

REQUEST FOR APPROVAL

To: Rachel Machi Wagoner
Director

From: Cara Morgan
Deputy Director

Request Date: June 1, 2023

Decision Subject: Approval of 2023 Covered Electronic Waste Recycling Fee
Concerning Video Display Devices

Action By: June 20, 2023

Summary of Request

The Electronic Waste Recycling Act of 2003 (Public Resources Code 42460, *et seq.*) established a financing mechanism intended to develop an infrastructure to provide convenient recycling opportunities and reduce the inappropriate disposal of certain electronic products discarded in California. This financing mechanism is funded by a covered electronic waste (CEW) recycling fee that is assessed on consumers at the time of retail purchase of a new covered electronic device (CED).

Pursuant to Public Resource Code (PRC) Section 42464(g), no more frequently than annually, and no less frequently than biennially, CalRecycle has the responsibility to assess the adequacy of the CEW recycling fee concerning video display devices to generate sufficient revenues to fund the operation and administration of the CEW Recycling Program and all other provisions of the Act. CalRecycle must determine by the statutory date of August 1, 2023, whether any fee adjustments are necessary. Any adjustments made to the fee levels will take effect on January 1, 2024. The current fee levels are as follows:

- **Four dollars (\$4)** for each CED with a screen size greater than 4 inches but less than 15 inches measured diagonally.
- **Five dollars (\$5)** for each CED with a screen size greater than or equal to 15 inches but less than 35 inches measured diagonally.
- **Six dollars (\$6)** for each CED with a screen size greater than or equal to 35 inches measured diagonally.

Recommendation

Staff recommends that the CEW recycling fee levels remain unchanged as follows:

- **Four dollars (\$4)** for each CED with a screen size greater than 4 inches but less than 15 inches measured diagonally.
- **Five dollars (\$5)** for each CED with a screen size greater than or equal to 15 inches but less than 35 inches measured diagonally.
- **Six dollars (\$6)** for each CED with a screen size greater than or equal to 35 inches measured diagonally.

The existing emergency regulations set forth in Title 14 of the California Code of Regulations (CCR), Section 18660.40 will expire on January 1, 2024. Staff further recommends that the current CEW recycling fee levels for video display devices remain unchanged in Title 14 CCR Section 18660.40.

Upon approval of this recommendation, staff will work with the Legal Office to promulgate emergency regulations to adopt the current CEW recycling fee levels, as authorized by PRC Section 42475.2.

Summary of Analysis

This recommendation is based on an analysis of the following:

- The CEW recovery and recycling trends to estimate possible payment obligations
- The CED sales trends to project revenue potential
- Program-related operational costs
- Available fund balance

As CalRecycle administers the financial aspects of the CEW Recycling Program, it is obligated to maintain a fund balance that allows it to make recovery and recycling payments, as well as to provide funding for its own program specific operations and certain operations of both Department of Toxic Substances Control and California Department of Tax and Fee Administration. CalRecycle has the authority and responsibility to revisit and revise CEW recycling fee levels annually, as warranted, to maintain adequate funds in the Covered Electronic Waste (CEW) Recycling Fee Subaccount (Subaccount). (See Attachment 1 for additional details.)

The Subaccount fund balance has steadily increased from \$110 Million in FY 2017-18 to more than \$196 Million in the current fiscal year 2022-23. The model presented in Attachment 3 shows that the unchanged fee structure of \$4, \$5, and \$6 will lower the Subaccount fund over the course of a few fiscal years while maintaining an adequate level and 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.

Director Action: On the basis of the information, analysis, and findings in this Request for Approval, I hereby approve the staff recommendation that the CEW recycling fee levels be maintained at the current \$4/\$5/\$6 fee scale and, in doing so, fulfill CalRecycle's obligations pursuant to PRC Section 42464(g) to review the fee as necessary to ensure operational solvency and maintain a prudent fund balance.

Rachel Machi Wagoner
Director

Date Signed

Attachments:

1. Background and Summary of Program Costs and Revenue Need Considerations
2. Historical CEW Recycling Claim Volumes
3. Fee Model and Analysis
4. Proposed Revised Regulatory Language to Maintain the CEW Recycling Fee