



March 30, 2020

Mr. Clark Williams
Branch Chief
CalRecycle
1001 I Street
Sacramento, CA 95814

Dear Clark:

The Carpet America Recovery Effort (CARE) has undertaken an analysis of the potential actions that could be taken quickly to help insure preservation of the California carpet recycling infrastructure. The following 10 actions have been reviewed and approved by the SPC and SFOC after review and discussion with CalRecycle. These actions are meant to be a high-level summary of the action plan CARE will implement over the next several weeks. We ask that the efforts be recognized for their impact and speed to deploy, thus knowing we may not immediately have all the answers but will work through any issues as the program unfolds. Cash flow considerations for the recycling community were a primary concern as the current crisis, precipitated by the Covid-19 pandemic and the plunge in oil prices, have seriously interrupted the supply chain for new carpet sales and for the flow of post-consumer carpet (PCC) materials. Additionally, 70% of all nylons flow to thermoplastic applications, a major outlet of which is the automotive sector which has been shut down as an outlet. The depth and duration of this impact is currently unknown and cannot yet be quantified.

ACTIONS CARE INTENDS TO IMPLEMENT

The following 6 actions will be taken by CARE within the authority provided it via the statute and its approved Plan:

- 1. Pay 80% of earned subsidies asap after initial reporting (as opposed to the normal approximately 40-45 days with the balance paid per the normal schedule)**
CARE will institute this initiative effective with the March payouts which are reported in April. The initiative will run for the March, April and May reporting cycles (90 days). A reassessment of market conditions will be made at that time and a decision to extend or terminate will be made.
- 2. Monitor retail sales to inform PCC availability to aid recyclers in planning via survey & outreach activities**

3. Add \$0.02/lb. additional temporary subsidy for collection for 90 days effective April 1 (total \$0.04/lb.)

This adjustment will be in place for 90 days through the end of June at which time CARE will reevaluate market conditions and a decision to extend or terminate will be made. CARE is not increasing the current approved Plan based Collector Sorter Entrepreneur subsidy; it is providing a temporary collection incentive to address rapidly changing market conditions. The underlying subsidy that requires a 12 month notice prior to lowering is not changed.

4. CARE will issue a one-time check to each qualified recycler calculated as the average monthly subsidy received over last 12 months (this is performance-based on-going participation)

A recycler must have been active for at least the last 6 months to be eligible to receive this support. This is a one-time event. CARE believes this is necessary to aid cash flow to keep the recyclers in business and allow them time to develop an operational plan under the new economic pressures unfolding. CARE will still meet the level of reserve funding established in its approved Plan and estimates the one-time event will represent approximately \$1.13 million.

5. CARE will coordinate/communicate with other Product Stewardship groups

Working with other groups to identify the best ideas and ways to tackle the challenges.

6. Suspend Agreed Upon Procedures (AUP) schedule for 90 days

This applies to all recipients of CA subsidy payments and we are not suspending the requirement to comply with AUPs. The AUP suspension does not apply to mills. Revisit the status in 90 days to determine if a further delay is warranted.

ACTIONS CARE REQUESTS CALRECYCLE TO TAKE

a) Designate Recycling as Essential Infrastructure and Essential Businesses

CARE is formally requesting that CalRecycle support recycling as an Essential Business function to avoid Shelter in Place requirements thus allowing critical infrastructure to earn revenue and sustain operations. Note: CARE will also be issuing a letter making this same request.

b) CARE requests CalRecycle to suspend all RMDZ loan payments (P&I) for 6 months effective as soon as practical and with no penalty or interest accrual

c) CARE requests CalRecycle to support action to request that utilities may not be cut off any commercial enterprise for 90 days while everyone tries figure out how to operate in the new environment

CARE believes this request may be covered under the Governor's current Executive Order but is not clear if that is limited to residential customers at this time.

d) CARE requests CalRecycle work with Gov. Newsom's staff to stop any commercial enterprise eviction actions for 90 days while everyone tries to figure out how to function in the new environment

CARE believes this request may be covered under the Governor's current Executive Order but is not clear if that is limited to residential customers at this time. (Sacramento has passed an ordinance limiting evictions for commercial for up to 90 days. Waiting to see what the state will do).

We appreciate all the hard work of the CalRecycle staff during this crisis and its understanding that immediate action is required. CARE has the knowledge and experience to guide this effort along with the funds to enable execution. We are acting to move swiftly to ensure our recycling enterprise members can weather this uncertain time and remain viable. Based on past industry experiences, failure to accomplish this mission will very likely result in loss of businesses and set carpet recycling in California back by a decade or more.

Sincerely,



Robert Peoples, Ph.D.
Executive Director, CARE

cc: Sustainability Planning Committee (SPC)
CA Carpet Stewardship Advisory Committee