

HB 899, HD2

RELATING TO RECYCLING.

Restores the exemption from central services fee assessment for the Deposit Beverage Container Deposit Special Fund. Effective July 1, 2030. (HB899 HD2)

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LORETTA J. FUDDY, A.C.S.W., M.P.H.
DIRECTOR OF HEALTH

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

In reply, please refer to:
File:

SENATE COMMITTEE ON ENERGY & ENVIRONMENT

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

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

March 14, 2013
3:20 p.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 Testimony 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)	\$45,854,097	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
Subtotal	\$358,293	Subtotal	\$827,533	Subtotal	\$1,798,171	Subtotal	\$892,710
Administrative Expenses		Administrative Expenses		Administrative Expenses		Administrative Expenses	
DOH Payroll	\$623,187	DOH Payroll	\$492,937	DOH Payroll	\$516,901	DOH Payroll	\$514,019
DOH supplies, phone, misc.	\$88,645	DOH supplies, phone, misc.	\$57,619	DOH supplies, phone, misc.	\$66,080	DOH supplies, phone, misc.	\$55,407
For contracts (Act 228, 2005)	\$37,344						
Program support contracts	\$21,530						
Advertising/Outreach	\$785			Advertising/Outreach	\$16,400	Advertising/Outreach	\$18,851
				Internship	\$6,300		
DOH Admin Fee	\$593,635	DAGS Central Services Fee*	\$2,715,422	DAGS Central Services Fee*	\$2,738,640	DAGS Central Services Fee*	\$2,699,925
		DOH Admin Fee (estimate)	\$600,000	DOH Admin Fee (estimate)	\$600,000	DOH Admin Fee (estimate)	\$600,000
Audit Fee	\$0	Audit Fee (FY08)	\$11,193	Transfers to General Fund	\$1,000,000	Recycler(s) Audit Fee	\$108,513
Others - Travel	\$12,334	Others - Travel	\$13,000	ACT 192 (2010)	\$300,000	Others - Travel	\$15,248
Subtotal	\$1,377,460	Subtotal	\$3,290,171	ACT 124 (2011)	\$0	Subtotal	\$3,411,963
Total Expenditures	\$50,037,939	Total Expenditures	\$59,011,711	Total Expenditures	\$5,074,929	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.

HB899

Submitted on: 3/12/2013

Testimony for ENE on Mar 14, 2013 15:20PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Sharron Henry	Co. of HI Dept. of Env. Mgmt.	Support	No

Comments: This Testimony is submitted from Dora Beck, P.E., Acting Director of the County of Hawaii Department of Environmental Management.

Bernard P. Carvalho, Jr.
Mayor



Larry Dill, P.E.
County Engineer

Gary K. Heu
Managing Director

Lyle Tabata
Deputy County Engineer

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March 12, 2013

Testimony of Larry Dill, County Engineer, County of Kauai

Before the Senate Committee on Energy and Environment: Senator Mike Gabbard, Chair
Senator Russell E. Ruderman Vice Chair

Thursday March 14, 2013
3:20 Pm
Conference Room 225

In consideration of
HB 899, HD2
RELATING TO RECYCLING

Dear Chair, Vice-Chair, and Members:

My name is Larry Dill, County Engineer, Department of Public Works, County of Kauai, testifying in support of House Bill HB 899, HD2 which would restore the original Deposit Beverage Container program exemption from the Central Services Assessment.

Originally the HI-5 program was exempt from the transfer to the General Fund; this allowed the entire amount of the monies collected to be used for redemption and program operation. In 2009, the legislature, in need of additional sources of revenue for the General Fund, removed the exemption.

The Department of Health is seeking the reinstatement of the exemption for two reasons. First, the department argues that the Central Services Assessment should not be applied to the deposit revenues as they are primarily designated to be returned to consumers as redemptions. The bulk of the Deposit Beverage Container (DBC) 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 (through redemption centers) when used containers are redeemed.

Second, annual Central Services Fee (CSF) assessments have ranged from \$2.5 million to \$3 million and have been a significant drain on the program's reserve fund. The CSF assessments,

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Senator Mike Gabbard, Chair & Members of the Senate Committee on Energy and Environment:
HB 899, HD2 Relating to Recycling
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when combined with legislative raids and consistently high redemption rates, have reduced the fund to dangerous levels. The low fund balance led the department to increase the container fee from 1 cent to 1.5 cents per container on 1 September 1, 2012. Restoring the CSF exemption for the DBC Program will help the Department of Health maintain adequate funding, which will in turn ensure continued operation of the program.

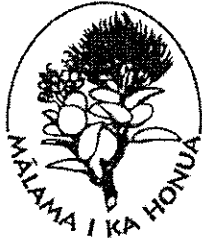
The County of Kaua'i is submitting this testimony strongly supporting this proposal

We thank the Committee for the opportunity to testify on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Larry Dill', written over the printed name.

Larry Dill, P.E.
County Engineer



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.538.6616 hawaii.chapter@sierraclub.org

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

March 14, 2013, 3:30 P.M.
(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 899 HD2

Aloha Chair Gabbard and Members of the Committee:

The Sierra Club, Hawaii Chapter, with over 10,000 dues paying members and supporters statewide, respectfully *supports* HB 899 HD2. This measure establishes restores the exemption from central service fees assessment for the HI5 program so as to ensure Department of Health has the resources to continue this program.

When the beverage container program was first passed -- which the Sierra Club was a principal supporter -- DOH was given a waiver from the central services fee so as to minimize the fee charged to customers. The intent of this program was to encourage recycling, not to serve as a tax base for the general fund.

We understand if this measure is not passed, DOH may lack the resources to continue the HI5 program. This would be a critical loss to an incredible successful program: recycling, on average, around 900,000,000 beverage containers each year.

We encourage this Committee to amend the effective date of this measure and move it forward. Mahalo for the opportunity to testify.

HB899

Submitted on: 3/13/2013

Testimony for ENE on Mar 14, 2013 15:20PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Paul Hanada		Support	No

Comments: Aloha Honorable Senators and Chairman of the ENE committee. Please allow this bill to move forward WITHOUT the amendments. Thank you. Paul Hanada
Owner Aloha Shell Service