

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

HOUSE COMMITTEE ON FINANCE

H.B. 786, H.D. 1 PROPOSED HD2 , RELATING TO SOLID WASTE

Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Acting Director of Health

February 25, 2011
6:00 P.M.

1 **Department's Position:** The Department of Health strongly supports this bill.

2 **Fiscal Implications:** Increase solid waste program funding from approximately \$500,000 annually to
3 approximately \$800,000 annually.

4 **Purpose and Justification:** The purpose of this bill is to increase the solid waste management
5 surcharge from 35 cents per ton to 70 cents per ton.

6 The department supports the changes proposed by this bill because they will help us address a
7 severe revenue shortfall affecting our solid waste regulatory program as well as adapt to the changing
8 waste management field.

9 Increasing the solid waste management surcharge

10 The solid waste management surcharge is the main funding source for the department's solid
11 waste regulatory program. The current surcharge is 35 cents per ton and is applied to landfills and
12 incinerators, including H-Power. It was instituted in 1993 at a rate of 25 cents per ton and increased to
13 35 cents per ton in 1997. Current revenue is approximately \$525,000 annually based on 1.5 million tons
14 of landfilled and incinerated waste. Current program expenses exceed \$600,000 and are expected to
15 increase in the future. Over the years the program has been able to maintain operations through savings

1 from vacant positions. However, recent reductions in force have reduced positions by 25% and have
2 forced the “borrowing” of personnel from other programs to maintain service levels. Increasing the
3 surcharge to 70 cents per ton will increase revenue to approximately \$1 million annually. This amount
4 would fully fund current program operations and provide longer term program stability.

5 Thank you for the opportunity to testify on this measure.

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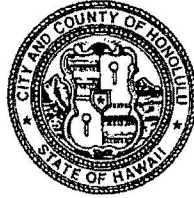
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DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU

1000 ULUOHIA STREET, SUITE 308, KAPOLEI, HAWAII 96707
TELEPHONE: (808) 768-3486 • FAX: (808) 768-3487 • WEBSITE: <http://envhonolulu.org>

PETER B. CARLISE
MAYOR



TIMOTHY E. STEINBERGER, P.E.
DIRECTOR

MANUEL S. LANUEVO, P.E., LEED AP
DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.
DEPUTY DIRECTOR

IN REPLY REFER TO:
WAS 11-32

February 24, 2011

The Honorable Marcus R. Oshiro, Chair
and Members of the Committee on Finance
House of Representatives
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Oshiro and Members:

Subject: House Bill 786, HD1, Relating to Solid Waste

The City and County of Honolulu's Department of Environmental Services has significant concerns regarding House Bill 786, HD1, and the proposed House Bill 786, HD2, relating to solid waste.

This bill would increase the solid waste management surcharge rate from \$0.35 per ton to \$0.65 per ton or \$.70 per ton in the proposed HD2. As indicated in our earlier testimony, increasing the rate negatively affects all residents of the state as this is a pass through cost whether solid waste is disposed of by a private company or by a government entity. This would require increasing rates and/or taxes to support the higher rate. For example, the impact of the HD2 proposal would be that the City and County of Honolulu would have to increase its budget by approximately \$173,000 for FY2012, thereby doubling the current expense.

The written intent of the bill is to "promote the public health," but it is clear that the bill is to "reduce the general fund subsidy for the program." We question the appropriateness of using a surcharge to pay for a regulatory service where the regulated agency, e.g. the City, is expected to pay for being regulated. At a minimum, it creates an appearance of impropriety with the regulated entity paying the regulating authority. It is clearly more appropriate for regulatory functions to be primarily financed by the State. Using this surcharge to pay for most, if not the full cost of a regulatory activity, sets the stage for other regulatory entities to assess fees, ultimately at the taxpayer's expense, to pay for their programs. Further, the promotion of public health should be enough of a State priority to warrant a sufficient allocation from the general fund.

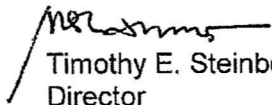
The Honorable Marcus R. Oshiro, Chair
February 24, 2011
Page 2

It is unclear from the bill what additional need for funds exists in managing the State's solid waste management program, but such need should be clearly identified and prioritized with other State general funded activities.

We reiterate that increasing this rate only redirects the source of the funds and continues to negatively affect all residents of the state as this is largely a pass through cost whether solid waste is disposed of by a private company or by a government entity requiring increased rates and/or taxes to support the higher surcharge.

We encourage the Committee to require the Department of Health to justify the actual additional funds and to prioritize that need in the allocation of State general funds before further taxing businesses and the citizens of Honolulu through the nearly doubled surcharge in House Bill 786, HD1, or proposed HD2.

Sincerely,


FOR / Timothy E. Steinberger, P.E.
Director



Honua Power
renewable energy

SEVEN WATERFRONT PLAZA, 500 ALA MOANA BOULEVARD SUITE 7-220, HONOLULU, HAWAII 96813 (808) 550-2877 (808) 523-3122

February 24, 2011

VIA WEBSITE - <http://www.capitol.hawaii.gov/emailtestimony/>

Chair Marcus R. Oshiro
Vice Chair Marilyn B. Lee
House Committee on Finance
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: HB 786, HD 1, Proposed HD 2, Relating to Solid Waste
Hearing on Friday, February 25, 2011 at 6:00 p.m.

Dear Chair Ige and Vice Chair Kidani:

Honua Power, LLC submits this letter in OPPOSITION to HB 786, HD 1, and Proposed HD 2, Relating to Solid Waste. This bill “increases the solid waste management surcharge” from 35 cents to 70 cents per ton of solid waste. (HB 786 would increase the surcharge to 55 cents; HD 1 would increase the surcharge to 65 cents; HD 2 would increase the surcharge to 70 cents.)

We are strongly opposed to any increase in the solid waste management surcharge. Honua Power will rely upon construction and demolition waste materials to fuel approximately 12 MW net of renewable electrical energy that will be supplied to the residents of Oahu and count toward the state of Hawaii’s renewable portfolio standard goals of 15% renewable energy generation by 2015 and 40% renewable energy generation by 2040.

Any charge on feedstock materials, either at the collection and processing stage, or the delivery and use stage, would be an intentional and deliberate attempt to tax and otherwise confound the development of renewable energy resources in our state at an incredibly vulnerable and critical time for such a burgeoning industry.

Honua Power has a 20 year power purchase agreement with Hawaiian Electric Company setting forth the price for Honua’s renewable electrical power. This agreement has been approved by the state of Hawaii Public Utilities Commission and the energy provided under the agreement has been held by the PUC, as a matter of law, to meet the definition of “renewable electrical energy” or “renewable energy” as defined under Hawaii Revised Statutes Section 269-91.

However, there is no mechanism by which Honua Power may raise the price for power for specific increases in the cost to produce the renewable electrical energy. Therefore, this surcharge will adversely affect our Company’s ability to obtain project financing since it will erode the ability of the project to cover its debt payments. It is very difficult for projects like ours to receive project finance funding necessary to construct under the debt coverage service

ratios currently being imposed by the project finance lenders in the marketplace. This surcharge will have the effect of raising the cost to produce renewable energy without any corresponding way for our company to cover that cost by increasing revenue. Any additional cost to a project like ours, at this time, will have the effect of quashing the successful completion of the project before it is even out of the gate.

There is no reason to increase the surcharge at this time. Unfortunately the surcharge has not been used for its intended purpose in the past. Under Hawaii Revised Statutes Section 342G-63(c), the surcharge on the disposal of solid waste was created to fund waste reduction and recycling. Instead, the solid waste surcharge has been used to fund the Solid Waste Branch generally. As acknowledged in Standing Committee Report No. 276, the purpose of this bill is to provide the Department of Health with "revenues for the administration and operation of its solid waste regulatory program." As a result, the Solid Waste Branch does not promote waste reduction or recycling because to do so would take funds away from their budget.

As implemented by the Department of Health, the surcharge is simply a tax on construction and a tax on the production of renewable electrical energy. For these reasons, Honua Power opposes this bill.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Kevin Kondo', written in a cursive style.

Kevin Kondo
Managing Partner
Honua Power, LLC



87-2020 Farrington Highway ■ Waianae, Hawaii 96792 ■ Tel: 808 668-4561 ■ FAX: 808 668-1368 ■ Website: www.pvtland.com

Chair Marcus R. Oshiro
Vice Chair Marilyn B. Lee
House Committee on Finance
Hawaii State Capitol
Honolulu, Hawaii 96813

February 24, 2011

Re: HB 786, HD 1, Proposed HD 2, Relating to Solid Waste
Hearing on Friday, February 25, 2011 at 6:00 p.m.

Dear Chair Ige and Vice Chair Kidani:

PVT Land Company submits this letter in OPPOSITION to HB 786, HD 1, and Proposed HD 2, Relating to Solid Waste. This bill “increases the solid waste management surcharge” from 35 cents to 70 cents per ton of solid waste. (HB 786 would increase the surcharge to 55 cents; HD 1 would increase the surcharge to 65 cents; HD 2 would increase the surcharge to 70 cents.)

We are strongly opposed to any increase in the solid waste management surcharge. PVT operates Oahu’s construction and demolition landfill. If the surcharge is increased, we will have no choice but to pass it on to contractors, which will raise the cost of all construction projects, such as rail, transit-oriented development, shipyard maintenance, as well as commercial and residential building and renovation. Once collected from contractors, the fund can be raided for the general fund and used for any purpose.

The increase in the surcharge will not only increase the cost of disposal at PVT, but at every legal landfill in the State. Any increase in the cost of disposing waste at legal landfills only encourages disposing of waste at illegal landfills. The increase in the solid waste surcharge also discourages waste reduction and recycling at landfills by making it more expensive. In short, there is no public purpose for this increase.

There is no reason to increase the surcharge at this time. Unfortunately the surcharge has not been used for its intended purpose. Under Hawaii Revised Statutes Section 342G-63(c), the surcharge on the disposal of solid waste was created to fund waste reduction and recycling. Instead, the solid waste surcharge has been used to fund the Solid Waste Branch generally. As acknowledged in Standing Committee Report No. 276, the purpose of this bill is to provide the Department of Health with “revenues for the administration and operation of its solid waste regulatory program.” As a result, the Solid Waste Branch does not promote waste reduction or recycling because to do so would take funds away from their budget.

As implemented by the Department of Health, the surcharge is simply a tax on legal landfills. For these reasons, PVT opposes this bill.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Albert Shigemura', with a long horizontal flourish extending to the right.

Albert Shigemura
President
PVT Land Company, Ltd.

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

February 24, 2011

TO: THE HONORABLE REPRESENTATIVE MARCUS R. OSHIRO, CHAIR AND
MEMBERS OF THE COMMITTEE ON FINANCE

SUBJECT: H.B.786, HD2 RELATING TO SOLID WASTE.

NOTICE OF HEARING

DATE: Friday, February 25, 2011
TIME: 6:00 P.M.
PLACE: Conference Room 308

Dear Chair Oshiro and Members of the Committee:

The General Contractors Association (GCA), an organization comprised of over five hundred and eighty (580) general contractors, subcontractors, and construction related firms, **opposes** the passage of H.B. 786, HD2 Relating to Solid Waste.

This bill “increases the solid waste management surcharge” from 35 cents to 70 cents per ton of solid waste. (HB 786 would increase the surcharge to 55 cents; HD 1 would increase the surcharge to 65 cents; HD 2 would increase the surcharge to 70 cents.)

We are strongly opposed to any increase in the solid waste management surcharge. This increased surcharge would be passed on to contractors and owners, and raise the cost of all construction projects, such as rail, transit-oriented development, shipyard maintenance, as well as commercial and residential building and renovation. In today’s economic situation, increasing construction costs will adversely affect economic recovery.

We are also very concerned about the sudden implementation of this increased cost for construction. Many of our members have existing contracts in place for which contractors had based their costs on the known disposal costs at the time of the bidding process. Any sudden increase in disposal costs after award of the contract will lead to unanticipated cost increases to the contractors which may not be recovered from the owner.

We recommend that H.B.786, HD2 be held.

Thank you for the opportunity to provide comments.