

Date of Hearing: July 16, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 674 (Cabaldon) – As Amended March 24, 2025

Policy Committee: Natural Resources

Vote: 13 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill reduces, from 25 cents to 10 cents, the California Redemption Value (CRV) on a beverage container subject to the California Beverage Container Recycling and Litter Reduction Act (Bottle Bill) that is a box, bladder, pouch, or similar container with a capacity of less than 24 fluid ounces containing wine or distilled spirits.

FISCAL EFFECT:

- 1) Forgone revenue of an unknown, but potentially significant, amount, possibly in the millions of dollars annually (Beverage Container Recycling Fund (BCRF)), due to a reduction in CRV deposits on the container types specified in the bill. This decrease in revenue would be offset in some capacity by decreased expenditures for reduced CRV payouts on these containers if they are redeemed by consumers.

The committee notes this bill would make a change to the CRV on beverage containers that have only been included in the Bottle Bill since January 1, 2024 (see background for more details), and therefore, the respective redemption rates, recycling costs, and CRV payments for these containers are all unknown. The committee also notes that statewide beverage sales and recycling rates are quite volatile. Therefore, the associated CRV revenue and expenditures would likely vary significantly from year to year. However, decreasing the CRV presumably lowers the incentive for redeeming these containers. Thus, this bill could lower the recycling rate for affected containers.

- 2) The Department of Resources Recycling and Recovery (CalRecycle) estimates one-time costs of about \$200,000 (BCRF) to update its database infrastructure to reflect the new CRV rates for the specified container types identified in this bill.

CalRecycle reports that the BCRF had an ending balance of about \$889 million in fiscal year (FY) 2023-24 and is projected to have an ending balance of about \$432 million at the end of this FY – although this figure could change based on actuals provided at the end of the FY.

COMMENTS:

- 1) **Purpose.** According to the author:

Current law assesses a [CRV] of \$0.25 on all boxed wines and spirits, regardless of their size. Newer to market single serving boxed wines in containers often referred to as Tetra Pak's, are competing with canned

products that are only charged a fee of \$0.05 if the product is less than 24 ounces. The environmental benefits of these new single serving beverages are significant and include increased packaging efficiency, reducing greenhouse gas emissions during transportation, decreased product wastage due to longer shelf life, and the ability to be turned into durable, sustainable building materials with an 80% lower carbon footprint than traditional building materials.

SB 674 creates a more equitable CRV for boxed wine and spirits under 24 ounces by lowering the CRV to \$.10. This change ensures that consumers of all economic levels can choose environmentally sustainable products while also thinking about affordability.

- 2) **Background.** In broad strokes, the Bottle Bill operates by adding a small CRV (between five and 25 cents per container) on beverages that consumers pay at checkout and that can then be redeemed when the containers are brought to a collection site or recycling center in the program. The CRV incentivizes consumers and businesses to bring containers back into the recycling system, reducing the likelihood of bottles ending up as litter or in a landfill.

The CRV is paid up-front by distributors who pay the CRV to CalRecycle for every beverage container sold in the state. Next, retailers pay the CRV to distributors, and consumers pay the CRV to retailers. CRV is paid into the BCRF and CalRecycle pays out of BCRF for CRV redemption (CRV-out). If containers are not redeemed, however, that money stays in the BCRF as surplus. This surplus is used to operate the Bottle Bill program: unredeemed CRV is the primary funding source for the Bottle Bill and is used to fund the administration of the program, grants that advance recycling, and various incentive payments that keep the program running.

As the recycling rate increases, less funding is available in the BCRF to make all the budgeted payments prescribed in statute. A structural deficit occurs when program payments exceed program revenue for a given timeline. Because the number of beverage containers in the Bottle Bill in a given year is very large, small changes to the rate of CRV-in versus CRV-out translate to large changes (and large sums of money) in the BCRF.

The Bottle Bill historically included most glass, aluminum, and plastic containers for water, beer, soda, sports drinks, and smaller containers of fruit and vegetable juices. In 2022, it was expanded to include wine and distilled spirits, including wine sold in boxes, pouches, and bladders. In 2024, it was expanded to include all vegetable and fruit juice containers. As new containers are added to the program, there tends to be an initial increase in unredeemed CRV due to lower recycling rates for the new containers. As consumers begin returning the containers for recycling, that initial increase in unredeemed CRV slows or potentially even results in a structural deficit, depending on the recycling rate.

The legislation that added wine and distilled spirits to the Bottle Bill – SB 1013 (Atkins), Chapter 610, Statutes of 2022 – set the CRV for wine in boxes, bladders, and pouches at 25 cents. The higher CRV was to reflect the challenges associated with these container types. The containers have little to no scrap value, and the state does not currently have the infrastructure necessary to collect and recycle them.

This bill revises the CRV on containers that were included in the Bottle Bill only at the beginning of 2024. As noted previously, there is very little information available yet regarding redemption rates, recycling costs, and their impact to the BCRF. Additionally, when the CRV reduction goes into effect, the redemption value will be lower (by 15 cents per container) than what the consumer paid at the time of purchase. A tenet of the Bottle Bill is that consumers are able to redeem the full CRV.

- 4) **Prior Legislation.** AB 457 (Aguiar-Curry), of the 2023-2024 Legislative Session, would have reduced the CRV for small box, bladder, or pouched wine or distilled spirits in the Bottle Bill from 25 cents to 10 cents, and authorized small beverage container distributors to make a single annual payment of redemption payments. AB 457 was vetoed by the Governor, who stated that by setting a higher CRV for the aforementioned container types, “SB 1013 created a market signal incentivizing the industry to either stimulate development and create recycling pathways for these materials, or bottle the beverages in a more cost effective - and thus, easier to recycle - manner, such as with glass or aluminum.” The Governor further stated, “Lowering the CRV for these materials, as proposed by this bill, would disrupt this market signal, create confusion for recyclers, and likely result in consumers paying a higher CRV than they will be able to redeem.”

Analysis Prepared by: Nikita Koraddi / APPR. / (916) 319-2081