

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 10/20)

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|--|------------------------------|--|---|
| Fiscal Year 2023-24 | Business Unit 3970 | Department Department of Resources Recycling and Recovery | Priority No. Click or tap here to enter text. |
| Budget Request Name 3970-028-BCP-2023-GB | | Program 3715-Beverage Container Recycling and Litter Reduction | Subprogram Click or tap here to enter text. |

Budget Request Description

Beverage Container Recycling: Implementation (SB 1013)

Budget Request Summary

The Department of Resources Recycling and Recovery (CalRecycle) requests 44 permanent ongoing positions (PY) phased in over two years, and 15 two-year limited term positions (LT PY) with costs of \$6.9 million in 2023-24, \$8.1 million in 2024-25, and \$6.3 million ongoing from the Beverage Container Recycling Fund (BCRF) to implement Senate Bill (SB) 1013 (Ch. 610, Statutes of 2022). CalRecycle also requests an additional \$450,000 from BCRF for one-time contract funds in 2023-24 to update the Division of Recycling Integrated Information System (DORIIS) to accommodate the associated operational changes to the BCRP.

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| Requires Legislation D Yes X No | Code Section(s) to be Added/Amended/Repealed Click or tap here to enter text. | |
| Does this BCP contain information technology (IT) components? D Yes D No <i>If yes, departmental Chief Information Officer must sign.</i> | Department CIO Click or tap here to enter text. | Date Click or tap to enter a date. |

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No. Click or tap here to enter text. **Project Approval Document:** Click or tap here to enter text.

Approval Date: Click or tap to enter a date.

If proposal affects another department, does other department concur with proposal? D Yes D No

Attach comments of affected department, signed and dated by the department director or designee.

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|--|--|--|--|
| Prepared By Amy Cameron | Date Click or tap to enter a date. | Reviewed By Robert Chester | Date Click or tap to enter a date. |
| Department Director Rachel Machi Wagoner | Date Click or tap to enter a date. | Agency Secretary Yana Garcia | Date Click or tap to enter a date. |

Department of Finance Use Only

Additional Review: D Capital Outlay D ITCU D FSCU D OSAE D Dept. of Technology

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|----------------------------------|---|
| PPBA Christian Beltran | Date submitted to the Legislature 1/10/2023 |
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A. Budget Request Summary

The Department of Resources Recycling and Recovery (CalRecycle) requests 44 permanent ongoing positions (PY) phased in over two years, and 15 two-year limited term positions (LT PY) with costs of \$6.9 million in 2023-24, \$8.1 million in 2024-25, and \$6.3 million ongoing from the Beverage Container Recycling Fund (BCRF) to implement Senate Bill (SB) 1013 (Ch. 610, Statutes of 2022). CalRecycle also requests an additional \$450,000 from BCRF for one-time contract funds in FY 2023-24 to update the Division of Recycling Integrated Information System (DORIS) to accommodate the associated operational changes to the BCRP.

SB 1013 makes the most significant and urgent changes to the BCRP's scope and complexity since the inception of the program. Beverage dealers that number in the thousands will soon become registered participants in the BCRP and will become eligible for exemptions or payments. This is coupled with the expansion of the convenience zones that will increase the number of BCRP dealers. The addition of wine and spirits brings in another beverage industry, new container types, separate CRV values, and unique labeling requirements. These changes will require additional rulemakings to adopt both emergency and permanent regulations to implement the diverse provisions of SB 1013. When combined with the establishment of new grant programs, enforcement activities, and the scale and frequency of new transactions, these activities will generate new and increased workload for CalRecycle.

B. Background/History

The California Beverage Container Recycling and Litter Reduction Act (Act) requires a distributor to pay a redemption payment for every beverage container sold or offered for sale in the state of \$0.05 for a beverage container with a capacity of less than 24 fluid ounces and \$0.10 for a beverage container with a capacity of 24 fluid ounces or more to CalRecycle. The Act also requires those beverage containers to have a refund value of \$0.05 and \$0.10. In addition, under the Act, CalRecycle is required to calculate a processing fee for each beverage container with a specified scrap value, which is required to be paid by beverage manufacturers for each beverage container sold or transferred to a distributor or dealer. The Act requires processors and distributors of beverage containers to report specified information to CalRecycle in the form and manner prescribed by the department. The Act requires an invoice or other form of accounting of a transaction submitted by a beverage distributor of beverages to a dealer but authorizes a distributor of beer and malt beverages or wine or distilled spirit coolers to separately identify certain information. The Act prohibits a person from offering to sell, or selling, to a consumer a beverage container that has not been labeled as required by the Act. A violation of the Act is a crime.

Existing law under the Beverage Control Act authorizes a person licensed in California or any other state as a winegrower who obtains a wine direct shipper permit to sell and ship wine directly to a resident of California, who is 21 years of age or older, for the customer's personal use and not for resale.

SB 1013 will require a wine direct shipper permitholder, before sending any shipment to a resident of California, to register with CalRecycle as a beverage manufacturer and distributor under the California Beverage Container Recycling and Litter Reduction Act. The bill requires a wine direct shipper permitholder to comply with the act, including the reporting and payment provisions applicable to the permitholder as a beverage manufacturer and distributor, and would authorize the Department of Alcoholic Beverage Control to suspend or revoke the wine direct shipper

permit if the permitholder fails to comply with certain provisions of the California Beverage Container Recycling and Litter Reduction Act.

SB 1013 requires CalRecycle to adopt regulations related to the wine direct shipper permit. With respect to the payment of processing fees and redemption payments for beverages manufactured outside the state and sold directly to consumers within the state with a direct shipper permit, the bill also requires that the beverage manufacturer or distributor shall be deemed as the person or entity named on the direct shipper permit and would require CalRecycle to provide related notice.

SB 1013 authorizes CalRecycle to require the information reported to the department by a processor or distributor of beverage containers to be submitted electronically and, as of January 1, 2024, would revise the definition of "beverage" to include distilled spirits, wine, or wine from which alcohol has been removed in whole or in part, whether or not sparkling or carbonated, and wine or distilled spirits contained in a beverage container that is a box, bladder, pouch, or similar container, regardless of the material type from which the beverage container is made. The bill would require a beverage container that is a box, bladder, or pouch containing wine or distilled spirits to have a redemption payment and refund value of \$0.25 and will require a distributor of wine or distilled spirits to separately identify information on an invoice or other form of accounting of a transaction to be submitted to a dealer. The bill requires CalRecycle to make efforts to streamline and consolidate forms used by wineries who are also distributors to register and provide payments under the act.

SB 1013 increases the annual amount authorized to be expended from the Beverage Container Recycling Fund (BCRF) for quality incentive payments from \$10 million to \$15 million for empty glass beverage containers and would restrict those payments to beverage containers that are used for the manufacturing of glass beverage containers in the state.

Existing law requires CalRecycle to designate convenience zones statewide on an annual basis to provide consumers the opportunity to redeem CRV beverage containers near where beverages are purchased; convenience zones were previously defined by [Public Resources Code \(PRC\) § 14509.4](#) as the area within a one-half mile radius of a supermarket grossing \$2 million or more annually. A certified recycling center is required in each convenience zone for the area to be considered served. When a convenience zone is unserved for more than 60 days, all dealers in the zone are required to either perform in-store redemption of CRV beverage containers (Option A) or pay a \$100 daily fee (Option B).

SB 1013 revised the definition of "convenience zone" and expanded the area to which the department may increase a convenience zone in a rural region from a 3-mile radius up to a 5-mile radius of a supermarket and, as of January 1, 2025, eliminates the option to pay \$100 per day to the department. Instead of the option to pay \$100 dollars per day, the bill requires dealers to join a dealer cooperative, provide a dealer cooperative redemption plan to CalRecycle and implement the approved plan to serve that convenience zone. By January 1, 2024, CalRecycle is required to provide one or more model dealer cooperative redemption plans for dealer cooperatives to select and must adopt emergency regulations that provide access and convenience for consumers that are comparable to existing law. The bill imposes requirements on dealer cooperatives that include assessing fees on the dealers in the zone or zones covered by the redemption plan necessary to cover operational costs and implementation of the approved plan and redeeming all material types as well as offering one or more redemption locations within the dealer cooperative zone. The bill makes dealer cooperatives eligible for reimbursement of CRV paid to consumers, processing payments, handling fees, and administrative fees.

In addition to the requirements above, SB 1013 requires CalRecycle to implement the following new programs:

- The Recycled Glass Processing Incentive Grant Program
- The Increased Recycling of Empty Glass Beverage Container Grant Program
- The Empty Glass Beverage Transportation Grant Program
- Market development payment program for payments to a glass beverage container manufacturer who purchases recycled glass collected within the state for use in manufacturing new beverage containers in the state.
- Funds for the community conservation corps for beverage container litter reduction programs and recycling programs.

Resource History
(Dollars in thousands)

| Program Budget | 2017-18 | 2018-19 | 2019-2020 | 2020-21 | 2021-22 | 2022-23 |
|-------------------------|----------------|----------------|------------------|----------------|----------------|----------------|
| Authorized Expenditures | \$52,471 | \$55,800 | \$55,589 | \$57,528 | \$58,454 | \$60,847 |
| Actual Expenditures | \$1,216,522 | \$1,220,116 | \$1,246,313 | \$1,246,471 | \$1,287,886 | \$1,588,162 |
| Revenues | \$1,348,283 | \$1,335,205 | \$1,337,493 | \$1,507,177 | \$1,517,561 | \$1,524,967 |
| Authorized Positions | 214.37 | 239.36 | 240.41 | 243.88 | 244.75 | 242.02 |
| Filled Positions | 196.82 | 205.73 | 195.69 | 203.71 | 217.09 | 209.87 |
| Vacancies | 17.55 | 33.63 | 44.72 | 40.17 | 27.66 | 32.15 |

Workload History

| Workload Measure | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Audits of wine and distilled spirits beverage manufacturers and distributors | 0 | 0 | 0 | 0 | 0 | 0 |
| Development of eligibility criteria for newly established glass-related grants and awards. (# of criteria developed, one per grant) | 0 | 0 | 0 | 0 | 0 | 0 |
| Site visits to grant applications and glass market development payment recipients to evaluate program. (# of site visits) | 0 | 0 | 0 | 0 | 0 | 0 |
| Issuances of payments for glass-related grants and glass market development payments (# of times payments will be issued per FY for these programs) | 0 | 0 | 0 | 0 | 0 | 0 |
| Preparation of statistical analysis of new beverages and containers in the BCRP. (# of quarterly statistical analysis performed) | 0 | 0 | 0 | 0 | 0 | 0 |
| Draft emergency and permanent regulations for dealer cooperatives, wine and distilled spirits, nonconforming beverage containers, and related issues. | 0 | 0 | 0 | 0 | 0 | 2 |

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|--|-------|-------|-------|-------|-------|-------|
| Draft model dealer cooperative (DC) redemption plans and legal review of DC applications and individualized plans | 0 | 0 | 0 | 0 | 0 | 0 |
| Advise DOR management and staff on dealer, beverage manufacturer, and distributor implementation and compliance issues and prosecute noncompliant participants at the Office of Administrative Hearings. | 0 | 0 | 0 | 0 | 0 | 10 |
| Register beverage manufacturers and beverage distributors (# of applications reviewed) | 741 | 678 | 404 | 476 | 490 | 4,178 |
| Product Eligibility Determination and Container Review (# of products reviewed) | 1,470 | 1,053 | 838 | 881 | 933 | 1,415 |
| Ongoing management of Beverage Manufacturer and Distributor reporting and payment, education and communication (# of active accounts-both BM + DS) | 4,159 | 4,441 | 4,569 | 4,632 | 4,729 | 8,701 |
| Dealer Registration (# of dealers) | 0 | 0 | 0 | 0 | 0 | 2,500 |
| Ongoing management of Dealer database (# of dealers) | 0 | 0 | 0 | 0 | 0 | 2,500 |
| Evaluation of Dealer Square Footage and Size (not including supermarkets) (# of dealers) | 0 | 0 | 0 | 0 | 0 | 2,500 |

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|--|--------|--------|--------|--------|--------|--------|
| Zone expansion (# of zones) | 0 | 0 | 0 | 0 | 0 | 3,828 |
| Zone exemption review (# of zones) | 0 | 0 | 0 | 0 | 0 | 3,828 |
| Handling Fee Eligibility (# of yearly claim reviews) | 26,640 | 25,056 | 20,182 | 19,378 | 19,776 | 24,000 |
| Dealer Cooperative application review | 0 | 0 | 0 | 0 | 0 | 0 |
| Dealer cooperative model plans – consult with participants, develop and provide to dealer cooperatives | 0 | 0 | 0 | 0 | 0 | 0 |
| Dealer Cooperative ongoing management, payments, education, communication, update to locations of redemption, status, etc. (# of locations/zones registered) | 0 | 0 | 0 | 0 | 0 | 0 |
| Recycling center and dealer inspections that will cover additional beverages and material types from CRV beverage expansion, Dealer Cooperatives and additional dealers from Convenience Zone expansion. | 545 | 551 | 355 | 152 | 552 | 800 |
| Audits of Recycling Centers with high volumes of glass beverage containers | 0 | 0 | 0 | 0 | 0 | 20 |

C. State Level Considerations

Environmental Protection

SB 1013 and the addition of wine and distilled spirits in the BCRP will bolster CalRecycle's efforts to create a circular economy by increasing recycling and the re-use of materials that previously would often end up in landfills. Recycling of wine and distilled spirit containers will reduce the

overall impact to the environment and will decrease waste and greenhouse gas emissions generated by waste in landfills.

Currently, wine and spirit bottles are predominantly collected through curbside collection, with a glass recycling rate of 60 percent. Including wine and spirit containers in the BCRP will encourage consumers to redeem their empty wine and spirits containers at a recycling center rather than putting the bottles in curbside collection. Collecting wine and distilled spirits in plastic and glass containers will also benefit beverage manufacturers who are required to use postconsumer recycled materials and overall ensure the quality supply of glass containers for a circular economy.

By keeping the bottles separate from other curbside materials and redeeming them at recycling centers, containers will have lower processing costs and higher scrap value than containers collected through curbside due to less contamination. Improving the recyclability will spur a consumer surge to redeem at recycling centers that will reduce CO2 emissions, lessen energy demand, and reduce reliance on raw materials.

Grant Programs

To support the influx of glass bottles that will be added to the program, market development payments for glass and various grant programs are critical and will help address glass contamination and glass recycling. These include expanding glass cullet processing in the state, supporting pilot programs to collect glass bottles from restaurants and other retailers, and facilitating the transportation of empty glass bottles to glass processing facilities through rail.

Convenience Zones and Dealer Cooperatives

SB 1013 supports the pressing need for recycling infrastructure through redemption programs within underserved communities. New dealer cooperative redemption programs within chronically unserved convenience zones represent a major change to the BCRP made by SB 1013. This model will allow for greater flexibility and will increase consumer access and redemption opportunities. These changes will improve the collection and availability of clean glass material for postconsumer recycled content in the manufacturing of glass beverage containers and further advance California's circular economy goals. The expansion of convenience zones will also bring in more dealers to expand access for consumers in unserved convenience zones.

SB 1013's ambitious timeline recognizes the urgent need to conserve resources and prevent pollution. The BCRP redeems over 20 billion beverage containers per year and impacts every person that purchases an eligible beverage in the State of California, as well as beverage manufacturers, distributors, retailers, and members of the recycling industry, both in state and globally. Approval of this proposal will ensure the new programs mandated by SB 1013 can be fully implemented and the state continues to be a leader in the advancement of environmental protection and innovation.

D. Justification

SB 1013 dramatically changes the scope of the BCRP by adding thousands of additional permit holders to the program that must be registered and have their permits reviewed as well so they can be provided streamlined forms in order to facilitate the reporting requirements set forth by CalRecycle. Existing programs have been enhanced to facilitate implementation and access to beverage container recycling such as the increase to the Quality Incentive Payments from \$10 million to \$15 million and the changes to the definition of convenience zones which requires CalRecycle to re-define convenience zones across the state. In addition to enhancements to existing programs, SB 1013 introduces new programs that include dealer cooperatives, The Increased Recycling of Empty Glass Beverage Container Grant Program, Empty Glass Beverage Transportation Grant Program, Market development Payment Program for payments to a glass beverage container manufacturer who purchases recycled glass collected within the state for use in manufacturing new beverage containers in the state, and additional funds for the Community Conservation Corps for beverage container litter

reduction programs and recycling programs. Due to the complex changes to the BCRP, accelerated timelines to implement these changes, coupled with the regulatory and enforcement requirements necessary to implement and properly manage the program, CalRecycle requests 44 permanent ongoing staff and 15 two-year limited term staff to be hired over two fiscal years.

Positions

Registration

While the addition of wine and distilled spirits won't be effective until January 1, 2024, the beverage manufacturers and distributors will need to be registered prior to enable reporting and payments into the BCRF. Beverage distributors need to pay into the BCRF once these beverages are being redeemed for CRV at recycling centers.

To support this workload, CalRecycle is requesting:

- One (1.0) Staff Services Manager (SSM I)
- Five (5.0) Associate Governmental Program Analysts (AGPA)
- Ten (10.0) two-year limited term AGPAs

There are approximately 4,650 beverage manufacturers and distributors currently registered with CalRecycle and an estimated 7,839 new beverage manufacturer and distributor accounts that will be added to the BCRP with the implementation of SB 1013. The SSM I and five AGPAs will register new companies, determine which of their products are included in the BCRP, and ensure that the new material types are identified. The ten limited-term AGPAs will process the large increase of manufacturers and distributors up front while the permanent ongoing positions will maintain the annual workload on an ongoing basis.

Convenience Zones

SB 1013 will expand the current boundaries of the convenience zones and change the cap for the number of exempted convenience zones. This will impact dealers and recycling centers that may not currently be in a convenience zone. These changes are effective January 1, 2023, and require CalRecycle to map the new convenience zone boundaries, determine new convenience zone exemptions, and notify dealers and recycling centers that will be impacted by these changes.

To support this workload, CalRecycle is requesting:

- Two (2.0) AGPAs
- One (1.0) Research Data Analyst II (RDA II)
- One (1.0) Supervising Program Technician (Limited-Term)
- Four (4.0) Program Technicians II (PT II) (Limited-Term)

SB1013 requires that CalRecycle begin registering all dealers in convenience zones (something that is not currently done) by January 1, 2024, and exempt small dealers from certain requirements. It is expected that the number of dealers required to be registered will exceed 50,000 participants. The limited-term supervising program technician and four limited-term program technicians will be needed immediately to register the influx of participants as well as the anticipated 10,000 dealers that will need to be entered into DORIIS to enable exemptions and payments. The two AGPAs will determine which dealers are eligible for exemption as a "small" dealer on an ongoing basis as well as perform the ongoing work of registering participants and dealers into DORIIS.

The expansion of the convenience zones takes effect on January 1, 2023. The RDA II will begin mapping the new boundaries of the convenience zones immediately to establish compliance requirements for the new statute.

Dealer Cooperatives

SB 1013 creates a new program with the addition of the dealer cooperatives as an option to redeem in stores. The dealer cooperative program is similar to existing Extended Producer Responsibility Programs (EPR) at CalRecycle. A dealer cooperative is comparable to a stewardship organization. This new concept under BCRP will require rulemaking to clarify the processes for the dealer cooperative, submitting redemption plans, operational requirements, payments the dealer cooperative is eligible for, and how the dealer cooperative will be impacted when the convenience zone becomes served. Based on CalRecycle's experience with implementing EPR programs large and small.

To support this workload CalRecycle is requesting:

- One (1.0) Staff Services Manager II (SSM II)
- One (1.0) Staff Services Manager I (Specialist)
- Three (3.0) Associate Governmental Program Analysts (AGPA)

The SSM II will oversee the requested program and staff as well as be responsible for policy recommendations for the program. Under the direction of the SSM II, the Staff SSM I (S) and three AGPAs will work with Legal to adopt regulations, work to provide the required model plans as well as approve redemption plans submitted by participants. Staff will also clarify operational requirements, provide technical assistance to dealers to explain payment eligibility as well as monitor and evaluate outcomes when a convenience zone becomes served. Finally, staff will provide outreach and education for the public and industry participants. The new entities and programs require greater compliance oversight to support the changes in statute. Requested staff will ensure participants such as recycling centers receive the needed assistance and guidance necessary to navigate these changes.

Grant Programs

With the addition of new grant programs that take effect on January 1, 2023, CalRecycle will need to create a framework for the grant programs, work with existing BCRP participants, define new stakeholders eligible for grants as part of a public process, and establish data collection, monitoring, and reporting processes to ensure the success of these grants. New grant programs include the Increased Recycling of Empty Glass Beverage Container Grant Program, Empty Glass Beverage Transportation Grant Program, Market development payment program for payments to a glass beverage container manufacturer who purchases recycled glass collected within the state for use in manufacturing new beverage containers in the state, and additional funds for the community conservation corps for beverage container litter reduction programs and recycling programs to support the new workload for the grant programs.

To support this workload CalRecycle is requesting:

- One (1.0) SSM I
- Four (4.0) AGPAs

The SSM I and four AGPAs will develop grant guidelines and eligibility criteria via a public process, will establish grant application requirements, accept grant applications, award grants, create grant templates, work with Legal to ensure the appropriate execution of grant agreements as well as perform the function of grant managers to include working with grantees, ensure grant milestones are met, collect and analyze data related to new beverage containers in the BCRP as required by SB 1013 (i.e., wine in glass or wine in boxes, bladders, and pouches), and perform regular statistical analysis of the impacts of these containers and the incentive payments on the BCRP and BCRF.

Rulemaking & Enforcement

The addition of glass (from wine and distilled spirits) into the CRV program will increase the volume of glass material in the BCRP resulting in an increase in handling fee payments made by CalRecycle that will need to be validated. With the addition of the new box, bladder, pouch, or similar container alternatives along with the \$0.25 CRV for each container, additional oversight and assistance will be necessary to ensure recycling centers understand how to handle the material type and that they comply with CalRecycle guidelines. This expansion will also increase the need for monitoring of volume patterns and additional site inspections to ensure compliance with the Act and regulations.

To support this workload CalRecycle is requesting:

- Four (4.0) AGPAs
- One (1.0) SSM I

The requested positions will review high-volume glass CRV and box, bladder, or pouch, or similar container CRV claims for proper payment as well as monitor dealers and recycling centers to validate proper charging and payments of CRV are being made to consumers. Once CalRecycle adopts regulations these same staff will continue to monitor payments but will also perform inspections to ensure compliance with SB 1013 and CalRecycle regulations.

Additionally, due to the year and a half CRV labeling exemption for wine and distilled spirits, the requested staff will perform outreach to ensure recycling centers understand container eligibility to avoid refusals of compliant containers when the public attempts to recycle new container types.

SB 1013 creates a novel and unique set of laws adding wine and distilled spirits, nonconforming beverage container types, and a new model of redemption opportunities for dealers and consumers in unserved convenience zones. SB 1013 increases the need for regulations, grant review and implementation and ongoing enforcement activities.

To support this workload CalRecycle is requesting:

- One (1.0) Attorney IV
- One (1.0) Attorney III

With the anticipated increase of beverage manufacturers and distributors, CalRecycle needs additional attorneys to provide legal support to staff, draft regulations, and enforce redemption payments through the administrative hearing process. The Legal Affairs Office will be required to provide support for the implementation of the new dealer cooperative program by drafting comprehensive emergency and permanent regulations. The additional attorneys will provide BCRP with ongoing legal support for the dealer cooperative program by drafting model redemption plans, reviewing applications and individualized redemption plans, and enforcing compliance through informal and formal administrative hearings.

Audits and compliance

With the increase of beverage manufacturers subject to audit and compliance under BCRP across the state, it is critical to locate auditing activities in Northern, Central and Southern California to ensure adequate oversight and leadership of audit staff.

To support this workload CalRecycle is requesting the following staff beginning fiscal year 2024-25:

- Eight (8.0) Associate Management Auditors (AMA)

The addition of wine and distilled spirits increases the number of beverage manufacturers and distributors that are responsible for paying CRV redemption payments and processing fees to CalRecycle. The top 100 beverage manufacturers and distributors account for 75% of the total payments made to the BCRF. Auditing these top 100 entities every five years (per statute of

limitations) would allow audits to ensure compliance and mitigate risk of fraud in the program. CalRecycle would need to audit 100 additional companies every five years, or 20 companies per year requiring the addition of eight auditors.

A routine audit can take between 200 to 400 hours, averaging 300 hours per audit. Using 1,200 direct audit hours per auditor, each AMA can conduct three (3) to four (4) audits on average each year. Therefore, Audits will need eight AMAs to conduct the audits to cover the additional 100 companies every five years. The audits will commence in January 2025, one year after the new beverages are added to the BCRP.

Information Technology (IT) Support

CalRecycle is requesting: \$450,000 in one-time contract funding for DORIIS modifications due to SB 1013. Updates are needed to the following aspects of the system: Installed Base, Trade Community Architecture, Portal, Financials, Case Management, reporting updates. The system will be updated to accommodate the new product types, account types, organizations, rate categories, and overhaul of how convenience is defined and structured per SB 1013. Although CalRecycle is moving toward an updated system for DORIIS, this funding is needed in the interim to ensure operational need continues to be met prior to implementation of CRIIS which is intended to replace DORIIS.

Administrative Support

Due to the increase in staffing, CalRecycle is requesting the following for admin support:

- One (1.0) Staff Services Manager II (SSM II)
- One (1.0) SSM I
- One (1.0) Personnel Specialist
- Two (2.0) Associate Personnel Specialist (APA)
- One (1.0) AGPA
- Three (3.0) Accounting Officer (Specialist)
- One (1.0) RDA II

The SSM II in Human Resources (HR) will plan and direct the workload of subordinate SSM Is and professional analytical staff who process disability benefits, workers compensation, reasonable accommodations, Labor, CalRecycle's telework program, and employee training programs. Additionally, the SSM II provides recommendations to the HR Branch chief and executive management on policy and procedures related to the HR areas listed above.

The SSM I in Human Resources will oversee three Associate Personnel Analysts who perform focused recruitment efforts. This unit will be responsible for creating competitive job advertisements; marketing those advertisements on multiple platforms including social media, job boards, and diversity platforms; attending career fairs; performing analytics of days to filed, diversity, and retentions trends. Additionally, this unit will participate in statewide focus groups aimed to improve the statewide hiring process and increase the state's DEI efforts.

The two APAs will perform focused recruitment efforts. This unit will be responsible for creating competitive job advertisements; marketing those advertisements on multiple platforms including social media, job boards, and diversity platforms; attending career fairs; performing analytics of days to filed, diversity, and retentions trends. Additionally, this unit will participate in statewide focus groups aimed to improve the statewide hiring process and increase the states DEI efforts.

The Personnel Specialist will process health, dental, and vision benefits; prepares and issues employee pay; process garnishments; key employment changes; processes and audits leave usage; process new employee orientation; and provides payroll and benefit support to CalRecycle employees.

The three Accounting Officers (Specialists) will be responsible for processing handling fees from

distributors; process incentive and grant payments for the two new grant programs; process invoices for penalty assessments; collecting and depositing the funds; initiating and managing collection efforts on outstanding penalties with distributors.

The AGPA will provide Business Services support and functions, such as property management, lease development, facilities, space planning, fleet vehicles, telematics, maintenance, parking, remote/office-centered setups, service contracts, procurement, digital forms, and records management.

The RDA II will perform various analytical, technical, and research related functions to support the implementation of SB 1013, including data analysis of recycling rates and revenue forecasting to ensure the successful expansion of BCRP. This position will also assist with economic analyses for any rulemakings required by SB 1013 and other BCRP related efforts.

Projected Outcomes

| Workload Measure | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Audits of wine and distilled spirits beverage manufacturers and distributors (audits will commence 1/1/25) | 0 | 0 | 10 | 20 | 20 | 20 |
| Development of eligibility criteria for newly established glass-related grants and awards. (# of criteria developed, one per grant) | 3 | 3 | 0 | 0 | 0 | 0 |
| Site visits to grant applications and glass market development payment recipients to evaluate program. (# of site visits) | 4 | 16 | 16 | 16 | 16 | 16 |
| Issuances of payments for glass-related grants and glass market development payments (# of times payments will be issued per FY for these programs) | 0 | 14 | 14 | 14 | 14 | 14 |
| Preparation of statistical analysis of new beverages and containers in the BCRP. (# of quarterly statistical analysis performed) | 0 | 2 | 2 | 4 | 4 | 4 |
| Draft emergency and permanent regulations for dealer cooperatives, wine and distilled spirits, nonconforming beverage containers, and related issues. (# of regulations and associated tasks annually) | 2 | 2 | 2 | 2 | 2 | 2 |
| Draft model dealer cooperative (DC) redemption plans and legal review of DC applications and individualized plans and other issues related to dealer cooperatives. | 0 | 5 | 20 | 20 | 20 | 20 |

| | | | | | | |
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| Advise DOR management and staff on dealer, beverage manufacturer, and distributor implementation and compliance issues and prosecute noncompliant participants at the Office of Administrative Hearings associated with SB 1013 such as new containers and beverages. | 10 | 20 | 30 | 30 | 30 | 30 |
| Register beverage manufacturers and beverage distributors (# of applications reviewed) | 4,178 | 2,816 | 1,125 | 553 | 570 | 587 |
| Product Eligibility Determination and Container Review (# of products reviewed) | 1,415 | 1,277 | 1,106 | 1,047 | 1,047 | 1,047 |
| Ongoing management of Beverage Manufacturer and Distributor reporting and payment, education and communication (# of active accounts- both BM + DS) | 8,701 | 11,328 | 12,167 | 12,394 | 12,574 | 12,700 |
| Dealer Registration (# of dealers) | 2,500 | 10,000 | 7,000 | 6,000 | 4,500 | 3,000 |
| Ongoing management of Dealer database (# of dealers) | 2,500 | 12,500 | 15,000 | 15,000 | 15,000 | 15,000 |
| Evaluation of Dealer Square Footage and Size (not including supermarkets) (# of dealers) | 2,500 | 20,000 | 20,000 | 17,000 | 17,000 | 15,000 |
| Zone expansion (# of zones) | 3,828 | 25 | 25 | 25 | 25 | 25 |
| Zone exemption review (# of zones) | 3,828 | 300 | 300 | 300 | 300 | 300 |
| Handling Fee Eligibility (# of yearly claim reviews) | 20,016 | 22,000 | 24,000 | 24,000 | 24,000 | 24,000 |
| Dealer Cooperative application review | 0 | 0 | 20 | 50 | 30 | 20 |
| Dealer cooperative model plans – consult with participants, develop and provide to dealer cooperatives | 0 | 5 | 5 | 5 | 5 | 5 |

| | | | | | | |
|--|-----|-------|-------|-------|-------|-------|
| Dealer Cooperative ongoing management, payments, education, communication, update to locations of redemption, status, etc. (# of locations/zones registered) | 0 | 0 | 20 | 70 | 100 | 100 |
| Recycling center and dealer inspections that will cover additional beverages and material types from CRV beverage expansion, Dealer Cooperatives and additional dealers from Convenience Zone expansion. | 800 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 |

E. Analysis of All Feasible Alternatives

SB 1013 is an ambitious bill that makes substantial programmatic changes. In order to fulfill the intent of the Legislature and fully implement these measures, additional staffing is needed to develop and administer these new programs.

Alternative 1: Approve \$6.9 million in 2023-24 from the BCRF and hire 44 permanent positions and 15 two-year limited term positions phased in over two years and a one-time contract for a cost of \$450,000 in 2023- 24.

Pros:

These positions will enable CalRecycle to fully implement the statutory mandates of SB 1013.

Cons:

Increased cost from the BCRF for new staff.

Alternative 2: Delay the grant payments until January 1, 2024

Pros:

- Reduced initial cost.
- Gives CalRecycle time to build the grant programs in alignment with existing grant programs in CalRecycle.
- Gives CalRecycle time to provide education and outreach to potential grant awardees.

Cons:

Delay in implementation from the January 1, 2023, effective date of SB 1013.

Alternative 3: The Legal Affairs Office could stagger the start times for the three attorney positions. Instead of having all three positions begin in 2022-23. The Attorney IV would start in 2022-23 for rulemaking; the Attorney III would start in 2023-24 for the implementation of dealer cooperatives; and the Attorney I position would start in 2024-25 for increased enforcement activities. Office of Audits staff can start the beginning of 2024-25 instead of mid-year 2023- 24.

Pros:

Reduced initial cost.

Cons:

Audits of and Legal enforcement of new beverage manufacturers and distributors for compliance will not begin until July 1, 2025, 1.5 years after they are in the program. Questions and legal challenges for dealer cooperatives will not be fully addressed until 6 months after the establishment of the dealer cooperatives on January 1, 2025.

F. Implementation Plan

| IMPLEMENTATION TIMELINE | | |
|---------------------------|---|---|
| DATE | STATUTE | CALRECYCLE ACTIVITIES |
| 2022-23 | | |
| Beginning October 1, 2022 | Expand convenience zones | Map new boundaries |
| | Expanded zone status and dealer management | Analyze expanded zones and determine new CZ Status, process exemption applications Notification of dealers re: zone status and legal obligations as a result |
| | New grants programs and glass market development programs | Create new processes; determine eligibility criteria; establish payment plans |
| | "Small" dealer exemptions | Register dealers |
| | Addition of new beverages and containers | Outreach and education for beverage manufacturers and distributors |
| | Addition of new beverages and containers | Outreach and education for recyclers and processors |
| | Addition of new beverages and containers, implementation of dealer cooperative program, and new grant programs. | Legal Staff to support the new BCRP programs by interpretation, implementation (rulemaking) and enforcement |
| 2023-24 | | |
| July 1, 2023 | | |
| | New grants programs and glass market development programs | DOR, Operations staff to manage the grants programs and the glass market development program, conduct site visits, and issue payments |
| | Register new BM/DS for payments and reporting to begin Jan 1, 2024 | Conduct research to identify wineries and distilled spirit manufacturers Process registration of an anticipated 8,000 new parties Complete product determination and label reviews Accept and review CRV and processing fee reports and payments |

| | | |
|-----------------|---|---|
| | CRV increase and addition of new beverages Dealer requirements and dealer cooperatives | Hire DOR Enforcement Staff for enforcement of recyclers, processors, and dealers |
| January 1, 2024 | | |
| | Addition of new beverages | DOR, Operations staff for statistical analysis of new beverages and containers in the BCRP |
| | Dealer cooperative | DOR model redemption plans |
| 2024-25 | | |
| January 1, 2025 | New wine and distilled spirits beverage manufacturers and distributors in the BCRP | Begin Audits of new beverage manufacturers and distributors |
| | New grants programs and glass market development programs | DOR, Operations staff to manage the grants programs and the glass market development program, conduct site visits, and issue payments |
| | | DOR, Operations staff for statistical analysis of new beverages and containers in the BCRP |
| 2025-26 | | |
| | New grants programs and glass market development programs | DOR, Operations staff to manage the grants programs and the glass market development program, conduct site visits, and issue payments |
| | | DOR, Operations staff for statistical analysis of new beverages and containers in the BCRP |

F. Supplemental Information

NA

G. Recommendation

Approve Alternative 1.

BCP Fiscal Detail Sheet

BCP Title: Beverage Container Recycling: Implementation SB 1013

BR Name: 3970-028-BCP-2023-GB

Budget Request Summary

Personal Services

| Personal Services | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|---------------------------------|-------------------------|------------------------|----------------|----------------|----------------|----------------|
| Positions - Permanent | 0.0 | 36.0 | 44.0 | 44.0 | 44.0 | 44.0 |
| Positions - Temporary | 0.0 | 15.0 | 15.0 | 0.0 | 0.0 | 0.0 |
| Total Positions | 0.0 | 51.0 | 59.0 | 44.0 | 44.0 | 44.0 |
| Earnings - Permanent | 0 | 2,901 | 3,577 | 3,577 | 3,577 | 3,577 |
| Salaries and Wages | 0 | 980 | 980 | 0 | 0 | 0 |
| Earnings - Temporary Help | | | | | | |
| Total Salaries and Wages | \$0 | \$3,881 | \$4,557 | \$3,577 | \$3,577 | \$3,577 |
| Total Staff Benefits | 0 | 2,020 | 2,371 | 1,862 | 1,862 | 1,862 |
| Total Personal Services | \$0 | \$5,901 | \$6,928 | \$5,439 | \$5,439 | \$5,439 |

Operating Expenses and Equipment

| Operating Expenses and Equipment | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|--|-------------------------|------------------------|----------------|--------------|--------------|--------------|
| 5301 - General Expense | 0 | 46 | 53 | 40 | 40 | 40 |
| 5302 - Printing | 0 | 10 | 12 | 9 | 9 | 9 |
| 5304 - Communications | 0 | 36 | 41 | 31 | 31 | 31 |
| 5306 - Postage | 0 | 26 | 30 | 22 | 22 | 22 |
| 5320 - Travel: In-State | 0 | 97 | 112 | 84 | 84 | 84 |
| 5322 - Training | 0 | 26 | 30 | 22 | 22 | 22 |
| 5324 - Facilities Operation | 0 | 441 | 510 | 380 | 380 | 380 |
| 5340 - Consulting and Professional Services - External | 0 | 450 | 0 | 0 | 0 | 0 |
| 5340 - Consulting and Professional Services - Interdepartmental | 0 | 21 | 42 | 17 | 17 | 17 |
| 5344 - Consolidated Data Centers | 0 | 46 | 53 | 40 | 40 | 40 |
| 5346 - Information Technology | 0 | 153 | 177 | 132 | 132 | 132 |
| 5368 - Non-Capital Asset Purchases - Equipment | 0 | 97 | 112 | 84 | 84 | 84 |
| Total Operating Expenses and Equipment | \$0 | \$1,449 | \$1,172 | \$861 | \$861 | \$861 |

Total Budget Request

| Total Budget Request | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|-----------------------------|-------------------------|------------------------|----------------|----------------|----------------|----------------|
| Total Budget Request | \$0 | \$7,350 | \$8,100 | \$6,300 | \$6,300 | \$6,300 |

Fund Summary

Fund Source

| Fund Source | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|---|-------------------------|------------------------|----------------|----------------|----------------|----------------|
| State Operations - 0133 - California Beverage Container Recycling Fund | 0 | 7,350 | 8,100 | 6,300 | 6,300 | 6,300 |
| Total State Operations Expenditures | \$0 | \$7,350 | \$8,100 | \$6,300 | \$6,300 | \$6,300 |
| Total All Funds | \$0 | \$7,350 | \$8,100 | \$6,300 | \$6,300 | \$6,300 |

Program Summary

Program Funding

| Program Funding | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|--|-------------------------|------------------------|----------------|----------------|----------------|----------------|
| 3715 - Beverage Container Recycling and Litter Reduction | 0 | 7,350 | 8,100 | 6,300 | 6,300 | 6,300 |
| Total All Programs | \$0 | \$7,350 | \$8,100 | \$6,300 | \$6,300 | \$6,300 |

Personal Services Details

Positions

| Positions | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|---|-------------------------|------------------------|--------------|--------------|--------------|--------------|
| 1303 - Personnel Spec | 0.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 4159 - Assoc Mgmt Auditor | 0.0 | 0.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| 4546 - Accounting Officer (Spec) | 0.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| 4800 - Staff Svcs Mgr I | 0.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 4801 - Staff Svcs Mgr II (Supvry) | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| 5142 - Assoc Pers Analyst | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| 5393 - Assoc Govtl Program Analyst | 0.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 |
| 5393 - Assoc Govtl Program Analyst (Eff. 07-01-2023) (LT 07-01-2025) | 0.0 | 10.0 | 10.0 | 0.0 | 0.0 | 0.0 |
| 5731 - Research Data Analyst II | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| 5780 - Atty IV | 0.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 5795 - Atty III | 0.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 9925 - Supvng Program Techn II (Eff. 07-01-2023)(LT 07-01-2025) | 0.0 | 1.0 | 1.0 | 0.0 | 0.0 | 0.0 |
| 9928 - Program Techn II (Eff. 07-01-2023)(LT 07-01- 2025) | 0.0 | 4.0 | 4.0 | 0.0 | 0.0 | 0.0 |
| Total Positions | 0.0 | 51.0 | 59.0 | 44.0 | 44.0 | 44.0 |

Salaries and Wages

| Salaries and Wages | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|--|-------------------------|------------------------|--------------|--------------|--------------|--------------|
| 1303 - Personnel Spec | 0 | 55 | 55 | 55 | 55 | 55 |
| 4159 - Assoc Mgmt Auditor | 0 | 0 | 676 | 676 | 676 | 676 |
| 4546 - Accounting Officer (Spec) | 0 | 195 | 195 | 195 | 195 | 195 |
| 4800 - Staff Svcs Mgr I | 0 | 441 | 441 | 441 | 441 | 441 |
| 4801 - Staff Svcs Mgr II (Supvry) | 0 | 194 | 194 | 194 | 194 | 194 |
| 5142 - Assoc Pers Analyst | 0 | 152 | 152 | 152 | 152 | 152 |
| 5393 - Assoc Govtl Program Analyst | 0 | 1,417 | 1,417 | 1,417 | 1,417 | 1,417 |
| 5393 - Assoc Govtl Program Analyst (Eff. 07-01-2023)(LT 07-01-2025) | 0 | 746 | 746 | 0 | 0 | 0 |
| 5731 - Research Data Analyst II | 0 | 159 | 159 | 159 | 159 | 159 |
| 5780 - Atty IV | 0 | 151 | 151 | 151 | 151 | 151 |

| Salaries and Wages | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|---|-------------------------|------------------------|----------------|----------------|----------------|----------------|
| 5795 - Atty III | 0 | 137 | 137 | 137 | 137 | 137 |
| 9925 - Supvng Program Techn II (Eff. 07-01-2023)(LT 07-01-2025) | 0 | 52 | 52 | 0 | 0 | 0 |
| 9928 - Program Techn II (Eff. 07-01-2023)(LT 07-01-2025) | 0 | 182 | 182 | 0 | 0 | 0 |
| Total Salaries and Wages | \$0 | \$3,881 | \$4,557 | \$3,577 | \$3,577 | \$3,577 |

Staff Benefits

| Staff Benefits | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|--------------------------------|-------------------------|------------------------|----------------|----------------|----------------|----------------|
| 5150350 - Health Insurance | 0 | 589 | 692 | 543 | 543 | 543 |
| 5150450 - Medicare Taxation | 0 | 56 | 66 | 52 | 52 | 52 |
| 5150500 - OASDI | 0 | 241 | 282 | 222 | 222 | 222 |
| 5150600 - Retirement - General | 0 | 1,134 | 1,331 | 1,045 | 1,045 | 1,045 |
| Total Staff Benefits | \$0 | \$2,020 | \$2,371 | \$1,862 | \$1,862 | \$1,862 |

Total Personal Services

| Total Personal Services | FY23 Current Year | FY23 Budget Year | FY23 BY+1 | FY23 BY+2 | FY23 BY+3 | FY23 BY+4 |
|--------------------------------|-------------------------|------------------------|----------------|----------------|----------------|----------------|
| Total Personal Services | \$0 | \$5,901 | \$6,928 | \$5,439 | \$5,439 | \$5,439 |