



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

## 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, 2021 (Fiscal Year 2022). **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 2022 Updated Handling Fee by DBC Material Type

DBC Material Type	Updated Handling Fee
Aluminum / Bi-Metal	\$0.034
Glass	\$0.081
Plastics	\$0.040

## Evaluation Methodology

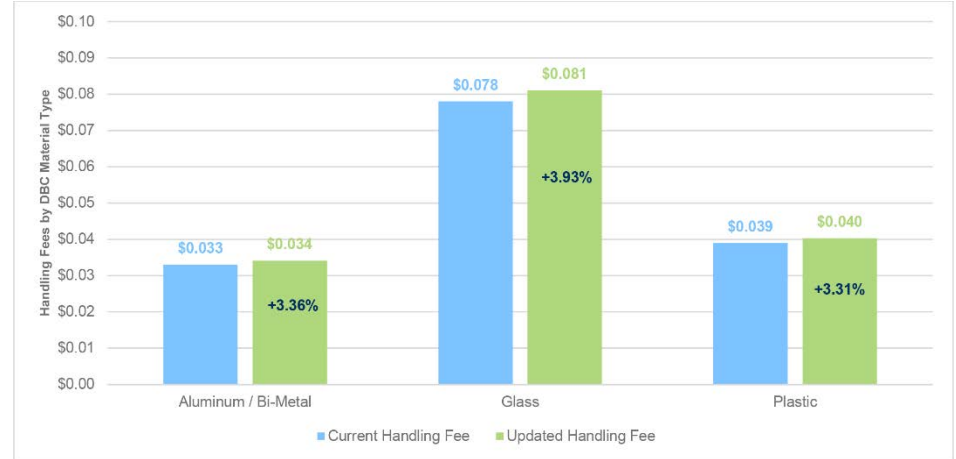
Crowe evaluated current handling fees utilizing the Handling Fee Adjustment Model (Adjustment Model), a tool developed in coordination with the DOH. The Adjustment Model allows the DOH to: 1) evaluate handling fees on an annual basis, 2) determine the extent of adjustment needed (if any), and 3) implement 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 3.36%
- Glass costs increased by 3.93%
- Plastic costs increased by 3.31%.

**Exhibit 2** provides a comparison of the current and updated handling fees by DBC material type. The updated handling fees reflect: (1) increased direct labor costs driven by the increase to the wage index from 2019 to 2020, (2) increased shipping costs from 2019 to 2020 due to an increase in demand for transportation and freight services and, (3) a slight increase to all other cost categories based on an increase from 2019 to 2020 to the 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 from 2019 to 2020 by roughly 5%, which increased CRCs direct labor costs.

### Health Care

Marketplace average benchmark premiums decreased from \$497 in 2019 to \$446 in 2020. Healthcare premiums decreased likely due to the decline in elective health care services, such as surgeries and non-emergent care, as a result of the COVID-19 pandemic.

### Shipping

Glass shipping costs increased from 2019 to 2020 by nearly 6% based on survey responses of actual off-island freight costs.

### Fuel

Cost per gallon of diesel on the West Coast (excluding California) decreased from \$3.05 per gallon in 2019 to \$2.64 per gallon in 2020, reflecting a 16% decrease.

### Cost of Living Adjustment

COLA increased 1.6% from 2019 to 2020; an annual increase of 2% is typical.

Note: Health care and fuel adjustment factors decreased from 2019 to 2020. As a result, these adjustment factors were not utilized to adjust the handling fees presented in Exhibit 1 and 2. The cost of living adjustment factor was applied to both instead.