



**House
Legislative
Analysis
Section**

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UNCLAIMED BOTTLES/LONG-TERM MAINTENANCE

**House Bill 4246 (Substitute H-3)
Second Analysis (6-15-89)**

**Sponsor: Rep. Jerry C. Bartnik
1st Committee: Conservation, Recreation, and
Environment
2nd Committee: Appropriations**

THE APPARENT PROBLEM:

House Bill 4704, recently passed by the House, would amend the initiated bottle deposit law to require that revenue from unclaimed deposits on beer and soft drink containers be deposited in a Bottle Deposit Fund, from which 25 percent of revenues would be disbursed to retailers and 75 percent to another new fund, the Michigan Unclaimed Bottle Fund, which is to be created by an amendment to the Environmental Response Act. Another proposed amendment to that act contemplates creating a fund to cover the costs of long-term monitoring and maintenance of sites of environmental contamination at which the state has engaged in clean-up activities. A bond issue recently approved by the state's voters will allow for significant expenditures on cleaning up environmental contamination.

THE CONTENT OF THE BILL:

The bill would amend the Environmental Response Act to do the following:

a) establish the Michigan Unclaimed Bottle Fund, which for ten years would hold 75 percent of the revenue derived from unclaimed bottle deposits, and then would distribute money received each year from unclaimed deposits and interest on the fund to three environmentally related funds, the Environmental Response Fund, the Long-Term Maintenance Trust Fund, and the Clean Michigan Fund.

b) create the Long-Term Maintenance Trust Fund to be administered by a Long-Term Maintenance Trust Fund Board. Generally speaking, the fund is to pay for the operation, maintenance, and monitoring of sites where such activities are determined necessary by the Department of Natural Resources and for enforcement of the Environmental Response Act or the Solid Waste Management Act.

Unclaimed Bottle Fund. The Michigan Unclaimed Deposit Fund would be established as a separate revolving fund in the state treasury and money in the fund would not revert to the general fund. The fund would be administered by the Department of Treasury. The fund would consist of money received from the Bottle Deposit Fund and interest earned. (The Bottle Deposit Fund would be created by amendments to the bottle bill, and would send 75 percent of the value of unclaimed deposits to the Unclaimed Deposit Fund and distribute 25 percent to retailers and other dealers.) During the first ten years, money received by the Unclaimed Bottle Fund and interest earned would remain permanently in the fund and could not be disbursed (except for appropriations made by the legislature for administrative expenses of the Long-Term Maintenance Trust Fund Board). After the expiration of the first ten years, money received annually by the fund, interest on the annual receipts, and interest on the money already in the fund

would be disbursed annually by the treasury department: one-third to the Environmental Response Fund (toxic contamination clean-up), one-third to the Long-Term Maintenance Trust Fund, and one-third to the Clean Michigan Fund (solid waste grant programs).

Long-Term Maintenance Fund/Board. The Long-Term Maintenance Fund would be established as a separate revolving fund in the state treasury, and money in the fund would not revert to the general fund. The fund would be administered by a special board, which would be created no earlier than eight years after the bill took effect. The board would have five members, including the director of the Department of Natural Resources (or a designee) as an ex officio voting member, and four members from the general public appointed by the governor with the advice and consent of the Senate. Of the four, one would represent the interests of people involved in advancing the cause of conservation in all its phases, including natural resources management, environmental education, enhancement of fish and wildlife population, and prevention of environmental degradation; one would represent the interests of environmentally concerned citizens and groups; and two would have to be people knowledgeable in scientific and technical areas of study relevant to the long-term monitoring and maintenance of environmental contamination sites. Members would serve four-year terms, although the terms of the initial members would be staggered. The duties of the board would be to promulgate rules setting forth the criteria for projects designed to implement the purposes of the fund, to meet at least twice each year to pass judgment on DNR project recommendations, and to file an annual report with the governor and legislature summarizing proposals reviewed, expenditures authorized, and the effectiveness of expenditures in attaining goals.

The bill is tie-barred to House Bill 4704, which would amend the initiated bottle deposit law.

MCL 299.609a et al.

FISCAL IMPLICATIONS:

In a fiscal analysis dated 6-13-89, the House Fiscal Agency reports that "the prospective amount of funding available under this proposed legislation is indeterminable at this time."

ARGUMENTS:

For:

House Bill 4246 is a counterpart to House Bill 4704, which provides that revenue from unclaimed deposits on bottles and cans go to a special fund and then be disbursed 25 percent to retailers and 75 percent to environmental clean-up efforts. House Bill 4246 would create a special fund into which the revenue from unclaimed deposits to

be used for environmental clean-up would be put. The revenue would be held there for ten years to build a significant, stable source of revenue for funding environmental programs. After ten years, annual revenue and interest on the permanent fund would be sent to three different environmental funds for use in cleaning up and monitoring toxic waste sites and for solid waste programs, such as recycling. The bill also would create a new fund to be operated at least eight years from now (but no sooner) for the monitoring and maintenance of sites that had been the subject of clean-up efforts. There are no provisions in statute establishing a funding source for long-term maintenance and monitoring activities, which will be necessary for many of the contaminated sites that the state will clean up.

Against:

Some people believe the money from unclaimed bottle and can deposits ought to be available immediately to address unmet environmental needs, including the establishment of programs aimed at preventing environmental degradation. Under the bill, no money will be available for ten years from unclaimed deposits. There are needs to be met today.

Response: The voters have just approved a bond issue that will allow over \$600 million to be spent on environmental programs. Those dollars should be employed first. The bill allows a substantial fund to grow over ten years; perhaps \$300 million to \$400 million will accrue over that time.

Against:

Some people believe the approach being taken to unclaimed deposits is a mistake. It represents a taking of property away from businesses, from the soft drink bottlers and beer distributors to whom the unclaimed deposits belong. It represents a piecemeal approach to the issue of recycling, which ought to be dealt with comprehensively (and in fact penalizes those businesses most effectively engaged in recycling). It provides more dollars to retailers based on the amount of non-returned bottles and cans, which seems inconsistent with the general principle of encouraging recycling efforts. It diverts money to efforts to which the proceeds from a large bond issue have already been committed and ignores other beneficial uses. Further, it is likely to raise prices to consumers for beer and soft drinks.

Response: These issues have already been raised in the debate over House Bill 4704, which both houses of the legislature have passed. House Bill 4246 would simply implement the amendment to the bottle bill and distribute the revenue.

POSITIONS:

The Michigan United Conservation Clubs (MUCC) supports the substitute. (6-14-89)

The Michigan Beer and Wine Wholesalers Association supports the bill as part of the unclaimed deposits legislation package. (6-14-89)

A representative from the governor's office testified in opposition to the bill before the House Appropriations Committee. (6-13-89)

A representative of the Michigan Soft Drink Association testified in opposition to the bill before the House Appropriations Committee. (6-13-89)