

REQUEST FOR APPROVAL

To: Zoë Heller
Director

From: Kate Nitta
Assistant Chief Counsel, Legal Affairs Office

Request Date: March 12, 2025

Subject: SB 1013 Dealer Registration and Dealer Cooperatives

Action By: March 12, 2025

Summary of Request:

On February 24, 2025, CalRecycle withdrew the proposed SB 1013 Permanent Dealer Registration and Dealer Cooperative regulations from the Office of Administrative Law (OAL) prior to the conclusion of OAL's 30-day review. CalRecycle revised the proposed regulations to reduce discretionary language and conducted a second 15-day public comment period from February 24 to March 11, 2025. Staff request the Director's approval, by March 12, 2025, to submit the rulemaking package to OAL for review prior to the conclusion of the formal rulemaking period on March 15, 2025.

All information below remains unchanged from the prior Request for Approval, signed by the Director on December 17, 2024.

Senate Bill 1013 (2021-2022 Reg. Session, Chapter 610 of the Statutes of 2022) (SB 1013) amended the California Beverage Container Recycling and Litter Reduction Act (Act) to, on January 1, 2025, repeal the requirements in Public Resources Code (PRC) section 14571.6(a) for dealers to redeem all beverage container types or pay CalRecycle \$100 per day in an unserved convenience zone, and establish PRC sections 14510.2, 14578, and 14578.5 pertaining to dealers and dealer cooperatives. Commencing January 1, 2025, dealers in any unserved convenience zone, i.e., where no certified recycling center exists, must either:

- Redeem all beverage container types on the premises with three requirements related to (1) redemption location and hours, (2) redemption signage, and (3) delivery of empty beverage containers received from the public (PRC section 14578(a)(1)(A)-(C)); or
- Join a dealer cooperative and provide a dealer cooperative redemption plan to CalRecycle and implement the approved plan for redeeming beverage containers in the unserved convenience zone (PRC section 14578(a)(2)(A)).

SB 1013 also required CalRecycle to adopt, through regulation, a registration process for dealers.

The Act exempts a dealer from either redemption requirement if its gross annual sales are less than \$1.5 million, excluding fuel sales, or if the dealer is less than 5,000 square feet (PRC section 14578(b)(1) and (2)).

The Legislature enacted the new PRC sections 14510.2, 14578, and 14578.5 to facilitate the creation of more redemption points for California consumers to redeem their empty beverage containers through dealer cooperatives. Pursuant to PRC section 14578.5(b)(1) and (2), the Legislature mandated CalRecycle to adopt dealer cooperative regulations “that provide access and convenience for consumers that are comparable to subdivision (a) of Section 14571”. Therefore, the Legislature directed CalRecycle to address the current lack of access to California Redemption Value (CRV) recycling opportunities and consumer convenience problems in convenience zones where there are no recycling centers.

Specifically, pursuant to PRC section 14578.5, the Legislature mandated that CalRecycle address the problem of redemption access and consumer convenience by adopting regulations that “include the registration process for dealers, the application and registration process for the dealer cooperative, and the process for updating information after registration as needed, and other regulations necessary for the implementation and enforcement” of that subdivision. However, that section does not specifically dictate the processes to be used or what other regulations are necessary for implementation and enforcement. Rather, that section leaves the development of those processes and other regulations to the discretion of CalRecycle, the executive agency with subject matter expertise in the field of beverage container recycling. These proposed regulations implement, interpret, and make specific PRC sections 14510.2, 14578, and 14578.5, and integrate dealer cooperatives into the regulatory framework of the Beverage Container Recycling Program: chapter 5, division 2, title 14 of the California Code of Regulations (CCR).

Background Information, Analysis, and Findings:

Implementation of the proposed regulations should expand redemption opportunities for consumers to redeem empty beverage containers in underserved communities, increasing clean streams of recyclable materials to support a circular economy and reducing environmental litter by providing accessible and convenient recycling options.

Dealers are incentivized to form dealer cooperatives by eligibility for program payments under the Act, including handling fees, administrative fees, processing payments, and reimbursement for the CRV paid out to consumers. Dealers who choose not to join a dealer cooperative and instead redeem beverage containers in-store are not eligible for the foregoing payments and are only eligible to receive scrap value for the beverage containers they redeem on the premises.

Additionally, the proposed regulations will benefit the state’s environment because the requirement for dealer cooperatives to develop educational materials and conduct outreach will enhance consumer awareness of new redemption sites. As consumers become familiar with the new redemption sites, the shift in behavior may reduce

environmental pollution of beverage container litter. The proposed regulations also require dealer cooperatives to collect an amount equal to or greater than 80% of beverages sold by their dealer members. As a result, CalRecycle expects a reduction in environmental litter as well as a reduction in landfilling of empty beverage containers as dealer cooperatives will instead be capturing those containers in their redemption infrastructure and directing them to recycling.

Economic and Fiscal Impact:

The proposed regulations do not meet the criteria for major regulations specified in Government Code section 11342.548 and therefore do not need a Standardized Regulatory Impact Assessment. The estimated economic impact amount is below the \$50 million threshold for major regulations specified in Government Code section 11342.548.

CalRecycle estimates the total economic impact of the regulations is \$39.9 million, considering both costs and benefits. Costs of \$30.8 million incurred by regulated businesses are associated with dealer registration and redemption requirements, stewardship plan development, infrastructure purchasing and deployment, and operational costs. Benefits of \$9.1 million annually are expected from handling fees, administrative fees, and processing payments remitted to dealer cooperatives; not calculated are the intangible benefits to the state of reduced environmental litter and increased recycling rates. These proposed regulations do meet the criteria for major regulations specified in Health and Safety Code section 57005(b) for the California Environmental Protection Agency due to the economic impact amount exceeding \$10 million. The Economic and Fiscal Impact Statement (STD 399) includes a discussion of alternatives as required to be provided by the California Environmental Protection Agency pursuant to Health and Safety Code section 57005.

CalRecycle anticipates that 211 jobs will be created and 0 eliminated statewide, and that 20 business organizations will be created and 0 eliminated statewide. Dealer cooperatives will also create additional networks of buy-back opportunities in areas that are currently not served by a certified recycling center. CalRecycle also expects growth in recycling centers, processors, and transportation businesses to manage the increase in recyclable materials as dealer cooperatives are required to partner with these types of entities.

Additionally, CalRecycle made the following determinations: the proposed regulations do not impose any new costs or provide new benefits to local governments and will not result in any fiscal impact to any federally funded State agency or program. The statute and regulations will have a fiscal impact to the California Beverage Container Recycling Fund for the implementation of dealer registration, dealer cooperatives, and payment of handling fees to dealer cooperatives, as discussed in the appendix to the STD 399.

Recommendation:

The goal of dealer cooperatives is to expand convenient redemption opportunities for consumers to redeem beverage containers for the CRV deposit at dealer cooperative-operated collection sites in areas underserved by recycling centers. The statute and regulations incentivize the formation of dealer cooperatives by providing eligibility for program payments under the Act, including handling fees, administrative fees, processing payments, and reimbursement for the CRV paid out to consumers. The operation of dealer cooperatives in unserved convenience zones increases clean streams of recyclable materials to support a circular economy and reduces environmental litter by providing accessible and convenient recycling options tailored to the community.

CalRecycle is required to promulgate regulations to establish a registration process for dealers of beverage containers and establish a product stewardship framework for dealers to form dealer cooperatives in convenience zones without a recycling center to collect back from consumers the beverage containers sold into their local communities.

Based on the information presented in this Request for Approval, staff recommend the Director approve adoption of the proposed regulatory text for the implementation of Dealer Registration and Dealer Cooperatives.

Upon approval of this request, staff will work with the Legal Office to make the necessary filings with the Office of Administrative Law to enact the regulations.

Director Action:

On the basis of the information and analysis in this Request for Approval, I hereby approve the adoption of Dealer Registration and Dealer Cooperatives regulations amendments in CCR title 14, sections 2000, 2030, 2400, 2401, 2420, 2425, 2430, 2501, 2516, 2518, 2519, and 2530, and adoptions in CCR title 14, sections 2370, 2371, 2372, 2373, 2375, 2375.2, 2375.4, 2375.6, 2375.8, 2376, 2377, 2378, 2380, 2381, 2382, 2385, and 2386, and in doing so, fulfill CalRecycle's obligations pursuant to PRC sections 14510.2, 14578, and 14578.5.

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Zoë Heller
Director

Date Signed

Attachments:

1. Proposed Regulatory Language, Title 14 California Code of Regulations, Chapter 5.