
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

SB 1341 (Cabaldon) - Beverage containers: wine and distilled spirits: processing fees

Version: April 28, 2026

Urgency: No

Hearing Date: May 11, 2026

Policy Vote: E.Q. 7 - 0

Mandate: No

Consultant: Ashley Ames

Bill Summary: This bill would authorize the California Department of Resources Recycling and Recovery (CalRecycle) to decrease the processing fee on box, bladder, pouch, or similar containers for wine or distilled spirits under the Beverage Container Recycling Program (BCRP).

Fiscal Impact:

- Forgone revenues of an unknown amount, likely around \$1 - \$2 million annually until January 1, 2031 (Beverage Container Recycling Fund [BCRF]), due to the manufacturers of wine and distilled spirits sold in boxes, bladders, and pouches paying a lower processing fee on those containers than they otherwise would have paid absent this bill.
- CalRecycle anticipates the costs of any additional workload 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.

Program revenues and expenditures. Any unclaimed CRV is retained in the Beverage Container Recycling Fund (BCRF) and used for recycling-related purposes as specified in statute. In 2024-25, for example, the BCRF received roughly \$1.5 billion in deposits, but only about \$1.1 billion—or over 70 percent—was spent on CRV redemption payments. State law requires that much of the unredeemed CRV be spent on specified recycling-related programs. These supplemental programs are not directly involved in the exchange of CRV, but they are intended to help achieve the programmatic goals of increased recycling and reduced litter.

Processing payments, fees, and offsets. For many material types, the cost of recycling containers is greater than the value of the recycled material, which is referred to as the “scrap value.” This means that, absent some additional financial support, accepting these containers from consumers and recycling them would be unprofitable for recyclers and processors, and they would be unlikely to do so. In addition, recycling these containers has benefits that are not reflected in their scrap value, such as reduced litter, environmental benefits like reduced greenhouse gas emissions, and preservation of the

resources used to make virgin materials. For these reasons, the state subsidizes recycling by making “processing payments” from the BCRF to recyclers and processors.

Processing payments are intended to cover the difference between a container’s scrap value and the cost of recycling it (including a reasonable rate of return). In 2024-25, the BCRF is projected to pay \$178 million out in processing payments. Both the costs of recycling and the scrap value of beverage containers can fluctuate significantly based on changing market prices. As a result, processing payments vary over time.

The cost to the BCRF of making processing payments is partially covered by the beverage manufacturers who produce these containers when they pay “processing fees” into the BCRF. The reason for having manufacturers pay processing fees is because they are the ones that produce and benefit from disposable containers, and therefore are assessed for some of the costs of their disposal or recycling. The processing fees are calculated based, in part, on the number of containers each manufacturer sells. While processing fees used to cover the full cost of making processing payments to recyclers and producers, over time the financial burden on manufacturers has been reduced. Processing fee revenues were about \$45 million in 2024–25.

The difference between the processing fees paid by manufacturers and the processing payments paid to recyclers and processors is made up by the BCRF. This expenditure is referred to as the “processing fee offset.” Since 2003, processing fees and offsets have been determined on a sliding scale based on recycling rates. As recycling rates for specific materials increase, beverage manufacturers that produce containers from those materials pay proportionally less in processing fees. This sliding scale or tiered system is intended to provide manufacturers more of an incentive to produce containers that are likely to be recycled by linking their processing fee costs to recycling rates. Some manufacturers have also argued that the sliding scale provides an incentive structure for manufactures to encourage recycling of their products. Processing fee offsets are projected to be \$188 million in 2024-25.

Adding wine and spirits. SB 1013 (Atkins) added wine and spirits contained in a glass bottle, box, bladder, or pouch to the BCRP with a CRV of 25 cents, regardless of the beverage container material. While glass is highly recyclable, the others are not.

- *Boxes and cartons.* While some boxes could be made from coated cardboard (which is highly recyclable through curbside recycling), some are cartons. Cartons contain layers of fiber products, plastics, and thin layers of aluminum for waterproofing and shelf stability. Very few facilities accept cartons as it is laborious to separate the layers into separate, raw materials.
- *Bag-in-a-box.* The box of a bag-in-a-box doesn’t require the same layers as a carton, since the bag is waterproof. However, the bag must be removed from the box, which is an additional labor cost. The box, though it is otherwise recyclable or compostable through curbside programs, is typically discarded. The bag can be made from a variety of materials, including #7 plastic or a combination of plastic laminate with PET, low density polyethylene (LDPE) or ethylene vinyl acetate. Neither option is easy to recycle. #7 plastic (categorized as “other” by CalRecycle) had a processing payment of \$0.14789, 162 times the cost of PET. LDPE had a processing payment

of \$0.01907, 20 times higher than PET. A product made with several layers of different plastics adds additional complexity to the recycling process.

- *Pouches*. Similar to cartons and bags-in-boxes, pouches are made with several layers. The packaging manufacturer MTPAK makes wine pouches with layers of Polyethylene (PE), nylon or PET, and aluminum. As with cartons and bags-in-boxes, separating the layers to be recycled is difficult (if possible at all). Therefore, these pouches are difficult to recycle, regardless of how recyclable each constituent part is.

Without data on the cost of recycling, CalRecycle gave boxes, bladders, and pouches a placeholder processing payment, equivalent to the processing payment for HDPE (\$0.00654 per bottle), until data became available. For 2026, CalRecycle released actual processing payments for bags-in-boxes (BIB), multilayered pouches (MLP), and paperboard cartons (PC) based on real recycling data, resulting in huge fee increases -- manufacturers of BIB, MLP, PC would have to pay processing fees 4 to 50 times higher than they paid the previous year. While manufacturers could anticipate this processing fee increase, they might not have anticipated such a large increase.

Proposed Law: This bill would authorize CalRecycle, until January 1, 2031, to decrease the processing fee for box, bladder, pouch, or similar containers of wine or distilled spirits. Specifically, it would:

1. Authorize CalRecycle, until January 1, 2031, to decrease the processing fee for box, bladder, pouch, or similar containers containing wine or distilled spirits, as specified:
 - a. Down to a floor of a value greater than or equal to the processing fee for HDPE plastic beverage containers if CalRecycle determines that the aggregate amount forecast for collection will exceed, by a percentage determined by the department, the aggregate amount needed to pay out the processing payment for the same category of containers.
2. Allow CalRecycle, once each year and if the processing fee for a beverage container that is a box, bladder, pouch, or similar container, containing wine or distilled spirits is higher than the processing fee established above, to increase the processing payment for these same containers.

Related Legislation:

SB 1013 (Atkins) added wine and spirits contained in a glass bottle, box, bladder, or pouch to the BCRF with a CRV of 25 cents, regardless of the beverage container material.

AB 939 (Sher, 1989), the Integrated Waste Management Act of 1989, established a state recycling goal of 75% of solid waste generated to be diverted from landfill disposal.

Staff Comments: According to CalRecycle's January – June 2024 BCRF report, for fiscal year 2023-24, 19 million CRV-eligible beverages in boxes, bladders, and pouches

were sold. Only 150,271 of those containers were returned, resulting in a recycling rate of less than 1%. For the following year, 2024-25, CalRecycle projects that 43 million will be sold and 926,532 redeemed for a recycling rate of 2%.

The manufacturers of boxes, bladders, and pouches paid processing fees of \$60,000 in 2023-24 and are projected to pay \$315,455 in 2025-26. CalRecycle anticipates processing fee revenue for this container category will jump to \$2.7 million in 2025-26, likely due to the increase in processing fees starting in 2026.

Should CalRecycle decrease the processing fee for boxes, bladders, and pouches containing wine and distilled spirits to the floor equal to the HDPE processing fee, it would decrease processing fee revenues. Assuming manufacturers sell the same number of these containers as were sold in 2023-24, forgone revenues would likely be less than the low millions of dollars annually. It is possible that CalRecycle could decrease the box, bladder, and pouch processing fee by a smaller increment, such that the amount of the fee would be between the current processing fee (or future fee that's calculated by CalRecycle based on data for boxes, bladders, and pouches) and the floor of the HDPE processing fee allowed under this bill. A smaller processing fee decrease would result in forgone revenues of a lesser amount and would be commensurate with the size of the processing fee decrease. Alternatively, CalRecycle could opt to not use the authority provided by this bill to decrease the processing fee, which would result in no fiscal impact.

CalRecycle notes that any amount in processing fees not paid by the beverage manufacturers would need to be covered by the BCRF as the processing fees go towards the processing payments that recyclers receive. The processing fees are structured to both reimburse recyclers via the processing payments and incentivize the use of more recyclable material that have robust markets and a higher scrap value. Recycling centers receive a processing payment for each beverage container type collected with a scrap value less than the cost of recycling that material. The processing payment is intended to cover the difference between scrap values and the costs to recycle the beverage container, plus a reasonable financial return. All beverage containers within the BCRP, except for aluminum, are currently eligible for a processing payment. Aluminum has a high scrap value and high recycling rate; thus, it is not eligible for processing payments. Per PRC 14575, processing payments are based on a statewide survey of the actual costs to recycle.

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