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FISCAL AND POLICY NOTE
First Reader

Senate Bill 342 (Senator Brooks, *et al.*)

Education, Energy, and the Environment

Maryland Beverage Container Recycling Refund and Litter Reduction Program

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This bill establishes the Maryland Beverage Container Recycling Fund and Litter Reduction Program within the Maryland Department of the Environment (MDE), administered by the Office of Recycling. In general, the purpose of the program is to increase the reuse and recycling of, and reduce litter from, beverage containers in the State. The bill establishes a framework for a “beverage container stewardship organization” – representing “producers” – to develop and implement a beverage container stewardship plan. Producers must be registered annually with MDE beginning March 1, 2028. A plan must be submitted to MDE for review and approval by March 1, 2028, and must be implemented within six months of plan approval. By January 1, 2029, a producer must be part of a beverage container stewardship program that has a plan approved by MDE, as specified. The bill also establishes a related grant program, provisions for redemption facilities and retailers, an advisory council, and enforcement provisions. MDE must adopt implementing regulations. **The bill takes effect June 1, 2026.**

Fiscal Summary

State Effect: No effect in FY 2026. General fund expenditures increase by $360,800 in FY 2027; general fund revenues increase correspondingly in FY 2028. Special fund expenditures increase by $518,600 in FY 2028, $566,300 in FY 2029, $551,200 in FY 2030, and $575,200 in FY 2031; special fund revenues increase correspondingly beginning in FY 2028. Other effects are described below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	$0	$360,800	$0	$0	$0
SF Revenue	$0	$518,600	$566,300	$551,200	$575,200
GF Expenditure	$360,800	$0	$0	$0	$0
SF Expenditure	$0	$518,600	$566,300	$551,200	$575,200
Net Effect	($360,800)	$360,800	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government finances may be affected, as discussed below.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Intent and Performance Targets: The bill establishes the General Assembly's intent to achieve several specified goals, including reducing the volume of litter and plastic pollution from beverage containers in the State by achieving a redemption rate of at least 90% for the approximately 5.5 billion single-use beverage containers sold annually in the State. Performance targets for the program are as follows: (1) by December 31, 2028, attainment of all convenience standards identified by the department under the bill (described below); (2) by December 31, 2030, a 70% redemption rate; (3) by December 31, 2033, a 90% redemption rate; and (4) by December 31, 2038, at least 10% of all beverage containers sold in the State are returned and refilled.

"Beverage container" means a bottle, can, or other container that (1) has been sealed by a manufacturer; (2) is made of glass, metal, or plastic; and (3) at the time of sale, contains three liters or less of a beverage. "Beverage container" does not include (1) a carton; (2) a pouch; or (3) aseptic packaging.

"Beverage container stewardship organization" means a § 501(c)(3) nonprofit organization (1) created by producers to implement a beverage container stewardship plan and (2) approved by MDE.

Funding: Funding for the Maryland Beverage Container Recycling Fund and Litter Reduction Program includes:

- fees collected by the beverage container stewardship organization from producers (discussed below; retained by the beverage container stewardship organization to finance the program);
- revenues from the sale of raw materials (retained by the beverage container stewardship organization and used to finance the program);
- unclaimed deposits, 10% of which are transferred to the Chesapeake Bay Trust (CBT) (used to administer and finance the Beverage Container Recycling Refund Grant Program), and the remainder of which are used by the beverage container stewardship organization to implement the bill;

- registration fees paid by producers to MDE, which are deposited in the State Recycling Trust Fund and used to fund MDE's administration of the program; and
- penalties collected under the program, which are deposited in the State Recycling Trust Fund and used to fund MDE's administration of the program.

New Labeling Standards, Refund Amount, and Incorporating the Refund Amount into Sales Prices: Beginning January 1, 2029, but not before, each redeemable beverage container sold in the State must include a depiction of the following information: (1) the word "Maryland" or the letters "MD"; and (2) a refund value of 10 cents (for redeemable beverage containers with a volume of 24 fluid ounces (fl. oz.) or less) or a refund value of 15 cents (for redeemable beverage containers with a volume of more than 24 fl. oz.).

Beginning January 1, 2034, MDE must increase the refund values by 5 cents if MDE determines that the redemption rate was less than 90% of the total number of beverage containers sold in the State for two consecutive calendar years.

Beginning January 1, 2029, the wholesale and retail prices of a full redeemable beverage container must include the refund value, and a retailer must include the refund value of a redeemable beverage container sold by the retailer on the customer's sales receipt. However, the retail price of a full redeemable beverage container sold by an on-premises seller may not include the refund value. "On-premises seller" means a person that sells filled and unopened redeemable beverage containers for on-premises consumption, including bars, hotels, restaurants, sporting venues, entertainment venues, and gaming venues.

Redemption Facilities and Retailers: The program must provide a range of options for customers to conveniently redeem empty redeemable beverage containers for the full refund value. This range of options includes (1) at a retailer's place of business through direct take-back by the retailer, reverse vending machines, a bag drop program, or other redemption methods; (2) dedicated and conveniently located redemption facilities operated by retailers, public entities, or the beverage container stewardship organization; and (3) placing redeemable beverage container redemption and processing methods, such as reverse vending machines, bag drop programs, and account-based bulk processing programs, in specified areas. The program must also provide a range of options for on-premises sellers to conveniently redeem empty redeemable beverage containers for the full-refund value, including (1) an account-based refund issued by the beverage container stewardship organization or its agents or (2) an account-based refund issued by the operator of a bag drop program.

A person must apply for a license from MDE to operate a redemption facility in the State. MDE must develop standards and a licensing process for the establishment and operation of redemption facilities.

A redemption facility must accept all types of empty redeemable beverage containers for redemption; however, a retailer or redemption facility may refuse to accept an empty redeemable beverage container under certain conditions.

Retailers with at least 3,000 square feet of sales floor space and at least 150 square feet of shelf space dedicated to the display of redeemable beverage containers must establish and maintain a dedicated area at their place of business to accept any empty redeemable beverage containers returned for redemption during business hours. The retailer must pay the redeemer the refund value for each empty redeemable beverage container redeemed. Retailers may meet these requirements through various specified methods. A retailer within an area that meets convenience standards established by MDE may be exempt from the requirements under certain conditions. The department is authorized to (1) set standards for the number of reverse vending machines required for retailers in underserved communities and (2) establish a cap for the number of empty redeemable beverage containers that may be redeemed per visit at small retailers.

Retailers with less than 3,000 square feet of sales floor space or less than 150 square feet of shelf space dedicated to the display of redeemable beverage containers must (1) provide on-site cash refunds for the redemption of empty redeemable beverage containers, of the same material and size sold by the retailer, that are not accepted by a reverse vending machine and (2) post at the retailer's entrance the address of the nearest reverse vending machine or other redemption method that provides an immediate cash refund.

If a person provides a reverse vending machine for the redemption of empty redeemable beverage containers, the person must provide an alternative option for redemption when the reverse vending machine is full, broken, or under repair and for the redemption of any empty redeemable beverage containers not accepted by the machine.

MDE must establish a process for submitting, reviewing, approving, and monitoring an account-based bulk processing program that (1) ensures the program accurately refunds deposits and maintains and reports data from each transaction and (2) identifies the information that must be submitted to MDE for program approval.

Refunds must be provided (1) in cash; (2) in the form of a receipt from a reverse vending machine or account-based redemption system if the receipt can be exchanged for cash, as specified, and there is no requirement that other goods be purchased to receive the cash refund; or (3) by credit to an account allowing the consumer to receive the refund or a refund receipt within a specified number of days. The beverage container stewardship organization must reimburse a retailer for the value of valid receipts redeemed by consumers.

MDE must establish a process for a county or municipality to create a redemption facility; however, a county or municipality may not be required to host, operate, or provide land, facilities, or any other resources for the establishment or operation of any redemption facility. Empty redeemable beverage containers redeemed at a local facility must be credited toward meeting required recycling rates under the Maryland Recycling Act (MRA).

Reimbursements and Handling Fees: The beverage container stewardship organization or its agent must reimburse a redemption facility, retailer, or any other person that accepts redeemable beverage containers for redemption for the handling of each container redeemed. MDE must set the handling fee, which must be set at an amount that covers the costs to collect, sort, process, and transport empty redeemable beverage containers for recycling, reuse, or refilling. MDE may increase the handling fee to encourage the establishment of more redemption facilities. An on-premises seller that provides empty redeemable beverage containers for redemption must also be reimbursed by the beverage container stewardship organization or its agent for refunds paid by the on-premises seller and handling of each container redeemed. MDE must set a material handling fee, which must be set at an amount that covers the costs of temporary storage, preliminary sorting, and preparing each redeemable beverage container for collection. The beverage container stewardship organization or its agent must provide to an on-premises seller any required receptacles or bags or necessary labels.

Redeemed empty redeemable beverage containers must be collected for return to the beverage container stewardship organization for sale as scrap material to finance the program.

Deposit Initiators and Unclaimed Deposits: A "deposit initiator" is the first distributor to collect a deposit on a beverage container sold in the State. A deposit initiator must deposit any deposits collected into a deposit collection account that is maintained separately from all other revenues. The funds in the account may only be used to pay the refund value of a redeemable beverage container being redeemed. A deposit initiator must report specified related information to the beverage container stewardship organization at a frequency determined by MDE.

MDE must determine the point at which a deposit becomes an unclaimed deposit, and unclaimed deposits are calculated as specified. A deposit initiator must transfer all unclaimed deposits to the beverage container stewardship organization at a frequency determined by MDE. The beverage container stewardship organization must establish a reserve account to manage all unclaimed deposits and, beginning January 1, 2030, transfer 10% of all unclaimed deposits to CBT with a frequency determined by MDE. The beverage container stewardship organization must use the funds in the reserve account to (1) achieve the intent of the General Assembly as stated in the bill and (2) meet or exceed the performance targets established in the bill. The unclaimed deposits transferred to CBT may be used only to administer and finance the Beverage Container Recycling Refund Grant Program, discussed in further detail below.

Producers, Beverage Container Stewardship Organization, Plan, and Registration: A "producer" is a person responsible for complying with the bill's requirements and includes a franchisor of a franchise located in the State. A producer does not include (1) the State or a local government, as specified; (2) a tax-exempt charitable or social welfare organization; (3) a franchisee that operates a franchise in the State; (4) a person that annually sells, offers for sale, or distributes in the State fewer than 1,000 redeemable beverage containers; or (5) a person that annually sells, offers for sale, or distributes in the State redeemable beverage containers that, in aggregate, generate less than $5.0 million each year in global revenue. The bill establishes specific requirements for a producer that sells, offers for sale, or distributes redeemable beverage containers in the State. The bill establishes who is responsible under various scenarios depending on who manufactures or distributes the redeemable beverage container or has contractually accepted responsibility as the producer.

By March 1 each year, beginning in 2028, the beverage container stewardship organization must provide to MDE (1) a list of each producer participating in the beverage container stewardship organization and (2) for each producer, a registration form. MDE must create a registration form that requires each producer participating in the beverage container stewardship organization to provide specified information. A producer must submit a completed registration form to the beverage container stewardship organization that represents the producer.

On a schedule determined by MDE, each producer must pay a registration fee established by the department for producers that sell redeemable beverage containers in the State. The fee must be set to an amount that (1) when combined with anticipated penalty revenue, will produce funds sufficient to cover MDE's estimated costs of planning, implementing, administering, monitoring, enforcing, and evaluating the program for the upcoming year; (2) for the first year of the program during which fees are collected, must cover the start-up costs of the program that were incurred by the department and financed from the general fund; and (3) is proportional to a producer's share of the total number of redeemable beverage containers sold in the State for the immediately preceding calendar year. If fee revenues exceed costs in a given year, MDE must carry the excess revenues forward to reduce fees for the following year. If fee revenues do not cover costs in a given year, MDE must adjust registration fees for the following year in order to cover MDE's actual costs from the immediately preceding year.

The portion of the registration fees that covers the start-up costs of the program that were financed from the general fund during the first year of the program must be deposited into the general fund. Otherwise, registration fee revenue collected by MDE must be transferred to the State Recycling Trust Fund and used only to cover MDE's costs of planning, implementing, administering, monitoring, enforcing, and evaluating the program.

By October 1, 2027, MDE must approve, for a period not to exceed 10 years, a single beverage container stewardship organization to represent all producers in fulfilling the requirements of the program if the beverage container stewardship organization demonstrates that it meets specified requirements. If no application to operate a beverage container stewardship organization is submitted by producers to MDE by October 1, 2027, the department must (1) establish or designate a beverage container stewardship organization to implement the program and (2) require all producers, as a condition of selling or distributing beverages in the State, to join and fund the designated organization.

MDE may renew the approval of the beverage container stewardship organization if it continues to meet the requirements and any other requirement set by MDE. MDE must revoke the approval, for failure to meet applicable requirements or failure to implement and administer an approved beverage container stewardship plan. In that circumstance, specified procedures are followed, and MDE may approve one or more additional beverage container stewardship organizations to carry out the responsibility of the revoked beverage container stewardship organization.

By March 1, 2028, the beverage container stewardship organization must submit a beverage container stewardship plan to MDE. The bill establishes provisions regarding the content of such a plan. Among other things, the plan must include specified financing information. Among other requirements, the financing information must establish a fee structure for producers participating in the beverage container stewardship organization. The fee structure, among other things, must be set in a manner that covers the costs of administering the beverage container stewardship organization and implementing the beverage container stewardship plan. A participating producer must pay the fee established under the plan to the beverage container stewardship organization, and the beverage container stewardship organization must use the fees for implementing the plan.

MDE must approve, approve with conditions, or deny a beverage container stewardship plan that is submitted to MDE for approval within 120 days of receipt. MDE must consider specified factors when making a determination regarding a plan and must consult with the Redeemable Beverage Container Recycling Refund Advisory Council (discussed below). MDE must also submit a plan to an independent financial auditor to ensure that the proposed financing in the plan will cover implementation costs. MDE is authorized to rescind approval of a plan for good cause or require amendment of an approved plan under specified circumstances. The bill allows for plan amendments and resubmission for approval under specified conditions. Plan approval expires after five years.

The beverage container stewardship organization must implement an approved plan within six months of receiving plan approval and must meet detailed guidelines and requirements when implementing and administering a plan.

Beginning January 1, 2029, a producer may not sell, offer for sale, or distribute in or import into the State a redeemable beverage container unless the producer (1) is registered with MDE; (2) has paid the registration fee; and (3) is part of the beverage container stewardship organization that has been approved by MDE and has a beverage container stewardship plan approved by MDE.

The beverage container stewardship organization must submit a copy of its financial records to MDE for a financial audit upon request.

Beverage Container Stewardship Organization Annual Reports: By April 1 each year, beginning in 2030, the beverage container stewardship organization that has an approved beverage container stewardship plan must submit a report to MDE on the progress made in the preceding calendar year toward meeting the performance targets and the goals of the program and the beverage container stewardship organization's beverage container stewardship plan. The report must include specified information for the preceding calendar year. MDE must provide the advisory council with a copy of each annual report. MDE and the advisory council must keep all financial, production, and sales data of individual producers confidential, and MDE must post the annual report on its website in a manner that protects data confidentiality.

Compensation for Local Governments: Through December 31, 2031, a portion of revenues collected under the Maryland Beverage Container Recycling Refund and Litter Reduction Program must be used to compensate a county or municipality for any net loss of revenue to the local government's waste management system that can be documented and attributed to the program. Certain factors must be considered when a county or municipality is determining a net loss of revenue:

- the loss of revenue from the sale of scrap materials;
- financial savings from a reduction in (1) glass bottles in the recycling stream; (2) transportation costs associated with curbside collection of trash and recycling; (3) processing costs associated with recycling beverage containers; (4) the costs of landfilling and incinerating beverage containers that are not recycled; and (5) the costs of litter collection; and
- for a county or municipality that has a total maximum daily load (TMDL) for trash in a waterway under its jurisdiction, the reduced costs and increased benefits of complying with the TMDL due to a reduction in beverage container litter.

Material Recovery Facility Payments: Beginning January 1, 2029, and continuing until reimbursement payments under the producer responsibility (for packaging and paper products) law – established under Chapter 431 of 2025 (see Current Law) – begin, the beverage container stewardship organization must provide payments to a material recovery facility to cover the costs of collecting, sorting, processing, and transporting empty unredeemed redeemable beverage containers for recycling, reuse, or refilling, provided specified standards and reporting requirements are met. MDE establishes the payment amount and may adjust it to account for changes in the costs of collecting, sorting, processing, and transporting empty unredeemed redeemable beverage containers.

"Material recovery facility" means a facility located in the State that collects, compacts, repackages, sorts, or processes source-separated materials for transportation and recycling.

Beverage Container Recycling Refund Grant Program: The bill establishes the Beverage Container Recycling Refund Grant Program, administered by CBT, to provide funding for:

- an assessment of the investments and policies necessary to ensure that, by December 31, 2038, at least 10% of all beverage containers sold in the State are returned and refilled; and
- projects that (1) increase the reuse and recycling of beverage containers in the State; (2) increase the availability of public water fountains and refill stations in the State; and (3) reduce the volume of litter from beverage containers in the State.

MDE must adopt implementing regulations in consultation with the advisory council; the regulations must establish an application process, criteria for evaluating and awarding grants, reporting and evaluation requirements, and any other requirements MDE deems necessary. The grant program is funded from a portion of the unclaimed deposits transferred to CBT (10% of all unclaimed deposits is transferred to CBT, beginning January 1, 2030). Eligible entities include (1) a school or institution of higher education; (2) a nonprofit organization; (3) a county or municipality; (4) a for-profit organization; and (5) a public-private partnership (P3). CBT must begin awarding grants on January 1, 2030.

Redeemable Beverage Container Recycling Refund Advisory Council: The bill establishes the Redeemable Beverage Container Recycling Refund Advisory Council to (1) advise MDE on determining whether to approve a beverage container stewardship plan; (2) make recommendations to MDE on the implementation of approved beverage container stewardship plans; (3) review and advise MDE on the annual reports; and (4) advise MDE on the implementation, administration, and performance of the program. Advisory council members may not receive compensation but are entitled to reimbursement for expenses. MDE must provide staff for the advisory council.

In consultation with the advisory council, MDE must establish convenience standards for the coverage and availability of redemption options across the State and ensure the standards provide accessibility for differently abled people and people who live in rural areas or low-income communities of color.

Miscellaneous Requirements for the Maryland Department of the Environment: MDE must adopt implementing regulations by June 1, 2027. MDE must also establish a system for large on-premises sellers to verify the source of the high volumes of redeemable beverage containers redeemed by the on-premises seller.

MDE must periodically review available beverage container redemption and processing methods to determine whether the types of beverage containers covered under the program should be expanded. The department may expand the types of beverage containers covered under the program by regulation if, based on its review, it determines there are convenient redemption options for those beverage containers.

MDE must also (1) consult with counties and municipalities to assess the impacts of the program on local beverage container litter and recycling operations and county and municipal budgets and (2) by June 1, 2027, report to the General Assembly its recommendations on ways to offset adverse impacts and enhance positive impacts of the program on beverage container litter, recycling rates, and county and municipal budgets.

Enforcement Provisions: Except as specified, current law provisions under §§ 9-334 through 9-344 of the Environment Article apply to enforce violations of the bill. Under §§ 9-334 through 9-344 of the Environment Article, in addition to being subject to an injunctive action, a violator is subject to a maximum penalty of $10,000 to be collected in a civil action brought by MDE. Each day a violation occurs is a separate violation. MDE may also impose a maximum administrative penalty of $10,000 per violation and $100,000 total for a violation. Each day a violation occurs is a separate violation. Administrative penalties must be assessed with consideration given to specified factors. Criminal (misdemeanor) penalties may also be imposed, with a maximum fine of $25,000 and/or imprisonment for up to one year for a first offense and a maximum fine of $50,000 and/or imprisonment for up to two years for a subsequent offense. Each day on which a violation occurs is a separate violation. Additional criminal penalties apply for knowingly making false statements in required documents and for other specified actions. The Attorney General is in charge of prosecuting and defending cases that arise on behalf of the State.

However, under the bill, a penalty may not be imposed on a producer for failing to properly register with MDE, as specified, unless MDE first issues a written notice of the violation to the producer and the producer does not register within 90 days after receiving the written notice.

The bill prohibits a person from (1) disposing of a redeemed redeemable beverage container in a landfill or an incinerator or (2) redeeming, attempting to redeem, receiving, storing, transporting, distributing, or otherwise facilitating or aiding in the redemption of specified materials with an intent to defraud. MDE must establish administrative penalties for violations of these prohibitions. The penalty amount must be based on the number of beverage containers and refund amounts involved.

Beginning January 1, 2032, if the beverage container stewardship organization has not met specified redemption rates for the immediately preceding two years MDE must assess an administrative penalty on the beverage container stewardship organization. Each year that the beverage container stewardship organization fails to meet the specified redemption rates is a separate violation. The bill establishes a formula for the calculation of such an administrative penalty.

MDE may alter the administrative penalties described above as necessary to ensure that penalty amounts exceed the costs to comply with the bill.

Penalties collected under these provisions must be transferred to the State Recycling Trust Fund and used only to cover MDE's costs of planning, implementing, administering, monitoring, enforcing, and evaluating the program.

Immunity: Any person participating in a beverage container stewardship plan is immune from liability under State laws concerning antitrust and restraint of trade for cooperative activities associated with the collection, transport, processing, recycling, reuse, and management of empty redeemable beverage containers.

New Account within the State Recycling Trust Fund: Specified fees and penalties collected under the bill are transferred to MDE's State Recycling Trust Fund. The Comptroller must establish a separate account within the fund for the deposit of such funds. The separate account may only be used to (1) cover the costs to administer, monitor, evaluate, and enforce the program; (2) compensate local governments, as specified; and (3) meet or exceed the performance targets established under the bill. Funds transferred under the bill to the new account do not revert to the general fund.

Current Law:

Solid Waste Management in Maryland

The solid waste infrastructure in Maryland consists of both permitted and nonpermitted facilities, and solid waste is managed through a combination of recycling, composting, landfilling, incineration, storage, and exporting for disposal or recycling.

Maryland's recycling policy is guided by MRA, which sets mandatory recycling rates for State government and local jurisdictions, as well as a voluntary statewide waste diversion goal of 60% and a voluntary statewide recycling goal of 55% by 2020. Each county (including Baltimore City), must recycle at least 20% or 35% of the county's solid waste stream, depending on the county's population. Each county (including Baltimore City) must also prepare a recycling plan that addresses how the jurisdiction will achieve its mandatory recycling rate.

The Office of Recycling

MDE's Office of Recycling, among other things, reviews county recycling plans and coordinates the efforts of the State to facilitate the implementation of the recycling goals at the county level. Counties are required to periodically report solid waste and recycling data to the department.

MDE submits a combined annual report to the Governor and the General Assembly that meets two statutory reporting requirements relating to solid waste management and recycling/waste diversion in the State. (*Maryland Solid Waste Management and Diversion Report*).

Statewide Recycling Needs Assessment

Chapter 465 of 2023 required the Office of Recycling to hire an independent consultant to conduct a statewide recycling needs assessment (completed in February 2025), which was required to, among other things, include (1) analysis of the costs and benefits, and potential environmental impact, of implementing an extended producer responsibility program for packaging materials (including beverage containers) and (2) recommendations on the best practices to follow from successful extended producer responsibility programs in other states and countries. The Act also established a producer responsibility advisory council to provide advice and recommendations regarding establishing and implementing a producer responsibility program in the State for packaging materials.

Producer Responsibility for Packaging and Paper Products

Chapter 431 of 2025 (1) establishes a producer responsibility program in statute for packaging and paper products; (2) retains the producer responsibility advisory council established under Chapter 465 to provide advice and recommendations to MDE, producer responsibility organizations, and producers on the implementation of the program; and (3) requires that a statewide recycling needs assessment be conducted again in 2034 and at least once every 10 years thereafter.

Chapter 431 requires producers of packaging and paper products to submit, individually or as part of a producer responsibility organization (a nonprofit organization created by a group of producers) a producer responsibility plan to MDE by July 1, 2028, and every five years thereafter, for review and approval. MDE must approve or reject the plan within 120 days, and implementation of the plan must begin no later than six months after the plan is approved. Both the needs assessments and MDE's administration of the producer responsibility program are funded by producers through the producer responsibility organization(s).

"Packaging" is defined to included beverage containers; however, "beverage container" is defined to not include a prepackaged beverage container that is covered under a beverage container deposit return program in the State, and statute explicitly states that the program may not be construed to preclude the separate adoption of a beverage container deposit return program in the State.

The statutory requirements of a producer responsibility plan under the program generally place responsibility on producers of the packaging and paper products to:

- establish five-year performance goals relevant to the packaging or paper product ("covered material") regarding recycling rates, composting rates, reuse rates, return rates, waste reduction, percentage postconsumer recycled content of covered materials, and/or greenhouse gas reduction;
- meet those goals through various methods, including (1) direct investments or reimbursements for improved infrastructure for reuse, composting, and recycling; (2) product design improvement; (3) increased convenience of waste reduction, reuse, collection, recycling, and composting; and (4) public outreach, education, and communication;
- reimburse service providers (including local governments) for a portion of the costs (at least 50% by July 1, 2028, 75% by July 1, 2029, and 90% by July 1, 2030, and thereafter) of collecting, transferring, transporting, sorting, processing, recovering, preparing, or otherwise managing covered materials for purposes of waste reduction, reuse, recycling, or composting (and public education and outreach related to those activities);
- establish a system for paying for service provider reimbursement and other actions under the plan through fees from producers, without any new or additional consumer-facing fee; and
- ensure postconsumer materials are delivered to responsible end markets.

In addition to not precluding the separate adoption of a beverage container deposit return program in the State, the program may not be construed to:

- prohibit a local government, service provider, or any other entity from selling recycled materials or compost to end markets and retaining revenues from those sales;
- affect the authority of a publicly or privately owned materials recycling facility or composting facility to determine which entities may use the facility; or
- limit the ability of local governments, materials recycling facilities, or composting facilities to make decisions on recycling infrastructure purchases, including processing equipment.

State Recycling Trust Fund

The State Recycling Trust Fund is a special fund, administered by MDE, that is used to:

- carry out the purposes of MDE's Land Management Administration;
- provide grants to (1) counties to develop and implement local recycling plans; (2) counties that have addressed methods for the separate collection and recycling of covered electronic devices; and (3) municipalities to be used to implement local covered electronic device recycling programs;
- cover specified costs of the Paint Stewardship Program (established under Chapters 587 and 588 of 2024);
- cover costs of statewide recycling needs assessments (pursuant to Chapter 431); and
- cover costs of producer responsibility plan review, oversight, and enforcement (pursuant to Chapter 431).

State Fiscal Effect: State finances are not materially affected in fiscal 2026.

Maryland Department of the Environment Administrative Costs and Related Fee and Penalty Revenue

"Beverage container stewardship organization" is defined as a nonprofit organization created by producers to implement a beverage container stewardship plan and approved by MDE. The narrative and figures immediately below are an assessment of the fiscal impact on MDE under that scenario (*i.e.*, where MDE approves a beverage container stewardship organization created by producers). See further below, however, for a brief discussion of how the fiscal impact on MDE differs under the contingency included in the bill where MDE needs to establish or designate a beverage container stewardship organization if no application to operate a beverage container stewardship organization is submitted by producers for MDE's approval.

Beverage Container Stewardship Organization Formed by Producers

The bill contemplates that registration fees and penalties will fully fund MDE's costs to implement the bill. MDE begins to incur costs in fiscal 2027, and it is assumed general funds are needed to support those costs in fiscal 2027. The bill requires that the producer registration fee be set in a manner that, for the first year of the program during which registration fees are collected (assumed to be fiscal 2028), covers the start-up costs of the program that are incurred by the department and financed from the general fund. While general funds may be used to cover costs for the earlier portion of fiscal 2028, because the general fund is reimbursed by fee revenues collected in fiscal 2028, it is assumed, for the purposes of this analysis, that the general fund is kept whole and that there is no overall effect on general fund expenditures in fiscal 2028. Instead, special fund revenues from registration fees are assumed to wholly offset MDE's administrative costs in fiscal 2028. This analysis also assumes that general fund *revenues* increase in fiscal 2028 (mentioned below), reflecting reimbursement of the general fund, with registration fees collected in fiscal 2028, for the start-up costs of the program in fiscal 2027.

Administrative Costs

General fund expenditures increase by $360,757 in fiscal 2027, which accounts for a 120-day start-up delay. Special fund expenditures increase by $518,638 in fiscal 2028, by $566,347 in fiscal 2029, and by at least $551,197 annually thereafter. This estimate reflects the cost of hiring three natural resource planners in fiscal 2027, a 0.5 Assistant Attorney General (AAG) position and 0.5 paralegal position in fiscal 2027, and one environmental compliance specialist in fiscal 2029. The estimate also includes the cost of a review of the beverage container stewardship plan by an independent financial auditor in fiscal 2028.

The three natural resources planners are hired in fiscal 2027, along with the 0.5 AAG and 0.5 paralegal, to begin implementing the bill by (1) developing regulations, processes, training, guidance documents, and generally establishing the framework for the program; (2) conducting outreach to regulated entities; (3) evaluating and approving a beverage container stewardship organization to represent producers, in early fiscal 2028; (4) establishing registration forms and conducting the initial registration of producers (by March 1, 2028), and setting a registration fee; (5) establishing and staffing the advisory council; and (6) receiving and reviewing the beverage container stewardship plan (received by March 1, 2028). The environmental compliance specialist is hired in fiscal 2029 to (1) conduct compliance inspections and investigate complaints and (2) generally implement and enforce the bill once the beverage container stewardship plan is in place. The estimate includes salaries, fringe benefits, one-time start-up costs (including the purchase of a vehicle in fiscal 2029), and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- the bill applies to a large number of affected entities, including producers, a beverage container stewardship organization, retailers, and on-premises sellers who are not already known by MDE, requiring a significant amount of outreach and administrative organization;
- the breadth of the program and MDE's responsibilities under it will require ongoing dedicated staff, including legal staff to provide advice, help draft regulations, and provide enforcement support and defense of MDE actions under the program; and
- MDE indicates that it is not able to implement the bill with existing staff and fiscal resources.

	FY 2027	FY 2028	FY 2029	FY 2030
Positions (New)	4.0	0.0	1.0	0.0
Salaries/Fringe Benefits (Total)	$315,936	$405,619	$508,425	$532,191
Vehicle Purchases	0	0	32,000	0
Plan Review (by Auditor)	0	100,000	0	0
Operating Expenses	44,821	13,019	25,922	19,006
Total MDE Admin. Exps.	**$360,757**	**$518,638**	**$566,347**	**$551,197**

Future year expenditures reflect salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. As noted above, beginning in fiscal 2028, it is assumed that all costs incurred by MDE are covered with special funds.

Registration Fee and Penalty Revenue

MDE must set registration fees at a level that, when taken in combination with anticipated penalty revenues, (1) will be sufficient to cover MDE's estimated costs of planning, implementing, administering, monitoring, enforcing, and evaluating the program and (2) for the first year of the program during which registration fees are collected, cover the start-up costs of the program that were incurred by the department and financed from the general fund. Thus, it is assumed that, from a combination of registration fees and penalties, special fund revenues increase correspondingly to MDE special fund expenditures beginning in fiscal 2028. In addition, as discussed above, general fund revenues increase in fiscal 2028 in an amount equal to the general fund expenditures in fiscal 2027 ($360,757) to reimburse the general fund for the start-up costs of the program in fiscal 2027.

Beverage Container Stewardship Organization Established or Designated by the Department

MDE may incur additional costs (in addition to those identified above) if no application to operate a beverage container stewardship organization is submitted by October 1, 2027, and, pursuant to the bill, MDE must establish or designate a beverage container stewardship organization. This analysis assumes, however, pursuant to the definition of "beverage container stewardship organization," that the beverage container stewardship organization will still be a nonprofit organization and it will not fall to MDE to take on the role of the beverage stewardship organization and develop and implement a beverage container stewardship plan. And, pursuant to the bill, MDE is reimbursed for any additional costs it incurs to establish or designate a beverage container stewardship organization through the registration fees paid by producers that cover the start-up costs of the program that are incurred by the department and financed from the general fund.

Funding and Administration of the Beverage Container Recycling Refund Grant Program

Funding of the Beverage Container Recycling Refund Grant Program does not directly affect State finances. The program is funded by 10% of all unclaimed deposits, transferred, beginning January 1, 2030, from the beverage container stewardship organization to CBT. While CBT is established in State law and receives a portion of its funding through the State, its finances are managed by the Board of Trustees of CBT, independent of the State budget.

Direct Impacts on Other State Agencies

Any impact on State agency operations and finances related to recycling is largely unknown. Higher education institutions may be redemption facilities, retailers, and/or on-premises sellers under the bill but are assumed to be compensated for any associated costs through handling fees paid by beverage container stewardship organizations to redemption facilities, retailers, and on-premises sellers pursuant to the bill. Although the overall impact on State agency recycling costs is unknown, for the purposes of this fiscal and policy note, it is assumed that any such impact is not significant.

For a discussion of the bill's potential effects on higher education institutions (as grant recipients) and State agencies as consumers of affected products, see the Additional Comments section below.

The Maryland Environmental Service (MES), a nonbudgeted State entity, indicates that its Environmental Operations group may be meaningfully affected in future years by a reduction in revenues, expenditures, and staff to the extent the bill reduces the demand from local governments for recycling services. MES currently operates materials recycling facilities in Montgomery and Prince George's counties, as well as the Midshore Regional Recycling Program (for residents in Caroline, Kent, Queen Anne's, and Talbot counties).

It should be noted that the enactment of this bill appears to cause the beverage containers affected by this bill to no longer be "covered materials" under the producer responsibility program for packaging and paper products enacted under Chapter 431, due to the definition of "beverage container" under Chapter 431 excluding a "prepackaged beverage container that is covered under a beverage container deposit return program in the State" – effectively removing beverage containers and the beverage container producers (with respect to the beverage containers) from the producer responsibility program. It appears that any evaluation of the bill's effect on those involved in, or affected by, the solid waste management of beverage containers in the State should account for the comparative effect of the producer responsibility program for packaging and paper products (on solid waste management of beverage containers) that occurs in the absence of this bill.

The producer responsibility program under Chapter 431, which applies to beverage containers (in the absence of enactment of this bill) as well as other products, and the Maryland Beverage Container Recycling Refund and Litter Reduction Program established by this bill, have similarities in their goals and implementation (both involve placing responsibility on producers of beverage containers for funding and improving efforts to reduce beverage container waste in the State), but they likely will also have differences in the impacts they have on those involved in, or affected by, solid waste management of beverage containers in the State. The extent and detail of those differences, however, are both (1) beyond the scope of this analysis and (2) presumably difficult to predict before knowing the content of the producer responsibility plan and beverage container stewardship plan that are approved under the respective programs.

State Highway Administration Litter Removal Costs

While not a *direct* impact of the bill, State Highway Administration (SHA) litter removal costs may decrease to the extent that beverage container redemption under the bill reduces the amount of beverage container litter on State highways. Information on an SHA litter removal webpage indicates that SHA's annual spending on both routine litter removal and remediation of illegal dumping (disposal of larger, bulkier items) ranged from $8.9 million to $18.5 million between 2020 and 2024, with the significant range in costs appearing to be due to enhanced cleanup efforts begun by SHA in 2023. SHA indicates that most of the work is accomplished through contracts, with contract costs of $13.4 million and $13.0 million in fiscal 2024 and 2025, respectively. The extent to which increased beverage container recovery and recycling under the bill reduces beverage container litter (one component of overall litter) on State highways, and the extent to which that reduction affects SHA's overall litter removal costs (paid for through the Transportation Trust Fund), cannot be reliably estimated.

No Material Effect from Criminal Penalties

The application of existing criminal penalty provisions is not anticipated to materially affect State incarceration expenditures.

Local Fiscal Effect: Because the bill requires redeemed empty redeemable beverage containers to be collected for return to the beverage container stewardship organization for sale as scrap material to finance the program, it appears to shift possession of recyclable materials, and associated revenues, from a county/municipality to the beverage container stewardship organization. The program established by the bill appears designed to compensate affected entities (local governments, redemption facilities, retailers, on-premises sellers) for costs, or lost revenue, associated with the program through various funding sources available to the beverage container stewardship organization (including unclaimed deposits not transferred to CBT, fees collected by the organization from producers, and the revenues mentioned above from the sale of scrap material). The bill provides for that compensation through:

- the bill's authorization, through December 31, 2031, for a portion of program revenues to be used to compensate a local government for any net loss of revenue to the local government's waste management system that can be documented and attributed to the program;
- payments – beginning January 1, 2029, and continuing until reimbursement payments under the producer responsibility program begin – from the beverage container stewardship organization to a material recovery facility to cover the costs of collecting, sorting, processing, and transporting empty unredeemed redeemable beverage containers for recycling, reuse, or refilling; and
- handling fees paid by the beverage container stewardship organization to redemption facilities (including those established by local governments), retailers, on-premises sellers, or other persons that accept empty redeemable beverage containers for redemption (which are set by MDE and may be increased by the department if necessary to encourage the establishment of more redemption facilities).

There are competing perspectives and information – which this analysis is not able to resolve – on the net effect of (1) local governments' reduced scrap material revenues under the bill and (2) local governments' waste management savings under the bill:

(1) The Maryland Association of Counties, MES, and the Northeast Maryland Waste Disposal Authority have indicated that the bill reduces revenue from the sale of scrap materials from beverage container recycling, which supports the broader costs of local governments' recycling efforts (beyond the processing costs of the beverage containers), requiring increased local government spending in order to continue recycling of other materials.

(2) But the bill provides for compensation for "any net loss of revenue" to a local government's waste management system, temporarily through 2031, provides payments to material recovery facilities for specified beverage container recovery costs, and anticipates savings (through its description of "net loss of revenue") that

at least partially offset loss of revenue. The bill is intended to significantly increase the percentage of beverage containers recycled in the State and anticipates local governments experiencing savings from several potential sources, including reduced costs of landfilling and incinerating beverage containers that are not recycled and reduced costs of litter collection.

Local governments are also eligible for grant funding under the bill. For a discussion of the potential effects on local governments as grant recipients and consumers of affected products, see the Additional Comments section below.

As mentioned above under the State Fiscal Effect, the enactment of this bill appears to cause the beverage containers affected by the bill to no longer be “covered materials” under the producer responsibility program for packaging and paper products enacted under Chapter 431, and any evaluation of the bill’s effect on local governments should account for the comparative effect of the producer responsibility program for packaging and paper products (on solid waste management of beverage containers) that occurs in the absence of this bill.

The application of existing penalty provisions is not anticipated to materially affect local incarceration expenditures.

Small Business Effect:

Effect on Small Business Producers and Others

The bill likely has a meaningful impact on producers who are small businesses. The bill may also affect a range of small businesses, including retailers, on-premises sellers, distributors, bottlers, recyclers, and others.

Affected producers incur costs to join the beverage container stewardship organization (including fees paid to the organization) and register with MDE. Small business bottlers or distributors may incur costs to ensure that redeemable beverage containers are marked in accordance with the bill.

Small businesses engaged in the collection or transport of beverage containers for recycling may incur a reduction in revenues as a greater number of containers are returned to redemption centers rather than recycled through curbside programs. However, some small businesses may realize an additional business opportunity to operate as redemption centers.

For a discussion of the potential effects on small businesses as grant recipients and consumers of affected products, see the Additional Comments section below.

As mentioned above under the State Fiscal Effect and Local Fiscal Effect, the enactment of this bill appears to cause the beverage containers affected by the bill to no longer be "covered materials" under the producer responsibility program for packaging and paper products enacted under Chapter 431, and any evaluation of the bill's effect on small businesses should account for the comparative effect of the producer responsibility program for packaging and paper products (on solid waste management of beverage containers) that occurs in the absence of this bill.

Additional Comments: Any State agency, local government, or small business that purchases beverage containers incurs additional costs to pay the beverage container deposit but may return bottles to recoup those costs.

Eligible grant recipients under the Beverage Container Recycling Refund Grant Program include schools and institutions of higher education, nonprofit organizations, local governments, for-profit organizations, and P3s. Thus, grant revenues for State institutions of higher education, local governments, and small businesses may increase beginning in fiscal 2030; grant expenditures increase correspondingly for projects that increase the reuse and recycling of beverage containers in the State and reduce the volume of single-use beverage containers sold in the State and litter from beverage containers in the State.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 346 and HB 232 of 2025; SB 642 and HB 735 of 2024; and HB 1089 of 2023.

Designated Cross File: HB 331 (Delegate Terrasa, *et al.*) - Environment and Transportation and Economic Matters.

Information Source(s): Office of the Attorney General; Chesapeake Bay Trust; City of Annapolis; Baltimore City Community College; Baltimore City Public Schools; Calvert and Prince George's counties; Maryland State Commission on Criminal Sentencing Policy; Department of Natural Resources; Maryland Department of the Environment; Comptroller's Office; Judiciary (Administrative Office of the Courts); Maryland Association of Counties; Montgomery County Public Schools; Maryland Environmental Service; Morgan State University; Northeast Maryland Waste Disposal Authority; Office of the Public Defender; Prince George's County Public Schools; Department of Public Safety and Correctional Services; State's Attorneys' Association; University System of Maryland; Maryland Department of Transportation; Department of Legislative Services

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