HANDLING FEES

- Paid monthly per beverage container redeemed to eligible recycling centers located in convenience zones
- The handling fee per container payment is equal to the difference between the weighted average cost per container for handling fee recycling centers and the weighted average cost per container for recycling centers that do not receive handling fees

Costs Per Container			
Year Measured	**2006**	**2008**	**2010**
Handling Fee RC	$0.02410	$0.02196	$0.02029
Non-Handling Fee RC	$0.01430	$0.01337	$0.01256
Difference	$0.00980	$0.00859	$0.00773

- The handling fee per container is measured every two years by cost survey performed in conjunction with the processing fee cost survey
- Survey design is based on 90 percent confidence interval and a 10 percent error rate; sample selection is based on stratified random sample by total number of beverage containers redeemed per year
- In determining the actual costs, only those allowable costs contained in Title 14, California Code of Regulation (CCR), Section 2965 are used.

Allowable Costs	Non-allowable Costs
labor	commissions
general business overhead	charitable contributions
transportation	exclusivity contracts
rent	litigation
depreciation	penalties
property taxes	promotions
utilities	royalty expense
supplies	scrap value deduction
fuel	scrap value paid to customers
insurance	settlements
interest	shrinkage
maintenance	income and sales tax

Example Tiered Handling Fee Rate Structure (2010 Measured Costs)			
Volume (containers/year)	Handling Fee RC Cost/Container	Non-Handling Fee RC Cost/Container	Difference
less than 3.9 million	$0.02727	$0.01508	$0.01219
3.9 million to 6.9 million	$0.01832	$0.01252	$0.00581
greater than 6.9 million	$0.01522	$0.01000	$0.00522
weighted average	$0.02029	$0.01256	$0.00773

Brief Legislative History of the Convenience Zone Program

1986	AB 2020 becomes law, establishing convenience zones as the location within a ½ mile radius of a supermarket with $2 million or more in annual sales. AB 2020 also established Convenience Incentive Payments (CIPs) for recycling centers in convenience zones that were losing money. CIPs were to provide a funding safety net so that supermarket sites were not left bearing the costs of hosting a recycling center when other dealers had no such requirements. CIPs were originally capped at $13 million per year total. The Department could exempt a percentage of convenience zones from the requirement to have a recycling center in the zone
1988	SB 1730 extended the sunset from January 1, 1991, to December 31, 1992
1989	AB 1097 required the Department to report on the effectiveness of convenience zones. The resulting *Convenience Zone Effectiveness Study* was completed in June 1991. AB 1001, effective January 1, 1990, limited the maximum CIP per container to no more than 7-cents, and the total payment to no more than $1,145 per recycling center per month. AB 1001 increased the total number of convenience zone exemptions first to 15 percent, and then to 20 percent as of June 1, 1991.
1990	AB 1490 increased the total annual CIP payment to $18.5 million. This bill, effective September 25, 1990, also reduced the maximum per container CIP to 5-cents, and increased to total monthly payment per site to $1,500. It also allowed that 15 percent of CIP recipients could receive $2,000 per month
1991	AB 2212 reduced the total annual CIP payment to $15 million
1992	AB 87 replaced the CIP with a 1.7 cent per container handling fee. Sites could receive a maximum of $2,300 in handling fees per month, with eligible containers determined by the proportion of glass and plastic containers compared to all containers. The law also set a minimum number of containers recycled in order to be eligible for handling fees. The maximum payment was set at $18.5 million, and the number of convenience zone exemptions increased from 20 percent to 25 percent
1993	AB 1488 added the provision that containers 24 ounces or larger count as two containers for the purposes of determining the eligibility percentage of glass and plastic for the handling fee, thus increasing the number of eligible sites
1995	SB 1178 reduced the monthly maximum handling fee payment to $2,000 per month, reduced the minimum proportion of glass and plastic containers from 30 percent to 10 percent, and made sites recycling more than 500,000 containers per month ineligible. The number of convenience zone exemptions were again increased, this time to 35 percent
1999	SB 1, emergency legislation, extended authorization to expend funds for handling fees, still at $18.5 million
2000	SB 32 increased the annual handling fee payments to $23.5 million, increased the per container payment to 1.8 cents, and increased the maximum monthly payment back to $2,300 per month. The law also established requirements for recycling centers in rural regions, and their handling fee eligibility
2003	AB 28 increased annual payments for handling fees to $26.5 million, and deleted the limit of recycling 500,000 containers per month for handling fee eligibility
2005	AB 1764 increased the total payment of handling fees from $26.5 million annually to $30 million for the one-year period July 1, 2004, to June 20, 2005. The total annual payment commending July 1, 2005, returned to $26.5 million
2006	AB 3056 increased the total handling fee payments for three years, starting with fiscal year 2005-2006. The law requires the DOR to conduct a cost survey of recycling centers that receive handling fees, and use this cost, as of July 1, 2008, to determine handling fee payments. As of July 1, 2008, handling fee payments will be equal to the difference between the cost of recycling at sites that receive handing fees, and the cost of recycling at sites that do not receive handling fees. The law removes some restrictions on handling fee eligibility, removing the $2,300 per month cap, and the 60,000 containers per month minimum. AB 3056 also revised the definition of convenience zones in rural regions
2007	As per AB 3056, DOR conducted the first handling fee cost survey, used to determine the July 1, 2008, handling fee payments. DOR contracted with NewPoint Group to conduct the cost survey. NewPoint Group determined costs per container based on a stratified random sample of 63 recyclers that did not receive handling fees, and a stratified random sample of 115 recyclers that did receive handling fees
2008	As per AB 3056, DOR announced the July 1, 2008, handling fees, based on the 2007 handling fee cost survey. The new per container handling fee was set at $0.0098. During the first three months of FY 2008/2009, handling fee distributions increased as compared to the same time period in FY 2007/2008