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**Joint Fiscal Office**

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## Fiscal Note

May 11, 2022

By Daniel Dickerson

### **H.175 An act relating to the beverage container redemption system**

#### Senate Proposal of Amendment

##### URL for bill:

<https://legislature.vermont.gov/Documents/2022/WorkGroups/Senate%20Natural%20Resources/Bills/H.175/Drafts,%20Amendments%20and%20Legal%20Documents/H.175~Michael%20Grady~%20Draft%202.1,%204-27-2022~4-28-2022.pdf>

<https://legislature.vermont.gov/Documents/2022/WorkGroups/Senate%20Natural%20Resources/Bills/H.175/Drafts,%20Amendments%20and%20Legal%20Documents/H.175~Michael%20Grady~%20Draft%202.1,%205-10-2022~5-10-2022.pdf>

### Bill Summary

The bill proposes numerous changes to Vermont's beverage container redemption system. Most notably, the bill proposes to restructure the redemption system to be managed by producer responsibility organizations through the implementation of stewardship plans. The Agency of Natural Resources (ANR) would oversee these organizations and would verify adherence to the stewardship plans. Provisions in the bill that are estimated to have a potential fiscal impact to the State are listed below in order of effective date.

- On or before January 1, 2023 ANR may accept applications to form a producer responsibility organization. If no organization is formed, then ANR can require the formation of one. ANR would have authority to compel the creation of an organization or to create a stewardship plan if one isn't submitted; and would have authority to bill back oversight costs to organizations.
- On or before October 1, 2023, 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.
- January 1, 2025:
  - The types of beverage containers subject to deposit would be expanded. This expansion would not include vinous beverage containers.
  - The State would collect 50 percent of unclaimed beverage container deposits (escheats). The remaining 50 percent would be retained by producer responsibility organizations. The State currently collects 100 percent of escheats.
  - State escheat collections would continue to go to the Clean Water Fund.
- January 1, 2026: Vinous beverage containers would be subject to the beverage container deposit.

- January 1, 2030:
  - 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.
- Reports
  - On or before January 15, 2028, ANR would be required to submit a report on the beverage container redemption system to the General Assembly.
  - On or before January 15, 2023, ANR would be required to submit a report to the General Assembly with recommendations on size limits for beverage container deposits and a recommendation on the amount of deposit for vinous beverage containers.

## Fiscal Impacts

### Revenues

Estimated State revenue changes from H.175 are shown below. See Table 1 at the end of this fiscal note for additional revenue detail.

H.175 will result in a decrease to Clean Water Fund revenues starting in FY2025. New beverage types will be subject to the 5-cent deposit but the allocation of escheats to the Clean Water Fund will decrease by 50 percent. The other 50 percent is proposed to stay with Producer Responsibility Organizations.

- **FY2025 – Escheat revenues to the Clean Water Fund will be down \$175,000 from FY23-24 projected revenues (\$2,725,000 in estimated total revenues)**
- **FY2026 – Escheat revenues to the Clean Water Fund will be down \$680,000 from FY23-24 projected revenues (\$2,220,000 in estimated total revenues)**
- **FY2027 – Escheat revenues to the Clean Water Fund will be down \$625,000 from FY23-24 projected revenues (\$2,275,000 in estimated annual escheat revenues starting in FY26 and into future years).**

H.175 will result in an increase in Waste Management Assistance Fund revenues starting in FY2030 and into future years. This increase would be driven by the proposal to allocate all escheats to the State starting on January 1, 2030. The new 50 percent would go to the Waste Management Assistance Fund, while the other 50 percent would continue going to the Clean Water Fund. Producer Responsibility Organizations would no longer retain any escheats.

- **FY2030 – 50 percent of escheat revenues begin going to the Waste Management Assistance Fund on January 1, 2030. Projected revenues are \$570,000 in FY30.**
- **FY2031 – Full year of 50 percent of escheats to the Waste Management Assistance Fund. Projected revenues are \$2,275,000 (up \$1,705,000 from prior year).**

### Costs

The Agency of Natural Resources estimates that no new costs would be incurred that cannot be met with existing resources or through the bill back authority proposed in this bill.

## Background and details

### Expanding the Bottle Bill

Under current law, beverages that are subject to the \$0.05 container deposit include: beer, malt beverages, carbonated soft drinks and sparkling water, mixed wine drinks, and canned cocktails containing liquor.<sup>1</sup> Liquor containers over 50mL are also subject to a deposit at a rate of \$0.15 per container. Unclaimed liquor

<sup>1</sup> <https://www.bottlebill.org/index.php/current-and-proposed-laws/usa/vermont>

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:

- FY2020 \$1.293 million (partial year)
- FY2021 \$3.159 million
- FY2022 \$3.281 million (as of May 2, 2022)

Over the past two calendar years, 2020 and 2021, the beverage container redemption rate has been approximately 77 percent.

H.175 proposes to expand the list of beverages subject to \$0.05 deposit to include all beverages except for milk, dairy products, plant-based beverages, infant formula, meal replacement drinks, nonalcoholic cider, and vinous beverages starting on January 1, 2025. Vinous beverages are proposed to be subject to the deposit starting on January 1, 2026. The most notable new inclusions are bottled water, bottled sports drinks, and hard cider in non-glass containers.

In order to estimate the potential number of unredeemed deposits from the proposed new beverage types JFO utilized the 2013 report titled “Systems Analysis of the Impact of Act 148 on Solid Waste Management in Vermont.”<sup>2</sup> The report contained estimates for the numbers 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 \$1.65 million in new deposit escheats per year.

Because H.175 proposes that the new beverage types be subject to a deposit starting on January 1, 2025 (2026 for vinous beverages), new escheats would likely not be reported by a producer responsibility organization until April or May of the year of the change. Any additional State revenues from new escheats would not be fully realized until State fiscal year 2026, which begins on July 1, 2025 (fiscal year 2027 for vinous beverages). State revenues from new and existing escheats would also be impacted by the proposed reallocation of revenues described below.

#### Reallocating Escheat Revenues

H.175 proposes to alter how beverage container deposit escheats are allocated. The allocation changes would happen on two separate occasions, as shown below.

- **Current law** – All beverage container deposit escheats are deposited in the State Clean Water Fund
- **January 1, 2025** – 50 percent of escheats would be deposited in the State Clean Water Fund. Remaining 50 percent of escheats would be retained by producer responsibility organizations.
- **January 1, 2030** – 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.

The first reallocation of escheat revenues, beginning halfway through State FY2025 concurrently with the expansion of the bottle bill, would result in diminished annual escheat revenues to the Clean Water Fund as 50 percent of revenues that would go to the State under current law would instead be retained by producer responsibility organizations. Clean Water Fund revenues would be approximately \$2,725,000 in FY2025 (a reduction of \$175,000 from FY2023 and 2024 JFO-forecasted levels. In FY2026, when vinous beverage containers would be subject to deposit, Clean Water Fund escheat revenues are estimated to be \$2,220,000. In FY2027, a full year for the total expanded bottle bill, Clean Water Fund escheat revenues are estimated to be \$2,275,000 (down approximately \$625,000 from currently forecasted levels).

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<sup>2</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)

Starting on January 1, 2030, producer responsibility organizations would no longer be able to retain half of escheats and they would instead go to the State for deposit in the Waste Management Assistance Fund. Escheat revenues to this fund are estimated to be \$570,000 in FY2030 and \$2,275,000 in FY2031 and onward.

ANR costs

H.175 would authorize rulemaking for the amended beverage container deposit law and would require ANR to submit two reports to the General Assembly, one in 2023 and the other in 2028. Per the Agency, the 2023 report could be managed with existing staffing and resources. The Agency would likely seek to use billback authority proposed in the bill to reimburse costs for the 2028 study. The bill back authority would also allow the Agency to bill costs for review of producer responsibility organization applications and stewardship plans to the organizations. The Agency 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.

Year	Change	Annual State Escheat Revenues			Producer Responsibility Org. (non-state) escheat revenues
		Clean Water Fund	Waste Mgmt. Assistance Fund	Total State revenues	
FY2023	Current law	\$2,900,000	\$0	<b>\$2,900,000</b>	\$0
FY2024	Current law	\$2,900,000	\$0	<b>\$2,900,000</b>	\$0
FY2025	Jan. 1, 2025 – new container types subject to deposit; 50% of escheats retained by producer responsibility org. and 50% to Clean Water Fund	\$2,725,000 <i>(-\$175,000 from FY24)</i>	\$0	<b>\$2,725,000</b> <i>(-\$175,000 from FY24)</i>	\$550,000
FY2026	Jan. 1, 2026 – vinous beverage containers subject to deposit	\$2,220,000 <i>(-\$680,000 from FY24)</i>	\$0	<b>\$2,220,000</b> <i>(-\$680,000 from FY24)</i>	\$2,220,000
FY2027 – FY2029		\$2,275,000 annual <i>(-\$625,000 from FY24)</i>	\$0	<b>\$2,275,000</b> annual <i>(-\$625,000 from FY24)</i>	\$2,275,000 annual
FY2030	Jan. 1, 2030 – all escheats to the State; 50% to Clean Water Fund and 50% to Waste Mgmt. Assistance Fund	\$2,275,000	\$570,000	<b>\$2,845,000</b> <i>(-\$55,000 from FY24)</i>	\$1,705,000
FY2031 - ongoing		\$2,275,000 annual	\$2,275,000 annual	<b>\$4,550,000</b> annual <i>(+\$1,650,000 from FY24)</i>	\$0