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Bill tacks on 8 cents to bottled beverages

BY ROBERT J. SMITH ARKANSAS DEMOCRAT-GAZETTE

ROGERS — The 1 million drinking water containers filled each year at Mountain Lake Bottling Co. in Rogers would be subject to a new fee if the state Legislature approves a proposal by Rep. Shirley Borhauer. Borhauer, R-Bella Vista, is among three sponsors of House Bill 2210, also called the Beverage Container Litter Reduction Act, which was introduced Tuesday and assigned to a committee.

The legislation's impact would stretch well beyond Mountain Lake President John Sanders' company. Every company that bottles or cans a single-serving drink and then sells it in Arkansas would pay an 8-cent per-bottle fee likely to be passed on to the consumer.

Every Diet Coke, every Budweiser, every bottled Frappuccino would incur the fee.

Eleven states have legislation referred to as "bottle bills," but most laws differ from Borhauer's in that they allow the consumer to redeem the entire fee as a deposit. Her proposal includes a 5-cent deposit and a 3-cent nonrefundable fee to total an 8-cent fee.

It's estimated the nonrefundable fee would bring in \$12 million the first year. Far more, an estimated \$40 million, could be generated from the full 8-cent fee on containers that were never returned.

Fayetteville Mayor Dan Coody last year talked about Arkansas' need for a bottle bill, and he persuaded Borhauer to sponsor his plan.

"Trash is bad because it reinforces the idea of hillbilly, backwards Arkansas as being just trashy and poor," Coody said. "When you try to recruit businesses to Arkansas, litter is a disincentive."

State officials credit fees on bottles for reducing roadside litter and for preserving space in landfills. The Arkansas Municipal League is among the supporters of Borhauer's bill.

Naysayers include the Arkansas Soft Drink Association and the Arkansas Grocers and Retail Merchants Association.

"You are penalizing one industry for the entire problem of litter," said Polly Martin of the grocers association.

"It's like saying my baby's fingernail hurts so I'm going to cut her whole hand off. This isn't the answer."

Borhauer said she thinks differently, but she knows passing the bill won't be easy.

"I'm going to have trouble with the beer and Coke distributors, but I don't care," she said. "Everybody wants a community litter-free, but nobody wants to do anything about it."

DIFFERENT APPROACHES California, Connecticut, Delaware, Iowa, Maine, Massachusetts, Michigan, New York, Oregon and Vermont have bottle bills. Hawaii approved a bill last year, but it hasn't been implemented.

Some European countries, including Austria, Finland, Sweden and Germany, have bottle bills.

The bills generally require a refundable deposit on beer, soft drinks and sometimes other single-serving containers.

Their intent is to encourage recycling.

"No two deposit laws are exactly the same," said Pat Franklin, executive director of the Container Recycling Institute.

Arkansas, Idaho, New Mexico, Utah and West Virginia are among the states that have talked about establishing bottle bills in the past few months, Franklin said. She's confident beverage and retail associations in those states will fight new bottle bill proposals with the same vigor they have fought those in other states.

"Rarely has a bottle bill proposal even gotten out of a committee," Franklin said.

"They are able to keep bottle bills bottled up in small committees where you have less than a dozen people deciding what's best for millions of people in a state."

Under Borhauer's proposal, the state Department of Finance and Administration would collect the proceeds from the bottle fee.

Of the 3-cent nonrefundable fee, redemption

centers would get 2.2 cents per container, while the remaining 0.8-cent would be divided between the state's regional waste districts, the state Department of Environmental Quality, and the state Department of Finance and Administration.

Consumers could return the containers to receive the 5-cent deposit, but all unclaimed deposits would revert to the state, the bill states.

Coody believes the state could collect millions of dollars in revenue annually from the 8-cent fee on containers that are never returned.

Considering that Arkansans consume an estimated 2 billion single-serving containers of beverages each year, the 8-cent fee would generate \$160 million. If 25 percent of the containers weren't returned, the state would keep \$40 million.

Coody believes the range could be as low as \$30 million to as high as \$48.7 million.

The state Department of Finance and Administration hasn't done a thorough financial analysis of the bill yet, but that should occur this week, said Tim Leathers, the department's deputy director.

"This is a way out of part of the state's budget crunch," Coody said.

MONEY MAKERS Other states, including Michigan and Massachusetts, make some revenue on their bottle bills, Franklin said.

Matt Flechter, the Michigan Department of Environmental Quality recycling and composting coordinator, said retail outlets that collect 10-cent deposits must give the money to the state's treasury department on containers that aren't returned. The state returns 25 percent of the money to the retailer.

That generated \$13.1 million in 2001 for the state's Cleanup and Redevelopment Trust Fund and a Community Pollution Prevention Fund.

The container return rate is higher in Michigan than it would be in Arkansas, Franklin theorizes. That's because a 10-cent deposit provides twice the incentive for the consumer to return the container, he said.

Residents of Michigan, a state with a bottle bill since 1976, returned 94 percent of the 4.41 billion single-serving containers sold in 2001.

Other states, including Connecticut, Oregon, Iowa and Vermont, allow distributors and

bottlers to keep money generated by unredeemed containers.

Oregon, which in 1971 became the first state to have a bottle bill, requires a 5-cent deposit at the time of purchase that is returned when the container is brought back.

Oregon distributors and bottlers keep more than \$8 million in revenue from unreturned containers most years.

The Oregon Department of Environmental Quality estimates that 160 million to 190 million of the containers are buried in the state's landfills each year.

Peter Spendelow, solid waste policy analyst for the Oregon Department of Environmental Quality, said that money kept by distributors and bottlers hasn't helped the law gain the favor of its opponents.

"The opponents still hate it," Spendelow said.

WHY ONLY BOTTLES? Sanders' bottled water company in Rogers sells its product to Northwest Arkansas banks, trash companies, a Eureka Springs liquor store and Branson, Mo., entertainers such as Mel Tillis and Yakov Smirnoff. After it's labeled, they sell it or give it away as a promotion.

Sanders acknowledges that some of those bottles probably do end up as litter, but it's not the company's fault. Rather, it's the bottle tossers.

"You aren't going to legislate morality," Sanders said.

Sanders said there's other trash along highways, too. There are paper bags from McDonald's, blue plastic bags from Wal-Mart stores, cigarette butts and dirty diapers. No one is talking about making the companies that produce those pay a special fee.

"Why don't we have a recycling charge on newspapers?" Sanders said. "Why not on any type of bag?"

Sanders and other bottle bill opponents said litter laws could be better enforced.

"We don't want to see our trademark on the side of the road, either," said Dennis Farmer, president of the Arkansas Soft Drink Association. "Things should be focused on educating consumers to have more pride in Arkansas instead of placing a financial burden on everyone so proper disposal happens."

Opponents raise another question about bottle

bills: If they are so good, why doesn't every state have one? Coody notes that no state has ever repealed a bottle bill. That's an indication that states like them once they are established, he said.

Columbia, Mo., the only city in the nation to have its own bottle bill, repealed its bill last year. Franklin said it was political pressure in Columbia and in states across the nation that defeated bottle bills. The soft drink and beer industry has strong lobbyists, she said.

"They are well financed and politically powerful," she said. "They've poured hundreds of millions of dollars into defeating these bills."

Bottle bills have other problems, opponents said. They fear some of the problems faced in other states could play out in Arkansas, including the possibility of bottle bill fraud.

One notable case happened in California, where Migran Changulyan was sentenced last month to four years in state prison in connection with his part in a \$3 million recycling racket.

Changulyan was viewed as the ringleader in a group of people who illegally hauled cans and bottles from Mexico and neighboring states and redeemed them in Los Angeles, making hundreds of dollars per truckload.

Opponents believe Arkansas could have similar problems, though maybe not as extreme. A beer manufacturer could legally distribute Arkansas-deposit cans in Oklahoma and other adjacent states. Then consumer could redeem them for the 5-cent deposit in Arkansas even though they never paid the 8-cent fee.

"Everybody around us will start saving their cans and bringing them to Arkansas," Martin said.

Coody acknowledges people could cheat the system, but he doesn't believe the problems will be severe.

To make fraud more difficult and less profitable, some states have set limits on how many cans or bottles can be returned to redemption centers each day. Oregon centers, for instance, can refuse to accept more than 144 per person per day. Maine has a steep fine: \$100 per container that's illegally returned to redemption centers.

"There's no perfect world," Coody said. "If someone is desperate enough to go across the state line, that's OK. It's not that big of a

problem. It's trying to find a minute flaw in what's a grander picture."

DISMAL CHANCES Farmer and Martin said there's no scenario in which they'd support a bottle bill of any kind.

Farmer described the Arkansas proposal as "absolutely the most extreme in the U.S." because of its 3-cent nonrefundable fee.

They are both confident that Arkansas' Legislature won't approve a bottle bill this session.

"I don't anticipate that this is on the fast track," Farmer said.

Borhauer herself gives the bill little chance of being approved. "I'm not discouraged very easily, but it's going to be hard," Borhauer said. "This sounds like a good bill to me. We could work on it."

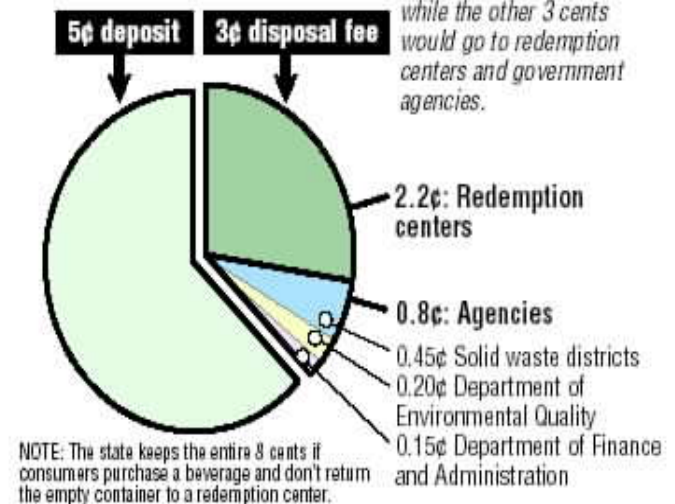
Sen. Jack Critcher, D-Grubbs, has sponsored bottle bills in Arkansas in the past and he's among the three sponsors of Borhauer's bill.

He's also betting against its passage — this time.

"You wouldn't want to bet the house on it, but eventually I think there will be a bottle bill in Arkansas," Critcher said.

Bottle bill

■ A bill proposed by state Rep. Shirley Borhauer, R-Bella Vista, would charge 8 cents on each single-serving drink sold in Arkansas. Consumers could return containers to collect the 5-cent deposit, while the other 3 cents would go to redemption centers and government agencies.



SOURCE: House Bill 2210

Arkansas Democrat-Gazette



Arkansas Democrat-Gazette/LORI McELROY Mike Laird packages bottled water at the Mountain Lake Bottling Co. in Rogers while co-worker Dave Johnson, who had been using a capping machine, watches. John Sanders, the company's president, is opposed to a proposed bill that would require an 8-cent fee on each single-serving bottle or can sold in the state.



Arkansas Democrat-Gazette/LORI McELROY The Mountain Lake Bottling Co. in Rogers bottles private-label water for clients in Arkansas and Missouri. A bill proposed by Rep. Shirley Borhauer, R-Bella Vista, would require an 8-cent charge on each bottle sold in Arkansas.