



**TESTIMONY OF MARION M. HIGA, STATE AUDITOR,
ON SENATE BILL NO. 2711, SENATE DRAFT 2, RELATING TO INTEGRATED
SOLID WASTE MANAGEMENT**

House Committee on Energy and Environmental Protection

March 18, 2008

Chair Morita and Members of the Committee:

Thank you for this opportunity to raise a concern about a section of this bill, which permits the Department of Health to distribute excess moneys in the Deposit Beverage Container Deposit Special Fund to the counties. My concern relates to that portion of Section 2 of the bill that was added in Senate Draft 2. This latest language amends subsection (c) of Section 342G-104, HRS, adding that my office also establish a reserve amount to ensure cash flow (page 4, lines 9 and 10).

This additional function goes beyond the responsibilities we were already assigned to conduct management and financial audits of the "bottle bill" program as well as to determine the funds in excess in this special fund. Establishing a reserve amount would require that we engage in developing assumptions and making projections, that we exercise judgment and become involved in an agency's operations. This would conflict with the arm's length relationship we ought to maintain as external auditors. In essence, we would be establishing something we'd have to turn around and eventually audit--a violation of an independence standard that is a foundation of any external auditor's credibility.

Moreover, as we found in our first report of the bottle bill special fund, Report No. 05-09, the Department of Health lacked an auditable financial accounting system and could not ensure that

all revenues and payments were properly accounted for. The department could not verify the numbers of containers reportedly distributed, sold, redeemed, or recycled. It could not ensure that it was not paying for nonexistent and unlabeled containers. It was paying redemption centers on the basis of unverified numbers. Projecting a reserve requires a firm foundation of reliable and consistent actual expenditures and revenues. Although we are currently engaged in a second audit of this program, I am not prepared at this time to attest to any improvements in the reliability and consistency of the numbers in the bottle bill program.

So for both these reasons, I would ask that the Legislature reconsider the function added by Senate Draft 2. Thank you for this opportunity to testify.

CHARMAINE TAVARES
Mayor
CHERYL K. OKUMA, Esq.
Director
GREGG KRESGE
Deputy Director



DAVID TAYLOR, P.E.
Wastewater Reclamation Division
TRACY N. TAKAMINE, P.E.
Solid Waste Division

**COUNTY OF MAUI
DEPARTMENT OF ENVIRONMENTAL
MANAGEMENT**

2200 MAIN STREET, SUITE 175
WAILUKU, MAUI, HAWAII 96793

March 17, 2008

The Honorable Hermina M. Morita, Chair
and Members of the House Committee on Energy
and Environmental Protection

**Hearing: Tuesday, March 18, 2008 at 9:00 a.m.
Conference Room 312
State Capitol**

RE: SB 2711, S.D. 2-RELATING TO INTEGRATED SOLID WASTE MANAGEMENT

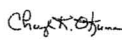
Dear Chair Morita and Members:

I am Cheryl K. Okuma, Director of the Department of Environmental Management, County of Maui, and am submitting testimony in support of SB 2711, S.D. 2. This legislation would allow the State Department of Health to distribute excess money from the deposit beverage container special fund to the counties for the purpose of establishing and maintaining the counties' recycling programs.

Supporting our recycling efforts in this manner would divert waste from our waste stream and extend the capacity of our landfills. SB 2711, S.D.2 will support our efforts to promote, maintain and expand our recycling programs within our County. For example, the return of excess deposit beverage container funds would allow the County of Maui to expand the capacity of our recycling/redemption centers, lease or purchase land in order to increase the number recycling/redemption centers and make them more available to the community, and purchase recycling containers for distribution within the County. These funds could also be used to implement educational programs that would promote recycling efforts in our community.

Thank you for the opportunity to provide our comments and your favorable consideration of SB 2711, S.D.2.

Sincerely,

 Digitally signed by Cheryl K.
Okuma
Date: 2008.03.17 13:20:23
-1000

Cheryl K. Okuma
Director, Department of Environmental Management

Coca-Cola Bottling Company of Hawaii

a COCA-COLA ENTERPRISES company

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Representative Hermina Morita, Chair
House Committee on Energy & Environmental Protection

Tuesday, March 18, 2008
9:00 a.m., Conference Room 312

**RE: SB 2711 SD2 - RELATING TO INTEGRATED SOLID WASTE
MANAGEMENT**

Chair Morita, Vice Chair Carroll, and Members of the Committee:

My name is Dan Whitford, Market Unit Vice President for Coca-Cola Bottling Company of Hawaii (Coca-Cola), offering comments on SB 2711 SD2. The measure permits the Department of Health to distribute excess moneys in the deposit beverage container deposit special fund to the Counties to support the establishment and maintenance of beverage bottle and related county-run recycling programs.

The Coca-Cola Bottling Company of Hawaii believes that any changes to the deposit beverage container program should be accomplished with the goal of reducing costs for consumers and businesses involved in the program, including making the program as efficient as possible. We believe emphasis on improving efficiency and reducing costs would be most beneficial in making the program work as well as it can given its narrow focus on beverage containers to the exclusion of other materials and its requirement that residents return beverage containers to redemption centers rather than being able to put beverage containers in more cost-effective multi-material recycling programs.

The Coca-Cola Bottling Company of Hawaii is committed to recycling as much of the materials we use as possible and to assist in advancing cost-effective methods for Hawaii businesses, homes, offices and schools to recycle a wide range of materials.

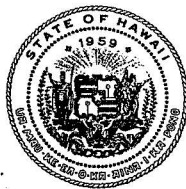
We recognize that the surplus in the deposit beverage container special fund is significant and respectfully suggest that unredeemed deposits could subsidize and reduce the beverage container handling fee paid by consumers.

The Coca-Cola Bottling Company of Hawaii stands ready to work with the Committee and the Administration to advocate for policy that makes the program as efficient and least costly, as possible.

Thank you for the opportunity to testify.



LINDA LINGLE
GOVERNOR OF HAWAII



CHIYOME LEINAALA FUKINO, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
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In reply, please refer to:
File:

COMMITTEE ON WAYS AND MEANS

S.B. 2711, S.D. 2, RELATING TO INTEGRATED SOLID WASTE
MANAGEMENT

Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health

March 18, 2008
9:00AM

1 **Department's Position:** The Department of Health respectfully opposes this measure.

2 **Fiscal Implications:** Unquantified

3 **Purpose and Justification:** This bill would authorize the Department of Health (DOH) to distribute
4 excess monies in the deposit beverage container (DBC) special fund, as determined by the Legislative
5 Auditor, to the counties to support the establishment and maintenance of beverage bottle and county-run
6 recycling programs.

7 As we have the fiduciary responsibility for the fund, DOH should determine how much is needed
8 for operations and reserves, instead of the Legislative Auditor. We also recommend that the
9 administration of the fund remain in a single agency, instead of being shared by both DOH and the
10 auditor, for clarity of responsibility and simplicity of operations. We are accountable; our fund's books
11 remain available to the auditor, as they have been in the past, and we report annually to the legislature.
12 Our annual report is online. <http://gen.doh.hawaii.gov/sites/LegRpt/2008/default.aspx>.

13 Thank you for the opportunity to testify.