

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 445** HLS 13RS 690

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.: **w/ PROP HSE COMM AMD**

Sub. Bill For.:

Date: April 30, 2013 10:32 AM	Author: LAMBERT
Dept./Agy.: Environmental Quality	Analyst: Mary Kathryn Drago
Subject: Louisiana Beverage Container Law	

ENVIRONMENT/RECYCLING

OR SEE FISC NOTE EX

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Creates the La. Beverage Container Law

Proposed law provides, beginning Jan. 1, 2014, for a minimum refund of 5¢ on every beverage container sold or offered for sale which will be collected by a dealer and forwarded to the Dept. of Environmental Quality. Proposed law would define "beverage" as water, flavored water, or nutritionally enhanced water, carbonated soft drinks, mineral water, soda water, or other nonalcoholic carbonated drinks; beer, ale, or other malt drinks of whatever alcoholic content, or a mixed wine drink or a mixed spirit drink. Proposed law requires, beginning July 1, 2014, every authorized redemption center to accept the container from and pay to the redeemer the La. refund value. Proposed law requires handling fees to be not less than 1¢ for each aluminum can and 2¢ for all other types of beverage containers paid by the department to the redemption center. Proposed law requires every beverage container sold in this state to clearly indicate the refund value of the container and the letters "LA Refund". Proposed law exempts glass beverage containers which already have a refund value on the container. Proposed law allows redemption center to refuse to accept any broken glass bottle, **(Continued on page 2)**

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The proposed legislation may result in an increase in state general fund expenditures in FY 14 and increase statutory dedication expenditures in subsequent fiscal years. State general fund expenditures may increase in subsequent fiscal years depending on the redemption rate. At this time it is unknown to the LFO if unredeemed deposits would be used in FY 14 to pay any expenditures related to this proposed legislation. According to the Department of Environmental Quality, the cost to start the program would be \$1,402,944 in FY 14. This amount would include salaries and related benefits (\$1,377,444) and operating expenses (\$25,500) for 20 T.O. that would be needed to administer, regulate, and audit the program. The anticipated increase in T.O. includes 2 auditors (\$70,413 salary and related benefits for each) that will ensure proper reporting and appropriate collections, and 18 environmental scientists (\$68,701 salary and related benefits for each) that will handle permits (3 T.O.), surveillance (12 T.O.), enforcement (1 T.O.), and business and community outreach (2 T.O.). Due to the program beginning to take in deposits January 1, 2014, it is possible that DEQ will not require a full year of funding to meet the estimated T.O. and operational expenditures in FY 14. In FY 15, the department anticipates reducing the T.O. of environmental scientists to 15 once the program is operating, which will result in a decrease in expenditures in the amount of \$210,613 (\$1,402,944 FY 13 expenditures - \$1,192,331 FY 14 expenditures). To the extent a sufficient level of unredeemed deposits is collected, the T.O. and operating services will be funded through the Environmental Trust Fund. According to the department, the increase in T.O. is based on historical activities of regulating **(Continued on Page 2)**

REVENUE EXPLANATION

The proposed legislation will result in an increase in statutory dedicated revenue. The exact amount of total deposits is indeterminable since the exact number of beverage containers sold in the state is unknown. However, according to the Container Recycling Institute, the average number of beverage containers used annually per person is 721. The average of 721 containers per person and the LA population of persons 5 years and older (4,220,569), would result in 3.04 billion bottles sold annually in the state. As a result of a 5 cent (\$0.05) deposit for each beverage container sold in the state, the total deposit amount is estimated to be approximately \$152.2 M (4,220,569 LA population over 5 years old x 721 beverage containers consumed per person annually x \$0.05 deposit).

The exact amount of redeemed deposits is indeterminable since it is unknown what the redemption rate of beverage containers would be. According to the Container Recycling Institute, the national average recycling rate of beverage containers is 34%. However, for 10 states that have container deposit laws, the recycling rate ranges from 67% (New York) to 97% (Michigan), with the average rate being approximately 81%. To the extent beverage containers were redeemed at a rate of 81%, an amount of approximately \$123.2 M (\$152.2 M total deposited amount x 81% redemption rate) would be redeemed. The unredeemed deposits of \$28.9 M (\$152.2 M total deposited amount - \$123.2 M redeemed amount) would be deposited annually in the Environmental Trust Fund. **(Continued on Page 2)**

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

Evan Brasseaux

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Staff Director

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CONTINUED EXPLANATION from page one:

Continued Explanation of Purpose from Page one:

dismembered container, or any container which contains a free-flowing liquid, does not properly indicate a LA refund value, or contains a foreign material. Proposed law allows, but does not require, a dealer who is also an authorized redemption center to accept from a redeemer empty beverage containers for a refund in excess of \$20 on any given day. Proposed law allows the secretary of DEQ to promulgate rules and regulations concerning the circumstances in which a dealer is required to accept the return of empty containers and make payments, reporting requirements of dealers and redemption centers, the payment of handling fees, the rules for redemption at the dealer's place of business, the right of dealers to restrict or limit the number of containers redeemed, the redemption of containers from a beverage for which sales have discontinued, the pickup of returned beverage containers and the initiations of deposits, sales through vending machines and on-premises consumption, recordkeeping, refunding for refillable containers, or labeling. Proposed law authorizes the secretary to issue permits to establish redemption centers and allows dealers to operate a redemption center at their same location without a permit. Proposed law requires deposits paid to DEQ which are not required to be remitted to authorized redemption centers, which are unredeemed deposits, shall be deposited into the Environmental Trust Fund and shall be used for the administration of proposed law. Proposed law subjects violators to civil penalty of not more than \$5,000 for violations and additional penalties of not more than \$100 for each day the violation continues.

Continued Explanation of Expenditures from Page one:

industries that involve 100 permits and annual inspections of facilities in that industry.

Expenditures will also increase by the department paying the handling fee of \$0.01 per aluminum can and \$0.02 for all other types of beverage container. Deposits will begin being taken in on January 1, 2014, however, the handling fees will not be begin to be paid out until July 1, 2014. If we assume deposits are collected equally throughout the year, it is possible that there will be approximately \$14.5 million in unredeemed deposits collected by July 1, 2014 which may be available to begin to cover a portion of the handling fees. The handling fee would be paid through unredeemed deposits in the ETF. To the extent unredeemed deposits did not cover the total cost of the program, state general fund will be needed. Additional expenditures may occur if the department has to hire another auditor, accountant, or both, to handle the payment of handling fees.

Based upon data from 4 other states, they average approximately 59% in aluminum cans redeemed and 41% for all other types of material redeemed. Using this data, to the extent the redemption rate would begin at the average state redemption rate of 81%, the department would pay approximately \$34.8 M annually (\$2.5 B total bottles redeemed x 59% aluminum x \$0.01) + (\$2.5 B total bottles redeemed x 41% other material x \$0.02) in handling fees. The annual unredeemed deposit amount of \$28.9 M would be unable to cover all of the handling fees and administrative costs. Assuming the scenario results, the amount of state general fund that would be needed, would be \$7.1 M annually (\$34.8 M handling fees + \$1.2 M FY 15 administrative costs - \$28.9 M unredeemed deposits).

For illustrative purposes, if the redemption rate was 77.3%, then no state general fund would be needed. A redemption rate of 77.3% would result in a total of \$34.5 M [(\$152.2 M total deposited amount - (\$152.2 M X 77.3% redemption rate))] in unredeemed deposits. The handling fees paid if 77.3% of bottles were redeemed would be a total of \$33.2 M (\$2.4 B total bottles redeemed x 59% aluminum x \$0.01) + (\$2.4 B total bottles redeemed x 41% other material x \$0.02). The administrative costs would still remain at \$1.2 M in FY 15 and subsequent fiscal years. To the extent redemption rates remain at 77.3% or below, no state general fund would be used. However, any redemption rate above 77.3% would result in state general fund to pay additional expenditures.

Continued Explanation of Revenues from Page one:

Additional revenues may also be realized through the civil penalties of up to \$5,000 for anyone violating the provisions of the proposed legislation and additional penalties of \$100 for each day the violation continues.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
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<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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