

**SB 353**



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**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,  
ON SENATE BILL NO. 353, RELATING TO RECYCLING**

**Senate Committee on Energy and Environment**

February 5, 2015

Chair Gabbard and Members of the Committee:

I am Jan Yamane, Acting State Auditor. Thank you for the opportunity to offer comments on Senate Bill No. 353, relating to recycling. The purpose of this measure is to revise the advance disposal fee for glass containers to a tiered structure based on the interior volume of the glass containers.

In December 2014, we released Report No. 14-16, *Audit of the Department of Health's Advance Disposal Fee Program*, which responded to a request by the 2014 Legislature under Senate Concurrent Resolution No. 74, Senate Draft 1. In our report, we recommended the department work with the Legislature to update the State's waste disposal goals to ensure goals are measurable and revised when necessary, and to clarify whether the purpose of the glass advance disposal fee program is to fully or partially fund county glass collection programs. Any revision to the fee structure should be made in concert with the State clearly defining the goals of the advance disposal fee program.

Thank you for the opportunity to offer comments on Senate Bill No. 353. I am available for your questions, should you have any.



STATE OF HAWAII  
DEPARTMENT OF HEALTH  
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Honolulu, HI 96801-3378  
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**Testimony COMMENTING on S.B. 353  
RELATING TO RECYCLING**

SENATOR MIKE GABBARD, CHAIR  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Hearing Date: February 5, 2015

Room Number: 225

Time: 2:45 p.m.

1 **Fiscal Implications:** Increase revenue from the Glass Advanced Disposal Fee (ADF) by an unknown  
2 amount.

3 **Department Testimony:** The Department of Health offers comments on this measure. This measure  
4 proposes to amend the advance disposal fee for glass containers to a tiered structure based on the  
5 interior volume of the glass container.

6 We appreciate the intent of this measure but defer to the Governor's Executive Budget request for the  
7 Department of Health's appropriations and personnel priorities.

8 The department would like to continue evaluating the State Auditor's recommendations and identify  
9 local alternatives to shipping non-deposit glass out of the State of Hawaii, before considering changes to  
10 the program's fee structure.

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

12 **Offered Amendments:** None

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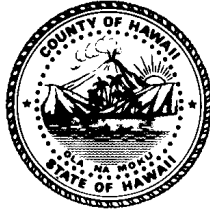
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**William P. Kenoi**  
*Mayor*

**Walter K.M. Lau**  
*Managing Director*



**BJ Leithead Todd**  
*Director*

**John A. Medeiros**  
*Deputy Director*

## County of Hawai'i

### DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

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February 4, 2015

The Honorable Mike Gabbard, Chair  
The Honorable Josh Green, Vice Chair  
Committee on Energy and Environment  
Hawai'i State Capitol  
415 South Beretania Street  
Honolulu, Hawai'i 96813

DATE: Thursday, February 5, 2015

TIME: 2:45 p.m.

PLACE: Conference Room 225

State Capitol

415 South Beretania Street, Honolulu

#### **Re: Testimony in Support of Senate Bill 353 – Glass Advance Disposal Fee (ADF)**

The County of Hawai'i Department of Environmental Management is pleased to submit testimony in support of SB 353 which revises the current advance deposit fee per glass container of 1.5 cents for all size glass containers which was set over 20 years ago in 1994. The proposed tiered deposit fee structure based on the size and volume of the glass container is a fair and reasonable method.

Hawai'i County has relied on the Glass Advance Disposal Fee funds for recycling of glass containers that is not covered by the State Deposit Beverage Container Program or HI-5 Program. The glass ADF funds have not been sufficient to fund the current level of glass recycling for our island and the fund needs to be increased.

Thank you for your consideration.

Best Regards,

**BJ Leithead Todd**

Director

cc: Mayor William Kenoi  
Greg Goodale, Hawai'i County Solid Waste Division Chief  
Linda Peters, Hawai'i County Recycling Coordinator

# 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 353

INTRODUCED BY: Gabbard, Inouye and 4 Democrats

BRIEF SUMMARY: Amends HRS section 342G-82 to provide that beginning on 1/1/16, the advance disposal fee on glass containers shall be: (1) one cent per glass container containing less than eight fluid ounces; (2) three cents per glass container containing at least 8 fluid ounces but not more than 24 fluid ounces; and (3) five cents per glass container containing over 24 fluid ounces.

Requires the state auditor to conduct an audit of the advance disposal fee as soon as feasibly possible and five years thereafter with the results submitted to the legislature.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: 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

A recent 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 overpayments 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."

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 that 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

SB 353 - Continued

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.

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.

Digested 2/3/15



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### **Testimony in Opposition to Hawaii SB 353**

Wine Institute (“WI”) is a public policy association representing 813 California wineries of all sizes. WI opposes SB 353 because it proposes a substantial increase in the advance disposal fee (ADF) on glass wine bottles from \$.015 to \$.05. The current ADF on wine bottles sold in the state generates roughly \$335,000 in revenue for the state which is passed to the counties to administer local recycling programs. Under the bill, the ADF on each of these bottles would be raised to \$.05. On wine bottles alone, this would raise over \$1 million, or an additional \$783,000 annually. This is potentially more than the total expenditures for county collection programs for all non-deposit beverage glass in the state in any given year. Additional money should not be infused into this program given the significant financial and management issues identified in the December 2014 audit of the ADF program.

Hawaii loses money recycling glass. Shipping glass to the west coast for recycling costs about \$125 per ton, which far outweighs its value of between \$20-\$60 per ton, depending on color and sort. At its highest value - \$60 per ton, Hawaii still loses \$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, WI looks forward to working with the Department and stakeholders to be part of the solution.

Before any increase in the ADF is contemplated, however, we respectfully ask the Committee to consider the issues raised by the Auditor in the December 2014 Audit of the Department of Health’s Glass Advance Disposal Fee Program, and consider the recommendations made in the accompanying study on local alternatives to shipping ADF glass out of state. The audit report and study provide excellent information regarding issues with the program, and identify potential changes to the program that could be implemented by the Department.

The Wine Institute is open to establishing a working group with government, consultants, and stakeholder participants, as proposed in SB 1169, to provide recommendations on how to most effectively, economically and efficiently handle glass recycling.

For these reasons, we respectfully urge this Committee to hold this bill. Thank you very much for the opportunity to testify.



**Executive Officers:**

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**Derek Kurisu, KTA Superstores - Vice Chair**  
**Lisa DeCoito, Aloha Petroleum - Treasurer**  
**John Erickson, Frito-Lay - Secretary**  
**Lauren Zirbel, Executive Director**

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**TO:**  
**COMMITTEE ON ENERGY AND ENVIRONMENT**  
**Senator Mike Gabbard, Chair**  
**Senator Josh Green, Vice Chair**

**FROM: HAWAII FOOD INDUSTRY ASSOCIATION**  
**Lauren Zirbel, Executive Director**

**DATE: February 5, 2015**  
**TIME: 2:45pm**  
**PLACE: Conference Room 225**

**RE: SB353**

**Position: Oppose**

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.

For food and drinks in containers of eight to twenty four ounces this bill would double the fee, for containers of twenty-four ounces or more this would be more than triple the current fee.

Here in Hawaii we already pay very high prices for food and drinks. We are one of only a handful of states that pay taxes on groceries and our food costs can be up to 70% more than the national average.\* This bill would increase the cost of many food and beverages, including many essential food items like jarred baby food. These are not the types of things that people here in Hawaii need to be paying even more for.

Also included in this bill are many great products made here in Hawaii. Local food sustainability is a challenge that our state is already working hard to face. We should be encouraging and helping local food and drink manufacturers to grow rather than burdening them with increased fees.

This bill also encompasses beverages that already have several taxes and fees on them. For certain beverages up to 25 percent of the price consumers pay goes to taxes and fees for the State, and if you include Federal requirements it can be around 50 percent of the cost going to taxes and fees. Adding this additional fee will cause the price of these already heavily taxed items to go up even more. This bill seems to be a very large increase in a fee on items which are already heavily burdened with taxes and fees.

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\* USDA calculation provided by Civil Beat, "Living Hawaii: Why Is the Price of Paradise so High?"  
<http://www.civilbeat.com/2013/09/19815-living-hawaii-why-is-the-price-of-paradise-so-high/>



Per the recent Audit of the Glass Advance Disposal Fee Program:

“we found that the state’s solid waster disposal goals are outdated and the glass ADF lacks performance goals that are tied to a clear mission. As a result, it is unclear what the glass ADF is supposed to accomplish and how to measure it’s progress.”

What is needed for glass recycling in Hawaii to become cost effective is to create a program that works and implement local alternatives rather than shipping all glass to the mainland for recycling. Raising the fees and prices for businesses and consumers and asking for another audit are not the answer.

For these reasons we ask that you please vote no on this measure.

Thank you for the opportunity to testify.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [ENETestimony](#)  
**Cc:** [psgegen@hotmail.com](mailto:psgegen@hotmail.com)  
**Subject:** Submitted testimony for SB353 on Feb 5, 2015 14:45PM  
**Date:** Wednesday, February 04, 2015 9:56:09 PM

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**SB353**

Submitted on: 2/4/2015

Testimony for ENE on Feb 5, 2015 14:45PM in Conference Room CR225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
pat gegen	Zero Waste Kauai	Support	No

Comments: Zero Waste Kauai Supports SB353 and the improvements it makes to the current ADF program. The cost to responsibly manage glass containers has risen significantly since this act was put in place and the fees set. The tiered rate structure provided in the bill assesses a higher fee for a larger bottle which costs more to manage responsibly - closer to a "user fee" or a Pay AS You Throw scheme in waste management/trash collection. Thank you for introducing this bill and the opportunity to testify. psg on behalf of Zero Waste Kauai

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.

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