**HF 2571 – Beverage Container Control, Bottle Bill Omnibus (LSB5260HZ.1)**

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

**Fiscal Note Version – Revised (Assumptions, Fiscal Impact)**

**Description**

*House File 2571* adds high alcoholic content beer and canned cocktails to the definition of “beverage” in Iowa Code section 455C.1. The Bill also defines “participating dealer” and “mobile redemption system.” The Bill requires dealers to pay a half-cent handling fee to distributors upon delivery of beverages; this provision is repealed on July 1, 2027. In addition, distributors are required to pay an additional one-cent handling fee for nonalcoholic beverages and an additional half-cent handling fee for containers that contained beer or high alcoholic content beer. A distributor who pays the additional half-cent handling fee for beer may claim a refund of the barrel tax paid by the distributor of one half-cent for each eligible beverage container accepted. The Bill also requires the registration of the universal product code (UPC) for each beverage container in a format determined by the Department of Natural Resources (DNR).

The Bill allows a dealer to refuse to accept empty beverage containers if any of the following apply:

- The dealer sells less than 3,500 beverage containers a year.
- The dealer sells prepared foods or fresh produce.
- The dealer has entered into an agreement with a mobile redemption system and the dealer provides adequate space, utilities, and Internet connection to operate the mobile redemption center, and the agreement does not require additional payment to the dealer or mobile redemption center.
- The dealer’s place of business is in a county with a population of more than 30,000 people and is within 10 miles of a redemption center or mobile redemption system, or the place of business is in a county with 30,000 or fewer people and within 15 miles of a redemption center or mobile redemption system.

A dealer who refuses to accept beverage containers must display on the front door of the place of business a notice that says they do not accept the containers, as well as the location of the nearest redemption center or mobile redemption system. The Bill also requires the DNR to create an electronic method for the public to locate redemption centers and mobile redemption systems.

The Bill creates a civil penalty of $2,500 for violations of Iowa Code chapter 455C, and allows the DNR to issue compliance orders, subject to judicial review, that carry a civil penalty not to exceed $10,000 per day per violation.

The Bill creates a Bottle Bill Fund under the control of the DNR. This Fund consists of moneys collected from the civil penalties established in the Bill, and is to be used for the administration and enforcement of Iowa Code chapter 455C and to reimburse the Attorney General for costs incurred for enforcing the chapter. The Bill allows any remaining amount of refund value or handling fees possessed by a distributor after the distributor has made all necessary payments
to be the property of the distributor.

The Bill also requires the Legislative Fiscal Committee to meet in the interim preceding the 2025 regular Legislative Session. At this meeting the Committee shall review the enforcement of Iowa Code chapter 455C, and submit a report to the General Assembly no later than January 31, 2023. The Attorney General is also required to submit a report to the General Assembly, detailing any legal proceedings that arise under Iowa Code chapter 455C after the civil penalties in this Bill are enacted, prior to the required meeting of the Legislative Fiscal Committee.

The section of this Bill enacting 455C.12B is effective January 1, 2023.

**Background**
Currently, when a dealer or redemption center accepts a beverage container from a consumer, the dealer or redemption center is required to pay them 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 five-cent 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.

Under current Iowa Code section [455C.12](#), violating refund requirements 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 amount of revenue deposited to the new Bottle Bill Fund created due to civil penalties associated with compliance orders.
- The DNR will incur a one-time information technology (IT) expense for the development of databases for UPC registration and redemption center locations.
- There will be an unknown decrease to the General Fund due to refunds distributed from the beer barrel tax paid by distributors.

**Fiscal Impact**
Table 1 shows the estimated cost 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 0.5 FTE position for an Attorney 2 position for the legal enforcement of administrative orders and a one-time 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.
Revenue from the civil penalty is to be deposited into the Bottle Bill Fund. It is unknown how many civil penalties may be incurred; therefore, the amount of revenue that would be deposited into the Fund is unknown.

Net General Fund revenue will decrease due to refunds of beer barrel taxes paid by distributors; however, this decrease is unknown.

**Sources**
Legislative Services Agency
Department of Natural Resources
Alcoholic Beverages Division, Department of Commerce

/s/ Holly M. Lyons
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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.

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