

Robert Chester
California Air Resources Board
1001 I Street
Sacramento, CA 95814

January 22, 2024

Dear Mr. Chester:

Thank you for submitting the Standardized Regulatory Impact Assessment (SRIA) and summary for the SB 54 Plastic Pollution Prevention and Packaging Producer Responsibility Act, as required in the California Code of Regulations, title 1, section (a)(1). Comments are based upon the SRIA and other publicly available information.

The proposed regulation implements SB 54 and applies waste hierarchy strategies to reduce the environmental and health impacts of single-use packaging and plastic food services ware pollution by focusing on waste reduction and moving to a circular economy with a phased-in approach beginning on January 1, 2028. The proposed regulation facilitates shifting the burden of managing single-use packaging and plastic food service ware waste from local governments to the producers of the material, impacting 5,741 large producers, 7,874 small producers, and 546,269 non-regulated typical businesses. Additionally, the producers would be required either on or after January 1, 2032, to reduce plastic covered material by 25 percent, meet a 65 percent recycling rate goal and ensure that all covered material offered for sale, distributed in, or imported into the state is recyclable or compostable. SB 54 also requires producers to establish a Producer Responsibility Organization (PRO) for the purpose of developing and implementing an Extended Producer Responsibility (EPR) program for packaging and single-use food service ware. The total direct cost over the regulation's implementation period (FY 2022-23 to FY 2031-32) is \$36.3 billion in which the highest annual costs occur in fiscal years 2029-30 and 2030-31 with estimated direct costs of around \$7 billion per fiscal year. The proposed regulations are anticipated to generate \$40.3 billion in benefits due to avoided costs associated with fewer emissions, less litter, and less contamination in recycling streams resulting in improved efficiency in recycling infrastructure. State government would see a decrease in revenue from disposal stream tipping fees of approximately \$4 million over the regulation's implementation period.

Finance generally concurs with the methodology in the SRIA, with the following exceptions. First, the SRIA must identify any changes in the amount of operating income received by state and local agencies. The SRIA estimates that the impact on personal income will exceed \$1 billion in several years with the highest impact being \$5.2 billion in 2030. State income tax revenue is typically equal to about 4 percent of state personal income, thus, a \$1 billion change in income could cause income tax revenue to change by about \$40 million unless the affected population has unusually high or low incomes. The SRIA should provide estimates for the regulation's expected impact on tax revenue for each year of the analysis.

Second, the baseline should include the number and description of affected producers and individuals and/or households. The SRIA indicates the number and type of affected producers in the direct costs to businesses section but does not include this estimate and description in the economic baseline. The number of individuals and/or households affected should also be reflected in the economic baseline. Finally, while the SRIA states that the direct cost per household after full implementation could be as high as \$329 per year, the total direct costs to all affected individuals and/or households throughout the regulation's implementation period must be quantified.

These comments are intended to provide sufficient guidance outlining revisions to the impact assessment if a SRIA is required. The SRIA, a summary of Finance comments, and any responses must be included in the rulemaking file that is available for public comment. If any significant changes to the proposed regulations during the rulemaking process result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

Somjita Mitra Digitally signed by
Somjita Mitra
Date: 2024.01.22 16:44:07
-08'00'

Somjita Mitra
Chief Economist

cc: Ms. Dee Dee Myers, Director, Governor's Office of Business and Economic Development
Mr. Kenneth Pogue, Director, Office of Administrative Law
Ms. Yana Garcia, Secretary for Environmental Protection, California
Environmental Protection Agency