

Vermont Legislative Joint Fiscal Office

One Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

FISCAL NOTE

Date: April 1, 2021

Prepared by: Daniel Dickerson

H.175 An act relating to the beverage container redemption system – House Natural Resources, Fish & Wildlife proposal of amendment with further proposal of amendment by House Ways and Means

<https://legislature.vermont.gov/Documents/2022/Docs/BILLS/H-0175/H-0175%20As%20Introduced.pdf>

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Natural/Bills/H.175/Drafts,%20Amendments,%20and%20Legal%20Documents/H.175~Michael%20O'Grady~As%20Recommended%20by%20the%20House%20Committee%20on%20Natural%20Resources,%20Fish,%20and%20Wildlife~2-26-2021.pdf>

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Ways%20and%20Means/Bills/H.175/H.175~Committee~As%20Recommended%20by%20the%20House%20Committee%20on%20Ways%20and%20Means~4-1-2021.pdf>

Bill Summary

The bill proposes to expand the state beverage container deposit-redemption system to require deposits for additional beverage types. The bill proposes to require the 15-cent deposit on all sizes of liquor containers. Currently the 15-cent liquor container deposit is only required for containers over 50 ml. The bill proposes to increase the reimbursement rate payable by manufacturers or distributors to retailers and persons who operate redemption centers from 4 cents to 5 cents per container when the beverage brand is not part of a commingling program.

The bill would be effective on July 1, 2021 (*the House Natural Resources, Fish & Wildlife committee proposal of amendment would change the effective date to July 1, 2022 – the fiscal note reflects this proposed change*). There are other provisions in the bill that are not estimated to impact state revenues and have not been described in this summary.

Fiscal Impacts

If H.175 were to be enacted, with the proposed amendments from the House Natural Resources and Ways & Means committees, new revenues to the state would be as follows:

FY23	Clean Water Fund	\$1.0 – \$1.2 million <u>new revenue</u>
	Liquor Control Fund	\$22,500 <u>new revenue</u>
FY24	Clean Water Fund	\$1.3 – \$1.6 million <u>new revenue</u>
	Liquor Control Fund	\$30,000 <u>new revenue</u>

Under current law, all abandoned beverage container deposits are required to be remitted to the State by deposit initiators, or in the case of liquor containers, retained by the State. Abandoned deposits for liquor containers go to the Liquor Control Enterprise Fund and all other abandoned deposits go to the Clean Water Fund.

There are two pieces to this bill that will likely impact revenues to the State if H.175 were to be enacted. Descriptions of the analysis of these provisions are below.

1. Expanding the types of beverages subject to beverage container deposit

This bill proposes to expand the types of beverage containers subject to the 5-cent deposit to include wine, water, and all other nonalcoholic carbonated and noncarbonated drinks. A report prepared for the Agency of Natural Resources in 2013 regarding Act 148, the Universal Recycling Law, contemplated a similar expansion of Vermont’s bottle bill law.¹ The revenue estimate provided in this fiscal note is based on the numbers in that report and is given as a range. Current law abandoned non-liquor deposit revenue and new revenues resulting from this provision are shown below. This provision would be effective in FY23 and all revenues would go to the Clean Water Fund.

Clean Water Fund abandoned beverage container deposit revenues current law and H.175 changes (FY21 – FY24)			
Fiscal Year	Current law revenue – est.	H.175 new revenue – est.	Total revenue
FY2021	\$3,000,000	\$0	\$3,000,000
FY2022	\$2,700,000	\$0	\$2,700,000
FY2023	\$2,700,000	\$1,000,000 - \$1,200,000	\$3,700,000 - \$3,900,000
FY2024	\$2,700,000	\$1,300,000 - \$1,600,000	\$4,000,000 - \$4,300,000

The Dept. of Environmental Conservation (DEC), which manages the beverage container deposit program, has indicated that an expansion of the program would require at least one new full-time staff position and would require IT upgrades. The one-time cost for the IT upgrade is unknown at this time but a new position would likely cost \$125,000 per year in salaries and benefits according to DEC. The bill does not currently authorize a new position or contain an appropriation to fund the additional work at DEC.

¹ https://dec.vermont.gov/sites/dec/files/wmp/SolidWaste/Documents/FinalReport_Act148_DSM_10_21_2013.pdf

2. Applying the 15-cent liquor container deposit to liquor containers of all sizes

Based on annual reports from the Department of Liquor and Lottery (DLL), the calendar year liquor bottle deposit redemption rate over the past six calendar years has been approx. 77%. This fiscal note uses the calendar year average redemption rate to build a fiscal year revenue estimate. Sales of 50ml liquor bottles totaled approx. 900,000 individual bottles in 2020. If this level of sales remains stable, applying the 15-cent deposit and the 77% redemption rate would result in new yearly revenues to the Liquor Control Fund as shown below. DLL has indicated that this new revenue would need to cover the additional handling fee payments to redemption centers as well as an estimated increase in the monthly payment due to the recycling contractor. It is unclear whether the new revenue would be sufficient to cover the additional processing costs.

FY23 \$22,500

FY24 \$30,000

New revenues to the Clean Water Fund and to the Liquor Control Fund are estimated to be slightly lower in FY23 than in FY24 due to an initial lag in unclaimed deposit remittances from the expanded list of beverage containers that require a deposit. The effective date of the bill is July 1, 2022 and the first remittances would likely not be made until September or October of 2022.