



DATE: July 26, 2017
TO: Waste Management Authority Board
FROM: Wendy Sommer, Executive Director
BY: Tom Padia, Deputy Executive Director
SUBJECT: Bottle Bill Fixes and Support for SB 102

SUMMARY

At the June 28, 2017 meeting President Kalb asked staff to come back with more information about recent challenges facing the California Bottle Bill and the pros and cons of various approaches to fixing the system, including those contained in Senator Wieckowski's SB 168. Staff will present a discussion of the Bottle Bill, the areas that need attention, possibilities for expansion and improvement, and the strengths and shortcomings of SB 168. Over the past six weeks support has coalesced around a set of proposed short-term Bottle Bill "fixes" contained in SB 102. Support is from a broad spectrum of stakeholders including major environmental groups, haulers, retailers, recyclers and public agencies. Staff requests a position of "support" for SB 102.

DISCUSSION

In 1986 after fifteen years of repeated failure by environmentalists to pass traditional five-cent deposit/return-to-stores legislation in California, Californians Against Waste (CAW) spearheaded successful breakthrough legislation (AB 2020 – Margolin) that created a unique beverage container deposit/redemption system in California. The law imposed a deposit, starting at one cent per container, on sales of beer and carbonated soft drinks, and mandated that there be a "redemption center" within one half mile of every supermarket where consumers could be paid the redemption value of their containers or else retailers in that "convenience zone" would be required to take back containers in their stores or be subject to a daily fine of \$100.

Funds were collected and disbursed by a state agency, the Department of Conservation/Division of Recycling. Redemption values were paid out to all recyclers including curbside collection programs, drop-off centers, large industrial recyclers, reverse vending machine operators and parking lot redemption operations. Containers do not need to be sorted by brand – all aluminum cans can be redeemed together, as can glass and PET bottles. Manufacturers pay a "processing fee" for sales of

container types when the Department determines that the scrap value of that container is not sufficient to cover the cost of redeeming and recycling it. Aluminum cans are not assessed a processing fee, but glass and plastic containers are. Unredeemed deposits are used to pay for program administration and for grants to local governments, local conservations corps and others. The goal of the program is an overall recycling rate of 80 percent or more.

Since its initial passage, the law has been amended to increase the deposit to five cents on containers under 24 oz. and ten cents on larger containers, and to include sports drinks, water, tea, wine and spirits coolers, and all non-alcoholic beverages except vegetable juices over 16 oz. and dairy. The Department of Conservation/Division of Recycling (along with the Integrated Waste Management Board) was merged into the Department of Resources Recycling and Recovery (CalRecycle).

The California Bottle Bill has resulted in recovery rates as high as 85 percent in 2013 and at or above 80 percent from 2009-2015. The majority of containers are redeemed for cash by consumers, but payments to curbside programs are still important revenue offsets to those ratepayer-supported programs. Independent analyses of Bottle Bill programs across North America have concluded that the California program is the most cost effective approach.

Recent Program Challenges

Starting in 2016 serious financial problems within the system emerged. Inflexible and outdated regulations and statutory provisions and falling scrap commodity prices resulted in state processing payments to recyclers that failed to cover net recycling costs or provide legislatively mandated “reasonable financial returns.” By April 1, 2016, more than 400 recycling centers had closed, primarily the parking lot operations that provided the greatest convenience to consumers. To date more than 560 centers, or approximately 25 percent of the state redemption infrastructure, have closed. Container recycling rates have fallen below 80 percent for the first time since 2008, even while the program’s year-end fund balance is expected to top \$250 million. Short-term legislative efforts to address the problem last year in the FY 2016/17 budget were ultimately opposed by the Governor’s office in favor of more comprehensive reform.

SB 168

It was against this backdrop that Sen. Wieckowski introduced SB 168, an effort to comprehensively transform the Bottle Bill and transition the implementation of the program to a beverage distributor trade association (Beverage Container Stewardship Organization, or BCSO) that would be responsible for program administration, subject to oversight and regulation by CalRecycle. SB 168 did not pass out of the Senate, but it would have expanded the program to include wine and spirits and to require minimum recycled content in beverage containers. The latter provisions are applauded by environmentalists but the handover of this \$1.2 billion program to the beverage industry has been strongly opposed. Primary arguments against this transition are that:

1. Reimbursement formulas, timelines and restrictions that have resulted in current net losses by some redemption centers are “fixable,” as are payment formulas by beverage manufacturers – “mend it, don’t end it.”
2. The overall system has functioned successfully for many years and has supported recycling programs of all types, including curbside.
3. While recycling is more valuable than landfill, it is not “free” and the more we recycle, the more it costs, thus industry may have an incentive to keep the recycling rate as low as may be considered acceptable.
4. Whereas the California Bottle Bill has been mostly effective over its 30 year history, industry-administered stewardship programs in California have no such record. While some programs, such as for paint, have been relatively successful, others, such as carpet, have been plagued by poor performance, and others, such as mattresses, are too young to judge but off to a very rocky start.

Extended Producer Responsibility (EPR) continues as a legislative priority for StopWaste, but as with any legislation, “the devil is in the details” and SB 168 contained precious few details. The current Bottle Bill is itself a hybrid form of EPR and consumer deposits, but one that has proven potential for success.

Inclusion of Wine and Liquor

In addition to reducing litter and increasing recycling levels, expanding the program to wine and liquor would also have the effect of greatly increasing the supply of high quality cullet (scrap container glass) coming from redemption operations and decreasing the quantity of glass processed through single stream curbside programs, which usually results in a contaminated, low quality product that is not nearly as valuable or useful. In March 2009 the WMA unanimously passed a resolution (Attachment A) endorsing the inclusion of wine and liquor bottles in the Bottle Bill. While political analysts believe that such an addition to the program is years away, if ever, it remains a worthwhile goal and worthy of support.

SB 102

In the wake of SB 168’s failure, the Assembly has advanced SB 102 (The CA Beverage Container Recycling and Litter Reduction Act) to address the recycling center closure crisis by returning recycler reimbursement levels to 2015 levels, providing added incentives to siting recycling centers in rural/underserved areas, and providing greater flexibility to siting and funding recycling centers in unserved areas. The proposal includes an amendment from the Administration to increase the size of convenience zones from ½ mile to 1 mile. SB 102 is pending on the Assembly Budget Committee awaiting the outcome of negotiations with the State Senate.

Staff recommends a position of “support” on this bill. The bill language is available at http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB102.

RECOMMENDATION

That the Waste Management Authority take a “support” position on SB 102, and direct staff to continue its support of Bottle Bill fixes via its lobbyist in Sacramento and partner organizations such as Californians Against Waste.

Attachment A: Resolution 2009-2

ATTACHMENT A

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY BOARD

RESOLUTION #WMA 2009-2

MOVED: Green

SECONDED: Santos

AT THE MEETING HELD MARCH 25, 2009

**RESOLUTION URGING THE CALIFORNIA STATE LEGISLATURE TO
INTRODUCE AND SUPPORT LEGISLATION TO INCLUDE WINE AND LIQUOR
BOTTLES IN THE BEVERAGE CONTAINER RECYCLING AND LITTER
REDUCTION ACT**

WHEREAS, California's Bottle Bill incentivizes the recycling of containers by putting a redemption value ("CRV") on containers that is redeemed by consumers when recycled; and,

WHEREAS, nearly 500,000 tons of non-CRV wine and liquor containers are distributed annually in the state; and,

WHEREAS, Less than 30% of non-CRV glass containers are recycled, while almost 80% of CRV glass containers are recycled; and,

WHEREAS, Adding wine and liquor bottles to the CRV Program would increase total glass recycling in California by up to 200,000 tons annually; and,

WHEREAS, Increasing the recycling of glass will reduce energy consumption, save natural resources and decrease the amount of material deposited in landfills; and,

WHEREAS, Wine and liquor bottles are a significant and dangerous component of urban litter; and,

WHEREAS, Including wine and liquor bottles in the CRV program will significantly reduce their littering and help to create jobs;

NOW, THEREFORE BE IT RESOLVED, that the Alameda County Waste Management Authority hereby urges its State Assembly Members and Senators, by letter and receipt of this resolution, to introduce and support legislation adding wine and liquor containers to the Beverage Container Recycling and Litter Reduction Act.

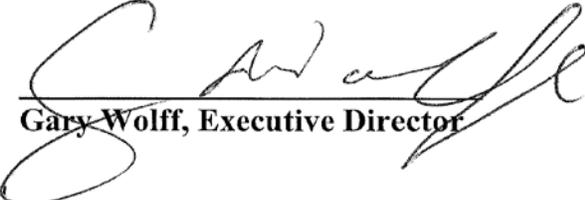
ADOPTED BY THE FOLLOWING VOTE:

AYES: Carson, Wile, Waespi, Bukowski, Natarajan, Henson, Leider, Freitas, Quan, Sullivan, Landis, Santos, Johnson, Wozniak, Green

NOES: None

ABSENT: Biddle, Keating

ABSTAINED: None


Gary Wolff, Executive Director