

STATE OF HAWAII
DEPARTMENT OF HEALTH
KA 'ŌIHANA OLAKINO
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**Testimony COMMENTING on SB1067
RELATING TO DEPOSIT BEVERAGE CONTAINER RECYCLING.**

SENATOR JOY A. SAN BUENAVENTURA, CHAIR
SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES

SENATOR MIKE GABBARD, CHAIR
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

January 31, 2025, 1:00 PM and Room Number: 225

1 **Fiscal Implications:** The Department of Health ("Department") requests that this measure be
2 considered as a vehicle to provide this needed funding so long as it does not supplant the
3 priorities and requests outlined in the Governors executive budget request.

4 **Department Position:** The Department recognizes and supports the idea of encouraging more
5 consumers to redeem their deposit beverage containers (DBC's) by improving their accessibility
6 to redemption centers, however, we have concerns regarding the proposed amendments in
7 this measure. We offer the following comments on this measure.

8 **Department Testimony:** The Environmental Management Division, Solid and Hazardous Waste
9 Branch (EMD-SHWB) provides the following testimony on behalf of the Department.

10 This measure: (1) allows the Department to provide grants to deploy reverse vending
11 machines (RVMs); (2) removes an exemption that effectively requires dealers of a certain size in
12 a high-density population area to operate a redemption center even if located within two miles
13 of a certified redemption center (CRC); and (3) removes the requirement for the state and
14 county to evaluate the need for a redemption center due to the exemptions specified in

1 subsection 342G-113(b), Hawaii Revised Statutes (HRS) and the ability to establish and fund a
2 certified redemption center.

3 Regarding the provision of grants for RVM deployment, we note that many CRCs have
4 utilized RVMs in the past but have discontinued their use due to staffing and logistical issues, as
5 well as high operation and maintenance costs. Currently, there are no CRC operators that
6 utilize RVMs in their operations. The Department is open to issuing grants should there be
7 interest from CRCs, however we have serious concerns over the lack of eligibility requirements
8 or the specification of overall grant funding or individual grant amounts in the measure.

9 For the proposed amendment on page 2, lines 14 to 15, “of the kind, size, and brand
10 sold by the dealer;” we note that this conflicts with subsection 342G-114(d)(1), HRS, which
11 requires CRCs to accept all eligible deposit beverage containers. Implementing this change
12 would result in reduced customer convenience by requiring retailer-operated CRCs to accept
13 only the DBC products that they sell. This would require customers to travel to the retailers
14 where they purchased their retailer-specific product in order to redeem it.

15 For the proposed elimination of the high density population area exemption (page 3,
16 lines 4 to 7), we note that §11-282-03, Hawaii Administrative Rules (HAR) defines “High Density
17 population area” to mean all United States Postal Service Zip Code areas on Oahu, which
18 contain three or more dealers of 5,000 or more square feet of interior space; or a resident
19 population of 17,500 or greater. This covers the majority of the island with the exception of the
20 North Shore, Kahuku to Kaaawa, and Waimanalo. A “Rural area” means a non-high-density
21 population area. The Department estimates that there are approximately 125 retailers of at
22 least 5,000 square feet in high-density population areas. We have no estimate on the number
23 of retailers that maintain less than 5,000 square feet of space.

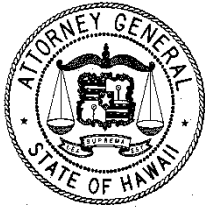
1 For the proposed change in the square footage exemption on page 3, lines 14 and 15,
2 we recognize that the requirement to operate a CRC may pose financial and logistical hardship
3 for smaller “Mom and Pop” retailers.

4 For the proposed deletion on page 4, lines 11 to 17, the Department notes that we
5 currently use the authority provided to contract for redemption services on Hawaii Island and
6 Lanai.

7 With regard to the implementation date for this measure we recommend that the
8 Legislature allow time for: (1) dealers to develop a plan for a redemption center, negotiate
9 leases, enter contracts with recyclers, obtain necessary permits and certifications, purchase
10 equipment, and hire staff; and (2) provide the Department with time to establish grant award
11 rules. In addition, given the number of increased redemption centers, the Department will be
12 faced with an increased number of contracts with redemption centers, requiring contract
13 development and management, invoice payment and CRC inspections. We anticipate additional
14 full-time equivalent permanent positions will be required, but the specific number and type has
15 not yet been determined.

16 **Offered Amendments:** None.

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



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:

S.B. NO. 1067, RELATING TO DEPOSIT BEVERAGE CONTAINER RECYCLING.

BEFORE THE:

SENATE COMMITTEES ON HEALTH AND HUMAN SERVICES AND ON
AGRICULTURE AND ENVIRONMENT

DATE: Friday, January 31, 2025

TIME: 1:00 p.m.

LOCATION: State Capitol, Room 225

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Lyle T. Leonard, Deputy Attorney General

Chairs San Buenaventura and Gabbard and Members of the Committees:

The Department of the Attorney General offers the following comments on this bill.

This bill: (1) limits the circumstances in which beverage dealers are exempt from operating redemption centers; (2) amends the types of beverage containers the dealers must accept for redemption; (3) allows the establishment of regional centers for the redemption of refillable beverage containers in certain circumstances; and (4) authorizes the Department of Health (DOH) to use the Deposit Beverage Container Deposit Special Fund (DBCD fund) to provide grants to deploy reverse vending machines.

Article VII, section 4, of the State Constitution requires, in part: "No grant of public money or property shall be made except pursuant to standards provided by law." However, section 1 of the bill (page 2, lines 4-5), which authorizes the DOH to "[p]rovide grants to deploy reverse vending machines," does not establish standards for awarding these grants.

If the intent of the bill is to allow the DOH to contract with vendors for reverse vending machines, we suggest either:

- (1) Amending the bill to replace the wording "Provide grants to deploy" on page 2, line 4, with "Contract for deployment of"; or,

- (2) Amending section 342G-104(b)(3), HRS (page 1, lines 13-14), which already allows the DOH to use the DBCD fund to “[p]romote recyclable market development activities,” by adding “including, but not limited to, deploying reverse vending machines in the State.” This approach would eliminate the need to amend lines 3-6 on page 2 of the bill.

If the intent is for the DOH to grant funds to private entities to install and operate reverse vending machines, we recommend adding appropriate grant standards. Examples of existing statutes that provide standards for agencies to issue grants include part II of chapter 9 and sections 10-17, 210D-11, and 383-128, Hawaii Revised Statutes.

We have attached draft grant standards to this testimony as a sample to work from. These standards could be inserted as a new subsection to section 342G-104 or a new section to chapter 342G. Additionally, we are happy to work with you on developing more specific standards.

We respectfully ask the Committee to make the recommended amendments if the bill is to pass. Thank you for the opportunity to provide comments.

POSSIBLE STANDARDS FOR THE GRANTS IN THIS BILL

(c) Applications for grants shall be made to the department of health and contain the information as shall be required by rules adopted thereunder. At a minimum, the applicant shall:

- (1) Be licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the recycling activities or provide the services for which a grant is awarded, including all requirements of a redemption center;
- (2) Provide a detailed plan outlining the scope, objectives, and projected impact of the recycling project or projects and a clear breakdown of how grant funds will be used;
- (3) Agree to use state funds exclusively for the purposes of this recycling program;
- (4) Indicate capability to properly use the grant for the purpose of the grant program. [Specific applicant qualifications should be described for the different types of grants.];
- (5) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, disability, or any other characteristic protected under applicable federal or state law;
- (6) Agree not to use state funds for purposes of entertainment or perquisites;
- (7) Comply with other requirements as the department may prescribe, including reporting, documenting, and auditing requirements;
- (8) Comply with all applicable federal, state, and county statutes, rules, and ordinances;
- (9) Agree to indemnify and save harmless the State of Hawaii and its officers, agents, and employees from and against any and all claims arising out of or

resulting from activities carried out or projects undertaken with funds provided hereunder and procure sufficient insurance to provide this indemnification if requested to do so by the department.

- (10) Agree to make available to the department all records the applicant may have relating to the grant, to allow state agencies to monitor the applicant's compliance with this section.

SB-1067

Submitted on: 1/28/2025 5:38:56 PM

Testimony for HHS on 1/31/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Jacqueline S. Ambrose	Individual	Support	Written Testimony Only

Comments:

YES to: Repeals certain exemptions for beverage dealers from the requirement to operate redemption centers and amends the types of containers they must accept for redemption. Allows the establishment of regional centers for the redemption of refillable beverage containers but not as substitutes for dealers' means to receive deposit beverage containers. Requires the Department of Health to establish a reverse vending machine pilot program to use the Deposit Beverage Container Deposit Special Fund to provide grants to deploy reverse vending machines.



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Derek Kurisu, KTA Superstores, *Advisor*

Toby Taniguchi, KTA Superstores, *Advisor*

Joe Carter, Coca-Cola Bottling of Hawaii, *Advisor*

Eddie Asato, Pint Size Hawaii, *Advisor*

Gary Okimoto, Safeway, *Immediate Past Chair*

TO: Committee on Health and Human Services and Committee on Agriculture and Environment

FROM: Hawai'i Food Industry Association

Lauren Zirbel, Executive Director

DATE: January 31, 2025

TIME: 1:00 PM

RE: SB1067 Relating to Deposit Beverage Container Recycling

Position: Oppose

The Hawai'i Food Industry Association (HFIA) represents over 200 member companies, including retailers, suppliers, producers, manufacturers, and distributors of food and beverage products throughout the state. **While we are committed to promoting effective recycling practices, we respectfully oppose the section of SB1067 that seeks to remove exemptions for certain retailers to operate as redemption centers.** This proposal presents significant operational, financial, and sanitary challenges for retailers. **This bill would require retailers to hire additional staff, train them in waste management, apply for a permit with the DOH, and submit by-monthly invoices for recycling reimbursement to DOH. Retailers have enough challenges operating in Hawai'i. We don't need to increase the cost of food by adding even more regulatory costs to operating a grocery store. Food already costs 57% more than the mainland due to unfavorable business conditions in Hawai'i.** This bill will make matters worse. One in three Hawai'i residents struggle with food insecurity, we should be pursuing measures to reduce regulations and taxes on the food supply chain, not increase regulations and costs.

Concerns with In-Store Redemption Services

1. **Space Constraints: Retail** stores, particularly those with limited square footage, face challenges in allocating space for storing returned beverage containers. This requirement could interfere with primary business operations and reduce space available for product displays and customer services.
2. **Sanitation Issues: Handling** returned containers, which may be dirty or contaminated, poses health and hygiene concerns, especially in stores that sell fresh food and groceries. The presence of such containers can attract pests and compromise the sanitary conditions necessary for food retail environments.
3. **Staffing Requirements: Managing**, sorting, and processing returned containers would necessitate additional labor. Given the current challenges retailers face in staffing their operations, this added responsibility could lead to increased payroll expenses and operational strain.
4. **Reimbursement Delays: If** the state's reimbursement process is slow, retailers could encounter cash flow challenges when covering refunds to customers. This financial uncertainty is particularly burdensome for small and medium-sized businesses.
5. **Customer Traffic and Inconvenience: Introducing** redemption services could increase in-store congestion, leading to a less pleasant shopping experience for customers. The additional activity might make stores feel busier or less organized, potentially discouraging shoppers from visiting.
6. **Administrative Complexity: Overseeing** the redemption process, tracking reimbursements, and ensuring compliance with state regulations would add administrative burdens to retailers, diverting resources from their core business functions.

If the committee wishes to move forward with this bill we would recommend the following changes:

Overview of Proposed Changes and Recommendations for S.B. 1067

1. §342G-113 Redemption of Empty Deposit Beverage Containers

Current Bill Language Concern:

The bill requires dealers to operate redemption centers and accept “all types of empty deposit beverage containers with a Hawaii refund value.” This includes containers that are currently taxed under the Advance Disposal Fee (ADF) system, such as glass wine and liquor bottles.

Proposed Recommendation:

- **Remove the requirement** for dealers to accept all types of containers.
- Glass wine and liquor bottles are covered under the ADF system and should not be included in the HI-5 redemption program to avoid **double taxation** on consumers and overlapping regulatory systems.

Reasoning: Expanding the scope to include these containers burdens retailers and consumers without addressing recycling inefficiencies. Glass bottles are already managed under the ADF program.

2. §342G-113(b) Maintain Dealer Exemptions

Current Bill Concern:

The bill proposes the removal of important dealer exemptions related to store size, location, and financial hardship.

Proposed Recommendation:

- **Retain all current exemptions**, including those for:
 - Dealers in high-density areas near existing redemption centers
 - Dealers located in rural areas
 - Dealers with less than 5,000 square feet of space
 - Dealers facing physical or financial hardship

Reasoning: Maintaining these exemptions is essential to protect retail businesses that cannot accommodate redemption activities due to space, staffing, and financial limitations.

3. §342G-113(e) Regional Redemption Centers on State Land

Current Bill Proposal:

The bill introduces regional centers for redeeming refillable beverage containers but does not specify where these centers would be located or how they would be funded.

Proposed Recommendation:

- **Support regional redemption centers**, but ensure they are located on **state-owned land** to reduce costs to recyclers.
- **Reverse Vending Machines could be purchased by the State HI5 fund and placed at every public school and every public park in the state. A contract to service the vending machines could be put up for bid. This would dramatically increase the availability of redemption sites for the public and ensure that recycling infrastructure is handled by companies that specialize in recycling.**
- **Alternatively, HI5 bottle recycling bins could be placed at public schools and consumers could drop off their recyclables and “donate” their HI5 money to the school – a number that could be calculated after the recycler weighs the bottles.**

Reasoning: Regional centers on public land will improve consumer access while avoiding operational burdens on retailers and food cost increases to consumers.

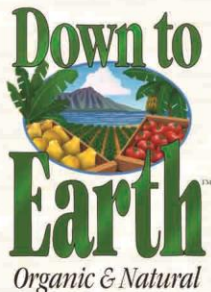
Conclusion

Mandating retailers to serve as redemption centers presents numerous challenges, including space limitations, sanitation concerns, increased labor costs, and administrative burdens – all of which will drive up food prices at a time consumers cannot afford it. Hawai'i can enhance its recycling infrastructure without imposing additional burdens on retailers or residents.

We appreciate the opportunity to provide testimony and are committed to collaborating with policymakers to develop effective recycling solutions for our state.

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SB1067 RELATING TO RECYCLING

Senate Committees on Health & Human Services and Agriculture &
Environment

January 31, 2025, 1:00pm State Capitol

Aloha Sen. Joy San Buenaventura, HHS Chair, Sen. Henry Aquino, HHS Vice Chair, Sen. Mike Gabbard, AEN Chair, Sen. Tim Richards, AEN Vice Chair, and Committee Members.

Down to Earth *Organic and Natural* testifies in opposition to SB1067.

Down to Earth Organic and Natural has six locations on Oahu and Maui. Since we opened in 1977, we have supported healthy lifestyles and the preservation of the environment by selling local, fresh, organic and natural products, and by promoting a healthy, plant-based and vegetarian lifestyle.

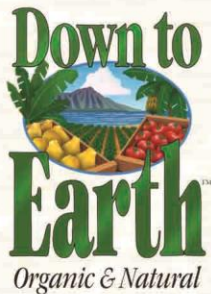
We are testifying in opposition to SB1067 which would repeal exemptions for beverage dealers from the requirement to operate redemption centers, allow the establishment of regional centers for the redemption of refillable beverage containers, and require the Department of Health to establish a reverse vending machine pilot program.

Down to Earth strongly supports efforts to promote recycling and reduce waste on O'ahu. However, we have serious concerns about the provision in SB1067 that would require any beverage retailer to operate redemption centers. We share the concerns expressed in the testimonies from HFIA and the DOH and, as a retailer that prepares and serves fresh food, we are particularly worried about the potential impact this bill could have on our operations.

Hygiene and Sanitation Issues- One of the primary concerns is the hygiene and sanitation issues that will arise from the increased handling of returned containers that will often be dirty, containing undrunk beverages, and the potential bio-hazards of saliva or other contaminations. The consequent mess will likely attract rodents, ants, and cockroaches. Maintaining a sanitary environment is crucial for the health and safety of our customers and team members, and this bill would compromise our ability to do so.

Space Limitations- Retailers in general and Down to Earth in particular as a smaller retailer faces severe space limitations, the requirement to accept and store containers for redemption would exacerbate this issue. This would likely lead to cluttered and disorganized storage areas, further complicating our

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operations, and potentially creating safety hazards (e.g., broken glass, contaminated bottles/containers) for our team members and customers.

Business Disruptions- The influx of individuals coming in for can and bottle redemptions will disrupt regular business activities. Customers who are trying to make grocery and deli purchases may be inconvenienced by the increased foot traffic and longer wait times. This could negatively impact the overall shopping experience and deter customers from returning.

Compliance Cost- We would have to reconfigure our stores to accommodate the proposed redemption centers, this would likely be a significant cost, store design and construction is a complicated and costly process and it is easy for legislators who may not appreciate what is involved, to minimize the financial costs of proposals like this.

Staffing Challenges- Hiring additional staff to manage the increased workload associated with container redemptions is not a realistic solution. Many retailers, Down to Earth included, are currently struggling to keep their regular positions staffed.

Challenges of Oregon's Bottle Redemption Program: Crime, Litter, and Safety Concerns- Oregon retailers have encountered many problems with required redemption centers: unsightly bottle caps and plastic bag litter, break-ins and thefts of bottle and cans, increased pest problems, and greater drug and crime use. One store CEO, Ken Thrasher of Fred Meyer, stated that the redemption center in their store "has become a major driver of drug trafficking", and that "we have bottles that often are dirty and have residue of drugs or needles or fentanyl in them going into stores which endangers employees," he said. "And then we also have the case element coming out to fund drug trafficking and use. We want to see both of those change."

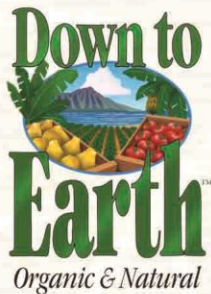
Sources: (<https://www.koin.com/nwpolitics/former-fred-meyer-ceo-ken-thrasher-on-continued-bottle-bill-scrutiny/>)

Also see *Community Concerns Regarding Beverage Container Redemption Centers*:

https://en.wikipedia.org/wiki/Oregon_Bottle_Bill?utm_source=chatgpt.com#cite_note-24-65

Based on my experience with bottle and can redemption sites located in or near grocery stores in Oregon, these areas are often unsanitary and poorly maintained. The ground is frequently sticky from spilled beverage remnants, and bottle caps litter the surrounding area. Additionally, finding a store employee available to assist with counting the items can be difficult, making the process frustrating and inefficient. Overall, the experience is unpleasant, unclean, and not conducive to a sanitary shopping environment.

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The requirement for dealers to receive deposit beverage containers, coupled with the proposed reverse vending machine pilot program, places an undue burden on retailers who are already navigating a complex and challenging business environment. I urge the committee to consider these concerns and the potential negative impact on retailers before moving forward with this aspect of SB1067. Thank you for the opportunity to testify on this bill.

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