Department of Resources Recycling and Recovery
Processing Payment Emergency Regulations

Fiscal Impact Statement Supplemental Information

Background of Bill and Regulations

The California Beverage Container Recycling Program (BCRP) was established under the California Beverage Container Litter Reduction Act (Public Resources Code §14500 et seq.) as a California Redemption Value (CRV) deposit-and-return system to create convenient beverage container recycling opportunities in the state. The Department of Resources Recycling and Recovery (CalRecycle) is tasked with ensuring consumers throughout the state have convenient recycling options to return their CRV beverage containers and claim their deposit.

To support the recycling of beverage-container materials whose statewide scrap value is less than the statewide cost of recycling, CalRecycle establishes a processing payment by material type. Eligible recycling centers and programs receive those payments through the statutory payment structure.

Public Resources Code (PRC) §14575 establishes the methodology for calculating processing payments. The processing payment must be at least equal to the difference between the applicable scrap value and the sum of: (1) the statewide weighted average recycling cost determined from a statistically significant sample of certified recycling centers, adjusted annually by a cost-of-living adjustment (COLA); and (2) a reasonable financial return for recycling centers.

PRC §14575(b)(2) specifies that CalRecycle add a reasonable financial return (RFR) to the cost of recycling when determining the processing payment amount.

Under existing Title 14, Division 2, Chapter 5, Subchapter 12 Article 2, Section 2975 of the California Code of Regulations (14 CCR §2975), the reasonable financial return is calculated as the statewide average allowable cost (per 14 CCR §2960), multiplied by the average return on costs for the scrap and waste materials industry as published in the Dun & Bradstreet Standard Three-Year Norm Report. Dun & Bradstreet discontinued publication of the index value for the scrap and waste materials industry (SIC 5093) in 2019. CalRecycle therefore adopted emergency regulations setting the RFR at 10 percent for each calendar year from 2020 through 2026. This emergency rulemaking will again set the reasonable financial return for calendar year 2027 at 10 percent for all recyclers.

The proposed regulation amends 14 CCR §2975 to:

- Remove the calculation of the reasonable financial return using the Dun & Bradstreet index, which has been unavailable since 2019; and

- Set a fixed reasonable financial return of 10 percent of the statewide average allowable costs determined under 14 CCR §2960.

Processing payments are funded partly through processing fees paid by beverage manufacturers and partly through amounts deposited into the applicable material processing-fee accounts in the Beverage Container Recycling Fund (BCRF) under PRC Section 14581(a)(5). PRC §14575 establishes the calculation of the processing fee and the BCRF funded portion for each material type. CalRecycle sets the processing payment and processing fee rates on January 1st of each calendar year. In addition, CalRecycle pursuant to PRC §14575(f), as amended by Senate Bill 353 (Dodd, Chapter 868, Statutes of 2023), has the discretion to adjust the processing payments not more than once every three months if CalRecycle determines that the average scrap value based on the preceding 3-month period or the preceding 12-month period is lower than the scrap value used to calculate the current processing payment.

Anticipated Benefits from this Regulatory Action

PRC §14536.1 gives CalRecycle emergency rulemaking authority to implement PRC §14575 allowing CalRecycle to set the processing fee and processing payment rates on January 1 for that calendar year. The 10 percent RFR has been in continuous effect since calendar year 2020 via successive emergency regulations and the proposed emergency regulation reinstates the 10% RFR for calendar year 2027 to replace a defunct index. Its principal anticipated benefits are regulatory continuity and predictability.

- Provide a stable and predictable RFR percentage and calculation methodology for recyclers, beverage manufacturers, and the BCRF, eliminating the regulatory uncertainty associated with annual emergency readoption.
- Restore a functional rate-setting mechanism in 14 CCR §2975, which has been inoperative since 2019 due to the discontinuation of the Dun & Bradstreet index.
- Maintain continuity with the percentage used in annual rate calculations beginning in calendar year 2020 without asserting that historical use alone proves recycler sufficiency or absence of financial burden.

Assumptions, Data Sources, and Calculation

The RFR rate is a rate-setting input. Once it is applied to the cost-of-recycling calculation, three payment categories are affected:

- **Processing payment:** the formula-based payment established by material type when statewide scrap value is less than statewide weighted-average recycling cost plus the RFR. It is not a reimbursement of each recycler’s individual actual cost.

- **Processing fee:** a fee paid by beverage manufacturers under PRC §14575 that covers a portion of the processing payment.
- **Processing fee offset:** the difference funded through the applicable metal processing fee account under PRC section 14581(a)(5), which is funded through unredeemed CRV deposits from the BCRF.

The impact of the RFR on Processing Payments and Processing Fees is limited by the following:

I. Calculation of the Processing Payment

The RFR does not independently determine the processing payment and processing fee rates, but it directly affects both. PRC §14575 establishes the processing payment using statewide weighted-average recycling cost with COLA, a reasonable financial return, and the applicable statewide scrap value. Although the statute refers to the surveyed amounts as "actual recycling cost," the rate calculation does not reimburse each recycler's individual actual cost.

II. PRC §14575(f) Quarterly Processing Payment Adjustments to Recyclers Only

CalRecycle sets the processing payment and processing fee rates on January 1st of each calendar year. While the processing fee remains at this initial rate, PRC §14575(f) authorizes CalRecycle to adjust the processing payment (paid to certified recyclers) up to once every three months. The trigger is a five percent or greater change in the statewide 12-month scrap value for a given material type relative to the scrap value used as the basis for the currently effective processing payment, subject to two further determinations: (i) funds are available in the processing fee account for the material type, and (ii) the adjustment is necessary to further the objectives of the Beverage Container Recycling Program.

For the quarterly adjustments, CalRecycle determines the average scrap value for a specific beverage container material type for the most recent available three-month or twelve-month period directly preceding the quarter the processing payment is calculated for. If the scrap value is five percent more or less than the statewide average scrap value used as the basis for the processing payment currently in effect, CalRecycle adjusts the processing payment. CalRecycle does not make an adjustment that would decrease the processing payment unless the annual rate set on January 1st reduces the current effective processing payment rate.

This statutory mechanism is material to the impact analysis for two reasons. First, processing payments to recyclers can vary intra-year (up or down) in response to scrap value changes, while processing fees paid by beverage manufacturers remain fixed for the calendar year. Second, the year-over-year change in total processing payments is driven primarily by scrap value movements, container volumes, and quarterly adjustments, not by the RFR rate. Continuation of the operative 10 percent

RFR through this rulemaking does not alter the PRC §14575(f) quarterly adjustment mechanism. Quarterly increases in processing payments to recyclers that may occur during CY 2026 (e.g., the 1st-Quarter 2025 adjustment communicated in CalRecycle's November 2025 listserv notice) are independent of the RFR rate and do not flow through to processing fees paid by beverage manufacturers.

III. Calculation of the Processing Fee

Processing fees are paid by the beverage manufacturer to cover a portion of the cost of the processing payment for a material type. The amount of the RFR does not have a significant impact on the processing fees paid by beverage manufacturers or the processing fee offset paid from the BCRF. The RFR is not used to calculate the processing fee, however, the processing fee is equivalent to the processing payment and the proportion of this amount paid by the beverage manufacturer as determined by the recycling rate of the specific material type. For example, the beverage manufacturer pays ten percent of the processing fee for a container material type with a recycling rate of seventy-five percent or higher. The BCRF covers the remaining portion (90%) of the processing payment. The level of the RFR affects processing payments and therefore affects both beverage manufacturer processing fees and the BCRF-funded amount.

Baseline used in this analysis

The 10 percent RFR has been in continuous effect since CY 2020 via emergency regulations. The proposed emergency regulation does not change the operative rate. The economic impact of the proposed regulation, measured against the operative rate as the baseline, is therefore $0 incremental cost and $0 incremental benefit.

The existing regulation absent the emergency regulation setting the fixed 10% rate relies on the Dun & Bradstreet index which has been discontinued. The last published Dun & Bradstreet index was based on a sampling of data from 2018. This is not a viable alternative as it no longer fulfills the intent of using the Dun & Bradstreet index of obtaining the most current industry data.

Table 1: Historical and Projected Processing Payment, Processing Fee, and Offset Amounts, CY 2020-2026

Calendar Year	Processing Fee Offset (BCRF)	Processing Fees (Bev Manufacturers)	Processing Payment (All Recyclers)
2020	$133,159,100	$33,453,058	$158,708,045
2021	$147,502,195	$39,748,783	$179,903,998
2022	$116,129,940	$30,258,494	$137,503,249

Calendar Year	Processing Fee Offset (BCRF)	Processing Fees (Bev Manufacturers)	Processing Payment (All Recyclers)
2023	$108,289,807	$23,014,143	$128,359,893
2024	$193,197,186	$43,578,370	$211,638,413
2025	$155,727,593	$41,725,311	$206,240,272
2026 (projected)	$167,778,356	$41,987,457	$205,409,277

Source: CalRecycle program data and October 2025 emergency rulemaking supplemental information; CY 2025-2026 figures are projected and subject to quarterly adjustment.

Fiscal Impact Statement — Supplemental Information

A. Fiscal Effects on Local Governments

5) No fiscal impact exists. No anticipated fiscal effect on local government. The proposed regulation codifies the 10 percent reasonable financial return that has been in continuous effect since CY 2020 via emergency regulations; no incremental costs, savings, or revenue changes accrue to local government from this rulemaking.

Context: there are approximately 57 recycling programs operated by local government entities that received processing payments in CY 2025. The total processing payments to these 57 entities are estimated at $9,276,780 if applying the 10 percent reasonable financial return for CY 2026 (subset of the total $205,409,277 projected processing payments shown in Table 1). These payments are funded by the BCRF and represent continuation of payments these entities have received under the operative 10 percent rate since CY 2020.

B. Fiscal Effects on State Government

3) No fiscal impact exists. No anticipated fiscal effect on state government. The proposed regulation codifies the operative 10 percent rate; no incremental costs or savings to state agencies result from this rulemaking. Processing fee offsets are paid from the BCRF , which is financed through unredeemed CRV deposits and continuously appropriated under PRC §14581(a)(5). The BCRF has sufficient funds to make these payments. No General Fund expenditure is required by, or attributable to, the proposed regulation.

C. Fiscal Effect on Federal Funding of State Programs

3) No fiscal impact exists. The proposed regulation will not affect any federally funded state agency or program. The BCRP is a state-funded program established under

California statute; no federal funding is involved in the processing payment, processing fee, or processing fee offset calculations.