Assemblymember Richard Bloom
State Capitol, Room 4001
Sacramento, CA 94249-0050

RE: AB 1454 (Bloom): Oppose Unless Amended

Dear Assemblymember Bloom and Environmental Quality Committee,

On behalf of our Community of supporters in our home state of California, The Story of Stuff Project is taking an 'oppose unless amended' position on AB 1454, affecting the California Beverage Container and Litter Reduction Act.

There is widespread acknowledgment that the California deposit return system is suffering from chronic decline. While well-intentioned, we believe AB 1454 will do little to take on the structural faults that exist in the program. Indeed, the bill primarily addresses the symptoms of the system's decline, rather than its root causes as we believe is necessary.

California's container redemption rate has now dropped to 57%, one of the lowest redemption rates of any of the ten deposit return systems in the nation. The system's poor performance is due to a combination of factors: a) a depressed price for recyclable materials and an outdated compensation formula have driven more than half of the state's redemption centers into closure since 2013 b) a financial structure that favors large waste haulers, c) an opt-out system enabling grocers to shirk their responsibility for taking back their bottles and cans and d) insufficient financial contributions from beverage companies and distributors to fund the system. Unfortunately, we believe AB 1454 will do little to fundamentally reverse the program's declining performance.

Further, it is regrettable that the efforts in the bill to create more points of return would be funded by unredeemed consumer deposits, which themselves result from the systems' failures, rather than by holding beverage producers, distributors and retailers responsible for the lifecycle management of the packaging they put into the market. While we do not favor the overall approach of the bill, there are two elements of the legislation that are of specific concern:

The first is Section 3, which authorizes the merger of five convenience zones into one. Theoretically, where no redemption center exists, retailers within a designated convenience zone are expected to redeem deposits on bottles and cans. In reality however, retailers have an option of paying a small fee to opt-out of their responsibility for serving a convenience zone.

This retailer opt-out is a unique feature of California's deposit return system, and one of the key reasons that the collapse of the state's redemption centers has been so devastating. Simply expanding these convenience zones, and therefore ensuring even fewer retailers would be expected to serve as points of return, would be counterproductive. Worse still, there's nothing in the bill to compel retailers and grocers within these newly expanded convenience zones, to participate in the system. In short, all high-functioning deposit return systems are built on a return to retail model; we will not see California's

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bottle bill achieve what it can as long as retailers can simply opt-out of their responsibility to take back bottles and cans.

Our second concern surrounds the funding associated with the bill. Firstly, the bill only includes intent language; it does not actually appropriate any funds for redemption centers. Secondly, the $25,000 loans are insufficient to incentivize the establishment of new redemption centers. In a place like San Francisco, one of the state's major recycling deserts, it's unrealistic to expect a forgivable $25,000 loan to overcome the barriers of establishing a new redemption facility.

As such we would propose the following amendments:

- Section 3: Remove Section 3 altogether and add incentives for grocers to redeem through the use of a handling fee along with funding towards infrastructure to enable greater takeback at scale, such as through the use of bag drops and reverse vending machines.

- Section 7: Significantly increase the amount of the forgivable start-up loans to a suggested $75,000 - $100,000

Making these two amendments would represent a minimum requirement of keeping the program structured as it is today. This would incentivize more retailers to take back bottles and cans and equip them with the infrastructure to do so, while it would provide a more realistic loan required to incentivize the opening of new redemption centers. While we do not think this would be sufficient to bring the system up to the standard of contemporary systems, it would make significant improvements on where we stand today.

Thank you for your consideration.

Sincerely,

Sam Pearse, Campaign Manager
Story of Stuff Project