

**Report to the Vermont Legislature:
Act 58 Paint Stewardship**

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Agency of Natural Resources Report on Paint Stewardship Assessment

Act 58 of 2013

An act relating to establishing a program for the collection and recycling of paint.

Act 58 of 2013 is product stewardship legislation in which architectural paint recycling and disposal will be handled by a manufacturer-led paint stewardship program. This stewardship program will be funded by paint manufacturers and the paint consumer. Manufacturers can create their own individual plan or work with a stewardship organization such as Paint Care. All manufacturers of architectural paint who wish to sell paint in Vermont will have to participate in an approved paint stewardship program plan. Architectural paint is defined as interior and exterior architectural coatings. This includes interior and exterior water and oil based coatings, primers, sealers and wood coatings that are sold in containers of five gallons or less. A stewardship assessment will be placed on all paint containers 5 gallons or less to fund the transportation and recycling or proper disposal of architectural paint.

Act 58 of 2013 requires that the Agency of Natural Resources report to the House and Senate Committees on Natural Resources and Energy, the House Committee on Ways and Means, and the Senate Committee on Finance on the following:

1.) A summary of the number of paint producers or stewardship organizations submitting plans.

One stewardship organization, Paint Care, has submitted a stewardship plan.

One stewardship organization representing multiple manufacturers allows for implementation with ANR of a consistent and comprehensive state wide stewardship program. Paint Care is a non-profit 501 (c) (3) stewardship organization that was created by the American Coatings Association (ACA). The ACA is a voluntary, nonprofit organization working to advance the needs of the paint and coatings industry and the professionals who work in it. Paint Care was established in order to create a consistent implementation of paint product stewardship programs for both the consumer and the industry. Oregon, Connecticut and California have had successful implementation of their stewardship plans with Paint Care as the sole stewardship organization.

2.) The paint stewardship assessment proposed in any submitted plan.

The following shows the proposed paint stewardship assessment:

Container Size	Fee
Half pint or less	\$0.00
More than half pint to less than 1 gallon	\$0.35
1 gallon	\$0.75
More than 1 gallon to 5 gallons	\$1.60

3.) A recommendation from the Secretary as to whether a proposed paint stewardship assessment is adequate or should be modified.

The budget submitted with the plan supported the proposed paint stewardship assessment. ANR finds this assessment adequate to cover successful implementation of the architectural paint stewardship program and to meet the required convenience criteria for Vermont. The above stewardship assessment is consistent with assessments in the other states that have paint stewardship programs: Oregon, California and Connecticut. The Third Party Audit performed by HRP Associates found both the assessment and the research and analysis used to estimate the volume of paint containers to be reasonable and accurate.

4.) A recommendation from the Secretary whether and at what amount to establish a statutory maximum cap on the amount of a paint stewardship assessment.

ANR does not recommend establishing a statutory maximum cap on the amount of the paint stewardship assessment at this time. ANR reached that conclusion based on the affirmative review of the budget and the opinion that there is incentive for the manufacturers to lower costs of the stewardship program in order to lower the costs to the consumer. Additionally, there should be a tendency to decrease assessments in the future due to efficiencies gained by a Northeast Regional stakeholder process supported by the American Coatings Association and the Product Stewardship Institute.

May 5th, 2016 Update

Although not required, the Agency is submitting this report to provide an update on the paint product stewardship program and the assessment fee.

The stewardship program implemented by PaintCare has provided a high level of convenience to consumers and has properly managed the collected paint. The program has been very well received by local paint retailers, waste haulers, paint contractors, the general public and solid waste management entities. The Agency has received positive feedback that the program has increased foot traffic for paint retailers and has resulted in cost savings to solid waste management entities for management of paint. Since the start of the paint stewardship program in May of 2014, [PaintCare](#) has established 72 year-round collection sites in addition to working with the existing seasonal Household Hazardous Waste events which has resulted in 99.5% of Vermont residents and small businesses having access to a drop off site within 15 miles of their home or business. PaintCare through partnerships with retailers, towns, waste haulers and solid waste management entities has collected 116,961 gallons of paint. This is almost double the approximately 60,000 gallons per year of paint that was collected in Vermont prior to the paint stewardship program being implemented.

As a result of higher than anticipated collection volumes of paint and lower than projected sales of paint for the first 14-month program period, PaintCare has incurred a budget deficit of \$535,568, which is anticipated to increase to approximately \$700,000 by the end of FY16. PaintCare has evaluated the costs of the program and is proposing a revised budget (see Table 1). The revised budget included cost reductions to some components of the program, and in order to prevent additional deficits and to remediate the current deficit, PaintCare is requesting an increase in the paint stewardship assessment that was approved in 2014 (see Table 2). The proposed increase will allow for the paint collection program to continue and the deficit to be paid off over a 10-year period. This proposed fee was reviewed by an independent auditor as required by statute and was found to be cost effective, reasonable and limited to covering the costs of the program.

Table 1. PaintCare's Revised Program Budget

REVENUE	FY15 ACTUALS	REVISED 12-MONTH BUDGET
Larger than half pint to smaller than 1 gallon	\$ 81,417	\$ 114,000
1 gallon	481,297	635,000
Larger than 1 gallon up to 5 gallons	92,802	115,000
Total revenue	655,516	864,000
EXPENSES		
Paint processing	489,509	470,000
Paint transportation	108,795	110,000
Collection supplies and support	118,659	80,000
Communications	106,714	25,000
Personnel, professional fees, and other	106,579	48,000
State administrative fees	30,000	15,000
Allocation of corporate activity	32,993	43,000
Total expenses	993,249	791,000
Change in net assets (revenue less expenses)	(337,733)	73,000

Table 2. PaintCare's Proposed Stewardship Assessment Fee

CONTAINER SIZE	CURRENT FEE	PROPOSED FEE	INCREASE	PERCENTAGE CHANGE
Half pint or less	\$ 0.00	\$ 0.00	\$ 0.00	0%
More than half pint to less than 1 gallon	\$ 0.35	\$ 0.49	\$ 0.14	40%
1 gallon	\$ 0.75	\$ 0.99	\$ 0.24	32%
More than 1 gallon up to 5 gallons	\$ 1.60	\$ 1.99	\$ 0.39	24%

After review of PaintCare's proposed budget, revised program plan and annual report, the Agency has determined the proposed stewardship assessment fee to be cost-effective and reasonable for the continued operation of the paint program and does not exceed the cost to implement the program. In a letter dated May 3, 2016, the Agency approved the increased stewardship assessment fee as the maximum cap for the fee for the remaining duration of this stewardship plan, which will expire April 30, 2017.