



FINAL REPORT

Recycling Policy Study Committee

December 2015

MEMBERS:

Senator Rita Hart, Co-chairperson
Senator Pam Jochum
Senator David Johnson

Representative John H. Wills, Co-chairperson
Representative Jake Highfill
Representative Beth Wessel-Kroeschell

Staff Contacts:

Ann Ver Heul, Senior Legal
Counsel, (515) 281-3837
ann.ver.heul@legis.iowa.gov

Tim Reilly, Legal Counsel,
(515) 725-7354
timothy.reilly@legis.iowa.gov

Contents:

- I. Committee Proceedings
- II. October 19, 2015, Meeting
- III. Committee Discussion and Recommendations
- IV. Materials Filed with the Legislative Services Agency

AUTHORIZATION AND APPOINTMENT

The Legislative Council established the Recycling Policy Study Committee to evaluate the effectiveness of the implementation of recycling policies in Iowa, including but not limited to bottle deposits, handling fees, government oversight and involvement, and the incidence of unreturned containers. The committee was directed to consult with distributors, retailers, customers, recyclers, and other interested stakeholders to obtain their input, and to submit recommendations, if deemed appropriate, to the General Assembly by January 1, 2016.



Recycling Policy Study Committee

I. Committee Proceedings

The Recycling Policy Study Committee conducted one meeting at the Statehouse during the 2015 Interim on Monday, October 19, 2015.

II. October 19, 2015, Meeting

A. Overview of Meeting

The committee considered presentations by the Department of Natural Resources giving an overview of Iowa's beverage container law and an overview and comparison of Iowa's other recycling policies. The committee heard testimony from stakeholders representing the perspective of distributors, retailers, redemption centers, and recyclers. The committee also heard testimony about the economics of Iowa's beverage container law from Dr. Dermot Hayes of Iowa State University.

B. Overview of Beverage Container Recycling Laws

Mr. Alex Moon, Land Quality Bureau Chief, Iowa Department of Natural Resources (DNR), presented a summary of current Iowa law. The Iowa Beverage Container Law, or "bottle bill," located in Iowa Code chapter 455C, was enacted in 1979 as an anti-littering measure but also promotes recycling and reduces waste going to landfills. The law requires a 5-cent deposit on containers for soda pop, mineral water, liquor, wine and wine coolers, and beer. The process is handled almost entirely by private entities: Generally, distributors charge 5 cents to retailers for each container; retailers charge 5 cents to consumers upon purchase of beverages in qualifying containers; consumers get 5 cents back upon returning the containers; and distributors charge retailers 6 cents for picking up returned containers.

Iowa has an estimated 86 percent redemption rate on qualifying containers. The law does not address unclaimed deposits from the approximately 280 million containers not returned for refunds each year. Distributors keep those unclaimed deposits.

Mr. Moon pointed out that the 1-cent handling fee has not changed since the enactment of the bottle bill. More than two-thirds of the redemption centers around Iowa have closed, while some that remain open have limited their hours and services. He also noted that DNR has no enforcement power related to the law. Violations of the law are simple misdemeanors and enforcement is handled by local law enforcement.

Mr. Bill Blum, Director of the Beverage Container Control Program, DNR, joined Mr. Moon in responding to questions. DNR's official position regarding the bottle bill is to enforce the law as it is written. On a scale of 0-10, Mr. Blum opined that the statute is a "strong 7.5" but could be made better with some changes. As DNR's sole staff person who monitors bottle bill compliance, Mr. Blum noted he handles many calls each week regarding reduced hours of redemption centers, retailers who refuse to accept containers for return, and law enforcement who claim that bottle bill enforcement is not their concern. The latest survey shows 75 percent public support of the law.



C. Distributors' Perspective

The committee welcomed four representatives of beverage distributors to share their views on the bottle bill: Mr. Kirk Tyler, President, Atlantic Coca-Cola Bottling Company; Mr. Don Hensen, Vice President Plains Region, Dr. Pepper Snapple Group; Mr. Kyle Gansen, Field Operations Manager, Lime Rock Springs Company/Pepsi-Cola Bottling Company of Dubuque; and Mr. Jay Doll, Doll Distributing, LLC, Des Moines.

The distributors reported that some distributors have separate recycling facilities and trailers to handle empty beverage containers. New product is sometimes delivered in separate vehicles to ensure clean transport. It is expensive to have trucks backtrack to pick up empty containers.

Mr. Tyler mentioned that Atlantic recently built a building solely for its recycling operation worth approximately \$1.3 million that employs five people, costing about \$225,000 per year in payroll. Atlantic also owns and uses a separate trailer to retrieve empty containers rather than load them onto trailers used for distribution. He suggested it might be time to consider a replacement program to the bottle bill that would otherwise encourage recycling.

Distributors operating near Iowa's borders incur fraud from attempts to redeem nondeposit containers. Mr. Hensen said that Dr. Pepper Snapple maintains separate inventories of containers at its six border-area operations depending on whether the containers will be sold in Iowa or elsewhere. Mr. Hensen opined that while he would like to see the bottle bill changed, he and his company have learned to adapt. He suggested letting communities collect the empty containers and take advantage of the funds they would thus receive. Mr. Tyler opined it might be better to use curbside recycling for all containers.

Mr. Gansen reported that Pepsi-Cola of Dubuque services locations in Wisconsin and Illinois as well as Iowa, employing between 50 and 60 people. He has heard that some restaurants and bars in neighboring states set aside bottles and return them in Iowa even if they did not get them from Iowa. In 2014, Jackson County reported a redemption rate of 104 percent of containers sold in the county. He noted that sending trucks back to locations to pick up empty containers after completing their deliveries of new products is a large expense. He also mentioned that sanitation issues arise when dirty containers are returned filled with spit, garbage, or gasoline or are stored outside and attract mice and snakes. Mr. Gansen felt the time has come to change the law.

According to Mr. Doll, Doll Distributing employs about 285 people and services 1,317 retail operations. He mentioned that Doll, like Atlantic, has added trucks that pick up only deposits. Mr. Doll said that in border areas such as Council Bluffs, container redemption rates have exceeded 110 percent at times. Mr. Doll opined that the bottle bill has been a success and does not need to be changed or expanded.

In response to questions from the committee, Mr. Gansen noted that the current price of one pound of recyclable aluminum is 60 cents, and that there are typically 31 cans in one pound. The price of aluminum fluctuates often. Mr. Doll noted that returned glass has no value to distributors, often costing them to dispose of it.

When asked what their reactions would be if distributors were required to pay retailers 2 cents per can, Mr. Doll was opposed to that idea, stating the extra cost would be passed on to consumers.



Recycling Policy Study Committee

Mr. Tyler pointed out that states that mandate higher fees do not have higher redemption rates. Mr. Hensen suggested the rate of fraud from out-of-state returns would increase.

The committee also asked whether the distributors would oppose an attempt by the state to retain the unclaimed \$14 million from unreturned containers. Mr. Tyler replied, "Absolutely," and pointed out that the bottle bill was designed to allow distributors to recapture their costs. When asked what alternatives they might suggest, Mr. Tyler, Mr. Hensen, and Mr. Gansen all recommended a curbside, "single stream" recycling program.

D. Retailers' Perspective

The committee next welcomed three representatives of food and beverage retailers from around the state: Mr. Paul Schemmel, Store Manager, Fareway, Dubuque; Mr. Steve Grolmus, Owner, North Scott Foods, Eldridge and Williamsburg Foods, Williamsburg; and Mr. Pat Hensley, Senior Vice President, Governmental Affairs, Business Innovation and Sustainability, Hy-Vee.

Mr. Schemmel explained that the bottle deposit and return system is "broken" because customers do not like bringing their bottles and cans back to stores, retailers do not like receiving the containers, and the containers cause sanitation issues when they are hauled into stores or loaded into shopping carts. He urged the committee to trust the citizens of Iowa to make the right choice and recycle voluntarily indicating that recycling is a way of life now and was not when the bottle bill became law.

Mr. Grolmus cited two major challenges he faces in dealing with the current law: he had to add a separate building to his store in Eldridge to get the empty containers out of the store, and at his Williamsburg location, the redemption center that picks up the empty containers only pays him 4.5 cents per container. In addition to volume issues, Mr. Grolmus mentioned sanitation problems that occur when customers bring dirty containers into his stores. He added, "There has to be a better way." When asked whether his stores lose money because of the bottle bill, Mr. Grolmus replied, "Absolutely."

Mr. Hensley stated that Hy-Vee faces similar challenges to those of Fareway and Mr. Grolmus. He opined that the bottle bill is not the best solution for Hy-Vee stores or employees. Hy-Vee participates in landfill diversion of all organic materials from their stores, such as food scraps and cardboard. In August 2015, Hy-Vee's landfill diversion efforts kept 2.1 million tons of waste out of landfills. The company is also improving solar efforts, particularly in Minnesota, and has solar panels, windmills, and electric car charging stations at several stores. Mr. Hensley opined that the bottle bill is not a "forward-thinking" program and suggested that curbside recycling of all containers would be a better system. He said that the bottle bill is a littering program, not a sustainability effort.

Committee discussion focused on whether curbside recycling would work in rural areas and small towns. Co-chairperson Hart noted that living on a farm poses special recycling challenges, different even from a small town. It is not clear how much of the state is in that position. Representative Highfill said that any solution needs to stop the overcollection of cans in border areas. When asked by Senator Jochum, Mr. Hensley stated that Hy-Vee would be "very open" to a conversation about changing the policy, noting it would need to be implemented in phases to help offset costs and shift employees.



E. Redemption Centers' Perspective

Mr. Joe Strunk, Main Ave Redemption Center, Clinton, and Mr. Troy Willard, Managing Member, Can Shed LLC, Cedar Rapids, spoke about the law from the perspective of redemption centers.

Mr. Strunk said his small facility struggles to survive. Distributors do not pay the full amount on containers, do not pay at all for plastic, and require containers to be sorted and placed in special bags. Distributors make a profit by paying redemption centers less than the containers are worth and retaining deposits on unredeemed containers. Mr. Strunk opined that the handling fee for containers should be raised immediately and that any solution will likely include curbside recycling.

Mr. Willard said his center does well by providing additional services to consumers, retailers, and distributors such as picking up containers for distributors, contract hauling, and scrap processing. Mr. Willard opined that the law should be expanded to include more types of containers and handling fees increased to encourage more redemption centers to open. He pointed out that when New York increased the handling fee paid to redemption centers to 3.5 cents per container, 200 new redemption centers opened within two years. Iowa should look at other states with container deposit laws for ideas. Curbside recycling is not the answer.

The committee focused on how the legislature can help redemption centers stay open. Senator Johnson asked whether redemption centers could become recycling centers if a phased-in comprehensive recycling program is adopted. Mr. Willard responded that there would be costs to such a change but prior experiences of other states, such as Maine, could provide useful ideas. Mr. Strunk observed that Mr. Willard's business is successful because he provides more than just redemption services. When Co-chairperson Hart asked them to rate the success of the bottle bill, both Mr. Willard and Mr. Strunk agreed with Mr. Blum's assessment of 7.5 on a 0-10 scale. Mr. Strunk added that his company is willing and able to do more if it is paid to do so.

F. Recyclers' Perspective

Mr. Mick Barry, President, Mid-America Recycling, Des Moines; Mr. Scott Dittmer, Dittmer Recycling, Inc., Dubuque; and Ms. Susan Collins, President, Container Recycling Institute, Culver City, California, discussed the law from the perspective of container recyclers.

Mr. Barry said Mid-America Recycling is the largest single-stream recycling facility and only glass processor in Iowa. He noted he would be happy to modify his process but stated that there would be costs involved in switching from the requirements of the bottle bill to curbside recycling. If container recycling was changed to curbside pick-up, operating costs would increase for recyclers and garbage haulers from about \$60 per ton to \$80 per ton. These costs, plus capital expenses to modify operations, would be passed directly to consumers. Mr. Barry suggested enhancing the current law and watching what happens with single-stream recycling. At present, single-stream recycling and the Iowa container law work in harmony. He noted that if the bottle bill was modified to include water bottles, handling costs would drop to between \$5 and \$10 per ton.

Mr. Dittmer's company is the largest garbage hauler in Dubuque and also handles about 25,000 tons of recyclable materials per year. He takes recycling from multiple collectors and welcomes aluminum and plastic. He has invested in an additional screen to deal with commingled plastics.



Recycling Policy Study Committee

After initially including glass in its recycling program, Dubuque banned recycling glass because it was not economical.

Ms. Collins is the president of a nonprofit organization that is devoted to packaging recycling issues. Deposit laws are the “rock stars” of recycling. States with deposit laws have the highest recycling rates, all due to the deposit redemption incentive. In terms of collected containers per capita, Iowa’s current program is the second-best in the country. Curbside recycling is not very effective at improving recycling rates, likely because many beverages are consumed outside the home and are not placed in curbside bins. Ms. Collins noted that the worldwide trend is to expand container recycling laws to include more containers.

Committee discussion focused on the effect of having a deposit law on the number of containers that are recycled. Representative Highfill asked Ms. Collins whether she thought people would continue to recycle bottles if they did not receive a refund. Ms. Collins noted that even if 1 percent of Iowa’s litter, 20 million of the 2 billion bottles sold in the state per year would be littered around the state. Senator Jochum observed that two of the most populous states, California and New York, have bottle deposit laws. Representative Wessel-Kroeschell asked about research on reducing the usage of single-use containers. Ms. Collins responded that despite efforts to ban or otherwise discourage the purchase of plastic bottles in certain places like college campuses, bottled water sales grew about 5 percent last year. Mr. Barry noted that it is rare to see litter that includes deposit containers.

The committee also expressed interest in Dittmer Recycling’s investment in additional screens which facilitate single-stream recycling, including plastics. Mr. Dittmer said he will recover on his investment in a relatively short period but it depends greatly on fluctuating commodity prices.

G. Economics of the Bottle Bill

Dr. Dermot Hayes, Pioneer Chair of Agribusiness, Professor of Finance, and Professor of Economics at Iowa State University, spoke about his study and observation of the bottle bill. Dr. Hayes has written two articles about the law. He is struck by how well the law is designed so that it imposes no regulatory burden. A major flaw in the law is that the deposit and handling fees are not indexed for inflation.

Dr. Hayes estimated that distributors receive a windfall of about \$18 million per year due to unredeemed containers, which would be enough to support paying a 2-cent handling fee to redemption centers. He also noted that the law did not foresee the prevalence of plastic bottles. If the law is expanded to cover these types of containers, there would be sufficient funds to double payments to redemption centers.

H. Overview and Comparison of Recycling Policies

Mr. Alex Moon returned to discuss Iowa’s other recycling policies. Enabling legislation for recycling initiatives in the state include the 1987 Groundwater Protection Act and the 1989 Waste Reduction and Recycling Act. The Groundwater Protection Act reduced reliance on landfill disposal and established a waste management hierarchy by which cities and counties were required to prepare integrated solid waste management comprehensive plans. The Act also set solid waste tonnage fees which are remitted to DNR and placed in the solid waste account of the Groundwater



Protection Fund to pay for DNR operations and statewide program support for various waste handling initiatives.

The Waste Reduction and Recycling Act established statewide waste reduction and recycling goals to reduce waste sent to landfills, directed DNR to establish a statewide waste reduction and recycling network, and established landfill bans of specified materials. The Act has facilitated increased access to curbside recycling, drop-off recycling locations, and diversion of household hazardous materials, batteries, appliances, oil and filters, scrap tires, and electronics from landfills.

More recent legislative initiatives include solid waste environmental management systems in 2008, a comprehensive recycling task force in 2009, and the Derelict Building Grant Program in 2011. Emerging initiatives include a “hub and spoke” program to provide improved recycling access for rural areas and a food waste program to divert food waste, Iowa’s most landfilled material by weight, from landfills.

When asked by Co-chairperson Hart what is inhibiting more success in landfill diversion, Mr. Moon mentioned that two-thirds of the waste stream comes from the commercial and industrial sectors. While very large companies do a good job of recycling, it can be tougher for smaller businesses. Mr. Moon also said that currently, recycling funding depends on things that are thrown away. If these efforts are too successful, funding may decrease. The state should look for a more sustainable funding source. Co-chairperson Hart also asked how Iowa’s recycling programs compare to surrounding states. Mr. Moon said that many programs are very similar, especially those that are incentivized by the Environmental Protection Agency.

I. Recycling — Beyond the Bottle Bill

Mr. Eric O’Brien, Sustainability Coordinator, University of Northern Iowa (UNI); Mr. Paul Schultz, Retired Resource Management Coordinator, City of Dubuque; Ms. Kathy Morris, Director, Waste Commission of Scott County; Ms. Reo Menning, Director, Metro Waste Authority, Des Moines; Mr. Tony Colosimo, CEO, Phoenix Recycling, Des Moines; and Mr. Eric Holthaus, Sustainability Coordinator, The University of Iowa (UI), discussed recycling in the state in a broader context than recycling of beverage containers.

Mr. O’Brien said that UNI students have asked for more recycling options. In 2012, a study showed that between 50 and 80 percent of materials in dumpsters from academic buildings could have been recycled or otherwise diverted from landfills. UNI instituted tray-free dining about five years ago, resulting in a 60 percent reduction in food waste. UNI is adding single-stream recycling to all buildings including residence halls, has redesigned recycling units and signage, composts preconsumer food waste, and owns its trash trucks. Mr. O’Brien noted that while food waste is a focus at UNI, there is no provider in the Cedar Falls area who can compost food waste and it is difficult to establish a self-run system, like Iowa State University operates.

Mr. Schultz said that Dubuque focuses on a triple bottom-line of economy, environment, and people in managing trash. The city concentrates its efforts on efficiency and eliminated glass from curbside recycling in 2008 because it was unprofitable. Dubuque also invested time and energy into learning how and why its residents recycle and what concerns they had. Incentives to recycle include smaller trash containers and volume-based or “pay as you throw” fees for trash. The city once found that 65 percent of items placed in residential curbside recycling bins were eligible for a



Recycling Policy Study Committee

deposit return. He encouraged the state to provide food waste pick-up to residents and end the practice of requiring that glass be included in curbside recycling programs.

Ms. Morris said that the Waste Commission of Scott County was formed in 1972 to provide environmentally sound recycling and landfill diversion. The commission is the first entity in the state to collect e-waste at the curb. Waste is automatically collected in carts which are priced based on size. In 2009, the commission moved to a single-stream system. Glass is collected but is a problem, due to safety concerns. The commission is currently looking into food waste reduction, including food rescue programs. Ms. Morris opined that the bottle bill is a good solution to a tough problem.

Ms. Menning said that the Metro Waste Authority serves Polk County and 23 communities, collecting 3,000 tons of waste every day. She voiced support for the 2008 environmental management system because it allows Metro Waste Authority to consider factors besides weight and space. Food is heavy and decomposes, plastic is light and never decomposes, and other materials may not weigh much but pose pollution concerns, such as mercury thermostats and Christmas lights. Single-stream recycling has worked well in the Des Moines area. Ms. Menning opined that if Iowa moves beverage containers into single-stream recycling, recycling rates of those items will decrease.

Mr. Colosimo said that in addition to owning a recycling facility, he owns a construction demolition facility that recycles construction waste. In Iowa, he said, “the pyramid is upside down.” Landfills are paid by how much comes in, not by what gets diverted. To move forward, landfills should receive incentives to not take in recyclable materials such as food and construction and industrial waste. According to Mr. Colosimo, construction demolition and food waste make up 50 percent of Iowa waste. Nevertheless, committees such as this one focus on the bottle bill, which deals with 3 percent of the state’s waste stream. The state needs to look at the big picture.

Mr. Holthaus said that the UI has partnered with the Environmental Protection Agency and DNR to set sustainability targets such as not increasing energy use, diverting more waste, recycling and reselling unneeded UI property, landscape planning on campus, composting of organic materials including food waste, and single-stream recycling. In 2011, UI’s waste diversion was around 21 percent of waste. Waste diversion has risen to 41 percent in 2015, and 45 percent of recycled materials are collected through the single-stream system around campus. The UI is working to provide consistent recycling containers on campus and clearly communicate recycling as a value.

In response to a request from the committee for recommendations to incentivize better recycling and diversion of toxic items from landfills, the panelists suggested that goals must be set and implemented with incentives to get people and communities involved in environmental management. The panelists also recommended letting each community manage their own waste streams and emphasized the use of incentives rather than mandates. Mr. Colosimo suggested looking at models from other states. Mr. Holthaus also noted the use of better building design standards and improved purchasing practices to reduce waste. Ms. Menning described educating the public as “extremely important.”



III. Committee Discussion and Recommendations

Representative Highfill suggested the Legislature continue working on the common ground highlighted by interested parties during the day’s discussion. Senator Jochum expressed interest in forming a task force representative of all of the day’s speakers and maybe others to look into how the state could develop a comprehensive statewide recycling program, what start-up costs would be to the state, what public-private partnerships would look like, and how to educate communities and incentivize engagement. She also recommended determining the best way to phase out the bottle bill while phasing in a new recycling program and determine what the state can do to capture the unclaimed container deposit money. Representative Wessel-Kroeschell suggested looking at ways to reduce the use of individual, one-use containers and advised this task force should listen to whatever else the experts might consider important. Senator Johnson suggested the task force or committee be made up of legislators but be open to hearing from all stakeholders, expressing concern that the group might not be successful if there are too many voices involved in its decisions. Senator Jochum suggested the task force or committee would probably need to meet for about one year. Co-chairperson Wills agreed with Senator Johnson’s suggestion to keep the group small. He emphasized that the group needs to look beyond the bottle bill. Co-chairperson Hart agreed that the group should be limited to legislators, but invite input from others.

Upon motion, the committee unanimously voted to recommend to the General Assembly that a small working group composed of only legislators as voting members should be appointed by legislative leadership to meet for a specified period of time and tasked with developing recommendations for a comprehensive recycling policy for the state and recommendations for specific goals and timelines for implementation of that policy. The committee further recommended that all members of the Recycling Policy Study Committee be given the opportunity to serve as members of the working group.

IV. Materials Filed with the Legislative Services Agency

The following materials listed were distributed at or in connection with the meeting and are filed with the Legislative Services Agency. The materials may be accessed from the “Committee Documents” link on the committee’s Internet site:

<https://www.legis.iowa.gov/committees/meetings/documents?committee=24163&ga=ALL>

1. Recycling Policy Study Committee Briefing
2. Proposed Rules
3. Iowa Code chapter 455C (Beverage Containers Control)
4. Iowa’s “Bottle Bill” – Alex Moon, Land Quality Bureau Chief, DNR
5. Overview and Comparison of Recycling Policies – Alex Moon, Land Quality Bureau Chief, DNR
6. The Impact of Changes in the Iowa Bottle Bill on Single Stream Recycling – Dr. Dermot Hayes, ISU
7. Economics of the Bottle Bill – Dr. Dermot Hayes, ISU
8. Dubuque Curbside Collection of Glass – Paul Schultz
9. Iowa Bottle Bill Snapshot – Paul Schultz
10. Food Scrap Management – Paul Schultz
11. History of Dubuque’s Curbside Collection Program – Paul Schultz



Recycling Policy Study Committee

12. Master Agreement – Liquor Bottle Collections – Joe Strunk
13. Fiscal Year Bottles Sold – Joe Strunk
14. Extra Charges Between Distributors and Redemption Centers – Joe Strunk
15. Clinton County Solid Waste Agency – Written Testimony Submitted – Brad Seward
16. Container Recycling Institute – Written Testimony Submitted – Susan Collins
17. Glass Packaging Institute – Written Testimony Submitted – Lynn Bragg
18. Recycling – University of Northern Iowa – Eric O'Brien
19. Tentative Agenda

4010IC