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FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 642 (Senator Brooks, *et al.*)
Education, Energy, and the Environment

Maryland Beverage Container Recycling Refund and Litter Reduction Program

This bill establishes the Maryland Beverage Container Recycling Fund and Litter Reduction Program within the Maryland Department of the Environment (MDE), administered by the Office of Recycling. In general, the purpose of the program is to increase the reuse and recycling of, and reduce litter from, beverage containers in the State. The bill establishes a framework for “beverage container stewardship organizations” – representing “producers” – to develop and implement beverage container stewardship plans. Producers must be registered annually with MDE beginning March 1, 2026. Plans must be submitted to MDE for review and approval by March 1, 2026, and must be implemented and administered within 60 days of plan approval. By January 1, 2027, a producer must be part of a beverage container stewardship program that has a plan approved by MDE, as specified. The bill also establishes a related grant program, provisions for redemption facilities and retailers, an advisory council, and enforcement provisions. MDE must adopt implementing regulations. **The bill takes effect June 1, 2024.**

Fiscal Summary

State Effect: No effect in FY 2024. General fund expenditures increase by \$217,300 in FY 2025; general fund revenues increase correspondingly in FY 2026. Special fund expenditures increase by \$256,000 in FY 2026, by \$517,000 in FY 2027, and by at least \$5.6 million annually thereafter; special fund revenues increase correspondingly beginning in FY 2026. Other effects are described below.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	\$0	\$217,300	\$0	\$0	\$0
SF Revenue	\$0	\$256,000	\$517,100	\$5,565,400	\$5,582,700
GF Expenditure	\$217,300	\$0	\$0	\$0	\$0
SF Expenditure	\$0	\$256,000	\$517,100	\$5,565,400	\$5,582,700
Net Effect	(\$217,300)	\$217,300	\$0	\$0	\$0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government finances may be affected, as discussed below.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Intent and Performance Targets: The bill establishes the General Assembly’s intent to achieve several specified goals, including a redemption rate of at least 90% for the approximately 5.2 billion single-use beverage containers sold annually in the State. Performance targets for the program are as follows: (1) by December 31, 2026, attainment of all convenience standards identified by the department under the bill (described below); (2) by December 31, 2028, a 70% redemption rate and a 65% recycling rate; (3) by December 31, 2031, a 90% redemption rate and an 85% recycling rate; and (4) by December 31, 2034, at least 10% of all beverage containers sold in the State are returned and refilled.

Funding: Funding for the Maryland Beverage Container Recycling Fund and Litter Reduction Program includes:

- fees collected by beverage container stewardship organizations from producers (discussed below; retained by beverage stewardship organizations to finance the program);
- revenues from the sale of raw materials (retained by beverage container stewardship organizations and used to finance the program);
- unclaimed deposits, 10% of which are transferred to the State Recycling Trust Fund (used to administer and finance the Beverage Container Recycling Refund Grant Program), and the remainder of which are used by beverage container stewardship organizations to implement the bill;
- registration fees paid by producers to MDE, which are deposited in the State Recycling Trust Fund and used to fund MDE’s administration of the program; and
- penalties collected under the program, which are deposited in the State Recycling Trust Fund and used to fund MDE’s administration of the program.

New Labeling Standards, Refund Amount, and Incorporating the Refund Amount into Sales Prices: Beginning January 1, 2027, but not before, each redeemable beverage container sold in the State must include a depiction of the following information: (1) the word “Maryland” or the letters “MD”; and (2) a refund value of 10 cents (for redeemable

beverage containers with a volume of 24 fluid ounces (fl. oz.) or less) or a refund value of 15 cents (for redeemable beverage containers with a volume of more than 24 fl. oz.).

MDE is authorized to adjust the refund values under specified circumstances. Beginning January 1, 2031, MDE must increase the refund values by five cents if MDE determines that the redemption rate was less than 90% of the total number of beverage containers sold in the State for two consecutive calendar years.

Beginning January 1, 2027, the wholesale and retail prices of a full redeemable beverage container must include the refund value, and a retailer must include the refund value of a redeemable beverage container sold by the retailer on the customer's sales receipt. However, the retail price of a full redeemable beverage container sold by an on-premises seller may not include the refund value. "On-premises seller" means a person that sells filled and unopened redeemable beverage containers for on-premises consumption, including bars, hotels, restaurants, sporting venues, entertainment venues, and gaming venues.

Redemption Facilities and Retailers: The program must provide a range of options for customers to conveniently redeem empty redeemable beverage containers for the full refund value. This range of options includes (1) at a retailer's place of business through direct take-back by the retailer, reverse vending machines, a bag drop program, or other redemption methods; (2) dedicated and conveniently located redemption facilities operated by retailers, public entities, or a beverage container stewardship organization; and (3) placing redeemable beverage container redemption and processing methods, such as reverse vending machines, specified bag drop programs, and specified account-based bulk processing programs, in specified areas. The program must also provide a range of options for on-premises sellers to conveniently redeem empty redeemable beverage containers for the full refund value, including (1) an account-based refund issued by a beverage container stewardship organization or its agents or (2) an account-based refund issued by the operator of a bag drop program.

A person must apply for a license from MDE to operate a redemption facility in the State. MDE must develop standards and a licensing process for the establishment and operation of redemption facilities.

A redemption facility must accept all types of empty redeemable beverage containers for redemption; however, a retailer or redemption facility may refuse to accept an empty redeemable beverage container under certain conditions.

Retailers with at least 3,000 square feet of sales floor space and at least 150 square feet of shelf space dedicated to the display of redeemable beverage containers must establish and maintain a dedicated area at their place of business to accept any empty redeemable

beverage containers returned for redemption during business hours. The retailer must pay the redeemer the refund value for each empty redeemable beverage container redeemed. Retailers may meet these requirements through various specified methods. A retailer within an area that meets convenience standards established by MDE may be exempt from the requirements under certain conditions. The department is authorized to (1) set standards for the number of reverse vending machines required for retailers in underserved communities and (2) establish a cap for the number of empty redeemable beverage containers that can be redeemed per visit at small retailers.

Retailers with less than 3,000 square feet of sales floor space or less than 150 square feet of shelf space dedicated to the display of redeemable beverage containers must (1) provide on-site cash refunds for the redemption of empty redeemable beverage containers, of the same material and size sold by the retailer, that are not accepted by a reverse vending machine and (2) post at the retailer's entrance the address of the nearest reverse vending machine or other redemption method that provides an immediate cash refund.

If a person provides a reverse vending machine for the redemption of empty redeemable beverage containers, the person must provide an alternative option for redemption when the reverse vending machine is full, broken, or under repair and for the redemption of any empty redeemable beverage containers not accepted by the machine.

MDE must establish a process for submitting, reviewing, approving, and monitoring an account-based bulk processing program that (1) ensures the program accurately refunds deposits and maintains and reports data from each transaction and (2) identifies the information that must be submitted to MDE for program approval.

Refunds must be provided (1) in cash; (2) in the form of a receipt from a reverse vending machine if the receipt can be exchanged for cash, as specified, and there is no requirement that other goods be purchased to receive the cash refund; or (3) by credit to an account allowing the consumer to receive the refund or a refund receipt within a specified number of days.

MDE must establish a process for a county or municipality to create a redemption facility. Empty redeemable beverage containers redeemed at a local facility must be credited toward meeting required recycling rates under the Maryland Recycling Act (MRA).

Reimbursements and Handling Fees: A beverage container stewardship organization or its agent must reimburse a redemption facility, retailer, or other person that accepts redeemable beverage containers for redemption for the handling of each container redeemed. MDE must set the handling fee, which must be set at an amount that covers the costs to collect, sort, process, and transport empty redeemable beverage containers for recycling, reuse, or refilling. MDE may increase the handling fee to encourage the

establishment of more redemption facilities. An on-premises seller that accepts empty redeemable beverage containers for redemption must also be reimbursed by a beverage container stewardship organization or its agent for refunds paid by the on-premises seller and handling of each container redeemed. MDE must set a material handling fee, which must be set at an amount that covers the costs of temporary storage, preliminary sorting, and preparing each redeemable beverage container for collection. A beverage container stewardship organization or its agent must provide to an on-premises seller any required receptacles or bags or necessary labels.

Redeemed empty redeemable beverage containers must be collected for return to a beverage container stewardship organization for sale as scrap material to finance the program.

Deposit Initiators and Unclaimed Deposits: A “deposit initiator” is the first distributor to collect a deposit on a beverage container sold in the State. A deposit initiator must deposit any deposits collected into a deposit collection account that is maintained separately from all other revenues. The funds in the account may only be used to pay the refund value of a redeemable beverage container being redeemed. A deposit initiator must report specified related information to a beverage container stewardship organization at a frequency determined by MDE.

MDE must determine the point at which a deposit becomes an unclaimed deposit, and unclaimed deposits are calculated as specified. A deposit initiator must transfer all unclaimed deposits to a beverage container stewardship organization at a frequency determined by MDE. A beverage container stewardship organization must establish a reserve account to manage all unclaimed deposits and transfer 10% of all unclaimed deposits to MDE with a frequency determined by MDE. A beverage container stewardship organization must use the funds in the reserve account to (1) achieve the intent of the General Assembly as stated in the bill and (2) meet or exceed the performance targets established in the bill. MDE must transfer any unclaimed deposit revenue into the State Recycling Trust Fund to be used only to administer and finance the Beverage Container Recycling Refund Grant Program, discussed in further detail below.

Producers and Beverage Container Stewardship Organizations Plans and Registration: A “producer” is a person responsible for complying with the bill’s requirements and includes a franchisor of a franchise located in the State. A producer does not include (1) the State or a local government, as specified; (2) a tax-exempt charitable or social welfare organization; (3) a franchisee that operates a franchise in the State; (4) a person that annually sells, offers for sale, or distributes in the State fewer than 1,000 redeemable beverage containers or (5) a person that annually sells, offers for sale, or distributes in the State redeemable beverage containers that, in aggregate, generate less than \$5.0 million each year in global revenue. The bill establishes specific requirements for a producer that sells, offers for sale,

or distributes redeemable beverage containers in the State. The bill establishes who is responsible under various scenarios depending on who manufactures or distributes the redeemable beverage container or has contractually accepted responsibility as the producer.

By March 1 each year, beginning in 2026, a beverage container stewardship organization representing a producer must provide to MDE (1) a list of each producer participating in the beverage container stewardship organization and (2) for each producer, a registration form. MDE must create a registration form that requires each producer participating in the beverage container stewardship organization to provide specified information. A producer must submit a completed registration form to the beverage container stewardship organization that represents the producer.

By March 1, 2026, and with a frequency determined by MDE thereafter, each producer must pay a registration fee established by the department for producers that sell redeemable beverage containers in the State. The fee must be set to an amount that (1) when combined with anticipated penalty revenue, will produce funds sufficient to cover MDE's estimated costs of planning, implementing, administering, monitoring, enforcing, and evaluating the program for the upcoming year; (2) for the first year of the program during which fees are collected, must cover the start-up costs of the program that were incurred by the department and financed from the general fund; and (3) is proportional to a producer's share of the total number of redeemable beverage containers sold in the State for the immediately preceding calendar year. If fee revenues exceed costs in a given year, MDE must carry the excess revenues forward to reduce fees for the following year. If fee revenues do not cover costs in a given year, MDE must adjust registration fees for the following year in order to cover MDE's actual costs from the immediately preceding year.

The portion of the registration fees that covers the start-up costs of the program that were financed from the general fund during the first year of the program must be deposited into the general fund. Otherwise, registration fee revenue collected by MDE must be transferred to the State Recycling Trust Fund and used only to cover MDE's costs of planning, implementing, administering, monitoring, enforcing, and evaluating the program.

By August 1, 2025, MDE must accept applications from beverage container stewardship organizations to represent producers in fulfilling the requirements of the program. By October 1, 2025, MDE may approve, for a period not to exceed 10 years, a single beverage container stewardship organization as a system operator for the program if the beverage stewardship organization demonstrates that it meets specified requirements. MDE may renew the approval of the beverage container stewardship organization as a system operator if it continues to meet the requirements and any other requirement set by MDE. MDE must revoke the approval, for failure to meet applicable requirements or failure to implement and administer an approved beverage container stewardship plan. In that circumstance, specified procedures are followed, and MDE may approve one or more additional beverage

container stewardship organizations to carry out the responsibility of the revoked beverage container stewardship organization.

By March 1, 2026, each beverage container stewardship organization must submit a beverage container stewardship plan to MDE. The bill establishes provisions regarding the content of such a plan. Among other things, the plan must include specified financing information. Among other requirements, the financing information must establish a fee structure for producers participating in a beverage container stewardship organization. The fee structure, among other things, must be set in a manner that covers the costs of administering a beverage container stewardship organization and implementing the beverage container stewardship plan. A participating producer must pay the fee established under the plan to the beverage container stewardship organization, and the beverage container stewardship organization must use the fees for implementing the plan.

MDE must approve, approve with conditions, or deny a beverage container stewardship plan that is submitted to MDE for approval within 120 days of receipt. MDE must consider specified factors when making a determination regarding a plan and must consult with the Redeemable Beverage Container Recycling Refund Advisory Council (discussed below). MDE must also submit a plan to an independent financial auditor to ensure that the proposed financing in the plan will cover implementation costs. MDE is authorized to rescind approval of a plan for good cause or require amendment of an approved plan under specified circumstances. The bill allows for plan amendments and resubmission for approval under specified conditions. Plan approval expires after five years.

A beverage container stewardship organization must implement an approved plan within six months of receiving plan approval and must meet detailed guidelines and requirements when implementing and administering a plan.

Beginning January 1, 2027, a producer may not sell, offer for sale, or distribute in or import into the State a redeemable beverage container unless the producer (1) is registered with MDE; (2) has paid the registration fee; and (3) is part of a beverage container stewardship organization that has been approved by MDE and has a beverage container stewardship plan approved by MDE.

A beverage container stewardship organization must submit a copy of its financial records to MDE for a financial audit upon request.

Beverage Container Stewardship Organization Annual Reports: By April 1 each year, beginning in 2028, a beverage container stewardship organization that has an approved beverage container stewardship plan must submit a report to MDE on the progress made in the preceding calendar year toward meeting the performance targets and the goals of the program and the beverage container stewardship organization's beverage container

stewardship plan. The report must include specified information for the preceding calendar year. MDE must provide the advisory council with a copy of each annual report. MDE and the advisory council must keep all financial, production, and sales data of individual producers confidential, and MDE must post the annual reports on its website in a manner that protects data confidentiality.

Compensation for Local Governments: Through December 31, 2029, a portion of revenues collected under the Maryland Beverage Container Recycling Refund and Litter Reduction Program must be used to compensate a county or municipality for any net loss of revenue to the local government's waste management system that can be documented and attributed to the program. Certain factors must be considered when a county or municipality is determining a net loss of revenue.

Beverage Container Recycling Refund Grant Program: The bill establishes the Beverage Container Recycling Refund Grant Program, administered by MDE, to provide funding for projects that (1) increase the reuse and recycling of beverage containers in the State; (2) increase the availability of public water fountains and refill stations in the State; and (3) reduce the volume of litter from beverage containers in the State. MDE must adopt implementing regulations in consultation with the advisory council; the regulations must establish an application process, criteria for evaluating and awarding grants, reporting and evaluation requirements, and any other requirements MDE deems necessary. The grant program is funded by a portion of the unclaimed deposits collected by MDE. The grant program may award up to \$5.0 million in grants each year from the available unclaimed deposits. Eligible entities include (1) a school or institution of higher education; (2) a nonprofit organization; (3) a county or municipality; (4) a for-profit organization; and (5) a public-private partnership (P3). MDE must begin awarding grants by January 1, 2028.

Redeemable Beverage Container Recycling Refund Advisory Council: The bill establishes the Redeemable Beverage Container Recycling Refund Advisory Council to (1) advise MDE on determining whether to approve a beverage container stewardship plan; (2) make recommendations to MDE on the implementation of approved beverage container stewardship plans; (3) review and advise MDE on the annual reports; and (4) advise MDE on the implementation, administration, and performance of the program. Advisory council members may not receive compensation but are entitled to reimbursement for expenses. MDE must provide staff for the advisory council.

In consultation with the advisory council, MDE must establish convenience standards for the coverage and availability of redemption options across the State and ensure the standards provide accessibility for differently abled people and people who live in rural areas or low-income communities of color.

Miscellaneous Requirements for the Maryland Department of the Environment: MDE must adopt implementing regulations by June 1, 2025. MDE must also establish a system for large on-premises sellers to verify the source of the high volumes of redeemable beverage containers redeemed by the on-premises seller.

Enforcement Provisions: Except as specified, current law provisions under §§ 9-334 through 9-344 of the Environment Article apply to enforce violations of the bill. Under §§ 9-334 through 9-344 of the Environment Article, in addition to being subject to an injunctive action, a violator is subject to a maximum penalty of \$10,000 to be collected in a civil action brought by MDE. Each day a violation occurs is a separate violation. MDE may also impose a maximum administrative penalty of \$10,000 per violation and \$100,000 total for a violation. Each day a violation occurs is a separate violation. Administrative penalties must be assessed with consideration given to specified factors. Criminal (misdemeanor) penalties may also be imposed, with a maximum fine of \$25,000 and/or imprisonment for up to one year for a first offense and a maximum fine of \$50,000 and/or imprisonment for up to two years for a subsequent offense. Each day on which a violation occurs is a separate violation. Additional criminal penalties apply for knowingly making false statements in required documents and for other specified actions. The Attorney General is in charge of prosecuting and defending cases that arise on behalf of the State.

However, under the bill, a penalty may not be imposed on a producer for failing to properly register with MDE, as specified, unless MDE first issues a written notice of the violation to the producer and the producer does not register within 90 days after receiving the written notice.

The bill prohibits a person from (1) disposing of a redeemed redeemable beverage container in a landfill or an incinerator and (2) redeeming, attempting to redeem, receiving, storing, transporting, distributing, or otherwise facilitating or aiding in the redemption of specified materials with an intent to defraud. MDE must establish administrative penalties for violations of these prohibitions. The penalty amount must be based on the number of beverage containers and refund amounts involved.

Beginning January 1, 2030, a producer or beverage container stewardship organization that has not reached specified redemption rates for the immediately preceding two years is subject to an administrative penalty. Each year that a producer or beverage container stewardship organization fails to meet the specified redemption rates is a separate violation. The bill establishes a formula for the calculation of such an administrative penalty.

MDE may alter the administrative penalties described above as necessary to ensure that penalty amounts exceed the costs to comply with the bill.

Penalties collected under these provisions must be transferred to the State Recycling Trust Fund and used only to cover MDE's costs of planning, implementing, administering, monitoring, enforcing, and evaluating the program.

Immunity: A producer or beverage container stewardship organization participating in a beverage container stewardship plan is immune from liability under State laws concerning antitrust and restraint of trade for cooperative activities associated with the collection, transport, processing, recycling, reuse, and management of empty redeemable beverage containers.

New Account within the State Recycling Trust Fund: Specified unclaimed deposits, fees, and penalties collected under the bill are transferred to MDE's State Recycling Trust Fund. The Comptroller must establish a separate account within the fund for the deposit of such funds. The separate account may only be used to (1) cover the costs to administer, monitor, evaluate, and enforce the program; (2) fund the Beverage Container Recycling Refund Grant Program established under the bill; (3) compensate local governments, as specified; and (4) meet or exceed the performance targets established under the bill. Funds transferred under the bill to the new account do not revert to the general fund.

Current Law: The solid waste infrastructure in Maryland consists of both permitted and nonpermitted facilities, and solid waste is managed through a combination of recycling, composting, landfilling, energy recovery, and exporting for disposal or recycling. There are several examples of regional waste management partnerships in the State.

Maryland's recycling policy is guided by MRA, which sets mandatory recycling rates for State government and local jurisdictions, as well as a voluntary statewide waste diversion goal of 60% and a voluntary statewide recycling goal of 55% by 2020. Each county (including Baltimore City), must recycle at least 20% or 35% of the county's solid waste stream, depending on the county's population. Each county (including Baltimore City) must also prepare a recycling plan that addresses how the jurisdiction will achieve its mandatory recycling rate.

The Office of Recycling

MDE's Office of Recycling, among other things, reviews county recycling plans and coordinates the efforts of the State to facilitate the implementation of the recycling goals at the county level. Counties are required to periodically report solid waste and recycling data to the department.

MDE's Office of Recycling submits annual reports, in coordination with the Maryland Environmental Service, to the Governor and the General Assembly on specified information related to recycling in Maryland. Beginning in 2009, MDE has combined the

Maryland Waste Diversion Activities Report and the Solid Waste Managed in Maryland Report into one report, the *Maryland Solid Waste Management and Diversion Report*.

Chapter 465 of 2023 requires the Office of Recycling to hire an independent consultant to conduct a statewide recycling needs assessment, which must, among other things, include (1) analysis of the costs and benefits, and potential environmental impact, of implementing an extended producer responsibility program for packaging materials (which include beverage containers) and (2) recommendations on the best practices to follow from successful extended producer responsibility programs in other states and countries. By July 30, 2024, the office must report on the results of the assessment. The Act also established a Producer Responsibility Advisory Council to provide advice and recommendations regarding establishing and implementing a producer responsibility program in the State for packaging materials. The advisory council must report its findings and recommendations to the Governor and specified legislative committees by December 1, 2024.

State Recycling Trust Fund

The State Recycling Trust Fund is a special fund that is used to carry out the purposes of MDE's Land Management Administration and to provide grants to (1) counties to develop and implement local recycling plans; (2) counties that have addressed methods for the separate collection and recycling of covered electronic devices; and (3) municipalities to be used to implement local covered electronic device recycling programs.

State Expenditures: State finances are not materially affected in fiscal 2024.

Maryland Department of the Environment Administrative Costs and Related Fee and Penalty Revenue

The bill contemplates that registration fees, penalties, and unclaimed deposits will fully fund MDE's costs to implement the bill. MDE begins to incur costs in fiscal 2025, and it is assumed general funds are needed to support those costs in fiscal 2025. In fiscal 2026, the bill requires that the producer registration fee be set in a manner that, for the first year of the program during which registration fees are collected, covers the start-up costs of the program that are incurred by the department and financed from the general fund. While general funds may be used to cover costs for the earlier portion of fiscal 2026, because the general fund is reimbursed by fee revenues collected in fiscal 2026, it is assumed, for the purposes of this analysis, that the general fund is kept whole and that there is no overall effect on general fund expenditures in fiscal 2026. Instead, special fund revenues from registration fees are assumed to wholly offset MDE's administrative costs in fiscal 2026. This analysis also assumes that general fund *revenues* increase in fiscal 2026 (mentioned

below), reflecting reimbursement of the general fund, with registration fees collected in fiscal 2026, for the start-up costs of the program in fiscal 2025.

Administrative Costs: General fund expenditures increase by \$217,263 in fiscal 2025, which accounts for a 120-day start-up delay. Special fund expenditures increase by \$256,022 in fiscal 2026, by \$517,073 in fiscal 2027, and by at least \$565,380 annually thereafter. This estimate reflects the cost of hiring three natural resources planners in fiscal 2025, two environmental compliance specialists in fiscal 2027, and one administrator in fiscal 2028.

The three natural resources planners are hired in fiscal 2025 to begin implementing the bill by (1) developing regulations, processes, training, guidance documents, and generally establishing the framework for the program; (2) conducting outreach to regulated entities; (3) accepting applications from beverage container stewardship organizations to represent producers and potentially approving a single beverage container stewardship organization as a system operator for the program in early fiscal 2026; (4) establishing registration forms, setting a registration fee, and conducting the initial registration of producers (by March 1, 2026); (5) establishing and staffing the advisory council; and (6) receiving and beginning to review the initial beverage container stewardship plans (by March 1, 2026). The two environmental compliance specialists are hired in fiscal 2027 to (1) conduct compliance inspections and investigate complaints and (2) generally implement and enforce the bill once the beverage container stewardship plans are in place. The administrator is hired in fiscal 2028 to administer the grant program. The estimate includes salaries, fringe benefits, one-time start-up costs (including the purchase of vehicles in fiscal 2027), and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- the bill applies to a large number of affected entities, including producers, beverage container stewardship organizations, retailers, and on-premises sellers who are not already known by MDE, requiring a significant amount of outreach and administrative organization;
- the breadth of the program and MDE's responsibilities under it will require ongoing dedicated staff; and
- MDE indicates that it is not able to implement the bill with existing staff and fiscal resources.

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Positions (New)	3.0	0.0	2.0	1.0
Salaries/Fringe Benefits (Total)	\$192,145	\$249,244	\$415,061	\$533,379
Vehicle Purchases	0	0	64,000	0
Operating Expenses	<u>25,118</u>	<u>6,778</u>	<u>38,012</u>	<u>32,001</u>
Total MDE Admin. Exps.	\$217,263	\$256,022	\$517,073	\$565,380

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. As noted above, beginning in fiscal 2026, it is assumed that all costs incurred by MDE are covered with special funds.

Registration Fee and Penalty Revenue

MDE must set registration fees at a level that, when taken in combination with anticipated penalty revenues, (1) will be sufficient to cover MDE's estimated costs of planning, implementing, administering, monitoring, enforcing, and evaluating the program and (2) for the first year of the program during which registration fees are collected, cover the start-up costs of the program that were incurred by the department and financed from the general fund. Thus, it is assumed that, from a combination of registration fees and penalties, special fund revenues increase correspondingly to MDE special fund expenditures beginning in fiscal 2026. In addition, as discussed above, general fund revenues increase in fiscal 2026 in an amount equal to the general fund expenditures in fiscal 2025 (\$217,263) to reimburse the general fund for the start-up costs of the program in fiscal 2025.

Unclaimed Deposits and the Beverage Container Recycling Refund Grant Program

The bill requires 10% of any unclaimed deposits be transferred to MDE with a frequency determined by MDE to be used for the costs of administering and financing the grant program. It is assumed that unclaimed deposit transfers begin accruing beginning in fiscal 2027 (once producers and redeemable beverage container stewardship organizations begin implementing stewardship plans). Although unclaimed deposits transferred to MDE for the grant program are unknown, for this analysis, it is assumed that special fund revenues from unclaimed deposits increase by an indeterminate amount in fiscal 2027 and by \$5.0 million annually thereafter.

MDE must begin awarding grants by January 1, 2028, and MDE is authorized to award up to \$5.0 million in grants each year. This analysis assumes that MDE spends all available funding each year. Accordingly, special fund expenditures for the grant program increase by \$5.0 million annually beginning in fiscal 2028.

Impacts on Other State Agencies

Any impact on State agency operations and finances related to recycling is largely unknown. Higher education institutions may be redemption facilities, retailers, and/or on-premises sellers under the bill but are assumed to be compensated for any associated costs through handling fees paid by beverage container stewardship organizations to redemption facilities, retailers, and on-premises sellers pursuant to the bill. Although the overall impact on State agency recycling costs is unknown, for the purposes of this fiscal and policy note, it is assumed that any such impact is not significant.

For a discussion of the bill's potential effects on higher education institutions (as grant recipients) and State agencies as consumers of affected products, see the Additional Comments section below.

The application of existing penalty provisions is not anticipated to materially affect State incarceration expenditures.

Local Fiscal Effect: Because the bill requires redeemed empty redeemable beverage containers to be collected for return to a beverage container stewardship organization for sale as scrap material to finance the program, it appears to shift possession of recyclable materials, and associated revenues, from a county/municipality to beverage container stewardship organizations. However, the program established by the bill appears designed to compensate affected entities (local governments, redemption facilities, retailers, on-premises sellers) for costs, or lost revenue, associated with the program through various funding sources available to beverage container stewardship organizations (including unclaimed deposits not transferred to State Recycling Trust Fund, fees collected by the organization(s) from producers, and the revenues mentioned above from the sale of scrap material) and MDE (funding deposited in the State Recycling Trust Fund). The bill provides for that compensation through:

- the bill's authorization, through December 31, 2029, for a portion of program revenues to be used to compensate a local government for any net loss of revenue to the local government's waste management system that can be documented and attributed to the program; and
- handling fees paid by a beverage container stewardship organization to redemption facilities (including those established by local governments), retailers, on-premises sellers, or other persons that accept empty redeemable beverage containers for redemption (which are set by MDE and may be increased by the department if necessary to encourage the establishment of more redemption facilities).

Local governments are also eligible for grant funding under the bill. For a discussion of the potential effects on local governments as grant recipients and consumers of affected products, see the Additional Comments section below.

The application of existing penalty provisions is not anticipated to materially affect local incarceration expenditures.

Small Business Effect: The bill likely has a meaningful impact on producers who are small businesses. The bill may also affect a range of small businesses, including retailers, on-premises sellers, distributors, bottlers, recyclers, and others.

Affected producers incur costs to join a beverage container stewardship organization (including fees paid to the organization) and register with MDE. Small business bottlers or distributors may incur costs to ensure that redeemable beverage containers are marked in accordance with the bill.

Small businesses engaged in the collection or transport of beverage containers for recycling may incur a reduction in revenues as a greater number of containers are returned to redemption centers rather than recycled through curbside programs. However, some small businesses may realize an additional business opportunity to operate as redemption centers.

For a discussion of the potential effects on small businesses as grant recipients and consumers of affected products, see the Additional Comments section below.

Additional Comments: Any State agency, local government, or small business that purchases beverage containers incurs additional costs to pay the beverage container deposit but may return bottles to recoup those costs.

Eligible grant recipients under the Beverage Container Recycling Refund Grant Program include schools and institutions of higher education, nonprofit organizations, local governments, for-profit organizations, and P3s. Thus, grant revenues for State institutions of higher education, local governments, and small businesses may increase beginning in fiscal 2028; grant expenditures increase correspondingly for projects that increase the reuse and recycling of beverage containers in the State and reduce the volume of single-use beverage containers sold in the State and litter from beverage containers in the State.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1089 of 2023.

Designated Cross File: HB 735 (Delegate Terrasa, *et al.*) - Environment and Transportation and Economic Matters.

Information Source(s): Maryland Environmental Service; Anne Arundel, Frederick, and Montgomery counties; Northeast Maryland Waste Disposal Authority; City of Havre de Grace; Maryland Municipal League; Comptroller's Office; Maryland State Department of Education; University System of Maryland; Morgan State University; Maryland Department of the Environment; Baltimore City Public Schools; Department of Legislative Services

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