

Honolulu, Hawaii

MAR 30 , 2026

RE: S.B. No. 3138  
S.D. 1  
H.D. 1

Honorable Nadine K. Nakamura  
Speaker, House of Representatives  
Thirty-Third State Legislature  
Regular Session of 2026  
State of Hawaii

Madame:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 3138, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INDEPENDENT AUDITS OF DEPOSIT BEVERAGE DISTRIBUTORS,"

begs leave to report as follows:

The purpose of this measure is to require:

- (1) Deposit beverage distributors to obtain independent audits at certain frequencies based on the number of deposit beverage containers distributed;
- (2) Independent audits to assess specific criteria and report certain information; and
- (3) The Department of Health to develop a web-based system to allow online submission of reports.

Your Committee received testimony in support of this measure from the Department of Health; Maui Brewing Co.; Chamber of Commerce Hawaii; Hawaii Food Industry Association; and Down to Earth Organic & Natural. Your Committee received comments on this measure from the Tax Foundation of Hawaii.



Your Committee finds that the Office of the Auditor is tasked with auditing the Department of Health's Deposit Beverage Container Program every other year and that the Office's 2019 report found accounting exceptions in records provided by six of twenty-four deposit beverage distributors. Your Committee further finds that the Office recommended that deposit beverage distributors obtain independent audits for years ending in odd numbers in order to increase accountability and accurate accounting. Your Committee recognizes that independent audits can place a significant strain on small businesses due to the cost of obtaining audits. This measure seeks to promote transparency and accountability of deposit beverage distributors while protecting small businesses by establishing the frequency of audits based on the number of deposit beverage containers distributed.

Your Committee has amended this measure by:

- (1) Changing the numbers of deposit beverage containers distributed used to determine audit frequency to unspecified numbers;
- (2) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3138, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3138, S.D. 1, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Energy &  
Environmental Protection,

  
\_\_\_\_\_  
NICOLE E. LOWEN, Chair



