



STATE OF HAWAII
DEPARTMENT OF HEALTH
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Testimony in SUPPORT of HB2025
RELATING TO THE DEPOSIT BEVERAGE CONTAINER FEE

REPRESENTATIVE NICOLE E. LOWEN, CHAIR
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Hearing Date: 2/4/2020 Room Number: 325

1 **Fiscal Implications:** None.

2 **Department Testimony:** The Department of Health (Department) supports HB2025 to adjust
3 the deposit beverage container fee annually by the percentage that the current Consumer Price
4 Index for All Urban Consumers in the Honolulu area exceeds the previous year's Consumer
5 Price Index for All Urban Consumers as published by the federal Bureau of Labor Statistics.
6 Rising costs in the State can outpace inflation at the federal level and accounting for this
7 difference may assist the Department in effectively implementing the Deposit Beverage
8 Container Program.

9 The Department respectfully requests that this annual adjustment to the deposit beverage
10 container fee be rounded to the nearest whole cent, as implementing a deposit beverage container
11 fee adjustment of a fraction of a cent is not feasible.

12 **Offered Amendments:** "(e) Beginning on August 1, 2021, and every August 1 thereafter, the
13 deposit beverage container fee shall be changed by the percentage, if any, by which the
14 Consumer Price Index for All Urban Consumers in the Honolulu area published by the Bureau of
15 Labor Statistics of the federal Department of Labor for that calendar year exceeds the Consumer
16 Price Index for All Urban Consumers for the prior calendar year, to the nearest whole cent."

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



To
House Committee on Energy & Environmental Protection
Representative Nicole E. Lowen, Chair
Representative Tina Wildberger, Vice Chair

February 4, 2020, 8:30 AM
Conference Room 325

From: Bruce Iverson, Director of Marketing and Development,
Reynolds Recycling, Inc.

Testimony in Support of **HB 2025** Relating to Deposit Beverage Container Fee

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

Reynolds Recycling, as Hawaii's largest bottle and can recycler, **supports HB 2025 with amendments.**

I believe when this bill was introduced it was supposed to have been an increase of the CPI amount on the Handling Fee rather than on the Container Fee as is currently in the bill. This change would help support the Recyclers with an increase in the handling fee amounts they are paid by the state as they do the actual work of recycling within the state.

While the handling fee was adjusted in 2019, that was actually the first adjustment of all handling fees since the inception of the program in 2005. That adjustment was based on a two-year study which was not implemented for another year, so the data is already 3 years old. As everyone knows business costs increase yearly, the handling fees stayed the same, and this "high cost" of business caused an almost 40% drop in the number of recycling locations available to the public as recyclers could not afford to keep location open. Fewer recycling locations caused residents to have to travel further, creating longer wait times and causing lower recycling rates.

Changing the wording to Handling Fee would keep the recycling industry strong to enable them to continue to operate a recycling network that adequately services the public throughout the state. Adjusting the Handling Fee annually based on CPI would allow stability in the Hawaii marketplace, strengthen recyclers to maintain and increase recycling locations, bringing greater

convenience to the consumer. Convenience is one of the major reasons people decide to recycle or not. With this in mind, we have attached suggested wording.

Because of the above we **support HB 2025 with amendments.**

Thank you for the opportunity to submit this testimony.

Suggested language:

HRS Section 342G-117 Subsection "(c) The handling fee shall be paid in addition to the refund value of each empty deposit beverage container. Payments for handling fees shall be based on redemption center reports submitted to the department; provided that there is no discrepancy in the reports. Provided further that the amount of the handling fee in any calendar year shall be not less than the amount of the handling fee in the prior calendar year as adjusted by the applicable percentage change in the Consumer Price Index for all Urban Consumers in the Honolulu area published by the Bureau of Labor Statistics of the Federal Department of Labor. The department may choose to pay the handling fee and refund value on the basis of the total weight of the containers received by material type and the average weight of each container type; provided that the deposit beverage container is physically received by the redemption center."



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TO:
Committee on Energy and Environmental Protection
Rep. Nicole E. Lowen, Chair
Rep. Tina Wildberger, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: February 4, 2020
TIME: 8:30am
PLACE: Conference Room 325

RE: HB2025 Relating to Deposit Beverage Container Fee

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.

In 2016 the State Auditor completed the sixth biennial audit of the Deposit Beverage Container Program. The Auditor's Summary states,

"We found, as we did in each of our previous audits, the Program relies on self-reported data from distributors and certified redemption centers and **lacks adequate controls to monitor the accuracy and completeness of the information submitted...**"

and,

"...the Program continues to be exposed to fraud, which may result in higher costs and an unreliable reported redemption rate."

It would be illogical and irresponsible to make the type of changes to the Program that are proposed in this measure without first fixing the Program's current problems. Tying the deposit fee to the Consumer Price Index as a means to increase funds in the special fund does not make sense if we don't have accurate data about how current funds are being used.

Making real improvements to the Deposit Beverage Container Program will require getting reliable data, figuring out what is working in the program and what isn't, and then creating a

plan to address those issues. Raising the fee as a knee jerk response is not the right way to make this important program work better for our environment and the people of our state.

It is also important to remember that if the redemption fee goes up it is an increase in the out of pocket expense for Hawaii families when buying groceries. The determination to raise the fee should be made thoughtfully by the State Legislature if it's necessary after fixing long running problems in the program. Increasing the price of groceries for Hawaii families should never be done automatically and without verifiably good reason. For these reasons we encourage you to hold this measure, we thank you for the opportunity to testify.



**Written Testimony of
David Thorp
American Beverage Association**

**Before the House Committee on Energy & Environmental Protection
Opposition to H.B. 2025 – Relating to the Deposit Beverage Container Fee
February 4, 2020**

Good morning Chair Lowen, Vice Chair Wildberger and members of the committee. Thank you for the opportunity to comment in opposition to H.B. 2025 – relating to the deposit beverage container fee.

I am David Thorp, senior director of government affairs for the American Beverage Association (ABA). The American Beverage Association is the trade association representing the non-alcoholic beverage industry. ABA represents hundreds of beverage producers, distributors, franchise companies and supporting businesses that employ more than 239,000 people across the country.

Beverage industry’s local impact on Hawaii’s economy

The beverage industry is an important part of Hawaii’s economy – and one of the few remaining industries still manufacturing on the Islands. Unlike most consumer products, many of our beverages, aluminum cans and plastic bottles are manufactured and distributed in Hawaii by local workers.

Non-alcoholic beverage companies in Hawaii provide more than 1,200 good-paying jobs across our state. The industry helps to support thousands more workers in businesses that rely in part on beverage sales for their livelihoods and, such as grocery stores, restaurants and theaters.

HI-5 Program Equity: \$41.9 Million

*In FY 2018, the Program had revenues of \$24.6 million and expenditures of \$17.5 million, resulting in a \$7.1 million increase in fund balance to \$37.7 million at June 30, 2018. The Program’s container deposit liability increased to \$1.9 million at June 30, 2018. To refund deposits and to pay for other liabilities and expenses, **the Program had \$41.9 million in equity in cash and cash equivalents and investments in State Treasury at June 30, 2018.***

Financial and Program Audit of the Department of Health’s Deposit Beverage Container Program, June 30, 2018

Overview of the Deposit and Redemption Process

The HI-5 program requires deposit beverage distributors, defined in the HRS as “a person who is a manufacturer of beverages in the sale of filled deposit beverage containers or who imports and

engages in the sale of filled deposit beverage containers,” to pay a deposit and container fee to the Program. In turn, distributors shall pass on the costs to dealers or consumers. Dealers are defined in the HRS as “a person who engages in the sale of beverages in deposit beverage containers to a consumer for off-premises consumption in the State.”

Consumers or redeemers, as defined by the HRS, turn in empty containers to redemption centers and claim the deposit amount. Redemption centers then deliver containers to recycling facilities and submit required forms and documentation to the Program to obtain reimbursement for deposits and handling fees.

Increasing HI-5 Container Fee is Unnecessary and Harmful to Consumers

The HI-5 program has nearly \$42 million in equity as of June 30, 2018. The State Auditor’s biennial audit of the HI-5 program continually calls for improving efficiencies of the program, including the potential for millions of dollars in annual redemption fraud.

Before consumers are asked to pay even more for their beverages into a program that has a nearly \$42 million balance, improving the efficiencies and oversight of the HI-5 program need to be undertaken.

Sincerely,
David Thorp