

**DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

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September 30, 2014

Irena Asmundson
Chief Economist
Department of Finance
915 L Street
Sacramento, CA 95814-3706

Dear Ms. Asmundson:

Thank you for your August 4, 2014 letter transmitting comments on the standardized regulatory impact assessment (SRIA) for the compostable materials and transfer/processing regulations CalRecycle is proposing. Following please find a summary of each of your comments followed by a CalRecycle response.

DOF Comment #1:

First, the implication that higher costs on their own would create more jobs to the regulated waste management and remediation services industry is incorrect. This is likely due to the decision to change the rental cost of capital, as this affects substitution between capital and labor usage, leading to the positive job impacts. However, there does not seem to be any reason to change that parameter, and in general, higher costs should lead to job losses. For example, while the purchase of machinery and equipment benefits the sectors providing such services, these are additional costs to the regulated industry. On the other hand, if the regulations leads to growth in the supplying and regulated industries by offering greater certainty for investment, we would expect there could be positive job impacts overall. That argument should be made explicitly, even if the benefits are difficult to quantify.

Department Response:

CalRecycle agrees with this comment and revised Section II. E. of the SRIA by stating that, in general, while some economic models may predict that the higher costs resulting from the proposed regulations should lead to job losses, the Department expects the proposed regulations to create positive, net job growth in the waste management, remediation and laboratory services industries by offering greater certainty for investment and from the efforts of businesses to comply a lower cost.

DOF Comment # 2:

Second, there are some errors in the submitted SRIA. Some of the economic impacts are characterized as indirect, rather than total, as in Table 3. This mislabeling changes how the impacts are evaluated and needs to be corrected. In addition, while the presentation of compostable materials and in-vessel digestion separately provides useful detail, it may be helpful to also report the total impact of the proposed regulations in these areas. Direct references to the results in Table 3 would make the discussion on job creation/elimination, competitive advantage/disadvantage and increase/decrease in investment more transparent.



Department Response:

Thank you for pointing out these errors. CalRecycle revised Section II. D. of the SRIA by changing "indirect costs" to "costs" in Table 3 and adding Table 4 that summarizes the total costs of the proposed regulations.

DOF Comment #3:

Modeling the direct effects of Alternative 2 would also allow a more straightforward comparison to the impacts of the proposed regulations.

Department Response:

CalRecycle modeled the direct effects of Alternative 2 and revised Section IV. B. of the SRIA by adding Table 6 that summarizes the cost of Alternative 2.

DOF Comment #4:

Finally, we suggest the introductory section be expanded to discuss the wider benefits that would be made possible with these regulations. Composting could play a large part in meeting California's goals to reduce or divert solid waste. Strictly speaking, these issues are outside the scope of regulatory impact, but form a large part of the justification for the need to adopt these regulations. We think it would benefit the public's understanding to include such context.

Department Response:

CalRecycle included an expanded discussion of the wider benefits of the proposed regulations in Section I. A. of the SRIA.

If you have any questions, please contact me at (916) 341-6376, robert.holmes@calrecycle.ca.gov, or Ken Decio at (916) 341-6313, ken.decio@calrecycle.ca.gov.

Respectfully,



Robert Holmes, Manager
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