



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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October 10, 2016

Dr. Robert Peoples, Executive Director
Carpet America Recovery Effort
100 S Hamilton St., PO Box 2048
Dalton, Georgia 30720

Re: California Carpet Stewardship Program – Notice to Subsidy Participants, CSEs, Processors, Manufactures

Dear Dr. Peoples:

On September 29, 2016, CalRecycle received your *Notice to Subsidy Participants, CSEs, Processors, Manufactures* (Notice). On September 30, 2016, CalRecycle requested an opportunity to discuss the Notice prior to it being issued. However, staff became aware that the *Notice to Subsidy Participants, CSEs, Processors, Manufacturers* was posted to the CARE California website on September 30, 2016.

As you know, CalRecycle's September 15, 2015 Request for Approval found that CARE was noncompliant and made recommendations to CARE. Specifically, the Department recommended that CARE provide avenues for stakeholder input to inform the program and to include a methodology to make adjustments to incentives to compensate for market conditions as needed to drive meaningful improvement related to increased recycling output and other key goals in the program.

Consequently, CARE submitted Addendum(s) to the Plan to address these concerns. The Addendum created a California Council on Carpet Recycling to inform its decision making process to address meaningful improvement. Furthermore, CARE proposed and implemented several increases in CSE, processors and manufactures incentives and committed to stabilizing subsidies for 12 months to address concerns of stakeholders.

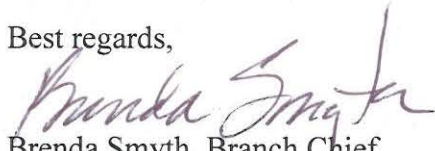
The subject Notice informs stakeholders that virtually all subsidies may change in Q4 2017, and that the Tier 1 and Tier 2 growth bonus incentives will be deactivated in Q1 2017. To our knowledge, the Notice was not discussed with the California Council on Carpet Recycling prior to its release. While the subject Notice does give 12 months of advanced notice that the subsidies may change, it does not provide the new amounts. Due to the fact that CARE has been found noncompliant as it relates to continuous and meaningful improvement for the last three years, CalRecycle is concerned about CARE's recent Notice and is requesting additional information on how this action supports the September 15, 2015, Request for Approval recommendations outlined above. Additionally, CalRecycle would like to know how this Notice supports CARE's intent (through the current Plan) to create stability for program participants and

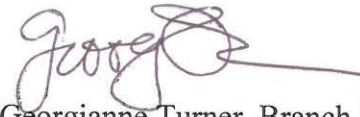


offset investment risks, and its commitment to solicit feedback and input from stakeholders in the design and implementation of the Program.

We appreciate your cooperation and look forward to your response to CalRecycle by November 1, 2016, so that we can better understand CARE's effort to comply with the Carpet Stewardship law. If you have any questions, you may contact faridoon.ferhut@calrecycle.ca.gov or (916) 341-6482.

Best regards,


Brenda Smyth, Branch Chief
Statewide Technical & Analytical Resources
CalRecycle


Georgianne Turner, Branch Chief
Waste Evaluation & Enforcement
CalRecycle