
THIRD READING

Bill No: AB 1311
Author: Wood (D), et al.
Amended: 9/3/21 in Senate
Vote: 21

SENATE ENVIRONMENTAL QUALITY COMMITTEE: 7-0, 7/7/21
AYES: Allen, Bates, Dahle, Gonzalez, Skinner, Stern, Wieckowski

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/26/21
AYES: Portantino, Bates, Bradford, Jones, Kamlager, Laird, McGuire

ASSEMBLY FLOOR: 77-0, 5/28/21 - See last page for vote

SUBJECT: Recycling: beverage containers

SOURCE: Author

DIGEST: This bill expands beverage container redemption opportunities under the California Beverage Container Recycling and Litter Reduction Program.

Senate Floor Amendments of 9/3/21 make technical and clarifying changes to recycling center alternative schedules that would be authorized by this bill.

ANALYSIS:

Existing law, the California Beverage Container Recycling and Litter Reduction Act (Bottle Bill):

- 1) Requires beverage containers, as defined, sold in-state to have a California redemption value (CRV) of five cents for containers that hold fewer than 24 ounces and 10 cents for containers that hold 24 ounces or more, and requires distributors to pay a redemption payment to the Department of Resources Recycling and Recovery (CalRecycle) for every beverage container sold in the state. These funds are continuously appropriated to CalRecycle for the payment

of refund values and processing fees. (PRC §14500 et seq.)

- 2) Requires CalRecycle to certify operators of recycling centers and requires certified recycling centers to accept, and pay at least the refund value for, all empty beverage containers, regardless of type. (PRC §14538)
- 3) Requires there be at least one certified recycling center or location within each convenience zone that accepts and pays the refund value for all types of empty beverage containers and is open for business at least 30 hours per week, as specified. (PRC §14571)
- 4) Authorizes CalRecycle to require certified recycling centers to operate 15 of those hours other than during 9 a.m. to 5 p.m. (PRC §14571)
- 5) Authorizes CalRecycle to certify a recycling center that will operate less than 30 hours per week if certain conditions are met. (PRC §14571)

This bill:

- 1) Requires bag drop recycling centers to pay the refund value for beverage containers within a reasonable period of time, not to exceed three business days. Specifies that the refund value can be paid electronically.
 - a) 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 require a certified recycling center to operate up to 50 percent of its hours of operation other than during 9 a.m. to 5 p.m.
- 3) Authorizes CalRecycle to certify a recycling center operating less than 30 hours per week if the recycling center posts a sign indicating the location of the nearest recycling center that is open at least 30 hours per week, accepts all material types, and if either of the following apply:
 - a) The recycling center is in a rural region; or
 - b) The needs of the community and the goals of the Bottle Bill will be best served by certification of the recycling center.
- 4) Requires CalRecycle, before July 1, 2022, to develop and implement a process for certified recycling centers to apply for authorization to operate on an

“alternative schedule,” which could include reduced hours of operation. Requires the process to include, at a minimum:

- a) The form and content of the application and the manner in which the application is required to be submitted;
 - b) The criteria used by CalRecycle to authorize a certified recycling center to operate on an alternative schedule, including providing flexibility for certified recycling centers that are owned or operated by small or family-owned businesses and centers that are experiencing operational challenges due to natural disasters or states of emergency;
 - c) A minimum number of hours per week, per month, or per year that a recycling center may be open to ensure that the ability of consumers to conveniently return all types of beverage containers is not significantly decreased; and
 - d) Other requirements determined by CalRecycle to ensure convenient consumer redemption opportunities for all beverage types.
- 5) Specifies that, until July 1, 2023, a certified recycling center is open for business if it receives written confirmation from CalRecycle to operate pursuant to an appointment system, 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.
- 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.

Background

- 1) *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 CRV, for each eligible container returned to a certified recycler. Statute includes two main goals for the program: reducing litter and achieving a recycling rate of 80% for eligible containers.

Over the years, various concerns about the program have been raised such as the structural deficit, the effectiveness of some supplemental programs supported by the program, fraud, and whether some offsets support the goals of

the program.

- 2) *Ways to recycle containers.* Consumers have four different avenues in which they may recycle 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 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%).
 - c) If there is not a convenience zone recycling center or an “old line” recycling center located within a particular convenience zone, dealers within that zone are required to either redeem the containers or pay an in-lieu fee. Dealers that redeem containers can recover the amount of CRV paid to consumers if they take the containers to a certified recycler.
 - 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.
- 3) *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.

According to CalRecycle, as of February 26, 2021, there are 1,224 recycling centers in the state. Some counties, such as Trinity, Sierra, and Alpine, have zero recycling centers.

Comments

- 1) *Purpose of this bill.* According to the author, "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) *Simple, but worthwhile, changes.* AB 1311 makes small, measured adjustments to Bottle Bill requirements for recycling centers that will help increase consumers redemption convenience and stabilize recycling centers. While these changes will not fix some of the major concerns that have been raised with the program over the years, it does provide meaningful changes to the program.

Modernizing consumer redemption opportunities. This bill increases the ability of consumers to redeem their CRV by modernizing the program to allow the use of “bag drop” operations as certified recycling centers.

Bag drop recycling programs allow consumers to use specific bags with a label that is unique to each consumer to collect their empty beverage containers and drop off the bag when it is full at a bag drop recycling center. The bags are collected by the operator, counted or weighed, and the redemption value is returned to the consumer electronically.

One size does not fit all – providing flexibility for recycling centers. 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. When developing the criteria, CalRecycle will be required to ensure that the operating hours do not significantly decrease the ability of consumers to conveniently redeem beverage containers.

Redeeming in the time of COVID. 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.

Related/Prior Legislation

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 1454 has been referred to the Senate Environmental Quality Committee.

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.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- Potential ongoing cost pressure of about \$120,000 annually (BCRF) for CalRecycle to promulgate regulations if necessary.
- To the extent that consumers redeem more beverage containers, unknown but potentially significant ongoing costs, possibly in the millions of dollars annually, (BCRF) for increased payments of the CRV.

SUPPORT: (Verified 9/3/21)

California Association of Local Conservation Corps
Californians Against Waste
League of California Cities
Recology
Rural County Representatives of California

OPPOSITION: (Verified 9/3/21)

None received

ASSEMBLY FLOOR: 77-0, 5/28/21

AYES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bigelow, Bloom, Boerner Horvath, Bryan, Burke, Calderon, Carrillo, Cervantes, Chau, Chen, Chiu, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Fong, Frazier, Friedman, Gabriel, Gallagher, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

NO VOTE RECORDED: Cristina Garcia, Maienschein

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