



# The *grassroots* Advocate

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## FOREIGN CONTAINERS LET'S FINISH WHAT WE STARTED!

During the lame duck session of 2008, the Michigan Legislature and Governor Granholm took decisive action to curb the tide of illegally redeemed out-of-state beverage containers (foreign containers) being returned into the redemption stream. As many will recall, part of the solution to this epidemic was to require beverage manufacturers to add new unique marks to beverage containers sold in Michigan and to require upgrades to reverse vending machines (RVM) to enable them to identify the new markings.



*Senator Ron Jelinek*

In order to protect retailers from the additional cost of upgrading their RVMs, Public Act 388 of 2008 created the Beverage Container Redemption Antifraud Fund. The purpose of the Antifraud Fund is to pay for technology upgrades of RVMs to ensure that they can read new beverage container markings. By reading these markings the RVM will identify out-of-state containers and deny a refund for those containers.

Many may be surprised to learn that pursuant to the legislation, upgrades of RVMs will not occur until the Antifraud Fund has an initial investment of \$1 million. Therefore, until enough funding is established, through both state and private efforts, individuals will continue to take advantage of Michigan's antiquated beverage redemption stream to the tune of approximately \$14 million per year.

While \$1.5 million has been appropriated to the Antifraud Fund through a supplemental budget contained in HB 4311 and the process of upgrading RVM's can begin, it will not be enough to finish what we started. The \$1.5 million will upgrade approximately 300 RVMs. That leaves an additional 900 RVMs that will still need to be upgraded in order to fully implement the legislative solution that was passed last session.

In anticipation of a lack of state funds to fully implement the legislative solution, the Antifraud Fund was created in a manner that allows it to accept private contributions. The objective was and remains to induce private contributions to the Antifraud Fund by providing a return to contributors. Recognizing the need for private contributions, Senator Ron Jelinek has introduced three bills designed to encourage these contributions.



*Rep. Warren*

Senate Bills 788, 789 and 790 create an incentive for individuals or businesses to contribute money to the Antifraud Fund by providing a return on their contributions. Pursuant to these bills, the Department of Treasury will be required to disperse any money received in the state's Bottle Deposit Fund (funded through unclaimed deposits) in excess of \$14 million per year to contributors to the Antifraud Fund. Under the proposed bills, a contributor shall receive their initial contribution plus 6% per year for four years.

To protect against instances when the Bottle Deposit Fund does not exceed \$14 million in any given year, the bills also provide for either a refundable individual or a refundable MBT tax credit in an amount equal to the difference between the payment the contributor was scheduled to receive and what the contributor actually received from the Bottle Deposit Fund.

Together these three bills will induce private contributions to help the fight against out-of-state containers. Based on the goal of raising an additional \$4.5 to \$5 million, these bills have the potential to generate additional revenue for the State of \$10 to \$14 million per year indefinitely while costing the State approximately \$1.2 million over 4 or more years (a maximum hit to the State of \$300,000 per year).

Accordingly, the MB&WWA urges our legislative leaders to finish what was started by passing this needed legislation so that we can fully fund and implement the foreign container legislation that passed near unanimously last session.

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## Distributors, Workers, Groups Sustain Drumbeat against Higher Beer Tax

This year, as talk about raising Michigan's beer tax heated up during the budget crisis, distributors worked with a wide and diverse range of groups and individuals to raise public awareness that raising the beer tax was the wrong solution that would hurt our economy and local jobs.

Policymakers, small businesses, craft brewers, organized labor and many others publicly spoke up and sustained a steady drumbeat throughout the year in opposition to a higher beer tax in Michigan. Together with Michigan distributors, these groups pointed out that beer is one of the bright spots in the economy, creates jobs, has helped make Michigan the Great Beer State and deserves to be supported.

Raising Michigan's beer tax would kill much-needed local jobs and, in light of the budget crisis, the wrong solution that would actually hit consumers in the wallet, kill jobs and endanger local businesses who are already struggling.

In addition, ordinary consumers and workers commu-

nicated directly with policymakers and made their opposition known through letters in local newspapers, emails and other forms of communication. Michigan's small brewers also weighed in on the issue, holding a press conference in Lansing and bringing the public's attention to the true risks of the beer tax to small businesses like theirs.

Regular consumers also overwhelmingly opposed a higher beer tax by commenting online, in blog postings, through interviews in the mainstream news media and through informal online polls conducted by some newspapers. The results: Virtually all these informal polls showed overwhelming public opposition to raising the beer tax.

Michigan's budget continues to be in flux and filled with uncertainty. This summer, distributors, small businesses, organized labor and ordinary consumers worked hard to communicate to our policymakers that the budget crisis must be resolved through responsible measures, not a job-killing beer tax increase.

## Budget process comes to a close, for now

One month after the close of the State's fiscal year on September 30, the Governor finalized the budget by signing the remainder of the State departmental budgets, but not before she used her red pen to line item veto several items. The most notable items included large cuts to the Department of Agriculture and the Michigan State Fair. What is seemingly a political move to encourage legislators, specifically the Republican controlled Senate, to pass legislation to raise revenue (or taxes) was the Governor's specific line item veto of funding for K-12 education. If the Governor was hoping to create such a big uproar over a lack of funding for schools, it has yet to happen, and the Governor is lacking the votes not only from Republicans but also from some House Democrats.

The Legislature is still developing potential avenues for new revenue. Some schools of thought are to utilize more federal stimulus dollars to fill budget holes. However, not saving some of those funds for the 2011 budget could leave the State in an even larger hole next year. Still, the options for the Legislature are to keep the cuts in place or to pass additional supplemental revenue to help fill the holes. Revenue options that appear to be on the table are decreases or the elimination of certain tax credits, including a freeze in the earned income tax credit and certain film incentives as well as taxing bottled water.

As things continue to play out; all eyes will be on Lansing to see what happens. Stay tuned.