



# CARE California Carpet Stewardship Program 2018 Annual Report



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An initiative of CARE:  
Carpet America Recovery Effort

**Submitted by:**

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## Acknowledgments

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As this program has grown in complexity, CARE would like to acknowledge the many professional colleagues and stakeholders who have contributed their time and talent to help make the California Carpet Stewardship Program successful. We appreciate and thank you for your tireless energy and patience as the Program continues to evolve in a dynamic market environment.

- California Carpet Advisory Committee
  - Rachel Palopoli, Planet Recycling, *Chair*
  - Dr. Joanne Brasch, California Product Stewardship Council, *Vice-Chair*
  - Gail Brice, XT Green, *Secretary*
  - Steve Belong, Carpet, Linoleum & Soft Tile Workers Local Union No. 12, District Council 16
  - John Davis, Mojave Desert and Mountain Recycling Integrated Waste Management Joint Powers Authority
  - Nat Isaac, City of Los Angeles Bureau of Sanitation
  - Steve Landreth, ProSpectra Contract Flooring, *Senate Rules Committee Appointee*
  - Eric Nelson, Interface
  - Wes Nelson, GreenWaste Carpet Recycling
  - Robert Nunez, Californians Against Waste
  - Jorge Orozco, SCOR Industries, *Speaker of the Assembly Appointee*
  - Franco Rossi, Aquafil USA
  - Howard Sapper, Carpet Manufacturers Warehouse
  - Douglas Williams, Los Angeles Fiber Co.
  - Joe Yarbrough, The Carpet and Rug Institute
- CalRecycle staff members
- CARE staff in California and Georgia
- CARE contractors: Aprio, Abbie Beane, Cascadia Consulting Group, Churchwell White LLP, Emerging Ecologies, GHD Inc., Gigantic Idea Studio, Louis Berger Group, Marketing Collaborative LLC, The Morehouse Group, The Minor Firm, Tinney Associates, University of California at Davis
- CARE Sustainable Fund Oversight Committee (SFOC)
- CARE Sustainable Planning Committee (SPC)
- Carpet and Rug Institute
- Brooks, McGinnis & Company, LLC
- Dr. Matthew Realff



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# 1. Contact Information

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*California Code of Regulations (CCR) §18944(a)(1). Contact information. Identify the manufacturer or stewardship organization responsible for the annual report submittal.*

Carpet America Recovery Effort (CARE) serves as the legislatively designated California Carpet Stewardship Organization (CSO) responsible for annual report submittal under the California Carpet Stewardship Program (Program). CARE is responsible for implementing the Program in compliance with Carpet Stewardship Laws and the approved Stewardship Plan, with regulatory oversight by CalRecycle.

The Carpet Stewardship Laws include Assembly Bill 2398 passed in 2010 and amended by AB 1158 in 2017 and their associated regulations, as codified in Section 18944 of the California Code of Regulations (CCR). This annual report covers the Program's efforts with regard to its 2016 California Carpet Stewardship Plan (Plan Version 3.2.2), as modified by three addenda: Addendum #1 (December 2014), Addendum #2 (October 2015), and Addendum #3 (November 2015). In 2018, CARE submitted a Revised California Carpet Stewardship Plan 2018-2022, including modifications in a new "Chapter 0," which CalRecycle approved in February 2019. The 2019 Annual Report will track the Program's progress with regard to the updated Plan approved in 2019.

Carpet America Recovery Effort (CARE) is a 501(c)(3) organization that began in 2002 as a result of a Memorandum of Understanding (MOU) for Carpet Stewardship signed by stakeholders, including members of the carpet industry, government representatives, nongovernmental organizations (NGOs), and entrepreneurs. The mission of CARE is to advance market-based solutions that increase landfill diversion and recycling of post-consumer carpet, encourage design for recyclability by carpet manufacturers, and support manufacturers in use of recycled materials in secondary products.

## **National CARE Contact**

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## **CARE California Program Contact**

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The CARE California Program is open to all carpet mills that make, sell, or distribute carpet products and to distributors that import carpet into California. All carpet manufacturers that ship or sell carpet in California must be covered under an approved Carpet Stewardship Plan. Appendix 10.8 includes a current list of participating carpet mills with their contact information.



## 2. Executive Summary

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*CCR §18944(a)(2). Executive Summary. Provide an evaluation of the effectiveness of the carpet stewardship plan, and anticipated steps, if needed, to improve performance.*

### Introduction and Program Goals

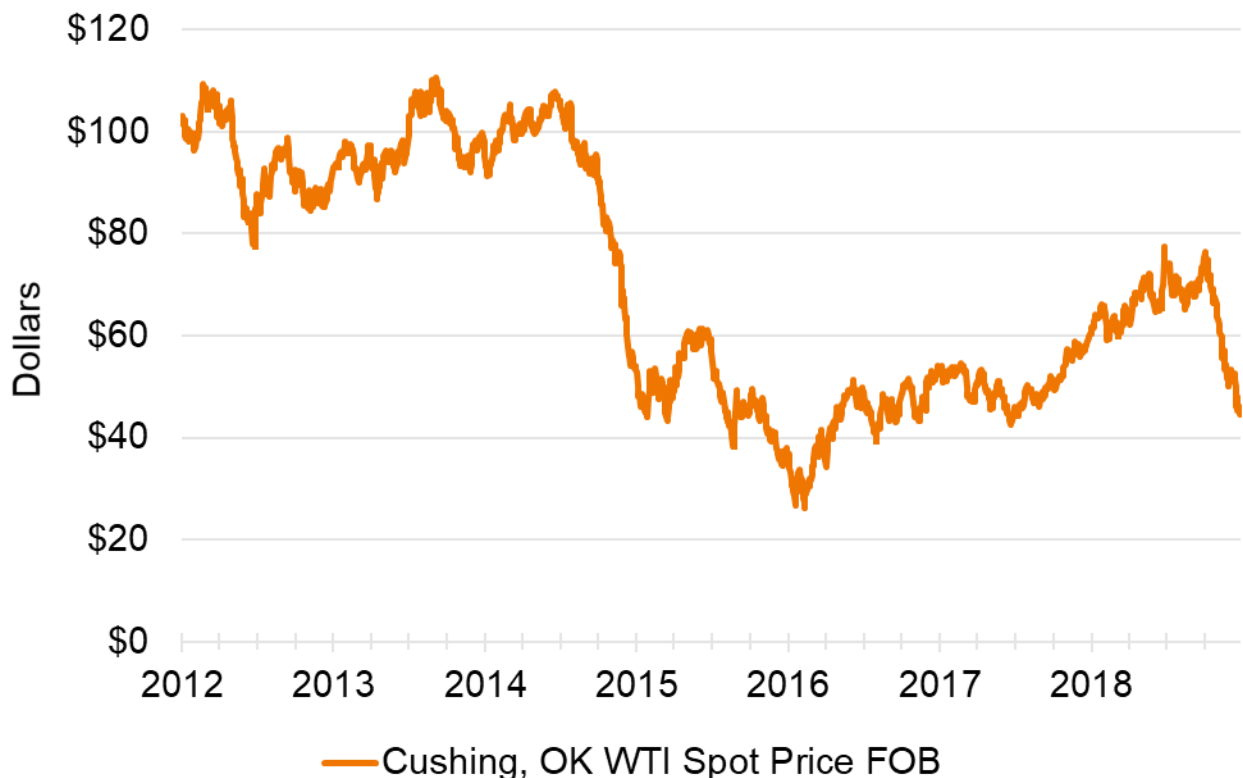
At the end of 2018, the California Carpet Stewardship Program (Program) completed 7.5 years of operation. With the adoption of AB 1158, signed into law October 2017, several changes were incorporated into the Carpet Stewardship Law originally established via AB 2398. This annual report presents the Program's progress with regard to the following goals stated in the 2018-2022 Plan, which responds to the requirements of both AB 2398 and AB 1158:

- Achieve a 24-percent recycling rate for postconsumer carpet by January 1, 2020, and any other recycling rate established by the department pursuant to Section 42972.2.
- Increase the weight of postconsumer carpet that is recycled and reduce the disposal of postconsumer carpet.
- Increase the collection convenience for the recycling of postconsumer carpet and increase the collection of postconsumer carpet for recycling.
- Expand and incentivize markets for products made from postconsumer carpet.
- Increase processor capacity, including processor capacity in California.
- Increase the recyclability of carpet.
- Increase the reuse of post-consumer carpet.
- Provide incentives or grants to state-approved apprenticeship programs for training apprentice and journey-level carpet installers in proper carpet recycling practices.
- Grants and subsidies should be structured to incentivize Highest Recyclability.
- Ensure that assessment fee funds shall not be expended on penalties or litigation against the state.
- Ensure that subsidies for Carpet As Alternative Fuel (CAAF) and Kiln are discontinued.

## Global Recycling Markets and Oil Prices

External market conditions including but not limited to the price of oil (the primary driver of virgin material pricing for carpet fiber) and a constrained export market—particularly due to China’s National Sword policies—continued to affect carpet recycling in 2018. These factors not only made use of virgin (oil-based) materials often more cost-effective (and pushed more post-consumer plastics into the domestic market), they also created an unprecedented real-world commodity competition for post-consumer carpet recovered polymers. Throughout 2018, the California Carpet Stewardship Program continued to demonstrate a consistent upward trend of steady progress toward Program goals, including diligent efforts to achieve a 24% recycling rate by January 1, 2020. Figure ES-A below shows generally declining prices for crude oil since 2012.

**Figure ES-A. Price of Crude Oil in Dollars per Barrel over Time<sup>1</sup>**



## Recycling Rate

In 2018, the Program achieved an overall recycling rate of 15.3%, which while slightly short of its stated 2016 recycling rate of 16%, continued to show a consistent upward growth trend in recycling. This was achieved despite external challenges from global market conditions, in particular, China’s National Sword policies. Figure ES-B denotes

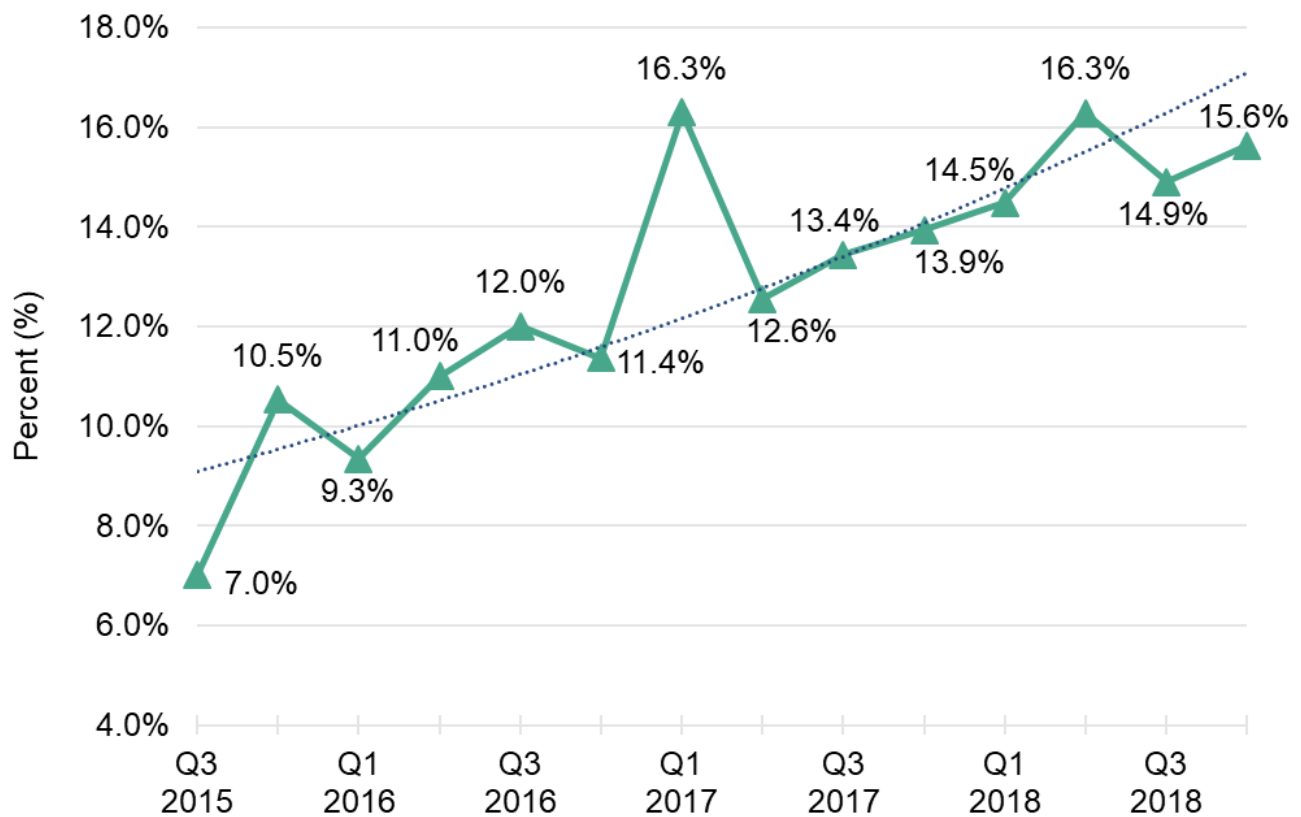
<sup>1</sup> [www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RWTC&f=D](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RWTC&f=D)

Program recycling rate achievements over time and continues to reflect a solid and steady upward trend. Of note, the Program has twice hit a recycling rate high of 16.3%, peak points which have generally related to seasonal product production demands. While each peak was followed by a lower quarterly diversion rate, the point at which it settled still continued to climb higher than the preceding quarters.

Other factors impacting a lower than anticipated recycling rate for 2018 are:

- Delayed release of Cycle 2 capital grants supporting capacity expansion for both processors and manufacturers.
- Discontinuation of a PC4 end-use
- Sale of a PCC product manufacturer, and ultimate product line discontinuation, whose decking lumber had a major impact on PET markets.

**Figure ES-B. Recycling Rate**



The post-consumer carpet recycling marketplace, in comparison to other recycling markets (beverage containers, fibers, metals, etc.), is still relatively young and thereby susceptible to external market conditions. Conversely, recycling collection programs throughout the United States, which have historically benefited from the longtime strength of seemingly well-established markets, have realized significant setbacks from

the overall world market condition created by China Sword. Several municipalities have had to make the tough economic decision to begin landfilling certain recyclables or, as one major California municipality has, revert to paying millions of dollars to keep them in place in an effort to meet their Zero Waste goals.

While the plastics market impact from China's National Sword, along with similar efforts from other Southeast Asian countries, may likely continue for some time, the CARE program has continued to show a steady and reliably strong increasing recycling rate for eight consecutive quarters. In comparing the CARE program to the overall diversion rate in California, as shown in Figure ES-C, CARE believes that the Program has continued to show progress regardless of market setbacks.



Figure ES-C. Comparison of California Recycling Rates for Materials Statewide and Post-Consumer Carpet (PCC)

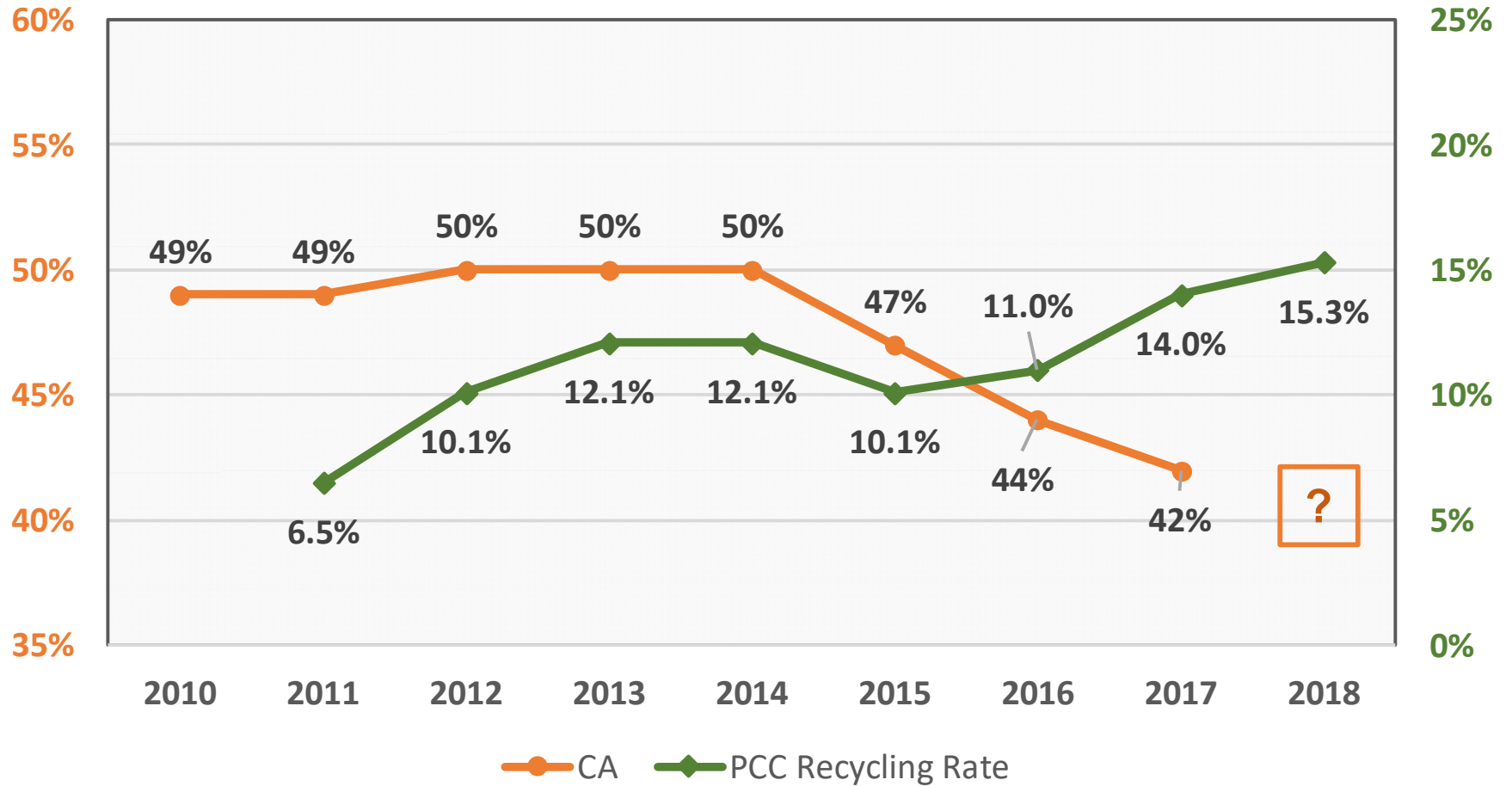


Table ES-1 provides an overview of the Program's performance and effectiveness. The table presents key Program metrics over time, including carpet sales and assessment fees paid, recycling and other disposition of carpet, and greenhouse gas emissions reductions through carpet recycling.

**Table ES-1. Summary of 2018 Program Performance Metrics (rounded)**

Metric*	Unit	Baseline	2016	2017	2018
Carpet Sold in CA	million sq. yds.	98	94	90	86
Assessment Paid	\$ million	\$4.9	\$16.6	\$22.7	\$21.6
Total Expenses (all-inclusive)	\$ million	\$1.6	\$14.4	\$16.7	\$18.6
Post-Consumer Carpet (PCC) Discards	million lbs.	357	343	338	322
Gross Collection (GC) (recovered before recycling), a.k.a. "Throughput"	million lbs. % of discards	100 28%	107 31%	98 29%	94 29%
Recycled Output (RO) (reuse, tile recycled, fiber, depoly, calcium carbonate, filler, carcass)	million lbs. % of discards	28 8%	38 11%	47 14%	49 15%
GC Conversion Rate, a.k.a. "Yield"	GC:RO % of GC	28%	35%	48%	53%
RO Rate, a.k.a. "Recycling Rate"	RO:PCC	8%	11%	14%	15%
Non-Nylon Tier-2 Manufacturer Output	million lbs.	N/A	18	19	22
Nylon 6 Tier-2 Manufacturer Output	million lbs.	N/A	N/A	**see note	3
Reported Diversion (reuse, tile recycled, fiber, depoly, calcium carbonate (PC4), filler, carcass, kiln, CAAF, WTE, exports)	million lbs. % of discards % of GC	47 13% 47%	61 18% 57%	62 18% 63%	52 16% 55%

Metric*	Unit	Baseline	2016	2017	2018
Net Diversion (calculated as GC – Waste back to Landfill)	million lbs.	78	86	79	70
	% of discards	22%	25%	23%	22%
	% of GC	78%	80%	80%	75%
Reuse	million lbs.	0.098	0.926	0.414	0.734
	% of discards	0.03%	0.27%	0.12%	0.23%
	% of GC	0.10%	0.86%	0.42%	0.78%
Source Reduction (SR)	lbs./sq. yd.	4.2	4.39 (effective Q3)	4.39	4.39
Carpet as an Alternative Fuel (CAAF) Non-Subsidized, 2018	million lbs.	0	0.054	0.017	0
	% of discards	0.00%	0.02%	0.00%	0.00%
	% of GC	0.00%	0.05%	0.02%	0.00%
Kiln Non-Subsidized, 2018	million lbs.	0	3.4	1.9	0
	% of discards	0.00%	1.0%	0.6%	0.00%
	% of GC	0.00%	3.2%	2.0%	0.00%
Waste-to-Energy (WTE) Never Subsidized	WTE:PCC million lbs.	15.7	17.5	9.8	1.8
	% of discards	4%	5%	3%	1%
	% of GC	16%	16%	10%	2%
Waste to Landfill (LF)***	million lbs.	22.2	21.2	19.4	23.2
Total PCC Waste Disposal to Landfill****	million lbs.	279	257	259	251
Greenhouse Gases*****	MTCO <sub>2</sub> E	(24,926)	(34,673)	(49,187)	(58,029)

Note 1: Table ES-1 compares Baseline Year (7/2011–6/2012) with data from the three most recent calendar years (2016–2018). For previously reported data from prior calendar years (2012–2015), see Annual Report 2017 or earlier, available at [www.calrecycle.ca.gov/carpet/Results](http://www.calrecycle.ca.gov/carpet/Results)

Note 2: The table has been amended to include Advisory Committee comments: Deleted reported diversion which had included carpet cushion/pad, denotes NON-subsidized categories which contribute to Diversion.

*\*Metric definitions are current at the end of 2016. Definitions have evolved over time and may have been different in the past.*

*\*\*Nylon 6 subsidy was implemented in Q4 2017. However, the nylon 6 pounds were explicitly omitted from the 2017 Annual Report due to confidentiality concerns because all pounds were submitted by a single manufacturer. Nylon 6 pounds are reported in the 2018 Annual Report because multiple manufacturers are now reporting pounds in this category.*

*\*\*\*Waste to Landfill refers to waste generating during processing, also referred to as processing waste.*

*\*\*\*\*Total PCC Waste Disposal to LF refers to all PCC waste disposed of in a landfill, inclusive of process waste. It is calculated as the difference between the total PCC Discards minus Net Diversion.*

*\*\*\*\*\*Emissions reductions.*

Per the request of the Advisory Committee, the following supplemental tables are presented. Table ES-2 denotes the Program components that are counted toward Diversion yet receive no subsidy. Table ES-3 tabulates the subsidized components that compose the overall Recycled Output of 49 million pounds.

**Table ES-2 Supplemental. Non-Subsidized Diversion by Type (millions of pounds)**

<b>Non-Subsidized Diversion by Type</b>	<b>2018</b>
Carpet as an Alternative Fuel	0
Kiln	0
Waste-To-Energy (WTE)	1.8
Carcass	0
Exports	0.6
Carpet Cushion/Pad	9.1

*Note: This table is presented based on Advisory Committee comment.*



**Table ES-3 Supplemental. Recycled Output by Type (millions of pounds)**

<b>Recycled Output (RO) Components</b>	<b>2018</b>
Reuse	0.7
Tile Recycled	0.5
Fiber	36
Depoly	0
PC4	12
Filler	0
Carcass	0
<b>TOTAL</b>	<b>49</b>

*Note: Table presented per Advisory Committee clarification request.*

This 2018 Annual Report is organized into the following chapters, following the requirements of the Carpet Stewardship Laws:

- Chapter 1. **Contact Information**
- Chapter 2. **Executive Summary**
- Chapter 3. **Scope**
- Chapter 4. **Program Outline: Collection & Recycling Sites**
- Chapter 5. **Program Goals & Activities**
- Chapter 6. **Market Development**
- Chapter 7. **Financing Mechanisms**
- Chapter 8. **Outreach/Education**
- Chapter 9. **Audits**
- Chapter 10. **Appendices**

## 3. Scope

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*CCR §18944(a)(3). Scope. The program described in the stewardship plan accepts and manages all applicable post-consumer carpet.*

- (A) Indicate any changes in the program scope from the approved stewardship plan.*
- (B) Indicate the scope is unchanged, if no changes have occurred during the reporting period.*

CARE's 2018-2022 five-year plan was conditionally approved in October 2018 and, with the inclusion of Chapter 0, formally approved in February 2019. Given this overlap in time periods, through discussions with CalRecycle it was agreed that the 2018 Annual Report format would follow that of the 2011-2016 Plan reporting format while incorporating AB 1158.

Concurrent with development and approval of the Plan, CARE prepared and promptly implemented several 2018-2022 Plan measures upon approval by CalRecycle. The following activities were implemented during the remainder of 2018:

### Incentives for Highest Recyclability

While there was no statute or regulation defining Highest Recyclability, CARE—with input from Industry, the Advisory Committee, a clarifying letter from the author of AB 1158 issued after legislation was passed, and CalRecycle—introduced a table of recyclability criteria (see Section 6.2.1). In anticipation of Plan approval, CARE pre-screened their grant applications to ensure Highest Recyclability was incentivized as a condition of grant scoring qualifications. Additionally, with conditional approval of the Plan CARE announced two new incentives that will go into effect January 1, 2019:

- 1) Highest Recyclability for processors on all nylon: \$0.05/lb. with no tiers.
- 2) Nylon 6,6 manufacturer subsidy: \$0.10/lb.

Further detail on assessment funds can be found in sections 3.3.1 and

### Grants

Despite two failed efforts to request approval for release of much anticipated and needed capacity expansion, product testing and collections grants, CARE planned for prompt funds release once the Plan was approved. As required, CARE evaluated the grant proposals through the newly added lens of Highest Recyclability. Cycle 2 Grant funds in the following amounts were awarded in November: approximately \$2.5 million for eight capital grants supporting processors and manufacturers, approximately

\$1 million for six product testing grants supporting manufacturers, and approximately \$15,000 for six micro-grants supporting drop-off sites and collections. Key focus areas for grants awards were California-based businesses, Highest Recyclability and deliverable recycled output in 2019.

Due to the unanticipated delay in the award and release of Cycle 2 grant funds, and the urgent need to expand capacity in order to achieve the 24% diversion rate by January 1, 202, Cycle 3A grant funds for capital expansion were released in Q4 2018. Further grant details can be found in section 6.2.1.

#### **Public Collection Site Incentives for Underserved Areas**

In an ongoing effort to bring on counties that have been slow or hesitant to adopt the CARE drop-off site program, CARE initiated two step adoption incentive totaling \$3,600 to new sites in counties with no CARE drop-off site. While it was late in the year, the incentive assisted in securing 3 new sites by year-end 2018. See section 4.2 for further detail.

#### **Provide Incentives or Grants to State-Approved Apprentices/Journey-level Programs**

Beyond budgeting for the provision of incentives or grants to state-approved apprenticeship programs for training apprentice and journey-level carpet installers in proper carpet recycling practices, CARE initiated contact with Union representatives in 2018. Full development of the training program will be developed in conjunction with Union representatives in 2019.

#### **Increase the Reuse of Post-Consumer Carpet**

In an ongoing effort to increase the reuse of post-consumer carpet, CARE initiated a 6-month pilot, effective January 1, 2018, to incentive tile reuse. The incentive, which remained in effect through 2018, resulted in a 39% increase in carpet tile and is anticipated that the greater impact results will be seen in 2019.

## **3.1 Program Description**

Signed into law in September 2010, California's Assembly Bill 2398 was the first of its kind carpet stewardship program supported by legislators, California entrepreneurs, local governments, nongovernmental organizations, and the carpet industry. AB 2398 designated CARE as the Carpet Stewardship Organization (CSO) for the carpet industry. In October 2017, Governor Jerry Brown signed AB 1158 into law, adopting several changes to the Carpet Stewardship Law, effective as of January 1, 2018. For the purposes of this annual report, CARE will present its progress with regard to the following goals as stated in the 2018-2022 Plan, which responds to the requirements of both AB 2398 and AB 1158:

- Achieve a 24-percent recycling rate for postconsumer carpet by January 1, 2020, and any other recycling rate established by the department pursuant to Section 42972.2.
- Increase the weight of postconsumer carpet that is recycled and reduce the disposal of postconsumer carpet.
- Increase the collection convenience for the recycling of postconsumer carpet and increase the collection of postconsumer carpet for recycling.
- Expand and incentivize markets for products made from postconsumer carpet.
- Increase processor capacity, including processor capacity in California.
- Increase the recyclability of carpet.
- Increase the reuse of post-consumer carpet.
- Provide incentives or grants to state-approved apprenticeship programs for training apprentice and journey-level carpet installers in proper carpet recycling practices.
- Grants and subsidies should be structured to incentivize Highest Recyclability.
- Ensure that assessment fee funds shall not be expended on penalties or litigation against the state.
- Ensure that subsidies for Carpet As Alternative Fuel (CAAF) and Kiln are discontinued.

The Carpet Stewardship Laws also require the following:

- Appointment of an Advisory Committee which shall make recommendations of carpet stewardship plans submitted to CalRecycle.
- Stewardship plans, plan amendments and annual reports shall be reviewed prior to submittal to CalRecycle. CARE is required to provide written explanation if they are unable to incorporate, or when they will be able to incorporate, Advisory Committee recommendations into a plan, plan amendment or annual report.
- The Department of General Services shall, to the extent feasible and within existing resources, take appropriate steps, including, but not limited to, revising relevant procurement rules, to ensure both of the following requirements are satisfied:
  - (a) Postconsumer carpet that is removed from state buildings is managed in a manner consistent with the purpose of this chapter.
  - (b) Carpet purchased by a state agency contains a minimum amount of postconsumer content that shall be determined by the Department of General Services and published in the State Contracting Manual by July 1, 2018.



The California Carpet Stewardship Plan 2011-2016 (referred to as the 2011-2016 Plan) combines four documents including the Plan Version 3.2.2, approved by CalRecycle in January 2014, along with three addenda approved in 2015 and 2016. Through these addenda, the Program addressed concerns related to the progress of its continuous, meaningful improvement to meet statutory provisions. Together, these four documents compose the 2011-2016 Plan, under which CARE continued to administer the Program in 2018:

- **California Carpet Stewardship Plan 2011-2016**, Version 3.2.2, CalRecycle approved in 2014.
- **Addendum 1**, submitted December 2014, approved January 2015.
- **Addendum 2**, submitted October 2015, approved October 2015.
- **Addendum 3**, submitted November 2015, approved January 2016.

The 2011-2016 Plan covered through December 31, 2016. CARE submitted a new 5-year Plan in October 2016 and a revised version in February 2017, although both Plans were disapproved by CalRecycle. In May and June 2017, CalRecycle approved a draft and final Enforcement Plan outlining the pathway for compliance for the various mills covered under the CARE Program.

Under CalRecycle's approved Enforcement Plan, CARE was directed to submit a new Plan by October 16, 2017. Mills that were previously complying with the 2011-2016 Plan were allowed to continue to operate under that Plan. Following the passage of AB 1158 in October 2017, CalRecycle adjusted the prior Enforcement Plan, extending the deadline for submission of a 5-year Plan until March 2018.

In 2018, CARE continued to operate under the extended 2011-2016 Plan, while the Program focused efforts on preparing a new 5-year Plan for 2018-2022. Development of the new Plan considered input from CARE's committees, the prior California Council on Carpet Recycling, the newly appointed California Carpet Advisory Committee (required by AB 1158), CalRecycle, and other industry and public stakeholders. A new 5-year Plan for 2018-2022 was conditionally approved by CalRecycle on October 16, 2018. CARE submitted a revised version on December 15, 2018, including a new "Chapter 0" outlining plans to meet requirements in the conditional approval and incorporate responses to Advisory Committee recommendations from their meeting on November 27, 2018. The updated 2018-2022 Plan received final approval from CalRecycle on February 20, 2019.

As of December 31, 2018, the extended 2011-2016 Plan included 71 carpet mill participants. Appendix 10.8 lists the names of participating carpet mills, which are also updated on the [CalRecycle website](#).

**Table 1. Summary of 2018 Program Performance Metrics**

<b>Metric*</b>	<b>Unit</b>	<b>Baseline</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Carpet Sold in CA	million sq. yds.	98	94	90	86
Assessment Paid	\$ million	\$4.9	\$16.6	\$22.7	\$21.6
Total Expenses (all-inclusive)	\$ million	\$1.6	\$14.4	\$16.7	\$18.6
Post-Consumer Carpet (PCC) Discards	million lbs.	357	343	338	322
Gross Collection (GC) (recovered before recycling), a.k.a. "Throughput"	million lbs.	100	107	98	94
	% of discards	28%	31%	29%	29%
Recycled Output (RO) (reuse, tile recycled, fiber, depoly, calcium carbonate, filler, carcass)	million lbs.	28	38	47	49
	% of discards	8%	11%	14%	15%
GC Conversion Rate, a.k.a. "Yield"	GC:RO % of GC	28%	35%	48%	53%
RO Rate, a.k.a. "Recycling Rate"	RO:PCC	8%	11%	14%	15%
Non-Nylon Tier-2 Manufacturer Output	million lbs.	N/A	18	19	22
Nylon 6 Tier-2 Manufacturer Output	million lbs.	N/A	N/A	**see note	3
Reported Diversion (reuse, tile recycled, fiber, depoly, calcium carbonate (PC4), filler, carcass, kiln, CAAF, WTE, exports)	million lbs.	47	61	62	52
	% of discards	13%	18%	18%	16%
	% of GC	47%	57%	63%	55%
Net Diversion (calculated as GC – Waste back to Landfill)	million lbs.	78	86	79	70
	% of discards	22%	25%	23%	22%
	% of GC	78%	80%	80%	75%

Metric*	Unit	Baseline	2016	2017	2018
Reuse	million lbs.	0.098	0.926	0.414	0.734
	% of discards	0.03%	0.27%	0.12%	0.23%
	% of GC	0.10%	0.86%	0.42%	0.78%
Source Reduction (SR)	lbs./sq. yd.	4.2	4.39 (effective Q3)	4.39	4.39
Carpet as an Alternative Fuel (CAAF) Non-Subsidized, 2018	million lbs.	0	0.054	0.017	0
	% of discards	0.00%	0.02%	0.00%	0.00%
	% of GC	0.00%	0.05%	0.02%	0.00%
Kiln Non-Subsidized, 2018	million lbs.	0	3.4	1.9	0
	% of discards	0.00%	1.0%	0.6%	0.00%
	% of GC	0.00%	3.2%	2.0%	0.00%
Waste-to-Energy (WTE) Never Subsidized	WTE:PCC million lbs.	15.7	17.5	9.8	1.8
	% of discards	4%	5%	3%	1%
	% of GC	16%	16%	10%	2%
Waste to Landfill (LF)***	million lbs.	22.2	21.2	19.4	23.2
Total PCC Waste Disposal to Landfill****	million lbs.	279	257	259	251
Greenhouse Gases*****	MTCO <sub>2</sub> E	(24,926)	(34,673)	(49,187)	(58,029)

*Note 1: Table 1 compares Baseline Year (7/2011–6/2012) with data from the three most recent calendar years (2016–2018). For previously reported data from prior calendar years (2012–2015), see Annual Report 2017 or earlier, available at [www.calrecycle.ca.gov/carpet/Results](http://www.calrecycle.ca.gov/carpet/Results)*

*Note 2: The table has been amended to include Advisory Committee comments: Deleted reported diversion which had included carpet cushion/pad, denotes NON-subsidized categories which contribute to Diversion.*

*\*Metric definitions are current at the end of 2016. Definitions have evolved over time and may have been different in the past.*

*\*\*Nylon 6 subsidy was implemented in Q4 2017. However, the nylon 6 pounds were explicitly omitted from the 2017 Annual Report due to confidentiality concerns because all pounds were submitted by a single manufacturer. Nylon 6 pounds are reported in the*

*2018 Annual Report because multiple manufacturers are now reporting pounds in this category.*

*\*\*\*Waste to Landfill refers to waste generating during processing, also referred to as processing waste.*

*\*\*\*\*Total PCC Waste Disposal to LF refers to all PCC waste disposed of in a landfill, inclusive of process waste. It is calculated as the difference between the total PCC Discards minus Net Diversion.*

*\*\*\*\*\*Emissions reductions.*

## 3.2 Changes in Program Scope

In 2018, the Program operated under the extended 2011-2016 Plan, while working to prepare an updated Plan for 2018-2022, as noted above.

### Existing Program Scope in 2018 (under 2011-2016 Plan)

In 2018, the Program diligently focused on preparing and revising a new 5-year Plan for 2018-2022. CARE worked closely with the Advisory Committee for input on the draft Plan and submitted its first version of the Plan to CalRecycle on March 16, 2018. On May 15, 2018, the Plan was disapproved by CalRecycle and was given the opportunity to resubmit a revised Plan within 60 days, by July 14, 2018. With the revisions to be made and legislated timelines for working with the Advisory Committee CARE requested a submittal extension. With the effectual granting of an extension, via a 33-day delay in implementation of the Enforcement Plan, CARE submitted their revised Plan on August 17, 2018. Due to the timing of Conditional Approval of the Plan on October 16, 2018, submission of a final revised version, to include a new Chapter 0 on December 15, 2018, and receiving final Approval in February 2019, it was agreed by CalRecycle that it was logical for the 2018 Annual Report to follow the reporting requirements of the extended 2011-2016 Plan version, adding in AB 1158.

Effectively, with delayed Plan approval, the Program continued with prior efforts focusing on market expansions to increase the recycling rate, increasing the collection of PCC and expansion of public drop-off site services to cover all counties.

### New Program Scope under 2018-2022 Plan

The 2018-2022 Plan details fiduciary, financial, educational, and marketing strategies to accomplish the goals of both AB 2398 and AB 1158, collectively referred to as Carpet Stewardship Laws. Consistent with the updated laws, the new Plan is designed to advance these eight principal goals:

1. Increase the recyclability of carpet.
2. Expand and incentivize markets for products made from post-consumer carpet (PCC).
3. Increase reuse of PCC.
4. Increase the weight of PCC that is recycled.
5. Reduce the disposal of PCC.
6. Increase the collection convenience for recycling PCC and increase the collection of PCC for recycling.
7. Increase processor capacity, including processor capacity in California.
8. Achieve a 24% recycling rate for PCC by January 1, 2020 and any other recycling rate established by the Department.

Following are the commitments made by CARE in Chapter 0 of the 2018-2022 Plan:

- I. Include commitments to accomplish all of the following and describe how it will fulfill these commitments by 9/1/19
  - a. Conduct and provide to CalRecycle an independent, detailed economic analysis to validate the Subsidy Justification and Conversion Cost Models that justifies the assessment based on actual costs of program participants, (and provide an aggregated version of the analysis to be included into the Plan). This must include a summary of the range of costs for collecting, processing, and recycling different materials, along with other programmatic expenditures, that is sufficient to estimate how much overall funding and therefore what assessment level is needed to achieve the goal of a 24 percent recycling rate by January 1, 2020 and 26 percent by 2022; and
  - b. Update the Subsidy Justification Model and the Conversion Cost Model by 9/1/19, and every six months thereafter; review changes to the models with CalRecycle staff, and present recommended changes to subsidies to CalRecycle for approval; and
  - c. Demonstrate CARE's Subsidy Justification and Conversion Cost Models use California-specific data and account for regional cost differences. A commitment to demonstrate to what extent its economic analysis accounts for regional differences in cost data (by 9/1/19)



- II. With respect to convenience, CARE must include its commitments to accomplish all of the following and describe how it will fulfill these commitments by September 1, 2019:
  - a. Submit modifications to its convenience goals that are consistent with the results of the convenience study to CalRecycle; and
  - b. Complete audits of participating collector/sorters to ensure compliance with the revised Agreed Upon Procedures (AUPs) that support convenient collection (see below – refers to page 9 of original CalRecycle RFA).
- III. With respect to incentivizing markets for products made from post-consumer carpet, CARE must include its commitment to accomplish the following and describe how it will fulfill this commitment by September 1, 2019:
  - a. Establish a minimum weight of post-consumer carpet content a product must contain, on an annual basis, to be considered as a product made from post-consumer carpet.
- IV. With respect to source reduction, CARE must include its commitment to accomplish the following and describe how it will fulfill this commitment by September 1, 2019:
  - a. Develop AUPs for reuse. The AUPs must describe the documentation, processes, and procedures that must be kept and followed by reuse incentive recipients. The AUPs should also ensure that expansion of the reuse market is not adversely impacted by reused carpet not meeting the performance expectations.
- V. CARE must also complete and include all of the following:
  - b. Expanded and implementable collection procedures in CARE’s AUPs for collector/sorters to support Program convenience, including but not limited to, requirements that all carpet types must be accepted, and carpet is transported to a processor participating in CARE’s Program and not directly to a landfill;
  - c. A proposed timeline for auditing collector/sorters to ensure compliance with the revised AUPs; and
  - d. Clarifications and corrections to the revised Plan as specified in CalRecycle Attachment 5.
- VI. CalRecycle Attachment 5 – Corrections

Complete responses by CARE can be found in [Chapter 0](#) of the new 2018-2022 Plan, which was approved by CalRecycle on February 20, 2019.

### 3.3 Summary of Program Changes

The 2017 Annual Report narrated the extensive background work completed in developing the 2018-2022 Stewardship Plan. Building upon that, the newly appointed Advisory Committee reviewed the proposed Plan submitted to CalRecycle on March 16, 2018. Following disapproval of the Plan by CalRecycle on May 15, 2018, CARE revised the Plan. Plan revision work included weekly meetings with CalRecycle staff to work through the specific items noted in CalRecycle's Request For Approval (RFA) that recommended Plan disapproval. With inputs from CalRecycle staff and the Advisory Committee, CARE submitted its Revised Carpet Stewardship Plan 2018-2022, which was conditionally approved on October 16, 2018.

Conditions noted in CalRecycle's October 16, 2018, RFA, were formally incorporated into the Plan as "Chapter 0" in December 2018. Additionally, at CalRecycle's request, a revised version of Attachment 9 was included to provide further descriptive narrative about the Economic Model, Financial Model, and Cost Conversion (Profitability) Models.

With the conditional approval of the 2018-2022 Plan in October 2018, the following activities were implemented during the remainder of 2018:

- Public Collection Site incentives targeted on counties that had not yet opened a CARE public drop-off site. Section 4.2 provide more detail on collection site incentives.
- Incentives for Highest Recyclability. Section 6.2.1 addresses incentives for highest recyclability.
- Cycle 2 A/B Grants released with focus areas on California-based businesses, Highest Recyclability and deliverable recycled output in 2019. Sections 6.2.2 and 6.2.3

This section addresses changes in Program implementation from what was described in the 2011-2016 Plan. Specifically, it addresses changes in the assessment fee and the new Carpet Advisory Committee.

#### 3.3.1 Assessment Funds

There were no Assessment Fee changes from \$0.25 per square yard (sq. yd.) during 2018. The new 2018-2022 Plan proposing an Assessment Fee increase to \$0.35/sq. yd., effective January 1, 2019, was conditionally approved by CalRecycle in October 2018. Accordingly, CARE's Marketing, Education, and Outreach (MEO) Team conducted outreach in 2018 to publicize the future assessment changes, including the following efforts:

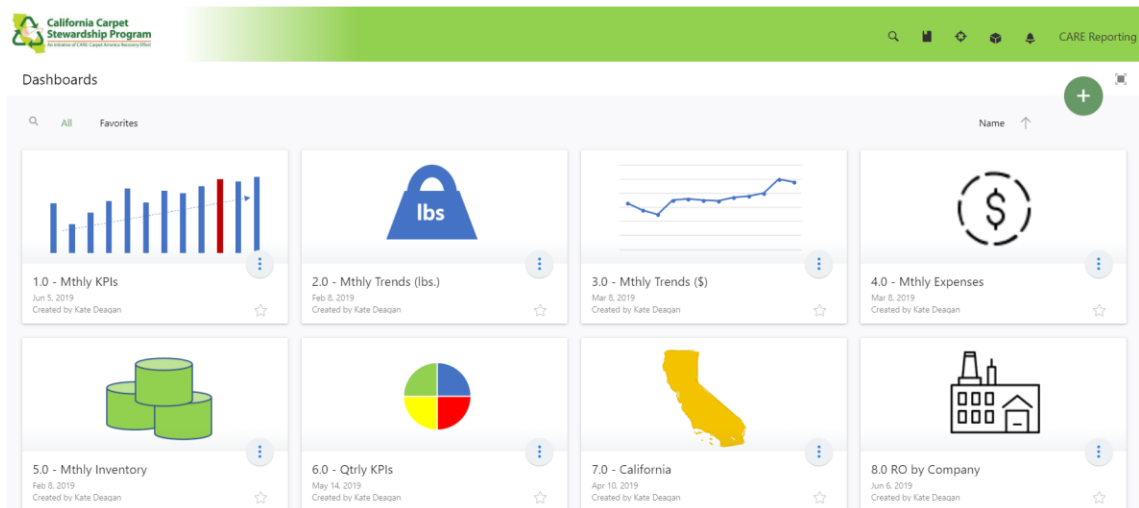
- CARE E-News sent to retailers who subscribe.
- Website posting on CARE's California Carpet Stewardship Program site.
- Webinar slides presented to California retailers.
- Direct mail to all California retailers.
- Retailer FAQs including assessment increase information.

Additionally, details were provided to all participating mills for their wholesaler/retailer client outreach efforts. Copies of these and other outreach collateral items are included in Appendix 10.10.

The \$0.25/sq. yd. assessment fee collected throughout 2018 continued to support Program enhancements adopted in Addenda 1, 2, and 3 and anticipated increases in recycled output. The funding collected from the assessment is directed to support changes adopted in Addenda 1, 2, and 3 including but not limited to:

- New 2018 subsidy changes:
  - Discontinued CAAF/Kiln processor subsidy – discontinued (new, effective December 31, 2017).
  - Initiated new pilot tile collection subsidy for CSEs – \$0.05/lb. (new, effective January 1, 2018).
  - Extended pilot carpet tile pilot subsidy on tile collected, shipped, and sold for recycle or donated for reuse – \$0.05/lb. (extended through September 2018). The pilot subsidy continues to remain in effect at this time.
  - New commercial broadloom processor subsidy – \$0.02/lb. (new, was to be effective Q3 2018 – suspended).
  - New Highest Recyclability incentive for processors on all nylon – \$0.05/lb. (new, effective January 1, 2019, no tiers).
  - New nylon 6,6 manufacturer subsidy – \$0.10/lb. (new, effective January 1, 2019).
  - Type 1 PET, manufacturer recycled output subsidy – \$0.25 (clarifying breakout for reporting/tracking; previously noted as Non-Nylon payout, effective Q3 2018).
  - Type 1 Polypropylene, manufacturer recycled output subsidy – \$0.25 (clarifying breakout for reporting/tracking; previously noted as Non-Nylon payout, effective Q3 2018).
- New online monthly reporting system. Beginning with Q3 2018 reporting, with guidance from CARE's data management company (Aprio), CARE moved the monthly data reporting to an online data reporting system known as HOST Analytics. The system is designed to replace the monthly reporting forms that were manually managed in Excel. The upgraded system provides additional data security while maintaining the ease of Excel formatting and with export capabilities. The online reporting forms are designed to replicate the current

Excel forms that reporting entities previously completed. The HOST Analytics system provides CARE with a convenient dashboard view of Program metrics.



- Grants program allocated up to \$3 million per year (October 2015 – Addendum 2):
  - Total grants paid in 2018 were \$454,675, 2017 was \$1,443,722 and \$852,764 in 2016.
    - Cycle 1A – (2016/2017) – Capital investment to increase processing and manufacturing capacity.
    - Cycle 1B – (2016/2017) – Product development and testing.
    - Cycle 1C – (2016/2017) – Recycled carpet product procurement grants.
    - Cycle 1M – (2017) – Collection/Reuse equipment and infrastructure improvements (new, launched in spring 2017).
  - In 2017, CARE approved \$3 million to be budgeted and distributed in grants over 2018/19, pending approval of the new 5-year Plan anticipated in 2018. The 2018 Grants are herein referenced in section 6.2.1
    - Cycle 2A – (2018/19) – Capital investment to increase processing and manufacturing capacity.
    - Cycle 2B – (2018/2019) – Product development and testing.
    - Cycle 2M – (2018/2019) – Collection/Reuse equipment and infrastructure improvements
- Establishing at least one carpet drop-off site in every county in California. Conditional approval to the new 2018-2022 Plan in October 2018, released funding to provide a total incentive of up to \$3,600 for new public drop-off sites in counties not yet served.
- Ongoing marketing/education/outreach to retailers, installers, and consumers.
- “Buy Recycled” market development efforts to expand and promote recycled and recyclable carpet products.

These efforts are critical to expanding markets for recycled output and increasing diversion from landfill, as mandated by Carpet Stewardship Laws. Despite the uncertainty revolving around Plan approval, which delayed release of grants, delayed CSE, processor and manufacturer investments and expansion, and inhibited drop-off site enrollment, CARE did realize a modest increase in recycled pounds. The Program realized a 4% increase in 2018 recycled pounds over 2017. With Plan approval and late 2018 and early 2019 release of grant funds CARE expects significant growth in recycled pounds and subsidy payouts in 2019. To meet budgeted financial obligations to make these payouts and cover program expenses, it was necessary to collect additional funds through the assessment.

### 3.3.2 Carpet Advisory Committee

Implementation of AB 1158 introduced the appointment of representatives from local government, recycling industry stakeholders, environmental organizations, flooring unions and contractors, carpet retailers, and carpet manufacturers as members of a new 16-person Carpet Advisory Committee. The Advisory Committee (AC) is appointed to provide recommendations to a carpet manufacturer or stewardship organization and to CalRecycle on carpet stewardship plans, plan amendments, and annual reports.

CARE is required to ensure that the AC receives copies of annual reports, stewardship plans or stewardship plan amendments no less than 30 days prior to final submittal to CalRecycle. CARE is required to review recommendations, and to the extent feasible incorporate those changes prior to CalRecycle submission or respond to the AC why those changes may only be accepted in part or not at all.

During 2018, the AC met 11 times to conduct the following business matters:

- Council formation and compliance with Bagley-Keene public meeting requirements.
- Review of the March 2018 Draft 2018-2022 Plan (labeled as Version 60).
- Discussion of “Recyclability.”
- Discussion of “Highest Recyclability.”
- Review of CARE responses to AC recommendations and prioritization of key elements.
- Review of the July 2018 Draft 2018-2022 Plan (labeled as Version 71).
- Review of the 2017 Annual Report.
- Review of Chapter 0 of the updated 2018-2022 Plan.

Appendix 10.11 provides copies of CARE’s responses to the Advisory Committee’s recommendations.

## 3.4 Laying a Foundation for Change

The Program continued to work to stimulate the market in 2018 for lasting change through short- and long-term approaches adopted during the prior year. To support development of a more robust carpet recycling industry, the Program continued to stimulate short-term change through strategies such as expanding outreach and education, developing a pilot for a Regional Approach deep dive approach on increasing collection convenience, adding drop-off sites, developing a drop-off site incentive for underserved counties, and increasing processor and reuse subsidies.

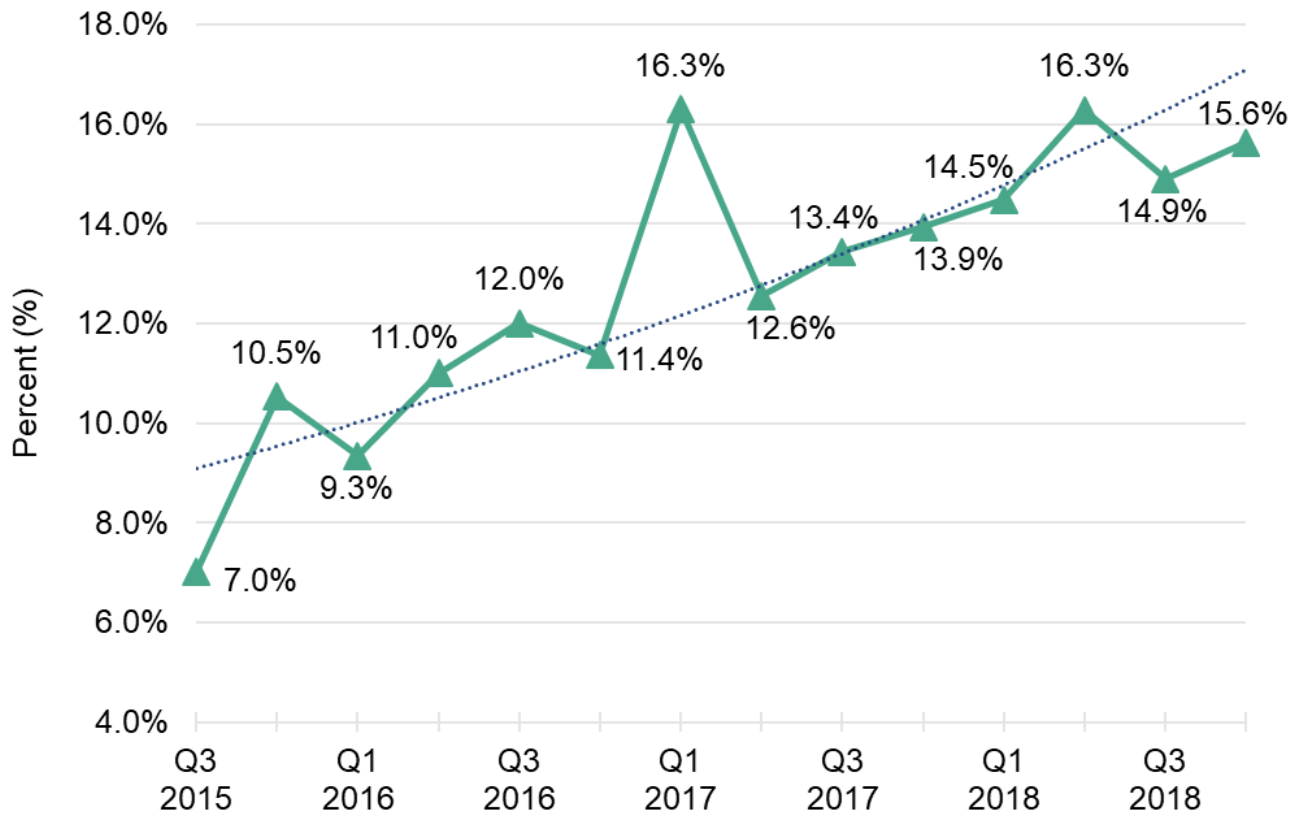
For a summary of subsidies effective in 2018, see Table 2. For a complete list of subsidies, including adjustments adopted in 2015 and 2016, refer to the Program's 2016 Annual Report – Appendix 10.1 and 2015 Annual Report – Chapter 3. Changes were also undertaken to spark long-term change, such as the continued development of the 2018-2022 Plan, ongoing stakeholder collaboration with the newly appointed Advisory Committee, and expanding processing and manufacturing infrastructure capacity in California through grants, technical assistance support, research and testing, product development and participation in various trade events to expand exposure to products with PCC content to meet society's needs.

By balancing both short- and long-term approaches and reacting quickly to unstable market conditions, the Program continues to work rigorously toward achieving a 24% recycling rate by January 1, 2020. The Program's responsiveness to a changing market supported growth in the recycled output rate from the Q3 2015 quarterly low of 7%. While the Program's 15.3% annual recycling rate for 2018 rate fell slightly short of its stated 2016 recycling rate of 16%, the Program has continued to show a consistent upward growth in recycling, despite the external challenges of changing global markets, particularly China's National Sword policies (see Section 4.7). Additionally, the unexpected sale of a strong new end-product manufacturer for decking lumber, and the related shuttering of the recycled products line, led to a near halt in PET fiber movement in late 2018 which will also impact 2019.

Figure B denotes Q2 2018 as the second time the Program hit at 16.3% recycling rate in two years, relating partially to seasonal product production. Each peak continued to be followed by a solid and steady upward trend.



Figure B. Recycling Rate



The new resources and incentives implemented up through 2018 have allowed a reasonably steady rebound, recovery, and growth for the Program. These improvements support recycling growth and long-term success underpinned by anticipated capacity increases in the processing and Tier-2 manufacturing sectors (see Sections 4.5, 4.6 and 4.9 for more detail).

**Table 2. Summary of Subsidies**

<b>Subsidy Category</b>	<b>Rate</b>
<b>CSEs</b>	<b>\$</b>
CSE Reporting Incentive	\$1,000
Tile Reuse or Recycling Collected, Sold, and Shipped (PILOT) Payout*	\$0.05/lb.
Tile Reuse Payout	\$0.10/lb.
Broadloom Reuse Payout	\$0.10/lb.
Broadloom Recycling Collected, Sold and Shipped	\$0.02/lb.
<b>Processors</b>	<b>\$</b>
Tile Recycled Payout	\$0.10/lb.
Type 1 Output (Fiber and DePoly only) Payout	\$0.10/lb.
Type 2 Output (Filler and Carcass only) Payout	\$0.03/lb.
Type 2 Calcium Carbonate (PC4) Payout	\$0.17/lb.
Broadloom Commercial Carpet Payout**	\$0.02/lb.
<b>Manufacturers</b>	<b>\$</b>
Non-Nylon Payout***	\$0.25/lb.
PET Payout****	\$0.25/lb.
Polypropylene Payout****	\$0.25/lb.
Nylon 6 Payout	\$0.10/lb.

\**Began in Q1 2018.*

\*\**Never operationalized and suspended at this time.*

\*\*\**Ended in Q2 2018, broken out at PET and PP.*

\*\*\*\**Began in Q3 2018.*

## 4. Program Outline: Collection & Recycling Sites

*CCR §18944(a)(4). Program Outline. Describe the carpet stewardship program, including information on the following topics:*

- (A) Types of collections sites and basic information about recycling facilities in California, e.g., how carpet is collection, number and location of processors, throughput and capacity of recycling facilities.*
- (B) Include facility name(s) and address(es) for each method of disposition.*

### 4.1 Program Description

The California Carpet Stewardship Program is responsible for increasing recycling and diversion of California post-consumer carpet (PCC) on behalf of carpet mills that sell or distribute their products in the state. The Program targets all carpet material types, including residential and commercial, indoor and outdoor, and broadloom carpet and carpet tile materials. It excludes rugs, underlayment, carpet cushion, and synthetic turf.

Retailers pass on a CalRecycle-approved assessment to consumers on behalf of carpet mills. Retailers submit the assessment to carpet mills when they pay their product invoices. Carpet mills submit assessment funds to CARE as the Carpet Stewardship Organization (CSO) on a quarterly basis, independent of retailer collection. These assessment funds are used by the Program to increase carpet recycling and diversion opportunities and achieve other program goals consistent with Carpet Stewardship Laws. The mills are audited using Agreed Upon Procedures (AUPs) on a recurring periodic basis. Larger mills are priorities to minimize risk and consistent with a CalRecycle auditor recommendation.

Assessment funds support public and CARE operated carpet collections/drop-off sites, independent collector/sorters, recycling (Tier-1 processors) and recycled product manufacturing (Tier-2 manufacturers), market development, grants, outreach and education, technical assistance and CARE program administration. Funds also support program administrative oversight activities by CalRecycle, which may receive up to 5% of all assessments from the prior calendar year, per Carpet Stewardship Laws.

For the public, the carpet recycling process starts with identifying public drop-off sites throughout the state in both urban and rural areas or choosing a flooring retailer or contractor that recycles PCC with the purchase of new carpet or flooring. Collector/sorter entrepreneurs (known as collector/sorters or CSEs) receive PCC from flooring retailers (via private business arrangements) and public drop-off sites. They sort the collected PCC by fiber type, bale similar materials, and sell the carpet to processors, which recycle the materials in their facilities. Tier-1 processors receive whole carpet

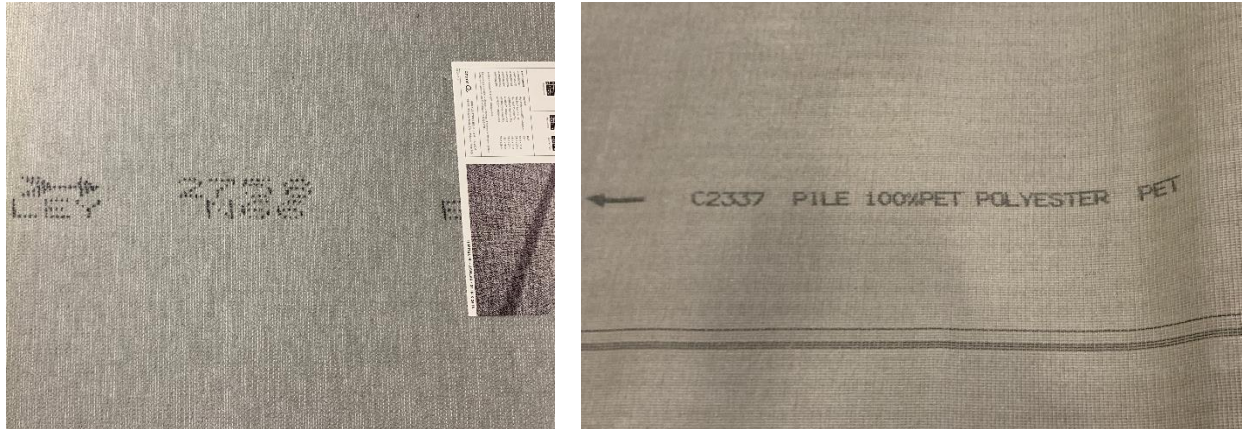
either directly from generators via their own collection system or from independent CSEs. Processors may be located within or outside of California but must use California-generated PCC to participate in the Program.

Processors produce various “recycled output” materials, such as carpet fibers and post-consumer carpet calcium carbonate (PC4) from carpet backing, which can then be used as feedstock for new recycled products manufactured by Tier-2 manufacturers. CARE works both inside and outside of California to develop markets for new and existing PCC-content products. Only California-generated PCC is eligible for subsidies under the Program. No subsidies are paid for processing or Tier-2 manufacturing outside of the United States.

Currently, most carpets are not easily identifiable visually. Sorting is done by hand, using a specialized infrared device supplied by Axsun or Thermo-Fisher, which identifies the face fiber material type. Fiber types include nylon 6, nylon 6,6, polyethylene terephthalate (PET), polytrimethylene terephthalate (PTT), polypropylene (PP), mixed fibers, and natural fibers (such as wool).

The carpet identification process will be streamlined in the future with the addition of an industry-funded back label on carpeting, which was initiated with a goal of full adoption by the end of 2016. At the end of 2018, this effort continued under leadership of Carpet & Rug Institute (CRI). Quantitative updated information on the precise implementation of back stamping has been difficult to obtain. At this time, the status on back stamping has not changed much. Seven of the top 10 mills (selling approximately 94% of all carpet sold in California in 2018) have implemented back-stamping on residential goods, and 5 of the top 10 mills have implemented the labeling on commercial carpet. General observations have shown that some challenges or delays in backstamping have related to acquisitions, mill size (small), overseas carpet production (no control), backing challenge and/or ink transfer to face fiber. CARE continues to work with Aprio to gather further details through ongoing annual surveys. Realistically, it may take a decade or more for back-stamping to affect the PCC recycling stream in a major way, but this is an important step toward improving polymer identification in the future and thus facilitating more cost-effective long-term recyclability. However, it can be noted that several recyclers have already observed some PCC coming in with back stamps for face fiber.

Following are two examples of back stamping for nylon 6,6 and PET:



Currently, mixed fibers and natural fibers do not have market outlets. Demand for nylon 6,6 remained strong in 2018, but it represents only a small fraction of the recycling stream. After several years of declining demand, nylon 6 has begun to rebound. The new pilot subsidy of \$0.10/lb. for Tier-2 nylon 6 recycled product was added in October 2017, increasing demand for nylon 6. The Tier-2 subsidy was set based on analysis using the Conversion Cost Model described in the Plan and discussion with recyclers. In late 2018, demand and pricing reached new highs. It is anticipated that with the introduction of the “highest recyclability” subsidy pricing on nylon fibers, demand for California nylon fibers will outstrip supply.

Conversely, in a shift from 2017, generation and demand for non-nylon (PET/PTT and PP) fibers have softened, despite Program-provided subsidies offsetting the gap between virgin and recycled polymer pricing. The unanticipated sale of a company producing PCC-recycled-content PET manufactured lumber resulted in an oversupply of PET starting around the third quarter of 2018. Unfortunately, the new buyer will not be producing the PCC PET lumber, and due to a contractual non-compete clause, the seller is not able to start a new company manufacturing this well-known and proven product. While it is anticipated that the seller will start a new company producing other PCC PET building materials, it may be late 2019 before their demand for PCC PET benefits California PET fiber suppliers. Unfortunately, this company was anticipated to be one of the key drivers for growth of PET demand.

Methods for processing whole carpet include a wide range of technical and engineering approaches to mechanically separate the more-valuable face fiber from the backing material. Cleaned and sifted face fiber may be used as a feedstock or combined with other feedstock materials to produce new products. Chemical depolymerization may be used to produce a polymer that can be re-extruded into pellets and then made into new plastic products. However, this is an expensive and energy-intensive process currently limited to nylon 6, and it contributes a very small percentage to overall recycling at this time. The depolymerization of nylon 6 currently represents the only closed-loop system

available, enabling nylon 6 recycled in this manner to be suitable to go back into carpet products for a second life (carpet-to-carpet, closed-loop recycling).

2018 also saw major developments for PET depolymerization. The first such opportunity is for conversion into polyols which go into a variety of urethane applications. While the 2018 volume was small, with the support of a CARE grant, capacity is expected to triple in 2019. CARE has also opened discussions with several major PET depolymerization companies in an effort to ensure PCC PET is considered as a major feedback for future operations.

In 2018, Aquafil opened a nylon 6 PCC processing facility in Phoenix and plans to open a new facility in the Sacramento area by second quarter 2019 to process California PCC, which will be depolymerized at their European facility located in Slovenia.

PC4 can be removed from the backing material and used in new products. Given the generous PC4 subsidy of 17 cents/lb. (virgin calcium carbonate costs about 1-2 cents/lb.) growth in the use of this material has climbed with further growth expected in 2019. Materials such as latex, glues, unrecyclable backing, and face fiber may be diverted via energy recovery or placed in a landfill. Under the Carpet Stewardship Plan 2011-2016, diversion includes carpet material that is reused as-is, processed into a recycled-output feedstock for new products, processed for use in Carpet As Alternative Fuel (CAAF), feedstock for cement kilns, or discards used as a waste-to-energy (WTE) source, or exported. However, effective January 1, 2018, no subsidies have been paid for kiln or CAAF fuel application.

The Program is working to increase carpet reuse and recycling, divert materials that cannot feasibly be recycled, and reduce the amount of carpet discards sent to California landfills. When whole carpet is shipped outside of the United States for processing, the Program tracks and reports quantities of carpet exported as diverted but is unable to track the precise final disposition of the exported materials at this time. Note, such export pounds of PCC represent less than 0.01% of total gross collections. At 279,924 lbs. in 2018, exports are down 90% from 2017 at 2.7 M lbs.

## 4.2 Drop-off & Collection Sites

Post-consumer carpet is collected at two types of sites before being delivered to collector/sorters or processors for sorting and processing:

- **Public drop-off sites.** Most public drop-off sites are sponsored by CARE. These sites are established in coordination with local government and/or waste facility representatives in each county where sites are established. Public drop-off sites are generally placed at traditional disposal locations such as transfer stations, landfills, material recovery facilities (MRFs), or construction and



demolition (C&D) recovery facilities. These locations allow installation contractors, do-it-yourself (DIY) individuals, and businesses to drop off source-separated and properly prepared PCC discards for recycling. A tip fee may be charged by each drop-off location, although CARE encourages sponsored sites to offer reduced tip fees for source-separated carpet to encourage landfill diversion. The Program provides signage, collection containers, swap-out service, logistical support, quarterly communications, promotion, and transportation of PCC to collector/sorters from CARE-sponsored public drop-off sites. See Section 8.2 for information on drop-off site outreach.

- **Private collection sites.** Private collection sites are located at commercial businesses (primarily at carpet retailers, but also commercial distributors and installer supply stores), and they recycle carpet using container pick-up service offered by a collector/sorter, processor, or local waste hauler. These retail flooring businesses provide installation and PCC tear-out services for their customers purchasing new carpet or flooring. Installation contractors may return PCC tear-out to the retailer for recycling. With CARE's shift to an online reporting system, and desire to provide more information for convenient collection analysis, CARE now requires collector/sorters and Tier-1 processors to report monthly on the number of sites to which they provide regular ongoing service. Approximately 156 private collection sites were receiving pick-up service statewide as of year-end 2018, which represents an approximate 37% decrease in private sites from 2017. While CARE reporting does not require reasoning for number of site declines, it is anticipated that several factors may be involved: parameters for reporting specifically note "regular and ongoing service" (rather than periodic projects); the opening of a nearby CARE public drop-off site that may independently choose to offer discounted incentive tip fees; and/or PET market oversupply may prompt collectors to raise the processing fee relating to market demand decline. Recycling service offered to commercial businesses includes PCC collection containers (trailers, debris boxes, or cargo bins), swap-out service, and transportation for source-separated PCC discards on a pay-for-service basis. Each service provider directly negotiates rates with each private service site. This container recycling service may be priced similar to or lower than regular disposal services. CARE strives to avoid setting up competitive services to the private collection network.
- **Convenient Collection.** As of year-end 2018, CARE estimates there are approximately 209 (156 CSE + 53 CARE) private pick-up service locations and public drop-off sites in California. Preliminary analysis of sites operating at the close of 2018 shows that 97.5% of the state's population lives within a county with access to one or more private or public carpet recycling sites, providing an average of one site per 187,000 people. Nine counties have 5 or more sites, five counties have 10 or more sites, and three have more than 20 sites. With the closure of one major processor in Southern California several collection sites



lost collection service. A portion were covered by other collectors, some have utilized drop-off sites, a small number have gone out of business, and it is recognized that some may not have yet signed up with another service provider. A convenience study is currently underway and scheduled to be submitted to CalRecycle by September 1, 2019. See Appendix 10.7 for a map of public and private collection sites; this map is a snapshot and will change from time to time with market dynamics.

In 2018, 11 new public drop-off sites were established (see Table 3), and two sites withdrew from the program. Four new sites were added in southern California and seven in northern California. By the end of 2018, there were 53 public drop-off sites supporting 47 counties (see Appendix 10.6).

**Table 3. Public Drop-off Site Figures Over Time**

Year	Total Drop-off Sites	Counties Served	% Change in Total Drop-off Sites from Prior Year
2012	6	6	
2013	6	6	
2014	14 (+8)	13 (+7)	+133%
2015*	23 (+9)	23 (+10)	+64%
2016	33 (+10)	33 (+10)	+43%
2017	44 (+12 -1 = +11)	41 (+9 -1 = +8)	+33%
2018	53 (+11 -2 = +9)	47 (+6)	+20%

*\*Program expanded from a rural county to a statewide effort, inclusive of both rural and urban counties.*

Throughout 2018, CARE worked to promote Program drop-off sites with local governments, waste task force groups, waste agencies, and disposal site operators in counties where public drop-off facilities have not yet been established, with a goal of establishing a minimum of one public drop-off site in each county. CARE staff targeted disposal and recycling facilities throughout the state, conducting approximately 280 phone calls and/or emails and 26 site visits to potential sites in 14 counties. CARE staff gave 6 in-person presentations and had 10 in-person meetings with local government recycling staff and/or waste task forces to help spread awareness, outline the CARE program, and connect with potential drop-off locations. The program was further promoted via monthly program e-news and continued collaboration with stakeholder groups such as Rural County Representatives of California (RCRC). At the end of 2018, a public drop-off site was established in 81% of California counties, and staff remained in discussion with 10 potential facilities in 9 counties. Some county efforts have been

adversely impacted by fire and/or rain events that divert attention to higher priority and urgent needs.

In an attempt to establish drop-off sites in counties that have been historically slow-moving or not interested, CARE explored new offerings:

- CARE expanded public drop-off site locations to include retail flooring stores, distribution locations, and flooring supply houses when waste facilities were not an option.
- CARE initiated an Adoption Incentive in October 2018, which provides \$2,400 to new sites in counties that did not yet have a CARE-sponsored drop-off site, with another \$1,200 provided once the site completes its second full container swap.
- Implementation of the Adoption Incentive assisted in securing 3 new sites prior to year-end 2018 (2 in Siskiyou County and 1 in Modoc County).

In 2019, CARE will continue efforts to promote Program offerings and will either initiate or participate in collection events in counties where public sites have not yet been established or where counties decline to participate. Findings from the convenient collection study will also be used to guide collection efforts.

**Table 4A. New Public Drop-off Sites Brought Online in 2018**

#	County	City	Facility Name
1	Placer	Truckee	Eastern Regional Landfill
2	San Bernardino	Victorville	Victor Valley MRF
3	Fresno	Fresno	West Coast Waste
4	Sacramento	Sacramento	North Area Recovery Station
5	Sacramento	Sacramento	Kiefer Landfill
6	Santa Clara	Sunnyvale	Bay Counties SMaRT Station
7	Siskiyou	Mt. Shasta	Black Butte Transfer Station
8	Siskiyou	Yreka	Oberlin Road Transfer Station
9	Modoc	Alturas	Holdorff's Recycling
10	Tulare	Visalia	Franey's Carpet One Floor and Home
11	San Benito	Hollister	RJR Recycling

The CARE Drop-off Site Program grew to a total number of 53 drop-off sites serving 47 counties in 2018. Participating drop-off sites oversee their daily operations, while CARE provides collection containers, swap-out service, technical assistance, promotional support, and transportation of PCC to processors. Sites are required to submit Quarterly Reports and attend Quarterly Drop-off Site Webinars where best practices, CARE updates, and troubleshooting common issues are discussed. In 2018, 178 people attended the quarterly webinars, and CARE received 167 quarterly reports.

CARE manages the dispatch of third-party haulers to pick up PCC from CARE-sponsored drop-off sites and coordinates the delivery of materials to collector/sorters. In 2018, the Program handled 416 container swap service requests (pulls of full containers) with third-party haulers.

The number of container swap service requests increased 31%, and the pounds of collected carpet increased 15.4% in 2018. A growing Drop-off Site Program requires growing technical assistance, support, and communications to the drop-off sites. CARE staff provided ongoing technical assistance to existing sites through troubleshooting support (in the form of regular calls and emails), 13 in-person site visits, and program refresher trainings. Individual outreach is conducted to every drop-off site on a quarterly basis to build consistent feedback systems and reliable drop-off site operations.

Improved internal service systems were developed in 2018, including consolidated hauling services, refined data management protocols, and a simplified dispatching process. CARE consolidated hauling services to one main hauler for the majority of drop-off sites, offering both trailer and cargo container service. The hauler transition occurred in Q4 2018 and helped streamline operations, increase cost savings, and aid with program expansion. Projected hauling cost savings for cargo container service is approximately 50%.

The Program's online California drop-off site map gives the public an easy, interactive way to find active drop-off sites for their used carpet and is also available as a PDF for download (see Appendix 10.6). The map includes site-specific data, such as the site address, hours, and carpet recycling fees. The map is updated regularly and promoted via digital, print, and in-person communications.

Program metrics and highlights for drop-off sites in 2018 include:

- 11 drop-off sites added while two were discontinued, a 20% net increase from the number of sites in 2017. The two sites were essentially discontinued due to inactivity: one due to a facility sale and the other is a county that does not have another active site.
- Approximately 7.9 million pounds of carpet were collected in 2018, a 15.4% increase over the 6.9 million pounds collected in 2017.

- Total costs (hauling + storage + carpet recycling fees) were \$930,447 in 2018 (up from \$678,042 in 2017), a 37.2% increase.
- While the increase in total cost (+37.2%) seems disproportionate to the increase in total pounds (+15.4%), the overall cost/pound collected increased from \$0.10/pound to \$0.12/pound. This increase is primarily due to increased hauling fees and carpet recycling fees charged by the collector/sorters for receipt of the material.
- Consolidation to one primary hauler offering both trailers and cargo containers, allowing long-term decreases in costs and expansion of services. 50% hauling cost savings are projected for cargo container service.
- Updated education and outreach materials (see Chapter 8).
- 4 Drop-off Site Quarterly Webinars conducted with 178 people in attendance.
- In 2018, 91.5% of all gross collections were collected by collector/sorters, while 8.5% were collected through CARE public drop-off sites.

### 4.3 Year in Review, Barriers, Next Steps and Best Practices

CARE staff continued to work diligently throughout 2018 to establish at least one drop-off site in each California county. However, the year closed with CARE short of its goal of 58 sites, with CARE staff and stakeholders identifying various obstacles that can prevent securing a new drop-off site. Each facility, local government, and region is distinct, having its own set of particular issues and systems in place. The Program works with potential sites and local governments to identify these challenges and opportunities to provide support in how the Program can be integrated within preexisting waste management systems and related limitations.

The following section includes the most prevalent barriers to bringing drop-off sites online either at all or in a timely fashion in 2018. Please note that this section is intended to act as a foundation from which the Program can continue to expand our working knowledge and focus areas to achieve improved results in the future. Accordingly, also included is a brief list of best management practices and next steps, some of which have already been implemented by CARE staff to help overcome common barriers.

### 4.3.1 Common/Recurring Barriers

The following identifies some of the common or recurring barriers to participation, observed by CARE staff or identified by potential new public drop-off sites:

- Facilities have extended timelines for internal consideration, approval of new program adoption, or establishing readiness from a space, labor, and/or operations perspective.
- Limited labor and/or resources.
- Some facilities are not equipped to keep carpet clean and dry.
- Many facilities want to mechanically load to save labor costs and/or avoid safety issues, which may not be possible with the container type available or feasible.
- Space constraints.
- It can be less expensive to landfill PCC, especially in areas with low tip fees.
- Facility and local government staff expressed uncertainty around the future of CARE as the designated Carpet Stewardship Organization and did not want to commit or join the program until a 5-Year Plan was approved.
- Facilities often undergo renovations, major construction, or contract changes which can delay participation.
- Facilities may experience staff turnover of key personnel. This can delay adoption, as it can require significant relationship-building to establish each new drop-off site.
- A few facilities have noted that if a recyclable material (e.g., carpet) is not specifically noted in their contract with a jurisdiction they are not required to participate in carpet recycling.
- Disrupting and/or extreme weather conditions (e.g., fire, winter rains, snow), which can have effects for extended periods of time.

### 4.3.2 Next Steps and Best Practices

Below is a list of next steps and best practices relevant to the above-mentioned barriers. Several of these practices have already been implemented by CARE staff, as noted below.

- Provide a reliable and operationally smooth Drop-off Site Program
- Promote micro-grants as a resource for addressing barriers to collection, such rain covers, cement pads, etc.
- Provide adoption incentives for counties that have been slow or hesitant to adopt the program.

- Discuss best practices and successful strategies for management of carpet during quarterly webinars with drop-off sites
- For counties in which a drop-off site at a solid waste or recycling facility is not possible, set up a public drop-off site at a flooring retailer, distribution center, or supply house.
- Verify that carpet is on the “list of acceptable items” for hauler C&D containers.
- Encourage active drop-off sites with C&D recovery facilities to pull out carpet for recycling.
- Conduct regular site visits and additional technical assistance, which may require additional staff resources (additional staff planned for 2019).
- Consider collecting detailed information regarding labor costs associated with carpet drop-off/collection labor and management. This could help provide tailored solutions for locations with labor shortages.
- Provide a variety of container types and self-hauling options, so that facilities can use their preferred container type.
- Provide site-specific signage, labeling/decals and supporting literature including use of multi-lingual collateral.

### 4.3.3 Benefits of Drop-off Site Participation

While the barriers described above highlight some of the difficulties in establishing and maintaining drop-off site participation, there were also many successes, benefits, and positive results in 2018. The Program has established and supported public drop-off sites since 2012. Participants regularly report that the Drop-off Site Program operates smoothly. CARE-sponsored drop-off sites report the following benefits of participating in the Program:

- Convenient collection facility for residents and businesses in their county/region.
- Alignment with local and statewide recycling and diversion goals; the Program supports local governments and waste facilities/haulers in meeting mandated requirements and goals by offering diversion of bulky, carpet discards that would otherwise be sent to landfill.
- Free collection containers for, and transportation of, discarded carpet, as well as tip fees paid for by the Program at the recycling destination facility.
- Educational materials, site-customized flyers and signage to promote the drop-off location, procedures for proper preparation.
- Inclusion on the drop-off site map on the CARE website, including location, site hours and other facility details.

- Digital ads promoting the facility and targeting regional interest in carpet recycling through retailers, installers, and the general public
- Access to customizable templates for a PSA, press release, and newsletter article for added promotion.
- In-person education and outreach to retailers and installers within proximity of the drop-off site.
- Ongoing and in-depth technical assistance by CARE staff, quarterly webinars, sharing best practices, and regular drop-off site engagements.
- Sites are permitted to charge and collect tip fees for carpet, although they are encouraged to offer a reduced rate for carpet.

## 4.4 Regional Approach

In 2017, the CARE team began a Regional Approach pilot to test the effectiveness of a cohesive, multi-touch strategy to educate and learn from various stakeholder groups within a geographic area, with a goal of improving collection, recycling, and awareness of carpet recycling opportunities. Two regions were selected, one each in northern and southern California using the following primary criteria:

- An established CARE drop-off site willing to be involved in the regional efforts (i.e. participate in a specialized collection and drop-off activities and reporting, ability to haul containers, etc.).
- Manageable geographic area with sufficient opportunities to increase PCC collection and launch public education and outreach campaigns.
- Ample presence of carpet retailers and installer supply stores.

While there were several regions that met the above criteria, the following were chosen due to CARE staff's knowledge of and proximity to the areas, as well as pre-existing relationships with local drop-off sites:

- **Los Angeles area:** approximately 30 miles surrounding American Reclamation (CARE drop-off site) and areas serviced by American Reclamation, concentrated in the communities of Burbank, Glendale, and portions of Los Angeles.
- **Greater Sacramento area:** generally focused in Sacramento County within ~30 miles of the City of Sacramento and including portions of the surrounding counties of Yolo, El Dorado, and San Joaquin; areas serviced by Florin Perkins (CARE drop-off site).

One of the main goals of the Regional Approach was to quantify changes in gross collected pounds from target drop-off sites in each region during the implementation



period. While the groundwork laid in 2017 allowed CARE to quantify results that year (as reported in the 2017 Annual Report), 2018 saw significantly more growth in material collected in both target regions.

#### **4.4.1 Regional Approach Results – 2018 Drop-off Site Pounds Collected**

##### **Drop-Off Sites – Northern California Region (Figure 4B)**

- In addition to the four existing sites in the greater Sacramento region (Florin Perkins Public Disposal, Yolo County Central Landfill, El Dorado Disposal/Waste Connections, and North County Recycling Center), two new CARE drop-off sites were brought online: North Area Recovery Station and Kiefer Landfill.
- The Florin Perkins drop-off site saw a 278.7% increase in annual gross collected pounds in 2018 compared to 2017, and a 329.8% increase compared to 2016.
- The 6 drop-off sites in the region saw a 202.7% increase in annual gross collected pounds in 2018 compared to 2017, and a 291.3% increase compared to 2016.
- The total number of annual swaps for all 6 drop-off sites in the region increased 212.1% in 2018 compared to 2017, and 281.5% compared to 2016.

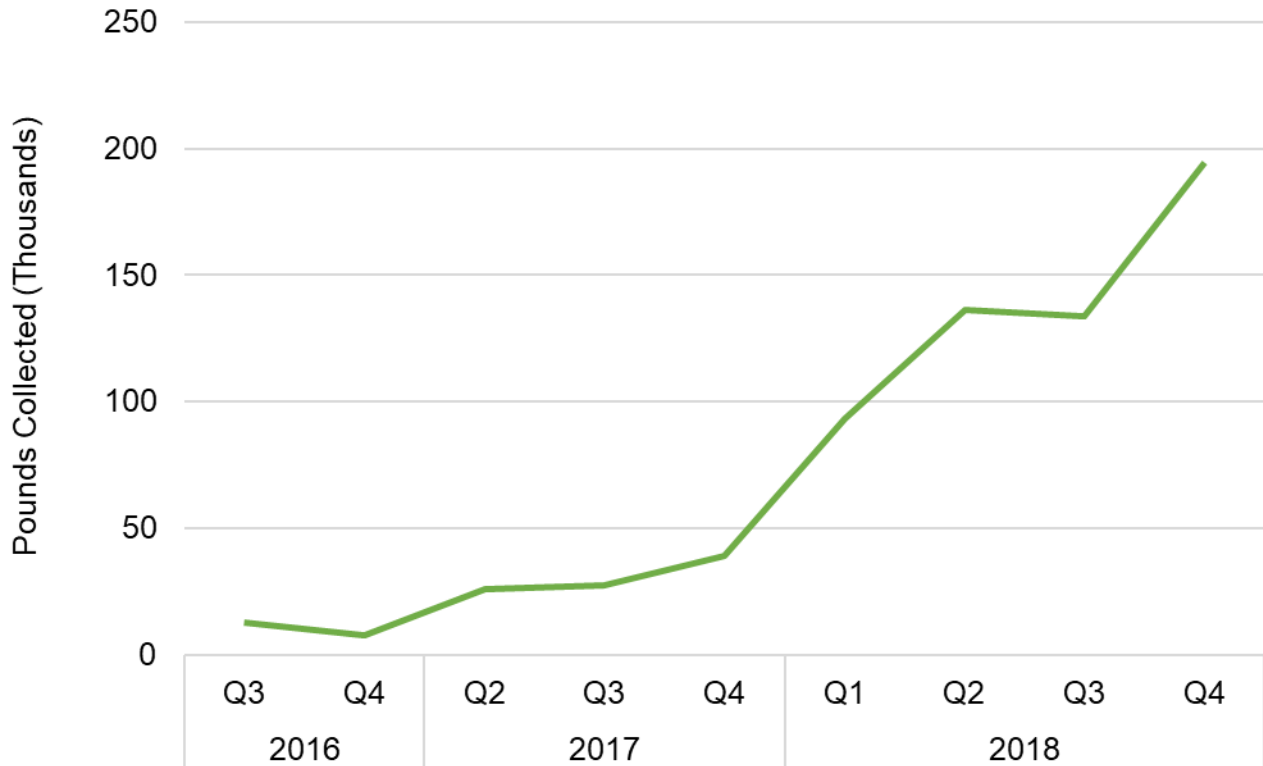
##### **Drop-Off Sites – Southern California Region (Figure 4C)**

- The southern California approach was more narrowly focused, with the goal of increasing pounds via onsite carpet recycling service for interested small and medium sized retailers that were not already being serviced by a CSE. By the end of 2018, American Reclamation maintained 4 accounts with onsite carpet recycling service.
- The American Reclamation drop-off site saw a 501.3% increase in annual gross collected pounds in 2018 compared to 2017, and a 2,687.0% increase compared to 2016 (American Reclamation started operations with CARE in May 2016). In addition, the site maintained a 45% reduction in its tip fee (carpet drop-off fee) for source separated carpet.
- The total number of annual swaps in 2018 increased 250.0% compared to 2017, and 1,300.0% compared to 2016.
- The number of discrete drop-offs of clean, source-separated carpet increased 278.6% in 2018 compared to 2017.
- Additionally, American Reclamation received 56 loads of mixed flooring from which carpet/carpet tile was sorted out for recovery (estimated at 267 tons, an average of 5 tons/load).

**Figure 4B. Northern California Regional Approach Drop-off Site Pounds Collected, 2016-2018 (Quarterly)**



**Figure 4C. Southern California Regional Approach Drop-off Site Pounds Collected, 2016-2018 (Quarterly)**



## 4.5 Collector/Sorters

Collector/sorters or CSEs are an important participant in the carpet recycling ecosystem. These entities collect used carpet and sort it by fiber type in preparation to sell to processors, who then recycle the material into usable recycled output. CSEs collect used carpet in three ways, generally as a fee for service: 1) CSEs may place a trailer or container at a drop-off site; 2) CSEs may accept carpet drop-offs at their warehouses; 3) CSEs may provide pick-up service from a private drop-off site, such as a retailer. CSEs operate in what is referred to as a private collection network which is responsible for >90% of carpet collection. In addition to their private collection network, CSEs may also accept CARE public site trailers as a source of PCC.

In 2017, CSEs were eligible for two types of subsidies:

- CSE (Whole Carpet Sorted/Shipped/Sold) Subsidy: \$0.02/lb. for carpet that is sorted, sold, and shipped, with a cap of \$150,000/quarter or \$400,000 year (note cap was removed effective January 1, 2018).
- Reuse Subsidy (Carpet Tile/Broadloom): \$0.10/lb. for materials shipped and sold/donated.

Beginning in 2018, CSEs will also be eligible for an additional subsidy (as outlined in the November 2017 participant notice) to grow tile reuse and recycling:

- CSE Carpet Tile Collection Subsidy: \$0.05/lb. for carpet that is sorted, sold/donated, and shipped for reuse or recycling (effective January 1, 2018)

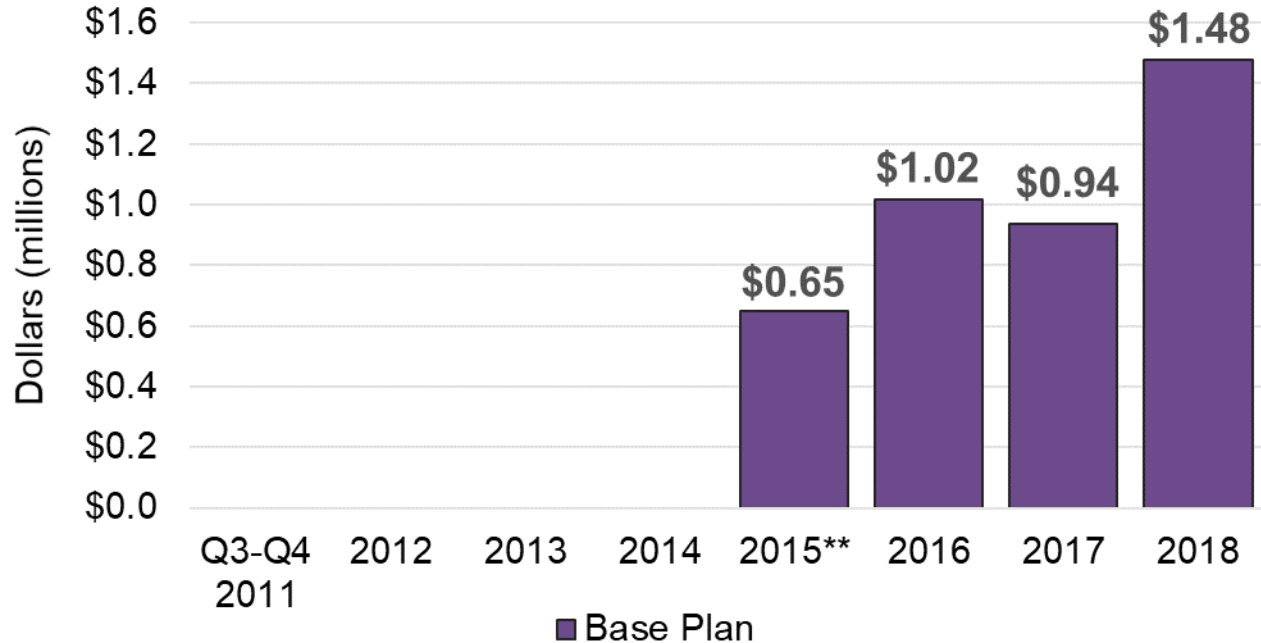
Nine CSEs were registered to participate in the California Program during 2018, up from eight in 2017 (see Table 5). Five participating CSEs also function as Tier-1 processors. It should be noted that pure CSEs, those who only function as a collector/sorter and provided no further processing, still receive a legacy monthly reporting subsidy of \$1,000.

**Table 5. CSEs Requesting and Receiving Funding During 2018**

#	Company	City	State	Q1	Q2	Q3	Q4
1	Circular Polymers	Lincoln	CA	Y	Y	Y	Y
2	Construction & Demolition Recycling, Inc. (CDR, Inc.)	Carson	CA	Y	Y	Y	Y
3	Gone Green Recycling	Reno	NV	N	N	Y	Y
4	GreenWaste Carpet Recycling	San Jose	CA	Y	Y	Y	Y
5	Interface, Inc.	Atlanta	GA	Y	N	Y	Y
6	Los Angeles Fiber Co. (LA Fiber)	Vernon	CA	Y	Y	Y	Y
7	Planet Recycling	Chula Vista	CA	Y	Y	Y	Y
8	Shaw Industries Group, Inc.*	Dalton	GA	Y	Y	Y	Y
9	Tandus Centiva Inc.	Dalton	GA	Y	N	Y	Y

*\*Discontinued processing operations in late in 2016 but continues to report processed output from inventory.*

In 2018, the Program paid out \$1.48 million to CSEs as subsidies, up from \$0.94 million in 2017, representing a 57% increase (see Figure C). It should be noted that a portion of this increase is due to a reclassification. Previously Tier-1 Processors who may have also provided collection services were reported separately in a combined report for both their collections and processing. In 2018, Tier-1 Processors now report separately as a CSE for their collections and as a Processor.

**Figure C. CSE Payouts Over Time\***

*\*In the 2018 Annual Report, all CSE pounds are now consolidated directly in CSE section. Previously, Tier-1 Processors who also collected were reported separately. Historical data changed slightly due to this reclassification.*

*\*\*Only includes Q3 and Q4, as CSE collection subsidies were initiated in 2015.*

#### 4.5.1 Collector/Sorter Facilities

A list of all public CSEs and their addresses is included in Appendix 10.3. Listed facilities are limited to members of the California Program, locations that are participating in the California subsidy program, and those that have specifically coordinated with the California Program to be listed as a drop-off site. Additional privately contracted drop-off sites are available throughout California, but for competitive confidential business reasons, CSEs do not currently release listings of their private drop-off locations. Participating facilities and accepted materials change over time; data maintained on the California Program database is based on the best available data as reported by the participating facility. CARE does collect private collection site county-level information, but not discrete locations. CSE reporting on number of private collection sites was expanded in the reporting form effective Q1 2018. To be considered a qualifying recipient for potential subsidy funding in 2018, CSEs (as well as Tier-1 processors, and Tier-2 manufacturers) are required to be CARE members in good standing and sign an agreement. Under the agreement, qualified recipients are subject to program reporting, Agreed Upon Procedures (AUP) review, management practices, and documentation requirements. Participant onboarding procedure (for CSEs, processors, manufacturers and mills) is summarized in a graphic as Appendix 10.2.)

## 4.6 Tier-1 Processors

Tier-1 processors receive source-separated PCC discards and convert material into recycled output to be used in the manufacturing of secondary products. Some Tier-1 processors may also function as Tier-2 manufacturers and/or CSEs. Thirteen processors were registered with the Program in 2018. One processor discontinued operation in 2016 but continues to report inventory each period. Two processors were registered in the Program during the period but did not request or receive funds during 2018, and two other processors discontinued as active processors. Table 6 lists participants requesting funds at least once during each reporting quarter, with “Y” green cells indicating “yes” funds were requested and received and “N” red cells indicating that “no” funds were requested or received during the period.

**Table 6. Tier-1 Processors Receiving Funding in 2018**

#	Company	City	State	Q1	Q2	Q3	Q4
1	Aquafil Recycling #1, Inc.	Phoenix	AZ	N	Y	Y	Y
2	Bro-Tex	Saint Paul	MN	N	N		
3	CarpetCycle	Newark	NJ	N	N		
4	Cedar Plastics	LaGrange	GA		Y	Y	Y
5	Circular Polymers	Lincoln	CA	Y	Y	Y	Y
6	Columbia Recycling Corp.	Dalton	GA	Y	Y	Y	Y
7	Gold Pond Corp.	Dalton	GA	Y	Y	Y	Y
8	Interface, Inc.	Atlanta	GA	Y	N	Y	Y
9	Los Angeles Fiber Co. (LA Fiber)	Vernon	CA	Y	Y	Y	Y
10	Shaw Industries Group, Inc.*	Dalton	GA	Y	Y	Y	Y
11	Tandus Centiva Inc.	Dalton	GA	Y	N	Y	Y
12	Wellman	Johnsonville	SC	N	N	N	N
13	Wetsel Oviatt Recycling	Elk Grove	CA			N	N

\*Discontinued processing operations in late 2016 but continues to report processed output from inventory.

■ Not active participant in AB 2398 Program during this time.

Of the nine Tier-1 processors registered throughout 2018, three (one-third) operated facilities within California, while the remaining six processed California carpet through operations located in other states. Seven Tier-1 processors were active at the beginning 2018, with five actively requesting funds each quarter. Not all processors participated every quarter. At least two California companies operated as both a Tier-1 processor and Tier-2 manufacturer.

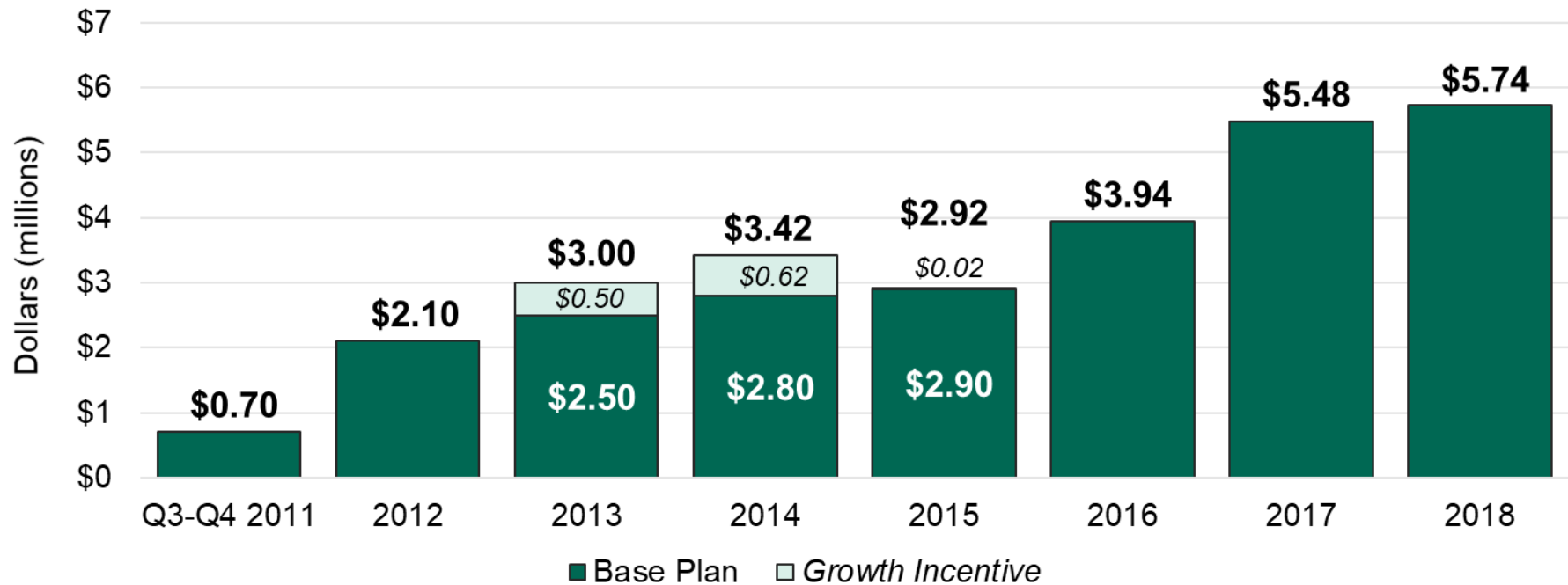
In 2018, the Program paid out \$5.74 million to Tier-1 processors as subsidies, up 5% from \$5.47 million in 2017 (see Figure D). The Tier-1 growth incentive was deactivated as of January 1, 2017.

Two new processor subsidy changes were approved in 2017 which took effect in 2018. These were summarized in the November 2017 participant notice (see Appendix 10.12):

- **Commercial Broadloom Subsidy:** \$0.02/lb. for Type 1 recycled output derived from commercial broadloom, paid in addition to existing \$0.10/lb. Type 1 recycled output subsidy (effective July 1, 2018). However, due to delay in processing facility coming online, this subsidy was not activated in 2018.
- **CAAF & Kiln Subsidies:** \$0.03/lb. for processing waste diverted via CAAF or Kiln (discontinued prior to January 1, 2018)



**Figure D. Tier-1 Processor Payouts Over Time\***



*\*Prior to 2017, in a few cases, minor manual adjustments may have been made to payouts after reports are submitted by participants. Adjustments include, but are not limited to, deductions for late membership fees, self-reported errors, and errors in reporting found through Agreed Upon Procedures (AUPs), and deductions for late membership fees.*

*Additionally, in the 2018 Annual Report, all CSE pounds are now consolidated directly in CSE section. Previously, Tier-1 Processors who also collected were reported separately. Historical data changed slightly due to this reclassification.*

## 4.7 Tier-2 Manufacturers

Used carpet may be recycled to make new carpet or as a feedstock component in the manufacture of other products. Tier-2 manufacturers buy recycled output processed from the carpet fiber or carpet backing and incorporate it into new or existing products. During 2018, there were 17 registered Tier-2 manufacturers producing a variety of products, including: carpet/carpet tile, carpet cushion/underlayment, building insulation, water heater blankets, mattresses, pillows, pallets, automotive plastic components, shelving units and toolboxes, packaging, and erosion control products (see Section 6.4). The following table lists participants requesting funds at least once during each reporting quarter, with “Y” green cells indicating “yes” funds were requested and received and “N” red cells indicating that “no” funds were requested or received during the period (see Table 7).

**Table 7. Tier-2 Manufacturers Receiving Funding in 2018**

#	Company	City	State	Q1	Q2	Q3	Q4
1	American Fiber Cushion	Dalton	GA	Y	Y	Y	Y
2	Aquafil USA, Inc.	Cartersville	GA			Y	Y
3	Arropol Chemicals	Dalton	GA			N	N
4	Bonded Logic	Chandler	AZ	Y	Y	Y	Y
5	Cedar Plastics	LaGrange	GA		N	N	N
6	Circular Polymers	Lincoln	CA	Y	Y	Y	Y
7	Columbia Recycling Corp.	Dalton	GA	Y	Y	Y	Y
8	Fiber Commercial Technologies	Mankato	MN	Y	Y	Y	N
9	GeoHay, LLC	Inman	SC	Y	Y	Y	Y
10	KMI Group	Kenton	TN		Y	Y	N
11	M. Chasen & Son, Inc.	Irvington	NJ	N	N		Y
12	Manassas Polymers	Calhoun	GA			Y	Y
13	MP Global Products LLC	Norfolk	NE	Y	Y	Y	Y
14	Reliance Carpet Cushion	Vernon	CA	Y	Y	Y	Y
15	Shaw Industries Group, Inc.*	Dalton	GA	N	N	N	N
16	Sustainable Polymer Systems, LLC	Miramar Beach	FL				Y
17	Wetsel Oviatt Recycling	Elk Grove	CA			N	N

\*Discontinued processing operations in late 2016 but continues to report processed output from inventory.

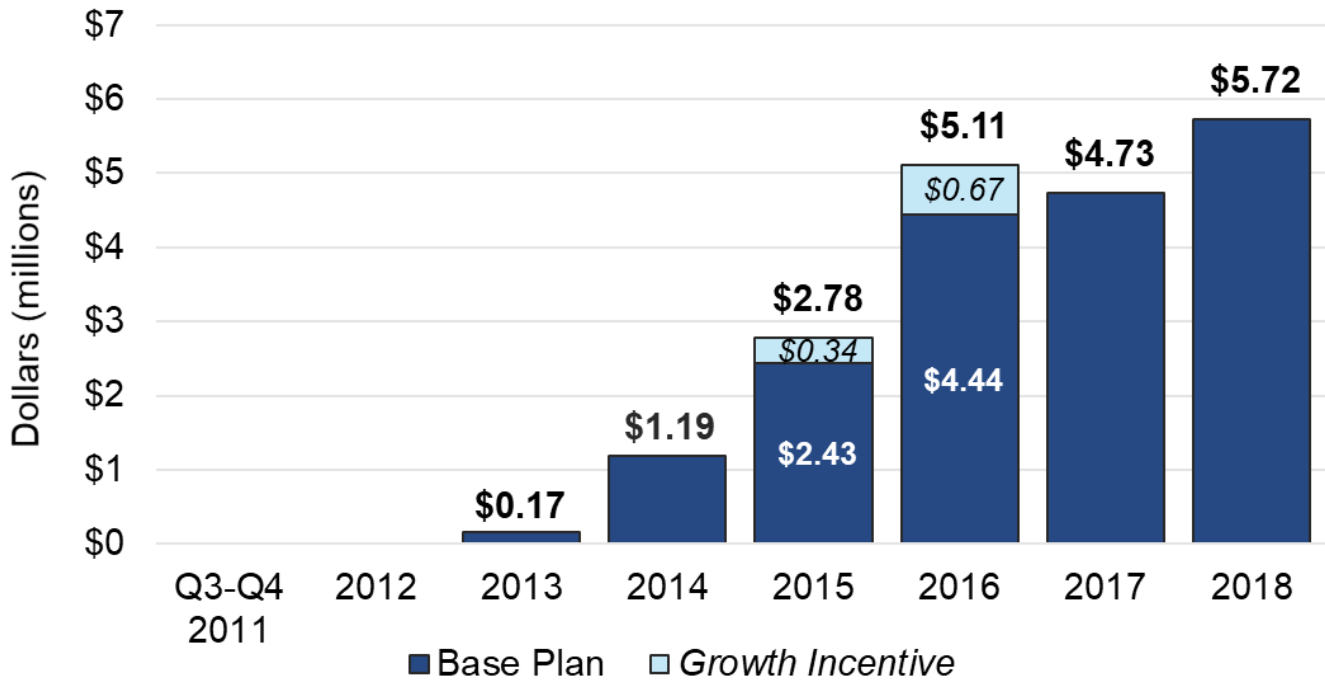
■ Not active participant in AB 2398 Program during this time.

Tier-2 manufacturer payouts increased in 2018 by 21% from \$4.73 million in 2017 to \$5.72 million in 2018 (see Figure E). This increase is likely due to multiple factors such as increased number of manufacturers reporting to CARE, nylon 6 products using Type-1 recycled output eligible for Tier-2 subsidies, as well as external market demand increase for nylon 6 coupled with the new incentive on nylon 6 (Q4 2017, \$0.10/lb.). In Q4 2017, nylon 6 was 2.2% of the manufacturer payouts, whereas in 2018 the annual payout on nylon 6 was 4.7%, an increase of 114%.

Additional secondary products may use nylon or PC4 as recycled content feedstock in such products as carpet/carpet tile, rubber mats, ramps/transitions, wheel stops, molded plastics, engineered resins, etc. but are not or were not previously eligible to receive Tier-2 subsidies and thus are not tracked by the Program. As of October 1, 2017, nylon 6 products using Type 1 recycled output are eligible for Tier-2 manufacturer subsidies. Tier-2 manufacturers using nylon 6,6 or PC4 were not currently eligible for Tier-2 manufacturer subsidies in 2018.

For a summary of all pounds and subsidies paid to collector/sorters, Tier-1 processors or Tier-2 manufacturers in 2018, refer to Table 17, in Section 7.5. This table is in response to Advisory Committee August 2018 Recommendation 1.1(a).

**Figure E. Tier-2 Manufacturer Payouts Over Time\***



*\*Prior to 2017, in a few cases, minor manual adjustments may have been made to payouts after reports are submitted by participants. Adjustments include, but are not limited to, deductions for late membership fees, self-reported errors, and errors in reporting found through Agreed Upon Procedures (AUPs), and deductions for late membership fees.*

## 4.8 California Recycling Facilities

The Program uses a network of facilities located both in and outside of California, even as it works to increase the in-state capacity for collections, recycling and secondary manufacturing. In 2018, 49% of the total subsidies were paid to California-based operators, down slightly from 54% in 2017. The 2018 balance (51%) was paid to domestic facilities located outside of California. It should be noted that despite that decrease, overall there was a 4.5% increase in the total monies paid to California companies. While more non-California companies joined the Program in 2018, a key reason for the decline can directly be attributed to the late 2017 closure of a large California processor. No subsidy funds were paid outside the United States.

In addition to subsidies, grant funds support capital improvements, product testing, recycled product procurement and collection/reuse. California-based projects are given preference under Cycle A and B grant elements, while applicants to Cycle C and M grant elements are required to be California-based projects. Of the \$3.1M awarded for 2018-2019 project implementation, 81.5% was awarded to California-based projects

under capital expansion (92% of funds for California projects) and new product testing (54% of funds for California projects) categories. All California-based testing applicants were awarded grants. This pool of awardees included 8 capital grantees and 6 testing grantees. Under the micro-grant category, over \$78,000 was awarded to 6 California-based projects to support increasing or expanding collections and reuse operations.

## 4.9 International Recycling Facilities

A small amount (140 tons) of whole carpet was exported outside the United States to international recycling facilities in 2018. The 90% decrease from the 1,396 tons shipped in 2017 is primarily due to the closure of Carpet Solutions. For 2018 shipments, these facilities are primarily located in Asia, India, Europe and Australia, although markets fluctuate over time. In 2017, China implemented a new National Sword policy, which has impacted global markets for recycled commodities. While exports of PCC to China are small, other polymer sources—now backflowing and handled inside the United States due to National Sword—are adversely affecting supply and demand for carpet polymers. This will continue to impact demand for recycled commodities moving forward.

The California Program does not provide any support for international recycling facilities and no incentives are paid for PCC processed outside the United States. CSEs are compensated for pounds sold and shipped internationally for recycling. For the purposes of the Program, all reported whole carpet exports are considered diverted from California landfills, although as the final disposition of these materials is unknown, exports are not included within recycled output estimates. Recycled output processed in California or the United States is eligible to receive subsidies; the finished recycled output may be used by domestic or international secondary product manufacturers.

## 4.10 Capacity

For this report, capacity is defined as the estimated volume of carpet discards that can be processed by participating Tier-1 processors in the marketplace. This measurement is based on self-reported figures and permitted capacity figures. Capacity is generally presented in tons per year (TPY), per the CalRecycle FacIT definitions.

In 2018, there were 13 processors registered with CARE (see Table 6). However, only 10 were active and received subsidies in 2018. Of those 10, only 8 responded to the capacity survey (80%), including both California processors.

The total maximum capacity as self-reported by responding processors is 444.6 million pounds/year (222,000 tons/year), or 138% of 2018 estimated discards of 322 million pounds (161,000 tons). The net reported change in maximum available capacity in 2018 decreased 8% from 482.4 million lbs. (241,000 tons) in 2017. Changes within two

processor's facilities accounted for the decrease. Accounting for the final closure and auctioning of Carpet Solutions' equipment an additional estimated 30 million pounds (15,000 tons) of California capacity was not available in 2018.

A number of factors impact the maximum capacity of any given facility. Examples include, but are not be limited to, process(es) employed; utility rates (some facilities must shut down during peak demand to avoid excessive electricity costs); mechanical reliability of processing equipment; number of labor shifts per day; and other individual business practices.

The maximum capacity estimated in California (based on the two responding California-based processors) is 63 million pounds (31,500 tons), or 20% of 2018 discards, representing a 37% decrease from 99.5 million (64,752 tons) reported in 2017. Carpet Solutions' closure in late 2017 accounted for 53% of California capacity lost during the prior reporting period. The total capacity used in 2018, based on all 8 self-reports, is 86.9 million pounds/year (43,000 tons) or 27% of 2018 discards, a decrease of 2.6% from the 482 million pounds reported by ten processors in 2017.

It should be noted that reported capacity figures reflect capacity which may be used to support carpet recycling flows both in and outside of California, such that available capacity to support California throughput may fluctuate over time with changes in domestic market PCC supply and demand and individual business practices. To better understand the available capacity used for California-generated PCC in 2018 specifically, CARE requested data from processors estimating the percent of available capacity used in 2018 for California PCC processing – this was the second year such data was requested. In 2018, 8 processors estimated that 86.9 million pounds (43,000 tons) of capacity was used to process California PCC during the period, of which 36.2 million pounds (18,000 tons), or 11% of 2018 discards and 39% of 2018 gross collections was in California. As gross collections in 2018 totaled 94 million pounds, it is clear that these survey results are under reporting used capacity. However, based on these reports, it can be estimated that approximately 27% of reported processor capacity was used to process California PCC during the period, or 20% of their reported maximum capacity.

Capacity varies as CSEs, Tier-1 processors, and Tier-2 manufacturers enter/leave the market or expand/downsize their operations. Despite the 2017 year-end CSE/processor loss of Carpet Solutions, California did gain a new and rapidly growing CSE/processor who relocated their operations to California. Enabled in part by a Cycle 1A and 2A capital improvement grants, and significantly supported through a \$2 million CalRecycle RMDZ loan, CLEAR/Circular Polymers is now well established in the Sacramento area. (Note that this business was previously known as CLEAR and recently changed its name to Circular Polymers; for clarity, this document refers to the company as "CLEAR/Circular Polymers" throughout.)

As the Program continues to increase demand from Tier-2 manufacturers, Tier-1 processor excess capacity can be consumed. As demand increased in 2018, some facilities re-expanded their capacity, while another's previously reconfigured operations grew into the new market opportunities developed as a result of the 2017 dip in demand. By Q3 2019, a new processor, Aquafil #2, is scheduled to begin nylon 6 processing operations at their new facility in Woodland, California. As each of these efforts continue take hold in the market, coupled with the increasing demand for nylon 6, a significant increase in capacity is anticipated. Although already a Program priority, with the passage of AB 1158 the Program adopted a new specific goal to increase capacity including California capacity beginning in 2018. CARE's Cycle 2A grant funds, originally planned for award in late Q1, were specifically designated for capacity expansion. Due to delayed Plan approval, and twice denied requests for release, those capacity expanding funds were not available for release until late October.

### 4.11 Throughput

Per CalRecycle's Facility Information Toolbox (FacIT) Glossary, throughput<sup>2</sup> is defined as the total amount of material actually received at a facility for a specific activity in tons per year (TPY).

In 2018, Tier-1 processors and CSEs collected and managed approximately 46,763 tons of PCC. This is a 5% decrease from the 48,994 tons of PCC collected in 2017. While all parameters affecting this decrease are not known, a significant portion could possibly be attributed to the closure of a processor. It should be noted that despite the decrease in PCC collected as related to the closure of a significant processor, the addition of new capacity and increased efficiency of existing production on Recycled Output ultimately resulted in an overall increase in Recycled Output of 4.4% which is reflected in Figure F.

#### 2018 highlights:

- 24,654 tons of Recycled Output (Reuse + Type-1 + Type-2) or 15% of the discards were recycled in 2018. The yield was 53% of the gross collections (indicating slightly more than one half of all material collected is converted to recycled output, continuing to show a strong upward trend increase from the recent past historical average of approximately 35%, or about a third). Recycled Output by weight increased 4.4% from 23,620 tons in 2017. Recycled output in 2018 includes: Type-1 Fiber/Depoly (72%), PC4 (26%), carpet tile (1%) and reuse (1.5%).
- Yield increased 10.4% from 48% in 2017 to 53% in 2018. Since 2015, yield has consistently increased year over year showing 34%, 35%, 48% and 53%,

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<sup>2</sup> [www2.calrecycle.ca.gov/Docs/107834](http://www2.calrecycle.ca.gov/Docs/107834)



respectively for the years 2015 – 2018. A considerable segment of that increase can be attributed to improved technologies and expanding markets for PC4.

- Type 1 Fiber/Depoly Recycled Output continued to compose the largest portion of recycled output, increasing 0.3% in 2018 to 17,767 tons, up from 17,710 tons, in 2017.
- PC4 Recycled Output grew to 6,286 tons in 2018, up from 5,269 tons in 2017, a 19% increase.
- Carpet tile recycled decreased 46%, from 434 tons in 2017 to 235 tons in 2018.
- Reuse increased by 77%, from 207 tons in 2017 to 367 tons in 2018.
- Carpet cushion/pad diversion increased to 4,528 tons, up 54% from 2,947 tons in 2017.<sup>3</sup>
- Exports decreased from 1,396 tons in 2017 to 140 tons in 2018, a 90% decrease from 2017. Exports now only represent .1% of total discards.
- Kiln was down 100%, from 974 tons in 2017 to 0 tons in 2018. WTE was down 81%, from 4,881 tons in 2017 to 916 tons in 2018. CAAF decreased 100%, down from 8 tons in 2017 to 0 tons in 2018. Combined, total energy recovery (CAAF + Kiln + WTE) decreased 84% from 5,864 tons in 2017 to 916 tons in 2018.
- With an increase in Recycled Output processing of 2.1M lbs., process waste sent to landfill disposal increased 19%, from 9,707 tons in 2017 to 11,587 tons in 2018. Additionally, it should be noted that a large PC4 outlet was discontinued in 2018, adding to increased landfill disposal.
- Compared with the 2017 inventory decrease of 52% between Q1 and Q4 2017, largely accounted for by the closure of Carpet Solutions in early December, inventory levels have only experienced seasonal fluctuations. The 2018 Q1 to Q4 increase was 62% from 2,501 Q1 tons to 4,054 Q4 tons.

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<sup>3</sup> Carpet cushion/pad recycling is a tertiary co-benefit of the Program. While cushion/pad is not including in the Program's total recycled output figures, it is reported as an additional co-benefit of Program efforts, resulting in additive diversion from California landfills during the term.

Over time, the Program seeks to increase yield to maximize recycled output for secondary use and to minimize the amount of processing waste material sent to energy recovery or landfill. Increasing the yield of carpet during the recycling process can have a significant impact on the program's total recycling and diversion rates, without increasing current gross collections. The new PC4 subsidies played a significant role in increasing overall yield from 35% in 2016 to 53% in 2018, as new uses for this previously unrecyclable component of carpet backing takes hold. Increased subsidies, grants, and market development technical assistance support have also been key factors in this increase. Table 8 shows a summary of final disposition data for all gross collections managed by Tier-1 processors, CSEs and the CARE drop-off site program.

**Table 8. Summary of Throughput and Disposition in Tons Per Year (TPY) in 2018<sup>4</sup>**

<b>Throughput and Disposition*</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>2018</b>
<b>Throughput (TPY)</b>					
Gross Collected – by CSEs	685	659	1,782	1,287	<b>4,413</b>
Gross Collected – Processors	8,980	11,265	11,555	10,550	<b>42,351</b>
Total Gross Collected (Sum of Processor + CSEs)	9,665	11,924	13,338	11,837	<b>46,763</b>
<b>Recycled Output</b>					
Recycled Output (reuse, tile recycled, fiber, depoly, calcium carbonate, filler, carcass) (TPY)	5,539	6,958	6,448	5,708	<b>24,654</b>
Recycled Output %	14%	16%	15%	16%	<b>15%</b>
Recycled Output Yield (% conversion GC:RO)	57%	58%	48%	48%	<b>53%</b>
<b>Inventory: Whole Carpet + Processed (TPY)</b>					
Beginning Inventory	2,678	3,670	2,876	3,311	<b>2,678</b>
Ending Inventory	2,501	2,872	3,314	4,054	<b>4,054</b>

<sup>4</sup> Gross collection tons are estimated by the processors and CSEs based on average weight of inbound loads. Thus, this table should not be construed as a true mass balance. Outbound tons are known more precisely since the agent is either being paid for each ton or they are paying for each ton to be managed/disposed.

Throughput and Disposition*	Q1	Q2	Q3	Q4	2018
<b>Total Diversion (TPY)</b>					
Reuse**	75	166	69	57	<b>367</b>
Tile Recycled**	86	2	53	95	<b>235</b>
Fiber / DePoly**	3,626	4,929	5,045	4,166	<b>17,767</b>
PC4**	1,752	1,862	1,281	1,391	<b>6,286</b>
Filler**	-	-	-	-	-
Carcass**	-	-	-	-	-
Kiln	-	-	-	-	-
CAAF	-	-	-	-	-
WTE	524	392	-	-	<b>916</b>
Exports	-	185	21	98	<b>305</b>
Carpet Cushion/Pad	986	1,100	1,328	1,115	<b>4,528</b>
<b>Out-of-State</b>					
Out-of-State	2,585	2,986	2,949	3,146	<b>11,667</b>
<b>Disposal (TPY)</b>					
Waste to Landfill	1,687	3,238	3,638	3,024	<b>11,587</b>
Incineration	-	-	-	-	-

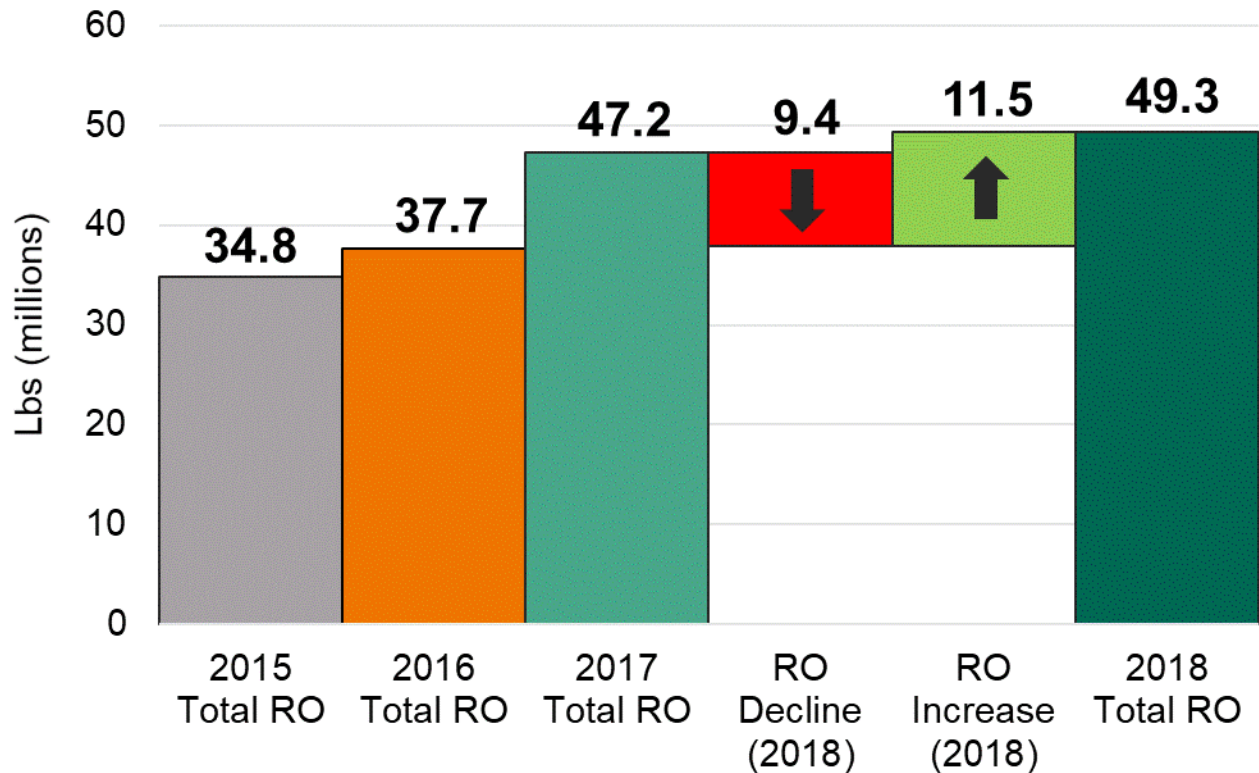
\*Metric definitions are current at the end of 2016. Definitions have evolved over time and may have been different in the past.

\*\*Recycled output.

Although several facilities made efforts to increase throughput in 2018, the closure of one California processing facility, the discontinuation of a PC4 end use and the sale of a PET consuming manufacturer (decking lumber) during the term offset roughly 82% of all gains achieved during the period.

Figure F is designed to show the impacts of production as existing output drops and new recycled output comes on line. The 2017 bar indicated where CARE finished the year in terms of recycled output in pounds. The red bar (-9.4M lbs.) indicates the drop in recycled output by existing processors while the light green bar (11.5 million lbs.) indicates the additional new recycled output. The net impact is an increase of 2.1 million pounds of recycled output in 2018 over 2017 or a 4.4% increase. Note the data in the Figure F are rounded and may not equate to 4.4%; see details in Tables 12 and 13 for actual numbers for 2017 and 2018.

Figure F. Change in Recycled Output (RO), 2017 vs. 2018\*



\*For the 2017 and 2018 Annual Reports, this chart contains all of the components of Recycled Output. In the 2016 Annual Report, only Type- 1 Output and PC4 were included which made up ~97% of Recycled Output in 2016.

## 4.12 Disposition Facility Types

The California Program maintains records of the names and locations of facilities engaged in disposition methods, including the following facility types:

- **CSEs:** Collect and sort carpet discards (see Appendix 10.3).
- **Tier-1 processors:** Convert gross collections into recycled output (see Appendix 10.4).
- **Tier-2 manufacturers** (non-nylon and nylon 6): Utilize non-nylon (PET/PTT or PP) or nylon 6 (N6) recycled output in the manufacturing of secondary products (see Appendix 10.5). *(Note: Nylon 6 manufacturing was added to the Program in October 2017; nylon 6,6 Tier-2 manufacturers are not currently eligible for incentives and thus have no tracking mechanism in place for the disposition facility types they may use.)*
- **Public drop-off sites** supported by the California Program (see CARE website and Appendix 10.6).

Every Program participant receiving subsidy funds is required to maintain records regarding the facilities they use for each disposition method. This includes facilities that handle disposition for CAAF/Kiln processing, exports, cushion, reuse, WTE, and landfill/disposal. Each Program participant must record the disposition facilities used. Records are subject to periodic review and verification by the Program's third-party accounting firm Aprio in line with AUPs. The California Program also has access to these confidential records through these periodic reviews, and requires regular reporting, recordkeeping, proper management practices, and random site visits for Program participants.

## 5. Program Goals & Activities

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*CCR §18944(a)(5). Description of goals and activities based on stewardship plan. State goals from the approved plan, the baseline from which goals were measured, and report on achievement during the reporting period.*

### 5.1 Introduction

Throughout 2018, the California Carpet Stewardship Program continued to demonstrate a consistent upward trend of steady progress toward Program goals, including diligent efforts to achieve a 24% recycling rate by January 1, 2020. Following the 2015 decline in oil prices and other macroeconomic factors in global markets, such as China's National Sword, affecting progress toward achieving Program goals, the recycling rate still increased by 7% from 2017 to 2018. Since that precipitous 2015 world market decline the CARE Program has successfully rebounded to maintain a modest yet, strong and consistent upward growth trend in the recycling rate marking a 10% increase rate from 2015 to 2016, a 27% increase from 2016 to 2017 (indicating a rebound from the oil crash), and the aforementioned 7% growth from 2017 to 2018. This growth despite losing two major end-market outlets, one in June and a second in September.

Six fundamental goals continued to guide the program and major metrics related to Program performance goals are summarized by year in Table 1. These metrics are compared to a baseline year, defined by CalRecycle as the first 12 months of operation: July 1, 2011, to June 30, 2012. Other metrics in Table 1 are reported by calendar year from January 1 to December 31. While the current Table 1 has been consolidated for viewing convenience, showing the baseline period and the three most current years, the 2017 Annual Report does provide the last available version of Table 1 with all years still included.

With the final approval of CARE's new 2018-2022 5-year Plan on February 20, 2019, the Program incorporated the additional goals required in AB 1158 and addresses them in this annual report. A brief summary of specific performance goals, major progress toward these goals, and related report sections providing additional information is presented in Table 9.

#### **Lessons Learned in 2018**

CARE has prided itself on being a learning organization. While some of those lessons have been hard to accept, we have learned from them and they have helped us build a more robust and transparent program. While many lessons have been learned over the years, and some play out over a period of longer than a year, such as the Beaulieu bankruptcy as an example. By having such internal controls in place it provides clarity

and guidance while helping to avoid mistakes of the past. Here are the high-level lessons learned and as a result drove changes in our program and protocols.

- **Communication** – In addition to CARE’s formal anti-trust and confidentially internal controls, CARE recently issued its first formal Communications Policy which included the sharing of sensitive information outside the Board.
- **Tardiness: Late Filing and Delisting Protocol** – When dealing with small businesses who are understaffed, it is common to find missed deadlines, payments, properly completed paperwork, etc. As a result, CARE has codified the formal policy for dealing with such lateness including fines and the potential for termination as a member in good standing. These protocols are incorporated into our formal contracts with the recycling and mill communities.
- **Volume Changes** – Based on lessons learned in dealing with two recyclers, CARE has adopted two forms of “flags” in our data review process. The first is an absolute volume flag. Any volume that is higher than the pre-set limit is automatically flagged. We have also set a % increase flag so any increase above the set limit is flagged. Any item that receives a flag is identified for review by the system and discussed in our monthly meetings. Each case is handled individually to understand the circumstance involved. As an example, an inventory increase from 25,000 to 75,000 pounds would not receive a volume flag but would trigger a percentage increase flag. There are many reasons for changes that incur flags, most are well understood, but where they cannot be explained, the Team reaches out to the recycler or mill for an explanation which is documented in the system.
- **Grants** – Recent experiences have caused us to make a number of changes in our grant contracts. The most significant lessons learned are the inclusion of a first lien provision in all new grant contracts and the option to file a UUC-1 claim on equipment funded by a grant. CARE may also implement decals on funded equipment for identification purposes.
- **Applications** – CARE learned of an on-ground application of PC-4 that raised concerns about environmental applications for some PCC products. While this application was unknown to CARE at the time, upon learning of the concerns, CARE initiated studies at two California universities to study PET face fiber and PC4 application as it relates to the environment and human health. While this is work is the first of its kind, CARE will issue its first draft guidelines for in/on-ground application by the end of August.
- **Models** – Generally speaking, CARE has engaged in the process of building a number of first-of-their-kind models to help understand and manage the California Carpet Stewardship Program. There have been numerous lessons learned and the recent study conducted by Crowe of both recycling costs and a validation of the models is helping guide the next iteration of the models.



- **Forecasting** – With the suspension of Fiberon’s Minnesota operation, loss the Shaw Evergreen Opportunity due to technology issues, start-up delays due to equipment and process issues, and project delays due to permitting and power issues, CARE is working to build more sensitivity analysis into our forecasting. To this end CARE now reviews monthly, in addition to our subsidy reporting, the actual vs budgeted performance of every recycler in the program looking for issues, concerns, patterns and asks the question, what can we do to help.
- **Complexity** – While CARE and the recycling community has been engaged for more than 8 years, the dynamic markets and complexity of the supply chain continue to represent a challenge. We are slowly learning that in addition to the extraordinary workload we shoulder every single day along with our recyclers, we must redouble our efforts to educate stakeholders. There are many stakeholders who seem to have good intentions, but who have never run a business, do not understand technology in general nor carpet recycling technology platforms, are overly optimistic about the timing to execute capital projects involving major pieces of equipment, do not understand markets and competitive jockeying for sources and PCC vs PI vs virgin material pricing drivers, and do not understand the basic economics of a volume driven pennies business model at play.

The lessons learned are paying off and one only need look at the recycling rate to see the progress is real, sustained and expanding. CARE is fortunate to possess greatly talented, dedicated and passionate professionals who provide a steady hand in the face of withering and unrealistic criticism. The results expected in 2019, which reflect the investments finally allowed in late 2018 after 15 months of delays, will speak for themselves.

**Table 9. Program Highlights: Goals, Related Report Sections, and Major Progress**

Goal	Sections	Major Progress
<b>Increase Recyclability of Carpets</b>	5.7 and 5.8	<p>Recyclability as measured by yield increased:</p> <ul style="list-style-type: none"> <li>▪ Overall recyclability as indicated by yield increased in 2018 to 53% of gross collections—the highest ever—compared to 48% in 2017 and a 5-year historical average of 34% from 2011-2016. This increase is due to both increased recycled output, especially PC4, and decreased gross collections driven by lower sales.</li> <li>▪ Technical assistance grants and PC4 subsidy resulted in a 19% increase in PC4 carpet backing recycled output totaling 12.6 million lbs. in 2018, up from 10.5 million lbs. in 2017 and 2.4 million lbs. in 2016. PC4 recycled in 2018 represented 25% of total recycled output, up from &lt;1% in 2015.</li> </ul>
<b>Increase Reuse of PCC (post-consumer carpet)</b>	5.6.1	<p>Reuse increased during the period:</p> <ul style="list-style-type: none"> <li>▪ A new subsidy beginning January 2018 focused on increasing both reuse and recycling of carpet tile, considered the most readily reusable portion of discarded post-consumer carpet.</li> <li>▪ The carpet tile/broadloom reuse subsidy implemented in 2015, coupled with the additional carpet tile reuse/recycling pilot subsidy started in 2018, resulted in 734,000 lbs. of PCC reused in 2018, a 77% increase over the 414,000 lbs. in 2017 (though still a decrease from the peak of 926,000 lbs. in 2016).</li> <li>▪ 90% of reuse recorded in 2018 was generated from carpet tile reuse.</li> </ul>
<b>Increase Gross Collection of PCC from California Landfills</b>	4.2 and 5.5	<p>Program-wide gross collections fell while public drop-off sites increased:</p> <ul style="list-style-type: none"> <li>▪ Gross collections decreased 5% from 98 million lbs. in 2017 to 94 million lbs. in 2018.</li> <li>▪ 7.9 million lbs. of PCC were collected by public drop-off sites in 2018, a 15% increase over the 6.9 million lbs. in 2017.</li> <li>▪ Program public drop-off locations increased 20% to 53 drop-off sites servicing 47 counties, up from 44 sites serving 41 counties in 2017.</li> </ul>

Goal	Sections	Major Progress
<b>Increase Recycled Output (RO) from Gross Collected PCC</b>	5.5 and 5.6.2	Continued improvement in recycled output (RO): <ul style="list-style-type: none"> <li>▪ Increased RO to 49 million lbs. in 2018, a 4% increase from 47 million lbs. in 2017.</li> <li>▪ Increased RO rate (recycling rate) to 15%, up from 14% in 2017, just below 2016 goal of 16%. Q2 2018 again posted an historical high of 16.3% recycling rate.</li> <li>▪ Fiber recycled output decreased 2% from 36.3 million lbs. to 35.5 million lbs. and PC4 recycled increased 19% to 12.5 million lbs. from 10.5 million lbs.</li> <li>▪ Carpet tile recycled decreased 46% to 0.47 million lbs. from 0.87 million lbs. in 2017 despite having the highest subsidy per square yard.</li> </ul>
<b>Increase Overall Net Diversion of PCC from California landfills</b>	5.6 and 5.9	Diversion by energy recovery fell as net diversion decreased: <ul style="list-style-type: none"> <li>▪ An average of 22% of all PCC discards in 2018 were net diverted from CA landfills, down from 23% in 2017.</li> <li>▪ Diversion via Energy Recovery (sum of CAAF, Kiln, WTE) decreased 85% in 2018, falling from 11.7 million lbs. in 2017 to 1.8 million lbs. in 2018.</li> <li>▪ Decrease in WTE from 9.8 million lbs. in 2017 to 1.8 million lbs. in 2018, an 82% reduction.</li> <li>▪ Process waste sent to landfill disposal increased 20%, from 19.4 million lbs. in 2017 to 23.2 million in 2018.</li> </ul>
<b>Increase Market Growth of Secondary Products Made with Post-Consumer Recycled Carpet Content (PCRCC)</b>	5.11 and 6	Continued improvement in market growth: <ul style="list-style-type: none"> <li>▪ Tier-2 products shipped/sold were again the highest to date, at 28.8 million lbs. in 2017, up 53% from 18.8 million lbs. in 2016. PC4 uptake in new products increased 19% in 2018 over 2017.</li> <li>▪ Awarded Cycle 2A/2B grants for capital investments and product testing in 2018-2019, supporting collection, recycling, and manufacture of recycled carpet products.</li> <li>▪ Launched new Cycle 2M micro grants for collection/reuse, removing barriers to collection.</li> <li>▪ Recycled carpet products increased to 41 products from 19 manufacturers; including modest growth to five known manufacturers in California.</li> </ul>

### 5.1.1 Program Data

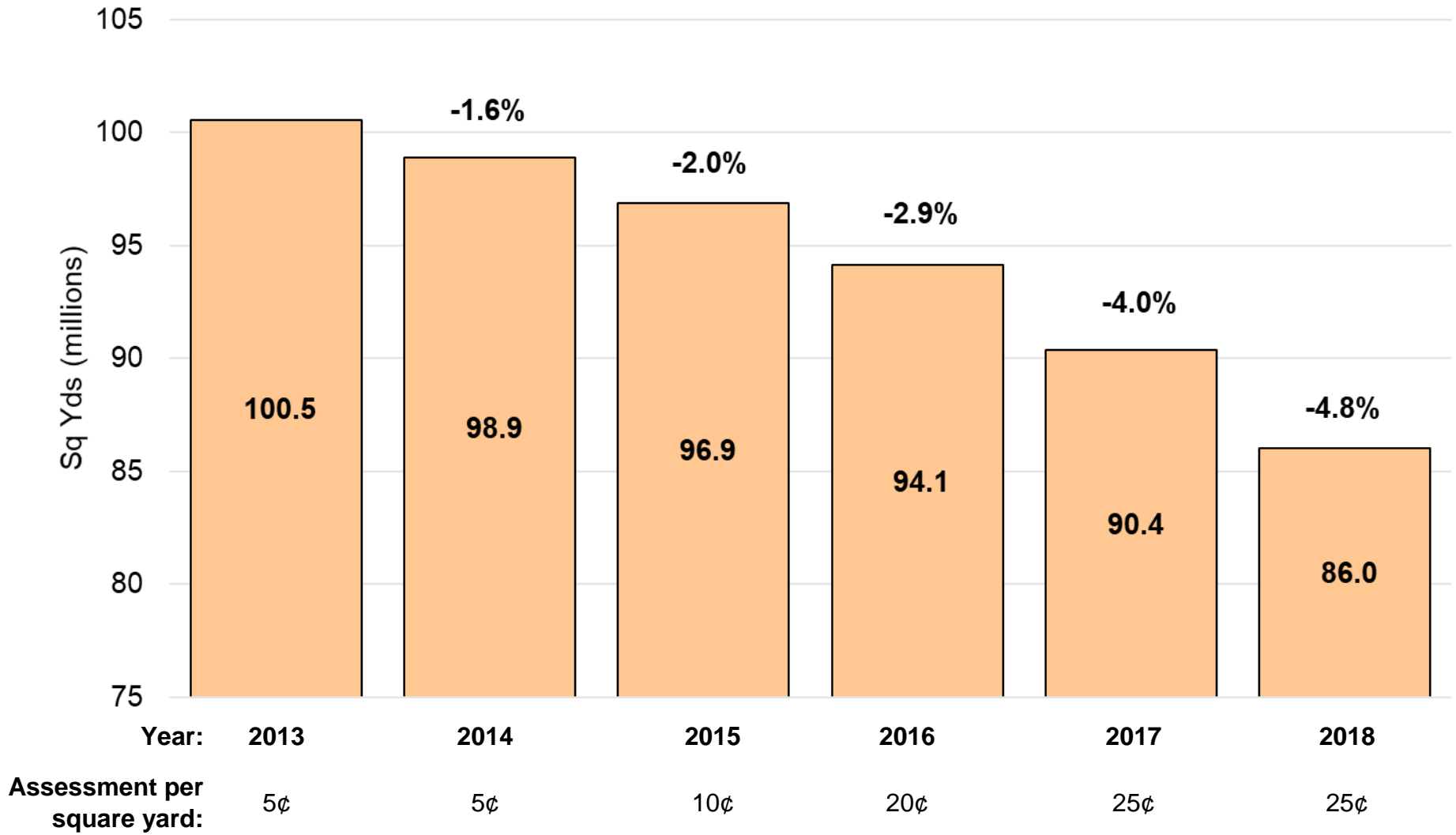
Results are tracked and monitored by the CARE California Carpet Stewardship Program (Program) on an ongoing monthly basis and reported to CalRecycle quarterly, approximately 90 days following the end of each quarterly reporting period. Beginning Q2 2018 these quarterly updates with CalRecycle also now include two representatives from the Advisory Committee. Since the Program began, 30 quarters of data has been collected (July 2011 through December 2018), providing Program staff with the ability to track trends and progress toward Program goals over time. For the purposes of this report, results are presented for the four quarters of calendar year 2018, based on the best available data.

## 5.2 Carpet Sales

*CCR §18944(a)(5)(A)1. Amount of carpet sold by square yards and pounds, in the state during the reporting period that is covered under the approved stewardship plan. A stewardship organization with more than one manufacturer may use average weight.*

In 2018, reported annual carpet sales totaled 86.0 million square yards, or 377.7 million pounds, based on an updated 2018 estimate of 4.39 lbs./sq. yd. as noted below. Sales in 2018 were down 5% compared to reported sales in 2017 (90.4 million sq. yd.), as shown in Figure G. Sales in spring and summer (Q2 and Q3) were higher than fall and winter (Q4 and Q1), consistent with typical seasonal fluctuations. Q4 sales in 2018 were 19.5 million sq. yds., the lowest in Program history. Note not only the continuous decline in California sales, but also the accelerating rate of decline. Various factors may be contributing to this decline such as home flooring design trends, converting main living areas to hard surfaces with the utilization of area rugs, etc. Potentially adding to that, consideration does need to be given to economics. Given that other flooring surfaces do not have a related recycling assessment, as carpet recycling assessments may increase to a point at which bottom-line pricing drives consumers to consider hard surfaces with rugs. Such a situation could lead to a detrimental financing impact on the Program.

**Figure G. California Carpet Sales Over Time**



Note: CARE most recently examined average weight per square yard in late 2018 (4.48 lbs./sq. yd.), specifically as it relates to California sales. It should be noted that this is a 2% increase in weight from the current weight per square yard of 4.39 lbs./sq. yd. This newly surveyed weight will be utilized beginning in 2019. This increase was reviewed and discussed with CalRecycle, specifically noting that with an increasing trend in commercial applications of carpet tile over broadloom this could account for some or all of the increase.

The methodology for determining the weight per square yard was determined as follows: 59 mills were requested to fill out a survey detailing their weight per square yard sold separately of residential broadloom, commercial broadloom, and commercial tile. Mills were asked to breakdown their split among the three categories so CARE could calculate percentages into each market segment. As we have done in the past, data from the top 10 mills was used to do our calculation. The top 10 mills now represent 95% of all carpet sold in the State of California.

### 5.3 Carpet Discards

*CCR §18944(a)(5)(A)2. Amount (pounds) of post-consumer carpet that is available for collection.*

In 2018, an estimated 322 million pounds of PCC were destined for landfills and available for collection in California. Of these calculated discards, approximately 94 million pounds were gross collected (approximately 29%), of which 47 million pounds were recycled. Since the program began, gross collections have ranged from 28-34% of discards, or roughly one third of total estimated discards.

Discards reported during 2018 are estimated using the calculation methods outlined in Section 5.13.1. In 2017, CARE initiated a study to review the discards calculation methodology, which has been in place for over five years. This study is in response to findings identified in proposed 2017-2021 Plan (October 2016). The study scheduled for completion in 2019, will review all relevant information and come to a reasonable conclusion regarding CARE's accuracy in calculating discards (see Section 5.12.1 for additional discussion related to this formula). CalRecycle was consulted and involved in the study design.

## 5.4 Source Reduction

*CCR §18944(a)(5)(A)3. Amount (pounds) of carpet source reduced, if measurable.*

The California Program uses the average weight of carpet as its primary source reduction metric. CARE generally conducts an annual confidential survey of carpet mill participants to ascertain the average weight per square yard for commercial tile, commercial broadloom, and residential broadloom carpet. The latest data are based on the 2018 confidential mill survey. Plans had been outlined to conduct a field assessment of actual weight per square yard at the point of sorting for 2018; however, that timeframe was shifted to 2019.

From program inception through Q2 2016, the average weight of carpet was reported as 4.2 pounds per square yard and did not change. In 2016, results from the survey indicated a 4.5% increase in the average weight per square yard to 4.39 from 4.2 lbs./sq. yd.; the average weight for 2017 was not adjusted. The recent 2018 survey shows a 2% increase to 4.48 lbs./sq. yd. Although the reason for the ongoing increase have not been studied, factors that may have contributed to this increase include the continued shift from broadloom to tile in the commercial sector, and possibly a shift away from lower weight builder grades to vinyl plank flooring, thus reducing the volume of lighter weight goods. Further study of these factors and impacts is planned for 2018-2019 as part of the Discards Study initiated in 2017. These reported averages were also used to update the 2019 Discards formula, which can be found in Section 5.13.1, Table 16. The Program also agreed to begin the process of collecting additional information related to source reduction from mills under the new 2018-2022 Plan. With final approval of the 2018-2022 Plan in February 2019, development of an expanded source reduction survey process will take place in 2019.

### 5.4.1 Carpet Mills and Source Reduction

Carpet mills are also developing innovative approaches to sustainability that will have positive impacts on carpet recycling efforts and source reduction in years ahead. These advances typically take five to ten years from conceptualization to commercialization before benefits are fully realized, but as they take hold in carpet mill product lines, results will benefit both source reduction and overall recyclability of carpet. One example is the innovative backing system that facilitates the recycling of both PET and nylon carpet. It offers mono-polymer and easily separated dual-polymer systems that eliminate calcium carbonate and latex adhesive and will contribute greatly to source reduction in coming years—reducing weight per square yard by approximately 40%. Another example is the separation of nylon face fiber from a polyethylene terephthalate (PET) backing system that will greatly improve processing efficiency. Mohawk, working in partnership to develop this technology with DSM-Niaga, launched the first product



line in 2016 (see Section 5.7). DSM-Niaga are working to further expand this novel technology in the carpet sector.

One modest source reduction measure incorporated by a custom order mill visited by CARE, has been incorporation of high definition digital printing prior to sample preparation. The mill reported producing over 18,000 custom face fiber samples, and with incorporation of digital printing sample production was reduced 55% to around 10,000 samples. The following image reflects the digital sample both in small roll (tile size), large format for full pattern and final tile product size.

Additionally, the mill plans to incorporate a new customer experience digital delivery service which will allow their customer to upload a photo of their room and inlay various carpet patterns to aid in the selection of their new product which can help in reducing carpet sample shipments.



A number of carpet mills have dedicated efforts to minimize the environmental impact of carpet manufacturing, reducing their reliance on natural resources to make new carpet, although mills are not currently required to report these efforts. Many carpet mills have expanded their third-party certifications on their product offerings and facilities, some of which may include: CRI Green Label Plus, Cradle to Cradle, Living Product Challenge, NSF-140, ISO14001, Zero Landfill, and LEED. As a part of the 2018-2022 Plan approval, CARE will launch a new required annual mill survey to better track and report on source reduction practices of mills participating under the Program.

Examples of progress in 2018 include, but are not limited to:

- In 2018, **Interface**, **Shaw**, and **Tandus** continued to report using California recycled PCC content in various quantities in one or more product lines. Additional carpet mills may use recycled PCC content generated from other locations throughout the United States. Currently it remains difficult to quantify California-derived material percentages for individual product lines, although efforts are underway to this end.

### Bentley Mills

- California-based Bentley Mills carries: CRI Green Label Plus on all products; Cradle to Cradle Certification-Silver Level on: High PerformancePC Broadloom, AFFIXX™ Hardback, AFFIRMA™ Hardback, NexStep® Cushion Tile; and NSF® 140 certification on: AFFIXX™ Hardback, AFFIRMA™ Hardback, High PerformancePC, NexStep® Cushion Tile, Optimum Barrier™ II, Optimum Barrier™ II RC Cushion and Prestige PlusRC™.
- Bentley Mills, participates in International Living Futures Institute's (ILFI) Declare Program, a transparency initiative designed to promote product health and awareness. The labeling denotes where a product comes from, what it's made of and where it goes at the end of its life. Products are then screened against the Red List to identify overall product health. Bentley currently shows the following products with Declare labeling: AFFIXX™, AFIRMA™, High PerformancePC, NexStep®, Optimum Barrier™ II and Prestige PlusRC™.
- Bentley Mills Environmental Product Declarations (EPD) are certified in accordance with ISO 14025 which describe the environmental characteristics (environmental impacts of raw material acquisition, energy efficiency, and material content, air emissions, soil and water impacts, and waste generation) of their products and promote growth of sustainable production. The following Bentley products are covered by EPDs: High PerformancePC – COLORCAST™, High PerformancePC – Solution Dyed, NexStep® Cushion Tile – COLORCAST™, NexStep® Cushion Tile – Solution Dyed, AFFIRMA™ Hardback Tile – COLORCAST™, AFFIRMA™ Hardback Tile – Solution Dyed, AFFIXX™ – COLORCAST™, AFFIXX™ – Solution Dyed.
- Bentley Mills also carries Health Product Declarations (HPD™) on three of their product platforms. HPD is a tool for reporting of product contents and ingredients' relationship to human and ecological health and supplements the EPD. Bentley products covered by HPDs: High PerformancePC, AFFIRMA™ Hardback Tile, NexStep® Cushion Tile.

### Interface

- Interface currently offers many product lines with recycled content far above NSF-140 Platinum standards, some as high as 85% recycled content. Interface has identified ten product lines with California recycled PCC in excess of 10%. See product listing at [carpetrecovery.org/products/](http://carpetrecovery.org/products/).
- Interface, Inc. continues their involvement with Net Impact and Project Drawdown which aligns with Interface's Climate Take Back mission addressing how they can help reverse global warming.
- Interface announced Carbon Neutral Floors™ across its entire global product portfolio, which is key toward meeting its goals to become restorative to the planet.

### Milliken

- Milliken Floor Covering was awarded International Living Future Institute's (ILFI) first 3rd Party Verified, Red List Free Declare Label for any product globally. Additionally, all Milliken carpet tiles manufactured in North America are 3rd Party Verified, Red List Free.
- Milliken's WellBAC™ cushion backed carpet tiles are Cradle to Cradle Certified Silver.
- Milliken has reached the NSF-140 certification levels on the following products: ESP Backed Carpet Tile – Platinum; ES Backed Carpet Tile – Gold; and Broadloom – Gold.
- Milliken Floor Covering has committed to and conducted Life Cycle Assessments for 100% of the commercial flooring solutions they produce globally and is in the process of completing LCAs for all new products, including those for residential interiors.
- Milliken's WellBAC™ cushion backed carpet tiles are warranted for life against adhesive breakdown due to moisture vapor emissions. This warranty allows for installation on concrete slabs without moisture testing and without RH or PH limits. Our Site Related Solutions program eliminates the need for additional moisture mitigation products including sealing the concrete slab, leading to a dramatic reduction in the need for harsh chemicals which can lead to VOC's and other environmental impacts.
- Milliken WellBAC™ carpet tiles contribute to The WELL Building Standard in the following categories: VOC Reduction, Healthy Entrance, Fundamental Material Safety, Moisture Management, Toxic Material Reduction, Enhanced Material Safety, Cleanable Environment, Beauty and Design I, Material Transparency

## Mohawk

- Mohawk's Air.O product line, working with DSM-Niaga, is composed of 100% PET contains no polypropylene backing, no latex adhesive, no calcium carbonate filler or harmful VOCs. This product offers reduced material inputs, reduced complexity at the source while increasing recyclability at the end of life (see Section 5.7).
- Mohawk is "Working Toward Zero" by encouraging facilities to pursue zero waste to landfill (ZLF) certification which requires a plant to recycle or reuse 90% or more of its manufacturing process waste. To date, 48 Mohawk facilities have earned this certification (this includes carpet and other flooring facilities).
- Mohawk Group's Lichen Collection of carpet tiles for the commercial sector is the first floor covering to achieve Living Product Challenge Petal Certification and is inspired by biophilic assemblages of multi-hued, multi-textured lichens.
- Mohawk's Nutopia, Nutopia Matrix, Sunweave and Lichen products are NSF 140 Gold and Petal certified through the Living Product Challenge and utilize EcoFlex NXT or Matrix carpet backing which are Red List-free.
- Mohawk's SmartCushion, manufactured with 90% recycled content is environmentally friendly and LEED Certified. This product adds 20 years to the abrasive wear warranty, extending the overall life of the carpet.

## Shaw

- Shaw reports that 88% of their products are Cradle to Cradle Certified.<sup>5</sup> Guided by C2C principles, Shaw designs with intention and a focus on material health, recyclability, water, renewable energy and social responsibility. EcoWorx® tile carpets are Cradle to Cradle Certified Silver level.
- Shaw continues to invest in the development of PCC recycling technology at their Evergreen Ringgold facility.
- Shaw's Sustainable Sourcing Policy Supplier Best Practices encourages suppliers to develop long-term sustainability goals, and actively support Shaw's 2030 Sustainability Goals that include: Design 100% of products to Cradle to Cradle Certified™ standards; Reduce energy intensity 40%; Reduce total waste to landfills 100%; Reduce hazardous waste 100%; Reduce water intensity 50%; Achieve an OSHA incident rate of Zero. Suppliers are encouraged to create an environmental protection policy by using an EMS such as ISO 14001.

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<sup>5</sup> <https://shawinc.com/getattachment/84be0e71-59c2-4443-9499-cbc051fb74d3/attachment.aspx>

## Tarkett

- Tarkett's ethos® Modular with Omnicoat Technology™ backing, already a Cradle to Cradle Silver product, is now International Living Future Living Product Certified. It is also NSF 140 Platinum. A new MHS (Material Health Statement) and an ILFI Declare was published for ethos® as well. ethos® is "LBC Compliant" as it contains no red list chemicals and contains 28-43% post-consumer recycled content.
- Tarkett's commercial carpet backings - ethos® Modular with Omnicoat Technology™, Powerbond® Cushion, Powerbond® Medfloor, ER3® and Flex-Aire® Cushion, have a Type III Environmental Product Declarations available.
- Tarkett's commercial backings- Powerbond® Cushion, Powerbond® Medfloor, ER3® and Flex-Aire® Cushion- are NSF-140 Gold level.
- Tarkett's anti-soil treatment, Eco-Ensure, is a water-based, non-fluorinated, anti-soil chemistry was re-certified Cradle to Cradle Material Health, Platinum level.
- Tarkett's ErgoStep® broadloom carpet contains up to 10% post-consumer recycled content.
- Tarkett's take-back and recycling program recycles approximately 90,000 pounds per day of flooring material, totaling more than 260 million pounds to date. A portion of was collected from California and effectively recycled into ER3 product.

## 5.5 Increasing Gross Collection

*CCR §18944(a)(5)(A)4. Amount (pounds) of post-consumer carpet collected, by weight, during the reporting period.*

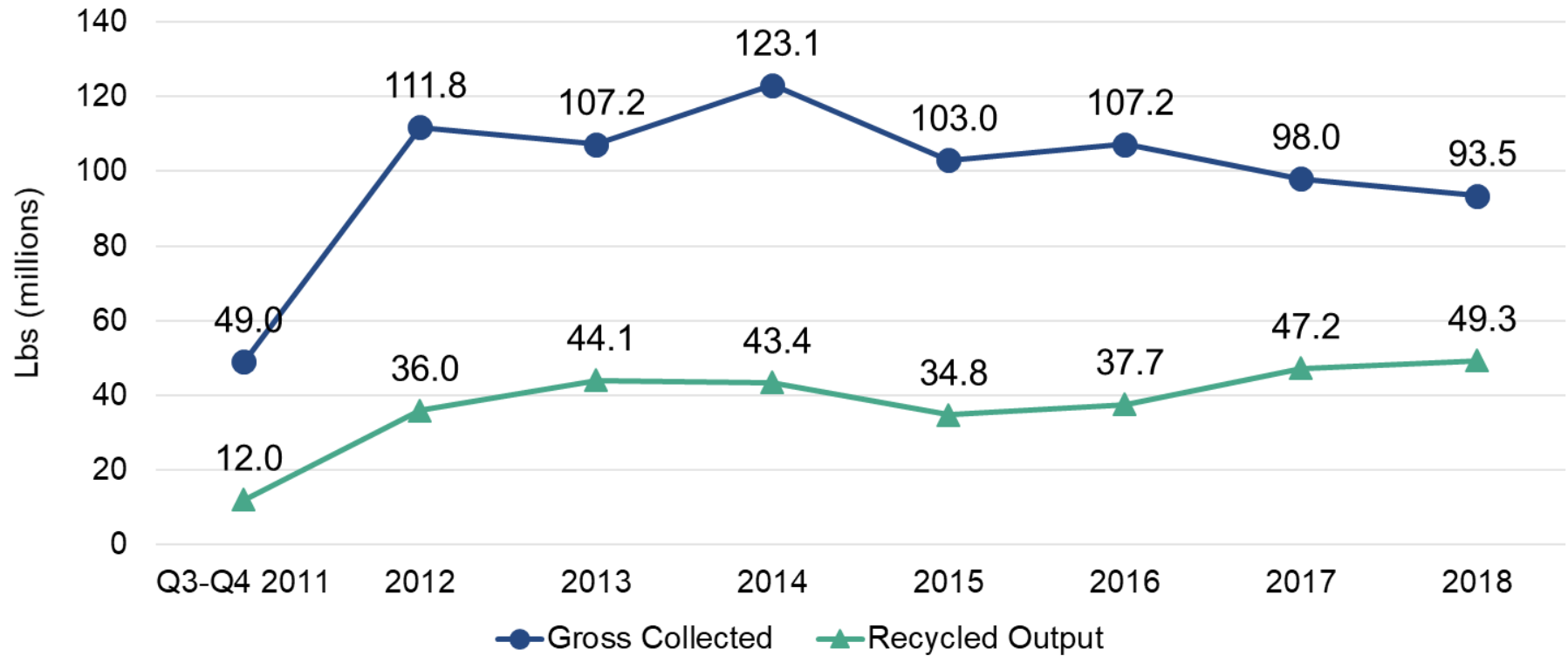
Gross collection figures<sup>6</sup> include estimated pounds of PCC removed from the waste stream and initially kept out of the landfill for reuse, recycle, or waste-to-energy (WTE) through collection, sorting, and processing activities conducted in coordination with consumers, retailers, installers, landfills, transfer stations, and material recovery facilities (MRFs). In 2018, the Program saw an 4.6% total annual decrease in estimated gross collections (98 million lbs. in 2017 to 94 million lbs. in 2018), making up 29% of estimated annual discards (see Figure H). The largest driver for the initiation of collections from carpet retailers and related flooring contractors is the sale of new carpet. Since new carpet sales continue to decline, collections were relatedly down. This drop in collections is also driven by demand for PCC products which saw a significant drop in 2018 due to loss of a key PC4 outlet for approximately the second half of 2018 and the suspension of demand for PET fiber by Fiberon in Q3 as their MN plant undergoes post-sale reconfiguration. Clearly, with declining sales and a need to increase the recycled output, collections will by necessity have to grow significantly – through both private collections and public drop-off sites. A key component of this expansion will be expanded outreach to retailers and installers to grow participation in the recycling effort.

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<sup>6</sup> Gross collections figures in 2018 include both participating Tier-1 processor data (84.7 million lbs.) as well as additional CA PCC (8.8 million lbs.) collected and managed by CSEs, as reported to CARE through monthly reporting. Gross collections may be estimated based on average weights, while disposition figures are based on precise weights of materials managed.



**Figure H. Annual Performance Trends for Gross Collections\* and Recycled Output\*\***



*\*Gross collection applies a new calculation methodology beginning in 2017 to avoid potential double counting of pounds shipped domestically and reported by participating processors. Figures previously reported for prior years are unchanged.*

*\*\*Recycled output includes reuse + Type 1, Type 2, and PC4 (used as a raw material) recycled output pounds. Pounds diverted from landfill through international shipments, or via energy recovery (CAAF and/or Kiln and WTE) are only reported within pounds diverted.*



Since program inception in July 2011, a cumulative total of 792.9 million pounds of PCC (30.4% of discards) has been gross collected to date. Of this, 304 million pounds or approximately 38.4% of gross collections were converted into recycled output since July 2011. Over the same period, 76.5% of gross collections were net diverted from landfill totaling an estimated 606 million pounds, inclusive of recycled output. Of the pounds collected, approximately 23.5% were sent back to the landfill as PCC which could not be recycled (e.g., small pieces, failure to ID polymer, contaminated, mixed fibers, dirty load, etc.) or as processing waste.

Despite the decline in gross collections, it should be noted that Recycled Output efficiency has continued to climb. The bulk of this gain is from enhanced processing, screening and subsidy tied to PC4.

### 5.5.1 Gross Collection Activities

To support collection challenges presented by collector/sorter entrepreneurs (CSEs), increase program awareness, and encourage participation, the California Program implemented and/or continued the following gross collection activities:

- Recycling coordinator outreach, including meeting with 38 **local government** and private waste facilities representatives throughout the state to distribute promotional materials and support increased collections.
- Extensive local government outreach, resulting in 11 **new drop-off sites** supporting 6 new county participants.
- Augmented total California Program public drop-off sites in 2018 to **53 participating** drop-off sites, an increase of 21% from 2017.
- To increase collections at retailer locations, **conducted 424 in-person visits** or calls promoting new drop-off sites in each region, as new sites launched throughout the term (see Section 8.3).
- Distributed promotional materials to **32% of the estimated 5,600 California installer/contractors** via 102 tabling events to increase installer program awareness and available recycling options.

In 2018, the Program continued to make significant progress in outreach and engagement with stakeholders involved in carpet collection. More details on these activities can be found in Chapter 8.

## 5.6 Disposition

*CCR §18944(a)(5)(A)5. Disposition, that is, amounts reused, recycled, incinerated for energy recovery or disposed of in a landfill; of collected post-consumer carpet, by pounds, during the reporting period.*

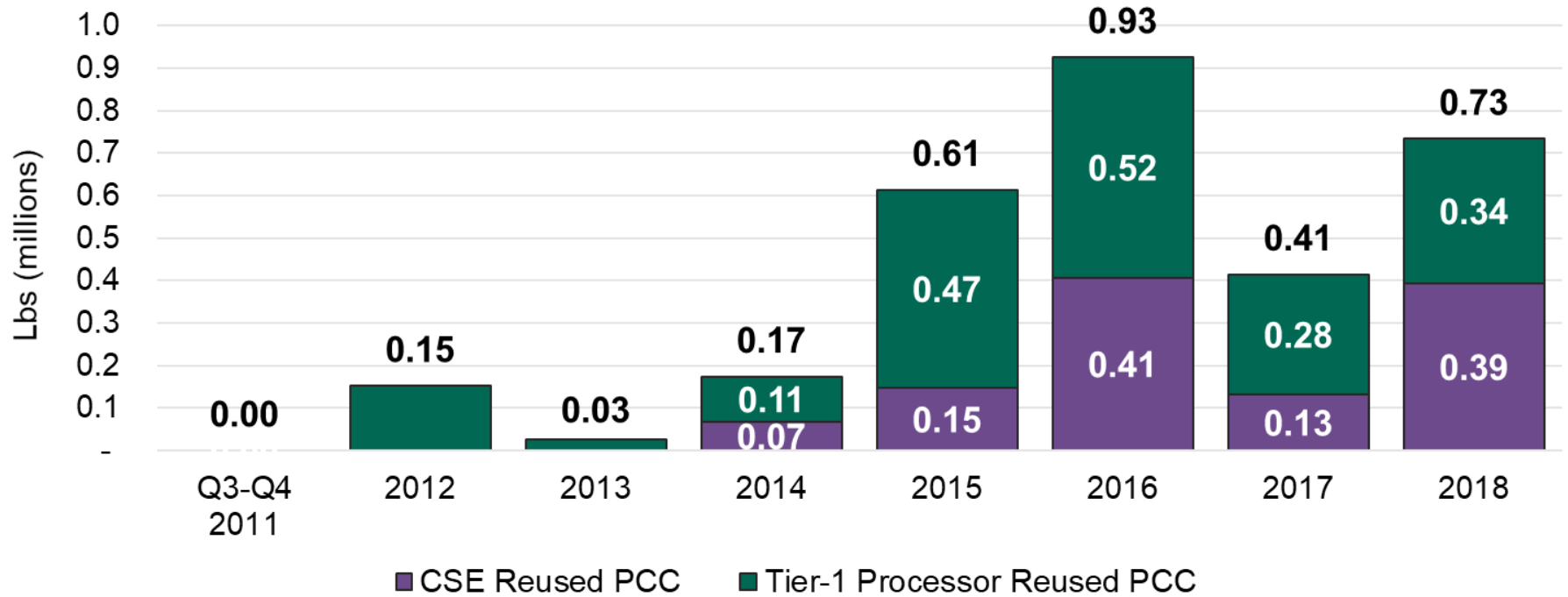
Reported 2018 disposition includes reuse, recycling (recycled output), energy recovery, exports, and environmentally safe landfill disposal. All data presented in this section is based on CSE, Tier-1 processor, Tier-2 manufacturer, and carpet mill data submitted to the California Program and the Program's third-party accounting firm (Aprio) and does not reflect any disposition activities occurring outside the Program. National data is provided by Program members, as reported in CARE's annual survey. (Disposition is summarized in Section 4.10.)

### 5.6.1 Reuse

Reuse represents a small portion of total annual carpet discards and historically has been difficult to track reliably. The carpet tile/broadloom reuse subsidy put in place in 2015 was aimed at CSEs and Tier-1 processors— during 2018 there were 3 key CSE stakeholders serving on the front lines of carpet and carpet tile recovery and are best positioned to sort materials and identify best opportunities for reuse. However, it is widely known, via reasonable on-line research (e.g., E-bay, Craigslist) for used carpet tile, that reuse pounds tracked under this subsidy does not reflect all the reuse occurring in the carpet ecosystem. The 2015 subsidy \$0.10 for carpet and tile reuse, as well as the additional \$0.05 tile reuse/recycling pilot subsidy in 2018, enables the Program to more reliably report on the reuse stream for carpet tiles and broadloom. While the total pounds diverted via reuse is still down from a 2016 high of 925,932 pounds, the program has shown an upward rebounding trend to 733,701 pounds in 2018 (see Figure I), representing a 77% increase over 2017. Reuse in 2018 was 0.78% of gross collections, 0.23 % of discards. Despite a fall in 2017, and while only achieving 73% of the 1M pound goal for 2018, CARE's program did realize a 77% increase in 2018 reuse over 2017. Overall, CSE and Processor efforts toward reuse continues with a positive upward trend.

Uniquely, CARE is expecting to see a significant increase in carpet tile reuse, as well as recycling, as in late December CARE received notification that an experienced flooring industry professional and former carpet recycler is locating their CSE operations in Southern California. Early indications are that a significantly high percentage of this CSE's carpet tile are being captured and redirected to reuse over recycling. In addition, Interface received a CARE grant to support a tile processing line expected to be operational in 2019.

Figure I. Reported Reuse Over Time



The standard size of carpet tiles and the ease of which various styles and colors can be mixed and matched were also factors in making tiles desirable for reuse applications. Carpet tile reuse rose 39% in 2018 to 576,774 pounds from 414,416 pounds in 2017. Of the reported reuse in 2018, 79% was carpet tile.

Broadloom carpet is a much more challenging material to reuse than carpet tile because it is often cut to size, may be cut into even smaller segments to ease removal, comes in many colors, designs, and styles, and can be hard to clean (especially pet stains) or refurbish. However, there are some opportunities for reuse, especially when the carpet is relatively new and has experienced low traffic. While there may be demand for gently used carpet from local community organizations, such as Habitat for Humanity or from trade shows using materials for days or weeks at a time, broadloom demand for reuse has been inconsistent over time. In 2015, the California Program reported its first pounds of broadloom sold, donated, or shipped for reuse totaling 33,220 pounds or 5% of total 2015 reuse. In 2016, this new market grew substantially to 342,449 pounds or 23% of total 2016 reuse, although broadloom reuse fell back to zero in 2017. The cause of this reduction is not currently understood. Fortunately, in 2018 the Program rebounded and realized a 100% increase in broadloom reuse with 156,927 lbs. of broadloom reported.

In response to decreased reuse in 2017, the Program introduced a new collector/sorter-based pilot subsidy effective January 1, 2018, targeting carpet tile – the most readily reusable portion of the PCC waste stream. The pilot subsidy offers an additional \$0.05/lb. for carpet tile collected, sorted and shipped, sold/donated for either reuse or recycling. As a result of tile reuse incentive, the program realized a 39% increase in diversion via carpet tile reuse from 414,416 pounds in 2017 to 576,774 pounds in 2018.

### 5.6.2 Recycled Output

Recycled output includes the portion of gross collected PCC after processing (e.g., shredding, shearing, hammer milling, and de-polymerization) that is shipped and sold as material to be used in the manufacturing of new or secondary products made with post-consumer recycled carpet content. The Program's recycled output is calculated as the sum of all Type-1 and Type-2 recycled outputs (including PC4 and carcass), plus reuse.

Recycled output for 2018 reached an historical high of 49 million pounds, a solid 4% increase from the 47 million pounds reported for 2017. This increase was despite the loss of two major outlets (PET and P4) during significant portions of 2018. Recycled output as a percentage of total discards (recycling rate) increased, from 14% in 2017 to 15% in 2018 (see Table 1). For the second year in a row the Program realized a quarter high of 16.3% (Q2 2018), this time only slipping down to 14.9%, followed by a year-end increase to 15.6% in Q4. A significant portion of the drop in Q3 and Q4 is attributed to the suspension of operations by a major manufacturer and the discontinuation of a significant, high-volume PC4 outlet referenced above. Since the Program's inception in July 2011, a cumulative total of 305 million pounds of PCC (11.5% of discards) have

been recycled. Further information about the efforts to increase recycled output can be found in Section 5.8, *Increasing Recycled Output*.

As noted, in Q3 CARE received notice that a major manufacturer of manufactured decking lumber, which consumed a significant volume of PET from California, had sold their operations. And while the post-consumer PCC recycled content product line was not included in the sale, a non-compete clause prevented the on-going manufacture and sale of this high-volume PCC product – clearly an unforeseen market condition over which CARE has no control. The plant that was consuming the PET fiber is being reconfigured to make a new building products line with the expectation that demand for PET fiber will be reestablished in the second half of 2019.

### 5.6.3 Incineration

No incineration was reported in 2018, nor since the Program began.

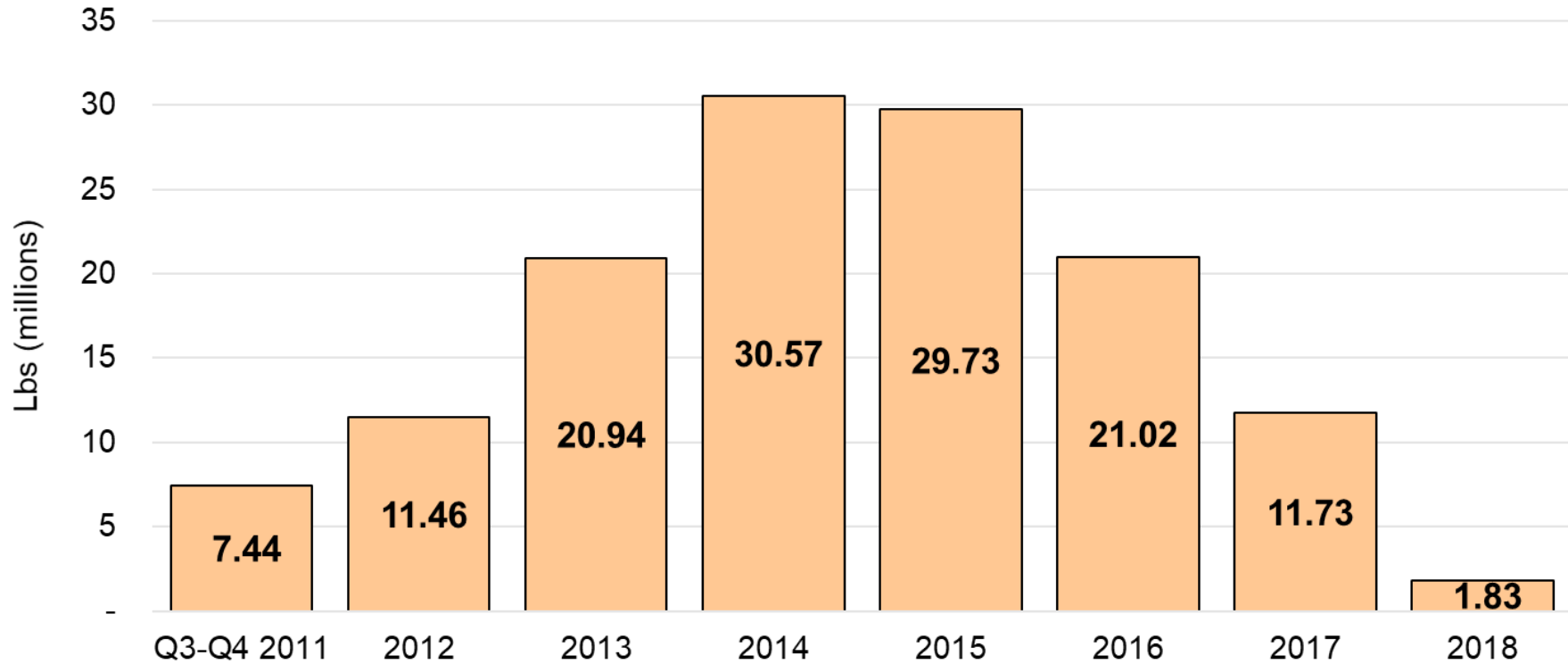
### 5.6.4 Energy Recovery

The California Carpet Stewardship Plan 2011-2016 (2011-2016 Plan), under which this report is developed, enables the management of PCC in a manner consistent with the state's solid waste hierarchy and AB 2398 requirements. Two categories of energy recovery methods were used in the past to help manage PCC not diverted through reuse, recycling, or international sales: CAAF and Kiln. Both of these categories qualified for subsidies under the 2011-2016 Plan. CAAF refers to carpet's use as an environmentally safe engineered fuel. Kiln refers to the use of PCC as a fuel substitute in cement kilns and other high-temperature processes. As of December 31, 2017, CARE discontinued subsidies for both CAAF and Kiln. Thus, in 2018, there were no subsidies paid for CAAF or kiln, and CARE has never paid a subsidy for WTE. Therefore, the amount on PCC going to energy outlets dropped dramatically again in 2018 (see Figure J).

Waste-to-energy (WTE), the process of recovering thermal energy from PCC through combustion. Although WTE is not supported by Program subsidies at this time, it does provide an alternative to landfill for unrecyclable portions of the PCC waste stream.

Energy recovery continued to decrease in 2018, in line with the long-term Program goal to show increased use of strategies higher on the waste hierarchy as recycled output takes hold. All three components of energy recovery decreased in 2018 compared to 2017: Kiln fell 100% from 1.95 million to zero pounds, CAAF fell 100% from 0.02 million to zero pounds, and WTE declined 81% from 9.7 million to 1.8 million pounds. When combined, CAAF (0 lbs.), Kiln (0 lbs.), and WTE accounted for 1.8 million pounds in 2018, compared 11.73 million pounds in 2017, a decline of 84% (see Figure J). In 2018, energy recovery represented approximately 2.6% of net diversion, compared to 15% of net diversion in 2017.

**Figure J. Energy Recovery Over Time\***



*\*For the 2018 Annual Report, the format of this chart was changed to only show total energy recovery instead of a breakout of its components. For the previously reported breakouts, see Annual Report 2017 or earlier, available at: [www.calrecycle.ca.gov/carpet/Results/](http://www.calrecycle.ca.gov/carpet/Results/)*

### **CAAF and Kiln**

Subsidies for CAAF and Kiln were discontinued as of December 31, 2017. In 2018, CAAF usage was zero lbs., down 100% from 0.02 million lbs. in 2017. Zero pounds of PCC were diverted via Kiln, compared to 1.95 million lbs. diverted via Kiln in 2017, a 100% decrease.

### **Waste to Energy (WTE)**

In 2018, 1.83 million lbs. of materials (0.6% of discards) were processed as WTE. This is a decrease of 81% over the 9.76 million lbs. (3% of discards) processed as WTE in 2017 (see Table 10). This decrease appears to be due in part to reduced available capacity, rather than reduced demand for WTE as a beneficial use, conversely waste to landfill increased 20% during the term.

PCC disposed as WTE is typically unusable material resulting from the recycling process that would otherwise be sent to the landfill. Although WTE is not considered recycled output, it can be viewed as PCC diverted from landfills inside and outside of California. WTE is not part of the subsidy program but is considered by the Program to be higher use than going to the landfill.

**Table 10. Energy Recovery by Method**

<b>Reuse</b>	<b>2017</b> <i>(millions of lbs.)</i>	<b>2018</b> <i>(millions of lbs.)</i>	<b>Change</b> <i>(millions of lbs.)</i>	<b>Change</b> <i>(%)</i>
Kiln	1.95	0.00	-1.95	-100%
CAAF	0.02	0.00	-0.02	-100%
WTE	9.76	1.83	-7.93	-81%

### **5.6.5 Disposal**

Disposal is calculated as the balance of discards (322 million lbs.) minus gross collections (94 million lbs.), plus net sorting and processing waste sent to landfill (23.2 million lbs.). With the passage of AB 1158, a new disposal method has been proposed in the 2018-2022 Plan. For this report, the disposal formula remains unchanged.

In 2018, total disposal was 251 million lbs. of PCC, down 3% from 259 million lbs. in 2017. (Note that some additional diversion may be occurring due to untraced reuse or other upstream processes outside of the California Program reporting processes. This diversion may have a slight impact on the actual pounds sent to landfill.)



In 2018, California Tier-1 processors reported the total processor pounds sent back to landfill for disposal as 23.2 million lbs., up 19% from 19.4 million lbs. in 2017 (see Table 1 in Chapter 2). Materials sent to landfill are generally classified as unusable PCC materials collected during the gross collections process or generated as an unusable byproduct of production or processing that is not converted to recycled output, utilized in, or managed through an energy recovery, CAAF, Kiln, or WTE utilization process.

### 5.7 Increasing Recyclability

*CCR §18944(a)(5)(A)6. Describe efforts to increase recyclability of carpets.*

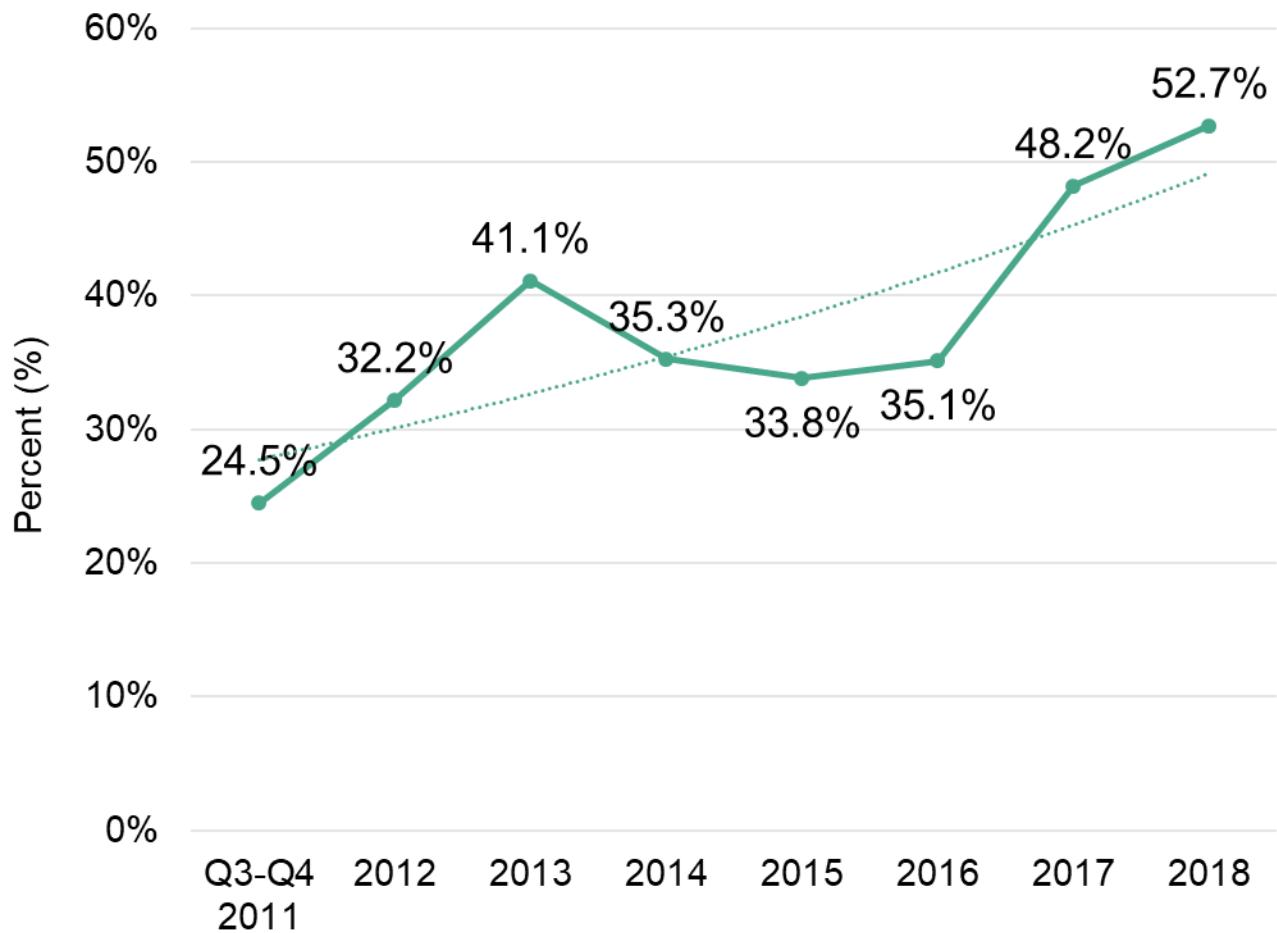
Yield is calculated as the percent of gross collections converted to recycled output. In response to the August 2018 Advisory Committee Recommendation 1.1(c), additional clarification for recyclability is added to this section and incorporated in Appendix 10.15, *Definitions*. Under the prior Plan, *Yield* serves as the primary metric used to measure changes in recyclability. As yield increases, a higher percentage of gross collections are converted into recycled output, indicating an increase in overall recyclability of PCC collected. Increased yield is currently driven primarily by improvements in downstream collection and processing efficiency, as well as technology innovations improving recycled output performance and development of new secondary products. In addition, many carpet mills continue efforts to increase recyclability at the source of manufacture, which may serve to further benefit carpet recyclability in future years. Example actions taken by carpet mills that may provide benefits for source reduction and/or increased recyclability are summarized in Section 5.4.1. An industry-funded back-stamping initiative led by CRI began in 2015 with the goal of full adoption by the end of 2016. These labeling improvements are designed to identify material types and further aid in recyclability of PCC over time. The status of this initiative is discussed in Section 4.1.

Overall recyclability as indicated by yield figures increased this year to 53% of gross collections, compared to 48% in 2017. This rate is the highest since 2013 when the rate achieved 41.1% (see Figure K) and a significant increase over the 7-year historical average of 35.7% from 2011-2017. A key to increasing yield is to find ways to reuse or recycle all components of a square yard of carpet. A key contributor to this yield improvement was finding outlets for PC4. As the program progresses, we continue to expand our use awareness and understanding of how to use these materials in a safe and effective manner. This is an evolving process since neither the science nor regulations have kept pace with such developments. CARE initiated studies at both U.C. Davis and Humboldt State University (working with GHD Engineering) to gain further insights. That work will be published in separate documents. As knowledge and understanding expanded CARE undertook the development of a set of draft guidelines focused on in/on-ground applications of PCC materials. That draft document was under

further study at the end of 2018. The Program projects as the recycling of backing materials increases (PC4), yield will continue to increase significantly.

Figure K indicates a steady increase in recycled output percentage and the dotted line represents an exponentially weight curve fit supporting that conclusion. The increase is driven by the expanded use of PC4, thus avoiding that material being sent to landfill. It is worth noting that the PC4 subsidy is between 8-17 times that of the value of virgin calcium carbonate based on market feedback on what it takes to move this recycled material.

**Figure K. Percent of Gross Collections Converted to Recycled Output (Yield)**



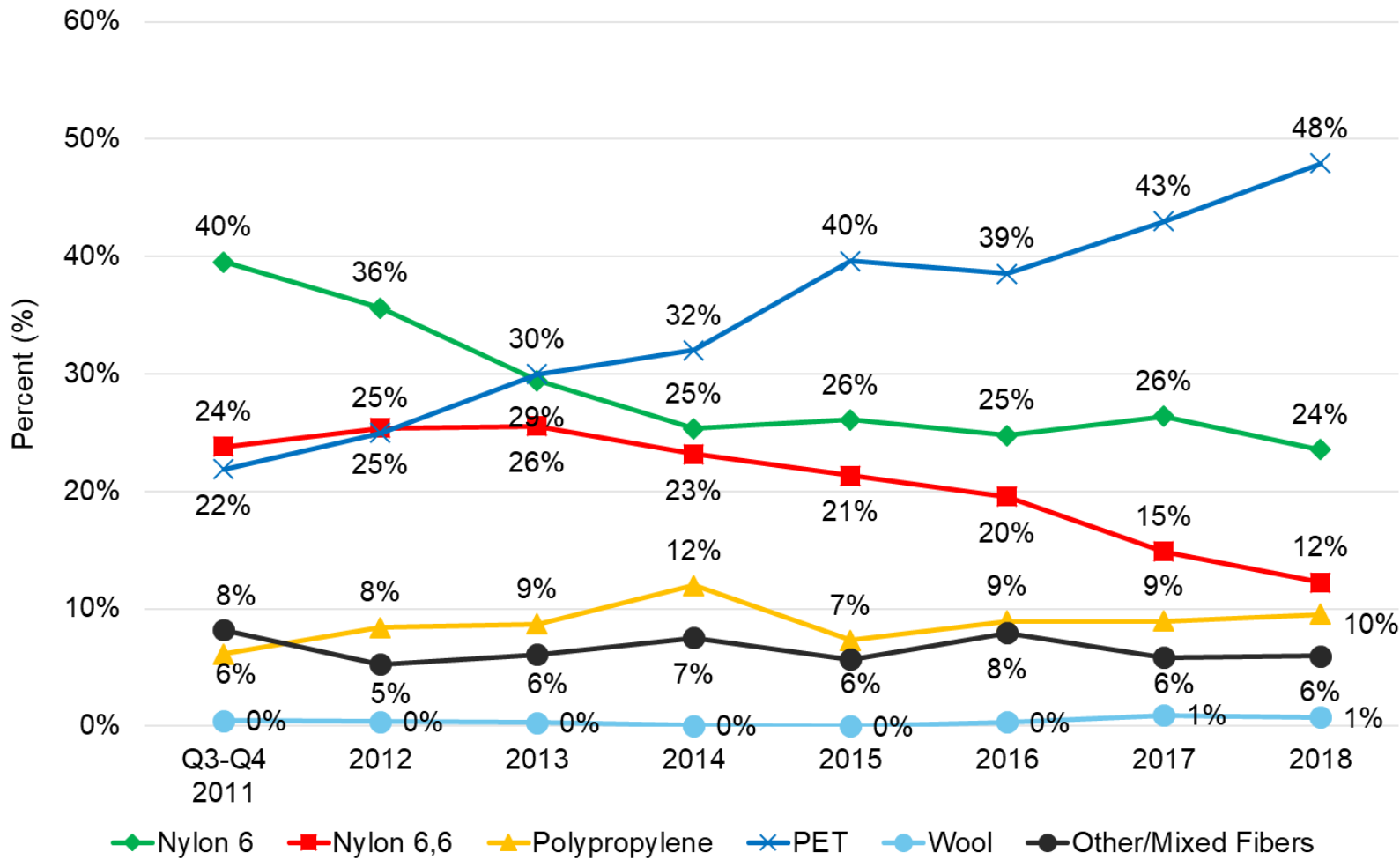
*Note: The dotted line is a calculated exponential weighted curve fit which shows a consistent increase in recycling efficiency over time due to being able to use more of every square yard collected. This is largely driven by the PC4 incentive which is dramatically higher than the cost of virgin calcium carbonate.*

Under the Program, CARE has relied historically on carpet mills as the primary driver for major design changes and improvements in the recyclability of carpet and carpet tile. Such developments are considered long-term and will take years to manifest in the marketplace. Once introduced into commerce it takes another interval of time, typically 5-20 years, to show up in the recycle stream. Program recyclability efforts in 2018 continued to focus on increasing yield and supporting development of secondary products that use recycled outputs, primarily through technical assistance to CSEs, Tier-1 processors, and Tier-2 manufacturers. In addition, CARE works to identify, qualify, and report on technologies that may significantly improve carpet recyclability over the long-term. With the February 2019 approved Plan, CARE will take the lead on working with mills to drive improve recyclability and source reduction.

Of the discards gross collected in 2018, Tier-1 processors reported percentage of each polymer by fiber type. PET fiber materials increased, from 43% in 2017 to 48% in 2018. At the same time, nylon 6,6 continued to decline from 15% in 2017 to 12% in 2018. It is generally expected that this downward trend will continue as buyers/consumers continue to embrace more affordable PET carpet. Nylon 6 decreased slightly to 24% during the period. Polypropylene (PP) fiber basically remained stable with a slight increase to 10% from 2017 to 2018, and the Program expects it to remain steady at around 10%. Wool and other fibers remain a relatively low and insignificant portion (<1%) of the PCC waste stream (see Figure L1). Note that the face fiber percentage breakdown is only an estimate and may vary considerably based on which fibers move in the recycle marketplace.

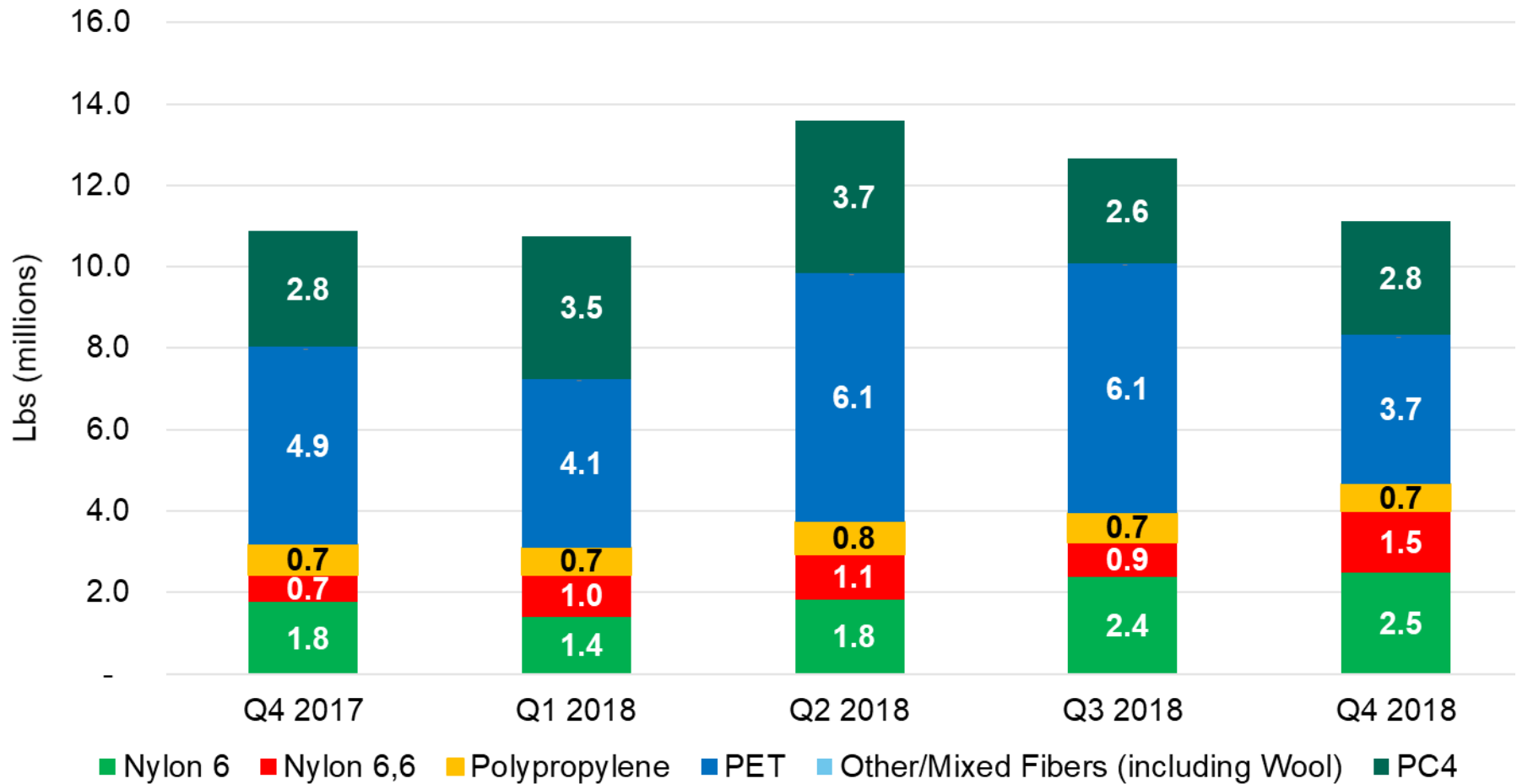
Beginning in Q4 2017 (see Figure L2), CARE began also tracking Type 1 recycled output by fiber type with the launch of the new nylon 6 Tier-2 manufacturer subsidy, providing CARE with the ability to have greater understanding of nylon 6 recycled output demand as a feedstock for new recycled carpet products. Note, the data reported in Figure L1 does not reflect actual sales of fiber type due to selective practices on the part of processors working to avoid those fibers for which outlets are not available. Sales of new carpet in 2018 ranged from approximately 39% PET; 39% nylon 6; 8% nylon 6,6; 6% polypropylene; and 8% other and mixed and natural fibers.

Figure L1. Reported Percent Fiber by Type (2011-2018)\*

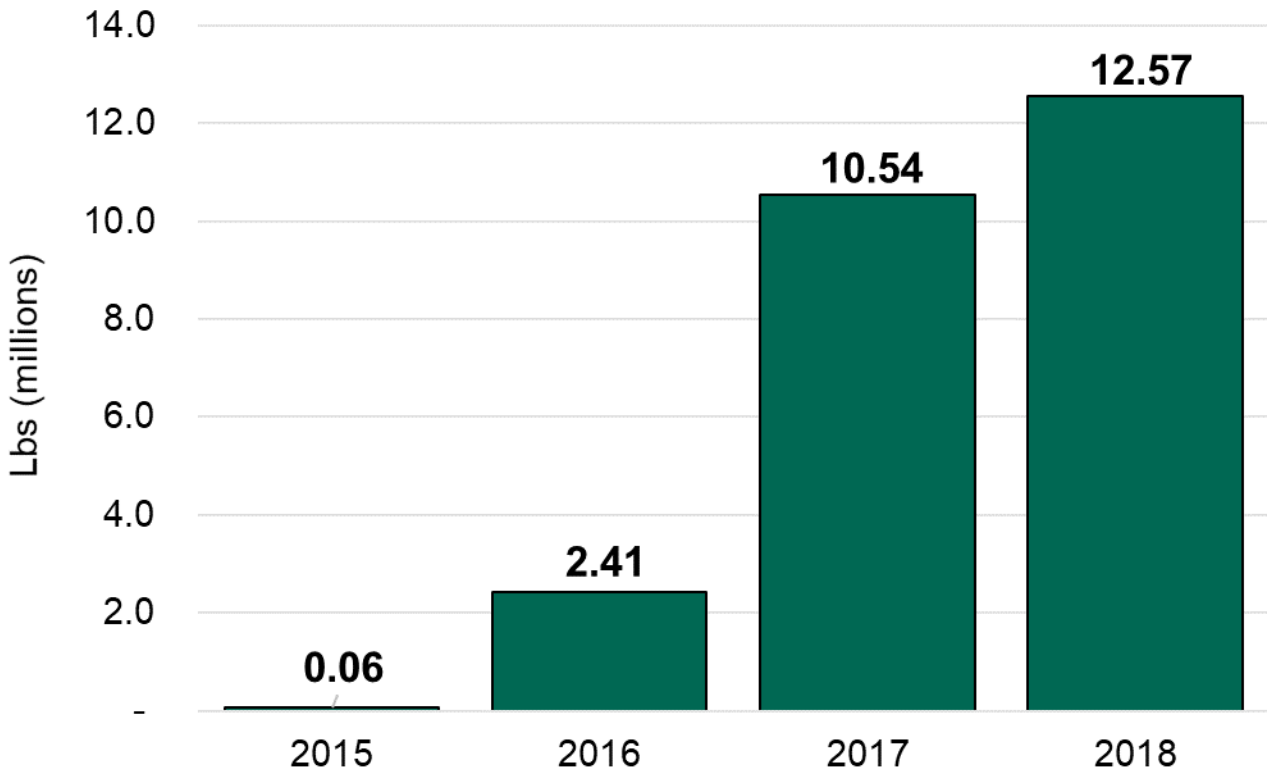


\*Effective with implementation of the new online database (Q3 2018), CARE has refined their analysis and this chart has been modified to reflect this analysis. Data is still based on reported collection percentages by recyclers of California PCC. Thus, data may not be accurate due to preferential selection of higher value fiber types. Effective in 2019 CARE will publish a similar chart, but based on pounds sold by fiber type. This will provide a much more accurate picture of true market demand for fiber type.

Figure L2. Fiber by Type and PC4 Shipped Over Time, Quarterly Since Q4 2017\*



*\*This data is on the Processor form and is Type Output Shipped by Fiber Type; CARE began collecting data on broadloom whole carpet shipped by fiber type on the CSE form in Q3 2018. The CSE data is not currently included in this chart.*

**Figure M. Calcium Carbonate (PC4) Pounds Over Time**

In 2018, the Program continued to implement changes adopted in Plan addenda, as well as that which was legislatively outlined in AB 1158, to help stimulate the amount of gross collections converted and utilized as recycled output through the following incentives described below.

1. **PC4 Subsidy** – The PC4 incentive continued the increase of PC4 recycled output, with 12.57 million pounds recycled in 2018, up from 10.54 million pounds in 2017 (see Figure M).
2. **Grant Program** – The impact from grants implemented in Cycle 1 (2016/2017) supported a continuing increase in recycled yield from raw carpet both directly and indirectly. Secondary products from companies such as SafePath Products and Sierra Mat & Rubber continue to incorporate PC4, and new products have also been in development. Similarly, the PC4 processing grant to CLEAR/Circular Polymers has supported their continued expansion of end market opportunities for various grades (by screening) of PC4 materials.

Due to the delayed approval of the new 2018-2022 Plan in late 2018, Cycle 2A grants were not released until October, a 15-month delay. Despite several efforts to present options for moving forward with grants while the Plan was being

rewritten, CalRecycle denied CARE's request to allow grant funding release. This was an unforeseen setback that effectively delayed planned PCC collections and much needed additional recycled output until 2019. Grants were evaluated through the expanded scoring criteria which incorporated the AB 1158 requirement of Highest Recyclability. Eight capital grants of approximately \$2.5 million, six product testing of approximately \$1 million and six micro-grants of approximately \$15,000 were awarded. Expanded grants discussion can be found in Chapter 6, *Market Development*.

3. **Technical Assistance** – Product development work, based on the concept of feedstock conversion, continued in 2018. This involves adding PCC material into the recipes of existing secondary products, displacing rubber or plastic to reduce the product cost, improve the scent, or increase performance. Because carpet backing material accounts for about 40% of carpet weight, efforts continued to focus on finding uses for PC4 and a variety of other materials. Technical assistance continues to involve providing support for potential new processors, and manufacturers to join the Program, understand the subsidy and incentive structure, improve the quality or quantity of recycled output and/or move into new product markets (see Chapter 6, *Market Development*).
4. **Recycled Product Manufacturer Subsidies** – In 2018, in an effort to provide further fiber type detail, the Program modified the two subsidies offered for manufacturers of recycled products containing PCC recycled output.
  - *PET/PTT and PP (formerly known as Non-Nylon collectively) Recycled Product Subsidies:* Since the Program began in 2011, the Program has experienced a rapid rise in the amount of PET carpet discards. In direct response to PET growing volume, the \$0.25/lb. subsidy has continued to have a positive impact on recycled product use of non-nylon material in secondary products. However, as noted earlier a major outlet for PET fiber in 2018 suspended operations due to a decision to sell their main business, which had a major negative impact on PET fiber shipments. PET/PTT and PP totaled 21.6 million pounds in 2018 representing a 15% increase over 2017 (18.8 million lbs.). Reflecting suspended manufacturing, PET was anticipated to have a higher recovery rate. (see Figure T in Section 5.11).
  - *Nylon 6 (N6) Recycled Product Subsidy:* Effective October 1, 2017, the program launched a new Tier-2 manufacturer subsidy for pounds of N6 recycled output used in the manufacture of recycled products. This subsidy, launched as a pilot, applies learning from the successful non-nylon subsidy along with market indicators identified by the Program's new economic model to respond to reduced demand for N6 recycled output and feedback from the California Council on Carpet Recycling. With approval of the 2018-2022 Plan, the N6 subsidy was made permanent.



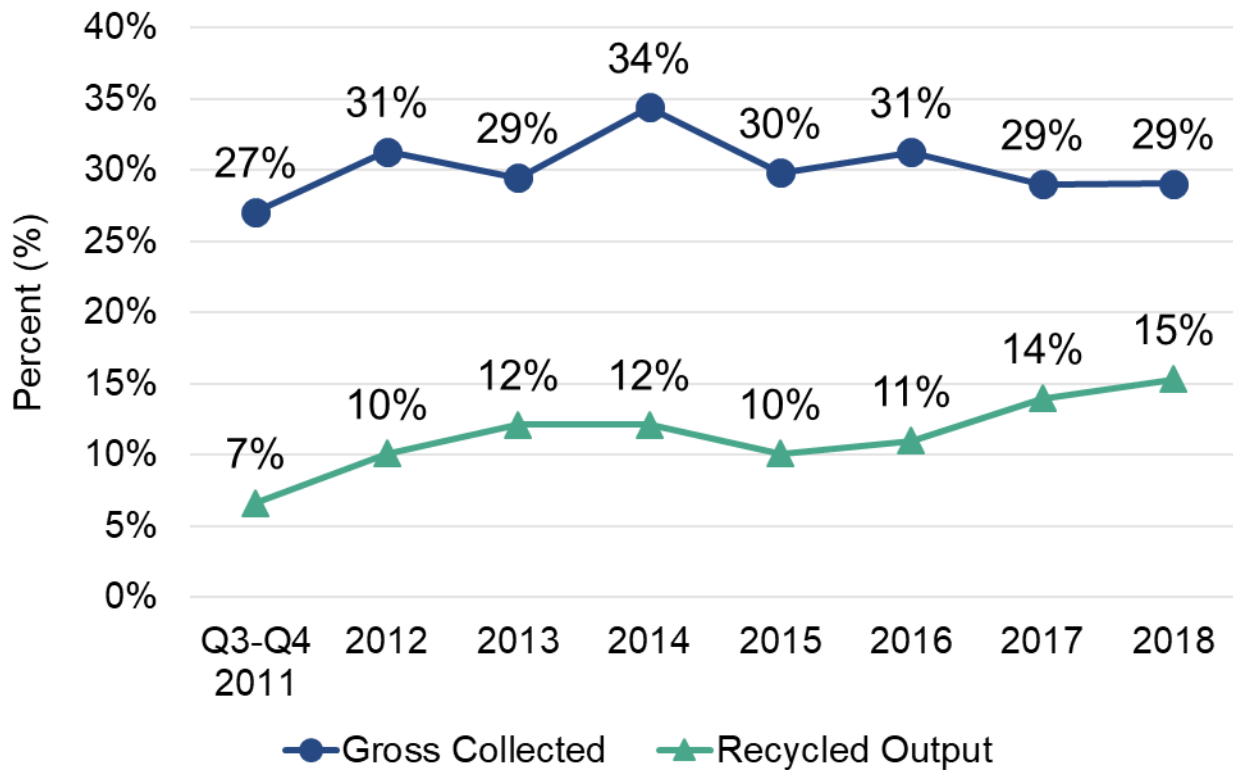
## 5.8 Increasing Recycled Output

*CCR §18944(a)(5)(A)7. Describe efforts to increase recycling of post-consumer carpet.*

Recycled output composes the portion of gross collections that is successfully converted from PCC to an end-use product, or feedstock for a secondary product. The Program utilizes a subsidy structure that compensates Tier-1 processors based on the number of pounds of materials converted to recycled output, and Tier-2 manufacturers based on how much recycled output they use in their recycled content products. These subsidies play an important role in stimulating short-term growth as well as stabilizing the overall industry during times of change.

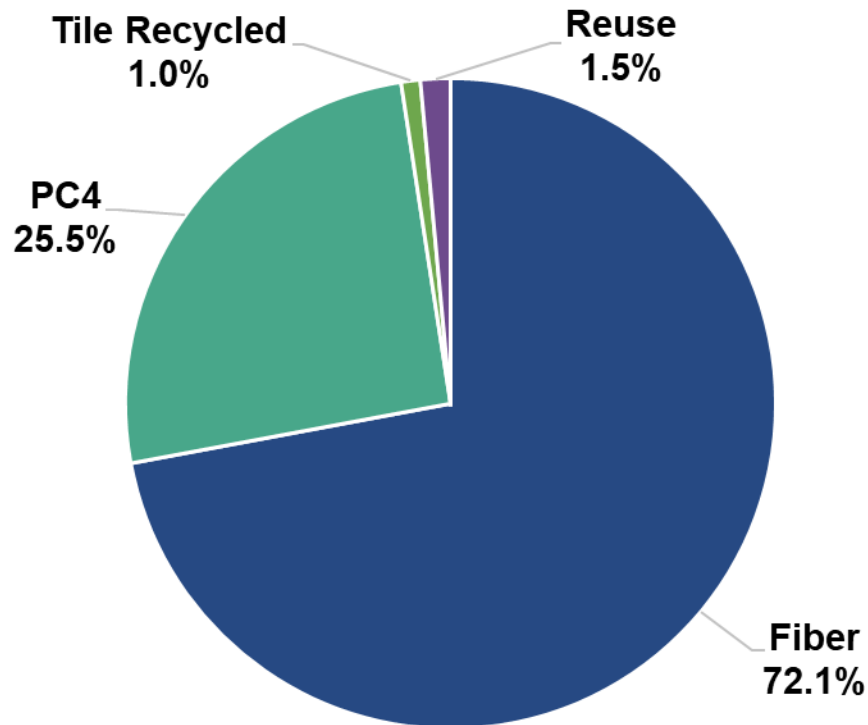
Recycled Output Rate (recycled output as a percentage of total discards, a.k.a. “*recycling rate*”) increased in 2018, from 14% in 2017 to 15%. The lowest quarter of the past four years occurred in Q3 2015 at 7% Recycled Output. Although the Program fell short of the 2011-2016 Plan’s stated goal of 16% by 2016, it is steadily continuing to climb in the right direction and achieved its second highest quarter to date in Q2 2018 of 16%. Although more sluggish than desired, the continued recycling rate rise is an indicator that the Program has benefitted from the aggressive subsidy increases and grant program, stabilized, and is consistently on the rise following the difficult market conditions experienced in 2015 (see Figure N). As noted earlier, the delay in grant Cycle 2 was a major factor in delayed growth of recycled output.

**Figure N. Recycling Rate (Recycled Output) Over Time**



As described in Chapter 6, grants awarded in 2017 for implementation in 2017/2018 resulted in significant net new recycled output in California. However, grant-stimulated increases from new or expanded Tier-1 processor throughput, as well as increased demand by Tier-2 manufacturers, were significantly offset by throughput declines from other processors over the same time frame. For instance, the closure of the Carpet Solutions at the end of 2017 effectively removed 30 million pounds of potential in-state processing capacity, coupled with a discontinued PC4 end market outlet, delayed release of Cycle 2 grants and the previously noted sale of a manufactured decking lumber manufacturer combined in holding the recycling rate down. Overall, approximately 82% of all gains in new recycled output in 2018 were offset by lost throughput over the same period (see Figure F). As markets continue to develop, new recycled output capacity holds promise for increased recycled output in future years. The Program continues to offer support in the form of subsidies and other incentives to support growth in recycled output. Grant Cycle 2 (late 2018) and Cycle 3 (2019) are already manifesting growth.

Recycled output is the sum of all Type-1 + Type-2 + PC4 recycled output, plus reuse. The primary components of recycled output in 2018, as illustrated in Figure O, include Fiber (72.1%), PC4 (25.5%), Carpet Tile (1.0%), and Reuse (1.5%). Depolymerization, Filler, and Carcass each totaled (0%) and are not presented in the figure below.

**Figure O. Recycled Output Components**

The largest component of recycled output in 2018 continues to be fiber, which composed 72.1% of total recycled output in 2018. While fiber pounds as a percentage of total recycled output were down from 75% in 2017, pounds of PC4 increased by 14% to 25.5%. Despite the modest 2% decrease in number of pounds of fiber output in 2018 to 35.5 million from 36.3 million pounds in 2017, increased processing efficiency and market uses for PC4 helped in supporting an overall increase in Recycled Output.

The second largest component represents the growing market for PC4 backing material, which increased significantly from 0.2% of recycled output in 2015 to 6.4% in 2016, then 22.3% in 2017 and to 25.5% in 2018. The PC4 subsidy of \$0.17/lb. for Tier-1 processors, combined with grant awards and technical assistance, continued to support ongoing growth in the number of PC4 pounds recycled, from 10.5 million pounds in 2017 to 12.5 million pounds in 2018 (see Figure M in Section 5.7). Growth of PC4 is projected to accelerate in 2019.

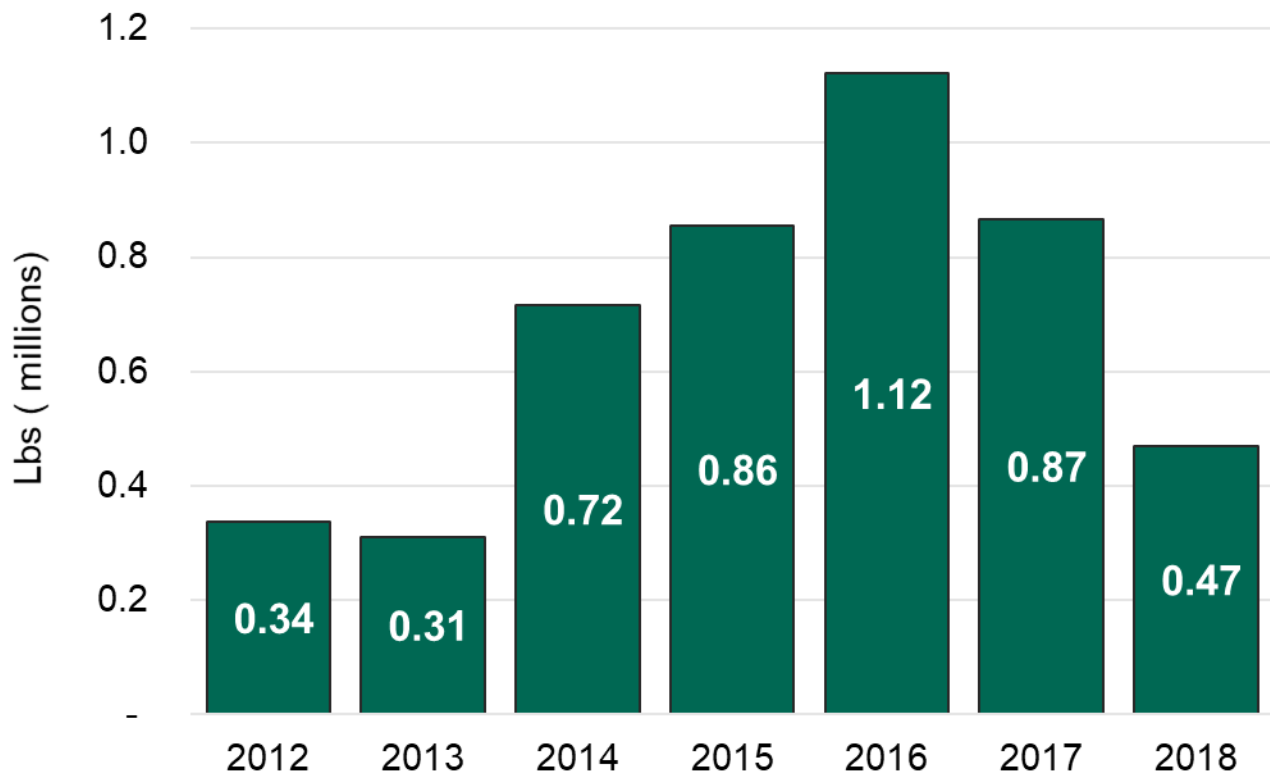
The remaining components included carpet tile recycling and reuse. Recycled carpet tile made up 1% of 2018 total recycled output, down slightly from 1.8% in 2017. In Q2 2015, the program launched a carpet tile recycle subsidy, which recognized that carpet tiles offer a generally higher percentage of recyclability than other carpet products. Despite initial increases in recycled tile pounds in 2015 and 2016, carpet tile pounds recycled in 2018 decreased 46% to 0.47 million pounds from 0.87 million pounds recycled in 2017 (see Figure P1).

A significant increase in carpet tile recycling had been anticipated with support of a Cycle 2A grant to Interface and projected to consume more than 10 million pounds of California carpet tile; however, CARE was not allowed to release grant funding until Plan approval. With eventual release of funds in October, it is now anticipated that production will take place starting in Q3 2019, resulting in increased 2019 tile diversion.

Reuse made up the remaining 1.5% of recycled output in 2018, up from 0.9% in 2016. Of the 733,701 pounds of broadloom and carpet tile reuse, the majority was carpet tile at 79%. As previously noted, the program achieved slightly over 73% of the AB 1158 reuse goal of 1 million pounds. It was anticipated that the \$0.05/lb. pilot subsidy for carpet tile reuse and recycling would have assured goal achievement; however, while tile reuse did increase 169% the goal was slightly missed. With the addition of a new Southern California CSE, focusing exclusively on carpet tile reuse and recycling, it is anticipated there will be a significant increase in both reuse and recycling of carpet tile for 2019.

There were no pounds of recycled filler or depolymerization reported in 2016, 2017 or 2018. Carcass, like 2017, was again zero in 2018, down from 169,000 pounds in 2016 and coincides with the shutdown of shearing.

**Figure P1. Carpet Tile Recycled in 2018 (million pounds)**



Gross collections and recycled output results over time are further summarized in Section 5.5 and Section 5.8. Subsidies and initiatives for Tier-2 manufacturers are detailed in Chapter 6, *Market Development*.

In response to Advisory Committee Recommendation 1.1(b), the following Table 11 is incorporated to clarify the use of terms *recycled output*, *recycling rate* and *yield*.

**Table 11. Summary of Recycled Output, Recycling Rate, and Yield Definitions and Metrics**

Term	Definition*	Metric
Recycled Output (RO)	The sum of reuse or the material that results from the industry recognized processing (shredding, shearing, hammer-milling, depolymerization, etc.) of PCC from a processor. <i>Examples of recycled output include fiber, shredded carpet tile, depolymerized chemical components, carpet filler, PC4, etc.</i> The Program currently distinguishes between two types of material: Type-1 Recycled Output; and Type-2 Recycled Output Material (see 10.15 Definitions for further explanation).	RO increased to 49 million lbs. in 2018, a 4% increase from 47 million lbs. in 2017.
Recycling Rate (a.k.a., <i>Recycled Output rate</i> )	The proportion of carpet discards converted into recycled output, expressed as a percentage of carpet discards. The Program’s recycling rate goal is 16% by 2016 and 24% by 2020.	The recycling rate increased in 2018 to 15%, up from 14% in 2016. While achieving 16.3% in Q2 and 15.6% in Q4, the annual rate of 15.3% remains slightly below 2016 goal of 16%.
Yield	The ratio of gross collections converted into recycled output, expressed as a percentage of gross collections; also referred to as gross collection conversion rate.  <i>Yield</i> is used as the primary metric to measure changes in recyclability.	Yield increased in 2018 to 53% of gross collections (GC) compared to 48% in 2017 and a 6-year historical average of 34% from 2011-2016. This increase is due to both increased RO, especially PC4, and decreased GC driven by lower sales.

\*Definitions as listed in attached glossary (Appendix 10.15, Definitions).

## 5.9 Increasing Overall Diversion

*CCR §18944(a)(5)(A)8. Describe efforts to increase diversion of post-consumer carpet from landfills.*

Overall diversion of PCC from landfills is a principal objective of the Program, especially as technology, infrastructure, and awareness of carpet recycling continue to evolve. Net diversion is defined as the difference between gross collections net of any materials sent to landfill. Materials diverted from landfill include Reuse, Recycled Output (Type-1 + Type-2 + PC4 + Carcass), CAAF and Kiln, WTE, and exported whole carpet. Carpet cushion is excluded from carpet diversion figures but does constitute additional landfill diversion as an auxiliary co-benefit of the Program (see Table 1 for pounds of pad diverted). In 2018, net diversion was calculated to be 70 million pounds, or 22% of discards and 75% of gross collections. This is an 11% decrease from the 79 million pounds of net diversion in 2017, which was 23% of discards and 80% of gross collections. Net diversion is an estimate and begins with the estimated pounds of PCC collected and reported by recyclers followed by subtraction of all whole carpet (PCC) and processor waste sent to landfill.

Reported diversion, which is slightly different than net diversion, is calculated by the sum of Reuse, Recycled Output (Type-1 + Type-2 + calcium carbonate + Carcass), CAAF and Kiln, WTE and exported whole carpet. Cushion is excluded. In 2018, the total reported diversion (not including cushion) equaled 51 million pounds, a 12% decrease from 62 million pounds in 2017.

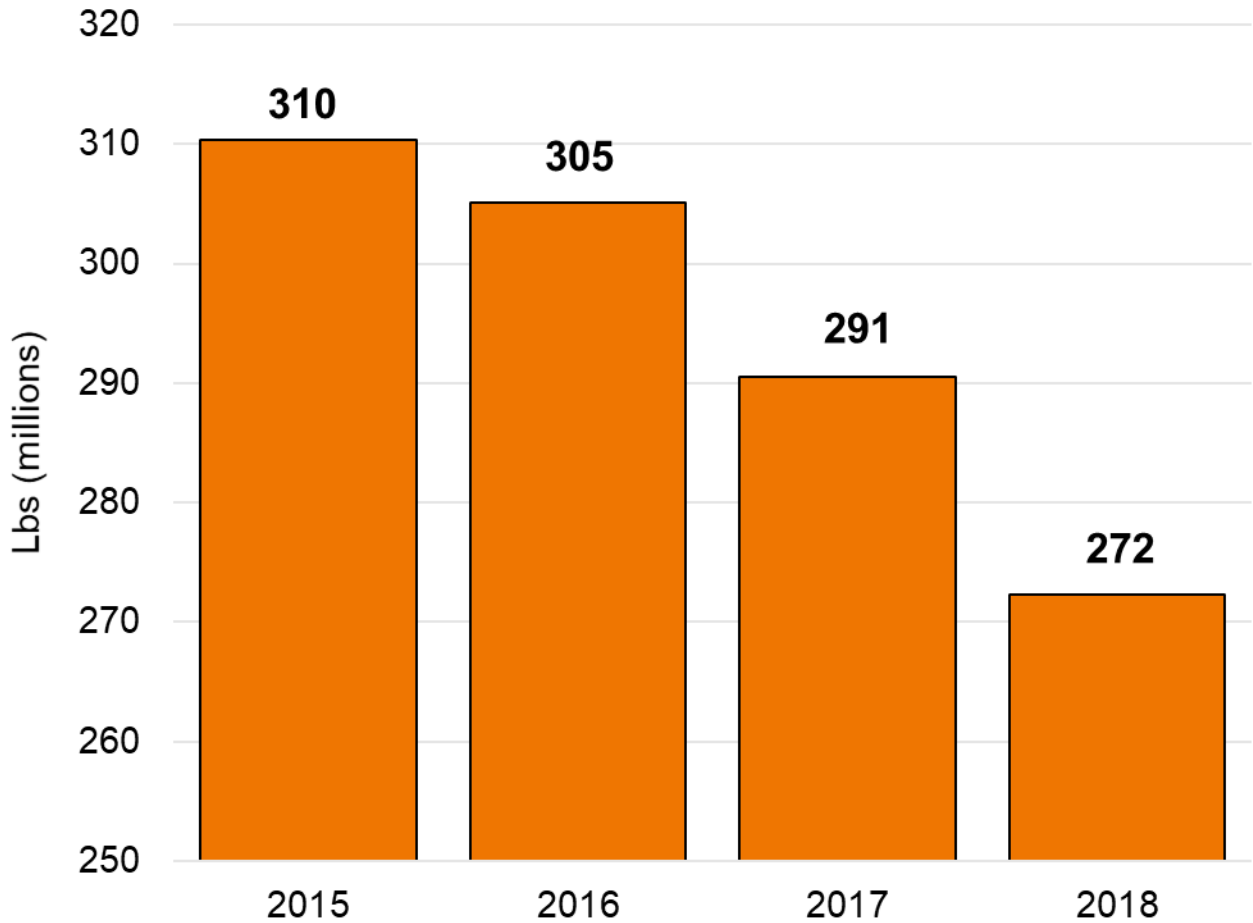
Net diversion typically does not equal reported diversion for two reasons. First, gross collections are based on estimates, not actual shipments or sales, while recycled output is based on actual weights. Second, a substantial amount of material may be retained in inventory as whole carpet, processed materials, or other outputs in progress that are not yet accounted for as finished material outputs.

Reported diversion by type and percentage are shown in Table 12 and Table 13.

In 2018, the largest component of reported diversion was fiber/depolymerization, at about 36 million pounds, or 11.2% of discards. In 2018, 100% of material in this category was fiber. The second largest component of reported diversion was PC4 recycled output at about 13 million diverted pounds (3.9% of discards). Third was energy recovery, consisting of WTE, at about 2 million pounds (0.6% of discards), followed by reuse at 0.7 million pounds (0.2% of discards), recycled tile at 0.5 million pounds (0.1% of discards) and exports at about 0.3 million pounds (0.1% of discards).

Carpet cushion/pad is additive diversion (a co-benefit of carpet recycling diversion efforts). In 2018, 9 million pounds were reported diverted from the landfill. The Program indirectly diverts carpet padding or cushion (mainly polyurethane foam, also known as rebond) at several sites where the padding material is accepted with PCC as a separate recycled material. A steady, although volatile market exists for these materials; being able to recycle both co-generated materials at the same time provides drop-off convenience for installers, retailers, contractors and consumers which improves program participation and thus carpet recycling.

**Figure P2. Disposal Over Time (Discards Minus Recycled Output)**





**Table 12. Reported Diversion by Type (thousands of pounds)**

<b>Diversion from Landfill by Type</b>	<b>2011 (Q3+Q4)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Reuse	-	152	26	174	614	926	414	734
Tile Recycled	44	336	310	717	856	1,122	867	469
Fiber / DePoly	11,486	34,007	43,719	43,397	34,762	34,219	36,288	36,002
PC4	-	-	-	-	61	2,412	10,538	12,571
Filler	522	1,983	390	-	-	-	-	-
Carcass	-	160	-	-	-	169	-	-
Kiln	-	44	48	9,255	6,854	3,417	1,948	-
CAAF	-	-	137	-	-	54	17	-
WTE	7,444	11,417	20,331	21,311	22,880	17,548	9,762	1,832
Exports	1,712	7,953	4,330	11,228	7,846	2,272	2,791	609
Carpet Cushion/Pad	692	6,108	2,914	4,804	6,901	6,765	5,894	9,056

**Table 13. Reported Diversion by Percentage**

<b>Diversion from Landfill by Type</b>	<b>2011 (Q3+Q4)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Total Carpet Discards (thousands of pounds)	181,036	356,977	363,567	357,671	345,197	342,787	337,748	321,587
Reuse	0.0%	0.0%	0.0%	0.0%	0.2%	0.3%	0.1%	0.2%
Tile Recycled	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.1%
Fiber / DePoly	6.3%	9.5%	12.0%	12.1%	10.1%	10.0%	10.7%	11.2%
PC4	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	3.1%	3.9%
Filler	0.3%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Carcass	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Kiln	0.0%	0.0%	0.0%	2.6%	2.0%	1.0%	0.6%	0.0%
CAAF	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
WTE	4.1%	3.2%	5.6%	6.0%	6.6%	5.1%	2.9%	0.6%
Exports	0.9%	2.2%	1.2%	3.1%	2.3%	0.7%	0.8%	0.2%

## 5.10 Environmental Impacts

*CCR §18944(a)(5)(A)9. Describe other environmental impacts as data are available, e.g., greenhouse gas emissions. Descriptions of any enforcement actions or problems related to plan implementation.*

The U.S. Environmental Protection Agency (USEPA) has identified recycled carpet as a material with significant potential greenhouse gas (GHG) reduction potential. Establishing and supporting a robust PCC recycling industry may have significant implications for GHG reductions statewide. GHG reductions related to California Program activities in 2018 were calculated utilizing the Excel-based USEPA Waste Reduction Model (WARM).

As noted in the 2017 Annual Report, due to the reduction in domestic depolymerization of nylon 6 (shutdown of Evergreen Nylon Recycling), less energy-intensive mechanical practices are replacing the use of chemical conversion practices, resulting in a net reduction of greenhouse gas emissions for every pound of carpet recycled compared to previous years. Due to these industry changes, it is estimated that the numbers in this report using the existing WARM model are anticipated to be underestimated since the model has not been updated to reflect the dramatic decrease in high-intensity depolymerization.

Results indicate a total of 295,019 metric tons carbon dioxide equivalent (MTCO<sub>2</sub>E) were reduced since Program inception, or an average annual reduction of 40,653 MTCO<sub>2</sub>E since 2012.<sup>7</sup> In 2018, Program and partner activities resulted in the reduction of 58,029 metric tons of MTCO<sub>2</sub>E (see Figure Q), an increased reduction of 8,851 MTCO<sub>2</sub>E over the previous year. Figure R, Table 14, and Figure S represent the WARM Analysis, Summary, and Equivalency Results for 2018 GHG emissions reductions.

In response to the Advisory Committee's August 2018 Recommendation 1.1(g), CARE provides the following additional information regarding safeguards for safe and legal use of recycled output, such as land application of PC4.

In late 2017, CARE became aware of an almond orchard application of PC4. Following this event, CARE initiated dialog to conduct a research study at the University of California at Davis (UC Davis) to address the use of PC4 in such agricultural applications. Additionally, CARE suspended a 2018 use of PC4 in a compost application until scientific review is complete and initiated a dialogue with California

<sup>7</sup> Total emissions reductions to date based on the cumulative sum of reductions from July 1, 2011–December 31, 2018, using estimates generated by the Excel-based EPA WARM model. Average annual emissions reductions are based on annual reductions from 2012-2018. Baseline year (July 1, 2011-June 30, 2012) emissions reductions totaled 24,926 MTCO<sub>2</sub>E.

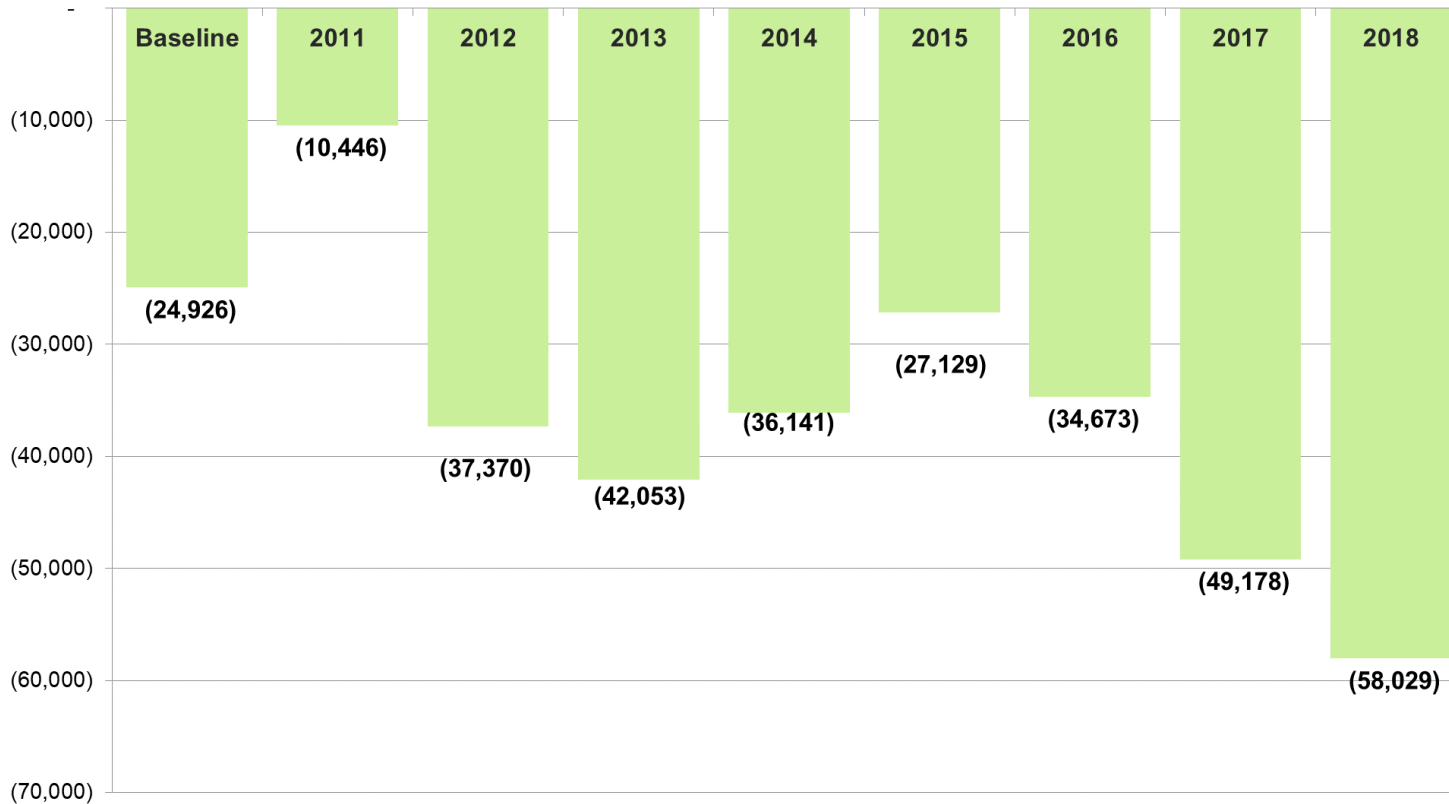
Department of Food and Agriculture (CDFA) to better understand any potential environmental impacts of such potential uses of PC4. The use of PC4 in the almond orchard was brought to CARE's attention and was discontinued after a single trial use; pounds and subsidy dollars associated with this application were nominal and subsidy funds were paid. CARE only became aware of the application after it had occurred.

As previously noted in the 2017 Annual Report, CARE is aware of two additional PC4 land application uses, as a pH amendment for compost. One was a non-food compost application in California which was blended at 10% rate. Upon becoming aware of this application, CARE immediately suspended use in this application until completion of the UC Davis studies and consultation with CalRecycle. Another use occurred outside of California beginning in mid-2018. This non-California compost application continued during 2018, as allowed under local government regulations. CARE is not aware of any additional such agricultural uses of PC4 during 2018.

In response to these developments, CARE took the following actions to strengthen safeguards for the safe and legal use of recycled output including PC4:

- Invested resources in the completion of a scientific study conducted by UC Davis graduate student to further understand the potential impacts and/or risks associated with compost or land application uses of PC4. Results of this study will be available in 2019.
- Strengthened internal reviews of processor reported data on recycled output to ensure that contact information is provided, and CARE staff is familiar with receiving parties and disposition use.
- Discontinued allowance for incomplete reporting of recycled output recipient information such as use of mock recipient names or "available upon request" inputs previously allowed due to confidentiality concerns.
- Discontinued payments of PC4 in land or compost applications as of June 2018, for applications within California; use outside of California continues to be allowable.
- Recommended any processors receiving subsidy funds for such PC4 use in compost or land applications be prioritized for AUP review.
- In an effort to provide better guidance to our processors, CARE has developed draft guidelines for the in- and on-ground uses for PC4. The draft guidelines were presented to and reviewed by CalRecycle. The draft guidelines are being revised and will be issued in 2019.

**Figure Q. Estimated Greenhouse Gas Emissions Reductions Over History of Program (MTCO<sub>2</sub>E)**



**Figure R. WARM Analysis of GHG Emissions Reductions for 2018**

Waste Reduction Model (WARM) -- Results	MTCO <sub>2</sub> E*
Total GHG Emissions from Baseline MSW Generation and Management	3,256.79
Total GHG Emissions from Alternative MSW Generation and Management	(54,772.30)
Incremental GHG Emissions	(58,029.10)

\*MTCO<sub>2</sub>E = metric tons of carbon dioxide equivalent

**Table 14. WARM Summary of 2018 Reductions in GHG Emissions by Activity**

**GHG Emissions Analysis -- Summary Report**

Version 14

GHG Emissions Waste Management Analysis for CARE

Prepared by: California Carpet Stewardship Program & Cascadia Consulting Group

Project Period for this Analysis: 01/01/18 to 12/31/18

**GHG Emissions from Baseline Waste Management (MTCO<sub>2</sub>E):** **3,256.79**

Material	Tons Recycled	Tons Landfilled	Tons Combusted	Tons Composted	Tons Anaerobically Digested	Total MTCO <sub>2</sub> E
Carpet	-	160,793.46	-	NA	NA	3,256.79

**GHG Emissions from Alternative Waste Management Scenario (MTCO<sub>2</sub>E):** **(54,772.30)**

Material	Tons Source Reduced	Tons Recycled	Tons Landfilled	Tons Combusted	Tons Composted	Tons Anaerobically Digested	Total MTCO <sub>2</sub> E
Carpet	366.85	24,286.85	135,223.87	915.89	NA	NA	(54,772.30)

**Total Change in GHG Emissions (MTCO<sub>2</sub>E):** **(58,029.10)**

<b>This is equivalent to...</b>	<b>Number</b>	<b>Equivalency units</b>
Removing annual emissions from	<b>12,217</b>	Passenger vehicles
Conserving	<b>6,529,661</b>	Gallons of gasoline
Conserving	<b>2,417,879</b>	Cylinders of propane used for home barbeques
	<b>0.00334%</b>	Annual CO <sub>2</sub> emissions from the U.S. transportation sector
	<b>0.00287%</b>	Annual CO <sub>2</sub> emissions from the U.S. electricity sector

*Note: a negative value (i.e., a value in parentheses) indicates an emission reduction; a positive value indicates an emission increase.*

a) For explanation of methodology, see the EPA WARM Documentation:

*Documentation Chapters for Greenhouse Gas Emission and Energy Factors Used in the Waste Reduction Model (WARM) – available at [www.epa.gov/warm/documentation-chapters-greenhouse-gas-emission-and-energy-factors-used-waste-reduction-model](http://www.epa.gov/warm/documentation-chapters-greenhouse-gas-emission-and-energy-factors-used-waste-reduction-model)*

b) Emissions estimates provided by this model are intended to support voluntary GHG measurement and reporting initiatives.

c) The GHG emissions results estimated in WARM indicate the full life-cycle benefits waste management alternatives. Due to the timing of the GHG emissions from the waste management pathways, (e.g., avoided landfilling and increased recycling), the actual GHG implications may accrue over the long-term. Therefore, one should not interpret the GHG emissions implications as occurring all in one year, but rather through time.



### Figure S. GHG Emissions Reductions for 2018: Equivalency Results\*

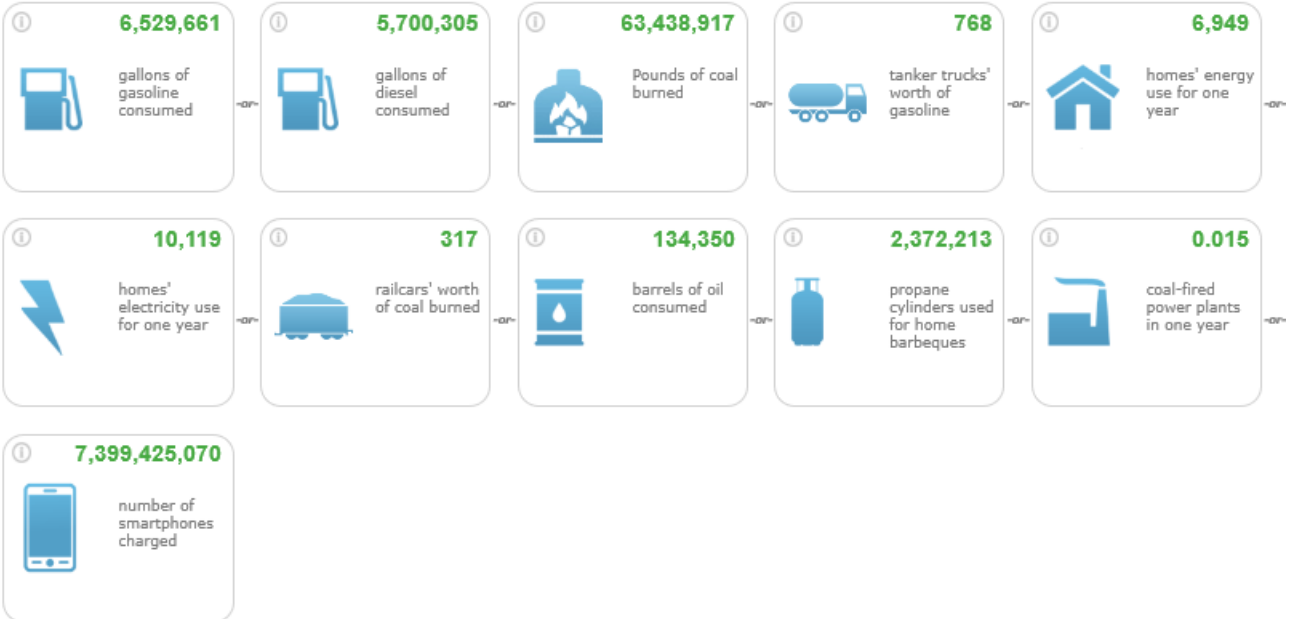
The sum of the greenhouse gas emissions you entered above is of Carbon Dioxide Equivalent. This is equivalent to:

58,029 Metric Tons

#### Greenhouse gas emissions from



#### CO<sub>2</sub> emissions from



#### Greenhouse gas emissions avoided by



#### Carbon sequestered by



\*For more information on how the equivalencies are calculated, please refer to this USEPA page: [www.epa.gov/energy/greenhouse-gases-equivalencies-calculator-calculations-and-references](http://www.epa.gov/energy/greenhouse-gases-equivalencies-calculator-calculations-and-references)

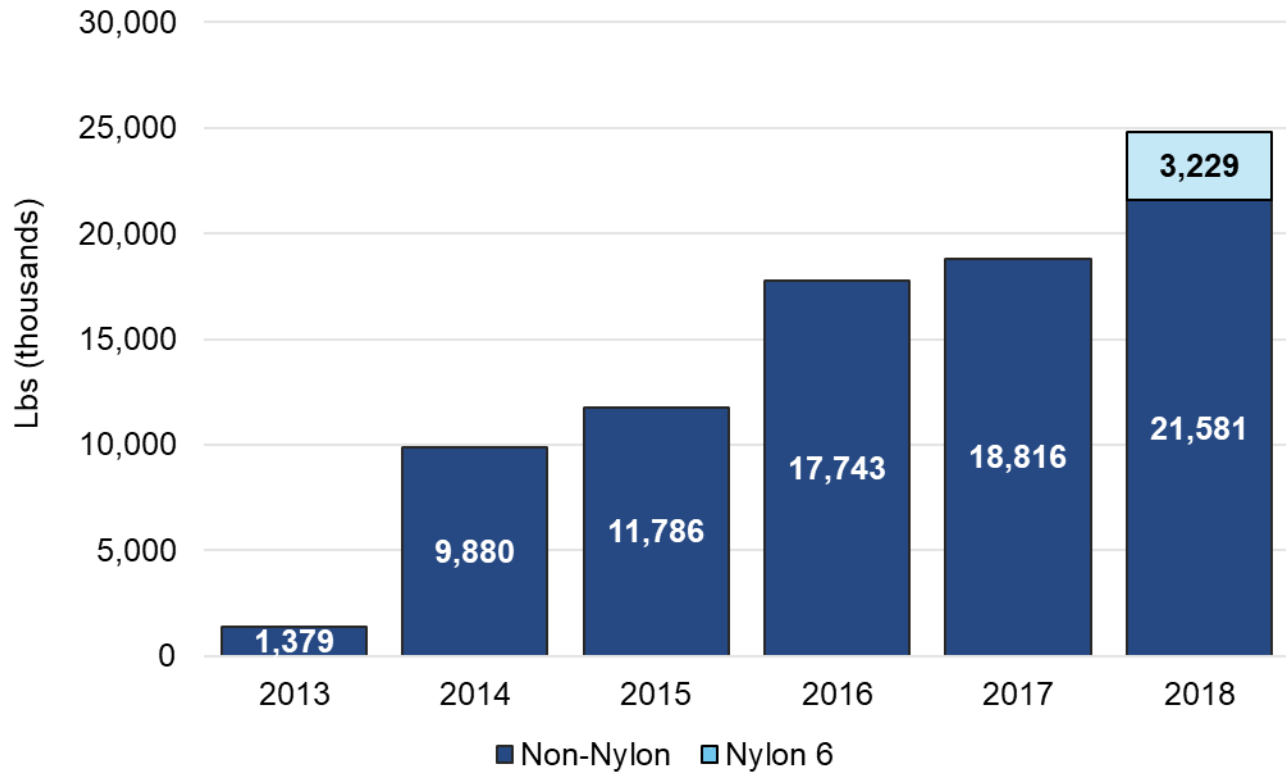
## 5.11 Increasing Market Growth of Secondary Products

*CCR §18944(a)(5)(A)10. Describe efforts to increase the market growth of secondary products made from post-consumer carpet.*

In 2018, the Program continued to focus on six primary areas previously designated, as well as those subsequently defined through AB 1158, to promote the use of recycled output in new carpets or secondary products useful to the marketplace. These are discussed in greater detail in Chapter 6, *Market Development*.

The year was highlighted by Program efforts that focused on stimulating the secondary market, including the PC4 subsidy for Tier-1 processors, further development of the Double Green™ label and implementation of the grant program. The year also saw an increase in Tier-2 manufacturer pounds shipped and sold, from 18.8 million pounds in 2017 to 24.8 million pounds in 2018, a increase of 32% (see Figure T), representing continued progress since the Tier-2 subsidy was launched in 2013. The increased pounds in 2018 includes a growing contribution from the new nylon 6 subsidy launched in October 2017 (3.2 million lbs. in 2018, up significantly from Q4 2017 nylon shipped and sold), representing 13% of total manufacturer pounds in 2018.

**Figure T. Tier-2 Manufacturer Pounds Shipped and Sold Over Time\***



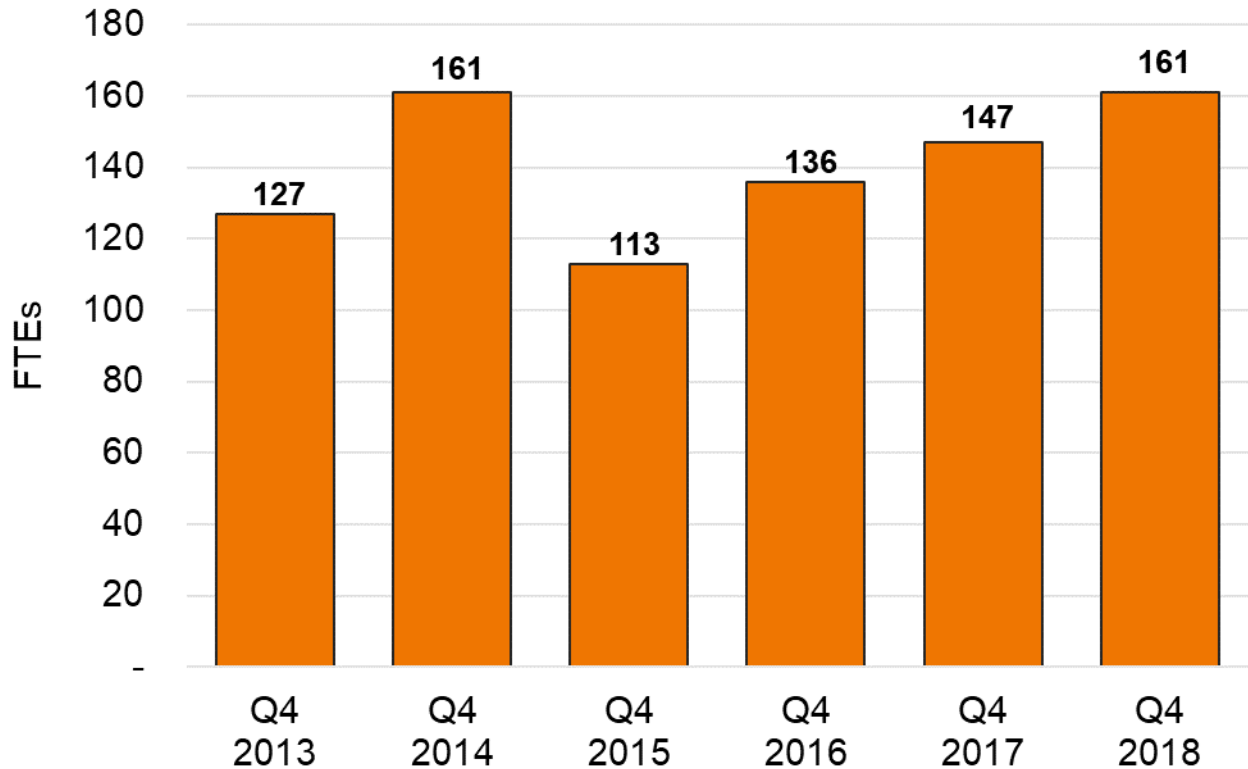
\*Beginning in Q4 2017, Tier-2 manufacturer pounds also include recycled products made with nylon 6.

## 5.12 Creating Green Jobs

*CCR §18944(a)(5)(A)11. Describe number of jobs attributable to the carpet stewardship program as data are available.*

At the close of 2018, a total of 161 full-time equivalent (FTE) jobs could be attributed to CSE, Tier-1 processor, and Tier-2 manufacturer employers (see Figure U), including 10 CARE staff and contractors. This is a nearly 10% increase from 147 total FTEs reported in 2017. An estimated 17 new FTE jobs were added in 2018 as a result of Cycle 1A and Cycle 1M grant investments made in 2016-2018. Job growth owed to investments made in Q4 2018 and in 2019 through Cycles 2A, 2B, 2M and 3A is not expected to begin until 2019. It should be noted that only those FTEs related to Tier-2 manufacturers receiving subsidy funds from CARE are represented in Figure U. FTEs related to grants awarded to non-subsidy receiving manufacturers (e.g., PC4 users) would account for any difference.

**Figure U. Total FTEs Reported (at year end)\***



\*CARE FTEs were included beginning in 2016.

Job numbers (reported as FTEs) are only for direct jobs within California and are submitted for quarters or months when a company submits a subsidy request. Figure U does not include jobs at facilities located outside California, such as Tier-1 processor and Tier-2 manufacturers located in other states. The Program also estimates that three to five indirect jobs are created for every one job resulting from the PCC recycling industry in California. Under this assumption, the industry has created more than 480 direct and indirect jobs in California. This number will increase as recycled output demand increases and new Tier-1 processors and Tier-2 manufacturers open new facilities within California (e.g., Aquafil Plant #2 in Woodland).

## 5.13 Measurement Methodology, Assumptions, Factors and Data Sources

*CCR §18944(a)(5)(B)1. Report describes the measurement methodology, assumptions, conversion factors, and data sources.*

Measurement methodology is described in the California Carpet Stewardship Plan, both the 2011-2016 version that the Program continued to operate under in 2018 and the new 2018-2022 Plan, which was conditionally approved in October 2018 and fully approved in February 2019. The Program recycling rate, which was 15% in 2018, is estimated as a function of total estimated discards. The formula used for calculating carpet available for diversion is summarized below.

The values used in the formula are generally updated annually in April based on market data gathered by Market Insights, LLC, an independent market research firm.<sup>8</sup> Table 15 below shows the updated values used for 2018. The Program is currently conducting a study regarding the Discards formula and potential updates.

### 5.13.1 Formula for Calculating Carpet Discards

The variables for estimating carpet discards are presented in Table 15.

**Table 15. Discards Methodology Variables (2018)**

Variable	Variable Description	Updated Value	Source
S	Sales (square yards)	86,046,027	Accounting firm (Aprio, LLP)
R	Replacement rate (%)	0.84	Market Insights, Inc.
P	Average weight of carpet per square yard (lbs.)	4.39	CARE
D	Pounds of carpet from demolition projects not replaced (%)	0.006	Market Insights, Inc.
DS	Pounds of carpet removed but not replaced by carpet (%)	0.0075	Market Insights, Inc.

<sup>8</sup> Market Insights, LCC, *U.S. Carpet Market Size for Recycling Program Tracking with California, Illinois, and Minnesota Markets Detailed* (February 6, 2019).

Table 16 shows the formula and calculations used to estimate discards in 2018, with descriptions of each variable below.

**Table 16A. 2018 Discards Formula Calculations**

<b>2018 Total</b>
= S * R * P * (1 + D + DS)
= 86,046,027 * 0.84 * 4.39 * (1 + 0.0060 + 0.0075)
= <b>321,586,925 lbs</b>
= <b>321.587 million lbs</b>

**S = Sales:** Carpet sales (square yards) in California for the reporting period. Sales data comes from the independent accounting firm Aprio, which collects the confidential sales data from the carpet manufacturers registered with CARE.

**R = Replacement:** Percentage of carpet that is replacement—that is, carpet replacing existing carpet. This rate is derived as the weighted average from the residential and commercial sectors and is reported by Market Insights, LLC.

**P = Density:** Average weight of carpet per square yard. CARE gathers and analyzes raw industry data (via a confidential mill survey) to calculate the weighted averages of carpet weights of broadloom and tile used in the commercial and residential sectors.

**D = Demolition:** Pounds of carpet from demolition projects that were not replaced. This includes the weighted demolition rate (75% residential broadloom, 15% commercial broadloom, and 10% commercial carpet tile). D is converted to pounds by multiplying the percentage by the product of S \* R \* P. The demolition data is gathered by Market Insights, LCC. Note that demolition represents the teardown of a building. The actual volume of carpet resulting from this process cannot be accurately calculated. By using the actual demolition rate obtained from Market Insights, LLC., the total volume of carpet sent to landfill is likely being overestimated. However, this is a small fraction (<1%) of the overall amount and does not significantly alter the calculations because it is well within acceptable error limits.

**DS = Deselection:** Pounds of carpet removed but not replaced by carpet—that is, the removal of carpet for the replacement by another flooring material. Deselection (DS = Sales in pounds \* rate), is estimated to be approximately 0.75%, based on review of historical trend data. It has a minimal impact on the flow to landfill and is well within the error limits of current estimates.

The current formulas also take into account the following:

- Trimmings discarded during the installation process are accounted for within total carpet sales figures, as reported quarterly by participating carpet mills.
- Imported carpet discards are excluded from data in this report, as Tier-1 processors report only California carpet materials collected, recycled, and disposed. Reported California carpet shipments by carpet mills are verified through regular Agreed Upon Procedures (AUP) reviews by Aprio.

In December 2016, CalRecycle raised concerns regarding the Discards formula during their review of the draft 2017-2021 Plan. CARE acknowledged that this formula and approach to discards, which has been in use since the Program's early days, results in a very different estimate than the number calculated in CalRecycle's statewide waste characterization study. In response, CARE initiated a study in 2017 and committed to facilitating meetings between CalRecycle, CARE, and CalRecycle's contractor, Cascadia Consulting Group (including statisticians), to review relevant information and come to reasonable conclusions regarding CARE's accuracy in calculating discards. The goal is to complete the study and submit to CalRecycle by September 1, 2019. Reaching final agreement on calculation of the denominator is the ultimate goal, though this may be affected by the 2018 waste characterization study by CalRecycle, with data slated to be reported in 2019. Accordingly, the timeframe for resolution extends into 2019 and will be addressed in discussions with CalRecycle.

## 5.14 Performance Trends Over Time

*CCR §18944(a)(5)(B)2. Report demonstrates that over time source reduction, reuse, and recycling increased, while environmentally safe transformation and land disposal decreased.*

Figure V summarizes performance trends over time with regard to four key indicators:

- Gross collections.
- All material sent back to landfill by CSEs and Tier-1 processors (includes both sort and processing waste).
- Recycled output (portion of gross collections that qualifies as Reuse, Recycled Output Type-1, Recycled Output Type-2, PC4, or Carcass).
- Net diversion (balance of gross collections minus materials sent to landfill).



**Figure V1. Collection, Recycled Output, Net Diversion, and Process Waste to Landfill Performance Trends**

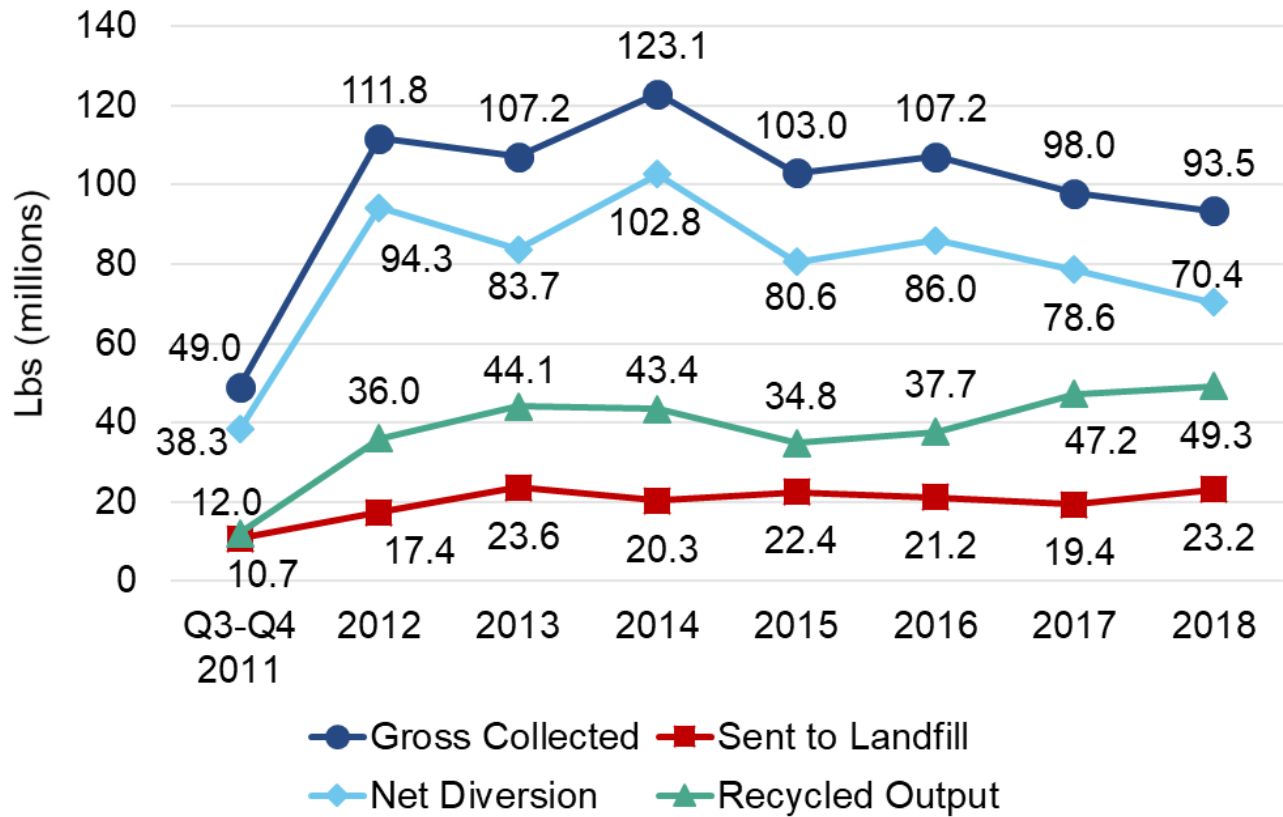


Figure V illustrates the history of the Program since 2012. External macroeconomic and industry factors triggered a sharp decline in gross collections, diversion, and recycling output during 2015. Since a program low in Q3 2015, recycled output has readily recovered and continued on a reliably steady increase.

Since the initiation of collections is generally tied to sale of new carpet, as sales continue to decline, gross collection declines. Loss of a recycler in late 2017 also impacted collections in 2018. As demand for material begins to grow with new capacity and markets, collection expansion is expected to pick back up. The recycled output increased due to increasing yields as uses for PC4 were brought online.

The Program reached 16.3% RO in Q1 2017, 90 days after the 2016 program goal. Although this quarterly high did not hold for the remainder of the year, the general upward trend indicates the Program is continuing to rebound from the 2015 low. Again, the shuttering of a major Southern California processor contributed significantly to that 2017 drop. In 2018, the Program again reached a 16.3% RO in Q2 and had an overall recycling rate of 15.3% for 2018. As noted earlier, the loss of a major PC4 outlet in May followed by the suspension of operations by Fiberon in September, a major user of PET fiber, had a negative impact on what was shaping up to be a significant growth year for

recycled output. Following the loss of these markets, market development efforts in late 2018 focused on developing new manufacturer outlets to process those materials; these new markets are continuing to grow in 2019.

Note that these figures fluctuate seasonally, with lower levels of materials typically generated during winter (Q1 and Q4) compared to summer (Q2 and Q3). The numbers also track with new carpet sales.

### Changes over time compared to the baseline year (July 2011–June 2012) include:

- 652% increase in **reuse** from 98,000 pounds baseline to 734,000 pounds in 2018.
- 79% increase in **recycled output** from 28 million pounds baseline to 49 million pounds in 2018.
- Increased **recycling rate** from 8% in the baseline year to 15% in 2018, which is still short of the 2016 goal of 16%, though that level was reached in both Q1 2017 and Q2 2018.
- Variable **net diversion** from 78 million pounds (22% of discards) baseline to a high of 103 million pounds in 2014, declining to 70 million pounds (22% of discards) in 2018.
- 4% increase in **process waste to landfill** from the baseline of 22.2 million pounds to 23.2 million pounds in 2018. This figure has decreased from its historical high of 36.7 million pounds in 2013.
- Major reduction in **energy recovery** as diversion, with 1.8 million pounds in 2018, compared to the historical high of 30.5 million pounds in 2014. The 2018 pounds are also substantially lower than the baseline of 15.7 million pounds.<sup>9</sup>
- 10% **reduction in disposal** (PCC waste disposal to landfill) from baseline of 279 million pounds to 251 million pounds in 2018. This also represents a decrease from the historical high of 293 million in 2013.
- Fluctuating **gross collections** from 28% baseline to a high of 34% in 2014 and dropping to 29% in 2018.
- **Jobs** have fluctuated substantially over time as new players come into and out of the carpet recycling marketplace (and as the Program has improved its job data collection), gaining 14 FTE jobs in 2018 over 2017 and 48 jobs over the low in 2015. The baseline year recorded jobs as high as 724, 78% more than those reported in 2018.

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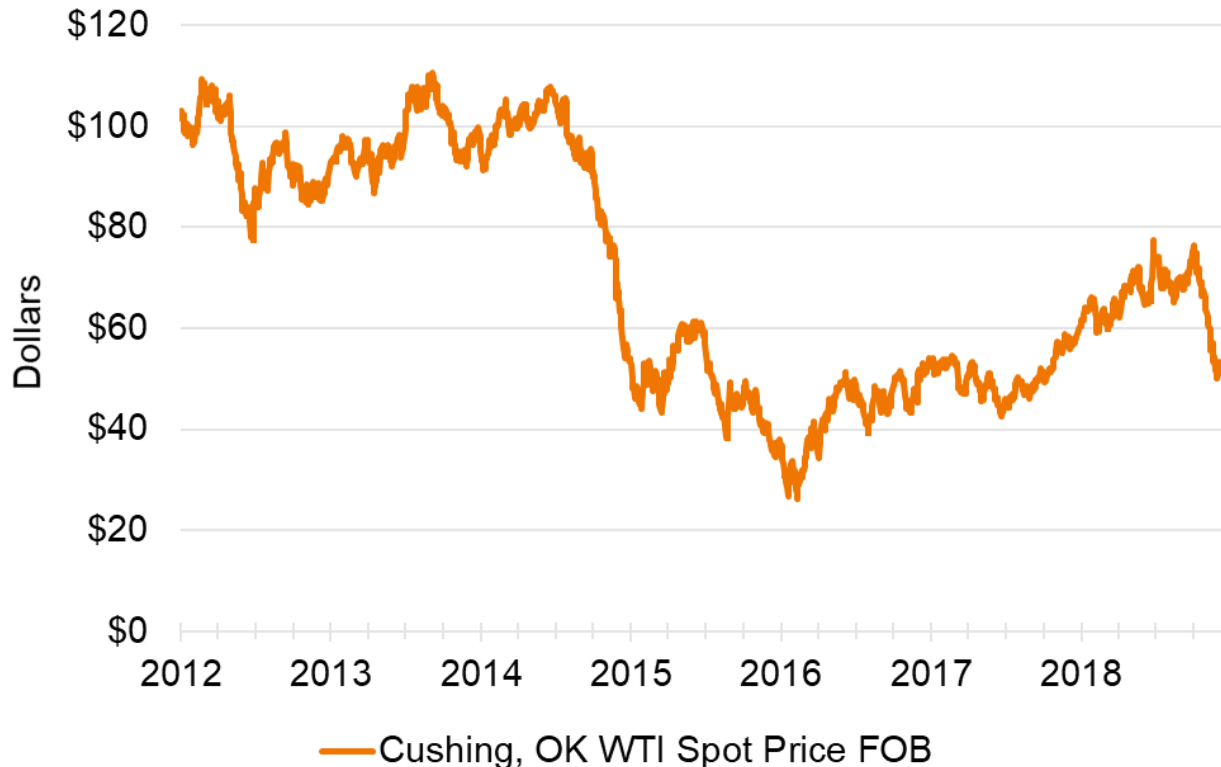
<sup>9</sup> Note that the 2017 Annual Report incorrectly listed 7.4 million pounds as the baseline, which is the total for July-December 2011 (two quarters only), not the full-year baseline of July 2011-June 2012.

- **Recycled carpet content products** totaled 41 products from 19 manufacturers in 2018, up 41% from roughly 29 products in 2017, 12% from the 26 products estimated in 2016 and up 61% from the 18 products estimated in 2015, the first year for which data was available. It should be noted, manufacturers are tallied from both those receiving subsidies and those who do not receive subsidies yet are listed in the CARE Recycled Products Catalog. Additionally, products included also include pellets and polyols.
- New **public carpet recycling drop-off sites** were added over time, totaling 53 sites in 2018, compared to zero sites at the start of the Program (baseline), expanding convenient collection opportunities throughout the state. See Section 4.2 for more details.
- Implemented **numerous new education and outreach efforts** since 2011, including: contacting retailers on compliance and carpet recycling opportunities; surveying installers on barriers to carpet recycling; outreach to local government and installers on drop-off site opportunities; raising awareness on carpet recycling; promoting “buy recycled” products; providing information on grants and subsidies and conducting consumer/contractor outreach through booths at regional home improvement shows. See Chapter 8, *Outreach/Education*, for more details.

### 5.15 Progress Toward Achievement of all Goals

*CCR §18944(a)(5)(B)3. Report covers progress toward achievement of all goals in the approved stewardship plan.*

The Program has remained consistent in showing strong, steady continuous meaningful improvement throughout 2018. In an ideal world, data from a developing start-up carpet stewardship program would reflect a consistently increasing set of results. However, real-world external market conditions including but not limited to the price of oil (the primary driver of virgin material pricing for carpet fiber) and a constrained export market—particularly due to China’s National Sword policies—contributed to results that differ from those anticipated. The culmination of those two factors alone not only made use of virgin (oil-based) materials more cost-effective (and pushed more post-consumer plastics into the domestic market), they also created an unprecedented real-world commodity competition for PCC recovered polymers. None of that was anticipated before 2015 and, as in many related recycling market slumps, the climb back up is takes far longer than the decline. Figure A shows generally declining prices for crude oil since 2012.

**Figure A. Price of Crude Oil in Dollars per Barrel over Time**

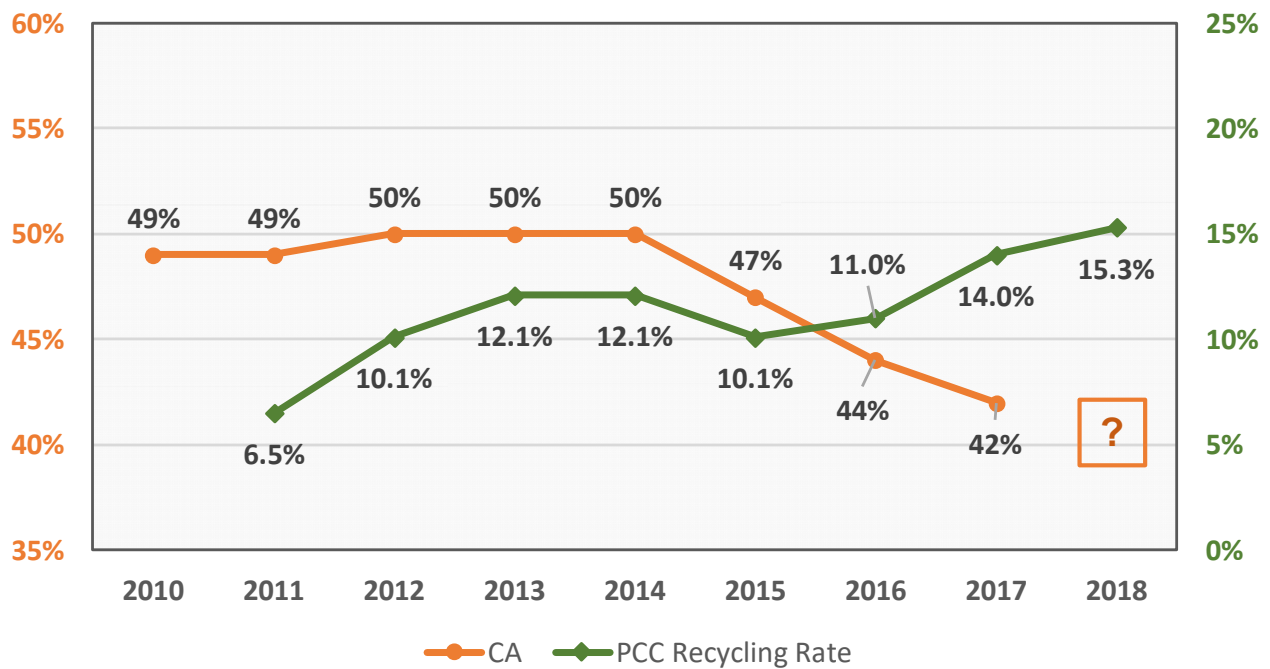
California’s overall recycling rate and mature recycling infrastructure—initially spurred and launched through the passage of AB 939 in 1989—have also been adversely affected by China’s policies, the price of oil, and other macroeconomic challenges affecting global recycling commodities markets. As noted in CalRecycle’s 2017 State of Disposal and Recycling report, *“Recycling does not happen in a vacuum. Recycled materials need to compete with virgin materials in the manufacturing sector. According to the Center for International Environmental Law, the energy sector is investing \$164 billion for 264 new/expanded plastic production facilities in the United States. By 2025, production of virgin ethylene and propylene may increase by about a third. Plentiful, cheap virgin material could undermine source reduction efforts, undercut prices for recovered plastics....”* Thus, it should seem reasonable that a carpet stewardship recycling program would also be negatively impacted by these forces. However, despite significant macroeconomic and capacity throughput challenges, CARE’s Program continues to rebound and steadily trend upward.

In an effort to put things into perspective, CARE has plotted the recycling rate over the life of the Program in Figure V2 and show the overall recycling rate for the state of California for comparison. While CARE recognizes there remains work to be done, there has been a 50% increase in the recycling rate over the last three years (2015-2018) despite the ongoing challenges in the recycling community. At the same time, and for

many of the same reasons, California has experienced a significant 16% decline over the last three years of reporting.

While the plastics market impact from China’s National Sword, along with similar efforts from other Southeast Asian countries, may likely continue for some time, the CARE program has continued to show a steady and reliably strong increasing recycling rate for eight consecutive quarters. In comparing the CARE program to the overall diversion rate in California, as shown below, CARE believes that the Program has continued to show progress regardless of market setbacks.

**Figure V2. Comparison of California Recycling Rates for Materials Statewide and for Post-Consumer Carpet (PCC)**



Three Plan addenda (2015/2016) adopted changes to improve the Program’s responsiveness to fluctuating marketing conditions as well as to further enhance financial reporting and transparency. Importantly, the efforts in 2016 laid a strong foundation for capacity expansion and, thus, the significant improvements seen through 2018. In 2018, the Program continued to benefit from these Program enhancements as these changes took hold in the market, including:

- New capacity and recycled carpet content products supported by grant funds.
- Increased recycled output.
- Increased yield especially as product demand is taking shape for PC4.
- Increased convenient collection public drop-off sites.

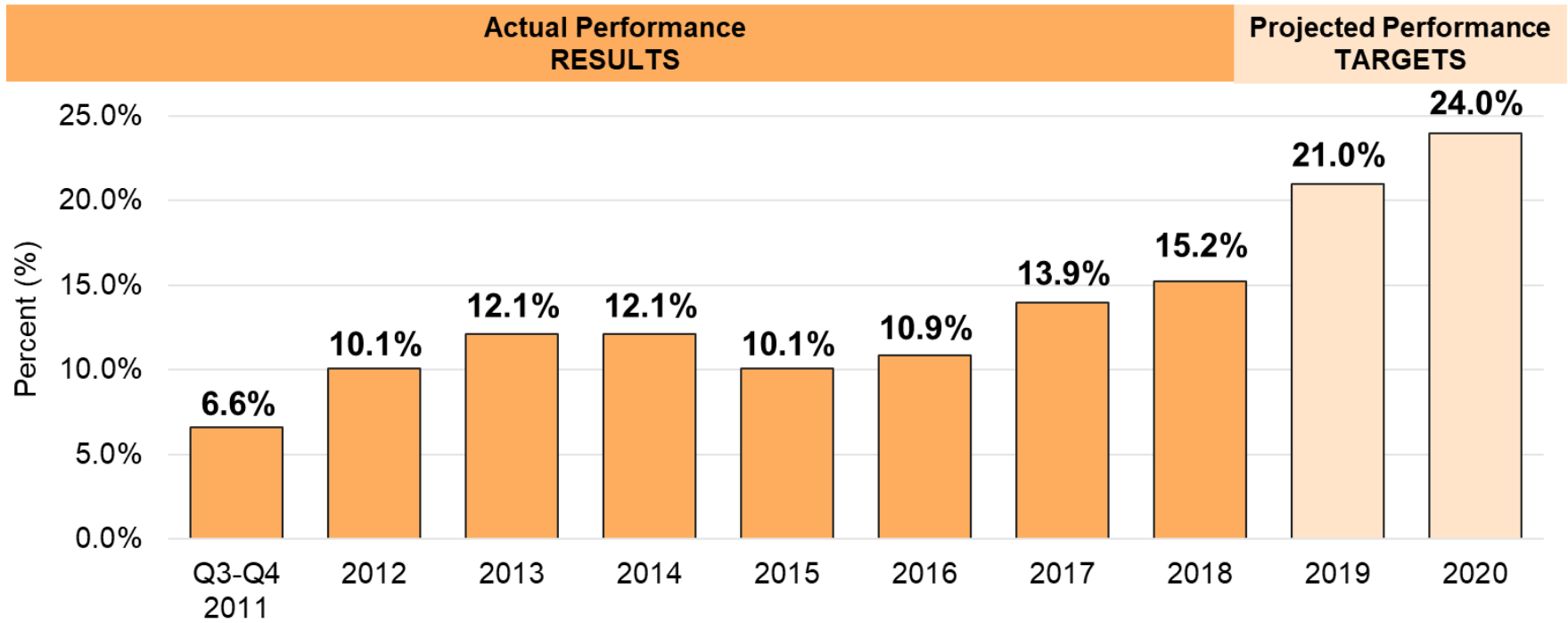
- Expanded private collection sites for flooring professionals.
- Expanded education and outreach especially in the areas of installer education and Buy Recycled product promotion.
- Expanded and more clearly defined stakeholder collaboration via AB 1158's legislated creation, appointment, and formalization of the Carpet Advisory Committee.

In October 2017, the passage of AB 1158 adjusted the 2020 goal timeline from December 1, 2020, to January 1, 2020, effectively reducing the timeframe for achieving this goal by one year. CARE proposed 24% diversion by 2020 as a target goal by the end of 2020 in the disapproved 2017-2021 Plan (submitted October 2016). CARE continues to work diligently to achieve this goal, despite the challenging macroeconomic conditions affecting recycling markets in California and elsewhere.

External market conditions have varied widely in 2018 due to N66 force majeure events and China National Sword. Such events mean market conditions are not limited to just the price of oil (the primary driver of virgin material pricing for carpet fiber) and a constrained export market—particularly due to China's National Sword policies—continued to affect carpet recycling markets in 2018. These factors not only made use of virgin (oil-based) materials often more cost-effective (and pushed more post-consumer plastics into the domestic market), they also created an unprecedented real-world commodity competition for post-consumer carpet recovered polymers. Despite these challenges, throughout 2018 the California Carpet Stewardship Program continued to demonstrate a consistent upward trend of steady progress toward Program goals, including diligent efforts to achieve a 24% recycling rate by January 1, 2020.

The Program has adopted both annual and 5-year goals in the new Plan, which was conditionally approved in October 2018 and formally approved in February 2019. These new annual goals are reflected in Figure W. While the Program is taking steps to increase the likelihood of achieving the 2020 goal, CARE remains concerned that such a dramatic increase in recycled output may not be possible with this shortened schedule, denied approval of grant Cycles 2 and 3 until late in 2018, and Plan submission delays, unless all recyclers deliver on their stated expansions and timelines—which, as history has proven, CARE nor CalRecycle cannot directly control.

**Figure W. Actual Recycled Output Results and Projected Performance Goals\***



\* Recycled output includes Reuse + Type 1 + Type 2, but does not include additional diversion achieved through mechanisms such as CAAF, Kiln, WTE, exports, etc.



## 5.16 New Program Goals Added in AB 1158

*AB 1158 §2. 42972(a)(4). Include a funding mechanism... that provides sufficient funding to carry out the plan... including incentives or grants to state-approved apprenticeship programs for training apprentice and journey-level carpet installers in proper carpet recycling practices. Any grants or subsidies provided for the recycling of postconsumer carpet shall be structured to incentivize the recycling of carpet materials that have the highest recyclability*

CARE has budgeted for and initiated contact with the California statewide soft-flooring Union representatives for the development of a carpet recycling training program for apprentice and journey-level carpet installers. With the late 2018 Plan approval, full development of a training program outline will begin in 2019. It should be noted, CARE initiated both installer tabling events and training in 2018. See Chapter 8, *Outreach/Education*, for details.

As of January 1, 2018, the Carpet Stewardship Laws require grants or subsidies provided for the recycling of PCC to be structured to incentivize the recycling of carpet materials that have the “highest recyclability”. Neither the statute nor regulations specifically define this term, nor do they specify that this provision overrides other goals in the statute, including achieving the 24% recycling rate by 2020.

It is worth noting, the concept of paying a premium for “highest recyclable” materials is both counter-intuitive and not supported by market convention. Evidence based on a growing level of market feedback demonstrates the adverse impact the AB 1158 law is having on the ability to supply nylon 6. Specifically, recyclers who previously forwarded on nylon 6 whole carpet to processors focusing on nylon 6 exclusively have found it advantageous to self-process that nylon 6 into fiber and sell it into higher valued outlets. This capture of the processing fee directly has created an unanticipated competition for processors of nylon 6.

With input from Industry, the Advisory Committee and CalRecycle, CARE presented a table of recyclability criteria that was based on PCC market expertise and recycling technology experience regarding the form and purity of requirements for various markets. Table 16B below, which appears as Table 6 in the 2018-2022 Plan (page 116), represents the current culmination of those discussions and negotiations. Decisions related to grants and subsidies are designed to incentivize Highest Recyclability. Further detail on the parameters relating to this table and Highest Recyclability can be found in the Market Development chapter of the 2018-2022 Plan. Discussion on how grant scoring and preferences were amended to this requirement is presented in Chapter 6.

Based upon the initial scoring for Highest Recyclability, Commercial Carpet Tile (nylon 6 and nylon 6,6) and Residential Broadloom (nylon 6 and nylon 6,6) were the highest scoring. While it is still early, monitoring the initial effectiveness of on the shipments of nylon 6 and nylon 6,6 can be viewed in Figure L2 which denotes fiber shipped and sold by type over time. However, it should be noted that prior to the Highest Recyclability requirement, nylon 6 and nylon 6,6 had strong market pricing on their own; thus, this ranking effectively mandated that CARE pay higher subsidies out on a material with already high market pricing. As noted above, this is counter to marketplace convention.

**Table 16B. Highest Recyclability Criteria: SPC Composite Results with Weighting (Wt.)** (also appears as Table 6 in 2018-2022 Plan on page 116)

Highest Recyclability	Wt.	N6	N66	PET	PTT	PP	Wool	PC4	Tile N6	Tile N6,6	B'loom N6	B'loom N6,6	B'loom Wool
Criteria	#	Res	Res	Res	Res	Res	Res	Other	Com	Com	Com	Com	Com
Ease of deconstruction*	15	105	105	105	105	105	105	75	150	150	30	30	105
Safely recycle all layer similar or higher mat'l perf.*	15	60	150	150	60	105	60	75	150	150	75	75	60
Cost-effectiveness*	10	50	100	20	10	10	40	20	80	80	10	10	40
Energy saving*	5	20	25	45	45	45	45	10	45	45	20	20	45
Identification of resin type*	5	50	50	50	50	50	45	50	45	45	45	45	45
Extent of subsidy required	10	40	100	20	20	40	0	20	100	100	30	30	0
Reusability	5	10	10	0	0	0	15	5	50	50	15	15	15
<i>Markets available for products:</i>													
a. Closed-loop recycle back into carpet	10	100	0	0	30	0	0	0	100	100	0	0	0
b. Non-carpet closed-loop (recycled multiple times)	10	30	60	60	60	60	0	30	100	100	0	0	0
c. Downcycled (one-time)	10	50	40	40	50	40	0	90	0	0	0	0	0
Volume available	5	30	15	15	5	15	0	45	35	20	20	20	0
<b>TOTAL</b>	<b>100</b>	<b>545</b>	<b>655</b>	<b>505</b>	<b>435</b>	<b>470</b>	<b>310</b>	<b>420</b>	<b>855</b>	<b>840</b>	<b>245</b>	<b>245</b>	<b>310</b>

Highest Recyclability v12 7-07-18

\*Items referenced by AB 1158. Note: Wt. = Weighting. Res = Residential. Com = Commercial.

*PRC §42972(c)(4). A carpet stewardship organization shall not expend funds from the assessment for any of the following purposes:*

*(A) Penalties imposed pursuant to Section 42978.*

*(B) Costs associated with litigation against the state.*

*(C) Engineered municipal solid waste conversion, as defined in Section 40131.2, the use of cement kilns to burn carpet, or transformation, as defined in Section 40201.*

CARE has committed that no assessment fee funds shall be expended on penalties or litigation against the State of California.

Subsidies for both CAAF and Kiln were discontinued as of December 31, 2017.

Additionally, AB 1158 requires the following:

- *Appointment of an Advisory Committee which shall make recommendations of carpet stewardship plans submitted to CalRecycle.*
- *Stewardship plans, plan amendments and annual reports shall be reviewed prior to submittal to CalRecycle. CARE is required to provide written explanation if they are unable to incorporate, or when they will be able to incorporate, Advisory Committee recommendations into a plan, plan amendment or annual report.*
- *The Department of General Services shall, to the extent feasible and within existing resources, take appropriate steps, including, but not limited to, revising relevant procurement rules, to ensure both of the following requirements are satisfied:*
  - (a) Postconsumer carpet that is removed from state buildings is managed in a manner consistent with the purpose of this chapter.*
  - (b) Carpet purchased by a state agency contains a minimum amount of postconsumer content that shall be determined by the Department of General Services and published in the State Contracting Manual by July 1, 2018.*

Section 3.3.3 addresses the formation and work of the Carpet Advisory Committee. In accordance with PRC §42972.1, CARE submits draft stewardship plans, plan amendments, and annual report drafts to the Advisory Committee for review no less than 30 days before submitting materials to CalRecycle. CARE seeks to incorporate Advisory Committee comments where appropriate and responds in writing to Advisory Committee recommendations that are not incorporated into plan or annual report materials.

## 6. Market Development

*CCR §18944(a)(6). The annual report shall include a description of possible market development activities to incentivize the market growth of secondary products made from post-consumer carpet.*

### 6.1 Introduction

A number of assets were deployed to assist CARE and the recycling community in the growth of products and markets in 2018 including: Grants Manager Abbie Beane, Tinney & Associates (Tinney), Assets Unlimited (Frank Endrenyi), and communications agency Gigantic Idea Studio (Gigantic). All worked with the CARE California Stewardship Program (Program) on market development efforts in 2018. 2018 started on an optimistic note, with CARE grants initially being reviewed for award to both existing California companies and new entries into carpet recycling. The existing processors were looking at a diverse new group of product manufacturer customers, many of whom planned to incorporate PCC material into existing products, thus having an immediate impact on recycled output, and growing the Double Green™ family of products. Reaching the 24% recycled output goal seemed in reach. That optimism soon changed to uncertainty and confusion as the CARE plan was again rejected by CalRecycle. CARE's role in market development in 2018 morphed into "keeping the faith" with awaiting grantees and processors, as all awaited the decisions on CARE plan submittals. Many parties chose to wait to see the outcome rather than committee to capital projects, product and market development and even postponed joining the public drop-off site program.

Grants, incentives, business development assistance, and collaborative work with and through public entities, are all key components to reaching successful goals; all were hindered by the circumstances in which the Program found itself in 2018. In particular the delay in grant funding of essentially 15-months, despite efforts by CARE to request approval for release, halted many collection and capacity expansion efforts.

In general, CARE's product/market development strategies include:

- Development of new recycled carpet products produced in California.
- Exploration of alternative uses for existing carpet products.
- Increasing the number of Tier-2 manufacturers producing recycled carpet products in California.
- Encouraging California companies currently using recycled content material to incorporate PCC.

- Engaging with public entities to spur interest in purchasing recycled carpet products.
- Looking to companies outside of California to incorporate PCC materials.

CARE provides technical and business development assistance to the processors and their potential customers on a confidential basis. Much of the current product and market development work is being driven by the two operating California processors. Developing new technology and products to consume large amounts of PCC continues to be worked on but remains elusive for the moment.

2018 activities centered on maintaining the successful product and market efforts started in 2017 for California-generated post-consumer carpet (PCC) material in the following ways:

- A multi-phase outreach effort to contact all the California companies currently manufacturing products containing post-consumer recycled material, looking for potential customers for the California processors.
- Outreach to California-based recycled products manufacturers yielded names of six companies which are in various stages of follow up and testing.
- All 2018 grantees stayed with the Program during the grant delays, with three applying for 2019 grants to further expand capacity.
- Work began on adding a carpet derived products category to SABRC; however, without plan approval support for this effort was minimal.
- SafePath and Visions, both 2018 grant recipients, added new product categories to their offerings using PC4 for products which are expected to be launched in 2019.
- New material uses have driven processors into a larger mix of varying quality materials, opening doors to products and uses with more demanding material quality specifications.
- UC Davis soil study expanded to evaluate potential use in compost; results due in summer 2019.
- Humboldt State University/GHD water and debris filtration pilot projects yielded potential uses for both shredded PET carpet and exciting alternative uses of existing carpet pad.

Based on the progress above, opportunities include:

- Growing government agency procurement by expanding SABRC: SABRC does not currently include a category for “carpet derived products.” CARE is working on legislation that will establish “carpet derived products” as the twelfth SABRC category. Such legislation is also looking for an enforcement mechanism to

provide consequences for agencies failing to reach their SABRC mandated goals.

- CARE expects to add as many as six new product manufacturers in 2019, as a result of the two grant cycles funded in late 2018 and early 2019, three of those in California. Products include: pallets, end caps, reusable flooring systems, military grade protection barriers, stormwater filtration systems, polyols and cementitious building materials.
- Uses for PC4 in cement as well as further processed fiber into chemical and pelletization uses, is creating extensive, previously unknown opportunities for PCC material applications.

Due to uncertainty over Plan approval and the 15-month suspension of the grant program through Q4 2018, there was far less grant-related product/market development than originally anticipated in 2018. However, the number of Tier-2 manufacturers and products using PCC did increase slightly in 2018 – with 13 manufacturers receiving funds in 2018, up from 11 in 2017. Finally, being allowed by CalRecycle to release grant funding and expand upon business assistance plans in October 2018, momentum has been created to produce significant improvements in 2019.

## 6.2 Stimulating the Market

In 2018, product development work based on the concept of feedstock conversion continued. This involves adding PCC material into the recipes of existing secondary products, displacing rubber or plastic in various percentages to reduce product cost, improve the scent, or increase performance. Because carpet backing material accounts for about 40% of carpet weight, ongoing efforts have focused on finding uses for backing made of Post-Consumer Carpet Calcium Carbonate (PC4) in a variety of other products.

California Program initiatives continued to make this concept viable in 2018, including:

- Subsidy of \$0.17/lb. for Tier-1 processors producing PC4 non-fiber recycled output continued. Use of PC4 in a variety of products prevented 12.5 million pounds from landfill disposal.
- Engaging a consultant to expand the Double Green™ designation into a defined certification process which designates products that contain California PCC plus at least one other post-consumer recycled material. Certification roll-out is anticipated in 2019.
- Cycle 1A and 1B grants (2016/2017) that funded processing equipment and product testing (see Section 6.2.1) have continued to produce results into 2018. Included in this are American Fiber Cushion, CLEAR/Circular Polymers,



SafePath and testing with GHD/HSU. A total of \$1.4 million of the awarded Cycle 1A/1B funds were expended.

- Cycle 2A and 2B grants (2018/2019), reviewed and scored for approval in February 2018 were finally allowed to be released in October 2018 once the Plan was approved. Note, CARE was staged for immediate action assuming Plan approval. Product and Processing awardees include: Aquafil, Arropol, CLEAR/Circular Polymers, Green Give Group, Interface, Los Angeles Fibers, SaN Pallets and Visions Environmental. Testing awardees include: 3B Protection, CMJ Systems, ReFiber, Swisstrax, Verdex and Visions Environmental.
- Ongoing outreach to California companies currently using recycled content material, to incorporate PCC and become Double Green™.
- Collaborative product presentations continued with CalRecycle Tire-Derived Products staff, featuring products containing both recycled PCC and recycled tire material.
- Marketing and promotion business assistance efforts were coordinated with GIS in an effort to further facilitate materials collection, product expansion and sales.

The PC4 subsidy program continued to make modest growth in 2018 as the two California Tier-1 processors were able to consistently produce virtually fiber-free material to meet increasing market demands. Based on early 2018 projections, it had been anticipated that there would have been a significant increase in PC4 use; however, once it was learned that PC4 was being used in a non-food related compost application that outlet was immediately discontinued. No PC4 in California will be utilized in any type of compost or land application use until after clear direction is provided from the ongoing UC Davis study. Draft guidelines for in- and on-ground applications have been developed as a result of this work and are expected to be released in late 2019.

In 2018, Visions Environmental Paint Recycling expanded testing on adding PC4 to their products containing recycled dried paint and concrete. Decorative aggregate product development, utilizing concrete, PC4 and old paint, has been included into their plans for upcoming product sales. This opens up the potential for other paint recyclers in California to try something similar. This effort also demonstrates the value of inter-industry collaboration. These products are anticipated to launch for customers in 2019.

The Double Green™ label, rolled out in 2016, and has helped to support PC4 consumption in California totaling 25.58 million pounds to date, as previously illustrated in Figure M.



CARE shifted strategy around Double Green™ in 2018, working on creating a nationwide service mark and researching best ways to implement. Efforts in California around Double Green were paused pending finalization of the national roll-out. CARE has contracted with an environmental consultant (Guiding Green) to expand upon the certification parameters of Double Green. It is anticipated that the Double Green initiative will be re-launched in mid-2019.

In terms of product testing, GHD Engineering completed a feasibility study (Cycle 1B) on the use of recycled PET carpet and PET fiber products in civil engineering applications in 2017. In partnership with Humboldt State University, the study found four areas of potential use: infiltration applications, septic system applications, road reinforcement, and erosion control products. In 2018, a pilot project was funded by CARE to further test PCC in what appeared to be two of the most promising applications: in-the-ground septic and stormwater infiltration projects. Each of these water related areas are focusing on particularly challenging wastewater and stormwater contamination concern areas that already exist. Initial findings are showing that with proper containment, water quality post filtration is considerably improved. Naturally, a keen eye is being given to previous concerns raised regarding microfibers. Reports on these study areas are due in 2019. This could be another substantial market for PET fiber based upon the successful Tire Derived Aggregate model.

The University of California–Davis study was initiated in 2017 to study the potential use of PC4 as a soil additive and continued through 2018. UC Davis testing has been expanded to ensure safe and appropriate uses for PC4. Results were reviewed in late 2018 and a formal peer-reviewed publication will be released in 2019.

In the midst of the UC Davis study, and after it was noted that there were no known land applications of PC4, CARE did receive notification of a complaint submitted to California Department of Food and Agriculture (CDFA). CDFA issued their findings and closed the complaint by asking CARE to respond in writing with the following assurances:

- CARE will not distribute unregistered calcium carbonate as a fertilizing material to growers.
- CARE will continue to fund research for agricultural use of post-consumer calcium carbonate to ensure efficacy and product safety before submitting a registration application to CDFA for review.
- Experimental use of calcium carbonate funded by CARE will strictly adhere to the provisions stipulated in the California Code of Regulations §2319.

CARE's provided requested assurances in a response letter to CDFA, which can be found in the Appendix 10.16.

The Program continued to work with CalRecycle to include and promote Double Green™ products produced in California in their three Buy Recycled program product source databases: *The Recycle Store*, the *Recycled-Content Product Manufacturers (RCPM)* directory, and the *Zone Information Reporting System (ZIRS)*. These databases are used by residents and CalRecycle staff as well as procurement and building construction staff in state agencies looking to purchase recycled content products in California. The California Program continues to maintain and works to expand a presence in the Recycled Construction Products catalog. The catalog contains all construction products available containing recycled material from California, now including PCC material. ( See also Section 6.5, *Market Development and Outreach*, below.)

CARE's grant program, launched in Q4 2015 under Addendum 2, has continued to translate market opportunity into reality.

Cycle A/B grants are open to participating Program members, businesses qualified to do business in California, non-profit agencies, and local agencies. Cycle M grants are open to California-based nonprofits, private and public business, public agencies and CARE drop-off sites and CSEs.

These grants support capital improvements, testing and collections/reuse that increase:

- Number and capacity of Tier-1 and Tier-2 processors and manufacturers.
- Number and variety of recycled carpet content products available in the marketplace.
- Quantity of recycled output utilized in secondary products.
- Testing and development support for reformulated products, using recycled carpet content to explore new uses for PCC and ensure these products perform as required.
- Increased collection and reuse of PCC through new or existing programs with infrastructure and equipment needs.

The three grant types are as follows:

- **Capital improvement grants:** Cycle 2A, awarded in October 2018, allocated approximately \$2.5 million in funds to 8 projects, with up to \$500,000 maximum per grant. This includes capital improvement, infrastructure, equipment, construction, renovation or expansion of collection, and processing or manufacturing facilities that manage or use California-generated PCC. It can also be used for partnerships with the aim of increasing the use of recycled output. The

goal is to “increase the quantity (lbs) of California generated PCC that is collected, recycled, and utilized in manufacturing of Tier-2 recycled products” during 2018/19. The Cycle 3A grant process was launched in Q4 2018 and includes \$1.5 million in funding for projects that will have an impact in 2019. California-based projects are prioritized for capital funding. CARE targets 75% of funds for California businesses, and since the program began, has allocated approximately 85% of funding for California-based projects.

- **Product testing grants:** Cycle 2B allocated funding for projects with budgets up to \$200,000 for activities focused on product testing, research and development, and similar activities that will enhance PCC collection, recycling, and utilization in manufacturing. This applies to feedstock conversion projects, new or reformulated products, or feasibility studies for new uses of PCC materials. The goal is to provide “assistance to eligible applicants to research, develop, and test new products or reformulate existing products produced using PCC material generated in California.” Cycle 2B allocated approximately \$1 million for 2018/19 implementation, and six projects were launched in October 2018. Cycle 2B targeted 75% of funding for California projects, however, approximately 40% of applicants were from outside of California. CARE awarded full funding to all California projects that applied under this cycle.
- **Micro-grants for collection/reuse:** Cycle 2M offered \$75,000, or a maximum of \$15,000 per project, to California public agencies, nonprofits, public or private businesses, and CARE drop-off sites and CSEs for new and existing collection or reuse programs in 2018/19. The goal is to achieve additional collection or reuse through infrastructure improvements (localized hauling) and/or equipment (weather covers). Six micro-grants were awarded in 2018 to drop-off sites and CSEs.

Awarded capital improvement and product testing projects represent a significant expansion in California PCC capacity through enhanced or new operations at California as well as out-of-state facilities. CARE projects an additional 80 million pounds of recycled or manufactured output in 2019/20 assuming all projects deliver their proposed results. Materials recycled include carpet tile, nylon 6 and nylon 6,6, PET, and PC4 carpet backing material. The addition of dozens of new jobs is also projected. Awarded micro-grant projects represent a projected additional 8 million pounds of collection in 2019/20.

In 2018, CARE continued to manage pilot grant funding for one California company which is not yet operational and is on a grant extension through the end of 2019. CARE is holding \$25,000 in retained funds for this project if it meets its 2019 objectives.

In 2018, Capital Improvement (Cycle 1A) grant funding led to approximately 14 million additional pounds of recycled or manufactured output, and these projects are projected to more than double this number in 2019. These projects also added 8 California jobs in

2018. One product testing project (Cycle 1B) continues into 2018-2019 as it evaluates two civil engineering applications for PET in the field in Arcata, California.

In 2017, the City of Carson committed to becoming a case study for closing the loop on PCC-content products through CARE grant funding for procurement (Cycle 1C). However, this project was closed at the end of 2018 due to delays. CARE may relaunch a new cycle of procurement grants in 2019.

Five pilot micro-grants (Cycle 1M) of \$10,000 each were awarded to California-based projects in 2017 and three continued building their projects through the first half of 2018. These projects were for a weather cover to keep carpet clean and dry as well as for ID technology to increase throughput and for containers to increase localized collections. These Cycle 1M project represent an increase in 2018 collections of approximately 3.5 million pounds.

All criteria for the solicitation of grants (announced via RFP), as well as the criteria used in judging, are posted to the [CARE website](#) grants page and are readily available.

### 6.2.1 Highest Recyclability

*PRC §42972(a)(4). Any grants or subsidies provided for the recycling of postconsumer carpet shall be structured to incentivize the recycling of carpet materials that have the highest recyclability.*

As of January 1, 2018, the Carpet Stewardship Laws require grants or subsidies provided for the recycling of PCC to be structured to incentivize the recycling of carpet materials that have the “highest recyclability.” Neither the statute nor the regulations specifically define this term, nor do they specify that this provision overrides other goals in the statute, including achieving the goal of a 24% recycling rate by 2020.

As noted in the 2018-2022 Plan, CARE has developed a methodology for analyzing highest recyclability. In turn, that analysis informs an analysis of the Program’s subsidy and grant structure to ensure that subsidies and grants are incentivizing the recycling of those carpet materials with the highest recyclability, while also ensuring compliance with the entirety of the Carpet Stewardship Laws.

CARE, in consultation with the Advisory Committee and CalRecycle, developed a table of recyclability criteria based on PCC market expertise and recycling technology experience regarding the form and purity requirements for various markets. Table 16C below presents the criteria that constitute the definition of highest recyclability and evaluation against those criteria by type of carpet material as approved by CalRecycle in the new Plan.

Table 16C lists carpet material components in column headings, while recyclability criteria are listed in numbered rows 1–11. Each carpet material is given a value on a scale of 0 to 10, with 0 indicating that the material negatively addresses the criterion (is less recyclable) or makes no contribution to meeting the criterion, and +10 indicating it positively addressed the criterion—that is, the criterion being rated contributes strongly to it being more recyclable. The scale adopted is a modification of that suggested by the Advisory Committee in February 2018 Recommendation 5-1. CARE concluded after many conversations with a range of knowledgeable and experienced stakeholders that a scoring range of -10 to +10 was too difficult to use for rankings. Instead a 0 to 10 scale was adopted for simplicity, as it provides a sufficient range to highlight differences between products while not being overly cumbersome in its application.

The rankings in Table 16C were generated by calculating the average score of input from an assortment of carpet manufacturers, collectors, sorters, and processors on the SPC, then multiplying by the weighting factor. The weighting factor was a composite average of member input based on extensive experience with carpet manufacturing, collection, sorting, and processing. There was considerable dialog on how to justify weighting for each criterion prior to the individual inputs. Clearly depending on your position in the supply chain and business models, weighting can span a range to each criterion, as can the individual scoring.

**Table 16C. Highest Recyclability Criteria: SPC Composite Results with Weighting (Wt.)** (also appears as Table 6 in 2018-2022 Plan on page 116)

Highest Recyclability	Wt.	N6	N66	PET	PTT	PP	Wool	PC4	Tile N6	Tile N6,6	B'loom N6	B'loom N6,6	B'loom Wool
Criteria	#	Res	Res	Res	Res	Res	Res	Other	Com	Com	Com	Com	Com
Ease of deconstruction*	15	105	105	105	105	105	105	75	150	150	30	30	105
Safely recycle all layer similar or higher mat'l perf.*	15	60	150	150	60	105	60	75	150	150	75	75	60
Cost-effectiveness*	10	50	100	20	10	10	40	20	80	80	10	10	40
Energy saving*	5	20	25	45	45	45	45	10	45	45	20	20	45
Identification of resin type*	5	50	50	50	50	50	45	50	45	45	45	45	45
Extent of subsidy required	10	40	100	20	20	40	0	20	100	100	30	30	0
Reusability	5	10	10	0	0	0	15	5	50	50	15	15	15
<i>Markets available for products:</i>													
a. Closed-loop recycle back into carpet	10	100	0	0	30	0	0	0	100	100	0	0	0
b. Non-carpet closed-loop (recycled multiple times)	10	30	60	60	60	60	0	30	100	100	0	0	0
c. Downcycled (one-time)	10	50	40	40	50	40	0	90	0	0	0	0	0
Volume available	5	30	15	15	5	15	0	45	35	20	20	20	0
<b>TOTAL</b>	<b>100</b>	<b>545</b>	<b>655</b>	<b>505</b>	<b>435</b>	<b>470</b>	<b>310</b>	<b>420</b>	<b>855</b>	<b>840</b>	<b>245</b>	<b>245</b>	<b>310</b>

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\*Items referenced by AB 1158. Note: Wt. = Weighting. Res = Residential. Com = Commercial.



Table 16C constitutes the elements of the definition of Highest Recyclability, subject to regular, ongoing review during implementation of the approved Plan. CARE defines highest recyclability according to the results of the analysis as listed in Table 16C above, and those results may change over time as recycling technology advances and as markets change for flooring products and recycled materials. In fact, as the chemical recycling of PET was under discussion in late 2018, a dialog was initiated to look at expanding the scope of highest recyclability to include all polymers that have closed-loop recyclability, as exemplified by nylon 6, or recycled into other virgin equivalent products based on quality and performance. Such an expansion might open the door for high-value outlets and expand recycling. This will be a topic of further discussion in 2019.

The context for these definitions and the ensuing evaluation reference the mechanical processing of PCC and conversion into the first level of recovered materials (e.g., face fiber, backing fiber, PC4) for further recycling. It does not include collection and sortation, nor does it include the conversion into final products generally referred to as Tier 2 manufacturing in the Plan's three-level recycling scheme.

It should be noted that while residential nylons and tile rank highest in the Table 16C matrix, commercial broadloom nylon ranked very low. This is a direct result of construction and processing considerations (throughput and yield). However, it is not practical, based on CSE feedback, to track this category during the sorting process. It is also highly desirable to enable the recycling of this class of nylon. Therefore, commercial broadloom nylons are included within the highest recyclable materials category, especially to facilitate the recovery of nylon 6,6 from this stream.

Upon approval of highest recyclability definition shown in Table 16C, CalRecycle asked CARE to explain why commercial broadloom should be included given the degree of difficulty in recycling this particular product category. CARE responded that commercial carpet, be it broadloom or tile, is virtually exclusively nylon. Thus, this stream is a good source for nylon. The fact is commercial broadloom is the hardest carpet to recycle, thus the decision to include it also provides an incentive to work toward its recycling.

To monitor and refine highest recyclability on an ongoing basis, and consistent with Advisory Committee July 2018 Recommendation 1.2, in Q3 CARE formed a Highest Recyclability Committee composed of knowledgeable and experienced professionals in the areas of recycling technology, business and sustainable concepts. The work of this Highest Recyclability Committee will be shared with CalRecycle on an ongoing basis as needed. Once established, the Highest Recyclability Committee met periodically (and will do so no less than annually) to further refine the criteria and evaluation of highest recyclability as technology and markets evolve.

Following are the description/definitions of the criteria used in Table 16C.

- **Ease of deconstruction** – How easily the PCC can be processed/disassembled into "pure" material components from a mechanical perspective (e.g., glued-down level loop commercial broadloom is much more difficult to deconstruct than cut pile, stretched-in residential carpet).
- **Safely recycled all layer to similar or higher material performance** – Can material components be processed into the same or higher performance products in a manner that protects human and environmental health (e.g., a material returned to the manufacture of new carpet or an under-hood plastics automotive part would be considered equal or higher value).
- **Cost-effectiveness** – How cost-effective is it to process the materials to acceptable purity (e.g., mechanical separation vs. depolymerization). This is different from ease of deconstruction as it is an economic consideration (e.g., \$/lb. of output). This considers the cost per pound of recycled output for various types of carpet and material components.
- **Energy saving** – Does the recycling of the material use less energy and produce lower greenhouse gas emissions (e.g., depolymerization requires higher energy use than mechanical processing). High energy use would receive a low score, and low energy use would receive a high score, inclusive of energy use to transport the material for recycling processes (typically a very small component).
- **Identification of polymer type** – How easy is it to identify face fiber types for separation. (Examples include **materials** more likely to include back-labeling identification of polymer type would score higher; single polymer face fiber carpet products would score higher versus mixed polymers.)
- **Extent of subsidy required** – How the current commodities market value influences the subsidy required to move the **material** in the marketplace. This criterion considers a variety of factors such as geographic source, costs of transportation, price of virgin materials, price and availability of post-industrial (PI) materials, price of competing post-consumer recycled content (PCRC) materials (e.g., PET bottle flake), quality, volume available, and consistency. Using the conversion cost model (summarized in the Subsidy Justification Model) where such data is available, this is the difference between the cost of recycling and the commodity's scrap value for the recycled material, plus a reasonable financial return. It is a leading indicator of recyclability in terms of market acceptance and demand, and it fluctuates over time.
- **Reusability** – How easily can the materials go to reuse, a higher level in the waste management hierarchy for post-consumer carpet.
- **Recycled into new secondary product** – If not reuse or closed-loop recycling, considers whether or not there are available market options for secondary products. Materials that do not have available markets for **secondary** products

and thus have to be landfilled would score lower versus those that do have strong secondary markets. For example, nylon 6,6 polymer has strong secondary available markets compared to wool, which currently has no known markets. Depoly for use in other virgin markets would be considered very high as a result of displacing virgin material and opening the scope for recycle-derived post-consumer materials

- **Market potential for products upcycling** – Looking at the secondary product options for recycled output materials through the lens of highest and best use and potential for upcycling (recycling over and over in a closed loop versus downcycling as a single additional life). Three levels of options include:
  - Closed-loop recycling back into carpet – Recycling of carpet face fiber back into carpet face fiber or backing back into backing (e.g., carpet tile, depolymerized nylon 6, PC4 if used in carpet backing).
  - Non-carpet closed-loop (recycled multiple times) – A secondary, non-carpet product that is or can be recycled over and over (or in principle) (e.g., PC4 into cement, fiber pad, car parts, insulation, decking).
  - Downcycled (one-time) – A one-time additional use of a material which then goes to landfill; this includes materials more likely to go into one-time lower-end secondary applications, such as erosion control products, cat litter, etc.
- **Volume available** – How much of the material is available to be reused or recycled. This criterion is a lens to help understand the key drivers for recycled output volume, particularly from the viewpoint of the **statute’s** short-term goals. For example, PET and nylon 6 face fiber carpet represent 80% of all carpet sold, while PC4 represents 30-40% of the weight of a square yard of carpet and is in nearly all carpet made. Understanding volume availability is essential to knowing what market outlets can be built and supported on a sustained basis and has major implications for investment consideration. This is equivalent to prevalence in the waste stream.
- **Potential for high yield** – When processed, how efficient is the processing/recovery; higher yield means higher **recyclability** and a reduction in disposal. For example: residential broadloom carpet typically has a higher yield per square yard vs. a low pile commercial broadloom carpet.

### 6.2.2 Grant Program Timeline and Actions Taken in 2018

In addition to extensive grant management tasks, additional actions included:

- Cycle 2M draft and final solicitations were released, comment and Q&A periods offered, and stakeholder webinar was completed by April 2018.
- A Notice of Funds Awarded was posted for Cycle 2A, 2B and 2M awardees in November 2018.

- Most Cycle 2 grantees completed the contract process in Q4 2018 under revised Terms. The contract package included a new Security Agreement document giving CARE first lien on grant-funded equipment until certain targets are met.
- Approximately \$500,000 was paid out in Cycle 2A and 2B funds in 2018.
- Promotion of available Cycle 2M funds was posted again in Q4 2018. This cycle remains open through 2019.
- Two Cycle 1M case studies were published in 2018.
- The Grant Manager distributed information about the grants program at the Greener Builder and California Resource Recovery Association (CRRA) conferences in August 2018.
- Cycle 3A grants draft and final solicitations were released in Q4 2018.

### 6.2.3 Cycle 2A, Cycle 2B, and Cycle 2M 2018 Grantees

#### Cycle 2A, Capital Improvement Grant Awardees

- **Aquafil**, Woodland, CA, \$250,000 initial and additional \$250,000 when operational: The grant recipient proposes to use pelletizing equipment to recycle nylon into new carpet at its new Woodland facility. Polypropylene and PC4 are designated for other Tier-2 products.
- **ArrowStar**, Dalton, GA, \$194,500: Grant funds are being used to convert PET post-consumer carpet to polyols for use in manufacturing urethanes used in floor underlayment, carpet backing and spray foam insulation.
- **CLEAR/Circular Polymers**, Lincoln, CA, \$500,000: This project proposes to use grant funds to expand Tier-1 processing capacity of proprietary RIS technology and a conveyance system which would expand product offerings among all fiber types and PC4 for Tier-2 products.
- **Green Hive Group**, Chico, CA, \$204,234: This company proposes to use grant funds for bagging technology for PC4 material for its spill cleanup project, marketed to small and large retailers and auto shops. Testing is also being done to prove recyclability of the product.
- **Interface**, Phoenix, AZ, \$160,021: Grant funds will be used to move additional Tier-2 tile processing and reuse capacity to California, creating one new California manufacturer.
- **LA Fiber**, Los Angeles, CA, \$500,000: Grant funds would be used for further Tier-1 processing capacity to purify PC4 and increase yield over 30 percent. This project would also reduce facility dust.
- **SaN Pallets**, Troy, OH, \$250,000: The project proposes to manufacture Tier-2 products, end caps and pallets, using PET, polypropylene and PC4 with polymer

stamping technology. The manufacturer is exploring setting up a plant in California in 2019.

- **Visions Environmental**, Oroville, CA, \$260,360: Grant funds are being used to purchase equipment for Tier-2 manufacturing using PC4 in Double Green™ products. Products include blocks, car stops, fencing and aggregate.

### Cycle 2B, Product Testing Grant Awardees

- **3B Protection**, Perris, CA, \$200,000: The project proposes to complete multi-stage testing of ballistic barriers using PC4 in this new Tier-2 application.
- **CMJ Systems**, Phoenix, AZ, \$198,700: Grant funds are being used to test and certify post-consumer reinforced concrete as an alternative to steel- or sand/gravel-reinforced concrete.
- **ReFiber**, Sacramento, CA, \$36,600: The grant proposes testing of fiber in water infiltration, septic and road reinforcement applications for use in the City and County of Sacramento.
- **SwissTrax**, Indio, CA, \$164,750: The project will complete testing and certification of post-consumer carpet in Tier-2 modular flooring tile products.
- **Verdex Technologies**, Richmond, VA, \$195,000: The project proposes testing and certifying post-consumer carpet PET in spinning nozzle technology to blend microfibers and large fibers into high margin nonwoven applications such as filters and acoustics.
- **Visions Environmental**, Oroville, CA, \$50,147: The project proposes to complete quality control and R&D testing of PC4 in stones, concrete and other new products.

### Cycle 2M, Micro-Grant Awardees

- **City of Berkeley**, Berkeley, CA, \$14,000: The project plans to purchase a weather cover carport to keep PCC clean and dry year-round for a new collection site in Alameda County.
- **City of Los Angeles**, Los Angeles, CA, \$13,000: Grant funds would be used to lease a truck for 11.5 days to collect curbside PCC as a bulky item material from residential areas. This pilot pick-up service would provide data to inform similar programs.
- **Global Material Services**, Santa Rosa, CA, \$13,806: Grant funds would be used to purchase a weather cover to allow for 12 months of PCC collection, compared to 6 months of collection currently in Santa Rosa. Global Material Services declined the award due to the company's change in ownership.

- **San Joaquin County**, North County Recycling Center and Sanitary Landfill (Lodi, CA) and Lovelace Materials Recovery and Transfer Station (Manteca, CA), \$14,064: The project will purchase two weather cover carports for two established CARE drop-off sites in San Joaquin County, allowing for year-round collection.
- **Zanker Recycling, Florin Perkins**, Sacramento, CA, \$15,000: Grant funds will be used to purchase five lids to retrofit containers used for collection from local retailers in the Sacramento area.
- **Zanker Recycling**, San Jose, CA, \$15,000: The project proposes to purchase a covered structure and pad for collection and weather protection of a new PCC drop-off site in Santa Clara County.

Following is an overall summary of **Capital Improvement Grants (Cycle A)** from the start of the program through 2018:

Cycle 1A (2016-2017)	Location	Term End	Funds Awarded
American Fiber Cushion	Dalton, GA	3/31/2017	\$250,000
Carpet Solutions	Carson, CA	End 2017	\$375,000; \$351,550 paid
CLEAR/Circular Polymers	Lincoln, CA	3/31/2017	\$500,000
SafePath Products	Chico, CA	3/31/2017	\$462,000
Sierra Rubber Products	Modesto, CA	3/31/2017	\$218,500; \$147,769 paid
XT Green	Rancho Cucamonga, CA	End 2019	\$250,000; \$225,000 paid

<b>Cycle 2A (2018-2019)</b>	<b>Location</b>	<b>Term End</b>	<b>Funds Awarded</b>
Aquafil	Woodland, CA	End 2019	\$500,000
Arropol	Dalton, GA	End 2019	\$194,000
CLEAR/Circular Polymers	Lincoln, CA	End 2019	\$500,000
Green Hive Group	Chico, CA	End 2019	\$204,234
Interface	Woodland, CA	End 2019	\$160,021
LA Fiber	Los Angeles, CA	End 2019	\$500,000
SaN Pallets	Troy, OH	End 2019	\$250,000
Visions Environmental	Oroville, CA	End 2019	\$260,360

Following is a summary of overall **Product Testing Grants (Cycle B)** from the start of the program through 2018:

<b>Cycle 1B (2016-2017)</b>	<b>Location</b>	<b>Term End</b>	<b>Funds Awarded</b>
<i>Carpet Solutions (canceled)</i>	<i>Carson, CA</i>	<i>3/31/2017</i>	<i>\$24,000; \$0 paid</i>
GHD, Inc.	Santa Rosa, CA	3/31/2017	\$145,984
<i>South Bend Modern Molding (canceled)</i>	<i>South Bend, IN</i>	<i>3/31/2017</i>	<i>\$50,000; \$0 paid</i>
<b>Cycle 2B (2018-2019)</b>	<b>Location</b>	<b>Term End</b>	<b>Funds Awarded</b>
3B Protection	Perris, CA	End 2019	\$200,000
CMJ Systems	Phoenix, AZ	End 2019	\$198,600
ReFiber	Sacramento, CA	End 2019	\$36,600
Swisstrax	Indio, CA	End 2019	\$164,750
Verdex	Richmond, CA	End 2019	\$195,000
Visions Environmental	Oroville, CA	End 2019	\$50,147



Following is a summary of **Micro-Grants for Collections/Reuse Programs (Cycle M)** from the start of the program through 2018:

<b>Cycle 1M (2017)</b>	<b>Location</b>	<b>Term End</b>	<b>Funds Awarded</b>
CLEAR/Circular Polymers	Sacramento, CA	6/30/2018	\$10,000
Green Waste Recovery	San Jose, CA	6/30/2018	\$10,000
Napa Recycling and Waste Services	Napa, CA	End 2017	\$10,000
Planet Recycling	San Diego, CA	6/30/2018	\$10,000
Zanker Florin Perkins	Sacramento, CA	End 2017	\$10,000
<b>Cycle 2M (2018-2019)</b>	<b>Location</b>	<b>Term End</b>	<b>Funds Awarded</b>
City of Berkeley	Berkeley, CA	Oct 2019	\$14,000
City of LA	Los Angeles, CA	Oct 2019	\$13,000
San Joaquin County	Lovelace and North County facilities	Oct 2019	\$14,064
Zanker Florin Perkins	Sacramento, CA	Oct 2019	\$15,000
Zanker in San Jose	San Jose, CA	Oct 2019	\$15,000

### 6.3 Measuring Market Development

Market development is currently measured in two primary ways: the number of Tier-2 pounds used in the manufacture of recycled products, as reported by Tier-2 manufacturers; and the number of products containing PCC recycled content, as self reported by participating or non-participating manufacturers.

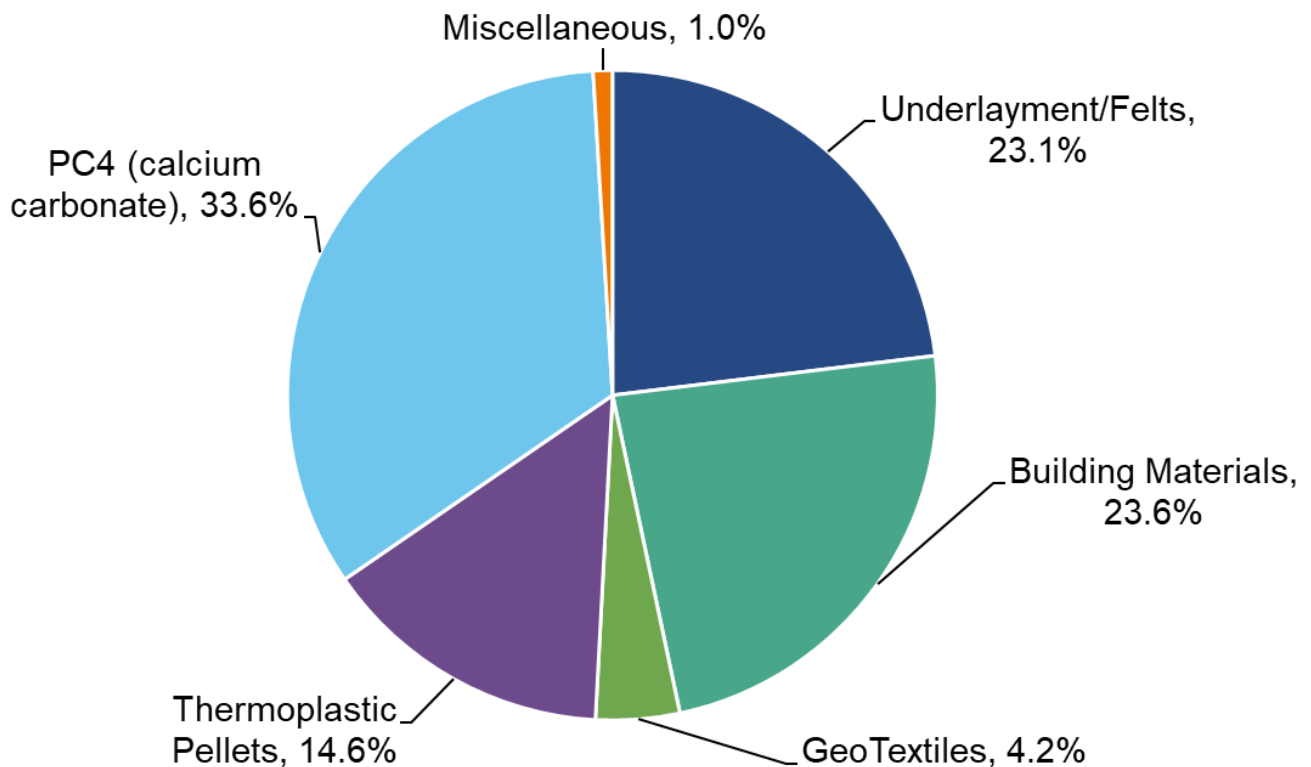
2018 saw a marked increase in Tier-2 manufacturer use of non-nylon recycled output in products that have shipped and sold. Tier-2 manufacturer non-nylon pounds shipped and sold increased from 18.8 million pounds in 2017 to 21.5 million pounds in 2018, a 13% increase (see Section 5.11 – Figure Ta). This growth continues as a result of the Tier-2 manufacturer non-nylon subsidy put in place in Q4 2013, but which has continued to gain traction with increased subsidy payout levels adopted in 2015.

As anticipated, the new Tier-2 nylon 6 subsidy spurred significant growth following its launch on October 1, 2017. The nylon pounds shipped and sold increased significantly to 3.2 million pounds in 2018, reflecting an increase of over 90% from Q4 2017 nylon shipped and sold data (see Section 5.7 – Figure L2). The subsidy enables the Program to further track secondary use of nylon 6 in Tier-2 manufacturing, which had not been previously possible. Nylon 6,6 use in secondary products was not initially tracked by the Program, although changes in reporting adopted in mid-2018 began capturing Type-1 recycled output by polymer type. In addition to Tier-2 manufactured pounds, Tier-1 processors PC4 pounds shipped and sold for use in secondary products increased from 10.5 million pounds in 2017 to 12.5 million pounds in 2018, a 13% increase.

Seventeen Tier-2 manufacturers registered and/or participated in the subsidy program in 2018, a 55% increase over the 11 registered and participating in 2017. Additional secondary manufacturers may utilize recycled output produced by Tier-1 processors in the manufacture of secondary products—such as Sierra Mat & Rubber, Safepath Products, and Visions Paint—but may not participate in the subsidy program.

The number of non-nylon products shipped and sold during 2018 continued to increase, offering a variety of products by Tier-2 manufacturers. Subsidies for non-nylon payouts in 2018 increased by nearly 15% over 2017. Participating Tier-2 manufacturers reported 6 unique non-nylon product categories as illustrated in Figure X.

**Figure X. Product Output Categories**



Currently reported recycled products fall into six main product categories:

- 33.6% PC4 (used in variety of products such as rubber mats, transition ramps and agricultural amendments).
- 23.6% building materials (such as insulation and plastic lumber).
- 23.1% underlayment/felts (such as carpet cushion).
- 14.6% thermoplastic pellets (including PP and N6, used in a variety of new plastic products).
- 4.2% geotextiles (such as erosion control products).
- 1.0% Miscellaneous (such as bedding and packaging).

Manufacturer listings are voluntary and may not include all available products containing California recycled PCC.

As part of the new AB 1158 requirements, CARE will be further refining minimum annual volumes and minimum content to qualify as a PCC content product.

CARE also continued work in 2018 on the Double Green™ concept involving products that contain both California PCC content along with an additional PC content material. Efforts to determine the best options included Trade Mark and Service Mark options along with standard and certification development. CARE expects to launch the first Double Green™ product under the new Trade Mark certification label by mid-year 2019.

## 6.4 Product Development and Currently Available Recycled Products

The following companies took steps to develop new products using California recycled output in 2018:

- **Reliance Carpet Cushion** undertook several efforts to find alternative uses for carpet cushion (needle punch felt), ranging from underlayment for various hard surface applications to grant research work for various types of filtration and water run-off measures. Additionally, strategic efforts have been evaluated for alternative PC4 uses which are reasonably anticipated to take hold in 2019.
- **\*SafePath Products**, a custom ramp manufacturer, opened a new facility in Chico, California in 2017 to manufacture products that use recycled output from PC4 including: ADA transition ramps, entry level landing ramps, porous walkway systems, rubber garden edging materials, and rock-wall barriers. In 2018, SafePath continued work on expanding their product lines to use more PC4 for a unique new absorbency product which is slated for sale in 2019. SafePath Products is also working on the development of a sidewalk repair system based

on PC4 content and incorporation of PCC content products in housing being built for victims of the 2018 Camp Fire.

- **Visions Paint Recycling** manufactures stepping stones and decorative concrete blocks. In 2018, Visions continued manufacturing products made from two recycled materials: post-consumer paint and PC4. Additionally, Visions has been testing decorative rock products (aggregate) manufactured from concrete, PC4 and old paint. Sales are anticipated to begin in 2019.
- **CLEAR/Circular Polymers** is producing non-nylon pellets for use in a variety of secondary products such as shelves and hangers as well as fiber for equestrian applications.
- **Arropol**, an ArrowStar-related company, launched its new line of polyols made from depolymerization of PCC PET. Polyols are used in the manufacture of a wide range of stiff and flexible urethane foams which serve a variety of applications and end markets.

**Companies that continue to offer products using California recycled output in 2018:**

- **American Fiber Cushion** uses PET to manufacture carpet cushion.
- **Bonded Logic** uses PET to manufacturer insulating products
- **Columbia Recycling** uses polypropylene in melt-filtered pellets for use in a variety of secondary plastic products.
- **GeoHay** uses recycled output in storm water and waste management products that protect against erosion, curb inlet filters to avoid storm drain flooding and in hydrocarbon erosion products.
- **Interface, Shaw, and Tandus-Centiva** use recycled post-consumer carpet tiles in their new carpet tiles, a closed-loop, carpet-to-carpet recycling application.
- **MP Global Products** uses recycled output in its carpet underlayment.
- **Reliance Carpet Cushion** uses the recycled PET carpet materials to manufacture its EcoSoft carpet cushion.
- **\*Sierra Mat & Rubber** produces mats, wheel stops and landscape pavers of rubber, plastic and post-consumer carpet in Modesto, California.
- **\*Carpet Cycle** manufactures Quiet Tech Eco-Friendly Acoustic Insulation made of 85-90% post-consumer recycled materials, including PCC.

*\*Indicates Double Green™ labeled products containing recycled California PCC plus at least one other post-consumer recycled material.*

## 6.5 Market Development and Outreach

In 2018, CARE's Market Development consultant participated in a number of conferences and meetings on behalf of the California Program to further the conversation about recycled carpet products:

Marketing/Communications agency Gigantic Idea Studio assisted with market development in 2018, including:

### **PCC as Feedstock Promotion**

- The CARE national Conference aligned in May 2018 with the international Plastics conference, at which CARE had a table. Gigantic provided a one-sheet "Recycled PCC Could Be Your Next Feedstock" along with supporting ads in the Conference publications.
- An e-blast promoting PCC as feedstock was sent to a list of potential manufacturers, with a 28% open rate; leads were passed on for follow up by CARE staff.

### **Business/Marketing Assistance**

Gigantic interviewed staff at SafePath, Visions, Reliance, CLEAR/Circular Polymers, and Sierra Rubber to determine how and if marketing assistance would be valuable. Assistance will ramp up in 2019 following Plan approval; the following tasks were performed in 2018:

- CLEAR/Circular Polymers – Draft language for container services flyer; retailer contact research. Research potential manufacturers for open fiber solicitation.
- Sierra Mat – Initial interview; site visit report for Point of Sale display.
- SafePath – Creative brief created for product planning, including competitor research. Marketing research to create list of potential (organizational) wheelchair ramp purchasers.
- Reliance Carpet Cushion – research competitors to improve marketing language, potential for green building industry appeal.
- Visions – initial interview; product promotion/website held for 2019.

PCC Product Promotion marketing efforts included:

- An updated Buy Recycled one-sheet updated for the Plastics conference.
- Create, distribute and publicize a Recycled Carpet-Derived Products catalog for products containing California-sourced carpet.

- In addition to in-person outreach, the catalog (~2,000) was mailed to a list of government agency contacts to support public procurement efforts.
- Ad placed in California Product Procurement Officers (CAPPO) annual directory.
- In-person outreach visits to retailers, installers and the public now incorporate information about PCC products along with samples.

### **PCC Product Presentation**

Presentations offered by Mike Tinney and Jennifer Caldwell of CalRecycle were promoted in the CARE e-news and via a special mailing to local government procurement staff following conditional approval of the Five-Year Plan. Leads were passed on for follow-up.

In addition to the above, Gigantic Idea Studio provided extensive support on grants related communications.

## 7. Financing Mechanisms

*CCR §18944(a)(7). Financing Mechanism. The annual report shall include a description and evaluation of the program's financing mechanism, including whether or not the funding was sufficient to recover, but not exceed, the full cost of the stewardship program. The annual report shall include, but not be limited to, the following total program cost information, and include any supporting documentation. Any proposed change in the amount of the carpet stewardship assessment fee must be submitted to the department for re-approval (See §18943 Criteria for Plan Approval)...*

### 7.1 Total Program Cost

*CCR §18944(a)(7)(A). Total Program Cost*

The following numbers are reported in accordance with the accrual basis accounting method:

- **2018 Starting Balance: \$12.2 million**
- **2018 Total Income: \$21.7 million**, comprised of \$21.6 million in assessment remittances paid by participating carpet mills and interest income of \$64,076.
- **2018 Total Expenses: \$18.6 million**
  - 69.7% Program Subsidies
  - 2.3% Administration: includes Program Administration (0.2%) and CalRecycle Fees (2.1%)
  - 6.8% Direct: includes Salaries and Benefits (3.8%) and Support (3.0%)
  - 5.1% Drop-Off Site (Collections) Program
  - 3.7% Technical Assistance
  - 4.2% Grants
  - 5.4% Education and Outreach
  - 2.6% Legal and Accounting
- **2018 Ending Balance: \$15.3 million**
- **2018 Ending Program Reserve: \$3.2 million**, 20.9% of ending balance<sup>10</sup>

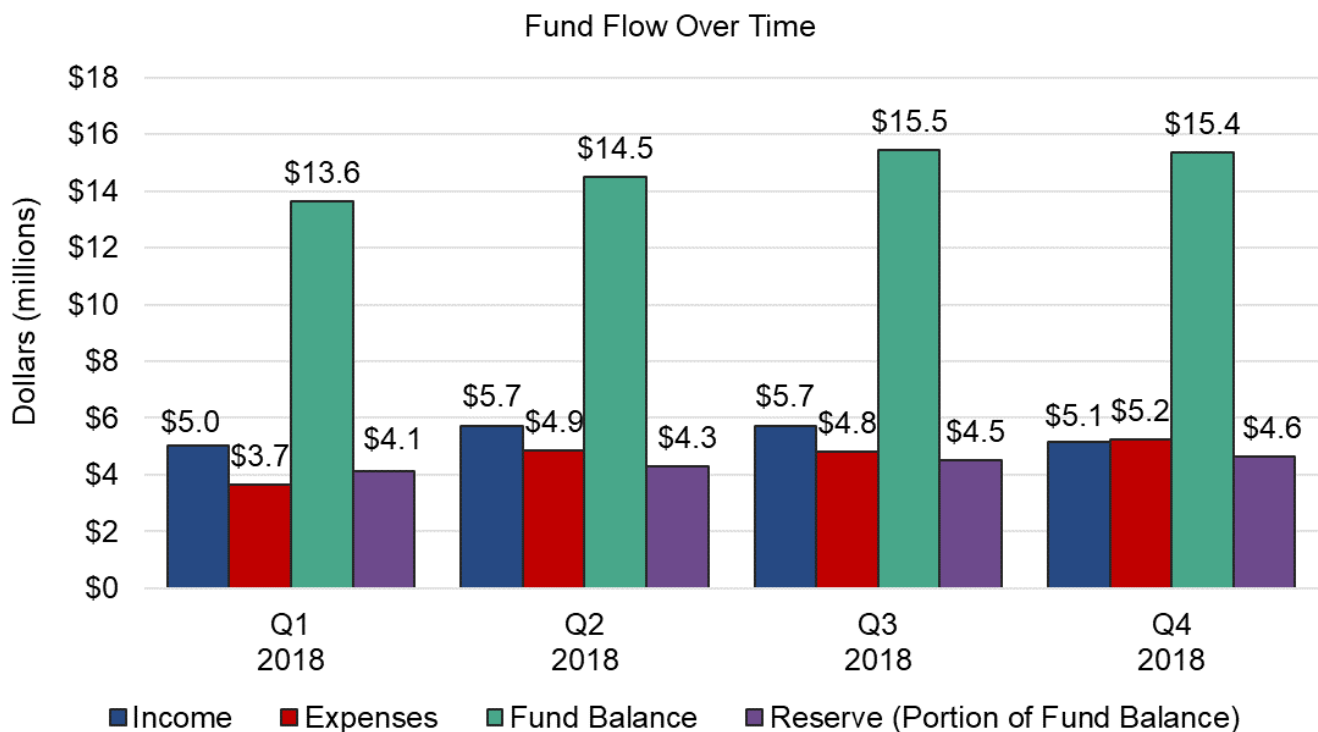
<sup>10</sup> Effective September 2015, the program adjusted its reserve calculation (sum of the last four quarters of total payouts, divided by four equals one quarter average) from two quarters to one quarter.



Funding was sufficient to recover all costs. Excess revenue was a result of a lower than budgeted recycled output and thus subsidy payouts. In addition, grants were delayed by 15 months as CalRecycle did not approve a request to release Cycle 2 funding without an approved plan and resulting in lower payout than budgeted in 2018. The excess funds were incorporated into the new 5-Year Plan to help ensure a balanced budget as required. Over the 5-Year Plan excess funds will be reduced such that the balance will be the calculated Plan reserve at the end of 2022.

Figure Y summarizes the revenues, expenditures, and fund balance retained by quarter throughout 2018. It also summarizes the Reserve, a portion of the Fund Balance that comprises most of surplus funding (see Section 7.10). Note, Program revenue is realized through the sale of new carpet which are seasonal and reflected as the reported income.

**Figure Y. Summary of Program Remittances, Expenditures, and Balance Over Time**



## 7.2 Cost per Capita

### *CCR §18944(a)(7)(B). Cost (\$)/capita*

Based on California's population of roughly 39.93 million persons in 2018,<sup>11</sup> the \$18.6 million expended in 2018 on total Program expenses accounts for approximately \$0.47 for each Californian, an 11.9% increase from \$0.42 from 2017.

## 7.3 Cost per Pound Collected

### *CCR §18944(a)(7)(C). Cost (\$)/pound collected*

On a total program cost basis, gross collections of post-consumer carpet totaled 93.5 million pounds in 2018. An average of 2.36 pounds of PCC was recovered per capita. Based on **total Program funds expended** in 2018 (\$18.6 million), the total Program cost per pound collected is \$0.20/lb., a 18% increase over the cost per pound in 2017, \$0.17/lb.

Looking exclusively at the direct costs (transportation, storage, and CSE recycling fees) of the Program's public drop-off collection sites, the cost per pound collected increased to \$0.12/lb. in 2018, a 20% increase from \$0.10/lb. in 2017 (see Section 4.2). For reference, the 2016 cost was \$0.16/lb. and 2015 costs were \$0.17/lb. The 20% increase reflects increased hauling and recycling fees, one-time costs to transition from two PCC container transport companies to one and related amortization costs for replacement equipment were also a factor. Section 4.2 provides additional discussion of the collection program.

In 2018, CARE began tracking direct costs for Urban versus Rural collection sites, and the respective costs are \$0.12/lb. and \$0.18/lb. Again, these costs reflect direct drop-off program costs, not overall program costs (e.g., subsidies, payroll, grants, etc.)

## 7.4 Education/Communications Costs

### *CCR §18944(a)(7)(D). Education/Communications (% of total program cost)*

To maintain engagement with multiple stakeholder groups, with widely different perspectives and agendas, the approved budget for marketing, outreach and communications was increased from \$785,000 in 2017 (of which \$709,575 was expended) to \$1,300,000 in 2018 (of which \$1,004,302 was expended). 2018

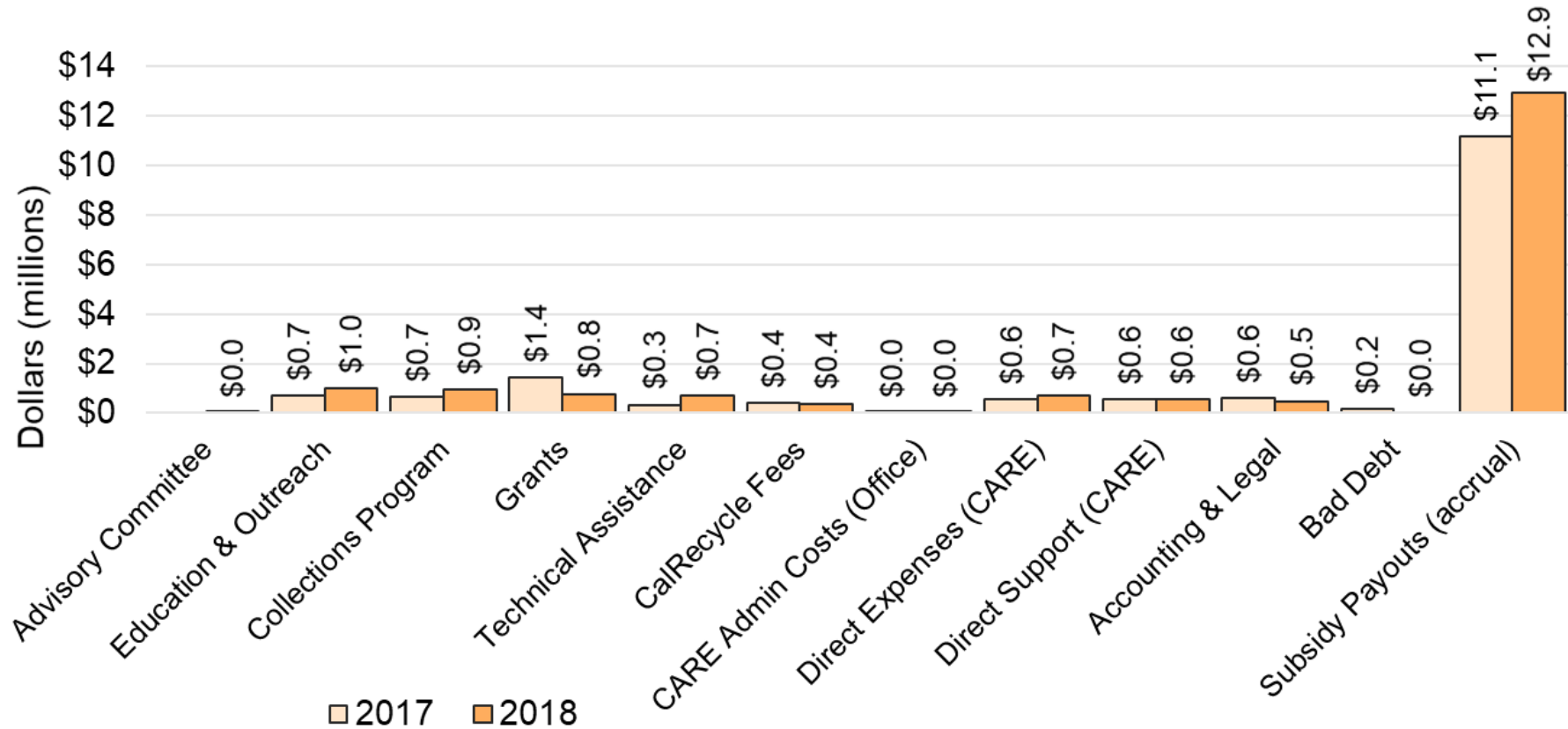
<sup>11</sup> Per-capita estimate is based on California Department of Finance population data of 39,927,215 for California in 2018.

expenditures under this category include the expenses for the newly appointed Carpet Advisory Committee. Total expenditures under this category represent a 38% increase from 2017 to 2018 and equate to 5.4% of the total expenses incurred in 2018, up from 4.4% in 2017 (see Figure Z and Figure AA).

Although an overall budget is authorized by CARE by subcategory, actual expenditures may be adjusted over the course of each year in response to dynamic program conditions, new educational opportunities or other factors. Overall actual education and outreach expenditures in 2018 were slightly lower than anticipated. A portion of the reduced costs may be attributed to the ambiguity associated with no approved Plan for most of 2018.

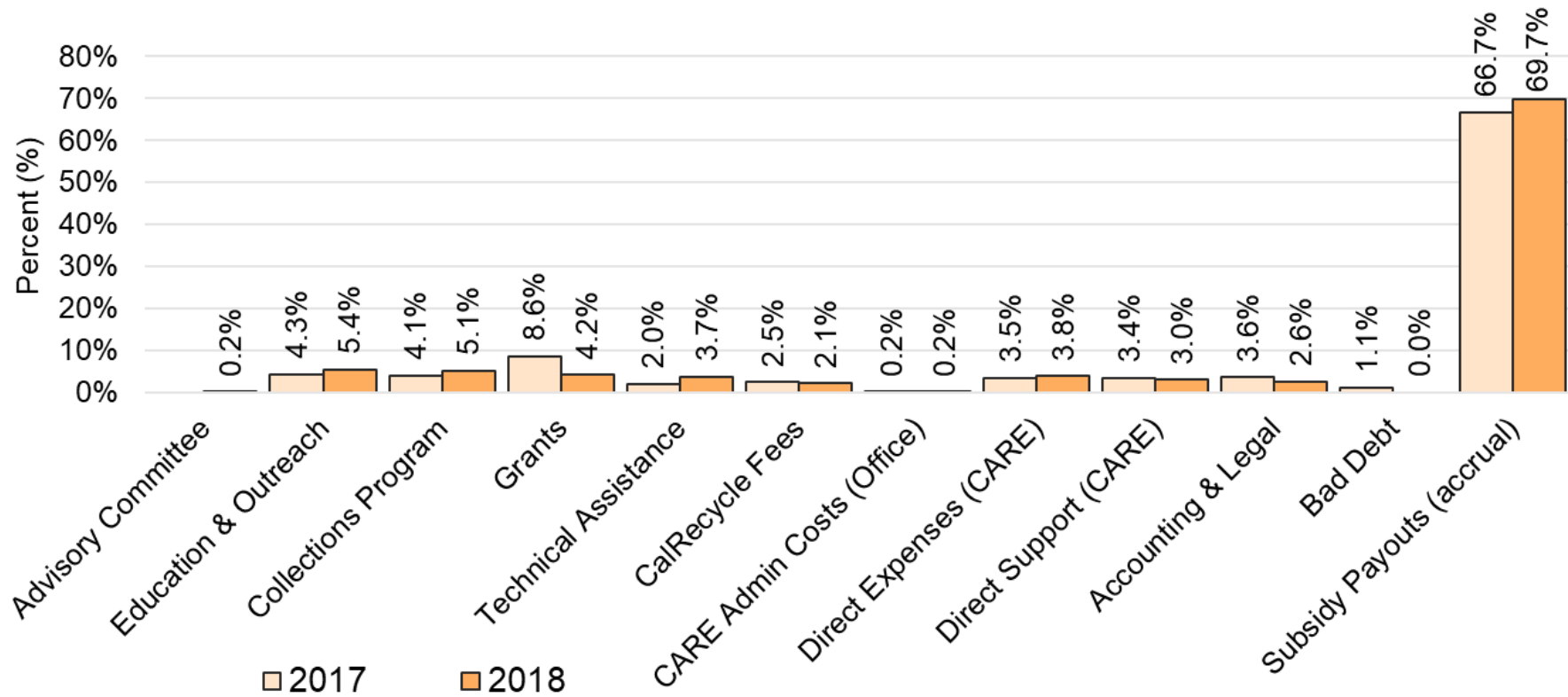
While education and communications activities are designed to support program goals, the Program relies primarily on subsidy expenditures as the principal mechanism for achieving increased recycled output, diversion and other program goals, consistent with figures below. Efforts continue to explore ways to tie education/outreach activities to operational performance metrics.

Figure Z. 2017 vs. 2018 Total Program Expenses\*



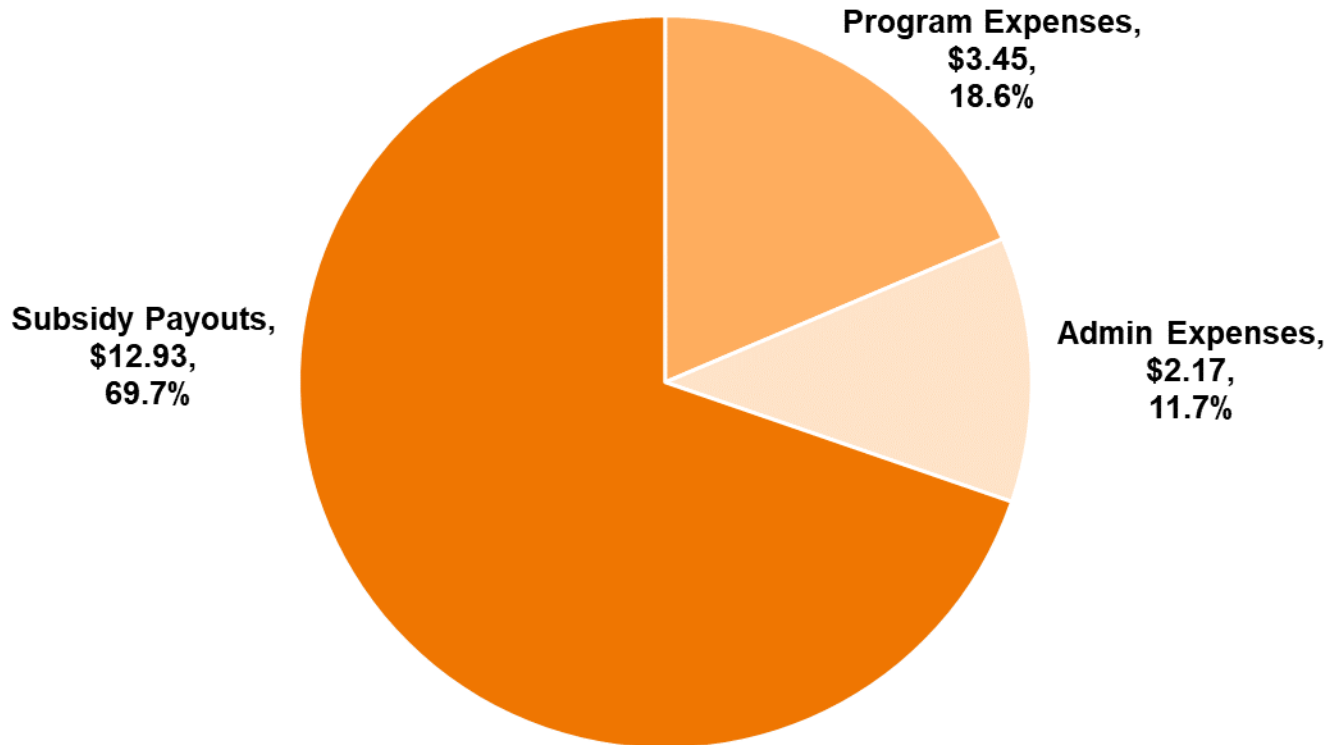
\*CARE Admin has changed over time as CARE has chosen to break out program elements in more detail.

Figure AA. 2017 vs. 2018 Percent of Program Expenses\*



\*CARE Admin has changed over time as CARE has chosen to break out program elements in more detail.

Figure AB. Program Expenditure Ratios, 2018



## 7.5 End-of-Life Materials Management Costs

*CCR §18944(a)(7)(E). End-of-life materials management (% of total program cost)*

For the purpose of this report, end of life (EOL) is defined as activities occurring at the point when a product is discarded by the consumer or the end of the useful life of a product, whichever comes first. EOL disposition option is assumed to include such activities as reuse, recycling, secondary product manufacturing, energy recovery, incineration, and landfilling. In 2018, \$13.7 million in Program resources were directed to support EOL materials management in the following amounts:

1. **Gross Collections** – The California Program expended \$943,035 on operational support for 53 drop-off sites in 47 participating counties (see Section 4.2). This is an increase of 39% from the \$678,444 spent on the Collections Program in 2017.
2. **Grants** – In addition to final payouts on Cycle 1 grants from 2017, Cycle 2A/2B/2C grants were awarded in Q4 2018 to support collection, recycling, and secondary manufacturing infrastructure and product testing. In 2018, a total of

\$779,805 of grant funds were expended, an 46% decrease from the \$1,443,722 expended by in 2017. Grant terms continue into 2018; remaining grant balances, including retention funds, are expected to be expended in 2019. The significant and unexpected decrease in grants payouts is attributed to both Plan approval delay and two denied requests to CalRecycle for permission to release grant funds to build critical capacity to meet recycling rate expectations. Unexpended grant funds may be reallocated as markets and technology evolve.

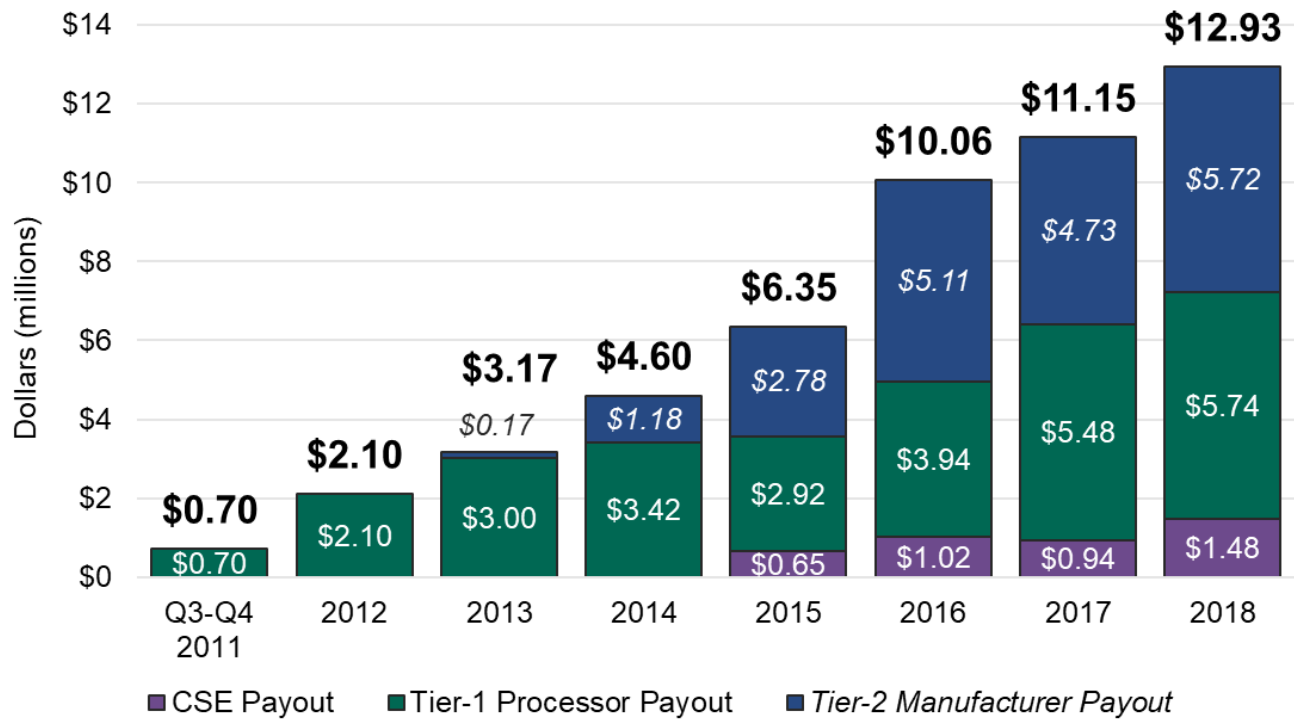
3. **Recycling** – The bulk of Program resources support the conversion of gross collections into recycled output materials by participating Tier-1 processors and use of generated recycled output as feedstock by Tier-2 manufacturers. In 2018, \$12.9 million was paid through the following subsidies and incentives supporting recycling (see Figure AB):
  - a. Tier-1 Processor and Tier-2 Manufacturer Subsidies:
    - i. Type 1 recycled output (recycled output within ash content thresholds, currently less than 25% ash): \$3.6 million
    - ii. Type 2 recycled output (recycled output with higher ash content thresholds, currently more than 25% ash): \$0.00
    - iii. PC4 recycled output in 2018 was: \$2.1 million
    - iv. Tier-2 Manufacturer Subsidies: \$5.7 million
  - b. Collector/Sorter Entrepreneur (CSE) Subsidies (reporting incentive, CSE Tile reuse, and CSE/processor whole carpet collection subsidy): \$1.5 million.
  - c. Reuse Subsidy for Tier-1 Processors and CSEs (broadloom and carpet tile): \$131,676.
4. **Energy Recovery** – Waste-to-Energy (WTE) does not receive subsidy payouts under the current Plan. In 2018, Carpet As Alternative Fuel (CAAF) and Kiln saw no payouts.<sup>12</sup>
5. **Incineration** – No incineration was reported during the reporting period. No subsidies are offered for incineration.
6. **Disposal** – Disposal figures are reported in Section 5.6.5. No subsidies are offered for disposal.

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<sup>12</sup> See additional discussion related to Kiln pounds and expenditure in Section 5.5.4 and Section 7.9.1.



**Figure AC. Summary of Subsidy Funds Paid to Participants Over Time by Type**



In response to Advisory Committee August 2018 Recommendation 1.1(a), the following Table 17 is incorporated to summarize both planned and actual pounds and expenditures according to each subsidy category.

It should be noted that budgets are best estimates and vary considerably as the year progresses due to market, technology, and unexpected event forces at play.

Table 17. Actual Pounds and Subsidies Paid by Type in 2018 (Budgeted and Actual)

Type	Pounds Actual	Pounds Budgeted	Delta	Subsidies Paid	Subsidies Budgeted	Delta
<b>CSEs</b>						<b>0</b>
CSE Reporting Incentive	N/A	N/A		\$38,000	\$48,000	-\$10,000
Tile Recycled or Reuse SUBSIDY PILOT	1,166,137	2,038,687	-872,551	\$58,307	\$101,934	-\$43,627
Tile REUSE	576,774	1,789,970	-1,213,196	\$57,677	\$178,997	-\$121,320
Broadloom REUSE	156,927	0	156,927	\$15,693	\$0	\$15,693
Broadloom Recycling Collected, Sold and Shipped	65,395,162	75,570,240	-10,175,078	\$1,307,903	\$1,511,405	-\$203,502
Adjustments	N/A	N/A		\$0	\$0	\$0
Total All CSEs	67,295,000	79,398,897	-12,103,898	\$1,477,580	\$1,840,336	-\$362,756
<b>Processors</b>						
Tile RECYCLED	469,215	0	469,215	\$46,921	\$0	\$46,921
Type 1 Standard	35,533,085	30,214,155	5,318,930	\$3,553,309	\$3,021,416	\$531,893
Total Type 1	36,002,300	30,214,155	5,788,145	\$3,600,230	\$3,021,416	\$578,814
Type 2 Filler/Other	0	0	0	\$0	\$0	\$0
PC4 (Calcium Carbonate)	12,571,403	16,855,565	-4,284,162	\$2,137,139	\$2,865,446	-\$728,307
Total Type 2	12,571,403	16,855,565	-4,284,162	\$2,137,139	\$2,865,446	-\$728,307
Adjustments*	N/A	N/A		\$0	\$283,252	-\$283,252
Total All Processor	48,573,703	47,069,720	1,503,983	\$5,737,368	\$6,170,114	-\$432,746

7. Financing Mechanisms

Type	Pounds Actual	Pounds Budgeted	Delta	Subsidies Paid	Subsidies Budgeted	Delta
<b>Manufacturers</b>						
Non-Nylon Payouts	21,580,901	36,712,416	-15,131,515	\$5,395,225	\$9,178,104	-\$3,782,879
Nylon 6 Payouts	3,229,235	3,200,000	29,235	\$322,924	\$320,000	\$2,924
Adjustments	N/A	N/A		\$0	\$0	\$0
Total All Manufacturers	24,810,136	39,912,416	-15,102,280	\$5,718,149	\$9,498,104	-\$3,779,955
<b>Subsidy Payouts</b>						
<b>Totals</b>	<b>140,678,838</b>	<b>166,381,033</b>	<b>-25,702,195</b>	<b>\$12,933,097</b>	<b>\$17,508,554</b>	<b>-\$4,575,457</b>

*\*Non-specified budgeted subsidy amounts. Represents subsidies for Processor Depoly, Processor Filler, and Broadloom Reuse. These subsidies represent a small percentage of the total amount paid out.*

## 7.6 Program Administration Costs

*CCR §18944(a)(7)(F). Program administration (% of total program cost, including annual administrative fee for service payments to the department)*

Total program cost includes three primary elements: subsidies (69.7%), program expenses (18.6%), and administration expenses (11.7%), as shown in Table 18. Subsidies are the combined expenses for subsidies to collector/sorters, processors, and manufacturers. Program expenses include education and outreach (E&O), collection, grants, and technical assistance.

Administrative expenses include fees to CalRecycle (2.1%), CARE administrative costs (0.2%), direct expenses (3.8%), direct support (3.0%), and legal and accounting services (2.6%). Administrative expenses include apportioned CARE Executive Director, Finance Director and Administrative Support staff, California Program Director, California Program Manager, two California Senior Associates, California Grants Manager, California Program Coordinator. Legal and accounting services include assessment remittance reporting and fund management, subsidy reporting and payouts, Agreed Upon Procedures (AUP) reviews, legal oversight, financial audits, grant administration, and any related activities.

Table 18. Total Program Expenses in 2018\*

Program Expense (in thousands)	Q1	Q2	Q3	Q4	2018 Total	% of Total Program Expenses	Budgeted Expenditures	Delta Budget vs Actual
<b>Subsidy Payouts (accrual)</b>	<b>\$2,869</b>	<b>\$3,720</b>	<b>\$3,480</b>	<b>\$2,864</b>	<b>\$12,933</b>	<b>69.7%</b>	<b>\$17,509</b>	<b>-\$4,575</b>
Advisory Committee	\$8	\$3	\$8	\$9	\$28	0.2%	\$45	-\$17
Education & Outreach	\$109	\$240	\$245	\$411	\$1,004	5.4%	\$1,300	-\$296
Collections Program	\$186	\$186	\$233	\$338	\$943	5.1%	\$1,400	-\$457
Grants	\$9	\$10	\$20	\$741	\$780	4.2%	\$2,000	-\$1,220
Technical Assistance	\$59	\$111	\$226	\$300	\$695	3.7%	\$1,180	-\$485
<b>Sub-total of Program Expenses</b>	<b>\$371</b>	<b>\$549</b>	<b>\$732</b>	<b>\$1,798</b>	<b>\$3,451</b>	<b>18.6%</b>	<b>\$5,925</b>	<b>-\$2,474</b>
CalRecycle Fees	\$0	\$136	\$123	\$127	\$386	2.1%	\$1,188	-\$801
CARE Admin Costs (Office)	\$7	\$9	\$8	\$8	\$31	0.2%	\$398	-\$367
Direct Expenses (CARE)	\$160	\$170	\$201	\$179	\$710	3.8%	\$911	-\$201
Direct Support (CARE)	\$100	\$141	\$126	\$186	\$554	3.0%	\$789	-\$235
Legal & Accounting	\$149	\$133	\$124	\$80	\$486	2.6%	\$410	\$76
Bad Debt	\$0	\$0	\$0	\$0	\$0	0.0%	\$0	\$0
<b>Sub-total of Admin Expenses</b>	<b>\$417</b>	<b>\$589</b>	<b>\$582</b>	<b>\$579</b>	<b>\$2,167</b>	<b>11.7%</b>	<b>\$3,696</b>	<b>-\$1,528</b>
<b>Sub-total of Program &amp; Admin Expenses</b>	<b>\$788</b>	<b>\$1,138</b>	<b>\$1,315</b>	<b>\$2,377</b>	<b>\$5,618</b>	<b>30.3%</b>	<b>\$9,621</b>	<b>-\$4,003</b>
<b>TOTAL Expenses</b>	<b>\$3,657</b>	<b>\$4,858</b>	<b>\$4,794</b>	<b>\$5,241</b>	<b>\$18,551</b>	<b>100.0%</b>	<b>\$27,129</b>	<b>-\$8,578</b>

\*Definition of California Program Admin expenses has changed over time as CARE has chosen to break out program elements in more detail.

Beaulieu Group, LLC (a Dalton-based carpet manufacturer) filed for bankruptcy in mid-July 2017. The Q2 reporting period had not yet closed, so as a result, Beaulieu did not pay their Q2 2017 assessment to CARE. In November 2017 Engineered Floors (EF) purchased the assets of Beaulieu Group. By agreement Beaulieu and CARE, the Bankruptcy Court issued an order allowing CARE to file a claim for the unpaid Q2 assessments, and CARE was able to recover 5/6 of the Q3 assessment fees that were incurred after Beaulieu filed bankruptcy along with Q4 assessment funds up to the date of the EF asset acquisition as administrative expenses. Subsequent to the EF acquisition, all assessments due on relevant sales are now paid by EF. CARE remains an unsecured creditor for the Q2 and 1/6 of the Q3 assessment payments, which were incurred prior to Beaulieu filing bankruptcy. Any recovery of the pre-petition funds will be determined by the Bankruptcy Plan of Liquidation, which has been approved by the Court. The Plan of Liquidation proposed by Beaulieu in early 2018 provided that CARE was expected to receive approximately 8% of assessment funds due for its pre-petition claim. As a result, CARE voted against the Plan of Liquidation, which was subsequently approved by the creditors. In an effort to recover more funds, the Bankruptcy Trustee has filed suit against several members of the Board of Directors and Officers of Beaulieu Group for breach of fiduciary duty and improper distributions of funds prior to the bankruptcy filing. The Trustee has also filed claims against affiliates of Beaulieu for fraudulent transfers of funds and claims against several of Beaulieu's creditors for improper preference payments prior to Beaulieu's filing bankruptcy. The case is pending in the US Bankruptcy Court for the Northern District of Georgia, and it will likely be 2020 at the earliest before a resolution is reached.

CARE informed CalRecycle's Enforcement Branch of these developments in a timely manner and suggested CalRecycle consider filing a claim as a state agency to aid in the potential recovery of the pre-petition unpaid assessment funds. As the case evolves CARE keeps CalRecycle informed.

## 7.7 Governance Costs

*CCR §18944(a)(7)(G). Governance (program oversight) (% of total program cost)*

Program governance is provided by CalRecycle. In 2018, the Program paid \$386,320 to CalRecycle for their role in providing governance support and oversight on behalf of the state of California, equivalent to 2.1% of total 2018 Program expenditures. 2018 represents a 6% decrease from the \$410,742 paid to CalRecycle in 2017 (2.5% of program expenses).

## 7.8 Total Cost to Local Government

*CCR §18944(a)(7)(H). Total cost to local government (if applicable)*

The Program does not currently track the costs of managing discarded carpet incurred by local governments, and it does not require any direct contribution by local governments. However, some local governments may support Program efforts, in line with their local waste diversion goals. Local governments participating in CARE's public drop-off site program may see financial benefits through offset costs of trailer and bin storage fees, transportation fees, and tip fees charged by receiving CSEs and Tier-1 processors incurred by the Program.

Local governments/disposal sites may continue to charge tip fees for carpet recycled through the drop-off site program, although sites are encouraged to offer a reduced tip fee for source-separated carpet prepared for recycling. Air volume savings, unquantified, is an additional benefit of the Program. The Program does not provide funds to offset labor costs that may be incurred as part of participation in the drop-off site program.

## 7.9 Summary of Expenses

*CCR §18944(a)(7)(I). Amount of the assessment, aggregate assessment funds collected, how spent and amounts of each major expenditure*

- a. Funds, if spent on CAAF, must be supported with documentation reporting on economic and environmental impacts and that incentives shall expire, if they no longer serve a benefit.*
- b. A carpet stewardship organization shall not expend funds from the assessment for engineered municipal solid waste conversion, as defined in Public Resources Code Section 40131.2, the use of cement kilns to burn carpet, or transformation, as defined in Public Resources Code Section 40201.*



**Table 19A. Summary of Program Income and Expenses by Category**

Summary of Expenses	Amount/Description
Amount of Assessment	\$ 0.25 per sq. yd. of carpet sold in CA from 1/1/2018 through 12/31/2018
Total Assessment Remittances	\$ 21.6 M
Total Interest Income	\$ 64 K
End-of-Life (EOL) Base Incentive Payout (Type 1, Type 2, CAAF, Kiln Incentives)	\$ 3.6 M \$ 0
EOL Bonus Subsidy Payout (Type 1)	\$ 38 K
EOL Tier-2 Subsidy Payout (base and growth incentives)	\$ 5.7 M
CSE Incentive Payout	\$ 1.4 M
EOL Gross Collection Payout (Rural County Program Storage/Transportation)	\$ 943 K
Marketing, Education, Outreach	\$ 1.0 M
Grant Program	\$ 780 K
Program Administration*	\$ 1.8 M
Technical Assistance**	\$ 695 K
Program Governance (CalRecycle Fees)	\$ 386 K
Total Program Cost	\$ 18.6 M
Cost per Pound of Gross Collection	\$ 0.20
Cost per Capita	\$ 0.47/person

*\*Includes CARE Administrative Expenses, Accounting/Legal Expenses, Direct Expenses (Salaries & Benefits), & Direct Support.*

*\*\*Includes Technical Assistance, Modeling Consultant, PET Project, Testing Fees, Reporting Database & Studies.*

The Program prioritizes subsidy expenditures which incentivize CSEs, Tier-1 processors, and Tier-2 manufacturers based on actual pounds of PCC material managed, shipped, and sold/donated. In this way, payouts are linked to direct market results increasing accountability and tying Program investments to market-based solutions. In 2018, the Program again increased expenditures in other strategy areas including grants, collections, education/communications, and administration to further

support Program goals. Please refer to Figures Z and AA in Section 7.4 for additional information on Program expenses.

### 7.9.1 Economic and Environmental Impacts of CAAF and Kiln

In 2018, CAAF accounted for 0% of discards and 0.0% of reported diversion. Subsidies paid to CAAF totaled \$0.

Kiln utilization decreased by 100% in 2018 to zero lbs. from 1.9 million lbs. in 2017 and accounted for 0% of discards and 0% of diversion. Subsidies paid to Kiln totaled \$0, and 0% of total subsidy payouts. Kiln utilization as an alternative to WTE or landfill is considered a preferred disposition by CARE and is counted toward landfill diversion figures.

While CAAF/Kiln subsidies historically provided an economic incentive for processors to choose CAAF or Kiln disposition over landfill disposal for material components that are not able to be diverted via higher use recycling efforts, a decision was made in mid-2017 that effective January 1, 2018, all subsidies for CAAF and Kiln are discontinued.

## 7.10 Surplus Funding

*CCR §18944(a)(7)(J). Surplus funding, if any, and how it will be applied to reduce program costs*

The starting fund balance at the beginning of 2018 was \$12.2 million. During the calendar year, program revenues totaled \$21.6 million, comprised of \$21.6 million in assessment remittances paid by participating mills and interest income of \$64,000. Total expenditures in the form of subsidy payouts and other expenses totaled \$18.5 million during the term, or 86% of remittances. At the close of 2018, the Program's total ending fund balance was \$15.4 million. The assessment was set in anticipation of hitting a 16% recycling rate by end 2016. Since this did not materialize, excess funds have been accumulated. Effective September 2015, the Program adopted a one quarter average reserve based on the previous four quarters. The Reserve changes quarterly with the level of payouts.

With the new Plan, conditionally approved in Q4 2018, provides a reserve equal to a two-month average of total program expenses over the last quarter (last 3 months divided by 3, multiplied by 2).

## 7.11 Assessment Rate

*CCR §18944(a)(7)(K). An evaluation of the assessment rate (% of total program cost)*

Effective January 1, 2017, the assessment rate increased from \$0.20 to \$0.25/sq. yd. of carpet sold in California throughout the reporting period. The increased assessment was deemed necessary to fund expanded and enhanced subsidy increases corresponding to the targeted growth in recycled output pounds and other programmatic goals. The latest assessment increase represented a 25% increase in the per square yard assessment over the prior year. There was no additional assessment increase effectuated during 2018.

## 8. Outreach/Education

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*CCR §18944(a)(8). Outreach/Education. List educational outreach activities in the stewardship plan. Provide a description of educational materials that were provided to retailers, consumers, carpet removers/installers, contractors, during the reporting period (provide electronic samples). Identify the method used to determine the effectiveness of educational and outreach surveys (e.g., surveys, hits on specific web pages, number of participants at events, etc.). Education and outreach materials may include, but are not limited to, signage, written materials, advertising or other promotional materials pursuant to Section 42972(a)(5) and Links to website(s) created and maintained by the manufacturer or stewardship organization.*

The California Stewardship Program carries out education and outreach efforts throughout the year to multiple audiences. 2018 activities were conducted by the entire Program team, including CARE's Executive Director, California Program Director Jacy Bolden, California Program Manager Brennen Jensen, Senior Associates Lisa Mekis and Jared Zitron, the environmental marketing agency Gigantic Idea Studio (GIS), market development consultant Mike Tinney (Tinney Associates), and California Grants Manager Abbie Beane. Market development efforts are addressed in Chapter 6, *Market Development*. Electronic samples of educational materials are presented in Appendix 10.10.

Outreach and education goals are intended to support and promote the overall Program goals, including the following:

- Increase collection by informing retailers and installers about recycling opportunities.
- Increase recycled output through stimulation of market awareness and demand for recycled products.
- Increase diversion by highlighting carpet reuse and recyclability opportunities.
- Assist with research projects connected to convenient collection.
- Raise awareness of CARE's activities in support of the carpet recycling ecosystem.

Audiences included retailers, installers, drop-off sites, local government, current and potential grantees, collector/sorters, processors, manufacturers and consumers.

Activities and messages included:

- **Retailers** – Drop-off site opportunities, encouragement of recycling service uptake, consumer education on carpet recycling and recyclability; installer outreach; survey as part of convenient collection study.
- **Installers** – Raise awareness of carpet’s recyclability and availability of drop-off sites and installers’ role in recycling. Survey to better understand barriers to recycling for convenient collection study.
- **Drop-off sites** – Provision of collateral, media templates and signage to increase customer awareness of carpet recycling at the sites, along with marketing assistance, with particular attention to encouraging proper inclusion of carpet on drop-off sites’ websites.
- **Local government** – Promote awareness of drop-off site opportunities and engagement to create additional sites; awareness of carpet recyclability; provision of consumer-facing information; availability of recycled carpet content products and grants.
- **Current and potential grantees** – Information on available grants and subsidies; grant case studies.
- **Current and potential manufacturers** – Distribution of collateral (California Carpet-Derived product catalog) to potential customers, promotion of inclusion of PC4 by manufacturers looking for new feedstock; awareness of Double Green™ and all post-consumer carpet-derived products.
- **Potential PCC product purchasers** – The green building industry was identified as a potentially receptive audience for purchases of PCC products that may contribute to LEED points and other certifications. CARE tabled at two green building conferences to identify and target effective messages and segments.
- **All audiences** – Updates on the Program, including grant opportunities, market development activities, recycling updates, CARE progress and challenges.

Summary of Outreach Team In-Person Efforts in 2018:

- 14 drop-off site visits.
- 172 calls/visits to retailers promoting new drop-off sites.
- 252 calls to retailers (compliance, revisits, regular outreach).
- 32 regional pilot area visits.
- 102 installer events (including supply house and retailer tablings).
- 1,800 installers reached, 425 commitments to recycle.
- 13 local government visits.

## 8.1 Education and Outreach Strategies

The following strategies were employed by the Program in 2018:

- Continued retailer contacts to raise awareness of the Program's activities and new drop-off sites. Reaching out to retailers allows for contact with harder-to-reach audiences, such as carpet installers and the public. Ongoing efforts/research are needed to ensure that the retailer contact list is up-to-date.
- Supported Convenient Collection study by conducting/managing in-person and phone surveys for retailers and installers. Worked with Cascadia to support and conduct surveys.
- Supported market development efforts around recycled carpet content products with a new Recycled Carpet-Derived Products catalog.
- Contacts with local government recycling coordinators and procurement officials to raise awareness of Program activities, such as local drop-off sites, grants and the availability of recycled carpet content products.
- Researched barriers and solutions to increased collection and recycling with appropriate stakeholders.

It should be noted that some planned outreach activities were curtailed due to uncertainty around the Five-Year Plan. Some programs, such as grants, were suspended for most of the year, while uncertainty and negative publicity about the Program discouraged potential partners from working with CARE.

## 8.2 Drop-off Site Outreach

Beyond ongoing outreach to drop-off sites via quarterly calls by CARE staff and presentations via the required quarter engagement calls/webinars, new and ongoing CARE drop-off sites continue to be supported with collateral, signage, and promotional materials.

Marketing activities for drop-off sites included updates to and distribution of the following pieces: (see Appendix 10.10 for sample materials): 16 English signs, 11 Spanish signs, 1 Russian sign, 1,125 site- or county-customized flyers and 200 brochures were distributed by request to CARE drop-off sites in 2018.

## 8.3 Retailer Outreach

Almost all California-based retailers have been contacted and/or visited at least once since the start of in-person outreach in 2015. 2018 activities included:

- Informing retailers of new CARE drop-off sites in their area and working to promote recycling services (some 250 in-person visits conducted). Outreach team reported particular success when showing post-consumer carpet-derived products (samples and catalog), which provided tangible confirmation that carpet is recycled into a growing number of useful products.
- Assessment increase implementation: The carpet assessment increased to 35 cents per square yard (from 25 cents) on January 1, 2019. A **multi-pronged campaign** to inform retailers launched in October, including print and digital communications, phone calls, a webinar and in-person visits.
- Providing collateral and conducting outreach to installers and consumers via retailers. Following feedback from the outreach team, the retailer brochure that explains the assessment—created in 2016—was updated substantially to place more emphasis on the process of recycling and the resulting products containing recycled carpet.
- Maintaining a clean and accurate database of all retailers in California while increasing the data points gathered. Some 160 retailer accounts were added to the database in 2018, while many others were updated with new/additional information or contacts.

As previously reported in Section 4.2, California Program staff worked with local governments in 2018 to increase the number of new drop-off sites. As part of the regional approach, the outreach team conducted 20 local government visits to 18 cities in the Los Angeles area in 2018. In addition to discussing local drop-off sites, installer sheets, brochures, and in some cases, drop-off site maps, and/or product catalogs were distributed.

Print materials also were distributed at events including California Resource Recovery Association (CRRA) annual conference in August 2018, where CARE was an exhibitor and hosted a multi-speaker session.



## 8.4 Installer Outreach

In 2018, the Program worked to expand outreach to engage installer/contractors involved in the tear-out and disposal/recycling of carpet. Activities included:

- Tabling** – Over 1,800 installers were reached in person at 102 tabling events, held at installer supply houses and some retailers. Installers were greeted, answered brief survey questions (see results below), and provided with information on drop-off sites in their area along with carpet preparation tips.
- Videos** – Videos on the importance of recycling and on the preparation of carpet for recycling in English and Spanish continued to be promoted. The videos were promoted via a targeted YouTube campaign and shown at tabling events. The Spanish video had over 56,000 views in 2018. The English version received over 62,000 views in 2018.
- Media** – An ad was placed in *Floor Covering Installer* magazine (circulation 34,000), targeting a segment of installers less likely to be reached via tabling events. An **op-ed** by CARE Executive Director Bob Peoples was placed in the April issue of *Pro Installer* magazine to provide background information on correct carpet preparation and the importance of installers' participation.

**Environmental Concerns: Carpet Recycling Needs You**

By Robert Peoples, Ph.D., Executive Director, Carpet America Recovery Effort

Installers know better than anyone that carpet is heavy, takes up a lot of space and takes centuries to break down. That is why keeping it out of landfills is important. Installers and retailers are key to achieving greater recycling success.

Over 340 million pounds of carpet head to California landfills every year—carpet that could be recycled into useful new products. Thanks to the efforts of carpet installers, retailers, collectors and processors, California has become a leader in getting more carpet out of the waste stream and recycled into new products. The California Carpet Stewardship Program partners with businesses across the state to increase carpet recycling in California.

California law requires an assessment on all sales of carpet in the state. The funds collected support the carpet recycling industry in California. In 2016, 86 million pounds (25%) of post-consumer carpet was kept out of California landfills. California law is setting increasingly ambitious goals for recycling carpet.

These efforts have already preserved limited landfill space and saved natural resources, but there is more to be done.

**Why Should You Recycle?**

Taking carpet to be recycled may take a little more time and money than taking it to the dump. So, why should installers and installers recycle? Californians care about the environment, and they make decisions about where to buy based on the business's values and service.

Businesses that tell their customers that their tear-out carpet will be recycled have an advantage. When customers buy new carpet and pay the assessment, you can assure them that their old carpet is being recycled responsibly. This will increase customer loyalty and improve your business's reputation. The Carpet America Recovery Effort (CARE) provides training and materials to help you tell the evolving story of success.

**Where can I take carpet to be recycled?**

CARE has an interactive map of California public drop-off sites on its website: [CarpetRecovery.org/CA](http://CarpetRecovery.org/CA). There are about 44 sites across the state right now, in addition to over 200 private sites. Many retailers have arrangements with recyclers that manage the private collection network. Ask your retailer for details or request a meeting with CARE to learn more.

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**Carpet Recycling Continued**

plastic pellets that are used to make a range of products for industries including automotive, transportation, construction and home and garden. Did you know under the hood of every Ford F-250 pickup truck is two square yards of recycled carpet? It is those black plastic parts you see on the engine of most cars today.

**How To Prepare Carpet**

Installers are an important part of this recycling system, since they are often the last people to touch the carpet before it is discarded. To be recycled, old carpet must be kept dry and as clean as possible. CARE has created "How to" videos in English and Spanish that describe how to prepare carpet and take it for recycling. View them here: [www.CarpetRecovery.org/CA-Installers](http://www.CarpetRecovery.org/CA-Installers).

**Learn more**

Visit our map of public drop-off sites in California at [www.CarpetRecovery.org/CA](http://www.CarpetRecovery.org/CA). Contact CARE if you have questions: [CA@CarpetRecovery.org](mailto:CA@CarpetRecovery.org). #PROINSTALLER

**About the Author:**  
Robert Peoples, Ph.D., is a founding Executive Director of the Carpet America Recovery Effort (CARE). In this capacity, he works to implement market-based solutions for the reuse and recycle of post-consumer carpet.

**What happens to old carpet?**

Carpet is collected by collector/haulers, who make agreements with retailers and drop-off sites to take the carpet, sort it by face fiber type, and transport it to processors, the companies that break down the carpet and manufacture new products.

Old carpet can be recycled into brand new carpet fiber for broadloom or carpet tiles, carpet cushion underlayment, walk-off mats, and geotextiles. It can be made into

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Circle 13 on Free Info Card



Tabling in #SanMateo County today. This is last installer event in Northern California for 2018 — thanks to all of the installers who took the time to learn about #carpet #recycling and carpet-derived products this year. We look forward to events in 2019!



11:13 AM - 6 Dec 2018



To better understand motivators and barriers for installers to take carpet to be recycled, informal surveys were conducted at all tableting events (results in Table 19B below.) About four out of five installers questioned (78%, a slight decline from 81% in 2017) reported they do not currently recycle tear-out carpet. About 21% (up from 16% in 2017) of those surveyed knew that their tear-out carpet was being recycled. Ten percent of respondents said they take carpet to a CARE drop-off site. About half of installers questioned (47%) take carpet back to the retailer; this is up from 34% of respondents in 2017. As to what would encourage installers to recycle, primary responses were that the cost be less expensive than taking carpet to landfill (45%) and awareness (23%) of a recycling (site) as an option.

**Table 19B. Results of Installer Questionnaire and Tabling Events in 2018**

Type/Activity	Count
Total Supply House Events	88
Total Retailer Events	14
Total Commitments to Recycle	425
Total Number of Installers Reached	1,809

Question 1	Yes	No	Total Responses*
Do you currently recycle your tear-out carpet?	383	1376	1,759

Question 2a	Landfill	Retailer Container	CARE Drop-off Site	Other	Total Responses
Where do you take your tear-out carpet?	898	577	170	151	1,694

Question 2b	Yes it is	No it is not	I don't know	Total Responses
Do you know if it is recycled there?	380	1,234	215	1,829

Question 3	Knowing about it	Less \$ than landfill	Close to my home	Close to business	Close to job location	Other	Total Responses
What would encourage you to recycle carpet?	421	804	83	124	334	37	1,803

Question 4	Yes	No	Total Responses*
Did you know that you might be able to save money by recycling your carpet? <i>(only asked if saving \$ is possible with that drop-off site)</i>	149	1,587	1,736

\*Multiple responses were allowed.

## 8.5 Convenient Collection Study

The outreach team assisted significantly (over 1,000 hours in 2018) with collecting data from retailers and installer for the convenient collection study being conducted by CARE and Cascadia Consulting Group.

Three teams of two outreach members were assembled, two in Southern California and one in Northern California, in order to conduct retailer visits and installer tabling events. The goal for the total amount of installer surveys per event/site was pre-determined, and once achieved, the team transitioned into standard CARE educational activities. Surveys were available in English and Spanish.

Retailer visits were conducted in the same area as the tabling event, and efforts expanded to neighboring areas as necessary to achieve the regional goals. The teams then conducted phone surveys to remote areas in order to achieve the goal of a minimum of two retailers per county.

See Section 4.2 for further details on the Convenient Collection Study.

## 8.6 Consumer Outreach

Given the ambiguity and uncertainty around Plan approval, consumer outreach was muted in 2018. However, two tactics were tested that will be rolled out further in 2019:

**Consumer Video.** A 50-second consumer-facing video was created in late 2017 and promoted in 2018. The PSA is on the CARE website in a consumer-facing page and is distributed as part of the outreach team's toolbox. In October-November 2018, GIS ran a campaign to promote views of the PSA and to test which potential audience segments were most likely to watch. The promotion resulted in 29,500 views out of 101,000 impressions and sent over 1,000 clicks to the CARE website. The best performing audience interest segments were "Auto and Vehicles" and "Home and Garden."

**Home & Garden Show Outreach.** Outreach is most effective when it reaches the target audience when they are the most receptive. In Q4 2018, the GIS outreach team members tabled at three home and garden shows (Pomona, Bakersfield, and Victorville) to get an idea of how many people could be reached at an event when they are thinking about renovating their homes, and thus be most likely to be installing, and tearing out, carpet. The outreach team spoke with approximately 350 people at each show. The message that carpet *can* be recycled was new to most attendees and was absorbed with interest. While most of the consumer attendees were using installers, there was nonetheless a significant proportion (10-15% of DIY people who need to hear about how to prepare and where to take carpet for recycling).

The post-consumer carpet products were greeted with great interest. However since most of the products are business-to-business rather than consumer-oriented, there is not much opportunity to “sell” products. This may change as the range of PCC products expands.



## 8.7 Regional Approach

In 2017 the CARE team began a Regional Approach Pilot to test the effectiveness of a multi-touch strategy to educate and learn from various stakeholder groups within a geographic area, with a goal of improving collection, recycling and awareness of carpet recycling opportunities.

Two regions were selected, one each in northern and southern California:

- **Los Angeles area:** approximately 30 miles surrounding American Reclamation (CARE drop-off site) and areas serviced by American Reclamation, concentrated in the communities of Burbank, Glendale, and portions of Los Angeles.
- **Greater Sacramento area:** generally focused in Sacramento County within approximately 30 miles of the City of Sacramento and including portions of surrounding counties of Solano and Placer; areas serviced by Florin Perkins drop-off site.

### 8.7.1 Regional Pilot Goals

Tactics included in-person visits, retailer recycling consultations to assess potential suitability for recycling pick-up service or drop-off site promotion, custom collateral detailing local recycling service options and regional drop-off site locations, follow-up



calls, search engine ads to promote local carpet drop-off sites with custom landing pages summarizing relevant information, installer surveys at supply houses, local government and disposal site outreach, recruitment of new potential drop-off sites, coordination with CSEs and local service providers, and providing basic “Buy Recycled” messages.

### 8.7.2 Regional Pilot

As part of the regional approach in 2018, the outreach team conducted Recycling Consultations in the Los Angeles pilot area. The visits were conducted at 26 retailers, who were given an American Reclamation service sheet and information on container service. Some visits were repeat visits from 2017. 22 retailers were identified as both interested in recycling and as a good candidate (physically) for a container. 18 cited a “lack of awareness” as reason for not recycling – this included the misconception that mixed C&D excludes carpet, and/or that they could request that type of service from the local CARE site. Specific collection data results can be found in section 4.4.1.

## 8.8 Conferences

**PLASTICS** – The CARE national conference was held in conjunction with the international PLASTICS conference in Orlando. CARE had a booth at the Conference, staffed by product manufacturers. The booth was supported by a series of ads in the *Plastics* magazine in conjunction with the Conference.

**GreenerBuilder** – CARE staff tabled at the GreenerBuilder conference on August 1, 2018, in San Francisco. CARE’s purpose was to gauge degree of interest and knowledge of carpet and PCC products among the green building industry. Conference attendees—architects, builders, facilities managers and others in the green space—were already very familiar with sustainability concepts and showed significant interest in the recycled-content products on display. Many did not know that carpet could be recycled and were anxious to learn about it. This segment has been identified as an important target for further promotion.

**GreenerBuild Expo** – CARE and outreach team staff member Peter Mach tabled at the GreenerBuild Expo in Chicago in November. The booth was very busy and attendees showed greater interest and receptiveness to CARE’s messaging than at green building gatherings in past years.

**Up Cyclers** – In December, an outreach team member attended Hidden Abundance: The Inaugural UpCyclers Gathering produced by Circular Co-Labs in Los Angeles. The full-day meeting was devoted to supporting the transition to a closed-loop materials economy. The CARE representative made contact with several academics, local

government officials and businesses who were interested to learn about CARE and the issues around carpet recovery.

**California Resource Recovery Association** – A session on carpet at the July 2018 CRRA conference included:

- A preview on the Convenient Collection study by Jessica Branom-Zwick of Cascadia.
- A summary of the California program by California Program Director Jacy Bolden.

In addition, CARE was an exhibitor. Staff distributed collateral, answered questions, and showed a program update video at the CARE table.

## 8.9 General Outreach

In addition to audience-specific efforts detailed above, the Program continued general outreach efforts to stakeholders in 2018 including the following activities, described further below:

- Monthly E-news
- Blog articles
- Website updates
- Social media
- Stakeholder database

### Monthly E-news

The program sends a monthly e-newsletter to any stakeholder who opts in to receive it. In 2018, the opt-in e-news list maintained over 2,400 recipients (a 25% increase over 2017), with a strong average open rate of 31% and average click-through rate of ~14%. E-news signup is promoted throughout the year on the website, at meetings and conferences, and in other digital and print communications.

### Blog Articles

The California Program published 15 blogs on the CARE site in 2018, with topics ranging from grant case studies, program results and promotion of CalRecycle's Recycled Content Products Catalog. Blogs are promoted via the e-news and Twitter.



## Website Updates

CARE maintained and regularly updated the California Program website, including the blog articles noted above. Website traffic for California-based visitors declined slightly in 2018 from 2017. The average visit from a California-based visitor lasted for 2 minutes, 9 seconds.

CARE website	2017	2018	% change
Web visits – California	14,440	14,138	-2.1%
Web visitors – California	9,770	9,502	-2.7%

## Social Media

- CARE has a Twitter account ([@CarpetRecycle](#)) that the California program uses to publicize activities, events and news. The account had 348 followers as of the end of 2018. CARE tweeted three to five times a week in 2018, with approximately 200 tweets garnering 62,000 impressions.
- In addition to Twitter, CARE maintains a YouTube channel and a SlideShare account to reach users who may be searching for pertinent material but not be aware of CARE. The YouTube channel hosts 6 videos, has 287 subscribers, and garnered 152,000 video views in 2018. The SlideShare account hosts 11 presentations from past public presentations and webinars.

## Stakeholder Database

Gigantic Idea Studio maintains a robust database of Program stakeholders to track interactions and progress. In addition to general contact information, the database tracks retailers' recycling status, collateral requested and sent to retailers, installers and drop-off sites, reports of in-person visits, and more. As of the end of 2018 the database had records for over 6,000 organizations, agencies and businesses in California.

## 8.10 Next Steps

While 2018 was a year with many activities in limbo pending Plan approval, significant groundwork has been laid for carrying ahead with the new Plan approval. While general outreach (in person, online, via media and advertising, etc.) will continue, particular areas of focus for Marketing/Education and Outreach are:

- **Market development** – As more PCC products come on line there will be opportunities for increased and targeted marketing/promotion of the products,

along with marketing assistance for the manufacturers. Support of reaching the 24% recycled output goal will be a paramount focus of marketing/outreach in 2019.

- **Consumer outreach** – There is significant support for creating more “bottom up” demand for recycling from consumers. 2019 will include more home show tablings and media placements to reach consumers with the good news about carpet recycling.
- **Retailer outreach** – As more drop-off sites and container services become available, outreach will be essential to encourage uptake of these opportunities.
- **Installer outreach** – Implementing learning from the convenient collection study conducted in 2018 will be key to improving installer services and communication in 2019.

In the 2018-2022 Plan, Table 15 on pages 222-224 provides a list of metrics that may be used in evaluating the effectiveness of the Program’s education and outreach activities. These metrics may be refined with time, based on feedback and efficacy. Following final approval of the new Plan in February 2019, it is CARE’s intent to continue to include (as shown above) and expand upon the metrics from this list in future Annual Reports, starting with the 2019 Program year.

**Table 19C. Education and Outreach Impact Metrics** (Table 15 in 2018-2022 Plan)

<b>Tactic</b>	<b>Metric</b>
<b>General Reach</b>	
Industry publication advertising	<ul style="list-style-type: none"> <li>• Numbers reached</li> <li>• Uptake of collateral requests</li> <li>• Content consumption</li> </ul>
Digital ads	<ul style="list-style-type: none"> <li>• Impressions (numbers reached)</li> <li>• Click-through rate (CTR)</li> </ul>
Environmental graphics (billboards)	<ul style="list-style-type: none"> <li>• Impressions</li> </ul>
Monthly E-News	<ul style="list-style-type: none"> <li>• List growth</li> <li>• Open rate</li> <li>• Click through rate (CTR)</li> <li>• Content consumption</li> </ul>
CARE website & California Program webpages	<ul style="list-style-type: none"> <li>• Traffic (Google Analytics)</li> <li>• Pages visited</li> <li>• Content added and consumed</li> <li>• Uptake of call to action</li> </ul>
Partner outreach (Carpet Mills, processors, sorters, etc.)	<ul style="list-style-type: none"> <li>• Number of contacts</li> <li>• Positive feedback</li> <li>• Uptake of call to action (sign-up for email alerts, etc.)</li> </ul>
Events/conference presentations	<ul style="list-style-type: none"> <li>• Number of events</li> <li>• Reach (number of participants, etc.)</li> <li>• Follow-ups</li> </ul>
Press releases/earned media	<ul style="list-style-type: none"> <li>• Number sent</li> <li>• Number of placements</li> <li>• Feedback</li> </ul>
Social media, including video creation and distribution	<ul style="list-style-type: none"> <li>• Number of posts and views</li> <li>• Reach</li> <li>• Increase in followers, amplification (shares)</li> </ul>

<b>Tactic</b>	<b>Metric</b>
<b>General Reach (cont.)</b>	
Webinars	<ul style="list-style-type: none"> <li>• Number of events</li> <li>• Number of participants</li> <li>• Content consumed</li> </ul>
Surveys/stakeholder workshops	<ul style="list-style-type: none"> <li>• Number of groups queried / number of responses</li> <li>• Number of workshop attendees</li> <li>• Feedback</li> <li>• Quantity of results/action items</li> </ul>
<b>Retailers</b>	
Print collateral (brochures, window clings, FAQs, signage), including multilingual.	<ul style="list-style-type: none"> <li>• Number of copies requested/distributed</li> <li>• Stakeholder feedback</li> <li>• Number and length of website visits</li> </ul>
In-person outreach	<ul style="list-style-type: none"> <li>• Number of businesses reached</li> <li>• Uptake of call to action (brochure requests, webpage visits, etc.)</li> <li>• Increased awareness of CARE and the California Carpet Stewardship Program</li> <li>• Increased compliance with labeling and other requirements</li> </ul>
<b>Local Government</b>	
In-person outreach	<ul style="list-style-type: none"> <li>• Number of recycling coordinators / other government staff reached</li> <li>• Collateral requested and posted</li> <li>• Increase/uptake of procurement policies regarding recycled carpet content</li> <li>• Uptake and amplification of provided content (e.g., posting to local government websites, social media and newsletters)</li> </ul>
<b>Installers</b>	
Curriculum	<ul style="list-style-type: none"> <li>• Number of installers reached</li> <li>• Feedback</li> </ul>

<b>Tactic</b>	<b>Metric</b>
<b><i>Collection Sites / Rural County Program</i></b>	
In-person outreach	<ul style="list-style-type: none"> <li>• Number of contacts</li> <li>• Collateral requests</li> </ul>
<b><i>Consumers/Public</i></b>	
Website	<ul style="list-style-type: none"> <li>• Traffic</li> <li>• Number of visits to collector map</li> <li>• Number of visits to consumer page</li> </ul>
Video	<ul style="list-style-type: none"> <li>• Number of views</li> <li>• Number of shares</li> </ul>
Awareness	<ul style="list-style-type: none"> <li>• Collateral requests from retailers and recycling coordinators</li> </ul>
<b><i>Processors</i></b>	
Survey	<ul style="list-style-type: none"> <li>• Number of responses</li> <li>• Feedback</li> </ul>

## 9. Audits

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*CCR §18944(a)(9). Audits. The annual report shall include an independent financial audit funded from the carpet stewardship assessment. The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America, and standards set forth in Government Auditing Standards issued by the Comptroller General of the United States. The audit report shall also include a separate state compliance report on the carpet program requirements as directed by the department.*

The financial statements of CARE and the California Carpet Stewardship Plan 2011-2016 for the year ending December 31, 2018, were audited by independent Certified Public Accounting firm Brooks, McGinnis & Company, LLC, based in Atlanta, Georgia.

## 10. Appendices

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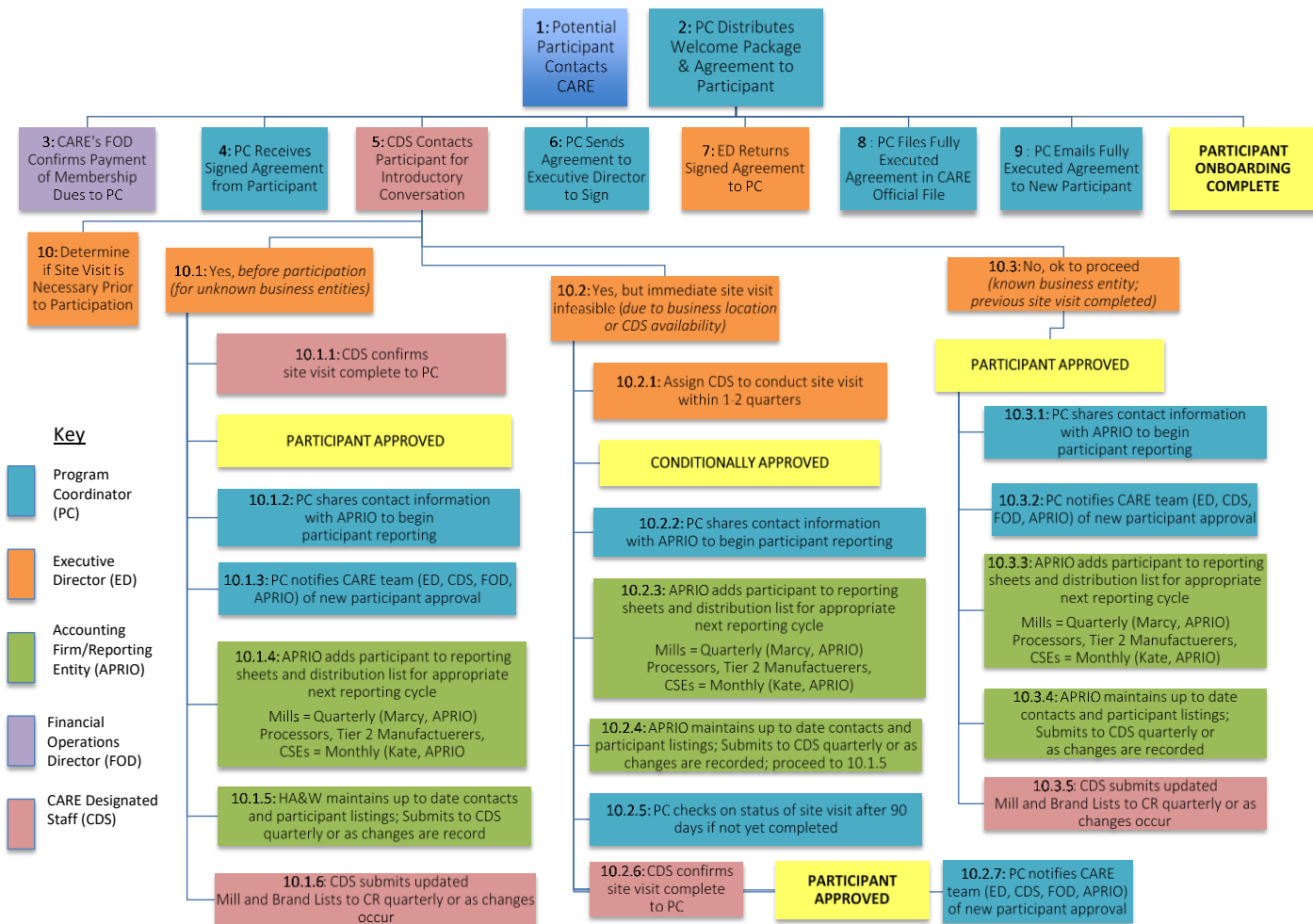
## 10.1 Summary of Subsidy and Incentive Payouts

Table 10.1 Summary of Subsidy and Incentive Payouts

Count	Subsidy/Incentives	Payout Rate	Description	Timeline/Date of Action	Addendum	Notice
<b>CSEs</b>						
1	CSE Reporting Incentive (CSE)	\$1,000/month	No change anticipated	Initiated 2014	N/A	Incentive; not subject to guaranteed timeline
2	Broadloom Recycling Collected, Sold, and Shipped	\$0.02/lb	For self-collected, sorted, sold, and shipped CA pounds; maximum payout \$150,000/quarter or \$400,000/year to any participant	California Program-approved under current Plan purview; retroactive to Q3 2015	3	Subject to adjustment, beginning Q4 2017
3	Reuse	\$0.10/lb	For self-collected and shipped/sold or donated carpet tile or broadloom for the purpose of reuse	Effective Q2 2015; clarified June 2015 as applicable to the reuse of both broadloom and carpet tile, and retroactive to Q2 2015	1, 3	Subject to adjustment, beginning Q4 2017
4	Tile Reuse or Recycling Collected, Sold, and Shipped (PILOT)	\$0.05/lb	For CA generated carpet tile collected, shipped and sold for recycle/reuse or donated for reuse.	Effective Q1 2018	N/A	Initiated as a 6-month pilot, effective January 1, 2018 and still in effect
<b>Tier-1 Processors</b>						
5	Tile Recycled	\$0.10/lb	For carpet tile recycled output	Effective Q2 2015	1	Subject to adjustment, beginning Q4 2017
6	Type 1 Recycled Output Payout	\$0.10/lb	Adjusted subsidy payout from \$0.06/lb to \$0.10/lb, tied to market indices; [Type 1 refers to recycled output within ash content thresholds, currently less than 25% ash]	In Plan v.3.2.2 – March 2014; base payout rate adjustable, may be tied to market indicator using Economic Model	3	\$0.06/lb subject to adjustment, beginning Q4 2017; \$0.04/lb adjustable quarterly effective Jan. 2016.
7	Type 2 Recycled Output Payout	\$0.03/lb	Type 2 refers to recycled output with higher ash content thresholds, currently more than 25% ash.	In Plan v.3.2.2 – March 2014	N/A	Subject to adjustment, beginning Q4 2017
8	Type 2 PC4 (Calcium Carbonate) Payout	\$0.17/lb	Non-fiber recycled output containing calcium carbonate for use as feedstock in secondary products; currently \$0.17/lb	Change 1, effective Q2 2015; change 2, in June 2015; change 3, effective Q3 2015; [For use as a raw material (recycled output feedstock) only]	1, 3	Subject to adjustment, beginning Q4 2017
9	Commercial Broadloom		For CA generated commercial broadloom recycled output. NOTE: this incentive is currently suspended and not in force	Initially slated to go into effect implemented Effective Q3 2018, but implementation suspended due to operational concerns	N/A	Initiated beginning Q3 2018
<b>Tier-2 Manufacturers</b>						
10	Tier-2 Manufacturer Non-Nylon Payout	\$0.25/lb	For Type 1 non-nylon recycled output used as a feedstock in the manufacture of secondary products; currently \$0.25/lb	Change 1, effective Q2 2015; change 2, retroactive to Q3 2015	1, 3	Subject to adjustment, beginning Q4 2017
11	Tier-2 Manufacturer PET Payout	\$0.25/lb	For Type 1 PET recycled output used as a feedstock in the manufacture of secondary products; currently \$0.25/lb	Effective Q3 2018	N/A	Initiated July 1, 2018; as a break-out from Non-Nylon
12	Tier-2 Manufacturer Polypropylene Payout	\$0.25/lb	For Type 1 Polypropylene recycled output used as a feedstock in the manufacture of secondary products; currently \$0.25/lb	Effective Q3 2018	N/A	Initiated July 1, 2018; as a break-out from Non-Nylon
13	Tier-2 Manufacturer Nylon 6 Payout	\$0.10/lb	For Type 1 nylon 6 recycled output used as a feedstock in the manufacture of secondary products; currently \$0.10/lb	Effective Q4 2017	NA	Initiated as a 6-month pilot, effective October 1, 2017 and remains in effect

## 10.2 Subsidy Participant Onboarding Procedures

**Figure 10.2. California Carpet Stewardship Program – Internal Participant Onboarding Procedures**



Rev. 06/19

## 10.3 List of Collector/Sorter Entrepreneurs (CSEs)

**Table 5. CSEs Requiring & Receiving Funding During 2018**

*(also appears in this Annual Report on page 46)*

	Company	City	State	Q1	Q2	Q3	Q4
1	Circular Polymers	Lincoln	CA	Y	Y	Y	Y
2	Construction & Demolition Recycling, Inc.	Carson	CA	Y	Y	Y	Y
3	Gone Green Recycling	Reno	NV	N	N	Y	Y
4	GreenWaste Carpet Recycling	San Jose	CA	Y	Y	Y	Y
5	Interface, Inc.	Atlanta	GA	Y	N	Y	Y
6	Los Angeles Fiber Co. (LA Fiber)	Vernon	CA	Y	Y	Y	Y
7	Planet Recycling	Chula Vista	CA	Y	Y	Y	Y
8	Shaw Industries Group, Inc.*	Dalton	GA	Y	Y	Y	Y
9	Tandus Centiva Inc.	Dalton	GA	Y	N	Y	Y

*\*Discontinued processing operations in late 2016 but continues to report processed output from inventory.*

## 10.4 List of Tier-1 Processors

**Table 6. Tier-1 Processors Requesting & Receiving Funding in 2018**  
*(also appears in this Annual Report on page 48)*

	Company	City	State	Q1	Q2	Q3	Q4
1	Aquafil Recycling #1, Inc.	Phoenix	AZ	N	Y	Y	Y
2	Bro-Tex	Saint Paul	MN	N	N		
3	CarpetCycle	Newark	NJ	N	N		
4	Cedar Plastics	LaGrange	GA		Y	Y	Y
5	Circular Polymers	Lincoln	CA	Y	Y	Y	Y
6	Columbia Recycling Corp.	Dalton	GA	Y	Y	Y	Y
7	Gold Pond Corp.	Dalton	GA	Y	Y	Y	Y
8	Interface, Inc.	Atlanta	GA	Y	N	Y	Y
9	Los Angeles Fiber Co. (LA Fiber)	Vernon	CA	Y	Y	Y	Y
10	Shaw Industries Group, Inc.*	Dalton	GA	Y	Y	Y	Y
11	Tandus Centiva Inc.	Dalton	GA	Y	N	Y	Y
12	Wellman	Johnsonville	SC	N	N	N	N
13	Wetsel Oviatt Recycling	Elk Grove	CA			N	N

\*Discontinued processing operations in late 2016 but continues to report processed output from inventory

Not active participant in AB 2398 program during this time

## 10.5 List of Tier-2 Manufacturers

**Table 7. Tier-2 Manufacturers Receiving Funding in 2018**

*(also appears in this Annual Report on page 50)*

	Company	City	State	Q1	Q2	Q3	Q4
1	American Fiber Cushion	Dalton	GA	Y	Y	Y	Y
2	Aquafil USA, Inc.	Cartersville	GA			Y	Y
3	Arropol Chemicals	Dalton	GA			N	N
4	Bonded Logic	Chandler	AZ	Y	Y	Y	Y
5	Cedar Plastics	LaGrange	GA		N	N	N
6	Circular Polymers	Lincoln	CA	Y	Y	Y	Y
7	Columbia Recycling Corp.	Dalton	GA	Y	Y	Y	Y
8	Fiber Commercial Technologies	Mankato	MN	Y	Y	Y	N
9	GeoHay, LLC	Inman	SC	Y	Y	Y	Y
10	KMI Group	Kenton	TN		Y	Y	N
11	M. Chasen & Son, Inc.	Irvington	NJ	N	N		Y
12	Manassas Polymers	Calhoun	GA			Y	Y
13	MP Global Products LLC	Norfolk	NE	Y	Y	Y	Y
14	Reliance Carpet Cushion	Vernon	CA	Y	Y	Y	Y
15	Shaw Industries Group, Inc.*	Dalton	GA	N	N	N	N
16	Sustainable Polymer Systems, LLC	Miramar Beach	FL				Y
17	Wetsel Oviatt Recycling	Elk Grove	CA			N	N

\*Discontinued processing operations in late 2016 but continues to report processed output from inventory

Not active participant in AB 2398 program during this time

## 10.6 Map and List of Drop-off Sites

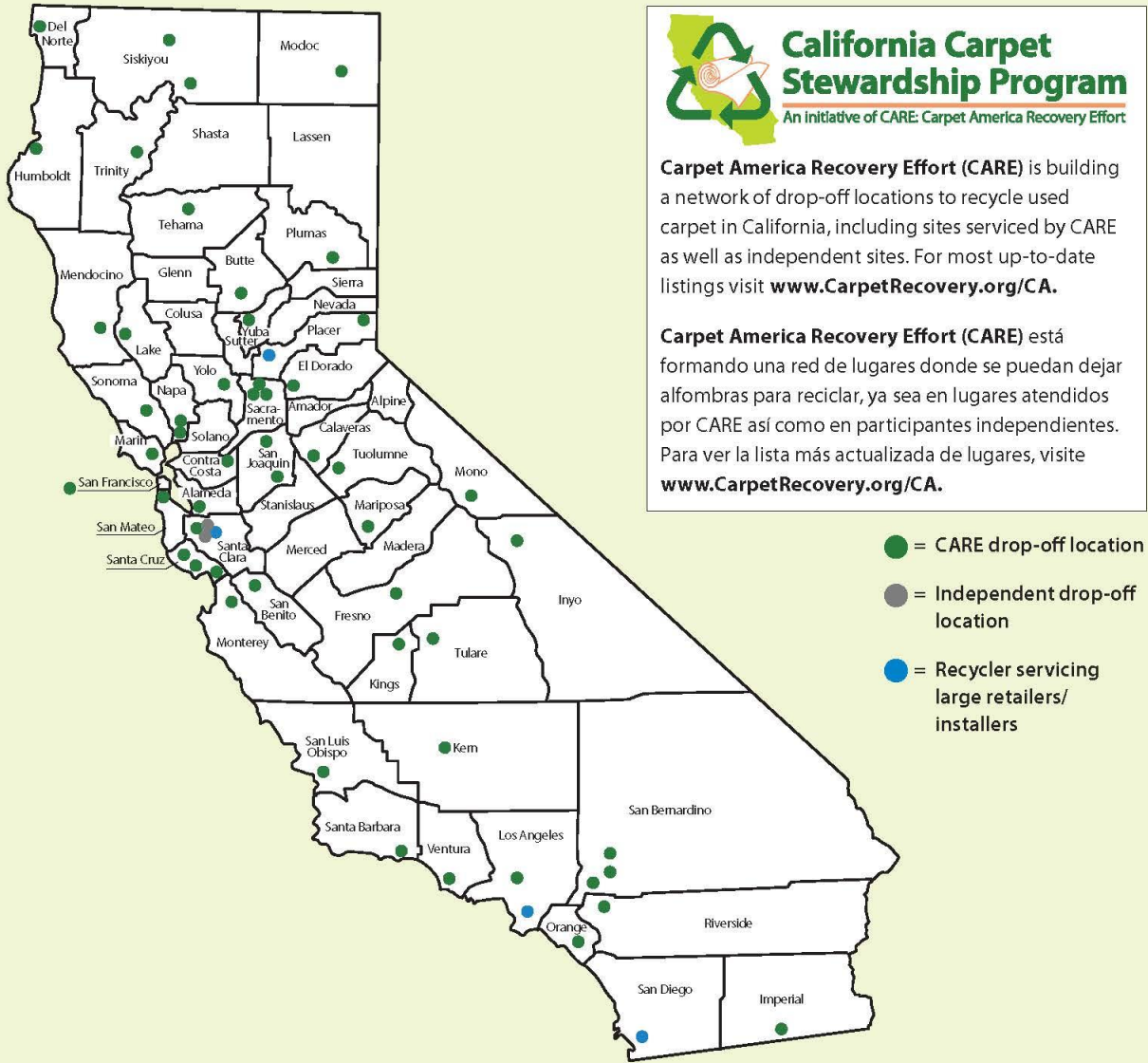
The Map and List of Program-supported Drop-off Sites presented below is current as of December 2018.

New sites are being added regularly. Visit [carpetrecovery.org/ca/](http://carpetrecovery.org/ca/) to view or download the latest version.

See Appendix 10.7 for information that includes private drop-off sites.

# California Carpet Stewardship Program

Carpet Recycling Drop-Off Locations / Lugares donde llevar alfombras para reciclar



## Drop-Off Locations by County

**Before you visit:** Contact drop-off location to confirm participation, business hours, types of carpet accepted and identification required.

**Antes de su visita:** Comuníquese con el lugar donde llevaría las alfombras para confirmar que participan, el horario de atención al público, los tipos de alfombra que aceptan, así como la identificación que requieren.

### ALAMEDA COUNTY

**Fremont Recycling & Transfer**  
41149 Boyce Road  
Fremont, CA 94538

### BUTTE COUNTY

**Recology Butte**  
2720 South 5th Avenue  
Oroville, CA 95965

### CALAVERAS COUNTY

**Rock Creek Solid Waste Facility & Landfill**  
12021 Hunt Road  
Milton, CA 95684

### CONTRA COSTA COUNTY

**Contra Costa Waste Service**  
1300 Loveridge Road  
Pittsburg, CA 94565

### DEL NORTE COUNTY

**Del Norte County Transfer Station**  
1700 State Street  
Crescent City, CA 95531

*Continues on other side*

12-18



# California Carpet Stewardship Program

Carpet Recycling Drop-Off Locations / Lugares donde llevar alfombras para reciclar

## EL DORADO COUNTY

### El Dorado Disposal/ Waste Connections

4100 Throaita Way  
Placerville, CA 95667

## FRESNO COUNTY

### West Coast Waste

3077 S. Golden State Frontage Road  
Fresno, CA 93725

## HUMBOLDT COUNTY

### Hawthorne Street Transfer Station

1059 West Hawthorne Street  
Eureka, CA 95501

## IMPERIAL COUNTY

### Imperial Landfill

104 E. Robinson Road  
Imperial, CA 92251

## INYO COUNTY

### Bishop-Sunland Landfill

110 Sunland Indian  
Reservation Road  
Bishop, CA 93514

## KERN COUNTY

### Bena Sanitary Landfill

2951 Neumarkel Road  
Bakersfield, CA 93307

## KINGS COUNTY

### Robinson's Interiors

230 N. 11th Avenue  
Hanford, CA 93230

## LAKE COUNTY

### Lake County Waste Solutions

230 Soda Bay Road  
Lakeport, CA 95453

## LOS ANGELES COUNTY

### American Reclamation

4560 Doran Street  
Los Angeles, CA 90039

### LA Fiber

4920 S. Boyle Avenue  
Vernon, CA 90058

## MARIN COUNTY

### Marin Resource Recovery Center

565 Jacoby Street  
San Rafael, CA 94901

## MARIPOSA COUNTY

### Mariposa Landfill, Composting and Recycling Center

5593 Highway 49 North  
Mariposa, CA 95338

## MENDOCINO COUNTY

### Solid Waste Systems

3151 Taylor Drive  
Ukiah, CA 95482

## MODOC COUNTY

### Holdorff's Recycling

605 N Court Street  
Alturas, CA 96101

## MONO COUNTY

### Benton Crossing Landfill

899 Pit Road  
Crowley Lake, CA 93546

## MONTEREY COUNTY

### Sun Street Transfer Station

139 Sun Street  
Salinas, CA 93901

## NAPA COUNTY

### Devlin Road Transfer Station

889 Devlin Road  
American Canyon, CA 94503

### Napa Recycling & Waste Services

820 Levitin Way  
American Canyon, CA 94503

## ORANGE COUNTY

### Sunset Transfer Station

16122 Construction Grde  
Irvine, CA 92606

## PLACER COUNTY

### CLEAR Carpet Recycling

3390 Venture Drive  
Lincoln, CA 95648

### Eastern Regional Landfill

900 Cabin Creek Road  
Truckee, CA 96161

## PLUMAS COUNTY

### Delleker Transfer Station

73980 Industrial Way  
Delleker, CA 96122

## RIVERSIDE COUNTY

### Robert A. Nelson Transfer Station/Agua Mansa MRF

1830 Agua Mansa Road  
Riverside, CA 92509

## SACRAMENTO COUNTY

### Florin Perkins Public Disposal Site

4201 Florin Perkins Road  
Sacramento, CA 95826

### Kiefer Landfill

12701 Kiefer Boulevard and  
Grant Line Road  
Sloughhouse, CA 95683

### North Area Recovery Station (NARS)

4450 Roseville Road  
North Highlands, CA 95660

## SAN BENITO COUNTY

### RJR Recycling

1771 San Felipe Road  
Hollister, CA 95023

## SAN BERNARDINO COUNTY

### Advance Disposal Co.

17105 Mesa Street  
Hesperia, CA 92345

### Victor Valley MRF

17000 Abbey Lane  
Victorville, CA 92394

### West Valley MRF and Transfer Station

13373 Napa Street  
Fontana, CA 92335

## SAN DIEGO COUNTY

### A-1 Planet Recycling

1564 Jayken Way  
Chula Vista, CA 91911

## SAN FRANCISCO COUNTY

### Recology San Francisco

501 Tunnel Avenue  
San Francisco, CA 94134

## SAN JOAQUIN COUNTY

### Lovelace Transfer Station

2323 E. Lovelace Road  
Manteca, CA 95336

### North County Recycling Center & Sanitary Landfill

17720 E. Harney Lane  
Lodi, CA 95240

## SAN LUIS OBISPO COUNTY

### Cold Canyon Landfill

2268 Carpenter Canyon Road  
San Luis Obispo, CA 93401

## SAN MATEO COUNTY

### Blue Line Transfer, Inc.

500 E Jamie Court  
South San Francisco, CA 94080

## SANTA BARBARA COUNTY

### MarBorg Industries C&D Facility

119 N Quarantina Street  
Santa Barbara, CA 93103

## SANTA CLARA COUNTY

### Bay Counties SMaRT Station

301 Carl Road  
Sunnyvale, CA 94089

### Green Waste Recovery

625 Charles Street  
San Jose, CA 95112

### GreenWaste Carpet Recycling

1201 North 15th Street  
San Jose, CA 95112

### Zanker

675 Los Esteros Road  
San Jose, CA 95134

## SANTA CRUZ COUNTY

### Ben Lomond Transfer Station

9835 Newell Creek Road  
Ben Lomond, CA 95005

### Buena Vista Landfill - Santa Cruz County

1231 Buena Vista Drive  
Watsonville, CA 95076

### City of Santa Cruz Resource Recovery Facility

605 Dimeo Lane  
Santa Cruz, CA 95060

## SISKIYOU COUNTY

### Black Butte Transfer Station

3710 Spring Hill Road  
Mount Shasta, CA 96067

### Oberlin Road Transfer Station

2420 E Oberlin Road  
Yreka, CA 96097

## SONOMA COUNTY

### Industrial Carting

3911 Santa Rosa Avenue  
Santa Rosa, CA 95407

## SUTTER/YUBA COUNTIES

### Recology Sutter - Yuba

3001 Levee Road  
Marysville, CA 95901

## TEHAMA COUNTY

### Tehama County/ Red Bluff Landfill

19995 Plymire Road  
Red Bluff, CA 96080

## TRINITY COUNTY

### The Floor Store (Retail store)

1306 Nugget Lane  
Weaverville, CA 96093

## TULARE COUNTY

### Franey's Carpet One Floor & Home

525 N Liberty Street  
Visalia, CA 93292

## TUOLUMNE COUNTY

### Cal Sierra Transfer Station

19309 Industrial Drive  
Sonora, CA 95370

## VENTURA COUNTY

### Del Norte Regional Recycling and Transfer Station

111 S Del Norte Boulevard  
Oxnard, CA 93030

## YOLO COUNTY

### Yolo County Central Landfill

44090 County Road 28H  
Woodland, CA 95776

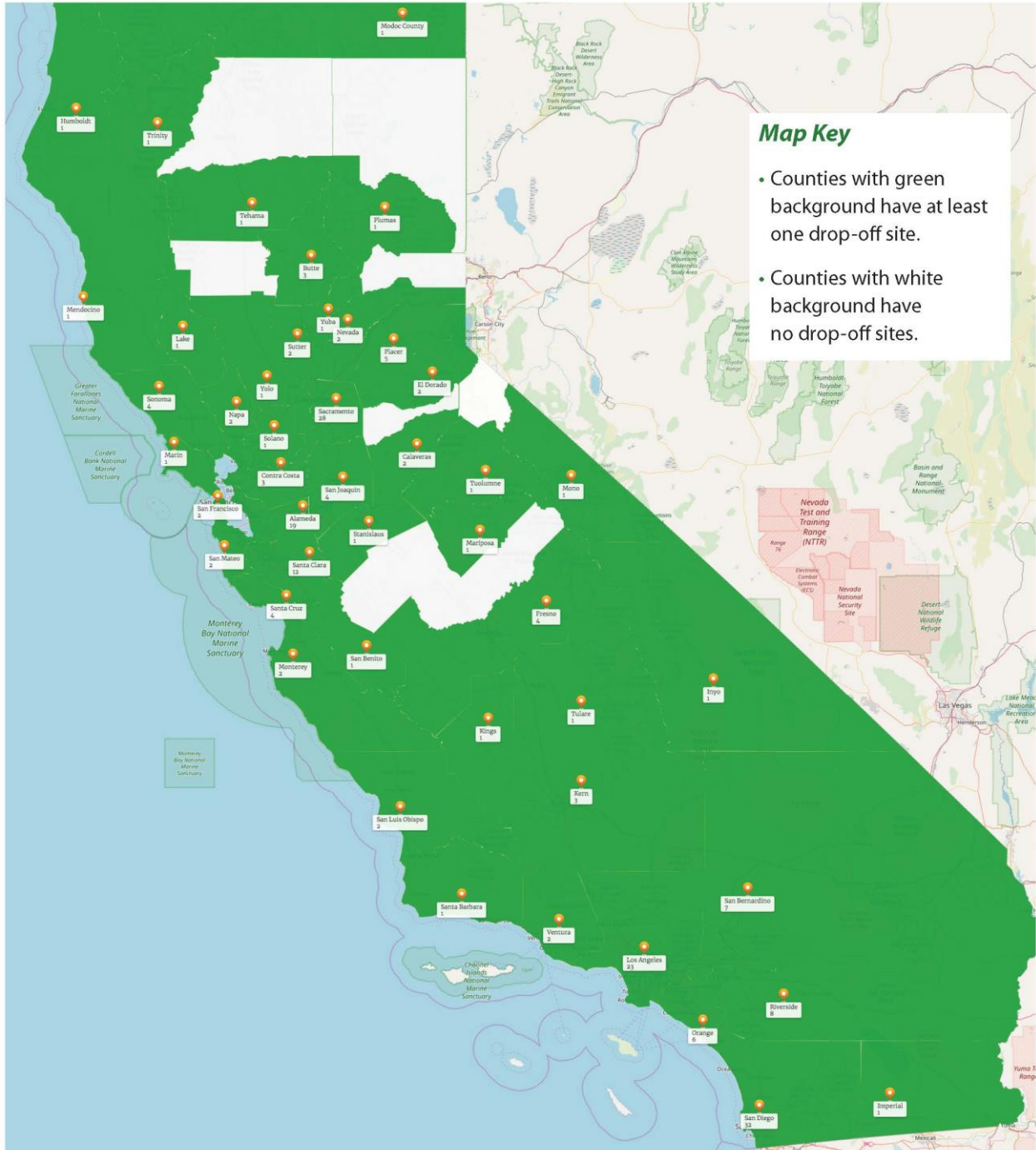
## 10.7 Map of Public and Private Collection Sites/Collection Sites by Counties

The following page includes a map of public and private carpet drop-off collection sites in California. Counties in green have one or more sites per county.

The subsequent page shows the number of total (including private) and CARE (public) sites in each county.

# 2018 Carpet Collection Sites per County

Public and Private Sites, total = 209\*



\*Data provided by CARE; as of Dec 2018



## Collection Sites In California Counties, 2018

County	Total Sites	CARE Sites
1 Alameda County #7	19	1
2 Alpine County	0	0
3 Amador County	0	0
4 Butte County (also serves Colusa)	3	1
5 Calaveras County	2	1
6 Colusa County	0	0
7 Contra Costa County #9	3	1
8 Del Norte County	1	1
9 El Dorado County	2	1
10 Fresno County #10	4	1
11 Glenn County	0	0
12 Humboldt County	1	1
13 Imperial County	1	1
14 Inyo County	1	1
15 Kern County	3	1
16 Kings County	1	1
17 Lake County	1	1
18 Lassen County	0	0
19 Los Angeles County #1	23	1
20 Madera County	0	0
21 Marin County	1	1
22 Mariposa County	1	1
23 Mendocino County	1	1
24 Merced County	0	0
25 Modoc County	1	1
26 Mono County	1	1
27 Monterey County	2	1
28 Napa County	2	2
29 Nevada County	2	0

County	Total Sites	CARE Sites
30 Orange County #3	6	1
31 Placer County	5	1
32 Plumas County	1	1
33 Riverside County #4	8	1
34 Sacramento County #8	28	3
35 San Benito County	1	1
36 San Bernardino County #5	7	3
37 San Diego County #2	32	0
38 San Francisco County	2	1
39 San Joaquin County	4	2
40 San Luis Obispo County	2	1
41 San Mateo County	2	1
42 Santa Barbara County	1	1
43 Santa Clara County #6	12	1
44 Santa Cruz County	4	3
45 Shasta County	0	0
46 Sierra County	0	0
47 Siskiyou County	2	2
48 Solano County	1	0
49 Sonoma County	4	1
50 Stanislaus County	1	0
51 Sutter County (also serves Yuba)	3	1
52 Tehama County	1	1
53 Trinity County	1	1
54 Tulare County	1	1
55 Tuolumne County	1	1
56 Ventura County	2	1
57 Yolo County	1	1
58 Yuba County	0	0

Green = top 10 counties ranked by population

## 10.8 List of Participating Mills

**Table 10.8. Registered Manufacturers List as of Q4 2018** (updated as of 2/5/2019)

#	Parent Company	Sub Companies	Mailing Address	City	State
1	A.M. Claret (formerly and DBA ALLIANCE TEXTILES)		218 River Drive	Cartersville	GA
2	Apache Mills (FKA Berkshire Flooring)	Berkshire Flooring, Inc.	P.O. Box 907	Calhoun	GA
3	Beaulieu Canada Company		335 Rue Roxton	Acton Vale	Quebec
4	Bellbridge Inc	Westbrook, Carpets of New Zealand	5401 Industrial Way	Benicia	CA
5	Bentley Prince Street (BPS Parent, Inc.)	Bentley Mills, Inc.	14641 East Don Julian Road	City of Industry	CA
6	Best Carpet Values, Inc./W.R. Inc.	Innovative Ind., S & J Carpet, Best Carpet Value	P.O. Box 1639	Chatsworth	GA
7	Bloomsburg Carpet Ind., Inc.		4999 Columbia Blvd	Bloomsburg	PA
8	Brintons Carpets	Brintons	1000 Cobb Place Blvd Bldg. 200, Suite 200	Kennesaw	GA
9	CAP Carpet Inc	Aircraft Interior Products, White Oak Custom Carpets, MRM by White Oak, LLC	535 Emerson St.	Wichita	KS
10	CATALINA CARPET MILLS, INC		14418 Best Ave.	Santa Fe Springs	CA

#	Parent Company	Sub Companies	Mailing Address	City	State
11	Couristan, Inc.		Two Executive Drive	Fort Lee	NJ
12	Crossley Holdings of South Africa	Crossley Axminster	P.O. Box 1777	Greenville	MS
13	DALTONIAN FLOORING INC		115 Old Belwood Rd	Calhoun	GA
14	Design Manufacturing International, LLC.		17 Vincent Circle	Warminster	PA
15	Design Materials, Inc.		241 S. 55th Street	Kansas City	KS
16	Earth Weave Carpet Mills Inc.		P.O. Box 6120	Dalton	GA
17	ECMC, LLC dba CM Hospitality Carpets		2304 Dalton Industrial Court	Dalton	GA
18	Egetaepper a/s.	Ege Americas Inc	Industrivej Nord 25, P.O. Box 190	Herning	Denmark
19	Emerald Carpet, Inc.	Emerald, Mainline	P.O. Box 1625	Dalton	GA
20	Emery Park Carpet Company		105 N. Industrial Blvd	Calhoun	GA
21	Engineered Floors		P.O. Box 2207	Calhoun	GA
22	Event Carpet Pros, Inc.		14301 Alondra Blvd.	La Mirada	CA
23	Fibreworks Corporation		2301 Brennen Business Ct.	Louisville	KY
24	Forbo Flooring Systems		8 Maplewood Drive	Hazle Township	PA
25	Foss Manufacturing Co LLC		243 Huffaker Road, NW	Rome	GA
26	iCarpets.com., Inc.		P.O. Box 6003	Louisville	KY
27	Indian Summer Carpet Mills, Inc		601 Callahan Road	Dalton	GA

#	Parent Company	Sub Companies	Mailing Address	City	State
28	Twitchell Technical Products LLC (Infinity)	Infinity Woven Products LLC	5211 Mitchell Bridge Rd	Dalton	GA
29	Innovative Carpets, LLC		45 Legion Drive	Cresskill	NJ
30	Interface Americas, Inc.	InterfaceFLOR, LLC, FLOR, Interface Services	1000 Marietta Street NW Suite 238	Atlanta	GA
31	J Mish LLC		8 River Drive	Cartersville	GA
32	Joy Carpets & Co.		P.O. Box 5379	Fort Oglethorpe	GA
33	Kaleen Rugs, Inc.		1013 Bonny Oaks Dr.	Dalton	GA
34	Art Flock & Screen Inc (Kane Carpet)	Kane Carpet	214 Ditmas Avenue	Brooklyn	NY
35	Excel Carpet (Kinsley Carpet Mills)	Kinsley Carpet	P.O. Box 1351	Dalton	GA
36	Red Ash Capital Partners II LP	Kraus USA	P.O. Box 704	Clarion	PA
37	Lancer Enterprises, Inc.	Lancer Enterprises, Inc.	P.O. Box 1505	Dalton	GA
38	Langhorne Carpet Co Inc.		P.O. Box 7175	Penndel	PA
39	Lexmark Carpet Mills, Inc	Northwest Carpets	285 Kraft Drive	Dalton	GA
40	Lonesome Oak Trading Co., Inc.		P.O. Box 216	Chatsworth	GA
41	Mannington Mills, Inc.	Mannington Commercial	P.O. Box 12281	Calhoun	GA



#	Parent Company	Sub Companies	Mailing Address	City	State
42	Marquis Industries, Inc.	Marquis Industries, Omega Pattern Works, Artisans Hospitality, Astro Carpet Mills	2743 Hwy 76 P.O. Box 1308	Chatsworth	GA
43	Mathews & Parlo Carpet Wholesalers, Inc		196 Belwood Rd	Calhoun	GA
44	Merida Meridian Inc		1 Design Center Pl. Suite 714	Boston	MA
45	Millennium Carpet Mills Inc.		P.O. Box 1079	chatsworth	GA
46	Milliken & Company	Milliken Flooring	920 Milliken Road, M-620 Dock B	Spartanburg	SC
47	Balta Group (Modulyss)	Balta Rugs, ITC, Modulyss, Balta Broadloom, Captiqs	6739 New Calhoun Hwy Bldg. #100	Rome	GA
48	Mohawk Industries, Inc.		160 S. Industrial Blvd	Calhoun	GA
49	Colin Campbell & Sons Ltd./Nature's Carpet		55-8385 Fraser St.	Vancouver	British Columbia
50	Next Floor Inc.		1857 Sawmill Rd. #202	Conestogo	Ontario
51	Nourison Industries Inc.		5 Sampson St	Saddle Brook	NJ
52	Patriot Mills (FKA as Manassas Textiles)		P.O. Box 470	Adairsville	GA
53	Pharr Yarns, LLC d/b/a Phenix		1001 Enterprise Dr	Dalton	GA
54	Prestige Mills		34-01 38th Avenue	Long Island City	NY

#	Parent Company	Sub Companies	Mailing Address	City	State
55	R.C. Willey Home Furnishings, Inc.		2301 S. 300 W.	Salt Lake City	UT
56	RADICI USA, INC		P.O. Box 3143	Spartanburg	SC
57	Relative Space (Floorworks)		400 West Broadway	New York	NY
58	Royal Thai Americas, Inc.		715 Curtis Parkway SE	Calhoun	GA
59	Savnik & Company, Inc.		601 McClary Avenue	Oakland	CA
60	SHAHEEN CARPET MILLS	CARPETS BY SIERRA	P.O. Box 167	Resaca	GA
61	Shaw Industries, Inc.		P.O. Drawer 2128	Dalton	GA
62	Stanton Carpet Corporation	Stanton Carpet	100 Sunnyside Blvd.	Woodbury	NY
63	Stark Carpet Corp		979 Third Ave	New York	NY
64	Summit Flooring		1 Apollo Drive	Whippany	NJ
65	TaiPing Carpets Americas Inc.		P.O. Box 249	Adairsville	GA
66	Tandus Flooring Inc	Tarkett USA	3000 Aurora Road	Solon	OH
67	The Dixie Group, Inc.	TDG Operations, LLC, Fabrica International, Inc.	P.O. Box 2007	Dalton	GA
68	The Miller Davis Group		300 West 28th Street	Chattanooga	TN
69	Totally Enterprises, LLC		404 Mitchell St.	Dalton	GA
70	Ulster Carpet Mills (North America) Inc		81 Whitlock Avenue SW	Marietta	GA
71	Unique Carpets Ltd.		7360 Jurupa Avenue	Riverside	CA

## 10.9 Reporting Sheets (CSEs, Processors, Manufacturers)

This appendix contains the following reporting sheets for **CSEs, Tier-1 Processors, and Tier-2 Manufacturers**:

- 1.1 CSE Monthly Reporting Form (3 pages)
- 1.2 CSE Monthly Shipment Detail (1 page)
- 2.1 Processor Monthly Reporting Form (3 pages)
- 2.2 Processor Monthly Shipment Detail (2 pages)
- 3.1 Manufacturer Monthly Reporting Form (1 page)
- 3.2 Manufacturer Monthly Product Detail (1 page)
- 3.3 Manufacturer Monthly Purchase Detail (1 page)

It also contains screenshots of the new **Host Analytics** online reporting system.

1.1 CSE Monthly Reporting Form (page 1 of 3)

Description	Nov	Dec/1
<b>CSE AB 2398 Monthly Reporting Form</b>		
<b>CONFIDENTIAL</b>		
Attestation Form		
<b>&lt;-- PLEASE ATTACH YOUR SIGNED ATTESTATION FORM</b>		
California Jobs Information		
Number of California FTEs at beginning of this month		-
Number of FTE California Jobs lost this month		
Number of FTE California Jobs gained this month		
<b>TOTAL Number of California FTEs at end of this month</b>	-	-
Collection Sites		
How many California sites did YOU COLLECT carpet from this month?		
Accounting of Beginning Inventory FROM CALIFORNIA this month		
Beginning Inventory from California - Tile (Reuse or Recycling)		-
Beginning Inventory from California - Broadloom		-
<b>Total Beginning Inventory</b>	-	-
Accounting for total PC Carpet DIRECTLY COLLECTED BY YOU this month		
Tile		
Tile pounds collected from CALIFORNIA		
Tile pounds collected OUTSIDE California		
<b>Total Tile Pounds Collected</b>	-	-
Broadloom (by fiber type)		
Nylon 6 from CALIFORNIA		
Nylon 6,6 from CALIFORNIA		
Polypropylene from CALIFORNIA		
PET from CALIFORNIA		
Wool from CALIFORNIA		
Other/Mixed Fibers from CALIFORNIA		
<b>Total Broadloom Pounds Collected from CALIFORNIA</b>	-	-
Total Broadloom Pounds Collected OUTSIDE California		
<b>Total Broadloom Pounds Collected</b>	-	-
<b>TOTALS</b>		
<b>TOTAL PC CARPET COLLECTED FROM CALIFORNIA</b>	-	-
<b>TOTAL PC CARPET COLLECTED OUTSIDE California</b>	-	-
<b>TOTAL PC CARPET COLLECTED</b>	-	-
<i>Check (must equal 0)</i>	-	-

1.1 CSE Monthly Reporting Form (page 2 of 3)

<b>Accounting for total PC Carpet Outputs this month</b>		
<b>Tile</b>		
Tile Reuse Donated and Shipped		
Tile Recycling shipped to customers INSIDE California		
Tile Recycling shipped to US customers OUTSIDE California		
Tile Recycling shipped to customers outside the United States		
Tile Recycling internally used by you		
<b>Total California Tile Donated/Sold and Shipped</b>	-	-
<b>Broadloom</b>		
Broadloom Reuse Donated and Shipped		
Broadloom Recycling shipped to customers INSIDE California		
Broadloom Recycling shipped to US customers OUTSIDE California		
Broadloom Recycling shipped to customers outside the United States		
Broadloom Recycling internally used by you		
<b>Total California Broadloom Donated/Sold and Shipped</b>	-	-
<b>Broadloom Carpet Collected by You SOLD &amp; SHIPPED by Fiber type</b>		
Nylon 6		
Nylon 6,6		
Polypropylene		
PET		
Wool		
Other/Mixed Fibers		
<b>Total</b>	-	-
<i>Check (must equal 0)</i>	-	-
<b>TOTAL</b>		
<b>Total California PC Carpet Donated/Sold and Shipped</b>	-	-
<b>Accounting for Ending Inventory FROM CALIFORNIA this month</b>		
Ending Inventory from California - Tile (Reuse or Recycling)		
Ending Inventory from California - Broadloom		
<b>Total Ending Inventory</b>	-	-
<b>Total CalRecycle Calculations</b>		
<b>Total Gross Collections as Counted by CalRecycle</b>		-
<b>Total Recycled Output as Counted by CalRecycle</b>		-
<b>Other Destinations of PC Carpet</b>		
CAAF		
Cement Kiln feedstock		
Carcass (Shipped and Sold)		
Sort department material sent to WTE		
Sort department material sent to Landfill		
Sort department material sent to Incineration		
<b>Total</b>	-	-
<b>Mass Balance (CALIFORNIA PC CARPET ONLY)</b>		
<i>Check (must equal 0)</i>	-	-

1.1 CSE Monthly Reporting Form (page 3 of 3)

<b>Pad</b>		
Beginning Inventory - Pad/Cushion		-
California Pad/Cushion Collected		
Pad/Cushion Shipped for Recycling		
Ending Inventory - Pad/Cushion		
<i>Check (must equal 0)</i>	-	-
<b>Calculations for Funding</b>		
Reporting Incentive		-
Carpet Tile Recycled or Reuse SUBSIDY PILOT	-	-
Carpet Tile REUSE: Carpet Tile Shipped & Donated/Sold for Reuse	-	-
Broadloom REUSE Only	-	-
Broadloom Shipped & Sold for Recycling	-	-
*FOR CARE USE ONLY* - Adjustment		
<b>Total Requested Subsidy Payout</b>	-	-

1.2 CSE Monthly Shipment Detail (page 1 of 1)

Description	Company	# lbs. Sold/Donated	Contact Information
<b>CSE AB 2398 Monthly Shipment Detail</b>			
<b>CONFIDENTIAL</b>			
<b>Please List All Parties Receiving Donated/Sold &amp; Shipped Material</b>			
<b>Tile for Reuse</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>		-	
Total Tile Sold and Shipped for Reuse (from 1.1 CSE Form)		-	
<b>Check (should equal 0)</b>		-	
<b>Tile for Recycling</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>		-	
Total Tile Sold and Shipped for Recycling (from 1.1 CSE Form)		-	
<b>Check (should equal 0)</b>		-	
<b>Broadloom for Reuse</b>			
	1		
	2		
	3		
	4		
	5		
	6		
	7		
	8		
	9		
	10		
	11		
	12		
<b>Total</b>		-	
Total Broadloom Sold and Shipped for Reuse (from 1.1 CSE Form)		-	
<b>Check (should equal 0)</b>		-	
<b>Broadloom for Recycling</b>			
	1		
	2		
	3		
	4		
	5		
	6		
	7		
	8		
	9		
	10		
<b>Total</b>		-	
Total Broadloom Sold and Shipped for Recycling (from 1.1 CSE Form)		-	
<b>Check (should equal 0)</b>		-	
<b>Sort department material sent to WTE</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>		-	
Total sort department material sent to WTE (from 1.1 CSE Form)		-	
<b>Check (should equal 0)</b>		-	



2.1 Processor Monthly Reporting Form (page 1 of 3)

Description	Nov	Dec/1
<b>Processor AB 2398 Monthly Reporting Form</b>		
<b>CONFIDENTIAL</b>		
<b>Attestation Form</b>		
<b>&lt;-- PLEASE ATTACH YOUR SIGNED ATTESTATION FORM</b>		
<b>California Jobs Information</b>		
Number of California FTEs at beginning of this month		-
Number of FTE California Jobs lost this month		
Number of FTE California Jobs gained this month		
<b>Total Number of California FTEs at end of this month</b>	-	-
<b>Accounting of Beginning Inventory of PC Carpet this month</b>		
<b>DIRECTLY COLLECTED BY YOU FROM CALIFORNIA ONLY</b>		
Beginning Inventory - Tile (Reuse or Recycling)		
Beginning Inventory - Broadloom		
<b>RECEIVED FROM OTHER COLLECTOR(S) FROM CALIFORNIA ONLY</b>		
Beginning Inventory - Tile (Reuse or Recycling)		-
Beginning Inventory - Broadloom		-
<b>TOTAL</b>		
<b>Total Beginning Inventory PC Carpet</b>	-	-
<b>Accounting for PC Carpet pounds directly collected or received by you for this month</b>		
<b>Tile</b>		
Tile pounds collected from CALIFORNIA		
Tile pounds RECEIVED from CALIFORNIA from other collector(s)		
<b>Total Tile Pounds from CALIFORNIA</b>	-	-
Tile pounds collected OUTSIDE California		
Tile pounds RECEIVED from OUTSIDE CALIFORNIA from other collector(s)		
<b>Total Tile Pounds from OUTSIDE California</b>	-	-
<b>TOTAL Tile Pounds</b>	-	-
<b>Broadloom</b>		
Broadloom pounds collected from CALIFORNIA		
Broadloom pounds RECEIVED from CALIFORNIA from other collector(s)		
<b>Total Broadloom Pounds from CALIFORNIA</b>	-	-
Broadloom pounds collected OUTSIDE California		
Broadloom pounds RECEIVED from OUTSIDE California from other collector(s)		
<b>Total Broadloom Pounds from OUTSIDE California</b>	-	-
<b>TOTAL Broadloom Pounds</b>	-	-
<b>TOTALS</b>		
<b>TOTAL PC CARPET COLLECTED/RECEIVED FROM CALIFORNIA</b>	-	-
<b>TOTAL PC CARPET COLLECTED/RECEIVED FROM OUTSIDE CALIFORNIA</b>	-	-
<b>TOTAL PC CARPET COLLECTED/RECEIVED</b>	-	-
<b>Accounting for Total PC Carpet Outputs this month</b>		
<b>Tile</b>		
<b>DIRECTLY COLLECTED BY YOU FROM CALIFORNIA ONLY</b>		
Tile Reuse Donated and Shipped		
Tile Recycling shipped to customers INSIDE California		
Tile Recycling shipped to US customers OUTSIDE California		
Tile Recycling shipped to customers outside the United States		
Tile Recycling internally used by you		
<b>RECEIVED FROM OTHER COLLECTOR(S) FROM CALIFORNIA ONLY</b>		
Tile Recycling shipped to customers INSIDE California		
Tile Recycling shipped to US customers OUTSIDE California		
Tile Recycling shipped to customers outside the United States		
Tile Recycling internally used by you		
<b>TOTAL</b>		

2.1 Processor Monthly Reporting Form (page 2 of 3)

<b>Total Tile Recycling Donated/Sold and Shipped</b>	-	-
<b>Broadloom</b>		
<b>DIRECTLY COLLECTED BY YOU FROM CALIFORNIA ONLY</b>		
Broadloom Reuse Donated and Shipped		
Broadloom Recycling shipped to customers INSIDE California		
Broadloom Recycling shipped to US customers OUTSIDE California		
Broadloom Recycling shipped to customers outside the United States		
Broadloom Recycling internally used by you		
<b>RECEIVED FROM OTHER COLLECTOR(S) FROM CALIFORNIA ONLY</b>		
Broadloom Recycling shipped to customers INSIDE California		
Broadloom Recycling shipped to US customers OUTSIDE California		
Broadloom Recycling shipped to customers outside the United States		
Broadloom Recycling internally used by you		
<b>TOTAL</b>		
<b>Total Broadloom Recycling Donated/Sold and Shipped</b>	-	-
<b>TOTALS</b>		
<b>PC Carpet Reuse Donated and Shipped</b>	-	-
<b>PC Carpet Recycling shipped to customers INSIDE California</b>	-	-
<b>PC Carpet Recycling shipped to US customers OUTSIDE California</b>	-	-
<b>PC Carpet Recycling shipped to customers outside the United States</b>	-	-
<b>PC Carpet Recycling internally used by you</b>	-	-
<b>TOTAL PC CARPET RECYCLING SOLD AND SHIPPED</b>	-	-
<b>Accounting for Ending Inventory of PC Carpet this month</b>		
<b>DIRECTLY COLLECTED BY YOU FROM CALIFORNIA ONLY</b>		
Ending Inventory - Tile (Reuse or Recycling)		
Ending Inventory - Broadloom		
<b>RECEIVED FROM OTHER COLLECTOR(S) FROM CALIFORNIA ONLY</b>		
Ending Inventory - Tile (Reuse or Recycling)		
Ending Inventory - Broadloom		
<b>TOTAL</b>		
<b>Total Ending Inventory PC Carpet</b>	-	-
<b>Accounting for Other Destinations of PC Carpet this month</b>		
<b>DIRECTLY COLLECTED BY YOU FROM CALIFORNIA ONLY</b>		
Total Other Destinations		
<b>RECEIVED FROM OTHER COLLECTOR(S) FROM CALIFORNIA ONLY</b>		
CAAF		
Cement Kiln feedstock		
Carcass (Shipped and Sold)		
Sort department material sent to WTE		
Sort department material sent to Landfill		
Sort department material sent to Incineration		
<b>TOTAL</b>		
<b>Total Other Destinations of PC Carpet</b>	-	-
<b>Mass Balance (CALIFORNIA PC CARPET ONLY)</b>		
<i>Check (must equal 0)</i>	-	-
<b>Processing of Internally Used PC Carpet this month</b>		
<b>Tile</b>		
Internally Used Tile from California only	-	-
<b>Broadloom</b>		
Internally Used Broadloom from California only	-	-
Broadloom Processed Wastes sent to WTE		
Broadloom Processed Wastes sent to Incineration		
Broadloom Processed Wastes sent to Landfill		
Broadloom Other Outlets		
<b>TOTAL</b>		

2.1 Processor Monthly Reporting Form (page 3 of 3)

<b>TOTAL Internally Used</b>	-	-
<b>Accounting for Output of PC Carpet internally processed this month</b>		
<b>Type 1 Output</b>		
Beginning Inventory of Type 1 Outputs from prior month		-
Processed Type 1 Output generated this month		
TILE RECYCLED: Shredded Carpet Tile used for Tile Backing (Sold & Shipped)		
Nylon 6 (Sold & Shipped)		
Nylon 6,6 (Sold & Shipped)		
Polypropylene (Sold & Shipped)		
PET (Sold & Shipped)		
Wool (Sold & Shipped)		
Other/Mixed Fibers (Sold & Shipped)		
<b>Total Fiber (Sold &amp; Shipped)</b>	-	-
DePoly or Chemical Component (Sold & Shipped)		
<b>Total Type 1 Output (SOLD &amp; SHIPPED)</b>	-	-
Ending Inventory of Type 1 Outputs		
<i>Check (must equal 0)</i>	-	-
<b>Ash Tests</b>		
<b>&lt;-- PLEASE ATTACH YOUR ASH TEST RESULTS (IF APPLICABLE)</b>		
Number of Ash Tests run this month (min 1 per 1M pounds)		
Average Ash Test Results over month for Type 1 pounds		
<b>Type 2 Output</b>		
Filler		
Carcass (Shipped and Sold)		
<b>Total</b>	-	-
<b>PC4 (Calcium Carbonate)</b>		
Beginning Inventory of PC4		-
Processed PC4 generated this month		
Total pounds of PC4 Sold & Shipped as a RAW MATERIAL		
Ending Inventory of PC4		
<i>Check (must equal 0)</i>	-	-
<b>TOTAL RO</b>		
<b>Total Gross Collections as Counted by CalRecycle</b>		-
<b>Total Recycled Output as Counted by CalRecycle</b>		-
<b>Commercial Broadloom</b>		
Pounds of Commercial Broadloom from California Processed by you		
<b>Other Diversion</b>		
CAAF		
Cement Kiln feedstock		
<b>Total Other Diversion</b>	-	-
<b>TOTAL Processed Output</b>		
<b>All Processed Outputs (Type 1, Type 2, PC4, CAAF, and Kiln)</b>	-	-
<b>Calculations for Funding</b>		
Tile Recycled	-	-
Fiber and DePoly Type 1 Output	-	-
Type 2 Output (excluded CAAF and Kiln)	-	-
PC4 (Calcium Carbonate) as Raw Material	-	-
Commercial Broadloom	-	-
*FOR CARE USE ONLY* - Adjustment		
<b>Total Requested Subsidy Payout</b>	-	-

2.2 Processor Monthly Shipment Detail (page 1 of 2)

Description	Company	# lbs. Purchased	Contact Information
<b>Processor AB 2398 Monthly Shipment Detail</b>			
<b>CONFIDENTIAL</b>			
Please List All Parties Receiving Sold & Shipped Material			
<b>Tile Recycled</b>			
1			
2			
3			
4			
5			
<b>Total</b>		-	
Total Tile Recycled Sold and Shipped (from 2.1 Processor Form)			
<b>Check (should equal 0)</b>		-	
<b>Nylon 6 (Fiber)</b>			
1			
2			
3			
4			
5			
<b>Total</b>		-	
Total Nylon 6 Sold and Shipped (from 2.1 Processor Form)			
<b>Check (should equal 0)</b>		-	
<b>Nylon 6,6 (Fiber)</b>			
1			
2			
3			
4			
5			
<b>Total</b>		-	
Total Nylon 6,6 Sold and Shipped (from 2.1 Processor Form)			
<b>Check (should equal 0)</b>		-	
<b>Polypropylene (Fiber)</b>			
1			
2			
3			
4			
5			
<b>Total</b>		-	
Total Polypropylene Sold and Shipped (from 2.1 Processor Form)			
<b>Check (should equal 0)</b>		-	
<b>PET (Fiber)</b>			
1			
2			
3			
4			
5			
6			
7			
8			
<b>Total</b>		-	
Total PET Sold and Shipped (from 2.1 Processor Form)			
<b>Check (should equal 0)</b>		-	
<b>Wool (Fiber)</b>			
1			
2			
3			
4			
5			
<b>Total</b>		-	
Total Wool Sold and Shipped (from 2.1 Processor Form)			
<b>Check (should equal 0)</b>		-	
<b>Other/Mixed Fiber</b>			
1			
2			
3			
4			
5			
<b>Total</b>		-	
Total Other/Mixed Fiber Sold and Shipped (from 2.1 Processor Form)			
<b>Check (should equal 0)</b>		-	

2.2 Processor Monthly Shipment Detail (page 2 of 2)

<b>DePoly</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>			-
Total DePoly Sold and Shipped (from 2.1 Processor Form)			-
<b>Check (should equal 0)</b>			-
<b>Type 2 (Filler or Carcass)</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>			-
Total Type 2 Sold and Shipped (from 2.1 Processor Form)			-
<b>Check (should equal 0)</b>			-
<b>PC4</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>			-
Total PC4 Sold and Shipped (from 2.1 Processor Form)			-
<b>Check (should equal 0)</b>			-
<b>CAAF</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>			-
Total CAAF Sold and Shipped (from 2.1 Processor Form)			-
<b>Check (should equal 0)</b>			-
<b>Kiln</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>			-
Total Kiln Sold and Shipped (from 2.1 Processor Form)			-
<b>Check (should equal 0)</b>			-
<b>WTE</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>			-
Total WTE Sold and Shipped (from 2.1 Processor Form)			-
<b>Check (should equal 0)</b>			-
<b>Commercial Broadloom</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>			-
Total Commercial Broadloom Sold and Shipped (from 2.1 Processor Form)			-
<b>Check (should equal 0)</b>			-

3.1 Manufacturer Monthly Reporting Form (page 1 of 1)

Description	Nov	Dec/1
<b>Manufacturer AB 2398 Monthly Reporting Form</b>		
<b>CONFIDENTIAL</b>		
<b>Forms</b>		
<b>&lt;-- PLEASE ATTACH YOUR SIGNED ATTESTATION FORM</b>		
<b>&lt;-- PLEASE ATTACH YOUR CERT. LETTER (IF APPLICABLE)</b>		
<b>California Job Information</b>		
Number of California FTEs at beginning of this month		-
Number of FTE California Jobs lost this month		
Number of FTE California Jobs gained this month		
<b>Total Number of California FTEs at end of this month</b>	-	-
<b>Accounting for Beginning Inventory this month</b>		
Beginning Inventory - PET processed PC Carpet		-
Beginning Inventory - Polypropylene processed PC Carpet		-
Beginning Inventory - Type 1 Nylon 6 RO processed PC Carpet		-
<b>Total Beginning Inventory</b>	-	-
<b>Type 1 RO PURCHASED by you by Fiber Type this month</b>		
Type 1 PET RO Purchased		
Type 1 Polypropylene RO Purchased		
Other Type 1 RO including mixed Non-Nylon fibers Purchased		
<b>Type 1 Non-Nylon RO Purchased</b>	-	-
Type 1 Nylon 6 RO Purchased		
<b>Total Type 1 RO Purchased</b>	-	-
<b>Accounting for Type 1 RO Outputs this month</b>		
Tier 2 PET used in manufactured product(s) Sold and Shipped		
Tier 2 Polypropylene used in manufactured product(s) Sold and Shipped		
Tier 2 Nylon 6 used in manufactured products(s) Sold and Shipped		
<b>Total Type 1 RO Sold and Shipped</b>	-	-
<b>Other Destinations</b>		
Type 1 RO materials (w aste) sent to WTE		
Type 1 RO materials (w aste) sent to Incineration		
Type 1 RO materials (w aste) sent to Landfill		
<b>Total Other Destinations</b>	-	-
<b>Accounting for Ending Inventory this month</b>		
Ending Inventory - PET processed PC Carpet		
Ending Inventory - Polypropylene processed PC Carpet		
Ending Inventory - Type 1 Nylon 6 RO processed PC Carpet		
<b>Total Ending Inventory</b>	-	-
<b>Check (must equal 0)</b>	-	-
<b>Calculations for Funding</b>		
<b>PET Subsidy Payout</b>	-	-
<b>Polypropylene Subsidy Payout</b>	-	-
<b>Nylon 6 Subsidy Payout</b>	-	-
<b>*CARE USE ONLY* - Adjustment</b>		
<b>Total Requested Subsidy Payouts</b>	-	-

3.2 Manufacturer Monthly Product Detail (page 1 of 1)

Description	Product	# lbs. Sold and Shipped	% weight PCC
<b>Manufacturer AB 2398 Monthly Product Detail</b>			
<b>CONFIDENTIAL</b>			
<b>Type 1 RO Products Sold &amp; Shipped this month</b>			
<b>PET</b>			
1			
2			
3			
4			
5			
<b>Total</b>			-
Total PET Sold & Shipped (from 3.1 Manufacturer Form)			-
<b>Check (should equal 0)</b>			-
<b>Polypropylene</b>			
1			
2			
3			
4			
5			
<b>Total</b>			-
Total Polypropylene Sold & Shipped (from 3.1 Manufacturer Form)			-
<b>Check (should equal 0)</b>			-
<b>Nylon 6</b>			
1			
2			
3			
4			
5			
<b>Total</b>			-
Total Nylon 6 Sold & Shipped (from 3.1 Manufacturer Form)			-
<b>Check (should equal 0)</b>			-



**3.3 Manufacturer Monthly Purchase Detail (page 1 of 1)**

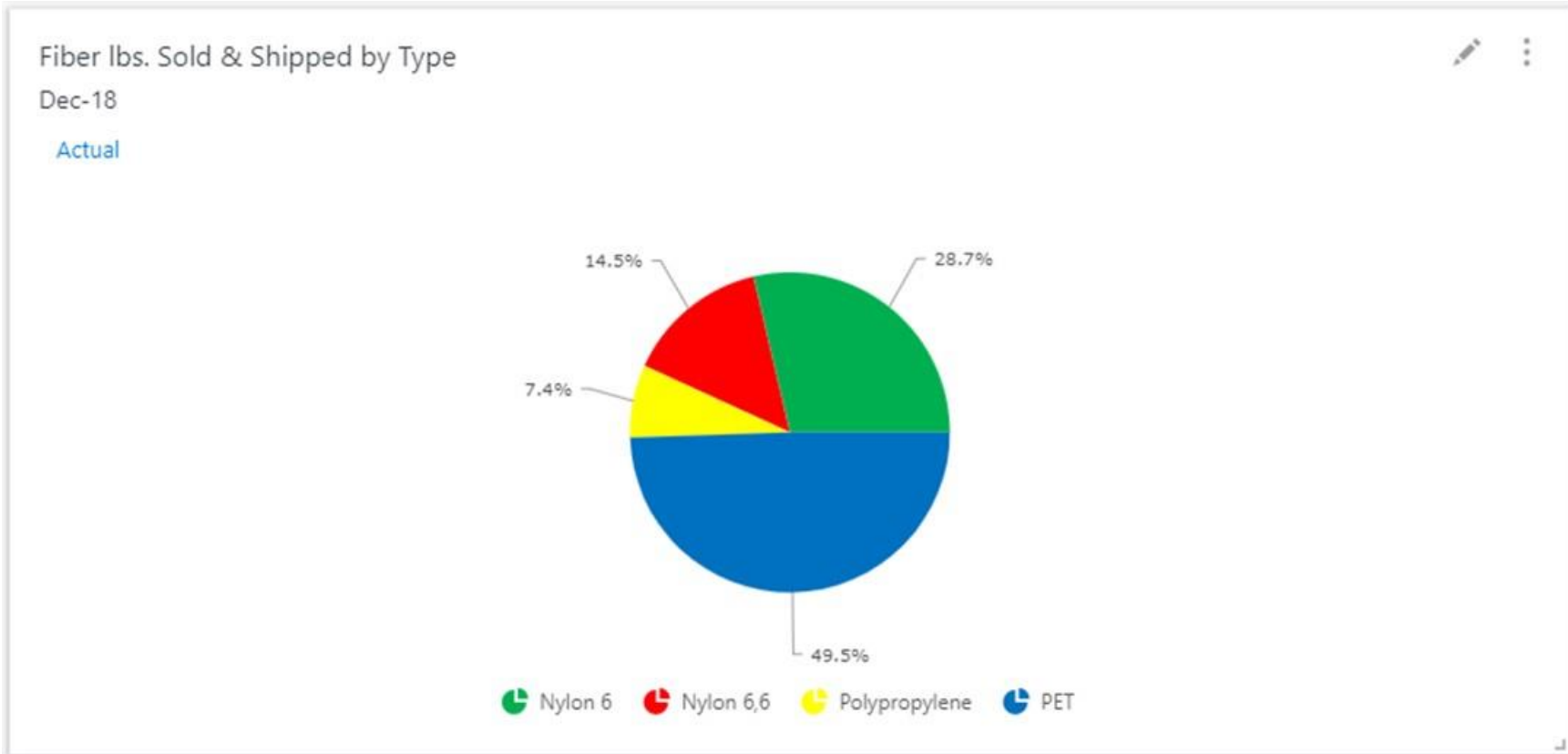
Description	Company	# lbs. Purchased	Contact Information
<b>Manufacturer AB 2398 Monthly Purchase Detail</b>			
<b>CONFIDENTIAL</b>			
<b>Please List All Sources of Type 1 RO pounds directly purchased by YOU</b>			
<b>Sources of PET Purchased</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>		-	
Total PET Purchased (from 3.1 Manufacturer Form)		-	
<b>Check (should equal 0)</b>		-	
<b>Sources of Polypropylene Purchased</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>		-	
Total Polypropylene Purchased (from 3.1 Manufacturer Form)		-	
<b>Check (should equal 0)</b>		-	
<b>Sources of Nylon 6 Purchased</b>			
	1		
	2		
	3		
	4		
	5		
<b>Total</b>		-	
Total Nylon 6 Purchased (from 3.1 Manufacturer Form)		-	
<b>Check (should equal 0)</b>		-	

Host Analytics Online Reporting System Screenshots (page 1 of 5)

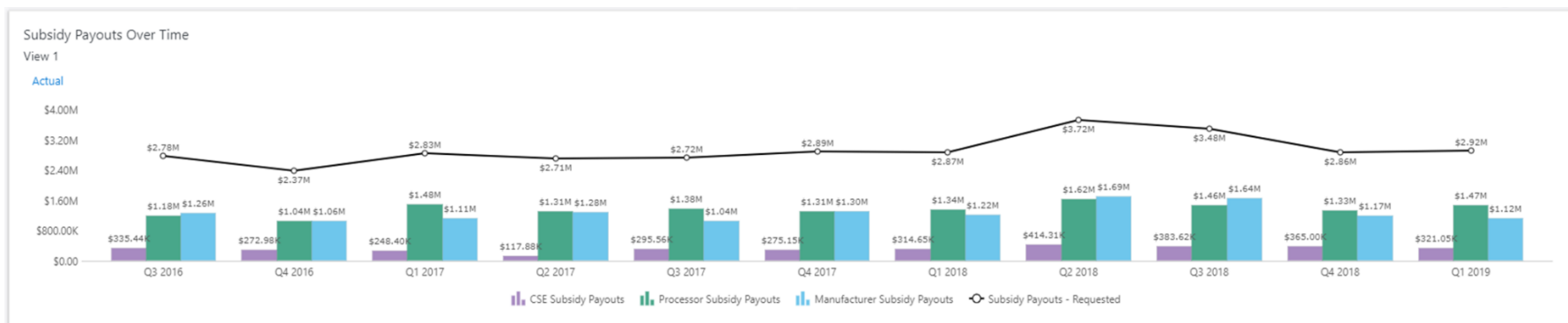
The screenshot displays the 'Dashboards' section of the California Carpet Stewardship Program's analytics system. The interface includes a search bar, navigation tabs for 'All' and 'Favorites', and a 'Name' sort option. A grid of eight dashboard widgets is shown, each with a unique icon, title, date, and creator information.

Widget ID	Icon	Title	Date	Creator
1.0	Bar chart	Mthly KPIs	Jun 5, 2019	Kate Deaqan
2.0	Shopping bag with 'lbs'	Mthly Trends (lbs.)	Feb 8, 2019	Kate Deaqan
3.0	Line graph	Mthly Trends (\$)	Mar 8, 2019	Kate Deaqan
4.0	Dollar sign in a circle	Mthly Expenses	Mar 8, 2019	Kate Deaqan
5.0	Stacked cylinders	Mthly Inventory	Feb 8, 2019	Kate Deaqan
6.0	Quarter pie chart	Qtrly KPIs	May 14, 2019	Kate Deaqan
7.0	Map of California	California	Apr 10, 2019	Kate Deaqan
8.0	Factory building	RO by Company	Jun 6, 2019	Kate Deaqan

Host Analytics Online Reporting System Screenshots (page 2 of 5)



Host Analytics Online Reporting System Screenshots (page 3 of 5)

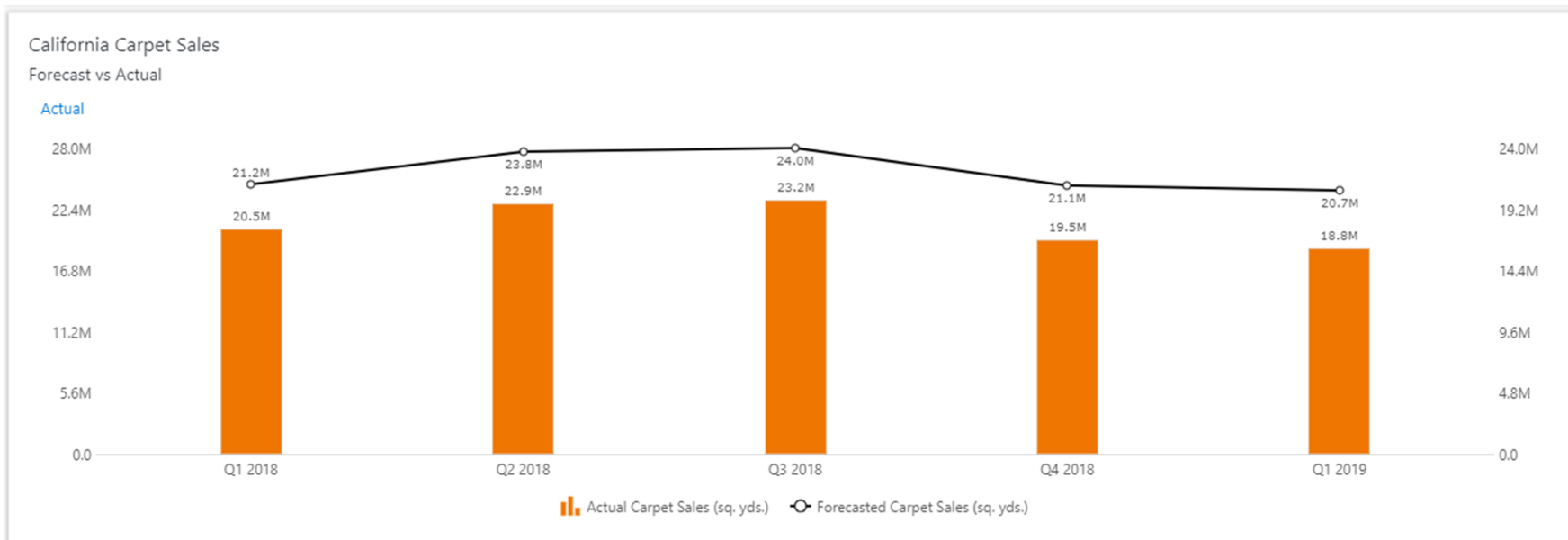


Host Analytics Online Reporting System Screenshots (page 4 of 5)



Note: Accounting for FTEs was modified in Q3 2018. All CSE-related FTEs are now listed in that category. In the past, if a Processor was also a CSE, the FTEs were aggregated under the Processor bar. This is a more detailed and accurate allocation.

Host Analytics Online Reporting System Screenshots (page 5 of 5)



## 10.10 Samples of Education and Outreach

Throughout 2018, CARE staff and contractors conducted Program marketing, education, and outreach to multiple audiences.

The following attachments show a sampling of these materials:

- Assessment fee information sheets
- Consumer Public Service Announcement (PSA) video
- Carpet recycling signs in multiple languages
- Installer outreach
- Retailer outreach
- Local government outreach
- Market development materials: Recycled product catalog
- E-News
- Blog articles
- Twitter posts
- Other program support: Survey postcard mailed to union members



## Assessment Fee Information Sheets



**Carpet  
Recycling in  
California**

**Attention Carpet Retailers:**


California Carpet Stewardship Assessment increases to 35 cents per square yard on January 1, 2019.

Are you ready? Questions?  
*Free Webinar on November 8.*

[CarpetRecovery.org/CA-Retailers](http://CarpetRecovery.org/CA-Retailers)



**California Carpet Stewardship Program**  
An initiative of CARE: Carpet America Recovery Effort



**California Carpet Stewardship Program**  
An initiative of CARE: Carpet America Recovery Effort

As of January 1, 2019, the carpet stewardship assessment will increase to 35 cents per square yard from the current 25 cents per square yard for all carpet sold or shipped in California.

Retailers are invited to a free, 30-minute informational webinar on the assessment on Thursday, November 8, at 1:00 p.m. PST.  
REGISTER HERE: [CarpetRecovery.org/Webinar](http://CarpetRecovery.org/Webinar)

Visit [Carpetrecovery.org/CA-retailers](http://Carpetrecovery.org/CA-retailers) for:

- More information about the assessment increase
- A list of Frequently Asked Questions
- Details on how to calculate and label the assessment
- Sample retailer invoices
- Brochures and signs about carpet recycling for your business
- E-news updates from CARE

[carpetrecovery.org/wp-content/uploads/2018/11/CARE\\_RetailerInv\\_Update\\_Oct2018-printer.pdf](http://carpetrecovery.org/wp-content/uploads/2018/11/CARE_RetailerInv_Update_Oct2018-printer.pdf)

[carpetrecovery.org/wp-content/uploads/2018/10/CARE\\_POS\\_Sign\\_Oct2018.pdf](http://carpetrecovery.org/wp-content/uploads/2018/10/CARE_POS_Sign_Oct2018.pdf)

# California Carpet Assessment

## Compliance Process



**To ensure compliance with the assessment adjustment and to avoid civil penalties, CARE recommends that retailers take action on the following:**

**1. As of January 1, 2019, customer invoices must include the \$0.35 per square yard assessment.**

Please note that CalRecycle requires the invoice label to follow a precise protocol. The assessment must be clearly visible on invoices or functionally equivalent billing documents as a separate line item and shall be accompanied by a brief description of the assessment or a label approved by the Department (see below). We recommend that you use the terminology 'CA Carpet Stewardship Assessment' to describe the after-tax line item. Other approved labels are listed below.

Below are the only CalRecycle approved labels:

- California Carpet Stewardship Assessment
- CA Carpet Stewardship Assessment
- CA Crpt Stewardship Assessment
- CA Crpt Stwdshp Asmt
- CA Carpet Assessment

For additional information regarding labeling, visit: [www.CalRecycle.ca.gov/Carpet/ApprovLabels.htm](http://www.CalRecycle.ca.gov/Carpet/ApprovLabels.htm).

For a detailed explanation on how to calculate the Assessment, as well as examples for a variety of invoices, visit: [CarpetRecovery.org/CA-retailers](http://CarpetRecovery.org/CA-retailers).

**2. The scope of AB 2398 includes all carpet sold into California.**

The Carpet Stewardship Assessment must be included on all carpet sold and/or shipped into California.

This includes:

- Manufactured carpet that is used in commercial and residential buildings (indoor/outdoor included)
- Commercial and residential broadloom carpet or modular carpet tiles
- Carpet does NOT include rug, pad, cushion or underlayment
- Carpet does NOT include synthetic turf

**3. You are required to purchase carpet only from carpet manufacturers in compliance with AB 2398.**

The California Department of Resources, Recycling and Recovery (CalRecycle) posts a notice on its website [CalRecycle.ca.gov/Carpet/MfrBrands](http://CalRecycle.ca.gov/Carpet/MfrBrands) listing manufacturers that are in compliance with AB 2398. The wholesaler and retailer that distributes or sells carpet shall monitor this website. If you do not see your manufacturer on the list, please contact your manufacturer, CalRecycle or CARE.

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[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)

 @CarpetRecycle

Please recall there are civil penalties for non-compliance of \$1,000/day or up to \$10,000/day if the violation is intentional, knowing or negligent.

#### 4. Exemptions

The law covers all carpet sold and/or shipped into the state of California. If you sell carpet to someone whose ship-to address is outside of the state of California, or outside of the United States, for example, the sale shall not include the California Carpet Stewardship Assessment. Please send the exemption form to your carpet manufacturer when completed. For a copy of the exemption form, please go to the CARE website, [CarpetRecovery.org/CA-retailers](http://CarpetRecovery.org/CA-retailers).

#### 5. Retain Records for Three Fiscal Years

Retailers must retain the following records for sales of carpet into California for a period of three fiscal years:

1. Manufacturer of the Carpet
2. Date(s) the retailer ordered or purchased the carpet from the manufacturer
3. Date(s) the retailer sold or offered the carpet for promotional purposes
4. Retailer Invoice(s) or functionally equivalent billing documents showing California Carpet Stewardship Assessment
5. Certification Letter(s) from the department if provided by a manufacturer to demonstrate that carpet from the manufacturer is or was subject to a Department-approved stewardship plan.

Thank you for your cooperation for the implementation of this important change. I encourage you to sign up to receive email updates about the California Carpet Stewardship Program on our website:

[CarpetRecovery.org/CA-retailers](http://CarpetRecovery.org/CA-retailers).

**Remember: Effective January 1, 2019, all carpet sold and/or shipped in California is required to be assessed at \$0.35 per square yard at the point of sale.**



# Carpet Recycling in California

## Retailer FAQ



### Frequently Asked Questions for Retailers

Over 340 million pounds of carpet are discarded in California landfills every year—carpet that could be recycled into useful new products. In 2010, the California legislature passed AB 2398. Under the law, an assessment is charged on every square yard of carpet sold or shipped to California. All California carpet retailers are responsible for charging and reporting the Carpet Stewardship Assessment on all carpet sold in California.

#### **How much is the assessment? How is it collected?**

As of January 1, 2019, the assessment is \$0.35 (35 cents) per square yard on all forms of carpet and carpet tile. (Area rugs are not included.)

All retailers who sell carpet in California must:

- Collect the assessment from the customer.
- Label the assessment clearly and correctly on the customer's invoice. Learn more here: [CarpetRecovery.org/CA-retailers](http://CarpetRecovery.org/CA-retailers)
- Remit the assessment funds to your distributor or carpet manufacturer.

Note: Paying the assessment to the carpet manufacturers without charging the customer is a violation of California law AB 2398.

#### **How is recycled carpet used?**

In 2017 alone, processors recycled 47 million pounds of carpet collected from California homes and businesses.

Processed, post-consumer carpet is recycled by processors into fibers, broadloom and carpet tiles and plastic pellets, which can be used to make a range of products for industries including: automotive, transportation, construction and home and garden.

#### **Who has received the assessment funds?**

Assessment funds go to post-consumer carpet processors. In addition, collector/sorter entrepreneurs and secondary product manufacturers are eligible to receive reuse incentive funds. In 2017, \$11 million was dispensed to processors and CSEs from the California program. Additional information may be found in the AB 2398 Annual Report, posted here: [CarpetRecovery.org/California-ab-2398/](http://CarpetRecovery.org/California-ab-2398/)

10-18

[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)

 @CarpetRecycle

### How Are the Assessment Funds Used?

Consistent with AB 2398, assessment funds are invested into efforts to increase the diversion and recycling of carpet in California. This requires expanding the existing infrastructure for collection and recycling of used carpet as well as product and market development. Assessment funds support:

#### Incentives

Assessment funds go to qualified post-consumer carpet Processors, Collector/Sorter Entrepreneurs (CSEs), and Secondary Product Manufacturers. In 2017, \$11 million was dispensed to incentive recipients from the California program. Additional information may be found in the AB 2398 Annual Report, posted here: [CarpetRecovery.org/California-ab-2398/](http://CarpetRecovery.org/California-ab-2398/)

#### Drop-Off Sites

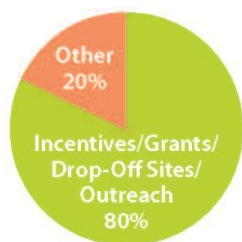
Assessment funds support public drop-off sites by paying for the rental of collection containers (trailers and cargo bins) and for transporting them to participating processors for recycling. A map of drop-off sites can be found here: [CarpetRecovery.org/CA](http://CarpetRecovery.org/CA).

#### Grants

CARE has awarded \$2.3 million in grant funding for capital investment, product testing, market development and collection projects to establish and expand recycling of California post-consumer carpet. Approximately 90% of those funds were awarded to California-based projects. CARE has approved an additional \$5 million in capital investment, new product testing, and collection projects for 2018-19.

#### Outreach

CARE's California Carpet Stewardship Program conducts multiple outreach efforts, including in-person visits to carpet retailers and drop-off sites, presentations and a robust digital communication effort.



In 2017, over 80% of assessment funds went directly to incentives, grants, marketing/outreach and the drop-off site program. As our efforts grow, so does the need for funding.

### Who is CARE?

Carpet America Recovery Effort (CARE) is a non-profit organization whose mission is to advance market-based solutions that increase landfill diversion and recycling of post-consumer carpet and encourage design for recyclability.

CARE administers the California Carpet Stewardship Program, which is charged with meeting the requirements for carpet recycling set by the California law AB 2398 and managed by CalRecycle.



October 30, 2018

### Assessment Increase Notice

Dear California Carpet Retailer,

I am writing to update you on important changes to the California Carpet Stewardship Program that take effect on January 1, 2019. **These changes will affect your business.**

**Effective January 1, 2019, all carpet sold and/or shipped in California is required to be assessed at \$0.35 per square yard at the point of sale.** This consumer pass-through assessment is an increase from the current \$0.25 per square yard.

As you may know, CARE is the non-profit 501(c)3 organization serving as the Carpet Stewardship Organization (CSO) for California's Carpet Stewardship Program. The purpose of the original law (AB 2398) is to increase the diversion and recycling of carpet in the state of California.

The funding collected from the assessment is directed to:

- **Ongoing subsidies** to carpet recyclers and processors, in support of the carpet recycling industry and manufacturing of products made from recycled carpet. These subsidies help support capital investments in recycling equipment, materials testing and product development—especially in light of the negative impacts from China's recent shutdown of accepting recycled materials on recycling markets overall.
- CARE has awarded \$2.3 million in **grant funding** for capital investment, product testing, market development and collection projects to establish and expand recycling of California post-consumer carpet. Approximately 90% of those funds were awarded to California-based projects. CARE has approved an additional \$5 million in capital investment, new product testing, and collection projects for 2018-19.
- Developing new California-generated **post-consumer carpet (PCC) content products**, expanding California processing and manufacturing capacity, and encouraging procurement of California PCC-content products by private and government entities.
- Expansion of the public **carpet drop-off site program**, with a goal of establishing at least one site in every county in California.
- Continuing education/outreach efforts to carpet retailers, installers, manufacturers, building owners and managers, and consumers to encourage carpet recycling.

All of these efforts are critical to growing market outlets and increasing diversion from landfill, as mandated by AB 2398. CARE is seeing a steady increase in recycled pounds and expects significant growth in subsidy payouts beginning in 2019. To meet financial obligations to make these payouts, it is necessary to collect additional funds through the assessment.

CARE is now operating under the new conditionally approved 5-Year Plan and CalRecycle has approved CARE's request to move forward with notification regarding an assessment increase that will be effective January 1, 2019. It is our responsibility to notify you of this change. CARE is committed to working with California retailers to incorporate these

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California Carpet Stewardship Program • P.O. Box 641129 • Los Angeles, CA 90064 • (706) 428-2127 • [www.CarpetRecovery.org](http://www.CarpetRecovery.org)



changes to ensure a smooth transition by January 1. Retailers play a critical role in CARE's efforts to divert and recycle carpet in California, and your participation is greatly valued.

**To sign up for email updates and for additional information about this change, please visit:**  
**[CarpetRecovery.org/CA-retailers](http://CarpetRecovery.org/CA-retailers).**

Thank you for your cooperation on the implementation of this important change. We have provided additional recommended actions enclosed to ensure proper compliance.

Sincerely,



Robert Peoples, Ph.D.  
Executive Director  
Carpet America Recovery Effort (CARE)

## Consumer Public Service Announcement (PSA) Video



### Buy wisely.

Ask your retailer about eco-friendly carpet and padding.

Look for products with recycled carpet content.



### Recycle right.

Ask your contractor to recycle your old carpet. To find a carpet drop-off site in your area, visit [CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)



### Learn more.

To learn more about how carpet gets recycled in California, visit [CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)



[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)

[carpetrecovery.org/california/california-consumers/](http://carpetrecovery.org/california/california-consumers/)



## Drop-off Site Outreach

Carpet Recycling Signs: English, Russian, Spanish



# Carpet Recycling Service

Los Angeles



Over 340 million pounds of carpet go to California landfills every year – carpet that could be recycled into useful new products. As a carpet retailer, you are in a unique position to help promote and increase carpet recycling in California. Please help by making sure tear-out carpet is taken for recycling to the site below, or by hosting a container at your store.

## CARE Drop-Off Site:

### **American Reclamation, Inc.**

**4560 Doran Street, Los Angeles, CA 90039-1006**

**Phone: 818-552-4068; 888-999-9330**

*www.AmericanReclamationInc.com*

*Hours - M-F 6am-5pm. Sat 6am-3:00pm. Closed Sunday.*

### **Drop-off**

Drop off residential carpet and padding: \$45.00/ton for residential carpet; \$85.00 minimum. To receive this reduced tip fee, do not mix with other materials; otherwise, tip fee is \$76.00/ton.

### **Carpet Container Rental**

4, 10, 25, 30, 35 and 40 cubic feet containers available for rental.

Container rental contact: Rick Forman, 818-552-4074 ext. 240

information correct as of August 2017

[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)

 @CarpetRecycle

Installer Outreach

# Carpet Recycling in California

## Sacramento County



### Is Your Carpet Ready for Recycling?

Follow these simple steps to prepare carpet for recycling:

**Step 1:** Keep it Dry.

**Step 2:** Keep it Debris Free.  
Remove tack strips, nails, trash and dirt

**Step 3:** Prepare the Carpet.

- Cut carpet into manageable sections
- Separate carpet from pad
- Roll carpet
- Roll, stack or fold carpet pad
- Stack carpet tile

**Step 4:** Recycle Carpet at:  
**Kiefer Landfill**  
12701 Kiefer Boulevard, Sacramento, Tel. (916) 876-9449  
Mon – Fri 6:30 a.m. – 4:30 p.m., Sat – Sun 8:30 a.m. – 4:30 p.m.

**North Area Recovery Station (NARS)**  
4450 Roseville Road North, Highlands, Tel. (916) 876-9446  
Mon – Fri 6:00 a.m. – 6:30 p.m., Sat – Sun 8:00 a.m. – 6:00 p.m.



[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)



### Why Recycle Carpet?

More than 340 million pounds of carpet are buried in California landfills every year, where it stays for centuries without breaking down. But there is a better way: recycling.

Recycling carpet saves natural resources, conserves landfill space, and reduces dependency on fossil fuels.

Old carpet can be recycled and made into useful new products, like traffic signs, insulation, new carpet and carpet padding.

In 2010 California passed a Carpet Stewardship law to increase carpet recycling. Since then over 100 million pounds of carpet have been diverted from our landfills and recycled. By working together, we can do more!

This program is supported by Carpet America Recovery Effort (CARE). CARE works to create market-based solutions to increase carpet recycling and divert carpet from landfill.

**Thank you for recycling!**

08-18



# Reciclaje de alfombras en California

Sacramento County



## ¿Está su alfombra lista para ser reciclada?

Siga estos pasos simples para preparar alfombras para su reciclaje:

**Paso 1:** Manténgala seca.

**Paso 2:** Manténgala libre de desechos.  
Retire las tiras con tachuelas, clavos, basura y tierra

- Paso 3:** Prepare la alfombra.
- Corte la alfombra en secciones fáciles de manejar
  - Separe la alfombra de la almohadilla
  - Enrolle la alfombra
  - Enrolle, apile o doble la almohadilla para alfombra
  - Apile las losetas de alfombra modular

**Paso 4:** Recicle alfombras en:

**Kiefer Landfill**

12701 Kiefer Boulevard, Sacramento, Tel. (916) 876-9449  
Lun. – vier. 6:30 a.m. – 4:30 p.m., Sáb. – dom. 8:30 a.m. – 4:30 p.m.

**North Area Recovery Station (NARS)**

4450 Roseville Road North, Highlands, Tel. (916) 876-9446  
Lun. – vier. 6:00 a.m. – 6:30 p.m., Sáb. – dom. 8:00 a.m. – 6:00 p.m.



[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)



## ¿Por qué reciclar alfombras?

Cada año en rellenos sanitarios de California se entierran más de 340 millones de libras de alfombras, donde permanecen por siglos sin descomponerse. Pero hay una mejor manera: reciclar.

Reciclar alfombras ahorra recursos naturales, conserva espacio en los rellenos sanitarios y reduce la dependencia de combustibles fósiles.

Las alfombras viejas pueden ser recicladas y convertidas en nuevos productos útiles, como letreros de tránsito, aislamiento, alfombra nueva y almohadilla para alfombras.

En 2010 California aprobó una Ley de Administración de Alfombras para aumentar el reciclaje de alfombras. Desde entonces, más de 100 millones de libras de alfombra han sido derivadas de nuestros rellenos sanitarios y recicladas. ¡Trabajando juntos podemos hacer más!

Este programa es apoyado por el Programa de Recuperación de Alfombras de Estados Unidos (Carpet America Recovery Effort o CARE). CARE trabaja para crear soluciones basadas en el mercado para aumentar el reciclaje de alfombras y evitar que las alfombras vayan al relleno sanitario.

**¡Gracias por reciclar!**

08-18

# Recycle Carpet in California!

CARE supports carpet recycling drop-off sites across California.

See our map for hours and fees:  
[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)



Circle 11 on Free Info Card

## Retailer Outreach



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# California Carpet Stewardship 2019 Assessment Adjustment

November 8, 2018

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[carpetrecovery.org/wp-content/uploads/2019/02/CARE\\_Brochure\\_5.25x8.5\\_WEB.pdf](http://carpetrecovery.org/wp-content/uploads/2019/02/CARE_Brochure_5.25x8.5_WEB.pdf)

[carpetrecovery.org/california/ca-retailers/](http://carpetrecovery.org/california/ca-retailers/)



## Local Government Outreach

# Carpet Recycling in California

## Role of Local Government



### PROGRAM OVERVIEW FOR LOCAL GOVERNMENT

More than 340 million pounds of carpet are discarded in California landfills every year—carpet that could be recycled into useful new products. Carpet Stewardship Laws (AB 2398 in 2010 and AB 1158 in 2017) were passed by the California legislature to increase the diversion and recycling of carpet in the state. The California Carpet Stewardship Program, administered by the non-profit Carpet America Recovery Effort (CARE), is charged with meeting the requirements for carpet recycling set by this law. In addition, CARE may be helpful to jurisdictions in reaching their AB 939 and AB 341 goals.

#### **How Local Government Can Help**

Local government agencies are essential partners for the Program's mission. CARE invites you to collaborate with the Program in several ways:

##### **Set Up or Publicize a Carpet Recycling Drop-off Site**

Your help is needed to encourage local transfer stations or other facilities to set up and publicize carpet recycling drop-off sites. To see if there is a CARE sponsored drop-off site in your county, visit the drop-off site map at [CarpetRecovery.org/CA](http://CarpetRecovery.org/CA). If you would like to set up a drop-off site, please contact: [CA@CarpetRecovery.org](mailto:CA@CarpetRecovery.org). We encourage jurisdictions to add carpet recycling information to their website, especially under mandatory commercial recycling.

##### **Inform Retailers and the Public**

The Program has informed California carpet retailers about the assessment to be charged under AB 2398 (currently \$0.25 per square yard). If you have opportunities to provide information brochures to carpet retailers and the public, please order them here: [CarpetRecovery.org/CA-Recycling-Coordiators](http://CarpetRecovery.org/CA-Recycling-Coordiators).

##### **Buy Recycled**

Work with procurement staff to include carpet, carpet underlayment, and other products made with post-consumer recycled carpet in your purchase orders and specification sheets. The buying power of state and local government agencies can divert carpet from California landfills, promote markets for recycled-content products, and help your agency fulfill SABRC requirements. Learn more at [CarpetRecovery.org/Products](http://CarpetRecovery.org/Products).

##### **Consider Grant Opportunities**

CARE offers equipment and infrastructure micro grants to increase collection. Information on these and other grants can be found at [CarpetRecovery.org/CA-Grants](http://CarpetRecovery.org/CA-Grants).

##### **Facilitate Outreach & Education**

CARE depends on your help to reach stakeholder groups within your agency or community. Program staff members are available to give in-person presentations to:

- Your procurement team, about products made with post consumer recycled carpet.
- Your solid-waste task force, about setting up a carpet recycling drop-off site.

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[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)

[@CarpetRecycle](https://twitter.com/CarpetRecycle)



- Local carpet retail associations, about the assessment, use of funds and resources available.
- Local contractor associations, about where and how to recycle used carpet.

### **Use of Recycled Carpet**

In 2016 alone, processors recycled 38 million pounds of carpet collected from California homes and businesses. Post-consumer carpet is recycled into fiber or plastic pellets, which can be used to make a broad range of products including carpet, carpet tiles, carpet underlayment, and products for industries including automotive, transportation, and construction.

To browse currently available products made with post-consumer recycled carpet visit [CarpetRecovery.org/Products](http://CarpetRecovery.org/Products).

### **Program Funding and Activities**

Under AB 2398, an assessment is charged on every square yard of carpet sold and/or shipped in California (\$0.25 per square yard as of January 2017). All California carpet retailers are responsible for charging and reporting the Carpet Stewardship Assessment on all carpet sold in California.

Assessment funds are invested into efforts to help the California Carpet Stewardship Program influence recyclability of manufactured carpet, increase reuse opportunities, provide collection opportunities, increase recycled output, and support the development and procurement of products made with post-consumer carpet. Key activities include:

- **Subsidies:** CARE allocates subsidies to qualified post-consumer carpet Processors, Collector/Sorter Entrepreneurs (CSEs) and Secondary Product Manufacturers, to support the collection, recycling and processing of post-consumer carpet into new products.
- **Drop-off sites:** CARE establishes and services public drop-off sites, paying for the rental of collection containers and transporting them to participating processors for recycling. For a map of current drop-off sites, visit [CarpetRecovery.org/CA](http://CarpetRecovery.org/CA).
- **Grants:** CARE manages a grants program that has encouraged investment in carpet recycling facilities and supports the recovery of carpet for recycling. Visit [CarpetRecovery.org/CA-Grants](http://CarpetRecovery.org/CA-Grants).
- **Education and Outreach:** CARE conducts multiple outreach efforts, including a monthly newsletter, annual public workshops, presentations and a wide array of print and digital communications.

### **Contact Us**

To stay informed, sign up for our monthly e-news at [CarpetRecovery.org/CA-Recycling-Coordinators](http://CarpetRecovery.org/CA-Recycling-Coordinators).

To connect with the California Carpet Stewardship Program, contact CARE Senior Associates:

**Lisa Mekis:** [lmekis@CarpetRecovery.org](mailto:lmekis@CarpetRecovery.org), 510-862-6033

**Jared Zitron:** [jzitron@CarpetRecovery.org](mailto:jzitron@CarpetRecovery.org), 310-699-3717

## Market Development Materials: Recycled Product Catalog

# Recycled Carpet-Derived Products 2018

Containing California-Sourced Carpet



[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)

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[carpetrecovery.org/wp-content/uploads/2018/10/  
CARE\\_MrkDev\\_ProductCatalog\\_SEPT\\_FINAL-WEB.pdf](http://carpetrecovery.org/wp-content/uploads/2018/10/CARE_MrkDev_ProductCatalog_SEPT_FINAL-WEB.pdf)

# Carpet Recycling in California

Buy Recycled



Post-consumer carpet can be recycled and made into a variety of products, including more carpet. Pictured are products from Interface, CarpetCycle, Bonded Logic and Sierra Mat & Rubber.

More than 340 million pounds of carpet is discarded in California landfills every year—carpet that could be recycled into useful new products. The California Carpet Stewardship Program is working to develop markets for recycled post-consumer carpet via grants, technical assistance and promotion.

Post-consumer carpet is recycled by processors into fibers or plastic pellets, which can be used to make a broad range of products, including carpet, carpet tiles, carpet underlayment, and products for the automotive, transportation, and construction industries.

See other side for a list of manufacturers offering products containing recycled California post-consumer carpet.

## Grants

CARE provides grants to promote the purchase of post-consumer material products by public agencies. Visit [CarpetRecovery.org/CA-Grants](http://CarpetRecovery.org/CA-Grants).

## Keep in Touch

To request a presentation on recycled post-consumer carpet products, contact [CA@CarpetRecovery.org](mailto:CA@CarpetRecovery.org).

CARE's California program has a monthly e-news to update stakeholders on developments in the program. Sign up here: [CarpetRecovery.org/California](http://CarpetRecovery.org/California).

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[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)

[@CarpetRecycle](https://twitter.com/CarpetRecycle)



**Recycled Post-Consumer Carpet Product Manufacturers**

Company	Website	Product Types	Contact	Phone	Email
<b>American Fiber Cushion</b>	americanfibercushion.net	<b>Carpet Cushion</b> • Matrix Cushion Products	Jack Weitz	(706) 217-1900	MaiJW@aol.com
<b>Bonded Logic</b> 	bondedlogic.com	<b>Building Insulation</b> • Ultra Touch Denim Insulation • Multi-Purpose Roll Denim Insulation	Tod Kean	(480) 812-9114	Tod@BondedLogic.com
<b>CarpetCycle</b>	carpetcycle.com	Quiet Tech Eco-Friendly Acoustic Insulation made of 85-90% post-consumer recycled materials.	Carl Trezza	(973) 732-4858	info@CarpetCycle.com
<b>GeoHay</b>	geohay.com	<b>Water Management Products</b> • Erosion and sediment control wattles	Chip Moody	(800) 554-2082	Chip@GeoHay.com
<b>Interface</b>	Interface.com/US/en-US	<b>Modular Carpet Tile</b> The following product lines, when combined with GlasBacRE backing: • Cartera • Equal Measure • Human Nature • Lateral • Narratives • Near & Far • Net Effect • Pietra • Urban Retreat • Viewpoint II	Eric Nelson	(404) 877-5026	Eric.Nelson@Interface.com
<b>MP Global Products</b>	mpglobalproducts.com	Underlayment and packaging products used in the following: • QuietWalk • QuietWalk Plus+ • Insulayment • Ventilayer	Amy Pritchett	(888) 379-9695	info@MPGlobalProducts.com
<b>Reliance Carpet Cushion</b>	reliancecarpetcushion.com	<b>Carpet Cushion Padding</b> • Performance 28-44 oz	Bob Reiss	(323) 321-2300	Bob@RelianceCarpetCushion.com
<b>Safe Path Products</b> 	safeathproducts.com	• ADA transition ramps • Entry level landing ramps • Porous walkway systems • Industrial absorbents • Rubber garden edging materials • Rockwall barriers	Tim Vander Heiden	(530) 893-1646	Tim@SafePathProducts.com
<b>Sierra Mat &amp; Rubber</b> 	sierrarubbermat.com	• Wheel stops • Landscape pavers • Entry mats • Floor mats	Loren Jessop	(209) 824-0341	LorenJ@YosemiteNursery.com
<b>Visions Paint Recycling</b> 	visionsrecycling.com	• Stepping stones • Decorative concrete blocks	Jim Chamberlin	(916) 564-9121	Jim@VisionsRecycling.com

Product Manufacturer List current as of April 2018.



Double Green™-labeled products contain recycled California post-consumer carpet material plus at least one other post-consumer recycled material.

**Contact:**

California Carpet Stewardship Program general inquiries: [CA@CarpetRecovery.org](mailto:CA@CarpetRecovery.org).

[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)

 [@CarpetRecycle](https://twitter.com/CarpetRecycle)



## CARPET AMERICA RECOVERY EFFORT<sup>SM</sup>

Developing market-based solutions for the recycling & reuse of post-consumer carpet

### Recycled Post-Consumer Carpet Could Be Your Ideal Feedstock!

- Are you looking for a **lightweight, durable feedstock** for your products - that is **FREE\***?
- Are you open to using a post-consumer recycled material that others hail for its **flexibility and material cost reduction**?
- Could you use support in the form of **grants, subsidies or technical assistance**?

The California Carpet Stewardship Program is working to encourage manufacturers to incorporate recycled post-consumer carpet (PCC) into their products, supplementing or replacing more expensive materials at no cost\* to them. Companies already incorporating recycled PCC report improved product quality and reduced cost.

\*No cost for California-sourced material



Plus, if you incorporate a second post-consumer recycled material along with PCC, your products could receive the Double Green<sup>TM</sup> label and really stand out in the marketplace. Visit [Double-Green.org](http://Double-Green.org) to learn more.

### Are You Ready?

#### Learn more:

Visit the CARE booth S23200 at NPE 2018 in Orlando.

#### Request a FREE sample of PCC material:

Call (916) 849-2114 or email [DoubleGreen@CarpetRecovery.org](mailto:DoubleGreen@CarpetRecovery.org).

**Get answers tailored to your needs!** Market Development Consultant Mike Tinney can provide samples and extensive data on how companies are incorporating recycled carpet materials. Contact us at (916) 849-2114 or email [DoubleGreen@CarpetRecovery.org](mailto:DoubleGreen@CarpetRecovery.org).



Recycled Post Consumer Carpet material is available as PC4 - Post Consumer Carpet Calcium Carbonate - as well as fiber and pellets.

Post-consumer carpet is recycled by processors into fibers or plastic pellets, which can be used to make a broad range of products, including carpet, carpet tiles, carpet underlayment, and products for the automotive, transportation, and construction industries.

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[CarpetRecovery.org/Products](http://CarpetRecovery.org/Products)

[@CarpetRecycle](https://twitter.com/CarpetRecycle)

## Double Green™ Website



<https://carpetrecovery.org/double-green/>

## Video Case Studies on CARE Grants and Double Green™ Products

Available online at these links:

- **CP/Clear**  
<https://carpetrecovery.org/care-grant-case-study-clear/>
- **Sierra Mat & Rubber**  
<https://carpetrecovery.org/care-grantee-case-study-sierra-mat-rubber/>
- **Safepath**  
<https://carpetrecovery.org/care-grant-case-study-safepath-products/>



**CARPET AMERICA RECOVERY EFFORT™**  
Developing market-based solutions for the recycling & reuse of post-consumer carpet

**Is recycled post-consumer carpet material right for you?**

Are you looking for a **lightweight, durable feedstock** for your products — that is **FREE\*?**

\*Free for California-sourced carpet material

Companies already incorporating recycled post-consumer carpet (PCC) report improved product quality and reduced cost. Find out if PCC is the answer for you.

**Visit CARE at NPE — Booth S23200**

Contact us at [DoubleGreen@CarpetRecovery.org](mailto:DoubleGreen@CarpetRecovery.org) to request a free sample.

Recycled Post Consumer Carpet material is available as PC4 - Post Consumer Carpet Calcium Carbonate - as well as fiber and pellets.

## Carpet Recycling in California — Recycled Products to Meet Your Needs

CARE works to improve carpet collection and recycling—50 million pounds recycled in 2017—while building markets for post-consumer carpet content products.

- Recycled Products include: carpet tiles, carpet cushion, and products such as floor mats, building insulation, ADA compliant entry ramps and other construction related products.
- Meet state agency SABRC and company EPP policies.
- DoubleGreen™ designated products contain recycled California post-consumer carpet material plus at least one other post-consumer recycled material.

*Request a presentation on post-consumer recycled carpet products: [CA@CarpetRecovery.org](mailto:CA@CarpetRecovery.org)*

**Visit [CarpetRecovery.org/Products](http://CarpetRecovery.org/Products)**



# Carpet Recycling in California

## Cycle 1 Micro Grants for Collection/Reuse Case Studies



Zanker Recycling "before" (left) and "after" (right) with weather cover for carpet.

### Zanker Recycling - Florin Perkins Disposal Site

#### PROJECT DESCRIPTION/GOAL

Post-consumer carpet (PCC) needs to be kept clean and dry year-round, including during the rainy season. Zanker Recycling added a cement pad and weather cover to divert more PCC away from landfill and for recycling.

**Location:** Sacramento

**Project Timeline:** June-December 2017

**Grant Amount Given and Match, if any:** \$10,000 granted; \$10,000 matched by grantee

**Total Cost of Project:** 20 hours to write and manage grant and initiate project. The total project cost, including materials and installation, was approximately \$20,000.

#### IMPLEMENTATION PROCESS

The structure was purchased from Versatube. "It was fairly simple to design and order the structure online," said Abel Pereira, operations manager at Zanker Recycling. "Sierra National Construction prepared and installed the surface for the structure, including the asphalt setback to increase processing and tipping capacity. A reliable contractor was utilized to install the structure correctly."

#### PROJECT CHALLENGES

There was one unforeseen issue during shipment of the structure. The vendor had to ship missing wall panels twice during the construction phase, delaying the completion of the structure by two months.

#### PROJECT BENEFITS AND OUTCOMES

The installation of the structure and its setback from the existing operations area has increased tipping, processing and staging space suitable for keeping carpet clean and dry. Not only does the structure provide a dry staging and storage area, it also provides a shaded work space for the employees during the hot summer months.

It is projected that the new weather cover and pad will increase recycling at the facility by 525,000 pounds annually. There was minimal PCC landfilled due to rain in 2017/18 compared to the previous season.

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[CarpetRecovery.org/CA](http://CarpetRecovery.org/CA)

[@CarpetRecycle](https://twitter.com/CarpetRecycle)

E-News



California Carpet Stewardship Program  
September 2018 Update



**Carpet Assessment to Increase on January 1, 2019**

Subject to approval of the Program's 5 Year Plan submitted to CalRecycle in August, the carpet assessment is set to increase on January 1, 2019. The assessment increases to \$0.35 per square yard of carpet sold in the state (from the current \$0.25). The Plan runs through 2022. Should further adjustments be necessary during this time period, CARE will notify retailers as early as possible, with at least 90 days' notice. All California retailers will be informed of the assessment change in a series of communications. Assessment funds support and are mandated by AB 2398 to increase the amount of carpet diverted from landfills and recycled into secondary products.

The full [Plan can be read here](#).

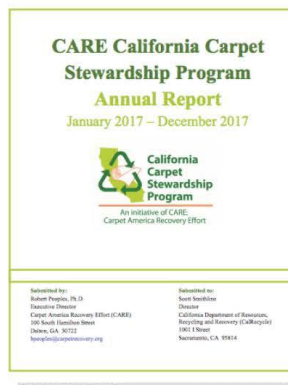
**2017 California Carpet Stewardship Program Annual Report Released**

The California Carpet Stewardship Program has released its 2017 Annual Report after submitting it to CalRecycle on September 1st.

Highlights from the sixth year of the Program include:

- The recycled output rate (aka "recycling rate") increased from 11% in 2016 to 14% in 2017, a 29% increase.
- Post-Consumer Carpet Calcium Carbonate (PC4) use in recycled products expanded to over 10.5 million pounds, reaching 22% of total recycled output in 2017, an annual increase of 337%.
- The number of Program-supported public collection sites increased to 44 sites servicing 41 counties, up from 33 sites in 33 counties in 2016.
- Yield (percent of gross collections converted into recycled output) reached its highest level in 2017 at 48%, compared to a 5-year historical average of 34% from 2011-2016.

Read more and see the [full report here](#).



## Visions Environmental Unveils Decorative Aggregate Derived from Recycled Carpet

Visions Environmental (a subsidiary of Visions Quality Coating), has joined the roster of companies using California-sourced, post-consumer recycled carpet in new products. Visions' Stone Miracle™ colored-stone aggregate is suitable for decorative landscape projects and comes in four standard colors. It is available in .5 cu ft bags, 9 cu ft bags and 1 cu yd bags.



Learn more about recycled carpet-derived products on the [CARE web site](#) or [request a product catalog](#).

## Fiberon Sells Decking Business

Fiberon LLC, a leading producer of plastic-based decking, railing and fencing, was recently acquired by Fortune Brands Home & Security Inc. Fiberon uses polyester (PET) fibers from carpet at their manufacturing locations in Minnesota. That plant was not part of the Fortune Brands deal and it is not clear at this time exactly how the sale will impact demand for PET fiber in this particular application.

To learn more about products made with post-consumer recycled carpet material, see the [CARE website](#).

STAY CONNECTED:

Follow us on 

## Blog Articles

### How Is the California Carpet Assessment Used?

Posted on November 29, 2018

CARE administers the California Carpet Stewardship Program, which is charged with meeting the requirements for carpet recycling set by the California law AB 2398 (modified in 2017 by AB 1158) and managed by CalRecycle.

AB 2398 is designed to find ways to incentivize the growth of carpet reclamation and recycling and still allow the market to work. The law generates funding to meet its stated goals through an assessment of 25 cents per square yard (increasing to 35 cents on January 1, 2019) of carpet sold in California. California consumers pay the assessment when they buy carpet. Those monies then support CARE's efforts to increase carpet recycling in California.

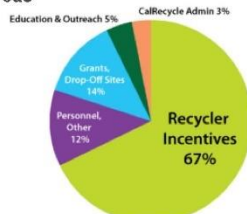


CARE's goal is to have convenient sites where carpet is dropped off for recycling across the state.

The California Carpet Stewardship Program is working to comply with all statutory and regulatory requirements, which include:

- Payment of subsidies at a level to enable continuous and meaningful improvement in landfill diversion via carpet collections and recycling (recycled output)
- Convenient locations for recycling drop off/pick up for all California residents.
- Attaining a 24% recycled output rate by January 1, 2020.
- Public outreach and education.

#### Funding Areas



Over 85% of assessment funds collected support subsidies, grants, outreach and technical assistance.

The funding collected from the assessment is directed to:

- **Ongoing subsidies** to carpet recyclers and processors, in support of the carpet recycling industry and manufacturing of products made from recycled carpet. The subsidies help support capital investments in recycling equipment, materials testing and product development — especially in light of the impacts from China's National Sword on recycling markets overall.
- **Grant funding** — CARE has awarded \$2.3 million to date for capital investment, product testing, market development and collection projects to establish and expand recycling of California post-consumer carpet. Approximately 90% of those funds were awarded to California-based projects. An additional \$6 million in capital investment, new product testing, and collection projects is slated for 2018-19.
- Developing new California-generated **post-consumer carpet (PCC) content products**, expanding California processing and manufacturing capacity, and encouraging procurement of California PCC-content products by private and government entities.
- Expansion of the **carpet drop-off site program**, with a goal of establishing at least one site in every county in California.
- Continuing education/outreach efforts to carpet retailers, installers, manufacturers and consumers to encourage carpet recycling.

In 2017, over 85% of assessment funds went directly to these program efforts, including subsidies, grants, marketing/outreach and the drop-off site program. As CARE's efforts grow, so does the need for funding.



#### Market Development Is Key

Developing demand recycled post-consumer carpet is key to increasing the recycling rate. The California Carpet Stewardship Program is working to develop markets for recycled post-consumer carpet via grants, technical assistance and promotion. Post-consumer carpet is recycled into fiber material, plastic pellets and calcium carbonate-based filler, which are used in a broad range of products, including carpet, underlayment, commercial mats, insulation and more.

Products containing California-sourced post-consumer carpet are high quality and competitively priced, and contribute to earning credits on LEED projects, among other environmental credentials. Our [product catalog](#) also contains information on other relevant product specifications.

#### Learn more:

- Subsidies
- Post-Consumer Carpet-Derived Products
- Grants
- Drop-off Sites
- Retailers
- Flooring Installers
- How Consumers Can Help

[carpetrecovery.org/newsblog/blog/](http://carpetrecovery.org/newsblog/blog/) (scroll to previous pages to view 2018 blog content)



## Twitter Posts



**CARE** @CarpetRecycle · 8 Nov 2018

A chilly good morning from the Tom Duffy Supply in #Campbell, where we are talking to installers about #recycling #carpet by taking it to the SMaRT Station in #Sunnyvale



## Other Program Support: Survey Postcard Mailed to Union Members



### **Carpet and Carpet Tile Can Be Recycled - Thanks to YOU!**

The California Carpet Stewardship Program is working to make carpet recycling more convenient and increase carpet recycling.

As part of these efforts, we are surveying installers to better understand what you do with tear-out carpet, and what could make recycling more convenient for you.

### **Please take our survey!**

Go to: [www.SurveyMonkey.com/r/ComCarpet](http://www.SurveyMonkey.com/r/ComCarpet)

Be one of the first 100 installers to complete our survey and we will email you a \$20 gift card. Survey closes on December 15, 2018.

## 10.11 CARE Response to Carpet Advisory Committee Recommendations

This appendix contains the following files that CARE provided in response to recommendations from the California Carpet Advisory Committee in 2018:

- *SPC Response to Advisory Committee Recommendations, March 16, 2018*
- *CARE Response to Advisory Committee Recommendations on Chapter 0, December 12, 2018*





## SPC Response to Advisory Committee Recommendations

March 16, 2018

The Sustainable Planning Committee (SPC) has reviewed and discussed in detail each of the 21 recommendations made by the Advisory Committee (AC). This document will present CARE's response to each recommendation and corresponding intent for incorporation into the new draft Plan as prescribed by statute.

### Priority #1: Assessment Cap

**RECOMMENDATION 1-1:** The Committee recommends removing all caps on assessment fees, to be consistent with PRC 42972 (c)(1).

**SPC POSITION:** CARE agrees with this recommendation. Reference to caps will be removed from the Plan. The Plan is fully and aggressively funded as presented and as required by law. CARE will be monitoring financial performance monthly and should an unanticipated funding concern arise in the future, CARE will timely meet with CalRecycle to discuss a plan of action.

### Priority #2A: Subsidy Guarantees

**RECOMMENDATION 2a-1:** The Committee recommends increased guaranteed subsidies and incentives from the current 12-month period to a minimum of 24 months. If remaining time of Stewardship Plan is less than 24 months, guarantees shall exist for the remaining duration of the current approved plan.

**SPC POSITION:** CARE understands and appreciates the concerns of the AC, the recycling community and the carpet manufacturers regarding duration of guarantees. At the same time, Plan flexibility is paramount to being able to respond to market changes. Therefore, CARE will implement a 1-year moratorium of any subsidy reductions, which will result in a 2-year guarantee for the first two years of the Plan commencing July 1, 2018. As an example, under this commitment the first time CARE could offer a 1-year notice of change would be July 1, 2019 for implementation July 1, 2020 if a reduction were considered appropriate. It should be noted in the current version of the Plan, there are subsidy reductions in later years, which may or may not be implemented depending on progress on achieving program goals. Given the significant uncertainties of the recycling markets, it is not feasible for CARE to project more than 6 months in advance with any degree of confidence. Therefore, we must have enough flexibility to respond to market changes.

**RECOMMENDATION 2a-2:** The Committee recommends that prior to changing subsidies and incentives, the Stewardship Organization must include specific information about the changes.

**SPC POSITION:** CARE accepts this recommendation and any planned reduction or elimination in subsidies will be detailed in an email to the recycling community 12 months in advance (and consistent with CARE’s response to 2a-1). To the extent such changes are incorporated as part of the scope of the approved Plan, CARE will inform the Advisory Committee and CalRecycle of intended changes prior to implementation. Should changes be required and are not considered part of the approved Plan scope, CARE will discuss with the CalRecycle to justify and gain agreement on the proper path forward.

**Priority #2B: Tiered Payouts**

**RECOMMENDATION 2b-1:** The Committee recommends the Stewardship Organization clarify units (column C), time frame, and entity/organization/facility and remove any \$0 payout level from any payout tier as shown on page 168 of version 60 or any subsequent draft of the Stewardship Plan entitled Tiered Payouts.

**SPC POSITION:** CARE agrees and will reset the Tier 4 subsidies to a non-zero level which varies for each category as appropriate. Clarification of all requirements will appear in the draft Plan when submitted.

**RECOMMENDATION 2b-2:** The committee recommends the Stewardship Organization consider increasing the material levels (column C) so as to encourage increased processing capacity, as shown on page 169 of version 60 or any subsequent draft of the Stewardship Plan entitled Tiered Payouts.

**SPC POSITION:** CARE has evaluated this recommendation and agrees to increase the Tier increments to double the increment to 2M pounds/month/category for each facility producing the recycled output product eligible for subsidy.

**RECOMMENDATION 2b-3:** The committee recommends segregating out the nylon-6, nylon-66, along with non-nylon fibers/polymers, with the exception of PTT and PET, which will be grouped together, when considering subsidies.

**SPC POSITION:** CARE agrees with this recommendation and will separate output by polymer type noting that the polymers PET and PTT will remain combined as polyester.

**Priority #2C: Recycled Output Plateaus**

**RECOMMENDATION 2c-1:** The Committee recommends the Stewardship Organization and CalRecycle increase the recycling goals beyond the 26% goal set for 2022.

**SPC POSITION:** The ability to arbitrarily set goals this far in advance is a well-established challenge. As Section 42972.2(b) of AB 1158 states: “No sooner than January 1, 2020, and no less frequently than every three years thereafter, the department shall review and may adjust the recycling rate and program goals set forth in paragraph (2) of subdivision (a) of Section 42972, based on information included in carpet stewardship plans and annual reports, other information provided by carpet stewardship organizations, and economic and any other relevant information.” Since the statute stipulates that CalRecycle will set goals after January 1, 2020, this target is open to adjustment consistent with the provision of the statute.

It is also worthy of note that AB 1158 states: “SEC. 4. Section 42972.2 is added to the Public Resources Code, to read: 42972.2. (a) The Legislature hereby declares that it is the goal of the state to reach a 24-percent recycling rate for postconsumer carpet by January 1, 2020, and to meet or exceed that rate continually thereafter.” CARE’s proposed 26% by 2022 is consistent with the language of the statute.



CARE has set a goal of 26% by January 1, 2023. Since statute stipulates that CalRecycle will set goals after January 1, 2020, this goal could be adjusted consistent with this provision of the statute.

**Priority #2D: Other Subsidy (Incentive) Guarantees**

**RECOMMENDATION 2d-1:** This committee recommends the Stewardship Organization’s plan needs to describe a cogent process for setting subsidies and making incentive payments.

**SPC POSITION:** CARE agrees and will modify the appropriate section(s) of the draft Plan to include additional information to what is already explained in the current draft Plan.

**RECOMMENDATION 2d-2:** The committee recommends that the Stewardship Organization guarantee renewal of any existing 6-month pilot for an additional six months.

**CARE POSITION:** CARE agrees with this recommendation. Upon approval of the Plan, CARE will extend any pilot currently in place or expired for an additional six months. Any pilot set to be implemented post-approval is already in the Plan for a full six months.

**Priority 3: Differential Assessments**

**RECOMMENDATION 3.1:** The Committee recommends to the Stewardship Organization to implement a system of differential assessments based on the material of the face fiber type that correlates to the subsidy required to have it be economically recycled with adequate time for implementation within 12 months of the approved plan.

**SPC POSITION:** CARE has already committed to evaluate the implementation of differential assessments. However, it is essential to recognize this is a very complex subject and there are strong opinions on all sides. CARE expects to reach a recommendation on differential assessments within 12 months of Plan approval. However, timing will be a challenge from an implementation perspective at the retail level and requires a focused and intense communication outreach effort. Normal assessment changes require 90 days to notice and implement. Differential assessment changes necessary at the retail level will take longer and thus, a minimum of six months is needed to make such a change in the assessment system. Retail level changes involve reprogramming of point-of-purchase computer systems and education of the salesforce. The negotiation of contracts, reprogramming, testing and upload to go live requires careful planning and realistic timing for retailers. Multiple stakeholders will find this challenging. Therefore, it is not feasible to implement such a recommendation within 12 months.

**Priority 4: Collections**

**RECOMMENDATION 4.1:** The Committee recommends the Stewardship Organization consider increasing collector/sorter incentives for sold (resourced) PC broadloom carpet for CARE “qualified” collectors/sorters in California to ensure adequate collections to meet the recycling requirements and goals of the plan.

**SPC POSITION:** CARE agrees to consider increasing CSEs incentives if/when PCC supply becomes an issue. As has been stated by the CSEs many times, “we can collect all you need.” The challenge is the creation of more capacity to produce additional products and markets to buy those products. As demand for material goes up, competition and the need for collection will expand. However, it is

essential to focus resources on outlets to pull material through the supply chain at this time. The addition of an added collection incentive will not contribute to increasing the recycling rate in CA. Thus, given the unnecessary additional cost, it is not feasible nor prudent (impractical) to implement such a subsidy increase at this time.

**RECOMMENDATION 4.2:** The Committee recommends the collection narrative needs to describe specific activities included in the proposed collection program budget expenditures and include cost factors used to project expenditures.

**SPC POSITION:** CARE agrees and will incorporate more detail in the Plan regarding the collection system cost elements and projections.

**Priority 5: Recyclability / Table 4**

**RECOMMENDATION 5.1:** The Committee recommends the Stewardship Organization change the Ranking Range for the Scoring in Table 4, page 34 of the proposed plan (version 60), be changed to +/- 10-point scale.

**SPC POSITION:** CARE agrees with this recommendation and the scale will be revised.

**RECOMMENDATION 5.2:** The Committee recommends replacing the criteria on Table 4 of the proposed plan with the following criteria:

1. Toxic components\*
2. Ease of deconstruction\*
3. Safely recycled for all carpet layers into similar or higher material performance\*
4. Cost-effectiveness\*
5. Energy-saving\*
6. Identification of resin type\*
7. Ease of collection and processing\*
8. Extent of subsidy required
9. Reusability
10. Recycled into a new secondary product
11. Markets available for products
  - a. focusing on closed-loop recycling that can be recycled into carpet
  - b. non-carpet closed loop (can be recycled again)
  - c. downcycle (1-time)
12. Potential for high yield

**SPC POSITION:** CARE generally agrees to use the criteria in Table 4, but will drop Criterion 1, Toxic Components, since the composition of all carpets is basically the same and none contain any chemicals required for listing under Federal or State regulations.

CARE will add back available volume as a critical criterion in consideration of accomplishing a 24% Recycling Rate by January 1, 2020.

As was abundantly clear during Advisory Committee deliberations, there is a deep lack of understanding of the concept of highest recyclability and how to rate various carpets against any criteria. The SPC has also spent many hours over multiple meetings examining the topic. Therefore, CARE will make the



stated modifications to this table and ranking scale using our best collective input. At the same time the Plan will propose to study this subject further to gain a better understanding of what this means and how it may be implemented to guide subsidy and grant funding per statute and in support of reaching Recycled Rate goals.

**Priority 6: Program Budget Issues**

**RECOMMENDATION 6.1:** The committee recommends that the Stewardship Organization increase the transparency in the budget relative to meeting the goals of the program.

**SPC POSITION:** CARE agrees and will share more detail on the 2018 budget and out-year forecasting process, however we cannot guarantee specific details. CARE must maintain latitude and flexibility to divert funds to those areas which have the greatest impact in achieving program goals. While large categories will likely trend close to budget, funds will be flexible enough to be deployed as needed.

**RECOMMENDATION 6.2:** The committee recommends that the Stewardship Organization develop a policy to ensure competition, such as identifying spending thresholds in selecting consultants and vendors, while allowing for sole source awards of contracts, all under an adopted policy.

**CARE POSITION:** CARE agrees with this recommendation and will commit to putting in place a formal policy by the end of 2018.

**Priority 7: Processing Capacity and CA Preference**

**RECOMMENDATION 7.1:** The committee recommends that once the 24% recycling goal is reached, the Stewardship Organization develop a more aggressive California preference in the subsidy and grant program than what is in the proposed plan (version 60).

**SPC POSITION:** CARE agrees with this recommendation and feel it is adequately covered in the current Plan. Keep in mind, the v60 draft Plan gives an “example” of how the funds might be adjusted. The timing and size of any changes would be driven by consideration of delivering on the Plan goals. CARE also believes it is essential that DGS step up on SABRC and the State begin to contribute to market demand for products containing PCC. This will help justify the continued expansion of in-state capacity and our ability to meet Plan goals.

**Priority 8: Grants**

**RECOMMENDATION 8.1:** The committee recommends the Stewardship Organization shall increase the total annual grant amount and in-turn increase the individual grant amounts to encourage in-state processing and manufacturing and downstream use of PCC recycled commodities.

**SPC POSITION:** CARE will re-evaluate grant amounts on an annual basis via CARE’s annual reports to CalRecycle in light of Program performance. CARE feels we have developed a solid and fully funded Plan based on capacity expansion underway or planned by future program participants, including those in the State. Part of the strategy is to front load grants in 2018 and 2019 to drive capacity, product, and market expansion. This Plan is funded to hit and exceed 24% by January 1, 2020 as required by statute. There were numerous financial models run to try and balance the expansion of the recycling rate, in State capacity growth, declining carpet sales in CA, and the increasing assessment. As a result, if recyclers do as they have told us and as we’ve verified in multiple contacts, this Plan will meet or exceed targets.

Also, it is not feasible to increase grants beyond the allocation presented in this fully funded Plan at this time, because Grant Cycle 2 is in full swing in anticipation of Plan approval so that grant funds may be dispersed as soon after Plan approval as possible. Recycling community expectations have been established as communications of funding levels, cycle times and submissions targets are already published.

**Priority 9: Education & Outreach**

**RECOMMENDATION 9.1:** The committee recommends the Stewardship Organization re-allocate funding to prioritize state approved apprenticeship programs for training of apprentices and journey level installers in proper carpet recycling practices.

**CARE POSITION:** CARE agrees with this recommendation and will take action to support these activities per statute. It should be noted installers have been a major focus area of CARE and considerable time and effort has been expended, along with CA taxpayer money, to develop training modules along with installer videos in both English and Spanish. All this material has been well received with the videos having been viewed more than 150,000 times. Considerable effort has been made to reach out to installers through tabling events at supply houses as a key leverage point for contact. CARE also recognizes the big differences between commercial flooring vs. residential flooring installers. The latter represents approximately 70% of all carpet sold in the state and is the first point of contact for collections. CARE will work with Steve Belong and other appropriate contacts on effective delivery of this education and training and to leverage the excellent foundation in place.

**RECOMMENDATION 9.2:** The committee recommends that the budget for Education and Outreach would not exceed 3.5% of the total budget and would be mainly directed to the following:

1. Installer outreach
2. Retailer outreach
3. Market development
4. State and local governments

**CARE POSITION:** CARE agrees with this recommendation and will implement same effective with the 2019 budget cycle as 2018 contracts are in place.

**RECOMMENDATION 9.3:** The committee recommends the Stewardship Organization works with carpet manufacturers to participate at the regional sales events in the state of California to better educate retailers on carpet recycling.

**CARE POSITION:** CARE agrees with this recommendation and has opened discussion with several carpet mills to accomplish this recommendation. It is likely we would start with a few pilot efforts to determine what format works best for large vs. medium vs. small mills since all have different formats, timelines, objectives and constraints. CARE will report on the results in our annual reports beginning with the 2019 report as such events are usually associated with the beginning of the year or early spring.





December 12, 2018

## **CARE Response to Advisory Committee Recommendations on Chapter 0**

As required by the Product Stewardship for Carpets Law (Public Resources Code Section 42970 - 42983), CARE is providing a response to the recommendations generated by the Advisory Committee to CARE's Draft Chapter 0 of the *California Carpet Stewardship Plan 2018-2022*.

The recommendations section of the Advisory Committee's letter, Attachment 1, is reproduced below. CARE responses immediately follow each recommendation and are italicized. In all cases where recommendations have been adopted, appropriate language has been incorporated into the referenced sections of Chapter 0.

### **California Carpet Stewardship Advisory Committee Recommendations – November 2018**

#### **Motion 1**

**The Advisory Committee recommends that CARE define the use of the terms "reasonable" and "sufficient" in Section 1.a. and include statistical analyses to determine the level of confidence in the model components.**

#### **Motion by Nat Isaac, seconded by John Davis**

Ayes (14): Douglas Williams, Eric Nelson, Franco Rossi, Gail Brice, Joanne Brasch, Joe Yarbrough, John Davis, Jorge Orozco, Nat Isaac, Nick Lapis, Rachel Palopoli, Rachel Ross, Steve Belong, Wes Nelson

Nays (0)      Abstain (0)

Attended meeting, did not vote due to Bagley-Keene requirements: (1) Howard Sapper

Absent (1): Steve Landreth

#### **The motion passes**

*CARE Response: Recommendation Accepted. The word reasonable has been removed from the narrative. The word "sufficient" reproduces that used by CalRecycle, without definition, in their stated condition. CARE has added the Webster definition as requested.*

#### **Motion 2**

1



**The Advisory Committee expects that Section 1.a. includes that the Request for Proposal (RFP) states specific clauses to avoid conflicts of interest and that the process ensures that an independent economic analysis protects confidentiality of all parties providing information.**

**Motion by Rachel Palopoli, seconded by Nat Isaac**

Ayes (14): Douglas Williams, Eric Nelson, Franco Rossi, Gail Brice, Joanne Brasch, Joe Yarbrough, John Davis, Jorge Orozco, Nat Isaac, Nick Lapis, Rachel Palopoli, Rachel Ross, Steve Belong, Wes Nelson

Nays (0) Abstain (0)

Attended meeting, did not vote due to Bagley-Keene requirements: (1) Howard Sapper

Absent (1): Steve Landreth

**The motion passes**

**CARE Response:** *Recommendation Accepted. Language has been incorporated into Chapter 0 to reflect this recommendation.*

### **Motion 3**

**The Advisory Committee recommends that CARE submit a tentative schedule with draft agenda items to the Advisory Committee for meetings to report progress and review draft documents, and existing models as provided in the Plan.**

**Motion by Gail Brice, seconded by Joe Yarbrough**

Ayes (14): Douglas Williams, Eric Nelson, Franco Rossi, Gail Brice, Joanne Brasch, Joe Yarbrough, John Davis, Jorge Orozco, Nat Isaac, Nick Lapis, Rachel Palopoli, Rachel Ross, Steve Belong, Wes Nelson

Nays (0) Abstain (0)

Attended meeting, did not vote due to Bagley-Keene requirements: (1) Howard Sapper

Absent (1): Steve Landreth

**The motion passes**

**CARE Response:** *Recommendation Not Accepted. Respectfully, this recommendation exceeds the statutory authority of the Advisory Committee. The role of the Advisory Committee is to review Plans, Plan changes and Annual Reports prior to submission to CalRecycle. CARE holds regular quarterly reviews with CalRecycle and by agreement representatives of the Advisory Committee are included. CARE stated in the Plan its willingness to review the evolving models and will do so on a periodic basis.*

### **Motion 4**

**The Advisory Committee recommends that CARE include a description of the range of costs for collection, processing and other programmatic expenditures in their funding mechanism in Section 1.a.**

**Motion by Nat Isaac, seconded by John Davis**

Ayes (14): Douglas Williams, Eric Nelson, Franco Rossi, Gail Brice, Joanne Brasch, Joe Yarbrough, John Davis, Jorge Orozco, Nat Isaac, Nick Lapis, Rachel Palopoli, Rachel Ross, Steve Belong, Wes Nelson

Nays (0) Abstain (0)

Attended meeting, did not vote due to Bagley-Keene requirements: (1) Howard Sapper

Absent (1): Steve Landreth

**The motion passes**

*CARE Response: Recommendation accepted. CARE believes this recommendation is redundant with CalRecycle’s condition for the costs analysis and is thus included by default.*

**Motion 5**

**The Advisory Committee recommends clarification and/or additional details regarding the following items:**

- a) **Section 1.a. Ensure that the Independent Economic Analysis sufficiently addresses how overall funding and assessment levels achieve the recycling goals.**
- b) **Section 2.a. Change language to read: “By September 1, 2019 CARE will submit to CalRecycle modifications to its convenience goals that are consistent with the results of the convenient collections study.”**
- c) **Section 2.a. Address unique challenges regarding commercial broadloom collections, including ensuring segregation from C&D waste. Explore how changes in local and state C&D diversion goals could increase commercial broadloom collections.**
- d) **Section 2.b. Change language to show how revised AUP will be used to support convenient collections.**
- e) **Section 2.b. Clarify role of CSEs in regards to convenient collections.**
- f) **Section 3.a. Clarify the deliverables and implementation process.**
- g) **Section 3.a. Clarify that the establishment of minimum content of PCC in products will include the minimum percentage of PCC-derived content in pellets.**
- h) **Section 4.a. Ensure that the expansion of reuse market is not adversely impacted by reused carpet not meeting performance expectations.**
- i) **Section 5.a. Define “marketable.”**

**Motion by Gail Brice, seconded by Joanne Brasch**

3

Ayes (14): Douglas Williams, Eric Nelson, Franco Rossi, Gail Brice, Joanne Brasch, Joe Yarbrough, John Davis, Jorge Orozco, Nat Isaac, Nick Lapis, Rachel Palopoli, Rachel Ross, Steve Belong, Wes Nelson

Nays (0) Abstain (0)

Attended meeting, did not vote due to Bagley-Keene requirements: (1) Howard Sapper

Absent (1): Steve Landreth

**The motion passes**

**CARE Response:** *Recommendations accepted, and responses incorporated in Chapter 0 with the following notations:*

- a) **Section 1.a.** Ensure that the Independent Economic Analysis sufficiently addresses how overall funding and assessment levels achieve the recycling goals. *Redundant with CalRecycle conditional approval and addressed in Chapter 0.*
- b) **Section 2.a.** Change language to read: “By September 1, 2019 CARE will submit to CalRecycle modifications to its convenience goals that are consistent with the results of the convenient collections study.” *Language of Chapter 0 modified. As stated in the Advisory Committee meeting of 11-27-18, we will reach agreement with CalRecycle on what the changes should be as informed by the study. Until the study is complete, it is not reasonable to assume blanket acceptance ahead of time.*
- c) **Section 2.a.** Address unique challenges regarding commercial broadloom collections, including ensuring segregation from C&D waste. Explore how changes in local and state C&D diversion goals could increase commercial broadloom collections. *Addressed in Chapter 0 via a study initiative.*
- d) **Section 2.b.** Change language to show how revised AUP will be used to support convenient collections. *Redundant with CalRecycle conditional approval and addressed in Chapter 0.*
- e) **Section 2.b.** Clarify role of CSEs in regards to convenient collections. *Redundant with CalRecycle conditional approval and addressed in Chapter 0.*
- f) **Section 3.a.** Clarify the deliverables and implementation process. *Redundant with CalRecycle conditional approval and addressed in Chapter 0.*
- g) **Section 3.a.** Clarify that the establishment of minimum content of PCC in products will include the minimum percentage of PCC-derived content in pellets. *Redundant with CalRecycle conditional approval and addressed in Chapter 0.*
- h) **Section 4.a.** Ensure that the expansion of reuse market is not adversely impacted by reused carpet not meeting performance expectations. *Redundant with CalRecycle conditional approval and addressed in Chapter 0.*
- i) **Section 5.a.** Define “marketable.” *Addressed in Chapter 0.*

###

## 10.12 Notice to Subsidy Participants

CARE provides regular electronic updates and notices to subsidy participants. These include monthly reminders to fill out reporting worksheets as well as special notices, such as regarding the pilot subsidy on carpet tile and the new Host Analytics online reporting system.

This appendix includes examples of various notices; the originals were sent by email, so formatting may appear differently in this report.



**Subject:** January 2018 Monthly Submission of Data Entry Form

*Dear CARE CSE,*

Please fill out the attached Worksheet Data Entry Form for January 2018 and CARE Required Attestation Signature Sheet and return by February 28, 2018.

**UPDATE: As a result of subsidy changes implemented and preparation for a new online reporting system (Q3 2018), you will notice a number of changes in your monthly forms going forward. Please pay close attention to both the structure and language for the reporting cells.**

Please note:

- All data MUST BE SUBMITTED utilizing the attached Excel Reporting Spreadsheet. No other versions of the report sheet will be accepted for payment requests.
- You are required to fill out ALL YELLOW cells. If the number is zero, please indicate it as such. Incomplete forms may not be accepted.
- Forms must be complete and the attestation (signature page) must be sent. CARE will not honor any requests that do not include these documents.
- **Requests must be received by February 28, 2018 to be eligible for payment.**

**Based on the CalRecycle hearing of Oct 17<sup>th</sup> CARE continues to operate under an extension of the current Plan during the development and approval of the new 5-year Plan.**

Please also be advised:

- CSEs are now eligible for the new 5 cents/lb. **pilot** subsidy on carpet tiles **effective January 1, 2018**. All California-generated carpet tile collected, shipped and sold for recycle or donated for reuse are eligible. This will be a 6 month **pilot** program.

If you have any questions in preparing your report, please contact [CARE.CA.Reporting@aprio.com](mailto:CARE.CA.Reporting@aprio.com) for assistance.

Regards,

The CARE Team



**Subject:** January 2018 Monthly Submission of Data Entry Form

*Dear CARE Processor,*

Please fill out the attached Worksheet Data Entry Form for January 2018 and CARE Required Attestation Signature Sheet and return by February 28, 2018.

**UPDATE: As a result of subsidy changes implemented and preparation for a new online reporting system (Q3 2018), you will notice a number of changes in your monthly forms going forward. Please pay close attention to both the structure and language for the reporting cells.**

Please note:

- Ash Tests are required for Tier 1 Processors (minimum of 1 test per million pounds) and must be submitted with your request. Please note, a new Ash Testing protocol has been adopted for use beginning in Q4 of 2015.
- All data MUST BE SUBMITTED utilizing the attached Excel Reporting Spreadsheet. No other versions of the report sheet will be accepted for payment requests.
- You are required to fill out ALL YELLOW cells. If the number is zero, please indicate it as such. Incomplete forms may not be accepted.
- Forms must be complete and the attestation (signature page) and ash tests (if applicable) must be sent. CARE will not honor any requests that do not include these documents.
- **Requests must be received by February 28, 2018 to be eligible for payment.**

**Based on the CalRecycle hearing of Oct 17<sup>th</sup> CARE continues to operate under an extension of the current Plan during the development and approval of the new 5-year Plan.**

Please also be advised:

- All California-generated carpet tile collected, shipped and sold for recycle or donated for reuse are eligible for the new 5 cents/lb. **pilot** subsidy **effective January 1, 2018**. This will be a 6 month **pilot** program.



- **Effective January 1, 2018** CARE has discontinued payment of all energy recovery subsidies and no longer pays subsidies on any pounds of material diverted via CAAF or Kiln. However, participating processors will be asked to continue reporting any pounds of material managed through these diversion strategies. The following subsidies are discontinued:
  - Carpet As Alternative Fuel (CAAF) – 3 cents/lb. discontinued effective January 1, 2018
  - Cement Kiln – 3 cents/lb. discontinued effective January 1, 2018

If you have any questions in preparing your report, please contact [CARE.CA.Reporting@aprio.com](mailto:CARE.CA.Reporting@aprio.com) for assistance.

Regards,

The CARE Team

**Subject:** January 2018 Monthly Submission of Data Entry Form

*Dear CARE Manufacturer,*

Please fill out the attached Worksheet Data Entry Form for January 2018 and CARE Required Attestation Signature Sheet and return by February 28, 2018.

**UPDATE: As a result of subsidy changes implemented and preparation for a new online reporting system (Q3 2018), you will notice a number of changes in your monthly forms going forward. Please pay close attention to both the structure and language for the reporting cells.**

Please note:

- All data MUST BE SUBMITTED utilizing the attached Excel Reporting Spreadsheet. No other versions of the report sheet will be accepted for payment requests.
- You are required to fill out ALL YELLOW cells. If the number is zero, please indicate it as such. Incomplete forms may not be accepted.
- Forms must be complete and the attestation (signature page) must be sent. CARE will not honor any requests that do not include these documents.
- **Requests must be received by February 28, 2018 to be eligible for payment.**

**Based on the CalRecycle hearing of Oct 17<sup>th</sup> CARE continues to operate under an extension of the current Plan during the development and approval of the new 5-year Plan.**

If you have any questions in preparing your report, please contact [CARE.CA.Reporting@aprio.com](mailto:CARE.CA.Reporting@aprio.com) for assistance.

Regards,

The CARE Team



July 27, 2018

Re: New Online Monthly Reporting System

Dear CARE Members:

Beginning with Q3 2018 reporting, CARE is moving the monthly data reporting to an online data reporting system. The system is designed to replace the manual monthly reporting forms that are currently in Excel. The upgraded system provides additional data security while maintaining the ease of Excel. The online reporting forms are designed to replicate the current Excel forms that you are used to completing.

To aid in the transition, Aprio will be conducting an introductory training session via webinar. You will also be provided with a user reference guide to help you complete your online forms as well as have access to Aprio to answer any questions that may arise while completing your monthly submission.

Licenses are paid on an annual basis, and CARE is only allocating one license per company for reporting. We will be creating login information for the individual that currently submits the Excel forms to the CARE Reporting mailbox. Kate Deagan from Aprio will be reaching out to those individuals to schedule the training session for the week of 8/6. Adjustments to users can be made as necessary and will be coordinated through Aprio.

I fully recognize how busy everyone is and deeply appreciate you taking the time to attend the training session.

Sincerely,

A handwritten signature in black ink that reads "Robert Peoples".

Robert Peoples, Ph.D.  
Executive Director, CARE  
214-300-5206  
[bpeoples@carpetrecovery.org](mailto:bpeoples@carpetrecovery.org)  
[www.carpetrecovery.org](http://www.carpetrecovery.org)



Dear CARE Members,

You are receiving this email because you have been identified as a primary user for the CARE Online Reporting System and will be responsible for submitting your company's subsidy request online beginning with July 2018 reporting. **The old Excel reporting system is no longer available.** The training session of the new system will be held on **Wednesday, August 8 from 1:00-2:00 EDT (10:00-11:00 PDT)** via webinar. A separate meeting invite from Kate Deagan will be sent out shortly. You must complete training in order to submit data to receive your subsidy payout. We appreciate you taking the time to attend.

Additionally, attached is a summary of changes to the monthly reporting forms effective for July 2018 reporting. We will also cover these changes during training.

Please let us know if you have any additional questions in the meantime.

Regards,  
The CARE Team

**Attachment**



**Changes to Monthly Reporting Forms Effective Q3 2018**

**CSEs**

- The CSE form now asks you to report collections both from inside and outside of California.

**Processors**

- The Processor form has been shortened to only capture activity related to **receiving** PC Carpet and processing material. Processors that also collect PC Carpet will now be required to complete a separate CSE form.
- A new commercial broadloom subsidy has been added and the payout is \$0.02.

**Manufacturers**

- The Non-Nylon category has now been broken out into PET and Polypropylene respectively. The subsidy payouts for PET and Polypropylene are both \$0.25.

## 10.13 CARE Response to Advisory Committee Feedback on 2018 Annual Report

The following pages include CARE's response, dated August 21, 2019, to the Advisory Committee's comments from July 31, 2019, on the draft 2018 Annual Report.





## **CARE Response to Advisory Committee Recommendations and Comments on 2018 Annual Report**

**CARE has carefully reviewed the comments and recommendations of the Advisory Committee and made appropriate changes to address those concerns consistent with the Carpet Stewardship Plan and applicable to the Carpet Stewardship Laws, with explanatory information below.**

Following is the Advisory Committee July 31, 2019 approved motions and CARE responses highlighted in gray approved August 21, 2019

**Re: Advisory Committee Recommendations related to the Draft CARE California Carpet Stewardship Program 2018 Annual Report**

### **Advisory Committee Plan Review Meeting and Recommendations**

The California Carpet Stewardship Advisory Committee met on July 23, 2019 to discuss the Draft CARE California Carpet Stewardship 2018 Annual Report. All committee members attended the meeting in in-person except: Joe Yarbrough attended the meeting by teleconference but was unable to stay on the call and did not participate in the vote. A quorum was met. Members of the public also attended at the meeting and through the teleconference. The meeting was conducted in compliance with the Bagley-Keene Open Meeting Act.

The Committee recommendations from the July 23, 2019 meeting regarding the *Draft California Carpet Stewardship 2018 Annual Report* are provided as Attachment 1. The committee looks forward to working with CARE and CalRecycle regarding the California Carpet Stewardship Program.

**Respectfully,**

*Rachel Palopoli*

**Rachel Palopoli**, Advisory Committee Chair

July 31, 2019

Date

**California Carpet Stewardship Advisory  
Committee Recommendations for the Draft CARE  
2018 Annual Report**

**Motion 1.0**

The Committee recommends that CARE makes the following changes to the Draft 2018 Annual Report:

- a) Add a row to table ES 1 and Table 1 showing the non-subsidized recycled output
- b) Add a description of the 25 million pounds of recycled output not eligible for the CARE subsidy
- c) Recalculate the reported diversion including carpet cushion
- d) Modify the narrative on page 136 to more accurately reflect the allocation of general program expenses or remove the first paragraph in section 7.3:  
Cost per pound collected
- e) Identify lessons learned for major events that happened during 2018
- f) Remove references to sales tied to collection, or provide data to support statement(s) on pages 68 and 100
- g) Add a reference to the grant scoring criteria for 2018 grant recipients
- h) Add information on backstamping criteria and phase-in requirements for all manufacturers
- i) Provide missing information from Section 4.10 on Capacity necessary to review the Annual Report

**CARE RESPONSES**

Item a: AGREE – CARE will modify language in the referenced table to provide clarity.

Item b: AGREE – CARE will modify language to indicate the nature of the non-subsidized recycled output pounds.

Item c: AGREE – CARE will remove the reported diversion line that incorporates pad since the carpet stewardship las do not include pad. However, CARE will continue to report the pounds of pad collected since this is an added benefit of the carpet recycling program and keeps post-consumer material of our CA landfills.

Item d: AGREE – CARE will drop the first paragraph to remove ambiguity. CARE will add further detail and the ratio of urban to rural as a learning in the 2019 report.

Item e: AGREE – CARE agrees we should modify our narrative this is a good idea. We have made many changes to our internal controls based on learnings. We will add a section to the annual report that speaks to learnings and/or changes implemented as a result of experience, including: The recent failure of Carpet solutions, learnings from grant administration, in/on-ground applications, and AUP upgrades.

Item f: AGREE – CARE agrees that markets and circumstances have changed dramatically over the last several years. As a result, this is a much more nuanced argument. Since independent market data in CA reflects 85% of sales are associated with rip outs, the primary source driver of PCC flow remains the sale of new carpet. The narrative in the report will be modified to reflect the nuances requested in this item.

Item g: AGREE – CARE will add a reference to the RFP and/or include the RFP in the appendix.

Item h: AGREE – CARE will discuss with the CRI to provide any additional info beyond what is already included in the report.

Item i: AGREE – CARE will work to complete the delayed capacity information. If possible, this will be shared with the Advisory Committee, but there may not be sufficient time to schedule a Bagley Keen compliant meeting to generate official feedback. Delays were a result of a miscommunication on getting the survey out, but also slow responses from the recycling community.

#### **Motion 2.0**

**Explain in more detail the impacts of oil prices, the China National Sword, and the relationship with the California overall recycling rate with CARE's performance**

Item 2: AGREE – CARE acknowledges the feedback provided by the Advisory Committee asking for further clarification and description around how oil prices and China National Sword impact program performance. Additionally, CARE will offer further narrative in the comparison of CARE's modest yet steadily increasing diversion rate results in comparison to the overall statewide recycling rate decline.

#### **Motion 3.0**

**Acknowledge the input from Assembly Member Kansen Chu on highest recyclability on page 15 as provided in a letter to the Committee on 2/6/18**

Item 3: AGREE – CARE will acknowledge Representative Chu issued a letter after legislation was passed.

#### **Motion 4.0**

**Request that CARE asks CalRecycle to reconsider limitation on including status/projections from subsequent year in the Annual Report**



**The motion does not pass**

Item 4: No response required as the motion did not pass.

**Motion 5.0**

**Describe the environmental impact information required associated with approving product development funding and infrastructure grants.**

**The motion does not pass**

Item 5: No response required as the motion did not pass.

**Motion 6.0**

**Address environmental concerns discussed by the Advisory Committee, such as PFAs and micro-fibers.**

Motion: Joanne Brasch      Second: Nat Isaac

Ayes (10): Eric Nelson, John Davis, Robert Nunez, Nat Isaac, Gail Brice, Steve Belong, Franco Rossi, Jorge Orozco, Joanne Brasch, Rachel Palopoli

Nays (4): Doug Williams, Howard Sapper, Wes Nelson,

Steve Landreth Abstain (0):

Attended meeting, but Absent for vote: (1) Joe Yarbrough

Item 6: DISAGREE - CARE hears and appreciates the concerns voiced by the Advisory Committee on this topic. However, there are no specific guidelines/requirements for the use of PCC materials delineated by statute or by CalRecycle, other than no recycled output or subsidy allowance for PCC materials that are landfilled, incinerated or used as WTE. CARE does not have the authority or resources to actively monitor end use outlets of PCC materials beyond the scope of the program, so it is not feasible to address the Advisory Committee's concerns beyond the activities that CARE is currently undertaking and reporting on. CARE is in the process of working to understand the issues surrounding inorganics, organics and microfibers through funded projects at UC Davis and HSU with GHD Engineering. CARE is also drafting guidelines for in/on-ground applications which should be finalized before the end of August. All results of these studies and activities and any other findings will be reported to CalRecycle and the Advisory Committee through the established mechanisms.



---

Robert Peoples, Ph.D.  
Executive Director  
Carpet America Recovery Effort (CARE)  
100 South Hamilton Street  
Dalton, Georgia 30722

## 10.14 Audited Financial Statements

The financial statements of CARE and the California Carpet Stewardship Plan 2011-2016 for the year ending December 31, 2018, were audited by independent Certified Public Accounting firm Brooks, McGinnis & Company, LLC, based in Atlanta, Georgia.

This appendix includes the following materials from the Program's independent auditor:

- California Carpet Stewardship Program Financial Statements with Independent Auditor's Report
- Independent Auditor's Report on State Compliance Requirements
- SAS 114 Letter 2018 for California
- CARE (Carpet America Recovery Effort, Inc.) 2018 Financial Statements with Independent Auditor's Report
- CARE Report to the Board of Directors and Management
- SAS 114 Letter 2018 for CARE (National)



THE CALIFORNIA CARPET STEWARDSHIP PROGRAM

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The California Carpet Stewardship Program, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of The California Carpet Stewardship Program, which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The California Carpet Stewardship Program as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2019, on our consideration of the Carpet America Recovery Effort, Inc.'s internal control over The California Carpet Stewardship Program's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Carpet America Recovery Effort, Inc.'s internal control over The California Carpet Stewardship Program's financial reporting and compliance.

*Brooks, McAnnis & Company, LLC*

Atlanta, Georgia  
August 13, 2019

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

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ASSETS

Current assets:	
Cash and cash equivalents	\$ 13,461,519
Assessments receivable, net	<u>4,959,485</u>
Total current assets	18,421,004
Computer equipment	3,694
Less accumulated depreciation	<u>(1,334)</u>
Computer equipment, net	<u>2,360</u>
Total assets	<u>\$ 18,423,364</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Due to recyclers	\$ 1,902,539
Due to CalRecycle	125,455
Due to CARE	72,911
Grants payable	325,130
Accounts payable and accrued expenses	<u>659,268</u>
Total current liabilities	<u>3,085,303</u>
Total liabilities	<u>3,085,303</u>
Commitments and contingencies	
Net assets:	
Net assets without donor restrictions	<u>15,338,061</u>
Total liabilities and net assets	<u>\$ 18,423,364</u>

The accompanying notes are an integral part of these financial statements.

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

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Revenues without donor restrictions:	
Carpet recovery assessments	\$ 21,603,984
Interest income	<u>64,076</u>
Total revenues without donor restrictions	<u>21,668,060</u>
Expenses:	
Program expenses	16,969,431
Administrative expenses	<u>1,581,629</u>
Total expenses	<u>18,551,060</u>
Increase in net assets without donor restrictions	<u>3,117,000</u>
Net assets at beginning of year	<u>12,221,061</u>
Net assets at end of year	<u>\$ 15,338,061</u>

The accompanying notes are an integral part of these financial statements.

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THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	General & Administrative	Total Expenses
Salaries and wages	\$ 462,660	\$ 212,230	\$ 674,890
Benefits and payroll taxes	29,217	6,327	35,544
Subsidies	12,933,097	-	12,933,097
Collection program	471,140	471,895	943,035
Communications (E&O)	501,749	502,553	1,004,302
Grants for capacity expansion	779,805	-	779,805
Professional services	399,756	1,002	400,758
Legal expenses	121,161	13,447	134,608
Technical assistance	180,000	-	180,000
Program studies	288,855	-	288,855
Reporting database	190,716	-	190,716
Accounting	-	351,106	351,106
CalRecycle expenses	386,320	-	386,320
Facilities	8,611	8,611	17,222
Leases	2,294	6	2,300
Program travel expenses	98,423	10,936	109,359
Annual report	43,637	-	43,637
Modeling consultant	25,926	-	25,926
PET project allocation	9,600	-	9,600
Advisory committee	28,356	-	28,356
Bank service charges	140	46	186
Dues and subscriptions	931	310	1,241
Shipping and mailing	644	-	644
Office expenses	2,930	977	3,907
Telephone	1,150	1,150	2,300
Insurance	1,007	1,008	2,015
Miscellaneous	75	25	100
Total expenses			
before depreciation	16,968,200	1,581,629	18,549,829
Depreciation	1,231	-	1,231
	<u>\$ 16,969,431</u>	<u>\$ 1,581,629</u>	<u>\$ 18,551,060</u>

The accompanying notes are an integral part of these financial statements.

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

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Cash flows from operating activities:	
Change in net assets	\$ <u>3,117,000</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,231
Changes in assets and liabilities:	
(Increase) decrease in:	
Assessments receivable, net	528,681
Increase (decrease) in:	
Due to recyclers	85,806
Due to CalRecycle	29,262
Due to CARE	8,486
Grants payable	204,604
Accounts payable and accrued expenses	<u>340,522</u>
Total adjustments	<u>1,198,592</u>
Net cash provided by operating activities	<u>4,315,592</u>
Net increase in cash and cash equivalents	4,315,592
Cash and cash equivalents at beginning of year	<u>9,145,927</u>
Cash and cash equivalents at end of year	<u>\$ 13,461,519</u>

The accompanying notes are an integral part of these financial statements.

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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1. Nature of Organization and Significant Accounting Policies

Organization

The California Carpet Stewardship Program (the Program) has previously been referred to as the AB2398 California Carpet Stewardship Plan. Due to the passage of new legislation, the program is now called the California Carpet Stewardship Program.

The California Carpet Stewardship Plan (the Plan) is authorized by California Assembly Bill (AB2398) to implement measures to achieve measurable improvements in the landfill diversion and recycling of post-consumer carpet. AB2398 was signed into law by the governor of California on September 30, 2010.

In October 2017, California Governor Jerry Brown signed into law AB1158 placing additional requirements on any Carpet Stewardship Organization (CSO). Key Changes to the law include:

- Achieve 24% recycling rate by January 1, 2020 and meet or exceed annually thereafter;
- Incentivize (grants or subsidies) materials that have the “highest recyclability;
- Supply all data necessary for CalRecycle to evaluate effectiveness of program;
- The Program cannot use funds to pay penalties or litigation against the state;
- The Program cannot pay subsidies for kiln, waste to energy (WTE), carpet as alternative fuel (CAAF) or incineration;
- All state projects must be managed in a way consistent with carpet stewardship laws;
- Department of General Services must publish minimum post-consumer carpet (PCC) content specs for purchases of carpet by 7/1/18;
- Must increase diversion and increase collection;
- Must increase collection convenience;
- Must expand and incentivize markets for products made from PCC;
- Must increase processor capacity, including in California;
- Must increase recyclability of carpet;
- Must describe measures that enable: source reduction, source separation & processing to segregate & recover recyclable materials, environmentally safe management of materials that cannot feasibly be recycled; and
- Must provide incentives or grants to state-approved apprenticeships programs for training apprentices and journey-level installers in proper practices for recycling PCC.

Collectively, AB2398 and AB1158 are referred to as the carpet stewardship laws. Approved regulations are found in Title 14, Division 7, Chapter 11.

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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1. Nature of Organization and Significant Accounting Policies – Continued

Organization – Continued

The Plan became effective on July 1, 2011 and is managed by the Carpet America Recovery Effort, Inc. (CARE). The Plan is a set of guidelines that CARE uses to administer the Program. The Plan was developed by CARE and an initial plan document was conditionally approved by the California Department of Resources Recycling and Recovery (CalRecycle). A revised stewardship plan document (version 3.2.2) was approved by CalRecycle on January 21, 2014 and plan amendments on January 5, 2015 (Addendum #1), October 21, 2015 (Addendum #2), and January 26, 2016 (Addendum #3). Collectively this Plan was referred to as Version 3.2.2.

On October 16, 2018, CalRecycle conditionally approved CARE's 5-Year Plan for 2018-2022 and gave CARE 60 days to resubmit addressing findings of non-compliance. On February 19, 2019, the revised Plan was approved by CalRecycle. Version 3.2.2 continued in force and CARE continued to manage the Program until the new Plan was approved.

CARE was the sole carpet stewardship organization until April 1, 2015. At that time other organizations could apply for status as a "Carpet Stewardship Organizations". As of August 13, 2019, no other Carpet Stewardship Organizations have submitted a Plan or approved.

The carpet stewardship laws require carpet manufacturers or retailers to collect an assessment based on the square yardage of carpeting sold in California. CARE mill members participating under the Plan collect the funds from California retailers. Mills (manufacturers) submit funds directly to CARE quarterly based on reported yards sold in the prior quarter. CARE disburses the proceeds in accordance with the Plan.

Disbursements are to promote carpet recycling in California and cover the costs of administering the Plan. The primary use of funds is to carpet recyclers who are paid by the pound of qualifying products that are processed and subsequently sold.

Manufacturers or retailers participate voluntarily in the Plan; however, the carpet stewardship laws require that they participate in CARE's Plan, or development and implement their own Carpet Stewardship Plan.

CARE does not have authority to levy penalties on Manufacturers or Retailers that are not compliant with the carpet stewardship laws. That authority belongs solely to the state of California.

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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1. Nature of Organization and Significant Accounting Policies – Continued

Financial Statement Presentation and Basis of Accounting

The Program maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Program is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions based on stipulations made by the donor. Net assets that are not subject to donor-imposed restrictions including the carrying value of all property and equipment are recorded as net assets without donor restrictions. Items that affect (i.e., increase or decrease) this net asset category include program revenue and related expenses associated with the core activities of the Program. In addition to these exchange transactions, changes to this category of net assets include investment income and contributions without donor restrictions. The Program had no net assets with donor restrictions as of December 31, 2018.

Property and Equipment

The Program follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. Donated property and equipment are stated at cost or estimated fair value at time of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives as stated below. For the year ended December 31, 2018, the estimated useful lives of computer equipment is three years.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Revenue from carpet recovery assessments is recognized during the calendar quarter the carpeting is sold by a manufacturer that is a participant in the Plan. Manufacturers report their sales on a quarterly basis. Reports and payments are due within 30 days following the close of each quarter. The assessment is \$.35 per square yard. The carpet stewardship assessment is added to the wholesale price of carpet, and it is passed through until it reaches the retail consumer.



THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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1. Nature of Organization and Significant Accounting Policies – Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to both program and supporting function. Therefore, some expenses require allocation on a basis that is reasonable based on the nature of each category. The expenses that are allocated include salaries and wages, benefits and payroll taxes, collection program, communications (E&O), professional services, legal expenses, facilities, leases, program travel expenses, bank service charges, dues and subscriptions, office expenses, telephone insurance and miscellaneous.

Cash and Cash Equivalents and Concentration of Credit Risk

Cash and cash equivalents are comprised of demand deposit accounts. For purposes of the statements of cash flows, the Program considers all short-term, interest-bearing deposits with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of deposits with one financial institution as of December 31, 2018. The balances in the Program's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the Program's cash balances did not exceed the FDIC's insured limits.

New Accounting Policy

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-For-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The guidance requires retrospective application. The Program adopted this guidance for the year ended December 31, 2018. The new accounting policy did not affect net assets.

2. Liquidity and Availability of Financial Assets

The Program is substantially supported by assessments collected from mill members. Consistent with California law, the assessment per unit of carpet sold in the state of California is an amount that cumulatively will adequately fund the plan. The Program does not have any income with donor restrictions. Accordingly, related financial assets are all available to the Program for its general expenditures. General expenditures may be incurred for program or administrative purposes.



THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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2. Liquidity and Availability of Financial Assets – Continued

The Program's financial assets at December 31, 2018 available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

Cash and cash equivalents	\$	13,461,519
Assessments receivable		<u>4,959,485</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>18,421,004</u>

The Program structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition to financial assets available to meet general expenditures over the next twelve months, the Program operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Program's operating cash and shows cash provided by operations for the fiscal year.

3. Assessments Receivable, Net

Assessments receivable consists of carpet recovery assessments due from Plan participants. As of December 31, 2018, management has established an allowance for doubtful accounts of \$175,502, a result of one of the member mills' bankruptcy claim filed in 2017. The remaining accounts receivable are considered collectible in full and no additional allowance is deemed necessary.

4. Commitments and Contingencies

During the year ended December 31, 2018, the Sustainable Funding Oversight Committee (SFOC) allocated \$3,499,182 to support grants. The actual amount of reimbursements is expected to differ from the authorized amounts depending on the number of applicants, projects selected, changes in project scope, and grantees' ability to meet contract obligations. As of December 31, 2018, \$3,141,149 remains committed for the grants committed during the year ended December 31, 2018.

CalRecycle has presented an accusation covering CARE's performance during fiscal years 2013, 2014 and 2015. CalRecycle sought penalties in the amount of \$182,500, \$1,460,000, and \$1,642,500 from CARE for the three years in question, totaling \$3,285,000. Initial litigation at the administrative level has concluded with a finding against CARE of \$182,500, \$273,750, and \$365,000 for a total of \$821,250. CARE has rejected this ruling and filed an appeal with the State of California.

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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4. Commitments and Contingencies – Continued

CalRecycle has also made an accusation against CARE for fiscal year 2016. CalRecycle is seeking a penalty of approximately \$1,800,000. A preliminary ruling has been issued to reduce the penalty to \$750,000. This ruling has been rejected by CalRecycle and is currently in appeal with the State of California.

The Program's liability under the above referenced litigation remains unknown as of the date of issuance of these financial statements. Therefore, no amounts have been recorded in the accompanying financial statements.

5. Related Parties: Industry Affiliate and Other

The Program is administered by the Carpet America Recovery Effort, Inc. (known by the trade name "CARE"). CARE was established in 2002 to represent the carpet industry's effort to support market-based carpet recycling solutions. CARE is a not-for-profit, 501(c)(3) organization that was formed to oversee and enable market-based solutions for the recovery and recycling of post-consumer carpet.

To participate in the Program, manufacturers and retailers must maintain a membership in good standing with CARE. Recyclers who wish to receive disbursements must also maintain a membership in good standing to receive funds.

The primary organizer of CARE was the Carpet and Rug Institute, Inc. (known by the trade name "CRI"). CRI is a 501(c)(6) organization and is the primary trade group of the carpet industry. CRI initiated CARE's organization as the entity to represent, promote the industry's carpet recycling efforts and to manage the industry's recycling programs. CARE was created in dialog with the U.S. Environmental Protection Agency (EPA), several States, non-governmental organizations (NGOs), and carpet industry members as a result of a Memorandum of Understanding signed January 8, 2002.

CRI acts as an advocate of the carpet industry and actively works on representing its interest on legislative, regulatory, and judicial issues at the federal, state, and local levels. CRI played an active role in the development of the AB2398 legislation in California, and actively lobbies for the carpet industry in other states considering similar product stewardship or extended producer responsibility (commonly referred to as EPR) legislation.

CARE and CRI share one common non-voting director and facilities and they provide administrative and technical support to each other and the Program.

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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5. Related Parties: Industry Affiliate and Other – Continued

Under the carpet stewardship laws, CARE is allowed to be reimbursed for costs it incurs administering its Carpet Stewardship Plan. Costs incurred directly by the Program are paid from Program funds. Shared labor and other costs of the Program and CARE are systematically allocated and periodically settled. These shared labor costs totaled \$639,184 for the year ended December 31, 2018.

The Program has accounts payable of \$72,911 due to CARE as of December 31, 2018 for expense paid by CARE but incurred by the Program.

Some of the members of the Board of Directors work for various organizations that receive subsidies from the Program. Management does not believe the risk of undue influence associated with these relationships is significant.

6. Concentrations

For the year ended December 31, 2018, three carpet manufacturers accounted for approximately 78% of the carpet recovery assessments. These manufacturers also accounted for 77% of assessments receivable at December 31, 2018.

7. Subsequent Events

Management has evaluated events and transactions which occurred through August 13, 2019, which was the date the financial statements were available to be issued. On February 19, 2019, CalRecycle approved CARE's revised 5-year Plan for the California Program for 2018-2022. CARE's expired Plan continued in force until this date. The new Plan takes effect the day of approval. There are no other significant subsequent events requiring recognition or disclosure in the financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
of The California Carpet Stewardship Program:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The California Carpet Stewardship Program, (the Program), which comprise the statements of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated August 13, 2019.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* except for the CalRecycle accusations included in Note 4 of the Program's financial statements.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brooks, McInnis & Company, LLC*

Atlanta, Georgia  
August 13, 2019

THE CALIFORNIA CARPET STEWARDSHIP PROGRAM  
 SCHEDULE OF FINDINGS AND RESPONSES  
 DECEMBER 31, 2018

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**Section I – Summary of Audit Results**

<b>Financial Statements:</b>	Unmodified
Internal Control over Financial Reporting:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiencies identified that are not considered to be material weaknesses?</li> </ul>	No
Noncompliance material to financial statements noted?	None noted
	No

**Section II – Financial Statement Findings**

No findings to report in this section.

**Section III – Compliance Findings**

There were no instances of noncompliance or other matters to disclose expect for the CalRecycle accusations included in Note 4 of The California Carpet Stewardship Program’s financial statements.





INDEPENDENT AUDITOR'S REPORT  
ON STATE COMPLIANCE REQUIREMENTS

To the Board of Directors of  
The California Carpet Stewardship Program  
100 S. Hamilton Street  
Dalton, GA 30720

**Compliance**

We have audited Carpet America Recovery Effort Inc.'s (CARE) compliance with the requirements specified in the State of California's Code of Regulations, Title 14, Division 7, Chapter 11, Article 1 applicable to CARE's statutory requirements identified below for the year ended December 31, 2018.

We have also audited the basic financial statements of The California Carpet Stewardship Program (the Program) as of and for the year ended December 31, 2018 and have issued our report thereon dated August 13, 2019.

Both audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

CARE's management is responsible for the Program compliance with laws and regulations. In connection with our audits referred to above, we selected and tested transactions and records to determine compliance with state laws and regulations applicable to CARE's program.

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**Auditor’s Responsibility**

Our responsibility is to express an opinion on CARE’s compliance based on our audit. We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State of California’s Code of Regulation, Title 14, Division 7, Chapter 11, Article 1 applicable to CARE’s statutory requirements. Those standards and the State of California’s Code of Regulations require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the statutory requirements listed below occurred. An audit included examining, on a test basis, evidence about CARE’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of CARE’s compliance with those requirements.

In connection with the audit referred to above, we selected and tested transaction and records to determine CARE’s compliance with state laws and regulations including, but not limited to, the following applicable items:

Description		Audit Procedures Performed	Complied
List each compliance requirement		(Yes/No)	(Yes/No)
<b>Performance Goals and Activities:</b>			
Measurement methods accurately identify:			
a.	Amount of California carpet that is diverted from landfills.	Yes	Yes
b.	Amount of California carpet that is processed into a new commodity.	Yes	Yes
c.	That California carpet is managed in a manner consistent with the state’s waste management hierarchy.	Yes	Yes
d.	Amount of California carpet discarded each year (estimated using a formula based on sales). Assumption used in the formula are appropriate for California.	Yes	Yes

Description	Audit Procedures Performed	Complied
List each compliance requirement	(Yes/No)	(Yes/No)
<b>Financing Mechanisms</b>		
a.	Assessments are paid to CARE on all carpet sold in the state of California at the rate indicated in the Plan (i.e., 5 or 10 cents per sq. yd).	Yes
b.	The assessments collected for the Program are only spent on the program.	Yes
c.	The payments are accurately presented by categories found in the Regulations, Section 18944 (7). Annual Report Compliance Criteria, Financing Mechanism.	Yes
d.	The annual report accurately presents information.	Yes
<b>Program Performance Measurement</b>		
a.	Applicants applying for incentive payments submit documentation as required in the Plan (and Agreed Upon Procedures) that are in place at the time documents are submitted.	Yes
b.	CARE is tracking information needed to include in Annual Report per regulations Section 18944.	Yes
c.	CARE's practices support a level playing field among those requesting Program funds.	Yes
d.	CARE has a method to determine the effectiveness of educational and outreach activities that is appropriate for use in California.	Yes

**Opinion**

In our opinion, CARE complied, in all material respects, with the compliance referred to above that are applicable to the statutory requirements listed above for the year ended December 31, 2018.

This report is intended solely for the information of the Board of Directors of the Carpet America Recovery Effort, Inc. and CalRecycle and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Brooks, McElinnis & Company, LLC*

Atlanta, GA  
August 13, 2019



August 13, 2019

To the Board of Directors of  
The California Carpet Stewardship Program  
100 S. Hamilton Street  
Dalton, GA 30720

We have audited the financial statements of The California Carpet Stewardship Program (the Program), for the year ended December 31, 2018 and have issued our report thereon dated August 13, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Program are described in Note 1 to the financial statements.

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires retrospective application. The Program adopted this guidance for the year ended December 31, 2018. This new accounting policy did not affect net assets.

We noted no transactions entered into by the Program during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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The Board of Directors of  
The California Carpet Stewardship Program  
August 13, 2019  
Page Two

**Significant Audit Matters – Continued**

***Qualitative Aspects of Accounting Practices – Continued***

- The functional expense category allocations for benefited program or supporting service.
- The depreciable lives of fixed assets.
- The allowance for uncollectible accounts receivable.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure in Note 2 concerning liquidity and availability of financial assets to fund future general expenditures and the Program's management of cash flow to meet financial obligations in the next twelve months.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



The Board of Directors of  
The California Carpet Stewardship Program  
August 13, 2019  
Page Three

### **Significant Audit Matters – Continued**

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated August 13, 2019.

#### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Program’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Program’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

In planning and performing our audit of the financial statements of The California Carpet Stewardship Program (the Program) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Program’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Program’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Program’s financial statements will not be prevented, or detected and corrected, on a timely basis.

The Board of Directors of  
The California Carpet Stewardship Program  
August 13, 2019  
Page Four

**Other Matters – Continued**

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

During the audit we became aware of certain matters involving internal controls that are opportunities and suggestions for strengthening internal controls, improving operating efficiency and/or reducing expenses.

***Expense Allocation Methodology***

During our audit, we noted that there were no documented procedures regarding the allocation of salaries and other shared expenses. We recommend that the expense allocation methodology is documented in writing and is evaluated and updated annually.

This information is intended solely for the use of The California Carpet Stewardship Program and management of the Program and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Brooks, MacFinnis & Company, LLC*

CARPET AMERICA RECOVERY EFFORT, INC.

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018

CARPET AMERICA RECOVERY EFFORT, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Carpet America Recovery Effort, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of Carpet America Recovery Effort, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carpet America Recovery Effort, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Brooks, McInnis & Company, LLC*

Atlanta, Georgia  
June 18, 2019



CARPET AMERICA RECOVERY EFFORT, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 407,774
Accounts receivable, net	33,738
Due from related parties	112,938
Prepaid expenses	7,203
Total current assets	<u>561,653</u>
Computer equipment	25,401
Less accumulated depreciation,	<u>(18,653)</u>
Computer equipment, net	<u>6,748</u>
Total assets	<u>\$ 568,401</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 23,444
Accrued liabilities	62,619
Deferred revenue	3,000
Total current liabilities	<u>89,063</u>
Total liabilities	<u>89,063</u>
Commitments and contingencies	
Net assets:	
Net assets without donor restrictions	<u>479,338</u>
Total liabilities and net assets	<u>\$ 568,401</u>

The accompanying notes are an integral part of these financial statements.

CARPET AMERICA RECOVERY EFFORT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

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Revenues and support without donor restrictions:	
CARE membership dues	\$ 325,550
CARE conferences	66,600
In-kind contributions	167,285
Interest income	<u>2,773</u>
Total revenues and support without donor restrictions	<u>562,208</u>
Expenses:	
Program expenses	584,463
Administrative expenses	<u>152,891</u>
Total expenses	<u>737,354</u>
Decrease in net assets without donor restrictions	<u>(175,146)</u>
Net assets at beginning of year	<u>654,484</u>
Net assets at end of year	<u>\$ 479,338</u>

The accompanying notes are an integral part of these financial statements.

CARPET AMERICA RECOVERY EFFORT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	General & Administrative	Total Expenses
Salaries and benefits	\$ 234,320	\$ 85,261	\$ 319,581
Payroll taxes	29,217	6,327	35,544
Consultants and contract labor	44,863	16	44,879
Research and development	84,000	-	84,000
Travel expense	54,135	6,015	60,150
CARE annual meeting	30,078	3,117	33,195
Meeting support	14,045	1,455	15,500
Board meetings	9,633	1,243	10,876
Web support	13,060	-	13,060
Accounting expense	-	20,500	20,500
Bank processing fees	6,255	705	6,960
Dues and subscriptions	2,953	984	3,937
Membership programs	964	-	964
Printing and mailing	1,852	-	1,852
Advertising	4,411	-	4,411
Office supplies	727	242	969
Taxes and licenses	43	6	49
Legal fees	793	88	881
Information technology	2,445	2,445	4,890
General insurance bond	604	605	1,209
Facilities	19,856	19,856	39,712
Leases	1,149	3	1,152
Plastics and market development	4,800	-	4,800
Board member expenses	10,659	1,105	11,764
Marketing and trade shows	7,690	-	7,690
Telephone	2,497	2,496	4,993
Discretionary funds	-	422	422
Total expenses before depreciation	581,049	152,891	733,940
Depreciation	3,414	-	3,414
	<u>\$ 584,463</u>	<u>\$ 152,891</u>	<u>\$ 737,354</u>

The accompanying notes are an integral part of these financial statements.

CARPET AMERICA RECOVERY EFFORT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

Cash flows from operating activities:	
Change in net assets	\$ <u>(175,146)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	3,414
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable, net	(25,548)
Due from related parties	(18,677)
Prepaid expenses	2,345
Increase (decrease) in:	
Accounts payable	7,061
Accrued liabilities	6,911
Deferred revenue	<u>1,000</u>
Total adjustments	<u>(23,494)</u>
Net cash used in operating activities	<u>(198,640)</u>
Cash flows from financing activities:	
Purchases of computer equipment	<u>(5,506)</u>
Net cash used in financing activities	<u>(5,506)</u>
Net decrease in cash and cash equivalents	(204,146)
Cash and cash equivalents at beginning of year	<u>611,920</u>
Cash and cash equivalents at end of year	<u>\$ <u>407,774</u></u>

The accompanying notes are an integral part of these financial statements.

CARPET AMERICA RECOVERY EFFORT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

1. Nature of Organization and Significant Accounting Policies

Organization

The Carpet America Recovery Effort, Inc. (known by the trade name "CARE") (the Organization) is a non-profit organization that was formed to encourage and oversee market based solutions for the recycling of post-consumer carpet.

Interested parties can join CARE as members by paying dues. Membership allows participation in the Organization's programs.

To achieve its goals, CARE sponsors events and conferences that bring together stakeholders in the carpet recycling industry. CARE also produces educational programs to help the public understand carpet recycling. A part of its educational program is the Organization's website, [www.carpetrecovery.org](http://www.carpetrecovery.org).

CARE is also the "Carpet Stewardship Organization" (CSO) under California law whereby its administers the Organization's "Carpet Stewardship Plan" (the Plan). As the CSO, CARE acts as a fiduciary of funds collected from the sale of carpeting in California through the carpet stewardship assessment and administers disbursements in accordance with the Plan. Similar legislation has been proposed in other states.

CARE is the stewardship organization for the Carpet and Rug Institute, Inc.'s (CRI) Voluntary U.S. Product Stewardship Program for Post-Consumer Carpet (VPS). VPS is a voluntary, nationwide program to support the carpet sorting network for diversion of post-consumer carpet from landfills. As the steward, CARE acts as a fiduciary of CRI's grant funds and administers disbursements in accordance with the program guidelines.

Financial Statement Presentation and Basis of Accounting

The Organization maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions based on stipulations made by the donor. Net assets that are not subject to donor-imposed restrictions including the carrying value of all property and equipment are recorded as net assets without donor restrictions. Items that affect (i.e., increase or decrease) this net asset category include program revenue and related expenses associated with the core activities of the Organization. In addition to these exchange transactions, changes to this category of net assets include investment income and contributions without donor restrictions. The Organization had no net assets with donor restrictions as of December 31, 2018.

CARPET AMERICA RECOVERY EFFORT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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1. Nature of Organization and Significant Accounting Policies – Continued

In-kind Contributions – Donated Services, Materials and Facilities

Non-cash gifts are recorded at their estimated fair value at the date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain amounts have been recognized in the financial statements for donated services, material and facilities, as described in Note 4.

Revenue Recognition

Revenue from membership dues is recognized over the course of the membership period. Revenues from conference events are recognized at the time of the event.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. Donated property and equipment are stated at cost or estimated fair value at time of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives as stated below. For the year ended December 31, 2018, the estimated useful lives of computer equipment including completer software is three years.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), as amended, and classified by the Internal Revenue Service as other than a private foundation. The Organization is subject to tax on unrelated business income, net of expenses, if any. There was no unrelated business income tax for the year ended December 31, 2018. Management believes that it has appropriate support for any tax positions taken by the Organization, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's income tax returns are subject to examination by the appropriate regulatory authorities for all open years, which include the last three years.



CARPET AMERICA RECOVERY EFFORT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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1. Nature of Organization and Significant Accounting Policies – Continued

Advertising Expense

Advertising costs are expensed as incurred. For the year ended December 31, 2018, advertising expense totaled \$4,411.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to both program and supporting function. Therefore, some expenses require allocation on a basis that is reasonable based on the nature of each category. The expenses that are allocated include salaries and benefits, payroll taxes, consultants and contract labor, travel expense, CARE annual meeting, meeting support, board meetings, bank processing fees, dues and subscriptions, office supplies, taxes and licenses, legal fees, information technology, general insurance bond, facilities, leases, board member expenses and telephone.

Cash and Cash Equivalents and Concentration of Credit Risk

Cash and cash equivalents are comprised of demand deposit accounts. For purposes of the statements of cash flows, the Organization considers all short-term, interest-bearing deposits with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of deposits with two financial institutions as of December 31, 2018. The balances in the Organization's bank accounts, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the Organization's cash balances did not exceed the FDIC's insured limits.

New Accounting Policy

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-For-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The guidance requires retrospective application. The Organization adopted this guidance for the year ended December 31, 2018. The new accounting policy did not affect net assets.

CARPET AMERICA RECOVERY EFFORT, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

2. Liquidity and Availability of Financial Assets

The Organization is substantially supported by membership revenue, conference revenues, and in-kind contributions. The Organization does not have any income with donor restrictions. Accordingly, related financial assets are all available to the Organization for its general expenditures. General expenditures may be incurred for program or administrative purposes.

The Organization's financial assets at December 31, 2018 available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

Cash and cash equivalents	\$	407,774
Accounts receivable		33,738
Due from related parties		<u>112,938</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>554,450</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Organization's operating cash and shows cash used in operations for the fiscal year.

3. Accounts Receivable, Net

Accounts receivable of \$33,738 at December 31, 2018 consists of dues owed from members. The Organization believes the full amount will be collectible and therefore no allowance for doubtful accounts has been recorded at December 31, 2018.

4. Donated Services, Materials and Facilities

Donated services, materials, and facilities are included in in-kind contributions revenue in the accompanying statement of activities, and are summarized as follows for the year ended December 31, 2018:

Salaries	\$	110,351
Facilities		51,650
Administrative		<u>5,284</u>
Total donated services, materials and facilities	\$	<u>167,285</u>

CARPET AMERICA RECOVERY EFFORT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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4. Donated Services, Materials and Facilities – Continued

A portion of the in-kind contributions benefit the California Program. Therefore, salary expenses and facilities expenses of \$53,953 and \$17,222, respectively, were reimbursed to CARE by the California Program. These amounts are not reported in expenses in the accompanying financial statements.

5. Retirement Plan

The Organization maintains a defined contribution 401(k) plan for all employees meeting minimum service and age requirements. Employee contributions to the plan are deducted from gross salaries before they are taxed. The Organization matches contributions up to 5%. The Organization also funds a 3% Safe Harbor above the match. The total expense under the plan for the year ended December 31, 2018 was \$12,176.

6. Commitments and Contingencies

In July 2017, the Board committed \$150,000, \$50,000 per year for three years, to support North Carolina State University's Nonwovens Institute to research processes that could utilize PET, a fiber type used in carpet manufacturing. The final \$50,000 payment is expected to be made in 2019.

CalRecycle, a California state agency, is seeking to penalize CARE for the California Carpet Stewardship Program's (the Program) failure to achieve recycling goals.

CalRecycle has presented an accusation covering CARE's performance during fiscal years 2013, 2014 and 2015. CalRecycle sought penalties in the amount of \$182,500, \$1,460,000, and \$1,642,500 from CARE for the three years in question, totaling \$3,285,000. Initial litigation at the administrative level has concluded with a finding against CARE of \$182,500, \$273,750, and \$365,000 for a total of \$821,250. CARE has rejected this ruling and filed an appeal with the State of California.

CalRecycle has also made an accusation against CARE for fiscal year 2016. CalRecycle is seeking a penalty of \$1,800,000. A preliminary ruling has been issued to reduce the penalty to \$750,000. This ruling has been rejected by CalRecycle and is currently in appeal with the State of California.

The Organization's liability under the above referenced litigation remains unknown as of the date of issuance of these financial statements. Therefore, no amounts have been recorded in the accompanying financial statements.

CARPET AMERICA RECOVERY EFFORT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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7. Related Parties: Industry Affiliate and Other

The primary organizer of CARE was the Carpet and Rug Institute, Inc. (known by the trade name "CRI"). CRI is a 501c(6) organization under the Internal Revenue Code and one of the primary trade groups of the carpet industry.

CRI initiated CARE's organization to represent and to promote the industry's carpet recycling efforts and manage the industry's recycling programs.

CRI acts as an advocate of the carpet industry and actively works to represent its interest in legislative, regulatory, and judicial issues at the federal, state, and local levels. CRI played an active role in the development of the current legislation in California, and actively lobbies for the carpet industry in other states considering similar product stewardship or extended producer responsibility (commonly referred to as EPR) legislation.

CARE is reimbursed for costs it incurs from Carpet and Rug Institute, Inc. (CRI) for administration of the Voluntary U.S. Products Stewardship Program (VPS). CARE is also reimbursed for costs it incurs as the Carpet Stewardship Organization under the California Carpet Stewardship Plan. Due from related parties consists of amounts due to CARE from CRI and the California Carpet Stewardship Program (the California Program) as of December 31, 2018. On December 31, 2018, the amount due to CARE from CRI and the California Program was \$40,027 and \$72,911, respectively.

CRI shares one common non-voting director and facilities and also provides administrative and technical support to CARE. CARE recognizes this support as in-kind contributions. The amount of this support totaled \$167,285 for the year ended December 31, 2018.

CARE is allowed to be reimbursed for costs it incurs administering the California Program. Costs incurred directly by the Plan are paid from the California Program funds. Shared labor and other costs of the California Program and CARE are systematically allocated and periodically settled. The California Program reimbursed CARE a total of \$639,184 for the year ended December 31, 2018.

To participate in CARE's California Carpet Stewardship Plan, membership in CARE is required. Additionally, member organizations can also pay a premium to obtain a seat on the Board of Directors. For the year ended December 31, 2018, all Board members have paid this premium.

Under the VPS program, CARE is allowed to be reimbursed for costs it incurs administering the program. Costs incurred directly by the program are paid from VPS funds. Shared labor costs of VPS and CARE are systematically allocated and periodically settled. VPS reimbursed CARE a total of \$69,425 for the year ended December 31, 2018. Membership in CARE is required to participate in the VPS program.



CARPET AMERICA RECOVERY EFFORT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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8. Concentrations

Approximately 53% of CARE membership dues were received from 9 members for the year ended December 31, 2018.

9. Subsequent Events

Management has evaluated events and transactions which occurred through June 18, 2019, which was the date the financial statements were available to be issued. On February 19, 2019, CalRecycle approved CARE's revised 5-year Plan for the California Program for 2018-2022. CARE's expired Plan continued in force until this date. The new Plan takes effect the day of approval. There are no other significant subsequent events requiring recognition or disclosure in the financial statements.

CARPET AMERICA RECOVERY EFFORT, INC.



REPORT TO THE BOARD OF DIRECTORS AND MANAGEMENT

DECEMBER 31, 2018





June 18, 2019

To the Board of Directors of  
 Carpet America Recovery Effort, Inc.  
 100 S. Hamilton Street  
 Dalton, GA 30720

In planning and performing our audit of the financial statements of Carpet America Recovery Effort, Inc. (CARE) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered CARE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CARE's internal control. Accordingly, we do not express an opinion on the effectiveness of CARE's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of CARE's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

During the audit we became aware of certain matters involving internal controls that are opportunities and suggestions for strengthening internal controls, improving operating efficiency and/or reducing expenses. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters for your consideration.

This communication is intended solely for the information and use of Carpet America Recovery Effort, Inc. and management of CARE, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Brooks, McGinnis & Company, LLC*

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CARPET AMERICA RECOVERY EFFORT, INC.  
REPORT TO THE BOARD OF DIRECTORS AND MANAGEMENT  
DECEMBER 31, 2018

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Effective internal control in an organization helps ensure that information is complete and accurate, financial statements are reliable and helps to reduce the risk of asset losses. When internal control is effective, management of the organization has reasonable assurance that financial reporting is accurate. During our audit we observed that the overall financial and organizational teams at Carpet America Recovery Effort, Inc. are among the very best we have the privilege to work with.

We have included below a matter involving internal controls that is an opportunity and suggestion for strengthening internal controls even further and improving operating efficiency.

**Expense Allocation Methodology**

During our audit, we noted that there were no documented procedures regarding the allocation of salaries and other shared expenses. We recommend that the expense allocation methodology is documented in writing and is evaluated and updated annually.



June 18, 2019

To the Governing Board of  
The Carpet America Recovery Effort, Inc.  
100 S. Hamilton Street  
Dalton, GA 30720

We have audited the financial statements of the Carpet America Recovery Effort, Inc. (CARE) for the year ended December 31, 2018, and has issued our report thereon dated June 18, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 18, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CARE are described in Note 1 to the financial statements.

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires retrospective application. CARE adopted this guidance for the year ended December 31, 2018. This new accounting policy did not affect net assets.

We noted no transactions entered into by CARE during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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The Governing Board of  
The Carpet America Recovery Effort, Inc.  
June 18, 2019  
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***Qualitative Aspects of Accounting Practices – Continued***

**Significant Audit Matters – Continued**

- The functional expense category allocations for benefited program or supporting service.
- The depreciable lives of fixed assets.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure in Note 2 concerning liquidity and availability of financial assets to fund future general expenditures and CARE's management of cash flow to meet financial obligations in the next twelve months.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 18, 2019.



The Governing Board of  
 The Carpet America Recovery Effort, Inc.  
 June 18, 2019  
 Page Three

**Significant Audit Matters – Continued**

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to CARE’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CARE’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Adoption of New Nonprofit Accounting Standards***

The Financial Accounting Standards Board has issued new accounting standards updates (ASU) which will impact the financial statements of nonprofits. Below is a brief summary of these new updates and effective dates for the Organization. We will work with the management team of CARE to determine the impact of these standards, if any, on the Organization’s financial statements.

***ASU 2015-14: Revenue from Contracts with Customers***  
*Effective fiscal years beginning after December 15, 2018*

- AICPA Not-for-Profit Revenue Recognition Tax Force is evaluating implementation, including government grants and tuition
- Accounting for contributions and investment income will not be impacted

***ASU 2016-02: Leases***  
*Effective fiscal years beginning after December 15, 2019*

- All leases will be presented on the balance sheet as liabilities with related assets

This information is intended solely for the use of the Carpet America Recovery Effort, Inc. and management of CARE and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Brooks, McAnnis & Company, LLC*

## 10.15 Definitions

Definitions presented below are included within the AB 2398 statute and/or in the Product Stewardship for Carpet Regulations (November 2011). Revisions presented in this report are underlined. New definitions, as a result of AB 1158 (October 2017) and the associated updates to regulations, program changes, and CalRecycle's approval of CARE's 2018-2022 Plan Update, are noted with an asterisk.\*

**Advisory Committee\***: A mandated committee under AB 1158 to provide comments and recommendations on carpet stewardship plans, amendments to plans, and annual reports.

**AUP (Agreed Upon Procedures)**: A prescribed procedure executed by an external accounting firm or contractor to examine the records of Program participants to verify compliance and prevent fraud.

**Calcium Carbonate**: See *Post-Consumer Carpet Calcium Carbonate (PC4)* below.

**Capacity**: Theoretical maximum volume of carpet discards able to be processed by participating processors in a given year, based on self-reported estimates and/or permitted capacity figures. In line with CalRecycle **FacIT** definitions, Capacity is generally presented in tons per year (TPY). Both pounds per year and TPY are presented in this report.

**Carpet**: A manufactured article that is used in commercial or residential flooring applications as a decorative or functional feature and that is primarily constructed of a top visible surface of synthetic or natural face fibers or yarns or tufts attached to a backing system derived from synthetic or natural materials.

- "Carpet" includes, but is not limited to, a commercial or a residential broadloom carpet or modular carpet tiles.
- "Carpet" does not include a rug, pad, cushion, or underlayment used in conjunction with, or *separately* from, a carpet.

**Carpet America Recovery Effort (CARE)**: A nationwide, 501(c)(3) non-profit organization whose focus is on post-consumer carpet stewardship.

**Carpet as Alternative Fuel (CAAF)**: Fuel that has been produced from source-separated and sorted post-consumer carpet and processed, including (1) extraction of components for recycling if at all possible and (2) size reduction, shredding, and/or blending with coal fines, etc. CAAF is not a type of recycling, but it is a type of diversion



for purposes of this Program. CAAF is an alternative fuel source to other fuel sources such as coal, natural gas, and fuel oil.

**Carpet-Derived Aggregate (CDA):** A potential utilization of recycled output as an alternative to heavy rock and soil for use in geotextiles, road construction or similar civil engineering application; similar to Tire Derived Aggregate (TDA). Examples might include lightweight wall back fill, vibration attenuation, embankment repair, etc.

**Carpet Industry:** The universe of participants involved in the production of carpet, including carpet mills, fiber manufacturers, material suppliers, etc. It includes, but is not limited to, members of the Carpet and Rug Institute (CRI).

**Carpet Mill:** A primary producer of carpet, carpet tiles, or related products covered under the Plan. Also referred to as a *carpet manufacturer*.

**Cement Kiln:** Cement production facility that may use CAAF as a source of energy and/or as an additive for cement production.

**Collected:** Gross collected pounds of California PCC (total includes material that may eventually be sent to landfill). Also referred to as *Gross Collected*.

**Collection:** Any method of consolidating and temporarily storing recovered commercial and/or residential carpet.

**Collector/Sorters:** See *Collector/Sorter Entrepreneur (CSE)* below.

**Collector/Sorter Entrepreneur (CSE):** A business that provides carpet recycling collection services for retailers, disposal sites or other sites. CSEs sort received PCC by material type for third-party reuse, or wholesale to Tier-1 processors for recycling. CSEs do not convert material into recycled output. Also referred to as *Collector/Sorters*.

**Demolition:** Represents the teardown of a building (one-time carpet removal). There is no estimate of percentage of flooring covered by carpet.

**Discards:** Carpet that has completed its lifecycle as a consumer item or is no longer used for its manufactured purpose. Also referred to as *post-consumer carpet materials*.

**Disposal\*:** The management of solid waste through landfill disposal, transformation, or engineered municipal solid waste (EMSW) conversion, at a permitted solid waste facility (per PRC 40192). Under this Plan total pounds of post-consumer carpet sent to landfill, CAAF, kiln, WTE, and incineration are counted as disposal.

**Disposal Diversion:** Carpet removed from the waste stream that was destined for the landfill or incineration for the purpose of reuse, recycling, CAAF, kiln or waste-to-energy.

**Disposal Facility:** Facilities that are licensed and permitted to provide final disposal for the specific wastes they accept, including waste-to-energy, incineration, and landfill.

**Diversion:** “Diversion” or “divert” means activities which reduce or eliminate the amount of solid waste disposed at landfills in a manner consistent with the state's hierarchy for waste management pursuant to Section 40051. (Ref: 14 CCR §18941)

**Diversion (Net):** See *Net Diversion*.

**Diversion (Reported):** See *Reported Diversion*.

**DSC:** Differential Scanning Calorimeter. Analytical testing device for identification of polymer/fiber type based on differential melting points.

**Education/Communication Costs:** Refers to expenses incurred in support of Marketing, Education and Outreach (ME&O) efforts conducted under the existing and extended Plan. Includes the cost of market development promotion, on-the-ground education and outreach support, communications, collateral and materials development, and related expenses, as well as costs related to the California Council on Carpet Recycling.

**End-of-life (EOL) Costs:** Program cost associated with the management of carpet discards from the point when a product is discarded by the consumer or the end of the useful life of the product, whichever occurs first. Costs may include subsidies, incentives or other expenditures related to reuse, recycling, incineration for energy recovery, landfilling and other forms of carpet disposition in line with Program goals. It also includes storage and transportation for the collection drop-off site program.

**Energy Recovery:** Burning carpet in a kiln or waste-to-energy facility or as carpet as alternative fuel (CAAF) to replace other fuels such as coal, natural gas, or fuel oil.

**Entrepreneur:** For the purposes of this report, it is defined as an individual or privately held company that actively, collects, sorts, processes, or manufactures products made from post-consumer carpet. It does not refer to a carpet manufacturer.

**ESJPA:** Environmental Services Joint Power Authority.

**FacIT:** Facility Information Toolbox; a tool developed by CalRecycle to track statewide activities and total capacity, current throughput, and available capacity for each activity on an annual basis. [www2.calrecycle.ca.gov/Docs/107834](http://www2.calrecycle.ca.gov/Docs/107834)

**Filler:** Materials such as calcium carbonate, etc., used in the production of carpet backing.

**Governance Costs:** Includes costs charged by CalRecycle for regulatory oversight of the Program; it is limited to 5% of the aggregate assessments collected for the preceding calendar year.

**Gross Collection (GC):** Estimated pounds of PCC removed from waste stream for reuse, recycle, CAAF, kiln, or WTE, as reported to CARE by Collector/Sorters, prior to processing. This also includes unrecyclable PCC or carpet processing waste that may eventually be sent to landfill. The terms *Recovered* and *Collected* were previously used to describe *Gross Collected*.

**Gross Collection Conversion Rate:** The ratio of gross collections converted into recycled output (RO), expressed as a percentage of gross collections; also referred to as *yield*.

**Implementation Costs:** Includes total expenses associated with Program implementation, as the sum of EOL subsidies, incentives, grants, technical assistance, education/communication costs and program administration costs.

**Incineration:** Complete burning of material to ashes, with no energy recovery, to reduce waste volume.

**In-ground Applications:** (subject to testing protocols): Placing PCC and/or byproducts of carpet at or below the surface of the earth. This application of using PCC must consist of transforming PCC into a useful product, must meet all local government laws and codes, and must be approved by the CARE SPC Definitions Sub Committee. Examples include:

- PC4 when spread or mixed into ground as a soil amendment.
- PC4 in roadbed stabilization.
- Fiber in equestrian arenas, farms, race tracks, etc.
- Fiber from processed PCC used for sediment filtration, water filtration, roadbeds, etc.
- 100% wool carpet or wool fiber (no blends) as soil nutrient or weed control.

**Input\***: The post-consumer carpet that is collected, sorted, and readied for processing.

**Landfilling**: Landfilling includes the placement of post-consumer carpet and/or the residuals from a post-consumer carpet management method into a landfill disposal facility.

**Manufacturer**: A manufacturer of secondary products made with post-consumer carpet content. Manufacturers receive finished (Type 1) recycled output from Tier-1 processors and utilize this material in the production of finished secondary products. At this time, manufacturers are only eligible for subsidy payments if they use non-nylon or nylon 6 Type 1 output. CARE reserves the option to extend the manufacturer subsidy system to nylon-based Type 1 output if market dynamics justify. In this report, secondary manufacturers are referred to as Tier-2 manufacturers.

**Marketing, Education & Outreach (ME&O)**: Communications, education, and/or outreach activities related to Program promotion, technical assistance or stakeholder support for the purpose of increasing Program adoption, impact and/or effectiveness.

**Memorandum of Understanding (MOU) for Carpet Stewardship**: An agreement entered into by multiple stakeholders, including carpet industry, entrepreneurs, government entities and non-governmental organizations.

**Net Diversion\***: Estimated total PCC removed from California landfills for reuse, recycle, CAAF, kiln, WTE, or export. It is calculated as the difference of gross collected pounds minus PCC and process waste pounds that ultimately goes to landfill from Tier-1 processors or CSEs. Based on gross collection being an estimate by the CSEs, Net Diversion is also an estimate.

**Nongovernmental Entities (NGOs)**: Nongovernmental entities or organizations (NGOs).

**PC4**: See Post-Consumer Carpet Calcium Carbonate (PC4) below.

**Plasma**: An extreme thermal process using plasma which converts organic matter into a syngas (synthesis gas), which is primarily made up of hydrogen and carbon monoxide. A plasma torch powered by an electric arc is used to ionize gas and catalyze organic matter into syngas, with slag remaining as a byproduct. It is used commercially as a form of waste treatment and has been tested for the gasification of municipal solid waste, biomass, industrial waste, hazardous waste, and solid hydrocarbons, such as coal, oil sands, petcoke, and oil shale.

**Post-Consumer Carpet Calcium Carbonate (PC4):** (subject to testing protocols): The residual, non-fiber content that is collected by a *Type 1 processor* when a carpet is separated. This is typically in the form of a powder, which is associated with the “ash content” when an ash test is performed. The substance can be a high PC4 product or a mix that could include coal fly ash, cured adhesives, and some residual fibers. Because of the carpet manufacturing processes, PC4 in PCC processing will always have residual latex or other backing binder.

**Post-Consumer Carpet (PCC) Materials:** Carpet that has completed its lifecycle as a consumer item or is no longer used for its manufactured purpose. Also referred to as *discards*.

**Post-Industrial/Pre-Consumer Carpet Material:** Carpet materials generated in manufacturing and conversion processes, including, but not limited to, manufacturing scrap and trimmings/cuttings.

**Processing:** Preparing carpet material for reuse, recycling, CAAF, WTE, or disposal. Is meant to refer to some form of mechanical or chemical processing beyond cutting flats, sorting or baling whole carpet.

**Processor:** Qualified recipient participating under the Plan, that use industry-recognized processes such as shredding, grinding, sheering, depolymerization, etc., to convert discarded whole carpet into finished (Type 1 or Type 2) recycled output, ready to be utilized as an input material for secondary products. In this report, processors are referred to as Tier-1 processors. Some processors may also function as collector/sorter entrepreneurs or Tier-2 manufacturers.

**Program Administrative Costs:** All non-subsidy Program expenses, including accounting, legal services, CARE facilities and operational expenses, staffing/contractor expenses, professional services, and marketing, education, and outreach activities. Program administration also includes service payments (governance costs) to CalRecycle for Program oversight.

**Pyrolysis:** A thermochemical decomposition of organic material in the absence of oxygen (or any halogen). It involves the simultaneous change of chemical composition and physical phase and is irreversible. Pyrolysis is a type of thermolysis and is most commonly observed in organic materials.

**RCRC:** Rural County Representatives of California, a 35-member county service organization that champions policies on behalf of California’s rural counties.

**Recovered:** Gross collected pounds of California PCC (this includes unrecyclable PCC carpet or carpet processing waste that may eventually be sent to landfill). Also referred to as *Gross Collection*.

**Recyclability:** Refers to how easily carpets can be separated into their component parts and ultimately recycled. Yield is used as the primary metric to measure changes in recyclability. See also *Yield*.

**Recycled Content:** Also known as recovered material content, it is the percentage of material, by weight, a product is made from that has been recovered from consumers in the municipal solid waste stream (post-consumer recycled content) plus any industrial materials salvaged for reuse (pre-consumer/post-industrial content).

- **Post-Consumer Recycled Carpet Content (PCRCC):** The amount or percent of carpet, by weight, that is no longer used for or has served its manufactured purpose, that is incorporated into the manufacturing process of the same or a different product.
- **Post-Industrial/Pre-Consumer Recycled Carpet Content:** The amount or percent of carpet material, by weight, generated by manufacturers or product converters, such as trimming, overruns and products returned to the Carpet Mills that are incorporated back into the manufacturing process of the same or a different product.

**Recycled Output (RO):** The sum of reuse or the material that results from the industry- recognized processing (shredding, shearing, hammer-milling, depolymerization, etc.) of PCC from a processor. Examples of recycled output include fiber, shredded carpet tile, depolymerized chemical components, carpet filler, PC4, etc. The Program currently distinguishes between two types of material:

- **Type 1 Recycled Output Material:** Higher value recycled output with the most benefits to manufacturers of finished products and which generally takes more processing to achieve. Type 1 recycling materials must meet requirements set by the CARE SFOC. This includes maximum allowable ash content requirements, which are presently set at 25% or less and verified with quarterly ash testing in line with CARE-approved testing protocols. Examples of Type 1 recycling materials include PCC fiber, PCC backing, engineered resins, and material for carpet cushion.
- **Type 2 Recycled Output Material:** Lower-valued recycled output with generally lower benefit to manufacturers of finished products and a lower value than Type 1 recycling materials. Type 2 recycling materials exceed 25% ash content in line with CARE-approved testing protocols. Examples of Type 2 recycling materials include carpet filler and non-functional filler.



**Recycling:** Transforming or remanufacturing discarded carpet materials into usable or marketable materials, rather than for landfill disposal, incineration, WTE, CAAF, or reuse.

**Recycling Rate:** The proportion of carpet discards converted into recycled output, expressed as a percentage of carpet discards. The Program's recycling rate goal is 16% by 2016 and 24% by 2020.

**Reported Diversion:** The sum of reported PCC removed from California landfills. It is calculated as the sum of reported pounds of reuse + recycled output (Type 1 + Type 2) + CAAF + Kiln + Carcass + Cushion + Export + WTE.

**Reuse:** The donation or sale of recovered carpet back into the market for its original intended use. The reuse of recovered carpet retains the original purpose and performance characteristics of the carpet.

**Rug:** A loose laid (not installed or attached at wall base) soft floor covering manufactured from natural or synthetic fiber, including carpet cut into room or area dimensions that is not intended to cover the entire floor.

**Rural County:** California counties that meet the CalRecycle definition of rural: "A rural county is defined as a county which disposes of less than 200,000 tons of waste annually." (PRC 40183-4)

**SFOC:** Sustainable Fund Oversight Committee of CARE.

**Sorting:** The method used for segregating collected carpet into the various backing types (PVC, SBR Latex, etc.) and/or fiber types (e.g., Nylon 6, Nylon 6,6, polypropylene and polyester).

**Source Reduction:** The result of using less product or material in manufacturing and use of carpet, and/or reducing the amount of discarded carpet generated.

**Source Separation:** The process by which carpet is separated/segregated from all other materials at the end of its useful life (or when discarded).

**SPC:** Stewardship Planning Committee of CARE.

**Throughput:** Consistent with the **FacIT** system definition, *throughput* means the total amount of material actually received at a facility, in tons per year for a specific activity in a given year, equal to gross collections. Throughput is presented in combination with a summary of final disposition data for gross collected discards managed by participating processors and collector/sorter entrepreneurs.

**Tier:** Distinguishes end market uses of PCC Recycled goods. Where the term *Type* distinguishes between the level of processing of PCC, *Tier* is used to differentiate the end product applications that may or may not need incentives to facilitate their adoptions. Examples of Tier-2 finished products from Type 1 PCC fibers: depoly, fiber pad, home insulation batting, plastic lumber, engineered pellet, and non-woven filtration waddles.

**Type:** See *Recycled Output (RO)* above.

**Waste-to-Energy:** Process of recovering thermal energy from solid waste through combustion.

**Yield:** The ratio of gross collections converted into recycled output, expressed as a percentage of gross collections; also referred to as *gross collection conversion rate*.

## 10.16 CARE Response to CDFA Regarding Agricultural Use of Calcium Carbonate



June 7, 2018

Martin Burger PhD  
Senior Environmental Scientist  
CA Dept. of Food and Agriculture  
Inspection Services Division  
Feed, Fertilizer and Livestock Drugs Regulatory Services

Re: Complaint against CARE [PC4 CDFA]

Dear Dr. Burger:

This letter is in response to your email of May 30 requesting CARE to provide assurances on CARE's letterhead stating the following:

- CARE will not distribute unregistered calcium carbonate as a fertilizing material to growers.
- CARE will continue to fund research for agricultural use of post-consumer calcium carbonate to ensure efficacy and product safety before submitting a registration application to CDFA for review.
- Experimental use of calcium carbonate funded by CARE will strictly adhere to the provisions stipulated in the California Code of Regulations section 2319.

CARE assures CDFA we will, to the best of our ability, abide by the above provisions. In addition, CARE will issue a notification to all processors making them aware of section 2319 and the need to proceed with proper registration any time the PC4 material is considered in such applications.

To further clarify, CARE does not produce nor distribute PC4. CARE is the Carpet Stewardship Organization responsible for running the program in CA. As such, it is our position that CARE does not need to register PC4, but anyone involved in the production of this byproduct that is then sold and distributed would be required to register the product. As a result, CARE only provides a rebate payment to a PC4 manufacturer after that separate entity has sold or distributed PC4. CARE will assist the CDFA by including language in both our Carpet Stewardship Plan and in our payment request form used by recyclers identifying the need to ensure compliance with federal and state requirements if their product is to be used on an agricultural basis.

I would appreciate any clarification from CDFA's interpretation if necessary.

Sincerely,

A handwritten signature in black ink that reads "Robert Peoples".

Robert Peoples, Ph.D.  
Executive Director, CARE  
214-300-5206  
[bpeoples@carpetrecovery.org](mailto:bpeoples@carpetrecovery.org)

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