



# VERMONT LEGISLATIVE Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • <https://jfo.vermont.gov>

## Fiscal Note

March 17, 2023

Daniel Dickerson, Senior Fiscal Analyst

### **H.158 An act relating to the beverage container redemption system**

As proposed by the House Committee on Environment and Energy<sup>1</sup>

With further proposal by the House Committee on Ways and Means

#### **Bill Summary**

This bill proposes numerous changes to Vermont's beverage container redemption system. Most notably, it restructures the redemption system by requiring beverage container manufacturers and distributors to participate in a newly formed producer responsibility organization (organization). The organization would be responsible for creating and implementing a stewardship plan that would manage the beverage container redemption system going forward. The Agency of Natural Resources (ANR) would oversee the organization and verify stewardship plan adherence. Notable provisions in the bill are listed below, in order of effective date:

- On or before January 1, 2024, ANR may accept applications to form a producer responsibility organization. ANR would have authority to compel the creation of a producer responsibility organization or stewardship plan if one isn't created or submitted by that date. ANR would also have authority to bill back oversight costs to the producer responsibility organization.
- On or before October 1, 2024, an approved producer responsibility organization may submit a stewardship plan to ANR for review and approval. Approval would be granted for a five-year period.
- On July 1, 2026 (fiscal year 2027): The State would collect the first \$3,000,000 of unclaimed beverage container deposits (escheats). Any additional escheats would be retained by the producer responsibility organization. Under current law the State collects 100 percent of escheats.
- January 1, 2027:
  - The types of beverage containers subject to deposit would be expanded. Notable beverage types that would be subject to the container deposit include bottled still water, hard cider, and vinous beverages.
  - Vinous beverage containers would be subject to a deposit of 15 cents per container. Other new container types would be subject to a 5-cent deposit.
- On July 1, 2027 (fiscal year 2028): The State would collect the first \$4,000,000 of unclaimed beverage

1

<https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Environment/Bills/H.158/Drafts.%20Amendments.%20and%20Legal%20Documents/H.158-Michael%20O'Grady-%20Draft%204.1.%202-28-2023~3-1-2023.pdf>

container deposits (escheats). Any additional escheats would be retained by the producer responsibility organization.

- July 1, 2031:
  - The State would once again collect 100 percent of escheats.
  - 50 percent of State escheat collections would go to the Clean Water Fund.
  - 50 percent of State escheat collections would go to the Waste Management Assistance Fund.
- On or before January 15, 2025, ANR would be required to submit a systems analysis report on the expanded beverage container redemption system to the House Committee on Environment and Energy and the Senate Committee on Natural Resources and Energy.

## Fiscal Impacts

### Revenues

H.158 would result in an overall increase to Clean Water Fund revenues compared to current law. While some escheat revenues would be shared with the producer responsibility organization starting in the middle of fiscal year 2026, the expansion of the beverage types subject to deposit during fiscal year 2027 and going forward would guarantee that the Clean Water Fund would continue to receive escheat revenues that are consistent with, or above, current law projected revenues.

- **Fiscal years 2024-2025 – no change**
- **Fiscal year 2026 – Escheat revenues to the Clean Water Fund consistent with current law projections.** Revenue sharing with the producer responsibility organization would begin on January 1, 2026 but would not begin to impact the Clean Water Fund until late in the calendar year, and only if actual revenues exceed projections.
- **Fiscal year 2027 – Escheat revenues to the Clean Water Fund will be up \$100,000 from current law projected revenues.** The Clean Water Fund would keep the first \$3,000,000 of escheat revenues. Any additional escheats would go to producer responsibility organization
- **Fiscal year 2028 – Escheat revenues to the Clean Water Fund will be up \$1,100,000 from current law projected revenues.** The Clean Water Fund would keep the first \$4,000,000 of escheat revenues. Any additional escheats would go to producer responsibility organization

H.158 will result in an increase in Waste Management Assistance Fund revenues starting in fiscal year 2032 and into future years. This increase would be driven by the proposal to allocate 100% of escheats to the State starting on July 1, 2031. 50 percent of escheat revenues would go to the Waste Management Assistance Fund. The other 50 percent would go to the Clean Water Fund, which would result in a decrease in Clean Water Fund revenues from prior years. The producer responsibility organization would no longer retain any escheats.

- **Fiscal year 2032 – 50 percent of escheat revenues would begin to go to the Waste Management Assistance Fund on July 1, 2031. The Clean Water Fund to receive the other 50 percent of escheat revenues.**

### Costs

The Agency of Natural Resources estimates that any new costs incurred can be met with existing resources or through the bill back authority given to ANR in the bill.

### Background and details

#### Expanding the Bottle Bill

Under current law, beverages that are subject to the 5-cent container deposit include: beer, wine coolers, other malt beverages, pre-mixed spirits cocktails; carbonated non-alcoholic beverages, including sodas,

sparkling waters and juices, and carbonated sports and energy drinks.<sup>2</sup> Liquor containers over 50mL are also subject to a deposit at a rate of 15 cents per container. Unclaimed liquor bottle deposits are retained by the Department of Liquor and Lottery. As of October 1, 2019, all other unclaimed beverage deposits are remitted to the State and deposited in the Clean Water Fund. Annual revenues to the Clean Water Fund from escheats are as follows:

- Fiscal year 2021           \$3.159 million
- Fiscal year 2022           \$3.554 million
- Fiscal year 2023           \$2.572 million (as of March 1, 2023)

Over the past three calendar years, 2020 through 2022, the non-liquor beverage container redemption rate has been approximately 76 percent.<sup>3</sup>

H.158 proposes to expand the list of beverages subject to the beverage container deposit to include all beverages except for milk and other dairy products, plant-based beverages, infant formula, meal replacement drinks, and nonalcoholic cider starting on January 1, 2027. The most notable new inclusions are bottled water, vinous beverages, bottled sports drinks, and hard cider. Most of these beverage containers would be subject to the 5-cent deposit per container. Vinous beverages would be subject to a 15-cent deposit.

To estimate the potential number of unredeemed deposits from the new beverage container types, JFO utilized the 2013 report “Systems Analysis of the Impact of Act 148 on Solid Waste Management in Vermont.”<sup>4</sup> The report contains estimates for the number of non-carbonated, non-alcoholic beverages sold in Vermont yearly. Using the numbers from the report and applying a redemption rate of 75 percent, JFO estimates that expanding the bottle bill will result in approximately \$2.06 million in new deposit escheats per year.

H.158 proposes that the new beverage types be subject to a deposit starting on January 1, 2027. Escheats from the new beverage types would likely not be reported by a producer responsibility organization until April or May of 2027, due to the quarterly reporting requirement under current law. Any additional revenues from new escheats would not be fully annualized until fiscal year 2028. State revenues from new and existing escheats would be impacted by the proposed reallocation of revenues described below.

#### Reallocating escheat revenues

All beverage container deposit escheats are currently deposited in the State Clean Water Fund. H.158 proposes to alter how beverage container deposit escheats are allocated. The allocation changes would happen on three separate occasions, as shown below.

- **January 1, 2026** – The first \$3,000,000 of annual escheats in calendar 2027 would be allocated to the State Clean Water Fund. Any additional escheats would be allocated to the producer responsibility organization.
- **January 1, 2027** – The first \$4,000,000 of annual escheats in calendar years 2027 through mid-2031 would be allocated to the State Clean Water Fund. Any additional escheats each year would be allocated to the producer responsibility organization.
- **July 1, 2031** – All beverage container deposit escheats would once again be retained by the State. 50 percent would go to the Clean Water Fund and 50 percent would go to the Waste Management Assistance Fund.

<sup>2</sup> <https://dec.vermont.gov/waste-management/solid/product-stewardship/bottle-bill>

<sup>3</sup> <https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Environment/Bills/H.158/Witness%20Documents/H.158~Matthew%20Chapman~Notes%20on%20the%20Bottle%20Bill%20%20Beverage%20Container%20Redemption%20System~2-8-2023.pdf>

<sup>4</sup> [https://dec.vermont.gov/sites/dec/files/wmp/SolidWaste/Documents/FinalReport\\_Act148\\_DSM\\_10\\_21\\_2013.pdf](https://dec.vermont.gov/sites/dec/files/wmp/SolidWaste/Documents/FinalReport_Act148_DSM_10_21_2013.pdf)

ANR costs

H.158 would authorize rulemaking for the amended beverage container deposit law and would require ANR to submit a beverage container redemption system analysis report to the House Committee on Environment and Energy and the Senate Committee on Natural Resources and Energy in January 2025. Per ANR, funds in the solid waste account of the Waste Management Assistance Fund would likely be used to cover the cost of the report. The bill back authority would allow ANR to bill the producer responsibility organization for most costs associated with reviewing application materials and the stewardship plan. Any spending authority of billback funds would be subject to the annual appropriations process. ANR estimates that up to one additional full-time equivalent (FTE) position may be needed to provide oversight of producer responsibility organizations, the cost of which would be billed to the organizations in future years.

<b>Table 1. H.158 Beverage Container Deposit Escheats – Projected Annual Revenues and Revenue Changes</b>						
Year	Change	Annual State Escheat Revenues			Producer Responsibility Org. (non-State) escheat revenues	Total Escheats
		Clean Water Fund	Waste Mgmt. Assistance Fund	Total State revenues		
Base year	Current law	\$2,900,000	\$0	<b>\$2,900,000</b>	\$0	<b>\$2,900,000</b>
FY2026	Jan. 1, 2026 – Clean Water Fund would receive first \$3m of escheats in calendar year 2026; all other escheats to producer responsibility org.	\$2,900,000	\$0	<b>\$2,900,000</b>	\$0	<b>\$2,900,000</b>
FY2027	Jan. 1, 2027 – new container types subject to deposit – <b>Assumed redemption rate of 75%</b> Jan. 1, 2027 – Clean water fund to receive first \$4m of annual escheats until June 30, 2031; all other escheats to producer responsibility org.	\$3,000,000 (+\$100,000 from base)	\$0	<b>\$3,000,000</b> (+\$100,000 from base)	\$420,000	<b>\$3,420,000</b>
FY2028	No changes	\$4,000,000 (+\$1,100,000 from base)	\$0	<b>\$4,000,000</b> (+\$1,100,000 from base)	\$960,000	<b>\$4,960,000</b>
FY2029 – FY2031	No changes – if redemption rate changes, then escheat revenues would be impacted	Relatively stable revenues	\$0	<b>Relatively stable revenues</b>	Relatively stable revenues	<b>Relatively stable escheats</b>
FY2032 - Future	July 1, 2031 – all escheats to the State; 50% to Clean Water Fund and 50% to Waste Mgmt. Assistance Fund	Decrease in revenues	Increase in revenues	<b>Slight decrease projected overall as redemption rates rise</b>	\$0	<b>Slight decrease projected as redemption rates rise</b>