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Testimony
Of Preston Niblack, Deputy Director, Before the City Council Committee on Sanitation and Solid Waste Management On the Expansion of the Bottle Bill and the Return Of Unclaimed Deposits to Municipalities

June 3, 2004

Good afternoon, Chairman McMahon and members of the Committee. I am Preston Niblack, deputy director of the Independent Budget Office. Thank you for inviting IBO to testify today on the proposed changes to New York State's "Bottle Bill." My testimony today will be brief and will specifically address the fiscal impact of the state legislation supported by Resolution 144 (including S.1696 and A.3922). These bills would expand the current bottle bill to include more types of beverage containers, mandate that all unclaimed returnable container deposits be collected and returned to municipalities to assist in recycling and waste reduction efforts, and prohibit the disposal of recyclable materials at landfills and incinerators.

As you know, New York State's current Bottle Bill, enacted in 1983, covers beer and other malt beverages, carbonated soft drinks, mineral and soda water, and wine coolers sold in glass, metal and/or plastic containers of up to one gallon. Under the current deposit system, a minimum of 5 cents deposit is initiated by the first distributor—the so-called "deposit initiator"—for each filled beverage container sold. The distributor receives the 5 cents from the retailer, who in turn passes along this charge to the consumer. When a consumer brings a bottle in for redemption, the consumer receives the 5 cents back from the retailer and the retailer is reimbursed the 5 cents from the distributor for the empty container. Therefore, if more containers covered by the Bottle Bill are sold than redeemed, the distributor is left with a positive balance of deposits. Under the current Bottle Bill, the unredeemed deposits are not required to be returned to the state or municipality and are simply retained by the distributor.

The legislation being discussed here today would require each distributor to deposit an amount equal to the refund value received from the retailer into an interest-bearing account in trust for the state. Payment of reimbursements of the refund value to the retailer is made from this account and the remaining balance in the account would be credited quarterly to the solid waste account within the state's Environmental Protection Fund. Finally, the legislation calls for each "administrative region" to receive a share of the solid waste account in proportion to the amount of deposits paid within that region.

How much money might this mean for New York City?

Estimates of the current number of redeemable containers sold in New York State vary widely. The state's Department of Environmental Conservation (DEC) estimated in 2001 that 5.6 billion containers covered under current law were sold in New York State, including approximately 2.3 billion sold in New York City. At 5 cents for every container paid as a deposit, this amounts to $115.5 million in deposits paid in New York City. DEC further estimated that 1.4 billion containers were redeemed in New York City—a redemption rate of 62.5 percent—which would leave a hypothetical $43 million in uncollected deposits.

The Container Recycling Institute, an industry think tank, estimates that 9.3 billion redeemable containers are sold in New York State, and that just over 40 percent of those—or 3.8 billion—are sold in the city. Using DEC's 62.5 percent redemption rate, this would leave just under $76 million in unclaimed deposits.

Under the proposed legislation, therefore, the city could receive somewhere between $43 million and $76 million each year to be used for waste reduction and recycling projects or economic development projects within the city, just based on the currently redeemable containers. Even the lowest end of this range would be more than enough to fund the incremental cost of the city's curbside recycling program.

The proposed state legislation would expand the current Bottle Bill to include all carbonated and non-carbonated beverages, except milk or those alcoholic beverages not already included. This would require that a deposit be paid on bottled waters, sports drinks, iced tea drinks and juices, among others. Based on national sales figures adjusted for regional preferences, CRI estimated that 2.5 billion such beverages are sold in New York State. Assuming that these beverages are consumed in New York City at roughly the same proportion to statewide consumption as are currently redeemable beverages would suggest that approximately one billion containers are sold in the city. Adding one billion redeemable containers to the previous two estimates of containers sold—and assuming the same redemption rates—raises the potential amount of uncollected deposits in the city by about $20 million, to between $63 million and $97 million total.

There would be an additional fiscal impact on the city of expanding the current Bottle Bill, namely the reduction in waste that the Department of Sanitation currently handles. The materials subject to the expansion are now included in the city's curbside recycling program, although a significant share of them are undoubtedly thrown out as trash. Either way, the city pays private firms to take these containers and will therefore realize savings in disposing of fewer of them. We estimate that based on current contract costs, and depending on the capture rate, additional savings will be between $4.9 million and $7.1 million annually.

Again, thank you for the opportunity to testify today. I would be happy to take any questions you may have.