



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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March 11, 2010 NOTICE

TO: All Program Participants

SUBJECT: AB 7 (8X) Implementation and Update on Proportional Reduction Payments

AB 7 (8X) (Chapter 5, statutes of 2010) was enacted as an urgency measure to address matters of fiscal solvency for the Beverage Container Recycling Fund (Fund) and is effective as of March 8, 2010. This notice serves to inform all Program participants of the changes to the Program instituted by this bill. The information below will explain how this newly enacted statute affects distributor payments, processing fees, proportionally reduced payments, and other areas of the Program.

Statutory changes under AB 7 (8X) effective March 8, 2010:

Revenue Changes

California Redemption Value Payments by Distributors

PRC Section 14574(a)(2) is amended to establish a new redemption payment date from distributors as the last day of the second month following the sale. Previously, redemption payments were due no later than the end of the third month following the month of sale. This change will become effective beginning with the February, 2010, reporting month, with the first accelerated payment due in April, 2010. This provision of the bill expires on June 30, 2012, and the payment will then revert to a due date of no later than the end of the third month following the month of sale.

Regulations recently implemented by the Department *requested* payment no later than the last day of the second month following the month of sale. This bill *requires* that payment be made no later than the end of the second month following the month of sale.

Processing Fee Payments by Beverage Manufacturers

PRC Section 14581(a)(6)(C) caps the amount the Department may transfer from the Fund as processing fee offsets for calendar years ("CY") 2010 and 2011. The bill specifies that the offset amount shall not exceed the amount transferred into each material's processing fee account during CY 2008. The new processing fee due from



manufacturers was calculated, in part, using the 2008 expenditure to determine the amount to be paid by beverage manufacturers in calendar years 2010 and 2011. Those amounts are found in the following table (along with the revised processing payments to recyclers (also resulting from AB 7 8X)):

2010 Processing Fees and Payments									
Effective Retroactively to January 1, 2010									
Glass, Bimetal and Plastic									
	Glass	Plastic							Bimetal
		PET	HDPE	Vinyl	LDPE	PP	PS	Other	
Processing Payments to Recyclers									
Processing Payment Per Pound Redeemed (To be used on DR6)	\$0.04012	\$0.13120	\$0.16530	\$0.41731	\$0.59478	\$0.53449	\$0.32514	\$0.36220	\$0.32726
Processing Fees to be Paid by Beverage Manufacturers									
Processing Fee Per Container to be Paid by Beverage Manufacturers	\$0.00211	\$0.00264	\$0.01544	\$0.02768	\$0.00981	\$0.10857	\$0.00176	\$0.05009	\$0.04526

These amounts apply to the January, 2010, reporting period. For payments already made for that period, credit will be given toward future due amounts. Discussion of the processing payment values in the above chart follows later in this notice.

Expenditure Changes

Update on payments subject to proportional reductions and projected payments:

AB 7 (8X) requires the Department, subject to the availability of funds, to retroactively pay in full any payments that have been proportionally reduced during the period of January 1, 2010, through June 30, 2010, as specified. Please note that the information provided below is based on current expectations of revenues, including accelerated distributor payments, Fund condition projections, and General Fund loan repayment schedules.

Generally speaking, appropriations will be reduced to 55% of the original, appropriated amount for Fiscal Year 2009-2010 ("FY 09/10"). This is based on assumptions of full funding for the last half of FY 09/10 (assured by AB 7(8X)), which would equate to 50% of annual funding. To this amount, the Department added 5%, which reflects four

months of funding at 15% of the FY 09/10 appropriation (July 1, 2009, through October 1, 2009, at 85% reductions) followed by 100% reduction for the last two months of FY 09/10.

- ✓ **Curbside Supplemental Payments:** The curbside supplemental payments for CY2009, appropriated in FY 09/10 and thus subject to proportionate reduction, will be made in December, 2010. The total amount of funds available for CY2009 will be 55% of the total appropriation in statute of \$15 million, or \$8.25 million.
- ✓ **Community Conservation Corps:** Certified Local Conservation Corps meeting eligibility requirements identified in PRC 14581(a)(3) will be paid at 55% of the total statutory appropriation of \$19,459,686. The total amount available for FY 09/10 is \$10,702,827. This amount does not include the one-time appropriation authorized in PRC 14581(a)(3)(C).
- ✓ **City and County Payments:** Cities and counties will be paid at 55% of the total \$10.5 million appropriated for FY 09/10, or \$5.775 million. The Department is anticipating making these payments prior to the end of FY 09/10.
- ✓ **Processing Payment:** The amounts of processing payments per container are listed in the table above. Recycling centers and curbside programs that have shipped material directly to processors on or after January 1, 2010, and prior to March 11, 2010, will be paid retroactively by the Department for amounts of processing payments which AB 7 (8X) retroactively restored. Recycling centers and curbside programs shipping material directly to processors after March 11, 2010, and until June 30, 2010, will be paid in full.
- ✓ **Handling Fees:** Handling fees for eligible containers purchased by recyclers on and after January 1, 2010, and until June 30, 2010, will be paid in full at the current per container rate. The Proportional Reduction FAQ Notice sent to all participants and posted online on November 4, 2009, recommended that all handling fee eligible sites continue to submit their Handling Fee Applications, even though funds were not available at the time. Those recyclers that did not submit their applications for the January 2010 reporting period should do so immediately. Note that the amount of Handling Fees per container will change on July 1, 2010, as a result of updates to Handling Fee surveys authorized by existing statutes and unaffected by AB 7 (8X).

Changes in Pre-Existing Programs/Provisions

Quality Incentive Payments

PRC Section 14581(a)(8) reduces the amount that may be expended for Quality Incentive Payments to \$10 million annually. Additionally, the \$10 million annual appropriation authorized by AB 7 (8X) may now be expended only for empty glass beverage containers. Eligible entities will receive a portion of \$5 million for the January 1, 2010, through June 30, 2010, reporting period. Claims for all eligible material types for the reporting period prior to January 1, 2010, will be paid at the proportionally reduced rate with a total of \$749,250 available for July through December, 2009.

Plastic Market Development Payments

PRC Section 14581(a)(10) increases the amount that may be expended annually for Plastic Market Development Payments to \$10 million for calendar years 2010 and 2011. Claims for the January 1, 2010, through June 30, 2010, period will be paid out of a total of \$5 million. Claims prior to January 1, 2010 will be paid at the proportionally reduced rate with a total of \$249,750 available for July 1, 2009 through December 31, 2009.

Suspended Provisions under PRC Section 14581

AB 7 (8X) suspends appropriations for the following programs for calendar years 2010 and 2011:

- Grants for beverage container and litter reduction programs - 14581(a)(5)
- Statewide public education and information campaigns - 14585(a)(7)
- Grants for recycling market development and expansion - 14585(a)(9)
- Regional beverage container recycling and litter reduction programs - 14585(a)(11)

The Department understands it was not the Legislature's intent to affect appropriations made for these local assistance programs from years prior to FY 09/10.

Reporting Requirements for the Department

PRC Section 14560(d) now requires the Department to review the Fund at least once every three months to ensure there are adequate funds to make payments. The Department may reduce or eliminate expenditures only after providing not less than 90 days prior notification to the Legislature regarding inadequacy of funds. PRC Section 14581(c)(1) requires the Department to provide a status report on its Internet Web site regarding the adequacy of funds to make payments.

PRC Section 14574(c) requires the Department to submit an assessment of the effect of the new distributor payment schedule pursuant to 14574 (a)(2), on or before January 10, 2012.

For questions and/or additional information, please contact the designated staff person listed below:

Processing Payments to Recyclers - John Halligan (916) 323-3836
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Handling Fees - Walt Simmons (916) 323-3008 or walt.simmons@calrecycle.ca.gov

Recycler Incentive Payment (RIP) - Mary Daby (916) 324-5392 or
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Quality Incentive Payment (QIP) - Hieu Le (916) 323-1493 or hieu.le@calrecycle.ca.gov

Curbside Supplemental Payments - George Donkor(916) 323-5495
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Processing Fee (calculation) - Hieu Le (916) 323-1493 or hieu.le@calrecycle.ca.gov

Processing Fee (payment of) - Florrie Matsueda (916) 323-3008 or
florrie.matsueda@calrecycle.ca.gov

Distributor redemption payments - Florrie Matsueda (916) 323-3008 or
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Grants: Local Conservation Corps - Laurie Kikumoto (916) 323-4286 or
laurie.kikumoto@calrecycle.ca.gov

Payments to Cities and Counties - Laurie Kikumoto (916) 322-0613 or
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Beverage Container Recycling Grants - Laurie Kikumoto (916) 322-0613 or
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Market Development Grants - Eloisa Hernandez (916) 323-5878 or
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Plastic Market Development - Hieu Le (916) 323-1493 or hieu.le@calrecycle.ca.gov

Public Education and Information - Mark Oldfield (916) 445-0608 or
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Community Beverage Container Recycling Grants - Laurie Kikumoto (916) 322-0613 or
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