



**DRUG TAKEBACK SOLUTIONS
FOUNDATION**

Annual Program Budget for Covered Drugs

Calendar Year 2023

Submitted on: 3/31/2023

Annual Program Budget for Covered Drugs Stewardship Program

PRC Section 42033.2(a): On or before March 31, 2022, and each year thereafter, a program operator shall prepare and submit to the department (...) the following:

(2) A written program budget for stewardship program implementation for the upcoming calendar year.

PCR Section 42033.2(c): An annual program budget submitted pursuant to paragraph (2) of subdivision (a) shall include, at a minimum, both of the following for the upcoming calendar year:

(1) An independent financial audit of the stewardship program, as required by subdivision (b) of Section 42033.4, funded by the stewardship organization from the charge paid from its member covered entities pursuant to Section 42034 or by a covered entity if it operates its own stewardship program.

(2) Anticipated costs and the recommended funding level necessary to implement the stewardship program, including, but not limited to, costs to cover the stewardship plan's budgeted costs and to operate the stewardship program over a multiyear period in a prudent and responsible manner.

14 CCR Section 18973.6: A program operator must submit an initial stewardship program budget for the first five calendar years of operation and an annual budget, pursuant to sections 42033 and 42033.2 of Chapter 2, Part 3, Division 30 of the Public Resources Code. The initial stewardship program budget that covers the first five calendar years of operation and the annual program budgets shall contain at a minimum, the following information:

A. Contact Information

14 CCR 18973.6(a) Contact information of the corporate officer, or designee, responsible for submitting and overseeing the program budget on behalf of the program operator, including, but not limited to:

- (1) Contact name and title
- (2) Name of program operator
- (3) Mailing and physical address(es)
- (4) Phone number
- (5) Email address
- (6) Internet website address

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B. Anticipated Costs to to Implement the Stewardship Program for Calendar Year 2023

14 CCR 18973.6(b) Anticipated costs to implement the stewardship program, including, but not limited to, separate line items for the following:

- (1) Capital costs, including, but not limited to, fixed, one-time, tangible purchases
- (2) Costs of collection, transportation, and disposal of covered products
- (3) Administrative costs
- (4) Education and outreach costs
- (5) Costs related to grants, loans, sponsorships, or other incentives as part of program implementation

Cost Category	Anticipated Costs
Capital Costs	\$512,250
Operational Costs (Costs of collection, transportation, and disposal of covered products)	\$465,706
Administrative costs	\$1,782,795
Education and outreach costs	\$113,000
Costs related to grants, loans, sponsorships, or other incentives as part of program implementation	\$0

C. Reserve Level

14 CCR 18973.6(c) Recommended reserve level amount and description justifying the reserve level amount indicated. The program operator shall maintain reserves in a prudent and responsible manner.

The Foundation has established a reserve amount of \$175,935 for 2023 in order to accommodate unplanned needs, and provide cushion against unexpected events, losses of income or large unbudgeted expenses.

The Foundation has planned its Program Budget using a variety of factors to determine needs for capital, education, operational, and administrative costs throughout the year. Likewise, the Foundation has determined reserve levels that are sufficient to cover estimated impacts of unexpected cost variability including costs of collection, transportation, disposal, and other Program costs.

When considering unexpected costs or potential loss of income, the Foundation has determined that a reserve percentage that approximates a 10% increase in the costs associated with operating Collection Receptacles (i.e. new Collection Receptacles, additional Containers and Inner Liners, etc.) to be sufficient for the Program year. Further, this reserve level would approximate ~3 months of education, operational, and administrative costs. This reserve amount will provide sufficient cash to respond to unexpected events throughout the Program year.

D. Funding Level

14 CCR 18973.6(d) Recommended funding level necessary to cover the stewardship plan's budgeted costs and to operate the stewardship program over a multi-year period in a prudent and responsible manner. Include a description of how costs are apportioned to and funds remitted from participating covered entities.

The Foundation has researched Service Provider costs and made informed Program cost estimates based on experience. The Foundation's Service Providers have provided historical data for required Program costs such as Collection Receptacle servicing, disposal, outreach and education, signage, survey, start-up, and administration. The Foundation has secured long-term agreements with Service Providers with set fees for services required to operate the Program.

Recommended Funding Levels:

2023: \$2,873,751

2024: \$1,785,783

2025: \$1,813,465

2026: \$1,844,984

The Foundation has long-term commitments from the Covered Entities who will cover all costs associated with the Program. The Foundation uses data on Covered Drugs to inform the Program Budget. Data sets from Covered Drugs sold include volume estimates, relative value, comparisons to states with similar populations, and actual historical data from California. The Program Budget will be apportioned as fees among each participating Covered Entity pursuant to 14 CCR Section 18973.6 based upon the volume and value estimates above. Participating Covered Entities are invoiced and remit funds according to their contracts.

E. Description of Cost Categories

14 CCR 18973.6(e) A description of the types of activities relative to each line item cost category, identified pursuant to section 18973.6(b).

The Program Budget includes the following amounts and activities:

- Capital Expenses - Items covered in this category include the purchasing of Collection Receptacles, installation and signage for the Collection Receptacles.
- Operational - Items in this category consist of collection, transportation and disposal of Inner Liners and all types of Mailers, website construction and design, maintenance, support.
- Administrative - Administrative overhead, postage and shipping, misc. supplies and funding for an annual independent financial audit. Administrative costs also include the administrative fees owed to the Department by the Foundation pursuant to 14 CCR Section 18973.6(b)(3), PRC Section 42034 and PRC Section 42034.2.
- Education and Outreach - Items under this category include social media materials (Twitter, Facebook, Instagram, blogs, programmatic media), printed marketing materials, printing, design, staff travel, traditional media outlets (television, newspaper & radio advertising).

F. Independent Financial Audit

14 CCR 18973.6(f) An independent financial audit of the stewardship program funded by the member covered entities participating in the stewardship program or by a covered entity, if it operates its own stewardship program. The audit shall be performed at least once each calendar year. The audit shall be conducted in accordance with generally accepted auditing standards in the United States of America by a Certified Public Accountant. The Certified Public Accountant shall not perform the non-audit services for the program operator or engage in any activities that would impair independence. The independent financial audit shall include, but not be limited to:

- (1) Minutes, books, and records that clearly reflect the activities and transactions of the program operator's stewardship program.
- (2) Stewardship program financial statements, as required by Generally Accepted Accounting Principles.
- (3) An opinion on the stewardship organization's compliance with the aspects of section 42034 of the Public Resources Code and this Article.
- (4) Findings and recommendations as they relate to the financial aspects of the stewardship program.
- (5) Management Letter, if issued, by the stewardship organization's Certified Public Accountant.

An independent financial audit of the stewardship program funded by the member covered entities participating in the stewardship program is provided by way of attachment. See Attachment A: Drug Takeback Solutions Foundation Financial Audit 2022.

G. Certification Statement

In accordance with 14 CCR Section 18973(e), the Foundation provides the following Certifications for the 2023 Program Budget for Covered Drugs:

Chris Smith, R.Ph.

"I, Chris Smith, hereby declare, under penalty of perjury, that the information provided in this document is true and correct, to the best of my knowledge."



Lee Smith, Certified Public Accountant

"I, Lee Smith, hereby declare, under penalty of perjury, that the information provided in this document is true and correct, to the best of my knowledge."

