



Overview of Deposit Beverage Container (DBC) Program Handling Fee Evaluation Results

Handling Fee Evaluation Results

The handling fee evaluation was performed under contract by Crowe LLP (Crowe), for the Hawaii Department of Health (DOH). The handling fee evaluation results will be used by the DOH to implement updated handling fees, effective July 1, 2020 (Fiscal Year 2021). **Exhibit 1** provides the updated handling fees for each DBC material type: aluminum/bi-metal, glass, and plastics (combined PET #1 and HDPE #2).

Exhibit 1
Fiscal Year 2021 Updated Handling Fee by DBC Material Type

DBC Material Type	Updated Handling Fee
Aluminum / Bi-Metal	\$0.033
Glass	\$0.078
Plastics	\$0.039

Evaluation Methodology

Crowe evaluated current handling fees utilizing the Handling Fee Adjustment Model (Adjustment Model), a tool developed in coordination with the DOH. The Adjustment Model allows the DOH to: 1) evaluate handling fees on an annual basis, 2) determine the extent of adjustment needed (if any), and 3) implement the adjustment.

Current handling fees were adjusted using key economic indicators representing CRCs' costs (i.e. labor, indirect labor, on/intra/off island transportation, etc.). These indicators provide a basis to adjust the weighted costs of recycling, which inform the change in handling fee for each DBC material type. The updated handling fees are based on the following formula:

$$\text{Updated Handling Fee} = \frac{\text{Current Handling Fee}}{\text{Fee}} \times \text{Adjustment}$$

The "Adjustment" is based the result from the overall adjustments to CRCs' weighted recycling costs derived from the economic indicators.

Exhibit 2
Handling Fees by DBC Material Type, Current vs. Updated



Handling Fee Increase Factors

Handling fees increased for all DBC material types due to projected increases in recycling costs for CRCs since the last evaluation:

- Aluminum / Bi-Metal costs increased by 10.7%
- Glass costs increased by 11.8%
- Plastic costs increased by 10.7%.

Exhibit 2 provides a visual comparison of the current and updated handling fees by DBC material type. Key adjustment drivers include: (1) significant increase to health care premiums, which increased indirect labor costs, (2) increase to shipping rates, which increased off-island transportation costs, (3) increase to fuel costs, resulting in an increase to intra and on-island transportation costs, (4) slight increase to average weekly wages affecting direct labor, and (5) slight increase to all other cost categories based on a cost of living adjustment.

Exhibit 3 provides additional information about each of the key adjustment factors. These adjustment factors were utilized to adjust CRCs' weighted recycling costs by applying the appropriate factor. For example, CRCs' direct labor costs were adjusted by the wage index.

Exhibit 3
Key Adjustment Factors

Wage Index

Average weekly wages in Hawaii increased by roughly 5% since the last evaluation.

Health Care

Marketplace average benchmark premiums increased from \$330 to \$493, nearly a 50% increase, since the last evaluation. The rate increase was primarily due to the assumption that the federal government would not continue to fund cost-sharing reductions (CSR). In October 2017, the Hawaii Department of Insurance instructed insurers to assume that the CSR funding would not continue, and to apply the resulting additional premiums to on-exchange silver plans.

Shipping

Glass shipping costs increased by nearly 15% based on survey responses from recyclers.

Fuel

Cost per gallon of diesel on the West Coast (excluding California) increased from \$2.95 to \$3.43, a 16% increase, since the last evaluation.

Cost of Living Adjustment

COLA increased 2% since the last evaluation; an annual increase of 2% is typical.