**Fiscal Note**

**Fiscal Services Division**

**SF 2378 – Beverage Container Control, Bottle Bill (LSB5962SV)**

Staff Contact: Austin Brinks (515.725.2200) austin.brinks@legis.iowa.gov

Fiscal Note Version – New

---

**Description**

*Senate File 2378* adds high alcoholic content beer and canned cocktails to the definition of “beverage” in Iowa Code chapter 455C and creates a definition for “participating dealer.” The Bill raises the handling fee associated with redeeming empty beverage containers to three cents when paid to a redemption center. The Bill allows a dealer to refuse to accept empty beverage containers on or after July 1, 2023, if notice is provided to the Department of Natural Resources (DNR). The Bill requires the registration of universal product codes (UPC) for each beverage container in a format determined by the DNR. The Bill also decreases the barrel tax on beer from 5.89 cents to 4.3 cents.

The Bill allows a person to establish a redemption center without the approval of the DNR but requires such a person to submit a notice to the DNR providing information on the person responsible for the redemption center, as well as the dealers served by the center. The Bill creates a civil penalty of $2,000 for the violation of Iowa Code chapter 455C and allows the DNR to issue compliance orders, subject to judicial review, which carry a civil penalty not to exceed $2,000 per day for a person who violates the order. In addition, the Bill allows any amount of refund value or handling fees possessed by a distributor left over after the distributor has made all necessary payments to be the property of the distributor.

In addition, the Bill repeals Iowa Code sections 455C.7 relating to unapproved redemption centers, 455C.10 relating to appealing an order of the DNR regarding the approval or withdrawal of approval for a redemption center, 455C.14 relating to the redemption of refused metal beverage containers, and 455C.6(3) and 455C.6(4) relating to approvals of redemption centers by the DNR.

**Background**

Currently, when a dealer or redemption center accepts a beverage container from a consumer, the dealer or redemption center is required to pay the consumer the five-cent refund value of the beverage containers in a timely manner. Distributors pay a one-cent handling fee to a dealer or redemption center in addition to the refund value of the beverage container. Anyone may establish a redemption center subject to the approval of the DNR by submitting an application to the DNR. The DNR may approve a redemption center if the DNR finds that the redemption center provides a convenient service to consumers for the return of empty beverage containers. The DNR may withdraw approval if the Environmental Protection Commission (EPC) finds the redemption center to be out of compliance with the DNR’s approving order or finds that the redemption center no longer provides a convenient service to the public. Anyone may open a redemption center that has not been approved by the DNR, but an unapproved redemption center does not relieve a dealer of the responsibility of redeeming any empty beverage container if the dealer sells that kind and brand of beverage.
Under current Iowa Code 455C.12, violating refund law results in a simple misdemeanor, which carries a fine of at least $105 but not to exceed $855. The court may order imprisonment not to exceed 30 days in lieu of a fine or in addition to a fine. In FY 2021, there was one conviction for violation of Iowa Code chapter 455C.

Assumptions

- The DNR will require 2.5 full-time equivalent (FTE) positions to create and maintain a database for UPC registration, address violations, and enforce violations of Iowa Code chapter 455C.
- There will be an unknown increase in revenue to the State General Fund due to civil penalties associated with compliance orders.
- There will be a decrease in tax revenue to the General Fund as a result of lowering the barrel tax on beer.

Fiscal Impact

**Table 1** shows the estimated cost to the DNR of 2.0 FTE Environmental Specialist positions required to maintain the databases required in the Bill, and to address violations of Iowa Code chapter 455C. The table also includes a 0.5 FTE position for an Attorney 2 position for the legal enforcement of administrative orders and a one-time information technology (IT) expense for the development of the required databases.

The Bill may require an appropriation from the DNR’s operations budget if civil penalties do not provide enough funding.

<table>
<thead>
<tr>
<th>Position</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Environmental Specialists</td>
<td>$ 127,000</td>
</tr>
<tr>
<td>0.5 Attorney 2</td>
<td>$ 43,000</td>
</tr>
<tr>
<td><strong>Total Annual Expense</strong></td>
<td><strong>$ 170,000</strong></td>
</tr>
<tr>
<td>One-time IT expense</td>
<td>$ 45,000</td>
</tr>
<tr>
<td><strong>Total First Year Expense</strong></td>
<td><strong>$ 215,000</strong></td>
</tr>
</tbody>
</table>

There may be an increase in revenue due to civil penalties. It is unknown how many civil penalties may be incurred, so the increase in revenue is unknown.

The decrease in barrel tax on beer is estimated to reduce revenue to the General Fund by approximately $4.3 million annually, and a decrease of approximately $31,000 annually to the Iowa Economic Development Authority Fund due to reduced revenue from the Native Beer Tax. The Alcoholic Beverages Division (ABD) provided this estimate based on the average gallons of beer sold from FY 2015 to FY 2021. In addition, ABD estimates they will incur a one-time expense of $65,000 for IT updates.
The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

www.legis.iowa.gov