

INVITED TESTIMONY ON

CONTAINER TAX

TAPES 030 - 031 A/B

SENATE REVENUE COMMITTEE

FEBRUARY 4, 1997 - 9:00 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Tom Hartung

Sen. Randy Leonard (arrived 9:11 a.m.)

Staff: Richard Yates, Economist

Carol Phillips, Committee Assistant

Witnesses: Phil Keisling, Oregon Secretary of State

Steve McCoid, President, Oregon Grocery Industries Association

Curtis Robinhold, Governor's Office

Paul Romaine, Attorney for Oregon Beer & Wine Dist. Assn.

John Fletcher, President, Container Recovery Inc. (CRINC)

Rob Douglas, Represents Oregon Soft Drink Association

Kelly Reed, President, Oregon Soft Drink Association

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TAPE 030, SIDE A

004 Chair
Baker Opened meeting at 9:04 a.m.

019 Sec.
Keisling Continuation from container discussion of yesterday.

021 Steve
McCoid and
Phil
Keisling (Exhibit A from 2/03/97) Under current system distributors are required to collect all empty containers they sell in their franchised marketing area. Under the new system they are not required to do so. Distributors' responsibilities are discharged upon paying the deposit amount, tax, and handling fee to Department of Revenue.

Under new system Redemption Centers, rather than retailers, will take on function of redeeming containers. Distributors no longer need to be involved past paying tax deposit and handling fee. Keisling personally feels public will endorse this new system because the public wants clean streams and parks and salmon. Old Bottle Bill has been in place for 25 years, and it is time for an updated system. It would be smart advertising to print on cans and bottles that part of the cost goes directly to salmon, stream, and park support. Retailers are uniquely geared to educate consumers on changes which would occur if this system were to go into effect. Questions and discussion interspersed.

286 Curtis
Robinhold Discussed other states' experience with Bottle Bills. It is hoped much can be learned from other states' experiences. Ten states, including Oregon, have Bottle Bills; but Oregon is one of only two states which have redemption at retailer. California, Connecticut, Delaware, Iowa, Maine, Massachusetts, Michigan, New York, and Vermont are the other Bottle Bill states. Michigan, with an overall redemption rate of 98%, has the highest in the country.

TAPE 031, SIDE A

002 Robinhold California consumers pay no deposit on bottles or cans. Washington consumers pay no deposit and buys back in bulk only. States with most success in recycling bottles and cans make it convenient for consumers to return them. Questions and discussion.

067 Robinhold Discussed types of containers redeemed by other states and how this affects their overall rate of success. Governor believes Oregon's Bottle Bill has room for improvement and should include other types of containers.

150 Steve Agriculture was already making significant investments. Looked at providing tax credits, but had little benefit to agriculture community. Bonded debt, but requires vote of people. Looked at General Fund, but decided against it. Dedicated revenue would be

Marks necessary, after exploring different options. 4.5 cent proposal all that is necessary to cover redemption system. Questions and discussion.

Container Tax has several characteristics which make it attractive. Most important question is importance of public purposes for which funds would be used.

TAPE 030, SIDE B

005 Steve Marks Almost every beverage bottle would be treated equally under new bill. If small increase does not affect amount of product sold, distributors will not be damaged in any way. Interested in hearing concerns of beverage industry to get views on this. With the expansion of the Bottle Bill, almost every beverage product will be treated equally. If this tax does not cause market shifts, and the small increase in price does not result in reduced demand, then it is difficult to conclude that the beverage industry's position will be weakened in any way. It, in fact, is to the beverage industry's advantage by alleviating them of the responsibility for recycling containers. Bottom line is Oregonians want clean streams, good parks, and salmon. Questions and discussion interspersed.

150 Paul Romaine Oregon Beer and Wine Assn. (Distributed Diet Coke (Exhibit B) and Miller Lite Beer (Exhibit C) to Members.) These cans were purchased in Vancouver, WA where no deposit was paid, but are redeemable in Oregon at 5 cents. Fought Bottle Bill vigorously in early 1970's. The industry at that time had an obligation to make it work. Against expanded Bottle Bill because of increased cost, trucks, drivers, storage, etc.. needed to deal with recycling. Distributors would lose money. Explored different ways to conduct bottle redemption instead of new Bottle Bill. Questions and discussion interspersed.

360 Romaine Feels 27 _ cent charge on 6-packs of Coke, which could sell for 99 cents, that is a 30% sales tax. On a \$2.99 6-pack of beer, it is a 10% sales tax. It is worse than a sales tax because it is not imposed where the consumer would know it is a sales tax, but imposed one level back and thus hiding it from the consumer. It is not being imposed on beer in general, because keg beer is exempt. It is not being imposed on fountain soft drinks either, but being imposed on those containers which are already taken care of extremely well. The Beer & Wine Distributors advocate a National Bottle Bill.

TAPE 031, SIDE B

055 John Fletcher Discussed flat fees imposed on retailers. CRINC processes approximately 2.5 million containers a day in tri-county area in Portland. Concerned because Washington people bring cans to Portland for redemption. Thus people who paid no deposit in Washington get money for returning cans in Portland. Similar situations happen in other recycling states next to states with no deposits. In some cases an empty case of beer is worth more than a full one. Questions and discussion interspersed.

191 Rob Douglas Believes recycling rate is higher than indicated. Feels if Redemption Centers are imposed, rate will drop. Redemption Centers will not be convenient for the consumer who wants to go to local grocery store for one stop shopping and recycling.

194 Kelly
Reed

Oregon Soft Drink Assn. urges Senate Revenue Committee to oppose taxing of soft drinks in Oregon for three reasons. One, there is no nexus between items taxed and the programs, i.e. State Parks improvement, Healthy Stream Initiative, etc. benefiting from the tax. Two, the tax is imposed on the very containers which enjoy the highest recycling rate of any material recycled in Oregon. Three, the soft drink tax proposal amounts to a selective tax on a grocery item. Families and children consuming soft drinks would pay regardless of income.

208 Douglas

Believes that the 90% recycling rate indicated previously by others is low. Their experience across indicates the rate is much higher than that. Believes that if Redemption Centers are used the rate will go down, mainly because of lack of convenience.

250 Chair
Baker

Adjourned meeting at 10:40 a.m.

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Carol Phillips

Committee Assistant

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Kim James

Office Manager

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Exhibit Summary:

A. Marks, Intro and Overview, 14 pages

B. Romaine, Photocopy of Diet Coke Can, 1 page

C. Romaine, Photocopy of Miller Lite Beer Can, 1 page