

REPORT TO THE TWENTY-FIFTH LEGISLATURE
STATE OF HAWAII
2010

DEPOSIT BEVERAGE CONTAINER PROGRAM

DEPARTMENT OF HEALTH REPORT ON THE ACTIVITIES OF THE
DEPOSIT BEVERAGE CONTAINER PROGRAM

PREPARED BY:

STATE OF HAWAII
DEPARTMENT OF HEALTH

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EXECUTIVE SUMMARY

The State of Hawaii Deposit Beverage (DBC) Container Program (Program) nearly met its goal of 80% redemption. The Program achieved an annual redemption rate of 79% in fiscal year (FY) 2009. Over 700 million deposit beverage containers (DBC) were recycled in FY 2009, up from approximately 680 million recycled in FY 2008. The Program continues to improve and public participation is strong.

The Program has more locations and business hours, making recycling more convenient for the public. The total number of certified redemption centers (CRCs) participating in the Program increased by 9. The total weekly operating hours offered by centers increased by nearly 370 hours.

There was a noticeable drop in complaints received by the Program this past year. There were approximately 50% fewer complaints in FY 2009 than in 2008. This could be attributed to increased consumer knowledge about the redemption center process. Consumers now understand that redemption centers are required to inspect all container loads, reject ineligible containers, and verify customer claims on the number of containers being redeemed. Consumers also appear to be more informed about the advantages and disadvantages when selecting counts or weights for calculating refunds.

During FY 2009, the department collected about \$54 million in container fees and deposits from distributors. It paid out nearly \$48 million to redemption center operators for redeemed deposits and eligible handling fees. The department also paid approximately \$1.3 million for contracted county DBC program activities and Program administration.

As of June 30, 2009, the DBC special fund had about \$21.5 million remaining after encumbrances. The Program must rely on the fund's reserves to sustain itself to keep up with the high rates of deposit refunds. This is because the Program pays out more than it collects per container. While the Program collects 6 cents per container (deposit plus container fee), it pays 7 to 9 cents per container (5 redemption plus 2-4 cents handling fee). The Program relies on the percentage of unredeemed deposits to sustain itself. As the percentage of unredeemed deposits shrinks, due to high number of deposits being refunded, then the Program must utilize the fund's reserves or increase the container fee to sustain itself.

I. DEPOSIT PROGRAM MEASURE OF EFFECTIVENESS

The department has selected as its measure of effectiveness the deposit beverage container redemption rate. It reflects the efficacy of the program to accomplish its mission to: (1) collect and redeem eligible deposit beverage containers and (2) recycle deposit beverage container materials.

Deposit Beverage Container Redemption Rate

The redemption rate increased to 79% in fiscal year 2009 from 72% in fiscal year 2008. The information below shows the actual numbers of containers sold and containers redeemed.

The redemption rate is calculated by dividing the number of deposit beverage containers (DBC) redeemed by the number of DBC sold.

$$\text{Redemption Rate} = \frac{705,156,511 \text{ (\# of DBC redeemed)}}{895,737,097 \text{ (\# of DBC sold)}}$$

$$\text{Redemption Rate} = 79\%$$

CHART 1: Number of DBC Redeemed FY 2006 - 2009, by Material Type

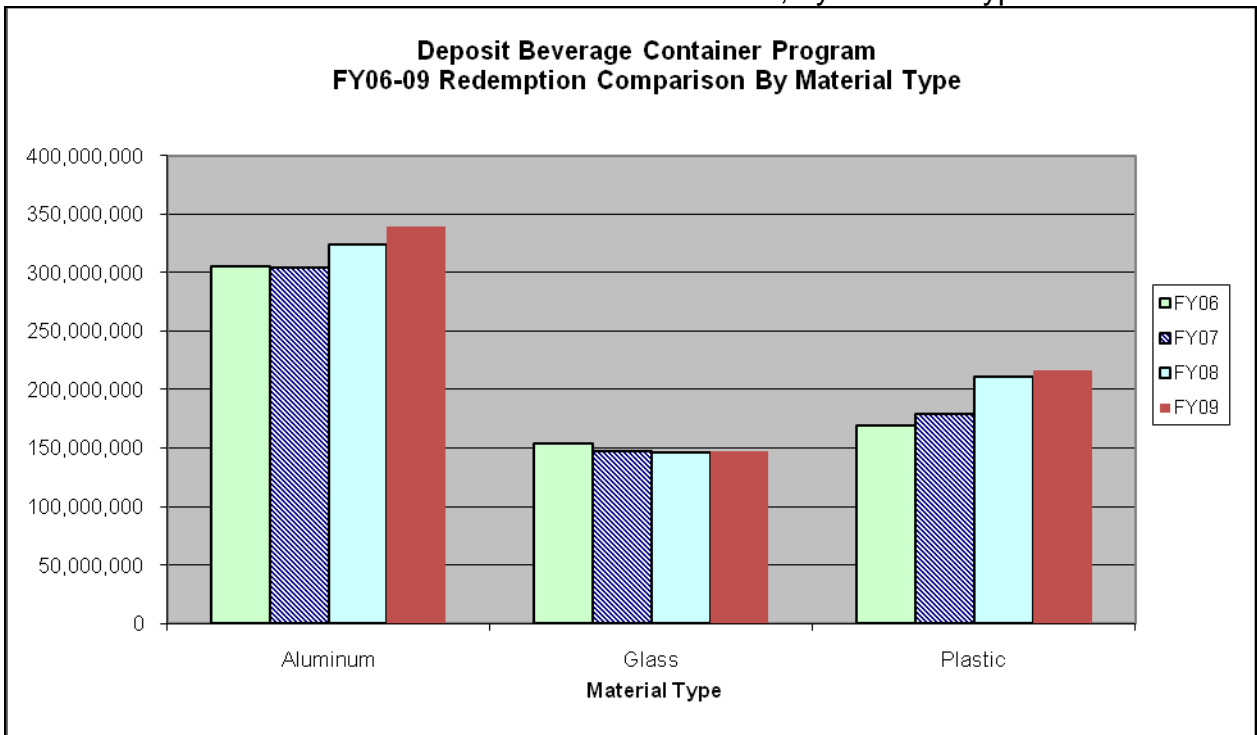


CHART 2: Comparison of Redeemed & Unredeemed

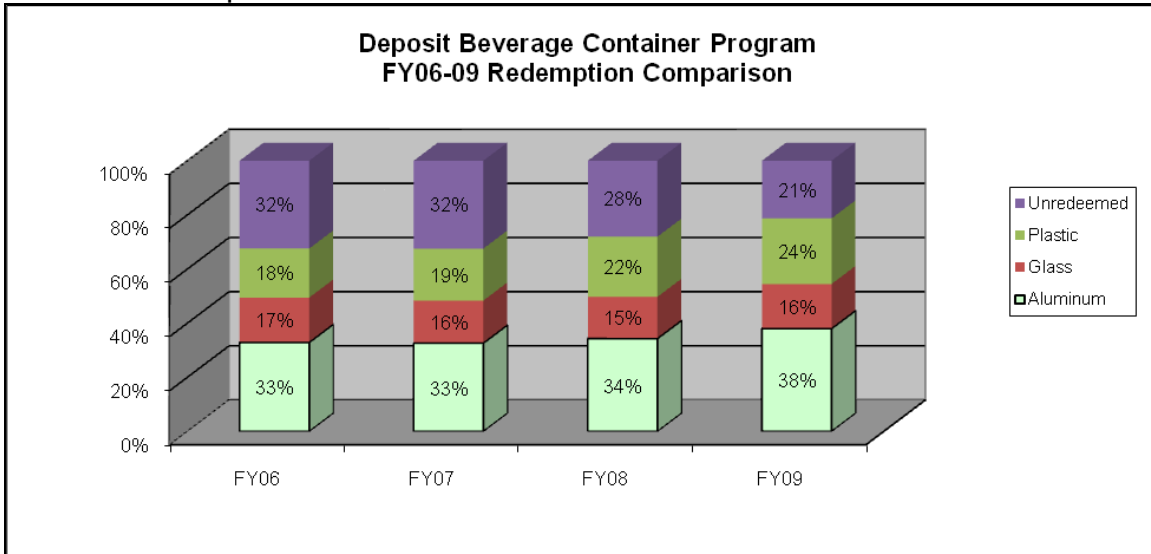
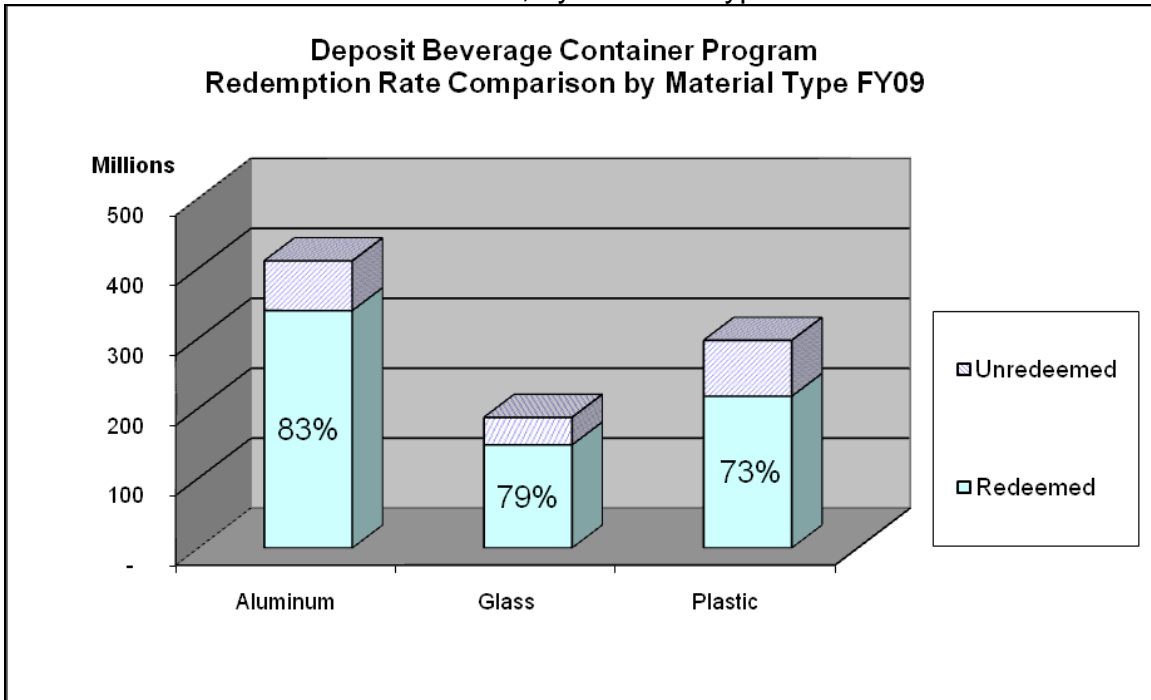


CHART 3: DBC Redeemed In FY 09, by Material Type



II. PROGRAM PERFORMANCE INDICATORS

Payments to Certified Redemption Centers

All Certified Redemption Center (CRC) sites continue to submit deposit and handling fee request forms. The department is able to process the majority of CRC claims for payments within 2 weeks. From January 2005 through June 30, 2009, the department paid out almost \$208.5 million to redemption center operators for redeemed deposits and eligible handling fees. Incomplete and non-compliant forms or questions related to verification documentation that are submitted to the department may delay payment.

Charities and Fundraising

Schools and non-profits continue to utilize the program for fundraising opportunities. Fundraiser events are great for people who prefer to donate their deposit containers to needy organizations rather than taking their containers to a redemption center for deposit refunds. Fundraising efforts complement the program and contribute to the overall number of containers recycled.

Certified Redemption Centers

The number of Certified Redemption Centers (CRCs) open to the public continues to increase. As of June 30, 2009, there were 114 certified redemption centers (CRCs), including 93 permanent sites and 21 mobile truck sites. Additionally, there was an increase in total weekly hours of operation for redemption centers statewide from 3534 to 3902. See Table 1 for a breakdown of number of CRCs and hours of operation by island.

TABLE 1: CRC Numbers & Hours of Operation by Island

Island	No. of Certified Redemption Centers						Weekly Hours of Operation (June 2007)	Weekly Hours of Operation (June 2008)	Weekly Hours of Operation (June 2009)
	Jan 2005	Dec 2005	June 2006	June 2007	June 2008	June 2009			
Hawaii	5	11	12	15	16	19	397.5	556	667.5
Maui	9	9	12	14	15	14	538.5	677	671
Molokai	1	1	1	3	3	2	49.5	49.5	37.5
Lanai	1	1	1	1	1	1	15.0	15	15
Oahu	23	49	52	60*	63	68	1824.0	2031	2304.5
Kauai	5	6	6	6	7	10	143.0	185.5	200.5
Total:	44	77	84	99	105	114	2967.5	3534	3902

There has been a noticeable increase in redemption centers on Oahu and the Big Island, which is also reflected in the increase in operating hours. There are 16 remaining mobile redemption centers operating less than 30 hours per week

on Oahu. These sites were allowed to continue operating because there was a reluctance to terminate service to these relatively isolated communities. It should be noted that the certifications for these mobile sites will expire in December of 2009. The operator of these sites has been informed that current law will preclude the granting of certification for sites that do not meet the 30-hour per week requirement. The operator has the option of terminating these sites or operating them as uncertified redemption centers.

Although there were some layoffs of redemption center personnel due to the economic downturn and drop in commodity prices of recyclable material, overall, redemption center activity remained steady, and even increased.

Environmental Indicators

Over 45,000 tons of deposit beverage containers were recycled in FY2009. See Table 3 for total tons recycled by material type and by fiscal year since FY 2006.

TABLE 3: Total Tons Recycled by Material Type & Fiscal Year

Material Type	Tons Recycled FY 06	Tons Recycled FY 07	Tons Recycled FY 08	Tons Recycled FY 09
Aluminum	5,092	4,999	5,318	5,566
Bi-metal	42	54	77	74
Glass	32,060	33,431	33,070	33,526
Plastic	5,083	5,136	6,016	6,199
Total	42,277	43,620	44,481	45,364

To determine the program's impact on litter, the department uses the Ocean Conservancy's International Coastal Cleanup data report as an indicator. Every September volunteers help clean up coastal areas and record the types and number of debris they find. Data is compiled into reports and released the following year in spring. See Tables 4 and 5 compare data from 2004 through 2008.

TABLE 4: Number of Debris Found During Cleanup

Beverage Container Type	2004	2005	2006	2007	2008
Glass Bottles	11,362	7,194	5,759	5,008	4,203
Plastic Bottles	5,215	3,824	4,799	2,965	1,832
Metal Cans	6,894	3,518	3,959	2,932	2,165
Total	23,471	14,430	14,517	10,905	8,200

Note: The number of volunteers and targeted cleanup areas vary from year to year.

TABLE 5: Percentage of Total Debris Collected During Cleanup

Beverage Bottles & Cans	2004	2005	2006	2007	2008
Glass, Metal, & Plastic	14.5%	12.3%	8.7%	6.7%	5.7%

There appears to be a downward trend in the number of beverage containers littering coastal areas. Applying a deposit to beverage containers creates an economic incentive for people to recycle rather than litter when visiting parks and beaches. Deposits also encourage people to pick up beverage container litter left behind by others. See Table 6 for top five debris items collected at the 2008 beach cleanup.

TABLE 6: Top 5 Debris Items Collected During The 2008 Cleanup

Land & Underwater Cleanup	Number of Debris Items	Percent of Total Collected
1. Cigarettes & Filters	68,115	47.5%
2. Caps & Lids	15,919	11.1%
3. Food Wrappers and Containers	11,376	7.9%
4. Beverage Containers (<i>glass, metal, plastic</i>)	8,200	5.7%
5. Bags (Plastic)	7,782	5.4%

III. DEPOSIT BEVERAGE CONTAINER SPECIAL FUND

Revenue and Expenditures

From October 2002 to June 30, 2009 the department has collected around \$256.8 million in container fees and deposits from distributors, and received \$4.6 million in interest payment. In October 2002, the law first required the department to collect a \$0.005 (one-half cent) container fee. Subsequently, starting in October 2004, the law required the department to collect a 1¢ container fee and a 5¢ deposit on all eligible deposit beverages manufactured, sold and imported in the State. From January 2005 through June 30, 2009, the department paid out almost \$208.5 million to redemption center operators for redeemed deposits and eligible handling fees. Around \$14.2 million was encumbered as of June 30, 2009, including \$2.7 million for 2 counties (Hawaii & Kauai) for redemption operational support, \$632,089 for program administration, \$9.6 million for redemption center operators for redeemed deposits and eligible handling fees, and \$1.17 million for redemption center and recycling infrastructure improvement grants. By June 30, 2009, \$619,199 was paid to recyclers for the RVM rebate program, \$4.5 million was paid out for infrastructure improvement grants, and approximately \$4.9 million was provided to all 3 counties for redemption operation support. Additionally, \$7.1 million was expended for program administrative costs. See Tables 7 and 8 for DBC special fund revenues and expenditures from October 2002 through June 30, 2009.

TABLE 7: DBC Revenues & Expenditures October 2002 - June 30, 2009

Revenue		
Distributor Payments		
Deposits (5¢ per container)		\$ 206,183,382
Container Fees (1¢ per container)		\$ 50,624,557
Interest (from Bank)		\$ 4,693,663
Total Revenue		\$ 261,501,602
Expenditures		
Payments to Redemption Centers		
Deposits (5¢ per container)		\$ 145,404,519
Handling Fees (2-4¢ per container)		\$ 63,178,175
Subtotal		\$ 208,582,694
County Support		
County of Hawaii		\$ 2,605,509
County of Maui		\$ 1,580,697
County of Kauai		\$ 722,343
Subtotal		\$ 4,908,549
Infrastructure Improvement Grant		
<i>(Act 228, 2005)</i>	FY06	\$ 2,749,483
	FY08	\$ 1,741,429
Grant – Molokai & Lanai	FY09	\$ 37,344
Reverse Vending Machine Rebate		
<i>(Act 231, HRS-342G-102.5)</i>		\$ 619,199
Administrative Expenses		
DOH Payroll		\$ 2,228,773
DOH supplies, phone, misc.		\$ 756,819
Advertising/Outreach		\$ 2,127,648
Payment to General Fund for Admin Expenses FY05, 06, 07, 08		\$ 1,906,134
Audit Fee for FY05		\$ 92,480
Others - Travel		\$ 53,745
Subtotal		\$ 12,313,054
Total Expenditures		\$ 225,804,297
Unspent before encumbrances		\$ 35,697,305
Encumbrances		
For redemption center payments		
<i>(from July 2008 to June 2009)</i>		\$ 9,688,175
For County Support		
		\$ 2,736,707
For marketing, admin, misc.		
		\$ 632,089
For contracts (Act 228, 2005)		
	FY08	\$ 1,090,786
	FY09	\$ 82,656
Total Encumbrances		\$ 14,230,413
Unspent after encumbrances		\$ 21,466,892

* Handling fees for aluminum, bi-metal, and plastic are 2¢ for Oahu and 3¢ for neighbor islands. Fees for glass are 2¢ for agriculture/construction and 4¢ for remanufacturing uses for all islands.

TABLE 8: DBC Revenues & Expenditures FY 2009 (July 1 - June 30, 2009)

Revenue	
Distributor Payments	
Deposits (5¢ per container)	\$ 44,360,445
Container Fees (1¢ per container)	\$ 8,872,143
Interest (from Bank)	\$ 717,513
Total Revenue	
\$ 53,950,101	
Expenditures	
Payments to Redemption Centers	
Deposits (5¢ per container)	\$ 34,392,647
Handling Fees (2-4¢ per container)	\$ 13,909,539
Subtotal	\$ 48,302,186
County Support	
County of Hawaii	\$ 249,157
County of Maui	\$ 0
County of Kauai	\$ 109,136
Subtotal	\$ 358,293
Administrative Expenses	
DOH Payroll	\$ 623,187
DOH supplies, phone, misc.	\$ 88,645
For contracts (Act 228, 2005)	\$ 37,344
Advertising/Outreach	\$ 785
Payment to General Fund for Admin Expenses FY08	\$ 147,073
Audit Fee	\$ 0
Others - Travel	\$ 12,334
Subtotal	\$ 909,368
Total Expenditures	
\$ 49,569,847	

* Handling fees for aluminum, bi-metal, and plastic are 2¢ for Oahu and 3¢ for neighbor islands. Fees for glass are 2¢ for agriculture/construction and 4¢ for remanufacturing uses for all islands.

Infrastructure Improvement Grant Program

The Infrastructure Improvement Grant Program (Act 228, SLH 2005) awarded nearly \$6 million in funds to 15 contractors to improve and expand redemption center services to the public. Expanded service will improve convenience and help to increase recycling rates. The department utilized the Request for Proposals (RFP) process to award the contracts in 2006 and 2008. Work will be completed by December 2009 for contracts awarded in 2008. See Tables 9 and 10 for details.

TABLE 9: Contracts Awarded in 2008

Company	Award	Activity
1. Kona Investment Partners, LLC	\$ 1,317,000	Will open 7 new redemption centers: 6 on Oahu and 1 on Maui.
2. JKL Enterprises	\$ 311,000	Will open 1 new redemption center on Maui.
3. Island Container Redemption, LLC	\$ 280,000	Will open 1 new redemption center on Oahu.
4. Kauai Community Recycling Services	\$ 352,000	Will open 1 new center and expand services at an existing center on Kauai.
5. Atlas Recycling Centers, LLC	\$ 163,000	Will open 1 new redemption center on the Big Island.
6. Kadota Liquor and K's Drive-In	\$ 255,000	Will open 1 new redemption center on the Big Island.
7. Tri-Isle RC&D	\$ 75,000	Will assist the redemption center on Lanai to continue to operate.
8. NKH Construction, Inc	\$72,000	Will open a center in Hana, Maui.

TABLE 10: Contracts Awarded in 2006

Company	Award	Activity
1. Reynolds Recycling	\$ 1,139,000	Improved customer care and obtained equipment to increase capacity to move and process material to prevent shut downs in service.
2. Goodwill	\$ 939,000	Opened 6 new redemption centers: 5 on Oahu and 1 on Big Island.
3. Maui Disposal	\$ 430,000	Obtained equipment to increase capacity to accept material and maximize processing efficiency.
4. Garden Isle Disposal	\$ 120,000	Obtained equipment to increase capacity to accept material and maximize processing efficiency.
5. Honolulu Recovery Systems	\$ 260,000	Obtained equipment to increase capacity to accept material and maximize processing efficiency.
6. Aloha Glass Recycling	\$ 99,000	Obtained equipment to increase capacity to accept material and maximize processing efficiency.
7. RRR Recycling Services	\$ 14,000	Obtained equipment to increase capacity to accept material and maximize processing efficiency.

Reverse Vending Machine Rebate

The Reverse Vending Machine (RVM) Rebate program (Act 228, Session Laws of Hawaii 2005, amended by Act 231, Session Laws of Hawaii 2006, codified at HRS 342G-102.5) was completed in 2007. The rebate program provided over \$765,000 in rebates to four companies who took advantage of the offer. Table 11 shows which companies received rebates, number of machines that received rebates, and total dollar amount of rebates.

TABLE 11: RVM Rebates by Company

Company	RVM QTY	Total Rebate
1. Reynolds Recycling	98	\$ 412,476
2. RRR Recycling Services	44	\$ 294,112
3. Aloha Shell	6	\$ 37,207
4. Zitro Recycling	3	\$ 21,991
Total	151	\$ 765,785

The RVM rebates were offered as incentives to increase the number of machines available to the public for recycling and deposit refunds. The rebate reimbursed 50% of the actual cost of each machine including shipping and General Excise Tax. The machines had to be in operation at certified redemption centers by December 31, 2007 in order to qualify for rebate.

IV. INFORMING AND LEARNING FROM BUSINESS AND THE PUBLIC

Program Outreach

The program web site, www.hi5deposit.com, is continually updated to reflect program changes and provide the public with needed program information. Important contact information is also provided on the web site.

Educational Outreach

The department provided educational outreach through community recycling fairs, interviews of DBC staff by high school and college students, the department's sponsorship of the `Olelo Community Television's 2009 Youth Xchange video competition, and through its collaboration with Kahilu Theatre Foundation and Kokua Hawaii Foundation.

The department participated in 12 recycling fairs which resulted in over 60 hours of service and involved an average of 5 employee participants per event. An additional 20 hours of service was provided through the department's sponsorship responsibilities with the `Olelo Community Television's 2009 Youth Xchange video competition.

The department issued a request for proposals (RFP) for an interactive musical theater performance to teach children about waste minimization and recycling. A contract was awarded to Kahilu Theatre Foundation to develop the production for Pre-6th grade students. In addition, Kokua Hawaii Foundation funded the development of an educational guide to complement the performances. The

theater production traveled to schools around the state and completed 20 performances that taught students about ways to *Reduce, Resuse, and Recycle*. Responses to the performances were very positive and schools that participated have requested to be waitlisted for future recycling related theater performances.



The Trash Heap Theater Performance

The department sponsored a “HI-5 Recycling” category in the `Olelo Community Television’s 2009 Youth Xchange video competition for students grades K-12. Students produced 30-second public service announcements to promote the HI-5 program and recycling in general. Fifty four (54) videos were submitted in this category and the department participated in judging the videos.

V. INSPECTIONS & ENFORCEMENT

The program received half as many complaints in FY 2009 as it did in FY 2008. Program staff logged and followed up on 42 complaints from July 1, 2008 to June 30, 2009. The three most prevalent complaints were:

- 1) Redemption centers are not open during posted hours (7 total)
- 2) Poor customer service by redemption center staff (7 total)
- 3) Refund value not accurate (7 total)

A detailed breakdown on type and frequency of complaints is provided in Table 12.

TABLE 12: Complaints in FY 2009

Complaints <i>Certified Redemption Centers (CRC) & Program</i>	2008 (July – December)						Total
	J	A	S	O	N	D	
CRC: Poor customer service; rude staff	1	3		1			5
CRC: Refuse to count to 200	1						1
CRC: Not open during stated business hours	2	2			1	1	6
CRC/Program: Program should mandate CRC operators to offer money for scrap Aluminum and/or recyclable material					1		1
CRC: Scale weight not visible to customers		1			1		2
CRC: Refusing to provide redemption service			1				1
CRC/Program: Rejecting unlabeled DBC containers; Labeling requirements stated in the law unfair						4	4
CRC: Improper weighing procedures				1			1
CRC: Operations are noisy	1						1
CRC: Hours of operation are not posted				1			1
CRC: Calculating refund based on customer reported count				1			1
CRC: Refund value not accurate			1	1	1	2	5
CRC/Program: Increase container count above 200		1					1
CRC: Shopping carts accumulating in business parking lot				1			1
Total	5	7	2	6	4	7	31
Complaints <i>Certified Redemption Centers (CRC), Stores, & Program</i>	2009 (January – June)						Total
	J	F	M	A	M	J	
CRC: Poor customer service; rude staff		1	1				2
CRC: Not open during stated business hours	1						1
Stores: Charging tax on deposit		1					1
CRC: Scale weight not visible to customers					2		2
CRC/Program: Rejecting unlabeled DBC containers; Labeling requirements stated in the law unfair	2						2
CRC: Not accepting all types of deposit beverage containers	1						1
CRC: Refund value not accurate	2						2
Total	6	2	1		2		11

The number of complaints declined by 52% (42 complaints total) during the months of July 2008 through June 2009, as compare to the previous year (July 2007 through June 2008) with a total of 80 complaints received. Furthermore, within the same year, the number of complaints declined by 35% during the

months of January through June 2009 (11 total) as compare to 31 complaints received during the months of July through December 2008. The Program believes that the drop in complaints may likely be attributed to increased consumer knowledge of the redemption process and the involved effort from some redemption companies in addressing these types of complaints and in some cases providing follow-up information and resolution on the complaints.

A HI-5 Mystery Shop Program was conducted at certified redemption centers from July 2008 to December 2008, as part of a supplemental environmental project enforcement action and payment of penalties described in the Reynolds Recycling Inc. settlement agreement in February 2008. The purpose of the HI-5 mystery shop program was to provide the department and CRC operators with third-party feedback on redemption center operations and customer service. The program's concept is similar to secret shopper programs that the retail industry utilizes to evaluate store service. A total of 176 random, unannounced mystery shops were conducted by Ward Research Inc. The department forwarded shopper evaluations to each center's respective management so that management could review the information and, if necessary, follow-up on any issues. Redemption center operators were receptive to shopper evaluations. Evaluations confirmed that there is room for improvement with regards to certified redemption center operators being in compliance with program rules and regulations. The department believes that the Mystery Shop Program contributed to a decrease in complaints.

The department follows up on all complaints about certified redemption centers with an inspection/investigation to verify that operators are in compliance with department certification requirements. Program inspectors follow up on refund value accuracy complaints has revealed that because the DBC segregated weight conversion rates closely, but still approximate the value of a load of redeemed DBC, there will always be a percentage of consumers that are not satisfied with the results of redemption by weight, i.e., they do not receive exactly 5-cents per container. The program is planning a revised segregated rate weight conversion rate in the upcoming months. The department generally refers "customer service" complaints to the private, redemption company and requests that the company address and resolve these complaints. Redemption companies have been generally cooperative and responsive in addressing these types of complaints.

Inspections for Compliance and Complaints

As a way to inform distributors, retailers, and recyclers on the requirements in law, the Program inspectors visited businesses to help with compliance. Inspectors also conduct site inspections in response to complaints. Additionally, inspectors conduct more comprehensive compliance evaluation inspections (CEIs) of regulated facilities, including certified redemption centers and deposit beverage container recycling facilities. Some CEIs are initiated pursuant to facility complaints, which warrant more intensive investigation. Businesses that

are not in compliance with the law are advised orally during the CEI out brief and, if applicable (especially for repeat violators) issued warning letters to inform them of corrective actions they need to take to help bring them into compliance. Furthermore, the program issued request for information (RFIs) to some certified redemption centers for some records review and to some distributors for late payment and reporting.

TABLE 13: Total Inspections, Warning Letters & RFI's in FY2009

Month	Compliance / Complaint Inspections	Warning Letters	Request For Information (RFI's)	
			CRC	Unregistered / Late payment Distributors
July 2008	16	3		1
August	34	7		
September	23	4		
October	4	5		
November	6	6	2	1
December	4	4	1	
January 2009	32	0		
February	15	10		
March	11	5	1	1
April	3	5	1	
May	13	4	1	
June	15	0		21
Total	176	52	6	24

Enforcement

In FY 2009 the majority of warning letters, 48 out of 52 totals, were issued to deposit beverage distributors for delinquent distributor reports and payments and four (4) warning letters were issued to certified redemption centers for certification violations. In June 2009, the department issued 21 RFIs bringing into compliance all 21 unregistered delinquent deposit beverage distributors which resulted in recovery of bottle deposits paid by the public and collected by beverage distributors. The department's success was achieved through inspections and investigation of beverage retailers in Hawaii. Continuous and positive rapport building with Hawaii and U.S. mainland beverage distributors

enabled the department to acquire substantive information regarding the operations of deposit beverage importers in Hawaii.

The program issued three (3) enforcement notices and orders, in the form of official Notices of Findings and Orders (NFVOs). One order, the second of its kind, was issued to a deposit beverage (DB) distributor, Mehana Brewing Company. Mehana has complied with the program's enforcement order by submitting the required delinquent distributor reports and payments.

An enforcement action was also issued to Soy to the World for DBC distributor violations of deposit beverage distributor requirements, i.e., delinquent distributor reports and payments. Soy to the World has signed a Settlement Agreement with the department and the penalty is currently being paid in monthly installments.

Additionally, an enforcement notice and order was issued against a certified redemption/recycling facility CM Recycling LLC., for violations of DBC rules and certification requirements. CM Recycling LLC. has complied with the department enforcement order and paid the penalty in full.

In FY 2008, DOH filed a Notice of Finding of Violation/Complaint and Order (NFVO) against Reduce Reuse Recyclers Services (RRR) for violations of the DBC certified redemption center laws. DOH assessed a total penalty of \$32,140.00 against RRR. In 2009, DOH signed a formal settlement agreement with RRR and agreed to a penalty amount of \$23,140.00. In addition to the cash settlement, RRR agreed to complete a Supplemental Environmental Project (SEP), which included a hauling services for recyclables and/or litter control efforts at designated events. RRR's SEP is currently being credited towards its \$9,000.00 SEP for purposes of settling this action and completion.

Additionally, the department negotiated and signed a Payment Installment Agreement with Huckleberry Farms for DBC distributor violations of deposit beverage distributor requirements, i.e., delinquent distributor reports and payments. Huckleberry Farms penalty is currently being paid in monthly installments.

VI. CHALLENGES AND PROGRAM CHANGES

Program Challenge: Dietary Supplement Exemptions

The beverage industry is quickly expanding new varieties of energy and dietary supplement drinks. Determinations about the inclusion or exclusion of these types of beverages in the Program can be challenging under the current definition of a *Deposit Beverage* in statute (HRS 342G-A).

The Program accomplished the task of clarifying to the regulated community the exemption criteria for eligible deposit beverages as prescribed in law. As a result of extensive investigation and solicited consultation from the Attorney General's Office, the Program successfully generated a practical guideline for beverage Distributors to best service the regulated community and the public at large. The Program identified numerous beverages for which the exemption criteria could be applied. A case-by-case evaluation was necessary to determine the eligibility status of each beverage. Through this process the Program identified potential modifications that could be made to the existing law to facilitate DBC determinations and encourage the recycling of beverage containers to the maximum extent practicable.

Program Update: Segregated Material Rates

The department conducted a segregated rate study at the end of FY 2009 and will update the rates in fall 2009. The department adopted "segregated rates" (weight rates paid for deposit containers segregated by material type) to help process consumer container loads faster and to give the public options when they redeem containers for refund. The department periodically evaluates deposit beverage container weights and updates the rates accordingly to reflect recent trends in container packaging.

A statewide segregated rate study is used to determine the average number of beverage containers per pound. The segregated rate, or container weight conversion, is an average because beverage containers come in a wide variety of sizes and weights. The segregated rates are displayed in Table 13.

TABLE 13: Segregated Rates used during FY 2009

Material Type	# Containers per Pound
Aluminum	31.6
Bi-metal	8.0
Glass	2.3
Plastic (small size: 17 fluid oz. or less)	22.7
Plastic (mixed sizes)	17.5

Consumers continue to have a choice to request redemption by weight or by count. Consumers who prefer a count may request a count, and certified redemption centers must provide a hand count of loads of 200 or less containers if requested. Some redemption centers have reported to the department that they are hand counting larger loads. If people believe that the weight rate may result in an undercount, as may happen if many small plastic containers are involved, they can segregate the containers by size and seek a hand count.

People who bring in large loads of deposit containers may choose to have their loads weighed to avoid waiting while each container is counted.

Certified Redemption Center Claims Procedure Proposed Changes

The program continues to plan a major change to its current redemption and recycling company claims procedures. The proposal is to pay the combined DBC refund value and handling fee claims only on the quantity of DBC material that is actually shipped to and received by the materials end use recycler/re-processor. At present, the Program pays deposit refunds upon receiving claims, half the handling fee when DBC are shipped, and the other half of the handling fee when the re-processor receives the DBC. DOH has in some cases found significant differences between the number of containers claimed for deposit refunds and the number of containers reportedly shipped later. The DBC quantity claimed by redemption centers is sometimes not a reliable indicator of the actual quantity of DBC material collected, which has been found to be affected/reduced by such factors as material shrinkage, theft, contamination, etc. The proposed change will base all payments on the number or quantity of containers shipped to and received by the materials end use recycler/re-processor.

The proposed procedure will also establish a single combined deposit and handling fee form. This form will be a combination of the program's currently used DR-1 and HR-1 forms. This modification will better ensure that refund payment requests made by redemption centers for DBC material redeemed/collected cover the same quantity of DBC material shipped to an end-user recycler and provide a simple administrative process.

The Program is assessing the negative impacts from this planned change in cash flow, which could include closing of certified redemption facilities and possible reduction of deposit beverage container redemption. Based on an informal survey, initially certified redemption companies vehemently opposed this proposed change. During recent discussions, certain certified redemption companies were more willing to discuss the proposed claims procedure changes. At the start of the Program our primary concern was encouraging private entities to provide DBC recycling. The Program is maturing and weighing other values more highly now.

Contract for Regulated-Company Audits

Closely associated with the DBC claims and accounting procedure challenge described above, the Program continues its efforts to improve accountability, in general, amongst regulated entities, i.e., certified redemption centers and registered DB distributors and dealers. To this end, the Program plans to contract for professional auditing and accounting services to conduct in-depth

auditing of regulated companies. Although, the Program conducts regular and on-the-spot general audits and records review of regulated facilities, the Program expects that the in-depth audit and accounting investigations will provide more detailed insight into the regulated companies and recommend policy and procedural changes, which will significantly improve accountability of the companies audited and for the Program as a whole.

VII. ADMINISTRATIVE RULES

The department is in the process of amending Hawaii Administrative Rules Chapter 11-282 to outline the details of the field citation procedures, which will allow for more expedient and effective enforcement.

VIII. STAFFING AND PROGRAM ORGANIZATION

Staffing

The Program has 10 filled positions and 2 vacancies. The vacancies include 2 Environmental Health Specialist (EHS) III and 1 Account Clerk II positions. Table 14 provides a listing and current status of all Program staff positions.

TABLE 14: Staff Positions

Position	Number	Position Filled	SR Rating
Accountant	1	Yes	SR-20
Account Clerk	2	Yes	SR-8
Temporary Clerk-typist II	1	Vacant	SR-8
Environmental Health Specialist III	5	2 vacant	SR-20
Engineer IV	1	Yes	SR-24
Planner IV	1	Yes	SR-22
Recycling Coordinator – partial deposit beverage container (DBC) special funded	1	Yes	Exempt
Solid Waste Management Coordinator – partially DBC special funded	1	Yes	Exempt
Total	12	10	

The Program continues to encounter difficulty in hiring EHSs because the Program must compete with all other DOH environmental health programs for these positions. Additionally, the Program is disadvantaged because environmental health specialist applicants opt for higher-level environmental health specialist IV positions in the department. Currently, the Program has only environmental health specialist III positions available. The program will continue its efforts to upgrade these positions to the IV level.

The Program has successfully upgraded the Accountant III position to an Accountant IV. The Program believes that this upgrade was necessary to recognize the quantity and complexity of the work currently required of the Program Accountant and, hopefully, will be sufficient to retain the incumbent Accountant IV in this integral Program position.

Program Organizational Charts (unchanged)

(See enclosed documents)

IX. LEGISLATIVE AUDIT

The program has undergone its second Legislative Audit for FY 2006. At this writing, the Program has not received the official results/report from the second Legislative audit. In addition, a third audit is being completed for FY 2008, which initiates the statutory requirement for Program audits for fiscal years ending in an even-numbered year.

X. CLOSING REMARKS

The Program continued to experience high participation in FY 2009. The Program believes that the redemption rate increase to 79% reflects the public's satisfaction with the redemption process and the overall support of the DBC program. As such, the Program will continue to concentrate on improving customer convenience and service during the redemption process. The Program will also continue to improve by increasing internal efficiency and DBC redemption center and distributor accountability, including consistent and adequate verification of claims, and vigorous regulatory enforcement.

The program website, www.hi5deposit.com, is continually updated to reflect program changes and general information.

To find prior legislative reports please visit the Department of Health's website at: <http://hawaii.gov/health/about/pr/publication.html>.