



CONNECTICUT PAINT RECYCLING PROGRAM FUNDING

By: Kristen Miller, Senior Legislative Attorney

RELATED OLR REPORT

OLR Report [2014-R-0264](#) (1) describes Connecticut's statewide paint recycling program created by [Public Act 11-24](#) and (2) provides a brief legislative history of the act.

RELATED AGENCY WEBSITE

More information about the program is available on the Department of Energy and Environmental Protection's paint recycling [webpage](#).

ISSUES

- (1) How much money has the state's paint recycling program collected during its first two years of operation?
- (2) How was the money used?

SUMMARY

During its first two operating years (covering July 1, 2013 to June 30, 2015), Connecticut's paint recycling program collected \$7,211,626 from the assessment (i.e., fee) added to the purchase price of paint sold in the state. Specifically, it collected \$3,533,470 in its first year and \$3,678,156 in its second year. The program also received \$1,643 from investment activity in its second year.

According to the program's annual reports, the program had \$4,920,587 in expenses during its first two operating years. It had \$2,224,911 in first year expenses and \$2,695,676 in second year expenses. There were also pre-program costs of \$495,872 that revenue from year one covered.

The collected fees were primarily used to collect, transport, and process post-consumer paint; educate consumers about the program; and pay administrative expenses. Unused funds, totaling \$1,796,810, are being held as reserves to cover operating expenses for when paint sales are low or collection rates are high.



Latex paint made up the majority of collected paint. Most of the collected latex paint was made into recycled-content paint, but some was used as landfill cover material and unrecyclable paint was discarded. Oil-based paint collected through the program was used for fuel. The paint containers, both metal and plastic, were recycled.

The information in this report is from the program’s [first](#) and [second](#) annual reports covering July 1, 2013 to June 30, 2014 and July 1, 2014 to June 30, 2015. These reports are prepared by PaintCare Inc., the non-profit program administrator, and are available on its [website](#) (see <http://www.paintcare.org/paintcare-states/connecticut/#/official-docs>).

BACKGROUND

Connecticut’s paint recycling program provides consumers and businesses with a way to manage unused architectural paint. It is funded by an assessment, also called the “PaintCare Recovery Fee,” added to the purchase price of paint covered by the program. The fees vary by container size, as shown in Table 1.

Table 1: PaintCare Recovery Fee Amounts

<i>Container Size</i>	<i>Fee Amount</i>
Half pint or less	No fee
More than half pint to less than one gallon	\$0.35
One gallon	\$0.75
More than one gallon to five gallons	\$1.60

Sources: Connecticut Paint Stewardship Program annual reports, covering July 1, 2013 - June 30, 2014 (page 25) and July 1, 2014 - June 30, 2015 (page 23).

By law, the fees must not exceed the program’s costs. Every two years, PaintCare must propose the fees for paint covered by the program. An independent auditor reviews the proposal and recommends an amount to the Department of Energy and Environmental Protection for approval ([CGS § 22a-904a\(b\)\(1\)](#)).

According to the most recent annual report, no adjustment to the fee amounts is proposed at this time.

TOTAL FEES COLLECTED

According to PaintCare’s annual reports about the program, the program generated \$7,211,626 in paint recovery fee revenue during its first two years. Table 2 shows the fee revenue, broken down by container size.

Table 2: Recovery Fee Revenue, Years One and Two

Container Size	Fee Revenue (\$)	
	Year One	Year Two
More than half pint to less than one gallon	408,243	470,065
One gallon	2,403,101	2,463,209
More than one gallon to five gallons	722,126	744,882
Total	3,533,470	3,678,156

Sources: Connecticut Paint Stewardship Program annual reports, covering July 1, 2013 - June 30, 2014 (page 23) and July 1, 2014 - June 30, 2015 (page 22).

PaintCare also began investing a portion of its accumulated surplus during the 2014-2015 operating year. Connecticut’s program received \$1,643 from these investments.

According to the annual report covering the 2014-2015 operating year, PaintCare maintains its investments for all the paint recycling programs it administers in a single portfolio. The ownership interest is shared by all state programs, but allocated based on each program’s net asset balance.

USE OF COLLECTED FUNDS

PaintCare uses the funds it collects to operate the paint recycling program. By law, it must report on the total cost of implementing the program, as determined by an independent audit ([CGS § 22a-904a\(h\)](#)).

Operating Expenses

During its first and second operating years, the program incurred \$4,920,587 in expenses. Specifically, it had \$2,224,911 during year one and \$2,695,676 during year two. Table 3 breaks down the expenses.

Table 3: Years One and Two Program Operating Expenses

<i>Expense</i>	<i>Amount (\$)</i>	
	<i>Year One</i>	<i>Year Two</i>
Paint Processing	935,657	1,173,310
Paint Transportation	390,260	438,863
Collection Supplies and Support	315,780	393,719
Communications	256,452	346,529
Personnel, Professional Fees, and Other	144,280	134,813
State Administrative Fees	40,000	20,000
Allocation of General and Administrative Activities (Corporate Activity)	142,482	188,442
Total	2,224,911	2,695,676

Source: Connecticut Paint Stewardship Program annual report covering July 1, 2014 - June 30, 2015 (page 22).

The greatest expenses were for paint processing and transport. During the program's first two years, PaintCare established 138 permanent drop-off locations at retail stores, transfer stations, and reuse stores. It also (1) managed paint from household hazardous waste (HHW) collection events and from seasonal HHW sites and transfer stations, (2) held 16 drop-off events, and (3) picked up large volume paint collections from 59 sites.

According to the 2014-2015 operating year annual report, the increase in processing, transport, and collection supply costs between the first and second years was due to an increased volume in paint collection.

Communications costs also increased in year two because the program purposefully limited customer outreach in year one to avoid overwhelming drop-off locations at the program's start. Examples of communication efforts in year two include radio, television, newspaper, billboard, and digital advertising; print materials for customers and stakeholders; and face-to-face interactions with retailers and other program participants.

(In addition to the first two years' operating expenses, the program also had \$495,872 in pre-program expenses from such things as communication, legal, and administrative costs. See OLR Report [2014-R-0264](#) for a breakdown of these expenses.)

Reserves Policy

PaintCare has a reserves policy that sets a goal of keeping at least 50%, but no more than 75%, of annual expenses available to pay operating costs. The policy's purpose is to ensure the program continues to operate when paint sales are low or collection rates are high.

According to the most recent annual report, Connecticut's program has a surplus of \$1,796,810 in reserve (\$812,687 from the first year and \$984,123 from the second year). This amount represents 67% of annual expenses. The report states that PaintCare expects increased collection volume and cost in the upcoming years as the public becomes more informed about the program. But if the reserve amount exceeds the 75% threshold, an evaluation will occur to determine if changes are needed to the program.

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