



STATE OF HAWAII  
DEPARTMENT OF HEALTH  
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**Testimony COMMENTING on SB0180  
RELATING TO DEPOSIT BEVERAGE CONTAINERS**

SENATOR MIKE GABBARD, CHAIR  
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT  
Hearing Date: 2/8/2021 Room Number: Via Videoconference

1 **Fiscal Implications:** This measure will impact the priorities identified in the Governor's  
2 Executive Budget Request for the Department of Health's (Department) appropriations and  
3 personnel priorities if the Department establishes additional redemption centers funded by the  
4 Deposit Beverage Container (DBC) Special Fund. The DBC Special Fund may be significantly  
5 impacted if inflation or handling fee payments outpace the amount of deposit beverage container  
6 fees collected.

7 **Department Testimony:** SB0180 amends Hawaii Revised Statutes (HRS) Section 342G-113,  
8 subsections (b)(1) and (d), to reduce the high-density population area dealer exemption from two  
9 miles to one mile of a certified redemption center, and for the Department to partner with the  
10 respective County to establish certified redemption centers, if necessary. This will potentially  
11 reduce the distance between certified redemption centers and may increase the number of  
12 certified redemption centers, making it more convenient for the public to participate in the  
13 recycling program.

14 SB0180 also amends HRS Section 342G-117, subsections (b) and (c), to annually adjust  
15 the deposit beverage container handling fee by the applicable percentage change in the  
16 Consumer Price Index (CPI) for All Urban Consumers in the Honolulu area published by the  
17 federal Bureau of Labor Statistics.

18 In March 2020 the Department reviewed and updated its DBC handling fees for Fiscal  
19 Year (FY) 2021. This update incorporated the CPI, in addition to other factors like labor,

1 transportation, and healthcare costs, into a final handling fee determination. The handling fee for  
2 aluminum increased by 10.68%, the glass handling fee increased by 11.75%, the plastic handling  
3 fee increased by 10.69%, and the bi-metal handling fee increased by 10.68%. The Department is  
4 currently reviewing and updating its DBC handling fees again due to the significant increases in  
5 shipping costs to the neighbor islands. These shipping cost increases would not be captured in  
6 this year's handling update using CPI alone.

7           The Department estimates that implementing a mandated annual increase in the handling  
8 fee will lead to expenses outpacing revenue. The Department's handling fee consultants estimate  
9 that by FY24 the Department will dip into its reserves, and soon thereafter the Department may  
10 need financial assistance by Legislative appropriation, or increases to the one-cent container fees,  
11 to accommodate a mandatory annual handling fee increase while continuing to refund consumers  
12 for their recycling efforts.

13           The Department also respectfully requests that the effective date be amended by one year,  
14 to July 1, 2024, so that the Department may convene an advisory committee per HRS Section  
15 342G-122 to revise Hawaii Administrative Rules (HAR) Section 11-282-31 to update the dealer  
16 exemptions to operate redemption centers.

17 **Offered Amendments:** None.

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



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TO:

Committee on Agriculture and Environment  
Senator Mike Gabbard, Chair  
Senator Clarence K. Nishihara, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: February 8, 2021  
TIME: 1:30pm  
PLACE: Via Videoconference

RE: SB180 Relating to Deposit Beverage Containers

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.

HFIA is in opposition to this measure. We believe that prior to making any changes to the handling fee it is necessary to fix the existing problems with the HI5 program. Increasing the handling fee means asking consumers to contribute even more of their hard-earned money into the HI5 program, which is an unfair request given the current state of the program.

Unfortunately, the HI5 program has failed multiple audits to an alarming degree. We encourage legislators to read the auditor's summary and full report here:

<https://auditor.hawaii.gov/summary/report-no-19-08-financial-and-program-audit-of-the-department-of-healths-deposit-beverage-container-program-june-30-2018/>

Auditor's Report No. 13-08, November 2013 states that, "the program paid out \$28 million more in handling fees than it collected in container fees." Auditor's Report No. 15-02, April 2015 states that, "In FY2014, the program paid \$2.8 million in deposit refunds for approximately 3.5 million pounds of recycled materials that it could not account for." These issues, identified years ago, have not been addressed.

We also oppose language in the measure that would change the redemption center exemption distance for a retailer in a high-density area from 2 miles to 1 mile. The bill does not provide reasons for why this change would be necessary or beneficial. Forcing retailers in our urban core to give up space to be used as a redemption center when there are already plenty of other redemption centers close by is not the right choice. Forcing this change on our local businesses can mean having to eliminate parking for customers or making other changes that adversely impact businesses and consumers.

It is also important to note that most retailers do not control the space in which they operate their stores. Landlords have strict rules about what types of behavior is allowed on their property. In many cases landlords do not sanction the collection of bottles or other waste in large quantities inside or outside the premise of a retail location because of sanitation issues.

We ask that his measure be held, and we thank you for the opportunity to testify.



To  
Senate Committee on Agriculture and Environment  
Senator Mike Gabbard, Chair  
Senator Russell E. Ruderman, Vice Chair  
February 8, 2021; 1:30 pm  
Conference Room Videoconference

From: Terry G. Telfer, President, Reynolds Recycling, Inc.

Testimony in Support of SB180 Relating to Deposit Beverage Containers

Aloha Honorable Chair Gabbard, Vice Chair Ruderman, and Members of the Committee:

Reynolds Recycling, as Hawaii's largest HI-5 Deposit Beverage Container recycler, **strongly supports SB 180.**

Reynolds Metals previously conducted a survey about recycling, and found that convenience was the determining factor as to why people regularly recycle or not. As more Certified Redemption Centers (CRCs) were developed within the state of Hawaii the redemption rate also increased, and from 2008 onward that rate was as high as 78.7%. When various CRCs closed due to the lack of financial viability the total number of CRCs dropped from over 105 to the current 61 locations, and the redemption rate correspondingly dropped to the current 62.6%. The lack of viability was due in part to low world market prices for recycled commodities, and the fact that the DBC (Deposit Beverage Container) Handling Fees had not been increased.

The change from the current 2-mile radius to a 1-mile radius for stores to have their recycling responsibility fulfilled by an independent recycler would be a huge help in creating greater customer convenience. This bill would encourage beverage dealers to either develop CRCs of their own, or to work with the recycling community to create new CRCs on their properties to fulfill their legal requirements. This would ensure that it is just as easy to recycle a beverage container as it is to purchase a beverage in the first place.

Because of the above we **strongly support SB 180.**

Thank you for the opportunity to submit this testimony.