

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM



HB 1167 - SB 1404

April 13, 2009

SUMMARY OF AMENDMENT (006059): Changes the initial time period that container recovery fees of one-quarter one cent (\$0.0025) are charged per container from a time period ranging from October 1, 2009 until March 31, 2011, to a time period ranging from October 1, 2009 until June 30, 2010. Reduces the container recovery fee charged after the initial time period from \$0.0025 to \$0.00035 per container (this fee will be charged from July 1, 2010 until June 30, 2013). Beginning July 1, 2013, increases the container recovery fee from \$0.00035 to \$0.00125 per container. Requires handling fees paid to certified redemption centers be established at one-cent (\$0.01) per container.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue -

\$8,062,500/FY09-10/Deposit Beverage Container Fund
\$85,104,200/FY10-11/Deposit Beverage Container Fund
\$247,250,000/FY11-12/Deposit Beverage Container Fund
\$258,000,000/FY12-13/Deposit Beverage Container Fund
\$258,000,000/FY13-14 and Subsequent Years/Deposit
Beverage Container Fund

Increase State Expenditures -

\$1,904,200/FY09-10/Deposit Beverage Container Fund
\$66,162,100/FY10-11/Deposit Beverage Container Fund
\$244,667,100/FY11-12/Deposit Beverage Container Fund
\$248,967,100/FY12-13/Deposit Beverage Container Fund
\$253,212,100/FY13-14 and Subsequent Years/Deposit
Beverage Container Fund

Local Revenue - Net Impact - Not Significant

Local Expenditures - Net Impact - Not Significant

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue –

\$8,062,500/FY09-10/Deposit Beverage Container Fund
\$73,171,700/FY10-11/Deposit Beverage Container Fund
\$216,505,000/FY11-12/Deposit Beverage Container Fund
\$216,505,000/FY12-13/Deposit Beverage Container Fund
\$220,375,000/FY13-14 and Subsequent Years/Deposit Beverage Container Fund

Increase State Expenditures –

\$1,904,200/FY09-10/Deposit Beverage Container Fund
\$52,703,100/FY10-11/Deposit Beverage Container Fund
\$191,777,100/FY11-12/Deposit Beverage Container Fund
\$197,023,100/FY12-13/Deposit Beverage Container Fund
\$202,214,100/FY13-14 and Subsequent Years/Deposit Beverage Container Fund

Local Revenue – Net Impact – Not Significant

Local Expenditures – Net Impact – Not Significant

Assumptions applied to amendment:

- Based from Container Recycling Institute (CRI) data, the total number of deposit beverage containers consumed in Tennessee is estimated to be approximately 4.3 billion per year.
- Bottles will be redeemed for five-cents at a rate of 68 percent in FY10-11; 70 percent in FY11-12; 72 percent in FY12-13; and 74 percent in FY13-14 and in each subsequent fiscal year.
- Based on the proposed rates and proposed start dates for container recovery fees and refundable deposits, the estimated number of annual containers sold, and the projected redemption rates, the gross increase to state revenue is estimated to be \$8,062,500 in FY09-10; \$73,171,700 in FY10-11; \$216,505,000 in FY11-12; \$216,505,000 in FY12-13; and \$220,375,000 in FY13-14 and each subsequent fiscal year.
- Based on information provided by the Office of the Comptroller, the increase to state expenditures resulting from required audit responsibilities is estimated to be \$55,000 each year the Comptroller is required to perform an audit.
- The bill requires the Comptroller to perform audits for FY10-11 and FY11-12, and for each fiscal year thereafter ending in even-numbered years. Costs related to the audits are assumed to be incurred in the subsequent fiscal year. Therefore, the increase to state expenditures of

\$55,000 is projected for FY11-12, FY12-13, and for fiscal years ending in odd numbers thereafter.

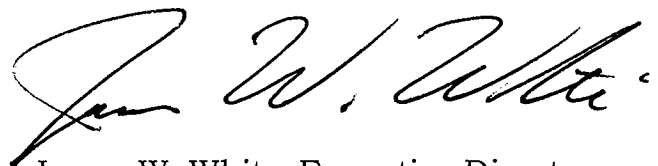
- County litter grants are funded from portions of the beer barrelage tax and the bottler's gross receipts tax.
- Based on information provided by the Departments of Revenue (DOR) and Transportation (TDOT), funding for county litter grant programs is estimated to be \$5,800,000 in FY09-10. Such amount is assumed to remain constant in subsequent fiscal years under current law.
- Taxes which currently fund county litter grants will no longer be authorized for collection if this bill passes. As a result, funding for county litter programs will be paid from gross revenue generated from this act. The first payment is projected for September 1, 2010.
- Given that state and local option sales tax is computed on beer barrelage tax and bottler's gross receipts tax, state and local sales tax revenue is expected to decrease when the portions of such taxes are no longer authorized for collection. The decrease to state revenue is estimated to be \$406,000 per year ($\$5,800,000 \times 7.0\%$ state rate). Assuming an average local option sales tax rate of 2.5 percent, the decrease to local government revenue is estimated to be \$145,000 per year ($\$5,800,000 \times 2.5\%$).
- According to DOR, the Department will require three Taxpayer Services Representative 2 positions to implement certain provisions of this bill. The associated increase to recurring state expenditures is estimated to be \$152,000 per year (\$79,800 salaries, \$53,100 benefits, \$19,100 other). One-time state expenditures related to these additional positions is estimated to be \$14,100 (computers, software, communications, etc.).
- Additional one-state expenditures of \$60,600 for DOR to make required computer and software modifications to departmental systems.
- According to E&C, the Department will require 19 additional positions to implement certain provisions of this bill. The associated increase to recurring state expenditures is estimated to be \$1,609,100 per year (\$736,400 salaries, \$336,300 benefits, \$536,400 other). One-time state expenditures related to these positions is estimated to be \$68,400 (computers, software, communications, etc.).
- Administrative fees of one-tenth of one cent are paid to the certified processors. These expenditures are estimated as follows: \$731,000 for FY10-11; \$3,010,000 for FY11-12; \$3,096,000 for FY12-13; and \$3,182,000 for FY13-14 and subsequent fiscal years.
- Five-cent refundable deposits paid to consumers are estimated as follows: \$36,550,000 for FY10-11; \$150,500,000 for FY11-12; \$154,800,000 for FY12-13; and \$159,100,000 for FY13-14 and subsequent fiscal years.
- Two-cent handling fees paid to certified redemption centers are estimated as follows: \$7,310,000 for FY10-11; \$30,100,000 for FY11-

12; \$30,960,000 for FY12-13; and \$31,820,000 for FY13-14 and subsequent fiscal years.

- Total expenditures and reimbursements for FY09-10 are estimated to be \$1,904,200 (\$226,700 DOR expenses + \$1,677,500 E&C expenses).
- Total expenditures and reimbursements for FY10-11 are estimated to be \$52,703,100 (\$152,000 DOR expenses + \$1,609,100 E&C expenses + \$5,800,000 litter grants + \$551,000 sales tax reimbursements + \$36,550,000 refundable deposits + \$7,310,000 handling fees + \$731,000).
- Total expenditures and reimbursements for FY11-12 are estimated to be \$191,777,100 (\$152,000 DOR expenses + \$1,609,100 E&C expenses + \$55,000 for Comptroller expenses + \$5,800,000 litter grants + \$551,000 sales tax reimbursements + \$150,500,000 refundable deposits + \$30,100,000 handling fees + \$3,010,000).
- Total expenditures and reimbursements for FY12-13 are estimated to be \$197,023,100 (\$152,000 DOR expenses + \$1,609,100 E&C expenses + \$55,000 for Comptroller expenses + \$5,800,000 litter grants + \$551,000 sales tax reimbursements + \$154,800,000 refundable deposits + \$30,960,000 handling fees + \$3,096,000).
- Total expenditures and reimbursements for FY13-14 and for subsequent fiscal years are estimated to be \$202,214,100 (\$152,000 DOR expenses + \$1,609,100 E&C expenses + \$5,800,000 litter grants + \$551,000 sales tax reimbursements + \$159,100,000 refundable deposits + \$31,820,000 handling fees + \$3,182,000).
- All state expenditures and all reductions to state or local government revenue incurred as a result of this bill shall be reimbursed to appropriate authorities from the gross revenue generated from this act.
- The net increase to state revenue (after all expenses) deposited to the Deposit Beverage Container Fund for FY09-10 is estimated to be \$6,158,300 (\$8,062,500 - \$1,904,200); for FY10-11 is estimated to be \$20,468,600 (\$73,171,700 - \$52,703,100); for FY11-12 is estimated to be \$24,727,900 (\$216,505,000 - \$191,777,100); for FY12-13 is estimated to be \$19,481,900 (\$216,505,000 - \$197,023,100); for FY13-14 and subsequent fiscal years is estimated to be \$18,160,900 (\$220,375,000 - \$202,214,100).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc

HB1167 - SB1404