

# Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

**Bill No.:** SB-1236

AN ACT CONCERNING THE AMOUNTS OF UNCLAIMED BEVERAGE

**Title:** CONTAINER DEPOSITS TO BE PAID FOR DEPOSIT IN THE GENERAL FUND.

**Vote Date:** 4/19/2023

**Vote Action:** Joint Favorable Substitute

**PH Date:** 3/24/2023

**File No.:**

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## SPONSORS OF BILL:

Finance, Revenue and Bonding Committee on behalf of Coca-Cola Beverages Northeast.

## REASONS FOR BILL:

[Public Act 21-58](#) allowed for deposit initiators (e.g., distributors) to start a schedule for retaining unclaimed deposits from 2023-2026. This bill aims to accelerate that retention schedule to get to full retention of unclaimed deposit dollars.

## SUBSTITUTE LANGUAGE:

This bill would require deposit initiators to keep all unclaimed deposits from July 1, 2023, to the end of the calendar year to reimburse them for the 10-cent deposit on redeemed beverage containers taking effect on January 1, 2024.

It would reduce the amount of unclaimed deposits that deposit initiators must remit to the General Fund from 55% to 50% in FY 25. Beginning in FY 26, the bill would tie the required remittance to the General Fund to the average statewide redemption rate for the preceding fiscal year. DEEP must annually calculate and publish this rate for the preceding fiscal year on August 1, beginning in 2024. Please see the chart below.

<i>Fiscal Year</i>	<i>Statewide Redemption Rate</i>	<i>Required Remittance</i>
26	At least 65%	25%
	Less than 65%	45%
27	At least 70%	5%
	Greater than 65%, but less than 70%	25%
	65% or less	45%
28 and after	At least 80%	5%
	Greater than 70%, but less than 80%	10%
	Greater than 65% to 70%	25%
	65% or less	45%

## **RESPONSE FROM ADMINISTRATION/AGENCY:**

[Joe Gresko, State Representative, Connecticut General Assembly](#) testified that this bill is a courtesy to the bottling industry, which is getting ready for the increase to a dime redemption value on January 1, 2024. It was a refreshing change of heart by the industry to have their support for this legislation after many years of them opposing any bottle bill modernization. The industry has been paying the increased handling fees to redemption centers and grocers, no question. If the industry continues to cooperate going forward, Rep. Gresko would have no problem supporting this bill.

## **NATURE AND SOURCES OF SUPPORT:**

[Alexander Brown](#) stated that, "we must work as a state to claim the unclaimed bottles and recycle them! We must recycle our bottles to keep the planet clean in our small space of the universe. We only have one planet, as far as we know, to live on. We must remember...the important work this government must do to protect the environment. The power is yours!"

[Rob Brule, First Selectman, Town of Waterford, Connecticut](#) testified that Coca-Cola Northeast supports 111 good paying jobs at their Waterford sales and distribution center, and has over 740 jobs, union and non-union, in four separate facilities (East Hartford, Naugatuck, South Windsor, Waterford) across Connecticut. Returning container deposits back to the distributors subject to the state's container redemption program is imperative to the success of Waterford's Coca-Cola facility. [Public Act 21-58](#) imposed significant cost increases on non-alcoholic beverage distributors in the form of increased handling fees. These "handling fees" currently add \$4 million to the annual operating expense budget of the Coca-Cola Northeast Connecticut operations, and they estimate an additional \$1 million with deposit expansion this year. These are dollars that they would otherwise be able to reinvest in operations in Waterford. This same law did propose a very gradual and partial return of unclaimed deposits to offset some of these higher costs, to 55% by fiscal year 2028.

[Mike DeFeo, General Manager, Hartford Coca-Cola](#) noted that the beverage industry is working hard to implement the broad-based changes to the bottle bill in [Public Act 21-58](#), which expanded the scope of containers subject to deposit, implemented a 75% increase in mandatory handling fees, and increased the deposit value to 10 cents in January 2024. As a result of those changes, Coca-Cola has anticipated a 300+% increase in the cost to support the beverage container redemption system. Coca-Cola is supportive of the measures included in the bill that would return more of the unclaimed deposits to distributors to defray system expenses. Unclaimed deposits were taken from distributors in 2009, and while the 2021 amendments allow for a fraction of those funds to shift back to distributors over time, the additional revenue they represent offers little relief in the face of such huge cost increases.

[Bree Dietly, Principal, Breezeway Consulting, Representative, American Beverage Association \(ABA\)](#) testified that when the Connecticut bottle bill was enacted in 1978, it reserved unclaimed beverage container deposits to defray system expenses. In this case, it left the funds with distributors to cover pickup and processing costs as well as the state-mandated handling fee paid by distributors to retailers and redemption centers for each container they redeem. Nearly all deposit systems around the world permit distributors or other system operators to retain unclaimed deposits as well.

Beginning in 1989, after a Massachusetts court decision classified unclaimed deposits as abandoned property, states began moving to seize unclaimed deposits; often couched as generating funds for environmental purposes, but typically using them for general revenue to plug budget shortfalls. This was exactly what happened in Connecticut in 2008. Since December 1, 2008, Connecticut's General Fund has received more than \$467 million in unclaimed deposits. Unfortunately, the poor performance of the Connecticut bottle bill only served to boost state revenues as the General Fund has benefitted from the system's failures. [Public Act 21-58](#) made profound changes to the state's bottle bill, including initial steps to shift some of the unclaimed deposits back to distributors to offset large cost increases brought about the legislation. Senate Bill 1236 would accelerate the return of unclaimed deposits to the distributors subject to the state's container redemption program or bottle bill.

[Rocky Gallo, Vice President, A. Gallo & Company, Representative, Connecticut Beer Wholesalers Association](#) stated that on January 1, 2024, distributors will be exposed to a substantial financial burden caused by the transition from a \$0.05 deposit to a \$0.10 deposit, and Senate Bill 1236 offers a solution. Since 2009, distributors have held bank accounts to deposit the refund value collected for all beverage containers sold. When customers return their bottles or cans, distributors refund the container deposits from these accounts. At the end of each quarter, distributors then pay the Department of Revenue Services (DRS) the refund value for every container that was not returned during the period thus emptying the accounts back to zero. By allowing distributors to delay the payments for unreturned containers, this bill will enable distributors to accumulate sufficient reserves to pay the unprecedented container returns that will occur at the beginning of 2024. Connecticut's distributors will see a dramatic increase in returns of both in-state and out-of-state containers during the first quarter of 2024 caused by two factors: (1) container stockpiling by consumers, retailers, and redemption centers and (2) border redemptions from New York, Massachusetts, and Rhode Island, as these States have either a \$0.05 deposit or no deposit. Allowing distributors to delay the payments for unreturned containers will position distributors to withstand the financial impact of the deposit increase.

[Andrew Ginsburg, General Manager, Hartford Distributors, Inc. \(HDI\)](#) testified that they process and redeem more than 65 million containers each year under Connecticut's bottle bill - playing a central role in the state's recycling system. HDI's work is both visible and transparent as they track and report the flow of containers and all associated costs. They currently pay over \$9 million in bottle bill and local industry-specific taxes, including handling fees, driver fees, environmental fees, and other excise taxes. In 2019, HDI paid \$1.6 million in escheats to the state alone. In 2021, Connecticut beer wholesalers' handling fee per container to retailers and redemption centers, increased from 1.5 cents to 2.5 cents. That represented an increase of 66 percent, a significant change and cost to Mr. Ginsburg's company and the bottling industry, which is proud to employ local workers throughout Connecticut.

[Tom Strahle, Vice President of Government Affairs, Pepsi-Bristol](#) noted that, "Senate Bill 1236 takes meaningful steps to help beverage distributors and manufacturers ("deposit initiators") defray the costs associated with the bottle deposit redemption system by enabling these companies to retain a larger portion of the escheats (unclaimed deposits). Significantly, prior to the first expansion of the "bottle bill" to water in 2008, deposit initiators were allowed to keep 100% the unclaimed deposits in recognition of the handling fees and other expenses they incurred to administer the system."

## **NATURE AND SOURCES OF OPPOSITION:**

[Lori Brown, Executive Director, Connecticut League of Conservation Voters \(CTLCV\)](#) noted that the bottle bill law was updated in 2021 after many years of negotiations. This was a major step to increase recycling and to help address Connecticut's growing waste crisis. CTLCV has been a longtime supporter of the state's bottle bill, which prevents over 800,000,000 cans and bottles from littering our parks, beaches, and neighborhoods every year. They are concerned that this bill would give 100% of consumers' unredeemed deposits to the beverage industry. This requires the state to give away an estimated \$64 million in unredeemed deposit revenue each year. Without proper safeguards, this would incentivize the beverage industry to recycle less, not more. While effective bottle bill programs do allow the beverage industry to retain the unredeemed deposits as Senate Bill 1236 proposes, they also provide enforceable recycling targets and require public education and marketing of the bottle deposit program. This is intended to ensure the deposit does not become a tax, and that it increases recycling rates.

[Mara Shulman, Senior Attorney, Zero Waste Project, Conservation Law Foundation \(CLF\)](#) testified that, "unclaimed deposits do not belong to the beverage industry; they belong to consumers. If consumers fail to collect their deposits, those funds should revert to the state of Connecticut (\$48,258,877 reverted to the state in fiscal year 2021-22 alone<sup>1</sup>). The state should dedicate these funds to providing public education around waste reduction, assisting small retailers in purchasing reverse vending machines to make bottle and can collection easier and more accessible, and reinvesting remaining funds in achieving the state's sustainability goals. If the beverage industry is permitted to claim these funds, it will be incentivized to undermine the deposit return system, since fewer returned bottles and cans means more unclaimed deposits and more money retained by the beverage industry...."

Furthermore, because mixing beverage containers in with curbside recycling leads to their contamination, the best case scenario is that bottles and cans entering the curbside recycling system will be "downcycled" into other products rather than recycled into beverage containers;<sup>5</sup> at worst, they end up in landfills and incinerators or gobbled up by the petrochemical industry and used as feedstock for toxic fuels.<sup>6</sup> In fact, 25% of what consumers put into single-stream recycling bins is too contaminated to be recycled at all, and ultimately ends up in landfills.<sup>7</sup> When done right, "Bottle Bills" save municipalities money, protect the environment, and divert valuable materials from the waste stream into recycling."

**Reported by: Brie J. Wolf**

**Date: April 28, 2023**