



Status of the Colorado Paint Stewardship Program



COLORADO
Hazardous Materials
& Waste Management Division
Department of Public Health & Environment

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Minor stylistic revisions were made to the originally submitted report to the legislature to allow for ADA compliance.



Executive summary

Paint collection continued to increase in 2018 with PaintCare collecting over 14,000 gallons (2.1 percent increase) more than in 2017. While paint collection increased, gallons of paint processed decreased by 4.7 percent (further explained in the Reporting errors section below). Since the program began collecting paint in July 2015, over 2.37 million gallons of paint have been processed!

At the end of the reporting period, over 94 percent of Coloradans lived within 15 miles of a permanent drop-off site, exceeding the requirement of 90 percent. During 2018, PaintCare hosted 15 summer collection events throughout rural Colorado satisfying the underserved area geographic requirement. PaintCare still needs additional drop-off sites in Denver-Aurora and Colorado Springs to satisfy the density geographic requirement.

PaintCare was late submitting the 2018 annual report as required by the Architectural Paint Stewardship Act. Per the act, the annual report is due March 31st of each year. The 2018 report was submitted on July 16, 2019, along with revised reports for the previous three annual reports. PaintCare's reporting errors will be further explained in that section.

PaintCare also continued to increase participation in the large volume pick-up service, with a 27% increase from 2017 participation. Additionally there was a 40 percent increase in the tons of paint containers recycled through the program.

2018 Highlights

- PaintCare processed 654,476 gallons of unused paint in 2018.
- The program has collected and processed over 2.37 million gallons of unused paint since it began in 2015.
- Roughly 14 million gallons of paint were sold in 2018, yielding over \$6.9 million in fee revenue.
- Program expenses totaled \$5.7 million. The change in assets for the year increased \$1 million. In total, PaintCare has accumulated a surplus of over \$4.8 million.
- The processing cost increased from \$7.89 per gallon in 2017 to \$8.86 per gallon in 2018 due to some paint being collected and not processed in the same year. This is also due to some operational changes in collection methods at a couple of drop-off locations.
- The paint recovery rate was 4.7 percent, a decrease from 4.9 percent in 2017. This is due to some paint being collected and not processed in the same year.
- In addition to processing paint collected at permanent drop-off locations, PaintCare serviced 46 paint drop-off events and conducted 113 direct large volume pick-ups from businesses.
- There are 169 year-round, permanent drop-off locations throughout Colorado.
- 94.7% of Coloradans live within a 15-mile radius of a permanent drop-off location. PaintCare still needs one permanent drop-off location in Pueblo and 30 sites in Denver-Aurora and Colorado Springs combined to comply with the program's population density requirement.

Background

On July 1, 2015, PaintCare started collecting unused paint on behalf of the Colorado Paint Stewardship Program (as required by the Architectural Paint Stewardship Act). The act allowed for the creation of a stewardship organization selected to collect and manage unused paint statewide. In accordance with the act, fees were established on all new paint sales- 35 cents for a pint or quart, 75 cents for a gallon and \$1.60 for five-gallon containers- to fund end-of-life paint management. PaintCare must establish convenient sites for consumers to drop-off unused latex and oil-based paint and must manage the collected paint in accordance with the disposal hierarchy. The disposal hierarchy established source reduction as the most preferred paint management option followed by reuse and recycling, with disposal being the least preferred option. This program increases consumer opportunities to properly manage leftover paint and provides cost savings to household hazardous waste (HHW) programs. Before implementation of PaintCare, HHW facilities with paint take-back programs incurred the associated costs. Now, fees from new paint sales fund paint take-back programs at HHW facilities and other PaintCare program expenditures.

The Hazardous Materials and Waste Management Division (the Division) of the Colorado Department of Public Health and Environment (CDPHE) oversees PaintCare to ensure all aspects of the act and approved program plan are followed. The Division also reports annually to the Health and Human Services Committee and the House Public Health Care and Human Services Committee on program status and adherence to the act (Senate Bill 14-029, 25-17-401 C.R.S.).

Figure 1

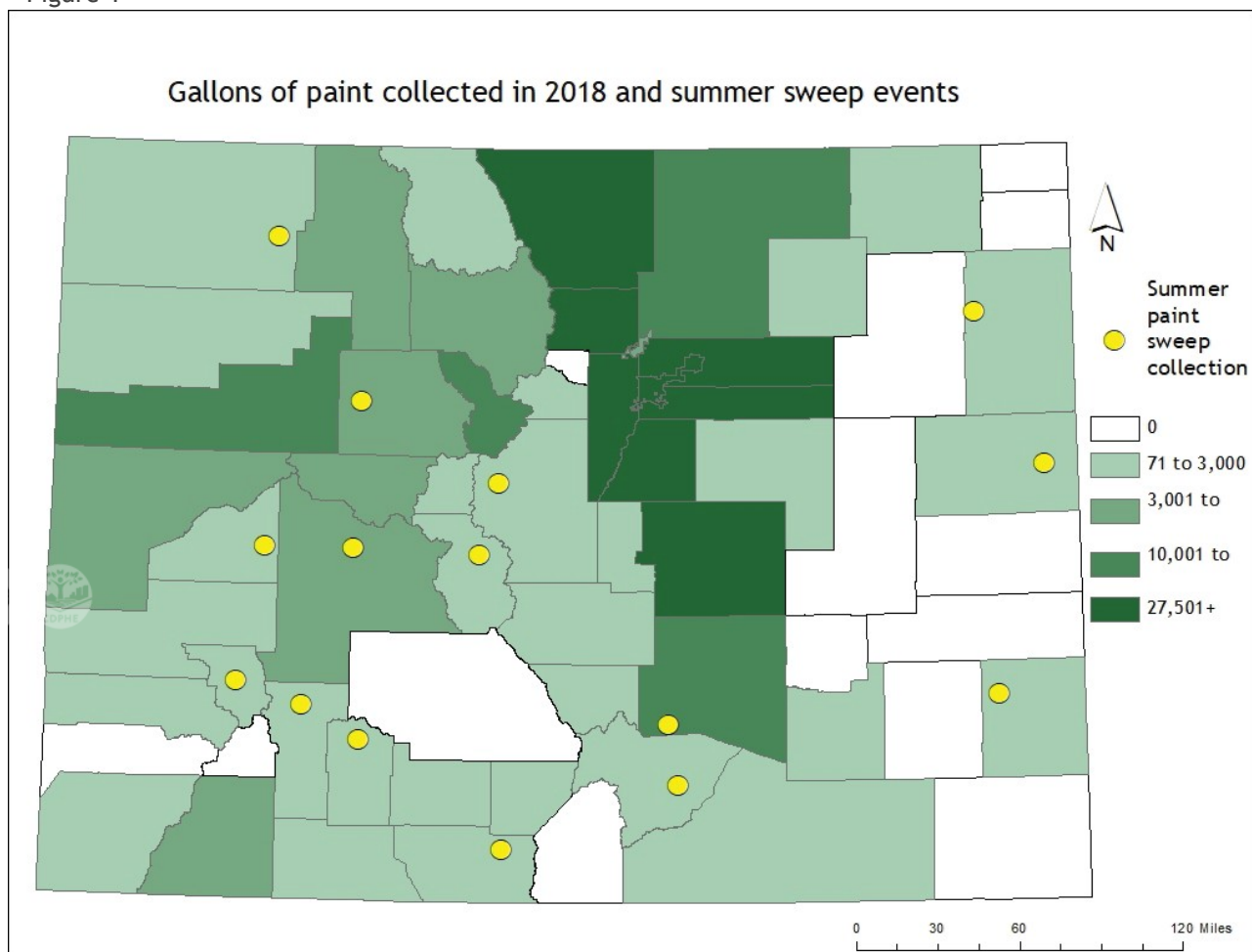


Figure 1 shows gallons of paint collected per county. The yellow dots indicate 2018 summer events in rural areas of the state. Summer paint sweep events will continue in 2019.

Responsibilities for the Colorado program

PaintCare – Operations

- Receives fees collected from paint sales
- Arranges paint collection and processing.
- Tracks volumes collected and processed.
- Submits an annual report to CDPHE.
- Organizes and hosts collection events.
- Manages paint from local collection events.
- Manages and acquires paint drop-off locations.
- Provides signage and materials for the public.
- Contracts with haulers and processors for paint collection and disposition.
- Proposes fee amount.
- Creates the program plan.

CDPHE – Oversight

- Receives \$120,000 annually from PaintCare for oversight
- Inspects retailers and drop-off locations for program compliance
- Reviews annual report and financial audit for program compliance
- Reports to the legislature annually on the program
- Completed in-house GIS modeling to check geographic requirements
- Assesses complaints from the public and participating facilities
- Oversees studies regarding financial activities
- Approves fee amount
- Approves the program plan
- Created a paint recycling video
- Organizes regulator check-in calls with other PaintCare states

Paint recovery reporting

Obtaining valuable metrics on program success can be difficult due to the lack of reporting variables. PaintCare receives information on total gallons sold through the manufacturers. Then gallons of post-consumer left over paint processed are reported to PaintCare by the hauling companies and paint end-users. Gallons collected are then estimated by PaintCare and are derived from the total units reported in pounds or cubic yards, this is not standardized, however.

Based on this information, PaintCare reports report paint recovery as the percent of gallons processed over gallons sold, which is an important metric to track. A recovery rate of 4.7 percent might seem low, however, most paint sold is used. It is difficult to quantify how much paint sold in one year is unused. Therefore most paint collected through the program is likely older and was not purchased within the last year; the recovery rate will never be extremely high. A comparison of recovery rates in other PaintCare states is provided in Figure 4.

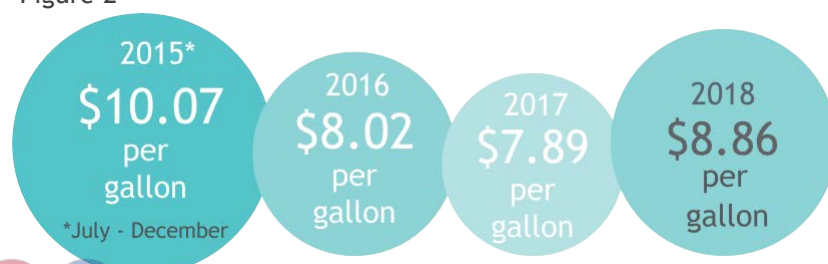
Reporting errors

The gallons collected were greater than the gallons sold due to how one hauling company manages the paint it collects. The hauler bulks and builds full truckloads of paint at their facilities before transporting to the paint processors. In addition, once the paint is received by a processor, it may stay in inventory until it can be processed. Thus the difference between gallons collected and gallons processed depends on the time it takes the container of paint to move through the transportation and processing operations. This lag created reporting errors in previous annual reports as well which was caught while preparing numbers for this year's report. PaintCare has ensured the reporting error has been resolved and will not be an issue moving forward.

Processing costs

The processing cost increased from \$7.89 per gallon in 2017 to \$8.86 per gallon in 2018 due to the reasons explained in the previous section. Additionally, one hauler in the program changed the collection bin size for one of the facilities. This change also contributed to the increase in collection price. Prior to 2018, processing costs had been decreasing since 2015. While processing costs highly depend on market conditions, we are hopeful processing costs will begin to decrease again in the near future.

Figure 2



Paint disposition in Colorado and how our state compares

Figure 3

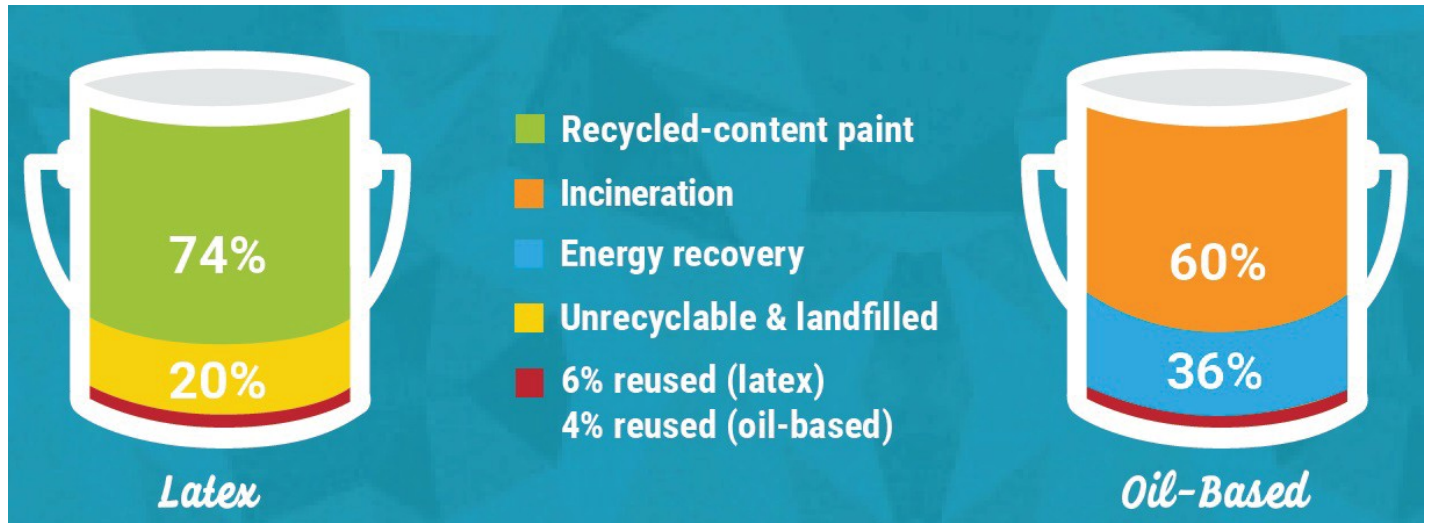


Figure 3 was taken from PaintCare's 2018 annual report and shows the final management methods for unused latex and oil-based paints.

Figure 4

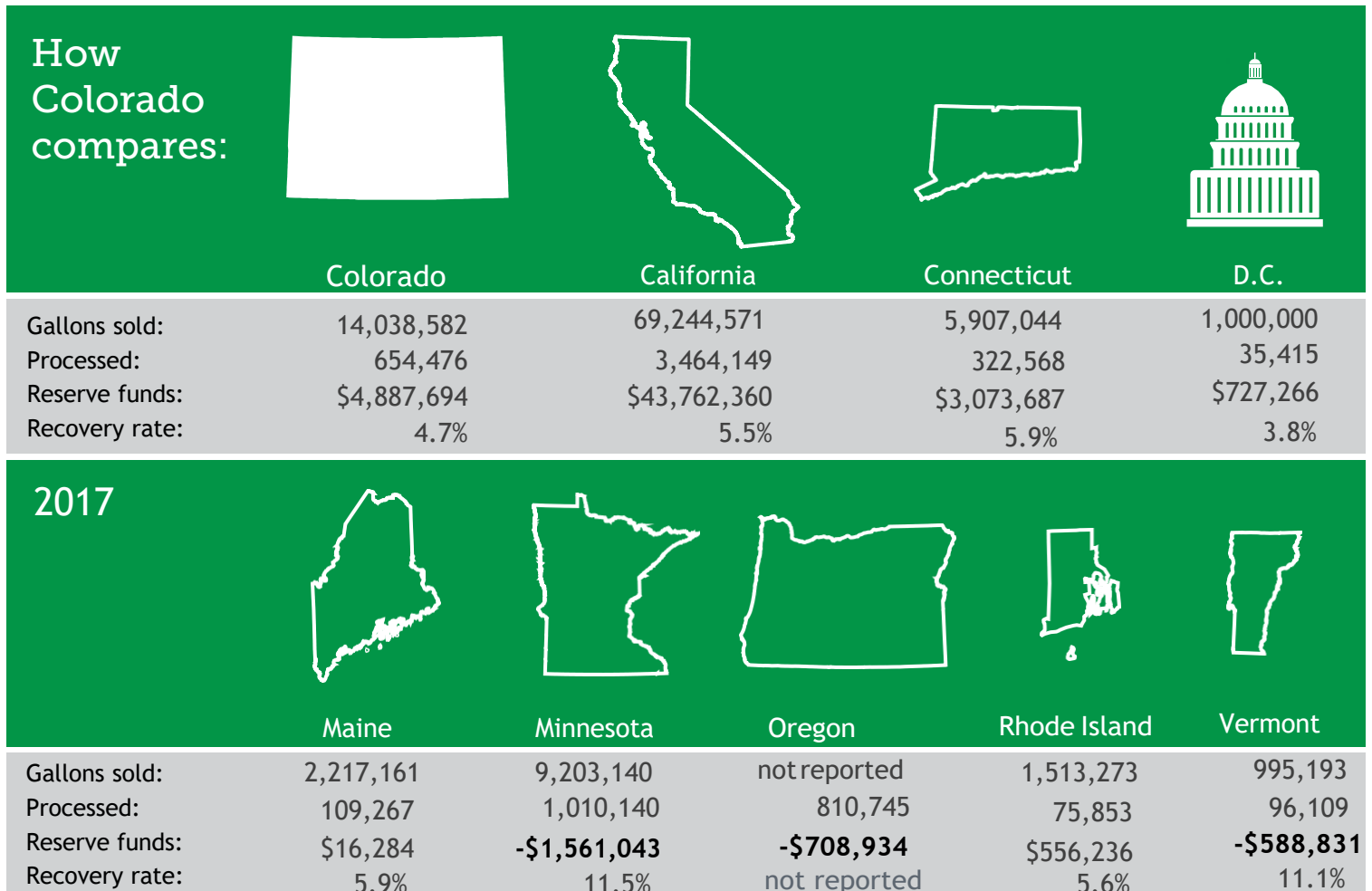


Figure 4 provides 2018 data from the other PaintCare states and one territory. PaintCare currently has a negative fund balance in Minnesota, Oregon and Vermont. The state legislature raised the fee in those states as well.

The University of Colorado, Denver Reserves Report

CDPHE partnered with a professor at The University of Colorado, Denver to conduct a financial analysis of the program. The goal of the analysis was to assess how PaintCare's reserve policy compares with other similar non-profit organizations, to evaluate PaintCare's investment activities and to examine the fee structure. Generally speaking, PaintCare's reserve policy and investment activities are in line with other similar product stewardship organizations. Additionally, the researcher concluded that the current fee is appropriate and lowering the fee could lead to program deficits. The full CDPHE funded reserves report is available online (<http://www.colorado.gov/pacific/cdphe/paint-stewardship-recycling>).

CDPHE accepts many of the recommendations outlines in the report. Specifically the CDPHE will work with PaintCare over the following years to:

- Increase transparency around spending required to meet convenience criteria versus discretionary spending, like research grants and marketing, to help better determine the needed size of reserve.
- Revisit the reserve policy for Colorado as the program reaches steady state operations to ensure the policy reflects realistic current and future program needs.
- Present 5-year projections as flexible budgets based on different management decisions and economic scenarios with a formal variance analysis to improve transparency.
- Embrace best practices for nonprofit organizations and post its IRS Form 990 filings on its website.
- More closely and transparently manage spending to avoid a fee increase.

Independent audit, reserve policy and surplus funds

In accordance with the act (25-17-405(3)(VII)), PaintCare is required to submit an annual audit with the report. PaintCare used Rogers & Company PLLC, and independent CPA firm, to conduct the audit in accordance with commonly used standards. In Roger's & Company's opinion, PaintCare has fairly presented, in all material respects, the financial position, changes in its net assets and cash flows as of December 31, 2018.

Previously in other states, PaintCare's target reserve was set at 50 percent. This number was then increased to 75 percent when PaintCare was established in Colorado. Now PaintCare has a reserve fund that can have a maximum amount of 100 percent of annual expenses. The PaintCare Board of Directors sets the reserve, the state does not approve or have a say in this decision. Additionally, the PaintCare Board of Directors are appointed by the American Coatings Association, the trade organization for paint manufacturers that created PaintCare. The reserve fund allows PaintCare to continue operations during times of either higher than expected paint collection or lower than expected paint sales. 2018 ended with an accumulated surplus of \$4,887,694. resulting in reserves at 84 percent of operating costs.

Outreach, advertising, and geographic requirements

PaintCare targets outreach to retailers, painting contractors, municipal agencies, and the general public through direct contact and advertising. Outreach was conducted using a variety of media, including newspapers, television, billboards, radio, fulfillment, digital and social media. Examples of outreach material can be found on PaintCare.org. Additionally, PaintCare has also created a fact sheet for painting contractors which is available in 12 different languages.

To ensure adequate collection coverage, the act requires that: (1) at least 90 percent of Colorado residents live within a 15-mile radius of a drop-off site, (2) an additional permanent drop-off location must be provided for every 30,000 residents of an urbanized area, and (3) annual collection events must be held in areas where residents do not have a permanent collection site within a 15-mile radius of their homes. PaintCare is currently satisfying the first and third requirements but PaintCare has never met the second requirement.

Independent audit, reserve policy and surplus funds

Based on the 2018 annual report, and the reserves report the CDPHE has outlined the following action steps for 2019:

- Work with PaintCare to have more oil-based paint sent for energy recovery rather than incineration.
- Ensure PaintCare submits an on-time and accurate 2019 annual report.
- Monitor PaintCare's progress towards meeting the density geographic requirement.
- Address all the recommendations listed in the, "The University of Colorado, Denver Reserves Report" section above.

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Senate Bill 14-029, 25-17-401 C.R.S.

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