



## **Testimony of Bree Dietly on Behalf of the Beverage Association of Vermont and American Beverage Association: Bottle Bill Reform (25-0991)**

**House Committee on Environment – February 18, 2026**

Good morning, Chair Sheldon, Vice-Chair Labor, and members of the Committee. My name is Bree Dietly, and I am the Principal at Breezeway Consulting in Somerville, Massachusetts. I have 40 years of research and operating experience with container deposit return systems or bottle bills across the US. I have been involved with several research projects related to the Vermont law, most recently collaborating with other stakeholders on reform proposals like the draft before you now, reviewing and commenting on the bottle bill systems analysis conducted for DEC, and contributing to the Act 148 report in 2013 and multiple earlier studies. I also manage the Vermont Commingling Group, LLC, which is the entity that operates the commingling program, accounting for 84 percent of the redeemed containers in Vermont. I am not representing the LLC today, but my experience with that program provides me with unique insight into the workings of Vermont's bottle bill. I am testifying today at your request to provide comments and suggestions on bottle bill reform, currently in draft form in 25-0991.

Four years ago, a working group of stakeholders, convened by Senator Bray, met to discuss a logjam over H.175 and how to move Vermont's bottle bill forward. The 55-year-old system has seen little innovation, and as an industry we were encouraged by the willingness to engage in compromise and support principles around a producer responsibility model for the governance and operation of the system going forward.

The draft language before you reflects the underlying principles of that work. That proposal failed because no consensus was reached on retaining unclaimed deposit funds in the system to finance investments and operations, as is common in nearly all deposit return systems around the world. The willingness to consider returning some of those funds in the form of grants for new investments is the tipping point for bringing our members back to the table to push these reforms forward.

### **Our Members and Commitments**

For background, the Beverage Association of Vermont represents the bottlers and distributors of refreshment beverages in Vermont through our local bottling partners including Coca-Cola Beverages Northeast with operations in Colchester and Rutland, Pepsi-Cola of Burlington, Leader Distribution Systems in Brattleboro, and Polar Beverages. Our industry directly provides jobs for 730 Vermonters; these jobs are some of the best paid, highest-benefit jobs available in local communities to employees with and without college degrees. We are proud of our employees and how they and the companies they work for are involved in and give back to our communities.

The beverage industry plays an important role in advancing the circular economy. Through thoughtful design and material choices, our PET bottles and aluminum cans are highly recyclable, have a high commodity value and, when collected and recycled, can become new bottles and cans. The industry also has invested in local and regional recycling infrastructure for more than 40 years.

The companies have also made commitments to collect and recycle packaging waste, to incorporate more recycled content into our PET bottles and to reduce the amount of new plastic in our bottles. The industry's Every Bottle Back program is investing \$100 million in improvements to collection systems around the country. And we are working on well-designed policies in several states to improve collection such as extended producer responsibility programs for packaging in Colorado, Maryland, Minnesota, and Washington as well as modernizing deposit return systems like Vermont's.

## Where We Stand

The redemption system is labor-intensive and, as a result, costly and difficult to staff. This makes for a very inefficient system for handling recyclables. That inefficiency is not the fault of the redemption center operators and employees, who struggle mightily with the structure of a program designed for a beverage market, product mix, package mix, and distributor universe that evolved in the 1950s and 1960s. A lot has changed, but not much has changed for redemption centers.

- Vermont has the lowest degree of automation of any deposit state, except Hawaii. In 2025, 92 percent of containers returned through our commingling program (more on that program below) were counted and sorted by hand. The redemption centers that are part of the commingling program handled 145 million returns last year so 133 million of those were hand-sorted.
- The smallest center handled fewer than 1000 containers per week; the largest *averaged* 1000 containers every 15 minutes.
- Depending on their location and volume, centers may have 100 to 150 different bins into which to sort brands, container types and sizes. Last year in my testimony I shared lists of brands and distributors that we ask redemption center staff to keep track of. The 16 percent of containers *outside* of the commingling system represented nearly 300 soda brand and distributor combinations and over 400 for beer.

I also want to level-set the Committee with regard to fraud. Whether it is deposits or tax rates, differential treatment of products and prices across state lines *do* lead to shifts in consumer behavior. Some of that is simple market-driven activity, such as the transfer of retail business out of the Vermont side of the Connecticut River Valley to the New Hampshire side. And some of it is fraudulent activity, such as redeeming containers from another state in Vermont. The amount of lost business is significant as has been shown in research from academics to anecdotal information from individual retailers and businesses.

The systems analysis report for DEC pulled together state data confirming the magnitude of the fraud problem. It showed that at least 32 million more beer and soft drink containers are

managed in Vermont through the bottle bill, local recycling, or landfilling than were sold here. More comprehensive analysis in the past showed the problem to be even larger.

That 32 million container figure (as a lower bound) represents lost business and wages to Vermont retailers and suppliers, lost tax revenue to the state, and fraudulently paid out refunds and handling fees by beverage distributors.

## **Commingling**

Introduced in 2008, commingling helped stabilize the redemption system. Commingling is the main innovation introduced to the Vermont bottle bill since its inception. The program allows redemption centers to combine together all like containers (*e.g.*, 12 oz cans) sold by all the members of the commingling group (Baker, Calmont, Coke, Farrell, and Pepsi). Nearly all containers are still processed by hand, but redemption center operations are much simpler because commingling eliminated dozens of sorts. The system also streamlined program logistics, putting many fewer trucks on the road and centralizing administrative functions.

The commingling group<sup>1</sup>, which I manage, accounted for 84 percent of all redemptions reported by the state in 2024 (the most recent data I have). Those containers are sorted into four can sizes, three plastic sizes, and, generally, glass by color in large bins called Gaylords. It is the 16 percent of remaining containers that account for the other 100+ sorts; the most common question I get from redemption centers when I visit them is how to get the rest of the brands into commingling.

## **The Keys to Reform: #1 - Governance**

A key to reaching agreement around the principles underlying H.158 was the recognition that the governance and structure of the redemption system needed to be addressed to prevent further erosion in access to redemption and in redemption rates and to face challenges staffing and operating redemption facilities.

The solution is to move toward a single entity responsible for overseeing the operation of the entire system rather than fragmenting its governance distributor by distributor. That entity can collect all deposits from distributors and refund them collectively, eliminating the need for distributor or brand sorting.

- These changes require the establishment of a distributor organization that all distributors must join. The organization would function like a producer responsibility or stewardship organizations under producer responsibility models.
  - A stewardship model is the most common in other countries and underlies the many new systems in Europe and elsewhere. We believe it is essential that this be a nonprofit organization.
  - These programs offer greater focus on meeting environmental goals because the producer responsibility organization (PRO) is accountable for performance (*i.e.*, the return rate) as well as reporting on how materials are being utilized to advance a circular economy.

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<sup>1</sup> I have attached a brief overview of the operation of the commingling group.

- The programs have an incentive to provide convenient service to consumers and to do so efficiently. These programs also, without exception, have access to unclaimed deposit revenues to help offset costs – a point to which I will return.
- Finally, centralized data provides much greater transparency on how the system is operating, allowing for coordinated efforts to control fraud.
- The organization would develop a stewardship plan outlining how the PRO would meet performance targets, meet the convenience standard for access to redemption, and provide supporting education and promotional efforts as well as transparent reporting on performance and finances.
  - The organization becomes responsible for ensuring the operational and financial success of redemption centers. Rather than using a state-established flat handling fee, a PRO contracts with centers to provide services.
  - This includes flexibility for incorporating technology such as automated counting and sorting equipment into facilities, appropriate to the scale and type of operation. This is the focus of the investments described below.
  - Designing an updated system that is convenient for consumers, takes advantage of availability technology, and is scaled for Vermont’s varied geography and demographics will be a challenging exercise. Once the parameters of the system are set, distributors that form the PRO will consult experts and technology providers to solicit proposals for an integrated system of manual and automated redemption, sorting and scanning technology, and data management to support the system.

## **The Keys to Reform: #2 - Investment**

All of this costs money. Today, Vermont is one of the most expensive redemption systems given its high handling fees and the fact that none of the unclaimed deposits are returned to the system. Of the 10 US deposit states, only Massachusetts and Vermont divert all of those funds to unrelated programs; the practice is all but unheard of elsewhere in the world. Investing in the stewardship organization and implementing the plan will take funding and require resources for planning, equipment, renovations, services, and administration. To be successful, the PRO needs access to the unclaimed deposits. The system will still require significant and ongoing distributor funding to operate, but without the unclaimed deposits, the expense will be too great a burden. This was behind our opposition to the amended version of H.158 last session – we could not support the proposal without adequate funding.

In response to requests from the legislature and executive, the Beverage Associations retained outside assistance to map out possible investment strategies to implement the kinds of reform we envision – namely the elimination of brand sorting and a more streamlined material handling system that could operate at lower cost while also improving performance. That analysis, using Vermont-specific redemption data, estimated:

- Capital costs between \$3.3 and \$3.9 million to implement the initial phases of a program to increase the use of technology in the Vermont redemption system. The scenarios examined could:

- Enable universal commingling and eliminate brand sorting for the 16% of existing deposit containers now outside the commingling program
  - Reduce labor and increase redemption efficiency at centers, reducing costs and improving the redemption experience for consumers
  - Increase accountability for distributors by expanding the use of technology to verify responsibility for returns
  - Continue to provide immediate refunds at all redemption locations
- In addition to capital costs, distributors would incur additional annual operating costs of between 0.3 and 0.4¢ per container through higher service fees and maintenance for new equipment and technology. Additional administrative costs to manage the program were not estimated, but would add to those annual operating costs.

The analysis was prepared by RecycleMe, a part of the Reclay Group which operates throughout Europe and North America. It is important to recognize that this is not a blueprint for investments, but an illustration of options that would require significant additional work including detailed bids from vendors and extensive consultation with redemption center owners. We considered two scenarios:

- Use of bulk-feed reverse vending machines (RVMS) that can handle large volumes of containers all at once and that scan UPC codes at the 20 largest redemption centers.
- Use of bulk-feed RVMS at 9 centers and high-speed counting and AI recognition systems at the remaining 11 centers
- In both cases, samples of containers that were not UPC scanned at the time of redemption would be transported to a centralized location for scanning. That would apply to those processed through the AI systems and those handled at the remaining, lower volume redemption centers.

Capital costs are higher for the RVM only scenario, but that is partially or entirely offset by higher incremental operating costs for the combined AI/RVM scenario since more containers must be scanned to validate the allocation of returns to individual brands/distributors.

An advantage of the AI-based system is greater speed of customer turn-around at high volume centers and a lower footprint for the new equipment at the site. That system does require significantly more after-redemption scanning to verify allocations, however. The larger footprint required for conveyors and the bulk RVM equipment could limit its use in some sites and the technical complexity of the equipment and need for maintenance is higher as well.

The reimbursement of up to \$3.5 million in capital costs from unclaimed deposits would cover only this initial investment at a limited number of redemption sites. In order for this approach to succeed, the PRO would need to obtain the commitment of the site operators to accept the equipment, upgrades, maintenance requirements, and protocols of a new data management system. This is not a top-down control model – it requires collaboration between the distributor PRO, the redemption centers, and the technology and logistics providers.

In addition to these capital costs, distributors' operating costs would increase, adding to the \$6.6 million in handling fees paid today. Since these investments would eliminate all remaining brand sorting and, for the 20 largest centers, reduce their labor requirements, the PRO would negotiate

reimbursements to redemption centers reflecting the streamlined sorting and operating requirements.

Finally, the PRO will have to absorb administrative costs, both for the entity itself, which will require professional staff to manage the program, and for reimbursing the state's cost for program oversight.

### **Key Legislative Issues**

Many of the elements of the compromise negotiated several years ago remain at the core of legislative language you have been reviewing (25-0991). I have reviewed various drafts of the document and compiled comments, although I had not seen the latest version at the time I prepared this written testimony. Our general concerns revolve around several issues:

- **Schedule and sequencing:** we want to ensure that realistic time is allotted for forming the PRO; developing a plan with adequate consultation with redemption centers, equipment vendors, and other key stakeholders; and a phasing in period, recognizing that all changes will not be implemented simultaneously across the whole system
- **Governance:** a single, nonprofit PRO is established, and distributors must be compelled to join, provide data, and remit fees as determined by the board of the PRO. Board governance must be limited to a representative set of the distributors obligated under the program.
- **Legacy infrastructure:** it is in the PRO's interest to maximize use of existing redemption, logistics, and processing infrastructure to the degree possible. Some new redemption facilities may be necessary to meet the performance standards, and some centers may opt out of participating in the investments, in which case the PRO may be forced to develop alternatives.
- **Performance:** realistic targets are critical and while reporting on end markets receiving material is entirely appropriate, there are limitations on information those end markets can and will share about the fate of material sold
- **Funding:** front-loading the funding to the degree possible will benefit the system and accelerate the pace of change

### **Summary**

The redemption system in Vermont, like those in the other states that enacted them between 1971 and 1983, was designed for a different beverage industry, a different beverage market, a different retail environment, and different consumers. Yet the deposit system here remains more or less unchanged except for ever-higher costs and the innovation of commingling.

Commingling provides an illustration of how redemption systems need to evolve in order to meet consumers where they are now, not the 1970s, yet it also shows the limitations of that system faced with a vastly more complex mix of beverages and beverage distributors in the market.

We believe a stewardship model is the natural next step for Vermont's program to open up the system to innovation and lay the foundation for improving redemption rates and consumer experiences. In order to succeed, we believe the state should authorize a single stewardship

organization to submit a plan that is adequately financed through a combination of distributor fees and unclaimed deposits.

Thank you very much for the opportunity to testify today, and I am happy to answer questions or to provide additional information.

# Vermont Commingling Summary

All distributors of deposit containers in Vermont are required to select a pickup agent to collect their returns from across the state, unless the distributors are able to do this themselves. Distributors using TOMRA as their pickup agent may consider participating in the commingling group, which means that the distributor's empty containers will be managed together with those of the other participants in the group, rather than collected separately by brand (which is much more costly and inefficient).

## Why Is There a Commingling Group?

Redemption centers have struggled to keep up with the staggering number of brewers and beer brands in the Vermont market as well as all the small soda and seltzer brands. These small brands account for only a small share of redemptions, but account for much of the cost of sorting and managing returns. Commingling was implemented in 2008 to simplify sorting for redemption centers and to help manage their costs. Because commingling saves redemption centers money, the handling fee is lower (3.5¢) for those brands in commingling while those not in commingling pay 4¢. Legislation has been proposed to increase that premium.

## How Do Distributors Get Billed for Returns Mixed in with Others?

TOMRA collects bags, cases, and bins of commingled returns and bills all commingling participants for their respective share of those returns. The shares are determined by confidential sales data submitted monthly by the distributor to the group's manager. Other methods of allocation could include bulk sorting of returns at central processing sites. Participating distributors only pay for containers of the type they sell, so if a brewer only sold 16 oz cans, they would pay for their share of 16 oz cans returned and not for any other container types.

## Should I Participate in Commingling?

Joining commingling allows for more efficient handling, less burden on redemption centers, and a more sustainable system. That is reflected now in the lower handling fee, although the savings provided by commingling are likely greater than reflected in that ½¢ difference.

For redemption centers, commingling significantly reduces time and staff requirements because brand sorting is no longer required. In 2024, 84 percent of returns were managed through the commingling system, leaving only 16 percent of returns that had to be brand sorted. A top priority for many redemption centers is getting more distributors and brands included in the system.

It is likely that distributors joining the group will experience a higher redemption rate than they have been. That is because many smaller brands are already having some of their returns paid for by the commingling group, because the empties are mis-sorted at redemption centers. Because commingling accounts for the vast majority of returns in Vermont, commingling becomes the "default" if a redemption center employee isn't sure what to do with a bottle or can.

## **Commingling Details: Members of Vermont Commingling Group, LLC**

- Soft drinks: Coca-Cola Northeast, Bottling Group, LLC (Burlington Pepsi), Leader Distribution Systems (Pepsi Cola of Brattleboro)
- Beer and malt beverages: Baker Distributing, Calmont Beverage, Farrell Distributing
- Breezeway Consulting LLC (Non-member, Manager)

Based on Department of Taxation data for calendar year 2024, the LLC represented 83% of deposit containers sold (excluding distilled spirits).

### **What Can Be Commingled?**

- Deposit beverage containers that are distributed exclusively by the members or partners. Brands for which outside distributors share distribution rights in Vermont would not be included in the program.
- Eligible brands are commingled by redemption centers, but separated by material and size including aluminum cans (four size categories), PET bottles (3 size categories), and glass (2 size categories and generally separated by color).

### **Affected Facilities**

- Virtually all redemption centers are in the commingling program. Those redeeming more than a certain number of containers are required to participate by law, but most facilities are permitted to commingle if they choose.

### **Pickup Responsibilities**

- TOMRA is the designated pickup agent for the system. While the operating principles of the commingling system apply uniformly across all companies and TOMRA, the contractual relationship regarding pickup fees, scrap credits, and terms are individually negotiated between the members or partners and TOMRA; the LLC has no contractual relationship with TOMRA. TOMRA services all locations in the state as it also picks up distributor-sorted empties for dozens of other companies (*e.g.*, Polar, Nestle, Vermont Beer Shepherd). TOMRA is also responsible for conveying sorting instructions (*i.e.*, what belongs in commingling bags/bins) to the redemption centers.

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