

Department of Resources Recycling and Recovery
Processing Payment Emergency Regulations

Economic Impact Statement Supplemental Information

Background of Bill and Regulations

The California Beverage Container Recycling Program (BCRP) was established as a California Redemption Value (CRV) deposit and return system to create convenient beverage container recycling opportunities in the state. CalRecycle is tasked with ensuring consumers throughout the state have convenient recycling options to return their CRV beverage containers to and claim their deposit.

When the BCRP was created thirty-nine years ago, the law provided for a “reasonable financial return” for recyclers to provide sufficient economic incentive to ensure the recovery of the beverage containers. This “reasonable financial return” was further clarified in section 2975, Chapter 5, Division 2, Title 14 of the California Code of Regulations (CCR), which states: “The statewide average reasonable financial return for recycling centers shall be equal to the statewide average allowable costs calculated in section 2960 of this subchapter, multiplied by the average return on costs for the scrap and waste materials industry as determined from data contained in the most recent Dun and Bradstreet Standard Three Year Norm Report (published by Dun and Bradstreet Credit Services).” Due to adverse market conditions, the 2017 average return on costs for the scrap and waste materials industry reported by Dun and Bradstreet resulted in a negative reasonable financial return for the first time.

The Dun and Bradstreet Report discontinued publication of the index value for scrap and materials waste industry index in 2019. CalRecycle enacted emergency regulations to set the reasonable financial return for calendar year 2020, 2021, 2022, 2023, 2024 and 2025. To address the negative reasonable financial return, the historical instability of the Dun and Bradstreet index, and in response to feedback from industry that the Dun and Bradstreet index used to determine the reasonable financial return was not an accurate reference for the profitability of a recycling center, a 10 percent reasonable financial return was chosen by CalRecycle as it provides a financial incentive comparable to investing funds in other business ventures or stocks and is the same as rates paid by other government entities for similarly contracted work.

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 for calendar year 2026. This emergency rulemaking will again set the reasonable financial return for calendar year 2026 at 10 percent for all recyclers.

CalRecycle proposes to amend section 2975, Subchapter 12, Chapter 5, Division 2, Title 14, CCR to establish a specified reasonable financial return of 10 percent of the statewide average allowable costs provided in section 2960 of these regulations.

Anticipated Benefits from this Regulatory Action

By setting a reasonable financial return rate, the proposed amendment achieves the objective of the authorizing statute to establish an annual processing payment that includes a reasonable financial return for recycling centers. The proposed amendment provides the following benefits that are aligned with this objective:

- A 10 percent reasonable financial return provides a competitive return to entities investing in and operating beverage container recycling programs as compared to other investment opportunities.
- A fixed reasonable financial return is stable and adds consistency to the processing payment amount provided to recyclers.

Assumptions, Data Sources, and Calculation

Processing payments are calculated based on the difference between the scrap values offered to recyclers and the sum of the actual costs of recycling for certified recycling centers, plus the reasonable financial return (RFR). Expenditures for processing payments are funded through processing fee offsets from the Beverage Container Recycling Fund (Fund) and by beverage manufacturers who pay processing fees based on the method for determining processing fees and payments prescribed in Public Resources Code section 14575.

The change in the estimated processing payments from year to year is due to changes in the underlying scrap values, costs to recycle, and quarterly adjustments to the processing payments. The processing payment is then adjusted by the RFR.

STD. 399: Economic and Fiscal Impact Statement

Methodologies for Individual Answers – Fiscal Impact Statement

A. Fiscal Effects on Local Governments

5) No Fiscal Impact Exists: There is no anticipated fiscal effect on local government. No local governments will have any costs, savings, or revenue changes.

This regulation proposes a 10 percent RFR rate, which CalRecycle has continued to set since 2020. There are 57 recycling programs operated by local government entities that received processing payments in 2025. The total processing payments for these 57 entities is estimated to be \$9,276,780 if applying the 10 percent RFR rate for calendar year 2026, although the actual processing payments may be adjusted quarterly during the year based on the scrap values for individual material types. This amount is a subset of the total processing payments anticipated to be paid out in 2026 in the state of

California. The change in the estimated processing payments from year to year is not due to the establishment of the 10 percent RFR rate, but rather due to changes in the underlying scrap values, costs to recycle, and quarterly adjustments to the processing payments. Therefore, adoption of the proposed emergency regulations does not represent a meaningful change in the processing payment's impact on local government recycling programs that can be attributed to the 10 percent RFR rate.

B. Fiscal Effects on State Government

3) No Fiscal Impact Exists: There is no anticipated fiscal effect on state government. No state agency will have any costs, savings, or revenue changes.

This proposed rulemaking sets the RFR for calendar year 2026. The table below shows the historical (2020-2024) and projected (2025-2026) total processing payments paid out to all recyclers in the state of California. As shown, the RFR has been set at 10 percent since calendar year 2020. The Dun and Bradstreet Index historically used for the RFR calculation has been discontinued so it is unknown what the alternative rate would be for comparison.

The RFR rate is not the only factor that influences the processing payment cost. The processing payment cost projected for 2026 is based on the higher scrap values for glass and polyethylene terephthalate (PET) plastic, higher costs of recycling, higher volumes of beverage container material returned for recycling, and the quarterly adjustments to the processing payments. Public Resources Code section 14581(a)(5) authorizes the continuous appropriation of funds to cover any adjustments throughout the year in the processing fee offsets paid from the Fund. CalRecycle has continued the 10 percent RFR rate since 2020. Therefore, adoption of the proposed emergency regulations does not represent a meaningful change in the processing fee offset cost to the BCRF that can be attributed to the 10 percent RFR rate.

Calendar Year	RFR	Processing Fee Offset (from BCRF)	Processing Fees (from Beverage Manufacturers)	Processing Payment (to All Recyclers in CA)
2020	10%	\$133,159,100	\$33,453,058	\$158,708,045
2021	10%	\$147,502,195	\$39,748,783	\$179,903,998
2022	10%	\$116,129,940	\$30,258,494	\$137,503,249
2023	10%	\$108,289,807	\$23,014,143	\$128,359,893

2024	10%	\$193,197,186	\$43,578,370	\$211,638,413
2025 (projected)	10%	\$155,727,593	\$41,725,311	\$206,240,272
2026 (projected)	10%	\$167,778,356	\$41,987,457	\$205,409,277

C. Fiscal Effects on Federal Funding of State Programs

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