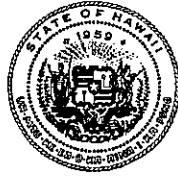


SB 1131

RELATING TO RECYCLING.

Establishes a tiered glass advanced disposal fee system based on the capacity of a glass container.

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 AND ENVIRONMENT

SB 1131, RELATING TO RECYCLING

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

January 31, 2013
2:45 p.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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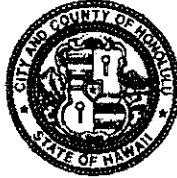
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DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU

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

KIRK CALDWELL
MAYOR



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

EDUARDO P. MANGLALLAN
DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.
DEPUTY DIRECTOR

IN REPLY REFER TO:
WAS 13-26

January 31, 2013

The Honorable Mike Gabbard, Chair
and Members of the Committee on
Energy & Environment
State Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Gabbard and Members:

Subject: Senate Bill 1131, 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 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,

A handwritten signature in black ink, appearing to read "Lori M.K. Kahikina". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

SB1131

Submitted on: 1/29/2013

Testimony for ENE on Jan 31, 2013 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Marjorie Ziegler	Conservation Council for Hawai'i	Support	No

Comments:



HAWAII FOOD INDUSTRY ASSOCIATION (HFIA)

1050 Bishop St. Box 235
Honolulu, HI 96813
Fax : 808-791-0702
Telephone : 808-533-1292

DATE: Thursday, January 31, 2013

PLACE: Conference Room 225

TIME: 2:45 P.m.

TO: COMMITTEE ON ENERGY AND ENVIRONMENT

Sen. Mike Gabbard, Chair; Sen. Russell E. Ruderman, Vice Chair

FROM: Hawaii Food Industry Association: Lauren Zirbel, Executive Director

RE: SB 1131 RELATING TO RECYCLING

Increases the advance disposal fee on glass containers from one and a half cents per glass container to three cents per glass container containing twelve ounces determined by weight or volume. The glass advanced disposal fee shall only apply to glass containers that are not glass deposit beverage containers.

Chair & Committee Members:

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers and distributors of food and beverage related products in the State of Hawaii.

The Hawaii Food Industry Association respectfully opposes this measure.

This measure increases the cost of beverages packaged in non-deposit beverage glass containers. This would increase the cost of many popular consumer beverage products and hamper the success of the local beverage industry.

Mahalo for the opportunity to provide this testimony.



Senator Mike Gabbard, Chair
Senator Russell E. Ruderman, Vice Chair
Committee on Energy and Environment
State Capitol, Honolulu, HI 96813

HEARING Thursday, January 31, 2013
 2:45 pm
 Conference Room 325

RE: **SB1131, Relating to Recycling**

Chair Gabbard, Vice Chair Ruderman 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, 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.

A handwritten signature in cursive script, appearing to read 'Carol Pregill'.

Carol Pregill, President

RETAIL MERCHANTS OF HAWAII
1240 Ala Moana Boulevard, Suite 215
Honolulu, HI 96814
ph: 808-592-4200 / fax: 808-592-4202

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; HB 900 (Identical)

INTRODUCED BY: SB by Kim by request; HB by Souki by request

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.

Digested 1/30/13

**Testimony of
Mihoko E. Ito
on behalf of
Distilled Spirits Council of the United States**

DATE: January 30, 2013

TO: Senator Mike Gabbard
Chair, Committee on Energy and Environment
Submitted Via Capitol Website

RE: **S.B. 1131 – Relating to Recycling**
Hearing Date: Thursday, January 31, 2013 at 2:45 pm
Conference Room: 225

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

I am Mihoko Ito, appearing 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. 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
Christine Ogawa Karamatsu
Tiffany N. Yajima

1099 Alakea Street, Suite 1400
Honolulu, HI 96813
(808) 539-0840

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.



Sierra Club Hawai'i Chapter

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

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

January 31, 2013, 2:45 P.M.
(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF SB 1131

Chair Gabbard and members of the Committee:

The Sierra Club, Hawaii Chapter, with over 10,000 dues paying members and supporters statewide, respectfully *supports* SB 1131. This measure establishes a tiered advance disposal fee for different sized glass containers.

Numerous items, such as wine bottles, are not included in Hawaii's overwhelmingly successful bottle law. And based on the size and cost of recycling items like wine bottles, incentives built into the bottle law may not be enough to encourage recyclers to take these items. The cost/benefit ratio doesn't pencil out.

By creating a tiered payment system, we can incentivize the recycling of larger and heavier glass items. We also avoid the supposed burden of having to label each container.

If we want to move Hawaii to a sustainable future and help solve our growing landfill crisis, we need to start taking the "small changes" necessary to eliminate our problems. While the Sierra Club would prefer a more comprehensive recycling program, we believe this is a good first step.

Mahalo for the opportunity to testify.

Katie Jacoy
Western Counsel
31 West Road N
Tacoma, WA 98406
www.wineinstitute.org
kjacoy@wineinstitute.org
360-790-5729

THE SENATE

**THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2013**

COMMITTEE ON ENERGY AND ENVIRONMENT

Testimony in Opposition to SB 1131

Wine Institute ("WI") is a public policy association representing 962 California wineries and associated businesses. WI opposes SB 1131 because it proposes a significant increase in the advance disposal fee (ADF) on glass wine bottles from \$.015 to \$.06 without demonstration of a compelling need or efficient use for this amount of new revenue. This fee increase would likely result in higher wine prices of Hawaii consumers.

According to the Beverage Information Group's 2012 Wine Handbook, the total consumption of table wine in Hawaii in 2011 was 1,790,700 cases, which equals 21,488,400 750ml bottles. Under the current fee of 1.5 cents, the Advanced Disposal Fee on these wine bottles raised about \$322,326. Under the bill, each of these bottles, since they contain more than 12 ounces, would be subject to a 6 cent fee. On wine bottles alone, this would have raised about \$1,289,304. This is more than the total expenditures for county collection programs in 2011, which were reported to be \$1,121,097. (Table 11, Report to Twenty-Sixth Legislature 2012, Annual Report on Solid Waste Management, December 2011.)

The bill's Justification Sheet explains that the City and County of Honolulu spent their allotment before the end of the 2011-2012 fiscal year, but without a study of the overall fiscal situation of the program and glass recycling goals, it is impossible to gage whether this significant fee increase is warranted. We question if there are adequate cost controls in this program if every time a county decides to pay more to recyclers there is a corresponding request to increase the fee to cover the costs.

We urge the Legislature to study the fiscal soundness of the program and the recycling

goals before deciding to substantially increasing the ADF.

SB1131

Submitted on: 1/31/2013

Testimony for ENE on Jan 31, 2013 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
John Harder	Zero Waste Kauai	Support	No

Comments: Zero Waste Kauai, a local non-profit organization advocating sustainable solid waste management strongly supports the intent of this bill. The additional funding would assist recyclers in removing glass from the waste stream and improve the quality and market value of other collected recyclables. Mahalo, John Harder



THE LEGISLATIVE CENTER

1188 BISHOP STREET, SUITE 1003
HONOLULU, HAWAII 96813-3304
PHONE: (808) 537-4308 • FAX: (808)533-2739

January 31, 2013

TESTIMONY TO: Senate Committee on Energy and Environment
Senator Mike Gabbard, Chair

FROM: Tim Lyons
Legislative Liaison
Anheuser Busch Companies

SUBJECT: S.B. 1131 – RELATING TO RECYCLING

Chair Gabbard and Members of the Committee:

I am Tim Lyons representing Anheuser Busch Companies and we oppose this bill.

We think this bill is ill advised when it is fairly clear the fund is not operated in a prudent and responsible way. As the 2010 audit on the Deposit Beverage Container Special Fund points out, there are several deficiencies that expose the program to fraud including the lack of systematic compliance, inspections, the lack of some inspections completely and unauthorized beverage containers entering the redemption stream all adding up to the reported redemption rate not being reliable.

It is of course, this redemption rate that the Department relied on in order to increase the fee for \$.01 to \$.01 ½. With only 105 certified redemption centers on Oahu and the neighbor islands, it is rather puzzling as to why these centers have not been properly inspected and, we might point out, this audit is not the first one that has been critical of the program. The first audit discovered a \$5,000,000.00 misstatement on the funds financial statements and in this audit, discovered were a variety of unverified reports.

Overall, the audit also found that the program lacked inadequate internal control over financial reporting.

With those kinds of findings, we find it somewhat puzzling that someone would propose to double the handling fee from the current \$.01 ½ to \$.03. With all of the problems that the program has it would appear that higher container fees that are being charged now are questionable. To double that is unquestionably puzzling.

We think it is time to take a step back and get this fund in order before suggesting that there should be additional fees imposed on the consuming public. This program should be operating so that the \$.05 container fee itself is sufficient in order to operate the entire program in consideration of the unredeemed deposits which the state gets to keep.

Based on the above then, we oppose this bill and would ask the Committee's consideration instead of S.B. 716 which would revert the handling fee to \$.01 until such time the recommendations of the audit are implemented.

Thank you.