REPORT TO THE TWENTY-FIFTH LEGISLATURE
STATE OF HAWAII
2009

PURSUANT TO SECTIONS 342G-102.5(h), 342G-114.5(b), AND 342G-123, HAWAII REVISED STATUTES, REQUIRING THE DEPARTMENT OF HEALTH TO GIVE A REPORT ON THE ACTIVITIES OF THE DEPOSIT BEVERAGE CONTAINER PROGRAM

PREPARED BY:

STATE OF HAWAII
DEPARTMENT OF HEALTH

November 2008

EXECUTIVE SUMMARY

The State of Hawaii Deposit Beverage (DBC) Container Program (Program) achieved an annual redemption rate of 72% in fiscal year (FY) 2008 and cleared a previously unattained milestone of 70% in its quest to reach its goal of 80% redemption. 682 million of 948 million deposit beverage containers (DBC) were recycled that year.

The growth and expansion of the Program is consistent with an April 2008 survey showing that the public participation in the Program increased and that the public has a more positive opinion of redemption centers and the Program in general. The Program will continue focus on improving redemption center services and increasing customer convenience.

As of June 30, 2008, the department had certified 106 certified redemption centers, including 77 permanent and 29 mobile truck sites, an increase of 7 new sites since the start of June 2007. Redemption centers have increased their total operating hours from 2,967 hours to 3534 hours. The Program continues to receive additional certified redemption center solid waste permit and certification applications.

Since the start of the Program in October 2002 to June 30, 2008, the department collected about $203.6 million in container fees and deposits from distributors and paid out almost $152.7 million to redemption center operators for redeemed deposits and eligible handling fees. DOH also paid about $4.2 million for contracted county DBC program activities, about $9 million for Program administration. Around $19.6 million was encumbered, as of June 30, 2008, for various items described later.

As of June 30, 2008, the DBC special fund had slightly more than $22 million remaining after encumbrances. Reserves are needed to handle redemptions; we collect 6 cents per container (deposit plus container fee) but pay 7 to 9 cents per container (5 redemption plus 2-4 cents handling fee).

The Program handled 80 complaints from in FY 2008, compared to 240 in FY 2007. We attribute the decline to increased consumer knowledge, including knowing that redemption centers must inspect all container loads, reject ineligible containers, and verify customer claims on the number of containers, etc.

The most prevalent complaints include the inaccuracy of the weight rates and poor customer service. Weight rate complaints dropped 87% from 155 in FY 2007 to 21 in FY 2008. The program did increase the rates in favor of the customer in May 1, 2007. "Customer service" complaints also declined. The department generally seeks voluntary service improvements, and companies have been generally cooperative.

In FY08, the program issued three formal enforcement notices and orders, (Notices of Findings and Orders), bringing the total to 14 since the Program's start.

A continuing challenge is ensuring the accuracy of claims by redemption centers for refund value and handling fees. The department is working on a proposal on payment procedure (see Section VII - Challenges and Program Changes, *infra*), and plans to use professional auditing services to examine regulated companies.

Further, the Program needs to periodically update the DBC weight rate (containers per pound by material) due to changes in beverage sales, and to deal with island-wide curbside recycling by the City and County of Honolulu.

Act 285, 2007, made several administrative changes to the Program that have been successfully implemented. 68 fluid ounce/2 liter containers have been assimilated into the Program without obstacles. With the Legislative Auditor's review, the Director suspended the automatic increase to the DBC container fee (currently still 1-cent per container) despite the redemption rate exceeding 70%, given expenditure rates and the size of the DBC special fund. Distributors are reporting and paying on the number of deposit beverages " sold in the State." Additionally, certified redemption centers know they can refuse to pay refunds on previously processed and baled containers.

The data presented and utilized in this report reflects that data collected as of June 30, 2008.

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.

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 72% in fiscal year 2008 from 68% in fiscal year 2007. 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.

$$\textbf{Redemption Rate} = \frac{\text{\# DBC } \textbf{redeemed}}{\text{\# DBC } \textbf{sold}}$$

$$\textbf{Redemption Rate} = \frac{681{,}706{,}599 \textbf{ redeemed}}{947{,}692{,}357 \textbf{ sold}}$$

$$\textbf{Redemption Rate} = 72\%$$

CHART 1: Number of DBC Redeemed FY 2006 - 2008, by Material Type

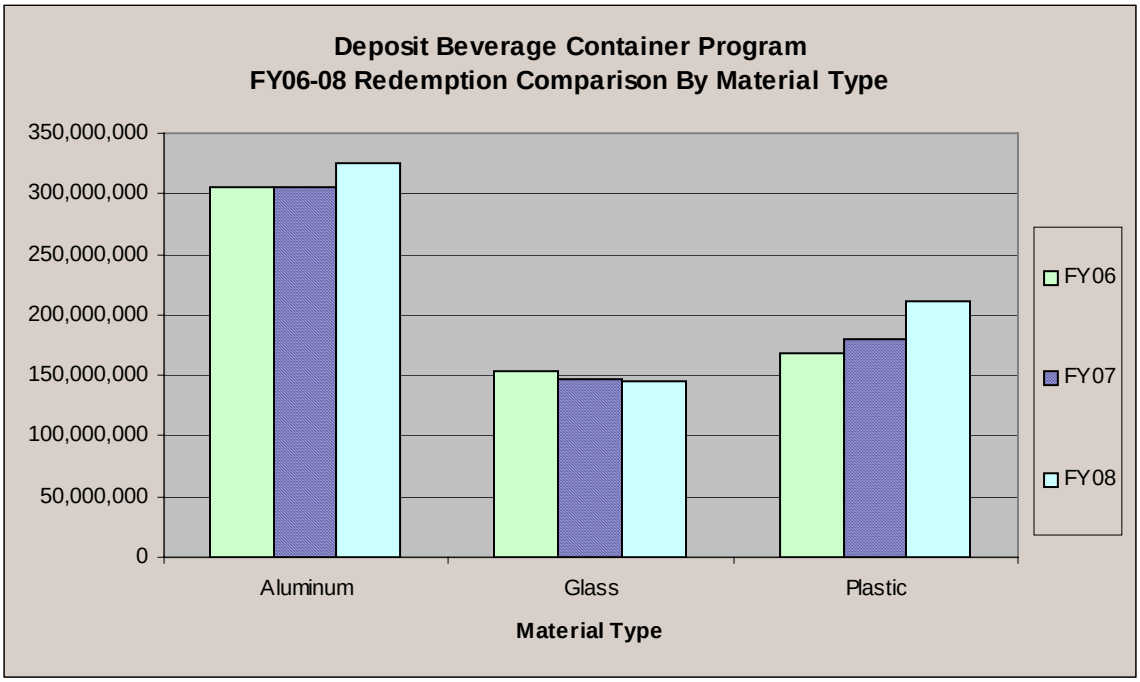


CHART 2: Comparison of Redeemed & Unredeemed

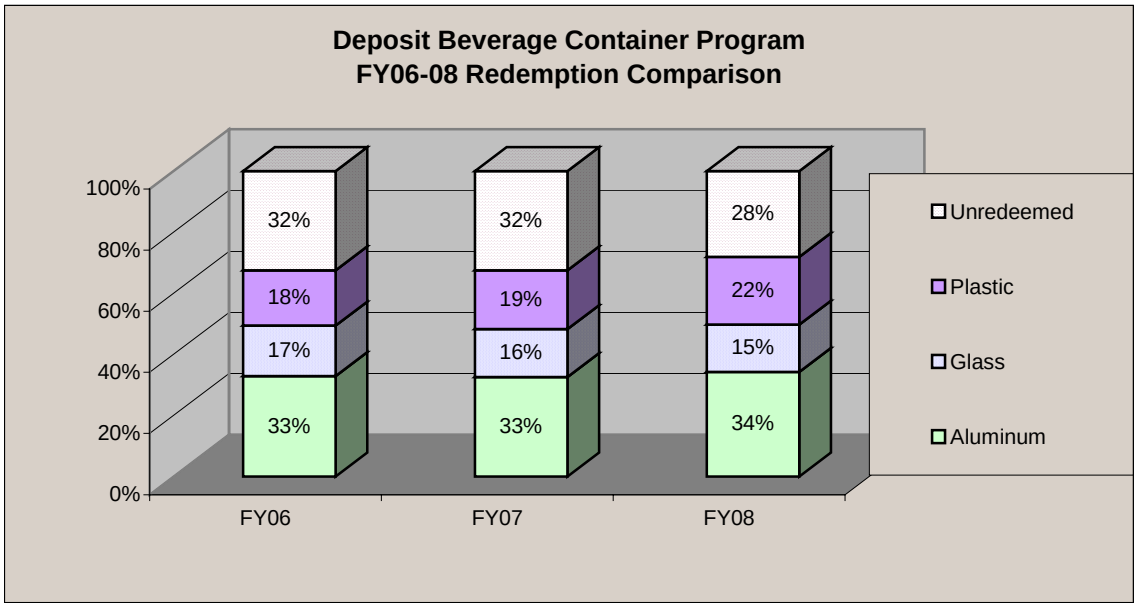
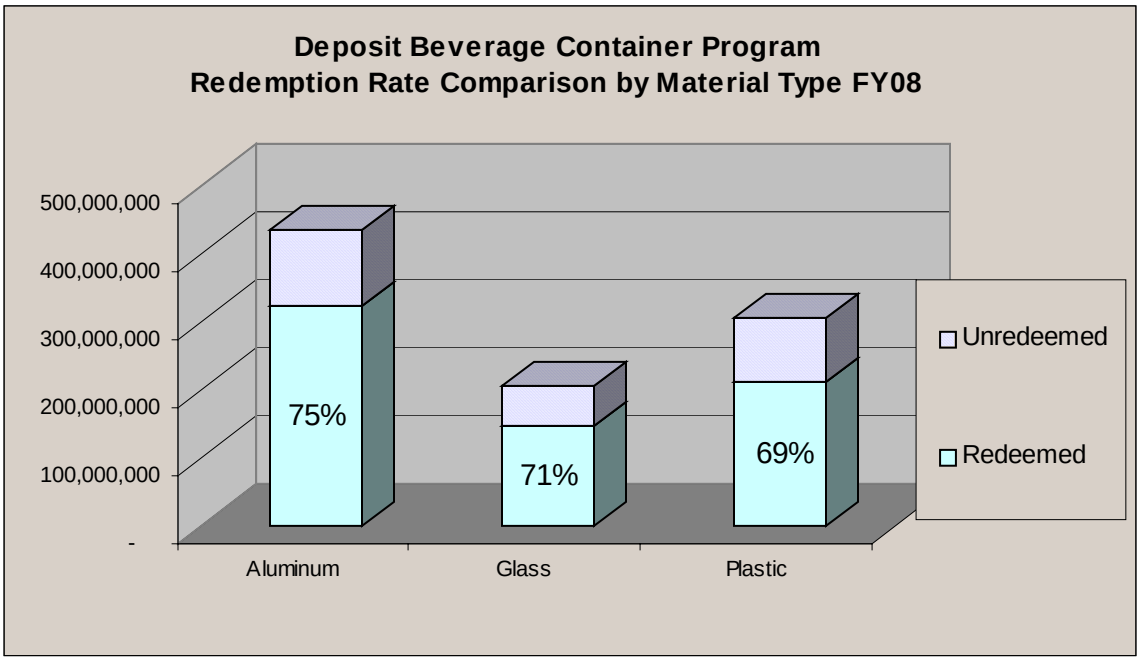


CHART 3: DBC Redeemed In FY 08, by Material Type



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, 2008, the department paid out almost $152.7 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 use the program for fundraising opportunities through donation programs. Fundraising efforts complement the program and contribute to the overall number of containers recycled by encouraging people, who are not motivated, to recycle for a 5¢ deposit. In general, these people recycle only to help their favorite organizations raise funds. Schools and churches run collection drives and partner with recyclers to receive deposits. The National Kidney Foundation of Hawaii expanded their pick-up service for donated household goods to include deposit containers.

Certified Redemption Centers

As of June 30, 2008, there were106 certified redemption centers (CRCs), including 77 permanent sites and 29 mobile truck sites. The number of CRCs increased slightly from the previous year, i.e., as of June 30, 2007, there were 99 CRCs. The number and distribution of CRCs statewide are constantly changing as new redemption centers are opened and existing ones are closed. However, the overall leveling off of the number of CRCs can be an indication that the coverage statewide is maturing, although the Program continues to receive solid waste permit and certification application from new applicants. There was an increase in total hours of operation for statewide redemption centers from 2,967 to 3534. A significant part of the increase in operating hours is attributed to the change in statute (Act 285, Session Laws 2007) requiring CRCs on Oahu to operate for 30-hour minimum per week, and to the implementation of infrastructure improvements resulting from the grants administered by the Office of Solid Waste Management. See Table 1 for breakdown of hours 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)
	Jan 2005	Dec 2005	June 2006	June 2007	June 2008		
Hawaii	5	11	12	15	16	397.5	556
Maui	9	9	12	14	15	538.5	677
Molokai	1	1	1	3	3	49.5	49.5
Lanai	1	1	1	1	1	15.0	15
Oahu	23	49	52	60*	63	1824.0	2031
Kauai	5	6	6	6	7	143.0	185.5
Total:	**44**	**77**	**84**	**99**	**105**	**2967.5**	**3534**

The number of mobile redemption centers still includes seventeen (17) sites operated by one company on Oahu that are operating less than 30 hours per week. Most of these sites are in areas outside of the Honolulu urban core such as the military bases, Salt Lake, and Ewa Beach, and “gap” areas such as the University of Hawaii Manoa and McCully and Makiki supermarket parking lots. These mobile sites operate only one or two days per week and are being operated primarily as a service to the community. Terminating these mobile sites has been delayed due to a lack of suitable alternatives with respect to serving these relatively remote areas. The company has contacted businesses, including supermarkets and shopping centers, in these areas and has been unable to find property owners willing to allow the use of parking lot space on their property for permanent redemption centers. To arbitrarily terminate these mobile redemption sites and deprive these customers of the convenience they have become accustomed to without a satisfactory alternative was, at this time, not acceptable to the Program. See a list of mobile redemption sites in Table 2.

TABLE 2: Mobile Redemption Sites

Supermarket Locations 2005	Days per week	Hours per week
Times McCully	2	12
Times Beretania	1	6
Times Kahala	2	12
Kalani High School	1	6
Foodland Beretania	1	6
Univ of Hawaii, Law Library parking lot	1	6
Foodland Aina Haina	½ (1 day every other week)	6
Foodland Kaneohe	1	6
Waipahu Town Center	2	12
Foodland Ewa Beach	1	6
Stadium Sack & Save	1	6
Stadium Mall, Ice Palace	1	6
Aliamanu Coast Guard housing	1	2
Fort Shafter	1	3
KMCB Hawaii – Base Exchange	1	7
Schofield Barracks Commissary	1	4
Tamura's Market (Wahiawa)	2	12

On a more global scale, retailers and shopping centers in general are still unwilling to allow the use of parking lot space for redemption centers, but some progress is being made. One new redemption center has started at an Aiea service station that includes a convenience store, and is open 10 hours a day, seven days a week. Goodwill Industries of Hawaii has added redemption centers to four of its donation stores, for a total of six stores, five on Oahu and one on the Big Island. New permanent redemption centers have been allowed at the Windward Mall (Kaneohe) and Waikele (Waipahu) shopping centers.

Environmental Indicators

A total of 44,000 tons of deposit beverage containers were recycled in FY2008. 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
Aluminum	5,092	4,999	5,318
Bi-metal	42	54	77
Glass	32,060	33,431	33,070
Plastic	5,083	5,136	6,016
Total	**42,277**	**43,620**	**44,481**

There appears to be a downward trend in the volume of beverage container litter at beaches. To determine the program's impact on litter, the department used 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 below to compare data from 2003 through 2007.

TABLE 4: Number of Debris Found During Cleanup

Beverage Container Type	2003	2004	2005	2006	2007
Glass Bottles	7,687	11,362	7,194	5,759	5,008
Plastic Bottles	5,246	5,215	3,824	4,799	2,965
Metal Cans	4,946	6,894	3,518	3,959	2,932
Total	**17,879**	**23,471**	**14,430**	**14,517**	**10,905**

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	2003	2004	2005	2006	2007
Glass, Metal, & Plastic	15.9%	14.5%	12.3%	8.7%	6.7%

While there appears to be a downward trend in the number of bottles and cans found at beaches, beverage containers, along with associated caps and lids, continue to be a large portion of beach litter. This is why it is important to continue to place a deposit on beverage containers to decrease the temptation to

litter and increase the incentive to recycle. See Table 6 for top five debris items collected at the 2007 beach cleanup.

TABLE 6: Top 5 Debris Items Collected During The 2007 Cleanup

Land Cleanups Only	**Number of Debris Items**	**Percent of Total Collected**
1. Cigarettes & Filters	72,053	44.7%
2. Caps & Lids	21,210	13.1%
3. Food Wrappers and Containers	16,554	10.3%
4. Beverage Containers *(glass, metal, plastic)*	10,505	6.5%
5. Cups, Plates, and Utensils	7,331	4.5%
Underwater Cleanups Only	**Number of Debris Items**	**Percent of Total Collected**
1. Fishing Line	1081	54%
2. Beverage Containers *(glass, metal)*	393	19.6%
3. Cigarettes, Filters, & Cigar Tips	248	12.3%
4. Food Wrappers and Containers	55	2.7%
5. Caps & Lids	39	1.9%

III. DEPOSIT BEVERAGE CONTAINER SPECIAL FUND

Revenue and Expenditures

From October 2002 to June 30, 2008 the department has collected around $203.6 million in container fees and deposits from distributors, and received $3.9 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, 2008, the department paid out almost $152.7 million to redemption center operators for redeemed deposits and eligible handling fees. Around $19.6 million was encumbered as of June 30, 2008, including $1.18 million for 2 counties (Hawaii & Kauai) for redemption operational support, $675,951 for program administration, $14.6 million for redemption center operators for redeemed deposits and eligible handling fees, and $3.2 million for redemption center and recycling infrastructure improvement grants, required under Act 228, Session Laws of Hawaii 2005. Act 231, the reverse vending machine (RVM) rebate program, required the Program to provide monies for a rebate of 50% of the actual cost of each RVM, including shipping and general excise tax, purchased by a person or contracted recycler. By June 30, 2008, $619,199 was paid to recyclers for the RVM rebate program, $2.7 million was paid out for infrastructure improvement grants, and approximately $4.2 million was provided to all 3 counties for redemption operation support. Additionally, $5.6 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, 2008.

TABLE 7: DBC Revenues & Expenditures October 2002 - June 30, 2008

Revenue		
Distributor Payments		
Deposits (5¢/container)	$ 161,822,937	
Container Fees (1¢/container)	$ 41,752,414	
Interest (from Bank)	$ 3,976,150	
Total Revenue		**$ 207,551,501**
Expenditures		
Payments to Redemption Centers		
Deposits (5¢/container)	$ 107,930,290	
Handling Fees (2¢ or 3¢/contr)	$ 44,777,500	
Subtotal	$ 152,707,790	
County Support		
County of Hawaii	$ 2,122,737	
County of Maui	$ 1,580,697	
County of Kauai	$ 502,092	
Subtotal	$ 4,205,526	
Infrastructure Improvement Grant (Act 228, 2005)	$ 2,655,130	
Reverse Vending Machine Rebate (Act 231, HRS-342G-102.5)	$ 619,199	
Administrative Expenses		
DOH Payroll	$ 1,618,937	
DOH supplies, phone, misc.	$ 644,747	
Advertising/Outreach	$ 1,992,749	
Payment to General Fund for Admin Expenses for FY05, FY06	$ 1,282,061	
Audit Fee for FY05	$ 92,480	
Others - Travel	$ 41,411	
Subtotal	$ 8,946,714	
Total Expenditures		**$ 165,860,030**
Unspent before encumbrances		**$ 41,691,471**
Encumbrances		
For redemption center payments (from July 2007 to June 2008)	$ 14,580,119	
For County Support	$ 1,186,357	
For marketing, admin, misc.	$ 675,951	
For contracts (Act 228, 2005) FY06 FY08	$ 336,466 $ 2,825,815	
For RVM (reversed vending machine) Rebate HRS 342G-102.5	$ 0	
Total Encumbrances		**$ 19,604,708**
Unspent after encumbrances		**$ 22,086,763**

TABLE 8: DBC Revenues & Expenditures FY 2008 (July 1 - June 30, 2008)

Revenue		
Distributor Payments		
Deposits (5¢/container)	$ 48,299,001	
Container Fees (1¢/container)	$ 9,665,298	
Interest (from Bank)	$ 1,696,246	
Total Revenue		**$ 59,660,545**
Expenditures		
Payments to Redemption Centers		
Deposits (5¢/container)	$ 31,933,484	
Handling Fees (2 or 3¢/contnr.)	$ 11,899,344	
Subtotal	$ 43,832,828	
County Support		
County of Hawaii	$ 423,934	
County of Maui	$ 0	
County of Kauai	$ 221,298	
Subtotal	$ 645,232	
Administrative Expenses		
DOH Payroll	$ 560,031	
DOH supplies, phone, misc.	$ 248,703	
For contracts (Act 228, 2005)	$ 0	
Advertising/Outreach	$ 648,747	
For RVM Rebate (HRS §342G-102.5)	$ 0	
Payment to General Fund for Admin Expenses for FY	$ 0	
Audit Fee for FY	$ 0	
Others - Travel	$ 10,941	
Subtotal	$ 1,468,422	
Total Expenditures		**$ 45,946,482**
	MEMO ONLY	
Expenditures paid in FY08 for FY07 (encumbered in FY07)	$ 7,858,504	
Expenditures paid in FY08 for FY06 (encumbered in FY06)	$ 470,873	

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. See Tables 9 and 10 below 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 this year.

Under this program, the department 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 to receive rebate, and total rebate value.

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 department continued working with Hastings and Pleadwell Communications (H&P) to develop a print and radio media campaign to inform the public that 2-liter bottles are redeemable beginning in December. The department also created recycling bin stickers and publicized their availability to the public. We received over 200 calls and distributed approximately 7,000 stickers to homes and businesses, making the campaigns highly successful.

The department also worked with H&P and Ward Research to conduct a statewide survey entitled “Tracking Participation In and Attitudes Toward the HI-5 Deposit Beverage Container Recycling Program”. The survey was conducted in April 2008 and covered 701 residents, 400 on Oahu and about 100 each on Maui, the Big Island and Kauai. The survey found that the number of overall

people recycling is up from 2006 to 2008. Specifically, the results comparing the 2006 to 2008 survey were as follows:

- Recycling activity: up 13 percent to 72 percent.
- Number of overall recyclers: up 12 percent to 82 percent.
- Number of people who visit redemption centers: up 10 percent to 60 percent —greater than either city recycle bins or nonprofit contributions.
- Overall awareness of HI-5: up one percent (91 to 92 percent).
- Redemption center satisfaction levels are up specifically in the areas of the increase in number of centers, increase in the number and convenience of the hours of redemption center operation, and shorter wait times. However, satisfaction levels were down regarding the accuracy of redemptions when weighed; and 66 percent said their particular redemption center had worsened.

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

In conducting the marketing and outreach, the department identified pre-school and elementary grade level students as an important market to reach. These students are very effective in educating and motivating members in their families to accept new concepts like recycling and to change their solid waste-related habits. The department plans to reach these students through educational classroom activities and plays.

The department issued a request for proposals (RFP) for an interactive muscial 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 is funding the development of an educational guide to complement the performances. The theater production will travel to schools around the state to excite students about how to *Reduce, Resuse, and Recycle*, and teach them ways to apply the 3-R's in their households.

Finally, the department sponsored a "HI-5 Recycling" category in the `Olelo Community Television's 2008 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. Twenty-seven (27) videos were submitted in this category and the department participated in judging the videos. The department plans to sponsor the HI-5 Recycling category in 'Olelo's video competition in 2009.

Improving Customer Service At Redemption Centers

A large part of how the public feels about the program will come from the experience they have at the centers. Redemption center operators are the “face” of the program. If a customer takes their deposit containers to a redemption center for refund and feels they were not treated fairly by the operator then they leave disappointed with the operator and with the program as a whole.

The department conducted several training sessions for redemption center operators to help encourage them to make changes that will improve customer service and become “goodwill ambassadors” of the program. The training program was well received and redemption center operators received tools to help them provide better customer service.

V. INSPECTIONS & ENFORCEMENT

The program logged and followed up on 80 complaints from July 1, 2007 to June 30, 2008. A detailed table on types of complaints is provided in Attachment A.

The number of complaints declined by 69% (80 complaints total) during the months of July 2007 through June 2008, as compare to the previous year (July 2006 through June 2007), which posted a total of 240 complaints received. The decline in complaints may likely be attributed to increased consumer knowledge of the redemption process and acceptance that operators must comply with redemption center certification requirements, e.g., verify customer claims, thoroughly inspect containers for eligibility, reject ineligible containers, etc. This is consistent with the Program's April 2008 consumer survey, which concluded that, of those surveyed, consumers have a more positive opinion of redemption centers and the Program overall.

The two most prevalent complaints for the 2007 and 2008 period, were:

1) DBC segregated rate not accurate (21 total); and
2) Poor customer service by redemption center staff (12 total).

It is significant that the number of segregated rate complaints has greatly reduced from FY 2007 to FY 2008. In FY 2007, the Program received 155 segregated rate compared to 21 in FY 2008, which represents about an 87% reduction. The Program believes that this dramatic reduction in these complaints is the result of application of the revised and increased (favoring the customer) segregated weight conversion rates. The Program also opines 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. Further, Program follow up on segregated rate accuracy complaints has revealed that customer dissatisfaction with the rates may be rooted in other concerns at redemption centers, e.g., inaccurate scales and weighing procedures, discovery and rejection of ineligible containers, buyer error in reading scales, poor customer service, etc. For a detailed breakdown on type and frequency of complaints, see Attachment A.

The number of redemption center "customer service" complaints has also declined. The department generally refers customer service complaints to the private, redemption company and requests that the company address and, hopefully, resolve these complaints. The 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 visit businesses to help with compliance. Further, inspectors conduct site inspections of regulated businesses on which complaints have been received. Additionally, inspectors conduct pre-certification inspections and 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 outbrief, provided copies of inspection reports (which staff are requested to sign) 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.

TABLE 12: Total Inspections & Warning Letters in FY2008

Month	Compliance Inspections	Complaint Inspections	Pre-Certification Inspections	Warning Letters	Follow Up to Warning Letters*
July 2007	12	7	0	5	1
August	19	0	0	6	0
September	24	0	0	2	1
October	20	3	0	1	1
November	1	0	0	3	0
December	8	2	0	4	0
January 2008	16	1	0	4	0
February	16	1	0	20	0
March	7	0	0	1	1
April	8	2	0	13	1
May	14	2	0	4	0
June	8	3	2	6	0
Total	**153**	**21**	**2**	**69**	**5**

Note: The number of inspectors decreased following October 2007, which resulted in is a reduction in the number of inspections completed each month.

* A follow-up to a warning letter is a step subsequent to the first warning letter during which the respondent and the department negotiate on a proposed corrective action and/or payment plan.

Enforcement

In FY 2008, the majority of warning letters were issued to deposit beverage distributors for delinquent distributor reports and payments.

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

An enforcement action was also issued to Mehana Brewing Company (the company's second NFVO) for DBC distributor violations of DB distributor requirements, i.e., delinquent distributor reports and payments. Mehana Brewing Company has complied with the program's order by paying the entire penalty amount, including all delinquent distributor payments.

Additionally, an enforcement notice and order was issued against a certified redemption/recycling facility, Rolloffs Hawaii Inc., for violations of DBC rules and certification requirements. Rolloffs Hawaii Inc. has contested the complaint, has

requested a hearing with the department, but is currently negotiating with the department on a possible settlement agreement.

In FY 2007, DOH filed a Notice of Finding of Violation/Complaint and Order (NFVO) against Reynolds Recycling, Inc. (Reynolds) for violations of the DBC certified redemption center laws. DOH assessed a total penalty of $42,279.00 against Reynolds. In 2008, DOH signed a formal settlement agreement with Reynolds and agreed to a penalty amount of $20,039.00. In addition to the cash settlement, Reynolds agreed to complete three Supplemental Environmental Projects (SEPS), which included a Redemption Center Employee Customer Service Training Video, conducting of a Mystery Recycler Program, and implementation of an Abandoned Cart Removal Program. Based on the Settlement Agreement, Reynolds will be credited for a total of $22,400 for the successful completion of the previously listed SEPS.

VI. CHALLENGES AND PROGRAM CHANGES

Update on 2007 Segregated Materials Rates

The revision to the rates paid for separated materials in 2007 resulted in a dramatic decrease in complaints on the rates from FY 2007 to FY 2008, i.e., 155 vs. 21 complaints, respectively; a reduction of 87%. The decrease is evident in the total reduction of complaints described in section V and Attachment B. The department adopted “segregated rates” (weighing rates for converting weights to counts for separated types of containers) to help process containers faster and to give the public options on how to redeem containers to recover their deposits.

The Department conducts a statewide segregated rate study 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 Program's last segregated rate study resulted in generally, increased, revised rates, which included a separate segregated rate for smaller plastic containers, i.e., 17 fluid ounces or less, which was determined to be 22.7 containers per pound (the mixed plastic container segregated rate also increased from 16.6 to 17.5 containers per pound). The Program determined and implemented this additional segregated rate category in response to consumers who believed that they were not receiving an accurate redemption for their smaller, plastic water bottles. The segregated rates are displayed in Table 13.

TABLE 13: Segregated Rates

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. The Program pursued the amendment of its Administrative Rules to provide an increased required CRC hand-count for consumer DBC loads, from 50 to 200 or less containers. Consumers now may request a hand 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.

New Segregated Rate Study for Curbside Recycling

The department will need to conduct specialized segregated rate studies for deposit containers collected through the City's curbside recycling program. This is because bottles and cans collected through a single stream curbside system are not rejected for contamination and may contain liquid or foreign material. When weighed, these beverage containers will weigh more and result in an inaccurate refund calculation. This contrasts with the bottles and cans turned in to redemption centers by consumers, which are source separated by type and very clean. The beverage containers do not contain contamination or foreign material and redemption centers are required to reject containers that are not empty. A segregated rate designed specifically for curbside will allow the City to accurately claim deposit refunds on material it collects for recycling.

In addition, the curbside collection system may capture a wider, or different, universe of bottles and cans than what comes into redemption centers. Demographics, including consumer habits and choice of recycling system, all influence what is captured by any given recycling system. A segregated rate study specific to curbside will accurately determine the average weight of bottles and cans collected through that particular system.

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 currently 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 successfully filled its Planner and one (1) Environmental Health Specialist (EHS) vacancies. Currently, 2 EHS III and 1 Account Clerk II positions are vacant. The Program plans to fill the vacant Account Clerk II position in the very near future. Currently, the Program retains an 89-day temporary hire in the vacant clerk position. 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 will 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. The Program is scheduled for its third, FY 2008 audit, which would initiate the statutory requirement for Program audits for fiscal years ending in an even-numbered year.

X. CLOSING REMARKS

The program has experienced significant success in FY 2008 when the DBC redemption rate increased to 72%.

The Program believes that the marked improvement in the redemption rate is directly related to increased customer satisfaction with the redemption process and the overall DBC program. This is shown by the Program's April 2008 opinion survey, which concluded that the public generally has a more positive opinion of redemption centers and the Program as a whole. As such, the Program will continue to concentrate on improving customer improve customer convenience and service during the redemption process. The Program will also continue to improve and increase customer awareness and knowledge of the Program, via its public education and outreach programs, in order to adequately and timely notify consumers of available redemption services and any changes in the redemption rules and requirements.

The Program will 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.

Complaints *Certified Redemption Centers (CRC), Stores, & Program*	**2007**						**2008**						**Total**
	J	**A**	**S**	**O**	**N**	**D**	**J**	**F**	**M**	**A**	**M**	**J**	
Program: Segregated rates not accurate	5	6	1		1		2			2	1	3	21
CRC: Poor customer service; rude staff	5				1		1		2		1	2	12
CRC: Refuse to count to 200	2	1	2				3	1					9
CRC: Not open during stated business hours	1	2			1	1	1		1	3		1	11
CRC: Not accepting all materials (aluminum, glass, plastic)	2				1				1		1		5
Stores: Charging tax on deposit; charging deposit on non-HI5					1	1		1			1		4
CRC: Insufficient cash on hand; inconvenient redemption					1								1
CRC: Scale weight not visible to customers		1								1		1	3
CRC: Refusing to provide redemption service	1											1	2
CRC/Program: Rejecting unlabeled DBC containers; Labeling requirements stated in the law unfair		2											2
CRC: Improper weighing procedures; or scale is inaccurate											1	1	2
CRC: Using improper/poor redemption procedures			1										1
CRC: Operations are noisy			1										1
CRC: Refusing more than one transaction per person/per day				1									1
CRC: Calculating refund based on customer reported count							1						1
CRC: Refund value not accurate									1				1
CRC: RVM machine not working									1				1
CRC: Unattended, staff not on site										1			1
CRC: Relocated and now difficult to find										1			1
Total	**16**	**12**	**5**	**1**	**6**	**2**	**8**	**2**	**6**	**8**	**5**	**9**	**80**