

Honolulu, Hawaii

FEB 07 2013

RE: S.B. No. 1130
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Energy and Environment, to which was referred S.B. No. 1130 entitled:

"A BILL FOR AN ACT RELATING TO RECYCLING,"

begs leave to report as follows:

The purpose and intent of this measure is to restore the exemption from the central services fee assessment for the deposit beverage container deposit special fund.

Your Committee received testimony in support of this measure from the Department of Health; Conservation Council for Hawaii; Hawaii Food Industry Association; and Sierra Club, Hawaii Chapter.

Your Committee finds that when creating the deposit beverage container program, the Legislature provided an exemption from the Department of Accounting and General Services central services fee for the deposit beverage container's special fund. The central services fee is assessed on special funds administered by the Department of Accounting and General Services. The exemption for the deposit beverage container program was repealed by the Legislature in 2009.

Your Committee further finds that the central services fee should not be applied to the deposit revenues, as they are designated for redemptions to consumers. The bulk of the deposit beverage container program's revenue comes from deposits it collects on new beverage containers. These deposits are maintained in the program's account until they are paid out to



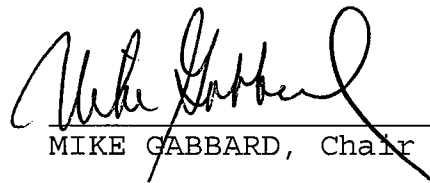
consumers when used containers are redeemed. Your Committee also finds that annual central services fee assessments range from \$2,500,000 to \$3,000,000 and have been a significant drain on the program's reserve fund. Statute allows raising the 1 cent container fee to 1.5 cents when the redemption rate reaches seventy percent. The Department of Health deferred this increase four times since the redemption rate reached seventy percent in 2008, as the Department was able to operate the program on reserve funds. However, as fiscal year 2013-2014 projections indicate a negative fund balance, the program is forced to increase the container fee.

Your Committee has amended this measure by:

- (1) Adding a clause in the effective date to ensure that the exemption from the central services fee assessment for the deposit beverage container deposit special fund is not repealed on June 30, 2015, as a result of Act 79, Session Laws of Hawaii 2009; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1130, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1130, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Energy and
Environment,



MIKE GABBARD, Chair



