

  
*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**FISCAL IMPACT**

**Drafting Number:** LLS 09-0478  
**Prime Sponsor(s):** Sen. Veiga  
 Rep. Miklosi

**Date:** February 9, 2009  
**Bill Status:** Senate Business, Labor & Technology  
**Fiscal Analyst:** Amy Larsen (303-866-3488)

**TITLE:** CONCERNING THE REDUCTION OF PLASTIC BAG USE.

| Fiscal Impact Summary   | FY 2009-2010         | FY 2010-2011         |
|---|----------------------|----------------------|
| <b>State Revenue</b>  |                      |                      |
| Cash Funds  |                      |                      |
| Plastic Bag Reduction Education Fund  | up to \$16.3 million | up to \$15.6 million |
| <b>State Expenditures</b>   |                      |                      |
| Cash Funds  |                      |                      |
| Plastic Bag Reduction Education Fund  | up to \$10.1 million | up to \$10.1 million |
| <b>FTE Position Change</b>  | 1.8 FTE              | 2.0 FTE              |
| <b>Effective Date:</b> September 1, 2009, unless a referendum petition is filed.                    |                      |                      |
| <b>Appropriation Summary for FY 2009-2010:</b> See State Appropriations section of the fiscal note. |                      |                      |
| <b>Local Government Impact:</b> None.   |                      |                      |

**Summary of Legislation**

Beginning September 1, 2009, through June 30, 2012, the bill requires consumers to pay a fee of \$0.06 for every plastic bag provided by a retail store. Stores are limited to those with at least 10,000 square feet and with gross annual sales of \$1.0 million or more. The store retains \$0.03 and transmits the other \$0.03 to the state. Funds are credited to the Plastic Bag Reduction Education Fund, and are to be used to educate consumers.

Beginning July 1, 2012, stores are prohibited from providing customers plastic bags. Violations of this prohibition are a class 2 petty offense and punishable by a fine of \$100 for the first offense, and up to \$500 for third and subsequent offenses in a calendar year. Fine revenue is credited to the General Fund.

**State Revenue**

State cash funds revenue is expected to increase by up to \$16.3 million in FY 2009-10 and by up to \$15.6 million in FY 2010-11. Revenue is from fees paid by consumers, and is credited to the Plastic Bag Reduction Education Fund.

***Fee Impact on Individuals, Families or Business.*** Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The table below identifies the fee impact of this bill.

| <b>Table 1. Fee Impact on Individuals, Families or Business</b> |                     |                        |                         |
|---|---------------------|------------------------|-------------------------|
| <b>Type of Fee</b>  | <b>Proposed Fee</b> | <b>Number Affected</b> | <b>Total Fee Impact</b> |
| FY 2009-10 - Plastic Bag Fee (10 months)                        | \$0.03              | 542 million bags       | \$16.2 million          |
| FY 2010-11 - Plastic Bag Fee                                    | \$0.03              | 520 million bags       | \$15.6 million          |
| FY 2011-12 - Plastic Bag Fee                                    | \$0.03              | 416 million bags       | \$12.5 million          |

While it is not known how many plastic bags are provided to consumers, the calculations above are the best estimate at this time. Calculations are based on the following assumptions:

- ▶ each person over the age of 15 currently receives about 300 plastic bags per year resulting in 1.2 billion plastic bags distributed in Colorado;
- ▶ 70 percent are from large retail stores as defined in the bill;
- ▶ the number of plastic bags provided to customers will be reduced by 20 percent because of SB09-156; and
- ▶ the number of plastic bags provided to consumers will be further reduced by 20 percent each year the fee is in place.

The fee ends on June 30, 2012. Beginning in FY 2012-13, fine revenue collected due to violations of the bill is credited to the General Fund. Fine revenue is not estimated.

### **State Expenditures**

State cash funds expenditures for the Department of Public Health and Environment are expected to increase by up to \$10.1 million and 1.8 FTE in FY 2009-10. Expenditures are to educate consumers about the plastic bag prohibition which will begin July 1, 2012. The fiscal note assumes that educational activities will continue through FY 2012-13. On June 30, 2013, any unencumbered money in the Plastic Bag Reduction Education Fund is transferred to the General Fund. Anticipated costs are shown in Table 2.

| <b>Table 2. Expenditures for the<br/>Department of Public Health and Environment Under SB09-156</b> |                     |                     |
|---|---------------------|---------------------|
| <b>Cost Components</b>  | <b>FY 2009-10</b>   | <b>FY 2010-11</b>   |
| Personal Services*  | \$86,936            | \$104,324           |
| FTE   | 1.8                 | 2.0                 |
| Operating Expenses and Capital Outlay   | 22,356              | 13,900              |
| Marketing and Education   | up to 10,000,000    | up to 10,000,000    |
| <b>TOTAL</b>  | <b>\$10,109,292</b> | <b>\$10,118,224</b> |

\* *Personal services are required beginning September 1, 2009. Costs for FY 2010-11 reflect full year implementation.*

**Personal Services.** The department requires additional staff (2.0 FTE) to provide education and community outreach to consumers as well as businesses and to provide fiscal management of the cash fund. Staff will develop educational materials for print, radio and television, and to provide technical assistance to business to determine if they are subject to the provisions of SB09-156. In addition, staff are expected to issue requests for applications/proposals, review and issue contracts and purchase orders, and provide financial reporting. Standard costs for operating and capital outlay are included, as well as travel expenses for statewide community outreach.

**Marketing and Education.** Based on revenue estimates, up to \$10.0 million is available each year for marketing and education about the plastic bag prohibition established by the bill. Activities may include printing and distributing educational materials in multiple languages, radio and television advertisements, give-a-ways at festivals, and other promotional activities.

**Compliance.** The bill does not address how revenue will be collected or who is responsible for ensuring accurate transmission of fees. No state agency is given authority to ensure compliance with the bill. Since the bill is silent on these responsibilities, the fiscal note assumes that retail stores will self-report and that they will not be audited or reviewed for compliance with the requirements of SB09-156.

### **Expenditures Not Included**

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 3.

| <b>Table 3. Expenditures Not Included Under SB09-156*</b>            |                   |                   |
|--|-------------------|-------------------|
| <b>Cost Components</b>   | <b>FY 2009-10</b> | <b>FY 2010-11</b> |
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$12,437          | \$13,692          |
| Supplemental Employee Retirement Payments                            | 2,532             | 3,879             |
| Indirect Costs (up to)   | 300,000           | 300,000           |
| <b>TOTAL</b>   | <b>\$314,969</b>  | <b>\$317,571</b>  |

*\*More information is available at: [http://www.state.co.us/gov\\_dir/leg\\_dir/lcsstaff/2009/comsched/CommonPolicies2009.pdf](http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2009/comsched/CommonPolicies2009.pdf)*

### **State Appropriations**

For FY 2009-10, the fiscal note indicates that the Department of Public Health and Environment should receive a cash funds appropriation of up to \$10,109,292 and 1.8 FTE from the Plastic Bag Reduction Education Fund.

### **Departments Contacted**

Public Health and Environment

Judicial