Vermont Legislative Joint Fiscal Office

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Updated FISCAL NOTE

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H.175 An act relating to the beverage container redemption system – As Introduced

https://legislature.vermont.gov/Documents/2022/Docs/BILLS/H-0175/H-0175%20As%20Introduced.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 increase the non-liquor container deposit from 5 cents per container to 10 cents per container and 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 Summary
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.

If H.175 were to be enacted as currently written, with the effective date change to July 1, 2022, new revenues to the state would be as follows:

FY23	**Clean Water Fund**	**$2.4 million to $2.7 million** ***new revenue***
	Liquor Control Fund	**$22,500** ***new revenue***
FY24	**Clean Water Fund**	**$1.5 million to $1.8 million** ***new revenue***
	Liquor Control Fund	**$30,000** ***new revenue***

New revenues to the Clean Water Fund are estimated to decrease from FY23 to FY24 due to the increase in rates of redemption driven by the higher deposit amount. They would likely decrease further in FY25 before leveling off but would remain higher than base year (2020) revenues.

There are three 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. All estimates for FY23 assume that revenues do not begin flowing to the state until Q2 due to a reporting lag from the effective date.

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 estimate provided in this fiscal note is based on the numbers in that report and is given as a range. Revenues from this provision would go to the Clean Water Fund. Taken alone, the expansion of the bottle bill would result in new revenues as follows:
   FY23 $1,000,000 to $1,200,000
   FY24 $1,300,000 to $1,600,000

2. Increasing the beverage container deposit (non-liquor) from 5 cents to 10 cents
   The Clean Water Fund began receiving unclaimed beverage container deposits in January 2020. The unclaimed deposits remitted in calendar year 2020 totaled approximately $3.0 million and are projected to be $3.0 million in FY21 and $2.7 million in FY22. The official 2020 beverage container redemption rate for Vermont is estimated to be approx. 77% based on one year of unclaimed deposit reporting. Oregon increased its beverage container deposit from 5 cents to 10 cents in April 2017. The redemption rate for Oregon was 64% in 2016 and by 2019 had increased to 86%.[2]

   The revenue estimate in this fiscal note from doubling the deposit rate is based on the 2020 unclaimed deposit revenue and is adjusted by the changes in redemption rates experienced by Oregon when its deposit rate doubled with the rate further adjusted due to Vermont having a higher starting redemption rate: 77% for VT vs. 64% for OR. The estimate assumes that Vermont would be on a 3-year trajectory to a 90% redemption rate, which would be slightly higher than Oregon but would be quite close to Michigan[3], the other state with a 10-cent deposit rate.

   The higher deposit amount, and associated changes to redemption rates, were applied to the existing bottle bill containers as well as the expanded bottle bill containers as described in H.175. Because the effective date of the bill is July 1, 2022, the revenue estimate for FY23 reflects three-quarters of a full year of revenues as deposit initiators will not begin remitting the higher deposits for additional containers until October. Revenues from this provision would go to the Clean Water Fund. When including the

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[1] https://dec.vermont.gov/sites/dec/files/wmp/SolidWaste/Documents/FinalReport_Act148_DSM_10_21_2013.pdf
[2] https://resource-recycling.com/plastics/2020/08/12/oregon-deposit-return-rate-increased-in-2019/
[3] https://www.michigan.gov/documents/egle/EGLE-MMD-Sustainability-Michigan_Bottle_Deposit_Law_FAQ_updated_Jan_2019_691453_7.pdf

bottle bill expansion described above, new revenues from the 10-cent deposit are estimated to be as follows:
FY23 $1,400,000 to $1,500,000
FY24 $200,000

3. 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