

Date of Hearing: June 13, 2022

**ASSEMBLY COMMITTEE ON NATURAL RESOURCES**

Luz Rivas, Chair

SB 895 (Laird) – As Introduced February 1, 2022

**SENATE VOTE:** 39-0

**SUBJECT:** Solid waste: nonprofit convenience zone recycler: definition

**SUMMARY:** Revises the definition of “nonprofit convenience zone recycler” (nonprofit center) for purposes of the California Beverage Container Recycling and Litter Reduction Act (Bottle Bill).

**EXISTING LAW** establishes the Bottle Bill, which:

- 1) Requires beverage containers, as defined, sold in-state to have a California Refund 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 CalRecycle for every beverage container sold in the state.
- 2) Provides that these funds are continuously appropriated to the Department of Resources Recycling and Recovery (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. Authorizes CalRecycle to exempt convenience zones, as specified (exempt convenience zones).
- 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 and pays the CRV for empty beverage containers.
- 7) Requires CalRecycle to pay handling fees to supermarket sites, nonprofit convenience zone recyclers, and rural region recyclers to provide an incentive for the redemption of empty beverage containers in a convenience zone.

**THIS BILL** revises the definition of “nonprofit convenience zone recycler” by:

- 1) Removing the requirement that a nonprofit center has operated in the same location for at least five years.

- 2) Requiring that a nonprofit center be located within two miles, rather than one mile, of a supermarket that is located within an exempt convenience zone.
- 3) Making related technical and clarifying changes.

**FISCAL EFFECT:** According to the Senate Appropriations Committee:

- 1) CalRecycle estimates ongoing costs of \$130,000 annually (Beverage Container Recycling Fund) for handling fee payments to two existing non-profit recycling centers that would become eligible for handling fees.
- 2) Unknown cost pressure for handling fee payments to additional non-profit convenience zone recycling centers that open in the future based on new eligibility under the bill, and for additional CRV payments to the extent that the additional recycling opportunities increase the recycling rate.
- 3) CalRecycle anticipates staffing costs for this bill would be minor and absorbable.

**COMMENTS:**

1) **Author's statement:**

Grey Bears Thrift Store, located in Santa Cruz, is a locally owned and operated nonprofit that has operated a certified drop-off recycling station for over 40 years and continuously promotes conservation of resources, diversion of material from landfills, and community engagement.

SB 895 updates the definition of a nonprofit convenience zone recycler to ensure Grey Bears has access to handling fees, that defray operating and infrastructure costs, so they can meet the needs of the currently underserved communities of Santa Cruz, Capitola, and unincorporated mid-Santa Cruz County. This bill supports the recycling of reusable materials for a greener California economy by ensuring Grey Bears, an established recycling center, is included in the definition of a nonprofit convenience zone recycler.

- 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. During the 2019-20 fiscal year (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 collected a little more than half of all CRV containers (58%) in the 2019-20 FY.
  - 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.” More than 1,000 recycling centers have closed since 2013.

Several factors have 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. 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 recycling center closures are the biggest challenge facing the Bottle Bill, as they leave 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 revises the definition of nonprofit center to ensure that a nonprofit located in the author's district is eligible to receive handling fees so that it can continue to provide redemption opportunities to consumers. This change may result in modest improvements to recycling opportunities in other parts of the state, as well. According to CalRecycle, this change is likely to make one or two additional nonprofit centers eligible for handling fees. This change may also encourage additional nonprofit centers to open near unserved convenience zones, increasing redemption opportunities for consumers. To the extent that this bill results in more "served" convenience zones, it will relieve dealers located in those zones from the state's take-back requirements.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

Californians Against Waste

##### **Opposition**

None on file.

**Analysis Prepared by:** Elizabeth MacMillan / NAT. RES. /