

## **Proposition 65**

### **Carryout Bags. Charges. Initiative Statute.**

#### **Yes/No Statement**

A **YES** vote on this measure means: If state law (1) prohibits giving customers certain carryout bags for free and (2) requires a charge for other types of carryout bags, the resulting revenue would be deposited in a new state fund to support certain environmental programs.

A **NO** vote on this measure means: If charges on carryout bags are required by a state law, that law could direct the use of the resulting revenue toward any purpose.

#### **Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact**

- Potential state revenue of several tens of millions of dollars annually under certain circumstances. Revenue would be used to support certain environmental programs.

#### **Ballot Label**

**Fiscal Impact:** Potential state revenue of several tens of millions of dollars annually under certain circumstances, with the monies used to support certain environmental programs.

#### **BACKGROUND**

*Carryout Bag Usage.* Stores typically provide their customers with bags to carry out the items they buy. One type of bag commonly provided is the "single-use plastic carryout bag," which refers to a thin plastic bag used at checkout that is not intended for continued reuse. In contrast, "reusable plastic bags" are thicker and sturdier so that they can be reused many times. Many stores also provide single-use paper bags. Stores frequently provide single-use paper and plastic carryout bags to customers for free, and some stores offer reusable bags for sale. Each

year, roughly 15 billion single-use plastic carryout bags are provided to customers in California (an average of about 400 bags per Californian).

***Many Local Governments Restrict Single-Use Carryout Bags.*** Many cities and counties in California have adopted local laws in recent years restricting or banning single-use carryout bags. These local laws have been implemented due to concerns about how the use of such bags can impact the environment. For example, plastic bags can contribute to litter and can end up in waterways. In addition, plastic bags can be difficult to recycle because they can get tangled in recycling machines. Most of these local laws ban single-use plastic carryout bags at grocery stores, convenience stores, pharmacies, and liquor stores. They also usually require the store to charge at least 10 cents for the sale of any carryout bag. Stores are allowed to keep the resulting revenue. As of June 2016, there were local carryout bag laws in about 150 cities and counties—covering about 40 percent of California's population—mostly in areas within coastal counties.

***Statewide Carryout Bag Law.*** In 2014, the Legislature passed and the Governor signed a statewide carryout bag law, Senate Bill (SB) 270. Similar to many local laws, SB 270 prohibits most grocery stores, convenience stores, large pharmacies, and liquor stores in the state from providing single-use plastic carryout bags. It also requires a store to charge customers at least 10 cents for any carryout bag that it provides at checkout. Certain low-income customers would not have to pay the charge. Under SB 270, stores would retain the revenue from the sale of the bags. They could use the proceeds to cover the costs of providing carryout bags, complying with the measure, and educational efforts to encourage the use of reusable bags. These requirements would apply only to cities and counties that did not already have their own carryout bag laws as of the fall of 2014.

***Referendum on SB 270.*** Under the State Constitution, a new state law can be placed before voters as a referendum to determine whether the law can go into effect. A referendum on SB 270 qualified for this ballot (Proposition 67). If the referendum passes, SB 270 will go into effect. If it does not pass, SB 270 will be repealed.

## **PROPOSAL**

***Redirects Carryout Bag Revenue to New State Environmental Fund.*** This measure specifies how revenue could be used that resulted from any state law that (1) prohibits giving certain carryout bags away for free and (2) requires a minimum charge for other types of carryout bags. Specifically, this measure requires that the resulting revenue be deposited in a new state fund—the Environmental Protection and Enhancement Fund—for various environmental purposes rather than be retained by stores. The fund would be used to support grants for programs and projects related to (1) drought mitigation; (2) recycling; (3) clean drinking water supplies; (4) state, regional, and local parks; (5) beach cleanup; (6) litter removal; and (7) wildlife habitat restoration. The measure allows a small portion of these funds to be used for grant administration and biennial audits of the programs receiving funds.

***Other Provisions.*** Additionally, the measure allows local governments to require that money collected from local carryout bag laws go to the new state fund rather than allowing that revenue to be kept by stores. It also includes a provision regarding the implementation of this measure and any other carryout bag measure on this ballot. This provision could be interpreted by the courts as preventing Proposition 67 (the referendum on SB 270) from going into effect. This provision would only have an effect if both measures pass and this measure (Proposition 65) gets more “yes” votes. However, this analysis assumes that in this situation the provisions of

Proposition 67 not related to the use of revenues—such as the requirement to ban single-use plastic carryout bags and charge for other bags—would still be implemented.

## **FISCAL EFFECTS**

If the requirements of this measure (that there is a state law prohibiting giving certain carryout bags away for free and requiring a minimum charge for other bags) are met, then there would be increased state revenue for certain environmental programs. This revenue could reach several tens of millions of dollars annually. The actual amount of revenue could be higher or lower based on several factors, particularly future sales and prices of carryout bags.

At the present time, there is no state law in effect that meets this measure's requirements. As such, there would be no fiscal effect as long as that continued. As noted earlier, however, Proposition 67 on this ballot would enact such a state law. If both Proposition 67 and this measure (Proposition 65) pass, the impact on the state would depend on which one receives the most votes:

- ***Proposition 67 (Referendum) Receives More Votes.*** In this situation, revenue collected by the stores would be kept by the stores and there would not be a fiscal impact on the state related to Proposition 65.
- ***Proposition 65 (Initiative) Receives More Votes.*** In this situation, any revenue collected by stores from the sale of carryout bags would be transferred to the new state fund, with the increased state revenue used to support certain environmental programs.

In addition, if only this measure passes and Proposition 67 fails (which means there would not currently be a statewide law to which this measure would apply), there could still be a fiscal

impact if a state carryout bag law was enacted in the future. Figure 1 shows how this measure would be implemented differently depending on different voter decisions.

**Figure 1**  
**Implementation of Proposition 65**  
**Would Be Affected by Outcome of Referendum**

	<b>Proposition 67 (SB 270 Referendum) Passes</b>	<b>Proposition 67 (SB 270 Referendum) Fails</b>
<b>Proposition 65 (Initiative) Passes</b>	Statewide carryout bag law in effect. Use of revenues from sale of carryout bags depends on which proposition gets more votes: <ul style="list-style-type: none"> <li>• If more "yes" votes for referendum, revenue is kept by stores.</li> <li>• If more "yes" votes for initiative, revenue goes to state for environmental programs.<sup>a</sup></li> </ul>	No statewide carryout bag law. Revenue from any future statewide law similar to SB 270 would be used for environmental programs.
<b>Proposition 65 (Initiative) Fails</b>	Statewide carryout bag law in effect and revenue from the sale of carryout bags is kept by stores.	No statewide carryout bag law.

<sup>a</sup> Alternatively, a provision of Proposition 65 could be interpreted by the courts as preventing Senate Bill (SB) 270 from going into effect at all.