

Covered Electronic Waste Recycling Program – Fee Model and Analysis

The Covered Electronic Waste (CEW) Recycling Fee Subaccount (Subaccount) fund balance increased since the beginning of the Covid-19 Pandemic but is projected to decline in the following years.

The table presented on the following page models the fiscal effects of keeping the fee structure unchanged. Therefore, the rates will remain at \$4, \$5, and \$6. The model assumes certain variables for the purpose of analysis. While CalRecycle has some degree of control over certain of the assumed variables, such as the recovery and recycling payment rates that can be reset annually, other variables can only be speculated. Furthermore, issues such as recovery and recycling payment rates are driven by statutory considerations to fulfill the Act and not to be used to maintain a fund balance.

The first variable is the projected volume of covered electronic device (CED) sales (projected to increase from approximately 18.6 million units annually to 19.0 million units annually by FY 2025/26 – based on the most recent time series trend analysis forecast. The other variable is the mix of screen-sizes that will be sold (projected to remain constant). Another potential variable in the model is the projected volume of CEW managed through the program (projected to increase from approximately 63 million pounds to approximately 70 million pounds in the next several years). CalRecycle based the projected growth in CEW claimed volume on the average annual increase in claimed non-CRT CEW in recent years, and the average decline in CRT CEW claims in the same time span.

The model incorporates the CEW combined recovery and recycling payment rate of \$0.98 per pound for cathode ray tube (CRT) CEW and \$1.10 per pound for non-CRT CEW as adopted by CalRecycle in May 2023 and effective July 1, 2023. The model also presumes the goal of continued fund solvency assurance through FY 2025-26, while working toward maintaining a 5 percent prudent reserve provided for by statute (Public Resources Code (PRC) Section 42464(g)(2)). Due to the constant change in fund balance and cash flow, the prudent reserve is calculated at a specific point in time and is not an appropriated amount. It is expected that the CEW recovery or recycling payment rates will change, but the degree of change is uncertain. PRC Sections 42477 and 42478 of the PRC require that CalRecycle reevaluate the recovery and recycling payment rates annually. The recovery payment rate shall cover the “average net cost for an authorized collector to operate a free and convenient system for collecting, consolidating, and transporting [CEWs] generated in the state”. The recycling payment rate shall cover the “average net cost for an electronic waste recycler to receive, process, and recycle each major category ... of [CEW]... received from an authorized collector”. CalRecycle requires collectors and recyclers to submit net cost reports on an annual basis. Because the numbers in the net cost reports vary from year to year, the recovery and recycling payment rates may vary. Moreover, CalRecycle takes other factors into consideration at the time CEW recovery and recycling payment rates are reestablished.

The model presumes a targeted average per CED unit revenue level that results in the described impacts on the condition of the Subaccount through FY 2025-26. (The average per CED unit revenue level has been \$4.50 under the current \$4, \$5, and \$6 fee level and historical CED sales volume).

The model presented in Table 1 shows the unchanged fee structure of \$4, \$5, and \$6 which will keep the Subaccount fund at 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 Maintenance to the Fee Structure

The following table presents the fiscal effect of keeping the fee structure at \$4, \$5, and \$6. This model is intended to illustrate fund condition evolution under assumed program administration costs, loan repayment schedules, CEW recovery and recycling volumes, new recovery and recycling payment rates, and CED sales. After subtracting program expenditures for FY 2022-23, the current fund balance stands at \$196,458,000. 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).

Table 1

Fiscal Year	Devices Sold	Avg Fee Revenue per Device	Revenues	Recycling Payments	All Other Expenditures	Fund Balance at Year End
FY 2022-23	18,565	\$4.50	\$83,645	\$(64,005)	\$(24,510)	\$196,458
FY 2023-24 (Projected)	18,726	\$4.50	\$84,726	\$(70,226)	\$(26,810)	\$178,287
FY 2024-25 (Projected)	18,841	\$4.50	\$84,742	\$(80,246)	\$(25,669)	\$155,762
FY 2025-26 (Projected)	18,956	\$4.50	\$85,237	\$(87,763)	\$(26,571)	\$125,313

Note: Within the above table, all figures are presented in terms of thousands, except for amount of average revenue per device sold.

Assumptions:

Increase in the CEW Recovered / Recycled:

Volumes increase from approximately 63 million pounds to approximately 70 million pounds.

Number of Devices Sold to Increase:

Units increase from approximately 18.6 million units annually to 19.0 million units annually by FY 2025/26.

Targeted Average Revenue per Device:

\$4.50 (based on projected percentages sold per CED size category, less 3% retailer withhold)

CEW Combined Recovery and Recycling Payment Rates:

\$0.98 per pound for CRT CEW and \$1.10 per pound for non-CRT CEW. It is anticipated that the CEW combined recovery and recycling payment rates will change.

Request for Approval
June 1, 2023

CEW Recycling Fee Considerations
Attachment 3