RESOURCE RECOVERY
COALITION OF CALIFORNIA

RECOVERY PROPOSAL

Introduction

The Resource Recovery Coalition of California (Resource Coalition) is comprised of California-based collection and recycling companies that operate throughout the State. Many of our members are multi-generation family owners who live in the communities they serve. Over decades, our members have worked in partnership with their cities and counties to reduce litter, pollution, and greenhouse gas (GHG) emissions that create poor air quality in their communities, all while bolstering the local economy by creating more jobs through recycling.

Our members are vital essential service providers, especially during the COVID-19 crisis. They maintain jobs during a time of high unemployment, they provide a sense of normalcy to residents by continuing their routes through the community, and they prevent a future public health and safety crisis that would be caused by uncollected garbage. However, unlike other essential service providers, our members work with no guarantee of payment. As discussed in the updated financial impact analysis from May 15, 2020, the industry in Northern California is projecting an 18% drop in gross revenue as of May 1, 2020. This projection accounts for factors such as extended stay-at-home orders and the slow return of non-essential businesses over a long-term, multi-phased reopening. However, the overall financial impact has three main components identified in this document, along with proposals on how to address each.

1. **Loss of Revenue**

Upon the immediate closure of non-essential businesses in compliance with stay-at-home orders beginning in mid-March 2020, the industry saw a substantial decrease in commercial and construction tonnage and an increase in residential tonnage. Many businesses reduced or canceled their service resulting in a significant drop in revenue. At the same time, as most people remained home, some providers increased service in the residential sector, with no additional compensation.

The 18% drop in gross revenue projected by our members is not sustainable for any business in any industry for long. In the immediate short-term, some members were able to address the revenue shortfall by reducing costs where possible and utilizing Small Business Administration programs, like the Paycheck Protection Program (PPP). However, many of the program restrictions prevented more members from securing PPP loans. **We would support changes to the PPP that may include:**

- Revisions to the business affiliation rules to expand eligibility for businesses that have similar ownership but are separate legal entities.
- Extending the time loan recipients have to use the money. Though the State is starting to re-open, it will take a long time for service levels to return to usual.
- Providing more flexibility as to how the money can be spent and still qualify for loan forgiveness.

Our members are beginning to see a move in the right direction as construction projects resume and businesses slowly re-open. Additionally, most of the members that were able to secure PPP loans believe it will cover most of their immediate losses, provided greater economic hardship does not continue much longer. However, we anticipate the full financial impact on the industry may not be realized for several months. The many factors influencing this include how long it may take for most businesses to re-open and operate at their usual service levels, whether some businesses are permanently closed, and whether there will be a slowdown in construction as we move into a pandemic-induced recession. Additionally, we do not expect the industry to have fully recovered by the fall, at which point a potential second wave of stay-at-home orders and business closures would have a detrimental effect on long-term recovery.

2. Bad Customer Debt

As mentioned above, our members will continue providing vital essential waste and recycling services to ensure the health and safety of their communities. In some cases, this means providing services without payment. Currently, our financial impact projections are based only on what customers have been billed and do not account for nonpayment of bills in either the commercial or residential sector. Unemployment claims in California now top 5.1M, and we are facing an even larger budget deficit than the Great Recession in 2008. As the economic fallout of COVID-19 continues in the coming weeks and months, we anticipate the number of waste and recycling service bills going unpaid as a result will grow. We may not know the full impact of bad customer debt on our member companies for quite some time.

We support the National Waste and Recycling Association's (NWRA) efforts at the federal level regarding compensation for essential waste and recycling services negatively impacted by COVID-19. NWRA is seeking an amendment to the Coronavirus Aid, Relief, and Economic Security (CARES) Act that would allow businesses to use PPP loan funding to pay waste and recycling service bills. Currently, the PPP allows loan recipients to use up to 25% of the loan for interest, rent, and certain specified utility payments. A new bill introduced in the House of Representatives on May 22, 2020 by Representatives McKinley and Tonko would include "waste and recycling collection services" as a covered utility payment. **The Resource Coalition strongly supports this bill (H.R.6987).** This change to the PPP would address some of the bad debt issues our members are already experiencing in the commercial sector.

Additionally, the Resource Coalition further supports NWRA's proposal to create a federal program whereby deemed critical essential infrastructure public works services, including waste and recycling, can submit unpaid contracts that have resulted in unrecoverable bad customer debt for government consideration of payment. This will be particularly important to support our vital essential services and infrastructure in the event a second wave of coronavirus outbreak in the fall triggers additional stay-at-home orders and closures.

3. Inability to Raise Rates

Waste and recycling service rates are negotiated between the service provider and the local jurisdiction and are typically adjusted no more than once per year. Increases in rates account for, among other things, cost of living adjustments, added services, and changes in law that impose new requirements. Many rate increases that had been scheduled or under negotiation before the crisis are needed to cover the costs of implementing statewide organics recycling programs to achieve our GHG reduction targets as required by SB 1383 (Lara, 2016). SB 1383 is critical for California to achieve its climate change goals, and it requires large-scale infrastructure investment that cannot be shouldered by businesses and residents alone. Due to the economic hardship being felt by residents, businesses, and local jurisdictions alike, many rate increases are now being delayed or canceled. This exacerbates the financial impact on waste and recycling service providers and jeopardizes successful implementation of the SB 1383 regulations.

To address these concerns, the Resource Coalition has partnered with the League of California Cities in their Support Local Recovery campaign. The campaign aims to secure $7B in direct and flexible state funding to support critical local services, including waste and recycling services, and CARES Act funding for all cities for COVID-19-related expenditures, as well as $500B in direct and flexible federal funding for all cities nationwide to support critical local services. Local jurisdictions need financial assistance to stabilize their operations, offset the devastating impacts of the COVID-19 crisis, and lead the recovery in their communities.

Additionally, the **Resource Coalition strongly supports the inclusion of at least $1B in funding for recycling and waste diversion in any economic recovery bond bill**. The cost of SB 1383 implementation, up to $1B per year between now and 2030, was originally intended to be covered by residential and commercial ratepayers. Given the crisis, we cannot allow ratepayers to bear the brunt of SB 1383 costs when unemployment is so high and income and revenue has decreased so significantly. Therefore, bond funding or long-term, tax-exempt financing to support SB 1383 infrastructure development and implementation is a great opportunity to help provide relief to local governments and ratepayers, create jobs and stimulate the economy through recycling, and achieve our waste diversion and climate goals. CalRecycle has calculated that achieving SB 1383's organic waste recycling goals will create 11,600 jobs in 2020 alone and tens of thousands more through 2030.[1] Successful implementation of SB 1383 will be key to local economic recovery and green job creation and keep us on track with our climate goals.

Finally, in an effort to move through a successful recovery period so that we may continue to work toward California's climate goals, we are seeking an extension of certain regulatory requirements that will add cost to the already impacted industry, while not providing any direct economic and employment benefit during the recovery period. The Advanced Clean Truck (ACT) regulations being

[1] CalRecycle, *Appendix A – Cost Update*, October 2, 2019 New Revised Draft of SB 1383 Short-Lived Climate Pollutants (SLCP) Regulations.

developed by the California Air Resources Board (CARB) right now are a prime example of regulations that should be delayed or refocused in light of the COVID-19 crisis. The ACT regulations focus exclusively on promoting long-term zero-emission technologies, while excluding other commercially available and more affordable low-emission heavy-duty vehicles that provide significant emissions reductions in the near-term. CARB also intends for future regulations to require the waste and recycling sector to begin purchasing electric refuse vehicles, even though the technology is not fully commercialized and does not yet meet the operational standards required of typical refuse collection trucks. Over many years, the solid waste and recycling industry has made significant progress toward reducing emissions by investing in renewable natural gas infrastructure, production, and fleets that run 90% cleaner than diesel. A premature and costly push toward electrification at a time when the industry and ratepayers are already so financially burdened will thwart the progress that is currently being made toward achieving California's climate goals.

Summary

We recognize that COVID-19 recovery will be a long and difficult process for everyone and that much of what California can do will depend on federal relief action. This is why our recovery proposal focuses in large part on beneficial changes to the PPP and securing direct and flexible federal funding to state and local governments. However, the State can still support California-based essential solid waste and recycling service providers committed to the environmental and economic health of their communities. Providing bond funding or long-term, tax-exempt financing for SB 1383 infrastructure and implementation so that we can create green jobs through recycling, encourage domestic markets, and stimulate local economies and delaying and refocusing regulations that add cost with no direct economic benefit are two actions the State can take.

The Resource Coalition is continuing to reassess and update both the financial impact COVID-19 is having on the solid waste and recycling industry, as well as what may be needed to continue providing essential services throughout the recovery. Please feel free to reach out with any questions to the Resource Coalition representatives below:

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