

Date of Hearing: April 14, 2021

ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Luz Rivas, Chair

AB 1311 (Wood) – As Amended April 7, 2021

SUBJECT: Recycling: beverage containers: certified recycling centers

SUMMARY: Makes various changes to the California Beverage Container Recycling and Litter Reduction Act (Bottle Bill) to expand beverage container redemption opportunities.

EXISTING LAW: Establishes the Bottle Bill:

- 1) Requires beverage containers, as defined, sold in-state to have a California redemption value (CRV) of 5 cents for containers that hold fewer than 24 ounces and 10 cents for containers that hold 24 ounces or more. Requires beverage distributors to pay a redemption payment to the Department of Resources Recycling and Recovery (CalRecycle) for every beverage container sold in the state.
- 2) Provides that these funds are continuously appropriated to CalRecycle for, among other things, the payment of refund values and processing payments.
- 3) Requires CalRecycle to annually designate all “convenience zones,” defined as an area one-half mile around a dealer.
- 4) Requires, in a convenience zone where a recycling center or location does not exist and until one has been established in that zone (unserved zone), all dealers in the zone to either redeem empty beverage containers or pay CalRecycle an in-lieu fee of \$100 per day until a recycling location is established.
- 5) Defines “dealer” as a retail establishment that offers the sale of beverages in beverage containers to consumers. Exempts lodging, eating, or drinking establishments and soft drink vending machines.
- 6) Defines “recycling center” as an operation that is certified by CalRecycle and accepts from consumers and pays the CRV for empty beverage containers.
- 7) Requires certified recycling centers to be open for business at least 30 hours per week, with a minimum of 5 hours of operation outside of 9:00 AM to 5:00 PM.
- 8) Requires CalRecycle to establish a processing payment for a beverage container covered under the program that has a scrap value less than the cost of recycling, to be determined as specified, that is at least equal to the difference between the scrap value of the material and the sum of the cost of recycling and a reasonable financial return.
- 9) Requires CalRecycle to pay handling fees to supermarket sites, non-profit convenience zone recyclers, and rural region recyclers to provide an incentive for the redemption of empty beverage containers in a convenience zone.

THIS BILL:

- 1) Requires bag drop recycling centers to pay the CRV for containers within a reasonable period of time, not to exceed three business days, and allows it to be paid electronically. Defines “bag drop recycling center” as a recycling location operated by a recycling center at which consumers can drop off bagged, empty beverage containers for redemption.
- 2) Authorizes CalRecycle to certify a recycling center that operates less than 30 hours per week, if the center is in a rural region or if the center best serves the needs of the community and the goals of the Bottle Bill.
- 3) Requires CalRecycle, on or before July 1, 2022, to develop and implement a process for certified recycling centers to apply for authorization to operate on an alternative schedule. Requires CalRecycle to include the following in the process:
 - a) The form and content of the application and the process by which it must be submitted;
 - b) The criteria used to authorize the alternative schedule, including providing flexibility for recycling centers that are owned or operated by small or family-owned businesses, as determined by CalRecycle;
 - c) A minimum number of hours per week, per month, or per year that the recycling center may be open for business; and,
 - d) Any other requirements CalRecycle deems necessary.
- 4) Until July 1, 2022, specifies that a certified recycling center is open for business if it receives written authorization from CalRecycle to operate pursuant to an appointment system if the recycling center ensures that an employee is present during all appointments and available to accept containers and pay the CRV and complies with other specified requirements.
- 5) Requires CalRecycle to authorize a certified recycling center to operate pursuant to an appointment system only if it determines that high customer demand, weather, or public health and safety concerns warrant the implementation of an appointment system.
- 6) Exempts dealers delivering empty beverage containers redeemed from consumers to a certified recycling center or processor from the daily load limits established by CalRecycle for containers.

FISCAL EFFECT: Unknown

COMMENTS:**1) Author’s statement:**

Humboldt County in my district has been a leader in the recycling movement for more than 50 years. In 1971 the Northcoast Environmental Center in Arcata became one of the first non-profit recycling centers in America. Tragically, today there are zero redemption centers that remain open in Humboldt County. Residents of Arcata, many of whom led the recycling revolution, are forced to

drive either one and a half hours north to Crescent City or two and a half hours south to Willits if they want to redeem their CRV containers.

This bill offers several minor changes that will create flexibility in the bottle bill program for redemption centers to operate on alternative schedules and by appointment. These simple changes will provide the flexibility redemption centers in my district need to reopen and give my constituents a reasonable opportunity to redeem their CRV containers.

- 2) **Bottle Bill.** The Bottle Bill was established in 1986 to be a self-funded program that encourages consumers to recycle beverage containers and to prevent littering. The program accomplishes this goal by requiring consumers to pay a deposit for each eligible container purchased. Then the program guarantees consumers repayment of that deposit, the 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% for eligible containers. Containers recycled through the Bottle Bill's certified recycling centers also provides a consistent, clean, uncontaminated stream of recycled materials with minimal processing.
- 3) **Eligible beverage containers.** Only certain containers containing certain beverages are part of the CRV program. Most containers made from glass, plastic, aluminum, and bimetal (consisting of one or more metals) are included. Containers for wine, spirits, milk, fruit juices over 46 ounces, vegetable juice over 16 ounces, and soy drinks are not part of the program. Container types that are not included in the CRV program are cartons, pouches, and any container that holds 64 ounces or more.
- 4) **Ways to redeem containers.** Consumers have four potential options to redeem containers:
 - a) Return the container to a "convenience zone" recycling center located within ½-mile radius of a supermarket. These are generally small centers that only accept beverage containers and receive handling fees from the Beverage Container Recycling Fund (BCRF). During 2019-20 FY, CZ recyclers redeemed about 30% of beverage containers.
 - b) Return to "dealers," i.e., stores that sell CRV containers that accept them. In convenience zones without a convenience zone recycler, beverage dealers, primarily supermarkets, are required to either accept containers for redemption or pay CalRecycle an "in lieu" fee of \$100 per day. Few stores accept beverage containers for redemption.
 - c) Return the container to an "old line" recycling center, which refers to a recycler that does not receive handling fees and usually accepts large quantities of materials, frequently by truckload from municipal or commercial waste collection services. Traditional recyclers collect a little more than half of all CRV containers (58%).
 - d) Consumers can also forfeit their CRV and "donate" their containers to residential curbside recycling collection. In the 2019-20 FY, curbside programs collected about 12% of CRV containers. Curbside programs keep the CRV on these containers.
- 5) **Recycling center closures.** In August 2019, rePlanet closed all 284 of its recycling centers in California. Before its closure, rePlanet was the largest recycling network in California.

Following the closures, rePlanet stated, “With the continued reduction in State fees, the depressed pricing of recycled aluminum and PET plastic, and the rise in operating costs resulting from minimum wage increases and required health and workers compensation insurance, the Company has concluded that operation of these recycling centers is no longer sustainable.” In total, over 1,000 recycling centers have closed since 2013. According to CalRecycle, as of February 26, 2021, there are 1,224 recycling centers in the state. Some counties, such as Humboldt, Trinity, Sierra, and Alpine, have no recycling centers.

Several factors contributed to the closure of these recyclers. Commodity prices have dropped significantly, causing low scrap value for recycled materials. In 2011, PET plastic scrap prices were at a peak of \$500/ton and have steadily declined. By November 2020, the price dropped to \$101/ton. Also, oil prices have declined significantly and reached historically low levels in 2016. New plastic is manufactured from oil, so when the price of oil is very low, virgin plastic prices are low, making recycled plastic unable to compete economically.

Additionally, the methods to determine processing payments do not accurately reflect the cost of recycling or provide a reasonable financial return. Processing payments also lag behind the steady decline in scrap values. 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). The calculation to determine the “cost of recycling” does not consider things like transportation costs, putting rural recyclers at a significant disadvantage. Large recyclers that process high numbers of containers generally have lower costs, on average, than smaller centers. Current statute requires CalRecycle to use the average cost of all recycling centers, which results in some centers receiving higher payments than are necessary, while other centers do not receive enough support to remain in business.

The largest challenge facing the Bottle Bill is the closure of over 1,000 recycling centers, leaving many Californians without redemption opportunities. The Legislature, the Administration, and stakeholders have attempted to collaborate on Bottle Bill reforms to align with the state’s climate change goals and the state’s 75% solid waste reduction, recycling, and composting goal, as well as creating long-term fiscal sustainability. However, legislative policy and budget proposals intended to accomplish these goals through substantial program reforms have failed.

- 6) **This bill.** This bill addresses statutory barriers to providing redemption opportunities, especially in rural areas. The intent of this bill is to foster new opportunities for consumers to redeem their CRV and preserve the core functions of the program.

Bag drop recycling programs allow consumers to use specific bags with a label unique to each consumer to collect their empty beverage containers and drop off the bag when it’s full at a bag drop recycling center. The bags are then collected by the operator, counted or weighed, and the redemption value is returned to the consumer electronically. The Bottle Bill does not currently allow for bag drop programs. This bill updates the program to allow bag drop programs in California.

Current law requires that certified recycling centers are open for a minimum of 30 hours per week, including at least five hours outside of 9:00 AM to 5:00 PM. Many smaller, especially family-owned centers, do not need to be open for a full 30 hours per week. Additionally, centers are unable to close for any reason, including for illness or vacation, without risking

decertification. This bill authorizes CalRecycle to authorize alternative schedules based on criteria it develops, taking into consideration providing flexibility for small and family-owned centers.

Many certified recycling centers closed when the state shut down due to the pandemic. In Humboldt County, the closures resulted in only one center remaining open to serve the entire county. This resulted in excessively long lines and crowds that made it impossible to ensure social distancing and protect the health of employees and the public. As a result, the only remaining center closed its doors. This bill authorizes CalRecycle to allow certified recycling centers to operate using an appointment system for six months, through July 1, 2022, to prevent overcrowding while allowing consumers to redeem the containers they have accumulated while redemption centers were closed.

Currently, dealers that redeem beverage containers from consumers can recoup the CRV if they take the containers to a certified recycler. However, they are subject to the state's daily load limits of 100 pounds of plastic or aluminum and 1,000 pounds of glass. This bill exempts dealers from the daily load limits to ensure that they can be reimbursed for the CRV they pay to consumers.

7) Related legislation.

AB 1454 (Bloom): 1) Establishes a Beverage Container Recycling Program Advisory Board to oversee and advise the director of CalRecycle on all matters relating to the Bottle Bill; 2) Authorizes CalRecycle to establish regional convenience zones; 3) Expands the payment options for the California Redemption Value (CRV); and, 4) Increases processing payments for certified recycling centers for a specified number of beverage containers. This bill is also scheduled to be heard in this committee on April 14th.

SB 38 (Wieckowski) eliminates the Bottle Bill program and replaces it with an industry-run bottle and can recycling program. This bill is awaiting hearing in the Senate Appropriations Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

Californians Against Waste
Rural County Representatives of California

Opposition

None on file

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