

May 22, 2017

The Honorable Troy Waymaster, Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Waymaster:

SUBJECT: Fiscal Note for HB 2405 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2405 is respectfully submitted to your committee.

HB 2405 would establish a redeemable beverage container program and two new funds, the Returnable Container Deposit Fund, to be administered by the Kansas Department of Health and Environment (KDHE), and the Senior Care Benefit Fund to be administered by the Kansas Department for Aging and Disability Services (KDADS). The bill would establish a mandatory deposit of five cents per container on the sale of all beverage containers in Kansas. The bill would also provide that any person could establish a redemption center by registering on a form provided by KDHE. The bill would prohibit the disposal of beverage containers in a sanitary landfill by a retailer, manufacturer or redemption center on and after July 1, 2018. Violations would be subject to fines and penalties. Revenue to the Returnable Container Deposit Fund would be distributed in the following manner:

1. Redemption centers would receive refunds of \$0.05 per container recycled;
2. KDHE would receive funding for Administrative expenses, as reported by the Secretary; and,
3. All money remaining in the fund at the end of each fiscal year would be divided in half with 50.0 percent going to redemption centers and 50.0 percent going to the Senior Care Benefit Fund at KDADS. All expenditures from the Senior Care Benefit Fund would be used for the financing of programs, services, support and assistance to the elderly.

KDHE estimates 2.0 billion beverage containers would be subject to the deposit provisions of HB 2405, which would generate \$100.0 million in annual fee fund revenue (2,000,000,000 X \$.05). The Department is unable to predict the amount of revenue collected in fines at this time. It is estimated that the redemption rate would be 80.0 percent, or \$80.0 million, yielding \$20.0 million per year in unredeemed deposits. The bill would allow KDHE to fund administrative expenditures from the unredeemed deposits. KDHE states that because of the requirements for new program development, promulgation of new regulations, systems development, retailer and redemption center application and registration, public education, staff

The Honorable Troy Waymaster, Chairperson

May 22, 2017

Page 2—HB 2405

hiring and training, the collection of deposits and disbursing of redemptions could not begin until January 2018. Administrative expenditures necessary for the new program would include the following:

	<u>FY 2018</u>	<u>FY 2019</u>
Salaries & Wages for 14.00 FTE Positions	\$ 705,000	\$ 940,000
Computer Equipment	550,000	100,000
Educational Presentations	<u>500,000</u>	<u>500,000</u>
Total Expenditures	\$1,755,000	\$1,540,000

After payment of the new program's administrative costs, HB 2405 would require that the remaining unredeemed deposits be split between the redemption centers and the KDADS Senior Care Benefit Fund as follows:

Deposit Revenue	\$50,000,000	\$100,000,000
Less Returned Deposits	40,000,000	80,000,000
Less Administrative Costs	<u>1,755,000</u>	<u>1,540,000</u>
Residual Unredeemed Deposits	\$ 8,245,000	\$ 18,460,000
50.0 Percent Residual to Centers	\$ 4,122,500	\$ 9,230,000
50.0 Percent Residual to Senior Care	\$ 4,122,500	\$ 9,230,000

The Kansas Department of Revenue (KDOR) indicates that HB 2405 would increase expenditures by \$89,762 in FY 2018 and \$14,959 in FY 2019 for two temporary Revenue Customer Representative Senior positions to handle an increased volume of label registrations. This estimate is based on the 42,678 active alcoholic beverage container labels that are currently registered with the Department that would have to be revised and manually viewed to ensure the modification has been completed. This would require each manufacturer or supplier to submit modified labels for processing and approval along with a \$25 fee for each label. The bill would increase label registration fee income by \$1,066,950.

Enactment of HB 2405 would allow KDADS to supplement programs, services and supports for Kansas seniors, although the Department is unable to predict the funding that would be generated through the beverage container redemption program. Any fiscal effect associated with HB 2405 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Cody Gwaltney, Aging & Disability Services
Dan Thimmesch, Health & Environment
Lynn Robinson, Department of Revenue