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GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

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February 22, 2013

TO: HONORABLE DAVID IGE, CHAIR HONORABLE MICHELLE KIDANI,
VICE CHAIR AND MEMBERS OF THE SENATE COMMITTEE ON WAYS
AND MEANS

SUBJECT: **OPPOSITION TO S.B. 1132, RELATING TO SOLID WASTE.** Increases the solid waste management surcharge to \$1.25 per ton of solid waste disposed of in landfills or shipped out-of-state; increases the solid waste management surcharge to 60 cents per ton of solid waste disposed of at waste-to-energy facilities that accept 150,000 tons or more of solid waste annually; provides for no surcharges to waste-to-energy facilities that accept less than 150,000 tons of solid waste annually and for ash disposed of in landfills that originates from a waste-to-energy facility; and defines "waste-to-energy facility".

HEARING

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

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

The General Contractors Association (GCA) is an organization comprised of over six hundred (600) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

GCA is in **opposition** S.B. 1132, Relating to Solid Waste, which proposes to, among other things, raise the solid waste disposal surcharge by from \$0.35 to \$1.25, and raise the disposal of solid waste at waste-to-energy facility under certain circumstances from, \$0.35 to \$0.60, effective January 1, 2014. The purpose of this measure is to clarify that the solid waste management surcharge applies to solid waste shipped outside the State; clarify that solid waste management surcharge applies to waste disposed of at waste to energy facilities and to increase solid waste management surcharge using tiered structure.

GCA is in **opposition** to any increase that may not be warranted to meet specific Department of Health operating costs within the projected budget. The current bill is proposing an increase, although the amount is yet to be determined, to increase the "solid waste management surcharge" from its existing 35 cents per ton for solid waste disposed at a landfill or to an out of state facility. The bill also permits no surcharge for waste to energy facilities that accept less than 150,000 tons of solid waste annually and for ash. This bill proposes a \$0.90 increase per ton,

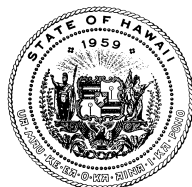
which would appear to calculate to more than what was necessary to meet the expected \$600,000 for increasing program expenses for personnel and fringe costs.

GCA is strongly opposed to any increase in the solid waste management surcharge that may not be appropriate through the surcharge mechanism. There is concern that the more appropriate funding should be through the use of State general funds. It appears that the onetime increase of \$0.90 may not be necessary and that a smaller increase may be warranted. GCA's main concern is with how a proposed increased surcharge would be passed on to contractors and owners, which would in turn, raise the cost of all construction projects. Due to a number of significant infrastructure projects that are expected, such as rail, shipyard maintenance, as well as commercial and residential building and renovation, it would be detrimental to the state's economic recovery to burden private and public projects with extra added taxes framed as surcharges. In today's economic situation, increasing construction costs will adversely affect economic recovery.

This session a number of bills propose raising revenue to meet departmental shortfalls through increased fees or surcharges, which may not be the appropriate mechanism because the consumer is the one burdened with paying for the shortfall. Moreover, with the proposed increased fees for services and surcharges attached to specific department shortfalls, the burden is placed on the industry required through regulations to use those services. Some examples of such fee increase and surcharge increase measures include, but are not limited to, H.B. 480, assesses a surcharge for any land reclassification; S.B. 63, \$1 motor vehicle tire surcharge; S.B. 1131 establishes a tiered glass disposal fee; and H.B. 912 establishes filing fees to help fund operations of the Office of Environmental Quality Control, to name a few. These proposed surcharge and increased fees burdens the business community and ultimately, the consumer.

We are also very concerned about the sudden implementation of this increased cost for existing public works projects. Many of our members have existing contracts in place for which contractors had based their costs on the known disposal costs at the time of the bidding process. Any sudden increase in disposal costs after an award of the contract will lead to unanticipated cost increases to the contractors which may not be recovered from the owner.

We respectfully request that this Committee hold S.B. 1132 for the reasons above. Thank you for the opportunity to provide testimony on this measure.



LATE

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

In reply, please refer to:
File:

SENATE COMMITTEE ON WAYS AND MEANS

S.B. 1132, RELATING TO SOLID WASTE

**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:** Increase annual revenue from approximately \$500,000 to \$1,300,000.

3 **Purpose and Justification:** The purpose of this bill is to modify, and increase, the existing solid waste
4 management surcharge so that it applies to waste-to-energy facilities and facilities that prepare waste for
5 disposal outside the state of Hawaii.

6 The changes proposed in this bill will help the department address at least two pressing issues for its
7 solid waste regulatory program.

8 First, and foremost, is to provide adequate funding for the solid waste program. The surcharge is the
9 program's primary funding source and is applied to waste being deposited in the state's landfills and sole
10 incinerator. It was instituted in 1994 at 25 cents per ton and raised to 35 cents per ton in 1997. There has
11 been no increase in the 16 years since then despite a growing workload for the program, the loss of 25% of
12 positions due to the 2009 Reduction-In-Force, and the loss of the program's general funds. Current annual
13 revenues of approximately \$500,000 are exceeded by staffing costs alone which are in excess of \$700,000.
14 Total program costs are approximately \$1.2 million. The program has maintained operations through
15 savings from vacancies, furloughs, salary reductions, reduced services and through the diversion of resources
16 from other programs. Despite these efforts fund balances are approaching critically low levels. The

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1 surcharge rate(s) needs to be set to meet this minimum funding level so that the department can continue
2 operating the solid waste program at its already reduced staffing and service levels. It should be noted that
3 even if funding levels are increased to \$1.2 million, the department would still lack the resources to conduct
4 some mandated activities such as revising the state's solid waste management plan. The situation is now
5 more urgent since our initial request in 2011.

6 The proposed surcharge tiers also address the evolving waste management field and its changing
7 technologies. For example, the department is aware of waste-to-energy facilities that are proposing to use
8 new technologies that the current solid waste management surcharge would not apply to. The recent past has
9 also seen attempts to ship waste out of state for disposal. The department feels that it is appropriate that the
10 surcharge be modified to apply to these facilities as they are permitted and regulated by the solid waste
11 program.

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

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

DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU

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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 13-40

February 21, 2013

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

Dear Chair Ige and Members:


Subject: Senate Bill 1132, Relating to Solid Waste

The City and County of Honolulu's Department of Environmental Services (ENV) supports adequate funding for the Department of Health's Solid Waste Management programs. Senate Bill (SB) 1132, Relating to Solid Waste, proposes to increase funding for those programs through increases in the solid waste management surcharge.

While we are in full support of adequate funding of the Department of Health (DOH) Solid Waste Management programs, we are concerned with funding these regulatory functions through fees on regulated activities rather than through use of State general funds. We would appreciate the committee evaluating the appropriate source of funding for these DOH programs during its consideration of this bill.

Thank you for your consideration.

Sincerely,


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