State of Oregon
DEQ Department of Environmental Quality

Oregon Recycling System Advisory Council - Budget and Fees Subcommittee

Work Session on CAA 2025 Annual Report Review, Nov 12, 2026, 1:30 pm
Committee Members: Sonya Carlson, Scott Keller, Laura Leebrick, Eben Polk, Alando Simpson, Dylan de Thomas

Agenda

1. Does the report meet the statutory requirements?

Review considerations:

- Is the information provided accurate?
- Does the PRO address the required topics and obligations?
- Is the information provided in a manner and format that allows reviewers to evaluate whether the PRO is meeting or is on track to meet its obligations?
- Does the Committee have any additional feedback for CAA to inform the 2026 Annual Report?

Proposed focal subtopics:

a. **Reserve and budget management**
   i. Question for Council: Are the reconciliation on pg 63 and the approach to reserves outlined on pg 67 sufficiently detailed?
   ii. Question for Council: Is the financial information presented in the report adequately clear and comprehensive?
   iii. Question for Council: does the Council have recommendations on how to improve presentation of the financial information?

b. **Meeting Statutory Requirements for Fees**
   i. Question for Council: Do you think more evidence should be provided that CAA followed its methodology from the program plan? Do you have relevant producer fee QA/QC recommendations for DEQ?
   ii. Question for CAA: to what extent does the independent audit cover the shared services allocation?
   iii. Question for Council: Do you think the end of 2025 was an appropriate time to assess the effectiveness of ecomodulation?

2. (If time allows) Does review of the report inform any recommendations of the Council regarding program plan review or other aspects of operating the program?
   i. Question for Council: Do you think that plan amendments should be required for budget changes of a certain size? Or alternatively, should a future program plan describe that threshold and the types of adjustments the PRO might make if budget changes are below or above that threshold.

ii. Question for Council: Does the Council recommend that DEQ focus on questions about fee methodology during its review of the upcoming 2028-2032 program plan?

Following are two matrices:

- Appendix 1. DEQ preliminary review of CAA annual report vs relevant requirements
- Appendix 2. DEQ analysis of public comment received
  - Questions for the Council and for CAA are marked in bold and will be addressed in the relevant agenda items listed above.

Appendix 1. DEQ Preliminary Review of CAA Annual Report vs Relevant Requirements

Pg #	Description	Citation	DEQ Feedback	Council Feedback
12 and 94	A complete accounting and summary of payments requested by local governments and local governments' service providers and paid by the producer responsibility organization under ORS 459A.890 (Compensation to local governments); and A description of all expansions and improvements to recycling collection systems that have been paid for by the PRO, whether those expansions or improvements have been implemented, the funds provided for such expansions and improvements, and what collections programs are still scheduled for expansions or improvements in the remaining duration of the PRO plan;	ORS 459A.887(2)(e)-(f)	Nest cities under wastesheds/ counties in Table 2 on pg 15 so that the level of granularity matches that of the program plan's Table 1. Add to the "System Expansion Funding" table on pg 94 indication of what was purchased with the funds (e.g. truck, x number of bins, etc).	
16, 64	A summary of payments paid by the PRO under 459A.920 (Contamination Management fee) and 459A.923 (Processor Commodity Risk fee)	ORS 459A.887(2)(g)	Submit a confidential appendix showing how much in processor commodity risk fee and contamination management fee was paid to each commingled recycling processing facility in 2025. Page 64- the total paid out to CRPFs is listed as $19,087,812. On page 16, the two figures total $19,211,978. Which figure is correct?	
17	A summary of payments requested by local governments or local governments service provider that were denied or reduced by the producer responsibility organization;	ORS 459A.887(2)(h)	Section 3.1.2.6 states that no reimbursement requests were denied.	
64	A summary of all other payments made to satisfy the producer responsibility organization's obligations under ORS 459A.860 (Legislative findings) to 459A.975 (Rules), including but not limited to payments made to support responsible recycling of specifically identified materials, as	ORS 459A.887(2)(i)	Add a table summarizing payments to third parties organized by project area.	

Pg #	Description	Citation	DEQ Feedback	Council Feedback
	described in ORS 459A.917 (Specifically identified materials);			
133-144	A summary of the financial status of the producer responsibility organization, including annual expenditures, revenues and assets;	ORS 459A.887(2)(j)	The required information is provided in the financial audit in Appendix M.	
59-60	The membership fee schedule described in ORS 459A.884 (Membership fees charged by producer responsibility organization);	ORS 459.887(2)(k)(A)	The 2025 fee schedule is provided. One public comment flagged that two covered material categories have the same name and should be distinguished from one another – DEQ agrees (see Appendix below).	
58, 63, 138, 145	The fees collected pursuant to the membership fee schedule for the reporting year;	ORS 459.887(2)(k)(B)	This figure ($167,867,885) is provided in multiple locations. The footnote on pg 58 indicates that a $5.7 mil allowance for future producer reporting adjustments is built into the figure, whereas Appendix N suggests it is an addback *to* the figure. Clarify which is correct. One public commenter found it difficult to navigate among the multiple sections (see Appendix below).	
133-144	A report by an independent certified public accountant, retained by the producer responsibility organization at the organization's expense, on the accountant's audit of the organization's financial statements;	ORS 459A.887(2)(v)	An independent financial audit report is included in Appendix M.	
61, 63, 145	A description of how the current membership fee schedule meets the requirements of 459A.884 (Membership fees charged by producer responsibility organization);	ORS 459.887(2)(k)(C)	A description of how cross-subsidization is minimized and recyclables are charged cheaper fees on average is provided on pg 61, although a public comment questioned its adequacy (see Appendix below). The requirement that fee revenue be adequate to cover program costs is addressed with the budget-to-actual	

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			reconciliation on pg 63 and in Appendix N on pg 145. Public comment raised several questions about the level of detail provided and the accumulation of reserves resulting from cost savings, cost deferrals, and forecasts exceeding actuals (see Appendix below).	
62	The number of producers that received each type of membership adjustment offered under 459A.884 (Membership fees charged by producer responsibility organization) and the amount of covered products, by material and format, for which producers received each type of adjustment;	ORS 459.887(2)(s)	Add information on the amount of covered products, by material and format, for which a producer received bonuses in 2025. If this would reveal confidential volume data of a single producer, report the volumes in confidential appendix.	
62	An evaluation of the effectiveness of membership fee adjustments at encouraging producers to reduce the environmental and human health impacts of covered products, with relation to the factors and criteria used by the PRO's membership fee structure;	ORS 459.887(2)(t)	CAA indicates on pg 62 that it is too early to assess effectiveness, although a public comment indicated a desire to see CAA ideas for how to boost participation (see Appendix below).	
n/a	Preliminary Reporting of Market Share. Preliminary market share and preliminary modified market share will be calculated and used as follows: By July 1 of each program year, a producer responsibility organization shall report supply information on the total amount of covered products sold or distributed in or into this state by participating producers in the prior calendar year to DEQ annually, pursuant to ORS 459A.887(2)(c). Beginning in the 2026 program year, DEQ and a producer responsibility organization coordination body will use the supply information to calculate preliminary market share and preliminary modified market share for the following program year;	OAR 340-090-0700(4)(a)	CAA has submitted the required information.	
n/a	A producer responsibility organization shall include in a report submitted under this section a confidential addendum containing information on	ORS 459.887(3)(a)	Despite having reported final market share for 2025 on March 31, 2026, including fees paid, subsequent adjustments may have	

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	the membership fees paid to the producer responsibility organization by individual members and information that can be used to calculate the market share of individual members in accordance with rules adopted by the commission under ORS 459A.869 (Requirements for producers and producer responsibility organizations). Information included in the confidential addendum is not subject to public disclosure under ORS 192.311 (Definitions for ORS 192.311 to 192.478) to 192.478 (Exemption for Judicial Department), except that the department may disclose summarized information or aggregated data if the information or data do not directly or indirectly identify the amount of membership fees paid by or market share of any individual producer;		been made. CAA should submit updated 2025 supply reporting and fee payment data with the annual report.	
n/a	The report must also aggregate and summarize the information described in paragraph (a) of this subsection in a manner that does not directly or indirectly identify the amount of membership fees paid by any individual producer.	ORS 459.887(3)(b)	Add a table to the main body of the report summarizing producer fees paid in 2025, using the eight material classes in CAA's fee schedule to aggregate.	

Appendix 2. DEQ Analysis of Public Comment Received

Commenter	Comments	DEQ Response
Subtopic: Reserve and Budget Management		
NAW	Expressed concern that reserve balances greatly exceeded planned levels and that producers were	Statute does not place limits on deviation between forecast expenditures and actual expenditures.

Commenter	Comments	DEQ Response
	overcharged relative to actual expenditures. Requested reconciliation of fee revenues, expenditures, reserves, and explicit true-up/refund mechanisms.	The PRO needs to manage reserves as outlined in the plan. Exceeding the target reserve amount temporarily, if the overage is subsequently returned to producers in the form of reduced fees, does not substantially deviate from the plan content with respect to the plan section regarding reserves. **Question for Council: Are the reconciliation on pg 63 and the approach to reserves outlined on pg 67 sufficiently detailed?** Note: this is a question that DEQ may return to when it adds more financial expertise to its Product Stewardship team, something that has been noted as a need.
NAW	Questioned CAA's discretion to defer credits across multiple years, potentially shifting costs between producer cohorts.	DEQ does not understand the deferral of credits to be a risk of cross subsidization.
NAW	Requested limits on reserve accumulation and justification for retained balances.	Statute requires the program plan to set a reserve amount and to justify the amount (by describing the contingencies that the reserves will be sufficient for). CAA's plan sets the size of this reserve, which they are calling their "operating reserve," at six months' worth of 2027 variable operating costs, or $99.4 million. As they've been able to realize savings over the course of the program thus far, they have subsequently trimmed the target amount to $71 million. Statute places no restrictions on the PRO potentially exceeding the reserve amount denoted in the plan, nor on the duration for which the reserve amount could be exceeded. Statute requires the PRO to demonstrate in the plan that producer fees are sufficient to carry out the program; the PRO does so by including a budget in the program plan. Statute and rule are mostly silent on whether or not a deviation from the budget is substantial enough to warrant a program plan amendment (there is one such provision in rule regarding system expansion funding – OAR 340-090-0790(2)(b)). **Question for Council: do you think that plan amendments should be required for budget changes of a certain size? Or alternatively, should a future program plan describe that threshold and the types of adjustments the PRO might make if budget changes are below or above that threshold.** Note: such limitations could pose operational/timing challenges for the PRO. As for justification of reserves in the annual report, more justification may be needed for the $6 million reserve indicated in the comment at the bottom of Table

Commenter	Comments	DEQ Response
		15, “Comments” column. Appendix N, Table N2 is relevant but there’s no reference in the main body of the report to that appendix.
NAW	Requested provision of a balance-sheet and reserve accounting that explains the relationship among the items discussed in the Financing section and Appendix N of the Annual Report.	At a minimum cross reference among the main body of the report and relevant appendices (e.g. Financing Section with Appendices D and N) seems appropriate. That way the reader would can understand where Appendix N fits into the narrative.
WDMA	Requested greater transparency regarding operating versus earmarked reserves, including identification of contractually committed versus uncommitted funds.	There is no statutory requirement to report on contractually-committed but not yet expended funds. Note: quarterly reports, which were agreed upon through the program plan, do provide updates on what has been committed contractually to date for system expansion.
WDMA	Sought explanation of how and when excess reserves will reduce future producer fees.	This clarity has been provided by CAA in the 2027 fee schedule. It seems sensible that this information remain there rather than be pulled into this report because the 2027 fees have been set in 2026, not in 2025 (the year that is being reported on).
WDMA	Asked that CAA explain the disposition of the approximately $8.99 million deferred-revenue balance attributed to producer overpayments, including the procedure and timeline for applying credits or refunds; and explain how CAA Oregon’s reported investment income is accounted for in future fee-setting, reserves, producer credits, or refunds.	Information regarding CAA’s handling of deferred revenue and investment income should be added to the report.
WDMA	Advocated for reserve ceilings, prompt fee reductions, and clear refund procedures.	Addressed above.
Kemin	Requested annual reports include detailed breakdowns of fee revenue, reserve balances, and actual versus projected costs so producers can determine whether reserves are reasonable and properly managed.	Addressed above.

Commenter	Comments	DEQ Response
NAW	Requested a complete, reconciled accounting of expenditures, payments, reserves, accruals, startup costs, overpayments, receivables, and statutory reporting categories. This accounting should clearly map CAA's costs and payments to each applicable provision of ORS 459A.887(2)(e)–(i). NAW suggests that without such detail, DEQ, producers, and the public cannot determine whether or not CAA has fully reported required payments, nor whether or not overlapping figures have been identified and reconciled.	Request for more detailed information – addressed above. Regarding ORS 459A.887(2)(e)-(i), the statute calls for more complete info on payments to local governments and service providers, commingled recycling processing facilities, and third parties. Namely, DEQ would like CAA to: • Indicate in Appendix D what infrastructure was purchased in Cottage Grove and Roseburg with system expansion funding, pursuant to ORS 459A.887(2)(f), • Report the amount of processor commodity risk fee and contamination management fee paid to each commingled recycling processing facility. This information can go into confidential appendix so as to not reveal the tonnage managed by an individual CRPF, • Report the amount paid to third parties aggregated by project area. The entities paid need not be identified. If the information would inadvertently reveal how much an individual entity was paid that particular piece of information can be reported in confidential appendix.
NAW	ORS 459A.887(2)(e)–(i) independently requires the Annual Report to provide a complete accounting or specified summaries for distinct categories of payments during the reporting year. Although CAA provides some potentially responsive information…..it does not consistently identify amounts actually paid for each statutory category. For example, Appendix D reports approximately $1.488 million in local government invoices but approximately $8.247 million in recognized expenses largely reflecting accruals, without clearly identifying the amount actually paid.	CAA could footnote the Finance Reconciliation table to indicate that 2025 invoices were paid.
NAW	ORS 459A.887(2)(i) is not fulfilled. The Annual Report points to broad internal expense categories rather than	Addressed above.

Commenter	Comments	DEQ Response
	providing a discrete and complete summary of “all other payments.”	
NAW	ORS 459A.887(2)(k)(B) requires disclosure of fees collected pursuant to the membership fee schedule. The Annual Report, on the other hand, presents amounts invoiced and revenue recognized under GAAP, neither of which necessarily equals cash collected. Given the receivable, adjustment, and overpayment balances, CAA should clearly state the amount of cash collected during 2025 and reconcile it to invoices, receivables, late fees, overpayments, refunds, credits, and recognized revenue.	The amount in cash collected from producer fees during 2025 is noted on pg 138. It is the same amount denoted as revenue received in the reconciliation Table 15 on pg 63.
NAW	ORS 459A.887(2)(s) is not adequately fulfilled. The amount of covered products, by material and format, for which producers received bonuses must be indicated.	Information on the amount of covered products, by material and format, for which bonuses were granted should be added to pg 62. If this would inappropriately reveal the data of an individual producer it may be submitted claimed confidential.
NAW	CAA should provide a dedicated table representing aggregate producer fee information pursuant to 459A.887(3)(b).	The table should be added and aggregate fees paid by the eight material categories in the CAA fee schedule.
NAW	Stated information is fragmented across the report and does not clearly distinguish actual payments from recognized expenses or accruals.	**Question for Council: does the Council have recommendations on how to improve presentation of the financial information?**
NAW	Audit in Appendix M is insufficiently detailed and does not demonstrate that any costs are legally allowable, attributed to Oregon, or proportional. DEQ should require an Oregon-specific compliance audit or mandatory procedures for addressing both CAA’s shared services cost allocations and the	In its review of last year’s financial report covering the start-up phase, DEQ established that the current level of auditing is sufficient; we do not need an “internal control audit” (or at least we do not need one every year). DEQ understands the audit to cover the entire organization of CAA and not just the Oregon LLC, and therefore it encompasses the shared service cost allocations. DEQ also understands it to encompass internal controls but not with the level of scrutiny that an “internal control audit” does. Regarding allowability of

Commenter	Comments	DEQ Response
	allowability of costs, as well as its internal controls over category-specific funds and reserves.	costs, the Oregon statute does not place limits on what the PRO can and cannot spend its funds on; it rather sets the baseline requirements for what the PRO must achieve.
Subtopic: Meeting Statutory Requirements for Fees		
NAW	Asserted that CAA has not provided sufficient data to demonstrate fees are proportional to costs as required by statute.	Whether or not the fee methodology delivers base fees approximately proportional to the cost of each material to the PRO is a focal question for program plan review. In annual report review, it is appropriate to narrow the inquiry to the question of whether or not the methodology approved in the program plan was followed in the setting of fees for the year in question. See ORS 459A.887(2)(k)(C), which requires a description of how the fee requirements have been met by the fee schedule. The annual report content on pg 61, section 5.1.1, is intended to respond to this requirement. **Question for Council members: Do you think more evidence should be provided that CAA followed its methodology from the program plan? Do you have relevant producer fee QA/QC recommendations for DEQ?**
NAW	Requested publication of category-specific supply volumes, cost indices, allocation assumptions, cost pools, and fee model inputs sufficient to reproduce material-specific rates.	Much of what is requested here is in DEQ's possession but claimed confidential, and therefore should be requested through the public records process.
NAW	Raised concerns regarding transparency of shared-services allocations and cross-subsidization. The provided information (allocation factor for Oregon) neither allows producers to determine the full range of shared services (i.e., what are the "and more" services being referred to) nor allows them to assess the basis for the allocation (i.e., whether 20% is an appropriate allocation). Disclosure of projected costs for each state or the amount assigned to each national function would provide more assurance	On pg 69, to improve clarity, CAA could replace "and more" with a full itemization of shared services. The justification for the 20% allocation factor for Oregon is described at pg 69. CAA is not required to indicate the allocation factors or program size forecasts for other states in its Oregon report. DEQ expects that CAA's annual reports for the other states will similarly include allocation factors for those states.

Commenter	Comments	DEQ Response
	that Oregon producers are paying Oregon's fair share.	
NAW	CAA states that Oregon Responsible End Market (REM) information will inform a future National Materials Strategy addressing investments for all EPR states. Oregon producers should not fund national activities except to the extent CAA demonstrates an Oregon-specific benefit and applies a documented, equitable, and verifiable allocation.	Oregon is the first state to have implemented regulatory deadlines for responsible end markets, with the deadline for self attestation on July 1, 2025, and the deadline to first report disposition arriving in December 2025. Work to meet Oregon's deadlines necessarily has salience for other states. DEQ is not aware of any instances where Oregon funds are being spent on auditing or development of a market that Oregon materials do not flow to. Similarly, during 2025 no other states had implemented responsible end market requirements, so any end market outreach conducted during 2025 would justifiably by allocated to Oregon.
WDMA	Requested independent verification of national shared-services allocation methodology and safeguards against cost shifting among states.	**Question for CAA: to what extent does the independent audit cover the shared services allocation?**
WDMA	Questioned high rates for nonaccepted materials and whether or not they are actually proportional, and said that the report contains inadequate detail to prove that they are.	This question appears to go beyond the substance of the report and venture into plan approval issues. **Question for Council: Does the Council recommend that DEQ focus on questions about fee methodology during its review of the upcoming 2028-2032 program plan?**
WDMA	Requested that CAA correct Table 12 (2025 fee schedule) to distinguish the two HDPE (#2) bottles, jugs, and jars categories shown at different rates and cross-reference the applicable reporting-category definitions.	One of the HDPE categories is for clear/natural and the other is for pigmented. CAA should add text to clarify.
Kemin	Raised concerns about unilateral fee changes under the Producer Participant Agreement and lack of dispute rights. Requested that the PPA grant producers audit or reporting rights into CAA's use of producer fees.	All fees must be assessed in accordance with the approved plan. DEQ is not a party to CAA's PPA or Oregon State Addendum. The PPA and OSA do not override OAR 340-090-0750, which requires a plan amendment for fee methodology changes.
Upstream	Requested that CAA separately identify the portion of the program budget that was contributed to the MIRROR	The requirement to pay the waste prevention and reuse fee kicks in in 2026; as such, this recommendation does not apply to this annual report.

Commenter	Comments	DEQ Response
	Program in Table 15 - either as a standalone line item or in the comments column of a broader budget category.	
City of Portland	In light of low participation in 2025 in the LCE ecomodulation bonuses, indicated interest in the development of more ecomodulation bonus options and increasing the LCE bonus incentives to boost participation.	CAA indicates on pg 62 that, as of the end of 2025, it was too early to assess the effectiveness of ecomodulation. This comment may be read to suggest that it is not too early to consider. **Question for Council: Do you think the end of 2025 was an appropriate time to assess the effectiveness of ecomodulation?**

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