

Attachment 2

Processing Payment Emergency Regulations

STD 399 Economic and Fiscal Impact Statement Narrative

Fiscal Impact Statement

A. Fiscal Effect on Local Government

6) There are 65 certified recycling programs operated by local government entities that were paid processing payments during FY 2020-21. If this regulation were adopted and recycling programs received a reasonable financial return of ten percent in lieu of a baseline three percent based on the 2010-2019 Dun and Bradstreet index, these programs would collectively receive about \$487,000 in additional processing payments.

B. Fiscal Effect on State Government

3) No Fiscal Impact Exists: There is no anticipated fiscal effect on state government. No State Agency will have any costs, savings, or revenue changes. The Beverage Container Recycling Fund (Fund) will see additional costs and consequently declines in revenue, but none of the costs are incurred by a State Agency directly through administrative or operational expenses. Expenditures for increased processing payments of \$12.42 million will be funded through unredeemed California Refund Value (CRV) deposits in the form of processing fee offsets and by beverage manufacturers who pay processing fees based on the method for determining processing fees and payments prescribed in PRC section 14575. Processing fee offsets are estimated to increase by \$2.86 million annually. Processing fees are estimated to increase by \$9.95 million annually. The fiscal effect for subsequent fiscal years is expected to be similar to the fiscal effect for the current year. The Fund has sufficient resources to pay for the proposed additional processing fee offsets without impacting other mandatory payments.

CY 2022 RFR Comparison	RFR	Processing Fee Offset (Fund)	Processing Fee (Beverage Manufacturer)	Processing Payment
Baseline: D & B Average	3%	\$121,378,375	\$36,005,371	\$151,665,643
Proposed Regulation	10%	\$131,325,197	\$38,864,305	\$164,083,815
Difference	-	\$9,946,822	\$2,858,933	\$12,418,172

Note: The sum of processing fees and processing fee offsets exceed processing payments because, in accordance with statute, processing fees collected for sales of beverages packaged in bi-metal and plastics #3-#7 is greater than processing payments paid to recyclers due to their low redemption volume.

C. Fiscal Effect on Federal Funding of State Programs

3) No fiscal impact exists. The proposed emergency regulation will not have any impact on the federal funding of any state program.