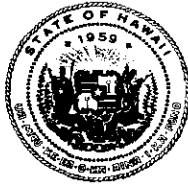


NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LATE TESTIMONY

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:

HOUSE COMMITTEE ON FINANCE

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

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

**February 20, 2013
2:00 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.

1 While statute allows raising the one-cent container fee to one-and-a-half cents when the
2 redemption rate reaches 70%, the department had deferred increasing the fee four times since the
3 redemption rate reached 70% in 2008; choosing instead to operate the program on reserve funds.
4 However, when FY 2013-14 projections indicated a negative fund balance, the program was forced to
5 increase the container fee.

6 Restoring the CSF exemption for the DBC Program will help the department maintain adequate
7 funding, which will, in turn, ensure continued operation of the program.

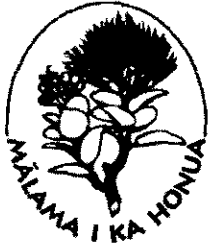
8 Our goal is to create social and physical environments that promote and support good health for
9 all. Thank you for the opportunity to testify on this measure.

Department of Health
 HB 899 HD1 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)	\$45,009,876	Deposits (5¢ per container)	\$45,664,097	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	\$55,068,885	Total Revenue	\$54,877,348
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)	\$38,353,092	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)	\$16,563,081
Subtotal	\$46,302,186	Subtotal	\$54,894,007	Subtotal	\$53,435,329	Subtotal	\$54,755,451
County Support		County Contracts		County Contracts		County Contracts	
	\$358,293		\$827,533		\$1,517,381		\$812,243
Subtotal	\$358,293	Subtotal	\$827,533	Subtotal	\$1,798,171	Subtotal	\$692,710
Administrative Expenses		Administrative Expenses		Administrative Expenses		Administrative Expenses	
DOH Payroll	\$823,187	DOH Payroll	\$492,937	DOH Payroll	\$518,901	DOH Payroll	\$514,019
DOH supplies, phone, misc.	\$88,645	DOH supplies, phone, misc.	\$57,819	DOH supplies, phone, misc.	\$66,080	DOH supplies, phone, misc.	\$55,407
For contracts (Act 226, 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	\$593,835	DAGS Central Services Fee*	\$2,715,422	DAGS Central Services Fee*	\$2,738,640	DAGS Central Services Fee*	\$2,899,925
		DOH Admin Fee (estimate)	\$600,000	DOH Admin Fee (estimate)	\$600,000	DOH Admin Fee (estimate)	\$600,000
				Transfers to General Fund			
Audit Fee	\$0	Audit Fee (FY08)	\$11,193	ACT 192 (2010)	\$1,000,000		
Others - Travel	\$12,334	Others - Travel	\$13,000	ACT 124 (2011)	\$300,000		
Subtotal	\$1,377,460	Subtotal	\$3,290,171	Subtotal	\$5,074,929	Subtotal	\$3,411,983
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.



Sierra Club Hawai'i Chapter

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LATE TESTIMONY

HOUSE COMMITTEE ON FINANCE

February 20, 2013, 2:00 P.M.
(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 899 HD1

Aloha Chair Luke and Members of the Committee:

The Sierra Club, Hawaii Chapter, with over 10,000 dues paying members and supporters statewide, respectfully *supports* HB 899 HD1. 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 move this measure forward.

Mahalo for the opportunity to testify.