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Senate Bill 1112 (Substitute S-2 as reported)  
Senate Bill 1113 (as reported without amendment)  
Sponsor: Senator Sean McCann  
Committee: Energy and Environment

### **CONTENT**

Senate Bill 1112 (S-2) would amend Initiated Law 1 of 1976, which governs bottle deposits in the State, to expand the Law to require dealers to accept and grant the full refund value for an empty bottle of any kind, size, and brand sold in the State, regardless of whether the container was sold by that dealer. Additionally, the bill would create several funds. Money from these funds would be used to fund several departments in their administration of the bottle deposit law and grants to water suppliers to develop water affordability programs. The Department of Environment, Great Lakes, and Energy (EGLE) also could spend money from these funds to fund consumer education, research grants, and system improvement grants.

Senate Bill 1113 would amend the Income Tax Act to require the Department of Treasury to modify disbursement requirements for several funds.

Taken together, the bills would expand Michigan's bottle deposit Law and create several funds supported by deposits. Currently, Michigan law allows residents to return soft drink, soda water, non-alcoholic carbonated drink, beer, ale, and other malt drink bottles to a dealer from which it was purchased to receive a partial refund. The bills would not take effect unless approved by a majority of electors voting on the question at the general election to be held November 3, 2026.

MCL 445.571 et al. (S.B. 1112)  
206.695 (S.B. 1113)

### **BRIEF RATIONALE**

According to testimony, there are currently 2.0 billion containers used in Michigan every year that are not covered by the current bottle deposit system. Reportedly, many of these containers end up in Michigan's streams, lakes, parks, and streets. The bills would expand the list of collected containers and move the State closer to universal collection of containers. Many of these containers were not yet conceived of when voters decided to enact the bottle law almost fifty years ago and so the bills have been suggested.

Legislative Analyst: Nathan Leaman

### **FISCAL IMPACT**

The bills would have an indeterminate fiscal impact on State government and on local units of government.

#### Bottle Deposit Fund

The impact that the inclusion of new beverage container types for deposit would have on State revenue is unknown. If the redemption rate remained the same as under current law,

increased revenue would be deposited into the Bottle Deposit Fund due to the increase in the overall volume of containers for which deposits were paid but not refunded to customers.

If the inclusion of new container types were to result in an increase in redemptions, the amount deposited into the Bottle Deposit Fund likely would decrease, though, as noted above, this could be partially offset by the large volume of newly eligible containers. It is also possible that increased investment in redemption centers, machines, and other system improvements funded under the bill would encourage more customers to redeem deposit containers, with the same result. Conversely, if the changes were to result in a decrease in the rate of return of eligible containers, then the amount deposited into the Bottle Deposit Fund could increase.

Senate Bill 1112 (S-2) would alter the required disbursements from the Bottle Deposit Fund. Currently, 75% is deposited into the Cleanup and Redevelopment Trust Fund and the remaining 25% is paid to dealers in proportion to the number of containers handled by each dealer. Under the bill, 40% would be distributed to the Trust Fund, 10% would be distributed to the newly-created Water Security Fund, 25% would go to dealers and redemption centers, 20% to distributors, and 5% to manufacturers, each on the basis of the number of empty containers redeemed.

#### Beverage Container Handling Fund

Senate Bill 1112 (S-2) also would create the Beverage Container Handling Fund in the Department of Treasury (DoT). Senate Bill 1113 would require \$60.0 million of Corporate Income Tax revenue to be deposited into the Handling Fund beginning in Fiscal Year (FY) 2026-27, should revenue be available. The DoT would adjust this amount annually using the U.S. Consumer Price Index. The creation and management of this Fund likely would result in administrative costs for Treasury. As a result of this deposit, there would be a corresponding decrease in the amount deposited into the General Fund. The creation and management of the Handling Fund likely would result in administrative costs for Treasury.

It is possible that the Fund revenue could be appropriated to allow administrative activities, although this is not specified in the bills. In FY 2024-25, \$250,000 was appropriated to the DoT from the Bottle Deposit Fund for administrative activities related to the Act.

Based on an appropriation of \$60.0 million, Table 1 below summarizes the amounts that would be spent from the Handling Fund. It is expected that these funding amounts would be sufficient to cover related expenditures for EGLE and the Department of Licensing and Regulatory Affairs (LARA).

**Table 1**

<b>Percent</b>	<b>Amount</b>	<b>Recipient</b>	<b>Purpose</b>
85%	\$51.0 million	EGLE	Deposited into Resource Recovery Fund for system improvement grants
6%	3.6 million	Bottle Bill Enforcement Fund	N/A
6%	3.6 million	EGLE	Staffing and programs related to the Act
1.5%	900,000	EGLE	Marketing participation and compliance with the Act
1.5%	900,000	LARA	Staffing and programs related to the Act

### Bottle Bill Enforcement Fund

The bill would increase the amount distributed to the Department of State Police from the Bottle Bill Enforcement Fund. Current FY 2024-25 appropriations from the Fund to the State Police total \$1,007,600. Under the bill, this amount would increase to \$1.8 million. Funds are used for bottle deposit law enforcement within its Investigative Services Division and its Commercial Vehicle Enforcement Division.

The Department of Attorney General could have increased expenses associated with enforcement of the Act; however, per the language of the bill, the Attorney General would receive an additional \$1.8 million from the Beverage Container Handling Fund annually to cover these expenses. No additional full-time equivalents (FTEs) would be included in the bill but could be included in future appropriations or via the budget process. The average annual cost of an FTE is approximately \$138,900.

Currently, money deposited into the Bottle Bill Enforcement Fund remains in the Fund at the close of the fiscal year. Under Senate Bill 1112 (S-2), the funds deposited at the close of the fiscal year would instead lapse to the newly-created Resource Recovery Fund. The Department of Treasury likely would incur some administrative costs associated with directing the investment of the Resource Recovery Fund, but existing appropriations likely would be adequate to cover these costs.

In addition, it is possible that local units of government could experience minor changes in expenditures due to the bills. The expansion of the bill to new types of beverage containers could potentially result in decreased litter to be collected or reduce local volumes of trash and recycling.

### Resource Recovery Fund

Under the bills, EGLE would be responsible for spending money from the Resource Recovery Fund upon appropriation. Under the first described distribution of the Handling Fund included in Senate Bill 1112 (S-2), 85% of the funds deposited into the Beverage Container Handling Fund would be directed to the Recovery Fund to be used for system improvement grants. The Fund could receive deposits from other sources for system improvement grants and other specified purposes upon appropriation.

It is likely that DoT would incur additional administrative costs associated with the creation and management of the Water Security Fund due to the likelihood that the average balance of the Fund would exceed \$1.0 million.

### Cleanup and Redevelopment Trust Fund

Senate Bill 1112 (S-2) would decrease the percentage of the Bottle Deposit Fund that was distributed to the Cleanup and Redevelopment Trust Fund from 75% to 40%. Based on FY 2022-23 redemption rates and deposit amounts, deposits from the Bottle Deposit Fund into the Cleanup and Redevelopment Trust Fund would decrease from about \$78.7 million to about \$42.0 million; however, it should be noted that these figures do not account for the increase in eligible container types included in the bill.

Senate Bill 1112 (S-2) also would specify that the lesser of 25% or \$10.0 million of deposits into the Cleanup and Redevelopment Trust Fund would have to be used for certain environmental cleanup and programming purposes. The remaining percent distributions from the Trust Fund would remain the same as under current law, but each of the funds would receive a smaller percentage of the total Cleanup and Redevelopment Trust Fund deposit compared to current law due to this new initial distribution. These distributions include the

Cleanup and Redevelopment Fund and the Community Pollution Prevention Fund; however, it is not possible to determine whether the changes in the bill would result in decreased or increased revenue to these funds. These funds are typically spent upon appropriation by EGLE.

The bill would not alter the current distributions from the Trust Fund; however, it would increase the cap on the Trust Fund balance from \$200.0 million to \$500.0 million. Upon reaching the cap, interest and earnings from the Trust Fund are required to be appropriated for environmental remediation purposes.

#### Water Security Fund

Senate Bill 1112 (S-2) also would create the Water Security Fund in Treasury. It would require that 10% of the Bottle Deposit Fund be annually disbursed to this Fund, and EGLE would be permitted to spend money from the Fund upon appropriation for specified purposes, including grants to qualifying water suppliers for affordability programming and grants to non-profit organizations or institutions of higher learning for water security research and programs.

It is likely that the DoT would incur additional administrative costs associated with the creation and management of the Water Security Fund due the likelihood that the average balance of the Fund would exceed \$1.0 million.

Date Completed: 12-9-24

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