



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

In reply, please refer to:
File:

SENATE COMMITTEE ON WAYS & MEANS

H.B. 899, H.D. 2, S.D.1, RELATING TO RECYCLING

**Comments of Loretta J. Fuddy, A.C.S.W., M.P.H.
Director of Health**

**March 25, 2013
9:20 a.m.**

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

2 **Fiscal Implications:** \$2.5 million to \$3 million annually

3 **Purpose and Justification:** When creating the Deposit Beverage Container (DBC) Program, the
4 legislature provided an exemption from the Department of Accounting and General Services (DAGS)
5 Central Services Fee (CSF) for the DBC Program's special fund. The CSF is assessed on special funds
6 administered by DAGS. The exemption for the DBC Program was removed by the legislature in 2009;
7 the department is now seeking to reinstate the exemption.

8 The CSF should not be applied to the deposit revenues as they are designated for redemptions to
9 consumers. Annual CSF assessments range from \$2.5 million to \$3 million and have been a significant
10 drain on the program's reserve fund. The CSF assessments, when combined with legislative raids and
11 consistently high redemption rates, have reduced the fund to dangerous levels. The low fund balance led
12 the department to increase the container fee from one-cent to one-and-a-half cents per container on
13 September 1, 2012.

14 While statute allows raising the one-cent container fee to one-and-a-half cents when the
15 redemption rate reaches 70%, the department had deferred increasing the fee four times since the

Promoting Lifelong Health & Wellness

1 redemption rate reached 70% in 2008; choosing instead to operate the program on reserve funds.

2 However, when FY 2013-14 projections indicated a negative fund balance, the program was forced to
3 increase the container fee.

4 The revenue and expenditure tables attached to this testimony show the cumulative effect of the
5 CSF assessments, transfers to the general fund, and loss interest income on the program's reserve fund.
6 Restoring the CSF exemption for the DBC Program will help the department maintain adequate funding,
7 which will, in turn, ensure continued operation of the program.

8 Our goal is to create social and physical environments that promote and support good health for
9 all.

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

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Department of Health
 HB 899 HD2 SD1 Comments Attachment
 Recent Impacts on the Deposit Beverage Container Program Reserve Funds

FY 2008-2009		FY 2009-2010 Revenue		FY 2010-2011 Revenue		FY 2011- 2012 Revenue	
Revenue		Revenue		Revenue		Revenue	
Distributor Payments		Distributor Payments		Distributor Payments		Distributor Payments	
Deposits (5¢ per container)	\$44,360,445	Deposits (5¢ per container)	\$45,009,878	Deposits (5¢ per container)	\$45,864,097	Deposits (5¢ per container)	\$45,564,160
Container Fees (1¢ per container)	\$8,872,143	Container Fees (1¢ per container)	\$9,001,961	Container Fees (1¢ per container)	\$9,204,588	Container Fees (1¢ per container)	\$9,112,843
Interest (from Bank)*	\$1,037,114	Interest (from Bank)	\$0	Interest (from Bank)	\$0	Interest (from Bank)	\$0
Total Revenue	\$53,950,101	Total Revenue	\$54,331,440	Total Revenue	\$55,068,685	Total Revenue	\$54,677,348
Expenditures		Expenditures		Expenditures		Expenditures	
Payments to Redemption Centers		Payments to Redemption Centers		Payments to Redemption Centers		Payments to Redemption Centers	
Deposits (5¢ per container)	\$34,392,647	Deposits (5¢ per container)	\$36,353,092	Deposits (5¢ per container)	\$34,981,307	Deposits (5¢ per container)	\$36,192,370
Handling Fees (2-4¢ per container)	\$13,909,539	Handling Fees (2-4¢ per container)	\$18,540,915	Handling Fees (2-4¢ per container)	\$18,454,022	Handling Fees (2-4¢ per container)	\$18,563,081
Subtotal	\$48,302,186	Subtotal	\$54,894,007	Subtotal	\$53,435,329	Subtotal	\$54,755,451
County Support	\$358,293	County Contracts	\$827,533	County Contracts	\$1,517,381	County Contracts	\$812,243
				Infrastructure Improvement Grant			
				FY 08 (Act 228, 2005)	\$116,483		
				Reimbursement for Lanai, and Hana, Maui to operate a Certified	\$164,307		
				Subtotal	\$1,798,171		
Subtotal	\$358,293	Subtotal	\$827,533	Administrative Expenses			
				DOH Payroll	\$516,901		
				DOH supplies, phone, misc.	\$66,080		
				Advertising/Outreach	\$16,400		
				Internship	\$6,300		
				DAGS Central Services Fee*	\$2,738,640		
				DOH Admin Fee (estimate)	\$600,000		
				Transfers to General Fund			
				ACT 192 (2010)	\$1,000,000		
				ACT 124 (2011)	\$300,000		
				Recycler(s) Audit Fee	\$416,538		
				Others - Travel	\$14,070		
				Subtotal	\$5,074,929		
Total Expenditures	\$50,037,939	Total Expenditures	\$59,011,711	Total Expenditures	\$60,308,429	Total Expenditures	\$59,060,124
Accumulated Cash Balance**:	\$26,380,185	Accumulated Cash Balance**:	\$20,666,331	Accumulated Cash Balance**:	\$16,237,284	Accumulated Cash Balance**:	\$7,125,059

Notes:

* Interest earned and DAGS Central Services Fee (CSF) assessments are assessed over two fiscal years.
 For example, the CSF assessment shown for FY 2010-11(2,738,640) is the sum of two assessments done at the end of FY 2009-10 and the beginning of FY 2010-11
 The interest earned and CSF assessments have been combined in this table to more clearly show the impact for each fiscal year.

** FY12 accumulated cash balance includes all program liabilities.
 The FY12 cash balance will likely increase upon closeout of the fiscal year since all liabilities will not be realized.