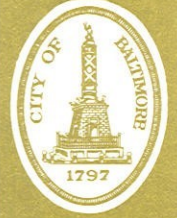


Andrew Klein

FROM	NAME & TITLE	Andrew Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of Budget and Management Research Department of Finance
	SUBJECT	City Council Bill No.10-0474 Beverage Container Surcharge

CITY of
BALTIMORE
MEMO



TO

DATE:

April 12, 2010

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall

This bill proposes a new four cent tax on beverage containers sold in the City in Baltimore. All containers less than two liters would be subject to the surcharge excluding dairy, dairy substitutes and beverages containing at least 10% juice. The surcharge would be paid by the beverage distributor to the City's Department of Finance.

Analysis

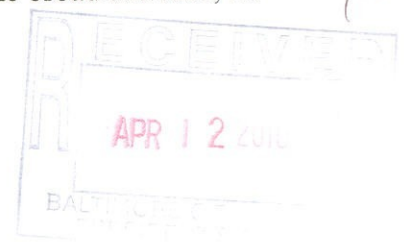
The tax will have several behavioral implications. First it is designed to encourage the use of refillable containers, which in turn would reduce oil consumption and liter at the same time. The bill also encourages citizens to drink more of the City of Baltimore's high quality tap water instead of bottled tap water from other cities.

With the addition of the surcharge, the price will better approximate the true cost of the products, particularly the social cost of health and litter. Recently, Chicago enacted \$0.05 per bottle tax on bottled water to help reduce landfill requirements.

The City enacted a similar bill in 1989, which placed a tax on all non-reusable bottles (City Code Article 28.91). The bill placed a two cents tax on containers less than 16 ounces and a four cents tax on containers over 16 ounces. While in place, the tax collected significant sums of revenue peaking at \$7 million a year.

Fiscal Impact

This is a broad based tax which permits a low tax rate, which is spread across most of the City's residents creating significant revenue for the City. Because of the broad tax base, no single group of citizens will bear an excessive burden from the tax.



Citizen Impact of Proposed Bottle Tax		
	Average Usage	Surcharge
All Bottles per Person	675	\$0.04
Weekly	13.0	\$0.52
Monthly	56	\$2.25
Annual	675	\$27.00
Water Bottles per Person	73	
Weekly	1.4	\$0.06
Monthly	6	\$0.24
Annual	73	\$2.92
All Bottles per Household	1825	
Weekly	35.1	\$1.40
Monthly	152	\$6.08
Annual	1,825	\$73.00
Water Bottles per Household	197	\$0.04
Weekly	3.8	\$0.15
Monthly	16	\$0.66
Annual	197	\$7.89

Our research indicates that the average Baltimore resident consumes 675 beverage bottles per person per year. Of those 675 bottles, 73 are water bottle containers. Assuming a four cents surcharge and factoring in exemptions and a two month implementation lag, it is expected the surcharge will generate an additional \$11.4 million dollar revenue stream for FY 2011.

Recommendation

The Finance Department strongly urges the passage of this surcharge as it will provide the City with a significant amount of new revenue.