

SCR 74

Measure Title: REQUESTING THE AUDITOR TO CONDUCT AN AUDIT OF THE ADVANCE DISPOSAL FEE PROGRAM AND THE ENVIRONMENTAL MANAGEMENT SPECIAL FUND.

Report Title: Requesting audit of the advance disposal fee program and environmental management special fund.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LINDA ROSEN, M.D., M.P.H.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
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In reply, please refer to:
File:

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
SENATE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL AND
MILITARY AFFAIRS

SCR 74, 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 25, 2014
3:45 p.m.

1 **Department's Position:** The department offers comments on this measure.

2 **Fiscal Implications:** Up to \$100,000 for the cost of the financial audit, which will reduce the glass fund
3 amount distributed annually to the counties.

4 **Purpose and Justification:** This measure requests that the department meet with the counties and other
5 stakeholders to discuss the glass advance disposal fee (ADF) program and determine whether or not
6 more cost-effective ways of handling recyclable glass exist. It also requests the Auditor to audit the
7 ADF program and the environmental management special fund (EMSF); examine local alternatives to
8 shipping glass out of state and whether each alternative is environmentally and economically prudent;
9 confer with affected businesses; and report findings to the 2015 Legislature.

10 The department believes that an audit of the entire EMSF is unnecessary because collections
11 from only the glass ADF fund are distributed annually to the counties.

12 The department prefers that a task force be convened to study environmental and cost-effective
13 ways to recycle glass, and evaluate whether the glass ADF should be increased to achieve the state's

1 recycling goal A task force study would allow us to convene and collaborate with all the affected
2 stakeholders including the counties, and to more fully evaluate local glass recycling options.

3 The ADF program is administered by the department in accordance with Chapter 342G, Part VII,
4 Hawaii Revised Statutes. The department collects a one-and one-half cent fee from manufacturers and
5 importers and distributes ninety percent of collections to the counties via annually renewable contracts.
6 Each county uses the funds to operate their glass buy-back programs. Each county sets their own glass
7 incentive payments to recyclers for collected non-deposit glass in order to account for variable costs of
8 each local recycler, and to compensate for market fluctuations in the price of non-deposit glass.

9 Non-deposit glass such as wine bottles and nail polish containers are easy to collect but more
10 difficult to recycle. Markets for collected non-deposit glass containers are outside the state; no one
11 manufactures glass bottles in Hawaii. So local recyclers must endure perennially high shipping rates.
12 Past proposals to start local glass recycling facilities have not flourished. For example, testimony from a
13 previous legislative session found that glass will reduce the quality of asphalt roadways in Hawaii.

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

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March 24, 2014

Via Fax 808-586-6679

Senator Mike Gabbard, Chair
Senator Russell E. Ruderman, Vice Chair
Senate Committee on Energy and Environment
Hawaii State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: SCR 74 REQUESTING THE AUDITOR TO CONDUCT AN AUDIT OF THE
ADVANCE DISPOSAL FEE PROGRAM AND THE ENVIRONMENTAL
MANAGEMENT SPECIAL FUND

Dear Chair Gabbard, Vice Chair Ruderman and Committee Members:

The Hawaii Liquor Wholesalers Association ("HLWA"), respectfully submits the following written testimony in support of SCR 74 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 on March 25, 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.

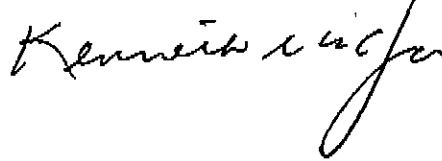
We also would recommend that the auditor be requested to include the University of Hawaii in her audit for the purpose of determining whether there are any local alternatives to shipping glass to the mainland for recycling, which we understand is the primary method of recycling currently undertaken. 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 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 respectively support SCR 74. Thank you for your consideration of the foregoing.

Very truly yours,

HAWAII LIQUOR WHOLESALERS ASSOCIATION

A handwritten signature in cursive script, appearing to read "Kenneth A. O'Keefe", is written over the typed name of the association.



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SENATE COMMITTEES ON
ENERGY AND ENVIRONMENT &
PUBLIC SAFETY, INTERGOVERNMENTAL AND MILITARY AFFAIRS
Tuesday, March 25, 3:45 pm

**Testimony in Support of
SCR 74 (Advanced Disposal Fee Study)**

Dear Chair Gabbard, Chair Espero and Members of the Joint Committees:

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

WI supports the intent of SCR 74, 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.