
A BILL FOR AN ACT

RELATING TO THE DEPOSIT BEVERAGE CONTAINER PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that in 2005, the auditor
2 conducted an audit of the deposit beverage container program.
3 In that report, the auditor found that the department of health
4 failed to verify that the payments made to the redemption
5 centers coincided with the weight of recyclable materials that
6 redemption centers sent to recyclers. Instead, the department
7 was paying the redemption centers based upon the number of
8 containers the redemption centers claimed to have accepted from
9 consumers. In 2006, the department of health acknowledged the
10 weakness and potential for abuse of this accounting system, and
11 it proposed to reduce the possibility of over-paying redemption
12 centers by switching to a back-end payment system where
13 redemption centers would be paid based upon the weight of the
14 recyclable material sent to recyclers.

15 The legislature further finds that in 2008 and in 2010, the
16 auditor submitted second and third audit reports, respectively,
17 of the deposit beverage container program. At the time of those
18 reports, the deposit beverage container program had not yet



1 implemented a back-end payment system. Those reports reiterated
2 that payments to redemption centers were subject to fraud and
3 abuse because they were based upon unverified or unsupported
4 redemption numbers. In response to the second and third audit
5 reports, the department wrote that it was considering
6 implementing a back-end payment system.

7 In 2013, the auditor released a fourth audit report of the
8 deposit beverage container program. This report found that, due
9 to the department's failure to verify that redemption centers
10 actually accept the beverage container to which they are seeking
11 payment, the program made over-payments of \$6,200,000 during
12 fiscal years 2010 to 2012. Further, the department could not
13 account for 7,500,000 pounds of recyclable material. The
14 auditor again recommended that the department implement a back-
15 end payment system, and the department again responded that it
16 was considering implementing such a system.

17 The legislature finds that the deposit beverage container
18 program's continuous failure to implement a back-end payment
19 system has resulted in millions of dollars of waste.

20 Accordingly, the purpose of this Act is to implement the
21 auditor's recommendation for the deposit beverage container
22 program to use a back-end payment system.



1 SECTION 2. Section 342G-117, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) The handling fee shall be paid in addition to the
4 refund value of each empty deposit beverage container. Payments
5 for handling fees shall be calculated and paid by the department
6 based on redemption center reports submitted to and verified by
7 the department [~~provided that there is no discrepancy in the~~
8 ~~reports.~~] pursuant to section 342G-119. The department [~~may~~
9 ~~choose to pay~~] shall calculate the payment of the handling fee
10 and refund value on the basis of the total weight of the
11 containers received by material type and the average weight of
12 each container type [~~+~~], as demonstrated by documentation
13 submitted to the department pursuant to section 342G-119(b)(4);
14 provided that the deposit beverage container is physically
15 received by the redemption center."

16 SECTION 3. Section 342G-119, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "**§342G-119 Redemption center reporting.** (a) The
19 department shall pay certified redemption centers handling fees
20 and refund values as described in section 342G-117, based on
21 collection reports submitted by the redemption centers [~~-~~];
22 provided that if a report contains a discrepancy or conflict, or



1 lacks the information required under this section, the
2 department shall not make payment based on the nonconforming
3 collection report until the discrepancy or conflict is finally
4 resolved or the missing information required under this section
5 is provided to the satisfaction of the department.

6 ~~[All]~~ (b) For each reporting period, each redemption
7 ~~[centers]~~ center shall submit a collection report to the
8 department that contains the following information on forms
9 prescribed by the department~~[, which information shall include~~
10 ~~at a minimum]~~:

- 11 (1) The ~~[number or]~~ weight of deposit beverage containers
12 of each material type accepted at the redemption
13 center ~~[for the reporting period]~~;
- 14 (2) The amount of refunds paid out by material type;
- 15 (3) The ~~[number or]~~ weight of deposit beverage containers
16 of each material type transported out-of-state or to a
17 permitted recycling facility; and
- 18 (4) Copies of ~~[out-of-state transport and weight receipts~~
19 ~~or]~~ acceptance receipts from permitted recycling
20 facilities~~[.]~~ that indicate the weight of the deposit
21 beverage containers of each material type. If the
22 redemption center and the recycling facility are the



1 same entity, copies of out-of-state transport and
2 weight receipts, or documentation of end use accepted
3 by the department, shall also be included.

4 (c) Any collection report submitted pursuant to subsection
5 (b) that contains the information required by subsection (b) (1),
6 (2), or (3) that conflicts with the information required by
7 subsection (b) (4), shall include an explanation of the conflict.

8 (d) The department may deny payment for any collection
9 report that contains a discrepancy or insufficient information
10 as determined by the department.

11 (e) The requests for payment pursuant to this section
12 shall be no less than two times per month."

13 SECTION 4. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 5. This Act shall take effect on January 1, 2015.

16

INTRODUCED BY: *[Signature]*
[Signature]
[Signature]



H.B. NO. 2655

Report Title:

Deposit Beverage Container Program; Payments to Redemption Centers

Description:

Requires the DOH to pay recycling redemption centers based upon the number of containers the redemption centers submit for recycling instead of the numbers the redemption centers report were redeemed by consumers.

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