Department of Resources Recycling and Recovery

SB 156 Handling Fee Rate Determination

NOTICE OF PROPOSED EMERGENCY ACTION

NOTICE IS HEREBY GIVEN that the Department of Resources Recycling and Recovery (CalRecycle) is proposing emergency regulations to amend section 2518, Chapter 5, Division 2, Title 14, of the California Code of Regulations (CCR) that establishes a new handling fee calculation methodology as mandated by Public Resources Code (PRC) section 14585(h). CalRecycle has complied with the requirement to provide notice of the proposed emergency rulemaking pursuant to Government Code section 11346.1(a)(2) and Title 1, CCR, section 50(b)(3)(A).

In compliance with Title 1, CCR, section 48, the following statement is included in this document: Government Code section 11346.1(a)(2) requires that, at least five working days prior to submission of the proposed emergency action to the Office of Administrative Law (OAL), the adopting agency provide a notice of the proposed emergency action to every person who has filed a request for notice of regulatory action with the agency. After submission of the proposed emergency regulation to OAL, OAL shall allow interested persons five calendar days to submit comments on the proposed emergency regulations as set forth in Government Code section 11349.6.

The five-calendar day written comment period permits any interested person, or their authorized representative, to submit written comments addressing the proposed emergency amendments to CalRecycle. Written comments, which offer a recommendation and/or objection, or support the proposed amendment, should indicate the amended section to which the comment or comments are directed.

Comments on the proposed emergency regulations must be submitted directly to OAL within five calendar days of when OAL posts the proposed emergency regulations on the OAL website. Comments on proposed emergency regulations should be submitted to the OAL Reference Attorney by mail to 300 Capitol Mall, Suite 1250, Sacramento, California 95814, by fax to (916) 323-6826, or by e-mail to staff@oal.ca.gov.

When submitting a comment to OAL, a copy of the comment must also be submitted to CalRecycle via:

Electronic Submittal: SB 156 Handling Fee Emergency Regulation Comment Period

OR

Postal Mail:

Claire Derksen
SB 156 Handling Fee Rate Determination Emergency Rulemaking
Department of Resources Recycling and Recovery, Regulations Unit
1001 “I” Street, MS-24B
Sacramento, CA 95814

The comment must state that it is about an emergency regulation currently under OAL review and include the topic of the emergency.

The public comment period will commence on May 27, 2025, when the emergency regulations are posted on OAL’s website. The public comment period will close on June 2, 2025. **Written comments should be sent to OAL and CalRecycle and received before the close of the public comment period no later than June 2, 2025.** Additionally, CalRecycle requests that written comments reference a subsection or section of the proposed emergency action.

Please note that under the California Public Records Act (Government Code section 7920.000 et seq.), your written and oral comments, attachments, and associated contact information (e.g., your address, phone number, email address, etc.) become part of the public record and can be released to the public upon request.

Copies of the proposed regulation text, the Finding of Emergency, and all of the information upon which this proposal is based are available upon request and on CalRecycle’s website accessible at the following internet address: www.calrecycle.ca.gov/Laws/Rulemaking/.

The rulemaking file is also available for review during normal business hours at CalRecycle, 1001 I Street, 23rd Floor, Sacramento, California. Please contact the agency contact person, Claire Derksen, at (916) 327-0089 or regulations@calrecycle.ca.gov, if you wish to review the rulemaking file in person. General or substantive questions regarding this file may also be directed to Claire Derksen.

FINDING OF EMERGENCY

The adoption of these regulations is deemed to be an emergency pursuant to PRC section 14585(h)(2) which provides that “Until June 30, 2027, the adoption of regulations described in paragraph (1) shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare for purposes of Sections 11346.1 and 11349.6 of the Government Code, and the department is hereby exempted from the requirement that it describe facts showing the need for immediate action. Notwithstanding Section 11346.1 of the Government Code, the emergency regulations adopted pursuant to this subdivision shall remain in effect through June 30, 2027.”

CalRecycle is proposing emergency regulations to amend section 2518, Article 2, Subchapter 6, Chapter 5, Division 2, Title 14, CCR that details the methodology of how to calculate the handling fee paid to eligible handling fee payment recipients. The usage of the terms “handling fee recipients” and “non-handling fee recipients” proposed in CCR 2518(b) are consistent with the changes in SB 156 replacing “certified recycling centers” with “handling fee recipients”.

OAL approved the Dealer Cooperative Regular Rulemaking on April 25, 2025, which made separate changes to section 2518, Chapter 5, Division 2, Title 14 CCR that are not currently in print, including the addition of the term “dealer cooperative,” change in reference from “Division” to “Department,” and the removal of the second sentence of section 2518(a)(2). The version of the regulatory text that is in this rulemaking file includes all changes that were incorporated by the Dealer Cooperatives rulemaking package and approved on April 25.

FINDING OF NECESSITY

CalRecycle proposes amending section 2518, Subchapter 6, Chapter 5, Division 2, Title 14 CCR. This amendment is necessary to establish a new handling fee calculation methodology as mandated by PRC section 14585(h).

In 1986, the California State Legislature enacted the California Beverage Container Litter Reduction and Recycling Act (AB 2020, Margolin, Chapter 1290) to reduce litter in the state by establishing the CRV deposit program for beverage containers to incentivize recycling. To encourage the return of CRV beverage containers, AB 2020 envisioned CRV redemption opportunities at shopping center locations to allow consumers to redeem their containers close to where people shopped. Thus the “convenience zone”, a one-mile radius around a supermarket, was born. PRC section 14585 authorizes handling fee payments for recyclers that operate in a convenience zone. PRC section 14585 also requires cost surveys to calculate the handling fee per container rate, determine who is eligible for payments, and how the handling fees are calculated annually.

Senate Bill 156 (Committee on Budget and Fiscal Review, Chapter 72, Statutes of 2024) set a temporary handling fee rate per container effective July 1, 2024, to be no less than the rate effective as of July 1, 2023 ($0.01092). Specifically, PRC section 14585(f)(3)(A) charged CalRecycle with establishing a new handling fee calculation methodology taking into consideration the effects of transportation, labor, volume, consumer convenience, and increasing recycling rates on providing and maintaining recycling in convenience zones.

Prior to SB 156, the methodology to calculate the handling fee was based on the cost survey that is completed biennially per PRC section 14585(f)(1). CalRecycle is proposing emergency regulations to amend section 2518, Subchapter 6, Chapter 5, Division 2, Title 14, CCR to set a new methodology for determining handling fee payment amounts. Under the proposed amended regulation, CalRecycle will set the handling fee payment at a baseline rate of $0.0125 per beverage container beginning July 1, 2025, or at a rate based on the biennial cost survey conducted under PRC section 14585(f)(1), whichever is greater. The rate will be adjusted annually to reflect changes to the Cost of Living Adjustment (COLA) as determined by Department of Finance's (DOF) California Consumer Price Index (CCPI). The CCPI is based on data from the United States Department of Labor's Bureau of Labor Statistics.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORT OR DOCUMENTS RELIED UPON

CalRecycle utilized the following sources in the development of the proposed regulations:

- Attachment 1: Economic and Fiscal Impact Statement (STD 399)
- Attachment 2: STD 399 Supplemental Information
- Attachment 3: 2025-26 Governor's Budget, California Beverage Container Recycling Fund, Public Resources Code section 14581 (handling fee)

AUTHORITY

These regulations are submitted pursuant to CalRecycle's authority under PRC sections 14530.5, 14536, 14552, 14578.5 and 14585.

REFERENCE

The amendments to section 2518, Article 2, Subchapter 6, Chapter 5, Division 2, Title 14 CCR are intended to implement, interpret and make specific PRC section 14585(f)(3)(A).

INFORMATIVE DIGEST

Summary Of Existing Laws And Effect Of The Proposed Action

In 1986, the California State Legislature enacted the California Beverage Container Litter Reduction and Recycling Act (AB 2020, Margolin, Chapter 1290) to reduce litter in the state by establishing the CRV deposit program for beverage containers to incentive recycling. Convenience zones are a one-mile radius around a supermarket intended to encourage the return of CRV beverage containers. Handling fee payments are supplemental payments only for recyclers that operate in a convenience zone.

PRC section 14513.4 defines handling fees as an amount paid for every beverage container redeemed in the convenience zone by an eligible recycler.

PRC section 14585 authorizes handling fee payments and describes who is eligible for payments, how handling fees are paid, and how handling fees per container are calculated as follows:

- Handling fees are paid on a monthly basis (PRC section *14585(a)(1))*.
- Handling fees are paid for each eligible container (PRC section *14585(a)(3))*.

- CalRecycle uses a standard container per pound rate for each material type for purposes of calculating and making handling fee payments (PRC section 14585(e)).
- CalRecycle sets the handling fee rate for each fiscal year. The funds to make handling fee payments are continuously appropriated for each fiscal year (PRC section 14581(a)(1)).
- CalRecycle conducts a biennial cost survey to determine the actual costs incurred for the redemption of empty beverage containers by handling fee recipients (PRC section 14585(f)(1)).
- Using the surveyed costs, CalRecycle determines the statewide weighted average cost incurred for the redemption of empty beverage containers, per empty beverage container (PRC section 14585(f)(2)).
- CalRecycle will calculate the handling fee per container rate using the methodology proposed in these emergency regulations until June 30, 2027. On and after June 30, 2026, if CalRecycle has not established a method, the handling fee per container amount shall be determined by subtracting the statewide weighted-average cost per container for recycling centers that do not receive handling fees from the statewide weighted-average cost per container for recycling centers that receive handling fees (PRC section 14585(f)(3)).

The costs to operate a recycling center in conveniences zones are typically higher than operational costs for non-handling fee sites. Handling fees are intended to supplement recyclers in convenience zones for those higher costs. The varying operational costs of recycling centers in any given year result in changes to the measured cost difference between handling fee sites and non-handling fee sites, which cause the handling fee rate to fluctuate each year, as illustrated in Table 1. These costs are determined through the biennial cost survey, and CCR section 2990 lists the allowable costs included in the biennial cost survey, which include direct labor, indirect labor, leases, transportation, utilities, overhead, and other business costs associated with operating a certified recycling center. In 2012, 2022, and 2024, the handling fee rate, as determined by the cost survey, dropped dramatically, at times by over 40 percent. These significant handling fee decreases occur when the costs surveyed to operate recycling centers in convenience zones are not much higher than operational costs for non-handling fee sites. This variability has resulted in fiscal uncertainty for recycling businesses receiving handling fees.

Whenever the measured rate dropped dramatically, the Legislature intervened through legislation to raise the handling fee rate with AB 1933 (Chapter, 540, Statutes of 2012), AB 203 (Chapter 60, Statutes of 2022), and SB 156 (Chapter 72, Statutes of 2024). Each legislative action sets the handling fee per container via legislation, as opposed to the measured costs yielded from the cost survey occurring every two years. SB 156, in addition to providing a short-term fix to the handling fee per container, charged CalRecycle to adopt emergency regulations to create a durable solution to remedy unexpected and drastic decreases to the handling fee per container.

The proposed methodology in these regulations follows the legislative precedent by establishing a fixed baseline rate that is expected to be higher or competitive with the rate as determined by the measured costs mandated by PRC 14585(f)(3)(A), to act as a stabilizer preventing the handling fee from falling below this amount. The shift to a fixed baseline rate provides a measure of security for recycling businesses.

CalRecycle presented the proposed concept at two workshops, on November 14, 2024, and December 2, 2024, of setting a handling fee baseline of $0.0125 to be used when the handling fee rate as determined by the cost survey is less than the baseline. A third workshop was held on February 12, 2025, to present the draft regulatory text and to address previous comments received during prior workshops. On April 21, 2025, CalRecycle noticed and posted on the website for comment revised draft regulatory text that contained further edits to the proposed regulatory text shared on the February 12, 2025. CalRecycle also sought industry recommendations for implementing a tiered handling fee allowed in SB 156. The feedback received from the industry overall has been favorable to CalRecycle's approach of setting a handling fee baseline and provided arguments against using a tiered methodology.

CalRecycle is pursuing emergency rulemaking to ensure that a rate, consistent with the legislative intent to provide sufficient economic incentive that ensures the recovery of beverage containers, is set as of July 1, 2025. This emergency rulemaking will mirror the prior legislative actions that set a fixed rate by setting the handling fee baseline of $0.0125 per beverage container beginning July 1, 2025, which CalRecycle will use to calculate handling fee payments, unless a rate established through the cost survey provides a higher per beverage container rate.

These proposed regulations provide a solution that follows the historical model set by legislation. The baseline of $0.0125 aligns with the changes to the handling fee that the Legislature instituted in 2022 and 2024. The handling fee set by the Legislature in PRC section 14585(g)(1) for July 1, 2024, was a 14% increase from the rate that they set effective July 1, 2022 (Assembly Bill 203, Chapter 60, Statutes of 2022). The baseline per container rate proposed in these emergency regulations of $0.0125 is a 14% increase from the last handling fee rate set by the Legislature on July 1, 2024. Setting a baseline rate that is a 14% increase over the current handling fee aligns with previous actions of the Legislature and, therefore, is considered a reasonable percentage change. The application of the COLA to the handling fee rate is also consistent with AB 203 and SB 156 directives.

Policy Statement Overview/Anticipated Benefits Of Proposal

The proposed regulations address the legislative mandate in SB 156 to establish a new handling fee methodology. The method selected stabilizes the handling fee that supports recycling businesses that operate in convenience zones which provide convenient recycling opportunities for consumers. Recycling centers collect only CRV beverage containers sorted by material type, which increases the number of beverage containers recycled. The more beverage containers that are returned to recycling centers, as opposed to the landfill or programs that do not sort materials in the same way that recycling centers do, the greater the benefit for the environment. The proposed regulations also meet broad policy objectives of the California Environmental Protection Agency (CalEPA), CalRecycle and the California Beverage Container Recycling Program in the following ways:

- Stabilizing handling fee payments to recycling businesses aligns with CalEPA's mission to help the state achieve the highest waste reduction, recycling and reuse goals in the nation through programs that improve economic vitality and environmental sustainability.
- Boosting recycling in convenience zones aligns with CalRecycle's mission to protect California's environment and climate for the health and prosperity of future generations through the reduction, reuse and recycling of California resources, environmental education, disaster recovery and the transition from a disposable to a fully circular economy.
- Supporting beverage container redemption in convenience zones is consistent with the legislative intent of the California Beverage Container Recycling and Litter Reduction Act statutory goals of convenient recycling for consumers and increasing recycling rates in the state pursuant to PRC section 14501(a) and (c).
- Providing fiscal stability to recycling centers to keep the doors open for consumers to conveniently recycle, diverting beverage containers from becoming litter or entering the landfill streams consistent with the intent of the California Beverage Container Recycling Program of reducing the beverage container component of litter in the state. This action was broadly supported by comments and feedback received when the proposed methodology concept was presented to the public.

Consistency and Compatibility with State Regulations

Pursuant to Government Code section 11346.5(a)(3)(D), CalRecycle conducted an evaluation of existing state regulations. The proposed regulations are not inconsistent or incompatible with existing state regulations. The Beverage Container Recycling Program (BCRP) is unique to the state of California, and there is not a similar program within the state. There are no other matters prescribed by statute applicable to this specific state agency or to any specific regulation or class of regulations.

INCORPORATION BY REFERENCE

The California Consumer Price Index for All Urban Consumers (California CPI-U) is referenced in the proposed text as the source for the annual COLA. The required basis for the annual COLA pursuant to PRC 14585 is the U.S. Bureau of Labor Statistics (BLS). The California Consumer Price Index for All Urban Consumers (California CPI-U), as calculated by the Department of Finance, is based on regional data published by the BLS. The California CPI-U is used by CalRecycle as it is representative of the statewide impact of those who receive handling fees.

All documents incorporated by reference in the final regulation text were reasonably available to the affected public from a commonly known or specified source. The source document is not published in these regulations because the Department must utilize the most currently published cost-of-living rate each year, and a static document will yield an obsolete number. Due to the evolving nature of this document, publishing the California CPI-U in the California Code of Regulations would be cumbersome, unduly expensive, or otherwise impractical.

EXISTING COMPARABLE FEDERAL REGULATION OR STATUTE

CalRecycle has determined that the proposed regulations do not significantly differ from federal law because there are no existing comparable federal statutes or regulations in this subject area.

OTHER STATUTORY REQUIREMENTS (GOVERNMENT CODE SECTIONS 11346.1(b) AND 11346.5(a)(4))

CalRecycle has determined that no other matters, as prescribed by statute, need to be addressed.

ANTICIPATED BENEFITS

The historical calculation of the handling fee rate is based on the costs of recyclers that operate in convenience zones. While CalRecycle strives to produce the most accurate results through its cost surveys, the resulting handling fee rate is subject to the ups and downs of economic costs experienced by recyclers. The multiple interventions from the Legislature to substitute a higher handling fee rate when costs are lower culminated in the legislative directive from SB 156 for CalRecycle to introduce a new handling fee methodology. CalRecycle interprets the intent of SB 156 as a mandate to address the fluctuation of the handling fee rate. Table 1 provides a 10-year history of the handling fee rates and demonstrates the fluctuations documented in the cost survey results.

Table 1 – Handling Fee History

Effective Date[1]	Handling Fee	COLA	Handling Fee with COLA
7/1/2015	$0.01035	1.1%	$0.01046
7/1/2016	$0.00924	2.8%	$0.00950
7/1/2017	$0.00924	5.8%	$0.00978
7/1/2018	$0.00793	5.1%	$0.00833
7/1/2019	$0.00793	8.4%	$0.00860
7/1/2020	$0.00894	4.5%	$0.00934
7/1/2021	$0.00894	6.3%	$0.00950
7/1/2022	$0.00950	9.0%	$0.01036

7/1/2023	$0.00950	14.9%	$0.01092
7/1/2024	$0.01092	6.0%	$0.01158

[1]In this context, “effective date” refers to the date on which the per-container handling fee rate became effective for payment calculations.

The proposed methodology in these regulations offers a fixed baseline as an alternative to the fluctuating cost survey amount ensuring that the handling fee will not be lower than the baseline amount of $0.0125. This proposed baseline methodology has the following anticipated benefits:

1. It insulates handling fee recipients from sudden payment decreases. The revised methodology allows CalRecycle to be responsive to its stakeholders by having the ability to use the baseline amount when the cost survey results are lower as opposed to relying on legislative intervention.
2. It provides stability and predictability for businesses to budget for their operating costs, knowing the handling fee baseline amount. Eligible handling fee payment recipients will receive the security of a minimum handling fee allowing them to plan and preserve their businesses with the additional benefit of providing or preserving employment opportunities that contribute to California’s economy.
3. It allows recyclers to benefit from the cost survey results when those results yield a higher handling fee than the baseline.
4. It supports consumers through the continued operation of recyclers to provide redemption services in convenience zones.
5. It supports the goal of the Act to provide convenient redemption opportunities and increase the recycling rate.

MANDATES ON LOCAL AGENCIES OR SCHOOL DISTRICTS

CalRecycle has determined that the proposed regulations do not impose a mandate on local agencies or school districts.

FISCAL IMPACT

PRC section 14585(a)(1) authorizes the continuous appropriation from the California Beverage Container Recycling Fund (BCRF) to expend the amount necessary each fiscal year for handling fees. Table 2 illustrates the estimated fiscal impact for this rulemaking as determined by using the difference between the current handling fee methodology (statewide average cost plus a COLA) and handling fee cost if the regulations are approved.

The cost to handle recycled beverage containers is determined through a biennial cost survey prescribed in PRC section 14585(f)(1). The handling fee is calculated by subtracting the statewide weighted-average cost per container for recycling centers that do not receive handling fees from the statewide weighted-average cost per container for recycling centers that do receive handling fees. Handling fees are paid monthly based on the number of beverage containers redeemed.

Table 2 - Estimated Impacts of Proposed Handling Fee Baseline

Fiscal Year (FY) 2025/26
Cost A - Historical Methodology (Cost Survey) (= HF Recipient Costs – Non-HF Recipient Costs)
$0.01165 HF Rate ($0.01092 + 6.7% COLA) • $79,431,106 Annual Total
Cost B - Proposed Methodology (Fixed Baseline)
$0.01281 HF Rate ($0.01250 + 2.5% COLA) • $87,343,460 Annual Total
Cost A and Cost B Difference (BCRF Fiscal Impact)
• **$7,912,354**

Explanation of Data Used in Calculation

Cost A - Historical Methodology costs were calculated using the handling fee rate of $0.01092 (the handling fee rate for FY 23/24 and 24/25) as determined by the most current cost survey results. If CalRecycle does not set a new methodology in regulations, it would revert to the historical cost survey methodology using the cost survey result determined biennially. For purposes of calculating the cost derived from this regulation in comparison to the status quo without regulations, the amount of $0.01092 before the COLA application is used as the current cost. The FY 2025/26 handling fee calculation is based on the 2024 cost survey completed per PRC section 14585(f)(1), which requires CalRecycle to complete a biennial cost survey. There is no projected handling fee for FY 2026/27 because the results of the 2026 cost survey, the next biennial cost survey to be completed, are unknown until the cost survey is completed.

Cost B – Proposed Methodology costs use the $0.01250 baseline handling fee rate for the proposed regulations.

COLA - Both Cost A and Cost B methodologies include an annual Cost of Living Adjustment (COLA). TThe COLA for each methodology is derived from the California Consumer Price Index for All Urban Consumers (CPI-U) - Calendar Year Averages published by the Department of Finance (DOF). DOF calculates the CPI-U utilizing the data published by the U.S. Bureau of Labor Statistics. The information, as posted on DOF's website on the third Friday of May, will be used to determine the COLA when calculating the handling fee. The information used for the cost analysis data was posted on DOF's website as of April 2025.

The COLA for Cost A reflects the COLA between the most recently concluded calendar year and the calendar year of CalRecycle's most recent cost survey data. The COLA for Cost B is the California % Change adjustment provided in the CPI-U for the most recently concluded calendar year.

Cost A and B Totals – The handling fee rates for Costs A and B were determined using the projected number of beverage containers as required by PRC section 14555(a)(1) to be handled in FY 2025/26. CalRecycle routinely generates and projects handling fee data and other information related to the Beverage Container Recycling Program; specifically, PRC section 14556(a)(5) requires CalRecycle to project the number of beverage containers eligible for handling fee payment.

Cost A and B Difference - As noted in Table 2, the proposed methodology will increase payments to eligible handling fee recipients by an average of $7.9 million in the first fiscal year of implementation, and the fiscal effect for subsequent fiscal years is expected to be similar to the fiscal effect of Fiscal Year 2025/2026.

Local Agencies or School Districts Subject to Reimbursement

CalRecycle has determined that the proposed regulations do not result in costs to any local agency or school district that must be reimbursed pursuant to Section 6 of Article XIII B of the California Constitution and Part 7 of Division 4 of the Government Code Section 17500 et seq.

Cost or Savings to Any State Agency

The projected annual cost of these regulations to the state is estimated to total $7,912,354, which will be incurred by CalRecycle as described in Table 2.

Non–Discretionary Cost or Savings Imposed Upon Local Agencies

CalRecycle has determined that there are not non–discretionary costs or savings imposed upon any local agencies.

Cost or Savings in Federal Funding to the State

CalRecycle has determined that adoption of these regulations will not have an impact on costs or savings in federal funding to the State.