SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1149 (Jackson) - Recycling: market development payments: polyethylene terephthalate plastic

Version: June 18, 2026
Urgency: Yes
Hearing Date: June 29, 2026

Policy Vote: TRANS. 13 - 0, E.Q. 7 - 0
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would restructure, extend, and expand the plastic market development payment (PMPD) for reclaimers, as specified.

Fiscal Impact:

- Cost pressures of up to $70 million total over two years from July 1, 2027 to July 1, 2029 (Beverage Container Recycling Fund [BCRF]) due to the extension of the Department of Resources Recycling and Recovery's (CalRecycle's) authorization to make PMPD payments as specified.
- CalRecycle estimates any changes in administrative costs due to this extension would likely be minor and absorbable.

Background: The BCRP was established over 30 years ago with the enactment of Chapter 1290, Statutes of 1986 (AB 2020, Margolin). The purpose of the program is to be a self–funded program that encourages consumers to recycle certain beverage containers. The program accomplishes this goal by first requiring consumers to pay a deposit for each eligible container purchased. Then the program guarantees consumers repayment of that deposit—the California Redemption Value, or "CRV"—for each eligible container returned to a certified recycler. Statute includes two main goals for the program: (1) reducing litter and (2) achieving a recycling rate of 80 percent for eligible containers.

Eligible beverage containers. Only certain beverage containers are part of the CRV program. Whether a particular container is part of the program depends on the material, size, and content of the container. Most containers made from glass, plastic, aluminum, and bimetal (consisting of one or more metals, including steel usually) are eligible, though there are exceptions. For example, containers for wine, spirits, milk, and soy drinks are not eligible for CRV, regardless of the container type. Container types that are not included in the CRV program are most cartons, such as milk cartons, and pouches made from multiple materials. Any container that holds 64 ounces or more is also not eligible.

Program expenditures. Not all CRV–eligible containers are recycled, and therefore the CRV deposit paid when a consumer purchased these containers is never redeemed. This means that distributors pay more CRV into the BCRF than is claimed by consumers. For example, for the past few years the BCRF has received roughly $1.5 billion in deposits, but only about $1.1 billion—or roughly 75 percent—was spent on redemption payments. State law requires that much of the unredeemed CRV be spent on specified recycling–related programs.

PMDP. The PMDP was established in 2006 to support markets for recycled empty plastic beverage containers in California. To support plastic recycling markets in state, CalRecycle can make payments from the bottle bill fund to PET plastic reclaimers that wash and produce plastic feedstock from empty plastic beverage containers collected in the state for recycling. The payments are also available to product manufacturers that use this plastic feedstock to manufacture plastic products with recycled content in the state. PMDP only applies to bales of plastic that comes from containers in the Bottle bill, and each entity that claims a payment is responsible for ensuring that they only claim payments for material that is in the Bottle bill.

To assist in determining the proper amount of CRV materials claimed for PMDP, CalRecycle determines a statewide average PMDP rate for polyethylene terephthalate (PET) and high-density polyethylene (HDPE) each year. The rates are used to determine the total eligible PMDP payments for certified entities and product manufacturers after excluding material that isn't eligible such as plastic from out of state or industrial scrap.

CalRecycle is authorized to make PMDP payments up to $150.00 per ton. In 2023, SB 101 (Chapter 12, Budget Act of 2023) appropriated $47 million for PMDP payments through June 30, 2027. Lawmakers budgeted $10 million for market development payments during the current program year.

Bale quality and tiering in the PMDP. Reclaimed PET plastic bales can be of different quality. Higher quality bales, classified as "A" bales, are currently 94% or more PET by weight including caps and labels still attached. 6% of the bale may be contamination from lower quality thermoforms. 'B' bales are lower quality PET bales typically between 83 to 93% PET by weight.

Beginning January 1, 2024, CalRecycle established a tiered payment structure for PMDP. The intent behind this structuring is to incentivize participants who produce PET #1 or use PET #1 for new beverage containers, prioritizing higher quality bales that can be used for closed loop bottle-to-bottle recycling.

Under the tiered structure, CalRecycle currently expends BCRF funds to pay up to $150 per ton to reclaimers processing A-grade bales of deposit PET containers, and $75 per ton for lower quality bales: CalRecycle has changed these rates over time.

State of plastic recycling of PET. According to CalRecycle's 2024 State of Disposal and Recycling report, the proportion of PET plastic sent to Mexico has increased, representing about 51 percent of all exports of scrap plastics 1 and 2 from California.

While recycled content requirements, such as those created in AB 793, have sought to establish robust recycling markets by requiring recyclability and post-consumer recycled content, these measures do not specifically set requirements for purchasing in-state recycled content. This is an important distinction for the in-state reclaimers that benefit from the PMD payments. Currently, there are only four reclaimers currently operating in the state that purchase PET bales .

There are even fewer reclaimers of lower quality B bales. In the summer of 2025 rPlanet Earth which specialize in generating B bales (which typically denotes curbside-collected material). According the association of plastic reclaimers, this closure was due in part to: low demand for its products while competing against a surge of low cost imported material and cheap, oversupplied virgin plastic. These dynamics are driven by two factors: brands pulling away from recycled content commitments to instead buy more new virgin plastic, and by brands choosing to buy imported rPET to meet their U.S. recycled content requirements instead of buying from US recyclers like rPlanet . The $100 million plant, opened in 2018, had the capacity to manufacture 80 million pounds of packaging annually.

Proposed Law: This bill would restructure, extend, and expand the PMDP for reclaimers in the following manner:

1. Extend the sunset on the PMD program from July 1st 2027 until July 1st 2029;

2. Specify that there shall be a singular PMDP for California reclaimers, replacing the existing tiered payment structure where higher quality bales are eligible for higher payments;

3. Increase the PMPD payment from the existing $150 per ton to $300 per ton;

4. Authorize CalRecycle to expend up to $35 million annually for PMD payments; and

5. Authorize CalRecycle to recommend to the Legislature further funding levels needed to sustain and expand in state processing and manufacturing of plastic bottles.

Related Legislation:

AB 899 (Ransom, Chapter 627, Statutes of 2025) authorizes CalRecycle to increase the cap on market development payments for glass beverage container manufacturers from $50 to $150 per ton and to expend $20 million per year from BCRF for these payments.

Staff Comments: The PMPD payment system has been in place since 2006; over the course of the 20 years that the payment program has been implemented, the payments have increased from the original $5 million per year allocation.

AB 1149 would not only extend the PMDP, but would also increase potential expenditure for PMD payments to as much as $35 million annually and further double the price per ton paid to reclaimers from $150 to $300 per ton.

The increase in payment over the last 20 years reflects a continued struggle for in-state plastic recycling, despite establishing requirements for recycled content. After 20 years of increasing payments, it is reasonable to question whether PMDP is a short-term boost to recyclers as they reach market viability, or a long-term subsidy that supports an in-state market that is important to advancing California’s recycling goals.

While reclaimers may need more incentive payments to be economically viable and support California recycling goals, it is less clear whether or not doubling the payment per ton is both necessary and sufficient to support in state recycling.

In the May Revision, to the 2026-2027 Budget, the Governor has proposed to increase the PMDP rate to $200 per ton, alongside additional significant investments in the BCRP, including $100 million for infrastructure.

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