

Multiple Agency Fiscal Note Summary

Bill Number: 1607 2S HB	Title: Recycling & waste reduction
--------------------------------	---

Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	2,930,000	3,310,000	3,310,000	5,140,000	5,990,000	5,990,000	17,170,000	20,040,000	20,040,000
Department of Ecology	0	0	1,887,809	0	0	0	0	0	473,570
Total \$	2,930,000	3,310,000	5,197,809	5,140,000	5,990,000	5,990,000	17,170,000	20,040,000	20,513,570

Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of Attorney General	Fiscal note not available											
Department of Revenue	.1	17,500	17,500	17,500	.0	0	0	0	3.7	741,900	741,900	741,900
Department of Ecology	3.1	0	0	1,023,541	2.6	0	0	864,268	1.4	0	0	473,570
Environmental and Land Use Hearings Office	.0	0	0	0	.0	9,507	9,507	9,507	.1	35,792	35,792	35,792
Total \$	3.2	17,500	17,500	1,041,041	2.6	9,507	9,507	873,775	5.2	777,692	777,692	1,251,262

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	Fiscal note not available								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	.0	0	0	.0	0	0	.0	0	0
Environmental and Land Use Hearings Office	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Lisa Borkowski, OFM	Phone: (360) 742-2239	Date Published: Preliminary 3/10/2025
---	---------------------------------	---

Department of Revenue Fiscal Note

Bill Number: 1607 2S HB	Title: Recycling & waste reduction	Agency: 140-Department of Revenue
--------------------------------	---	--

Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	620,000	2,310,000	2,930,000	5,140,000	17,170,000
Workforce Education Investment Account-State 01 - Taxes 05 - Bus and Occup Tax		380,000	380,000	850,000	2,870,000
Total \$	620,000	2,690,000	3,310,000	5,990,000	20,040,000

Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2		0.1		3.7
Account					
GF-STATE-State 001-1	17,500		17,500		741,900
Total \$	17,500		17,500		741,900

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒

If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☒

Requires new rule making, complete Part V.

Legislative Contact: Dan Jones	Phone: (360) 786-7118	Date: 02/28/2025
Agency Preparation: Sara del Moral	Phone: (360) 534-1525	Date: 03/04/2025
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 03/04/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 03/04/2025

Request # 1607-4-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Note: This fiscal note reflects language in 2SHB 1607, 2025 Legislative Session.

This fiscal note only addresses sections 2 through 5, 8, 14, 18, 26, 27, and 32 of the bill, which impact the Department of Revenue (department).

COMPARISON OF THE SECOND SUBSTITUTE BILL WITH THE SUBSTITUTE:

The second substitute bill changes the recycling refund program's implementation date from July 1, 2028, to July 1, 2029, or six months after Ecology approves its implementation plan, whichever is later.

CURRENT LAW:

PRODUCER RESPONSIBILITY AND PRODUCT STEWARDSHIP PROGRAMS

Washington has established several product stewardship programs, which regulate end-of-life management of certain products, such as pharmaceuticals and paint.

Stewardship organizations collect, transport, and provide end-of-life management for products covered under each stewardship program. In most cases, the producers of the products must participate in a stewardship organization and pay fees to support its activities.

BUSINESS AND OCCUPATION (B&O) TAX

The business and occupation (B&O) tax is a gross receipts tax measured on the value of products, gross proceeds of sale, or gross income of each taxpayer with no deduction for costs and expenses.

The B&O tax rate varies by classification. The tax rate for the service and other activities classification is determined by the amount of taxable service and income from other activities in the prior calendar year. The rates are as follows:

- 1.50% for taxpayers with less than \$1 million of taxable service and other activities income.
- 1.75% for taxpayers with \$1 million or more of taxable service and other activities income.

For retailing activities, the tax rate is 0.471%.

The B&O tax applies to businesses, nonprofits, and other entities.

RETAIL SALES TAX

The Washington retail sales tax is a consumption tax imposed on the sale of most goods and some services within the state. Businesses collect the tax at the point of sale. The statewide base rate is 6.5%, but local jurisdictions add their own rates, making the total rate vary by location. Certain items, such as groceries and prescription drugs, are exempt.

The sales of returnable beverage containers are exempt from retail sales tax.

LITTER TAX

A litter tax is paid by manufacturers, wholesalers, and retailers of products that contribute to the litter problem in Washington. Among other products, the litter tax applies to soft drinks, carbonated beverages, glass containers, and metal containers. The litter tax rate is 0.015%.

PROPOSAL:

BEVERAGE CONTAINER RECYCLING REFUND PROGRAM

The Department of Ecology (Ecology) must oversee a recycling refund program for covered beverage containers. Under the program, a beverage container producer must be part of a recycling refund producer responsibility organization (PRO) to sell or supply beverage containers in Washington.

The bill requires all covered beverage containers sold in Washington to have a refund value of 10 cents. Retailers of beverage containers must separately charge the refund on receipts, invoices, and billing documents given to consumers. Retail establishments of over 20,000 square feet must sell redemption bags at a price determined by the PRO.

The PRO must implement the recycling refund program by July 1, 2029, or six months after Ecology approves its implementation plan, whichever is later.

The PRO must accept beverage container refund amounts from retailers.

To fund the program, a producer must pay fees to the PRO. The first fees may be due as early as April 15, 2026.

BUSINESS AND OCCUPATION (B&O) TAX

The bill adds a deduction to the B&O tax for the refund value of covered beverage containers. To qualify for the deduction, the refund value must be separately stated on a receipt, invoice, or similar billing document.

LITTER TAX

The bill adds an exemption to the litter tax for the refund value of covered beverage containers if the charge is separately stated on an invoice.

NEW TAX PREFERENCE REQUIREMENTS

The new tax preference performance provisions do not apply to the B&O deduction and the litter tax exemption (see section 32).

DEFINITIONS

"Covered beverage container" means any beverage container subject to a recycling refund, including but not limited to glass, plastic, and metal cans or bottles with a capacity of one gallon or less.

"Producer" means the brand owner who is responsible for the brand visible on a covered beverage container and for compliance with the recycling refund program. Government entities, 501(c)(3) charitable organizations, and 501(c)(4) social welfare organization are not producers.

"Recycling refund producer responsibility organization" means a 501(c)(3) nonprofit corporation created by a group of recycling refund covered beverage container producers to implement the recycling refund program.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- B&O tax applies to all PRO revenues, from producer fees and from bottle deposits.
- The PRO collects fees from producers to cover all program implementation costs, including Ecology's implementation costs and other program costs.
- The PRO also collects bottle deposit amounts from retailers.
- No data is available to estimate redemption bag sales. The revenue impact of these sales is indeterminate.
- Producers pay their first fees to the PRO around April 15, 2026.
- Ecology will adopt rules adjusting due dates as follows:
 - The PRO's first plan will be due in July 2029
 - The PRO will begin program implementation in July 2030.
- This estimate inflates projected PRO revenues from historical California values using the consumer price index for all urban consumers for the Seattle area.
- Per capita operating costs for the proposed program are similar to those observed for California's program.
- Only one PRO will operate.
- All retailers will separate the deposit from the retail sale amount.

DATA SOURCES:

- Bureau of Labor Statistics, CPI-U for Los Angeles-Long Beach-Anaheim, CA
- CalRecycle, Annual reports
- Department of Ecology, Assumptions
- Economic and Revenue Forecast Council, November 2024 forecast
- Office of Financial Management, State population forecast.
- State of California, Historical Population and Housing Estimates

REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$620,000 in the two months of impacted collections in fiscal year 2026, and by \$2.69 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 620
FY 2027 -	\$ 2,690
FY 2028 -	\$ 2,960
FY 2029 -	\$ 3,030
FY 2030 -	\$ 5,720
FY 2031 -	\$ 14,320

Local Government, if applicable (cash basis, \$000): None

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

Request # 1607-4-1

- This bill affects 59,000 retailers of containers requiring the collection of a deposit and one organization registering as the PRO.
- The department will not incur any costs in fiscal years 2027, 2028, and 2029.

FIRST YEAR COSTS:

The department will incur total costs of \$17,500 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.17 FTE.

- Create a special notice and update relevant information on the department's website.
- Amend one administrative rule.

FIFTH YEAR COSTS:

The department will incur total costs of \$217,000 in fiscal year 2030. These costs include:

Labor Costs – Time and effort equate to 1.77 FTEs.

- Set up, program, and test computer system changes.
- Respond to data requests and questions, compile statistics, and manage data.
- Create special notices and update relevant information on the department's website.

Object Costs - \$30,300.

- Computer system changes, including contract programming.
- Print and mail a special notice, documents, correspondence, and returns.

SIXTH YEAR COSTS:

The department will incur total costs of \$524,900 in fiscal year 2031. These costs include:

Labor Costs – Time and effort equate to 5.7 FTEs.

- Receive mail and paper correspondence, key in tax return information, process paper documents for scanning and verify imaging, index data items.
- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email, web message and paper correspondence.
- Examine accounts and make corrections as necessary.
- Respond to data requests and questions, compile statistics, and manage data.
- Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions and tax return preparation.
- Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for the review of a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

Object Costs - \$4,400.

- Computer system changes, including contract programming.
- Print and mail documents, correspondence, and returns.
- Purchase of two additional agent seat licenses for the Telephone Information Center.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2		0.1		3.7
A-Salaries and Wages	11,200		11,200		420,500
B-Employee Benefits	4,000		4,000		151,300
C-Professional Service Contracts					28,100
E-Goods and Other Services	1,800		1,800		114,400
J-Capital Outlays	500		500		27,600
Total \$	\$17,500		\$17,500		\$741,900

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
EMS BAND 4	135,635	0.0		0.0		
EXCISE TAX EX 2	59,844					0.7
EXCISE TAX EX 3	66,012					0.4
FORMS AND RECORDS ANALYSIS	43,716					1.3
1						
IT B A-JOURNEY	94,728					0.2
MGMT ANALYST4	78,468	0.0		0.0		
TAX INFO SPEC 1	47,988					0.8
TAX INFO SPEC 2	51,588					0.2
TAX INFO SPEC 3	62,892					0.1
TAX POLICY SP 2	80,460	0.1		0.0		0.1
TAX POLICY SP 3	91,068	0.1		0.0		0.2
TAX POLICY SP 4	98,040	0.0		0.0		
WMS BAND 2	101,410	0.0		0.0		0.0
WMS BAND 3	115,352	0.0		0.0		
Total FTEs		0.2		0.1		3.7

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Request # 1607-4-1

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the expedited process to amend WAC 458-20-243, titled: "Litter tax."

This rulemaking would affect beverage container producers and beverage retailers.

Individual State Agency Fiscal Note

Revised

Bill Number: 1607 2S HB	Title: Recycling & waste reduction	Agency: 461-Department of Ecology
--------------------------------	---	--

Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2026	FY 2027	2025-27	2027-29	2029-31
Recycling Refund Program Account-Non-Appropriated NEW-6	1,887,809		1,887,809		473,570
Total \$	1,887,809		1,887,809		473,570

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.8	3.4	3.1	2.6	1.4
Account					
Waste Reduction/Recycling/Litter Control-State 044-1	379,486	0	379,486	0	0
Recycling Refund Program Account-Non-Appropriated NEW-6	72,247	571,808	644,055	864,268	473,570
Total \$	451,733	571,808	1,023,541	864,268	473,570

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒

If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐

If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐

Capital budget impact, complete Part IV.

☒

Requires new rule making, complete Part V.

Legislative Contact: Dan Jones	Phone: 360-786-7118	Date: 02/28/2025
Agency Preparation: Fahad Kazi	Phone: 564-233-9372	Date: 03/05/2025
Agency Approval: Garret Ward	Phone: 360-789-7938	Date: 03/05/2025
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 03/10/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

Compared to SHB 1607, 2SHB 1607 makes the following changes that would affect the impact to Ecology:

2SHB 1607 Section 4 would require a June 1, 2026, one-time PRO payment, in lieu of the annual fee, to the department for costs from the effective date of this section (July 2025) through implementation of this section (July 1, 2029). It would require the PRO to submit an annual registration fee to Ecology by July 1, 2027, and annually thereafter to fund Ecology costs. It would require the PRO to submit a payment January 1, 2028, to pay Ecology for funds used from the waste reduction, recycling, and litter control account for implementation, administration and enforcement costs incurred; and would set a program plan implementation date of July 1, 2029, or six months after plan approval, whichever is later.

These changes would change the revenues collected by Ecology.

Under current law, Chapter 70A.205 RCW, county and city governments, with state oversight, are required to provide for safe waste management, including waste reduction and source separation strategies, and to process and dispose of remaining wastes in a manner that is environmentally safe and economically sound.

Local governments are responsible for providing access to recycling services for their residents through curbside services and/or drop boxes. Department of Ecology (Ecology) provides technical assistance to local jurisdictions as they develop solid waste management plans that identify the materials considered recyclable (in the curbside bin or drop box) in their jurisdiction. Ecology also provides grant funding to support local government programs, including some recycling program

Under current law, Chapter 81.77 RCW, the Utilities and Transportation Commission (UTC) regulates solid waste collection companies that operate in unincorporated areas and in cities and towns that do not choose to contract for or provide their collection services. Solid waste collection companies must obtain a certificate from the UTC to operate. The UTC reviews and approves collection rates charged by solid waste collection companies to these areas.

This bill would create a recycling refund program for beverage containers. This program would be operated by one or more producer responsibility organization (PRO). PRO programs operate with Ecology oversight and enforcement.

Section 3 – Producer Responsibilities:

Producers would be required to be member of the PRO beginning April 15, 2026, and provide required information. Producers would be required to finance a PRO to implement a statewide program for covered beverage containers that encourage waste reduction, recycling, and reuse. Producers not in compliance by October 1, 2026, would be prohibited from selling beverage containers in Washington.

Section 4 – Recycling Refund PRO Responsibilities:

The PRO would be required to register with Ecology beginning March 1, 2026. By June 1, 2026, submit a one-time payment to Ecology to cover the previously incurred costs and future estimated costs of the department under this chapter from the effective date of this section through implementation of this section.

The PRO would, by July 1, 2027, and annually thereafter, submit an annual registration fee to Ecology to fund all costs to implement, administer, and enforce the chapter.

By January 1, 2028, the PRO would submit an amount to the department equal to the amount withdrawn through June 30, 2027, from the waste reduction, recycling, and litter control account created under RCW 70A.200.140 for the purposes of

implementation, administration, and enforcement of this chapter.

By January 30, 2027, and every year thereafter, until the program has begun, the PRO would be required to submit to Ecology a list of registered producers, their brands, and total gross unit sales volume sold in Washington during the preceding year. By July 1, 2027, or six months after rule adoption, whichever is later, and every five years thereafter, the PRO would be required to submit a plan to Ecology. By July 1, 2029, or six months after plan adoption, whichever is later, the PRO would be required to implement the approved plan.

The PRO would be required to maintain a registry of all producers, collect fees, accept adequate refund value from retailers, submit annual reports, ensure the plan is administered in compliance with the consumer education plan, consider and respond to the advisory council, maintain a website that includes searchable redemption sites and offers education materials, notify Ecology within 30 days of a change made to high level PRO staff or board membership, notify Ecology of fraudulent redemption, and provide fair compensation for costs associated with redemption sites.

Section 5 – Ecology Responsibilities:

Ecology would be authorized to adopt rules as necessary to implement, administer, and enforce this chapter. By January 1, 2026, Ecology would be required to appoint initial membership of the advisory council. By March 15, 2026, Ecology would be required to accept the registration of the PRO. By May 1, 2026, and every May 1st thereafter, Ecology would be required to set the annual registration fee to be paid by the PRO to cover the upcoming fiscal year costs. Ecology would be required to approve, deny, or request additional information on the draft recycling refund program plan from the PRO within 120 days. Ecology's review of the plan would include the consumer education plan required by Section 7. Ecology would be required to post the plan on its website and include a 45-day public comment period. Ecology would be required to provide written reasons for plan rejection to the PRO, and the PRO would have 60 days to respond. Ecology would then have 60 days to approve or disapprove the new plan. Ecology would be required review annual reports, make them available for public review and comment for at least 30 days, and review the annual report within 120 days. Ecology would be required to establish a website to share with the public registration materials from the PRO, the plan or amendment to the plan; and provide list of covered beverages containers.

Section 7 – Recycling Refund Advisory Council:

Ecology would be required to establish a 15-member advisory council by January 1, 2026. Ecology would facilitate the council with the option to contract with a third-party facilitator. The advisory council would review the recycling refund program plan, program audits, annual reports, and ensure the PRO and Ecology are considering a broad range of perspectives in developing and implementing program plans.

Section 20 – Reporting:

Beginning April 30, 2029, and each year thereafter, the PRO would be required to include specific criteria in the annual report it would submit to Ecology. Ecology would be authorized to request no more than once annually, that the data be audited by an independent third party at the cost to the PRO. The PRO would be allowed to request Ecology keep PRO submitted information or data confidential in accordance with Chapter 43.21A.160 RCW.

Section 21 – Failing performance targets:

If a PRO were to fail to meet a performance target in the approved plan, they would be required to file an explanation to Ecology within 90 days of the annual report submittal. The PRO would be required to propose an amendment to the plan with operational changes to meet the performance targets. Ecology would be required to review and approve the PRO submitted plan amendment.

Section 22 - Material Recovery Facility Reports:

A material recovery facility or material processor that receives covered materials would be required to submit a report to Ecology by April 30, 2029, and each year thereafter. The report would include the amount of recycling refund materials accepted and the location of generation, the amount of material sold to the market, the amount of residue or waste generated, the end markets where materials were marketed, by region and type of end use, and verification that end markets are responsible and compliant with program requirements.

Section 24 – Enforcement:

Ecology would be authorized to impose civil penalties of \$1,000 per violation a day, and up to \$10,000 per violation per day for the second and subsequent violations, on producers or the PRO out of compliance. Ecology would be required to provide at least one notice of violation prior to assessing a penalty, and penalties could be assessed 60 days after the notice was sent. Ecology would be authorized to take a combination of five additional actions for PRO noncompliance, which would include issuing a corrective action order, issuing an order to provide for continued implementation of the program in absence of an approved plan, revoking the PRO plan approval, requiring the PRO to revise or resubmit a plan within a specified timeline, and requiring additional reporting related to the area of non-compliance.

Ecology would be authorized to send written warnings to a person distributing or selling noncompliant covered products, failure to comply could lead to a penalty that is twice the value of the item sold or \$500, whichever is greater.

Penalties would be appealable to the pollution control hearings board. Ecology would be required to consider requests for enforcement actions from the advisory council. Penalties levied under this section would be deposited into the recycling enhancement account created in chapter 70A.245.100 RCW.

Section 25 – Recycling Refund Program Account

The Recycling Refund Program account would be created in the custody of State Treasurer. All receipts received by Ecology under this chapter would be deposited in this account and would only be used by Ecology to implement, administer, and enforce the requirements of this chapter.

Section 30 – Recycling Enhancement Account

The Recycling Enhancement Account, chapter 70A.245.100 RCW, would be used to deposit all the penalties from section 24. Expenditures from the account may be used by the department only for providing grants to local governments for the purpose of supporting local solid waste and financial assistance programs.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

The cash receipts impact to Ecology under this bill is estimated to be greater than \$50,000 in Fiscal Year (FY) 2027 and ongoing in implementing sections 3, 4, 5, 7, 20, 21, 22, 24, and 25.

Section 4 (3) would require the PRO to submit a one-time payment to Ecology by June 1, 2026 (FY 2026) to cover the costs of Ecology from the effective date of the section through the implementation of the section. Ecology assumes this one-time payment would cover costs from July 1, 2025, to July 1, 2029, upon program implementation. Ecology does not assume any expenses on July 1, 2029, and, therefore, costs and cost reimbursements included in the one-time payment would be for FY 2026 through FY 2029 (July 1, 2025, to June 30, 2029).

Section 4 (4) would require the PRO to submit an annual registration fee to Ecology for all costs by July 1, 2027, and annually thereafter.

Section 4 (5) would require the PRO to submit an amount to Ecology equal to the amount withdrawn through June 30, 2027, from the Waste Reduction, Recycling, and Litter Control Account (WRRLCA) created under RCW 70A.200.140 for the purposes of implementation, administration, and enforcement of this chapter by January 1, 2028. Given this sub-section does not explicitly state that the amount would be deposited in WRRLCA and that section 25 mentions that all receipts under this chapter must be deposited in the Recycling Refund Program Account, Ecology assumes this amount would be deposited in the newly created Recycling Refund Program Account. However, Ecology assumes this payment would not be required as the June 1, 2026, PRO payment would cover the cost to Ecology from July 1, 2025, through July 1, 2029, including the costs funded by WRRLCA.

Section 5 (1)(e) would require Ecology to assess an annual registration fee that would cover the costs to implement, administer and enforce this chapter for the upcoming fiscal year beginning May 1, 2026, and every May 1st thereafter. Ecology assumes the one-time payment due by June 1, 2026, would cover Ecology's implementation costs from July 1, 2025 through June 30, 2029 (FY 2026 through FY 2029) and would be collected in-lieu of the annual registration fee (per Section 4(4)). Ecology's first registration fee collection would be invoiced to the PRO on May 1, 2029, registration fee collection would first occur by July 1, 2029 (FY 2030) and would fund Ecology costs for the coming fiscal year (FY 2030). All subsequent fee collections would fund the costs of the upcoming fiscal year.

Section 25 would create the Recycling Refund Program Account. All receipts received by Ecology under this chapter would be deposited in this account and would only be used by Ecology to implement, administer, and enforce the requirements of this chapter. Ecology assumes the portion of the June 1, 2026, one-time payment would recover costs incurred by the Waste Reduction, Recycling, and Litter Control Account from July 1st, 2025, through May 30th of 2026 would be deposited into the Recycling Refund Program Account, as would be required by section 25.

Estimated Recycling Refund Program Account revenue:

FY 2026: \$1,887,809

FY 2027: \$0

FY 2028: \$0

FY 2029: \$0

FY 2030: \$236,785

FY 2031: \$236,785

Section 24 would allow Ecology to impose penalties on producers who violate this chapter. Penalties are assumed to be limited, but unknown, and therefore not estimated in the fiscal note. Penalties would be deposited in the Recycling Enhancement Account created in chapter 70A.245.100 RCW.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

The expenditure impact to Ecology under this bill is estimated to be greater than \$50,000 in Fiscal Year (FY) 2026 and ongoing to implement the requirements of sections 3, 4, 5, 7, 20, 21, 22, and 24.

Ecology assumes the Waste Reduction, Recycling and Litter Control Account (WRRLCA) would fund initial implementation of this bill until the one-time payment is received from the PRO on June 1, 2026. WRRLCA supports the state's responsibility for solid waste management, regulation, enforcement, technical assistance, and public education under chapter 70A.205 RCW. All costs incurred after June 1, 2026, would be funded out of the Recycling Refund Program Account that would be created in section 25 of this bill. Given the bill does not direct the proceeds from one-time payment to refund the account (WRRLCA) that fronts the cost of this chapter, the Recycling Refund Program Account (RRPA) would have a cash surplus at the end of FY 2029.

Ecology's responsibilities in this bill would include conducting rulemaking, annually notifying the PRO of agency costs and

collecting payment, facilitating the advisory council, approving PRO registration, reviewing and approving plan and annual reports from the PRO, receiving annual reports from material recovery facilities that receive covered products, requesting annual audits of PRO work, maintaining a website, posting, and maintaining a list of producers and brands provided by the PRO, reviewing PRO reason for failure to meet performance targets, and, if needed, issuing orders or imposing civil penalties on producers, PROs, or sales of noncompliant covered products.

RULEMAKING (Section 5)

Section 5 would authorize Ecology to adopt rules as necessary for the purpose of implementing, administering, and enforcing the chapter.

Based on previous experiences implementing other producer responsibility programs and consultations with the agency rules unit and the Attorney General's Office (AGO), Ecology assumes a two-year highly technical rulemaking process would be required. Ecology assumes three public meetings when developing draft rule language with a webinar option, and three public hearings for the proposed rule language would be required. Ecology assumes due to the time required for initial preparation, staffing, hiring and planning that rulemaking would begin January 1, 2026 (FY 2026) and be completed with rule adoption by January 1, 2028 (FY 2028).

Rule development for this program would include clarifying definitions and the convenience standards, establishing plan content requirements necessary to fulfill the intent of the bill, establishing elements to be included as annual reporting requirements necessary to determine the program's compliance, verification requirements, establishing processes for plan approvals, and any other requirements.

Ecology assumes the following positions would be necessary to conduct initial rulemaking:

A rulemaking coordinator would oversee the rulemaking process to comply with the Administrative Procedures Act; prepare the rule development and communication plan; prepare and file the CR-101; coordinate and conduct three meetings for public outreach; file the CR-102 and hold three public hearings with webinar access; work with the economist on economic analysis; work with technical staff to finalize rule language; and file the CR-103 for adoption. This is estimated to require 0.15 FTE Regulatory Analyst 3 (RA-3) in FY 2026, 0.15 FTE in FY 2027, and 0.08 FTE in FY 2028.

A rulemaking lead would provide technical support to the rule coordinator; identify interested and impacted parties; coordinate meetings and public outreach; draft rule language; write rule-related documents such as responsiveness summaries and rule development documents; develop enforcement and fee allocation guidance documents; prepare information for the economic analysis; and respond to questions. This is estimated to require 0.60 FTE Environmental Planner 4 (EP-4) in FY 2026, 0.75 FTE EP-4 in FY 2027, and 0.56 FTE EP-4 in FY 2029.

A subject matter expert would advise on the technical aspects of beverage container collection and various reuse, refill, and recycling technologies. This is estimated to require 0.20 FTE Environmental Specialist 4 (ES-4) in FY 2026, FY 2027, and FY 2028.

Technical support staff would collect data, support analysis of potential policy outcomes, provide support to the rulemaking lead and subject matter experts, and coordinate with communications staff to provide technical support for public outreach. This would include any needs for regional support. This is estimated to require 0.42 FTE ES-4 in FY 2026, 0.50 FTE in FY 2027 and 0.38 FTE in FY 2028.

Technical support staff would assist with HEAL Act requirements and act as an Environmental Justice Lead. This is estimated to require 0.20 FTE EP-4 in FY 2026, 0.20 FTE in FY 2027, and 0.20 FTE in FY 2028.

A communications lead would coordinate an outreach strategy and media engagement. This would require 0.12 FTE Communications Consultant 5 (CC-5) in FY 2026, 0.10 FTE in FY 2027, and 0.08 FTE in FY 2028.

A website lead would coordinate with the rulemaking lead on a public website for the rulemaking process. This would require 0.08 FTE Communications Consultant 3 (CC-3) in FY 2026, 0.08 FTE in FY 2027, and 0.08 FTE in FY 2028.

An outreach coordinator would organize public meetings, prepare informational materials, and respond to questions throughout the rulemaking process. This would require 0.08 FTE Community Outreach & Environmental Education Specialist 3 (COEES-3) in FY 2026, 0.10 FTE in FY 2027, and 0.08 FTE in FY 2028.

Economic research staff would complete economic and regulatory analysis in support of the rule as required by law. This is estimated to require 0.25 FTE of an Economic Analyst 3, and 0.10 FTE of a Regulatory Analyst 2 in FY 2028.

One public meeting would be held in FY 2026, two public meetings in FY 2027 and three public hearings would be held in FY 2028. Cost estimates include facility rental costs, estimated at \$1,000 per meeting for a total of \$1,000 in FY 2026 and \$2,000 in FY 2026 and \$3,000 in FY 2027 - in Object E.

A third-party facilitator would convene and facilitate the meetings. The rate per meeting is estimated to be \$3,000 for a total cost of \$3,000 in FY 2026, \$6,000 in FY 2027 and \$9,000 in FY 2028 - in Object C.

Technical Assistance (sections 3, 4, 5, 7, 20, 21, 22, and 24)

Based on experience implementing extended producer responsibility programs, Ecology assumes technical assistance would be required to field questions from the PRO, provide feedback on draft plans, and provide support and guidance on notifying interested and impacted parties of the program and its requirements. Ecology assumes monthly meetings with the PRO through the first year of plan implementation. There would be ongoing routine technical assistance to interested parties including other stewardship organizations, retailers, beverage producers, recyclers, and members of the public. The need for technical assistance would be ongoing and include review of any plan performance target failure reports. Ecology assumes it would provide the PRO with information on socially vulnerable populations and overburdened communities to support overall program development (section 3), the establishment of a collection network (section 10), and the development of outreach and education materials (section 6). Ecology estimates that this work would require 0.25 FTE EP-4 in FY 2026 and increase to 0.50 FTE EP-4 each year in FY 2027 and ongoing.

Website Development and Management (Sections 5)

Section 5 would require Ecology to create and maintain a website related to this program, and post and maintain a list of producers and brands participating in this program. Ecology estimates 0.10 FTE CC-3 in FY 2026 to initially create the website, dropping to 0.05 FTE in FY 2027 and ongoing to maintain and keep the website current.

Advisory Council (Section 7)

Section 7 would require Ecology to establish the advisory council by January 2026. Ecology would consult with this advisory council during program implementation efforts and ongoing. The work to establish the council would be conducted by Ecology and Ecology would begin soliciting potential members in September of 2025. Facilitation of the council would be conducted by a third-party facilitator hired and overseen by Ecology.

Beginning in FY 2026, Ecology would help plan and attend council meetings, oversee the third-party facilitator, manage the facilitator contract, and provide other staff support to the council. Ecology assumes the advisory council would meet quarterly beginning FY 2026 through FY 2028, and less frequently in FY 2029 and ongoing. Ecology anticipates the level of effort to convene and manage this advisory council would be similar to the plastic stakeholder effort conducted in 2021 (ESSB 5022, section 9, 2021 legislative session). Ecology estimates 0.25 FTE EP-4 in FY 2026, FY 2027 and FY 2028, and 0.15 FTE EP-4 in FY 2029 and ongoing.

Ecology assumes a contract with a professional facilitator would be required to coordinate council meetings, set agendas, schedule meeting, prepare materials, take notes, prepare council comments on Ecology and PRO activities, and assist the council in development of bylaws and charter. The facilitator would work with the council's diverse membership to provide

comments and recommendations to Ecology and the PRO on the implementation of the recycling refund program and PRO prepared plans and annual reports. Ecology assumes all advisory council meetings would be held remotely. Ecology assumes the facilitator would provide reimbursement for lived experience according to the HEAL Act (RCW 70A.02).

Ecology estimates the cost of this professional services contract would be \$15,000 per advisory council meeting. Ecology assumes quarterly meetings would be required for the first three years to provide review and comment on program startup efforts. The advisory council would begin meetings in January 2026, meet quarterly starting in January 2026 and continue semiannual meetings ongoing after July 2029. Consultant costs are estimated at \$15,000 per meeting: \$30,000 in FY 2026 for two meetings, \$60,000 each year in FY 2027 and FY 2028 for four meetings, and \$30,000 in FY 2029 and ongoing for two meetings. These meetings would be held virtually, eliminating the need for travel reimbursement for staff and space rental expenses.

Plan Review and Approval (Section 3)

Section 4 would require the PRO to submit and implement a draft plan to Ecology by July 1, 2027, or six months after rule adoption, whichever is later. Ecology assumes rulemaking would conclude by January 1, 2028, which would require submission of the draft plan by July 1, 2028.

The bill would require Ecology to review the plan within 120 days for approval or disapproval. The PRO would be required to review the plan every 5 years and either submit to Ecology a plan revision, or Ecology would determine that a plan revision is not required. Ecology estimates 0.37 FTE EP-4 in FY 2029 to complete the review process for the first draft PRO plan and 0.15 FTE EP-4 in FY 2034 for the 5-year plan update.

Annual Report and Audits (Section 20)

Section 20 would require the PRO to submit a report to Ecology for the prior calendar year, including content as outlined in the bill by April 30, 2029, and annually thereafter. Ecology assumes the PRO plan would be implemented by no later than January 1, 2029, and the first report would reflect the first four months of implementation. Ecology would be required to determine if the annual report is compliant with the chapter. Ecology would be authorized to annually require the PRO to complete a third-party audit of the PRO program. Ecology estimates 0.25 FTE EP-4 in FY 2029 and ongoing to review annual reports and conduct PRO program audits.

Material Recovery Facility Annual Reporting (Section 22)

Section 22 would require each material recovery facility or material processor that receives covered beverage container materials to report detailed data to Ecology beginning April 30, 2029, and each year thereafter. Given the plan would be first implemented by January 1, 2029; the first report will not cover a full year worth of detail. Based on current required reporting, staff would need to send annual data requests, along with reminders to facilities who are late. Ecology assumes 0.2 FTE ES-3 would be required in FY 2029 and ongoing to collect reports from 25 facilities and enter the data into a spread sheet developed for this purpose.

Enforcement (Section 24)

Section 24 would establish penalty provisions and authorize Ecology to conduct enforcement on producers and PRO noncompliance with the requirements of the chapter. Ecology would be authorized to enforce on the sales ban of noncompliant covered products on retailers, importer, distributors.

Ecology assumes the purpose of the penalty would be to ensure compliance and that Ecology would issue warning letters and provide technical assistance to gain compliance. We assume minimal enforcement actions - two warning letters per year. Ecology assumes enforcement guidance would be necessary. Ecology estimates 0.05 FTE EP-4 in FY 2027 and ongoing to develop an enforcement guidance document and to conduct enforcement activities.

Office of Attorney General

Upon consultation with the Attorney General Office (AGO), Ecology assumes 0.03 FTE Assistant Attorney General (AAG) and 0.01 FTE Legal Assistant 3 (LA) for a total cost of \$9,000 each year in FY 2026, 0.04 FTE AAG and 0.02 FTE LA for \$11,000 in FY 2027, 0.03 FTE AAG and 0.01 FTE for \$9,000 in FY 2028, and 0.02 FTE AAG and 0.01 FTE LA for \$6,000 in FY 2029 and ongoing for advice on general implementation and enforcement.

SUMMARY: The expenditure impact to Ecology under this bill is detailed below.

Rulemaking is estimated to require:

FY 2026: \$311,902 and 2.1 FTEs.

FY 2027: \$354,060 and 2.4 FTEs.

FY 2028: \$346,927 and 2.3 FTEs.

Technical Assistance is estimated to require:

FY 2026: \$43,786 and 0.3 FTEs.

FY 2027: \$87,574 and 0.6 FTEs.

FY 2028: \$87,574 and 0.6 FTEs.

FY 2029: \$87,574 and 0.6 FTEs.

FY 2030: \$87,574 and 0.6 FTEs.

FY 2031: \$87,574 and 0.6 FTEs.

Website Development and Management is estimated to require:

FY 2026: \$13,259 and 0.1 FTEs.

FY 2027: \$6,630 and 0.1 FTEs.

FY 2028: \$6,630 and 0.1 FTEs.

FY 2029: \$6,630 and 0.1 FTEs.

FY 2030: \$6,630 and 0.1 FTEs.

FY 2031: \$6,630 and 0.1 FTEs.

Advisory Council is estimated to require:

FY 2026: \$73,786 and 0.3 FTEs.

FY 2027: \$103,789 and 0.3 FTEs.

FY 2028: \$103,789 and 0.3 FTEs.

FY 2029: \$56,273 and 0.2 FTEs.

FY 2030: \$56,273 and 0.2 FTEs.

FY 2031: \$56,273 and 0.2 FTEs.

Plan Review and Approval is estimated to require:

FY 2028: \$64,804 and 0.4 FTEs.

Annual Report and Audits is estimated to require:

FY 2029: \$43,789 and 0.3 FTEs.

FY 2030: \$43,789 and 0.3 FTEs.

FY 2031: \$43,789 and 0.3 FTEs.

Material Recovery Facility is estimated to require:

FY 2029: \$27,760 and 0.2 FTEs.

FY 2030: \$27,760 and 0.2 FTEs.

FY 2031: \$27,760 and 0.2 FTEs.

Enforcement is estimated to require:

FY 2027: \$8,759 and 0.1 FTEs.

FY 2028: \$8,759 and 0.1 FTEs.
 FY 2029: \$8,759 and 0.1 FTEs.
 FY 2030: \$8,759 and 0.1 FTEs.
 FY 2031: \$8,759 and 0.1 FTEs.

Office of Attorney General is estimated to require:

FY 2026: \$9,000 and 0.0 FTEs.
 FY 2027: \$11,000 and 0.0 FTEs.
 FY 2028: \$9,000 and 0.0 FTEs.
 FY 2029: \$6,000 and 0.0 FTEs.
 FY 2030: \$6,000 and 0.0 FTEs.
 FY 2031: \$6,000 and 0.0 FTEs.

THE TOTAL EXPENDITURE IMPACT to Ecology under this bill is estimated to be:

FY 2026: \$451,733 and 2.8 FTEs.
 FY 2027: \$571,808 and 3.4 FTEs.
 FY 2028: \$562,679 and 3.3 FTEs.
 FY 2029: \$301,589 and 1.8 FTEs.
 FY 2030: \$236,785 and 1.4 FTEs.
 FY 2031: \$236,785 and 1.4 FTEs.

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 33.7% of salaries.

Professional Service Contracts are estimated to be \$33,000 in FY 2026, \$66,000 in FY 2027, \$69,000 in FY 2028, \$30,000 in FY 2029, \$30,000 in FY 2030, and \$30,000 in FY 2031. Personal Service Contracts includes third-party facilitation costs and consultant costs for the advisory council.

Goods and Services are the agency average of \$5,552 per direct program FTE. Goods and Services also includes facility rental costs, and office of attorney general expenses.

Travel is the agency average of \$2,398 per direct program FTE.

Equipment is the agency average of \$1,074 per direct program FTE.

Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 29.9% of direct program salaries and benefits, and is shown as object 9. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT App Development - Journey.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
044-1	Waste Reduction/Recycling /Litter Control	State	379,486	0	379,486	0	0
NEW-6	Recycling Refund Program Account	Non-Appropriated	72,247	571,808	644,055	864,268	473,570
Total \$			451,733	571,808	1,023,541	864,268	473,570

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.8	3.4	3.1	2.6	1.4
A-Salaries and Wages	222,612	268,524	491,136	407,242	218,744
B-Employee Benefits	75,019	90,493	165,512	137,241	73,716
C-Professional Service Contracts	33,000	66,000	99,000	99,000	60,000
E-Goods and Other Services	23,605	29,267	52,872	42,595	25,326
G-Travel	5,878	7,029	12,907	10,627	5,758
J-Capital Outlays	2,631	3,148	5,779	4,760	2,580
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Administrative Overhead	88,988	107,347	196,335	162,803	87,446
Total \$	451,733	571,808	1,023,541	864,268	473,570

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
COMM OUTRCH & ENVIRO ED SPEC 3	67,716	0.1	0.1	0.1	0.0	
COMMUNICATIONS CONSULTANT 3	71,148	0.2	0.1	0.2	0.1	0.1
COMMUNICATIONS CONSULTANT 5	93,348	0.1	0.1	0.1	0.0	
ECONOMIC ANALYST 3	95,652				0.1	
ENVIRONMENTAL PLANNER 4	95,652	1.3	1.8	1.5	1.4	1.0
ENVIRONMENTAL SPEC 3	74,724				0.1	0.2
ENVIRONMENTAL SPEC 4	86,712	0.6	0.7	0.7	0.3	
FISCAL ANALYST 2		0.2	0.3	0.3	0.2	0.1
IT APP DEVELOPMENT-JOURNE		0.1	0.2	0.1	0.1	0.1
REGULATORY ANALYST 2	88,800				0.1	
REGULATORY ANALYST 3	100,524	0.2	0.2	0.2	0.0	
Total FTEs		2.8	3.4	3.1	2.6	1.4

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact**IV. A - Capital Budget Expenditures**

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 5 would provide Ecology authority to adopt rules to implement this chapter.

Ecology assumes a new rule would be required for this bill in Chapter 173 Washington Administrative Code for the purpose of implementing, administering, and enforcing this chapter.

Individual State Agency Fiscal Note

Bill Number: 1607 2S HB	Title: Recycling & waste reduction	Agency: 468-Environmental and Land Use Hearings Office
--------------------------------	---	---

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.0	0.0	0.0	0.0	0.1
Account					
General Fund-State 001-1	0	0	0	9,507	35,792
Total \$	0	0	0	9,507	35,792

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Dan Jones	Phone: 360-786-7118	Date: 02/28/2025
Agency Preparation: Dominga Soliz	Phone: 3606649173	Date: 03/04/2025
Agency Approval: Dominga Soliz	Phone: 3606649173	Date: 03/04/2025
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 03/10/2025

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This bill creates a program to reduce, recycle, refill, and reuse covered beverage containers by creating and using recycling refund producer responsibility organizations (PROs) to manage producers of beverage containers. The program will begin with registration and fee requirements in mid-2026. Sec. 3; Sec. 4. Program plans must be submitted by July 1, 2027 and implemented by July 1, 2029. Sec. 4(7)-(8). The bill sets a refund value for beverage containers of \$0.10 that can be redeemed by customers when the container is recycled. Sec. 8(1). The bill anticipates/requires coordination with the paper and packaging PRO program (HB 1500 - if passed). Sec. 19.

Sec. 24 - Ecology may assess penalties for violations/lack of compliance. Sec. 24(1)-(3). Ecology may issue corrective action orders and orders to continue implementation in absence of a plan. Sec. 24(2)(b)(i) & (ii). These penalties and orders can be appealed to the Pollution Control Hearings Board (PCHB). Sec. 24(4).

Sec. 31 – The act is void if not funded.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

The Environmental and Land Use Hearings Office (ELUHO) assumes the Pollution Control Hearings Board's (PCHB) work on appeals resulting from the bill begins in January 2027.

ELUHO estimates 3 low complexity appeals (penalties and orders related to registration/fees) beginning in January 2027, with low complexity appeals dissipating after the first two years. We assume the low complexity appeals will likely resolve before hearing and, therefore, we assume the PCHB can absorb the work from January 2027 to January 2029.

We assume the bill will result in 1 average complexity appeal (appeals of plan approvals/denials and compliance) beginning in January 2029, ongoing. Average complexity appeals are estimated to require approximately 200 Administrative Appeals Judge (AAJ) hours to complete (100 prehearing hours + 100 hearing and post-hearing hours).

200 hours/appeal x 1 appeal = 200 AAJ hours from January 2029, ongoing.

The PCHB will need approximately 0.1 AAJ FTE beginning January 2029. ELUHO assumes 1.0 AAJ FTEs for every 2,080 hours worked.

AAJ FTE: The new AAJ will have knowledge of environmental law to assist with these new cases, based on the estimated number of AAJ hours per year. RCW 43.21B.005(2) authorizes the ELUHO director to appoint such AAJs to assist the PCHB. The AAJ FTE will not serve as a member of the PCHB, but will conduct legal research and writing, preside over hearings, make procedural and evidentiary decisions, mediate cases, draft Board memos and materials, and perform other legal duties to assist the PCHB.

An AAJ makes \$135,000 per year, plus related benefits estimated at \$37,098 per year, at current benefits rates. The agency needs a 0.1 AAJ FTE, so the salary would be \$13,500 per FY with related benefits totaling \$3,710 for this FTE beginning

January 2029, ongoing.

Goods and services for the 0.1 FTE are estimated at \$532 per FY, ongoing. Goods and services include communications, payroll processing, training, and other staff costs. Estimates include some travel at the low cost per diem rates. Also included is one-time equipment costs for furniture and computers of \$559 in FY29.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	0	0	0	9,507	35,792
Total \$			0	0	0	9,507	35,792

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years				0.0	0.1
A-Salaries and Wages				6,750	27,000
B-Employee Benefits				1,855	7,420
C-Professional Service Contracts					
E-Goods and Other Services				266	1,064
G-Travel				77	308
J-Capital Outlays				559	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	0	0	9,507	35,792

III. C - Operating FTE Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2026	FY 2027	2025-27	2027-29	2029-31
Administrative Appeals Judge	135,000				0.0	0.1
Total FTEs					0.0	0.1

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.



Multiple Agency Ten-Year Analysis Summary

Bill Number	Title
1607 2S HB	Recycling & waste reduction

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Department of Revenue	620,000	2,690,000	2,960,000	3,030,000	5,720,000	14,320,000	16,500,000	16,780,000	12,600,000	8,430,000	83,650,000
Department of Ecology	1,887,809	0	0	0	301,589	236,785	236,785	236,785	263,058	236,785	3,399,596
Environmental and Land Use Hearings Office	0	0	0	0	0	0	0	0	0	0	0
Total	2,507,809	2,690,000	2,960,000	3,030,000	6,021,589	14,556,785	16,736,785	17,016,785	12,863,058	8,666,785	87,049,596



Ten-Year Analysis

Bill Number 1607 2S HB	Title Recycling & waste reduction	Agency 140 Department of Revenue
----------------------------------	---	--

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☐ **No Cash Receipts**
☐ **Partially Indeterminate Cash Receipts**
☐ **Indeterminate Cash Receipts**

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Business and occupation tax	001	620,000	2,310,000	2,540,000	2,600,000	4,900,000	12,270,000	14,140,000	14,380,000	10,800,000	7,220,000	71,780,000
Business and occupation tax	24J		380,000	420,000	430,000	820,000	2,050,000	2,360,000	2,400,000	1,800,000	1,210,000	11,870,000
Total		620,000	2,690,000	2,960,000	3,030,000	5,720,000	14,320,000	16,500,000	16,780,000	12,600,000	8,430,000	83,650,000
Biennial Totals		3,310,000	5,990,000	20,040,000	33,280,000	21,030,000	83,650,000					

Narrative Explanation (Required for Indeterminate Cash Receipts)

Note: This fiscal note reflects language in 2SHB 1607, 2025 Legislative Session.

This fiscal note only addresses sections 2 through 5, 8, 14, 18, 26, 27, and 32 of the bill, which impact the Department of Revenue (department).

COMPARISON OF THE SECOND SUBSTITUTE BILL WITH THE SUBSTITUTE:

The second substitute bill changes the recycling refund program's implementation date from July 1, 2028, to July 1, 2029, or six months after Ecology approves its implementation plan, whichever is later.

CURRENT LAW:

PRODUCER RESPONSIBILITY AND PRODUCT STEWARDSHIP PROGRAMS

Washington has established several product stewardship programs, which regulate end-of-life management of certain products, such as pharmaceuticals and paint.



Ten-Year Analysis

Bill Number	Title	Agency
1607 2S HB	Recycling & waste reduction	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

Stewardship organizations collect, transport, and provide end-of-life management for products covered under each stewardship program. In most cases, the producers of products must participate in a stewardship organization and pay fees to support its activities.

BUSINESS AND OCCUPATION (B&O) TAX

The business and occupation (B&O) tax is a gross receipts tax measured on the value of products, gross proceeds of sale, or gross income of each taxpayer with no deduction for costs and expenses.

The B&O tax rate varies by classification. The tax rate for the service and other activities classification is determined by the amount of taxable service and income from other activities in the prior calendar year. The rates are as follows:

- 1.50% for taxpayers with less than \$1 million of taxable service and other activities income.
- 1.75% for taxpayers with \$1 million or more of taxable service and other activities income.

For retailing activities, the tax rate is 0.471%.

The B&O tax applies to businesses, nonprofits, and other entities.

RETAIL SALES TAX

The Washington retail sales tax is a consumption tax imposed on the sale of most goods and some services within the state. Businesses collect the tax at the point of sale. The statewide base rate is 6.5%, but local jurisdictions add their own rates, making the total rate vary by location. Certain items, such as groceries and prescription drugs, are exempt.

The sales of returnable beverage containers are exempt from retail sales tax.

LITTER TAX

A litter tax is paid by manufacturers, wholesalers, and retailers of products that contribute to the litter problem in Washington. Among other products, the litter tax applies to soft drinks, carbonated beverages, glass containers, and metal containers. The litter tax rate is 0.015%.

PROPOSAL:



Ten-Year Analysis

Bill Number	Title	Agency
1607 2S HB	Recycling & waste reduction	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

BEVERAGE CONTAINER RECYCLING REFUND PROGRAM

The Department of Ecology (Ecology) must oversee a recycling refund program for covered beverage containers. Under the program, a beverage container producer must be a part of a recycling refund producer responsibility organization (PRO) to sell or supply beverage containers in Washington.

The bill requires all covered beverage containers sold in Washington to have a refund value of 10 cents. Retailers of beverage containers must separately charge the refund on receipts, invoices, and billing documents given to consumers. Retail establishments of over 20,000 square feet must sell redemption bags at a price determined by the PRO.

The PRO must implement the recycling refund program by July 1, 2029, or six months after Ecology approves its implementation plan, whichever is later.

The PRO must accept beverage container refund amounts from retailers.

To fund the program, a producer must pay fees to the PRO. The first fees may be due as early as April 15, 2026.

BUSINESS AND OCCUPATION (B&O) TAX

The bill adds a deduction to the B&O tax for the refund value of covered beverage containers. To qualify for the deduction, the refund value must be separately stated on receipt, invoice, or similar billing document.

LITTER TAX

The bill adds an exemption to the litter tax for the refund value of covered beverage containers if the charge is separately stated on an invoice.

NEW TAX PREFERENCE REQUIREMENTS

The new tax preference performance provisions do not apply to the B&O deduction and the litter tax exemption (see section 32).

DEFINITIONS

"Covered beverage container" means any beverage container subject to a recycling refund, including but not limited to glass, plastic, and metal cans or bottles with a capacity of one gallon or less.

"Producer" means the brand owner who is responsible for the brand visible on a covered beverage container and for compliance with the recycling refund program.



Ten-Year Analysis

Bill Number	Title	Agency
1607 2S HB	Recycling & waste reduction	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

Government entities, 501(c)(3) charitable organizations, and 501(c)(4) social welfare organization are not producers.

"Recycling refund producer responsibility organization" means a 501(c)(3) nonprofit corporation created by a group of recycling refund covered beverage container producers to implement the recycling refund program.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

ASSUMPTIONS:

- B&O tax applies to all PRO revenues, from producer fees and from bottle deposits.
- The PRO collects fees from producers to cover all program implementation costs, including Ecology's implementation costs and other program costs.
- The PRO also collects bottle deposit amounts from retailers.
- No data is available to estimate redemption bag sales. The revenue impact of these sales is indeterminate.
- Producers pay their first fees to the PRO around April 15, 2026.
- Ecology will adopt rules adjusting due dates as follows:
 - The PRO's first plan will be due in July 2029
 - The PRO will begin program implementation in July 2030.
- This estimate inflates projected PRO revenues from historical California values using the consumer price index for all urban consumers for the Seattle area.
- Per capita operating costs for the proposed program are similar to those observed for California's program.
- Only one PRO will operate.
- All retailers will separate the deposit from the retail sale amount.

DATA SOURCES:

- Bureau of Labor Statistics, CPI-U for Los Angeles-Long Beach-Anaheim, CA
- CalRecycle, Annual reports
- Department of Ecology, Assumptions
- Economic and Revenue Forecast Council, November 2024 forecast
- Office of Financial Management, State population forecast.



Ten-Year Analysis

Bill Number	Title	Agency
1607 2S HB	Recycling & waste reduction	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

- State of California, Historical Population and Housing Estimates

REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$620,000 in the two months of impacted collections in fiscal year 2026, and by \$2.69 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 620
FY 2027 -	\$ 2,690
FY 2028 -	\$ 2,960
FY 2029 -	\$ 3,030
FY 2030 -	\$ 5,720
FY 2031 -	\$ 14,320

Local Government, if applicable (cash basis, \$000): None

Agency Preparation: Sara del Moral	Phone: 360-534-1525	Date: 3/4/2025 2:00:46 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 3/4/2025 2:00:46 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 1607 2S HB	Title Recycling & waste reduction	Agency 461 Department of Ecology
----------------------------------	---	--

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☐ **No Cash Receipts**
☐ **Partially Indeterminate Cash Receipts**
☐ **Indeterminate Cash Receipts**

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Recycling Refund Program Fee	NEW	1,887,809				301,589	236,785	236,785	236,785	263,058	236,785	3,399,596
Total		1,887,809				301,589	236,785	236,785	236,785	263,058	236,785	3,399,596
Biennial Totals		1,887,809				538,374		473,570		499,843		3,399,596

Narrative Explanation (Required for Indeterminate Cash Receipts)

The cash receipts impact to Ecology under this bill is estimated to be greater than \$50,000 in Fiscal Year (FY) 2027 and ongoing in implementing sections 3, 4, 5, 7, 20, 22, 24, and 25.

Section 4 (3) would require the PRO to submit a one-time payment to Ecology by June 1, 2026 (FY 2026) to cover the costs of Ecology from the effective date of the section through the implementation of the section. Ecology assumes this one-time payment would cover costs from July 1, 2025, to July 1, 2029, upon program implementation. Ecology does not assume any expenses on July 1, 2029, and, therefore, costs and cost reimbursements included in the one-time payment would be for FY 2026 through FY 2029 (July 1, 2025, to June 30, 2029).

Section 4 (4) would require the PRO to submit an annual registration fee to Ecology for all costs by July 1, 2027, and annually thereafter.

Section 4 (5) would require the PRO to submit an amount to Ecology equal to the amount withdrawn through June 30, 2027, from the Waste Reduction, Recycling, and Land Control Account (WRRLCA) created under RCW 70A.200.140 for the purposes of implementation, administration, and enforcement of this chapter by January 1, 2028. Given this sub-section does not explicitly state that the amount would be deposited in WRRLCA and that section 25 mentions that all receipts under this chapter must be deposited in the Recycling Refund Program Account, Ecology assumes this amount would be deposited in the newly created Recycling Refund Program Account. However, Ecology assumes this payment would not be required as the June 1, 2026, PRO payment would cover the cost to Ecology from July 1, 2025, through July 1, 2029, including the costs funded by WRRLCA.



Ten-Year Analysis

Bill Number	Title	Agency
1607 2S HB	Recycling & waste reduction	461 Department of Ecology

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

Section 5 (1)(e) would require Ecology to assess an annual registration fee that would cover the costs to implement, administer and enforce this chapter for the upcoming fiscal year beginning May 1, 2026, and every May 1st thereafter. Ecology assumes the one-time payment due by June 1, 2026, would cover Ecology's implementation costs from July 1, 2025 through June 30, 2029 (FY 2026 through FY 2029) and would be collected in-lieu of the annual registration fee (per Section 4(4)). Ecology's first registration fee collection would be invoiced to the PRO on May 1, 2029, registration fee collection would first occur by July 1, 2029 (FY 2030) and would fund Ecology co for the coming fiscal year (FY 2030). All subsequent fee collections would fund the costs of the upcoming fiscal year.

Section 25 would create the Recycling Refund Program Account. All receipts received by Ecology under this chapter would be deposited in this account and would only be used by Ecology to implement, administer, and enforce the requirements of this chapter. Ecology assumes the portion of the June 1, 2026, one-time payment would reimburse costs incurred by the Waste Reduction, Recycling, and Litter Control Account from July 1st, 2025, through May 30th of 2026 would be deposited into the Recycling Refund Program Account, as would be required by section 25.

Estimated Recycling Refund Program Account revenue:

FY 2026: \$1,887,809
FY 2027: \$0
FY 2028: \$0
FY 2029: \$0
FY 2030: \$236,785
FY 2031: \$236,785
FY 2032: \$236,785
FY 2033: \$236,785
FY 2034: \$263,058
FY 2035: \$236,785

Section 24 would allow Ecology to impose penalties on producers who violate this chapter. Penalties are assumed to be limited, but unknown, and therefore not estimated in the fiscal note. Penalties would be deposited in the Recycling Enhancement Account created in chapter 70A.245.100 RCW.

Agency Preparation: Fahad Kazi	Phone: 564-233-9372	Date: 3/5/2025 7:55:50 pm
Agency Approval: Garret Ward	Phone: 360-789-7938	Date: 3/5/2025 7:55:50 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 1607 2S HB	Title Recycling & waste reduction	Agency 468 Environmental and Land Use Hearings Office
----------------------------------	---	---

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
--------------------	-----------	--	--	--	--	--	--	--	--	--	--	--

Agency Preparation: Dominga Soliz	Phone: 3606649173	Date: 3/4/2025 10:16:14 am
Agency Approval: Dominga Soliz	Phone: 3606649173	Date: 3/4/2025 10:16:14 am
OFM Review:	Phone:	Date: