

Covered Electronic Waste Recycling Program – Fee Model and Analysis

The Electronic Waste Recycling Act (Act) requires CalRecycle to review and to adjust, as necessary, the covered electronic waste recycling fee (fee) that funds the covered electronic waste (CEW) recycling program provided for by the Act. The fee is paid by consumers at the time of retail purchase of a new covered electronic device (CED), and is remitted to the State via the Board of Equalization. CalRecycle must annually assure that sufficient revenue is realized from the fee to make CEW recovery and recycling payments to approved CEW collectors and recyclers, as well as fund specific functions at State agencies (CalRecycle, Department of Toxic Substances Control, Board of Equalization, and State Controller's Office) that administer the Act.

Due to recent trends in the volume of CEW recovered, recycled, and claimed within the program, the Electronic Waste Recovery and Recycling Account (EWRRA) is facing a markedly different solvency challenge than it did in FY 2008/09, when the threat of exhaustion was real and authority for an emergency loan was secured as a back-up contingency. Today the EWRRA contains excess reserves that must be responsibly reduced through an adjustment to the current fee levels. Decisions on the degree of adjustment must be made before August 1, 2012, to meet statutory deadlines, with the new fee levels taking effect on January 1, 2013.

The table presented on the following page models the fiscal effects of a proposed fee structure of \$3, \$4, and \$5. The model assumes certain variables, most of which remain generally constant over time for the purpose of analysis. It is acknowledged that, while CalRecycle has some degree of control over certain aspects of the assumed variables, such as the recovery and recycling payment rate that can be reset biennially, other variables can only be speculated.

Variables assumed to remain constant (due to lack of available information indicating otherwise) include the projected volume of CED sales (approximately 14.4 million units annually – based on data reported along with most recent fee remittals from retailers) and the mix of screen-sizes that will be sold. Another potential variable that does not change in the model is the projected volume of CEW managed through the program (approximately 205 million pounds annually).

The model incorporates the current CEW combined recovery and recycling payment rate of \$0.39 per pound as readopted by CalRecycle in June 2012. The model also presumes the goal of continued fund solvency assurance through FY 2015/16, while working toward maintaining a 5% prudent reserve provided for by statute (PRC 42464(f)(2)).

Program revenues change in the middle of FY 2012/13 when the new fee structure would take effect. The model presumes a targeted average per CED unit revenue level that results in the described impacts on the condition of the EWRRA through FY 2015/16. (The average per CED unit revenue level has been approximately \$7.60 under the current \$6, \$8, and \$10 fee level and historical CED sales volume.) Also indicated in later years is the repayment of funds loaned to the General Fund by the EWRRA during FY 2010/11.

The model presented in Table 1 shows that an adjustment to a \$3, \$4, and \$5 fee structure will responsibly reduce the EWRRA fund reserve to an adequate level over the course of a few fiscal years, while allowing for contingencies in the event of unexpected fiscal developments. The ability of CalRecycle to adjust the fee annually, as necessary, provides significant flexibility in fulfilling statutory obligations and ensuring program solvency by selecting fiscally prudent options in the near-term.

Proposed Adjustments to the Fee Structure

The following table presents the fiscal effect of a proposed fee structure of \$3, \$4, and \$5. This model is intended to illustrate fund condition evolution under assumed program administration costs, anticipated loan repayments, CEW recovery and recycling volumes, prevailing recycling payment rates, and CED sales. Initial fund conditions are aligned with fiscal data contained in the Governor’s Proposed Budget for FY 2012/13. The model assumes adherence to the existing three-tiered fee levels within established CED screen sizes categories (4” to <15”, 15” to <35”, and 35” or greater).

Fiscal Year	Devices Sold	Avg Fee Revenue per Device	Revenues	Recycling Payments	All Other Expenditures	Loans to GF & IWMA, Repayments	Fund Balance at Year End
							\$ 93,428
FY 2011/12	13,363	\$ 7.60	\$ 99,000	\$ (80,440)	\$ (11,931)	\$ -	\$ 102,163
FY 2012/13	14,473	\$ 5.70*	\$ 84,615	\$ (80,008)	\$ (11,319)	\$ -	\$ 96,013
FY 2013/14 (includes 1 st loan repayment)	14,473	\$ 3.80	\$ 54,997	\$ (80,008)	\$ (11,319)	\$ 27,000	\$ 87,247
FY 2014/15	14,473	\$ 3.80	\$ 54,997	\$ (80,008)	\$ (11,319)	\$ -	\$ 51,480
FY 2015/16	14,473	\$ 3.80	\$ 54,997	\$ (80,008)	\$ (11,319)	\$ -	\$ 15,714

Note: Within the above **table**, all figures are presented in terms of thousands, except for amount of average revenue per device sold. (* 6 mos at \$7.60 / 6 mos at \$3.80)

Assumptions:

No Growth in Pounds of CEW Recovered / Recycled:	Volumes stay flat at approximately 205 million pounds per year
Number of Devices Sold to Remain Constant:	14,473,000 per year (sales reported with recent fee remittals)
Loan to General Fund from EWRRA:	Two separate loans totaling \$ 107,000,000 (scheduled repayment in FY 2013/14, and FY 2016/17.)
Targeted Average Revenue per Device (beginning 1/1/13):	\$ 3.80 (based on projected percentages sold per CED size category, less 3% retailer withhold)
Combined Recovery and Recycling Payment:	\$ 0.39 per pound