

May 17, 2017

TO: Members, Senate Committee on Appropriations

FROM: Louinda V. Lacey, Policy Advocate 

**SUBJECT: SB 705 (ALLEN) SOLID WASTE: EXPANDED POLYSTYRENE FOOD SERVICE CONTAINERS  
OPPOSE/JOB KILLER – AS AMENDED APRIL 26, 2017**

The California Chamber of Commerce must respectfully **OPPOSE SB 705 (Allen)**, which has been labeled a **JOB KILLER**. The legislation would prohibit food vendors from using take-out food containers made from polystyrene foam. This mandate would require food vendors and restaurants to use alternative packaging materials which are 2-3 times more expensive than polystyrene foam, increasing costs to businesses and consumers to the tune of approximately \$150.8 million per year and adding procurement costs to the state of approximately \$5.9 million per year.

The findings of an analysis prepared by MB Public Affairs “*Fiscal Impacts of Potential Restrictions in California on the Use of Polystyrene Foam Disposable Foodservice Packaging*” published in April 2017, highlight the fiscal impacts of such a ban:

#### **A POLYSTYRENE FOAM FOODSERVICE BAN WOULD COST OVER \$150 MILLION PER YEAR**

**SB 705** would seriously disrupt a \$241 million market and add from \$151 million to \$184 million in costs to California businesses and consumers. For every \$1 spent on foam polystyrene foodservice packaging today, alternatives would cost between \$1.76 and \$3.

#### **SB 705 WOULD RESULT IN LOSS OF CALIFORNIA JOBS**

Polystyrene foam disposable foodservice packaging products are produced near their end user markets in California. A ban would threaten existing manufacturing jobs in California. Research suggests up to 5,000 jobs could be lost when including the direct, indirect and induced effects of a ban.

#### **SB 705 WOULD DRIVE UP STATE PROCUREMENT COSTS**

This proposal would also likely impact the state budget. State agencies and school districts spent an estimated \$6.9 million on polystyrene foam foodservice packaging in FY2016. The ban could cost state governments, including state agencies and schools, added annual procurement costs from \$5.9 to \$7.1 million dollars.

## **SB 705 WOULD OVERLY BURDEN THE STATE'S RESTAURANT INDUSTRY**

New restrictions of foodservice packaging would add further cost pressures at a time the state restaurant industry is already coping with rising costs, and consumers are pulling back in the face of compensating rising prices. The data shows that the ability of the state's restaurant industry to absorb further price increases is limited. Existing cost pressures have already seen prices rising at annual rates around 4%, while prices for competing food at home have been dropping at nearly 3%.

## **SB 705 MAY RESULT IN DECREASED STATE TAX REVENUES**

If affected businesses are forced to absorb the higher regulatory costs imposed by **SB 705**, the state could see an estimated loss of \$12.6 million in state tax revenues.

For the above listed fiscal reasons, we respectfully urge you to **OPPOSE SB 705 (Allen)**.

cc: The Honorable Ben Allen  
Graciela Castillo-Krings, Office of the Governor  
Narisha Bonakdar, Senate Committee on Appropriations  
Rocel Bettencourt, Senate Republican Caucus  
District Offices, Members, Senate Committee on Appropriations

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