

What is proportional reduction?

Pursuant to Section 14581(c) of the Public Resources Code (PRC), the Department of Conservation (Department) is required to review all funds contained in the California Beverage Container Recycling Fund (Fund) on a quarterly basis to ensure that there are adequate funds to make payments, as specified in PRC 14581 and 14575. These payments shall be proportionally reduced if the Department's quarterly review of the Fund balance leads to a determination that there is an insufficiency of funds to make these payments.

How will proportional reductions be applied?

Based on current analysis and projections for the Beverage Container Recycling Fund balance, specific program payment amounts otherwise calculated or specified in statute for fiscal year 2009/2010 must be proportionally reduced. Beginning on July 1, 2009 proportional reductions of 85 percent for specified payments went into effect. Effective November 1, 2009 proportional reductions of 100% for specified payments will become effective. Detailed information regarding implementation of the proportional reductions by specific payment type and reporting period is provided below.

Why is there an inadequacy of the Fund?

Over the past 24 months, the number of empty beverage containers redeemed has steadily increased from 67 percent for calendar year 2007 to 74 percent for calendar year 2008. The higher recycling volumes result in an increase in expenditures of refund values to consumers, as well as an increase in some payments to program participants. This recycling rate is partly a result of a flattening of container sales trends, diminishing previously expected revenues. As a result of these sales and returns trends, it has been determined that there will be inadequate monies in the Fund to make all of the payments now specified in PRC 14581 and PRC 14575.

Which payments will be impacted by the proportional reductions?

PRC 14581(d) directs that all payments specified in Sections 14581 and 14575 be proportionally reduced. For fiscal year 2009/2010, these specified payments are as follows:

1. Handling fees;
2. Curbside supplemental payments;
3. Grants for community conservation corps;
4. Payments to cities and counties for beverage container recycling programs;
5. Grants for beverage container recycling and litter reduction programs;
6. Regional community beverage container recycling programs;
7. Expenditures necessary to reduce processing fees to the level provided in section 14575(f);
8. Expenditures necessary to pay processing payments;
9. Expenditures for educational and informational campaigns;
10. Quality incentive payments;

11. Grants for recycling market development;
12. Recycling incentive payments;
13. Payments for market development for plastic beverage containers;
14. Expenditure for recycling receptacles in state parks;
15. Grants for placing recycling receptacles in multifamily housing.

How will proportional reductions affect recyclers and how will they be implemented?

Recyclers will continue to receive California Refund Value (CRV) and administrative fee payments in full. All other payments (see list above) are subject to proportional reductions. The following are the reporting and payment implementation details for the specifically identified program payments:

California Refund Value and Administrative Fees:

- These payments **ARE NOT** impacted by the proportional reductions.

Processing Payment:

- The 85% proportional reductions for processing payments was effective beginning with the July 2009 processor invoice reporting period. All shipping reports that list a processor as a receiver, and have a received date on or after 7/1/2009 will be reimbursed processing payments at the per pound rate for the applicable material type listed in the table below.
- The 100% proportional reductions for processing payments will be effective beginning with the November 2009 processor invoice reporting period. All shipping reports that list a processor as a receiver, and have a received date on or after 11/1/2009 will be reimbursed processing payments at the per pound rate for the applicable material type listed in the table below.

DORIIS Impact - The DORIIS rate tables will be updated with the proportionally reduced per pound rates for each applicable material type and reporting period. Please be advised that processing payments for DORIIS portal submitted shipping reports will be calculated and reimbursed based upon the date the materials are received by the processor.

Processing payments paid for materials delivered to a processor will be based on the payment rate and reporting period information listed in the following tables:

Proportionally Reduced Processing Payments to Recyclers (85%)									
July – October 2009 Processor Invoice Reporting Periods									
	Glass	PET	HDPE	Vinyl	LDPE	PP	PS	Other	Bimetal
April 2009									
Processing Payment Per Ton Redeemed	\$99.97	\$216.32	\$220.90	\$718.07	\$2,071.24	\$837.71	\$480.84	\$875.65	\$976.85

Proportionally Reduced (85%) Processing Payment Per Ton Redeemed	\$87.49	\$216.32	\$161.48	\$718.07	\$2,071.24	\$837.71	\$480.84	\$875.65	\$976.85
Proportionally Reduced (85%) Processing Payment Per Pound Redeemed (To be used on DR6)	\$0.04374	\$0.10816	\$0.08074	\$0.35904	\$1.03562	\$0.41886	\$0.24042	\$0.43783	\$0.48843

Proportionally Reduced Processing Payments to Recyclers (100%)									
Effective Beginning with the November 2009 Processor Invoice Reporting Period									
	Glass	PET	HDPE	Vinyl	LDPE	PP	PS	Other	Bimetal
April 2009 Processing Payment Per Ton Redeemed	\$99.97	\$216.32	\$220.90	\$718.07	\$2,071.24	\$837.71	\$480.84	\$875.65	\$976.85
Proportionally Reduced (100%) Processing Payment Per Ton Redeemed	\$76.44	\$187.48	\$149.57	\$718.07	\$2,071.24	\$837.71	\$480.84	\$875.65	\$976.85
Proportionally Reduced (100%) Processing Payment Per Pound Redeemed (To be used on DR6)	\$0.03822	\$0.09374	\$0.07478	\$0.35904	\$1.03562	\$0.41886	\$0.24042	\$0.43783	\$0.48843

Handling Fees (HF):

- The 85% proportional reduction was effective beginning with the July 2009 reporting period and continues through the October 2009 reporting period. HFs will be calculated and paid at the per container rate listed in the table below.
- The 100% proportional reduction for HFs will be effective beginning with the November 2009 Handling Fee reporting period. Until further notice, no handling fee payments will be made for reporting periods after October 2009.

DORIIS Impact - The DORIIS rate tables will be updated with the proportionally reduced per container rate for each applicable material type and reporting period. As a result, portal generated handling fee applications and payments will be calculated accurately based upon reporting period business rules noted above for the July through October reporting periods.

Handling Fees	Original 2009 Per Container Rate	July 1, 2009 Per Container Payment Rate (July – October Reporting Periods)	November 1, 2009 Per Container Payment Rate (Effective beginning with November 2009 Reporting Period)
	\$0.00980	\$0.00147	\$0.00

Should I continue to submit Handling Fee Applications (DR14) for November 2009 and subsequent reporting months even though handling fees are not going to be paid for these months?

Yes. All recycling centers who believe their respective certified site(s) are eligible to receive handling fees should continue to complete and submit Handling Fee Applications for the November 2009 and all subsequent reporting months. DOR will accept and process all hardcopy and portal generated Handling Fee Applications and maintain the applicable redemption weights, by material type, in DORIIS for potential use at a later date.

Recycler Incentive Payment (RIP):

- RIP payments to recyclers for material redeemed for July 2008 – December 2008 reporting months will be paid based on the FY 08/09 gross amount listed in the table below and will be paid prior to December 31, 2009.
- RIP payments to recyclers for material redeemed for January 2009 – June 2009 reporting months will be paid based on the FY 08/09 gross amount listed in the table below and will be paid prior to December 31, 2009.
- RIP payments to recyclers materials redeemed during the July 2009 – December 2009 reporting period will be calculated and paid based on the November 1, 2009 available funding amount listed in the table below.

Recycler Incentive Program (RIP)	2008 Gross	FY 08/09 Gross	Funding Available as of July 1, 2009	Funding Available as of November 1, 2009
	\$10,000,000	\$5,000,000	\$750,000	\$249,750

Quality Incentive Payment (QIP)

QIP payments for eligible materials redeemed during the July 2008 through December 2008, and January 2009 through June 2009 reporting periods will be paid at the FY 08/09 Gross amount listed in the table below and will be paid prior to the end of FY 09/10.

QIP payments for eligible materials redeemed from July 2009 – October 2009 will be calculated and paid based on the July 1, 2009 available funding listed below. QIP payments for eligible materials redeemed after November 2009 will be calculated and paid based on the November 1, 2009 available funding listed below:

Quality Incentive Payment (QIP)	2008 Gross	FY 08/09 Gross	Funding Available as of July 1, 2009	Funding Available as of November 1, 2009
	\$15,000,000	\$15,000,000	\$2,250,000	\$749,250

How will proportional reductions affect annual curbside supplemental payments?

Curbside Supplemental Payment

Curbside Supplemental Payments calculated for volumes redeemed and reported for calendar year 2008 will be based upon the FY 08/09 gross amount listed in the table below and will be paid prior to December 31, 2009.

Curbside Supplemental payments for materials redeemed during calendar year 2009 reporting period will be calculated and paid based on the November 1, 2009 available funding amount listed in the table below.

Curbside Supplemental Payments	2008 Gross	FY 08/09 Gross	Funding Available as of July 1, 2009	Funding Available as of November 1, 2009
	\$15,000,000	\$15,000,000	\$2,250,000	\$749,250

How will proportional reductions affect beverage manufacturers?

As of November 1, 2009, the California Beverage Container Recycling Fund will be unable to provide funding to offset the processing fee paid into the processing fee accounts by beverage manufacturers. This will result in an increase in the processing fee paid by manufacturers. Please note the following reporting and payment implementation details for processing fees.

Processing Fees:

For the July 2009 through the October 2009 beverage manufacturers must calculate and pay processing fees based upon the July 1, 2009 processing fee per container rate listed in the table below.

Processing fee per payments effective beginning with the November 2009 reporting period will increase to the maximum amount allowed by law. For November 2009, beverage manufacturers must calculate and pay processing fees based upon the November 1, 2009 processing fee per container rate listed in the table below.

DORIIS Impact - The DORIIS rate tables will be updated with the November 1, 2009 processing fee per container rates for each applicable material type listed in the table below. As a result, portal generated reports and payment will be calculated accurately based upon the reporting period business rules noted above.

Material Type	2008 Per Container	Original 2009 Processing Fee Per Container	Processing Fee Per Container as of July 1, 2009	Processing Fee Per Container as of November 1, 2009
Glass	\$0.00240	\$0.00228	\$0.01481	\$0.01692
PET	\$0.00072	\$0.00047	\$0.00389	\$0.00445
HDPE	\$0.00216	\$0.00150	\$0.01007	\$0.01158
PVC	\$0.02505	\$0.02381	\$0.02381	\$0.02381
LDPE	\$0.01691	\$0.01573	\$0.01573	\$0.01573
PP	\$0.09013	\$0.08508	\$0.08508	\$0.08508
PS	\$0.00507	\$0.00219	\$0.00219	\$0.00219
#7 OTHER	\$0.04217	\$0.05270	\$0.05270	\$0.05270
BIMETAL	\$0.04825	\$0.06902	\$0.06902	\$0.06902

How will proportional reductions affect grantees?

The available funding for any grants / payments will be as follows:

Grant / Payment Type	2008 Gross	Funding Available as of July 1, 2009	Funding Available as of November 1, 2009
Grants - Local Conservation Corps	\$18,972,564	\$2,918,953	\$972,011
Payments to Cities and Counties	\$10,500,000	\$1,575,000	\$524,475
Beverage Container Recycling Grants	\$1,500,000	\$225,000	\$74,925
Market Development Grants	\$20,000,000	\$3,000,000	\$999,000
Plastic Market Development	\$5,000,000	\$750,000	\$249,750
Public Education and Information	\$5,000,000	\$750,000	\$249,750
Community Beverage Container Recycling Grants	NA	\$1,200,000	\$399,600

Grants - Local Conservation Corps

The \$972,011 is available to be funded in FY09/10. This in addition to \$8.25 million that was included in the FY 09/10 budget act for the Local Conservation Corps.

Payments to Cities and Counties

The FY 09/10 payment is available to be funded at the November 1, 2009 proportionately reduced level as referenced in the table above and will be paid prior to the end of FY 09/10.

Beverage Container Recycling Grants

Grants awarded after November 1, 2009, will be funded at the November 1, 2009 proportionately reduced level as referenced in the table above.

Market Development Grants

Grants awarded after November 1, 2009, will be funded at the November 1, 2009 proportionately reduced level as referenced in the table above.

Plastic Market Development (PMD)

PMD payments for eligible materials redeemed during the January 2009 through March 2009, and the April 2009 – June 2009 reporting periods, will be paid based upon the 2008 Gross amount and will be paid prior to the end of FY 09/10. PMD payments for eligible materials redeemed during the July 2009 through September 2009 reporting periods will be funded at the July 1, 2009 proportionately reduced level as referenced in the table above. Finally, PMD payments for eligible materials redeemed during the October 2009 – December 2009 reporting periods will be funded at the November 1, 2009 proportionately reduced level as referenced in the table above.

Public Education and Information

Funds awarded after November 1, 2009, will be funded at the November 1, 2009 proportionately reduced level as referenced in the table above.

Community Beverage Container Recycling Grants

Grants awarded after November 1, 2009, will be funded at the November 1, 2009 proportionately reduced level as referenced in the table above.

How will proportional reductions affect consumers and CRV redemption?

The CRV and consumer redemption of beverage containers in the Program will not be impacted by these changes. CRV will remain at 5 cents for each container under 24 ounces and 10 cents for each container 24 ounces or greater.

How long will these proportional reductions remain in effect?

The Department will review the Fund balance on a quarterly basis to ensure adequacy of funds. The proportional reduction percentage rate may be adjusted if necessary to be greater or less than the current rate according to the status of the Fund balance.

If you have further questions and/or need additional information, please contact the designated DOR staff person listed below:

- **Processing Payments to Recyclers**
Stuart Hall (916) 327-1208 or stuart.hall@conservation.ca.gov
- **Handling Fees**
Walt Simmons (916) 445-5916 or walt.simmons@conservation.ca.gov
- **Recycler Incentive Payment (RIP)**
Mary Daby (916) 324-1188 or mary.daby@conservation.ca.gov
- **Quality Incentive Payment (QIP)**
Hieu Le (916) 323-1493 or hieu.le@conservation.ca.gov

- **Curbside Supplemental Payments**
Stuart Hall (916) 327-1208 or stuart.hall@conservation.ca.gov
- **Processing Fee (calculation):**
Hieu Le (916) 323-1493 or hieu.le@conservation.ca.gov
- **Processing Fee (payment of):**
Juliet Querol (916) 323-5355 or juliet.querol@conservation.ca.gov
- **Grants - Local Conservation Corps**
Laurie Kikumoto (916) 323-4286 or laurie.kikumoto@conservation.ca.gov
- **Payments to Cities and Counties**
Laurie Kikumoto (916) 323-4286 or laurie.kikumoto@conservation.ca.gov
- **Beverage Container Recycling Grants**
Laurie Kikumoto (916) 323-4286 or laurie.kikumoto@conservation.ca.gov
- **Market Development Grants**
Zenny Yagen (916) 327-2906 or zenny.yagen@conservation.ca.gov
- **Plastic Market Development**
Hieu Le (916) 323-1493 or hieu.le@conservation.ca.gov
- **Public Education and Information**
Mark Oldfield (916) 445-0608 or mark.oldfield@conservation.ca.gov
- **Community Beverage Container Recycling Grants**
Laurie Kikumoto (916) 323-4286 or laurie.kikumoto@conservation.ca.gov