
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2021 - 2022 Regular Session

SB 895 (Laird) - Solid waste: nonprofit convenience zone recycler: definition

Version: February 1, 2022

Urgency: No

Hearing Date: April 18, 2022

Policy Vote: E.Q. 7 - 0

Mandate: No

Consultant: Ashley Ames

Bill Summary: This bill would redefine the definition of “nonprofit convenience zone recycler,” for purposes of the California Beverage Container Recycling and Litter Reduction Act, potentially making more entities eligible for the payment of handling fees by the program.

Fiscal Impact:

- 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.
- 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.
- CalRecycle anticipates staffing costs for this bill would be minor and absorbable.

Background:

Background on the Bottle Bill program. The Bottle Bill was established by AB 2020 (Margolin, Chapter 1290, Statutes of 1986). The purpose of the program is to be a self-funded program that encourages consumers to recycle beverage containers 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 California Redemption Value (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.

Handling Fees. Supermarkets with more than \$2 million in gross annual sales are required to have a recycling center within a ½ mile radius, which is referred to as the “convenience zone” Certified recycling centers within a CZ, known as “CZ recyclers” receive a “handling fee” from CalRecycle based on the number of containers they redeem. The handling fees are intended to provide supermarket sites, nonprofit convenience zone recyclers, and rural region recyclers with an incentive to redeem empty beverage containers in the convenience zones.

Dealers (those that sell beverages subject to the Bottle Bill program) that do not have a CZ recycler are required to take back containers themselves or pay an “in lieu” fee of \$100 per day.

Exempt CZs and nonprofit convenience zone recyclers. Bottle Bill authorizes CalRecycle to grant an exemption to individual CZs, thus exempting dealers within those unserved CZs from the requirement that they either takeback the containers or pay the in-lieu fee. The decision to exempt a CZ must be based on at least one of specified factors, including that the exemption will not significantly decrease the ability of consumers to conveniently return their beverage containers and the nearest certified recycling center is within a reasonable distance of the CZ being considered for exemption. Nonprofit convenience zone recyclers, which by definition are within one-mile of a supermarket within an exempt CZ, help the CZs qualify for the exemption. These nonprofit convenience zone recyclers, which help provide convenient redemption opportunities to consumers within unserved CZs, in turn, receive handling fees.

Recent 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.”

Various causes have attributed to the closure of these recyclers. One reason may be the drop in commodity prices, which have been declining over several years. Also, oil prices have declined significantly and reached historically low levels in 2016. In 2011, PET plastic scrap prices were at a peak of \$500/ton and have steadily dropped to \$200/ton in 2016. By November 2020, the price dropped further to \$101/ton. 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, changes to processing payments have not kept pace with the 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). Both the costs of recycling and the scrap value of beverage containers can fluctuate significantly based on changing market prices. As a result, processing payments vary over time. Some contend that processing payments have failed to keep up with real time prices and includes a minimum three-month gap, resulting in recycling centers receiving insufficient state payments to make up for the income they may lose from the decline in scrap value.

Further, 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.

Proposed Law: This bill would change the definition of “nonprofit convenience zone recycler” by:

- a) Removing the requirement that a recycling center operate in the same location for 5 years.

- b) Requiring that a recycling center be located within two miles, instead of one mile, of a supermarket site that is within the exempt convenience zones.

Related Legislation:

AB 1067 (Ting) requires CalRecycle to submit a report to the Legislature regarding the dealer “in lieu” fee collected pursuant to the Bottle Bill. AB 1067 is currently in the Senate Rules Committee pending referral.

SB 38 (Wieckowski, 2021) establishes an industry-run bottle and can recycling program that would replace the current Bottle Bill program July 1, 2024. SB 38 has been referred to the Assembly Natural Resources Committee.

AB 1311 (Wood, Chapter 506, Statutes of 2021) expands redemption opportunities under the Bottle Bill by allowing the use of “bag drop” operations as certified recycling centers and authorizing alternative schedules for recycling centers.

AB 1454 (Bloom, 2021) makes various changes to the state’s Bottle Bill program including incorporating bag drop redemption programs, temporarily increasing processing payments to recycling centers, providing incentives to dealers to redeem beverage containers from consumers, and making various appropriations out of the BCRF to recycling-related activities.

AB 1840 (Ting, 2020) would have required CalRecycle to make recommendations to the Legislature on how to improve the Bottle Bill program to increase recycling of beverage container materials within the state and increase consumer redemption convenience. AB 1840 was held in the Assembly Natural Resources Committee.

AB 2381 (Choi, 2020) would have required processing payments and handling fees be set at a certain rate until 2024 and would have required CalRecycle to pay supplemental handling fees to recycling centers. AB 2381 was held in the Assembly Natural Resources Committee.

AB 2562 (Holden, 2020) would have required dealers to submit an affidavit to CalRecycle stating that the beverage container redemption requirements are being met and would have imposed a civil penalty on dealers who failed to comply with the redemption requirements. AB 2562 was held in Assembly Natural Resources Committee.

SB 724 (Stern, 2019) would have amended the Bottle Bill program to provide temporary financial assistance to recycling centers while providing permanent exemptions to dealers from various consumer redemption opportunities. SB 724 was held in this committee.

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