

Honolulu, Hawaii

April 12, 2012

RE: H.C.R. No. 202
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committees on Economic Revitalization & Business and Energy & Environmental Protection, to which was referred H.C.R. No. 202 entitled:

"HOUSE CONCURRENT RESOLUTION URGING THE DEPARTMENT OF HEALTH TO REFRAIN FROM IMPOSING ANY INCREASE TO THE NON-REFUNDABLE DEPOSIT BEVERAGE CONTAINER FEE UNTIL THE AUDITOR HAS COMPLETED AN UPDATED MANAGEMENT AND FINANCIAL AUDIT OF THE DEPOSIT BEVERAGE CONTAINER PROGRAM,"

beg leave to report as follows:

The purpose of this measure is to ensure the management and financial integrity of the deposit beverage container recycling program and associated special fund before increasing the non-refundable deposit beverage container fee.

Specifically, this measure urges the Department of Health to refrain from imposing any increase to the non-refundable deposit beverage container fee until the Auditor has completed an updated management and financial audit of the deposit beverage container program.

Your Committee received testimony in support of this measure from the Hawaii Food Industry Association; Retail Merchants of Hawaii; Coca-Cola Bottling Company of Hawaii; Ito En (USA) Inc.; KYD Inc.; Marukai Corporation; and Pepsi Beverages Company Hawaii. Your Committee received testimony in opposition of this measure



from the Department of Environmental Management, County of Hawaii and two individuals.

Your Committee finds that under the deposit beverage container recycling program, the Department of Health has collected approximately \$400,000,000 in fees and deposits from Hawaii consumers, yet has operated with little external oversight of the program and associated special fund. The November 2005 audit of the program concluded that the Department had failed to establish a financial accounting system to ensure that transactions are properly recorded and reported and that assets are safeguarded. The 2005 audit further concluded that the program lacked numerous internal controls over cash receipts and disbursements and financial reporting which created opportunities for potential abuse.

Your Committee notes that although section 342G-107, Hawaii Revised Statutes, requires an audit of the program every even-numbered year, the Legislature has not received audits for 2006, 2008, and 2010 to refute the findings of the 2005 audit.

Your Committee further finds that an audit should be conducted of the program to ensure the management and financial integrity of the program prior to imposing more financial burdens on consumers by increasing the amount of the non-refundable deposit beverage container fee.

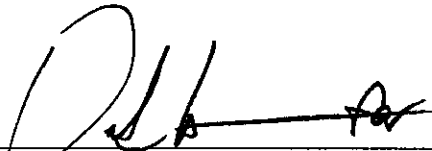
Your Committee has amended this measure by:

- (1) Clarifying the language regarding the action urged to be taken by the Department of Health; and
- (2) Specifying that the Auditor's audit be conducted in accordance with section 342G-107, Hawaii Revised Statutes.

As affirmed by the records of votes of the members of your Committees on Economic Revitalization & Business and Energy & Environmental Protection that are attached to this report, your Committees concur with the intent and purpose of H.C.R. No. 202, as amended herein, and recommend its adoption in the form attached hereto as H.C.R. No. 202, H.D. 1.



Respectfully submitted on
behalf of the members of the
Committees on Economic
Revitalization & Business and
Energy & Environmental
Protection,



DENNY COFFMAN, Chair



ANGUS L.K. McKELVEY, Chair



