

REPORT TO THE TWENTY-FOURTH LEGISLATURE
STATE OF HAWAII
2007

Deposit Beverage Container Program

PURSUANT TO SECTION 16, ACT 176, TWENTY-FIRST LEGISLATURE 2002,
SECTION 2, ACT 228, TWENTY-THIRD LEGISLATURE 2005,
AND SECTION 2, ACT 231, TWENTY-FOURTH LEGISLATURE 2006
(AMENDING SECTION 6, SESSION LAWS OF HAWAII 2005)
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 2007

EXECUTIVE SUMMARY

The annual redemption rate for the State of Hawaii Deposit Beverage Container Program (Program) in fiscal year (FY) 2007 is 68%. The redemption rate for FY 2007 is basically identical to the redemption rate reported by the Program for FY 2006, i.e., 68%. Distributors and dealers reported FY 2007 sales of approximately 940 million deposit beverages. Certified redemption centers reported and claimed reimbursement and handling fees for approximately 633 million redeemed deposit beverage containers. The maintenance of the 68% redemption rate indicates the stability of the Program as well as the reliability of the previously reported FY 2006 redemption rate. This sustained high redemption rate clearly demonstrates that the public, at this writing, has in general, accepted and adapted to the Hawaii Deposit Beverage Container Program. The Program is able to continue its efforts to improve redemption services and attain its goal of 80% redemption of deposit containers, based on other states with a 5¢ deposit value, which average an 80% rate.

The Program utilizes the deposit beverage container redemption rate to measure the effectiveness of and success of the program.

As of June 30, 2006, the department had certified 99 certified redemption centers, including 92 stationary and 7 mobile sites. This is an increase of 15 new sites since the start of June 2006. The majority of the sites are located on Oahu (total Oahu sites: 60). Redemption center sites have increased their total operating hours from 2,730 hours to 2,967 hours.

As of June 30, 2007, the department collected approximately \$147.9 million in container fees and deposits from distributors since the start of the Program in October 2002. From January 2005 through June 30, 2007, the department paid out almost \$102.7 million to redemption center operators for redeemed deposits and eligible handling fees. Approximately \$8.9 million was also expended; which included \$2.5 million for county DBC-program activities and \$6.4 million for administrative expenses. Around \$13.2 million has been encumbered, as of June 30, 2007, which included \$2.2 million for county redemption operation support, \$695,000 for administration of the program, \$9.5 million for redemption center deposit reimbursements and eligible handling fees, and \$807,000 for the redemption center and recycling infrastructure improvement grant established under Act 228, Session Laws of 2005. The special fund had slightly more than \$23 million remaining after encumbrances. It should continue to be noted that the program collects 6 cents per container but pays out 7 or 8 cents per container, depending on the island venue.

The Program received and followed up on 240 complaints from July 1, 2006 to June 30, 2007. The Program received 104 more complaints than in FY 2006 (total: 136). The Program believes that the department's enforcement on certified redemption centers to verify customer claims for their number of containers primarily resulted in the increase in complaints. The most prevalent complaint was that the deposit beverage container segregated rates were not accurate. The number of complaints was the highest during

the summer and fall of 2006, however, the number of complaints declined by 69% (57 complaints total) during the months of January through July of 2007. The decline in complaints can be attributed to an increased awareness and acceptance that certified redemption operators must verify customer claims, the customer-favoring increase in the minimum count requirement from 50 to 200, and the revised, increased (again, customer-favoring) weight conversion rates.

A continuing challenge (see Section VII - Challenges and Program Changes, *infra*) is the implementation of a major procedural change to the program's current redemption and recycling company claims procedures that will be based on combined DBC refund value and handling fee claims on the quantity of DBC material that is shipped to the end user recycler. This modification will better ensure that payment requests made by redemption centers for DBC material redeemed/collected is equivalent to the quantity of DBC material shipped to an end-user recycler. The Program is currently assessing the impact on the Program, both positive and negative, of the subject claims procedure change prior to implementation. The Program has surveyed certified redemption companies who, in general, oppose this claims procedure change.

Additionally, the State Legislature, in 2007, passed Act 285 (S.B. 1026, C.D.1), which provided several administrative changes to the deposit beverage container Program. Act 285's provisions include the following:

1. Increased the volume limit of deposit beverage containers from sixty-four to sixty-eight fluid ounces.
2. Provided the director of health authority to suspend an automatic increase in the deposit beverage container fee if sufficient funds exist in the deposit beverage container deposit special fund.
3. Requires distributors to report container numbers sold and make fee payments on that basis.
4. Allows certified redemption centers to refuse deposit beverage container refunds for previously processed and baled containers.
5. Phases in redemption of sixty-eight ounce (2-liter) deposit beverage containers.
6. Requires redemption centers in high-density population areas to remain open at least thirty hours per week.
7. Effective date: July 1, 2007.

The Program has notified the affected regulated facilities and is diligently implementing and enforcing the Program changes prescribed above. The Program will phase in the redemption of 68 fluid ounce/2 liter deposit beverage containers starting in December 2007. All 2 liter deposit containers, whether HI-5 labeled or not, will be redeemed by certified redemption centers from December to March 2008. After March 2008, all 2-liter deposit containers must be labeled when sold and when redeemed.

The data presented and utilized in this report reflects that data collected as of June 30, 2007.

I. DEPOSIT PROGRAM MEASURE OF EFFECTIVENESS

The department, at this writing, has selected a single measure of effectiveness, i.e., the deposit beverage container redemption rate, which the deposit beverage container program believes is reflective of 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 Container Redemption Rate

The redemption rate in fiscal year 2007 remained the same as fiscal year 2006, at 68%. The information below shows the actual numbers of containers sold and containers redeemed.

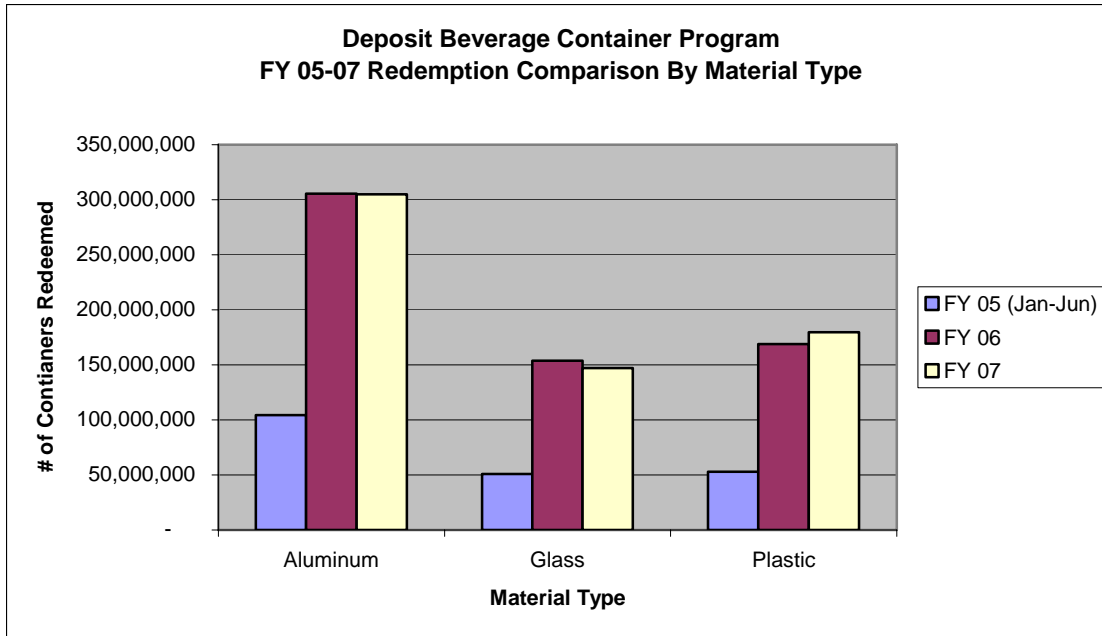
The redemption rate is calculated by dividing the number of deposit containers redeemed by the number of deposit containers sold.

$$\text{Redemption Rate} = \frac{\# \text{ deposit beverage containers redeemed}}{\# \text{ deposit beverage containers sold}}$$

$$\text{Redemption Rate} = \frac{632,645,044 \text{ redeemed}}{936,412,347 \text{ sold}}$$

$$\text{Redemption Rate} = 68\%$$

The following chart shows the increase in redemption from 2005 to 2007, by material type.



II. PROGRAM PERFORMANCE INDICATORS

Payments to Certified Redemption Centers

All Certified Redemption Center (CRC) sites are submitting 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, 2007, the department paid out almost \$102.7 million to redemption center operations 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

The program continues to provide schools and non-profits 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. These people may only recycle 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, 2007, the department has certified 99 redemption centers including, 92 stationary sites and 7 mobile truck sites. This is an increase of 15 new sites since the June 2006. The majority of the new sites are located on Oahu. Redemption centers are open for a total of 2,967 hours per week across the state. See table below for breakdown by island.

Island	January 2005	December 2005	June 2006	Weekly Hours of Operation (June 2006)	June 2007 No. Of Redemption Centers	Weekly Hours of Operation (June 2007)
Hawaii	5	11	12	395.5	15	397.5
Maui	9	9	12	472.5	14	538.5
Molokai	1	1	1	37.5	3	49.5
Lanai	1	1	1	15	1	15.0
Oahu	23	49	52	1,660.5	60*	1824.0
Kauai	5	6	6	143	6	143.0
Total:	44	77	84	2,730	99	2967.5

* Five sites are located on military bases and not open to general public. Hours from these sites, amounting to 56 hours, are included in the column titled "Weekly Hours of Operation."

A few dealers (supermarkets) have allowed recyclers to operate redemption centers in their store parking lots. These sites are open for business 1-2 days a week and are serviced through mobile trucks with Reverse Vending Machines (RVMs). These sites are included in the table above. The table below shows locations and operating hours per week.

Supermarket Locations 2005	Days per week	Hours per week
Times McCully	2	12
Times Beretania	2	12
Times Kahala	2	12
Foodland Beretania	1	6
Foodland Aina Haina	1	6
Foodland Kaneohe	1	6
Foodland Ewa Beach	2	15
Stadium Sack & Save	1	6
KMCB Hawaii – Base Exchange	1	6
Schofield Barracks Commissary	1	4
Windward Mall	2	10
Tamura's Market (Wahiawa)	3	18
Pearl Harbor Navy Exchange	2	18

Additionally, one retailer continues to operate his own redemption services. The Aloha Shell Station on Maui offers redemption services through Reverse Vending Machines. The location is an independent registered redemption center working with a larger recycler to process the materials and move them to an end market for recycling. In June of 2006, the operator expanded his operation from one RVM to six RVMs. In

addition, the operator began accepting larger loads by weight. For fiscal year 2007, no new retailers have opted to become redemption centers. However, Goodwill Industries has established certified redemption centers at two of their existing stores, and began the process of adding redemption centers at three more stores.

Act 285, Session Laws 2007, requires certified redemption centers (CRCs) to operate a minimum of thirty (30) hours per week. The department has notified the CRCs that the Program will be enforcing this new operating hours requirement, however, the Program will work with the affected CRCs, mostly mobile CRCs, to meet the new compliance requirement.

Environmental Indicators

A total of 43,620 tons of deposit beverage containers were recycled in FY2007.

Material Type	Total Tons Recycled in FY 2006	Total Tons Recycled in FY 2007
Aluminum	5,092	4,999
Bi-metal	42	54
Glass	32,060	33,431
Plastic	5,083	5,136
Total	42,277	43,620

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 numbers of debris they find. Data is compiled into reports and release the following year in spring. The tables below compares reported data from 2003 through 2006.

Number of Debris Found During Cleanup

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

Note: The number of volunteers and targeted areas vary from year to year. To better determine the impact of the Deposit Program on litter it will take a few more years to show a trend or overall decrease.

Percentage of Total Debris Collected During Cleanup

Beverage Containers	2003	2004	2005	2006
Beverage				

Containers (<i>glass, metal, plastic</i>)	15.9%	14.5%	12.3%	8.7%
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The table below shows the top five debris items collected at the beach cleanup. This shows that beverage containers are a large part of beach litter. It is important to continue to have a deposit on those containers to increase the incentive to recycle and decrease the temptation to litter.

Top 5 Debris Items Collected During The 2006 Cleanup

Land Cleanups Only	Number of Debris Items	Percent Of Total Collected
1. Cigarettes	63,639	38.0%
2. Caps & Lids	23,066	13.8%
3. Beverage Containers (<i>glass, metal, plastic</i>)	14,337	8.5%
4. Food Wrappers and Containers	14,125	8.4%
5. Bags	10,581	6.3%
Underwater Cleanups Only	Number of Debris Items	Percent Of Total Collected
1. Beverage Containers (<i>glass, metal, plastic</i>)	180	48.4%
2. Fishing Line	76	20.4%
3. Cups, Plates, and Utensils	51	13.7%
4. Rope	17	4.6%
5. Building Materials	8	2.2%

III. DEPOSIT BEVERAGE CONTAINER SPECIAL FUND

Revenue and Expenditures

From October 2002 to June 30, 2007 the department has collected around \$147.9 million in container fees and deposits from distributors. 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 October 2002 through June 30, 2007, the department paid out almost \$102.7 million to redemption center operators for redeemed deposits and eligible handling fees. Around \$13.2 million was encumbered as of June 30, 2007, including \$2.2 million for the 3 counties for redemption operation support, \$695,000 for program administration, \$9.5 million for redemption center operators for redeemed deposits and eligible handling fees, and \$807,000 for redemption center and recycling infrastructure improvement grant, required under Act 228, Session Laws of Hawaii 2005. Act 231, the reverse vending machine (RVM) rebate program, required deposit beverage container special fund to provide monies for a rebate of 50% of the actual cost of each reverse vending machine, including shipping and general excise tax, purchased

by a person or contracted recycler. By June 30, 2007, \$597,000 was paid to recyclers for the reverse vending machine rebate program, \$2.2 million was paid out for infrastructure improvement grants, and approximately \$2.5 million was provided to all 3 counties for redemption operation support. Additionally, \$3.6 million was expended for program administrative costs. The department has determined that the total program cost to recycle each container is approximately 3¢ per container (including handling fees paid to recyclers).

The following table represents deposit beverage container special fund revenues and expenditures from October 2002 through June 30, 2007.

October 2002 – June 30, 2007

October 2002 – June 30, 2007		
Revenue		
Distributor Payments		
Deposits (5¢/container)	\$ 113,523,936	
Container Fees (1¢/container)	\$ 32,087,116	
Interest (from Bank)	\$ 2,279,904	
Total Revenue		\$ 147,890,956
Expenditures		
Payments to Redemption Centers		
Deposits (5¢/container)	\$ 73,382,165	
Handling Fees (2¢ or 3¢/contr)	\$ 29,310,253	
Subtotal	\$ 102,692,418	
County Support		
County of Hawaii	\$ 1,528,746	
County of Maui	\$ 725,113	
County of Kauai	\$ 229,661	
Subtotal	\$ 2,483,520	
Infrastructure Improvement Grant (Act 228, 2005)	\$ 2,192,618	
Reverse Vending Machine Rebate (Act 231, HRS-342G-102.5)	\$ 597,208	
Administrative Expenses		
DOH Payroll	\$ 1,058,908	
DOH supplies, phone, misc.	\$ 400,468	
Advertising/Outreach	\$ 1,230,510	
Payment to General Fund for Admin Expenses for FY05, FY06	\$ 805,628	
Audit Fee for FY05	\$ 92,480	
Others - Travel	\$ 30,412	
Subtotal	\$ 3,618,406	
Total Expenditures		\$ 111,584,170

Unspent before encumbrances		\$ 36,306,786
Encumbrances		
For redemption center payments (from July 2006 to June 2007)	\$ 9,539,840	
For County Support	\$ 2,237,588	
For marketing, admin, misc.	\$ 695,199	
For contracts (Act 228, 2005)	\$ 807,338	
For RVM (reversed vending machine) Rebate HRS 342G-102.5	\$ 0	
Total Encumbrances		\$ 13,279,965
Unspent after encumbrances		\$ 23,026,821
Reserved	MEMO ONLY	
For RVM (reversed vending machine) Rebate HRS 342G-102.5	\$ 3,000,000	

Infrastructure Improvement Grant Program

The Infrastructure Improvement Grant Program (Act 228, SLH 2005), which went into effect July 2005, provides \$3 million in funds annually to promote the expansion and improvement of redemption center services to the public and help raise recycling rates. A Request for Proposals (RFP) was published to solicit proposals and the department awarded seven proposals in December 2005. The awarded contractors began work in February 2006 and are in their second year of contract. All contracts are expected to be completed in February 2008. Contract awardees included Goodwill Industries; Reynolds Recycling; Maui Disposal Inc.; Garden Isle Disposal; Honolulu Recovery Systems; Aloha Glass Recycling, Inc.; and RRR Recycling Services Hawaii.

Another RFP was issued in 2007 and the department expects to announce \$3 million in awards in Fall 2007. Awards will be given to multiple contractors to open new redemption centers on all islands, expand hours of operation, and obtain equipment to increase capacity to collect, process and ship deposit beverage containers. The department anticipates the award will result in 15 new centers opening by 2009. This will improve customer convenience by providing more locations to visit with longer hours and increase capacity at existing locations.

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) received very little interest from retailers even though it offered a 100% rebate on the purchase price, tax, and shipping of each RVM. The department developed and distributed rebate application forms but did not receive any completed applications. Retailers may not have applied for any number of reasons, including:

- Lack of interest in operating redemption center services at their stores;
- Uncertain of requirement to keep RVMs in service for 2 years or face reimbursement of rebate; or
- Wary of signing service agreement with recyclers if the retailer did not want to service the machines themselves.

Companies that sell and lease RVM machines did approach retailers to encourage them to take advantage of the rebate program. These companies reported some retailers appeared interested however were not willing to commit to any purchases or agreements. The department did receive some inquiries from other organizations including non-profits, schools, and churches.

When Act 231 expanded the program to offer 50% reimbursement to anyone, not just dealers, who purchased RVM machines for use in a certified redemption centers, the program received more participation. The rebate provides 50% reimbursement of the actual cost of each RVM including shipping and General Excise Tax. To qualify for a rebate, applicants must operate RVMs at a certified redemption center by December 31, 2007.

Five certified redemption center operators took advantage of the rebate program and the department has paid approximately \$619,000 in rebates. Operators who received rebates include: RRR Recycling Services (Oahu), Aloha Glass Recycling (Maui), Reynolds Recycling (Oahu, Kauai, Maui), Aloha Shell (Maui), and Zitro Recycling (Maui).

Rebates are offered as an incentive to increase the number of RVMs available to the public for recycling and deposit refunds. Increased availability of RVMs will improve recycling convenience and increase redemption rates.

IV. INFORMING AND LEARNING FROM BUSINESS AND THE PUBLIC

Program Outreach

The department continued working with Hastings and Pleadwell Communications to develop a print and radio media campaign as well as instructional training materials for redemption center operators and informational brochures for the public. The goal of the media campaign and instructional training is to inform the public of program specifics and provide redemption center operators with customer service tools to help them better serve the public.

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 and Kokua Hawaii Foundation issued an RFP together to request proposals for an interactive musical theater performance for students in grades Pre-6. The proposals were evaluated and Kahilu Theatre Foundation was awarded the contract. The performance will include a resource guide with curriculum to teach children about waste minimization and recycling. The theater performance will travel to schools around the state to excite students about the 3-R's and how to apply lessons learned in their households.

The department is also working with Honolulu Theater for Youth to develop a short "playlet" before their main "Christmas Talk Story" performances. The shows will run from November through December for schools and the public. The playlet will be filmed and run on OIelo Public Television. The topic of the playlet will be recycling and waste reduction during the holiday season.

Finally, the department is sponsoring a category in the OIelo Community Television's 2008 Youth Xchange video competition for students grades K-12. The category is entitled "HI-5 Recycling" and students will be producing 30 second public service announcements to promote the HI-5 program and recycling in general.

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 department has logged and followed up on 240 complaints from July 1, 2006 to June 30, 2007. The most common complaints by month are as follows:

Month / Year	Complaint
July/2006	1. Segregated rates not accurate
	2. Stores charging 5¢ on non-HI5 containers
	3. Centers not accepting specific material types: glass, bi-metal, or plastic
	4. Refusal to count
August	1. Segregated rates not accurate
	2. Redemption centers not opened during stated hours
	3. Refusal to count
	4. Stores charging 5¢ on non-HI5 containers
September	1. Segregated rates not accurate
	2. Centers not accepting specific material types: glass, bi-metal, or plastic
	3. Center's counting machine not working properly
	4. Redemption center using improper weighing procedures or scale is wrong
	5. DBC Program does not offer adequate redemption options
October	1. Segregated rates not accurate
	2. RVM complaint/machine not working
	3. Centers not accepting specific material types: glass, bi-metal, or plastic
	4. Customer service/rude staff at the redemption center
	5. Center using improper/poor redemption procedures
November	1. Segregated rates not accurate
	2. Customer service/Refusal to count more than 50
	3. Stores charging 5¢ on non-HI5 containers
	4. Center using improper/poor redemption procedures
	5. Centers not accepting specific material types: glass, bi-metal, or plastic
December	1. Segregated rates not accurate
	2. Center using improper/poor redemption procedures
	3. RVM complaint/machine not working
	4. Customer service/Refusal to count more than 50
	5. Scale not visible to customers
	6. Redemption centers not opened during stated hours

Month / Year	Complaint
January/2007	1. Segregated rates not accurate
	2. RVM complaint/machine not reading containers' bar codes

	3. Centers not accepting specific material types: glass, bi-metal, or plastic
	4. Labeling requirements stated in the DBC law is not fair/rejection of unlabeled DBC
	5. Customer service/rude staff at the redemption center
	7. Redemption centers not opened during stated hours
February	1. Segregated rates not accurate
	2. Stores charging 5¢ on non-HI5 containers
	3. Redemption activities at the center are noisy
March	1. Segregated rates not accurate
	2. 50 container count is too low, inconvenient
	3. Redemption center using improper weighing procedures or scale is wrong
	4. Redemption centers not opened during stated hours
	5. Stores charging 5¢ on non-HI5 containers
April	1. Redemption centers not opened during stated hours
	2. Segregated rates not accurate
	3. 50 container count is too low, inconvenient
	4. RVM complaint/machine not working
May	1. Redemption centers not opened during stated hours
	2. Refusal to count under new 200 requirement container counts
	3. Redemption center using improper weighing procedures or scale is wrong
	4. Labeling requirements stated in the DBC law is not fair/rejection of unlabeled DBC
	5. Dealer improperly labeling non-HI5 containers
June	1. Segregated rates not accurate
	2. Scale not visible to customers
	3. Refusal to count
	4. Stores charging 5¢ on non-HI5 containers
	5. Buyer fraud/customer's load misplaced
	6. Redemption center using improper weighing procedures or scale is wrong

The number of complaints was highest during the summer and fall of 2006 following department enforcement on certified redemption center operators to verify customer claims of numbers of containers in their load. Many operators were just accepting customer claims without verifying the claims through either counting or weighing as required by the department. Customers who were used to receiving refunds based on their own counts were generally disappointed to have their loads weighed and were unhappy with the conversion rates.

The most prevalent complaint was regarding the alleged inaccuracy of the deposit

beverage container segregated rates, i.e., container weight conversion rates. The number of complaints declined by 69% (57 complaints total) during the months of January through July of 2007. The decline in complaints can be attributed to an increased awareness and acceptance that operators must verify customer claims, the increase in the minimum count requirement from 50 to 200, and the revised weight conversion rates (see Section VI (CHALLENGES AND PROGRAM CHANGES, below, re: Segregated Rate).

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 also conduct more comprehensive compliance evaluation inspections (CEIs) of regulated facilities, including certified redemption centers and deposit beverage container recycling facilities. Some CEIs are initiated following facility complaints, which warrant more intensive investigation. Businesses that are not in compliance with the law are issued warning letters to inform them of actions they need to take to help bring them into compliance.

Month	Compliance Inspection	Complaint Inspection	Warning Letters	Follow Up to Warning Letter
July 2006	7	-	1	-
August	6	2	8	-
September	9	0	2	-
October	7	4	11	-
November	28	-	1	1
December	10	6	2	-
January 2007	5	2	-	1
February	1	5	16	-
March	6	2	5	-
April	12	-	7	-
May	26	2	1	2
June	9	4	3	-
Total	126	27	57	4

Enforcement

In FY 2007, the department issued seven (7) enforcement notices and orders, in the form of official Notices of Findings and Orders (NFVOs). Three (3) orders were issued to DBC dealers, i.e., Papaya's Natural Foods, Healthy's Inc., dba Down to Earth, and

Evie's Natural Foods. Papaya's Natural Foods has complied with the department's enforcement order by submitting its required corrective action plan and paying the specified penalty in full. Healthy's Inc. dba, Down to Earth entered into a Settlement Agreement with the department's order and after negotiations, has paid in full a reduced penalty. The Program rescinded its NFVO for Evie's Natural Foods based on the respondent's submitting of past due reports and payments and closure of its store.

Two (2) enforcement actions were issued against DBC distributors for violations of Hawaii's deposit beverage container distributor requirements, i.e., Mehana Brewing Company and Mikoshi Trading Hawaii, Inc. Mehana Brewing Company has complied with the department's order by paying in full the entire penalty and all late distributor payments. Mikoshi Trading Hawaii, Inc. has signed a Settlement Agreement with the department and the penalty is currently being paid in (8) consecutive monthly installments.

Additionally, two (2) enforcement notice and orders were issued against two (2) certified recycling facilities, i.e., Rolloffs Hawaii Inc. and Reynolds Recycling Inc. for violations of State Deposit Beverage Container rules and certification requirements. Rolloffs Hawaii Inc. has complied with the order and paid the penalty in full. Reynolds Recycling Inc. has contested the complaint and requested settlement negotiations with the department.

VI. CHALLENGES AND PROGRAM CHANGES

Segregated Rate

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 conducted a new segregated rate study. The study included statewide sampling 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 most recent 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 devised 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 the table below:

Deposit Container Material Type	As of 03/23/05 # Containers per Pound
Aluminum	31.6

Bi-metal	8.0
Glass	2.3
Plastic (PET & HDPE) 17 fluid oz. or less	22.7
Plastic (PET & HDPE) 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 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 assess making a major procedural change to its current redemption and recycling company claims procedures that will be based on combined DBC refund value and handling fee claims on the quantity of DBC material that is shipped to the end user recycler. This procedural implementation is considered a program challenge because, based on an informal survey of certified redemption companies, opposition is expected from these Program-regulated entities. To reiterate the reason to consider this major Program change, the DBC refund/deposit value is based on the quantity of DBC claimed by redemption centers. The DBC quantity claimed by redemption centers is 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 planned change in procedure will 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 payment requests made by redemption centers for DBC material redeemed/collected is equivalent to the quantity of DBC material shipped to an end-user recycler. The Program will continue to evaluate the negative impacts from this planned change, which could include closing of certified redemption facilities and possible reduction of deposit beverage container redemption.

Other Program Changes

The 2007 State Legislature passed Act 285, S.B. 1026, C.D. 1, which provided for the following Program changes:

1. Increased the volume limit of deposit beverage containers from sixty-four to sixty-eight fluid ounces.
2. Provided the director of health authority to suspend an automatic increase in the deposit beverage container fee if sufficient funds exist in the deposit beverage container deposit special fund.
3. Requires distributors to report container numbers sold and make fee payments on that basis.
4. Allows certified redemption centers to refuse deposit beverage container refunds for previously processed and baled containers.
5. Phases in redemption of sixty-eight ounce (2-liter) deposit beverage containers.
6. Requires redemption centers in high-density population areas to remain open at least thirty hours per week.

Effective July 1, 2007.

The Program has effectively notified the affected regulated facilities and is diligently implementing and enforcing the Program changes prescribed above. The Program will phase in the redemption of 68 fluid ounce/2 liter deposit beverage containers starting in December 2007. All 2 liter deposit containers, whether HI-5 labeled or not, will be redeemed by certified redemption centers from December to March 2008. After March 2008, all 2-liter deposit containers must be labeled when sold and when redeemed.

VII. ADMINISTRATIVE RULES

Hawaii Administrative Rules Chapter 11-282 was amended to require redemption center operators to count loads of up to 200 containers upon customer request; they were previously only required to count loads of up to 50 containers. The amended rules were approved by the Governor and went into effect on April 21, 2007. This change allows a more reasonable option for consumers who want their cans and bottles counted. The department is currently in the process of further amending this chapter 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 vacancy. Currently, 2 Environmental Protection Specialist III positions remain vacant. The following table provides a listing and current status of all program staff positions.

Position	Number	Position Filled	SR Rating
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Accountant	1	Yes	SR-20
Account Clerk	2	Yes	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 department will attempt to hire two additional environmental health specialists for inspections. As stated previously, the program continues to encounter difficulty in hiring environmental health specialists because the program must compete with all other DOH environmental health programs for these positions. The program is further 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 formally requested upgrading of its Accountant III position to an Accountant IV. The Program opines that the quantity and complexity of the work currently done by its incumbent Accountant III warrants an upgrade to this integral Program position.

Program Organizational Charts (unchanged)

(See enclosed documents)

IX. LEGISLATIVE AUDIT

The program has undergone its second Legislative Audit, and the financial portion of the program's second audit has begun. At this writing, the Program has not received the official results/report from the second Legislative audit.

X. CLOSING REMARKS

The program has continued to make progress in FY 2007 and will continue in its efforts to improve redemption service. As previously noted, the Program will focus on improved consumer convenience via its public education and outreach program, compliance assistance for certified redemption centers, responses to complaints to improve customer convenience and satisfaction with the program, consistent and adequate verification of claims, and vigorous regulatory enforcement.