

# Materials Management Program

## Recycling Modernization Act: Commingled Recycling Processing Facility Technical Workgroup Meeting #3 Summary



State of Oregon  
Department of  
Environmental  
Quality

**Materials Management**  
700 NE Multnomah St.,  
Suite 600  
Portland, OR 97232  
Phone: 503-229-6495  
(office)  
503-869-4786  
(cell)  
Fax: 503-229-6124  
Contact: Justin Gast  
[Justin.gast@deq.oregon.gov](mailto:Justin.gast@deq.oregon.gov)

[www.oregon.gov/DEQ](http://www.oregon.gov/DEQ)

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Monday Apr. 24<sup>th</sup>, 2023: 10 a.m. to 1:30 p.m. (Pacific)

Time	Topic
10:00 a.m.	<b>Welcome, review agenda, meeting logistics and introductions</b> Justin Gast of DEQ gave an opening welcome and went over the agenda for the day's meeting. Justin then introduced the workgroup's newest members: Frank Nelson (Recology, replacing Dave Larmouth) and Doug Mander (Circular Action Alliance).
10:15 a.m.	<b>Project updates – Broker roundtable discussion and transition period</b> Justin provided an update on the broker roundtable discussion that was recently held, where those at the virtual table were informed of future requirements related to the use of responsible end markets and material disposition reporting of such markets. The group also discussed potential issues related to these new requirements. Next, David Allaway provided an update regarding the transition period from July 1, 2025 through Dec. 31, 2027. David described what requirements will look like for commingled recycling processing facilities (CRPFs) during that initial 18-month period, most notably the phasing in of performance standards reliant on producer funding. David then covered what a Specifically Identified Material is and what occurs when a material is identified as a SIM.
10:30 a.m.	<b>Crowe LLP – Draft Study Design, Oregon Processor Commodity Risk Fee &amp; Contamination Management Fee</b> Wendy Pratt with Crowe LLP introduced her team and started the high-level overview of the study Crowe will be conducting for the Processor Commodity Risk Fee and the Contamination Management Fee. She started with going over some key themes, their approach, how important confidentiality is and then providing more in-depth details about the design of the study. Questions and discussion were saved until the end of the presentation.  Questions asked by the technical workgroup included:  <b>Question:</b> Will there be one form asking for specific information sent to each facility? How does the process work when each facility has different [financial] processes? <b>Answer:</b> There will not be a singular form. Crowe wants to look directly at financial documents. They recognize that each facility is going to have a different way of handling their finances. Their goal and process will involve taking the diverse

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information from the CRPFs and input the data into Crowe's own models to come up with average and generalized information.

**Q:** Will the modeling include market behavioral scenarios to understand the possible effects on facilities to stress test the system and possible fees?

**A:** No, that is not what Crowe is looking at. The law does require that the average commodity value gets updated monthly, so that will essentially be taking the market conditions into consideration.

**Q:** How will anticipated program costs be adjusted to the different material mix that will be anticipated? Related but different, the new capital and/or technology investments needed to meet new standards may have impacts on labor costs and the labor mix in the facility- how will issues like that be calculated in terms of the anticipated cost?

**A:** Crowe will be interviewing and working with facilities during site visits and follow up to see what they are looking at and what their operational expectations are leading into July 1, 2025. Crowe will also be working closely with DEQ on establishing the draft proposed performance standards, which includes Crowe looking at costs associated with meeting different outbound contamination levels and what the different requirements, and costs of equipment, will be for each level. Crowe intends to look at the various costs and coming at it from multiple angles, in order to get the most accurate picture possible with a moving target.

**Q:** Depreciation schedules?

**A:** Use tax forms for depreciation schedules

**Q:** Fast forwarding, how does the system capture future investments? Is it designed to encourage it or is it punitive?

**A:** Crowe will establish the statewide average per-ton cost of processing the inbound commingled stream and DEQ is going to implement outbound performance standards for those materials. Meeting those standards will come at a cost. Facilities are going to want to operate at or below the statewide average operating cost and investing in their facilities will allow them to do that. Also, DEQ understands that not all facilities will want to invest in technology that allows them to handle all the materials on the Uniform Statewide Collection List and that's fine. Those facilities will have the option of moving material to other CRPFs acting as post-secondary processing facilities.

**Q:** Will some documents be taken off site?

**A:** Crowe doesn't believe that would be necessary. If it is, the documents could be returned or shredded at an appropriate time once the study has been completed.

**Q:** Metro region has special fees just for their area, is that going to be taken into consideration or still blended in throughout the state?

**A:** It will be included in the aggregated costs, where it shows each individual facilities' costs. In terms of analyzing, Crowe may make an additional cost category to account for this fee or any other regional fees.

**Q:** Are the costs of handling single material loads of covered products (such as cardboard only routes/loads) allowed in this study or is it only for commingled loads?

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	<p><b>A:</b> Only for commingled loads. Crowe will want to know what kinds of loads are coming in, and whether or not the load is commingled or a single material. DEQ is also currently determining what “commingled” looks like for loads of recycling.</p> <p><b>Q:</b> The initial study is being done on the current proposed USCL, but the list may change. How is adding or subtracting materials to the USCL going to affect the study and the initial fees?</p> <p><b>A:</b> The USCL is subject to change, and those changes would relate to anticipated program costs. Any changes made would be included in the rules sent to the Environmental Quality Commission in November. Crowe will be conducting follow-up calls in the fall and they intend to capture any changes to the USCL and address how those changes will affect costs, updating numbers where necessary.</p>
<p>12:45 p.m.</p>	<p><b>Discussion – Living wage and supportive benefits survey</b> Stephanie Caldera with DEQ lead a presentation and discussion around the living wage and supportive benefits project (per ORS 459A.905(2)(c)). She provided some background work that was done in 2020 for the Recycling Steering Committee that laid out desired outcomes for the future system, in this case “advancement of equity for workers,” particularly sort line workers. DEQ is presently conducting research on what a “living wage” is and one of the tools being taken into consideration is the Massachusetts Institute of Technology’s (MIT) Living Wage Calculator. Living wage and supportive benefits will be addressed early on in the second rulemaking period, which begins in July. The rule itself will take effect January 1, 2027.</p> <p>Questions asked by the technical workgroup included:</p> <p><b>Q:</b> Does the Crowe study inform in any way the living wage and supportive benefits work being done?</p> <p><b>A:</b> DEQ’s living wage and supportive benefits work will be beneficial to the study Crowe is undertaking (i.e., especially in relation to anticipated program costs), more than the Crowe study will inform the living wage and supportive benefits work.</p> <p><b>Q:</b> How will the living wage be taken into account when facilities are working with Crowe now, making projections off of current wages? Will the living wage be built into Crowe’s model?</p> <p><b>A:</b> Crowe is planning on building the living wage and supportive benefits into the anticipated program cost, but those are not 2022 costs (2022 operational costs are being studied for the MRF fees study). There will be a differential unique to facilities based on information received during this process and Crowe will take the results of the living wage and supportive benefits work into consideration when addressing anticipated program costs.</p> <p><b>Comment:</b> Unionized work forces. Some systems are set up to where the employees choose how to invest their earnings, such as a union pension plan, which means the take home amount is not as high, but the overall compensation package for each employee is large. Then there are negotiations that happen every five years or so. Then there is a pool of available funds that get split up for different things (i.e., retirement, benefits) for all employees within a collective bargaining unit. Sometimes those collective bargaining</p>

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	<p>agreements want to take the extra money that could be used to pay a living wage, and rather pay for a mechanic or long-haul driver with it instead. Things to take into consideration.</p> <p><b>Q:</b> Materials processing is shifting toward the increased use of automated technologies, and a workforce offering different skill sets is needed to keep facilities running (i.e., more engineers, less manual sorters). Facilities may need sorters today but tomorrow will need people who can keep machines running and operating smoothly. Is the study looking at that or taking that into consideration?</p> <p><b>A:</b> This will be addressed by the anticipated program costs portion of the study.</p> <p><b>C:</b> Metro shared they are doing similar living wage and supportive benefits work and studies have found that a living wage in 2023 for the Portland area is \$26.90.</p> <p><b>Q:</b> Who all is covered under the living wage and supportive benefits requirement? By raising wages for sort line workers, it will have a ripple effect, thus the pay of others across the company will have to rise as well.</p> <p><b>A:</b> ORS 459A.905(2)(c) notes “workers at the facility.” Thus, all who are working at the facility, most notably sort line workers, are covered under 459A.905(2)(c).</p> <p><b>Q:</b> In regards to the Crowe study, are the workers for the living wage and supportive benefits work the “labor” that Crowe is looking at for the MRF Fees study?</p> <p><b>A:</b> Yes, any person who “works” at the facility, such as sorters, engineers, equipment operators and administrative staff, will be taken into consideration for the Crowe study.</p> <p><b>Q:</b> Does the market economy where the work is being performed support a livable wage? Want to make sure that the tool we are using is not looking independently at the work being done but looks at the necessity of the employee in the area where they live and/or work. Want to make sure the work we are doing now is going to result in positive impacts years from now.</p> <p><b>Q:</b> Is Oregon’s minimum wage a living wage? Do we know this? It would be great to know that before doing some wage adjustments.</p> <p><b>A:</b> Based off the living wage figure provided for the Metro area (\$26.90), it is safe to say that Oregon’s minimum wage does not come close to meeting the current definition of a living wage (minimum wage as of May 2023 in the Portland metro area is \$14.75).</p> <p>Discussion was had around the use of MITs Living Wage Calculator and what costs were built into that number. Some concerns were expressed over being able to pay all workers a living wage, and how that may push more facilities to seek the use of automated technology.</p>
<p>1:15 p.m.</p>	<p><b>Public input</b> There were no public comments. This time was used for further discussion with the work group, DEQ and Crowe.</p> <p>Discussion here was about terms used throughout the RMA such as confidentiality, trade secrets, proprietary information and some concerns over the use of those words</p>

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	and the workgroup would like to see some more consistency with the use of those words. Justin provided some clarity around how confidentiality will work and reminded the group that DEQ will not be seeing any confidential information from the facilities, and that DEQ will only be seeing summarized or aggregated data. Crowe reassured the workgroup that they take protecting confidentiality seriously and that, before the study is undertaken, each facility will sign a non-disclosure agreement with Crowe.
1:25 p.m.	<b>Next steps</b> Justin reminded the group of the May 5 <sup>th</sup> deadline for all feedback regarding the Crowe study, as well as the Living Wage and Supportive Benefits survey that Stephanie sent out. Justin then covered areas of focus for future meetings of the workgroup. David then reminded the group there will be rule concepts around confidentiality and trade secrets, though written in regards to PRO obligations, but mentioned that there will be rules on this disposition for processors as a part of the second rulemaking period.
1:30 p.m.	Adjourn

*All times shown are estimates and are subject to adjustments to meet the needs of DEQ and workgroup members.*

*The Workgroup may also be joined by one or more guests for discussions of specific topics.*

**Alternative formats**

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email [deqinfo@deq.oregon.gov](mailto:deqinfo@deq.oregon.gov).