



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Tripp Lawrence, Assistant Director of Finance
DATE: June 21, 2022 (for the June 28, 2022 Council meeting)
SUBJECT: Amending the Fiscal Year 2022 Budget to Appropriate Funds in the City Grants Fund for the Disposable Plastic Bag Tax

ISSUE

Shall the City Council amend the FY 2022 budget to appropriate funds from the Disposable Plastic Bag Tax?

RECOMMENDATION

Staff recommends adoption of the attached resolution, which requires one reading.

DISCUSSION

Background and Timing

Pursuant to its Council Priority of a Green, Clean Environment, at its Regular Meeting September 28, 2021, City Council passed Ordinance 21-24, amending City Code Chapter 70, Taxation, to add a new article imposing a five-cent tax on disposable plastic bags provided to consumers at certain retailers, effective January 1, 2022. Fredericksburg City Council adopted the plastic bag tax in an effort to reduce the use of single-use disposable plastic bags in the City and to promote the use of durable multiuse bags. A public hearing on this topic was held on Tuesday, September 14, 2021 in accordance with the Code of Virginia §58.1-3007.

In 2020, the Virginia General Assembly passed legislation to authorize Virginia localities to impose a tax of five cents per disposable plastic bag provided to retail customers by grocery stores, drug stores, and convenience stores. Retailers are compensated for the costs of collecting and remitting the tax by retaining a portion of the tax collected. From January 1, 2022 to January 1, 2023, retailers subject to the tax retain \$0.02 for every \$0.05 collected. After January 1, 2023, this discount will be reduced to \$0.01 per bag.

The five-cent tax does not apply to the following:

- Durable plastic bags meant for multiple reuse;
- Bags that are solely used to wrap ice cream, meat, fish, poultry, produce, unwrapped bulk food items, or other perishable food items in order to avoid damage or contamination;
- Plastic bags used for dry cleaning or prescription drugs; and
- Bags that are packaged and sold for use as garbage, pet waste, or leaf removal bags.

State law requires that all revenue collected from this tax shall be appropriated for the purposes of environmental cleanup, providing education programs designed to reduce environmental waste, mitigating pollution and litter, and providing reusable bags to recipients of Supplemental Nutrition Assistance Program (SNAP) or Women, Infants, and Children Program (WIC) benefits.

This resolution authorizes the use of a portion of the disposable bag tax revenue received to purchase reusable grocery bags for the Fredericksburg Department of Social Services SNAP and WIC program participants. Disposable bag tax revenue will also fund the salaries of additional part-time Parks, Recreation, and Events personnel for increased efforts at litter control in parks and trails.

Amounts received in FY 2022 and not spent will carry over to FY 2023 and subsequent years. Future intended uses of all disposable bag tax funds include the above listed projects as well as the funding of city programs to reduce litter and pollution and community pollution prevention education programs that will help to reduce waste and clean up the environment.

FISCAL IMPACT

Since inception, a total of \$15,026.03 has been collected by the City from the five-cent disposable bag tax. The funds from this tax, like sales tax, are collected two months in arrears from the state. Collections year-to-date therefore represent January – March 2022 activity. Staff projects that approximately \$9,000 more will be received for the April – June 2022 time frame, for a total receipt of about \$24,000 for the disposable bag tax in FY 2022.

The attached resolution appropriates \$8,478 for use in FY 2022. The remaining balance will be reappropriated in FY 2023 and future periods.



June 28, 2022
Regular Meeting
Resolution 22-

MOTION:

SECOND:

RE: Amending the Fiscal Year 2022 Budget to Appropriate Funds in the City Grants Fund for the Disposable Plastic Bag Tax

ACTION: APPROVED: AYES: 0; NAYS: 0

The City implemented a five-cent disposable bag tax effective January 1, 2022 through Ordinance 21-24 dated September 29, 2021. City Council enacted this ordinance in response to legislation the Virginia General Assembly passed in 2020 that authorized Virginia localities to impose a tax of five cents per disposable plastic bag provided to retail customers by grocery stores, drug stores, and convenience stores.

State law requires that all revenue collected from this tax shall be appropriated for the purposes of environmental cleanup, providing education programs designed to reduce environmental waste, mitigating pollution and litter, and providing reusable bags to recipients of Supplemental Nutrition Assistance Program (SNAP) or Women, Infants, and Children Program (WIC) benefits.

Staff projects that the City will receive a total of \$24,000 for the disposable bag tax in FY 2022. This amendment will authorize spending a portion of these proceeds in FY 2022. The remaining balance will be reappropriated in FY 2023 and future periods.

Therefore, City Council resolves that the following appropriations amending the FY 2022 budget in the City Grants Fund be made:

City Grants Fund (Fund 0210)

Sources

Plastic Bag Tax

Plastic Bag Tax Revenue	21082600 312180	\$ 8,478
Total		<u>\$ 8,478</u>

Uses

Plastic Bag Tax

PT Salaries & Wages Bag Tax	21082600 413010	\$ 2,564
Total		<u>\$ 2,564</u>

FICA Benefits	21082600 421000	\$ 197
Total		<u>\$ 197</u>

Other Operating Supplies Bag Tax	21082600 460140	\$ 5,717
Total		<u>\$ 8,478</u>

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Clerk's Certificate

I certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Resolution No. 22-, adopted at a meeting of the City Council held June 28, 2022 at which a quorum was present and voted.

Tonya B. Lacey, MMC
Clerk of Council