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Cc: Claire Derksen
Processing Payment Emergency Regulations
Department of Resources Recycling and Recovery, Regulations Unit
1001 "I" Street, MS-24B
Sacramento, CA 95812

Nov. 13, 2023

Topic: Processing Payment Emergency Regulations

Dear OAL Reference Attorney and Ms. Derksen,

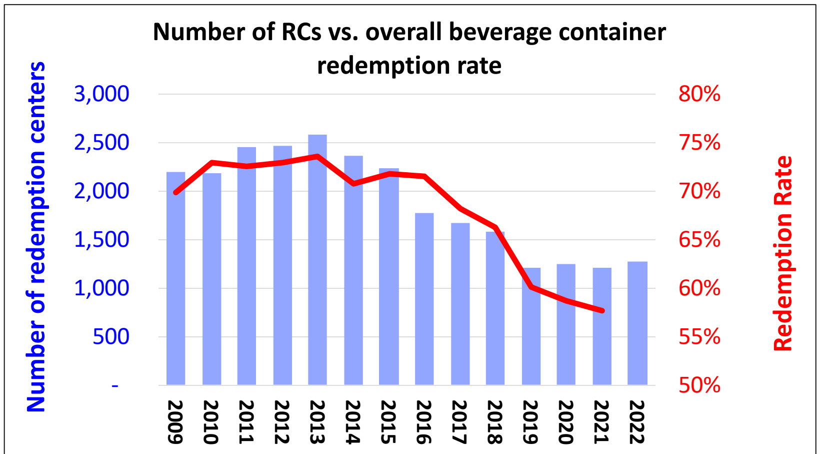
The Container Recycling Institute supports CalRecycle's proposal to extend the Processing Payment Emergency Regulations for another year. It would be preferable, however, to have a 10% RFR written into statute, rather than repeatedly issuing emergency regulations—this is the seventh time CalRecycle has done so.

The Emergency Regulations suggest a value of 10% for the RFR (reasonable financial return) that is added to the processing payments that are made to certified recyclers. Processing payments are meant to offset the difference between recycling centers' operating costs and the revenues they take in from scrap sales. "Recyclers" include recycling centers, and curbside and drop-off programs.

Section 14575 (b) (2) of the *California Beverage Container Recycling and Litter Reduction Act* requires CalRecycle to pay to add a "reasonable financial return" to the calculation of the processing payments that are made to recyclers. In 2017, there was a change in the availability of data from Dunn and Bradstreet, making inoperable the prior method of assessing the percentage amount for the "reasonable financial return," or RFR. In 2017, CalRecycle developed emergency regulations to establish the percentage for RFR, and every year since, for the last seven years, CalRecycle has gone through the emergency regulations process to establish 10% as the reasonable financial return. It would be far more efficient for all parties involved to instead amend statute to specifically enumerate 10% as the appropriate reasonable financial return going forward, saving all of us from the repetitive, annual emergency regulations process.

As you know, recycling centers (RCs) across the state have been closing steadily due to their inability to make a profit under current economic conditions. Since the closure of rePlanet redemption centers in August 2019, the number of redemption centers has floated between 1,200 and about 1,275 across the state. The public's reduced access to redemption opportunities as a result of 1,307 RCs closing their doors (a 51% loss since 2013) has led to sharply declining redemption rates, as shown by the red line in the chart on the following page.

One reason for these RC closures (represented by the blue columns in the chart) is that the payment formula to redemption centers **did not take into account the multiple increases in California's minimum wage over the last several years.** The financial information used is three years old, dating from the 2020 cost study when the minimum wage for small businesses was $12 per hour. The minimum wage has increased three times since then, and will go up again to $16 per hour on January 1, 2024. The standard CPI-based cost of living adjustment (COLA) is smaller than the increase in minimum wage in California.



Source data from CalRecycle. Redemption rates derived by multiplying published recycling rates by participant shares for recycling centers.

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There are inadequate incentives for RCs to operate. While the number of redemption centers has largely stabilized over the last two years, the state has still lost over half of its redemption centers in the last 8 years of steady decline. Despite years of emergency regulations being repeatedly issued, the most recent number of redemption centers has not drastically increased; as of Nov. 9, 2023, there are 1,261 redemption centers operating in California, compared to 1,271 in late 2022, and 1,264 in early 2022, and 1,218 in early 2021. These data are indicative of how reticent businesses are to join the redemption system: if they thought they could generate a profit, there would be more entrepreneurs opening new redemption centers.

We are hopeful that the passage of SB353 will significantly improve and stabilize redemption center economics.

The declining redemption rates shown in the graph on this page of this letter represent hundreds of thousands of tons of wasted metal, plastic, and glass; increased greenhouse gas emissions and other environmental damages from a failure to recycle; more litter on our state's roads, beaches, parks, and waterways; and thousands of lost jobs in the recycling industry.

While the bottle bill could benefit from a wide range of improvements, extending the emergency regulations is one immediate step that needs to be taken to curtail the loss of redemption centers.

Please feel free to contact me to discuss these issues further.

Sincerely,

Susan Collins

Susan Collins
President and Executive Director, Container Recycling Institute