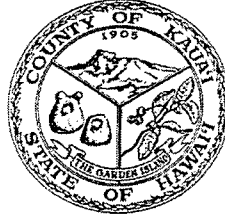


Bernard P. Carvalho, Jr.
Mayor



Larry Dill, P.E.
County Engineer

Gary K. Heu
Managing Director

Lyle Tabata
Deputy County Engineer

DEPARTMENT OF PUBLIC WORKS
County of Kaua'i, State of Hawai'i
4444 Rice Street, Suite 275, Līhu'e, Hawai'i 96766
TEL (808) 241-4992 FAX (808) 241-6604

February 19, 2013

Testimony of **Larry Dill**, County Engineer, County of Kaua'i

Before the Senate Committee On Ways and Means:
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

Friday, February 22, 2013
9:00 a.m.
Conference Room 211

In consideration of
SB 1131
RELATING TO RECYCLING

Dear Chair, Vice-Chair, and Members:

My name is Larry Dill, County Engineer, Department of Public Works, County of Kaua'i, and I am testifying in support of Senate Bill 1131 which would increase the existing Glass Advance Disposal Fee to 3 cents for smaller containers and 6 cents for containers over 12 oz.

It has been documented nationwide that broken glass can significantly impact the operational efficiencies of Materials Recovery Facilities and lower the value of the other recycled material. The proposed increase in the glass Advance Disposal Fee (ADF) could provide additional resources to help Kaua'i keep non-redemption glass out of the proposed curbside recycling program.

The ADF program was created as a state program in 1994. Under the program, the Department of Health (DOH) collects a fee of 1.5 cents per container from the distributors of non-deposit glass container sold in the state. The majority of funds are passed through to the counties, in amounts proportional to population, for the operation of non-redemption glass recycling programs.

Glass recycling lags behind other materials because of its lower material value, and the fact that its higher density leads to higher shipping costs. In the past, the funding provided through the ADF has allowed the Counties to cover a portion of the cost of collecting and recycling glass in

Senator David Y. Ige, Chair & Members of the Committee on Ways and Means the Finance Committee
SB 1131 Relating to Recycling
February 19, 2013
Page 2

their Recycling Programs, especially commercially generated glass which is brought in to the Kaua'i Resource Center. Increasing the ADF would enable the DOH to increase funding to all counties to bolster their glass recycling efforts.

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

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Tiered glass advanced disposal fee

BILL NUMBER: SB 1131, SD-1

INTRODUCED BY: Senate Committee on Energy & Environment

BRIEF SUMMARY: Amend HRS section 342G-82 to provide that beginning on January 2, 2014, the advance disposal fee on glass containers shall be three cents per glass container containing twelve ounces or less determined by weight or volume; and six cents per glass container containing greater than twelve ounces determined by weight or volume.

EFFECTIVE DATE: January 1, 2014

STAFF COMMENTS: This is an administration measure submitted by the department of health HTH-18 (13). The justification sheet states that the majority of the advance disposal fee revenue is passed through the counties to fund glass recycling programs. While the counties have the ability to independently set rates paid to recyclers to account for variable costs in processing the glass and fluctuations in the market price of glass, it states that during the fiscal year 2011-12, the city and county of Honolulu increased the payout rate to glass recyclers and this resulted in the city and county of Honolulu depleting its allotment before the end of the fiscal year.

Currently the advance disposal fee on glass containers is one and one-half cents per container. This measure proposes to establish a tiered fee structure depending on the capacity of the container. Glass containers up to 12 ounces or less shall be assessed three cents per container while those containing more than 12 ounces shall be assessed a fee of six cents per container.

It should be noted that an audit of the state's beverage container recycling program by the State Auditor's office points to deficiencies that could expose it to fraud. According to the report, the state relies too much on redemption centers and distributors without a system of checks and balances. As a result, the people who bring recycled materials may be underpaid and over payments may have been made from the state to the beverage recycling centers. The study pointed out that "deposits and fee collections from distributors, as well as payments to redemption centers, are unsupported. For several sample distributor reports selected for testing, distributors could not support amounts and payments made to the program."

The report further pointed out ". . . the program may be operating at a greater cost than necessary, and the reported redemption rate may not be reliable. Resolution of these deficiencies is necessary to alleviate public concern over the cost of the state's beverage container recycling program, including questions on the container fee rate necessary to operate the program."

While this measure proposes to increase the existing advance disposal fee on glass, the problems with the HI-5 program should be addressed before any increase in fees is approved. The department of health

dismisses the charges that fraud is possible yet has not come forward with any definitive resolutions to address this problem. What is known is that both the glass disposal program as well as the beverage redemption program have engendered a growing bureaucracy of public employees that are being paid for out of the fees which these programs generate. As was recently pointed out in a committee hearing, the beverage deposit fee has provided the incentive to retrieve and recycle the container in exchange for the deposit fee. As such, it was noted by the director of the recycling programs, a beverage container was discarded in the morning and when he returned in the afternoon, someone had picked up the container obviously to redeem it for the nickel. The point being is that for the first person who discarded the beverage container in the first place the behavior has not changed and for that person, the container was merely discarded. To that extent the beverage deposit program has failed to achieve its purpose which is to change the behavior of consumers.

In this case the two-tier fee system is supposed to recognize the additional costs for transportation of these containers which are of higher density and therefore incur higher shipping costs. But upon further reading, the two-tiered fee is actually being requested because the program ran out of money midyear and forced the reduction of the payout rates. Thus, this measure is nothing more than an attempt to raise additional resources for a program that obviously has not been fully evaluated. Before any increase is adopted, an audit of the glass-recycling program appears to be imperative as the fee is not designed to appropriately respond to the demand.

Digested 2/21/13

**Testimony of
Gary M. Slovin / Mihoko E. Ito
on behalf of
Distilled Spirits Council of the United States**

DATE: February 20, 2013

TO: Senator David Ige
Chair, Committee on Ways and Means
Submitted Via WAMTestimony@Capitol.hawaii.gov

RE: **S.B. 1131 S.D.1 – Relating to Recycling**
Hearing Date: Friday, February 22, 2013 at 9:00am
Conference Room: 211

Dear Chair Ige and Members of the Committee on Ways and Means,

We submit these comments on behalf of the Distilled Spirits Council of the United States (“DISCUS”). DISCUS is a national trade association representing producers and marketers of distilled spirits sold in the United States.

DISCUS **opposes** S.B. 1131 S.D.1. This bill seeks to establish a tiered glass advanced disposal fee system based on the capacity of a glass container.

Glass bottles for wine and spirits are currently assessed an advance disposal fee of one and one half cent per glass container. All revenues generated from advance disposal fees are deposited into a special account in the environmental management fund, and these moneys are used to fund county glass recovery programs. While we understand that the Counties and the Department of Health may feel that the current fee is insufficient, we believe that doubling the current fee for containers under 12 ounces and quadrupling it for containers that hold more than 12 ounces to both increase the Counties payouts to glass recyclers and to create three new positions in the Department to administer this program is excessive.

In addition to the advance disposal fee per glass container, distilled spirits are already assessed significant taxes and fees in Hawai‘i. For a typical bottle of distilled spirits sold here, 25% percent of the retail price goes to pay State and local taxes and fees. When factoring in federal requirements, 51% of the purchase price of each bottle of distilled

Gary M. Slovin
Mihoko E. Ito
Tiffany N. Yajima
Nicole A. Velasco

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spirits goes toward taxes and fees. These goods would subsequently have to be assessed higher prices if the advanced disposal fee is raised, ultimately hurting the consumer.

For the reasons stated above, we respectfully ask that you hold S.B. 1131 S.D.1.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: laurenzirbel@gmail.com
Subject: *Submitted testimony for SB1131 on Feb 22, 2013 09:00AM*
Date: Tuesday, February 19, 2013 9:17:14 PM

SB1131

Submitted on: 2/19/2013

Testimony for WAM on Feb 22, 2013 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Lauren Zirbel	Hawaii Food Industry Association	Oppose	Yes

Comments:

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov



Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
Committee on Ways and Means

HEARING Friday, February 22, 2013
 9:00 am
 Conference Room 211
 State Capitol, Honolulu, HI 96813

RE: SB1131, SD1, Relating to Recycling

Chair Ige, Vice Chair Kidani, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii. The retail industry is one of the largest employers in the state, employing 25% of the labor force.

RMH opposes SB1131, HD1, which establishes a tiered glass advanced disposal fee system based on the capacity of a glass container.

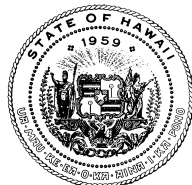
An increase of three cents per glass container holding twelve ounces or less actually is a **200% increase** in this tax. **Reality: this is an additional three cents per jar of baby food.** An increase of six cents is a 400% increase in each twelve-ounce or larger container. We question whether an increase of this magnitude is warranted or judicious at this time.

The greatest impact of an increase of this kind is on food products, for many of which, glass is the most advised and appropriate container. Food taxes are regressive and add to the cost of living for our families and consumers who can least afford higher costs at the grocery store.

Thank you for the opportunity to testify.

Carol Pregill, President

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LATE

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:

COMMITTEE ON WAYS AND MEANS

S.B. 1131, S.D.1, RELATING TO RECYCLING

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

February 22, 2013
9:00 a.m.

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

2 **Fiscal Implications:** The department estimates approximately \$1.9 million in additional annual
3 revenue.

4 **Purpose and Justification:** The glass advance disposal fee (ADF) program was created as a state
5 program in 1994. Under the program, the department collects a fee of 1.5 cents per container from the
6 distributors of non-deposit glass container sold in the state. The majority of funds are passed to the
7 counties, in amounts proportional to population, for the operation of glass buyback programs.

8 Glass recycling lags behind other materials because of its lower material value, and the fact that
9 its higher density leads to higher shipping costs. In an effort to increase glass recycling volumes, the
10 City and County of Honolulu increased its payout rate in FY 2011-12. The higher subsidy rate had the
11 intended effect of increasing the amount of glass collected. This was partly due to the increased
12 availability of glass recycling opportunities for the general public. For the majority of the program's
13 existence, collections have focused nearly exclusively on the commercial sector. However, the higher
14 payout rate encouraged recyclers to begin offering collection to the general public. The increased

1 collections forced the City and County of Honolulu to reduce the payout rate mid-year so that funds
2 could last the duration of the fiscal year.

3 Increasing the ADF would enable the department to increase funding to all counties to bolster
4 their glass recycling efforts.

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

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

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DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU

1000 ULUOHIA STREET, SUITE 308, KAPOLEI, HAWAII 96707
TELEPHONE: (808) 768-3486 • FAX: (808) 768-3487 • WEBSITE: <http://envhonolulu.org>

LATE

KIRK CALDWELL
MAYOR



LORI M.K. KAHIKINA, P.E.
DIRECTOR

EDUARDO P. MANGLALLAN
DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.
DEPUTY DIRECTOR

IN REPLY REFER TO:
WAS 13-39

February 21, 2013

The Honorable David Y. Ige, Chair
and Members of the Committee on
Ways & Means
State Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Ige and Members:


Subject: Senate Bill 1131, SD1, Relating to Recycling

The City and County of Honolulu's Department of Environmental Services (ENV) supports adequate funding of programs to support glass recycling. Senate Bill (SB) 1131, SD1, would increase the advance disposal fee (ADF) collected for non-deposit glass containers.

The glass ADF was set at 1.5 cents per container more than 15 years ago and has not been adjusted to accommodate changes in recovery rates or costs. Current revenue levels do not cover needed expenditures to subsidize glass recycling efforts. The cost to ship glass to West Coast facilities to be remanufactured into new container glass exceeds the market value of the glass. Without sufficient funding support for non-deposit glass containers through a subsidy program, the opportunities for glass recycling are very limited.

Thank you for your consideration.

Sincerely,


Lori M.K. Kahikina, P.E.
Director