



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

# FISCAL NOTE

**Drafting Number:** LLS 20-0310  
**Prime Sponsors:**

**Date:** October 15, 2019  
**Bill Status:** Bill Request  
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**Bill Topic:** **BEVERAGE CONTAINER REDEMPTION & REFUNDS**

**Summary of  
Fiscal Impact:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> State Revenue     | <input checked="" type="checkbox"/> TABOR Refund     |
| <input checked="" type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer               | <input type="checkbox"/> Statutory Public Entity     |

This bill requires a 10 cent deposit on glass, metal, or plastic bottles or cans containing beverages for human consumption of up to three liters. It will increase state revenue and expenditures on an ongoing basis.

**Appropriation  
Summary:**

For FY 2020-21, the bill requires an appropriation of \$68,656 to the Department of Public Health and Environment.

**Fiscal Note  
Status:**

The fiscal note reflects the bill draft requested by the Zero Waste and Recycling Interim Study Committee.

**Table 1  
State Fiscal Impacts Under Bill 2**

		FY 2020-21	FY 2021-22
<b>Revenue</b>		-	-
<b>Expenditures</b>	General Fund	\$68,656	\$74,872
	Centrally Appropriated	\$19,768	\$23,446
	<b>Total</b>	<b>\$88,424</b>	<b>\$98,318</b>
	<b>Total FTE</b>	<b>0.8 FTE</b>	<b>1.0 FTE</b>
<b>Transfers</b>		-	-
<b>TABOR Refund</b>		-	-

## **Summary of Legislation**

This bill requires a 10 cent deposit on glass, metal, or plastic bottles or cans containing beverages for human consumption of up to three liters. Beverages include:

- water and flavored water;
- beer;
- sports and energy drinks; and
- carbonated soft drinks.

Every beverage container sold in the state by a dealer must indicate the refund value of the container. If the dealer provides a written receipt for the sale, the receipt must indicate the refund value of the beverage container separately from the cost of the beverage. A person who sells beverages exclusively through the use of vending machines is not considered a dealer under the bill.

With some exceptions, dealers are required to accept any empty beverage container and pay the refund value to the person returning the beverage container. In order to refuse containers certain circumstances must exist and the dealer must post information outlined in the bill. The bill allows for the establishment of redemption centers with approval from the Colorado Department of Public Health and Environment (CDPHE). Dealers that meet certain proximity requirements to a redemption center and pay the cost of participation in the redemption center, can delegate some or all of their handling of beverage containers to the redemption center. On or before July 1, 2021, the CDPHE is required to approve one redemption center in a city with a population of less than 300,000, to be operated by a distributor cooperative serving a majority of dealers in the state.

Manufacturers, distributors, and importers of beverages sold in the state are required to pay dealers and redemption centers that redeem beverage containers the refund value of the containers and to collect the containers in a timely manner. Manufacturers, distributors, and importers that fail to do so are liable to the dealer or redemption center for treble the unpaid refund value and treble the collection costs incurred by the dealer or redemption center for beverage containers that were not timely collected. Two or more distributors or importers may establish a distributor cooperative to collect and pay the refund value of beverage containers and process beverage containers. In addition, the CDPHE has authority to impose civil penalties of \$50 to \$500 per violation per day for failure to pay refund values. Penalties are deposited into the General Fund.

Beginning in calendar year 2026, if the statewide redemption rate for beverage containers is less than 70 percent during any two consecutive years, the refund value increases to 15 cents on the following January 1. This calculation will be made by the CDPHE by August 1 based on reports filed by July 1 each calendar year by distributor cooperatives, distributors, and importers that are not part of a distributor cooperative. If the CDPHE determines that an audit of a distributor cooperative, distributor, or importer is indicated, that entity is required to retain and pay the costs of an independent auditor to verify the accuracy of the information reported to the CDPHE.

The bill includes a repeal date of September 1, 2030, following a sunset review of statewide recycling efforts.

**State Revenue**

The bill may increase General Fund revenue from civil penalties for failure to pay refund values beginning in FY 2020-21. The fiscal note assumes there will be a high rate of compliance and that fine revenue will be minimal.

**TABOR Refund**

The bill is expected to increase state General Fund obligations for TABOR refunds by a minimal amount in FY 2020-21 and FY 2021-22. Under current law and the September 2019 Legislative Council Staff forecast, the measure will correspondingly increase the amount refunded to taxpayers, which will first be issued via reimbursements to local governments, followed by sales tax refunds made available on income tax returns for tax years 2021 and 2022, depending on the total amount to be refunded each year.

**State Expenditures**

This bill will increase General Fund expenditures by \$88,424 AND 0.8 FTE in FY 2020-21 and \$98,318 and 1.0 FTE in FY 2021-22 to the CDPHE. These costs are shown in Table 2 and explained below.

**Table 2  
Expenditures Under Bill 2**

	<b>FY 2020-21</b>	<b>FY 2021-22</b>
<b>Department of Public Health and Environment</b>		
Personal Services	\$61,601	\$73,922
Operating Expenses	\$6,200	-
Capital Outlay Costs	\$855	\$950
Centrally Appropriated Costs*	\$19,768	\$23,446
<b>Total Cost</b>	<b>\$88,424</b>	<b>\$98,318</b>
<b>Total FTE</b>	<b>0.8 FTE</b>	<b>1.0 FTE</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

The CDPHE requires an ongoing 1.0 FTE environmental protection specialist, prorated to 0.8 FTE in FY 2020-21 to reflect the General Fund paydate shift and August effective date. The specialist will facilitate a stakeholder process and rulemaking, review, gather public comment, and process applications for redemption centers, inspect redemption centers, compile and analyze redemption information, and take enforcement action when indicated. This estimate is based on the Paint Care program overseen by CDPHE and may be revised as more information about the implementation of the bill becomes available.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$19,768 in FY 2020-21 and \$23,446 in FY 2021-22.

## **Local Government**

This bill may impact local governments, but is dependent on a number of factors, and will vary by jurisdiction. By reducing the amount of beverage containers in curbside recycling, it may reduce the costs for local governments that provide that service. Conversely, by reducing the amount of higher value recyclable products, such as aluminum, from a curb side pickup or local recycling operation, local governments may lose the funds currently recovered from those products.

## **Technical Note**

The bill does not indicate when the beverage container redemption program will begin but assumes that the CDPHE will begin implementation in FY 2020-21.

## **Effective Date**

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

## **State Appropriations**

For FY 2020-21, the bill requires a General Fund appropriation of \$68,656 and an allocation of 0.8 FTE.

## **State and Local Government Contacts**

Information Technology

Public Health and Environment

Revenue