

**DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

1001 I STREET, SACRAMENTO, CALIFORNIA 95814 • WWW.CALRECYCLE.CA.GOV • (916) 322-4027
P.O. BOX 4025, SACRAMENTO, CALIFORNIA 95812

December 18, 2014

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

Dear Ms. Asmundson:

Thank you for your November 18 letter transmitting comments on the standardized regulatory impact assessment (SRIA) for CalRecycle's Proposed Regulations for the Used Mattress Recovery and Recycling Program. Please find below a summary of each of your comments followed by a CalRecycle response.

DOF Comment #1:

First, the report should outline the expected method of operation for the MRO. This should include CalRecycle's estimate of the timing of the formation of the MRO and their general structure, including how they will interact with consumers and what service level they will provide.

Department Response:

The Department has included additional information in the SRIA regarding potential program mechanics, to be developed and implemented by the MRO, which was certified by the department on November 5, 2014.

DOF Comment #2:

The report notes that two direct impacts of the regulation are infrastructure costs and labor costs for recyclers, which are omitted from the REMI model. Including these costs would necessitate higher fees for consumers. If fees increase above the current disposal fees due to the operation of the MRO, that would have to be modeled separately as an impact on consumers, and the benefits of the regulation may be overstated.

Department Response:

Infrastructure costs and labor costs were considered in the economic analysis, but not modeled in REMI. Given the ample surplus warehouse space, for example, CalRecycle believes that the ensuing impacts from these costs would be small.



DOF Comment #3:

Beneficiaries of the disposal fees would switch from landfills to mattress recyclers under the proposed regulations. Because both sectors reside in the same sector in the model that CalRecycle has used for the analysis, there should be no impact of the disposal fees on this sector, although there may be an increase in labor intensity from breaking down mattresses rather than dumping. It is also unclear whether the negative impacts to landfills are taken into account with respect to jobs and output. The overall output impacts may thus be overstated. Additional distributional impacts include how the MRO would implement a plan to bring used mattresses to recyclers to avoid illegal dumping when there is no new mattress purchase involved – the efficacy of these mechanisms would affect the recycling rate, and thus the economic impacts.

Department Response:

Depending on how the MRO designs and implements the program, fees could be higher than assumed in this economic assessment, which would result in additional economic impacts. There may be distributional impacts that are not accounted for in this analysis; however, the potential design features of the program are difficult to predict at this time.

DOF Comment #4:

The report could usefully expand the discussion on the fiscal impact to state and local government of the proposed regulations, which may extend beyond the required CalRecycle staffing costs for oversight, education, and outreach. CalRecycle should identify the impact of the regulations on other governments or agencies, such as the impact on correctional facilities, or the avoided clean-up costs of illegal dumping for local governments.

Department Response:

The SRIA identified cost benefits to state and local governments and cited a few examples, but CalRecycle does not have data for additional analysis. Correctional facilities are statutorily exempt from collecting the mattress recycling charge, and subsequent remittance of those monies to the MRO.

DOF Comment #5:

It is incorrect to assign increases in staffing costs to the REMI variable for increases in final demand for the office administrative services industry. Rather, the additional staff represents an increase in state employment that is to be paid for by the fees assessed.

Department Response:

CalRecycle agrees that the correct way of modeling staff increases is to put those in the state government, with the increases being paid for by mattress buyers via an assessment fee. While the suggested change in the input variables will change the resulting estimates slightly, altering the specific variables as suggested would likely have little overall impact.

If you have any questions, please contact me at (916) 341-6605,
Brenda.Smyth@calrecycle.ca.gov.

Sincerely,

A handwritten signature in black ink that reads "Brenda Smyth". The signature is written in a cursive style with a large, prominent initial "B".

Brenda Smyth, Branch Chief
Statewide Technical and Analytical Resources Branch