

**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
**KA 'OIHANA OLAKINO**  
P. O. Box 3378  
Honolulu, HI 96801-3378  
doh.testimony@doh.hawaii.gov

**Testimony in SUPPORT of SB3138 SD1 HD1**  
**RELATING TO INDEPENDENT AUDITS OF DEPOSIT BEVERAGE DISTRIBUTORS.**

REPRESENTATIVE CHRIS TODD, CHAIR  
HOUSE COMMITTEE ON FINANCE

Hearing Date, Time, and Room Number: 04/07/2026, 2:00 PM, 308

1 **Fiscal Implications:** A majority of the deposit beverage container (DBC) distributors would save  
2 on independent audit costs. The financial impact on the Department of Health (Department)  
3 would be negligible.

4 **Department Position:** The Department supports this measure.

5 **Department Testimony:** The Environmental Management Division, Solid and Hazardous Waste  
6 Branch provides the following testimony on behalf of the Department.

7 This measure limits the independent audit requirement to DBC distributors who each  
8 annually import or distribute a specified number of DBCs in a calendar year.

9 Based on testimony heard during this legislative session, the Department supports the  
10 DBC container limits presented in SB3138 SD1.

11 Hawai'i Revised Statutes, Chapter 342G-121.5(c)(2) currently requires all DBC  
12 distributors to obtain independent audits every year ending in an odd number. This  
13 requirement was directly adopted from recommendation 3 of the Office of the Auditor's 2019  
14 Financial and Program Audit of the Department of Health's Deposit Beverage Container

1 Program. The Auditor wrote that independent audit recommendation was made to increase  
2 distributors' accountability for information provided to the DBC Program.

3 However, the Department recognizes that this requirement caused hardship to small  
4 businesses. For many distributors, the cost of each audit is incongruent to the amount of  
5 deposits and container fees paid to the Department; and in some cases, costs more than the  
6 amount paid to the Department.

7 The Department believes that SB3138 SD1 strikes a balance between addressing the  
8 Auditor's concerns and alleviating the financial burden of our small business community. Based  
9 on fiscal year (FY) 2025 data, there are about 322 DBC distributors. Using the tiered system  
10 described in this measure, the container limits described in SB3138 SD1 and FY2025 data, the  
11 uppermost tier is represented by about five distributors, who each sell 75 million or more DBCs  
12 per year. They would be required to conduct independent audits every two years (the same as  
13 the current requirement). The middle tier is represented by about 12 distributors, who each sell  
14 at least five million but less than 75 million DBCs per year. They would be required to obtain an  
15 independent audit every five years. The remaining 305 distributors would be exempt from  
16 obtaining independent audits. Based on FY2025 data, the independent audits will cover about  
17 94% of the funds that are collected into the DBC program. This measure also clarifies  
18 independent audit requirements, addressing a concern raised by the regulated community.

19 **Offered Amendments:** None.

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

**Testimony to the House Committee on Finance  
Representative Chris Todd, Chair  
Representative Jenna Takenouchi, Vice Chair**

**Tuesday, April 7, 2026, at 2:00PM  
Conference Room 308 & Videoconference**

**RE: SB3138 SD1 HD1 Relating to Independent Audits of Deposit Beverage Distributors**

Aloha e Chair Todd, Vice Chair Takenouchi, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 3138 Senate Draft 1 House Draft 1 (SB3138 SD1 HD1), which limits the independent audit requirement under the State's Deposit Beverage Container Program to deposit beverage distributors who distribute 5,000,000 or more deposit beverage containers a year. Identifies frequency of obtaining and submitting independent audits based on quantities of deposit beverage containers imported, manufactured, or distributed. Creates minimum requirements for independent audits.

SB3138 SD1 HD1 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Small Business. This bill promotes a revised auditing system that segments by deposit beverage distribution volume. This revision makes equitable considerations for audit frequency and improves the cost of doing business for business for small- and medium-sized operations.

This system is far more suitable for businesses of all scale, rather than one universal requirement that ignores a business's scale. With auditing frequency being the focal point of this legislation, the state can sensibly maintain auditing standards and procedures without overburdening small businesses that cannot pay for these audits at high frequency like larger distributors and that contribute less to the Deposit Beverage Container Program than larger distributors. The Chamber stands in strong support of legislation that extends equitable treatment to Hawaii's small businesses.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 3138 Senate Draft 1 House Draft 1. Thank you for the opportunity to testify.



1050 Bishop St. PMB 235 |  
Honolulu, HI 96813  
P: 808-533-1292 | e:  
[info@hawaiiifood.com](mailto:info@hawaiiifood.com)

**Executive Officers**

**Kit Okimoto**, Okimoto Corp., *Chair*  
**Jayson Watts**, Mahi Pono, *Vice Chair*  
**Jill Tamura**, Tamura Super Market, *Secretary/Treas.*  
**Lauren Zirbel**, HFIA, *President and Executive Director*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*  
**Joe Carter**, Coca-Cola Bottling of Hawaii, Odom, *Advisor*  
**Eddie Asato**, Pint Size Hawaii, *Advisor*  
**Gary Okimoto**, Safeway, *Advisor*  
**Maile Miyashiro**, C&S Wholesale, *Immediate Past Chair*

TO: Committee on Finance  
FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: April 7, 2026  
TIME: 2pm

RE: SB3138 SD1 HD1 Relating to Independent Audits of Deposit Beverage Distributors  
Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure. We'd like to thank the Governor for including this important measure in his package and the Committee for hearing it. As the measure notes, the way the independent audit requirement was implemented has caused extreme hardship for many beverage distributors, especially smaller local businesses. Some local businesses that manufacture and sell beverages locally have paid thousands of dollars for audits, sometimes paying more for audits than they contribute to the deposit beverage container program. Put simply this is untenable for these businesses.

We think it is important to note that no other state imposes a fixed, universal requirement that every distributor obtain an independent audit on a set biennial schedule regardless of risk; instead, other states rely on reporting, compliance oversight, and targeted enforcement mechanisms to maintain program integrity.

We believe the optimal solution would be to repeal unnecessary and disproportionate administrative burdens on deposit beverage distributors and redemption centers in the State, including the universal biennial independent audit requirement, while preserving the deposit beverage container program's existing risk-based accountability verification



1050 Bishop St. PMB 235 |  
Honolulu, HI 96813  
P: 808-533-1292 | e:  
[info@hawaiiifood.com](mailto:info@hawaiiifood.com)

**Executive Officers**

**Kit Okimoto**, Okimoto Corp., *Chair*  
**Jayson Watts**, Mahi Pono, *Vice Chair*  
**Jill Tamura**, Tamura Super Market, *Secretary/Treas.*  
**Lauren Zirbel**, HFIA, *President and Executive Director*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*  
**Joe Carter**, Coca-Cola Bottling of Hawaii, Odom, *Advisor*  
**Eddie Asato**, Pint Size Hawaii, *Advisor*  
**Gary Okimoto**, Safeway, *Advisor*  
**Maile Miyashiro**, C&S Wholesale, *Immediate Past Chair*

framework. SB2105 includes language for a repeal and we encourage the Committee to consider amending this measure to include that language.

We are in strong support of making the necessary changes to ensure that arbitrary audit requirements do not unnecessarily damage the local businesses that manufacture, distribute, supply, and sell beverages for Hawaii consumers. We thank you for the opportunity to testify.



# MAUI BREWING CO

3 April 2026

COMMITTEE ON FINANCE

Rep. Chris Todd, Chair

Rep. Jenna Takenouchi, Vice Chair

Re: Amendment request for SB3138 SD1 HD1 additional considerations

Aloha Chair, Vice Chair, and Members of the Committee:

My name is Garrett W. Marrero, I am the CEO and Co-Founder of Maui Brewing Co., operating locations in Lahaina, Kaanapali, and Kihei on Maui, and Waikiki and Kailua on Oahu. Made in Hawai'i and sold in 6 States and 2 Countries, employing more than 400 teammates across Hawai'i. I am submitting this testimony in **to request and amendment reverting back to SD1 in order to support** of SB3138.

We appreciate the Legislature's and the Department of Health's willingness to engage with small businesses and industry stakeholders to address issues within the Deposit Beverage Container Program. We share the goal of improving transparency and program integrity.

We are unsure what the intention of the last committee was in removing the various thresholds set by DOH, small producers, distributors and prior committees. We ask that the thresholds be restored at a minimum to:

- (A) At least seventy-five million deposit beverage containers in a year must obtain an independent audit every two years;
- (B) At least five million but fewer than seventy-five million beverage deposit containers in a year must obtain an independent audit every five years; and
- (C) Fewer than five million deposit beverage containers are exempt from the independent audit requirement; and

Maui Brewing stands ready as an engaged manufacturer to support the crafting of these programs as they apply to small beverage producers in the State.

With that context and these changes, we are in **support of SB3138**. We appreciate the amendments made in SD1 that focus oversight where actual risk exists, modernize reporting, and protect small local producers from undue burden.

Mahalo for the opportunity to provide comments and for your consideration.

Sincerely,

Garrett W. Marrero  
CEO and Co-Founder

[Garrett@MauiBrewing.com](mailto:Garrett@MauiBrewing.com)

808.213.3007 office

**Handcrafted Ales & Lagers Brewed with Aloha**  
605 Lipoa Parkway, Kihei, HI 96753  
808.213.3002

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Limit Independent Audit Requirement for Deposit Beverage Container Program

BILL NUMBER: SB 3138 HD1

INTRODUCED BY: EEP

EXECUTIVE SUMMARY: Requires deposit beverage distributors to obtain independent audits at certain frequencies based on the amount of deposit beverage containers distributed. Requires independent audits to assess specific criteria and report certain information. Requires the Department of Health to develop a web-based system to allow online submission of reports. Effective 7/1/3000. (HD1)

SYNOPSIS: Adds a new section to chapter 342G, HRS, to require an independent audit of deposit beverage distributors as follows:

Number of containers distributed	Independent audit is required in...
<b>More than</b> _____	An even numbered year.
<b>Between</b> _____ <b>and</b> _____	A year ending in 4 or 9
<b>Less than</b> _____	Audit not required

Provides criteria for the audit.

Amends section 342G-121.5, HRS, to delete the requirement for obtaining independent audits for years ending in an odd number. Additionally, requires the development of a web-based system to allow for online submissions of distributor's reports.

Makes other technical and conforming changes.

EFFECTIVE DATE: July 1, 3000.

STAFF COMMENTS: This is an Administration measure sponsored by the Department of Health and designated HTH-10 (26).

We urge that serious attention be given to fraud risk and the buildup of the fund balance, as described in [this article the Foundation published on Jan. 27, 2025](#):

### Those Nickels Add Up!

By Tom Yamachika, President

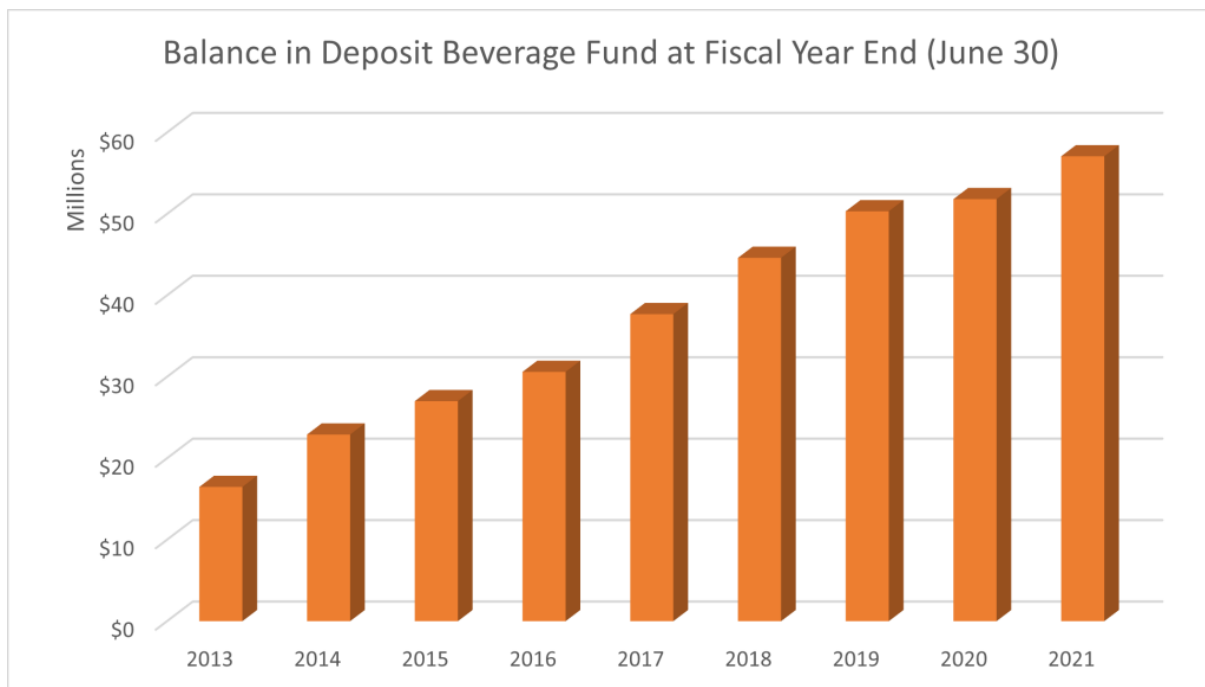
By now, most of us who go to the grocery store are used to seeing a bunch of little charges whenever we buy bottled or canned beverages. We get nicked for a nickel per container as a "deposit," which theoretically is refundable if you bring the container back to the store or to a recycling center; and for a penny per container as a "fee," which seems to disappear into a black hole.

The nickels and the pennies get collected by the Department of Health. The Department’s Solid Waste Branch runs the deposit beverage container program. The program collects a certain amount per container, like similar programs in other states, to promote container recycling. So, the pennies and the nickels go into a special fund, called the Deposit Beverage Container Deposit Special Fund (am I the only one who is bugged by the word “Deposit” appearing twice in that fund name?), established by HRS section 342G-104. The special fund is there to provide the money to run the program, making it self-sufficient, but there is a wrinkle. Section 342G-104(c) says, “Any funds that accumulate in the deposit beverage container deposit special fund shall be retained in the fund unless determined by the legislature to be in excess.” Meaning that the legislature expected that there would be extra money at some point, at which time the fund would be ripe for raiding.

But that assumes that the State doesn’t get raided first. We have written about this program and this fund before. The State Auditor’s Report No. 19-08 told the story of a staff worker for the accounting firm hired to do the fund’s financial audit. He dropped off a few bottles at the redemption center and received a whole 61 cents for his trouble. But the redemption center altered the log and claimed against the fund for reimbursement of 69 DOLLARS. And that wasn’t the only instance of fraud found.

The Department of Health also complained that fraud was a serious and real risk for the program, but we heard no stories of folks going to the hoosegow over this.

In the meantime, even with the fraud risk, the nickels in the fund started to pile up. Here is what the fund contained at the end of each fiscal year from 2013 to 2021:



Source: Office of the Auditor, Reports No. 15-02, 17-02, 19-08, 21-13, 23-07.

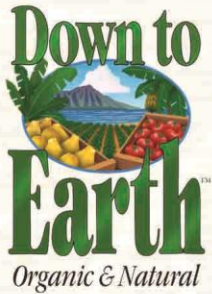
Re: SB 3138 HD1  
Page 3

As of the end of 2021, there was more than fifty million bucks in the fund apparently sitting around doing nothing.

Now that our legislative session has started, therefore, we have an important message to lawmakers: “Hey! Those of you numbskulls who want to raise taxes! Shut up, take this \$50 million, and leave us taxpayers alone! And, by the way, try not to spend it all in one place!”

Digested: 4/3/2026

Love Life!



SB3138 SD1 HD1 Relating to Independent Audits of Deposit Beverage Distributors  
House Committee on Finance  
April 7, 2026, 2:00pm

Aloha Chair Representative Chris Todd, Vice Chair Jenna Takenouchi, and Committee Members,

Down to Earth Organic & Natural **supports SB3138 SD1 HD1.**

Corporate Office  
P.O. Box 1166  
Kailua, HI 96734  
Phone: (808) 484-5890  
Fax: (808) 484-5896  
corporate@downtoearth.org

**Oahu Locations**

Honolulu  
2525 South King Street  
Honolulu, HI 96826  
Phone: (808) 947-7678  
Fax: (808) 943-8491  
honolulu@downtoearth.org

Kailua  
573 Kailua Road  
Suite 101  
Kailua, HI 96734  
Phone: (808) 262-3838  
Fax: (808) 263-3788  
kailua@downtoearth.org

Pearlridge  
98-211 Pali Momi Street  
Suite 950  
Aiea, Hawaii 96701  
Phone: (808) 488-1375  
Fax: (808) 488-4549  
pearlridge@downtoearth.org

Kapolei  
4460 Kapolei Parkway  
Kapolei, Hawaii 96707  
Phone: (808) 675-2300  
Fax: (808) 675-2323  
kapolei@downtoearth.org

Kakaako  
500 Keawe St.  
Honolulu, HI 96813  
Phone: (808) 465-2512  
Fax: (808) 465-2305  
kakaako@downtoearth.org

**Maui Location**

Kahului  
305 Dairy Road  
Kahului, HI 96732  
Phone: (808) 877-2661  
Fax: (808) 877-7548  
kahului@downtoearth.org

Down to Earth Organic & Natural is a Hawai'i-based natural and organic foods retailer that has served local communities for more than 45 years. Our six stores focus on organic and natural foods, local products, and values-based business practices. As part of our operations, we distribute deposit beverage containers and are a "distributor" in the Deposit Beverage Container (DBC) Program.

We appreciate the intent of SB3138 SD1 HD1 and the Legislature's recognition that the current independent audit requirement created serious hardship for beverage distributors, particularly small and local businesses. We support efforts to improve proportionality and fairness in program oversight, and we agree that the existing one-size-fits-all audit mandate is unreasonable, does not create benefits proportionate to its cost, was enacted without discussion with auditors as to their ability to conduct the audits, and is thus unworkable.

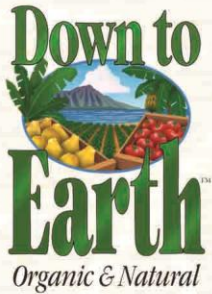
As implemented, the universal biennial independent audit requirement has imposed extreme and unnecessary financial burdens on distributors without a clear corresponding benefit to program integrity. Our audit quote from a local accounting firm was \$25,000—nearly half of the roughly \$60,000 we remit annually to the State in beverage deposits. We had paid \$15,000 of this fee before the audit requirement was put on hold. Audit firms were not consulted prior to its enactment and in practice it turned out that very few audit firms in Hawai'i were willing or able to perform these specialized audits that auditors had never done before, thus driving up audit costs, limited the availability of professionals to conduct the audits, and left some distributors unable to comply at all.

This requirement is layered on top of the Department of Health's existing authority to conduct audits when there is a specific concern (i.e., risk-based audits). Historically, fraud risk within the DBC Program has primarily been associated with redemption centers rather than distributors, yet the current law places substantial cost and administrative burden on compliant retailers and manufacturers. Even state and federal tax agencies do not require independent audits for income taxes and general excise taxes, which involve the collection of far larger revenues. In short, the cost of the audit requirement imposed on distributors was out of proportion to the revenue involved.

We are also concerned that the Department of Health does not have sufficient staffing or systems in place to meaningfully review and use these audits. DOH has acknowledged these challenges and suspended enforcement through Executive Order 25-04, and cancelled the September 30, 2025 audit deadline due to financial hardship for distributors. Unfortunately, some businesses, including ours, had already incurred significant audit expenses (in our case \$15,000 as mentioned above plus internal administrative cost) before enforcement was paused.

[www.downtoearth.org](http://www.downtoearth.org)

Love Life!



Corporate Office  
P.O. Box 1166  
Kailua, HI 96734  
Phone: (808) 484-5890  
Fax: (808) 484-5896  
corporate@downtoearth.org

#### Oahu Locations

Honolulu  
2525 South King Street  
Honolulu, HI 96826  
Phone: (808) 947-7678  
Fax: (808) 943-8491  
honolulu@downtoearth.org

Kailua  
573 Kailua Road  
Suite 101  
Kailua, HI 96734  
Phone: (808) 262-3838  
Fax: (808) 263-3788  
kailua@downtoearth.org

Pearlridge  
98-211 Pali Momi Street  
Suite 950  
Aiea, Hawaii 96701  
Phone: (808) 488-1375  
Fax: (808) 488-4549  
pearlridge@downtoearth.org

Kapolei  
4460 Kapolei Parkway  
Kapolei, Hawaii 96707  
Phone: (808) 675-2300  
Fax: (808) 675-2323  
kapolei@downtoearth.org

Kakaako  
500 Keawe St.  
Honolulu, HI 96813  
Phone: (808) 465-2512  
Fax: (808) 465-2305  
kakaako@downtoearth.org

#### Maui Location

Kahului  
305 Dairy Road  
Kahului, HI 96732  
Phone: (808) 877-2661  
Fax: (808) 877-7548  
kahului@downtoearth.org

[www.downtoearth.org](http://www.downtoearth.org)

While SB3138 SD1 HD1 takes an important step by narrowing and scaling audit requirements, we believe the most effective and equitable solution is to fully repeal the independent audit mandate and preserve the program's existing risk-based oversight framework. This approach is consistent with other states, which rely on reporting, targeted enforcement, and selective audits rather than fixed, universal audit schedules.

Accordingly, we respectfully request that the Committee to amend SB3138 SD1 HD1 to include repeal language to permanently remove the mandatory independent audit requirement while maintaining DOH's authority to conduct audits when warranted.

An alternative option would be to put the distributor limits back in the bill that were removed by the last committee, that stated:

**SECTION 2. Chapter 342G, Hawaii Revised Statutes, is amended by adding a new section to part VIII to be appropriately designated and to read as follows:**

**"§342G- Independent audit. (a) Deposit beverage distributors who distribute at least seventy-five million deposit beverage containers in a calendar year ending in an even number shall obtain an independent audit for the calendar year after the calendar year ending in an even number.**

**(b) Deposit beverage distributors who distribute at least five million but fewer than seventy-five million deposit beverage containers in a calendar year ending in four or nine shall obtain independent audits for the calendar year after the calendar year ending in four or nine.**

**(c) Deposit beverage distributors who distribute fewer than five million deposit beverage containers in a calendar year shall be exempt from the requirements of this section.**

This would help contain food and beverage costs for Hawai'i consumers, and allow state resources to be focused where they can do the most good.

Down to Earth supports thoughtful, practical policies that maintain accountability while being workable for local businesses and affordable for our communities. We appreciate the opportunity to testify on this important issue.

Mahalo for the opportunity to testify.

*Alison E Riggs*

Alison Riggs  
Public Policy & Government Relations Manager  
Down to Earth

2525 S. King St., Suite 309  
Honolulu, HI 96826  
Phone (808) 824-3240  
Fax (808) 951-8283/ E-mail: [alison.riggs@downtoearth.org](mailto:alison.riggs@downtoearth.org)

**SB-3138-HD-1**

Submitted on: 4/5/2026 5:08:00 PM

Testimony for FIN on 4/7/2026 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Steve Haumschild	Individual	Support	Written Testimony Only

Comments:

To: Hawaii State Legislature

Re: SB3138

Dear Chair, Vice Chair, and Members of the Committee,

My name is Steve Haumschild, and I am a business owner of Lanikai Brewing Company, serving both residents and visitors in our community. I am writing in strong support of SB3138, which seeks to eliminate audit requirements for small producers.

As a small, locally owned manufacturer operating in Hawaii, we face a unique combination of high operating costs, geographic isolation, and regulatory complexity. While we understand and support the importance of accountability and compliance, the current audit requirements place a disproportionate burden on small producers without delivering meaningful additional oversight benefits.

Independent audits are costly, time-consuming, and often redundant for businesses of our size and scale. For small producers, these audits can represent a significant percentage of annual revenue, diverting critical resources away from core operations such as hiring, production, product development, and community engagement. Unlike large corporations, we do not have in-house compliance teams or the financial flexibility to absorb these expenses without consequence.

In many cases, small producers are already subject to multiple layers of reporting, taxation, and regulatory review at the state and federal levels. The added requirement of formal audits does little to improve transparency but substantially increases administrative strain. Eliminating or modifying these requirements for small businesses is a practical, common-sense step toward right-sizing regulation.

SB3138 will help level the playing field by reducing unnecessary costs and allowing small producers to reinvest in their businesses and communities. For companies like Lanikai Brewing Company, this means greater ability to support local agriculture, create jobs, expand distribution, and contribute to Hawaii's tourism economy.

Importantly, this measure does not eliminate oversight—it simply aligns regulatory expectations with the scale and risk profile of small producers. By removing overly burdensome audit

requirements, the Legislature can foster a more supportive environment for entrepreneurship and local manufacturing.

Small businesses are the backbone of Hawaii's economy and play a vital role in maintaining the unique character of our communities. Policies like SB3138 that reduce unnecessary barriers are essential to ensuring their continued success.

For these reasons, I respectfully urge the Committee to pass SB3138.

Mahalo for the opportunity to testify.

Sincerely,  
Steve Haumschild  
Lanikai Brewing Company