

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LINDA ROSEN, M.D., 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 ENERGY & ENVIRONMENTAL PROTECTION
HCR 207, REQUESTING THE AUDITOR TO CONDUCT AN AUDIT OF THE
ADVANCE DISPOSAL FEE PROGRAM AND THE ENVIRONMENTAL
MANAGEMENT SPECIAL FUND.

Testimony of Linda Rosen, M.D., M.P.H.
Director of Health

March 18, 2014
8:30 a.m.

- 1 **Department's Position:** The Department of Health offers comments on this measure.
- 2 **Fiscal Implications:** Up to \$100,000 for the cost of the financial audit.
- 3 **Purpose and Justification:** This measure requests that the department meet with the counties and other
- 4 stakeholders to discuss the Glass Advance Disposal Fee (ADF) Program and determine whether or not
- 5 there are more cost-effective ways of handling recyclable glass; requests an audit of the the ADF
- 6 Program; and requests that the Legislative Auditor examine local alternatives to shipping glass
- 7 containers out of state for recycling.

8 The ADF Program is administered by the department in accordance with Hawaii Revised
9 Statutes Ch. 342G. The department collects the specified fee from manufacturers and distributors and
10 distributes 90% of the revenue to the counties via annually renewable contracts. The funds are used to
11 operate glass buy-back programs in each of the counties. The contracts gives each county the discretion
12 to set the rates paid to recyclers for the recycled glass. This gives each county the flexibility to adjust to
13 changes in the recycled glass market and to conditions unique to their islands.

14 Glass, while easily recycled, lags other materials in the amounts recycled in Hawaii due to
15 several factors related to our geographic isolation. First, all markets for recycled glass (and nearly all

1 recyclable materials) lie outside of Hawaii. Because of this, recyclers must pay perennially high
2 shipping rates that are, in turn, exacerbated by the fact that glass is a heavy commodity. While the
3 counties and the department have received many proposals to establish in-state glass recycling or reuse
4 facilities, none have been viable. Many times this is due to the fact that the amount of recyclable glass
5 generated in state is too small to support an in-state facility that would not require some sort of
6 government subsidy or other assistance.

7 The program has also been hampered by the high variability in container sizes; where a bottle of
8 nail polish is assessed the same fee as a wine bottle. The department has attempted to address this issue
9 with legislative proposals over the past few sessions.

10 Finally, we note that while the department administers both the ADF and Deposit Beverage
11 Container (DBC) programs they are separate and distinct. The programs are authorized by separate
12 sections of statute and operate with separate special funds with no commingling of revenue. While the
13 most recent DBC program audits identified issues with the DBC program, the department is actively
14 addressing issues on which we concurred.

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

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Executive Officers:
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TO:
COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Rep. Chris Lee, Chair
Rep. Cynthia Thielen, Vice Chair

COMMITTEE ON WATER & LAND

Rep. Cindy Evans, Chair
Rep. Nicole E. Lowen, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: Tuesday, March 18, 2014
TIME: 8:30 A.M.
PLACE: Conference Room 325

RE: HCR 207

Position: Support

The HFIA is in support of this measure. We suggest that the University of Hawaii participate in this process so that their environmental group can help in coming up with a 3-year demonstration project here on Oahu. This is a great way to see how glass may be recycled in Hawaii instead of shipping it back to the mainland at considerable cost. Glass sand could be used as an alternative to dirt as a ground cover for landfills or in the construction industry where glass is used in cement products and roadwork.

Thank you for the opportunity to testify.



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HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
Tuesday, March 18, 8:30 am

**Testimony in Support of
HCR 207 (Advanced Disposal Fee Study)**

Dear Chair Gabbard and Members of the Committee on Energy and Environment:

Wine Institute ("WI") is a public policy association representing 923 California wineries and associated businesses.

WI supports the intent of HCR 207, which requests the auditor to conduct an audit of the advanced disposal fee (ADF) program and the environmental management special fund.

WI believes that, before any increase of the ADF is imposed, a comprehensive study of the program and exploration of possible collaborative ways to lower the costs should be done. This review should include an exploration of potential uses of recycled glass in Hawaii.

Hawaii loses money recycling glass. Shipping glass to the west coast for recycling costs about \$125 per ton, which far outweighs its value - \$20-\$60 per ton (depending on color and sort). So at its highest value - \$60 per ton, Hawaii is still losing \$65 per ton, before taking into account the costs of collection, processing and transporting the glass to the docks. With such significant losses in the program, it should be reevaluated, instead of just increasing the fees on most imported glass.

The Solid Waste Management Report to the Legislature in December 2012 did not contain expenditure data for all the counties, so it is not clear how much was spent to run the program. Complete fiscal information relating to this program should be compiled before any decision to increase the fee is made. We also question if there are adequate cost controls in this program. A county, without oversight, can decide to increase the amount paid to recyclers, then come to the legislature, after the fact, to request a fee increase to cover the additional costs.

Hawaii wine consumers already pay one of the highest prices in the United States for their wine, because the transportation costs to ship wine to Hawaii are high, Hawaii's liquor excise tax is 10th highest in the nation, and wine is also subject to the general excise tax of 4.17% or 4.712%

for Honolulu County. After years of double-digit declines, Hawaii's tourism industry has recovered. Tourism accounts for a significant percentage of Hawaii's GDP and its jobs. Restaurants, hotels, and wine retailers can't afford a fee increase that will be passed along to them that may hamper their businesses.

WI supports an auditor's study because it will facilitate discussion between government and stakeholder participants to provide recommendations on how to most effectively, economically and efficiently handle glass recycling. WI would be interested in being part of further discussions regarding the ADF program and collaborating with other stakeholders to find solutions that are more efficient and effective than the current system.

Thank you very much for the opportunity to testify.

March 17, 2014

Via Fax

Representative Chris Lee, Chair
Representative Cynthia Thielen, Vice Chair
House Committee on Energy and Environmental Protection
Hawaii State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: H.C.R. No. 207 REQUESTING THE AUDITOR TO CONDUCT AN AUDIT OF
THE ADVANCE DISPOSAL FEE PROGRAM AND THE ENVIRONMENTAL
MANAGEMENT SPECIAL FUND

Dear Chair Lee, Vice Chair Thielen, and Committee Members:

The Hawaii Liquor Wholesalers Association ("HLWA"), respectfully submits the following written testimony in support of H.C.R. No. 207. REQUESTING THE AUDITOR TO CONDUCT AN AUDIT OF THE ADVANCE DISPOSAL FEE PROGRAM AND THE ENVIRONMENTAL MANAGEMENT SPECIAL FUND, which is to be heard by your Committee on Energy and Environmental Protection on March 18, 2014.

We believe that an audit of the advance disposal fee program and environmental management special fund would be appropriate because the Department of Health and the counties have proposed substantial increases (in some cases double to quadruple the current rates) in the glass advance disposal fee without any showing that the proposed increase in fees is properly correlated to actual or necessary programs costs. We respectfully submit that any increase in the fees will result in higher prices and before consumers are asked to pay much higher fees, an audit should be performed to determine whether any proposed increases are appropriate. Our concern is compounded by the fact that the State Auditor's Report on the state's beverage recycling program noted significant potential problems in the implementation of that program.

We also would recommend that the auditor be requested to include the University of Hawaii in her audit for the purpose of determining whether there are any local alternatives to shipping glass to the mainland for recycling, which we understand is the primary method of recycling currently undertaken. Particularly given our state's high shipping costs, forcing consumers to pay the cost to ship glass containers to the mainland, rather than recycling locally seems to be a poor choice. Unfortunately, if the State, counties and recyclers can simply pass on those costs to Hawaii consumers, there is no mechanism to encourage the development of

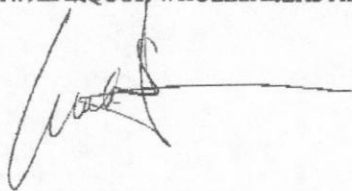
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alternatives. For that reason, we suggest that the University of Hawaii's environmental group be included in the audit and asked to assist in developing a short term, e.g., 3 years, demonstration project on Oahu to recycle glass here. Such demonstration project might include the production of glass sand as an alternative to dirt as a ground cover for land fills, for use in cement products, etc. We believe that such an alternative could be a win-win situation for both the environment and consumers.

For the foregoing reasons, we respectfully support H.C.R. No. 207. Thank you for your consideration of the foregoing.

Very truly yours,

HAWAII LIQUOR WHOLESALERS ASSOCIATION



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FHCR207

Submitted on: 3/17/2014

Testimony for EEP on Mar 18, 2014 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Lane	Dept. of Health	Comments Only	No

Comments: Department of Health comments HCR 207 EEP Hearing, 8:30 am, March 18, 2014

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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