



Oregon E-cycles:
Conceptual registration fee models



Stakeholder Committee
January 26th, 2012

DRAFT



Overview

1. Recap last meeting
2. Present 3 models
3. Discussion



Re-Cap last meeting (fee discussion only)

1. Manufacturers would like some certainty about their annual fee
 - How long until the revised fees are revisited again?
2. DEQ registration costs don't vary between manufacturers
3. How do we deal with revenue excess or shortfall?
4. Market share determined by units or converted to pounds?
5. What should minimum fee be?
6. Keep it simple

These are some of the main issues that surfaced during the discussion of fee models at the previous meeting.

Item 2. means that the fee model should find a balance between all manufacturers' paying the same and the ability of larger manufacturers to pay more.



Fee Models Reviewed in the last meeting:

- ~~1. 25% increase~~
- ~~2. Straight market share~~
3. 6-tier market share
4. 6-tier market share w/ 20K cap
- ~~5. Flat fee~~
- ~~6. 8-tier~~
7. 6-tier surcharge

Models #1,5,6 were eliminated because they didn't consistently meet the annual target revenue modeled - \$425,000. Our target revenue was \$425,000 for all the models, but as we noted during the last meeting, the actual target revenue may be a bit higher and we'll revisit the target revenue later in the discussion. For the purposes of this discussion, changing the target revenue by a few thousand dollars won't affect the results significantly.

Model #2, the straight market share model, was eliminated because it too closely interpreted a manufacturers' fee as directly proportional to market share.



Registration Fee Models Reviewed Today:

1. 6-tier market share
2. 6-tier market share with caps
3. 6-tier surcharge



Tier systems

Current Structure

Tier	Market Share	Fee
1	> 1%	\$15,000
2	0.1% ≤ 1%	\$5,000
3	0.01% < 0.1%	\$200
4	< 0.01%	\$40

Structure A

Tier	Market Share	Fee
1	≥ 10%	calculated
2	≥ 5% < 10%	
3	> 1 < 5%	
4	0.1% ≤ 1%	
5	0.01% < 0.1%	
6	< 0.01%	\$50

Structure B

Tier	Market Share	Fee
1	≥ 5%	calculated
2	≥ 1% < 5%	
3	≥ 0.1% < 1%	
4	≥ 0.03% < 0.1%	
5	≥ 0.01% - 0.03%	\$50
6	< 0.01%	

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Here is our current tier structure and the new tier structures that we're proposing to use in all of the models being discussed today.

For structure A, we added two upper tiers to the structure to narrow the range of market shares in each of the upper tiers. Previously, we had an upper tier that consisted of anyone over 1% market share, which was a very wide range for market share. Adding upper tiers creates a more sensible grouping of manufacturers that have similar market shares.

For structure B, we used the WA State tier structure. Compared to our current structure, it adds an upper tier for manufacturers above 5% market share. There is also another tier added below that splits one of the tiers that previously had a large number of manufacturers in it.



of Manufacturers in 6-tier

Structure A

TIER	Market Share	2008 Mfrs	2009 Mfrs	2010 Mfrs	2011 Mfrs	# of Mfrs 4-year average
1	≥ 10%	1	2	3	3	2
2	≥ 5% <10%	7	4	5	6	6
3	> 1 < 5%	11	13	8	5	9
4	0.1% ≤ 1%	19	15	18	15	17
5	0.01% < 0.1%	16	18	18	16	17
6	< 0.01%	118	124	110	124	119
TOT MFR PER YR		172	176	162	169	170

Structure B

Tier	Market share	2008 Mfrs	2009 Mfrs	2010 Mfrs	2011 Mfrs	# of Mfrs 4-year average
1	≥ 5%	8	6	8	9	8
2	≥ 1% < 5%	11	13	8	5	9
3	≥ 0.1% < 1%	19	15	18	15	17
4	≥ 0.03% < 0.1%	9	13	12	9	11
5	≥ 0.01% - 0.03%	7	5	6	7	6
6	< 0.01%	118	124	110	124	119
TOT MFR PER YR		172	176	162	169	170

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One thing that was requested in the first meeting was a chart showing the number of manufacturers in each Tier – provided here.

Structure B puts more manufacturers in the highest tier, which distributes the tier’s fees among more manufacturers in Models #1 and #2, and helps reduce the fees for the largest manufacturers – as we’ll see.



Model #1 – “6-tier market share”

Tier	Facility	2011 Market Share	6 tier market share	Current fee
3	Manufacturer 10	3.64%	\$12,700	\$15,000
3	Manufacturer 11	3.50%	\$12,700	\$15,000
3	Manufacturer 12	3.09%	\$12,700	\$15,000
3	Manufacturer 13	3.00%	\$12,700	\$15,000
3	Manufacturer 14	1.71%	\$12,700	\$15,000
Total market share =		14.93%		
		×		
Target Revenue =		\$425,000	=	\$12,700
		÷		
Number of Tier 3 Manufacturers =		5		

The first model we’ll be discussing is the “6-tier Market Share”.

In this model, all manufacturers in each tier pay the same amount, as you can see in this example, where all Tier 3 manufacturers pay \$12,700.

The amount is determined by the collective market share of all manufacturers in that tier. So, in this case the collective market share is 14.93%

You then multiply the collective market share for this Tier by the target revenue, which is \$425,000.

You then divide by the total number of manufacturers in that tier, which in this case is 5, to calculate the payment for each manufacturer in that tier.

Since the first 2 models we’re discussing work this way, I want to be sure we all understand this. Any questions?



Model #1 – “6-tier market share” con’t...

2011 manufacturers	2011 MS%	Tier A	Structure A 6 tier market share	Tier B	Structure B 6 tier market share	Current fee
Manufacturer 1	13.77%	1	\$54,476	1	\$36,638	\$15,000
Manufacturer 2	13.62%	1	\$54,467	1	\$36,638	\$15,000
Manufacturer 3	11.22%	1	\$54,467	1	\$36,638	\$15,000
Manufacturer 4	8.74%	2	\$27,516	1	\$36,638	\$15,000
Manufacturer 7	5.72%	2	\$27,516	1	\$36,638	\$15,000
Manufacturer 9	5.13%	2	\$27,516	1	\$36,638	\$15,000
Manufacturer 10	3.64%	3	\$12,700	2	\$12,700	\$15,000
Manufacturer 13	3.00%	3	\$12,700	2	\$12,700	\$15,000
Manufacturer 14	1.71%	3	\$12,700	2	\$12,700	\$15,000
Manufacturer 15	0.97%	4	\$1,891	3	\$1,891	\$5,000
Manufacturer 29	0.13%	4	\$1,891	3	\$1,891	\$5,000
Manufacturer 30	0.09%	5	\$146	4	\$274	\$200
Manufacturer 44	0.01%	5	\$146	5	\$60	\$200

So, here is an example of Model #1 where I applied the model to 2011 MS data. I’m just showing a selection of manufacturers from certain tiers in this chart to give folks an idea of what fees might look like using this model.

Discuss tier groupings and fee increases compared to current fee.

We presented this model last time. I know a lot of people were a bit shell shocked from a \$54,000 dollar fee when we presented this model last time. So, we tried running the same model using WA’s tier structure, which is Structure B. Here’s what happened (each tier grouping is color-coded for easy comparison)

Considerations for this model.

- Like all the models, this model will always meets the target revenue. Generally, for either tier structure, fees are reduced for about 40 manufacturers (not including minimum fee manufacturers).

- Fees are increased for all Tier 1 manufacturers. In other tiers, some manufacturers get reductions.

- Fees increase for about 6 manufacturers. Largest manufacturers have up to a \$40,000 increase in fees in structure A



WA state model – 2012 fees

Tier	% market share	WA 2012 fee	Simulated OR 2011 fee
1	≥ 5%	\$41,182	\$36,638
2	≥ 1% < 5%	\$9,763	\$12,695
3	≥ 0.1% < 1%	\$1,232	\$1,895
4	≥ 0.03% < 0.1%	\$194	\$274
5	≥ 0.01% - 0.03%	\$67	\$60
6	< 0.01%	\$8	\$50

It could be convenient for manufacturers who operate in both states to have the same registration fee model.



Land Quality Division

Model #2* - "6-tier market share with caps"

2011 and target revenue scenarios	2011 MS %	MS % by tier	proportioned by tier	over cap of \$40k	Re-distribution	Actual
Manufacturer 1	13.77%		\$54,480	\$14,480		\$40,000
Manufacturer 2	13.62%		\$54,480	\$14,480		\$40,000
Manufacturer 3	11.22%	38.6%	\$54,480	\$14,480		\$40,000
Manufacturer 4	8.74%		\$27,500		\$4,597	\$32,097
Manufacturer 5	8.39%		\$27,500		\$4,597	\$32,097
Manufacturer 6	5.83%		\$27,500		\$4,597	\$32,097
Manufacturer 7	5.72%		\$27,500		\$4,597	\$32,097
Manufacturer 8	5.17%		\$27,500		\$4,597	\$32,097
Manufacturer 9	5.13%	39.0%	\$27,500		\$4,597	\$32,097
Manufacturer 10	3.64%		\$12,644		\$2,114	\$14,758
Manufacturer 11	3.50%		\$12,644		\$2,114	\$14,758
Manufacturer 12	3.09%		\$12,644		\$2,114	\$14,758
Manufacturer 13	3.00%		\$12,644		\$2,114	\$14,758
Manufacturer 14	1.71%	14.9%	\$12,644		\$2,114	\$14,758 ¹¹

*Tier Structure A used

This is the exact same 6-tier market share % model as the last one but it has caps. Let's walk through it together.

For each tier, total market share is calculated and then multiplied by the target revenue, then divided by the number of manufacturers in each tier.

Here it is calculated for the first 3 tiers using 2011 MS data. Now, let's apply a cap of \$40K.

Explain redistribution and actual payment.



Model #2* – “6-tier market share with caps”

Tier	2011 manu- facturers	2011 MS%	Tier Structure A			Current fees	Tier Structure B	
			20K cap	30K cap	40K cap		30K cap	40K cap
1	Mfn 1	13.77%	\$20,000	\$30,000	\$40,000	\$15,000	\$30,000	\$36,638
1	Mfn 2	13.62%	\$20,000	\$30,000	\$40,000	\$15,000	\$30,000	\$36,638
1	Mfn 3	11.22%	\$20,000	\$30,000	\$40,000	\$15,000	\$30,000	\$36,638
2	Mfn 4	8.74%	\$20,000	\$30,000	\$32,097	\$15,000	\$30,000	\$36,638
2	Mfn 7	5.72%	\$20,000	\$30,000	\$32,097	\$15,000	\$30,000	\$36,638
2	Mfn 9	5.13%	\$20,000	\$30,000	\$32,097	\$15,000	\$30,000	\$36,638
3	Mfn 10	3.64%	\$20,000	\$20,433	\$14,758	\$15,000	\$20,637	\$12,665
3	Mfn 13	3.00%	\$20,000	\$20,433	\$14,758	\$15,000	\$20,637	\$12,665
3	Mfn 14	1.71%	\$20,000	\$20,433	\$14,758	\$15,000	\$20,637	\$12,665
4	Mfn 15	0.97%	\$8,545	\$3,050	\$2,203	\$5,000	\$3,084	\$1,894
4	Mfn 29	0.13%	\$8,545	\$3,050	\$2,203	\$5,000	\$3,084	\$1,894
5	Mfn 30	0.09%	\$665	\$237	\$171	\$200	\$444	\$273
5	Mfn 44	0.01%	\$664.79	\$237	\$171	\$200	\$95	\$58

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Here is a selection of manufacturers from each tier where various caps have been applied to 2011 MS data.

The first thing you’ll notice here is that a lot of manufacturers reach the \$20K cap. 14 of them in Tiers 1-3 all reach the \$20K cap. The current fee for these folks is \$15K. Let’s look at the \$30K cap.

Fewer manufacturers reach the \$30K cap. You’ll notice that all Tier 3 folks maintain about a \$20K fee, but the smaller tiers have lower fees. Let’s look at \$40K cap.

The same thing happens with the \$40K cap. Fewer manufacturers reach the cap, and fees for smaller tiers are less.

In virtually every scenario, a previous tier 1 manufacturer paying \$15K would have an increase in fees. The exception is under the \$40K cap. The previous tier 2 manufacturers paying \$5K would pay more under the \$20K cap and less under the \$30 and \$40K cap.

We then looked at some cap scenarios using Tier Structure B. It turns out that with the cap system there was very little difference between tier structure A and B. In the case of the \$30K cap, all the same manufacturers still met the cap, which meant their fee was the same. For the \$40K cap, no one met the cap and the fees were not that different from the \$40K scenario.

Some considerations for this model:

- Always meets the target revenue
- With caps, certainty of cost is provided for large manufacturers, less certainty for smaller manufacturers due to reallocation of over-cap funds
- The lower the cap, the more potential for higher fees in the lower tiers.

-Any questions...



Model #3 – “6 tier surcharge”

Tiers	Market Share	Current Fees	6-tier surcharge
1	≥ 10%	\$15,000	\$25,000
2	≥ 5% <10%	\$15,000	\$20,000
3	> 1 < 5%	\$15,000	\$18,000
4	0.1% ≤ 1%	\$5,000	\$3,600
5	0.01% < 0.1%	\$200	\$360
6	< 0.01%	\$40	\$40



	2008	2009	2010	2011
Example revenue	\$441,880	\$429,440	\$394,680	\$349,720
4-year average	\$403,930			

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This is the model (called the 360 target with surcharge model at the last meeting) was developed to recognize our base operating revenue and provide a surcharge in years when revenue received does not meet our target revenue. First, we broke up Tier 1 into additional tiers and assigned Tiers 3 through 6 a fee directly proportional with the upper range in the tier using the \$360K target for operating revenue only. For example, Tier 3’s upper range is 5% market share. So, we then took 5% of \$360,000, which is \$18,000 and made that the fee. For Tiers 1 and 2, we assigned higher fees, but they were simply assigned and not correlated to anything in particular.

We then ran this model through the 4 years of historical data and as you can see, it produced an average of \$403,000 dollars, and fluctuated as much as \$100,000 dollars between years. So, let’s look at just 2011 to see how the surcharge could be calculated.



Surcharge distribution example

Example revenue generated	\$349,720
Example target revenue	\$425,000
Surcharge amount	\$75,280
Number of Tier 1 and 2 manufacturers	9
Surcharge cost per manufacturer	\$8,364

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This displays tiers based on market share - a surcharge for larger manufacturers can be added to make up any revenue shortage.

The surcharge is applied in years when the tiers do not meet the targeted revenue.

Tiers 1 and 2 pay the difference – two possible ways to apportion the amount are:

Simply divide by the number of manufacturers

Allocate amounts based on market share

Considerations for this model include:

- Less certainty of upper limit for large manufacturers
- More certainty of fee for smaller manufacturers (only Tiers 1 and 2 are affected by the surcharge as modeled)
- More similar to the old fee structure



Discussion



1. 6 tier market share
 - tier structure A or B?
2. 6 tier w/ cap
 - tier structure A or B?
 - Which cap?
3. 6 tier w/ surcharge
 - How to distribute surcharge – evenly or by market share?
4. For any model, what should the lowest fee be?
5. Does the Advisory Committee believe the rule will have a significant adverse impact on small businesses?

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Let's now go through each model to find out what you like, dislike, would change. Abby will facilitate and we're looking for thumbs up, down, or sideways for each model. Before we start flinging our thumbs around we'll address any clarification questions for each model.