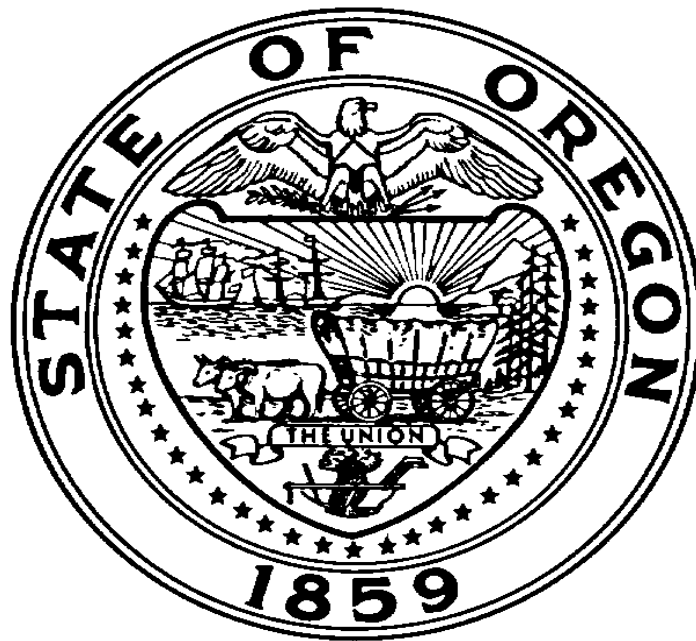


BOTTLE BILL TASK FORCE FINAL REPORT



OCTOBER 2008

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BOTTLE BILL TASK FORCE MEMBERSHIP

Senator Mark Hass has served in the Oregon legislature since 2001. He represents Senate District 14, the Beaverton and SW Portland areas. In addition to his Senate duties, he currently works as a brand strategist for Cappelli Miles [spring]. He and his wife Tamra have two children and live in Raleigh Hills.

Representative Ben Cannon was elected to the Oregon House in November 2006 and was sworn in as its youngest member in January 2007. He represents District 46, which covers parts of SE and NE Portland, including the landmark neighborhoods of Mt. Tabor, Montavilla, Laurelhurst, Lents, and Foster-Powell. He serves on the House Committees on Health Care and Energy & the Environment, the Global Warming Commission, and the Bottle Bill Task Force. In addition to his work as a legislator, he teaches Humanities to 6-8th graders at the Arbor School of Arts and Sciences, an elementary school in Tualatin. Ben has been active with the City Club of Portland and currently serves as the co-chair of the Oregon Bus Project's Board of Directors.

Steve Apotheker has spent 30 years in the recycling industry. The last 10 years were at Metro as a senior recycling planner evaluating the progress of our regional recycling programs. He has also been involved with the agency's internal sustainability efforts. Previously he was technical editor for Resource Recycling magazine, where he specialized in new markets and all aspects of container recycling. He got into recycling in 1978 when he helped to start Community Recycling Center, a non-profit recycling operation in Champaign, Illinois.

Steve Emery is the President and Chief Executive Officer of EARTH₂O, a privately owned company that bottles natural spring water in Culver, Oregon. EARTH₂O is the top retail selling spring water in the Pacific Northwest and the third largest selling branded water. Formerly, Steve was the Vice President/General Manager for Columbia Distributing in Portland from 1994 to 1998. He has over 11 years of experience working in regional and international sales and marketing for wine distributors.

Steve served as the past Chairman of the Governor's Small Business Council and acted as the director of two non-profit organizations: Oregon Trout and the National Spring Water Association. He currently serves as a Technical Advisor for the Oregon Innovation Council. He was appointed by the Governor to oversee the Oregon Nanotechnology and Microtechnology budget converting University research into commerce.

Dan Floyd is the Director of Public Affairs and Government Relations for Safeway's Portland Division. The Division employees nearly 12,000 employees and includes 117 stores in Oregon and SW Washington. Prior to his career at Safeway, Dan was employed by the Northwest Grocery Association, and served as their V.P. of Political Affairs until July of 2007. Dan was born and raised in Southeast Portland and is a proud alum of Portland Public Schools, Central Catholic High School, and Lewis & Clark College.

Eric Forrest is Co-President of MLF Group LLC and President of Pepsi Cola Bottling Co of Roseburg. Eric also was past President of the Oregon Soft Drink Association. Community involvement includes being a Eugene School District 4J Board Member and Chair –elect of the Eugene Area Chamber of Commerce.

Suzanne Johannsen was born in Amherst, Ohio; served in the U.S. Navy 1975-1977; received her Bachelor's Degree in Business from University of Cincinnati 1982. She worked for the National Park Service for 6 years after college, including 4 summers at Crater Lake - where she met my husband Greg. She has two children; Katie and Christopher. She moved to Bend from Redwood National Park in 1987 to

become the Executive Director of The Recycling Team and she has been a member of the Bend City Council for 6 years and she has served on the Bend Metro Parks & Recreation Board for 4 years. Currently a Financial Advisor with Ameriprise Financial.

John Kopetski serves as the Bottle Bill Task Force Chair and has been a financial advisor in Pendleton for 20 years. He is the former Chairman of the Oregon Government Standards and Practices Commission and has served on the Board of Directors for the Blue Mountain Community College for 16 years.

Jerry Powell is the editor and publisher of *Resource Recycling*, a trade magazine. In addition, he publishes *E-Scrap News* and *Plastics Recycling Update*. His company sponsors major annual conferences in electronics and plastics recycling. He has been active in the Oregon recycling industry for the past 39 years, including being a three-time chair of the Association of Oregon Recyclers.

Technical Staff to the Task Force:

Peter Spendelov has been a recycling specialist and solid waste policy analyst for the Oregon Department of Environmental Quality (DEQ) since 1985. Peter is responsible for collecting and analyzing data on solid waste disposal and recycling, including conducting of Oregon waste composition studies and providing advice and evaluation of Oregon's recycling and waste prevention programs, including the Bottle Bill."

EXECUTIVE SUMMARY

In 2007 the 74th Legislative Assembly enacted Senate Bill 707 to expand the Oregon Bottle Bill by adding a five-cent beverage container deposit to water and flavored water beverage containers. In addition, the bill defines water and flavored water; and creates a nine-member Bottle Bill Task Force (BBTF).

Senate Bill 707 specifies the task force objectives as follows:

To study and make recommendations on beverage container collection and refund matters, including but not limited to:

- (a) Establishing and paying for redemption centers to redeem beverage containers;
- (b) Expanding the list of beverages to be included in the definition of “beverage” in ORS 459A.700;
- (c) Increasing the refund value to be paid when redeeming beverage containers;
- (d) Limiting the redemption of beverage containers that are purchased out of state; and
- (e) Collecting and utilizing the refund value of unredeemed beverage containers.

Senate Bill 707 also directs the task force to prepare a report to be submitted to the interim legislative committees on environment and natural resources by November 1, 2008.

The BBTF is presenting the following recommendations for consideration by the 75th Legislative Assembly. Please note that after each recommendation (in parenthesis) is the final BBTF vote acknowledging that not all of the recommendations were unanimously supported by all of the task force members.

Recommendation 1: Establishing and paying for redemption centers to redeem beverage containers

The BBTF recommends that the 75th Legislative Assembly support the industry proposal to run a statewide system of redemption centers. A path to a state-run redemption center system should be included and be implemented if the industry proposal is not implemented. **(vote: 9 Ayes)**

Redemption Center System

- Industry-run state-wide system of redemption centers
- 90 centers
- Operated by new beverage recycling co-op
- Financed by unredeemed container deposits and other industry financing
- Minimum standards set by Oregon Liquor Control Commission (OLCC)
- Large dealers (large retail stores) are allowed to opt out of the redemption system when a convenience zone is established.
- Public paid money when returning containers to a redemption center

Recommendation 2: Expanding the list of beverages to be included in the definition of “beverage” in ORS 459A.700

The BBTF recommends that the 75th Legislative Assembly support a comprehensive expansion of the list of beverages, to include sports drinks, coffees, teas, juices, wines, liquors and other beverages; excluding milk or milk substitutes should occur with a January 1, 2013 effective date. **(vote: 5 Ayes; 4 Nays - Hass, Emery, Floyd, Forrest-0)**

Recommendation 3: Increasing the refund value to be paid when redeeming beverage containers –

The BBTF recommends that the 75th Legislative Assembly support the refund value of beverage containers be increased to 10 cents with a January 1, 2011 effective date. **(vote: 6 Ayes; 3 Nays – Emery, Floyd, Forrest)**

Recommendation 4: Limiting the redemption of beverage containers that are purchased out of state

The BBTF recommends that the 75th Legislative Assembly support the findings and recommendations of Deposit-Fraud Subcommittee, with the conclusion being the deposit fraud issue can be addressed internally by the beverage industry once the industry redemption center model is implemented.

(unanimous support of members present- Excused -Emery, Johannsen)

Recommendation 5: Collecting and utilizing the refund value of unredeemed beverage containers

The BBTF recommends that the 75th Legislative Assembly support the unredeemed deposits should be collected by the state **ONLY** if the industry run redemption center system is not successful and a state-run system is implemented. **(unanimous support of members present - Excused -Emery, Johannsen)**

ADDITIONAL RECOMMENDATIONS

Government Role

The BBTF identified the need to have government participation as these efforts move forward. Two state agencies are identified are the OLCC, which is the agency responsible for administering and enforcing the Bottle Bill (ORS 459A.700); and DEQ, which is responsible for recycling and waste reduction. Building on the existing authority of the OLCC, the BBTF recommends that the 75th Legislative Assembly support that the duties and responsibilities of the OLCC be expanded, as needed, to include:

- Approval of or changes in redemption centers;
- Redemption center and dealer standards and oversight that include but not limited to convenience, cleanliness, hours, and staffing **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen)**
- OLCC keeps enough unredeemed deposits on liquor containers to pay for the government responsibilities Publicity and complaint response **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen)**;
- An oversight advisory committee be created to provide advice to the Legislature, OLCC and DEQ **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen)**;
- DEQ would be the agency responsible for beverage container data and reports; and
- That a permanent advisory committee be created to provide advice to the Legislature, OLCC and DEQ on the implementation of the recommendations **(vote: 5 Ayes; 2 Nays – Hass, Forrest; Excused – Emery, Johannsen)**.

Recovery Goal

The BBTF recommends that the 75th Legislative Assembly support that the proposed goal for the return rate under the proposed system be 80 percent. Return Rate would be determined by the total containers redeemed divided by the total containers sold. **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Floyd)**

The BBTF recommends that the 75th Legislative Assembly support that the industry and DEQ report to 2017 Legislative Assembly on the progress toward the 80 percent beverage container return rate and on the waste composition data. **(vote: 7 Ayes; 2 Excused- Emery, Floyd)**

The BBTF further recommends that the 75th Legislative Assembly explore tax incentives or other forms of enticements to encourage advanced “single-stream” recycling methods in Oregon and that similar incentives be extended in rural Oregon to increase recycling rates. **(vote: 5 Ayes; 2 Nays – Apotheker, Powell, 2 Excused- Emery, Johannsen)**

Miscellaneous

As noted earlier, these recommendations are interrelated. Consequently, the BBTF recommends that the

75th Legislative Assembly adopt the Bottle Bill Task Force Recommendations as a comprehensive package to be considered by the 2009 Legislature. (**vote: 5 Ayes; 2 Nays – Hass, Forrest; 2 Excused – Emery, Floyd**)

BACKGROUND

In 1971, Oregon enacted the first bottle bill in the nation. The original purpose of the Bottle Bill was to control the growing litter problem that was occurring throughout the state; it did not become a tool for recycling until later. Under the current system, a five-cent deposit per beverage container is assessed on beer, malt beverages and carbonated beverage containers.

While the law has worked well, it has not kept pace with changes in the beverage industry and the economy. Return rates remain high; however they have dropped from where they were a decade ago. New beverage containers have entered the market that are single-serve and carry no refund value (teas, juices, waters, coffee, etc); these containers are more likely to be littered or thrown away. In addition, inflation has reduced the real value of the five-cent deposit making it less of an incentive to reduce littering and waste.

LEGISLATIVE RESPONSE

In 2007 the 74th Legislative Assembly enacted Senate Bill 707 to expand the Oregon Bottle Bill by adding a five-cent beverage container deposit to water and flavored water beverage containers. In addition, the bill defines water and flavored water; and creates a nine-member Bottle Bill Task Force (BBTF).

Senate Bill 707 directs the Senate President to appoint one Senator, the Speaker of the House to appoint one Representative and the Governor to appoint the remaining seven members of the task force and to designate the task force chairperson. Furthermore, the legislation specifies the task force objectives as follows:

To study and make recommendations on beverage container collection and refund matters, including but not limited to:

- (f) Establishing and paying for redemption centers to redeem beverage containers;
- (g) Expanding the list of beverages to be included in the definition of “beverage” in ORS 459A.700;
- (h) Increasing the refund value to be paid when redeeming beverage containers;
- (i) Limiting the redemption of beverage containers that are purchased out of state; and
- (j) Collecting and utilizing the refund value of unredeemed beverage containers.¹

Senate Bill 707 also directs the task force to prepare a report to be submitted to the interim legislative committees on environment and natural resources by November 1, 2008.

TASK FORCE ACTIVITIES

Under the guidance of Chair John Kopetski, the task force held 10 meetings beginning in November 2007 through October 2008. During the task force meetings, members received detailed information on:

- Oregon’s Bottle Bill and the 2007 expanded components
- Redemption center models
- Other states/provinces refund values and impacts
- Redemption vs. recycling
- Other recovery efforts/options (curbside collection)
- Current conditions of return-to-retail spaces
- Expansion of the beverage container list

¹ Senate Bill 707 (Appendix A)

- Redemption of out-of-state beverage containers
- Unredeemed deposits
- Oregon Liquor Control Commission's current and proposed role

Additionally, Chair Kopetski appointed three subcommittees: Redemption Program Financing; Deposit-Fraud; and Redemption-Recycling Rates and Goals.

ISSUES & FINDINGS

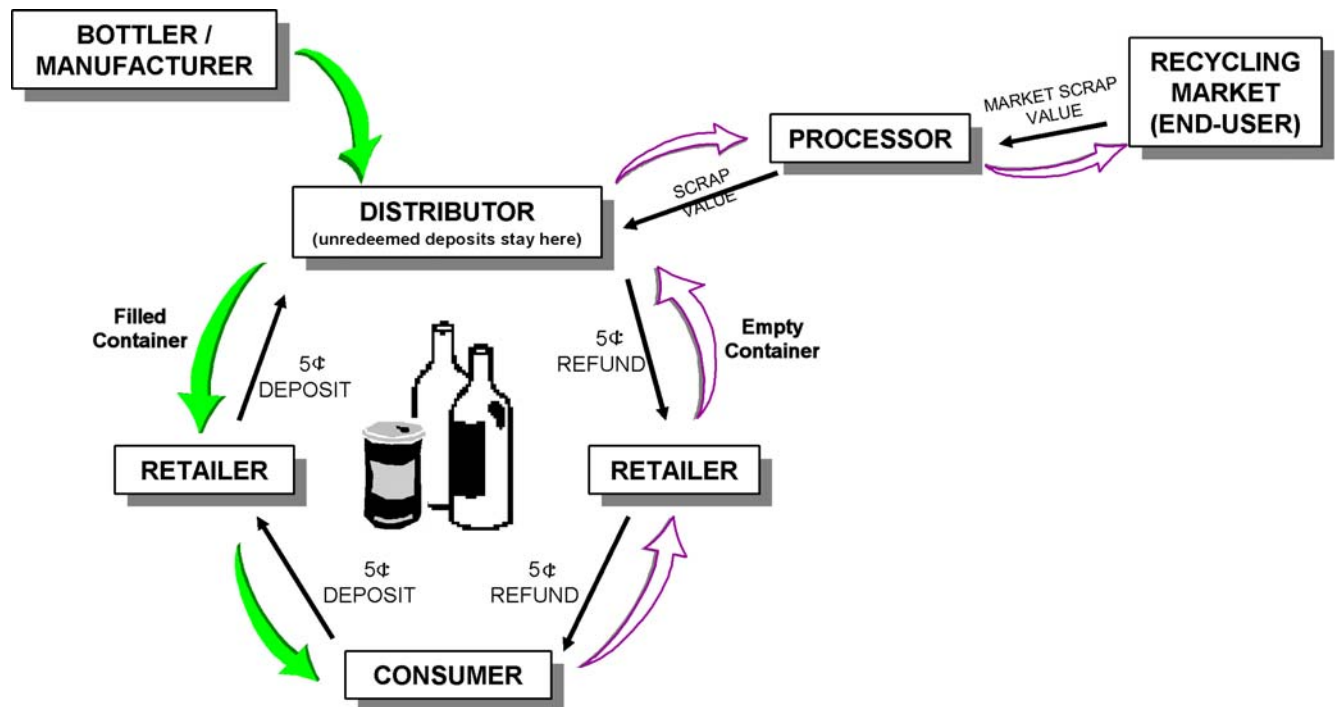
During the course of its discussions and deliberations, and adhering to Senate Bill 707 directives, the BBTF highlighted the following areas of concern:

1. Oregon's current return-to-retail system of processing beverage containers is working, but it will become more difficult for retailers to handle the increased volume of containers once water and other beverage containers enter the system. Additionally, the redemption rate is decreasing and the public is becoming increasingly dissatisfied with problems that exist with the current system.
2. If Oregon moves toward redemption center model, what type of system will be developed? Public or private operated? How will the system be funded? How and who will have oversight authority?
3. With the rapid and continuing increase in the number and type of beverage containers, the list of containers subject to the deposit could be expanded; however there is concern about the system's ability to handle the rapid increase and what would the list be expanded to include?
4. The current refund value of five-cents does not provide the same incentive as it did in 1971.
5. Based on the refund value (whether it remains five-cent or is increased), communities that border states without a refund/redemption system will be faced with increased instances of redeeming out-of-state containers (aka redemption fraud)

Return-to-Retail versus Redemption Centers

Return-to-Retail

Oregon's current redemption system is a return-to-retail model, which works as follows:



With this system, the distributors address the transporting and processing systems/facilities to handle the returned containers. The processing facilities handle aluminum, PET (polyethylene terephthalate), and glass containers. The retailers address the counting and sorting of returned containers by distributor groups and the storing of the containers.

As the original bottle bill unfolded, some beverage distributors formed joint ventures to make collection from stores and processing more efficient. Container Recovery, Inc., (CRinc) and Beverage Recyclers of Oregon (BROCO) are examples of these ventures. These ventures:

- Provide deposit beverage container services;
- Provide service to 'non-franchise' participants such as Shasta, Safeway, Hansen's and Albertsons;
- Process up to 3 million containers a day;
- Provide each retail customer with payment for their containers; and
- Use automated counting devices and technologies that process aluminum, PET, and glass containers.

Additionally, CRinc:

- Picks up and processes approximately 50% of the state's total container volume;
- Is the primary provider of reverse vending machines (RVMs) and UPC technologies throughout Oregon;
- Makes approximately 36,000 stops per year to pickup containers;
- Services over 1,100 retailers; and
- Maintains 137 locations in Portland and 145 locations outside Portland area.²

Redemption Centers

Currently, any person may establish a redemption center in Oregon (ORS 459A.735), upon the approval of the Oregon Liquor Control Commission (OLCC). However, it was noted that since there is no dedicated funding stream to support redemption centers, the OLCC stated that there has been very little interest in utilizing the existing law.

To fully understand the significance of redemption centers, the BBTF began its discussion with an overview of several current deposit/return/redemption models. Components of the models include funding mechanisms, how redemption centers are sited, the various levels of deposits (5-25 cents), handling fees, oversight responsibility, recovery rates, and consumer participation and support.

Eleven U.S. states and most Canadian provinces have some sort of deposit/return system. Oregon and Michigan have adopted the return-to-retail model, Alberta and Hawaii use redemption centers and other states/provinces have chosen a combination of redemption centers and retail.

After carefully reviewing the information, and to further advance the discussions, the BBTF put forth a request to the industry, public/private and public entities to develop and submit redemption center proposals for the task force to consider. John Andersen, Vice-President of Operations, CRinc., presented the industry's proposal. The following are key components:

- Build on the success of the original bottle bill;
- Willingness and ability of industry to be creative, within the framework of existing legislation;
- Establish statewide beverage recycling cooperative (membership, processing facilities, and financing);
- Industry-run redemption centers (number, locations, and financing); and
- Begin 'Beta' testing industry-run redemption centers.³

² *Container Recovery, Inc. (CRinc.) & the Oregon Bottle Bill*, John Andersen, CRinc., PowerPoint presentation 11/09/07 (Appendix B)

³ *Industry Approach to Redemption Centers*, John Anderson, CRinc., 5/13/08 (Appendix C)

Scott Klag, Association of Oregon Recyclers, proposed the following system:

- Modernize the industry-run system to increase accountability so that Oregon can reach and sustain recovery rates, and to ensure that the flow of funds be transparent (how redemption centers are financed and unredeemed deposits are used).
- Develop a statutory framework that:
 - Expands the beverage container list;
 - Establishes a recovery rate (key tool would be to increase the refund value if the recovery rate is not being achieved);
 - Establishes standards for redemption centers; ensures convenience for Oregonians;
 - Addresses sustainability.⁴

Peter Spendelow, Oregon Department of Environmental Quality (DEQ), presented the proposal for a state-managed system (Appendix E). The following are key features:

Deposit Value

- 5 cents for containers less than 24 oz., and 10 cents for containers greater than 24 oz.
- Distributors would collect the deposit on containers that are sold to retailers, and pass the funds on to the state;
- Retailers would collect the deposit from customer

Return Options

- Customer return empty beverage containers to redemption center or to most retailers
- Retailers may limit the number of containers returned by customers
- Exempt small retailers from receiving containers

Handling Fees

- Redemption centers and retailers would receive different handling fees based on the services provided
- Redemption centers that do not sell beverages would receive a full handling fee
- Retailers and redemption centers that sell beverages and accept unlimited number of containers would receive a discounted handling fee
- Dealers that accepted a limited number of containers (to the lower limit) would not receive a handling fee
- A per-container handling fee for redemption centers would be set by the state for each class of containers based on studies of the average costs to redemption centers of handling the different classes of containers, and allowing for a reasonable profit margin. The registered recyclers would pay these handling fees to the redemption centers and dealers, and would in turn be reimbursed by the state.

Classes of Containers

- The state would designate different classes of containers based on material separation

State Reimbursement of Recyclers

- Recyclers would submit reports to the state showing the number of containers collected and the amount paid in deposit refunds and handling fees
- The state would reimburse these costs

Container Class Fee

- Fee set by the state to cover the net cost of collecting and recycling each class of container

Location of Redemption Centers

- Any company interested in establishing a redemption center could do so, provided they can make arrangements with a registered recycler to accept the containers
- The state would conduct a feasibility study to determine the size and locations of “Market Zones,” which would be areas of sufficient size and beverage return potential to support a center

⁴ Association of Oregon Recyclers Redemption Center Approach, Scott Klag, Association of Oregon Recyclers, 5/13/08 (Appendix D)

- If the market zone is not adequate for a redemption center, the state would have the option to use grants or other incentives to establish redemption centers in undeserved areas
- If rural retailers or redemption centers are having difficulty in obtaining collection service from a recycler, the state would contract with a private company to provide that service

Phase-in Period

- Retailers would be required to accept containers until such time that a redemption center opens for business in a market zone
- Once the redemption center opened for business, retailers would have the option of accepting to a more limited quantity of containers for redemption

Redemption Center Standards

- Main standards for redemption centers would be recordkeeping requirements and other requirements designed to minimize and potentially prosecute fraudulent container returns
- Additional standards would include days and hours of operation for redemption center services⁵

Oregon Liquor Control Commission (OLCC) Role and Responsibilities

The BBTF asked the OLCC to provide information on the following:

- Current OLCC authority as it relates to the Bottle Bill;
- Current OLCC inspection of liquor retail stores;
- Position on including wine and distilled spirit bottles in the list of beverages;
- Definition of “convenience zone”;
- Current resources and funding for bottle bill activities; and
- Current demands on OLCC with SB 707 implementation.

The BBTF acknowledged that as the Bottle Bill continues to expand, and OLCC becomes more involved, both as the enforcement agent and as liquor stores may become part of the redemption center system, the Commission indicated they will need additional resources to effectively accomplish these duties.

Redemption Program Financing Subcommittee

The financing methods employed in expanded bottle bill systems vary between those where the money flows are apparent (such as the California system), to those where a broad, nonprofit industry organization is charged with managing and financing the redemption system, and the financial data is kept internal (such as numerous Canadian provinces).

To guide the BBTF financing redemption center system discussion, Chair Kopetski assigned Kelly Griffith, Jerry Powell, and Suzanne Johannsen to review and develop redemption center financing options. At the March 4, 2008 meeting, the subcommittee presented the following options:

- Create handling fees (various approaches);
- Utilize unredeemed deposits;
- Establish services fees;
- Registration fees, processing fees, container recycling fees; and/or
- Redemption center development fees and material sales.⁶

⁵ *Proposed Bottle Bill System Managed by the State*, Peter Spendelow, DEQ, 5/13/08 (Appendix E)

⁶ *Redemption Program Financing Options*, Financing Subcommittee, BBTF, 3/4/08 (Appendix F)

Redemption Center Standards

One component of a redemption center system that the BBTF discussed is the development of redemption center standards. Areas of focus included hours of operation, ease to consumers, recovery/recycling rates, use of reverse vending machines (RVMs), relief to retailers, size requirements, equipment requirements, cleanliness, hygiene, and public health requirements, standards for fraud protection, and that redemption centers be required to take back all types and brands of containers that have a refund value.

The BBTF discussion also noted that the type of standards developed may depend strongly on the system used to establish a redemption center system. In an unregulated system, where anyone can establish a redemption center and centers are in direct competition with each other, adoption of redemption center requirements and standards may not be necessary. If a redemption center is not meeting the needs of the population it is serving, another operator could come in and establish a new center based on market need. However, the discussion also noted that if standards are too restrictive, they might inhibit innovation and development of better, cheaper and more effective ways of handling containers.

Expanding the List of Beverages to be Included in the Bottle Bill

Effective January 1, 2009, Oregon's Bottle Bill expands the five-cent beverage container deposit to include water and flavored water beverage containers. Oregon's current return-to-retail system is operated by distributors that sell products within exclusive franchise territories (Coke, Pepsi, Coors, etc), most bottled waters and noncarbonated (juices, teas and sports drinks) beverages are sold by distributors without exclusive franchises, thus creating a separate category and changing the Bottle Bill.⁷ The BBTF recognizes that with the addition of the water and flavored water containers, it is uncertain how the current system will respond, in volume, in variety, and in the collection of refunds. DEQ stated that the addition of these containers would increase redeemed containers by 10 percent.

The BBTF examined expanding the beverage list to include sports drinks, coffees, teas, wines, liquors and other beverages, excluding milk or milk substitutes. During the discussions, data was presented that reflected the types, quantity and weight of containers disposed; the types, quantity and weight of containers recycled; and the types, quantity and weight of containers redeemed.⁸ Using this 2005 data, DEQ presented the potential energy savings, litter control, market share, and recycling projections of an expanded list of beverages subject to the Bottle Bill.

At the request of the BBTF, the OLCC, the agency responsible for administering and enforcing the Bottle Bill, reviewed the types, colors, and sizes of wine and distilled spirit bottles that are distributed throughout Oregon. The commission noted that most of the state liquor stores are less than 5,000 square feet and container storage could be an issue for both the retail stores and businesses that serve distilled spirits and wine.

The industry requested that the BBTF allow time for the current system to absorb the water and flavored water products before considering a further expansion of the beverage list.

⁷ *Comments on Redemption Program Financing Options*, Kevin Dietly, American Beverage Association, 4/01/08 (Appendix G)

⁸ *Expanding the List of Beverage Containers*, Peter Spendelow, DEQ, 4/01/08 (Appendix H)

Limiting Redemption of Out-of-State Beverage Containers

To review and develop recommendations on redemption fraud, Chair Kopetski appointed Steve Emery, Dan Floyd and Jerry Powell as subcommittee. At the October 3, 2008 meeting, the Deposit-Fraud Subcommittee submitted their report. The report highlights five issues:

- Technology fix – Oregon-only barcode is unlikely at this time, since Oregon is a small market in the beverage industry.
- Grocers' dilemma – Hayden Island Safeway and Interstate Avenue Fred Meyer in Portland have the worst problem with the redemption of Washington containers – grocers don't retain the deposit monies, therefore the cost of redemption fraud is absorbed by the beverage industry.
- Role of redemption centers – Should the redemption center system move forward the subcommittee agrees that redemption centers could refuse to handle large loads of redeemable containers delivered by Washington residents.
- Statutory fix – The subcommittee agrees that current statutory language is sufficient; enforcement is the issue and that does not require new or revised language.
- Relationship of fraud to deposit value – The subcommittee noted that if the deposit value is increased, the beverage industry would likely dedicate additional resources to the issue.⁹

Collecting and Utilizing Unredeemed Deposits

As noted earlier, under the current system, all unredeemed deposits stay with the distributors. DEQ estimates that 60 million beer and soft drink containers are recycled through curbside and other recycling programs without being redeemed for the five-cent deposit; 254 million containers are landfilled; and 1.163 billion are being redeemed, for the approximate total of \$16 million per year of unredeemed deposits.

The BBTF acknowledged that if the industry-run redemption center model is adopted the unredeemed deposits would be a funding component for that system.

Redemption-Recycling Rates and Goals

The BBTF received data and information from DEQ, the Association of Oregon Recyclers and the industry on recycling and redemption rates. Areas of discussion included single-stream recycling, curbside pick-up systems, glass/paper contamination, rigid plastic, and others.

Several members of the BBTF noted that during the discussions different terms were being used to describe a desired outcome from the proposed system. Under the direction of Chair Kopetski, Suzanne Johannsen and Representative Ben Cannon were appointed to the Subcommittee on Redemption/Recycling Rates to develop a recommendation. At the August 18, 2008 meeting, the subcommittee presented the following:

- that the return rate would be determined by total containers redeemed divided by total containers sold;
- that the term "return rate" means the rate by which the success of the program would be measured; and
- the proposed goal for the "return rate" under the new system be 80 percent, no timeline was recommended.¹⁰

⁹ *Deposit-Fraud Subcommittee Report*, Deposit-Fraud Subcommittee, BBTF, 10/3/08 (Appendix I)

¹⁰ *Redemption/Recycling Rates Subcommittee Report*, Redemption/Recycling Rates Subcommittee, BBTF, 8/18/08 (Appendix J)

RECOMMENDATIONS

After reviewing the information and presentations, Chair Kopetski drafted a “Chair’s Preliminary Proposal”¹¹ of recommendations. The BBTF discussed and deliberated on the preliminary recommendations and the following recommendations are being put forward for consideration by the 75th Legislative Assembly. Although the recommendations could be considered separately, they are interconnected. For example, the BBTF recommends the industry proposal to run a statewide system of redemption centers, be funded by unredeemed deposits, and the unredeemed deposit recommendation references the industry run redemption center model. Also, note that after each recommendation (in parentheses) is the final BBTF vote acknowledging that not all of the recommendations were unanimously supported by all of the members.

Recommendation 1:

Establishing and paying for redemption centers to redeem beverage containers – The BBTF recommends that the 75th Legislative Assembly support the industry proposal to run a statewide system of redemption centers. If the industry proposal is not implemented, a path to a state-run redemption center system should be included. **(vote: 9 Ayes)**

Redemption Center System

- Industry-run state-wide system of redemption centers
- 90 centers
- Operated by new beverage recycling co-op
- Financed by unredeemed container deposits and other industry financing
- Minimum standards set by Oregon Liquor Control Commission (OLCC)
- Large dealers (large retail stores) are allowed to opt out of the redemption system when a convenience zone is established.
- Public paid money when returning containers to a redemption center

While the recommendation specifies 90 centers, the BBTF recognizes that this number is not concrete. As the redemption center plan unfolds and begins implementation, the industry will be able to determine, with more detail, the exact amount of centers that Oregon needs.

Recommendation 2:

Expanding the list of beverages to be included in the definition of “beverage” in ORS 459A.700 -

The BBTF recommends that the 75th Legislative Assembly support the proposal that a comprehensive expansion of the list of beverages, to include sports drinks, coffees, teas, juices, wines, liquors and other beverages, excluding milk or milk substitutes should occur with a January 1, 2013 effective date. **(vote: 5 Ayes; 4 Nays - Hass, Emery, Floyd, Forrest)**

The BBTF acknowledged that with water and flavored water beverage containers being added into the Bottle Bill on January 1, 2009, the impact to retailers and consumers is yet to be determined. However, the responsibility for container redemption should be shared between the industry and the consumers. Several members noted that many of the beverage containers to be added to the deposit system, such as sports drinks and juices, would likely have been included in the original deposit program, had they been in distribution at the time and sold at the high levels they are today.

¹¹ *Chair’s Preliminary Proposal*, John Kopetski, Chair, BBTF, 5/27/08 (Appendix K)

Recommendation 3:

Increasing the refund value to be paid when redeeming beverage containers – The BBTF recommends that the 75th Legislative Assembly support the proposal that the refund value of beverage containers be increased to 10 cents with a January 1, 2011 effective date. **(vote: 6 Ayes; 3 Nays – Emery, Floyd, Forrest)**

The Bottle Bill has been viewed primarily as a litter control measure. Following the implementation of the Bottle Bill, litter has been substantially reduced across Oregon. Additionally, the bill's effect on waste reduction and resource conservation has proven to be another notable feature. DEQ estimates that Oregonians purchased almost 2 billion beverage containers (deposit and non-deposit, not including paper containers) in 2005 and 20 percent were disposed of in landfills. DEQ also provided data stating that only one state, Michigan, has a deposit level of 10 cents, and that that state has the nation's highest redemption rate for beer and soft drink containers (greater than 90 percent).

Recommendation 4:

Limiting the redemption of beverage containers that are purchased out of state – The BBTF recommends that the 75th Legislative Assembly support the findings and recommendations of Deposit-Fraud Subcommittee, concluding that the deposit fraud issue can be addressed internally by the beverage industry once the industry redemption center model is implemented. **(unanimous support of members present- Excused -Emery, Johannsen)**

Across-border redemption fraud is a problem in other states, especially in Michigan, where Ohio and Indiana residents illegally redeem containers, and in New England, where New Hampshire does not have a deposit program but is surrounded by deposit-law states.

Recommendation 5:

Collecting and utilizing the refund value of unredeemed beverage containers – The BBTF recommends that the 75th Legislative Assembly support the proposal that the unredeemed deposits should be collected by the state **ONLY** if the industry run redemption center system is not successful and a state-run system is implemented. **(unanimous support of members present - Excused -Emery, Johannsen)**

DEQ estimates that 60 million beer and soft drink containers are recycled through curbside and other recycling programs without being redeemed for the five cent deposit. Currently, the unredeemed deposits are held by the beverage distributors. As previously noted under **Redemption Centers** (page 10), the unredeemed deposits would be applied to the implementation and operation of the newly developed industry run redemption center system.

ADDITIONAL RECOMMENDATIONS

As mentioned above, Senate Bill 707 identified five directives to be addressed by the BBTF. The measure also granted the BBTF latitude to develop additional recommendations. The following recommendations were developed to support and enhance the five recommendations.

Government Role

The BBTF identified the need to have government participation as these efforts move forward. Two state agencies are identified: the OLCC, which is the agency responsible for administering and enforcing the Bottle Bill (ORS 459A.700); and DEQ, which is responsible for recycling and waste reduction. Building on the existing authority of the OLCC, the BBTF recommends that the 75th Legislative Assembly support

the proposal that the duties and responsibilities of the OLCC be expanded, as needed, to include:

- Approval of or changes in redemption centers;
- Redemption center and dealer standards and oversight that include but not limited to convenience, cleanliness, hours, and staffing (**vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen**)
- OLCC keeps enough unredeemed deposits on liquor containers to pay for publicity, complaint response, and government responsibilities (**vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen**);
- An oversight advisory committee be created to provide advice to the Legislature, OLCC and DEQ (**vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen**);
- DEQ would be responsible for beverage container data and reports.

Recovery Goal

Using the Subcommittee on Redemption/Recycling Rates report, the BBTF recommends that the 75th Legislative Assembly support the proposed goal of an 80 percent return rate under the proposed system. The return rate would be determined by the total containers redeemed divided by the total containers sold. (**vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Floyd**)

The BBTF recommends that the 75th Legislative Assembly support that the industry and DEQ report to 2017 Legislature on the progress toward the 80 percent beverage container return rate and on the waste composition data. (**vote: 7 Ayes; 2 Excused- Emery, Floyd**)

The BBTF further recommends that the 75th Legislative Assembly explore tax incentives or other forms of enticements to encourage advanced “single-stream” recycling methods in Oregon and that similar incentives be extended in rural Oregon to increase recycling rates. (**vote: 5 Ayes; 2 Nays – Apotheker, Powell, 2 Excused- Emery, Johannsen**)

Miscellaneous

As noted earlier, these recommendations are interrelated. Consequently, the BBTF recommends that the 75th Legislative Assembly adopt the Bottle Bill Task Force Recommendations as a comprehensive package to be considered by the 2009 Legislature. (**vote: 5 Ayes; 2 Nays – Hass, Forrest; 2 Excused – Emery, Floyd**)

CONCLUSION

The Bottle Bill Task Force has made twelve recommendations for the Legislative Assembly to consider. As noted in the report, the recommendations are interrelated, and the task force encourages the Legislature to consider them in a comprehensive approach, rather than as individual items.

On October 14, 2008, the BBTF met to approve the final report. At that time, a Minority Report was presented to the BBTF for consideration. The Minority Report is attached as a supplemental document in this report. The final vote on the report was **8 Ayes; 1 Nay (Johannsen)**.

The Bottle Bill Task Force respectfully submits this report and looks forward to its evaluation and implementation.