Product Stewardship for Paint

Why the "paint management fee" is the best funding mechanism for paint collection and recycling

What is paint stewardship?

Product stewardship for paint is apolicy approach that requires paint manufacturers to extend their typical in-plant responsibilities for worker safety and pollution abatement to a product's end of life, and to set up, operate, and pay for recycling programs for leftover paint. Twelve states and the District of Columbia have passed product stewardship laws for paint, which have so far resulted in **$300 million in savings for local governments, the creation of 200 jobs, more than 2,400 voluntary collection sites, and over 72 million gallons of paint collected (much of which is recycled back into high quality paint).**

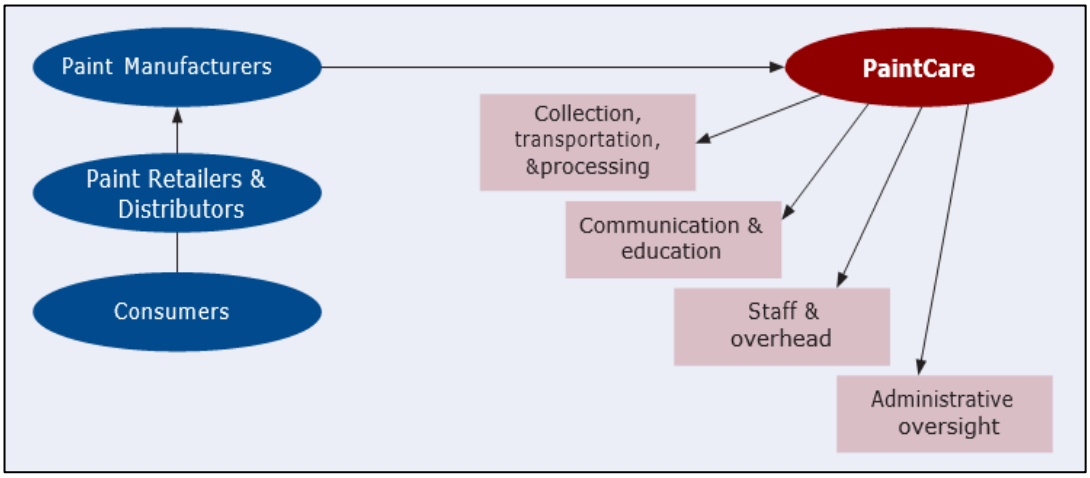
Missouri could gain financial benefits of **over $12 million annually** on the collection and management of roughly **1.3 million** gallons of leftover paint every year.

Proper management of leftover paint can cost up to 50% of municipal Household Hazardous Waste budgets.

How is paint stewardship funded?

The U.S. paint stewardship program is financed in the following manner (shown in the graphic below): Each paint manufacturer pays a paint management fee based on each unit of paint sold. The precise per-unit fee is not set in legislation; rather, the paint stewardship organization proposes a fee structure to be applied in the state. The proposed fee is then reviewed by an independent auditor (selected by the state oversight agency), which makes a recommendation to the state agency for final approval. If the fees need to be adjusted, the process is followed again with a plan amendment. This mechanism ensures that the fees are set at a rate to cover, but not exceed, the cost of implementing the paint stewardship program.

All programs have proposed similar fee structures, with the majority using the following structure: 35 cents for a half pint to smaller than one gallon, 75 cents for one gallon up to two gallons, and $1.60 for larger than two gallons up to five gallons. The fee is paid into a dedicated fund that is managed by PaintCare, the industry-run stewardship organization, to hire contractors to transport and process leftover paint, educate residents and businesses, administer the program, and provide for state oversight. Manufacturers then pass the fee on to paint retailers and distributors, which then pass it along to consumers. It is up to the retailers whether to list the fee. Most do to ensure transparency and to aid in consumer education.



MOPSC
MISSOURI PRODUCT STEWARDSHIP COUNCIL

PSI PRODUCT STEWARDSHIP INSTITUTE

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Why a fee? Why don't manufacturers internalize the cost?

The funding mechanism was established through a four-year national stakeholder process, which culminated in two formal memorandums of understanding signed by over 30 key stakeholders, including the U.S. paint industry (represented by the American Coatings Association), the U.S. Environmental Protection Agency, state and local government agencies, paint recyclers, and others. The paint industry decided to engage with the national group because the convener, the Product Stewardship Institute, offered an opportunity to develop one state model that could be scaled nationwide, thus saving resources and reducing regulatory complexity.

A producer-funded system that internalizes the cost without a consumer fee was preferred by many government representatives. However, due to varying business models within the U.S. paint industry, a cost-internalization system would have provided an advantage to some manufacturers and retailers over others, which was a non-starter for industry representatives. It could also have led to anti-trust allegations against manufacturers and retailers, a much smaller risk with a transparent fee structure. The national stakeholder group accepted this negotiating position and eventually came up with the current paint management fee model that all those who signed deemed acceptable. And since paint manufacturers do not want the price of paint to be any higher than it needs to be to cover the costs of the program, PaintCare works hard to keep the fee stays as low as possible.

What are the benefits of a fee model?

Apportions costs fairly among producers: Some paint manufacturers have their own retail stores (e.g., Sherwin Williams, PPG), while others sell paint via large retailers (e.g., Valspar, Behr). A cost-internalization model, the alternative to a fee, would give a competitive advantage to companies with their own stores, as they have the capacity to control retail prices. The fee creates a level playing field for all manufacturers.

Fair to taxpayers: The paint recycling program is paid for by only those who use paint. In states without paint stewardship laws, taxpayers fund inadequate government programs regardless of how much paint they use.

Protects consumers from unnecessary costs: A fee ensures that the cost to consumers is transparent, audited by an independent firm, and reflective of the actual amount necessary to manage leftover paint. Consumers are not charged more than is necessary, and government oversight of the fee avoids anti-trust concerns and claims.

Covers program costs at start up and through market fluctuations: Because a fee is paid by consumers when they purchase paint, program funding is available at its inception. In addition, since commodity markets fluctuate with demand, recycling costs will vary over a program's life. Stewardship organizations can budget for these fluctuations as an industry and adjust the fee as needed.

Is the fee a tax?

Some people erroneously refer to the paint management fee as a tax. However, the funds collected to recycle paint go directly to the paint stewardship program, which is established and governed by manufacturers. Funds recovered through the program do not create a government bureaucracy and cannot be put into the state general fund. The fee has been requested by the paint industry, not government, to fulfill their responsibility. Residents currently pay for subpar paint management with their tax dollars; in most states, leftover paint is either collected by taxpayer-funded government programs or disposed of improperly, resulting in external costs on the environment that taxpayers must then also cover. Paint stewardship legislation decreases municipal costs spent to manage leftover paint, freeing up funds that can be reallocated to programs such as police, fire, and schools. While recycling is not free, the economic and environmental benefits are worth the investment.

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