

California's Bag Ban: A Wealth Transfer from Customers to Big Grocers

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by Pamela Villarreal

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In 2014, the California State Legislature passed, and Gov. Jerry Brown signed, Senate Bill 270, a statewide ban on plastic bags scheduled to take effect in July 2015. Before this bill passed, many California counties and municipalities enacted their own plastic bag bans with little fanfare. However, upon reading SB 270, the public discovered that it would line the pockets of grocers at the expense of consumers. Opponents gathered enough signatures to place the ban before voters in two November 2016 referenda, delaying the effective date of the new law and potentially altering or voiding it. In a progressive state like California, what delayed environmentalists' dream?



Dallas Headquarters:
14180 Dallas Parkway, Suite 350
Dallas, TX 75254
972.386.6272

www.ncpa.org

Washington Office:
202.830.0177
governmentrelations@ncpa.org



About SB 270 (2014). SB 270 prohibits most stores from providing single-use plastic carryout bags to customers, with specified exceptions, such as produce and dry cleaning bags. As an alternative, stores could distribute compostable (paper) bags to consumers at a cost of not less than 10 cents per bag. Grocers would keep the fee as compensation for compliance costs.

Opposition to Plastic Bag Bans. Many groups oppose bans on plastic bags. Manufacturers of plastic bags fear the loss of domestic jobs — most plastic bags are made in the United States. Some consumer groups lament the loss of consumers' freedom to choose the type of bag they wish to use.

Theoretically, grocers and retailers should also oppose plastic bag bans, for two reasons. First, the cost for stores to comply could include burdensome reporting requirements, staff training, and customer education on reusable bags and recycling efforts. For example, Los Angeles County's 2011 bag ban required stores to submit quarterly reports to the Public Works Department detailing how many paper bags were sold, how much money was collected and a "summary of any efforts taken to promote the use of reusable bags" to store customers.

Second, many store owners oppose bag bans and bag taxes due to the additional costs to their customers. For instance, the National Supermarket Association opposed a recently proposed 10-cent bag tax in New York City, arguing that it would burden low-income families and senior citizens (though the proposal would exempt customers paying with food stamps). Thus, one would expect California's grocers and retailers to oppose SB 270; but that turned out not to be the case.

California Grocers Would Profit from SB 270. Surprisingly, the California Grocers Association joined with environmental groups lobbying for a statewide ban on plastic bags. The reason? The grocers would keep the 10-cent fee per paper bag charged to customers as pure profit — minus the cost of purchasing paper or reusable plastic bags, estimated at 5 cents to 7 cents per bag. None of the fee revenue is remitted to the state, nor is the grocer required to prove that the fees are used for recycling efforts and education.

According to a 2014 study from Blue Sky Consulting, grocers stand to profit handsomely from a statewide ban, depending on consumer behavior. Approximately one-third of California residents live in jurisdictions that already have plastic bag bans similar to SB 270. However, grocers would

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generate new revenue from selling paper bags or reusable plastic bags to the remaining two-thirds of California residents. Studying the effects of existing bag bans on San Jose, Santa Monica and the unincorporated areas of Los Angeles County, researchers found:

- Disposable paper bags had a 3 percent market share before the ban in those three jurisdictions, and a 16 percent market share after the ban.
- Reusable bags had a 5 percent market share before the ban and a 45 percent market share afterward.
- If a similar change in market share occurred across the state after the plastic bag ban, retailers could gain an estimated \$442 million in annual revenue from the sale of paper bags and reusable bags.

The grocer's net revenue, after the purchase of reusable and paper bags, is free of state taxes, since the profits derived from the fees are considered reimbursements for compliance costs.

Prop 67 and Prop 65. Opponents of SB270 undertook a public education campaign and collected enough signatures to let the public have a say in the November 2016 general election. Prop 67 gives voters the opportunity to approve SB 270 in its original form or to repeal it altogether by rejecting the measure — maintaining the status quo, since it has not yet taken effect. If voters uphold SB 270 by passing Prop 67, Prop 65 allows them to redirect the fee collected by grocers to the State of California for environmental programs and clean-up efforts or, if the voters reject Prop 65, allows the revenue to remain with the grocers. Polls indicate that a majority of voters prefer that the fees go to a public purpose and not to grocers:

- According to a 2015 poll of likely voters by GS Strategy, 82 percent of respondents had no idea the 10-cent fee would go to grocers; the majority did not know who kept the fee or assumed it would go to environmental programs.
- The poll also found that nearly 82 percent of respondents supported directing the fee to environmental programs or drought mitigation, or rolling it into the state budget.

- In an August 2016 poll by Probolsky Research, approximately 58 percent support Prop 67, the ban on single-use plastic bags [see the figure].
- However, 57 percent of voters also support Prop 65, requiring stores to “deposit bag sale proceeds into a special fund administered by the Wildlife Conservation Board to support specified categories of environmental projects.”

A Conundrum for Environmental Groups.

Now that voters will decide how the fee is spent, environmental supporters of the bag ban are — ironically — in a tizzy. They fear that eliminating this revenue source for grocery stores will turn grocers against the bag ban in California and other states. Never mind that — as an editorial from the East Bay Times puts it — the redirected fee “could supply millions of dollars for some of their pet causes.”

Conclusion. The debate over California's statewide plastic bag ban has shaped up to be a battle over the involuntary transfer of wealth from customers' wallets to big grocers. Ultimately California voters will decide what they do with their money and how it should be spent (as should be the case), but other states considering bans similar to SB 270 should look at the impact of fleecing the average shopper to line the pockets of corporate and special interests.

Pamela Villarreal is a senior fellow with the National Center for Policy Analysis.

