

OFFICE OF FISCAL ANALYSIS

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SB-1115

AN ACT CONCERNING ENFORCEMENT OF CROSS-BORDER BOTTLE REDEMPTION PROHIBITIONS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Department of Revenue Services	GF - Revenue Loss	8.4 million - 9.4 million	5 million - 5.5 million
Department of Revenue Services	GF - Cost	3,525,000	2,900,000
State Comptroller - Fringe Benefits ¹	GF - Cost	966,863	1,180,590
Department of Revenue Services	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill establishes (1) approval, registration, record-keeping, and reporting requirements and associated enforcement actions applicable to bottle redemption centers and (2) a compensation mechanism for deposit initiators experiencing redemption rates in excess of 100%. This results in (1) a cost to the Department of Revenue Services (DRS) of \$3,525,000 in FY 26 and \$2,900,000 in FY 27, (2) a cost to the State Comptroller Fringe Benefit account of \$966,863 in FY 26 and \$1,180,590 in FY 27, (3) a General Fund revenue loss of \$8.4 million to \$9.4 million in FY 26 and \$5 million to \$5.5 million in FY 27, and (4) a potential revenue gain beginning in FY 26.

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.71% of payroll in FY 26.

Redemption Centers

Section 1 establishes approval, registration, record-keeping, and reporting requirements for redemption centers. This results in (1) an ongoing administration cost of \$809,083 in FY 26 (partial year) and \$844,260 in FY 27 for salary (\$600,000 annualized) and fringe benefit costs (\$244,260) for five auditors and one analyst, and (2) a one-time cost of \$450,000 in FY 26 for the development of a redemption center registration database (\$350,000) and consulting costs (\$100,000).

Section 3 authorizes enforcement actions against redemption centers, which may be appealed according to the Uniform Administrative Procedure Act. This results in (1) an ongoing administration cost of \$2,110,650 in FY 26 (partial year) and \$2,814,200 in FY 27 for salaries and fringe benefits, and (2) a one-time cost of \$350,000 in FY 26 for equipment and technological updates to the CTax tax administration system.

Section 3 also establishes a fine of between \$500 and \$1,000 for each offense which results in a potential minimal General Fund revenue gain beginning in FY 26.

Finally, the bill specifies that the DRS commissioner set a reasonable annual registration fee for each redemption center to partially fund the agency's examination and enforcement actions. This results in a General Fund revenue gain of uncertain magnitude beginning as early as FY 26 to the extent such fee is implemented.

Deposit Initiators

Section 2 requires the DRS commissioner remit to deposit initiators (1) a one-time payment representing the cumulative negative balance plus the handling fee as of June 30, 2025 and (2) an ongoing amount representing the quarterly negative balance plus the handling fee beginning with the quarter ending September 30, 2025.² This results in a General Fund revenue loss ranging from \$8.4 million to \$9.4 million in

² The handling fee ranges from 2.5 cents to 3.5 cents per bottle.

FY 26 and \$5 million to \$5.5 million in FY 27.

This also results in implementation and administration costs totaling \$772,130 in FY 26 and \$422,130 in FY 27. This consists of (1) ongoing costs of \$422,130 in FY 26 and FY 27 for three accountants (\$300,000 for salary and \$122,130 in fringe benefits) and (2) a one-time cost of \$350,000 in FY 26 associated with technological updates to the CTax tax administration system, including contract costs.

The Out Years

The annualized ongoing cost impact identified above would continue into the future subject to inflation. The annualized ongoing revenue impact identified above would continue into the future subject to statewide bottle redemption rates.