



State of Oregon Department of Environmental Quality

# Rule Concepts 3: Annual Administration Fee: Additional Details

Plastic Pollution and Recycling Modernization Act (SB 582, 2001) Rulemaking Advisory Committee Meeting 2 of 5, Rulemaking 1

## Background

This memo provides additional information to the Rulemaking Advisory Committee on budgeting for the annual administration fee. This fee, paid to DEQ by the producer responsibility organization(s), covers DEQ's expenses associated with the ongoing costs of administering, implementing, and enforcing provisions ORS 459A.860 to 459A.975. In our current rule concept, it is \$4,000,000 per year for the first four years of implementation (2025-2028), and then \$3,000,000 in subsequent years. These amounts represent the maximum projected expenditure and DEQ may adjust the fee downward in any given year to reflect actual operating costs. The first four annual fees are higher than the later annual fees, as they encompass reimbursement of DEQ's start-up costs incurred in 2021-2025.

**Applicable statute regarding DEQ fees:** ORS 459A.938.

## Additional Detail

DEQ's budget for the annual administration fee consists of start-up costs including all costs for implementing the Act incurred prior to July 1, 2025, the date on which the PRO program plans begin to operate and operation costs incurred from July 1, 2025, onward. Per ORS 459A.938, DEQ can only begin charging the annual administration fee for 2025, the first year of program plan implementation. Start-up costs incurred prior to 2025 must be recouped in future years' fees, while annual operation costs are recovered in the fee for the year in which they are incurred.

The total projected start-up budget of \$8.8 million incurred over the four years from the governor's signing of the Act through the program plan start date (August 2021-June 2025) consists of \$3.98 million for personnel and \$4.82 million for contractor services. The personnel costs cover all staff time spent implementing the Act including proportional shares of existing staff. The contractor service budget includes independent technical experts to accomplish local government compensation needs assessments, material lists modeling, the marine litter needs assessment, contamination management and processor commodity risk fee studies, research and pilot testing of contamination reduction programming, equity studies, multifamily needs assessments, and hiring an interim coordination body in 2024-2025. Other services included in this budget are Attorney General staff for legal consultation.

Annual operational costs likewise include expenses for personnel, contracts, and other services.

Table 1 indicates DEQ's projected expenditures through 2029, and how the proposed fee schedule would operate. The first column represents the start-up phase of August 2021 through June 2025. The subsequent columns represent PRO program plan implementation years 1-5 (2025-2029). DEQ's costs fluctuate considerably year-to-year, mainly in correspondence with the studies to be undertaken in that year and associated contractor fees. Under the proposed fee structure, DEQ anticipates negative balances until 2029, at which point the start-up costs will be paid off in full and a positive balance could accrue. In the case of balance accrual, DEQ would correct for this by reducing the next year's fee.

**Table 1:** Balance spreadsheet used to devise the proposed PRO annual administration fee schedule. The start-up and operation cost figures shown here are estimates.

	Start-Up Phase	PRO Program Plan Implementation Phase				
	August 2021 – June 2025	July-December 2025	2026	2027	2028	2029
<b>DEQ Start-Up Costs</b>	(\$8,800,000)	-	-	-	-	-
<b>DEQ Operation Costs</b>	-	(\$1,100,000)	(\$2,000,000)	(\$2,500,000)	(\$2,200,000)	(\$1,800,000)
<b>Total Balance</b>	(\$8,800,000)	(\$9,900,000)	(\$7,900,000)	(\$6,400,000)	(\$4,600,000)	(\$2,400,000)
<b>Annual Fee Revenue from PROs</b>	-	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$3,000,000
<b>Remaining Balance</b>	(\$8,800,000)	(\$5,900,000)	(3,900,000)	(\$2,400,000)	(\$600,000)	\$600,000

If multiple prospective PROs apply to operate program plans in Oregon, it will impact PRO fees paid to DEQ as follows:

- DEQ will charge each PRO a program plan review fee of \$150,000 ([see previous background document](#) for a description of this fee).
- The annual administration fee will be split between multiple PROs rather than charging this fee to only one prospective PRO.
- If multiple PRO plans are approved, the program will incur interim coordination contractor costs into the annual administration fee. These costs were projected at \$1.1 million, with \$540,000 attributed to the start-up phase and the remainder to the first two years (2025-2026) of project implementation.

## Alternative formats

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