

Department of Resources Recycling and Recovery, Division of Recycling
AB 793 Plastic Content Reporting and Compliance Permanent Regulations

Economic Impact Statement Supplemental Information

Background of Bill and Regulations

The Department of Resources Recycling and Recovery (CalRecycle) is proposing to adopt regulations contained in Title 14, Division 2, Chapter 5 of the California Code of Regulations (CCR) to implement the minimum postconsumer recycled (PCR) plastic content standard for plastic beverage containers subject to California Redemption Value (CRV). The PCR plastic minimum content standard was established by AB 793 (Chapter 115, Statutes of 2020), requiring a minimum 15 percent PCR plastic standard beginning in 2022, increasing to 25 percent in 2025, and settling at 50 percent in 2030.

AB 793 places the primary responsibility for meeting the PCR plastic minimum content standard on beverage manufacturers, as defined by Public Resources Code (Pub. Res. Code) section 14506. Pub. Res. Code section 14549.3, as amended by AB 793, establishes requirements on beverage manufacturers to report the content of virgin and PCR plastic used in the beverage containers they sell or transfer in order to monitor compliance with the plastic minimum content standard.

Pub. Res. Code section 14549.3, subsections (b) and (c) additionally establish requirements on plastic material reclaimers and manufacturers of postconsumer recycled plastic, as defined in these proposed regulations, to report the annual production volume and production capacity of bottle-grade and food-grade plastic beginning in 2024, in order to assess the availability of material used to meet the minimum PCR plastic content standard. Pub. Res. Code section 14547, as added by AB 793, specifies administrative penalties levied on beverage manufacturers for not meeting the minimum PCR plastic standard beginning in 2024 based on the reported content of virgin and PCR plastic used in 2023.

Pub. Res. Code section 14547 further provides for measures that may be pursued by CalRecycle, beverage manufacturers, or an association representing a group of manufacturers to reduce the PCR plastic standard or offer direct relief from administrative penalties, generally for supply chain factors detailed in Pub. Res. Code section 14547(a)(4)(A) and (e)(1) and (3) that are beyond the control of the individual beverage manufacturer. Beverage manufacturers are exempted from administrative penalties if their total annual sales of plastic beverage containers is less than or equal to 16 million, as specified in Pub. Res. Code section 14547(i)(2), but all manufacturers are required to report on the amount of virgin and PCR plastic specified in Pub. Res. Code section 14549.3.

The proposed regulations provide the form and manner for completing mandated reporting by beverage manufacturers, plastic material reclaimers, and manufacturers of postconsumer recycled plastic specified in Pub. Res. Code section 14549.3. The proposed regulations include recordkeeping requirements of minimum PCR plastic content documentation for beverage manufacturers to facilitate reporting the amount of virgin and PCR plastic specified in Pub. Res. Code section 14549.3(a). The proposed regulations also include definitions of the reporting entities (plastic material reclaimer and manufacturer of postconsumer recycled plastic) along with the definitions of the goods whose production volume they are required to report (bottle-grade plastic and food-grade plastic) as specified in Pub. Res. Code sections 14549.3(b) and (c).

In addition, CalRecycle also proposes adopting 14 CCR section 2250 in order to address the reduction of administrative penalties via a written request and corrective action plan, section 2260 to address the handling of a petition requesting a reduction in the minimum content threshold, and sections 2780, 2785, 2790, and 2795 to clarify reporting requirements associated with two new program participants (plastic material reclaimers and manufacturers of postconsumer recycled plastic) with reporting responsibilities set by AB 793. Furthermore, the proposed regulations provide procedures and information required, which includes a corrective action plan, that may be undertaken by individual beverage manufacturers to reduce administrative penalties as specified in Pub. Res. Code section 14547(e).

Finally, CalRecycle is proposing to amend 14 CCR section 2100 to specify that a failure to submit required Plastic Beverage Container Virgin and Postconsumer Resin Report described in Pub. Res. Code section 14549.3(a) shall be subject to a Notice of Violation, permitting CalRecycle to take a more gradual imposition of discipline for noncompliance instead of immediately pursuing a costly accusation, which would otherwise have been the only recourse.

Anticipated Benefits from this Regulatory Action

The goal of AB 793 is to help develop domestic markets for recycled plastic, reduce the amount of virgin plastic used, and provide a closed-loop solution for plastic beverage containers by establishing minimum PCR plastic content standards for plastic beverage containers subject to CRV.

The proposed amendments and additions to the regulations provide the following benefits that are aligned with the goals of AB 793:

- Defines reporting entities (plastic material reclaimer and manufacturer of postconsumer recycled plastic) and the goods whose production volume they are required to report (bottle-grade plastic and food-grade plastic) as specified in Pub. Res. Code sections 14549.3(b) and (c).
- Clarifies the procedures and information required for an association of a group of beverage manufacturers to petition CalRecycle to reduce the PCR plastic

minimum content standard as specified in Pub. Res. Code section 14547(a)(4)(A).

- Provides the form and manner for completing mandated reporting by beverage manufacturers, plastic material reclaimers, and manufacturers of postconsumer recycled plastic specified in Pub. Res. Code section 14549.3.
- Includes recordkeeping requirements of minimum recycled plastic content documentation for beverage manufacturers to facilitate reporting the content of virgin and PCR plastic specified in Pub. Res. Code section 14549.3(a).
- Establishes the procedures and information required for a request to reduce administrative penalties and submission of corrective action plans by individual beverage manufacturers as permitted by Pub. Res. Code section 14547(e).
- Permits CalRecycle to use the Notice of Violation process in section 2100 of title 14 of the California Code of Regulations to impose discipline on beverage manufacturers, plastic material reclaimers, and manufacturers of postconsumer recycled plastic for failure to accurately and correctly submit required reports, which is a less costly form of discipline and permits for lower assessments of civil penalties when compared to the other discipline provisions of the Act.

Additionally, the proposed regulations will benefit the health and welfare of California residents along with the state's environment by providing the specificity necessary to implement a minimum PCR plastic standard for plastic beverage containers, which will increase the demand for recycled plastic, reduce plastic litter, and increase the use of recycled plastic in the manufacture of plastic beverage containers thereby reducing greenhouse gas emissions, as compared to the use of virgin plastic. There are no anticipated benefits to worker safety, the prevention of discrimination, the promotion of fairness or social equity, or an increase in transparency in business and government.

Factual Basis/Rationale

The overall framework for developing a program for minimum standards for PCR plastic content for plastic beverage containers and the related reporting is contained in Pub. Res. Code sections 14547. Where this statute lacks the specificity for program implementation, these proposed regulations clarify the definitions of impacted businesses, specify reporting and recordkeeping requirements, and provide procedures for beverage manufacturers, individually or in an association as a group, to seek relief from administrative penalties if the plastic bottles used to sell their product fail to meet the minimum content standard set by AB 793.

General process, data sources, and assumptions

Pub. Res. Code sections 14547 and 14549.3 as added or amended by AB 793 provide an extensive framework for developing a PCR plastic minimum content program for plastic beverage containers. Since the burden of impacted businesses and the environmental benefits of requiring PCR plastic content in beverage containers are generally based on the provisions in Pub. Res. Code sections 14547 and 14549.3, the contents of the proposed regulation, prescribing the form and manner of completing reporting requirements, procedures for pursuing relief from administrative penalties, and

other clarifying information, do not add material benefit or cost on their own. However, the regulations carry logistical and programmatic impacts to businesses and the state that do warrant consideration.

Section 2235(e) of these proposed regulations imposes recordkeeping requirements on beverage manufacturers that facilitate completion of the statutory reporting on the use of virgin and PCR plastic. Beverage manufacturers generally do not produce the bottles used in selling their product, instead they essentially act as a driver to their suppliers for increasing the proportion of PCR plastic content in all components of plastic packaging used to sell their beverages. Based on a 12-month review of existing reports submitted monthly by beverage manufacturers, about 96 percent of all beverage manufacturers that sell their product in plastic beverage containers use bottles made from at most two plastic resin types. Consequently, the reporting required by Pub. Res. Code 14549.3 (a)-(c) of virgin and PCR content would entail ultimately providing at most four key figures per year. Nonetheless, reporting on these figures would require compiling and summarizing documentation on the composition of various shipments of packaging components to complete required reporting covering a calendar year (CY) period.

Section 2240(b)(1)(D) of these proposed regulations requires that the weight of PCR plastic used in the manufacture of bottles include the weights of bottles, caps, and labels. The bottles, caps, and labels are essential components of the packaging used by beverage manufacturers to sell their product. The reporting on the PCR plastic content of all container components may have the effect of broader adoption of PCR plastic usage in other spheres (i.e., the labeling of non-beverage items) and further reduce the virgin plastic component of litter.

Sections 2780 and 2790 of these proposed regulations require CalRecycle to issue an identification number to plastic material reclaimers and manufacturers of postconsumer recycled plastic respectively, to facilitate required reporting specified in Pub. Res. Code sections 14549.3(a) and 14549.3(b). The Pub. Res. Code sections 14549.3(b) and 14549.3(c) require plastic material reclaimers and manufacturers of postconsumer recycled plastic respectively to annually report on the weights of food-grade and bottle-grade material produced during the previous CY period beginning March 1, 2024. Pub. Res. Code section 14549.3(c) additionally requires manufacturers of postconsumer recycled plastic to provide the overall capacity of food-grade material production at their facility. This information is intended to be used by CalRecycle to assess the availability of PCR plastic needed by beverage manufacturers to meet the minimum standard and to assess the impact of factors cited in pursuing relief measures to reduce the standard or reduce administrative penalties prescribed in Pub. Res. Code section 14547(a)(4)(A) and (c)(1).

Sections 2240, 2250, 2260, and 2265 of these proposed regulations prescribe the form and manner for reducing the minimum PCR plastic standard or reducing administrative penalties incurred by beverage manufacturers as a group or individually. Pub. Res.

Code section 14547 provides a detailed framework for beverage manufacturers to pursue relief measures, and as a result the proposed regulation does not add a significant burden to the provisions specified in Pub. Res. Code section 14547(e)(3). Pursuing the relief measures is optional for beverage manufacturers who may simply choose to pay the administrative penalties due, depending on the amount of administrative penalties imposed.

The tables below provide a general indication of the estimated impact of administrative penalties due from the approximately 50 beverage manufacturers subject to penalties based on the 16 million beverage container exemption specified in Pub. Res. Code section 14547(i)(2). The information in the table below is based on beverage manufacturers reporting virgin and PCR plastic usage in the 2021 year. In some cases, the beverage manufacturer indicated the weight reported as *unknown*; in these instances, the *unknowns* were converted to zeroes.

The data shown below aggregates virgin and PCR plastic data by plastic resin code to derive administrative penalties based on the lowest/initial 15 percent PCR plastic content standard. As such, higher administrative penalties are tied to both the PCR plastic content standard's progressive increase and beverage manufacturers' PCR plastic usage in future years.

Table 1a: Estimated Administrative Penalties based on 15% PCR Plastic Content Standard: Plastics #1 to #4

Plastic Type	PET #1	HDPE #2	PVC #3	LDPE #4
Virgin Reported lbs.	413,200,548.1	23,020,085.3	0.0	5,405,067.3
Postconsumer Recycled Reported lbs.	71,103,914.5	95,898.0	0.0	0.0
Total Reported lbs.	484,304,462.6	23,115,983.3	0.0	5,405,067.3
Percent Postconsumer Recycled	14.7%	0.4%	0.0%	0.0%
Postconsumer Recycled at 15% lbs.	72,645,669.4	3,467,397.5	0.0	810,760.1
Shortage Postconsumer Recycled lbs.	1,541,754.9	3,371,499.5	0.0	810,760.1
Administrative Penalty @ \$0.20/lb.	\$308,351	\$674,300	\$0	\$162,152

Table 1b: Estimated Administrative Penalties based on 15% PCR Plastic Content Standard: Plastics #5 to #7 and Total for All Types

Plastic Type	PP #5	PS #6	Other #7	All Types
Virgin Reported lbs.	5,662,503.6	4,268,155.0	4,716,223.4	456,272,582.7
Postconsumer Recycled Reported lbs.	1,011.0	286,699.3	0.0	71,487,522.7
Total Reported lbs.	5,663,514.6	4,554,854.2	4,716,223.4	527,760,105.4
Percent Postconsumer Recycled	0.0%	6.3%	0.0%	13.5%
Postconsumer Recycled at 15% lbs.	849,527.2	683,228.1	707,433.5	79,164,015.8

Shortage Postconsumer Recycled lbs.	848,516.2	396,528.9	707,433.5	7,676,493.1
Administrative Penalty @ \$0.20/lb.	\$169,703	\$79,306	\$141,487	\$1,535,299

Methodologies for individual answers – Economic Impact Statement

A. Estimated Private Sector Cost Impacts

1a. Impacts business and /or employees

This proposed regulation affects beverage manufacturers by specifying the form and manner of reporting the use of virgin plastic and PCR plastic in bottles used to sell their product, and the form and manner for pursuing relief from administrative penalties. This proposed regulation also affects plastic material reclaimers and manufacturers of postconsumer recycled plastic by specifying the form and manner of reporting material-specific data points.

1b. Impacts small businesses

Beverage manufacturers are by majority (74%) small businesses, paying less than \$15,000 annually in processing fees pursuant to Pub. Res. Code section 14575(d). This threshold exemption amount (\$15,000) is used to categorize small business as it aims to not unnecessarily burden beverage manufacturers who would ordinarily be required to report and pay processing fees on a monthly basis unless they report under this threshold amount which allows them to report annually.

A minority fraction of both plastic material reclaimers and manufacturers of postconsumer recycled plastic are also small businesses. In determining the threshold for small businesses for these two entities, CalRecycle examined Plastic Market Development Payment recipients pursuant to Pub. Res. Code section 14549.2 who received less than \$100,000 annually. In determining the threshold for small businesses for these two entities, CalRecycle examined Plastic Market Development Payment recipients pursuant to Pub. Res. Code section 14549.2 and identified a clear divide between entities who received less than \$100,000 annually and those who received more. The amount of Plastic Market Development Payments is directly related to the volumetric production of a business and therefore provides insight into a business's size and capacity.

2. Estimated economic impact of this regulation

The burden for establishing standards of minimum PCR plastic content for plastic beverage containers, annual reporting for compliance and monitoring, and administrative penalties for not complying with the standard are based on Pub. Res. Code sections 14547 and 14549.3.

With the passage of AB 793, CalRecycle determined that implementation would be incur the following costs as specified in the Plastic Beverage Container Minimum

Content Standard Implementation Budget Change Proposal (BCP). Funding for the costs below was authorized in 2021:

- Staffing:
 - \$129,000 in fiscal year 2021-22
 - \$805,000 in 2023-24
 - \$1.2 million in 2024-25
 - \$1.2 million ongoing (annual) funding
- Contract Costs:
 - \$500,000 annually, beginning in 2024-25

Furthermore, CalRecycle estimates that the economic impact to impacted stakeholders is below \$10 million annually. In making this determination, CalRecycle considered the factors germane to the three entities subject to the reporting requirements of Pub. Res. Code section 14549.3(a)-(c): beverage manufacturers, plastic material reclaimers, and manufacturers of postconsumer recycled plastic, as well as the cost to an association representing a group of beverage manufacturers. Specifically, CalRecycle analyzed the time and effort expected to perform activities relevant to the reporting requirements of this section as well as the additional specificity outlined in this regulation:

- Establish and maintain relationships with entities necessary to facilitate the information requested pursuant to Pub. Res. Code section 14549.3(a) and these regulations
- Aggregating data and calculating metrics for submission to CalRecycle
- Fill out and submitting reporting forms or documents

A detailed analysis is provided in Section B with Year 1 implementation costs expected to not exceed \$1 million, with subsequent years' implementation costs expected to not exceed \$0.6 million.

3. Estimated number of businesses impacted

Approximately 695 businesses will be impacted by these proposed regulations, of which 668 are beverage manufacturers that sell beverages in plastic beverage containers and 27 are plastic material reclaimers and/or manufacturers of postconsumer recycled plastic. Of the 668 beverage manufacturers impacted, 494 are considered small businesses defined as those paying less than \$15,000 annually in processing fees for all material types pursuant to Pub. Res. Code section 14575(d). As mentioned above, this threshold exemption amount (\$15,000) is used to categorize small business as it aims to not unnecessarily burden beverage manufacturers who would ordinarily be required to report and pay processing fees on a monthly basis unless they report under this threshold amount which allows them to report annually.

Of the 27 plastic material reclaimers and/or manufacturers of postconsumer recycled plastic impacted, 9 are considered small businesses defined as receiving less than \$100,000 annually in Plastic Market Development Payments pursuant to Pub. Res.

Code section 14549.2. In determining the threshold for small businesses for these two entities, CalRecycle examined Plastic Market Development Payment recipients pursuant to Pub. Res. Code section 14549.2 and identified a clear divide between entities who received less than \$100,000 annually and those who received more. The amount of Plastic Market Development Payments is directly related to the volumetric production of a business and therefore provides insight into a business’s size and capacity.

The total number of small businesses impacted is 503 or 72 percent of the total businesses impacted.

Table 3a: Number of Business Impacted by Proposed Regulations

Businesses Impacted	Number of Businesses	Number of Small Businesses	Percent of Small Businesses by Count
Beverage Manufacturers (selling plastic beverage containers)	668	494	74%
Plastic Material Reclaimers and Manufacturers of Postconsumer Recycled Plastic	27	9	33%
Total	695	503	72%

4-6. Number of businesses and jobs that will be created or eliminated

The Estimated Costs section outlines the expected workload for the statutorily mandated reporting pursuant to Pub. Res. Code section 14549.3(a)-(c) and the additional considerations added pursuant to these regulations. The Beverage Container Recycling Program (Program) is unique to the state of California and changes to this program affect entities statewide. However, no businesses or jobs are anticipated to be created nor eliminated statewide as the scope of the regulations is limited to the form and manner of reporting on the use of virgin and PCR plastic in plastic beverage containers, the reporting of the production of food and bottle-grade plastic, and procedures for pursuing measures to provide relief from administrative penalties.

B. Estimated Costs

1a-b. Year 1 and Annual Ongoing Costs

The costs of these proposed regulations are separated in the parts below. A brief description is provided below:

Section B, Part 1: reports entities described in Table 3a must submit on an annual basis pursuant to Pub. Res. Code section 14549.3(a)-(c)

Section B, Part 2: additional activities which may be pursued with regards to the submission of a corrective action plan and request for reduction of administrative penalties

Section B, Part 3: cost to submit a petition the director

The results of Section B, Parts 1-3 are summarized in the following:

Section B, Part 4: Year 1 and Ongoing Implementation Costs.

Section B, Part 1: Cost to Complete and Submit Annual Reports

Part 1 of Section B describes the implementation cost for beverage manufactures to submit the annual Plastic Beverage Container Virgin and Postconsumer Resin Report (Table 3b), then describes the implementation cost to plastic material reclaimers and/or manufacturers of postconsumer recycled plastic to submit the Plastic Material Reclaimer Report and Manufacturer of Postconsumer Recycled Plastic Report (Table 3c). The information provided in this subpart is further summarized in Tables 3d and 3e to demonstrate Year 1 costs and ongoing costs associated with annual report submission.

Beverage Manufacturers

Table 3b: Year 1 (Initial) Implementation Costs for Beverage Manufacturers (per entity) for filling out the Plastic Beverage Container Virgin and Postconsumer Resin Report.

Activities	Hours	Hourly Rate	Cost
Establish/Maintain relationships with caps manufacturer	2	\$ 86.63	\$ 173.26
Establish/Maintain relationships with container manufacturer	2	\$ 86.63	\$ 173.26
Establish/Maintain relationships with label manufacturer	2	\$ 86.63	\$ 173.26
Aggregate data and calculate for submission to CalRecycle	8	\$ 86.63	\$ 693.03
Fill out reporting form	1	\$ 86.63	\$ 86.63
Totals	15	\$ 86.63	\$ 1,299.43

Table 3b anticipates an approximate \$1,300 cost for implementation per affected beverage manufacturer when filling out the annual Plastic Beverage Container Virgin and Postconsumer Resin Report pursuant to Pub. Res. Code 14549.3(a) and assumes an hourly wage commensurate to a senior analyst with benefits. The salary for a Research Data Specialist II’s salary with a 49% benefit increase was used, and will be used throughout the remaining calculations in Section B.

The expected hours provided to establish relationships assume two relationships per beverage manufacturer, though this may vary from one entity to another, with an expected one hour per entity. The expected “aggregate data” hours assume two hours for each of the estimated four key figures compiled by beverage manufacturers, where each key figure is either:

- A resin type, of which a beverage manufacturer will likely have two
- A weight, of which a beverage manufacturer will likely have two (virgin or PCR).

Based on the table above, the implementation cost for beverage manufacturers when filling out the annual Plastic Beverage Container Virgin and Postconsumer Resin Report pursuant to Pub Res. Code section 14549.3(a) is about \$1,300 times the 668 identified beverage manufacturers or approximately **\$868,000**.

While Table 3b anticipates approximately 15 hours of work over the course of the first (implementation) year, CalRecycle expects this to drop to about 8 hours annually with all activities except filling out the form able to be completed in half the time, resulting in an ongoing cost of approximately **\$460,000**.

Plastic Material Reclaimers and Manufacturers of Postconsumer Recycled Plastic

Table 3c: Year 1 (Initial) Implementation Costs for Plastic Material Reclaimers and Manufacturers of Postconsumer Recycled Plastic (per entity) for filling out the Plastic Material Reclaimer Report and Manufacturer of Postconsumer Recycled Plastic Report

Activities	Hours	Hourly Rate	Cost
Aggregate data and calculate for submission to CalRecycle	28	\$ 86.63	\$ 2,425.64
Fill out reporting form	1	\$ 86.63	\$ 86.63
Totals	29	\$ 86.63	\$ 2,512.27

Table 3c anticipates an approximate \$2,500 cost for implementation per affected plastic material reclaimer and/or manufacturer of postconsumer recycled plastic when filling out the annual Plastic Material Reclaimer Report and Manufacturer of Postconsumer Recycled Plastic Report, respectively.

The expected “aggregate data” hours assume two hours per each of the estimated seven key figures compiled, where each key figure is counted twice since two resin types are likely for each of the seven key figures:

- Weight of empty plastic beverage containers collected
- Weight of empty plastic beverage containers sold
- Weight of empty plastic beverage containers sold/transferred to manufacturer of PCR plastic for beverage processing
- Weight of food-grade flake, pellet, sheet fines, or other forms sold
- Weight of the capacity to produce food grade material

- Weight of food-grade plastic meeting beverage manufacturer specifications for bottle-grade plastic offered for sale
- Weight of food-grade plastic meeting beverage manufacturer specifications for bottle-grade plastic sold

Based on Table 3c, the Year 1 implementation cost for plastic material reclaimer and manufacturer of postconsumer recycled plastic is about \$2,500 times the 27 identified entities or approximately **\$67,500**.

While Table 3c anticipates approximately 29 hours of work over the course of the first (implementation) year, CalRecycle expects this to drop to about 15 hours with all activities except filling out the form to be completed in half the time, resulting in an ongoing cost of approximately **\$34,000**.

Year 1 (Initial) and Ongoing Implementation Costs

Table 3d: Year 1 (Initial) Implementation Costs for all affected entities when filling out annual reports

Entity Type	Cost Per Entity	Entity Count	Total Cost
Beverage Manufacturers	\$ 1,299.43	668	\$ 868,019.24
Plastic Material Reclaimers and Manufacturers of Postconsumer Recycled Plastic	\$ 2,512.27	27	\$ 67,834.29
Total			\$ 935,850.53

Table 3e: Year 2 and Later (Ongoing) Implementation Costs for affected entities when filling out annual reports

Entity Type	Cost Per Entity	Entity Count	Total Cost
Beverage Manufacturers	\$ 693.04	668	\$ 462,950.72
Plastic Material Reclaimers and Manufacturers of Postconsumer Recycled Plastic	\$ 1,299.45	27	\$ 35,085.15
Total			\$ 498,035.87

Section B, Part 2: Cost to Submit a Corrective Action Plan and Request a Reduction in Administrative Penalties

This section provides the expected cost to submit a corrective action plan and request a reduction in administrative penalties. Both activities can only be performed by beverage manufacturers who meet the following three conditions:

1. A beverage manufacturer subject to the per-pound penalty amount who is not exempt from administrative penalties because they sold more than 16,000,000

containers during the reporting year pursuant to Pub. Res. Code section 14547(i)(2).

2. A beverage manufacturer who has failed to meet the minimum content requirements established in Pub. Res. Code section 14547(a)(1)-(3)
3. A beverage manufacturer who seeks a reduction in the per-pound penalty amount stipulated in Pub. Res. Code section 14547(c)(1)

Based on an analysis of CY 2021 sales, although the number of entities who are required to submit the annual Plastic Beverage Container Virgin and Postconsumer Resin Report pursuant to Pub. Res. Code section 14549.3(a) is 668, the number of entities who could be subject to administrative penalties is much lower; at max, 50 beverage manufacturers could be subject to administrative penalties based on the exemption outlined in item #1 above.

To calculate the cost to submit a corrective action plan and the associated reduction in administrative penalties, the following table was prepared where each line item contains substantive work, described as work that takes more than one hour to complete for these activities.

Table 3f: Cost to Submit a Corrective Action Plan and Request a Reduction in Administrative Penalties for Beverage Manufacturers (per entity)

Activities	Hours	Hourly Rate	Cost
Document reasons why the beverage manufacturer will fail to meet or has failed to meet the minimum PCR standard	4	\$ 86.63	\$346.52
Document steps the beverage manufacturer will take to comply with the minimum PCR standard within the next reporting year	4	\$ 86.63	\$346.52
Prepare dates (timeline) for when the beverage manufacturer will implement the identified steps	2	\$ 86.63	\$173.26
Describe steps the beverage manufacturer took to implement any previously approved corrective action plans.	1	\$ 86.63	\$86.63
Submit request in writing	2	\$ 86.63	\$173.26
Totals	13	\$ 86.63	\$1,126.19

Based on Table 3f, the total cost to a beverage manufacturer to submit a corrective action plan and reduction in administrative penalties is \$1,126.19 per beverage manufacturer. In reviewing the progress made by beverage manufacturers and based on beverage manufacturer's 2021 reporting of virgin and PCR plastic content, CalRecycle estimates that of the 50 beverage manufacturers who may be subject to administrative penalties, about 37 entities or 74 percent would, at a maximum, benefit from the submission of a corrective action plan and/or a reduction in administrative penalties.

Unlike the previous sections, CalRecycle expects this cost to be the same regardless of whether this is a Year-1 cost or a Year-2 (Ongoing) cost. As such, the annual cost to submit a corrective action plan and request a reduction in administrative penalties is expected to be a maximum of 37 beverage manufacturers multiplied by \$1,126.19 for a total annual cost of **\$41,669.03**. This upper bound estimate is expected to decrease as compliance increases and as beverage manufacturers establish relationships with container manufacturers.

Section B, Part 3: Cost to Petition the Director to Adjust the Minimum Postconsumer Recycled Plastic Content

This section provides the expected cost to petition the director to adjust the minimum PCR plastic content. This activity can only be undertaken by an association that represents beverage manufacturers which represents at least 35% of beverage manufacturers who reported plastic beverage containers. The information required to petition the director is much more extensive and, as such, is expected to take considerable effort to prepare.

As with previous subparts, Table 3g below assigns an hourly component to each activity that must be performed when preparing the petition but does not consider the creation of a new entity nor the lobbying activities to attempt to represent individual beverage manufacturers; instead, the table describes the work product associated with preparing and submitting the petition itself.

Each line item in the table below describes substantive work, described as more than one hour to complete, when preparing the petition to the director to adjust the minimum PCR plastic content.

Table 3g: Cost to Petition the Director to Adjust the Minimum Postconsumer Recycled Plastic Content for an Association that Represents Beverage Manufacturers (per entity)

Activities	Hours	Hourly Rate	Cost
Compile a list of registered beverage manufacturers that the association represents	2	\$ 86.63	\$ 173.26
Gather/research factors: Changes in market conditions including supply and demand for postconsumer recycled plastics, collection rates, and bale availability both domestically and globally	80	\$ 86.63	\$6,930.40
Gather/research factors: Recycling rates	20	\$ 86.63	\$1,732.60
Gather/research factors: The availability of recycled plastic suitable to meet the minimum recycled content requirements, including the availability of high-quality recycled plastic, and food-grade recycled plastic from the state's and other beverage container recycling programs	80	\$ 86.63	\$6,930.40

Gather/research factors: The capacity of recycling or processing infrastructure	80	\$ 86.63	\$6,930.40
Gather/research factors: The progress made by beverage manufacturers in achieving the PCR content goals	40	\$ 86.63	\$3,465.20
Submit request in writing	2	\$ 86.63	\$173.26
Totals	284	\$ 86.63	\$24,602.92

CalRecycle anticipates that this activity, which can occur no more than annually, will be undertaken by no more than one association of a group of beverage manufacturers per year and will largely depend on the success of the 50 beverage manufacturers subject to administrative penalties outlined in Section 2. As such, the grand total and upper bound estimate for this optional annual activity, beginning in CY 2025 is **\$24,602.92**. Because this activity is anticipated to begin in 2025, there is no Year 1 cost associated with this activity.

Section B, Part 4: Year 1 and Ongoing Implementation Costs based on Section B, Parts 1-3

The final table in this section aggregates the findings of the parts above. For more details on these figures, refer to the previous parts.

Table 3h: Year 1 and Ongoing Implementation Costs

Activities	Year 1 Cost	Year 2 Ongoing Costs
Cost associated with the Plastic Beverage Container Virgin and Postconsumer Resin Report	\$ 868,019.24	\$ 462,950.72
Cost associated with the Plastic Material Reclaimer Report and Manufacturer of Postconsumer Recycled Plastic Report	\$ 67,834.29	\$ 35,085.15
Cost associated with the completion of Corrective Action Plan and Request a Reduction in Administrative Penalties	\$ 41,669.03	\$ 41,669.03
Cost associated with the completion of a Petition the Director to Adjust the Minimum Postconsumer Recycled Plastic Content	\$ -	\$ 24,602.92
Total Costs	\$ 977,522.56	\$ 564,307.82

1. Lifetime Costs

The previous section *1a-b. Year 1 and Annual Ongoing Costs* describes the Year 1 and Ongoing costs associated with all entities affected by these regulations. A high-level a summary of these costs is provided in Table 3h.

In calculating the lifetime costs of this proposed regulation, the following formula was applied, where lifetime cost refers to a ten-year cost associated with these regulations:

[Lifetime Cost] = [Year 1 Costs] + (9 years multiplied by [Ongoing Costs])

[Lifetime Cost] = \$977,522.56 + (9 * \$564,307.82)

[Lifetime Cost] = \$6,056,292.94

CalRecycle assumed 10 years in the calculations for lifetime costs to account for sufficient time for the full effect of the plastic minimum content reporting requirements, which will require 50% PCR plastic in beverage containers by 2030, are incorporated in these costs.

C. Estimated Benefits

1. Brief summary of the benefits of the regulation

The goal of AB 793 is to help develop domestic markets for recycled plastic, reduce the amount of virgin plastic used, and provide a closed-loop solution for plastic beverage containers by establishing minimum PCR plastic content standards for plastic beverage containers subject to CRV.

The proposed amendments and additions to the regulations provide the following benefits that are aligned with the goals of AB 793:

- Defines reporting entities (plastic material reclaimer and manufacturer of postconsumer recycled plastic) and the goods whose production volume they are required to report (bottle-grade plastic and food-grade plastic) as specified in Pub. Res. Code sections 14549.3(b) and (c).
- Clarifies the procedures and information required for an association of a group of beverage manufacturers to petition CalRecycle to reduce the PCR plastic minimum content standard as specified in Pub. Res. Code section 14547(a)(4)(A).
- Provides the form and manner for completing mandated reporting by beverage manufacturers, plastic material reclaimers, and manufacturers of postconsumer recycled plastic specified in Pub. Res. Code section 14549.3.
- Includes recordkeeping requirements of minimum recycled plastic content documentation for beverage manufacturers to facilitate reporting the content of virgin and PCR plastic specified in Pub. Res. Code section 14549.3(a).
- Establishes the procedures and information required for a request to reduce administrative penalties and submission of corrective action plans by individual beverage manufacturers as permitted by Pub. Res. Code section 14547(e).
- Permits CalRecycle to use the Notice of Violation process in section 2100 of title 14 of the California Code of Regulations to impose discipline on beverage manufacturers, plastic material reclaimers, and manufacturers of postconsumer recycled plastic for failure to submit required reports accurately and correctly, which is a less costly form of discipline and permits for lower assessments of civil penalties when compared to the other discipline provisions of the Act.

Additionally, the proposed regulations will benefit the health and welfare of California residents along with the state's environment by providing the specificity necessary to implement a minimum PCR plastic standard for plastic beverage containers, which will increase the demand for recycled plastic, reduce plastic litter, and increase the use of recycled plastic in the manufacture of plastic beverage containers thereby reducing greenhouse gas emissions, as compared to the use of virgin plastic.

The proposed regulations will provide the following benefits which have no monetary values associated: improve the Department's data regarding plastic usage in beverage containers, plastic processing, and the overall supply of available plastic. This data will provide enhanced granularity of entities who are meeting the minimum content goals set forth by AB 793 and shed light on the achievability of the plastic minimum content goals for beverage containers which will allow the Department to create future strategies for reducing a reliance on virgin materials and further contribute to the Department's goal of creating a fully circular economy in California. Note that these benefits are intangible. CalRecycle has no way of estimating monetary values for these benefits.

3. Lifetime Benefits

The tiered structure of the PCR plastic minimum content standard, beginning at 15 percent in 2022, 25 percent in 2025, and 50 percent in 2030, increases the benefit of these proposed regulations over the eight years of escalation and continues into the years beyond.

D. Alternatives

1. Alternatives to the regulation

Alternative 1: Do not adopt regulations and rely on Pub. Res. Code sections 14547 and 14549.3 to implement the plastic minimum PCR plastic content standard.

Reason for Rejecting Alternative 1: The aforementioned statute lacks the specificity to implement the plastic minimum PCR content standard. Regulations are needed to ensure sufficient information is provided in the annual reports completed by beverage manufacturers, plastic material reclaimers, and manufacturers of postconsumer recycled plastic pursuant to Pub. Res. Code section 14549.3. In addition, regulations are needed to specify the content of and procedures for submitting petitions to adjust the minimum content standard, outlined in Pub. Res. Code section 14547(a)(4), and corrective action plans, pursuant to Pub. Res. Code section 14547(e)(3). Finally, regulations are needed to provide additional guidelines, preconditions, and timeframes to assess administrative penalties pursuant to Pub. Res. Code section 14547(c).

As the information required to be reported to CalRecycle is found in Pub. Res. Code section 14549.3, the information necessary for a reduction in assessed administrative penalties and corrective action plan is found in Pub. Res. Code section 14547(e), and the information to petition to the Director to adjust the minimum content standard is

found in Pub. Res. Code section 14547(a)(4), the costs of not having regulations determining the form and manner of these reports and submissions will likely be similar to the costs of abiding by the proposed regulations.

CalRecycle is unable to identify an alternative 2 for the proposed regulations as the regulations offer the form and manner of reporting and requesting a reduction of administrative penalties or a reduction in the postconsumer plastic minimum content standards established by Pub. Res. Code section 14547(a)(2) and (3).

A. Fiscal Effects on Local Governments

5. No Fiscal Impact The proposed regulation does not impose any costs or provide benefits to local government.

B. Fiscal Effects on State Government

4. Other Fiscal Impacts There will be no additional costs to State Government other than those costs specified in the Plastic Beverage Container Minimum Content Standard Implementation Budget Change Proposal (BCP) authorized in 2021:

- Staffing:
 - \$129,000 in fiscal year 2021-22
 - \$805,000 in 2023-24
 - \$1.2 million in 2024-25
 - \$1.2 million ongoing (annual) funding
- Contract Costs:
 - \$500,000 annually, beginning in 2024-25, a contracted biennial study.

C. Fiscal Effect on Federal Funding of State Programs

3. No Fiscal Impact The proposed regulation will not result in any fiscal impact to any federally funded State agency or program.