Senator Cohen, Representative Demicco, Senator Miner, Representative Harding, and members of the Environment Committee, the Connecticut Beer Wholesalers Association, appreciates the opportunity to share with the committee our opinion on the policy changes outlined in **House Bill 7294 AAC Bottle Bill Redemption in the State.**

**History**

At one time, the State was our partner, and there was recognition that there was a significant cost of handling these containers. However, in 2008-2009 State, policy shifted the entire cost of the recycling program to Connecticut businesses. When the governor proposed that money from unreturned beverage containers escheat to the state as part of the FY 09 Deficit Mitigation Plan. Since that time the cost has shifted entirely too small Connecticut distributors.

Distributors are required to:
- pick-up empties from a retailer, and send empties to a facility to be processed.
- reimburse the retailer or redemption center 5 cents for each beer container plus a handling fee of 1.5 cents for each beer container.
- In 2011, a reverse vending provider handling the return of deposit containers at supermarkets, began requiring beer distributors to pay 22 cents a case to pick up bottles and cans from the machines at retail stores.

**Increasing deposit, raising handling fee and expansion outweighs any financial relief:**

We appreciate section four of HB 7294 that addresses this significant policy change by including an 80%-20% split of the unclaimed beverage containers between the State and the deposit initiator.

However, the fact that the bill proposes to increase the five-cent deposit, raise the handling fee and expanding the bottle bill to include additional non-carbonated beverages, outweighs any financial relief to Connecticut distributors.

**Border Issue:**

We might as well just put a big sign that says, “Bring Your Returns to Connecticut.”
We have repeatedly shared with public officials the border issue we currently have with our neighboring State of Rhode Island. Rhode Island does not have a bottle bill; consequently, returning bottles and cans has become a "cottage industry." Rhode Island bars and restaurants leave the empties for people, and in turn, they return them to Connecticut retail stores undermining Connecticut’s redemption system and costing the state, distributors and grocery stores a significant loss of revenue.

These Rhode Island redeemers get 5 cents per bottle from Connecticut distributors, and the Connecticut distributor must pay a 1.5 cents handling fee per bottle to the store - even though we did not sell the beer in Connecticut. This problem will only get worse for our Connecticut distributors and retailers if the bottle deposit is doubled to 10 cents, in addition to increasing costs for distributors and retailers it undermines the revenue to the State.

Oregon:

When Oregon increased its deposit from 5 cents to 10 cents Joel Schoening, spokesman for the Oregon Beverage Recycling Cooperative, stated that “We know that there are problems based on the number of interactions we have with people coming from Washington.” Schoening said that the annual cost to the Oregon Beverage Recycling Cooperative is in the six-figure range. There’s also anecdotal evidence from both states it’s happening.

Consumers in border areas have the opportunity to purchase beverages and to redeem the containers in another state (since state-specific labeling is practically impossible and legally unconstitutional, affirmed by a US District Court in New York).

Handling Fee Increase:

Distributors must cover these costs through higher prices – they are simply too large to be absorbed. The Connecticut Beer Wholesalers ask that you recognize that we cannot carry the additional financial cost of the bottle bill – the economic impact is already substantial.

In 2014 – 2015 the 8 Distributors of The Connecticut Beer Wholesalers Association Paid

Handling Fee: $3,677,479

Third Party Vending Fee: $1,409,765

Drivers: Warehouse $ 612,744

Labor: $ 640,672

Bottle Bill Cost to 8 Distributors: $ 6,340,660

Revenue — Aluminum: $1,482,960
The 8 Distributors of The Connecticut Beer Wholesalers Association submitted $6,183,762 to the Department of Revenue Services.

**Reyclable Materials:**

It’s important to note that in fact, at the same time the Environment Committee is considering expanding the bottle law and proposing additional cost to distributors we face the same hardships in the recycling business like any other Material Recovery Facility, also known as MRFs. Such as, cross contamination of products from the stream, significant maintenance of equipment such as belts, and most concerning - limited options to send collected materials to be processed. A significant portion must be sent out of state at a significant cost. In the past everything was recycled and now even cardboard is piling up. It’s really impacted our day-to-day operations.

**Conclusion:**

In conclusion, higher prices will result not just from the imposition of the ten-cent deposit, but also the need to incorporate the high handling fee of the redemption system into the prices of consumer goods. Simply put, the changes being proposed by the committee will further impact the many small, family-owned distributors who have – since the inception of bottle deposits – provided a valuable service to the state and residents.

The Connecticut Beer Wholesalers Association urge the Environment Committee to:

1) Retain the current 5 cent deposit.

2) Reject expanding the bottle bill to include additional materials.

3) Reallocate the current escheat money – to fairly compensate all the entities that are statutorily required to operate the “bottle bill” program on behalf of the State of Connecticut.