LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 30, 2005

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **HB3252** by Ritter (Relating to imposition of a fee to provide permanent funds for use in the protection of the Texas coast, including Texas beaches.), **As Introduced**

The bill would generate additional revenue for the State of Texas; however, this revenue gain cannot be quantified.

The bill would require a fee of five cents per beverage container to be applied to each beverage offered for sale to be consumed on a facility's (such as a bar or restaurant) premises. The fee would apply to alcoholic or nonalcoholic, carbonated or noncarbonated beverages packaged in metal, glass, plastic, or paper. The bill directs that the container fee revenue collected be deposited to the credit of the Coastal Erosion Response Account, but this account was abolished in funds consolidation legislation adopted by the Seventy-seventh Legislature. As such, any fee revenue under this bill would be deposited to the General Revenue Fund.

The bill also provides that facilities shall receive up to 2.5 cents per beverage container if the facility has an on-site recycling program approved by the General Land Office (GLO). The GLO anticipates that the costs involved in this approval process can be absorbed within existing resources.

Although data on the number of beverage containers sold is available, the distribution between beverages sold for off-premise consumption as opposed to on-premise consumption is not readily available. As a result, it is difficult to quantify the number of beverage containers that would be subject to the fee. In addition, there are questions as to whether the fee would be applied per container or per use of container, and how the fee would be applied by facilities where consumers have the option to consume beverages on- or off-premises.

Based on the assumptions listed below, this new fee could generate as much as $166.7 million ($38.7 million in alcoholic beverage sales and $128 million in non-alcoholic beverage sales) per fiscal year. The revenue retained by the State would depend on the number of facilities that operate on-site recycling programs. For example, if 50 percent of facilities collecting the fee operated on-site recycling programs then revenues retained by the State would be reduced by 50 percent, and so on. The revenue assumptions are as follows:

- $3.1 billion generated in mixed beverage receipts per fiscal year;
- An average drink cost of $4 per alcoholic beverage;
- $32 billion is spent in Texas on meals and non-alcoholic beverages per fiscal year;
- 10 percent of that $32 billion is spent on non-alcoholic beverages; and
- An average drink cost of $1.25 per non-alcoholic beverage.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board

LBB Staff: JOB, SD, ZS, JF