CONNECTICUT'S BEVERAGE CONTAINER DEPOSIT-RETURN SYSTEM

Trends, Challenges, & Solutions

November 2026



CRI
CONTAINER RECYCLING INSTITUTE

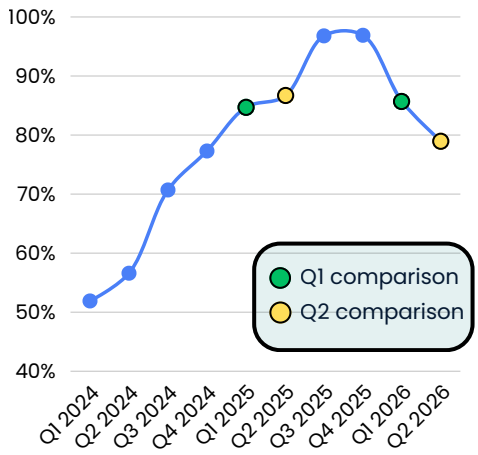
Connecticut's beverage container deposit-return system has undergone significant changes in recent years, including an increase in the deposit from 5¢ to 10¢ in 2024, which led to a sharp rise in redemption volumes. However, differences between Connecticut's system and those of neighboring states create opportunities for arbitrage, underreporting, cross-border redemption, and other forms of fraud and free riding that threaten the system's effectiveness and financial integrity.

Since 2024, CT has adopted four pieces of legislation to strengthen the system, with provisions taking effect in stages through 2026 and beyond. Second-quarter 2026 data show beverage container sales reported to the state increased nearly 8% compared with the same quarter in 2025, while redemption volumes declined 1.7%. These trends may reflect improved reporting and reduced redemption of out-of-state containers, but one quarter of data cannot establish causation or lasting results. **Continued monitoring is essential to assess the laws' effectiveness and determine whether additional measures are needed**.

REDEMPTION RATES RISE FOR TWO YEARS—THEN DECLINE IN 2026

Connecticut's **redemption rate fell nearly 8 percentage points** in Q2 2026 compared with Q2 2025 (86.6% to 79.0%). The decline followed two years of rising redemption rates after the state increased its container deposit from 5¢ to 10¢ in January 2024.

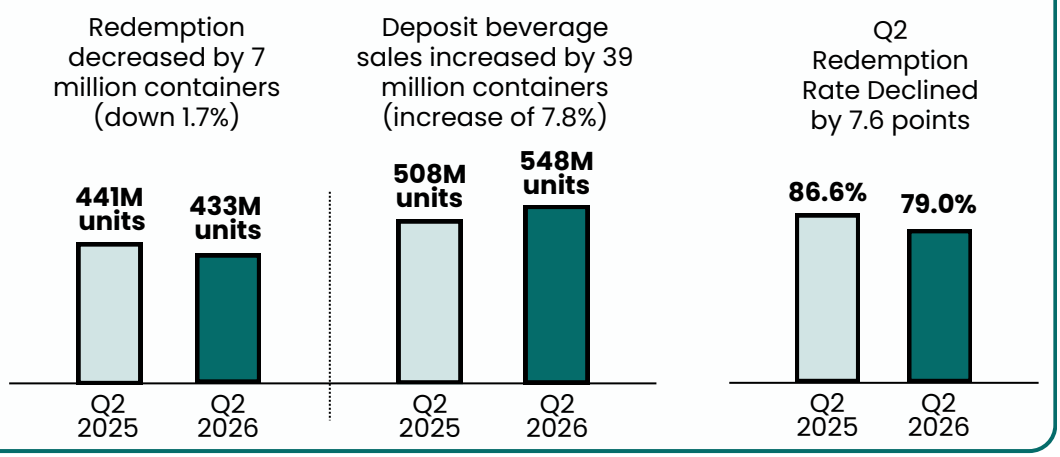
Jan 2024: deposit value increases from 5¢ to 10¢. → **2024-2025**: redemption rate rises for 8 consecutive quarters → **Q1 2026**: redemption rate increased only slightly compared to Q1 2025 → **Q2 2026**: redemption rate *dropped by 8 points* compared to Q2 2025 – **first substantial reversal in an upward trend**



Q: How did the Q2 Redemption Rate Decline by Nearly 8 Points?

A: Most of the decrease was a result of a substantial increase in deposit beverage containers sold, and the rest was due to a modest decrease in the number of containers redeemed.

Q2 2025 vs. Q2 2026

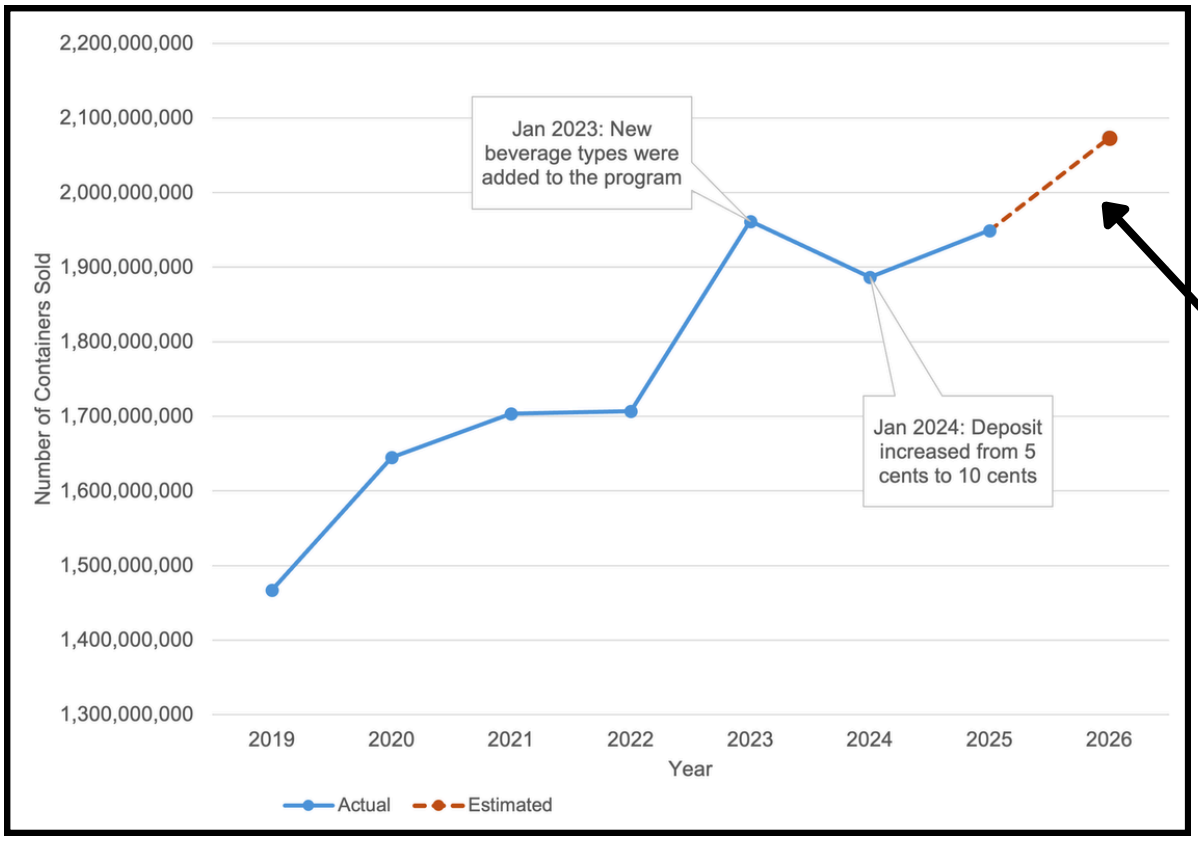


WHY COMPARE QUARTERS?

Redemption rates, container sales, and redemption volumes follow seasonal patterns. Comparing Q2 2026 with Q2 2025 accounts for recurring seasonal patterns and provides a more meaningful measure of change than comparing consecutive quarters.

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Connecticut Annual Beverage Container Sales (2019-2025), as Reported by the CT Department of Revenue Services



*Based on the data from 2025 and the first two quarters of 2026, CRI estimates that **over 2 billion** beverage containers will be sold in the state in 2026.*

POTENTIAL ARBITRAGE OPPORTUNITY FOR RETAILERS

Despite the decrease in redemption rate, there is still an arbitrage opportunity for beverage retailers in the state. Retailers are able to purchase beverages from manufacturers and accept delivery of the beverages in another state that either doesn't place a deposit on those containers or places a deposit of lesser value on those containers (like 5 cents versus 10 cents). By doing this, the retailer avoids paying the deposit to the beverage manufacturer.

The retailer can then move the containers to their retail stores in Connecticut and charge the deposit to consumers when they sell the beverages. In this way, the retailer can receive the deposit from the consumer and recognize it as a profit.

Compared to other states, Connecticut companies are more vulnerable to this practice:

Connecticut's population is smaller than neighboring states (New York and New Jersey).

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Neighboring states have dense population centers that are close to the Connecticut border.

Therefore, transhipping of containers can be easy and cheap.

Also, because Connecticut is a smaller state, the warehouses for the big retailers are more likely to be located in the larger states.

Arbitrage, in deposit-return systems (DRS), refers to the practice of generating a profit by taking advantage of differences between beverage container DRS in different states, including differences in deposit values, covered products, reporting requirements, redemption procedures, or enforcement practices.

Transshipping is one form of arbitrage, and refers to bringing beverage containers into a state from another state or jurisdiction with no DRS program or a lower container deposit value (e.g., 5¢ versus 10¢). This means the importer or redeemer can exploit the DRS by not paying the initial required (or correct) deposit, and constitutes a form or fraud.

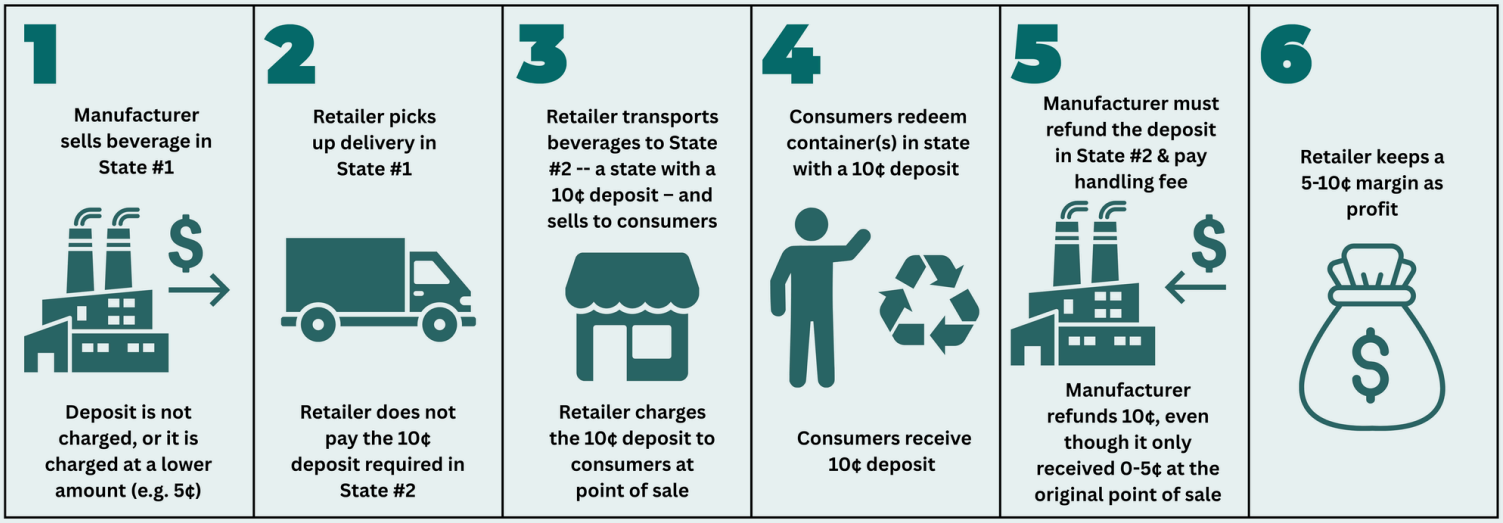
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WHAT HAPPENS WHEN THERE IS ARBITRAGE

There is harm created when arbitrage occurs. When these same containers are returned for redemption in CT, the manufacturer or in-state distributor of the beverage is responsible for refunding the deposit - but for some of the containers, the manufacturers and in-state distributors will not have received any deposit when they initially sold the containers. The "refunds" must then come out of the pockets of the manufacturers, leaving them at a significant financial disadvantage.

In addition, the responsible manufacturers and distributors must incur the cost of paying the handling fees on those containers to retailers and redemption centers. Indeed, some manufacturers were reporting rates of redemption in CT that exceeded 100% in 2024. It is important to note that if the producers had formed a PRO as originally envisioned in PA 21-58, then no single distributor would have been over-redeemed.

HOW ARBITRAGE WORKS – AND WHO PAYS THE COST

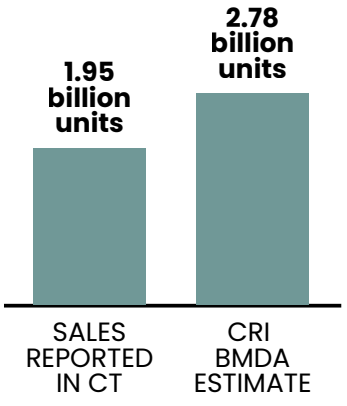


RESULT: Manufacturers absorb the cost, and the integrity of the deposit system is undermined.

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ESTIMATED SCALE OF BEVERAGE CONTAINER SALES DIFFERENCE

CRI's Beverage Market Data Analysis (BMDA) was used to estimate beverage containers sold in CT in CY 2023. We estimated deposit beverage sales of **2.78 billion** units. This compares with sales reported to the state of CT of only **1.95 billion** units (2025), a number that is **30% lower than the CRI sales estimate**. The difference between the two figures is nearly **830 million units.**



This equates to nearly **$83 million in initiated deposits** that may be underreported to the state. If all of the sales were reported to the state, CRI estimates that the state's redemption rate for 2025 **would have been 64%**. This isn't a new practice; CRI has been warning the state of the underreporting issue for more than a decade.

Underreporting can happen in several ways, including:

- Underreporting by distributors
- Complete lack of reporting by distributors and/or retailers that are not registered in the system
- Retailers failing to report sales of their own store brands where they are the de facto distributor
- Direct importation of containers by small retailers that purchase beverages at big box stores in other states

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LEGISLATION ADDRESSING BEVERAGE CONTAINER FRAUD & FREE RIDING

Banning Out-of-State Redemptions (2024)

SB 293 (*Public Act 24-2*)

- Prohibits redeeming containers that were not already sold in CT or had already been redeemed.
- Requires redemption centers to display "Redemption Warning" signs, letting redeemers know that returning out-of-state or previously redeemed containers is illegal.

State Budget Changes (2026)

SB 1 (*Public Act 26-68*)

- Budget Bill: Includes funding of $162,000 for two new, ongoing positions in the Department of Energy and Environment (DEEP) to carry out enforcement of large-volume container redemption (P.A. 26-2).

Preventing Fraudulent Container Redemption (2026)

SB 299 (*Public Act 26-2*)

- Reduces container redemption threshold to 1,000 containers at redemption centers; after 1,000 containers, redemption center must create a record of the individual.
- Reduces the general cap on redemption to 4,000 containers/day.
- Redemption centers now have new licensure requirements and must register with the state.
- Increases the fines for violating requirements:
  - $50–$100 → $500–$750 for the first offense
  - $100–$200 → $750–$1,000 for the second offense
  - $250–$500 → $2,000+ for third/subsequent offenses
- Includes incentives for redemption centers to utilize automated barcodes or UPCs. Two high-volume redemption centers have had their handling fees reduced by 1 cent until they install barcode reading equipment.

Targeting Large Scale DRS Fraud and Free Riding (2026)

SB 457 (*Public Act 26-148*)

- Establishes criminal penalties based on the number of containers for which a refund was collected or charged during a calendar year for containers purchased out of state:
  - 5,000-19,999: Class B misdemeanor
  - 20,000-30,999: Class A misdemeanor
  - 40,000 or more: Class D felony
- Creates new compliance obligations for retailers and distributors by prohibiting the collecting CT bottle deposits on containers not purchased in-state.

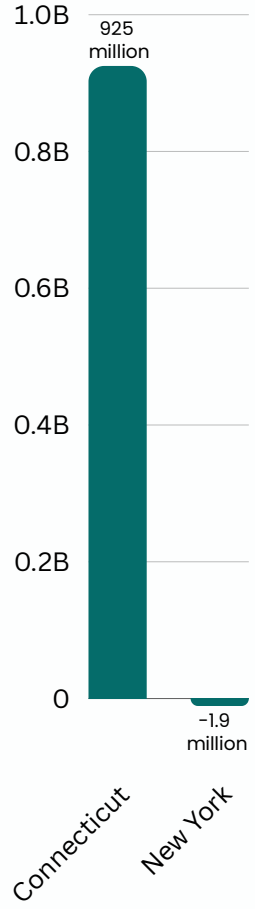
LEGISLATIVE TIMELINE FOR 4 NEW BILLS

Legislation	Date	Change
P.A. 24-2	May 9, 2024	Bill took effect when signed; prohibited redemption of out-of-state containers
P.A. 26-2	March 3, 2026	Some of bill took effect when signed. Includes: • Penalities increased • Reduced container threshold at redemption centers
	April 1, 2026	Handling fees reduced by 1 cent for high-volume redemption centers *Ends July 1, 2027*
	July 1, 2026	Redemption center licensing requirements began
P.A. 26-148	October 1, 2026	Criminal penalties began for high-volume collection of redemption refunds on beverage containers purchased outside CT; prohibition of free riding
P.A. 26-68	Future (Date TBD)	Hiring of 2 new enforcement positions at DEEP

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Total Beverage Containers Sold + Redeemed in CT and NY, CY 2023-2025						
		2023	2024	2025	Changes in containers from 2023 to 2025	% change from 2023 to 2025
Connecticut	Sold	1,961,616,329	1,886,618,222	1,949,375,010	-12,241,319	-1%
	Redeemed	433,217,350	1,216,971,368	1,784,030,840	**925,056,268**	108%
	Redemption Rate	43.8%	64.50%	91.5%		109%
New York	Sold	9,333,342,418	9,401,765,911	9,426,691,943	93,349,525	1%
	Redeemed	6,376,291,019	6,453,720,563	6,374,365,912	**-1,925,107**	0%
	Redemption Rate	68.3%	68.6%	67.6%		-1%

Increase in containers redeemed in CT vs. decrease in containers redeemed in NY, 2023-2025



Summary: Changes in Numbers of Beverage Containers Redeemed, 2023-2025

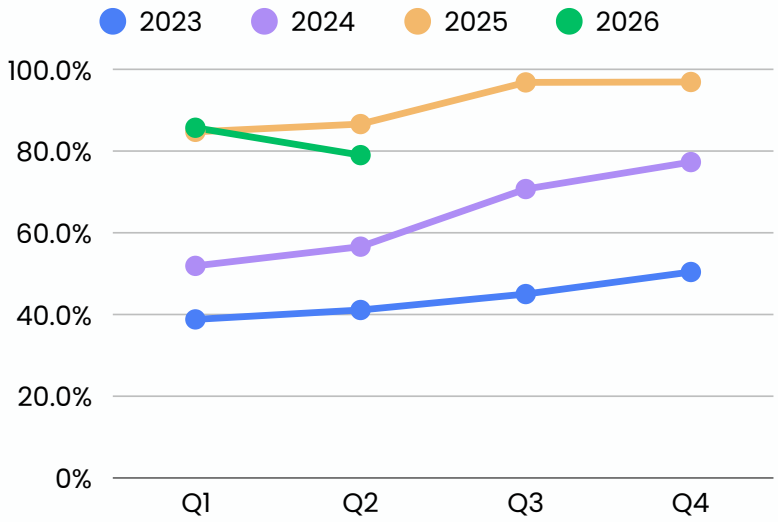
Connecticut: 925+ million increase

New York: Approx. 2 million decrease

Although there are reports of empty beverage containers being brought across state lines, this data suggests that **the relatively small decline in NY redemptions does not account for the overall increase in volume in CT.**

Given the data showing a significant increase in CT's DRS program performance since the implementation of major upgrades, it is clear that the legislation that authorized the modernization is making a difference!

Connecticut Redemption Rate by Quarter, 2023 to 2026



	2023	2024	2025	2026
Q1	38.8%	51.9%	84.7%	85.7%
Q2	41.1%	56.6%	86.6%	79.0%
Q3	45.0%	70.7%	96.8%	
Q4	50.4%	77.3%	96.9%	
Full CY	**43.8%**	**64.5%**	**91.5%**	

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POTENTIAL SOLUTIONS: DISTRIBUTOR AND RETAILER AUDITING

1

Develop Tight Internal Policies and Accounting Requirements

CT beverage retailers with 10 or more stores must develop internal policies and accounting procedures that ensure proper remittance of deposits on all beverages sold in the state to the manufacturers that are responsible for refunding deposits to consumers. These procedures must be submitted annually to the Commissioner of the Department of Revenue Services.

2

Revise Already-Submitted Reporting of Beverage Sales

Upon receipt of unpaid deposits and documentation of the corrected number of containers sold in CT, the Commissioner of the Department of Revenue Services shall:

- Revise the reported number of containers sold in Connecticut for each of the prior two calendar years.
- Revise the total deposits collected or required to be collected for those additional containers.

The Department of Revenue Services may assess interest and penalties for late or inaccurate amended filings in accordance with existing law.

3

Create Independent Audit Requirements

For example, in Hawaii, all beverage retailers that sell 75 million or more containers in the state must obtain an independent audit every two years covering the preceding two-year period. The audit must verify that all deposit beverages were properly accounted for and that required deposits were remitted to the appropriate deposit initiators and/or the state.

In addition, the state could require retailers to complete an audit of CY 2025 and 2026 deposits by the end of 2027 and remit any unpaid deposits to the Department of Revenue Services, including applicable interest and a 10% penalty. Audit results and identified deficiencies would also be submitted to the Commissioner. If underpaid deposits exceed 5% of total beverage sales, the retailer should revise their internal policies and accounting procedures to address the deficiencies and resubmit them to the Department of Revenue Services.

4

Continue to Monitor Existing Legislation & Practices

- Monitor and evaluate the enforcement activities and resulted achieved by new enforcement agents.
- Review distributor and retailer reporting to ensure compliance.
- Continue monitoring the impact of the four new laws, including changes in beverage sales and redemption rates during Q3 and Q4 and beyond.

Highlight: Fraud Prevention

In some U.S. states, brand owners have voluntarily used state-specific labeling and/or bar codes for containers. This helps keep non-deposit-bearing containers from being redeemed in deposit states.

Important Note:

SB 457 (P.A. 26-148) depends entirely on effective enforcement, yet it provides no new enforcement authority, staffing, funding, or mechanisms for the state to monitor compliance by distributors and retailers. Enforcement and staffing are needed to deter fraudulent activity.

New Guidebook from CRI!

CRI covers all 10 deposit states' auditing practices in our newest guidebook, "A Stronger Return on Every Deposit: Strategies to Prevent Beverage Container Fraud, Free Riding, and Errors." This guidebook identifies approaches to provide stronger safeguards for DRS programs and brings together solutions from over a dozen jurisdictions.

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About the Container Recycling Institute:

Founded in 1991, the nonprofit Container Recycling Institute (CRI) is a leading authority on the economic and environmental impacts of used beverage containers and other consumer product packaging. Our mission is to make North America a global model for the collection and quality recycling of packaging materials. We do this by producing authoritative research and education on policies and practices that increase recovery and reuse; by creating and maintaining a database of information on containers and packaging; by studying container and packaging reuse and recycling options, including deposit systems; and by creating and sponsoring national networks for mutual progress. CRI envisions a world where no material is wasted and the environment is protected. It succeeds because companies and people collaborate to create a strong, sustainable domestic economy. For more information, visit www.container-recycling.org.

To download CRI's new Guidebook, **"A Stronger Return on Every Deposit: Strategies to Prevent Beverage Container Fraud, Free Riding, and Errors",** please visit www.container-recycling.org, hover on "Publications" and click on "Fraud and Free Riding."

CRI
CONTAINER RECYCLING INSTITUTE

4361 Keystone Ave.
Culver City, CA 90232

(310) 559-7451

info@container-recycling.org

www.container-recycling.org

www.bottlebill.org

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