

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 02/15)

Fiscal Year 2016-17	Business Unit 3970	Department Resources Recycling and Recovery	Priority No. 9
Budget Request Name 3970-009-BCP-DP-2016-GB		Program <b>3700—WASTE REDUCTION AND MANAGEMENT</b>	Subprogram

Budget Request Description  
 Beverage Container City/County Payment Program Accountability

Budget Request Summary

The Department of Resources Recycling and Recovery (CalRecycle) requests \$110,000 Beverage Container Recycling Fund (BCRF) and (1.0) position beginning 2016-17 to provide programmatic and fiduciary oversight of expenditures in the Beverage Container City/County Payment Program (CCPP).

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed N/A	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR      Project No.      Date:		

If proposal affects another department, does other department concur with proposal?  Yes  No  
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Howard Levenson	Date	Reviewed By Olga Garti	Date 1/5/16
Department Director Scott Smithline	Date 1/6/16	Agency Secretary Matt Rodriguez	Date 1/6/16

**Department of Finance Use Only**

Additional Review:  Capital Outlay  ITCU  FSCU  OSAE  CALSTARS  Dept. of Technology

BCP Type:  Policy  Workload Budget per Government Code 13308.05

PPBA	Original Signed By: Ellen Moratti	Date submitted to the Legislature JAN 07 2016
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## A. Budget Request Summary

The Department of Resources Recycling and Recovery (CalRecycle) requests \$110,000 Beverage Container Recycling Fund (BCRF) and 1.0 permanent Associate Governmental Program Analyst (AGPA) beginning in 2016-17 to provide programmatic and fiduciary oversight of expenditures in the Beverage Container City/County Payment Program (CCPP). This proposal is consistent with CalRecycle's approved corrective action plan, in response to a 2014 California State Auditor (CSA) report. The requested AGPA would provide additional collaboration, training, and technical assistance to participants in the CCPP to ensure successful reporting and submittal of expenditure reports. This change would align this program with other CalRecycle payment programs to provide fiduciary accountability.

## B. Background/History

### Beverage Container City/County Payment Program

The Public Resources Code, Section 14581(a)(4)(A) (as amended by Chapter 815, Statutes of 1999, SB 332) established and authorized CalRecycle to expend a total of \$10.5 million annually to eligible cities and counties within the State for beverage container recycling and litter abatement activities. To implement the CCPP, a permanent 0.5 Recycling Specialist I (RSI) was approved beginning January 1, 2000 and an additional permanent 0.5 RSI was redirected and combined into one full-time RSI position. Activities for implementation of CCPP included development of procedures, distribution of funding request forms to eligible entities, calculation of per capita amounts, evaluation of activities to provide for the appropriate expenditure of funds, provided the necessary technical assistance and outreach to eligible cities and counties.

CalRecycle distributed the first payment for CCPP in 1999-00. Initially, reporting requirements were associated with this program. From 2001-02 through 2004-05 the application required the submission of a brief description of the outcomes and effectiveness of prior fiscal year's activities (i.e., change in volume of beverage containers and change in beverage container recycling awareness). It also required a self-certification of the total dollars spent on prior activities. These requirements were omitted in 2005 when the CCPP was converted to an on-line system, the City/County Annual Payment and Reporting System. Other CCPP changes that took place during this conversion were:

- Joint Power Authorities could no longer apply once on behalf of their regions
- Checks were mailed directly to the participants
- Notifications were sent electronically
- Resolutions were no longer required

Carry-over expenditures from prior year funding were not allowed through 2002-03. In 2003-04, the CCPP Frequently Asked Questions document indicated that there were no processes in place to handle unused funds. Therefore, if participants did not spend their funds in the fiscal year in which the funds were allocated, they were directed and encouraged to spend the funds as soon as possible.

### CSA Audit

The CSA conducted an audit in June 2010 and subsequently in November 2014 of the BCRF Programs, including the CCPP. Prior to the initial 2010 CSA Audit Report, payments were distributed annually without any reporting requirements, supporting documentation of expenditures, or cutoff date for payment recipients to expend funds or reconcile expenditures. One of the CSA recommendations was to "implement policies to ensure that cities and counties spend grant funds for recycling purposes by requiring periodic reporting of expenses or reporting of how funds were used after the grant ends." CalRecycle proposed a random sampling of 60 participants to report each year. This proposal was deemed acceptable by CSA. In March of 2013, 60 cities and counties were asked to complete and submit an expenditure report for 2010-11. A methodology based on relative funding amounts to jurisdictions and a random selection formula was used in order to determine the 60 reporting participants.

In order to submit their reports, participants completed electronic funding requests which included their proposed allocation distribution by budget category. There were six (6) core budget categories, each with multiple sub-categories.

CalRecycle identified the following problems with the reports and backup documentation received:

- Over-Reported Expenditures - As mentioned above, \$45,756 was over-reported. This may be due to the participants either misunderstanding the instructions or not following them.
- Under-Reported Expenditures - \$372,213 of the eligible funding was not reported in expenditures. This is due to several factors. Many participants did not spend all of their funding. Some did not report their expenditures properly. Several participants reported not spending all of their 2010-11 funding until 2011-12 or 2012-13. Since they reported the allocation was spent, all funding dollars should have been included in the report. Also, the funding for some of the participants that applied regionally were not included, because there was not a reporting mechanism to do so.
- Expenditures did not match the original applications or funding requests - More than 76 percent of the reports did not match or closely match the original projected budgets. CalRecycle requested participants to report any changes to their original budget, but since there has been no reporting associated with this program, few participants notified CalRecycle of changes. This will change as reporting becomes a consistent part of CCPP.
- 21 percent of the eligible allocated funding was not accounted for by budget category.
- Ineligible Expenditures - There were at least three (3) participants that reported questionable items in the "other" category.
- Incorrect Reporting - In addition to participants not reporting all of the expenditures associated with 2010-11, there were other reporting errors. One jurisdiction reported in the wrong fiscal year expenditure form in the CAPRS system. Forty-five (45) percent of reporting participants showed expenditure dates only in 2010-11. This may be problematic, as the funding was distributed late in the fiscal year. Some participants may have inadvertently reported their funding to 2010-11 expenditures.
- Regional Spending - As mentioned above, the current reporting system does not allow for the entities applying on behalf of a region to report expenditures in a comprehensive manner. The system is set-up to report on each individual jurisdiction. When cities and counties apply regionally, expenditures can be spread throughout the region, and may not be distributed proportionately to each jurisdiction's allocated funding.

In order to address all the findings in this analysis, a resampling of virtually the entire population would be required. Since the CSA audit was not specific to the follow-up of any reporting discrepancies, CalRecycle recommended not to conduct a resampling. Also, CalRecycle did not recommend addressing the questionable expenditures for 2010-11. The expenditures occurred up to three (3) years prior to sampling results, and there is no mechanism to retrieve funding. CalRecycle agreed to clarify instructions, develop controls in the City/County Annual Payment and Reporting System (CAPRS) to correct reporting issues, and provide continued follow up to assist participants with required reporting. Revisions currently being developed include:

- Expand reporting instructions to assist participants on exactly which dollars to report in order to correct the problems with over and incorrect reporting.
- Updates to CAPRS that will not allow the expenditures to exceed the funded amount.

- Add a conditional reporting feature to CAPRS to alert the participants to contact their regional representative if their actual expenditure report differs from the funding request. This will alleviate problems when expenditures do not match original applications/funding requests.
- Add a listing of examples of ineligible items to guidelines in order to avoid participants reporting ineligible expenditures.
- Conduct a training session for the regional representatives regarding review of eligible/ineligible expenditures when processing manual approvals for the CCPP program.
- Develop a mechanism in CAPRS to properly report funding for entities that apply as regional participants.

CalRecycle also recommended that the remaining fiscal years of the program require increased reporting in the same manner as 2010-11. Improved instructions should result in better reporting. A follow-up explanatory questionnaire was developed for participants who do not reconcile their expenditures to their allocations for 2010-11. CAPRS will identify a random sampling of 60 participants (not duplicating past reporters) and program has developed processes for future program reporting to support full implementation of the CSA recommendations.

**Resource History**  
(Dollars in millions)

<b>Program Budget</b>	<b>PY - 4</b>	<b>PY - 3</b>	<b>PY - 2</b>	<b>PY - 1</b>	<b>PY</b>	<b>CY</b>
Authorized Expenditures	\$10.5	\$10.5	\$10.5	\$10.5	\$10.5	\$10.5
Actual Expenditures	\$10.5	\$10.5	\$10.5	\$10.5	\$10.5	\$10.5
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Authorized Positions	1	1	1	1	1	1
Filled Positions	1	1	1	1	1	1
Vacancies	0	0	0	0	0	0

**Workload History**

<b>Workload Measure</b>	<b>PY - 4</b>	<b>PY - 3</b>	<b>PY - 2</b>	<b>PY - 1</b>	<b>PY</b>	<b>CY</b>
Number of Submitted Applications	502	513	512	525	507	*
Number of Applications Reviewed for Completeness	502	513	512	525	507	*
Number of Payments Disbursed	502	513	512	525	507	*
Number of Reports Required	60	60	60	60	507	*
Number of Reports Reviewed/For Review	60	60	60	60	507	*
Number of Reports Requiring Follow-up, Review and/or additional Reporting	52	**	**	**	**	*

\* Not yet awarded. The same reporting requirements as the FY 2014-15 applicants.

\*\* Reports not yet submitted.

**C. State Level Considerations**

Program continues comprehensive efforts to fully implement and maintain the long-term programmatic and fiduciary requirements and accountability that are delineated in the recently approved CAP between CalRecycle and the CSA. By providing the additional staff resources, the State will benefit from the implementation of fiduciary oversight that will align the current CCPP reporting with other

CalRecycle payment programs and general State practices to ensure appropriate use and accountability of State funds. Implementing this proposal does not directly impact other state agencies.

#### D. Justification

This proposal seeks (1.0) permanent full-time AGPA position to implement the fiduciary oversight associated with the CCPP. CalRecycle does not have sufficient resources to support the workload associated with the implementation of the CCPP, entailing \$10.5 million annual awards to 539 eligible cities and 58 counties, and compliance with the CSA-approved CAP. Most importantly, the program lacks sufficient resources to implement the CAP's long-term annual funding cycle review of programmatic and fiduciary oversight of expenditures that was required by the November 2014 CSA's audit report. Implementation of the CAP requires staff to ensure program application procedures, expenditure processes, and reporting policies are appropriately conducted.

To ensure successful beverage container recycling and litter reduction projects and the appropriate use of BCRF monies, CalRecycle must address all findings outlined in *CSA's Audit Report 2010-101, dated June 22, 2010*, and its subsequent *Audit Report - Appendix B-pages 37 and 38, dated November 6, 2014* and administer annual funding cycle reviews to address reporting discrepancies and questionable expenditures.

CalRecycle does not have sufficient resources to support the workload associated with implementation of this expanded fiscal oversight of the CCPP. In addition to these specific additional oversight responsibilities, the number of participant payments also is significant. CalRecycle projects approximately three simultaneously open funding cycles over a 36-month time span, each with 24 months to expend funds. Ultimately, this will potentially require programmatic oversight for over 1,500 program payments at a single point in time. If the proposed position is approved, current and proposed program staff would carry an equally distributed caseload of approximately 750 participants.

The proposed position will provide sufficient staffing during the development and implementation of the long-term requirements for program and approximately 540 eligible participants' successful transition into the increased program reporting requirements and fiduciary accountability. Duties will include:

- Outreach, training, technical assistance, continued follow-up, workshops, webinars, monitor daily inbox and posting of Questions and Answers to ensure program application, expenditure and reporting policies are met
- Coordinate necessary CAPRS and webpage updates for each funding cycle implementation/closure, including annual reporting instructions for multiple open funding cycles
- Coordinate changes/updates for implementation/closing of all funding cycle documents, including annual reporting documents
- Verify submittal of all newly required Resolutions, Letters of Eligibility, and Letters of Authorization to confirm applicant eligibility for funding
- Prepare and coordinate program management/Accounting approvals of all necessary funding and payment request documents and reports, including Expired Funding Request for non-participants and redistribution of funding to eligible applicants and Vendor Listing and Claim Review Schedules
- Review annual reporting documents and analyze expenditure data, follow-up with participants as needed to ensure all reporting requirements are met
- Coordinate invoicing for unspent and/or amount not reconciled
- Post funding cycle reviews to evaluate overall payment process effectiveness, identify and recommend best practices for future cycle efficiencies and improvement of audit controls
- Prepare updates/reports related to regular reporting requirements and compliance with the CAP for management review and submittal to the CSA

The resources requested are specifically related to facilitating the necessary implementation of program changes and maintaining critical long-term monitoring and fiduciary oversight of expenditures for the \$10.5 million annually appropriated payments to approximately 540 eligible applicants, as required by State Law and the subsequent 2014 CSA Audit Report, including CalRecycle's business need for alignment with other payment programs ensuring fiduciary accountability.

**E. Outcomes and Accountability**

Approving this (1.0) permanent full-time AGPA position will allow CalRecycle to fully comply with the CSA's recommendations and corrective action plan. CalRecycle will consistently perform annual programmatic and fiduciary oversight over its \$10.5 million annually appropriated payments to the eligible participants (539 cities and 58 counties) and ensure the funds are used appropriately to further the objectives and intent of the Act. This program, implementation of the new performance requirements, and staff will be monitored by management. Per CalRecycle's corrective action plan with CSA, CalRecycle must report annually on its progress. This information is posted on CSA's website.

**Projected Outcomes**

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
Number of Payment Requests (based on a five year average)	512	512	512	512	512	512
Projected Approved Payments	512	512	512	512	512	512
Expenditure Reports Submitted	512	512	512	512	512	512
Expenditure Reports Reviewed for Compliance (sample may increase based on prior year results)	60	60	70	70	80	80
Total Payment Awards (millions)	\$10.5	\$10.5	\$10.5	\$10.5	\$10.5	\$10.5

**F. Analysis of All Feasible Alternatives**

**Option 1 / Approve the additional (1.0) permanent full-time AGPA position**

**Pros:**

- Implementation of the required CSA recommendations as defined in the approved CAP requiring proper CCPP guidelines and long-time oversight can be met.
- Additional resources will provide for proper long-term program administration and expenditure verification to protect the annual \$10.5 million BCRF appropriation.
- The approximately 540 eligible city/county participants will have an additional permanent program staff contact that can consistently provide the necessary increased awareness of the new guidelines and reporting requirements in CAPRS, continued follow-up, and technical assistance and training to support participants' successful transition into meeting the new programmatic requirements and fiduciary accountability.

**Cons:**

- Increases CCPP administration costs.

**Option 2 / Approve half (0.5) of a permanent full-time APGA position:**

**Pros:**

- Implementation of the required CSA recommendations as defined in the approved CAP requiring proper CCPP guidelines and long-time oversight can be met.
- Additional resources will provide for proper long-term program administration and expenditure verification to protect the annual \$10.5 million BCRF appropriation.

- The approximately 540 eligible city/county participants will have an additional permanent program staff contact that can consistently provide the necessary increased awareness of the new guidelines and reporting requirements in CAPRS, continued follow-up, and technical assistance and training to support participants' successful transition into meeting the new programmatic requirements and fiduciary accountability.

**Cons:**

- Increases CCPP administration costs.
- Does not fully address the needs of the CCPP program to provide a high level of implementation of the required CSA recommendations or increased customer service to the eligible participants.

**Option 4 / Status Quo - administer CCPP with current staff**

**Pros:**

- No increase in CCPP funding.

**Cons:**

- CalRecycle may not fully comply with the requirements defined in the CAP between the CalRecycle and the CSA.
- Provisions of the new CCPP guidelines may not be successfully or fully implemented.
- The approximately 540 eligible city/county participants will not have the proper level of programmatic support necessary to fully realize and implement the new programmatic changes to ensure proper payment reporting in CAPRS. This could result in failure to properly report, submit documentation/proof of all expended funds or account for CCPP funds. Ultimately, CalRecycle would require reimbursement and/or forfeiture of funds, as well participants becoming ineligible for future CCPP funding. This would negatively impact statewide collection and recycling of California Redemption Value (CRV) beverage containers and the goals of the Act.
- Lack of additional resources for CCPP implementation and oversight can create a very real threat to the BCRF from fraudulent activities and could potentially increase workload for CalRecycle program and audit staff.

**G. Implementation Plan**

Recruitment of staff will occur upon approval of this Budget Change Proposal due to the critical need for CCPP support and implementation of CSA recommendations related to CCPP and CAP.

**H. Supplemental Information**

**I. Recommendation**

**Option 1** offers the best option to meet the long-time support necessary for CCPP and the participants successful transition into the new program requirements, CalRecycle's business need for compliance with State Government fiduciary accountability and the CSA requirements described in the CAP, and continuously supporting the primary objective of the California Beverage Container Recycling Act to maintain a recycling rate of 80 percent for empty CRV beverage containers by providing statewide CRV beverage container recycling opportunities. Without approval of the additional (1.0) permanent, full-time position, CalRecycle will be unable to fully meet the CSA requirements.

# BCP Fiscal Detail Sheet

BCP Title: Beverage Container City/County Payment Program Accountability

DP Name: 3970-009-BCP-DP-2016-GB

## Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	1.0	1.0	1.0	1.0	1.0
<b>Total Positions</b>	<b>0.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
Salaries and Wages						
Earnings - Permanent	0	61	61	61	61	61
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$61</b>	<b>\$61</b>	<b>\$61</b>	<b>\$61</b>	<b>\$61</b>
Total Staff Benefits	0	27	27	27	27	27
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$88</b>	<b>\$88</b>	<b>\$88</b>	<b>\$88</b>	<b>\$88</b>
Operating Expenses and Equipment						
5301 - General Expense	0	1	1	1	1	1
5302 - Printing	0	1	1	1	1	1
5304 - Communications	0	2	2	2	2	2
5306 - Postage	0	1	1	1	1	1
5320 - Travel: In-State	0	1	1	1	1	1
5322 - Training	0	2	2	2	2	2
5342 - Departmental Services	0	10	10	10	10	10
5344 - Consolidated Data Centers	0	2	2	2	2	2
5346 - Information Technology	0	2	2	2	2	2
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$22</b>	<b>\$22</b>	<b>\$22</b>	<b>\$22</b>	<b>\$22</b>
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>
<b>Fund Summary</b>						
Fund Source - State Operations						
0133 - California Beverage Container Recycling Fund	0	110	110	110	110	110
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>
<b>Program Summary</b>						
Program Funding						
3715 - Beverage Container Recycling and Litter Reduction	0	110	110	110	110	110
<b>Total All Programs</b>	<b>\$0</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>

**Personal Services Details**

**Salary Information**

Positions	Min	Mid	Max	<u>CY</u>	<u>BY</u>	<u>BY+1</u>	<u>BY+2</u>	<u>BY+3</u>	<u>BY+4</u>
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
<b>Total Positions</b>				<b>0.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
Salaries and Wages	CY	BY	BY+1	BY+2	BY+3	BY+4			
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2016)	0	61	61	61	61	61			
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$61</b>	<b>\$61</b>	<b>\$61</b>	<b>\$61</b>	<b>\$61</b>			
Staff Benefits									
5150350 - Health Insurance	0	14	14	14	14	14			
5150600 - Retirement - General	0	13	13	13	13	13			
<b>Total Staff Benefits</b>	<b>\$0</b>	<b>\$27</b>	<b>\$27</b>	<b>\$27</b>	<b>\$27</b>	<b>\$27</b>			
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$88</b>	<b>\$88</b>	<b>\$88</b>	<b>\$88</b>	<b>\$88</b>			