



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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**April 1, 2010
NOTICE**

TO: All Program Participants

Subject: Status of the Recycling Fund

As required by Public Resources Code (PRC) Section 14581 (c)(1), the Department of Resources Recycling and Recovery (CalRecycle) has completed a review of actual and projected revenues and expenditures and provides the following status report about the adequacy of funds to make payments specified in PRC 14581 as well as making processing fee reductions required by PRC 14575. This review is current through the reporting filed with the department by the end of February, 2010.

For the remainder of FY 2009-10: The enactment of Chapter 5 of the Eighth Extraordinary Session, Statutes of 2009 (AB 7 (8X)), has increased anticipated revenues from California Refund Value (CRV) payments during this period by accelerating distributor reporting by 30 days. This change effectively provides a thirteenth monthly payment into the Recycling Fund in the current fiscal year. This one-time payment, along with a partial repayment of prior year loans from the Beverage Container Recycling Fund, will provide necessary additional revenue to the Beverage Container Recycling Program. AB 7 (8X) reduced expenditures by suspending several grant and public outreach efforts, as well as by capping the amount of unredeemed deposit money that can be used to reduce manufacturer-paid processing fees. The overall effect for the remainder of FY 2009-10 is that all expenditures authorized under the terms of AB 7 (8X) will be made in full through the end of the fiscal year.

For FY 2010-11: The provisions of AB 7 (8X) suspend certain programs and limit the amount that can be used to reduce processing fees continue through FY 2010-11. Continued repayment of prior year loans will be required to maintain a prudent reserve of at least 5 percent. The need for loan repayment revenues is largely the ongoing product of statutorily-set expenditures that the Recycling Fund cannot support as long as the program enjoys high recycling rates. With the loan repayment scheduled for FY 2010-11 as included in the Governor's January 8, 2010 budget proposal, the Recycling Fund likely can support the expenditure levels authorized by AB 7 (8X). While sales and returns values cannot be projected beyond the end of FY 2010-11, it appears that the current level of expenditure cannot be sustained in future years without continued loan repayments

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State of California • Department of Justice
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News Release

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FOR IMMEDIATE RELEASE

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Attorney General's Agents Arrest 31 People in Recycling Fraud Rings That Stole \$3.5 Million Worth of Cans and Bottles

SACRAMENTO - Attorney General Edmund G. Brown Jr. announced today that special agents with the Department of Justice, working closely with the Department of Resources Recycling and Recovery (CalRecycle), have shut down three beverage-container recycling fraud rings in which rogue entrepreneurs trucked millions of cans and bottles from Arizona and Nevada to illegally claim California Redemption Value (CRV) refunds.

In total, the fraud rings robbed the state of more than \$3.5 million used to operate the state's recycling program as well as to promote recycling throughout California. Thirty-one individuals have been arrested in connection with these fraudulent activities.

"These bands of thieves have been caught red-handed running tons of cans and bottles from across the state's border and fraudulently collecting money through the California Redemption Value program," Attorney General Brown said. "Defrauding the state's recycling program is not a way to make easy money. We are looking for you and you will be caught."

Conviction of redemption fraud and the importation of recyclable materials is a felony if the redemption amount is over \$400.

In one case originating in Nevada, a ring imported to California 1.6 million pounds of cans and bottles - enough, if not compacted, to fill 464 18-wheelers.

In another case, cans were not only hauled from the Phoenix area to Moreno Valley for the CRV deposit, they were filled with sand to add weight for an increased deposit return.

In a third case, agents looking for one recycling fraud suspect along Interstate 8 observed yet another truck carrying thousands of cans. That observation spurred a two-month investigation, resulting in the arrest of the owner of a recycling center and three other suspects.

California is one of 11 states with a bottle and can redemption program. Among its neighbors, Oregon has a program, but Nevada and Arizona do not. When a person purchases a bottle or can in California, the CRV is paid at the checkout stand. When the container is redeemed at one of the state's 2,000 recycling facilities, the CRV is returned to the consumer. For beverage containers weighing less than 24 ounces, the CRV is 5 cents; for containers 24 ounces and greater, the CRV is 10 cents. For aluminum, the CRV equals \$1.57 per pound.

When an out-of-state can or bottle is fraudulently redeemed in California, the program loses money because money is paid out for a container for which the CRV was never paid. This robs the CRV program, which relies on unclaimed CRV to administer the program and support a variety of activities that promote recycling

across the state.

"Recycling fraud is a crime against California consumers and we take it very seriously," said CalRecycle Director Margo Reid Brown. "Our inspectors work closely with state and local law enforcement to root out and prosecute criminals who steal the money used to repay Californians and support our state's recycling programs. These arrests are evidence that recycling fraud will not be tolerated."

California's program began in 1987, following legislation passed in 1986. Today, about 80 percent of bottles and 84 percent of aluminum cans purchased in the state are returned for recycling.

"Californians are doing a great job recycling their bottles and cans," added Attorney General Brown. "We don't want people intent on committing recycling fraud to harm a program that is working well."

To combat recycling fraud, CalRecycle staff visits major recycling processors to inspect loads of beverage containers delivered for CRV reimbursement. In 2009, the department removed 25 recycling centers from the state program for submitting fraudulent claims. CalRecycle refers recycling fraud cases to the Department of Justice for criminal investigation and prosecution.

Here's how the three recycling fraud rings were broken up in April by the Department of Justice:

1. Department of Justice special agents observed Mariano Dejesus-Solis collecting and storing recyclable materials at his Las Vegas residence, as well as at several storage facilities in North Las Vegas. Twice a week, Dejesus-Solis and his accomplices drove 16-foot and 24-foot rental trucks filled with approximately 5,000 pounds of aluminum cans and bottles to a storage facility in Montclair (San Bernardino County) where the loads were parceled out to accomplices who would take them to recycling centers. The group defrauded the CRV program an estimated \$2.5 million by illegally importing more than 1.6 million pounds of cans and bottles. On April 8, 15 suspects were arrested in Riverside and San Bernardino counties, with assistance from local law enforcement.

2. In the Phoenix area, a group collected used beverage containers from consumers and purchased some from recycling centers at a reduced rate and then transported them to a residence in Moreno Valley (Riverside County). Daily, members of this group took multiple smaller loads to the Perris Valley Recycling Center (Riverside County) to redeem the CRV refund, defrauding the CRV fund an estimated \$1 million. On April 20, a search warrant resulted in the seizure of 50,000 pounds of bottles and cans, with an estimated CRV value of \$100,000. Many cans contained sand to add weight. Twelve people were arrested.

3. On Interstate 8 near Winterhaven, Calif. and Yuma, Ariz. agents with the Imperial County and San Diego Major Crimes Teams were looking for a CRV fraud suspect when they encountered another suspected CRV fraud ring -- two men transporting a large quantity of aluminum cans in a truck. This observation launched a two-month investigation, with assistance from CalRecycle, which resulted in the April 23 arrests of four people, including Michael Barshak, the owner and operator of ACE Recycler, a recycling center in San Diego. Agents have initially estimated that the ring's operation, which spanned four months, transported 40,000 pounds of cans with an approximate value of \$135,000.

These investigations were conducted by the Attorney General's Division of Law Enforcement/Bureau of Investigation and Intelligence (DLE-BII) Major Crimes Team and CalRecycle, with assistance from many other law enforcement agencies including the offices of the San Bernardino and Riverside County Sheriffs, the Riverside County District Attorney's Office, the California Highway Patrol, Immigration and Customs Enforcement, the United States Marshals Service and other Dept. of Justice enforcement teams.

To learn more about CalRecycle and the California Beverage Container Recycling Program, visit <http://www.calrecycle.ca.gov/>. CalRecycle contact: Mark Oldfield (916) 319-9942 or mark.oldfield@CalRecycle.ca.gov.

Photos and a list of arrestees are attached.