

REQUEST FOR APPROVAL

To: Rachel Machi Wagoner
Director

From: Matt Henigan
Deputy Director, Materials Management and Local Assistance
Division

Request Date: January 18, 2022

Decision Subject: Consideration of the Carpet America Recovery Effort 2020
Annual Report

Action By: February 1, 2022

Summary of Request

Carpet America Recovery Effort (CARE) submitted its *California Carpet Stewardship Program 2020 Annual Report* (2020 Annual Report, see Attachment 1) on September 1, 2021, as required by statute. The 2020 Annual Report covers the period January 1, 2020, through December 31, 2020. This Request for Approval presents staff's analysis and recommendation regarding CARE's 2020 Annual Report.

Staff Analysis of CARE's 2020 Program Performance

Pursuant to Public Resources Code (PRC) section 42975, the Department of Resources Recycling and Recovery (CalRecycle) reviewed the 2020 Annual Report to determine whether it demonstrated that CARE achieved the amount and rates of recycling and reduction in disposal of postconsumer carpet, and other goals in its *California Carpet Stewardship Plan 2018 to 2022* (2018 to 2022 Plan, see Attachment 2).

PRC section 42972 required CARE to achieve a 24 percent recycling rate for postconsumer carpet by January 1, 2020, as well as other quantifiable five-year and annual goals included in its 2018 to 2022 Plan. Staff considered the baseline rate of compliance against which the demonstrated improvement is compared, the goals included in CARE's 2018 to 2022 Plan, and information provided in the 2020 Annual Report when evaluating CARE's program performance pursuant to PRC section 42975(a). Staff primarily referenced CARE's performance in 2019 as the baseline against which the demonstrated improvement was compared, but also referenced CARE's performance in other years, when appropriate.

Staff analysis of CARE's 2020 performance relies on information contained in CARE's 2020 Annual Report. Since the inception of CARE's program, the annual reports have grown in length and CARE's 2020 Annual Report contained over 540 pages, which made it challenging to review. Through staff's analysis, staff noted instances where data in CARE's 2020 Annual Report was reported inconsistently. One example includes the amounts of recycled output reported as 52,614,941 pounds (page 13), 26,308 tons (page 77), and 52,615,057 pounds (page 275). A second example is the gross

collection amounts, which were reported as 77.3 million pounds (page 14), 77.2 million pounds (page 15), 38,702 tons (page 79) and 77.4 million pounds (page 112).

On November 18, 2021, staff requested clarification from CARE regarding the inconsistencies in reported data. CARE reviewed its source data and on December 3, 2021, provided staff with final data points (see Attachment 3) which were used to complete the analysis presented in this Request for Approval. Staff have begun discussions with CARE regarding strategies to improve future annual reports by making them more concise and consistent.

Table 1 summarizes select metrics for CARE’s reported program performance related to recycling, reuse, reduction in disposal, collection, and market development, which are further described in the following sections.

Table 1. Summary of CARE’s Reported Program Metrics.

Metric	2019	2020	2020 Plan Goals
Recycling Rate (percent of carpet discards recycled)	19.1%	20.9%	26%
Recycled Output (pounds of carpet recycled)	58,530,448	52,615,057	81,000,000
Counties with CARE-Supported Drop-off Sites	50	54	58
Gross Collection (pounds of carpet collected)	82,000,000	77,404,937	Increase Collection
Recyclability (percent of gross collections recycled)	71%	68%	50%
Reuse (pounds of carpet reused)	716,819	764,941	1,500,000
Reduction in Disposal (percent change in disposal compared to baseline)	25.3%	39.6%	24%
Postconsumer Carpet Products in the Marketplace	77	95	35

Recycling Rate and Recycled Output

Requirements: 24 percent recycling rate by January 1, 2020; 26 percent recycling rate by December 31, 2020; and 81 million pounds of recycled output by December 31, 2020

Result: Did not meet requirements

CARE measures its recycling rate as the proportion of discarded carpet that is recycled. PRC section 42972(a)(2) required CARE to achieve a 24 percent recycling rate by January 1, 2020, and PRC section 42975 required CARE to achieve its 2018 to 2022 Plan goal including achieving a 26 percent annual recycling rate and recycling 81 million pounds of carpet by December 31, 2020. CARE did not achieve the statutory requirement or its plan goals.

CARE reported amounts of recycled output in its 2020 Annual Report that ranged from 52,614,941 pounds (page 13), 26,308 tons (equal to 52,616,000 pounds, page 77), and 52,615,057 pounds (page 275, CARE confirmed this is the accurate amount on December 3, 2021), which are all below the required 2020 goal of 81 million pounds of carpet. Recycled output of carpet decreased by 9 percent in 2020 from 58,530,448 pounds reported in 2019. Although CARE reported reaching a 23.2 percent recycling rate for the fourth quarter of 2020, which was an all-time high quarterly recycling rate, and increased its annual recycling rate from 19.1 percent in 2019 to 20.9 percent in 2020, CARE still fell short of the 24 and 26 percent recycling rate requirements (see Figure 1).

CARE’s formula to estimate carpet discards is sensitive to changes in carpet sales in California. Reported carpet sales in California declined to 66,697,484 square yards in 2020 from 80,583,382 square yards in 2019. Due in large part to the decline in carpet sales, the estimated discards also decreased to 251,480,037 pounds in 2020 from 303,836,224 pounds in 2019. The decline in the estimated quantity of carpet discarded contributed to CARE’s recycling rate increasing in 2020, despite recycling about five million fewer pounds of carpet than in 2019. Ultimately, CARE did not achieve the required recycling rate or recycled output goals in 2020.

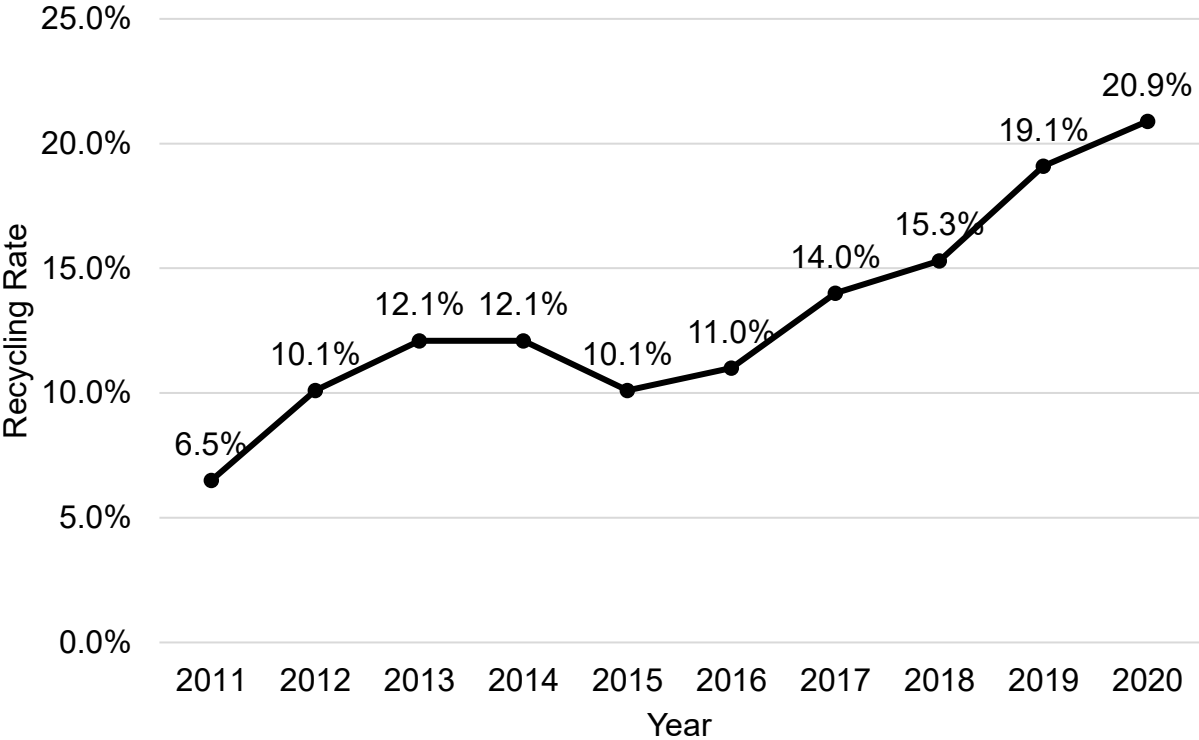


Figure 1. CARE’s Reported Recycling Rate for the California Program from 2011 to 2020.

Convenient Collection

Requirements: One CARE-supported drop-off site in every county; increase collection of postconsumer carpet for recycling

Result: Did not meet requirements

PRC section 42972(a)(2)(B) requires CARE to increase collection convenience and collection of postconsumer carpet for recycling, and Title 14, California Code of Regulations (CCR), section 18943(a)(5)(E) requires CARE to provide reasonably convenient collection opportunities in each county. It is difficult to track and analyze CARE's performance toward achieving convenient collection because CARE refers to its goals in different ways in its 2018 to 2022 Plan and in the 2020 Annual Report. For example, CARE proposed to establish (1) at least 1 CARE-supported drop-off site in every county, (2) 1 CARE-supported drop-off site in every county with a population over 50,000 by July 1, 2019, (3) 1 site in each county for which the population is greater than 50,000 by July 1, 2019, with priority on those counties with populations above 100,000 and 4 or more retailers, (4) 1 site per county with a population over 50,000 by July 1, 2019 (exception would be any county unwilling to participate), and (5) CARE defined its convenience standard as 90 percent of the population of California residing in a county with at least 1 carpet collection site. On December 3, 2021, CARE confirmed that the correct goal is a minimum of one site per county.

While the 2020 Annual Report demonstrated CARE increased the number of counties with public drop-off sites in 2020, four counties did not have a public drop-off site by the end of the year. CARE reported its program had 83 public drop-off sites in 54 counties by the end of 2020 (which includes a site in Yuba County that also serves Sutter County, as well as a site in El Dorado County that also serves Alpine County), an increase from 73 sites in 50 counties in 2019. Amador, Colusa, Madera, and Nevada counties did not have any public drop-off sites. Therefore, CARE did not meet its goal to establish 1 public drop-off site in every county. Additionally, Madera and Nevada counties both have populations greater than 50,000 residents and since neither of those counties had a CARE-supported drop-off site by the end of 2020, CARE did not meet its 2019 goal to establish at least 1 CARE-supported drop-off site in every county with a population greater than 50,000 residents, at a minimum.

The private collection network is established and operated by collector/sorter entrepreneurs that receive subsidies from CARE and serve private flooring installer and other commercial customers, not consumers. There are additional private sites that collect carpet in the state, but do not receive subsidies or report to CARE. CARE's 2020 Annual Report provided conflicting information on the number of private collection sites operating in California. Page 52 stated there were 185 private sites, while page 42 stated there were 235 private sites. CARE confirmed on December 3, 2021, that 235 total private sites were operational at the end of 2020, which included 178 sites managed by collector/sorter entrepreneurs, and 57 additional sites managed by other independent companies that voluntarily shared their site number with CARE. CARE reports the private network collects most of the carpet managed by the program, which accounted for 87 percent of gross collections in 2020, but it is difficult for staff to verify the extent of this network and whether it provides adequate convenience (i.e., proximity, cost, access, and ease) for flooring installers and professionals. Overall, the quantity of carpet collected through CARE's program has declined over the past several years while CalRecycle's Waste Characterization Studies continue to find ongoing landfill

disposal of carpet which indicates opportunities remain to increase the quantity of carpet collected via the program.

PRC section 42972(a)(2)(B) requires CARE to increase the collection of postconsumer carpet for recycling. CARE reported the amount of carpet collected by the program decreased to 77,404,937 pounds (31 percent of discarded carpet), from 82 million pounds in 2019 (27 percent of discarded carpet). However, the gross collection amounts reported by CARE varied, including 77.3 million pounds (page 14), 77.2 million pounds (page 15), 38,702 tons (equivalent to 77,404,000 pounds, page 79), 77.4 million pounds (page 112). On December 3, 2021, CARE confirmed gross collection in 2020 was 77,404,937 pounds. CARE reported U.S. postconsumer carpet processing capacity is 490 million pounds, which is greater than the estimated 251,480,037 pounds of carpet discarded in California in 2020. The availability of carpet processing capacity indicates CARE needs to increase the collection of postconsumer carpet in order to increase the carpet recycling rate.

Recyclability

Requirement: Recycle 50 percent of carpet collected

Result: Met requirement

CARE measures the recyclability of carpet as the percent of carpet collected that is reused and recycled. CARE set a goal in its 2018 to 2022 Plan to recycle 50 percent of carpet collected by the end of 2020 pursuant to PRC section 42972(a)(2)(E). CARE reported 68 percent of collected carpet was recycled in 2020. Though this was a decrease from 71 percent in 2019, CARE still achieved the recyclability requirement.

Source Reduction

Requirement: Report on source reduction

Result: Met requirement

Pursuant to 14 CCR section 18944(a)(5)(A)(3), CARE is required to report the amount of carpet source reduced, if measurable. CARE collects and reports information from manufacturers about their independent source reduction efforts. However, CARE's 2018 to 2022 Plan does not include source reduction goals. CARE uses the difference in average weight per square yard of carpet sold over time, as reported by surveys of mills, as its primary metric to measure source reduction. CARE used 2019 mill survey data in its 2020 Annual Report, which showed the average weight of carpet was 4.48 pounds per square yard, an increase from 4.39 pounds per square yard reported in 2017 and 2018.

CARE's 2020 Annual Report described manufacturers' ongoing efforts to make carpet more sustainable, such as use of recycled content, obtaining various environmental and sustainability certifications, minimizing process waste, and designing carpets that require fewer material inputs and are easier to deconstruct. Staff are unable to conclude whether CARE's program had an impact on source reduction in 2020 since manufacturers' source reduction efforts are self-reported and the average weight of carpet has continued to increase since the beginning of CARE's program.

Reuse

Requirement: 1.5 million pounds of reuse

Result: Did not meet requirement

PRC section 42975 required CARE to achieve its 2018 to 2022 Plan goals including reusing 1.5 million pounds of postconsumer carpet in 2020. CARE reported an increase in the amount of carpet reused from 716,819 pounds in 2019 to 764,941 pounds in 2020, which was below the requirement of 1.5 million pounds. Though the amount of carpet tile reused increased from 593,353 pounds in 2019 to 736,349 pounds in 2020, the amount of broadloom reuse decreased from 123,466 pounds in 2019 to 28,592 pounds in 2020. To increase carpet reuse, CARE offered marketing support, micro-grants, and subsidies for collector/sorters entrepreneurs sorting carpet tile for reuse. CARE requires subsidy recipients to meet performance expectations included in its Agreed Upon Procedures.

Energy Recovery

Requirement: Report on amounts of carpet incinerated for energy recovery

Result: Met requirement

Pursuant to 14 CCR section 18944(a)(5)(A)(5), CARE's annual report is required to include quantitative information and discussion on the disposition of carpet, including amount of carpet incinerated for energy recovery. The different methods that can be used to recover energy from postconsumer carpet are carpet as alternative fuel, cement kiln, and waste-to-energy. CARE reported carpet was not used for any of these types of energy recovery in 2020. CARE no longer subsidizes carpet as alternative fuel and cement kiln and has never subsidized waste-to-energy.

Reduction in Disposal

Requirement: Reduce disposal by 24 percent

Result: Met requirement

CARE calculates carpet disposal by subtracting recycled output (amount of carpet recycled and reused) from estimated discards. CARE specified a goal in its 2018 to 2022 Plan to reduce the rate of carpet disposal in 2020 by 24 percent compared to the baseline year (July 2011 through June 2012), as required by PRC section 42972(a)(2)(A). CARE reported it achieved its goal since 198,865,096 pounds of postconsumer carpet were disposed in 2020, which is a reduction of 39.6 percent compared to the baseline of about 329,200,000 pounds.

Market Development

Requirement: 35 products from 13 vendors (6 in California)

Result: Met requirement

Pursuant to PRC section 42972(a)(2)(C), CARE's 2018 to 2022 Plan goal for 2020 was to increase the number of recycled carpet content products in the marketplace to 35 products from 13 vendors (6 in California). CARE reported exceeding its 2020 goal as

24 vendors (10 in California) made 95 products from post-consumer carpet. In order to count as a product made from postconsumer carpet, vendors must use at least 25,000 pounds per year of postconsumer carpet sourced from California, and each product must contain at least 3 percent postconsumer carpet content.

CARE paid approximately \$1.7 million in 2020 for capital improvement grants, product testing grants, and micro-grants to expand and incentivize markets for products made with postconsumer carpet. Additionally, CARE engaged with various groups that are required to purchase sustainable products to build market demand for products made from postconsumer recycled carpet content.

Financing Mechanism

Requirement: Describe and evaluate the program's financing mechanism

Result: Met requirement

CARE reported a fund balance of \$19.6 million at the beginning of 2020. CARE's total revenue in 2020 was \$23.4 million, including \$23,359,669 in revenues from the assessment paid by participating carpet manufacturers and \$69,276 in interest income. CARE's program expenses in 2020 totaled \$24,393,715 (which was consistent with \$24 million spent in 2019). Most CARE expenses in 2020 (\$16.9 million) were for subsidy payments for postconsumer carpet collection, sorting, and processing, and manufacturing products made from postconsumer carpet (69.2 percent of program expenses). Other expenses included \$3.6 million for collection at public drop-off sites, education and outreach, technical assistance, and grants (14.6 percent of program expenses), \$2.3 million in administrative expenses (9.6 percent of program expenses), and \$1.6 million in special payouts to collector/sorters, processors, and manufacturers (6.7 percent of program expenses).

CARE ended 2020 with a fund balance of \$18.6 million, including \$4.6 million in reserve. CARE maintains a reserve balance equal to a two-month average of total program expenses over the last quarter, consistent with CARE's reserve policy in its 2018 to 2022 Plan. The assessment of \$0.35 per square yard was sufficient to fund CARE's program expenses in 2020, and CARE did not generate a fund balance greater than one year of operating costs, as required by PRC section 42972(c)(5).

Education and Outreach Activities

Requirement: Describe education and outreach activities

Result: Met requirement

CARE's budget for marketing, education, outreach, and communications in 2020 was \$1.2 million, of which \$888,394 was expended (representing 3.6 percent of CARE's total program expenses). CARE primarily conducted outreach in 2020 via phone calls, tabling events, advertising campaigns, and responses to individual inquiries, with a reduction in travel and in-person events compared to prior years. CARE shifted its education and outreach focus in 2020 to expanding carpet collection and installer education, rather than emphasizing finding new end markets for postconsumer carpet. For example, CARE began providing outreach to general flooring retailers who might be

replacing carpet with alternative flooring types. CARE surveyed these entities and found 8 of 425 hard surface retailers (2 percent) reported recycling carpet, while the majority were not aware of carpet recycling or drop-off sites in their area. This low awareness rate demonstrates a need for CARE to perform additional outreach, including to flooring retailers.

CARE's Response to COVID-19

CARE reported that the COVID-19 pandemic impacted carpet collection, processing, recycling, and markets in 2020. For example, some carpet drop-off sites temporarily closed, carpet sales declined, some installers had to cancel or postponed carpet tear-out and replacement services, key markets stopped accepting material, transportation was strained, and commodity prices dropped.

Throughout 2020, CARE engaged in regular discussions with CalRecycle staff regarding pandemic-related challenges, including CARE's activities to support the carpet recycling infrastructure. On March 30, 2020, CARE adopted a COVID-19 Action Plan to help mitigate impacts and support continued carpet collection and recycling activities.

As part of its COVID-19 Action Plan, CARE issued a supplemental payment to each qualified subsidy participant, accelerated its subsidy payment schedule to address cash flow issues, and increased collection subsidies, as well as Tier 1 and Tier 2 subsidies paid to recyclers for particular materials. CARE reported that this financial assistance allowed recyclers to focus their efforts on applying for federal Paycheck Protection Program loans while retaining employees, covering business expenses, and maintaining operations. CARE reported collections in April and May of 2020 were about 40 percent lower than the same months in 2019 due to canceled or postponed carpet installations related to COVID-19. CARE reported that many markets for processed postconsumer carpet stopped accepting material, and the automotive industry, a substantial outlet for postconsumer nylon, temporarily ceased operations. When the automotive industry resumed manufacturing, it operated at only 25 percent capacity for the first three months. While PET markets continued to request processed postconsumer carpet, recyclers were not receiving sufficient collections to meet demand. CARE reported the cost of transportation of processed postconsumer carpet increased by up to 50 percent due to strain on national supply chains and increased electronic commerce. In July 2020, CARE issued a second round of supplemental payments to subsidy participants, and in August 2020, CARE addressed impacts from global drops in commodity prices by increasing subsidies for products manufactured using nylon from postconsumer carpet, as well as subsidies for processing PET and polypropylene carpet. CARE provided \$1.6 million in special payouts to 15 recyclers in 2020 and extended enhanced subsidies into 2021.

CalRecycle Compliance Inspections of Retailers and Manufacturers

CalRecycle provides regulatory oversight for a community of approximately 2,450 carpet retailers and 78 carpet manufacturers. CalRecycle inspection staff conduct inspections of these entities to determine compliance.

Staff conducted 57 inspections of carpet retailers in 2020. Of these inspections, 52 were conducted in-person and 5 were conducted remotely. Through these inspections, 37 businesses (64.9 percent) were found in compliance with the law. Notices of violations were issued to the other 20 businesses (35.1 percent) found in violation of one or more statutory or regulatory requirements. Of the businesses in violation, 17 corrected their violations within 30 days with no additional actions necessary, 3 businesses required a second notice of violation and documented correction of violations within 60 days. None of the 2020 carpet retailer inspections resulted in escalated enforcement or penalties.

Staff conducted two remote inspections of carpet manufacturers in 2020. Both were issued Notices of Violation. Of these businesses, one corrected their violation within 30 days. The second manufacturer went out of business before an enforcement action could be initiated.

Consultation with Advisory Committee

CARE submitted a draft of the 2020 Annual Report to the California Carpet Stewardship Program Advisory Committee (Advisory Committee) on July 13, 2021, pursuant to PRC section 42972.1(b). The Advisory Committee reviewed CARE's draft 2020 Annual Report in a meeting held on July 22, 2021, and passed 12 motions recommending revisions to CARE's 2020 Annual Report (see Attachment 4). Motions included requests for additional information regarding postconsumer carpet collection sites, outreach efforts to specific regions and big box stores, carpet sales data monitoring, national sales statistics, increasing CARE's participation in Advisory Committee meetings, and more explanation about the carpet weight survey.

CARE provided written responses (see Attachment 5) to the Advisory Committee's comments and recommendations, as required by PRC section 42972.1(c).

Stakeholder Feedback

CalRecycle solicited public comments on CARE's 2020 Annual Report from September 1, 2021, through September 15, 2021, and received comment letters from the Product Stewardship Institute (PSI) and the California Product Stewardship Council (CPSC). PSI's comments focused on the need to improve postconsumer carpet collection infrastructure and increase engagement with collection sites, including identifying and resolving barriers for potential collection sites to participate in the program. CPSC commented that CARE failed to meet the 24 percent recycling rate required by PRC section 42972(a)(2), in addition to noting deficiencies in convenient collection opportunities. Staff considered these comment letters when evaluating the 2020 Annual Report.

Summary of Staff Analysis

CARE did not achieve the statutory 24 percent recycling rate and also did not achieve several required goals within its approved 2018 to 2022 Plan. Increases in postconsumer carpet collections, collection convenience, and education and outreach efforts are necessary to increase the recycling rate, reduce the amount of carpet disposed in landfills, and to achieve the requirements in statute, regulations, and CARE's plan.

Options:

1. Based on CARE's 2020 Annual Report and Chapter 20, Division 30 of the Public Resources Code, find CARE did not demonstrate it met a 24 percent or greater recycling rate and did not meet requirements in its 2018 to 2022 Plan. Refer CARE to the Waste Permitting, Compliance and Mitigation Division for potential enforcement.
2. Based on CARE's 2020 Annual Report and Chapter 20, Division 30 of the Public Resources Code, find CARE did not demonstrate it met a 24 percent or greater recycling rate and did not meet requirements in its 2018 to 2022 Plan. Require staff to bring forward a recommendation referring CARE to the Waste Permitting, Compliance and Mitigation Division for potential enforcement at any time, if it is determined that CARE is not making progress toward achieving compliance with its 2018 to 2022 Plan and Chapter 20, Division 30 of the Public Resources Code.

Action:

Based on CARE's 2020 Annual Report, Chapter 20, Division 30 of the Public Resources Code, and the analysis in this Request for Approval, I hereby find CARE did not demonstrate it met a 24 percent or greater recycling rate and did not meet requirements in its 2018 to 2022 Plan. I refer CARE to the Waste Permitting, Compliance and Mitigation Division for potential enforcement.

Dated:

Signed by Rachel Machi Wagoner on January 31, 2022

Rachel Machi Wagoner, Director

Attachments:

Documents referenced in this Request for Approval are linked below.

1. [CARE California Carpet Stewardship Program 2020 Annual Report](https://carpetrecovery.org/wp-content/uploads/2021/09/2020_CA_AnnualReport_v15_2021-08-27b_FINAL.pdf),
https://carpetrecovery.org/wp-content/uploads/2021/09/2020_CA_AnnualReport_v15_2021-08-27b_FINAL.pdf
2. [CARE California Carpet Stewardship Plan 2018 to 2022](https://carpetrecovery.org/wp-content/uploads/2020/02/Chapter0CARE20182022.pdf),
<https://carpetrecovery.org/wp-content/uploads/2020/02/Chapter0CARE20182022.pdf>
3. [CARE 2020 Annual Report Corrections and Clarifications](https://www2.calrecycle.ca.gov/Docs/Web/120123),
<https://www2.calrecycle.ca.gov/Docs/Web/120123>
4. [Advisory Committee Recommendation Letter Regarding CARE's Draft 2020 Annual Report](https://www2.calrecycle.ca.gov/PublicNotices/Documents/13513), <https://www2.calrecycle.ca.gov/PublicNotices/Documents/13513>
5. [CARE Response to Advisory Committee Recommendations on the Draft 2020 Annual Report](https://www2.calrecycle.ca.gov/PublicNotices/Documents/13528), <https://www2.calrecycle.ca.gov/PublicNotices/Documents/13528>