beyond beverage containers, including landfills, is a series of booklets entitled *Recycling at Work*, *Recycling at School* and *Recycling as a Fundraiser*. The Department's 1992 publication *A Guide to Starting a Recycling Business* overlaps the Board's mandated<sup>45</sup> publication of a document entitled *Guide to Developing a Post-Consumer Materials Business*. In addition, the Department's *Non-Profit Recycling Manual* deals with materials other than beverage containers, including paper, cardboard and newspaper.

***Each has developed separate educational materials***

**O**f particular importance is the duplication of publications and related training programs by the two agencies in the area of school curricula. Only the Board is legislatively mandated to develop waste reduction and recycling materials for use in the school system. It is also directed to develop a teacher training and implementation plan, plus a program of source reduction and recycling in the schools themselves.<sup>46</sup> The Board's staff developing these materials works closely with the Department of Education and has received grants to assist in curricula preparation. A total of \$387,467, projected through fiscal year 1993/94, has been spent in this area by the Board since its inception.<sup>47</sup> In June 1993, the Board, the Department of Toxic Substances Control and the Department of Education jointly published a *Compendium for Integrated Waste Management* for the use of educators.

Meanwhile, the Department of Conservation has published an extensive and detailed teacher's packet on recycling,<sup>48</sup> which, while a good source of information, has not been coordinated with the efforts of the Board or the Department of Education. The Department of Conservation has also sent out surveys to public schools, an information-gathering function already being conducted by the Board.<sup>49</sup> The Department has expended more than \$750,000 from 1990 until early 1993 on this effort.<sup>50</sup> It is not clear how the Department's school-related activities fit into California education frameworks.

In the many facets of public outreach pursued by both the Board and the Department, it is apparent that duplication occurs, coordination is all but non-existent,

messages are mixed and there is a failure to maximize resources.

■ **Market development:** Both the Board and the Department are pursuing the development of markets for recycled material, with varying degrees of aggressiveness and without coordination.

Under state law, the Board has an extremely broad role in market development for recycled materials. A recent reorganization created a Market Research and Technology Division which consolidated all internal functions in this area. Much of the Board's work is material-specific, and involves setting standards and evaluating options for the reuse of specific materials, from metallic discards to rice straw.

The Board maintains the California Materials Exchange (CALMAX), a free database that can assist businesses that want to find users for nonhazardous materials they have traditionally discarded. The program is designed to avoid disposal costs; find low-cost or no-cost supplies or feedstock; and enhance sales for environment-friendly business. Through the Board, interested parties that have a need or source for these materials can be listed in the program. By September 1993 the exchange had resulted in the reuse of more than 150,000 tons of waste. A mailing list of some 7,000 companies receives a bi-monthly catalog of classified listings. This activity cost about \$178,000 in fiscal year 1992/93.<sup>51</sup>

The Board also maintains a recycling equipment tax credit program for equipment used in the manufacture of recycled-content products. One of its major activities is the recycling market development zone program. Similar to enterprise zones, these zones provide low-interest loans as incentives to recycling-oriented businesses that locate or expand within these approved locations. The goal is to turn local "waste streams into resource streams."<sup>52</sup>

*Department's  
market program  
reaches beyond  
bottles, cans*

**T**he Department's primary market development mandates are for its two material-specific programs, glass and fiberglass. However, beginning in the 1992-93 fiscal year, the Department also developed a market development strategy, largely through its grants program, that includes:

- Symposia, workshops and expositions for business leaders on buying recycled products.

- A pilot project on the construction of affordable housing from recycled materials.
- A nonprofit group's purchase of plastic recycling equipment.
- Use of used glass material in constructing road bases and highway reflecting strips.
- Use of plastic lumber at a State Park walkway.
- Displays of recycled packaging at a supermarket.
- Assistance to a county in locating a cardboard recycling firm in a Market Development Zone.<sup>53</sup>

While all these projects are valuable, they are duplicative of work being done by the Board. In addition, most also are outside of the 2020 program's mandated focus on beverage containers, with the result that funds secured from the sale of beverages are being used to increase recycling of other products. For example, the Market Development Zone grant, listed last, funds a company that handles material not covered by the 2020 program to participate in a program that is administered by the Integrated Waste Management Board.

In addition, the Division of Recycling has received a \$100,000 grant from the Federal Economic Development Administration to develop a recycling-based economic development plan for California cities. The Department is matching the grant with \$33,000 in in-kind services.<sup>54</sup> However, this type of local government assistance falls under the Board's mandate rather than the Department's.

The Department operates the California Market Watch program, a database used to encourage the development and use of recycled products, emphasizing glass, plastic and aluminum. The program is designed to link participants who have resources, such as recycling equipment vendors, industry organizations, material brokers, and outlets selling recycled or reusable products. A request has to specify the data needed and can be made by mail or phone, resulting in a computer printout generated to meet the specific request. This activity cost about \$79,000 in fiscal year 1992/93.<sup>55</sup>

It should also be noted that the Department of Toxic Substances Control operates a similar program called the California Waste Exchange, which matches industries having recyclable toxic wastes with those that can use these materials.

*Split between agencies blocks focus on market development*

**W**hile the agencies are not in direct conflict in the arena of market development, there is again the situation of separate employees involved in similar work with opportunities lost because of a failure to combine expertise. In addition, resources cannot be effectively targeted to meet the State's overall priorities when coordination does not exist.

■ **Minimum-content monitoring:** Another function not clearly delineated is the monitoring of laws that have required industries to use certain levels of recycled content in their products. The Legislature has confused the boundaries between the Department and Board by establishing different minimum-standards monitoring programs in the two agencies.

The Board is presently responsible for four programs:

- Rigid plastic containers, with a mandated 25 percent post-consumer recycled waste content by 1995 or option of meeting any one of four other performance standards.<sup>56</sup>
- Telephone directories, with recycled content starting at 30 percent in 1994 and rising to 50 percent by 2000.<sup>57</sup>
- Newsprint, with recycled content starting at 30 percent in 1994 and increasing to 50 percent by 2000.<sup>58</sup>
- Trash bags, with recycled content for some at 10 percent in 1993 and 30 percent for others by 1995.<sup>59</sup>

On the other hand, the Department has been given responsibility for two minimum-content acts:

- Glass containers, with recycled material use at 15 percent in 1992, increasing to 65 percent by 2005.<sup>60</sup>

- Fiberglass building insulation, with recycled material use at 10 percent in 1992 and 30 percent in 1995.<sup>61</sup>

While these programs do not overlap and are not competitive, the program bifurcation creates one more area of confusion as to which unit of government is the lead agency for recycling.

■ **Grants and loans:** The Board and Department each have their own funding programs. For FY 1993/94, the Board has budgeted \$5 million for loans to local governing bodies and private businesses in recycling market development zones. It also has budgeted \$17.7 million for its grant program, which includes these projects:

- Household hazardous waste -- \$4 million.
- Tire recycling -- \$1 million.
- Used oil recycling -- \$11.2 million.
- Local government enforcement -- \$1.5 million.<sup>62</sup>

The Department's current grant program, totalling 62 recipients, is limited to \$2 million and is used largely to assist nonprofit recycling centers and local governments. Many of these grants involve market development pilot projects. The Department also is administering for two years a \$1 million-a-year subsidy of curbside collection services, as required by the Legislature. Another legislated use of Department funds includes \$7 million for local conservation corps.<sup>63</sup>

The two grant programs do not clearly overlap or, in their present applications, create conflicts. However, again the lack of coordination between the agencies during the selection and award process results in a lack of focus on the State's highest priority needs, such as market development. With coordination or integration, the Board and Department grant programs have the potential of achieving a higher level of public return on each investment.

■ **Curbside collection programs:** Curbside collection and pickup services sponsored by local governments have increased dramatically across California, up from 46 in 1988 to 460 as of November 1993. Today these services reach about 50 percent of the State's population. However, only 35 percent to 60 percent of the population

in these service areas participate by separating their recyclables and leaving them on their curbs for scheduled pickups.<sup>64</sup>

In 1993, the Legislature directed the Department of Conservation to spend \$2 million for 1992/93 and \$1 million for each of the following two years to subsidize operation of these programs. In spite of the fact that curbside services collect materials and containers that are not in the 2020 program, the Legislature has assigned monitoring and reporting functions to the Department.<sup>65</sup>

Curbside collection programs have an influence beyond recycling alone and can impact the broader issues of resource recovery and reuse. A report by the Department evaluating the overall program is scheduled for release in April 1994, but it is not clear if it also will include the perspective of the Board on the long-term value of curbside collection as a component of integrated waste management techniques.

*Overall  
perspective:  
Results poor,  
reasons many*

**W**hen the split of responsibility for curbside collection programs is added to the conflicts noted above on public education, market development, monitoring and grants, it becomes clear that the activities of the Integrated Waste Management Board and the Department of Conservation overlap in many areas. The reasons range from fuzzy definitions to mixed directives from the Legislature and institutional aggressiveness. Inefficiencies, missed opportunities and wasted revenue resulting from Board and Department operational overlaps could be reduced by individual, negotiated attention to the present areas of duplication. But those familiar with both entities see that outcome as unlikely since there have been discussions for several years with no resolution of split authority. Some observers hold the view that a "turf war" has been ongoing. An internal analysis by the Department noted that:

*While not publicly acknowledged, there is a subtle competition between the Board and the [Department] regarding recycling activities. This competition detracts from management focus on policy and programs, causes duplication of efforts and sometimes interferes with a free exchange of information between the agencies. ... [This causes] redundant contract expenditures, public confusion, recycling industry confusion, overstaffing, and overall inefficiency which runs counter to the*

*Governor's desire to streamline government.*<sup>66</sup>

It appears likely that without some reorganizational intervention, competition and disputes over function will continue to occur as long as there are two separate organizations involved in similar issues.

The continuing existence of two recycling agencies also fails to assign leadership for recycling in California. The absence of a single voice and a combined staff to advocate opportunities and manage problems is today the primary constraint limiting the State's development of a comprehensive system. Structural reforms, including some form of consolidation of the two agencies, would resolve issues of overlap, gaps and competition, plus create an integrated system that can move toward comprehensive recycling in California.

*Many experts, participants agree time is ripe for realignment*

**T**here are signs on many fronts that the time is ripe for a realignment of recycling efforts. The 1991 reorganization plan that created Cal-EPA was described at the time as a "rolling reorganization" that would continue to bring pertinent programs under the new environmental umbrella agency. Specific objectives of that plan included the creation of a primary point of accountability for state environmental programs, the provision of more rapid deployment of coordinated government action and the reduction of overlapping and redundant bureaucracies.<sup>67</sup>

Since then, the Administration has indicated an interest in restructuring recycling. At the Commission's hearing in November, the Secretary for Environmental Protection said:

*Given the growing efforts of the [Board] to achieve broad reduction in waste generation, and increasing reuse and recycling, we need an organizational structure that integrates the efforts of the established [2020] program into the larger, comprehensive waste management program of the [Board].... I would argue that ... if consolidation is not made to these programs that conflicts will grow in intensity.*<sup>68</sup>

On January 5, 1994, in his State of the State address, Governor Pete Wilson proposed the elimination of the Integrated Waste Management Board. In the summary of his proposed fiscal year 1993-1994 budget, he said:

*In order to realize greater efficiencies in government through the consolidation of related functions, it is proposed that the Integrated Waste Management Board be eliminated and its functions, along with the recycling program responsibilities of the Division of Recycling, be transferred to a new Department of Waste Management in Cal-EPA.<sup>69</sup>*

*Industry leaders  
back concept  
of comprehensive,  
streamlined program*

**C**hange is sought as well by those directly affected by the State's recycling efforts. While industry representatives at the Commission's hearing were not enthusiastic about a new role for the Integrated Waste Management Board in this area, there was support from several for a comprehensive recycling program for California that would absorb and streamline the 2020 program. Quoting from testimony presented to the Commission:

- "The CNSDA supports the merger of the beverage container recycling law into a single comprehensive solid waste reduction and recycling program. There is no rational reason to continue to devote such excessive resources toward the collection of beverage containers alone. To do so only satisfies an arcane symbolism that has outlived any reasonable usefulness." -- *California Nevada Soft Drink Association*<sup>70</sup>
- "The next major step for California is to revisit its solid waste management challenges and to devise a comprehensive waste reduction and recycling program that is affordable to all affected parties and that does not place an unfair burden of the costs on too few of the many contributors to the waste stream." -- *Plastic Recycling Corporation of California*<sup>71</sup>
- "In shifting from past emphasis on landfilling and incineration, IWM [the philosophy of integrated waste management practices, as defined in AB 939] suggested that waste prevention, recycling and composting all be viewed as part of a comprehensive solution to the solid waste problem. However, IWM did not satisfactorily integrate market considerations and market development issues into its overall design. In fact, a fundamental shift is now needed to go beyond IWM ... to sustainable resource policies to realize the tremendous potential of creating jobs through

investing in reused, recycled and compost resources locally." -- *California Resource Recovery Association*<sup>72</sup>

The identification of a governmental apparatus that can accomplish the wide variety of missions inherent in comprehensive recycling requires careful analysis. From research and testimony, it is clear that both the Department and the Board, in addition to their overlapping functions, have organizational deficiencies that limit their ability to assume leadership in a comprehensive, integrated recycling program.

■ ***Integrated Waste Management Board:*** Over recent years, continuing interest has been given to the creation of a single solid waste management and recycling agency by transferring the Division of Recycling from the Department of Conservation to the Integrated Waste Management Board. In 1991, a Board memo presented this analysis:

*Consolidating the recycling functions administered by DOR into Cal-EPA, and specifically within the board, would eliminate duplication and serve to broaden the public's perception that recycling extends beyond beverage containers and into their homes and offices.... Consolidation would serve to promote all forms of recycling, source reduction and composting into one integrated management system. Consolidation of the two programs may also eliminate duplication in the funding of the two programs.*<sup>73</sup>

Such a realignment was recommended by the Legislature in its *Supplemental Report of the 1992 Budget Act* and again by the Legislative Analyst's Office in its *Analysis of the 1993-94 Budget Act*. The Legislature currently is looking at consolidation through such proposals as SB 1089 (Killea). This legislation seeks to transfer the Division of Recycling into the Board and would reduce the size of the Board itself from six to five appointees, a move recommended in the 1989 Little Hoover Commission report on solid waste management as a necessity to break deadlocked decision-making.<sup>74</sup>

***Putting 2020  
program into  
Board mandate  
has little backing***

**H**owever in general, support for transferring the smaller beverage container program into the larger Board mandate is lacking. The chairman of the Integrated Waste Management Board reported at the

Commission's hearing his finding of "no compelling reason" to move the Division under the Board. He further observed that such a transfer would probably just result in the Division of Recycling being left intact and operated as it has been at the Department.<sup>75</sup>

This option of a straight across-the-board transfer was also found wanting by most industry spokespersons at the Commission hearing. One noted:

*While there may be some initial elimination of duplicate functions, there may be little else accomplished by merging the two organizations. In fact, merging the two organizations may result in more confusion for all affected parties during the transition and a less responsible administrator in the future.*<sup>76</sup>

The spokesman for the Institute of Scrap Recyclers Industries offered a similar view, noting that the Division of Recycling was "a hands-on, accessible administrative agency that is geared for the day-to-day operation of the kind of recycling program that is currently in effect within the state."<sup>77</sup> This view is commonly cited. The Department is generally credited by observers as having been an effective manager of a complex program and has been accessible to participants in the 2020 process.

*Snail's pace of Board action may not fit program needs*

**T**he same observers fear that the beverage container recycling program would become lost and mismanaged within the Board's ponderous administrative processes, the key deficiency cited by the Board's critics. Several examples of the Board's decision-making process are illustrative of these concerns:

- The recently proposed paper recycling plant in West Sacramento was favored by the Board, which could have been an active advocate for its construction. But because of public controversy over pulp waste that would be placed in the local landfill and the Board's regulatory role over that issue, it was not able to take an active lead role.<sup>78</sup>
- The four-to-two vote requirement for a majority decision of the six-member entity has often left the Board unable to reach an agreement on solid waste facility decisions, thereby leaving the approval to be made at the local government level. For example, in

1993, the major expansion of a landfill project in northern San Diego County was able to advance by default after the Board's 3-to-3 vote negated its involvement.

- An important series of reports on market development has received limited attention because of political differences within the Board. Without major innovations in developing markets for recovered materials, even the Board does not predict the successful implementation of the 50 percent diversion goal for the year 2000 -- yet progress has been blocked.
- Two of the Board's six committees have been studying for more than two years the potential for creating a three-tiered regulatory process to control the health, safety and environmental impacts of recycling centers. Some view this extended review as symptomatic of the Board's slow bureaucratic processes.
- Three committees had some involvement in the implementation of the Rigid Plastic Containers Act, with the result that the completion of legislatively mandated regulations for the program have been delayed for an extended period.

The Board has earned a reputation as a slow-moving bureaucracy with a history of its six-member panel frequently being involved in contentious debate. The unusual four-to-two vote requirement fosters inaction, as does reliance on six committees, each chaired by a board member, to which issues are assigned for study. The chairpersons may engage in their own turf wars over issues, and several committees can become involved either concurrently or consecutively with a single study. This has contributed to Board staff being diverted and important work being extremely late or, in the view of some, simply buried.

*Some see Board as redundant and ready for elimination*

**T**here is also the concern of some that the Board's mandates and missions either have already been accomplished or are duplicative of other agencies. This view sees the Board as a redundant and expensive bureaucracy that can be terminated by the transfer of its functions to other units of government, primarily because the Board has already completed its major mission by

having assisted local governments put into place their solid waste plans and management practices. All, or almost all, of these preliminary documents, which are designed to meet the diversion goals of 1995 and 2000, have been approved,<sup>79</sup> and it is believed that approval of future updates does not necessarily require the continuation of the present Board structure.

In addition, the Board's role in approving or denying local government's plans for specific solid waste facilities is said to be duplicative of decisions made by the regional water quality control boards and the air quality maintenance districts. It has been noted that since Cal-EPA is already working with the Department of Toxics Substances Control to minimize similar duplications in the conduct of its business, a future transfer of the Board's regulatory function to that department would find many problems of overlap already resolved.<sup>80</sup>

Among some interests there is also a belief that the Integrated Waste Management Board is too closely involved in solid waste management to be able to fully recognize that recyclables should not be viewed as "solid waste" but as valuable commodities, which are as important as any raw material used for industrial feedstock. This issue goes beyond public policy goals and has practical day-to-day management consequences. New debates are being held over definitions of solid waste as the Legislature, courts and regulating agencies attempt to address the increasing interest in determining who has control of, or access to, valuable materials in the solid waste stream. For instance, SB 450 (Dills) proposes to add this language to the Public Resources Code: "Nothing in the division ... limits the right of any person to donate or sell any recyclable material which is source separated by material type." Of key importance, this bill would also remove from the existing legal definition the criterion that material becomes solid waste only when it is *discarded*, which would be a significant change.

Addressing the same issue, another bill, SB 1074 (Calderon), would add a new definition to the Public Resources Code that defines "recovered materials" as those having known recycling potential and which have been removed from the solid waste stream for "sale, use, or reuse as raw materials." The bill proposes that when recovered materials are removed from the solid waste stream, they are no longer solid waste.<sup>81</sup>

***Recyclable goods  
have too much  
value to be viewed  
as solid waste***

**C**oncern over the practical impact of these definitions was expressed at the Commission hearing by the representative of the Institute of Scrap Recyclers Industries (ISRI), who argued that "recyclable materials, in and of themselves, are not solid waste" and that his industry's scrap, which annually equates to about 8.5 million tons (including out-of-state imports), are "valuable commodities." The speaker added that the management of recycling programs should not be conducted by a solid waste-oriented agency, since recyclable material is not solid waste and requires special treatment.<sup>82</sup>

Thus, the solid waste management mandate of the Board continues to be an argument against expansion of its role in recycling operations. Ironically, this is the same point that was made in 1986 when the placement of the 2020 program went to the Department and not to the solid waste board that preceded the current Board.

Taking into consideration the wide-ranging criticisms, there is ample documentation for concerns that the Integrated Waste Management Board has structural and operational deficiencies that weigh against its selection as the proper agency to coordinate all recycling efforts.

■ ***Department of Conservation:*** The view that recyclables should be treated as valuable resources is an argument for retaining and expanding a comprehensive recycling program in the Resources Agency. For example, the director of the Department of Conservation, speaking at the Commission's hearing, observed:

*The Department believes that the Resources Agency is the entity most appropriate to provide oversight for a comprehensive recycling program. California's recycled materials are now recognized as natural resources which must be developed and managed, just as many of the virgin materials are from which they are constructed.*<sup>83</sup>

However, an equally compelling argument is that the human use of materials, in this case resulting in garbage itself, interjects other issues of health, safety and pollution control that are more appropriately addressed by the state agency responsible for environmental protection. In addition, many believe the Department is not well-suited

to take on the overall task of promoting broad-based recycling.

*Department would be overwhelmed by housing all reuse, recycling*

**T**he present Division of Recycling lacks the flexibility and placement to assume all the resource reuse and recycling programs that are now in the Board. It is housed in a department that has a wide range of non-recycling functions, primarily regarding earth sciences and mineral resources (oil and gas, mining and geology, earthquake and landslide maps, farmland mapping). Subordination of resource reuse programs within such a department puts several levels of administrative overview between the recycling administrator and the Agency Secretary, reducing both the program's prestige and the ability to accelerate decision-making. In addition, with increasing numbers of tasks that would be required of a comprehensive program, the Division of Recycling would soon outgrow its own Department.

Elevation of the beverage container recycling program, alone, into a full department within the Resources Agency would not resolve the issue of accountability and would only encourage even more competition with the Board. If all the recycling functions now in the Board were also transferred to a new department in the Resources Agency, centralization of these activities would be secured. Still remaining, however, would be the key issue of accountability and the ability of a single Agency Secretary to oversee all programs having interrelated problems and opportunities. And this type of reorganization would still leave the solid waste facilities regulation and the toxic substances functions at Cal-EPA under the review of the Secretary for Environmental Protection.

As long as any of the waste management and resource recycling units of government continue to be placed under two different agency secretaries, some degree of overlap and failed coordination will occur, and California will continue to lack a comprehensive recycling program.

If neither the present Integrated Waste Management Board nor the existing Department of Conservation is the ideal location for a reorganized, focused and comprehensive recycling program, then what are more suitable options?

At the Commission hearing, the Secretary for Environmental Protection offered three principles that he believed had to be met in establishing a consolidated

recycling system: simplicity, cost-effectiveness and environmental and economic accountability.<sup>84</sup> In this study, the Commission has adapted these criteria to evaluate several proposals regarding reorganization of recycling:

- **Accountability:** clearly assigned authority and responsibility over the full range of related issues given to a single governmental agency and its administrator, with direct connection to the administration's policies and the governor's oversight.
- **Economy:** a management system that meets public policy goals without excessive regulations and expenditures, achieving public and private sector savings wherever possible.
- **Effectiveness:** a management system that is simple and straightforward in its organization and regulatory processes, consolidates available resources without duplication of other programs and is focused on implementing reasonable and achievable goals.

*Cal-EPA Secretary outlined several options to reorganize recycling*

**A**t the Commission's hearing, the Secretary for Environmental Protection presented several options for organization of the state's recycling programs, with one merging the Division into the Board, but all others involving the creation of a new department to be placed within Cal-EPA. He suggested that such a new department could:

- Be created entirely from the Division of Recycling alone.
- Be created from the Division of Recycling plus any of several different groupings of divisions from the Board.
- Be created from the Division of Recycling and all the resource recycling and reuse-related divisions of the Board, with abolition of the Board and the remainder of its functions regarding solid waste facility regulation transferred elsewhere within Cal-EPA.

The Secretary believed that any of these options could "achieve significant pay-offs in terms of improved public education, effective outreach, reduced costs, and a new ability to manage all waste reduction, reuse and

recycling programs through a single point of accountability."

Using the criteria of *accountability, economy and effectiveness*, a variety of options for reorganization, including those proposed by the Secretary, were evaluated (see **Appendix C** for the item-by-item analysis). These are the findings from that process:

1. Leaving any recycling program, whether a division or a new department, in the Resources Agency will:
  - Continue the potential for overlaps and conflicts with related activities in Cal-EPA.
  - Reduce the ability of a single agency secretary to ensure recycling, solid waste and toxic wastes are fully coordinated, thereby clouding accountability for the management of these issues.
2. Creation of a new department in Cal-EPA that houses a consolidated, comprehensive waste reduction and resource reuse and recycling program is an optimum arrangement, securing high accountability and efficiency, if it:
  - Assumes all the related functions found in several agencies.
  - Assumes lead agency status for approval of updated local government waste management and resource reduction plans.
3. The solid waste facility and technology permitting and overview functions of the Board can be transferred into the similar functions of the Department of Toxic Substances Control, which should also review updated county integrated waste management plans.
4. With these reassignments of functions, the Board and the Division could be terminated.

***Creating new department could save more than \$11 million/year***

**A** new Department of Recycling could result in substantial operational savings arising from the termination of the Division and the Board. The Department of Conservation has estimated savings of more than \$11 million per year from a combined operation of the recycling functions of the two agencies, as follows:

- General program costs savings from eliminating functions that the Board has in duplicate or is planning to duplicate (such as the 800 number, the electronic bulletin board, the resource center, community outreach and education) would total \$1.9 million.
- Contracts issued or planned to be issued by the Board that match those of the Department would be terminated for a savings of up to \$3.8 million.
- Staff consolidations would affect approximately 150 people at the Board involved in recycling-related activities, with only 55 required for transfer into a combined program, for a savings of about \$5.5 million.<sup>85</sup>

In addition, there would be savings of an unknown amount by integrating Board regulatory staff into the Department of Toxic Substances Control's similar operations. The termination of salaries for Board members, their advisors and committee analysts would reduce operational costs by a minimum of \$1.3 million a year (not including state car usage and overhead).<sup>86</sup> Hence, overall savings could total well over \$12 million annually. While this estimate may be somewhat optimistic, the option of creating a new Department of Recycling by terminating both the Division and the Board does offer important fiscal benefits.

In summary, even when the recycling projects of the Integrated Waste Management Board and the Department of Conservation are not in direct conflict or duplicative of each other -- which is often -- they still are not mutually reinforcing. Because of "turf battles" between the two agencies, coordination has not been adequate to ensure that their staffs, investments and programs work consistently toward implementing the State's goals of waste reduction and resource reuse and recycling. This lack of one voice has resulted in public confusion and the failure to make maximum use of staff expertise and agency resources. Reorganization offers the opportunity to eliminate these problems, strengthen the State's recycling posture and save substantial funding through consolidation of staffs.

**Recommendation #1: The Governor and the Legislature should enact legislation establishing a consolidated and comprehensive waste reduction, resource reuse and recycling program within Cal-EPA.**

**B**ased on the Commission's analysis, the best approach to reorganizing the State's recycling program to produce a higher level of effectiveness and efficiency is to eliminate both the Division of Recycling and the Integrated Waste Management Board, creating in their place a single consolidated department under Cal-EPA. Other alternatives also offer improvements, although not of the same magnitude. The grid on the next page shows the options that the Commission has reviewed and concluded would be workable. All options eliminate the present Division of Recycling and move recycling responsibilities from the Resources Agency to Cal-EPA.

The mechanics of implementing the optimum recommendation are detailed in **Appendix D**.

<b>OPTIONS FOR CONSOLIDATING WASTE AND RECYCLING PROGRAMS</b>			
<b>Choice</b>	<b><i>Optimum Recommendation</i></b>	<b><i>Alternative A</i></b>	<b><i>Alternative B</i></b>
<b>Overview</b>	<b>Create Department of Solid Waste Management within Cal-EPA to handle all "reduce, reuse, recycle" programs and integrated waste management policies</b>	Create Department of Recycling within Cal-EPA, transferring some functions from the Integrated Waste Management Board	Move all recycling functions to an improved Integrated Waste Management Board
<b>Status of present entities under options</b>	<b>Eliminate the Division of Recycling; eliminate the Integrated Waste Management Board</b>	Eliminate Division of Recycling; retain Integrated Waste Management Board but removes some functions	Eliminate Division of Recycling; reform the Integrated Waste Management Board to a 5-member board
<b>New division of functions</b>	<p>The new department would handle everything now covered by the Division and the Board.</p> <p>An alternative with only minor modifications would shift the Board's current waste facility regulatory and waste transformation functions to the existing Department of Toxic Substances Control (which could be renamed the Department of Toxic and Solid Waste Management), leaving all other functions to the new department (which could be named the Department of Resource Reuse and Recycling).</p>	The new department would incorporate all of the Division and the recycling public information and market development functions of the Board. The Board would continue to have authority over waste plans, solid waste facilities, waste transformation and source reduction.	The Division would be folded into the Board's current operations. The Board would be reformed to make it more accountable and efficient in operation, including reducing the membership from six to five so that deadlocked votes do not occur.

**Recommendation #2: Until the consolidation and reorganization occurs, the Governor and the Legislature should enact legislation clarifying that the California Integrated Waste Management Board is the lead agency for all recycling issues outside of toxic substances and beverage containers.**

**T**his legislation should identify the Board as the lead agency in general recycling issues, resolving issues of duplication and overlap. As a starting point, the legislation at minimum should consolidate in the Board:

- All minimum-content monitoring responsibilities.
- The monitoring of curbside collection and recycling programs.
- The transfer of appropriate non-toxic substances recycling programs from the Department of Toxic Substances Control to the Board.

This act should also clarify that the use of funds generated by beverage container recycling is to be limited to functions related to the AB 2020 program. Such legislation should also change the Board's composition from six to five, with the chairperson appointed at the pleasure of the Governor.

**Recommendation #3: The California Integrated Waste Management Board and the Department of Conservation should execute a memorandum of understanding to resolve areas of overlap and duplication.**

**T**he Department and the Board can execute a memorandum of understanding without a legislative directive. A task force should be established as soon as possible to address the key issues of duplication and, more importantly, program enhancement through more effective use of expertise and resources in both

agencies. Special attention should be given to coordination of their public education/outreach efforts, with priority given to the dual 800 number services. Since the Board has the larger mandate, it should assume responsibility for the system.

Publications should be coordinated to ensure all documents are consistent with the intent of the Integrated Waste Management Act. Especially important is the issue of school curricula development. Because of the legislative mandate given to the Board and its resulting work with the Department of Education, the Department of Conservation should cease producing more teacher packets and should work with the Board and the Department of Education to determine how its existing material can be used within the legislatively mandated program. The joint agency task force should address this matter as a top priority and ensure all efforts are fully and promptly merged.

**Recommendation #4: The California Integrated Waste Management Board, the Department of Conservation and the Department of Toxic Substances Control should establish an on-going task force to coordinate all market and technology development activities of the three agencies, with the immediate task of integrating CALMAX (Board), the California Market Watch (Department) and the California Waste Exchange (Toxic Substances) programs into a single computerized format.**

**B**ecause the long-range future of recycling hinges on market development, it is critical for the State to maximize its efforts in this area. The current splintered efforts fail to make the best use of resources and expertise. A task force coordinated by the Office of the Secretary for Environmental Protection would be best positioned to resolve problems and overlap in these areas.



# Streamlining Recycling

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- *While successful in terms of recycling volume, the 2020 program is complex and costly.*
- *The convenience zone recycling centers cost millions of dollars in subsidies, yet handle only 12 percent of recycled containers.*
- *The processing fee is based on a constantly changing formula, disrupting free-market forces and affecting different industries in a disparate fashion.*

## *Recommendations:*

- *Eliminate the convenience zones and simplify the processing fee.*
- *Once the 2020 program is streamlined, expand the materials covered.*



# Streamlining Recycling

**Finding #2: The complexity of the beverage container recycling program hinders its expansion, undermines cost-effective implementation and increases opportunities for fraud.**

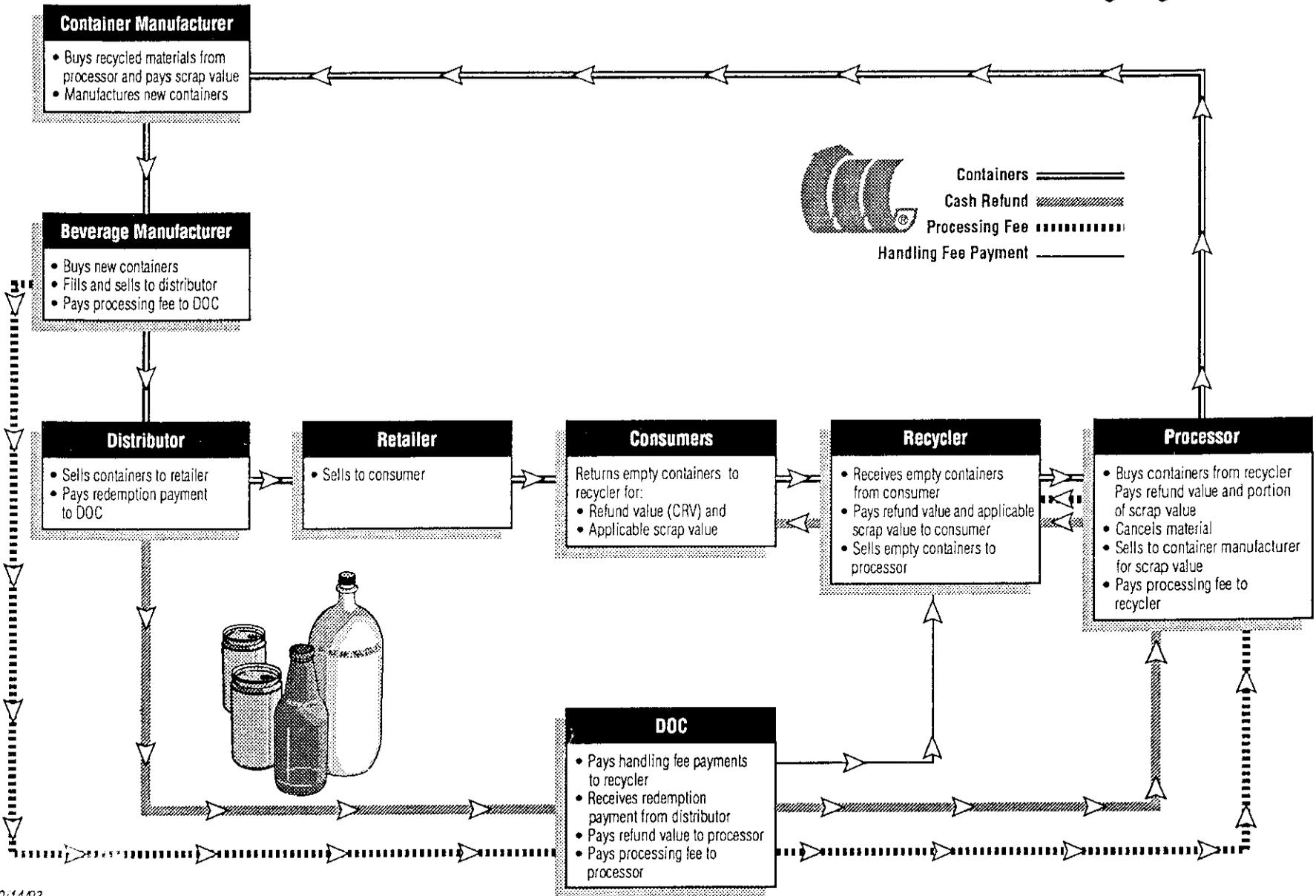
**T**he 2020 beverage container recycling program is a complex mechanism that the State has designed to push containers through a collection and reuse system, with financial penalties and incentives -- rather than free-market forces -- prodding participation by consumers and industry alike. The complexity and imperfections of the program have led to continuous criticism and calls for change. The original perception that the program would be a prototype for other recycling efforts has faded, since the effort to efficiently link government regulation and market processes has been viewed by many as a failure. Especially cited for reform attention are costly subsidies for convenience-zone recycling centers and a convoluted, fluctuating processing fee structure. In addition, the program limitation to containers for beverages that are carbonated, while other similar container materials are excluded, is seen as confusing to the public and limiting the recycling program in an illogical way. And the complexity of the program,

with large amounts of money passing through multiple hands, continues to cause concern that fraud is possible.

The 2020 program was created as the State's prototype recycling program with the goal of recovering and processing 80 percent of the aluminum, glass, plastic and bi-metal containers for certain beverages sold in California. The act lists the beverages that require container recycling: carbonated mineral and soda waters, soft drinks, beer and malt beverages, wine coolers and distilled spirit coolers.<sup>87</sup>

The physical flow of containers and fee payments in the 2020 program is complex, as is shown by the chart<sup>88</sup> on the next page:

# The California Beverage Container Recycling Act



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Streamlining Recycling



s the chart indicates, a variety of participants and funding methods are involved in the 2020 program:

- *Distributors* (the wholesalers), who sell beverages to retailers and who start the payment process by recording each sale and sending a payment called the California Redemption Value (CRV) to the Department for deposit into the California Beverage Container Recycling Fund. This fund is used primarily to ensure that consumers are paid the CRV refund for each returned can and bottle. The CRV amount is 2.5 cents per container or five cents for containers over 24 ounces.
- *Consumers*, who pay a deposit on each can or bottle when they buy the product and then receive a refund when they take the containers to a recycler.
- *Recyclers*, who run "convenience zone centers" in mandated areas, plus the "old line" scrap dealers who preceded the AB 2020 mandate and others, such as nonprofit organizations. These State-certified recyclers receive empty containers from consumers, pay refund value (and sometimes additional scrap value) to them, and then sell the empty containers to processors.
- *Processors*, who 1) buy containers from recyclers, paying them back for the consumer refund; 2) "cancel" the material by altering it so it cannot come back through the system again and preparing it for shipping; and 3) sell these materials to manufacturers for a scrap value defined by marketplace economics. The processor also pays the appropriate "processing fee" (described below) to the recycler, and acts as an administrative intermediary for the Department of Conservation.
- *Container manufacturers*, who buy recovered materials from processors and use them to manufacture new containers to sell to beverage manufacturers.
- *Beverage manufacturers*, who buy containers, fill and sell them to distributors. Those who use glass and bi-metal containers pay a pre-set processing fee to the Department of Conservation.
- *Department of Conservation*, which is responsible for this series of fees and payments:

- Receives redemption payments from distributors, depositing them into the California Recycled Beverage Container Fund.
- Pays processing fee to processors (who pass the entire sum through to recyclers).
- Pays refund value to processors (who pass the entire value through to recyclers to reimburse their payment to consumers).
- Pays handling fees to convenience zone (supermarket site) recyclers (to subsidize the expenses of collection).
- Pays administrative fees to processors, recyclers and distributors (to subsidize paperwork).

The total CRV paid to the Department by distributors has grown from \$85 million in 1987-1988 to almost \$344 million in 1992-1993. During that same period, the amount of CRV the Department paid out ranged from \$32 million in 1987-1988 to almost \$266 million in 1992-1993.<sup>89</sup>

*Unclaimed funds  
from containers  
not recycled  
pays for Department*

**B**ecause not every container is redeemed by consumers, unclaimed funds are used to finance the operation of the Division of Recycling itself. In 1987-1988, its first year of operation, the Division had 77 employees and an operational expenditure of \$9,893,126. Today the Division administers a recycling fund of about \$350 million, has a staff of 171 and a budget of \$24,132,942.<sup>90</sup>

The Department also uses unclaimed CRV funds for several purposes related to the 2020 program: financing the logistical process of recycling in "convenience zone" centers (via payment of a "handling fee" which replaced the earlier version called a "convenience incentive payment"), as well as for litter abatement, grants, public education and information outreach, and other legislative assignments.

The AB 2020 act is acknowledged by all involved to be complex, but that it has been successful is also clearly evident. As Table 2 on the next page illustrates, within a relatively short time the Department has secured dramatic increases in beverage container collection.

Table 2 TOTAL CONTAINERS RECYCLED 1988-1993		
Year	Number of containers recycled (all materials)	Percent of all containers recycled
1988	6.1 billion	52%
1989	6.9 billion	56%
1990	9.3 billion	70%
1991	10.5 billion	82%
1992	10.3 billion	80%
1993 (1st half)	3.8 billion	90%

Source: Department of Conservation

As the table indicates, overall rates have climbed from a 1988 level of 52 percent return of all containers sold in the State to 90 percent in the first half of 1993. The return rate for containers varies by material type, as Table 3 below indicates.

Table 3 TOTAL NUMBER OF CONTAINERS RECYCLED BY MATERIAL TYPE 1988-1992								
Year	Aluminum		Glass		Plastic		Bi-metal	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate
1988	5.4 billion	61%	665 million	35%	24.3 million	4%	13,237	.2%
1989	5.9 billion	64%	945 million	40%	37.9 million	7%	199,890	2%
1990	7.5 billion	76%	1.6 billion	57%	171.8 million	31%	314,760	3%
1991	8.2 billion	85%	1.8 billion	71%	299.8 million	56%	878,207	14%
1992	8.4 billion	85%	1.7 billion	72%	371.5 million	68%	796,519	12%

Source: Department of Conservation

As Table 3 indicates, in 1992 aluminum was recycled at a rate of 85 percent, glass at 72 percent, plastic at 68 percent and bi-metal cans at 12 percent. The major beverage container types have exceeded the 65 percent mandated in AB 2020, with one also meeting the 80 percent goal established in the act and the other two showing progress in that direction.

The early and growing success from a recycling policy perspective led the Department to write glowingly in

its 1989-90 Annual Report about the benefits of the program, even for the industry it affects the most:

*In return for their cooperation in solving some of these recycling problems, manufacturers have greater volumes of reclaimed materials to remanufacture into marketable products. The remanufacturing process is less expensive and uses less energy than manufacturing from raw materials. The results are economically and environmentally positive for everyone associated with beverage container consumption and production in California.*<sup>91</sup>

***Industry leaders complain about 2020's cost, complexity***

**W**hile there is common agreement that recycling does offer multiple economic and environmental benefits, the report's conclusion that the community of beverage and container manufacturers finds the overall process to be "economically and environmentally positive" was not justified. In fact, industry's displeasure with the 2020 program has been and continues to be significant. For example, a spokesperson for the glass packaging industry has called it "perhaps a noble experiment, but unquestionably a failed experiment."<sup>92</sup> At the Commission's hearing, the representative from the Plastic Recycling Corporation of California declared that "2020 is complex beyond the imagination," adding, "The law inflicts a set of costs and regulations that run contrary to free marketplace economics" and "perhaps most perplexing to all affected parties is that this law is so complex, always changing and intellectually confusing."<sup>93</sup> Another industry spokesperson also noted that the container recycling program was a "system of subsidies and hidden costs."<sup>94</sup>

The complaints of industry participants center on four contentions:

- ***Fairness of application:*** The beverage industry believes it should not have to carry the costs of recycling projects outside the parameters of the 2020 container program.
- ***Stability and predictability:*** Industry representatives say that the law and its regulations should not be altered annually, and the fees -- or at least the process that sets the fees -- should be clear and allow advance planning.

- ***Simplicity of procedures:*** They want to see the program streamlined.
  
- ***Greater reliance on free-market processes:*** They argue that the Department should exercise less command-and-control authority over recycling, with supply and demand having more influence in driving both resource recovery and reuse.

Both the 2020 program and comprehensive proposals to build on the program to achieve broader-based recycling would appear to face an unclear future unless existing complexities and deficiencies can be resolved. Two areas most often pinpointed as key problems are the mandated convenience zones, with their associated handling fees, and the processing fee.

One of the major innovations of AB 2020 was to establish a "convenience zone" -- a half-mile circle around each major grocery store -- within which the "dealers" (those, other than restaurants and bars, who sell beverage containers to consumers) must contract with a recycling organization to maintain a container-redemption service in the grocery store parking lot if a center is not already in the zone.<sup>95</sup>

If the dealers do not establish a recycling center, each is required to receive empties and handle the deposits and refund payments themselves, in the manner of the traditional bottle bills. During the development of AB 2020, the convenience zones were conceived as a compromise to meet the concerns of retailers who did not want to handle returned containers and advocates who felt recycling would not occur if drop-off points were not convenient for consumers.

There are a total of 1,824 convenience zones in operation throughout the State. Of this number, 1,441 recycling operations, called supermarket sites, are located in grocery store parking lots<sup>96</sup> and can apply for "handling fees," which are state subsidies from the recycling fund that are designed to reduce the unprofitability of these operations. This fee guarantees that centers processing at least 6,000 containers a month will receive 1.7 cents for each aluminum and glass container and 3.4 cents for each plastic bottle (with a ceiling established at \$2,300 a month).

*Convenience zone  
centers appear  
expensive and  
inefficient*

**F**rom October 1988 through December 1993, the public subsidy of the convenience zone system of supermarket recycling centers has totaled \$82.4 million.<sup>97</sup> The supermarket sites collect only about 12 percent of beverage containers that are recycled,<sup>98</sup> leading many to the conclusion that they are overly expensive to operate and inefficient in practice. Increasingly, the view of many participants in the 2020 program is that the convenience mandate should be eliminated, thereby causing marketplace decisions to guide recycling centers in determining if an area can be profitably served without a subsidy. This would surely result in abandonment of many sites, with only some of the old zones being taken over by the larger, more-established recycling companies or by local nonprofit groups. One result would be that consumers would have fewer places to claim their container refunds, especially in the short term.

The research organization California Futures and others have argued that consumers who pay into the redemption system with every beverage container purchase deserve the right to be able to get their money back conveniently.<sup>99</sup> In addition, representatives of one of the industries operating the supermarket centers have argued that their share of the CRV returns has ensured that the 65 percent recycling target was reached.<sup>100</sup> Others, however, believe that today's increasing number of curbside collection services is likely to ensure recycling levels remain above the 65 percent statutory mandate.

Advocates of eliminating the convenience-zone approach believe other alternatives would meet concerns about consumer convenience. The scrap industry favors a population-based system with a three-tiered approach to urban, suburban and rural areas.<sup>101</sup> This system would use census tracts to identify the boundaries of cost-effective "recycling districts." Each district would be drawn to include a population base large enough to ensure profitable operations for a single certified recycling center that is the sole CRV buy-back operator in that area. A competitive bidding process for management of each district would be required, with the Department making selections. Legislation could establish preference points for operators already in the district and for those that will process more than just CRV-covered materials, such as newspapers.

These zones could develop into the "infrastructure" for a future comprehensive recycling system that accepts all or most recyclable materials. Such an expansion has not been available at the supermarket sites with their space

constraints. A State-run bidding process would also allow the return to one of the original premises behind convenience zones, which was to provide nonprofit and community service organizations an opportunity to make money for their causes.

Since existing recycling service in rural and even many suburban areas remains inconvenient or nonexistent, it is anticipated greater state resources would be needed to establish and fund recycling service. In areas where population is small or wide-spread, it may be necessary to rely on a variety of services for the much larger zones, including a mix of non-profit operations, professional recyclers, curbside service, mobile units and even retention of existing grocery store centers. Subsidies for collection service in low population areas, and perhaps others, would also be required, at least for the short term. But many believe that the subsidies required for such a system would fall short of the funds now spent for the convenience zones.

*Processing fee  
creates subsidies  
but is complex,  
constantly shifting*

**A**nother innovation of AB 2020 was the "processing fee," which was designed to make the complex logistical process economically feasible. Its role was designed to cover the difference in the cost margin between the collection and processing of containers and the amount of money that is paid to the recycling center for scrap by industry. When the cost of collecting and processing a container exceeds the scrap value of that container, the act requires the Department to assess a processing fee on that container type. The fee is then provided to processors (for administrative efficiencies, since there are fewer processors than recyclers) who pass it through to recyclers to ensure the costs of their operations are met. To set this fee, the Department continuously monitors scrap values and the "cost of recycling."

The processing fee has been both hailed as the major reason for the success of the 2020 program and vilified as creating subsidies that disrupt the workings of the free-market economy, as well as putting unfair fiscal burdens on participating industries.

Because of the combination of market dynamics, lawsuits and amendments of the enabling legislation, today only the glass container industry and the very small bi-metal can producers are paying a processing fee to finance the collection and processing of their containers. Manufacturers and bottlers of plastic soft-drink containers have chosen to create an inflated scrap value (called

"avoided scrap value") and a corporate mechanism (the Plastic Recycling Corporation of California) to guarantee the purchase of shredded or otherwise processed plastic. This allows the industry to avoid imposition of a government-defined processing fee. The aluminum can industry has remained outside this process because of the historically high resale value for its scrap.

*Processing fee  
is a moving  
target because  
of many changes*

**D**evelopment of the processing fee has had a long and complex history of experimentation and modification every year by both the Department and the Legislature. The glass packaging industry has described the fee as "extremely complex and ambiguous," a problem which has been "exacerbated by the annual legislative battles" and that:

*The statute has been amended, modified, cleaned up, clarified, bandaged and decorated in virtually every legislative session since its adoption. Each new year, our industry and the Department of Conservation are working with a new set of rules and outdated regulations, or no regulations at all.<sup>102</sup>*

A major modification that made improvements was enacted in 1992. This bill, AB 87 (Sher), required that for a three-year period, January 1, 1993 through January 1, 1996, the method for calculating the processing fee be based on a formula set in the statute. It includes consideration of recycler's costs, scrap values and provision of a financial return to recyclers. Additionally, the formula requires that new efficiencies be maintained in the recycling process.<sup>103</sup>

Despite AB 87's changes and because of its sunset date, concerns continue about the impact of the fee. Neither scrap values nor the "cost of recycling" are subject to precise formulation -- and even experts within the Division of Recycling agree that the processing fee has garbled any free market determination of glass and plastic scrap values. Since the fee was initially supposed to compensate the certified recycler (who must accept all the CRV-covered materials) for the excess cost of recycling over the value of scrap, the concept of the formula has, ironically, been negated by its very use.

*Mandating minimum  
recycled content  
may be wave  
of the future*

**A**ccording to some experts, the future of recycling lies not in the processing fee, but in mandated minimum recycled-material content laws, which require goods to be manufactured using a certain amount

of recycled material. Such requirements, it is said, will force the industries to ensure that their scrap is collected and returned to them for reuse.

The expansion of markets for recycled material has already been begun in the form of several minimum content bills passed by the Legislature and signed by the Governor. For example, AB 2622 (Eastin, Chapter 1094, Statutes of 1990) is a major tool that appears capable of ultimately causing glass cullet (fragmented glass) to achieve a higher scrap value within a relatively free market. This law mandates that all glass containers (not just CRV bottles) be made from increasing levels of recycled glass.

The glass packaging industry favors this approach when it is matched with curbside collection programs and reduced governmental involvement. As was stated by the industry's representative at the Commission hearing: "Minimum recycling content requirements create demand by container manufacturers, which in turn ensures an appropriate pricing structure for cullet." This, the industry believes, will result in adequate purchase of recycled glass to ensure scrap values remain high enough to support recycling programs.

Other experts believe that while minimum-content laws have an important role, the concept of manufacturers' responsibility and allowing choices from a menu of options is even more critical. An example may be found in the Rigid Plastic Container Act (SB 235, Hart, Chapter 769, Statutes of 1991), which could be called California's first "manufacturer's responsibility" law. Manufacturers are given five courses of action, of which only one must be met to satisfy the law's objectives:

- Containers must be made from 25 percent levels of post-consumer waste material.
- If made of PETE (polyethylene terephthalate) plastic, containers must have a recycling rate of 55 percent.
- If made of non-PETE plastic, containers must have a recycling rate of 25 percent.
- Containers must be reusable or refillable.
- Containers must be redesigned to reduce waste material.<sup>104</sup>

These and other minimum-content laws appear to have the potential to "pull through" the system material that is recyclable. But this may not occur for some years. In the interim, there must be in place some tool -- a combination of a funding source and a mandate -- that will drive the operation of the collection system and also pay for the losses that a recycling system must, at least temporarily, absorb. At present that tool in the 2020 program is the processing fee.

*Revamping the processing fee stirs little opposition*

Proposals for a new approach to this fee process are now being heard from a wide range of sources, including the environmental community. In November 1993, the foundation for the Planning and Conservation League (PCL), one of the State's major environmental advocacy groups, published a handbook on the California Beverage Container Recycling Act for use by other states in developing similar programs. Interestingly, PCL presented a greatly abbreviated version of AB 2020, one which omitted the processing fee approach completely. The report included these comments regarding the fees:

- *However, as this provision [the processing fee] has grown increasingly complex and controversial, and as it is not essential to the success of the program, states interested in studying this system may wish to replace [it] with other, more effective or efficient provisions.*<sup>105</sup>
- *Processing fees may be too complex or controversial in your state. Funding recycling costs from unredeemed deposits, such as with handling fees or grants, may provide an alternative.*<sup>106</sup>

Another environmentally oriented organization, California Futures, has identified (although not necessarily endorsed) similar options, including setting a fixed rate for each container type or establishing one container-specific fee for curbside and supermarket dealers. Another approach is to set a processing fee based on recycling rates (as the rate rises, the fee decreases).<sup>107</sup> In a 1993 report on "least-cost criteria" for a recycling program, California Futures did not include either handling fees or processing fees in its discussion, finding them "not vital" to achieving the targeted recycling rate.<sup>108</sup>

The present complex mix of law and administrative regulations that have created the processing fee are today

being more widely viewed as replaceable. Speakers at the Commission hearing, interviews and research have indicated several options that address the processing fee and subsidy dilemma:

- Abolish the fee and rely on AB 2020's present 65 percent mandated recycling rate and the glass and plastic minimum content acts to drive the system. Under current law the CRV fee for container types that fall below 65 percent recycling rises, providing an incentive for consumers to continue recycling.
- Abolish the fee and set a graduated CRV-rate to encourage and fund recycling, going beyond the present 65-percent minimum recycling rate, with more "triggers" at each level up to and including the 80 percent goal. This will cause the CRV to be increased by increments if any container type fails to meet the next level of recycling (or falls back below one it has already reached), with these funds used to subsidize recyclers.
- Abolish the fee with the qualification that if any container type fails to meet any of its goals for an extended period, it faces additional penalties, such as the assessment of a penalty equal to the landfill costs for every ton of material not recycled.<sup>109</sup>
- Set a flat rate for the processing fee in the law, similar to the handling fee value of 1.7 cents per container.
- Set a rate in the law, as above, but include incremental reductions if the recycling rate for the container type increases and incremental increases if the container rate of recycling decreases.

The latter proposal, often called an "advance disposal fee," provides manufacturers with an incentive to encourage recycling. When recycling rates rise, the fee paid by manufacturers drops. The fee would be more dependable than the present processing fee since it would not be linked to scrap value and recycling costs. This fee concept can be augmented with the manufacturer's responsibility approach by including a menu of options for the manufacturer to select in meeting public policy goals and changing market conditions.

Conditions for implementation of an advance disposal fee for the 2020 program that have been suggested include:

- The advance disposal fee would be established only if the processing fee and the handling fee in the present law are abolished.
- It would be a per-container surcharge that becomes due for payment to the Department when a product is sold for distribution in California -- hence it is a front-end charge that is not dependent upon complex, midstream calculations that can be open to many interpretations.
- It could range from any fraction of a penny to several pennies a container, based on the economies of the various container industries, and while the industry might be encouraged to absorb this expense as part of its cost of doing business, this surcharge probably would be passed through to the consumer.
- It could be a different amount for different types of containers and even for different industries that have special manufacturing standards.
- It would be a graduated fee that reflects the philosophy of "manufacturer's responsibility," with reduction of fee increments being authorized according to the performance of the industry and its ability to meet goals and standards in the overall public interest, including, but not limited to:
  - Maintenance of a high per-container recycling or reuse rate.
  - Meeting of minimum recycled-content standards.
  - Successful source reduction.
  - Pollution and toxics-free manufacturing capability.
  - Product design for durability and recyclability.
  - Development of new markets for scrap.
- Revenue from the container advance disposal fee fund would not be intermixed with the CRV fund and would be used to pay selected certified recyclers a collections-cost fee or a grant based on pre-established criteria.

- This process would be set in place with the understanding and presumption that the advance disposal fee will in time also be applied to other packaging and waste types under a new comprehensive recycling program in Cal-EPA.

An advance disposal fee could reduce costs for the industries that now carry the cost of the processing fee in the 2020 program. The glass packaging industry has paid as much as .9 cents a container -- today, it is .65 cents -- for its mandatory processing fee.<sup>110</sup> The plastic container industry has paid as much as 8.8 cents for some types of containers -- with today's rate around 5.5 cents<sup>111</sup> -- to implement its strategy of creating its own "avoided scrap value" (which might better be called an "inflated scrap value"). The aluminum can industry has continued to avoid any fee due to its high scrap value.<sup>112</sup> Hence, with an advance disposal fee the plastic bottle industry could find its position improved, while the glass industry would probably stand about the same, until its recycling rate increases, and then it would see a reduction in fees paid to the State. On initial analysis, the aluminum can industry would seem for the first time to be faced with costs from the 2020 program. However, since the aluminum recycling rate and scrap value are so high, the industry would immediately qualify for reductions or possibly even avoidance of the advance disposal fee.

Replacing the much-derided processing fee with some other driving force for recycling -- whether it is mandated-content laws, manufacturers' responsibility or an advance disposal fee -- would not only streamline the 2020 program but also would begin to break down existing opposition to the expansion of the program to more beverages and materials.

*Many back expansion of containers covered by 2020 program*

**A**t the Commission's hearing, the representatives from Californians Against Waste and the California Resource Recovery Association recommended that additional beverage containers be added to the 2020 program's coverage. A vehicle to accomplish that expansion is before the Legislature now: AB 401 (Margolin) would add containers for wine, liquor and non-carbonated water to the CRV redemption and refund process.

The CRRA representative noted in the organization's endorsement of AB 401, "This is a common-sense response to confusion caused consumers under the current system. Consumers do not see any reason to distinguish

the above containers from those that are currently included under AB 2020."<sup>113</sup>

The Department also has noted that AB 2020's mandate to include containers according to their contents (that is, carbonated beverages) rather than according to their material type "could lead to consumer confusion, make recycling less convenient, and pose an unnecessary threat to the Recycling Fund." The law's beverage definition was seen as an "artificial distinction."<sup>114</sup> Many of those in the industries now covered by the 2020 program also argue that this "artificial distinction" is more unfair than merely confusing, because it singles out their products exclusively for mandatory recycling, and forces them to assume many additional costs for activities that far exceed their responsibility.

Since its inception, the Department has been cautious about seeking the expansion of 2020 coverage and bringing in new recyclables. As is stated in the division's third annual report:

*A decision to add any new container types must carefully consider fluctuating market values for recycled beverage containers, as well as the need to encourage alternative markets for recycled products. The Department believes the timing of adding new containers to the program is a critical consideration that could impact (its) continued success....*<sup>115</sup>

But, as the Department has also reported, "A recycling infrastructure, which can be expanded, has been established."<sup>116</sup> Indeed, the potential is there for a broader collection and processing effort. Only 16 percent of non-CRV glass containers and less than 6 percent of non-CRV plastic containers are returned for recycling.<sup>117</sup> At the Commission's hearing, the representative for Californians Against Waste maintained, "The cost of managing non-CRV glass containers is paid for with our tax dollars rather than by the producers and consumers of the products sold in them." This organization, in fact, recommends that the 2020 program include "all rigid glass, paper, plastic and metal containers."<sup>118</sup>

Clearly, without governmental incentives and mandates, the balance of the beverage containers will enter the recycling system very slowly, if at all. As the 2020 program is brought into the broader venue of a comprehensive multi-material recycling system with

streamlined administrative processes, it is logical to bring in the rest of the recyclable containers and other packaging. The broader-based convenience centers, when no longer limited to a small corner of grocery store parking lots, would then have the capability of receiving and processing all beverage containers, as well as paper, cardboard and perhaps other materials.

*Complexity of  
2020 program  
opens door for  
potential fraud*

**I**n addition to concerns about how complexity affects the potential expansion and current economical operation of the 2020 program, many observers fear that opportunities for fraud abound because of the program's convoluted construction. Over the years, the Department has undergone several audits and reviews, as noted below, and has been able to improve its processes for detecting fraud with the advantage of increasing experience. The Department's audit and enforcement staff has grown over the years, increasing from 4 in 1987-89 to 72 currently.<sup>119</sup> However, questions about enforcement of the law still linger.

In recent years media reports on the prosecution of three major fraud cases that involved exploitation of the CRV process have raised questions of whether this system has become too cumbersome to be fully monitored and protected from abuses. The Department's position is that the successful prosecution of these fraud cases demonstrates that its enforcement efforts are effective. It reports that its monitoring and enforcement sections have become increasingly sophisticated and that major fraud is not extensive in the system.

In addition, the Department notes that the level of violations that require civil penalties or restitution has diminished as recycling centers have become more knowledgeable about requirements and paperwork. The paper flow process is, indeed, substantial (including transaction receipts, logs, daily summaries, shipping reports and processor invoice reports),<sup>120</sup> so in 1990 the Department began sending audit personnel to all recyclers to ensure they understand recordkeeping and operational requirements.

An audit by the State Controller's office in October 1989 found program deficiencies, especially in controls that led to illegal payments for ineligible containers imported from out of state.<sup>121</sup> In particular, reliance on post-audits was criticized, even though it was the only tool provided in the enabling legislation. An amendment to the law was secured, allowing the use of a pre-payment review beginning in March 1990 to ensure conformance before the

claim is paid.<sup>122</sup> This and other administrative improvements resulted in the office of the Controller reporting these processes "dramatically improved."<sup>123</sup> In addition, in 1989 the Legislature and Governor enacted legislation that substantially strengthened the Department's enforcement ability.

In February 1991, the Auditor General published a report recommending improved oversight of the recycling fund, as well as refinements in some administrative matters. Again it was noted that operators of some certified recycling centers paid for beverage containers that did not have refund value.<sup>124</sup> This problem is persistent and may not be subject to any total solution.

*Department tightening anti-fraud efforts but opportunities still exist*

**A**lthough the Department has greatly improved its ability to detect refund value fraud, it is still hard pressed to eliminate the opportunity for quick profits that is inherent in the system. Aluminum scrap has the greatest value of all the types of container materials, in addition to the CRV refund value of 2.5 cents per can. Since this material is also light and easily compactable, aluminum beer and soda containers are the target of choice for those who seek to abuse the California redemption system. The CRV identification, showing a refund is available in California, is stamped on cans by the manufacturer. Those containers made outside of California are sold to beverage bottling companies for distribution across the western states, even as far away as Texas. While this practice is a marketing convenience for the industry, it allows unscrupulous persons to collect cans out-of-state where no redemption value is paid to California and attempt to bring them here for their refund.

At present, the law requires that anyone can bring to redemption centers a load of up to 500 pounds of aluminum cans without having been approved by the Department as a certified recycler. The center offering refunds is expected to refuse to accept loads over this weight from those not certified, and if it does not, it runs the risk of penalties and decertification when the Department discovers the illegal transaction through its prepayment review process and audits. Therefore, even if the center paying CRV refunds is acting responsibly (and has no other reason to doubt the legality of the material), the apparently proper delivery of 500 pounds of aluminum cans can bring up to \$475 for the importer (about \$150 in scrap value, if offered, and \$325 in CRV refunds).<sup>125</sup>

This kind of "pickup-truck fraud" does cause a negative impact since it is relatively difficult to catch.

Additionally, larger-scale "semi-trailer truck fraud" can secure significant amounts of money. A load of 40,000 pounds of out-of-state containers could earn some \$12,000 in scrap value (which is not illegal) and about \$26,000 in CRV refunds.<sup>126</sup> This kind of fraud requires the cooperation of a recycling or processing center that would knowingly receive illegal cans and seek to profit from a kickback for falsifying its records. The Department is confident that its prerule of fee payments and its audits, plus arrangements with U.S. Customs and the Department of Food and Agriculture to monitor truck traffic at border crossings, has halted or minimized this kind of dealing.

Nevertheless, the potential for fraud remains as long as large quantities of containers with the CRV imprint are distributed outside of California. Negotiations with out-of-state aluminum can manufacturers, bottlers and distributors could identify ways to reduce this practice.

*Tips are frequent  
source for  
information  
about fraud*

**O**verall, the Department's efforts to control fraud seem to be moving in the right direction, but there is continuing concern over the need for improved overview and simplification of processes. It is not yet clear if even the most excessive fraud cases would be uncovered without leads volunteered from within the industry. The Department frequently receives tips, usually anonymous, about illegal activities by recycling centers or processors. These often come from persons within the recycling industry who want to conduct honest operations and still have a "level playing field" on which to compete. At least one of the three major 2020-fraud cases prosecuted under the federal Racketeering Influence and Corrupt Organization Act (RICO) was initiated on a tip from an insider.

An institutionalized system of incentives for persons to call in such tips could secure several benefits. A prototype does exist for guidance. The Department of Toxic Substances Control has a reward program which offers up to \$5,000 for "information which materially contributes to the imposition of a civil penalty or criminal fine" against persons illegally dumping or abandoning containers of toxic wastes.<sup>127</sup> This Department maintains a Waste Alert Hotline (1-800-69-TOXICS) that allows reports (about 4,000 a year) to be made anonymously.

Publicity about a reward program for 2020 program violations could give the Department a vehicle to warn participants about penalties for malfeasance, even while reassuring the public that fraud is minimal but that the State is serious about stopping all of it. Both citizens and recyclers could be encouraged to call in their anonymous

leads, and reduction of fraud may be a direct result without having to increase field inspection personnel.

In summary, the complexity of the beverage container recycling program -- in particular its complicated processing fee and excessively expensive convenience zone handling fees -- has continued to cause criticism from the regulated industries. Alternative measures that are closer to market processes may offer simpler and less costly ways of ensuring that the collection of recyclables occurs. Simplification may also lead to more control and diminished fraud.

**Recommendation #5: The Governor and the Legislature should enact legislation amending the California Beverage Container Recycling Act to abolish the convenience zones mandate and supermarket-site handling fee payments, and to establish an alternative system.**

**T**he convenience zone system has proven to be an expensive method that affects only a small portion of recycled containers. A new, more economical system to take the place of the convenience zones could be based on recycling districts designed with enough population base to economically support a recycling center operation, coupled with government-supported options to improve service in rural areas. Or the convenience zones could be eliminated without a replacement system, with the State relying on a combination of free-market processes and local government curbside collection programs to give consumers access to recycling services.

**Recommendation #6: The Governor and the Legislature should enact legislation that establishes a new simplified and predictable fee arrangement for subsidizing the 2020 collection system.**

**T**he processing fee formula, both its temporary form now in effect until January 1, 1996 and the mandated 1996-restoration of the original approach, should be replaced with an advance disposal fee that will decrease in size as higher reuse of recycled container materials, or other public benefits, occurs. The application of this fee, with incentives that reduce it,

would encourage the glass and plastic industries, plus others using post-consumer materials, to help build a stable market for reclaimed materials.

**Recommendation #7:** After reorganization and streamlining of the state's recycling programs have been authorized, the Governor and the Legislature should enact legislation expanding the coverage of the 2020 program to include all beverage containers that can be accommodated by the recycled materials market.

Once the present problems with the 2020 program are resolved, the program should be expanded to include all beverage containers, regardless of the type of beverage. This could include liquor, wine, and non-carbonated fruit drinks and water.

**Recommendation #8:** The Governor and the Legislature should enact legislation requiring out-of-state aluminum container and beverage bottling industries to ensure that all CRV-imprinted cans are shipped to California and not to other states.

The current practice of allowing cans imprinted with the CRV marking to be used in other states makes it difficult to detect their misuse and facilitates fraud. A law that requires such cans to be kept in California, with appropriate penalties for non-compliance, would resolve this problem.

**Recommendation #9:** The Governor and the Legislature should enact legislation that allows the Department of Conservation to establish rewards for information leading to the discovery of fraudulent practices by participants in the 2020 program.

**W**hile the Department's present efforts against fraud seem adequate, the role of tips in ferreting out fraud could be enhanced by a reward structure.



# **Conclusion**

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# Conclusion

**I**f the beverage container recycling program were to be assessed by its performance in meeting recycling goals, the 2020 program would have to be declared a success. But when viewed as the cornerstone upon which the State should be able to build a comprehensive reuse and recycling structure, the Commission's examination finds that the program falls regrettably short of what is needed.

The need for major streamlining and simplification of the 2020 program has become apparent, as has a reorganization of the State's fragmented approach to solid waste management and resource reuse and recycling. Such a reorganization, according to the Secretary for Environmental Protection, will "achieve significant pay-offs in terms of improved public education, effective outreach, reduced costs, and a new ability to manage all waste reduction, reuse and recycling programs through a single point of accountability."<sup>128</sup>

***Key recommendation:  
create a new  
recycling program  
in Cal-EPA***

**A**fter exploring a variety of options, the Little Hoover Commission recommends to the Governor and Legislature that a new comprehensive recycling program be established in Cal-EPA to bring both policy focus and program accountability to the State's recycling efforts. In the interim, the problems arising from a variety of program overlaps and areas lacking coordination can be rectified by the Department of

Conservation and the Integrated Waste Management Board working together to consolidate successful operations and pool resources.

In addition, the Commission believes it is important to improve the structure and processes of the 2020 program before any expansion is considered. The present 2020 program has jumbled the true market value of glass and plastic scrap, thereby making more difficult the establishment of permanent and profitable new markets for these recycled materials. It is necessary to streamline the 2020 program, eliminating such expensive nonessentials as the convenience zone mandate and its handling fee, and move it closer to the principles of manufacturer's responsibility with a simpler advance disposal fee to fund collection processes.

With these improvements, the State of California will have in place the necessary structure for a comprehensive recycling program that can stimulate market development and increase reuse of a wide range of materials that must be diverted from the solid waste stream to meet state-mandated goals.

# **Glossary**



**Advance Disposal Fee.** A fee levied on products or packaging at the time of sale to encourage source reduction and recycling of byproducts and waste by the manufacturer, in lieu of disposal. Revenue from the fee is used to finance reduction and recycling programs. Also known as a recycling incentive fee or a disposal cost fee.

**Avoided Scrap Value.** In the 2020 program, the term used for the strategy by the plastic container industry to purchase plastic scrap at a value high enough to ensure it exceeds the cost of recycling, as defined by the Department of Conservation, thereby avoided a government-imposed processing fee.

**California Redemption Value.** In the 2020 program, the deposit paid on each container by the consumer, which is paid into the California Beverage Container Recycled Fund, and is paid back to the consumer as a refund on the return of the container to a certified recycler.

**Comprehensive Recycling.** The cost-effective recovery, collection, processing and reuse of the widest feasible range of materials found in the waste stream.

**Convenience Zones.** In the 2020 program, a zone drawn one-half mile around major grocery stores, in which a recycling center must be in operation (unless the zone is exempted by the Department of Conservation). Most of these zones are serviced by retailer-contracted companies that operate in the store's parking lot and are called supermarket-site recyclers (which can also receive a handling fee).

**Countywide Integrated Waste Management Plan (CIWMP).** The principal local planning document for ensuring that the Integrated Waste Management Act of 1989 is implemented. Each CIWMP is composed of a Source Reduction and Recycling Element (SRRE), a Household Hazardous Waste Element, a Countywide Siting Element, a Non-Disposal Facility Element and a Summary Plan. The California Integrated Waste Management Board is responsible for assisting local governments in the preparation of these documents and approving them.

**Cullet.** Glass that has been fragmented after consumer use and collection of containers. It is used as "feedstock" with virgin materials in the glass production process.

**Curbside Recycling.** Scheduled pickup service at households and apartments for the collection of recyclable material, pursuant to a contract with a local government or other public agency. Refunds on CRV-covered containers are not paid to consumers.

**Dealer.** In the 2020 program, a person who sells beverage containers to consumers, excluding lodging, eating or drinking establishments, or soft drink vending machine operators.

**Distributors.** In the 2020 program, the wholesalers who sell beverages to retailers and who initiate the payment process by recording each sale and sending a refund value (the California Redemption Value, or CRV) to the Department of Conservation for deposit into the California Beverage Container Recycling Fund.

**Handling Fee.** In the 2020 program, a per-container subsidy paid by the Department of Conservation to the supermarket-site recyclers to cover losses.

**Integrated Waste Management.** The planned handling of solid wastes in a manner which treats the wastes as a whole through an array of possible techniques, including source reduction (also called "waste prevention"), recycling and composting, incineration or other transformation with or without energy recovery.

**Manufacturer's Responsibility.** An informal name for an approach to waste management that emphasizes the role of the industrial producer in reducing waste and recovering and recycling materials used in the production process.

**Minimum Content Requirement.** Legal standards specifying certain products that have to be produced with a defined level of secondary materials.

**PET or PETE Plastic.** Polyethylene terephthalate plastic, which is the plastic type that best holds carbonation and is therefore used exclusively for soft drink containers. It is lightweight, rigid and transparent, and is listed as 1 in the code abbreviation (out of 7 designations showing plastic type) on the bottom of each container.

**Postconsumer Material.** Any product or material that has been used by the consumer and is recycled or discarded.

**Processing Fee.** In the 2020 program, the subsidy paid by industry through the Department of Conservation to certified recyclers for collecting those containers that have a cost of receiving and processing that is higher than the value received for the sale of their scrap. According to Public Resources Code Section 14518.5, the fee is paid when "the scrap value being offered by container manufacturers, beverage manufactures, or willing purchasers ... is insufficient to ensure the economic recovery of the container type ...."

**Processor.** In the 2020 program, those brokers and intermediaries (frequently "old line recyclers") who buy containers from certified recyclers and pay them the appropriate refund value and scrap value, then "cancel" the material (alter it for shipping so that it cannot come back through the system again), and sell these materials to manufacturers at their scrap value rate. The processor also pays the processing fee to the recycler and acts as an administrative intermediary for the Department of Conservation.

**Recyclers, Certified.** In the 2020 program, those recycling operations that have been approved by the Department of Conservation and which accept and pay refunds on all CRV-covered beverage containers.

**Recyclers, "Old Line."** The informal designation of scrap and other materials recyclers who were in operation before the passage of AB 2020.

**"Reduce, Reuse, Recycle."** An interpretation of the legislated hierarchy of solid waste management practices which the California Integrated Waste Management Board is using in public education and involvement efforts.

**Resource Recovery.** The retrieval of materials from the waste stream, for reuse in the manufacture of new products or conversion into fuel or energy source.

**Secondary Materials.** Recyclable materials that can be used as a substitute for primary raw material in product manufacturing.

**Source Reduction.** Waste prevention.

**Source Separated.** Recyclable or compostible materials segregated from other materials in the waste stream at the point of generation.

**Tipping Fee.** The fee levied on the disposer for acceptance of materials at a solid waste facility, usually a landfill, transfer station or incinerator.

**"Traditional Bottle Bill."** The informal name for the beverage container recycling programs, in place in nine states, that rely on retailers in stores to receive the refund payment on each sale, return the refund to customers who bring back containers, and store the cans and bottles on site until they are picked up by the distributor.

**Waste Stream.** The total flow of solid waste from homes, business, institutions and industry that must be reused, recycled, composted, incinerated, or disposed of in landfills. May be referred to by its components of residential, commercial and industrial waste streams.



# **Appendices**



## **APPENDIX A**

Persons Providing Testimony for the Little Hoover Commission's Hearing,  
November 16, 1993, Los Angeles

Lewis D. Andrews, Jr., President , Glass Packaging Institute (GPI)

Renee Benoit-Shandley, Secretary, California Resource Recovery Association (CRRA)  
(speaking on behalf of Gary Liss, Executive Director, CRRA)

Robert Coakley, Senior Vice President, Owens-Illinois, Inc.

Maria Contreras-Sweet, President, California-Nevada Soft Drink Association (CNSDA)

Michael R. Frost, Chair, California Integrated Waste Management Board (CIWMB)

Edward G. Heidig, Director, Department of Conservation

Ronald S. Kemalyan, Executive Director, Plastic Recycling Corporation of California  
(PRCC)

Joseph W. Massey, Legislation Committee Chairman, Southwestern Chapter, Institute  
of Scrap Recycling Industries, Inc. (ISRI)

Mark Murray, Policy Consultant, Californians Against Waste (CAW)

James M. Strock, Secretary for Environmental Protection, California Environmental  
Protection Agency (CAL-EPA)



## APPENDIX B

### Overview of Other States' Recycling Programs

#### Traditional Bottle Bills

A total of nine states have enacted what is called the "traditional bottle bill," which requires deposits (usually a nickel) be paid to retailers with the purchase of certain beverages. On the return of the unbroken container, the consumer is repaid the deposit amount, and the retailer must store all similar brands for later pickup by distributors. The states with this program are: Connecticut, Delaware, Iowa, Maine, Massachusetts, Michigan, New York, Oregon and Vermont. States that have rejected this kind of bill include California, Montana, Ohio and Washington.<sup>129</sup>

One of the criticisms of this approach is the burden placed on the retailer who must sort the returned containers by brand so they may be redeemed through the distributors that sold them. Brand sorting by retailers and distributors creates high handling costs of some 2 to 3 cents per container.<sup>130</sup>

In 1972, Oregon became the first state to enact a law requiring refunds on beverage containers. The last state to adopt a deposit law was New York in 1982. California's attempt to enact a traditional bottle bill by means of a ballot proposition also occurred that year and was unsuccessful. In 1986, a modified version of a bottle bill was created by AB 2020 in California, which did not require retailers to take these containers back into their store as long as a parking lot recycling center was in operation within a defined area that included the store.

Of the ten redemption states (counting California's modified program), only two (Iowa and Maine) include wine and liquor bottles in their coverage. Vermont includes liquor but not wine bottles, and Michigan covers only canned cocktails.<sup>131</sup>

Michigan has the highest rate of overall container recycling, at 93 percent, but accomplishes this with a minimum deposit of ten-cents on non-refillable containers, as compared to California's recycling rate of over 80 percent with a refund of 2.5 cents (and 5 cents for larger containers).<sup>132</sup>

#### Comprehensive Waste Management Programs

By 1990, 36 states and the District of Columbia had passed some form of comprehensive waste management programs.<sup>133</sup> These states include:

- Illinois -- In 1988, the state enacted a broad-base recycling and waste reduction measure which set a mandated recycling goal of 25 percent by the year 2000. A funding mechanism involves a state-imposed 60 cents surcharge on each cubic yard of materials taken to a landfill, supplemented with a local government tipping fee of 45 cents. By 1991, the more heavily populated cities and counties were directed to adopt comprehensive waste management plans that emphasized recycling and other landfill alternatives. Illinois has also banned yard waste for landfills and set state procurement standards that favor recycled products.

- Indiana -- After the 1990 passage of a solid waste planning bill, which established a 35 percent goal for reducing waste by 1996 and a 50 percent goal by 2001, all the state's counties formed individual or joint solid waste planning districts to prepare 1992-mandated plans. The state's policy is to promote source reduction and recycling over incineration and land disposal. Funding comes from a 50 cents per ton tax on landfilled materials, with the option for a locally imposed fee at the district level.
- Kentucky -- In 1991, Kentucky established a regional approach to waste management with multi-county districts responsible for securing a 25 percent reduction by 1997. Grants and loans of up to \$25 million are available and a recycling brokerage authority has been created. Recycling incentives include tax considerations and procurement policies.
- New Jersey -- In 1987 New Jersey was faced with only three years of life expectancy for its last remaining landfill and saw a hike in tipping fees of from \$20/\$30 a ton to \$112 a ton. That year the state enacted the New Jersey Statewide Mandatory Source Separation and Recycling Act that some consider to be the most comprehensive statewide recycling program in the United States. Counties were directed to prepare and implement plans to recycle at least 25 percent of their waste (this amount was later amended to be 60 percent),<sup>134</sup> as well as to require the mandatory source separation of several types of material. These plans also had to be explicit as to how recovered materials would be processed and marketed. If no markets exist, the counties are not required to meet the recycling goals. The law also acts to create markets for recycled materials by requiring state government to purchase specified amounts of recycled paper, to use compost in the maintenance of public lands, and to purchase certain materials for highway construction projects. The state provides general revenues to fund market development studies and provides start-up grants for local recycling projects. Tax credits are also available for investments in recycling equipment. Grants and loans are provided to communities from a recycling fund that is supported by revenue from a surcharge on each ton of waste landfilled.<sup>135</sup> New Jersey reported in 1990 a waste stream reduction/recovery rate of 43 percent.<sup>136</sup>
- Pennsylvania -- In 1988, the state's mandatory recycling law came into effect, as did its Recycling Market Development Task Force. The law mandated the Commonwealth's larger municipalities to conduct recycling, with a goal of reusing at least 25 percent of all municipal waste by 1997. By 1992, the state was recycling 16.1 percent of source-separated materials. Seven counties met or exceeded the goal and two cities reached rates of nearly 50 percent. In 1992 the state's Department of General Services spent nearly \$25 million for commodities with recycled content, and has a listing of 28 categories of recycled products on state contract. The state has invested over \$34 million in developing recycling markets. Funding for the state program comes from a \$2-per-ton recycling fee on municipal waste. Most of this money is used for grants to local recycling programs and for waste management planning. As of 1992, the state had 719 cities providing curbside recycling services.<sup>137</sup>

## APPENDIX C

### Analysis of Options for Governmental Reorganization of California Recycling Agencies

#### OPTIONS THAT USE THE INTEGRATED WASTE MANAGEMENT BOARD AS THE BASIS OF REORGANIZATION

1. *Transfer the Division of Recycling intact, as a separate division, into the present Board.*  
(See also the critique offered above.)
  - Accountability -- Partially improved, since all recycling functions are now within one unit of government and within Cal-EPA. However, chairmanship of the Board still remains outside of the governor's and the secretary's authority.
  - Economy -- No savings. Duplication still occurs between units within the Board. The bureaucratic processes of the Board could also create costs for the 2020 program. In addition, the temptation to make use of the CRV surpluses for other priorities may be even stronger at the Board than at the Department.
  - Effectiveness -- No major improvements, since the Division is still operating separately from the rest of the Board under its own enabling legislation.
  
2. *Transfer the Division of Recycling into the Board, but with full integration of staff and functions into similar operations.*
  - Accountability -- Partially improved, as noted in option 1.
  - Economy -- Improved, with the elimination of the Division and the total integration and streamlining of all recycling staffs.
  - Effectiveness -- Improved, with the consolidation of all recycling functions within existing activities in the Board. However, the inefficiencies of the six-member board, its advisors and committees are retained and can impact the administration of the 2020 beverage container recycling program.
  
3. *Convert the Board into a Department of Solid Waste Management by eliminating the six-member board, while retaining all its present functions and integrating the Division of Recycling.*
  - Accountability -- Greatly improved, with the elimination of the independent board structure and the placement of all the Board's functions in a single manager department that reports directly to the Secretary for Environmental Protection.

- Economy -- Greatly improved, with the elimination of the expensive board and advisory bureaucracy and the total integration of all recycling staffs. However, this option does not take advantage of the parallel existence of similar regulatory sections in DTSC (see option 7 for details).
- Effectiveness -- Greatly improved, with the centralization of all resource reuse and recycling functions, as well as all solid waste management mandates, in one department, thereby eliminating overlap and competition and allowing application of all staff and funds to priority goals.

#### OPTIONS THAT USE THE DIVISION OF RECYCLING AS THE BASIS OF REORGANIZATION

4. *Transfer all the Board's resource recycling/reuse functions to the Division of Recycling in the Resources Agency:*

- Accountability -- Mixed results, but largely negative. This option does give the Resources Secretary overview of all resource reuse and recycling activities, but it leaves the Board's function of waste reduction and solid waste facilities regulation within Cal-EPA, which makes coordination more difficult.
- Economy -- Improved, with all the Board's recycling/reuse functions and their streamlined staff integrated into the Division's existing sections. However, the Board with its top-heavy bureaucracy would continue to conduct regulatory operations even after its overall mission has been greatly reduced.
- Effectiveness -- Improved. All recycling functions, except a few in the Department of Toxic Substances Control, would be under one umbrella provided by the Resources Secretary. However, other solid waste management activities would remain in Cal-EPA, which continues the problems of coordination.

#### OPTIONS THAT CREATE A NEW DEPARTMENT OF RECYCLING IN CAL-EPA

5. *Create a new Department of Recycling in Cal-EPA from the Division of Recycling and just the Board's Waste Prevention and Education Division.*

- Accountability -- Improved, with all recycling and waste management activities now located in Cal-EPA, but with some related functions still divided between the Board and the new department.
- Economy -- Improved, but only marginally by some staff reductions through combining the public information/outreach services of both agencies.

- Effectiveness -- Only marginally improved. The vital function of market development is still split between the two units of government, as are other tasks.
6. *Create a new Department of Recycling in Cal-EPA from the Division and two of the Board's units: the Waste Prevention and Education Division and the Market Research and Technology Division.*
- Accountability -- Improved, as more, but not all, of the reduce/reuse/recycle functions come under one administrator.
  - Economy -- Improved, due to staff reductions, but the Board still remains in operation even within its much reduced mission.
  - Effectiveness -- Much improved, with the combination of public outreach and market development staff members from both agencies.
7. *Create a new Department of Recycling in Cal-EPA from the Division and by abolishing the Board entirely, with all reduce/reuse/recycle activities given to the new department and all solid waste regulatory and permitting functions transferred to the Department of Toxic Substances Control (DTSC).*
- Accountability -- Greatly improved, with the elimination of the independent Board structure and the placement of all functions in a single manager department which reports directly to the Secretary for Environmental Protection.
  - Economy -- Greatly improved, with the elimination of the Board and the total integration of all recycling staffs, plus the effective use of similar, existing regulatory sections in DTSC.
  - Effectiveness -- Greatly improved, with the centralization of all resource reuse and recycling functions in one department, thereby eliminating overlap and competition and allowing application of all staff and funds to priority goals. This also places in one agency, the DTSC, all the State's regulatory activities that relate to the regulatory functions of the federal Resource Conservation and Recovery Act (RCRA).<sup>138</sup>



## APPENDIX D

### Proposal for New Department of Solid Waste Management or New Department of Reuse and Recycling

The optimum proposal for reorganizing California's recycling functions provides for the elimination of the Division of Recycling and the Integrated Waste Management Board. In its place, the Governor and the Legislature could create a new Department of Solid Waste Management that would take on all the functions of both existing agencies. Or Board functions relating to landfills and incineration could be transferred to the existing Department of Toxic Substances Control while all other responsibilities of both the Board and the Division of Recycling would be assumed by a new Department of Reuse and Recycling.

A carefully executed organization of a new department is vital to ensuring that it begins operation with the best from both agencies and that existing programs are not impacted during the transition. The Department of Reuse and Recycling would assume from the Board its recently established Market Research and Technology Division, while integrating into that unit those similar activities in the Division of Recycling. This unit would be responsible for all research and development (R&D), running a combined CALMATS and Market Watch program, development of model programs, monitoring of minimum contents laws, and conduct of all materials-specific programs, such as those dealing with beverage containers, newspaper, tires, etc.

The present Program Development Branch of the Division of Recycling, minus its market development activity, would be combined with the Waste Prevention and Education Division of the Board to become the Government Assistance and Public Education Division in the new Department of Reuse and Recycling. This unit would, among other assignments, be responsible for:

- All public education and outreach assistance.
- Local government plans assistance and approval.
- Development of and dissemination of information about model reduction/reuse/recycling programs.
- Assistance to recycling programs (centers, curbside collection programs, etc.).
- Awarding and administering grants for recycling programs.

The Division's Program and Economic Analysis Branch (minus its minimum content and curbside collection functions) would be combined with the Division's Fiscal and Data Management Branch to become the new department's Economic Analysis and Data Management Division, in which all fiscal and fee analysis and datakeeping are located.

The Field Operations Section in the Division of Recycling, which monitors fraud and certifies or registers recycling services, would be transferred intact into the new department. A new role in monitoring recycling sites for public health and safety considerations might be added, but probably should not be made a regulatory function,

which is more appropriate for the Department of Toxic Substances Control after it assumes the Board's facility regulation mandate.

The Board's division that regulates solid waste facilities and technology could be transferred intact as a separate division into the Department of Toxic Substances Control. However, this Department already has divisions similar to those of the Board that regulate toxic substances disposal. The Board's approval powers over landfills and other solid waste facilities would easily fit under the Toxic Substances umbrella. Such a reorganization would also have the very important result of consolidating into a single unit of government all of the state's regulatory activities that relate to the federal Resource Conservation and Recovery Act and thereby increase California's effectiveness in working with the federal Environmental Protection Agency.

Funding the new Department of Reuse and Recycling would require no monies from the general fund and would come from a combination of a portion of the surplus CRV account, as the Division of Recycling is now financed, plus a share of the special tipping fee (the "gate fee" imposed on solid waste haulers at landfills) that today is used to fund the operation of the Board. The balance of that reallocated fee would continue to fund the ongoing monitoring and approval process of landfills and other solid waste facilities.

In addition to being responsible for all waste reduction and resource reuse and recycling functions, the new Department of Recycling should assume the Board's present role regarding approval of local government solid waste plans. This important mission of assisting and approving updates of countywide integrated solid waste plans, plus their local source reduction and recycling elements, should not be divided among separate agencies. However, the redesigned Department of Toxic Substances Control, with its new mandate of regulating solid waste facilities, should share in the review responsibility to ensure the overall solid waste plans are sufficient, perhaps with the office of the Secretary for Environmental Protection providing a coordinating function.

# **Endnotes**

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## ENDNOTES

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## LITTLE HOOVER COMMISSION FACT SHEET

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