

CARE California Carpet Stewardship Program Annual Report

January 2015 – December 2015



**California
Carpet
Stewardship
Program**

An initiative of CARE:
Carpet America Recovery Effort

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1 Contact Information – Section 18944(1)

Statutory Citation

(a) The annual report must contain the following:

Contact information. Identify the manufacturer or stewardship organization responsible for the annual report submittal.

The 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). As the CSO, CARE is responsible for implementing the Program in compliance with AB 2398 and the approved Stewardship Plan, with regulatory oversight by CalRecycle. **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, non-government entities (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.

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The CARE California Program is open to all manufacturers (mills) that make, sell or distribute carpet products. All carpet manufacturers that ship or sell carpet in California must be covered under an approved Carpet Stewardship Plan. Section 10.4 includes a current list of participating manufacturers and their contact information.

2 Executive Summary – Section 18944(2)

Statutory Citation

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

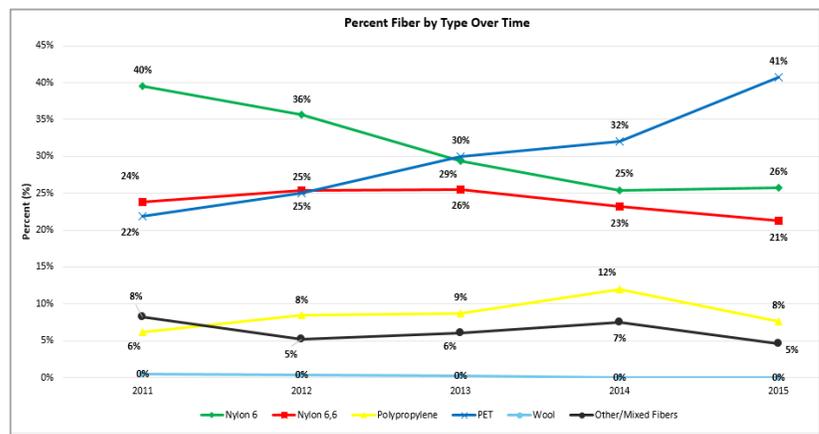
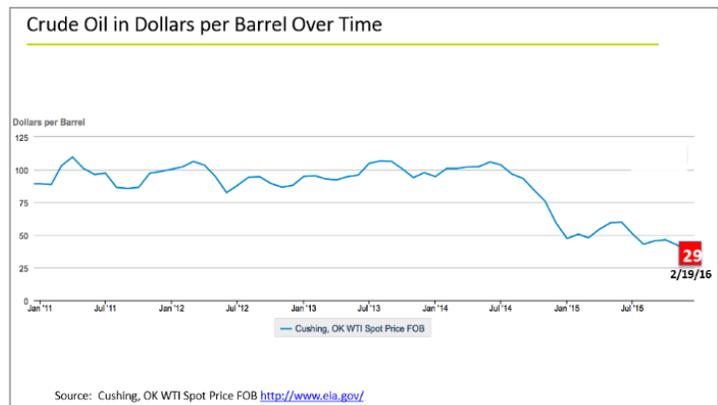
2.1 Introduction

The year 2015 was an eventful and challenging year for the California Carpet Stewardship Program. The CARE California Program took a number of aggressive actions to update its plan to address a rapidly changing industry landscape and make continuous and meaningful improvement in line with statute provisions.

2.2 Industry Landscape

This past year was by far the most dynamic in terms of fluctuating market conditions and industry challenges, which combined to slow collection and recycling rates. Market conditions stagnated due to the following macroeconomic and industry factors:

- The drop in prices in global oil markets** resulted in the gap widening between the cost ! of virgin materials and recycled output, ! making virgin materials far more attractive. ! Low oil prices are expected to continue for an ! extended period of time, causing future ! market destabilization. !
- A significant **market shift from more expensive nylon carpet to less expensive PET carpet** drove a sharp increase in the volume of non-nylon discards as portion of waste stream and a corresponding decline in nylon. PET materials are historically harder to recycle compared to nylon. Non-nylon carpet recycling processes are not as advanced, and less materials are generated to be sold as recycled output.
- Labor disputes resulted in a **West Coast port shutdown**, halting the movement of goods in early 2015 and leading to prolonged slow movement of goods throughout 2015.
- Demand from Asia**, especially China, **declined unexpectedly**, due to an economic downturn and new import laws ('green fence'). China has historically been a significant purchaser and user of recycled carpet materials.



- **The pricing for commodity materials dropped** significantly during 2015, resulting in a slowdown across the recycling industry as a whole. Plastics, for example, are down 4.5% in volume and 9% in price.
- Within California, a **downsizing in processor capacity** occurred as a result of the recycling industry downturn described above. Razor-thin profit margins and non-diversified business models make survival difficult for many processors, collectors and sorters during stagnant markets;
- The **shutdown of a large non-California nylon carpet processor** in Q3 2015 resulted in a corresponding loss of 100 million lbs. of capacity. Coupled with a delay in the opening of a new facility, this capacity loss curtailed the movement of historically strong nylon markets.

Although carpet manufacturing is a multi-billion dollar industry, the number of companies participating in the carpet recycling marketplace as collector/sorters, Tier-1 processors or Tier-2 manufacturers is relatively small. A handful of companies operate within the California program; some companies own multiple entities that focus on different phases of the recycling process.

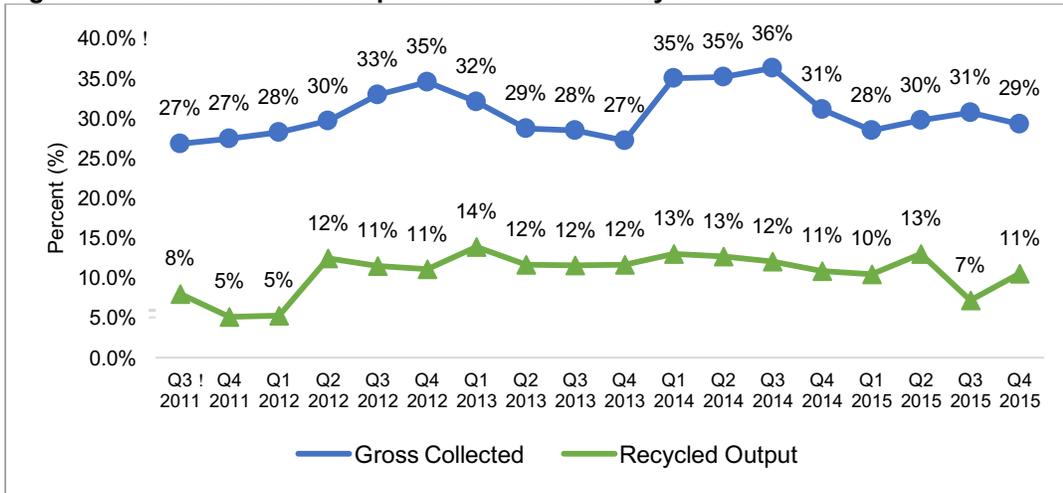
These dynamic market conditions and macroeconomic challenges resulted in a contraction in the market in 2015. The perfect storm of global macroeconomic and industry conditions caused a drop in both gross collections and recycled output compared to 2014.

Key Recycling Industry Statistics

Activity Through October	2015 Quantities	% change year over year
Recovered paper exports	1.64 B mT	+3.4%
Recovered paper exports avg. price	\$157/mT	-0.5%
Aluminum scrap exports	2.9 B mT	-9.3%
Aluminum scrap exports avg. price	\$0.73/lb	-4.4%
Ferrous scrap exports	108.97 M mT	-15.6%
Ferrous scrap exports avg. price	\$326/ton	-19.9%
Scrap Plastics exports	38.52 B lbs	-4.5%
Scrap Plastics exports avg. price	\$0.18/lb	-8.7%

Source: Recycling Review, January 2016, p60

Figure A. Post-Consumer Carpet Collected and Recycled





Although these macroeconomic factors are outside the direct control of the California Program, the Program took swift action to address the stagnating market. Two assessment increases (one implemented Apr. 1, 2015, and the second proposed to CalRecycle by the Program in Nov. 2015 to take effect in 2016) gave the Program the funds to enact both short- and long-term strategies to respond to these conditions.

Several short-term strategies were put in place, such as creating new and increasing existing incentives on hard-to-recycle materials such as PET and calcium carbonate, an increased base subsidy (tied to market conditions) to support all material types and offset declines in the nylon marketplace, and a change from quarterly to monthly payouts to improve cash flow for program participants, as well as the addition of resources to both expand the network of county drop-off sites and increase the number of manufacturers utilizing California post-consumer carpet recycled output.

The California Program was also able to lay the foundation for long-term change, such as implementation of a new grant program, formation of a new stakeholder council to guide program planning and the development of an economic model to improve responsiveness to future market changes. Driving these changes were carpet recovery stakeholders providing feedback through workshops, emails, retailer site visits, presentations to state agencies, meetings with CalRecycle and interactive webinars. This feedback was coordinated with the carpet manufacturing community via the Program's governing bodies, the Sustainable Plan Committee (SPC) and Sustainable Fund Oversight Committee (SFOC).

2.3 Expansion of County Drop-Off Sites

During 2015, the California Program undertook an aggressive expansion of the collection program to more than double the number of carpet recycling drop-off sites throughout the state of California. For the first time, during 2015 drop-off sites were expanded from just rural county sites to include urban locations. The rural pilot, which began in 6 counties in 2013, is now a full-fledged program activity with 23 drop-off sites serving 22 counties as of the end of 2015 – or 138% of the Program's goal of 16 counties by mid-2015. The 22 counties include 2 urban areas—Sacramento and El Dorado—with planned continued expansion to additional urban locations. The program is on track to again double the number of counties with drop-off sites by the end of 2016 and to support one site per county throughout California by July 2017. (See Section 4 - Program Outline.)



The Program's drop-off site expansion is still limited by demand for the materials for product development. The Program evaluates how much material it can handle to maximize how much is diverted from the landfill. To balance supply, the Program took aggressive steps to expand manufacturing of products using recycled output within California.

2.4 Market Stimulation

Throughout the year, the California Program adopted more resilient strategies to enable the carpet recycling market to more quickly adapt to changing conditions. The Program proposed and CalRecycle approved three Plan addenda that allow the program to take both short- and long-term actions to support continuous meaningful progress. The goal is to jumpstart the market as well as build a foundation for longer term stability that mitigates against uncontrollable market conditions. While many of the market factors are out of the California Program's direct control, the Program must be prepared to address issues quickly as they arise.

During 2015, the Program undertook a variety of short-term changes to stimulate the market.

- **Assessments.** After nearly 5 years of operation, the Program proposed and CalRecycle approved the first ever assessment increase as a necessary step to improve Program resources and incentives in response to poor market conditions and continued stagnated growth. The first adjustment raised the assessment from \$0.05/sq. yd. to \$0.10/sq. yd., effective Apr. 1, 2015. The second adjustment was proposed in Nov. 2015 as an increase from \$0.10/ sq. yd. to \$0.20/sq. yd., effective Apr. 1, 2016. The first assessment was used to expand the program, including the number and variety of incentives available to stimulate the market.
- **Incentives.** Several new incentives were introduced, increased or approved in 2015 to address all 3 key stakeholder groups: Tier-1 processors, Tier-2 manufacturers and collector/sorter entrepreneurs (CSEs).

These incentives can be divided into 2 categories: subsidies and grants.

- **Subsidies.** Select subsidies are available to all 3 groups to help increase recycled output, product development and reuse and recyclability. These 3 groups include: CSEs — added to the subsidy program in 2015 — as well as Tier-1 Processors and Tier-2 Manufacturers — both previously part of the subsidy program. Subsidies are directly tied to the number of pounds of materials handled by the entity as well as the fiber/material type. To provide a predictable revenue stream, the California Program guarantees subsidies for a year plus the current quarter. In response to the severe decline in market demand for post-consumer carpet (PCC) material in the second half of 2015, the Program took aggressive action again in early Q4 to implement a second round of subsidy increases. The national CARE SFOC approved subsidy increases retroactive to Q3 2015, driven in part by the threat of extreme hardship by several recyclers, whose closure would have significantly reduced processing capacity for the California Program. (See Section 3 - Program Scope for more on the impact of the subsidies.)

These subsidies provide a shot in the arm to certain material types. New subsidies were added in 4 major categories: collections, carpet tile, calcium carbonate and Tier-2 non-nylon products. For example, the Program added a CSE subsidy of \$0.02/lb. for pounds collected, sorted, shipped and sold (with quarterly and annual caps) to support struggling CSEs, and increased the calcium carbonate subsidy from \$0.03/lb. to \$0.07/lb. and from \$0.12/lb. to \$0.17/lb. during 2015 to jumpstart recycled output utilization of this underutilized component of the PCC waste stream. A new reuse/recycle subsidy of \$0.10/lb. was created for carpet tile, in recognition of its potential for reuse and higher recyclability compared to broadloom. In addition, the subsidy for non-nylon Tier-2 usage went from \$0.17/lb. to \$0.25/lb. and a growth incentive subsidy was added for pounds produced each quarter above specific thresholds to help drive development in this area. These increases generally take at minimum 1-2 quarters to have an impact on the market. The uptick in recycled output observed in Q4 2015 is an indication that these subsidy changes are having the desired positive effect on the market.

- **Grants.** A new pilot grant program element was adopted by approval of Addendum 2 in Oct. 2015, with 3 types of grants, 2 of which were launched in late 2015. The program has total annual funding allocation of \$1 million-\$3 million, with 50% of all grants to be awarded to projects within California. The grant types include:
 - Capital improvements to build processor infrastructure capacity;
 - Product development & testing (to expand recycled product development); and
 - Municipal procurement, to encourage California public agencies to buy recycled products.

Details on the grant program are outlined in Section 6 - Market Development.

Additional program enhancements included significant changes in the administration of the program to broaden education and outreach, expand staffing resources, streamline the reporting processes and better predict market fluctuations. In addition, a new California Council for Carpet Recycling was rolled out in Q4 2015 and began accepting nominations/applications in Nov. 2015. Its first meeting was scheduled for Feb. 2016. (These changes are detailed in Section 3 - Program Scope.)

2.5 Marketing, Education and Outreach

The California Program achieved a significant uptick in its education and outreach activities during 2015. These communication activities engage consumers via 3 key target audiences: retailers, installers/contractors and local governments. Efforts included but were not limited to:

- Comprehensive campaign to communicate about the 2015 assessment changes to manufacturers, retailers, Tier-1 processors and other stakeholders;
- New, ongoing stakeholder communications program that includes a monthly newsletter, increased use of social media, and enhanced web site;
- Launch of retailer site visit campaign in Q4 by new outreach team targeting major urban areas throughout California; and
- Annual stakeholder workshops held in northern and southern California to provide updates and garner feedback from stakeholders.



2.6 Market Development



The addition of Tinney & Associates to the Program team to focus on market development in 2014 paid off in 2015. Tinney worked with Tier-2 manufacturers and state public agencies to elevate the recycling conversation in 2 ways: awareness and adoption of recycled products and expanded development of new products using recycled carpet materials.

The increased Tier-2 non-nylon subsidy and new non-nylon growth incentive showed immediate results. During the year, there was a steady increase in the manufacturer purchase and use of non-nylon carpet recycled output as a feedstock for existing products.

Overall Tier-2 non-nylon manufacturers used 11.8 million lbs. of recycled output in the secondary products they shipped and sold in 2015, of which 6.8 million lbs. or 58% was shipped and sold in the last two quarters of the year. This represents a significant change from 2014 in which 9.9 million lbs. of recycled output was used in products shipped and sold. This was 16% growth year to year. The Tier-2 growth non-nylon incentive payout was added at \$0.10/lb., effective Q2 2015. By the end of 2015, The California Program had paid \$363,000 to participating manufacturers for pounds of non-nylon recycled output used in secondary products shipped and sold over 2 million lbs. per quarter.

In 2015, the number of participating Tier-2 manufacturers grew. Feedstock conversion is one growth way to attract manufacturers to use recycled output in their existing products. Recycled carpet materials are used as 'feedstock' material for the manufacture of existing products. This approach encourages growth in both the number of manufacturers and the number of products being produced using recycled output such as calcium carbonate. In addition, relationships were formed with key audiences in several government agencies, such as the Dept. of General Services, CalTrans, DMV and others, to introduce products made from PCC to the public sector.



2.7 Progress, Lessons Learned and Future Opportunities

The CARE California Program is operating on a much different playing field than in the past. Global trade forces affected the very core of the program. Falling oil prices and China's green fence policies combined with a port labor strike, reduced domestic nylon processing capacity and a dramatic shift in discards from nylon to non-nylon to create a perfect storm, impacting gross collections and recycled output rates in 2015.

In response, the Program acted swiftly to both slow the impact of these trends as well as set mechanisms in motion to ensure continuous and meaningful improvement well into the future. First, the Program stabilized the carpet stewardship ecosystem in a period when many companies were on the brink of going out of business due to poor market conditions. Collections had halted as markets were drying up. Trailers at drop-off sites were full and could not be swapped out; processors and sorters did not have the space to receive full containers as the purchase of sorted whole and processed recycled output slowed domestically and globally.

While the changes were rapid, so were the actions taken by the Program to get the industry back on its feet. By the end of 2015, these efforts were already gaining traction, helping to restore the ecosystem to previous levels. In Q4 2015 collections were improving, purchase of whole sorted and processed goods was increasing and the overall recycled output rate was rebounding several percentage points over Q3 2015, the most challenging quarter since the Program began.



To stabilize the ecosystem for the future, the Program adopted a variety of short- and long-term strategies to further enhance continuous and meaningful improvement. Communications were amplified to ensure an active feedback loop with stakeholders to better respond to their needs. A system to track and monitor the health of the marketplace was put in place. A series of incentives was developed to widen the number of businesses participating in the market. By the end of 2015, the result was a return to a more stable market that will enable the Program to recover and grow in 2016. This is seen in the following results:

- **4% recycling rate increase** from Q3 (7%) to Q4 (11%) in the face of challenging market conditions, with a final 2015 annual rate of 10%
- **602,000 lbs.** of PCC were reused, a 245% increase over 2014 (174,000 lbs.)
- **23 drop-off sites were available across 22 counties**, expanding convenient collection to both urban and rural counties and achieving 138% of the July goal of 16 sites
- **Highest-ever** quarter (Q4 2015) for Tier-2 manufacturer purchases (3.8 million lbs.) for use in new recycled products, an increase of 25% from 3.03 million lbs. in 2014
- **113 active jobs reported** by CSE, Tier-1 processor and Tier-2 manufacturer at the end of Q4 2015
- **1,000 direct and indirect jobs** created since 2011, with 3-5 indirect jobs for every direct job generated
- **Three-fold increase** in Tier-2 manufacturer payouts, from \$282,570 in Q1 2015 to \$1,128,466 in Q4 2015, of which 84% was for growth incentives

As the number of drop-off sites, processing infrastructure capacity and manufacturer demand increases in the years ahead, the Program anticipates the strategies adopted this year will form a stable foundation for continued growth of the industry. The CARE California Program will partner with its stakeholders to find new ways to stimulate the industry in both the short- and long-term to increase collection, processing capacity and manufacturing presence in the State, while promoting carpet recycling across California.

Table 1. Summary of 2015 Program Performance Metrics¹

Metric	Unit	Baseline ² 7/2011 6/2012	2012 Total 1/2012 12/2012	2013 Total 1/2013 12/2013	2014 Total 1/2014 12/2014	2015 Total 1/2015 12/2015
Carpet Sold in Calif.	Square yards	98 Million	99 Million	101 Million	99 Million	97 Million
Post-Consumer Carpet (PCC) Discards	Pounds	357 Million	357 Million	364 Million	358 Million	345 Million
Gross Collection (GC) (recovered before recycling), "Throughput"	Pounds	100 Million 28% of discards	112 Million 31% of discards	107 Million 29% of discards	123 Million 34% of discards	103 Million 30% of discards
Recycled Output (RO) (recovered and recycled as Type 1 or Type 2)	Pounds	28 Million 8% of discards	36 Million 10% of discards	44 Million 12% of discards	43 Million 12% of discards	35 Million 10% of discards
GC Conversion Rate, "Yield"	GC:RO	28% of GC	32% of GC	41% of GC	35% of GC	34% of GC
RO Rate, a.k.a. "Recycling Rate"	RO:PCC	8%	10%	12%	12%	10%
Comprehensive Reported Diversion (reported as reuse, Type 1 + Type 2 RO, CAAF, Kiln, WTE, Exports, Cushion , etc.) ³	Pounds	50 Million (14% of discards; 50% of GC)	62 Million (17% of discards; 55% of GC)	72 Million (20% of discards; 67% of GC)	90 Million (25% of discards; 73% of GC)	80 Million (23% of discards; 78% of GC)
Reported Diversion (reported as reuse, Type 1 + Type 2 RO, CAAF, Kiln, WTE, Exports, etc.)	Pounds	47 Million (13% of discards; 47% of GC)	56 Million (16% of discards; 50% of GC)	69 Million (19% of discards; 64% of GC)	85 Million (24% of discards; 69% of GC)	73 Million (21% of discards; 71% of GC)
Net Diversion (calculated as GC - Process Waste back to LF)	Pounds	78 Million (22% of discards; 78% of GC)	79 Million (22% of discards; 71% of GC)	70 Million (19% of discards; 66% of GC)	103 Million (29% of discards; 83% of GC)	81 Million (23% of discards; 78% of GC)
Reuse	Pounds	98 Thousand (0.03% of discards; 0.1% of GC)	152 Thousand (0.04% of discards; 0.14% of GC)	26 Thousand (0.01% of discards; 0.02% of GC)	174 Thousand (0.05% of discards; 0.14% of GC)	602 Thousand (0.17% of discards; 0.58% of GC)
Source Reduction (SR)	Pounds	4.2/yd ²	4.2/yd ²	4.2/yd ²	4.2/yd ²	4.2/yd ²
Carpet as an Alternative Fuel (CAAF)	Pounds	0	0	137 Thousand (0.04% of discards; 0.13% of GC)	0	0

¹ Data presented in this table is summarized. Additional details can be found in later sections of this report.

² The baseline year (7/1/11-6/30/12) represents the first 12 months of program implementation consistent with CalRecycle's Jan. 21, 2014 Request for Approval, Attachment 3 (metrics). Subsequent years are presented as calendar year totals (Jan. 1-Dec. 31).

³ Data may not reflect all diversion occurring in the system. It includes only data reported by those requesting incentive payments.

Metric	Unit	Baseline ² 7/2011 6/2012	2012 Total 1/2012 12/2012	2013 Total 1/2013 12/2013	2014 Total 1/2014 12/2014	2015 Total 1/2015 12/2015
Kiln	Pounds	0	44 Thousand (0.01% of discards; 0.04% of GC)	48 Thousand (0.01% of discards; 0.04% of GC)	9.3 Million (2.6% of discards; 7.5% of GC)	6.9 Million (2.0% of discards; 6.7% of GC)
Energy Recovery (Waste-To-Energy (WTE) as beneficial use of LF)	WTE:PC C	15.7 Million (4% of discards; 16% of GC)	11.4 Million (3% of discards; 10% of GC)	20.3 Million (6% of discards; 19% of GC)	21.3 Million (6% of discards; 17% of GC)	22.9 Million (7% of discards; 22% of GC)
Processing Waste Disposal to Landfill (LF)	Pounds	22.2 Million	32.8 Million	36.7 Million	20.3 Million	22.4 Million
Total PCC Waste Disposal to LF	Pounds	279 Million	278 Million	293 Million	255 Million	265 Million
Funds Remitted	Dollars	4.9 Million	4.9 Million	5.1 Million	4.9 Million	8.6 Million
Implementation Cost (Total Expenses)	Dollars	1.6 Million	2.9 Million	4.3 Million	5.3 Million	8.5 Million
Greenhouse Gas (GHG)	MTCO ₂ E	(24,926)	(37,370)	(42,053)	(36,141)	(27,129)
CA Green Job Creation (Reported Period Job Gains)	New Jobs	90 Added = -4 Net Loss	214 Added = 84 Net Gain	22 Added = -125 Net Loss	37 Added = 16 Net Gain	9 Added = -24 Net Loss
Net CA Jobs (Beginning Jobs-Jobs Lost + Jobs Gained, as reported)	FTE Jobs	317	281	147	132	83
Total CA Jobs (Active Jobs as reported at the close of end period)	FTE Jobs	Q4 2011 = 234 Q2 2012 = 724	366 (Processors only)	127 (Processors & Manufacturers)	161 (Processors, Manufacturer s & CSEs)	113 (Processors, Manufacturers & CSEs)

3 Scope – Section 18944(3)

Statutory Citation:

(a) The annual report must contain the following:

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.

3.1 Program Description

Signed into law on Sept. 30, 2010, AB 2398 is the first of its kind carpet stewardship program supported by legislators, California entrepreneurs, local governments, non-governmental organizations (NGOs) and the carpet industry. AB 2398 designated the Carpet America Recovery Effort (CARE) as the Carpet Stewardship Organization (CSO) for the carpet industry. The CARE California Carpet Stewardship Plan (Plan) was submitted on behalf all carpet mills that participated under the Plan.

As of Dec. 31, 2015, there were 78 carpet mill participants in the Plan. Names of the participating mills can be found in Appendix 10.6 and is updated regularly on the CalRecycle [website](#). During 2015, the CARE California Stewardship Program (California Program or Program) revised its stewardship plan through 3 separate addenda in order to support continuous meaningful progress in line with the goals of AB 2398 and in response to dynamic market conditions. The Plan details fiduciary, financial, educational and marketing strategies to accomplish the goals of AB 2398. Consistent with the statute, elements of this Plan are designed to further each of these principal goals (increasing recyclability, reuse and collection; inciting market growth of secondary products; and increasing recycled output and diversion).

The California Program received feedback from CalRecycle in Q3 2015 that the 2014 Annual Report did not demonstrate the Program was on target for exhibiting continuous, meaningful progress in 2014. Following this finding, the California Program took swift action in 2015 to address these concerns through the submission of two plan addenda and the immediate launch of several new program elements in Q4 2015.

Although operational results in 2015 were not optimal due to difficult market conditions, the California Program took aggressive action to stimulate the market by broadening Tier-1 processor and Tier-2 manufacturer subsidies; adding new subsidies for collector/sorters entrepreneurs (CSEs); expanding convenient collection via program supported drop-off sites; announcing a new grant program to spur collection, processing and manufacturing investments in capacity and product testing within California; improving program processes; and increasing the effectiveness of stakeholder communications through enhanced Education and Outreach (E&O) and the formation of a new California Council on Carpet Recycling.

3.2 Changes in Program Scope

The active Plan is Version 3.2.2, approved by the CalRecycle Director in Jan. 2014. Three addenda were submitted and/or approved in 2015 and are summarized below. With these addenda, the California Program took action to address concerns related to the pace at which the Program is making continuous and meaningful improvement in line with statute provisions. Combined, these four documents comprise the Plan.

- Addendum 1 - Submitted to CalRecycle 12/28/2014; Approved 1/5/2015.
- Addendum 2 - Submitted to CalRecycle 10/09/2015; Approved 10/20/2015.
- Addendum 3 - Submitted to CalRecycle 11/30/2015; Approved 1/26/2016.

3.3 Summary of Program Changes in Addendum 1

Addendum 1 established the first set of changes to the California Program to take effect in 2015. The California Program listened to feedback received from stakeholders, CalRecycle and the marketplace to adopt each of the new incentives proposed. These changes and enhancements were reviewed and approved by the Sustainable Funding Oversight Committee (SFOC), CARE's highest-level decision-making entity, for implementation starting Q2 2015. Submitted in Dec. 2014, Addendum 1 was approved by CalRecycle on Jan. 5, 2015, and encompassed a suite of changes including an increase in the assessment from \$0.05/lb. to \$0.10/lb., effective Apr. 1, 2015. The increased assessment was deemed necessary to fund expanded and enhanced subsidy increases corresponding to the targeted growth in recycled output pounds and other program goals.

The first-ever California Program assessment increase was noticed and promoted via a multi-faceted communications strategy targeting California retailers and mills participating under the California Plan as well as stakeholder groups including local governments, trade groups and NGOs. The campaign included a rollout of communications materials including a revised website, collateral, direct mail, stakeholder webinars and FAQs. Section 8 contains more details on the expanded E&O program; the budgetary resources allotted to this were doubled in 2015.

Addendum 1 adopted four primary subsidy changes and a series of program enhancements. No changes were made to existing Tier-1 recycled output (Type 1 and Type 2) subsidies or the growth payout incentive amounts for processors. Two new Tier-1 subsidies were added and two changes were made to Tier-2 subsidies. A summary of Addendum 1 changes is presented in Tables 1 and 2.

Tier-2 changes included an increased base payout for manufacturers of secondary products using Type 1 non-nylon recycled output (Tier-2 end user non-nylon payout) from \$0.10/lb. to \$0.17/lb. An additional growth bonus for non-nylon Tier-2 products was also adopted based on volumes over a defined threshold (initially set at of 2 million lbs. per quarter) for pounds produced, shipped and sold. Tier-2 subsidies and growth incentive are based on the actual weight of non-nylon post-consumer carpet used in recycled carpet content products.

Addendum 1 also launched two brand new Tier-1 subsidy incentives to address components of the carpet waste stream that had not been targeted previously. The first included the creation of a calcium carbonate subsidy, initially launched at \$0.07/lb., and then retroactively raised to \$0.12/lb. in June 2015, based on feedback from the marketplace.

Consistent with the waste hierarchy and in response to a drop in reuse from 2013 to 2014, the second new subsidy sought to incent the increased reuse of carpet tile and recognize its increased recyclability as compared to broadloom carpet. This new Carpet Tile Reuse/Recycle subsidy was set at \$0.10/lb., representing a premium as compared to the \$0.06/lb. paid out on Type 1 recycled output. In June 2015, the Reuse component of this incentive was clarified to recognize both carpet tile and broadloom carpet as eligible for the reuse incentive to drive reuse of both carpet types.

Additional program changes adopted in Addendum 1 included an increased subsidy guarantee to 1 year plus the current quarter⁴, allowing participants greater stability in their financial investments, as well as capping the program reserve amount as the average payout of 2 quarters. Other changes included the addition of one full-time staff, increased support resources, enhanced education and outreach, a university research grant award and continued expansion of the rural county collections program. Please note, some of these changes outlined above were further modified in Addenda 2 and/or 3.

Table 2. Summary of Incentive Changes Requested in Addendum 1

Element	Rate	Status	Timeline/Date of Action
Type 1 Recycled Output Payout	\$0.06/lb.	No change	In Plan v.3.2.2 – Mar. 2014
Type 2 Recycled Output Payout	\$0.03/lb.	No change	In Plan v.3.2.2 – Mar. 2014
Bonus (Incentive) for Type 1 Output Growth	\$0.10/lb.	No change: Growth target changes annually.	In Plan v.3.2.2 – Mar. 2014
Tier-2 End User Non-Nylon Payout	\$0.17/lb.	Modification: Increased from \$0.10 to \$0.17/lb.	Effective Q2 2015. (Subsequently increased to \$0.25/lb. in Addendum 3)
Tier-2 End User Non-Nylon Growth Payout Incentive	\$0.10/lb.	New: Analogous to the Type 1 growth bonus paid on lbs. above threshold.	Effective Q2 2015. Initial threshold set at 2 million lbs. /qtr., to be adjusted annually.
Calcium Carbonate	\$0.07/lb.	New: For use as a raw material (recycled output feedstock) only.	Effective Q2 2015. Increase from \$0.07 to \$0.12 in June 2015. (Subsequently increased to \$0.17/lb. in Addendum 3)
	\$0.12/lb.		
Tile Reuse/Recycle	\$0.10/lb.	New: To drive reuse and 100% recycle of carpet tile.	Effective Q2 2015. Clarified in June 2015 that Reuse subsidy rate applies to the Reuse of both broadloom and carpet tile.

⁴ Subsidies are secure for 1 year plus the current quarter. Growth incentive targets (lbs.) and amounts (dollars) are subject to adjustment quarterly.

Table 2. Summary of Additional Changes Requested in Addendum 1

Element	Description	Timeline/Date of Action
Subsidy Guarantee	California Program to provide notice of changes to subsidy decreases: 12 months plus the current quarter	Effective Q2 2015.
Resources - Staff	Addition of 1 FTE Staff	Mar. 2015.
Resources – Market Development Services	Continued engagement of Market Development Consultant: Tinney Associates	Began in mid-2014. Continued throughout 2015.
Resources – Education and Outreach	Continued engagement of environmental communications firm Gigantic Idea Studio (GIS) to assist in education and outreach	Began in mid-2014. Budget doubled to expand activities in 2015, compared to 2014.
Increased Assessment	Increases assessment from \$0.05/sq. yd. to \$0.10/sq. yd.	Effective Apr. 1, 2015. Necessary to fund program changes listed.
Reserve	2 quarter reserve based on average of previous 4 quarters	Established in 2014. (Reduced to 1 quarter in Addendum 3.)
University Grant – PET Research	California Program awarded a \$500,000 Grant to University of Connecticut to conduct PET research and development	Awarded late 2014; kickoff meeting Jan. 2015. Research conducted throughout 2015; Scheduled for completion mid-2016.
Rural County Collection Program	Provides access to California Program supported drop-off sites in rural counties	Continued to expand drop-off sites in rural counties. California Program exceeded its July 2015 goal of 16 counties, establishing collections in 22 counties as of Dec. 2015. <i>(Targets expanded in Addendum 3 to provide convenient collection to all California counties, urban and rural)</i>

3.4 Summary of Program Changes in Addendum 2

Addendum 2 sought to expand the short- and long-term solutions available to the market and to stimulate the carpet recycling industry in California in the face of worsening economic conditions, as described in Section 2. In July 2015, the California Program held its annual stakeholder workshops in northern and southern California to discuss the current state of the carpet recycling industry and solicit stakeholder input on areas for improvement moving forward. Feedback received in this interactive forum formed the basis of changes adopted in Addenda 2 and 3.

One of the highlights of Addendum 2 was the formation of the [California Council on Carpet Recycling](#) (Council) to provide insight and feedback from representative stakeholder groups on the California Program. Upon approval in Oct. 2015, the California Program acted quickly to initiate the formation of the Council. In Nov. 2015, the Program began accepting applications, securing a facilitator and compiling an agenda. Eighteen members were selected to participate, with the first meeting planned for Q1 2016.

The second major highlight of Addendum 2 was the creation of a [Grant Program](#), approved by CalRecycle in Oct. 2015 as a pilot. The goal of the grant program was to jumpstart capacity and market development by increasing infrastructure throughput and capacity, broadening manufacturer use of recycled carpet content through subsidized product testing and increasing demand for existing and new recycled carpet content products by California public agencies. A driving factor behind the program is to create a more resilient carpet stewardship ecosystem by expanding the number of Tier-1 processors and Tier-2 manufacturers within California using recycled output, especially hard-to-recycle components like calcium carbonate, in their products. (See Section 6 - Market Development for more on the feedstock conversion process that drove creation of this program.)

The California Program released draft solicitations for both Cycle 1A (capital improvement) and Cycle 1B (product testing & development). A public webinar was also held in Nov. 2015 to solicit feedback from stakeholders on the grants program, with the final solicitations issued in Dec. 2015. Grant proposals in response to both solicitations were scheduled to be evaluated and awarded in Q1 2016. CalRecycle requested additional detail on the Cycle 1C procurement grants, which the California Program provided. Cycle 1C was later approved in Addendum 3 for implementation in mid-2016.

Table 3. Summary of Changes Requested in Addendum 2

Approved Changes	Program Element	Incentive Description	Timeline/Date of Action
California Council on Carpet Recycling		Formation of stakeholder advisory council comprised of various representative stakeholder groups. Council will meet multiple times a year and provide input on program design/implementation. Members will be compensated for travel.	Approved in Oct. 2015. Council accepted applications until Dec. 1 and 18 people were selected. First meeting to be held in Q1 2016.
Establish Grant Program		\$1 million to \$3 million budgeted annually. Also allocates up to \$300,000 per year for legal and administrative costs.	Approved as pilot in Oct. 2015. Cycle 1A capital improvement and 1B product testing grants launched in Dec. 2015 with applications accepted through Jan. 5, 2016.
	Capital Improvement Grants	\$2 million allocated for Cycle 1A, no limit of per grant awarded.	Stakeholder webinar conducted for potential applicants in Nov. 2015. Awardees were evaluated and selected in Q1 2016.
	Product Testing Grants	\$250,000 allocated for Cycle 1B, continuous recruitment and review, as funding is available.	Stakeholder webinar held for potential applicants in Nov. 2015. Awardees were evaluated and selected in Q1 2016.
	Product Procurement Grants	\$500,000 allocated for Cycle 1C release, available to California public agencies, pending legal review and approval.	This item was proposed but not approved in Addendum 2. However, it was resubmitted and approved in Addendum 3 with anticipated release mid-2016.

Approved Changes	Program Element	Incentive Description	Timeline/Date of Action
Additional Grant Cycles		To be developed based on need, stakeholder input, analysis by the California Program and Council input. CalRecycle approval required following launch of Cycle 1 pilot.	Anticipated annually, subject to CalRecycle approval and financial considerations.
Establish Loan Program		Proposed \$1 million in loans available per year.	This item was proposed but not approved in Addendum 2 and may be resubmitted to CalRecycle at a later date or as part of the 2017 Plan.

3.5 Summary of Program Changes in Addendum 3

Addendum 3 proposed changes to the California Program’s operating model to further improve its responsiveness to fluctuating market conditions. Approved changes improved financial reporting and transparency and included reducing the reserve amount from the average of 2 quarters to the average of 1 quarter to make more funding available for critical activities; moving to monthly reporting to speed subsidy payouts; developing an economic model for analyzing ‘what if’ scenarios; and expanding budgets for E&O and collection site support. Finally a suite of CSEs, Tier-1 processor and Tier-2 manufacturer subsidies were added while others were modified. To achieve these initiatives (including the Council and Grant program elements approved in Addendum 2), the assessment was doubled from \$0.10/lb. to \$0.20/lb., effective Q2 2016.

A summary of Addendum 3 changes is presented in Tables 4 and 5 below. Approved subsidy changes included the creation of a new CSE subsidy and various adjustments to existing subsidies. The CSE subsidy was modeled after CARE’s national Voluntary Product Stewardship (VPS) Program and pays out based on the volumes collected, sorted, shipped and sold; this subsidy supports the CSEs working on the front lines of carpet recovery. In addition Type 1 base payouts to Tier-1 processors were increased from \$0.06/lb. to \$0.10/lb. with the additional \$0.04/lb. tied to corresponding market indicators to better reflect actual market changes over time; it is subject to quarterly review and adjustment⁵. Funding for an economic model was also approved for development in 2016; this model will incorporate dynamic market indices to help the California Program anticipate market changes and respond accordingly.

In addition, the payouts for both Tier-2 manufacturer non-nylon and Tier-1 processor calcium carbonate payouts were increased in response to market feedback and declining market conditions. Finally, the reuse subsidies offered in Addendum 1 were clarified to recognize both carpet tile and broadloom carpet as being eligible and to drive reuse of both carpet types.

Several of the changes are noted as made “under current Plan purview.” These were undertaken retroactively to the beginning of Q3 2015 to specifically counter the market collapse and preserve (ensure continuation of) collection and processing capacity especially in the state. A second key aspect of this rapid response was the shift to monthly reporting and associated payouts to facilitate a stable and predictable cash flow.

⁵ This \$0.04/lb. incremental subsidy adjustment is guaranteed for 1 year plus the current quarter, but may be reviewed and adjusted quarterly.

Table 4. Summary of Subsidy Changes Requested in Addendum 3

Proposed Changes	Incentive/Change Description	Timeline/Date of Action
Reserve Adjustment	Adjust reserve calculation (<i>Sum (last 4 quarters of total payouts)/4 = 1 quarter average</i>) from 2 quarters to 1 quarter to free funding to support critical program activities and payouts.	California Program-approved under current Plan purview; effective Sept. 2015.
Monthly Reporting	Adopt monthly reporting process for subsidy payouts instead of quarterly to increase cash flow for participating CSEs, processors and manufacturers. California Program to continue quarterly reviews with CalRecycle.	California Program-approved under current Plan purview. Began in Sept. 2015 for July/Aug. reporting. Full implementation for Q3 2015 reporting cycle.
Economic Model	Hire consultant to create dynamic economic analysis tool to better analyze changing market conditions. A new economic model will facilitate improved decision-making, what-if analyses and optimization scenarios. Goal is to improve 2016 operations and 2017 Plan design.	California Program-approved under current Plan purview. Develop model Q4 2015 and Q1 2016. Begin use Q2 2016 to inform 2017 Plan.
Back Labeling Carpet (Industry Funded)	Industry-funded approach to place back labels on carpets describing content for improved recyclability.	Industry led and funded (CARE/CRI). CARE committee to create standards. Implementation to begin 2016 and paid for by industry.
Education and Outreach	Doubled budget from \$300,000/yr. to \$600,000/yr.	California Program-approved under current Plan purview. Increase in 2016.
Expand CA Full Time Staff	Doubled CA staff from 1 FTE to 2 FTE.	California Program-approved under current Plan purview. Recruited in 2015 and hired in Q1 2016. Employees will split northern and southern California.
Product Procurement Grants	\$500,000 approved for Cycle 1C release. To be used to encourage Calif. public agencies to purchase products made from post-consumer carpet recycled output.	This grant was approved as part of Addendum 3. Process to be launched in mid-2016.

Proposed Changes	Incentive/Change Description	Timeline/Date of Action
Expand Convenient Collection; Establish a Drop-off Site in All Counties	Doubled expenditures on rural county collection program. Added urban area pilots in Q4 2015.	Expansion throughout 2015, surpassing July 2015 goals, adding the first of 2 urban sites in Q4 2015 with a goal of 1 drop-off site per county ⁶ by July 2017.
Raise CA Carpet Stewardship Assessment	Increase from \$0.10/sq. yd. to \$0.20/sq. yd. to support program changes summarized in Addendum 3.	Effective Apr. 1, 2016. Further increases may be required as volumes grow and market dynamics dictate.

Table 5. Additional Changes Requested in Addendum 3

Subsidy Changes	Incentive/Change Description	Timeline/Date of Action
Collector/Sorter Entrepreneur (CSE) Incentive	New: Payout \$0.02/lb. for sold and shipped lbs.; Maximum subsidy \$150,000 per quarter or \$400,000 per year.	California Program-approved under current Plan purview; Retroactive to Q3 2015.
Type 1 Base Payout – Dynamic Adjustment Factor	New: Increase base payout from \$0.06/lb. to \$0.10/lb.; Tie added base payout rate to market indicator (e.g., \$70 per barrel oil, virgin N6, and/or PET bottle flake prices).	Allowable under market development in current Plan; Economic analysis to inform adjustment factor scheduled for Q2 2016.
Tier-2 Non-Nylon Payout	Modification: Increase from \$0.17/lb. to \$0.25/lb.	California Program-approved; Retroactive to Q3 2015.
Type 2 Calcium Carbonate Payout	Modification: Increase from \$0.12/lb. to \$0.17/lb.	California Program-approved under current Plan purview; Retroactive to Q3 2015.
Reuse Incentive	Modification: Clarified eligibility of both carpet tile and broadloom for reuse incentive; remains \$0.10/lb.	California Program-approved under current Plan purview; Retroactive to Q2 2015.

3.6 Laying a Foundation for Change

The CARE California Program worked hard in 2015 to stimulate the market for lasting change. In a developing carpet recycling industry, it is important to stimulate short-term change, such as expanding education and outreach, adding drop-off sites and increasing processor and reuse subsidies in the hopes the market will quickly respond. The rollout of a calcium carbonate subsidy has already resulted in its use as part of a feedstock conversion program. Other changes were undertaken to spark long-term change, such as the grant program to

⁶ CARE California Program will coordinate with all 58 Counties to offer 1 drop-off site per county, subject to county acceptance of program terms for participation.

foster new Tier-2 product development within California, a growing processing and manufacturing infrastructure capacity within California and an economic model to better understand and respond to the impact of shifting market conditions on the carpet recycling ecosystem.

By balancing both short- and long-term approaches and reacting quickly to unstable market conditions, the California Program is laying a robust foundation for the future. While progress toward continuous and meaningful improvement may seem slow, the Program has responded diligently and aggressively to the macro-economic challenges presented in 2015 representing the most severe conditions for carpet recycling since the 2008 recession. The California Program's rapid and sustained responsiveness as indicated by Addenda 1, 2 and 3 and Program results contained throughout this report drove a rebound in the recycled output rate beginning in Q4 2015 and outlines several additional strategies for continued meaningful improvement. The groundwork is being laid to improve ongoing responsiveness to future market changes and to increase the communications among the Program and its many stakeholders for long-term success.

Table 6. Summary of Subsidy Changes in 2015

Subsidy	Rate	Status	Eligible Recipients	Timeline/Date of Action	Addendum
Type 1 Recycled Output Payout	\$0.10/lb.	Increase: From \$0.06 to \$0.10/lb., tied to market indices	Tier-1 processors	In Plan v.3.2.2 – Mar. 2014. Base payout rate to be tied to market indicator using Economic Model (mid-2016).	3
Type 2 Recycled Output Payout	\$0.03/lb.	No change	Tier-1 processors	In Plan v.3.2.2 – Mar. 2014	n/a
Bonus (Incentive) for Type 1 Output Growth	\$0.10/lb.	No change: Growth target changes annually.	Tier-1 processors	In Plan v.3.2.2 – Mar. 2014	n/a
Tier-2 Manufacturer Non-Nylon Payout	\$0.25/lb.	Modification: Increased from \$0.10 to \$0.17/lb. and then to 0.25/lb.	Tier-2 manufacturers	Change 1, Effective Q2 2015; Change 2, Retroactive to Q3 2015.	1, 3
Tier-2 Manufacturer Non-Nylon Growth Payout Incentive	\$0.10/lb.	New: Similar to the Type 1 growth bonus paid on lbs. above threshold.	Tier-2 manufacturers	Effective Q2 2015. Initial threshold set at 2 million lbs. /qtr., to be adjusted annually.	1
CSE Incentive	\$0.02/lb.	New: \$0.02/lb. for sorted, sold and shipped lbs.; Maximum \$150,000/quarter or \$400,000/year.	CSEs	California Program-approved under current Plan purview; Retroactive to Q3 2015.	3

Subsidy	Rate	Status	Eligible Recipients	Timeline/Date of Action	Addendum
Type 2 Calcium Carbonate Payout	\$0.17/lb.	New: \$0.07/lb. raised to \$0.12/lb. and then \$0.17/lb.	Tier-1 processors	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
Tile Recycle	\$0.10/lb.	New: To drive 100% recycle of carpet tile.	Tier-1 processors	Effective Q2 2015.	1
Tile/Broadloom Reuse	\$0.10/lb.	New: To drive reuse of carpet tile and broadloom.	CSEs, Tier-1 processors	Effective Q2 2015, Clarified retroactive applies to the reuse of both broadloom and carpet tile.	1, 3

4 Program Outline – Section 18944(a)(4)

Statutory Citation

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 collected, 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: residential and commercial, indoor/outdoor, 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 mills. Retailers submit the assessment to mills when they pay their product invoices. Mills submit assessment funds to CARE as the California Stewardship Organization (CSO) on a quarterly basis. These assessment funds are used by the California Program to increase carpet recycling and diversion opportunities consistent with program goals.



Assessment funds support carpet collections, recycling (Tier-1 processors), recycled product manufacturing and market development (Tier-2 manufacturers), grants, education and outreach and technical assistance. It also includes program administration activities including oversight by CalRecycle, which may receive up to 5% of all assessments per statute.

The carpet recycling process starts with identifying and establish drop-off/collection sites throughout the state, in both urban and rural areas. Collector/sorter entrepreneurs (CSEs) receive PCC from drop-off sites and retailer collection sites, sort the collected PCC by fiber type, bail like materials and sell the carpet they collect to processors that recycle the carpet materials in their facilities. Processors may reside in or out of California, but must utilize California generated PCC in order to participate in the Program. Processors produce various “recycled output” materials, such as carpet fibers and calcium carbonate from the backing ready to be used as feedstock for new products. Processors sell these recycled materials to manufacturers for use in the manufacture of new recycled content products. CARE works both inside and outside of California to develop markets for new and existing PCC content products.



Tier-1 processors receive whole carpet either directly from generators or from CSEs. The carpet may be pre-sorted by fiber type or sorted when received. Most carpets are not easily visually identifiable. Sorting is done by hand, using a specialized infrared device (microphazer), which identifies the face fiber material type. Fiber types include nylon 6, nylon 6,6, PET, PTT, polypropylene (PP), mixed fibers and natural fibers (wool, etc.). (Note: This

process will be streamlined with the addition of an industry-funded back label on carpeting, which was introduced in 2015 and will be rolled out in 2016. It will take a number of years for back labeling to impact the PCC recycle stream, but this step is an important development in improving polymer identification and thus recyclability.)

Whole carpet is processed to produce the recycled output for use in secondary products. Processing methods include a wide range of technical/engineering approaches to separate the more valuable face fiber from the backing material, and/or chemical depolymerization to produce a high-quality polymer able to be re-extruded into new carpet fiber. The backing material (calcium carbonate, latex, glues and debris) and undesirable/unrecyclable face fiber may be diverted or placed in a landfill. Diversion is counted when the carpet materials are re-used as is, processed into a recycled output feedstock for new products, processed for use in Carpet As Alternative Fuel (CAAF) or feedstock for kilns, utilized as a waste-to-energy (WTE) source or exported.

Collection and processing waste that cannot be reused, recycled, utilized for energy recovery (CAAF, Kiln or WTE) or otherwise diverted are sent to landfill. The California Program tracks the amount that is sent to the landfill as a separate item. Currently about 20% of gross collected material ends up as landfill. The Program is working to increase carpet reuse and recycling, divert the materials that cannot feasibly be recycled and reduce the amount of carpet discards sent to California landfills. In cases where the whole carpet is shipped outside of the U.S. for processing, the Program is only able to report quantities of carpet exported and is unable to track the precise final disposition of the exported materials.

4.2 Drop-Off/Collection Sites

Carpet is collected at two types of sites: public drop-off stations throughout the state and private retail stores or other sites, and delivered to CSEs or processors for sorting and/or processing. Drop-off sites are available to the public. These are sponsored by CARE and coordinated through local government representatives in each target region. Private collection sites rely on direct service by CSEs or processors and are generally located at carpet retailers or local disposal sites. These sites are generally only available to installation contractors for carpet disposal following tear-out.

The following descriptions provide additional details on these two methods used to collect post-consumer carpet (PCC):

- Public drop-off sites.** Public sites include traditional disposal location/ecoparks, such as transfer stations, landfills, material recovery facilities (MRF) or construction & demolition (C&D) facilities. These locations allow installation contractors, do-it-yourselfer (DIYer) individuals and businesses to drop off source-separated and properly prepared PCC discards for recycling. As with private sites, participating CSEs and processors provide and regularly service PCC collection containers (trailers, debris boxes or cargo bins). A tipping fee is collected by each drop-off location. Some facilities offer reduced tipping fees for source-separated carpet to encourage landfill diversion. All but one of the CARE drop-off locations in 2015 are public drop-off locations. The remaining location provides drop-off facilities for local carpet retailer/installers and to DIY customers by appointment. The California Program provides collection containers and transportation service for the public drop-off sites.
- Private collection sites.** These are typically private commercial businesses, generally carpet retailers or commercial distributors, providing installation and PCC tear-out services for their customers as part of the purchase of new carpet/flooring. Installation contractors providing these services may return tear-out PCC to the retailer for disposal or recycling. According to recent reports, 201 retailer locations were being serviced



statewide during 2015. Participating CSEs and processors may provide PCC collection containers (trailers, debris boxes or cargo bins) to collect source-separated PCC discards for recycling on a pay-for-service basis. Participants reported a 26% reduction in collection locations during the lowest point in 2015, an indicator of the market contraction experienced in the market. Private sites arrange for collection services directly from CSEs or Tier-1 processors as a pay-for-service.

Figure B. California Drop-Off Sites 2015⁷



The Rural County Collection Program began in 2012 as a pilot program with six rural counties. Considered a success, the pilot became a regular program element. In 2015, the number of participating counties increased to 22 by the end of 2015—or 138% of the July 2015, goal of 16 counties. As of Dec. 2015, there are 23 Program supported drop-off sites in 22 counties.

In 2015, our rural program became a full collection program. For the first time, the Program expanded to include urban sites, Sacramento and El Dorado, which joined the Program in Q4 2015. The program is on track to again double the number of counties with Program supported drop-off sites by the end of 2016. This includes a Program shift from rural county drop-off site support to a new statewide collection goal adopted in 2015. This new goal aims to establish at least one Program supported public drop-off site in all 58 California counties by July 2017. Since 2013, the

California Program has approximately doubled the number of sites each year, from 6 counties in 2013 to 11 counties (14 sites) in 2014 and 22 counties (23 sites) in 2015.

The California Program will continue to work closely with Rural Counties Representatives of California (RCRC) to identify, select and coordinate with perspective rural counties to expand drop-off opportunities in rural areas. In addition, the Program will coordinate with local governments, local disposal locations, the Council on Carpet Recycling (Council) and CalRecycle to identify potential drop-off locations in urban counties.

The CARE California Program operates in this way:

- The California Program staff provides technical assistance and recommendations ! for disposal locations that best meet local needs. !
- A trailer or cargo shipping container is placed at the facility (size and style ! selected jointly with the facility).



⁷ Note that 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. Members are encouraged to update their data annually.

- Participating counties oversee daily operations and promote the program to contractors, installers, retailers and DIYers. Counties may adjust tipping fees to encourage participation. All entities, whether a person or business, dropping off carpet must prepare the carpet by cutting the carpet into manageable segments (generally 4' to 6'); packaging the carpet into rolls; removing tack-strips, trash or debris; and separately rolling or stacking carpet pad (where accepted).

The Program covers the costs of container storage (collection containers/trailers) and shipping/transportation to the CSEs/Tier-1 processors. It also provides basic educational materials such as brochures and signage tailored to the needs of each county to support local education and outreach.

In 2015, the California Program undertook an effort to increase service systems and improve operational efficiency. The team added dispatching service support and administrative assistance. A seven-step collection site workflow was developed to increase efficiency and response time following an agreement for participation.

The 7 steps in the workflow are listed below; a full outline is featured in Appendix 10.8:



As the number of drop-off sites increased throughout 2015, the number of total service requests and pounds of collected carpet also increased. The Program supported 151 service requests (pulls of full containers) in 2015, including both cargo bins and trailers. This included 22 participating counties and 23 drop-off sites serviced by 2 haulers. The 23 sites are evenly split between trailers and cargo bins. Program highlights for 2015 include:

- Estimated 2.4 million lbs. were collected in 2015, a 324.5% increase over the 560,070 lbs. collected in 2014
- Hauling + Storage Costs = \$361,108 (vs. \$78,073 in 2014)
- Average cost of \$0.15/lb. (vs. \$0.14 in 2014)
- 10 new county participants added, 9 new drop-off sites
- Updated education and outreach materials
- Improved service systems (see above.)



4.3 Collector/Sorter Entrepreneurs (CSEs)

The first link in the carpet recycling ecosystem is the CSE. They collect used carpet and sort it by fiber type in preparation to sell to processors, who process (recycle) the material into usable recycled output. CSEs collect used carpet in 3 ways. They may place a trailer or container at a drop-off site that can then be filled with carpets. Some CSEs accept carpet drop-offs at their warehouses for a fee. They also can collect from a private site, such as retailer.

This is the first year that the Program has reported on CSEs. Under Program changes adopted in Addendum 1 and Addendum 3, CSEs are eligible for two types of subsidies:

- Reuse Subsidy (Carpet Tile/Broadloom) – \$0.10/lb. for materials shipped and sold/donated
- CSEs Subsidy – \$0.02/lb. for carpet that is sorted, sold and shipped, with a cap of \$150,000/quarter or \$400,000 year

The Program is now able to collect more precise data regarding materials handled by these entities. Five CSEs participated in the California Program during 2015; a sixth participated but ceased operations in Q2 2015. Two participating CSEs also function as Tier-1 processors. To be considered a qualifying recipient for potential funding in 2015, CSEs are required to be CARE members in good standing and sign an agreement. Under the agreement, CSEs are subject to program reporting, AUP review, management practices and documentation requirements.

Table 7. CSEs Receiving Funding During 2015

CSEs Receiving Funding During 2015			
Parent Company	City	State	Notes
A-1 Planet Recycling	Phoenix	AZ	Active; has Calif. in-state facility.
Carpet Solutions	Carson	CA	Active
Construction & Demolition Recycling Inc.	South Gate	CA	Active in Q3 2015.
GreenWaste Carpet Recycling	San Jose	CA	Active
Los Angeles Fiber Co.	Vernon	CA	Active
Padworks	Chula Vista	CA	Went out of business in Q2 2015.

4.3.1 CSE Facilities

The California Program updated its online California drop-off [site map](#) in August 2015. The map gives the public an easy, interactive way to find active drop-off sites for their used carpet. The map uses data from a survey of current sites and lists information such as the CSE’s address, hours and tipping fees. The map, with all the sites, is also available as a PDF for download. The map is updated regularly and promoted via digital, print and in-person communications.

A list of CSEs is included in Appendix 10.2. This list includes the facility names and addresses for all public sites. 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 California Program to be listed as a collection site. Additional privately contracted collection sites are present throughout California. For competitive reasons, CSEs do not currently release listings of their private collection locations. Note that 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. Members are encouraged to update their data annually.

4.4 Tier-1 Processors

Tier-1 processors are the organizations that receive source-separated PCC discards and provide the initial conversion of PCC discards into recycled output to be used in the manufacture of secondary products. Some Tier-1 processors may also function as Tier-2 manufacturers or CSEs. The tables below show there were 9 active processing operations participating in the California Program during 2015.

Out of the 9 active processors, 3 (33%) were operating within the state of California, while the remaining 6 (67%) process California carpet through operations located in other U.S. states. It should be noted that not all processors participate every quarter. In 2015, 5 of the 9 processors (55%) were actively requesting funds each quarter. Of the 3 that did not request funds every quarter, 1 California processor went out of business in Q3 2015; another joined the program in the same quarter. Another processor was active in 2015 but at reduced capacity due to a facility closure outside California. Its new facility, opened in 2015, is not yet operating at full capacity. At least 1 California company operates as both a Tier-1 processor and Tier-2 manufacturer.

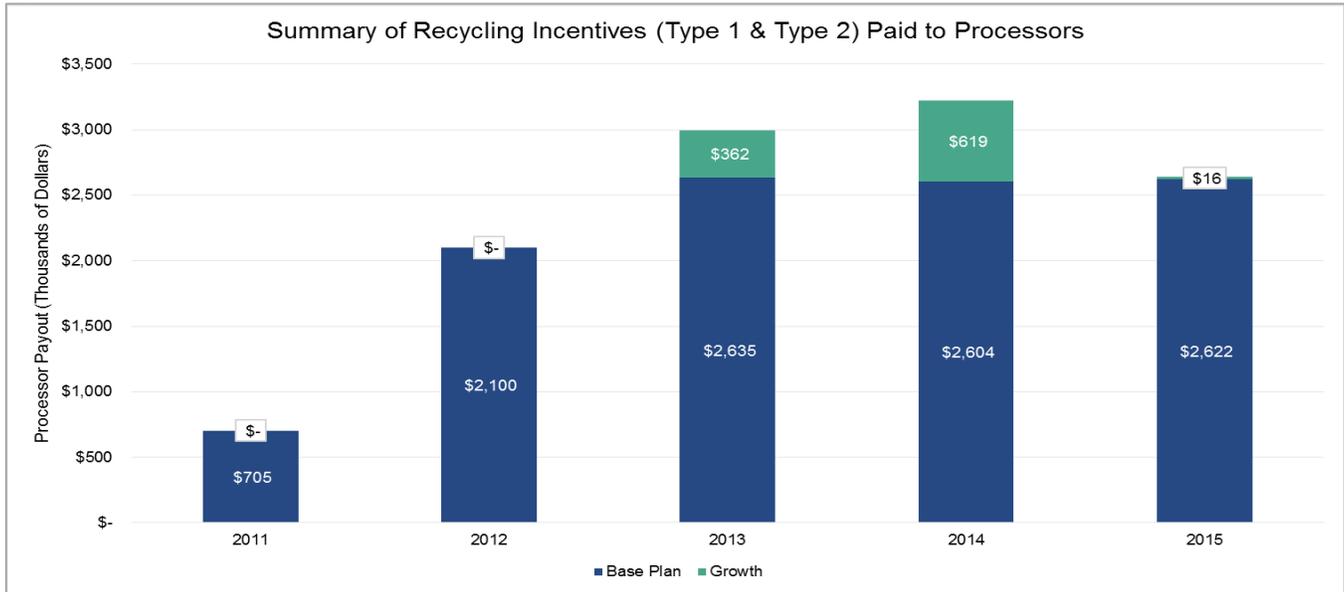
The following companies⁸ have requested AB 2398 subsidy funding 1 or more times during the reporting period, are CARE members in good standing and have signed a Processor Agreement as a qualifying recipient for funding in 2015. Qualified recipients are subject to program reporting, AUP review, management practices and documentation requirements.

Table 8. Processors Requesting & Receiving Funding in 2015

Processors Requesting & Receiving Funding in 2015 (one or more requests)			
Parent Company	City	State	Status
Carpet Solutions	Carson	CA	Active
CLEAR/Midwest Carpet Recycling	Lake Villa	IL	Joined program in Q3 2015; opening in-state facility in 2016
Columbia Recycling Corp.	Dalton	GA	Existing out of state processor; previous Tier-2 manufacturer using Calif. PCC
Gold Pond Corp.	Dalton	GA	Active
Interface, Inc.	Atlanta	GA	Active
Jai Hai	Vernon	CA	Active until Q3 2015 when it ceased operations.
Los Angeles Fiber Co.	Vernon	CA	Active
Shaw Industries Group, Inc.	Dalton	GA	Active. Reduced capacity due to facility closure. New facility operational but not yet at full capacity.
Tandus Centiva Inc.	Dalton	GA	Active. Reduced throughput in 2015 due to facility not running at full capacity.

⁸ Companies are listed alphabetically

Figure C. Tier-1 Processor Payouts Over Time



4.5 Tier-2 Manufacturers

Used carpets may be recycled to make new carpet or as a component to produce 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 2015, there were 6 active Tier-2 manufacturers, producing a variety of products including carpet cushion/underlayment, building insulation, water heater blankets, mattresses, pillows, pallets, automotive coverings, shelving units and toolboxes and erosion control products.

The following companies⁹ have requested AB 2398 subsidy funding 1 or more times during the 2015 reporting period, are CARE members in good standing and have signed an Agreement as a qualifying recipient for funding in 2015. Qualified recipients are subject to program reporting, AUP review, management practices and documentation requirements.

In the second half of 2015, 2 new companies signed contracts to join as Tier-2 manufacturers. This will bring the number of Tier-2 manufacturers to 10. Two of the new members are establishing a California facility in 2016; 1 is already an active processor. New participants cited the Program incentives as a key contributing factor to joining the Program. For more on Tier-2 manufacturers, see Section 6-Market Development.

⁹ Companies are listed alphabetically.

Table 9. Tier-2 Manufacturers Requesting & Receiving Funding in 2015

Manufacturers with Signed Contracts in 2015 (may have submitted one or more subsidy requests)			
Parent Company	City	State	Status
American Fiber Cushion	Dalton	GA	Active
Bonded Logic	Phoenix	AZ	Active
CLEAR/Midwest Carpet Recycling	Lake Villa	IL	Existing processor. Joined program in Q3 2015. Establishing Calif. facility in 2016.
Columbia Recycling Corp.	Dalton	GA	Active. Also Tier-1 Processor.
GeoHay	Inman	SC	Active. New in Q2 2015.
MP Global Products	Norfolk	NE	Active
Reliance Carpet Cushion	Vernon	CA	Active

Table 10. Tier-2 Manufacturers that Signed Contracts for 2016

Manufacturers that Signed Contracts for 2016			
Parent Company	City	State	Status
Aquafil USA	Cartersville	GA	Signed 2016 contract.
M Chasen & Son Inc.	Irvington	NJ	Signed 2016 contract.

4.6 International Recycling Facilities

A small amount of whole carpet is exported outside the United States to international recycling facilities. These are assumed to be primarily located in Asia, and to a lesser degree, India and Europe. The California Program does not provide any support for international recycling facilities and no incentives are paid for PCC exported outside the United States. In 2014, the California Program discontinued estimating recycled output produced internationally from exported California whole carpet. However, based on processor visits to these international facilities, it can be assumed that a portion of the exports is recycled overseas. For the purposes of the Program, all reported whole carpet exports are considered diverted from the California landfills, although the final disposition of these materials is unknown. Recycled output processed in California or the U.S. is eligible to receive subsidies; the finished recycled output may be used by domestic or international secondary product manufacturers.

In 2015, the Program experienced declining demand for both finished recycled output as well as sorted whole carpet materials from international markets. This had a negative effect on material flow resulting in service disruption (curtailed or discontinued service) for some participating public drop-off and private collection sites.

4.7 Capacity

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

In 2015, California participating processors reported an estimated total capacity to process approximately 3 times the amount collected in 2015, or 303 million lbs. (151,287 TPY). This capacity above current process volumes is principally achieved through existing facilities and increased labor quantities and/or shifts. At current conversion rates, this amount of material would represent a recycled output of 104 million lbs. (52,500 TPY), or 34% recycled output (recycling) rate (roughly 3 times the current rate).

Capacity varies as CSEs, Tier-1 processors and Tier-2 manufacturers enter/leave the market or downsize/expand their operations. In 2015 declining market conditions lead several companies to cease business operations, adjust processing approaches or curtail material throughput. These business adjustments resulted in capacity shortages especially during the latter half of the year. New program subsidies and capital improvement grants program adopted in 2015 were intended to strengthen capacity and throughput both in and out of California. The Q4 2015 results demonstrate a rebound in recycled output as subsidy increases were implemented, creating more demand for California PCC.

For example, 1 major processor went offline in 2015 in response to declining market conditions and an effort to re-establish a new facility for expanded material types. The loss of this facility affected material flow during 2015, as demand declined especially for sorted and processed nylon materials. The processor is expected to come back online sometime in 2016 and will accept all fiber types at that time. Another small processor began operations in California in late 2014, and closed operations in 2015.

The carpet recycling industry still has spare capacity. For example, capacity can be increased in the short-term by adding new shifts at current processing facilities or installing new production lines within existing facilities. Long-term, processors can make capital improvements to increase production efficiencies or new processors can be incented to join the marketplace. These changes can, in turn, help improve the quality/market opportunities for currently non-recyclable or difficult to recycle materials in the waste stream, and the introduction of new secondary products.

Under the economics of this industry, capacity is directly related to demand for product. As the Program is able to increase demand from Tier-2 manufacturers, Tier-1 processor excess capacity will be consumed. As demand declined in 2015, some facilities adopted reduced capacity operation models. To jumpstart market demand, a capital improvement grant program was introduced in Addendum 2. This grant allocates approximately \$2 million (maximum of \$500,000/project) during its first cycle, which was released in Dec. 2015 as a pilot. (See Section 6-Market Development for more information the grant program.)

4.8 Throughput

Per CalRecycle's FacIT definition, throughput¹⁰ is defined as the total amount of material actually received at a facility for a specific activity (in TPY).

In 2015, Tier-1 processors and CSEs collected and managed approximately 50,423 tons of PCC. This is 18% less than the 61,542 tons of PCC collected in 2014. Collections dropped across all four quarters of 2015; the decrease is not attributable to just one quarter or half of the year.

Some highlights include:

- 17,412 tons of Recycled Output (Type 1 + Type 2 + calcium carbonate) or 10.1% of the discards. The yield was 35% of the gross collections. Recycled Output Type 1 dropped 19% from 21,698 tons in 2014.
- Calcium carbonate came onto the boards for the first time in 2015 at 31 tons. Carpet cushion increased from 2,402 tons to 3,451 tons, a 43.6% increase.
- Exports dropped 30% from just over 5,614 tons in 2014 to 3,923 tons in 2015, a direct result of the drop in demand from Asia. Out-of-state diversion also decreased 37.5% from 6,776 tons to 4,235 tons.
- Kiln was also down 25% from 4,627 tons in 2014 to 3,427 tons in 2015.
- Process waste sent to landfill increased 10% from 10,165 tons to 11,209 tons in 2015, in part due to the market slowdown described in Section 2 - Executive Summary.
- Reuse increased threefold, from 87 tons in 2014 to 301 tons in 2015.

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 WTE 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 calcium carbonate subsidies could play a significant role in increasing overall yield as new uses for this previously unrecyclable component of carpet backing takes hold.

The following table shows a summary of final disposition data for all gross collections managed by Tier-1 processors and CSEs. Gross collections also include additional California carpet discards collected and managed by CSEs, which were voluntarily reported to the California Program through Q1 2015. CSE data (collected since Q2 2014) is now included in the table below, as appropriate.

¹⁰ <http://www.calrecycle.ca.gov/FacIT/Glossary.htm>

Table 11. Summary of Throughput and Disposition¹¹ in Tons Per Year (TPY) in 2015

Summary of Throughput and Disposition in Tons Per Year	(Q1) Beginning of Period	(Q2)	(Q3)	(Q4) End of period	(2015) Full Reporting Period
"Throughput" (TPY)					
GC - Processors (TPY)	10,773	12,048	13,161	10,171	46,153
GC - by CSEs (TPY)	946	1,200	1,167	957	4,270
Total GC (Sum of Processor + CSEs)	11,719	13,248	14,328	11,128	50,423
Recycled output (TPY)					
Type 1 + Type 2 + Calcium Carbonate RO (TPY)	4,329	5,600	3,285	4,198	17,412
RO (Recycling) Rate (% discards "recycled")	10.5%	12.6%	7.0%	10.5%	10.1% of discards
RO Yield (% conversion GC:RO)	37% of GC	42% of GC	23% of GC	38% of GC	35% of GC
Inventory Whole Carpet + Processed (TPY)					
Beginning Inventory	2,225	4,966	2,386	5,152	14,730
Ending Inventory	2,285	1,709	5,120	4,814	13,928
Diversion (TPY)					
Calcium Carbonate	0	20	10	0	31
CAAF	0	0	0	0	0
Carcass	0	0	0	0	0
Carpet Cushion/Pad*	431	792	1,168	1,060	3,451
Exports*	287	926	1,865	844	3,923
Kiln	797	1,561	988	81	3,427
Out of State	931	1,314	1,315	675	4,235
Reuse*	0	101	110	90	301
WTE*	2,542	4,053	2,653	2,191	11,440
Disposal (TPY)					
Process Waste to LF*	2,820	2,854	2,808	2,728	11,209
Incineration	0	0	0	0	0

The table illustrates the relative proportions of each disposition of gross collected materials.

¹¹ It should be noted that 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.

4.9 Disposition Facility Types

At this time, the CARE California Program maintains records of the names and locations of those facilities engaged in these types of disposition methods, as described above. Complete lists are featured for:

- CSEs: Serve as front-line service collectors and sorters of carpet discards. List in Appendix 10.2.
- Tier-1 processors: Convert gross collections into recycled output. Listed in Appendix 10.3.
- Tier-2 manufacturers (non-nylon): Utilize non-nylon recycled output in the manufacture of secondary products. Listed in Appendix 10.4.
- California Program: Supported California public drop-off sites. Listed in Appendix 10.5 and on [website](#).

Each and 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. These records are subject to periodic review and verification by the Program's third-party accounting firm HA&W in line with Agreed Upon Procedures (AUPs). The Program has access to these lists through these periodic reviews. CARE California Program requires regular reporting, record-keeping, proper management practices and random site visits.

Note that Nylon 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.

5 Program Goals & Activities – Section 18944(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 period.

5.1 Introduction

Despite challenging market conditions throughout 2015, the CARE California Program demonstrated continuous meaningful improvement toward program goals in support of post-consumer carpet (PCC) to stabilize and recover carpet recycling and diversion in the state of California. Six fundamental goals continue to guide the program to a successful outcome.

A brief summary of goals and major progress toward these goals is presented below. Additional data and activity descriptions can be found in the various related sections referenced to the right of each goal below.

Table 12. Program Highlights & Progress

Goal	Related Section	Major Progress
Increase Recyclability of Carpets	5.3 and 5.6	Continued improvement in recyclability: <ul style="list-style-type: none"> ➤ Implementation of new calcium carbonate incentive in June 2015. Incentive increased twice in 2015. Designed to improve recyclability of previously unrecyclable components of the carpet waste stream. It comprises up to 40% of carpet discards by weight. ➤ New industry-funded back labeling initiative proposed to ease polymer (composition) identification and thereby improve recyclability of materials for collectors. Initiative was adopted by the carpet industry in 2015 for implementation in 2016.
Increase Reuse of PCC	5.5.1	Continued improvement to increase reuse: <ul style="list-style-type: none"> ➤ 602,000 lbs. of PCC reused in 2015 – a 246% growth over 2014; signals incentives are driving growth. ➤ New Carpet Tile Reuse/Recycling Incentive implemented in Q2 2015 to promote the utilization of carpet tile and broadloom in line with the waste hierarchy.
Increase Gross Collection of PCC from California Landfills	4.6 and 5.4	Continued improvement in gross collections: <ul style="list-style-type: none"> ➤ Execution of key activities to stimulate awareness and collections using a multi-faceted outreach approach. ➤ California Program drop-off locations were expanded to 23 drop-off sites in 22 counties achieving 138% of the 2015 goal of 16 locations and more than doubling the number of sites from 2014.
Increase Recycled Output from Gross Collected PCC	4.6, 5.5.2, and 5.7	Continued improvement in recycled output: <ul style="list-style-type: none"> ➤ Impacted by market conditions, recycled output ended the year with an annual rate of 10% (recycling rate), a 2% drop from 12% in 2014. ➤ In response to Program changes, the recycling rate grew in Q2 2015 to 13%. The rate fell to 7% in Q3 2015 as economic conditions worsened, then rebounded to 11% in Q4 2015 as markets began responding to further Program adjustments.
Increase Overall Net Diversion of PCC from California landfills	4.6 and 5.8	Continued improvement in landfill diversion: <ul style="list-style-type: none"> ➤ Net diversion (Gross collections minus processing waste back to landfill) totaled 81 million lbs. and is consistent with the 82 million lbs. average since the Program began in July 2011. ➤ An average of 23% of all PCC discards in 2015 are being diverted from California landfills, in line with the 23% average since the Program began.
Increase Market Growth of Secondary Products made with Post-Consumer Recycled Carpet Content (PCRCC)	5.6, 5.10, 5.11, and 6	Continued improvement in market growth: <ul style="list-style-type: none"> ➤ New and increased Tier-2 manufacturer incentives, launched to spur product development using carpet recycled output, are increasing secondary product usage. ➤ Tier-2 products shipped and sold were the highest to date, at 3.8 million lbs., a 25% jump from 3.03 million lbs. in 2014 and well above the average of 2.9 million lbs. since the Program began. ➤ Tier-2 manufacturers began embracing 'feedstock' conversion as a means to incorporate recycled output into existing products. ➤ Two state agencies began reviewing Tier-2 manufacturer products for various uses, including erosion control.

Program Data

Results are tracked and monitored by the Program on an ongoing basis and reported to CalRecycle quarterly, approximately 90 days following the end of each quarterly reporting period. Since the Program

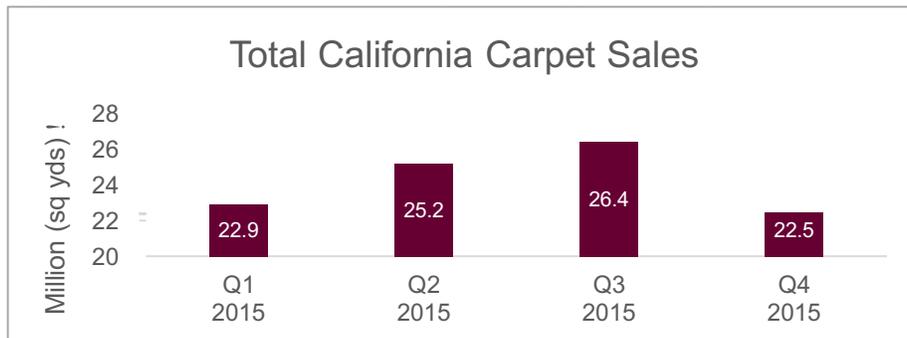
began, 18 quarters of data has been collected (July 2011 through Dec. 2015), providing the Program team with the ability to track trends and progress toward program goals over time. For the purposes of this report, results are presented for the 4 quarters of calendar year 2015, based on the best available data at the time of report preparation.

5.2 Carpet Sales – Section 18944(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. CSO with more than one manufacturer may use average weight.

In 2015 annual sales (97 million sq. yd.) were almost flat with reported carpet sales in 2014 (98.9 million sq. yd.). Q1 2015 new carpet sales were down 3.4% compared to the Q1 average for 2012, 2013 and 2014 (23.7 million square yards). Sales increased by 10% from Q1 to Q2 2015, and by 4.8% from Q2 to Q3. From Q3 to Q4, sales decreased by 14.7%, making Q4 sales for carpet the lowest in Program history.

Figure D. 2015 Total California Carpet Sales (by Quarter)



- Carpet sales in 2015: 97 million square yards (circa 407 million lbs.¹²)
- Quarterly equivalent: 24.25 million square yards (circa 101 million lbs.)
- Sales recorded since 2011: 444 million square yards (circa 1.8 billion lbs.)

5.3 Carpet Discards – Section 18944(5)(A)2

Amount (pounds) of PCC that is available for collection.

In 2015, an estimated 345 million lbs. of PCC were destined for landfills and available for collection in California. Of these calculated discards, approximately 103 million lbs. were gross collected from California landfills (approximately 30%). Since the program began, gross collections have ranged from 28-34% of discards.

Discards reported during the 2015 reporting period are estimated using the calculation method outlined in Section 5.13 below.

¹² Weights are based on industry reported averages per square yard of carpet, presently estimated at 4.2 lbs. per square yard.

5.4 Source Reduction – Section 18944(5)(A)3

Amount (pounds) of carpet source reduced, if measurable.

The California Program reports on the average weight of carpet as its primary source reduction metric, using the best available data. Since the average weight of carpet reported since program inception – 4.2 lbs. per square yard of carpet — has not changed over time, it has been difficult to use this as a dependable benchmark to measure source reduction. Moving forward, the California Program has formed a committee to further examine improved mechanisms by which to evaluate the Source Reduction goal. Recommendations from this committee will contribute to this Program goal and strategies as part of the updated 2017 California Stewardship Plan.

To support continued improvement in this area, the Program embarked on an annual confidential, committee analysis of weight per square yard for commercial tile, commercial broadloom and residential broadloom carpet, which will be applied beginning in 2016. Based on the national raw data supplied confidentially by the industry and analyzed by CARE, the 2015 reported average weight per sq. yd. of carpet remains at 4.2 lbs., which is consistent with previous reported years. This reported average was also used to update the 2015 discard formula, which can be found in Section 5.13 below

In addition to the average weight of carpet metric, carpet mills are developing innovative approaches to sustainability that will have positive impacts on carpet recycling efforts in years ahead; some will favorably impact source reduction. One favorable trend is a reduction in tile weight during the last several years. Another company is developing an innovative backing system that will greatly facilitate the recycling of both PET and nylon carpet. This new technology, expected to launch in 2016, offers mono-polymer and easily separable dual-polymer systems that will eliminate calcium carbonate and contribute to significant increases in source reduction (up to approximately 40% on average by weight per square) over the coming years. These innovative advances - from conceptualization to commercialization - typically take 5 to 10 years before benefits are fully realized. However, as advances like these take hold in the carpet mill product lines, results will benefit both source reduction and overall recyclability of carpet over the long term. In addition, the separation of nylon face fiber from a PET backing system will greatly improve processing efficiency. The companies working in partnership to develop this [technology](#) were [DSM-Niaga](#) throughout 2014 and 2015.

Furthermore, a number of carpet mills have dedicated efforts targeted at minimizing the environmental impact of carpet manufacturing, thereby reducing their reliance on natural resources used in making new carpet. One such company is the [J+J Flooring Group](#), a carpet mill of commercial specified flooring that set out to achieve landfill-free status as part of its 2020 environmental performance goals. In 2015, J+J Flooring became one of only 20 companies, including notables like Ford, Nestle, and P&G, to be certified as a Zero Waste to Landfill Manufacturer by [GreenCircle Certified, LLC.](#), a third-party certifier of environmental claims. This accomplishment also made J&J Flooring Group the first commercial flooring manufacturer in the U.S. to achieve landfill-free status.

Another notable development in 2015 was the recognition of carpet designer/manufacturer Tandus Centiva as CARE's 2015 [Recycler of the Year](#). A CARE partner, the company employs the industry's first closed-loop recycling program in its Georgia-based environmental center. Called ReStart, the program is designed to reclaim and recycle post-consumer flooring, installation waste, product samples and portfolios. To date, Tandus Centiva has reclaimed and recycled more than 268 million lbs. of carpet, luxury vinyl tile (LVT) and waste.

Advancements and commitments towards greater source reduction are most often reported through carpet mills' annual sustainability reports. Following are a few examples:

- Read about Interface's efforts here:
<http://www.interfaceglobal.com/Sustainability.aspx>
- Read about J+J Flooring Group's efforts at:
<http://www.jjflooringgroup.com/sustainability/overview/>

- Read about Shaw's efforts at:
<http://sustainability.shawinc.com/reports/>
- Read about Tandus Centiva's (a Tarkett Company) efforts at:
<https://www.tandus-centiva.com/sustainability/sustainability-at-tarkett>

Both CARE and the CARE California Program recognize the importance of these efforts and are encouraged that these innovations aggregately contribute to a more sustainable industry. More information can be found in the [annual CARE report](#), which looks at source reduction across the United States.

5.4.1 Carpet Tile Recycling and Reuse

A new incentive was implemented in Q2 2015 to encourage carpet tile recycling and reuse. Both Collector/Sorter Entrepreneurs (CSEs) and Tier-1 processors are eligible for the \$0.10/lb. carpet tile/broadloom reuse incentive. The incentive promotes the California waste hierarchy of reuse prior to recycling and offers several advantages. Carpet tile is one of the easier reuse applications due to size, and ease of handling; tiles are often in better condition for reuse due to commercial tile maintenance programs.

When carpet tile is recycled, 100% of the tile is recycled into new carpet backing, so there is no material left after processing. Therefore, based on current yields for nylon, tile on a weight basis is approximately two times the yield per square yard than that of broadloom (assumes broadloom is ~50% backing on average). In addition, tiles on average weigh about twice that of broadloom. Thus, for every square yard of tile reused or recycled, 2 times the recycled output weight is generated. In summary, every square yard of tile is equivalent to 4 times the weight value of broadloom for recycled output.

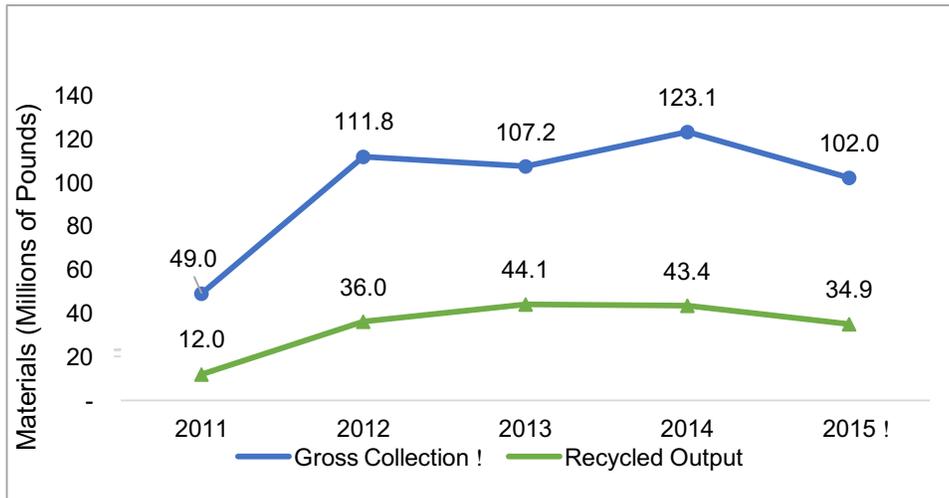
To more effectively track carpet tile reuse and carpet tile recycling separately, the Program modified reporting forms to ensure this material is not confused with Type 1 recycling materials reporting. In Q2 2015, the subsidy was clarified to include the reuse of both carpet tile and broadloom carpet. (Please see the Tier-1 processor recording sheet in Appendix 10.7 - Recording Sheets.)

5.5 Increasing Gross Collection – Section 18944(a)(5)(A)4

Amount (pounds) of PCC collected, by weight, during the reporting period.

In 2015, gross collections (amount recovered before recycling) totaled 103 million lbs. of PCC, or 30% of estimated annual discards. Of the 2015 gross collections, current processing technology converted 34% of discards into finished recycled output (yield), resulting in an average 10% recycled output (recycling rate) for the reporting year. This is a 2 percentage point decline from 2014, which was reported at 12%, affecting the Program’s progress towards its recycling rate goal of 16% by 2016. Since program inception in July 2011 a cumulative total of 494 million lbs. of PCC (30% of discards) has been gross collected – diverting approximately 26% of PCC otherwise destined for the landfill.

Figure E. Annual Performance Trends for Gross Collections and Recycled Output Over Time

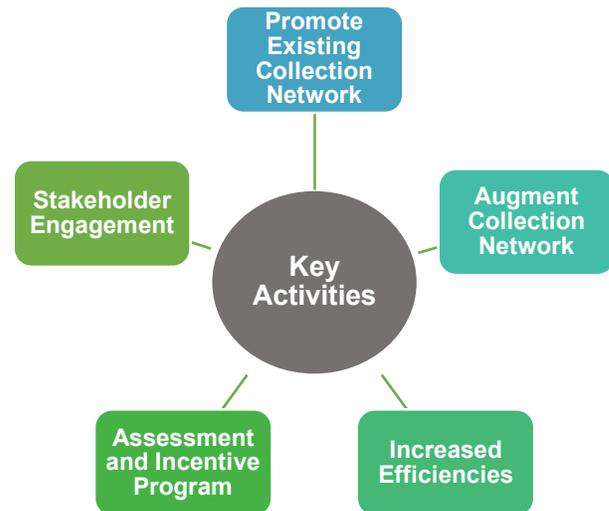


**Consistent with the 2014 California Program Annual Report, Recycled Output (RO) includes only Type 1, Type 2, and calcium carbonate (used as a raw material) pounds. Pounds diverted from landfill through international shipments, CAAF and/or Kiln and WTE are reported within pounds diverted.*

5.5.1 Key Insights

Gross collection figures¹³ include the actual pounds of PCC removed from the waste stream and initially kept out of the landfill for reuse, recycle, Carpet as Alternative Fuel (CAAF), Kiln or Waste to Energy (WTE)s, through collection, sorting and processing activities conducted in coordination with consumers, retailers, installers, landfills, transfer stations, material recovery facilities (MRFs) and others.

In 2015, the program saw a 13% increase from Q1 to Q2 in Gross Collections, and 12% from Q2 to Q3 before a dramatic decline of 21% from Q3 to Q4, contributing to a 16% total annual decline in Gross Collection from 2014 (123 million lbs.) to 2015 (103 million lbs.). In addition, the recycled output began the year at 11% and ended the year at 10%. For further information see Section 5.6.2 - Recycled Output.



To help reverse this trend, the Program focused more heavily on drop-off site outreach and stimulating the market, including new and increased subsidies (see Section 3 – Program Scope), which has been critical to maintaining the flow of collections and helping increase the total recycling rate. Many locations increased storage of collected and processed materials, as parties anticipated recovery in the market and looked for ways to maintain appropriate inventory levels within permitted capacities.

5.5.2 Gross Collection Activities

To support the collection challenges presented by CSEs, increase program awareness and encourage participation throughout 2015, the California Program implemented a number of key activities to support gross collections, using a multi-faceted approach.

Some notable activities and milestones include:

- Development, implementation and promotion of **new CSE subsidy**.
- Enhanced California-dedicated team, with the addition of **a new full-time resource** for in-market support.
- State recycling coordinator outreach, including 28 counties individually contacted and 14 sites ! visited in support of increased collections. !
- Extensive local government outreach, resulting in **9 new drop-off sites** launched by **11 new county** participants
- Augmented total of California Program drop-off Sites in 2015 to **23 participating drop-off sites**, an **increase of 138%** from 2014, seven more than the goal of 16 set for mid-2015 and 105% of the Dec 2015 goal of serving 21 Counties.
- Reached **100% of California retailers** via multiple mail and email notices in 2015.

¹³ Please note, gross collections figures in 2015 include both participating Tier-1 processor data (92 million lbs.) as well as additional California PCC (10 million lbs.) collected and managed by CSEs, as reported to CARE on a voluntary basis. With the launch of the CSE reuse and collections subsidies in Q2, CSEs enter fully into the program, completing annual agreements, quarterly/monthly reporting submissions and are subject to program protocols and agreed upon procedure reviews, etc.

- Compiled accurate contact list of 2,500 active California carpet retailers; completed **250 on-site retailer visits** to increase program awareness and customer accessibility to recycling; adopted ! a goal of reaching 1,225 retailers (approximately 50% of operating retailers) by July 2016. !
- Distributed promotional materials to **transfer stations** to increase program awareness and ! recycling options available. !
- Conducted 2 **full-day stakeholder workshops** in July in California. !

In 2015, the California Program made significant progress in outreach and engagement with ! stakeholders involved in carpet collection. More details surrounding these and other activities can be ! found in Section 8 – Outreach & Education. !

5.6 Disposition – Section 18944(a)(5)(A)5

Disposition, that is, amounts reused, recycled, incinerated for energy recovery or disposed of in a landfill; of collected PCC, by pounds, during the reporting period.

Reported 2015 disposition includes reuse, recycling (recycled output), energy recovery 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 CARE California Program and the Program's third party accounting firm (HA&W), and will not reflect any disposition activities occurring outside the Program. National data is provided by Program membership as reported in the organization's annual survey. (Disposition is summarized in Section 4.8 - Throughput.)

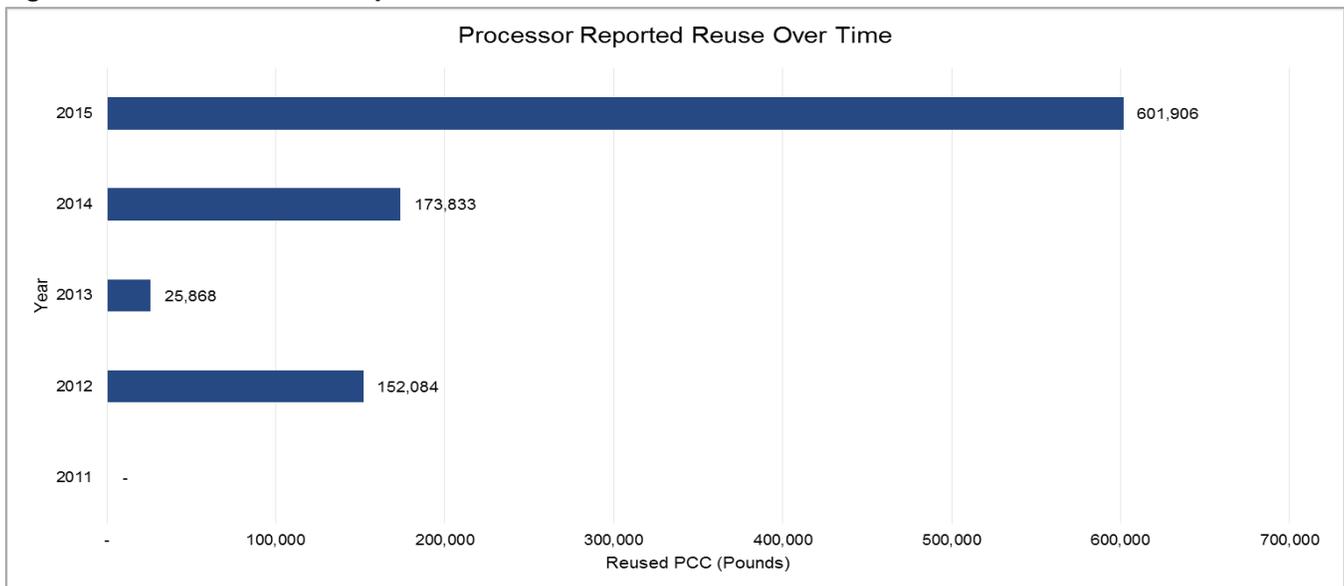
5.6.1 Reuse

Reuse comprises a small part of total annual carpet discards and has historically been hard to track reliably. In 2015, the California Program responded to the decline in reuse in 2013 and overall percent of discards being diverted to reuse over time, by designing a new incentive to promote the reuse of carpet tile and broadloom within the waste hierarchy. The New Carpet Tile Reuse/Recycling Incentive was requested in Dec. 2014, approved in Jan. 2015 and implemented in Q2 2015.

The incentive was aimed at CSEs and Tier-1 processors—two stakeholders that serve on the front lines of carpet recovery and are best positioned to sort materials and identify best opportunities for reuse. By the end of the year, the Program was able to more than double the total volume diverted via reuse as compared to 2014.

In 2015, approximately 602,000 lbs. of PCC were reported as reused. This is 0.58% of gross collections, 0.17% of discards and represents a 71% increase over 2014 (174,000) and a 96% increase since program inception—significant meaningful progress in this goal area.

Figure F. Tier-1 Processor-Reported Reuse over Time



The Reuse incentive reflects the first time that the California Program has been able to reliably report on the reuse stream for carpet tiles and broadloom. 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. In 2015, Tier-1 processors reported approximately 434,000 lbs. of carpet tiles sold, donated or shipped for reuse, the majority of which occurred in Q3 2015 (214,000 lbs.) Carpet tile reuse made up 93% of all reported reuse in 2015.

Broadloom carpet is a much more challenging material to reuse because it is often cut to size, comes in many colors, designs and styles and is hard to clean or refurbish. However, some opportunities for reuse do exist, especially when the carpet is relatively new and has experienced low traffic. There is often high demand for gently used carpet from nearby community organizations, such as Habitat for Humanity. For Q4 2015, the California Program reported 33,220 lbs. of broadloom sold, donated or shipped for reuse. This is the only quarter that broadloom subsidy was requested in 2015. The Program expects the new subsidy to drive innovations for broadloom reuse in the future.

Reuse Activities

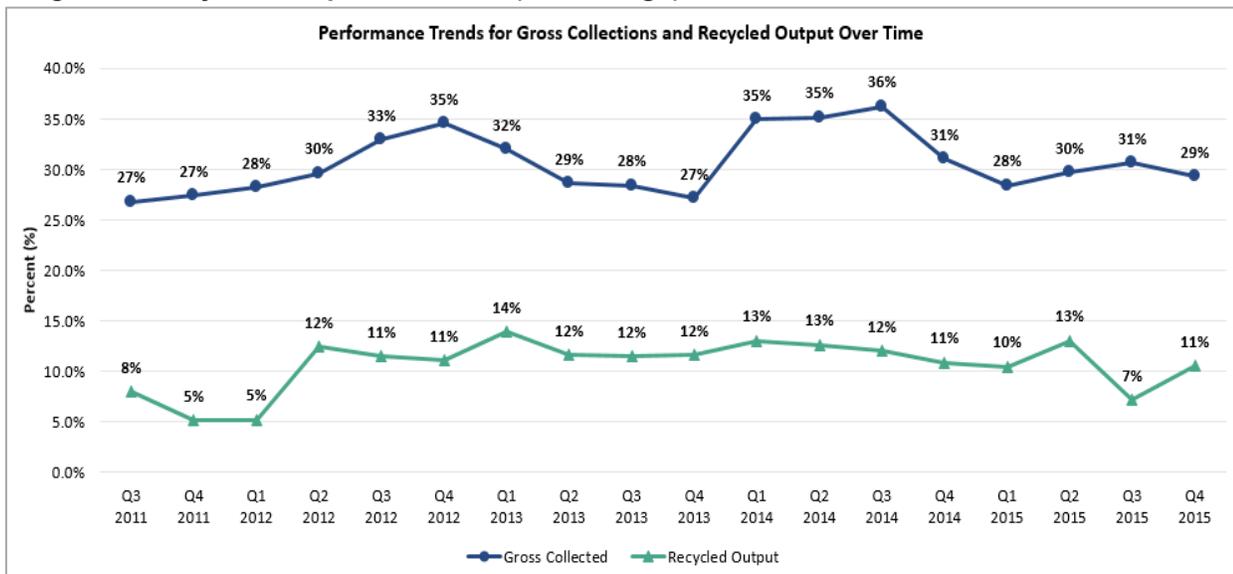
To get the word out, the Program provided information on reuse opportunities and material handling to local governments to share with county collection sites. The Program also shared information with CSEs and Tier-1 processors via notices and direct communications regarding the new subsidy. One new CSE entered the program during 2015 in direct response to the reuse subsidy. The new participant operates as a demolition contractor and represents a new service area for capturing reusable carpet tile, especially from the commercial space.

5.6.2 Recycled Output

Recycled Output includes the portion of gross collected PCC after processing (shredding, shearing, hammer milling, de-polymerization, etc.). This processed material can be used in the manufacturing of secondary products made with post-consumer recycled carpet content. To calculate the Program’s recycled output, Type 1 and Type 2 recycled output (recycling rate) are combined. In 2015, calcium carbonate (as a raw material) was added to the calculation for recycled output. CAAF and Kiln are not considered in the recycled output calculation, but are incorporated within Program diversion figures. (Beginning in 2016, the California Program will also include reuse volumes within recycled output figures, as requested in Addendum 3.)

Recycled output for 2015 was 35 million lbs., a 19% decrease from the 43 million lbs. reported for 2014. Recycled output as a percentage of total discards also dropped by two percentage points, from 12% in 2014 to 10% in 2015. Despite seeing improvement in Q2 2015, recycled output dropped to 7% in Q3 in response to worsening economic conditions including the falling cost of oil, reduced domestic capacity for nylon and soft international markets. By Q4 2015 however, and in response to program changes implemented in Q3 2015, the Program recycling rate rebounded to several percentage points to 11% to end the year.

Figure G. Recycled Output over Time (Percentage)



As a result, many collectors were left with material without a market to purchase it. PCC materials, such as separated fiber, are more valuable when the price of oil is high because they become less expensive than virgin materials. As the price of oil falls, so does the demand for recycled output. As a result, diversion and recycling activities increase when oil prices increase significantly. In 2015, low oil prices placed downward pricing pressures on recycled PCC materials and adversely affected both gross collections and recycled output, as seen in the graph above. The factors driving this drop are discussed in Section 2 - Executive Summary.

The California Program is encouraged by the strong rebound in the demand for recycled output demonstrated in Q4 2015. It is a strong indicator that actions taken by the Program are having a positive impact. The combination

of the increased assessment and the new and increased incentives should further contribute to market stabilization. Further information about the efforts to increase recycled output can be found in Section 5.8, Increasing Recycled Output.

5.6.3 Incineration

No incineration was reported in 2015, nor since the Program began.

5.6.4 Energy Recovery

The Plan enables the management of PCC in a manner consistent with the state's solid waste hierarchy and with AB 2398 requirements. Two categories of energy recovery methods are used to manage PCC not presently diverted through reuse or recycling:

CAAF and Kiln, which both qualify for subsidies under the 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.

The second category is 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.

When combined, CAAF, Kiln and WTE accounted for 29.8 million lbs. in 2015, compared to 30.6 million lbs. in 2014, a decline of 2.6%.

5.6.4.1 CAAF and Kiln

In 2015, CAAF usage was zero for the second consecutive year, while 6.9 million lbs. of PCC was diverted via Kiln. This is a 26% drop from the 9.3 million lbs. reported for Kiln in 2014 but a significant increase from 2012 and 2013, respectively. The use of Kiln is still significantly below the threshold quarterly cap of 15% on CAAF and Kiln subsidies set in the Plan. Diversion of CAAF was 0% of discards while Kiln was 2% of discards, flat from 2014.

5.6.4.2 Waste to Energy (WTE)

In 2015, 22.9 million lbs. of materials (7% of discards) were processed as WTE. This is a slight increase of 7.5% over the 21.3 million lbs. (6% of discards) processed as WTE in 2014. The average for the past three years has remained steady at 21.5 million lbs. (approximately 6% of discards).

PCC disposed of 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 a higher use for PCC and provides some value to CSEs and Tier-1 processors.

Table 13. Energy Recovery by Method

Reuse	2014 (millions of lbs.)	2015 (millions of lbs.)	Change (million)	Change (%)
Kiln	9.3	6.9	-2.4	-26%
CAAF	-	-	-	-
WTE	21.3	22.8	1.5	7%

5.6.5 Disposal

Disposal is calculated as the balance of discards (345 million lbs.) minus gross collections (103 million lbs.), plus net sorting and processing waste sent to landfill (22.4 million lbs.). In 2015, total disposal was 265 million lbs. of PCC, up slightly from 255 million lbs. in 2014. (Note that some amount of additional diversion may be occurring due to untracked reuse or other upstream processes outside of the California Program reporting processes. This diversion has a slight impact on the actual pounds sent to landfill.)

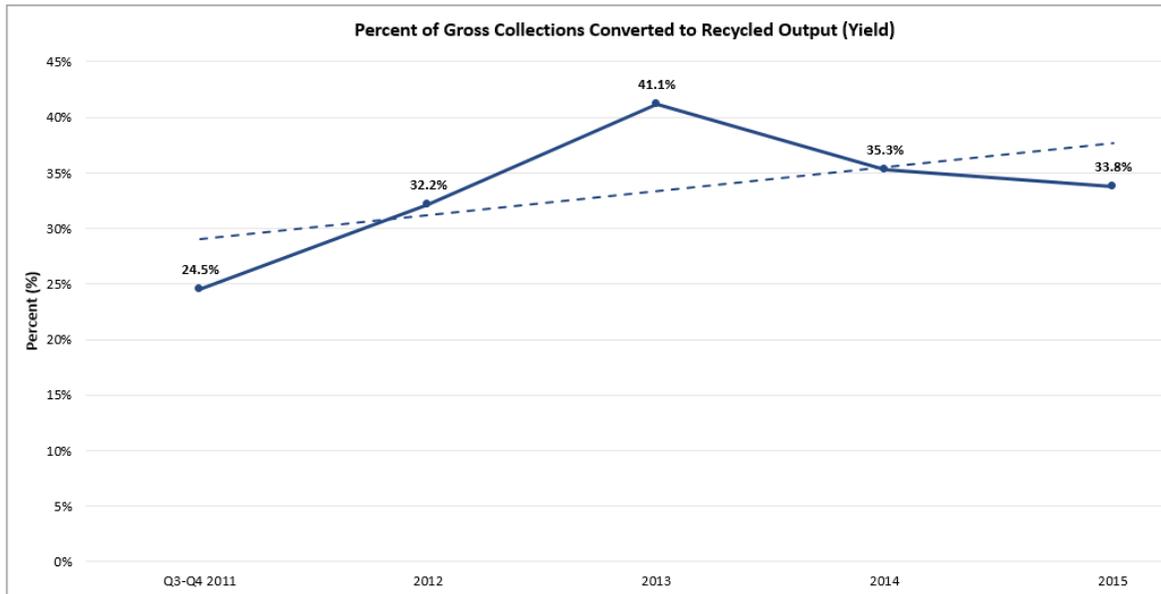
In 2015, California Tier-1 processors reported the total processor pounds sent back to landfill as 22.4 million lbs., up 10.4% from 20.3 million lbs. in 2014. This is a major decrease from 36.7 million lbs. in 2013 and 32.8 million lbs. in 2012. Materials sent to landfill are generally classified as unusable PCC materials collected during the gross collections process or generated as an unusable byproduct of production or processing. They cannot be converted to recycled output, utilized in or managed through an energy recovery, CAAF, Kiln or WTE utilization process. As new carpet recycling technologies are introduced, the amount of recoverable materials should increase with less gross collections ending up in landfill, resulting in a higher recycling rate.

5.7 Increasing Recyclability – Section 18944(5)(A)6

Describe efforts to increase recyclability of carpets.

Overall recyclability as indicated by yield figures held steady this year at 34% of gross collections, a 1% decrease from 2014. This rate is 7% below the high achieved in 2013. This rate decrease is in part due to the market conditions described in Section 2 - Executive Summary, such as an increase in more difficult to recycle non-nylon discards, a decline in the oil market that reduced demand for recycled goods, reduced domestic demand for nylon, and a port slowdown that stopped the movement of goods. Despite these challenges, the Program is seeing an upward trend since a low of 24.5% in the second half of 2011, indicating continuous improvement. New incentives added in 2015, especially those to spur the use of calcium carbonate, show potential to further improve yield in future years.

Figure H. Recycled Output from Gross Collections



Recyclability efforts were focused on areas within the Program sphere of influence, such as increasing yield and supporting development of secondary products that use recycled outputs. The Program is continuously working to identify, qualify and report on technologies that significantly improve the carpet recyclability through two aspects:

- Ease of materials separation.** This involves questions such as: What fibers are being used? What backing system is utilized? How easy is it to separate the fibers and backing at end of life? These design decisions are beyond the purview of the California Program as they are under the control of the carpet mills. New [innovations](#), such as mono-polymer and dual-polymer systems, under development in 2015 by mills such as DSM/Niaga, are expected to improve materials separation.
- Ease by which materials can be recycled at the end of life.** How easy is it for CSEs to identify the polymer types for recycling? Are there technologies available to separate the materials so they can be reused or recycled into secondary products? Polymer types and construction decisions are also under the control of individual mills. In 2015 CARE and the [Carpet and Rug Institute](#) (CRI) announced a new industry-funded back-stamping initiative which will begin stamping identification information on the back on new carpet in 2016. This will make new carpet more easily identifiable over the long term. The full impact of this program will take a number of years to impact the PCC flow resulting from rip-outs, but it represents meaningful progress in the goal of recyclability.

During 2015, the California Program made several changes to help stimulate yield or the amount gross collections being converted and utilized as recycled output through the following incentives.

- ! In 2014, recycled outlets were limited to those using only the fiber portions of PCC. During 2015, the California Program began promoting the recycling of calcium carbonate, the non-fiber portion of carpet that comprises up to 40% of a carpet's weight. In Addendum 1, CARE offered a new calcium carbonate

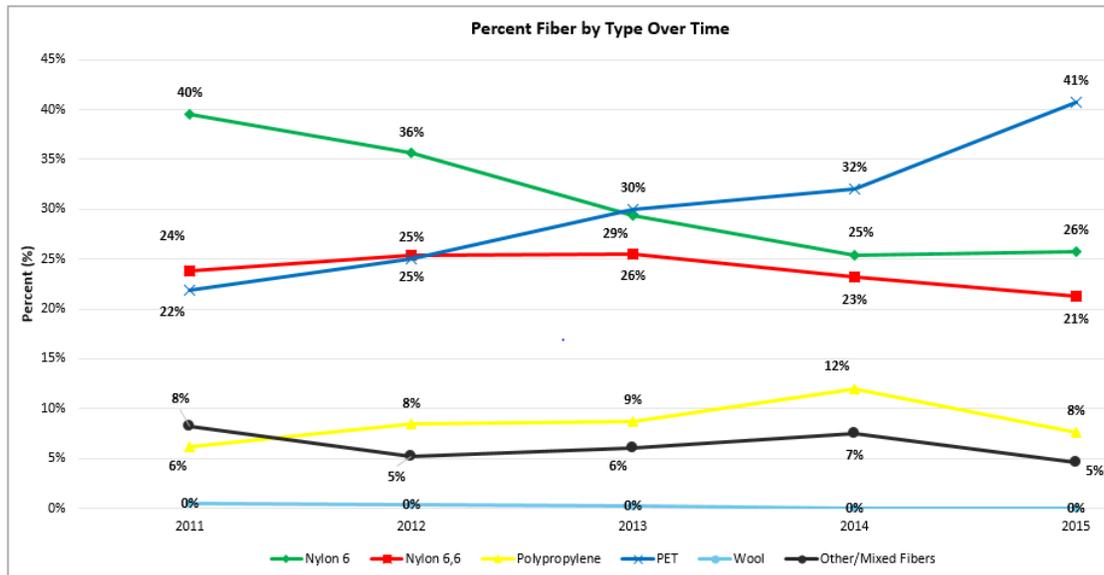
incentive starting in Q2 2015. The incentive was increased in June 2015, then increased again in Addendum 3 in late 2015. The subsidy is drawing significant interest from a variety of product manufacturers, with several products under development. More than 61,000 lbs. of this material was recycled in 2015 with significant growth to follow.

2. ! In addition, to spur development of technology for secondary use, a grant program was introduced in Addendum 2 in Q4 2015. The grants offer capital improvement and product testing funding to CSEs, Tier-1 processors and Tier-2 manufacturers. These grants are intended in part to catalyze development in new market areas which will improve recyclability of previously underutilized or difficult to recycle components of PCC. The Program expects the grant program to stimulate real progress in areas such as that of calcium carbonate in recycled products. Refer to Section 6 - Market Development for more details on the grant program and recycled products.
3. ! 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's low level of recyclability compared to nylon, the California Program established a Tier-2 manufacturer non-nylon subsidy in 2013. This subsidy was increased from \$0.10/lb. to \$0.17/lb. (effective Q2 2015) with an additional, new \$0.10/lb. growth incentive for pounds over a specified quarterly threshold. Effective Q3 2015, the subsidy was increased again to \$0.25/lb., while the growth incentive remained unchanged. These incentives are having the anticipated impact. Just over 11.7 million lbs. of Type 1 non-nylon recycled output was sold and shipped by Tier-2 manufacturers during 2015, a 16% increase over 9.9 million lbs. in 2014.

The reported increase in PET fiber materials was dramatic in 2015, increasing from 32% to 41%, a 9% increase since 2014. At the same time, nylon fiber types (nylon 6 and nylon 6,6) held steady from around 25%/23% respectively in 2014 to 26%/21% in 2015. Although some portion of this increase may be driven by the soft nylon markets in 2015, it is generally expected that the trend will continue as buyers continue to embrace the low cost, less expensive PET carpet. Polypropylene fiber also dropped by 4% over the same timeframe to 8%. The Program expects it to remain steady at under 10%.

Wool and other fibers remain a relatively low and insignificant portion of the PCC waste stream (<1%). Although biodegradable, disposition of wool and other natural fibers is not clearly understood, and may offer minimal opportunities for increased diversion in the future, especially as organics diversion opportunities increase in California in future years.

Figure I. Percent Fiber by Type (2011 – 2015)



5.7.1 Role of Other Efforts – Education & Outreach To increase Recyclability

The CARE California Program invests in educating three primary stakeholders in the recycling process—retailers, installers and local governments. These stakeholders play a key role in reaching consumers at the point when they are purchasing and/or installing carpet and are most open to hearing about recycling—when. Educational messages and materials focus on the benefits and ramifications of carpet recycling with consumers.

Thanks to a major increase in funding due to an increase in the assessment, the California Program made significant headway in its education and outreach activities during 2015. The year began with an aggressive campaign to inform retailers about the assessment change. Other activities included the rollout of an ongoing communications campaign through email, e-newsletters, blogs and website updates; stakeholder workshops; and a series of retailer site visits late in the year. The California program also focused its resources on reaching out to local governments throughout the state to set up drop-off sites and to present the value of buying PCC secondary products to procurement personnel as part of their State Agency Buy Recycled Campaign (SABRC) compliance. For further details on this program and other outreach activities, consult Section 8 - Outreach & Education.

5.8 Increasing Recycled Output – Section 18944(5)(A)7

Describe efforts to increase recycling of PCC.

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

In Addendum 1, approved in Jan. 2015, the California Program requested changes to existing incentives and added one new incentive. A new Tier-2 non-nylon growth payout was added to jumpstart Tier-2

manufacturer market purchases. Other subsidies were increased to encourage Tier-1 processors to focus on the calcium carbonate--a material that can be more easily recycled into existing products--and to drive carpet tile reuse/recycling.

New carpet tile incentives adopted in Q2 2015 recognized that carpet tiles offer a generally higher percentage of recyclability than other carpet products. In some instances, participating Tier-2 manufacturers claim up to 100% recyclability of carpet tile back into carpet tile. In addition, to provide greater market stability, the California Program agreed to provide advanced notice of any subsidy decreases of 12 months plus the current quarter.

Under Addendum 3, which was proposed in late Nov. 2015 and approved in Jan. 2016, the reuse incentive for broadloom carpet and carpet tiles approved in Addendum 1 was clarified, with the changes made retroactive to Q2 2015. The incentive is \$0.10/lb. Other program adjustments included a change from quarterly to monthly reporting for subsidy payouts with the goal of increasing cash flow to Tier-1 processors and Tier-2 manufacturers and better timing of payments following reporting. A chart summarizing the subsidy changes is provided in Section 3.

Results of gross collections and recycled output over time are summarized under Section 5.6 Disposition. Tier-2 manufacturer initiatives are detailed in Section 6 - Market Development.

5.9 Increasing Overall Diversion – Section 18944(5)(A)8

Describe efforts to increase diversion of PCC from landfills.

While the central focus of the Program is generating recycled output, overall diversion of PCC from landfills is also a principal objective, especially as technology, infrastructure and awareness continue to evolve. Net diversion is defined as the difference between gross collections net of any materials sent to landfill.

Net diversion includes categories such as Reuse, Recycled Output (Type 1 + Type 2 + calcium carbonate + Carcass), CAAF and Kiln, WTE and exported whole carpet. (Carpet cushion is excluded.) In 2015, net diversion was calculated to be 81 million lbs., or 23% of discards and 78% of gross collections. This is a 27% decrease from 103 million lbs. reported in 2014. The 2014 net diversion rate was 29% of discards and 83% of gross collections.

Reported diversion is calculated by adding the elements reported as diversion, including Reuse, Recycled Output (Type 1 + Type 2 + calcium carbonate + Carcass), CAAF and Kiln, WTE and exported whole carpet. Cushion is excluded. In 2015 the total of reported diversion equaled 73 million lbs., a 14% decrease from 85 million lbs. in 2014 data.

While net diversion should equal reported diversion, they typically do not match exactly for two reasons. First, gross collections are based on estimates, not actually shipments or sales while recycled output is based on actual reports. Second, some diversion numbers may be lost when Tier-1 processors divert some output but don't submit a subsidy request.

Reported diversion for 2015 is shown in the figure below.

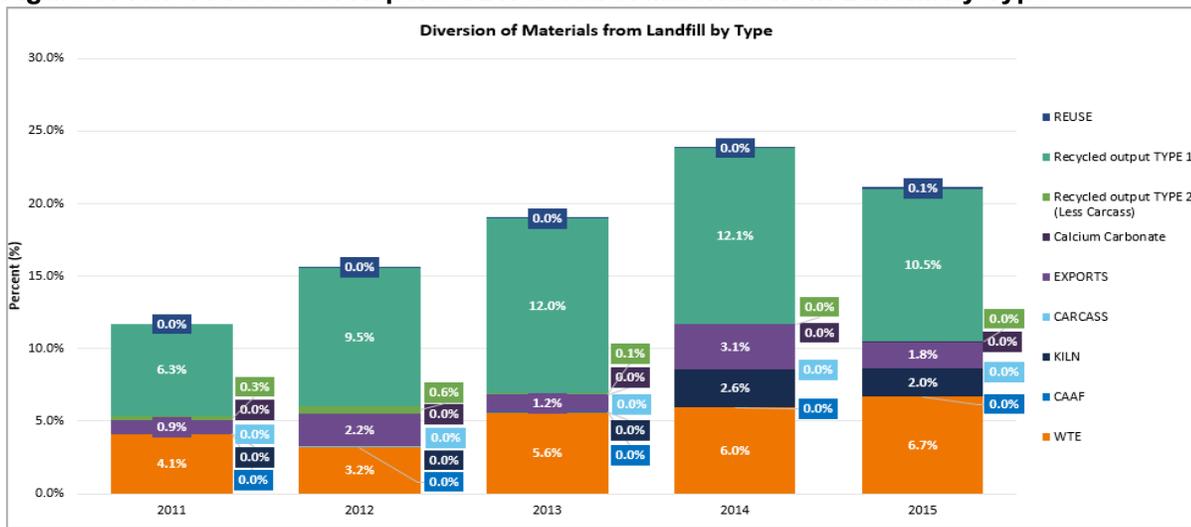
Table 14: Reported Diversion by Type (thousands of pounds) - 2015

Diversion of Materials from Landfill by Type	2011 (Only includes Q3 and Q4)	2012	2013	2014	2015
	Weight in Thousands of lbs.				
REUSE	-	152	26	174	602
Recycled output TYPE 1	11,486	34,007	43,719	43,397	34,762
Recycled output TYPE 2 (Less Carcass)	522	1,823	390	-	-
Calcium Carbonate	-	-	-	-	61
EXPORTS	1,712	7,953	4,330	9,205	5,948
CARCASS	-	160	-	-	-
CUSHION	692	6,108	2,914	4,804	6,901
KILN	-	44	48	9,255	6,854
CAAF	-	-	137	-	-
WTE	7,444	11,417	20,331	19,291	22,788

Table 15: Reported Diversion by Percentage - 2015

Diversion from Landfill by Type	2011	2012	2013	2014	2015
Total Carpet Discards (pounds)	181,036	356,977	363,567	357,671	345,197
REUSE	0.0%	0.0%	0.0%	0.0%	0.2%
Recycled output TYPE 1	6.3%	9.5%	12.0%	12.1%	10.1%
Recycled output TYPE 2 (Less Carcass)	0.3%	0.5%	0.1%	0.0%	0.0%
Calcium Carbonate	0.0%	0.0%	0.0%	0.0%	0.0%
EXPORTS	0.9%	2.2%	1.2%	3.1%	2.3%
CARCASS	0.0%	0.0%	0.0%	0.0%	0.0%
KILN	0.0%	0.0%	0.0%	2.6%	2.0%
CAAF	0.0%	0.0%	0.0%	0.0%	0.0%
WTE	4.1%	3.2%	5.6%	6.0%	6.6%

Figure J. Tier-1 Processor Reported Diversion of Materials from Landfill by Type



5.9.1.1 Carpet Cushion

The California Program indirectly diverts carpet padding or cushion (predominately polyurethane foam, also known as rebond) in an effort to increase carpet recycling participation at several sites where the padding material is accepted with PCC as a separate recycled material. A strong market exists for these materials; being able to recycle both co-generated materials at the same time improves program participation. Approximately 4.3 million lbs. of this padding was collected in 2015, compared to 2.4 million lbs. in 2014, an increase of 79%. These materials are also considered diverted from California landfills.

5.10 Environmental Impacts – Section(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.

5.10.1 Greenhouse Gas Emission

The Environmental Protection Agency (EPA) 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 2015 were calculated utilizing the EPA Waste Reduction Model (WARM). It should be noted that the WARM model is considered out of date as it relates to changes in the primary recycle technology platforms for nylon 6 in particular as well as the major growth in PET as a face fiber.

Due to the reduction in domestic depolymerization of nylon 6, 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. CARE is working with Dr. Matthew Realf of Georgia Tech to better understand these changes and emissions impacts. Coordination with California Air Resources Board (CARB) is also underway. Numbers reported below using the existing WARM model are thus anticipated to be underestimated.

Effective Sept. 2015, a major depolymerization (high energy) processing operation was shut down. This facility handled the vast majority of nylon 6 recycling and carried a large energy burden. Shifting to a higher mechanical

recycling basis decreases the GHG emission factors associated with PCC recycling. Said another way, the GHG reduction for recycled PCC versus virgin production will be much greater. Given these developments, estimates based on the current WARM model and reported in this section are likely to be under-estimating the actual GHG reductions achieved by carpet recycling.

Results indicate a total of **153,139 metric tons** Carbon Dioxide equivalent (MTCO₂E) were reduced since program inception. In 2015, **27,129 metric tons** of MTCO₂E were reduced as a result of Program and partner activities as summarized by the WARM Summaries below:

Figure K. GHG Emissions Reductions over History of Program

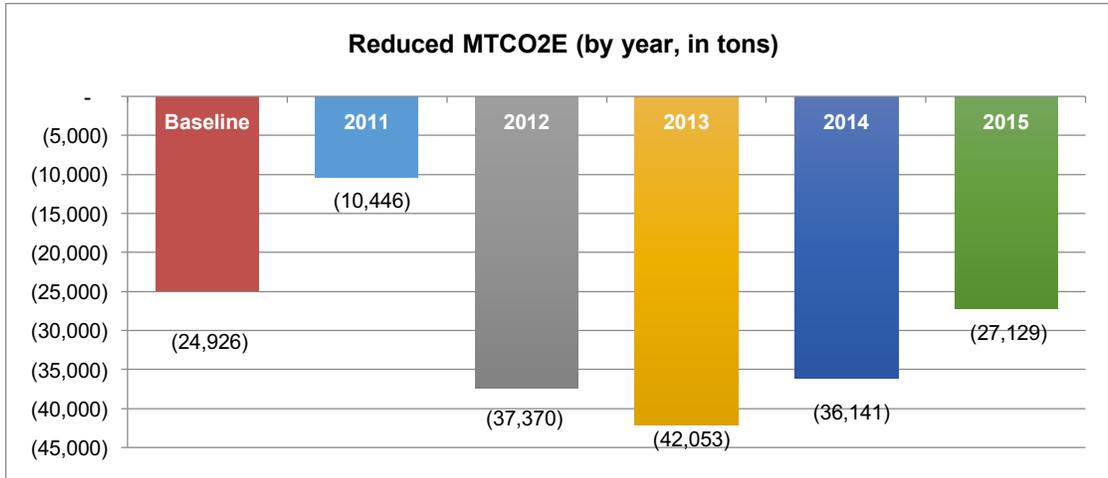


Figure L. WARM Analysis of GHG Emissions Reductions for 2015

GHG Emissions Analysis — Summary Report	
(Version 13, 3/15)	
Analysis of GHG Emissions from Waste Management for CARE - CA Carpet Stewardship Program Prepared by 2015 - Updated 06/16 Reporting Period for this Analysis is from 01/01/2015 to 12/31/2015	
GHG Emissions from Baseline Waste Management Scenario (MTCO ₂ E):	6,693
GHG Emissions from Alternative Waste Management Scenario (MTCO ₂ E):	-20,436
Total Change in GHG Emissions: (MTCO₂E):	-27,129

Table 16. WARM Summary of 2015 Reductions in GHG Emissions by Program Activity

Material	Baseline Scenario					Alternative Scenario						Change (Alt - Base) MTCO2E
	Tons Recycled	Tons Landfilled	Tons Combusted	Tons Composted	Total MTCO2E	Tons Source Reduced	Tons Recycled	Tons Landfilled	Tons Combusted	Tons Composted	Total MTCO2E	
Carpet	0	172,599	0	N/A	6,693	301	17,412	140,019	14,867	N/A	-20,436	-27,129

Note: A negative value indicates an emission reduction; a positive value indicates an emission increase.

a) For an explanation of the methodology used to develop emission factors, see Documentation for Greenhouse Gas Emission and Energy Factors Used in the Waste Reduction Model (WARM) — available on the Internet at <http://epa.gov/epawaste/conservation/tools/warm/SWGMGHreport.html>

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

c) Total emissions estimates provided by this model may not sum due to independent rounding.

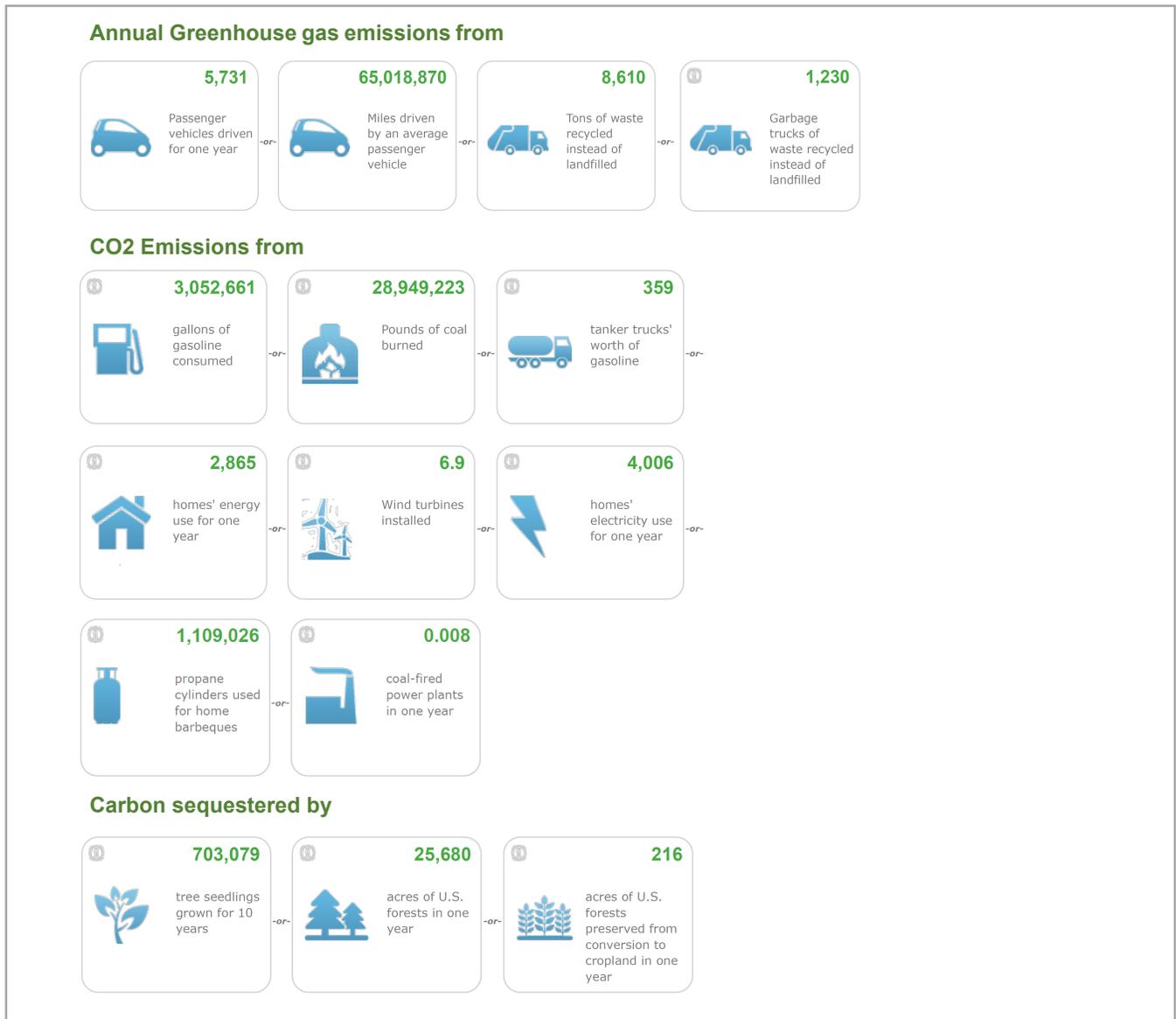
Utilizing the EPA Clean Energy GHG Equivalencies calculator¹⁴, the estimated 2015 total GHG reductions of 27,129 metric tons is equivalent to:

- Removing **5,731 vehicles** from the road, *or*
- Eliminating **65 million vehicle miles traveled (VMT)**, *or*
- Eliminating emissions from **3 million gallons of gasoline**, *or*
- Powering **4,006 average homes** with electricity for one year, *or*
- Planting **703,079 tree seedlings** grown for 10 years

¹⁴ <http://www.epa.gov/cleanenergy/energy---resources/calculator.html>

Estimated GHG reductions achieved in 2015, are equivalent to eliminating:

Figure M. WARM Analysis of GHG Emissions Reductions for 2015



5.10.2 Other Environmental Impacts

The California Program had one enforcement action reported in 2015. A program participant, a California CSE/small Tier-1 processor, lost its facility lease in late 2014 and had to discontinue collections. The entity was unable to dispose of its inventory of materials and received a cleanup order by a local enforcement agency in 2015. The company was a member in good standing and had operated in compliance up to that point. The issue was resolved. The Program understands the cleanup has been completed and the company has plans to re-enter the market in a new facility in 2016.

The following actions were taken by the Program during the reporting period to increase environmental and financial assurances:

- During Q3 2015, the California Program moved from a quarterly to a monthly reporting process. Tier-1 processor, Tier-2 manufacturer and CSE information is now collected on a more regular basis. Triggers are embedded in the system to raise a flag when inventories pass preset thresholds (either on an absolute basis or a percentage increase). The Program then follows up with the contracted party to gather details, determine if there is an issue and track the inventory issue until it is resolved. The Program can now more quickly spot and respond to potential compliance issues before they reach a crisis level.
- In addition, in 2015, new legal agreements for all program participants (Tier-1 processors, Tier-2 manufacturers, CSEs and carpet mills) were implemented. The agreements tightened protocols, policies and assurances, and required participants to notify the Program of any compliance issues/enforcement actions. National CARE policies require all participants to adhere to state, local and federal environmental regulations within their areas of operation, including securing all appropriate permits necessary for their operations. These documents are open to random inspection as part of the Agreed Upon Procedure (AUP). Tier-1 processor and Tier-2 manufacturer reviews are conducted on a quarterly basis by a third-party accounting firm (HA&W) on behalf of the Program. In addition regular site visits are conducted by Program staff and material samples are regularly pulled and tested. The Program will work with the CalRecycle enforcement team to address appropriate issues as identified.

5.11 Increasing Market Growth of Secondary Products – Section 18944(5)(A)10

Describe efforts to increase the market growth of secondary products made from PCC.

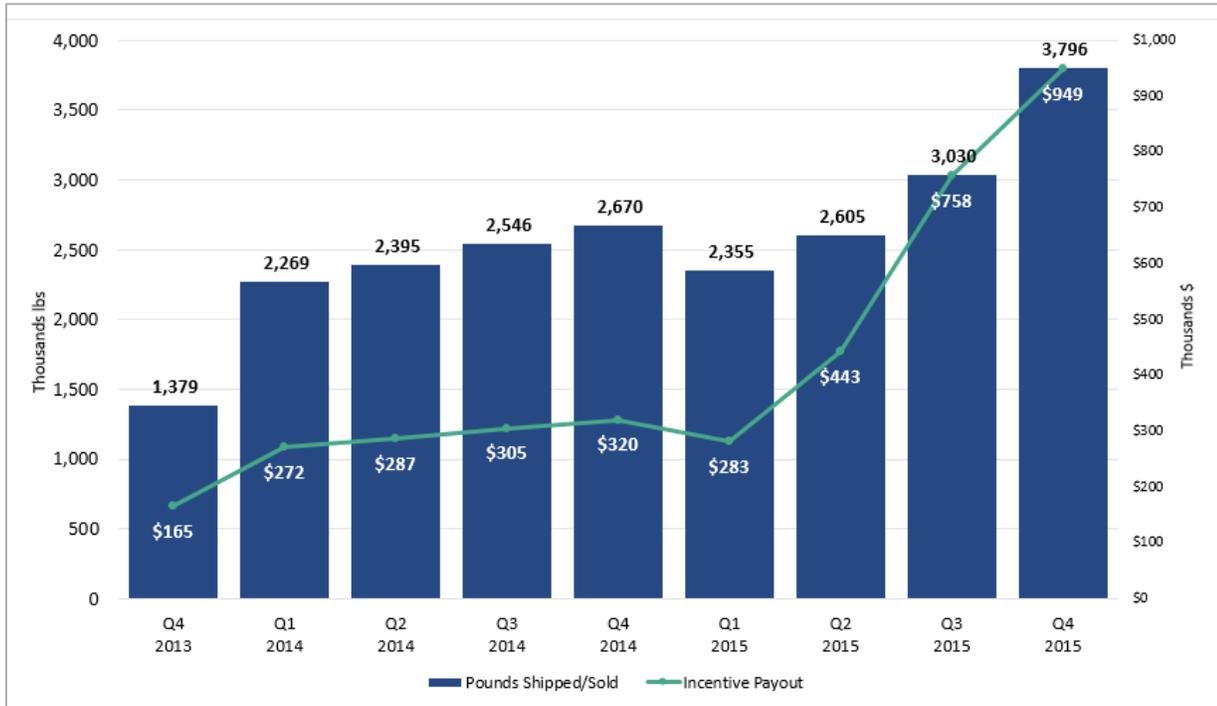
During 2015, the California Program was focused on four primary areas to promote the use of recycled output in new carpets or new secondary products useful to the marketplace.

- Development of recycled carpet products produced in California
- Exploration of alternative uses for existing products, e.g. recycled carpet content cushion
- Increasing number of Tier-2 manufacturers producing recycled carpet products in California
- Spurring public agency interest in purchasing recycled carpet products

The year was highlighted by several major changes to the Program that focused on stimulating the secondary market. These were approved in the three addenda submitted and/or approved in 2015. First, new and increased Tier-2 manufacturer incentives sought to spur product development of a wider variety of products using carpet recycled output. Both subsidies and grants were adopted to drive an increase in the number of Tier-2 manufacturers interested in processing carpet and/or producing secondary products in California in late 2015 and early 2016. Several state agencies are now aware of the program; some are evaluating secondary products for

use. A program to promote secondary products to government agencies as part of their mandated recycled product procurement compliance was developed in 2015 in preparation to be launched in 2016. Section 6 - Market Development offers additional details on these efforts.

Figure N. Tier-2 Manufacturer Pounds Shipped and Sold and Payouts Over Time



The above chart shows the impact of the Tier-2 manufacturer payouts over time. The line illustrates the relationship between payouts and pounds shipped and sold since 2013 when the incentives began. Payouts roughly doubled from 2014 to 2015, from \$1.2 million to \$2.4 million. This growth is directly attributable to the Tier-2 non-nylon incentive put in place in 2014, which began to gain traction in 2015, and to the subsidy increase in Q3 2015.

Payouts almost tripled from \$320,000 in Q4 2014 to \$949,000 in Q4 2015. The past year also showed a significant increase in pounds shipped and sold, from 9.9 million lbs. in Q4 2014 to 11.7 million lbs. in 2015, a jump of 18%. Quarterly growth in 2015 was also steady, with 10% growth from Q1 to Q2, 14% growth from Q2 to Q3 and 20% growth from Q3 to Q4. These trends confirm that the incentives have garnered Tier-2 manufacturer interest. See Section 6 - Market Development for additional details.

5.12 Creating Green Jobs

Describe number of jobs attributable to the carpet stewardship program as data are available.

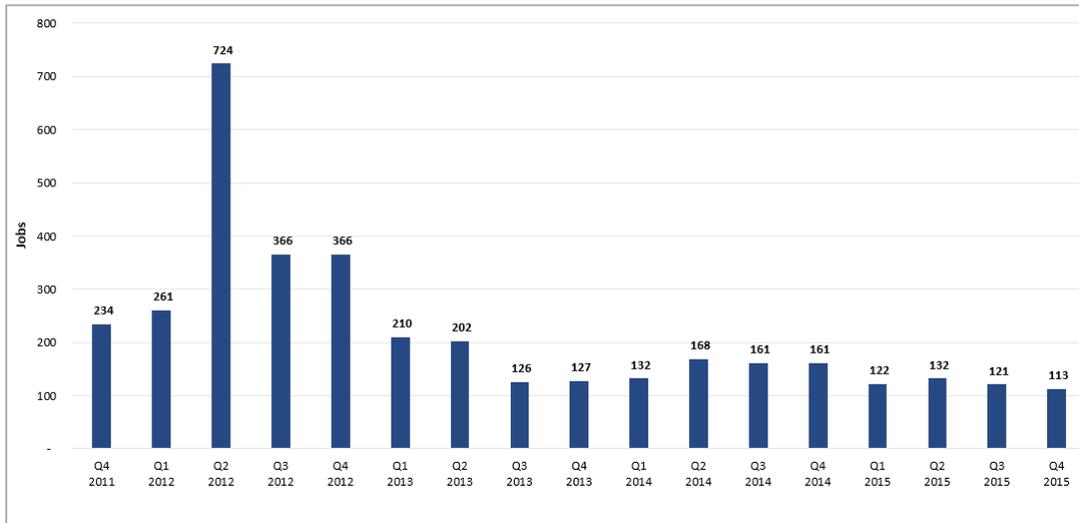
At the close of 2015, a combined total of 113 jobs could be attributed to CSE, Tier-1 processor and Tier-2 manufacturer employers participating in the program, down 30% from 161 in 2014. Due to the macroeconomic and industry factors described previously, the year ended with a net loss of 24 jobs.

Note: Job information is only submitted for quarters/months when a company submits a subsidy request and that CSE job information was available for Q2-Q4 2015 only.

Table 17. Green Jobs

Metric	Unit	Baseline 7/2011- 6/2012	2012 Total 1/2012- 12/2012	2013 Total 1/2013-12/2013	2014 Total 1/2014- 12/2014	2015 Total 1/2015- 12/2015
CA Green Job Creation (Reported Period Job Gains)	New Jobs	90 Added = -4 Net Loss	214 Added = 84 Net Gain	22 Added = -125 Net Loss	37 Added = 16 Net Gain	9 Added = -24 Net Loss
Net CA Jobs (Beginning Jobs-Jobs Lost + Jobs Gained, as reported)	FTE Jobs	317	281	147	132	83
Total CA Jobs (Active Jobs as reported at the close of end period)	FTE Jobs	Q4 2011 = 234 Q2 2012 = 724	366 (Processors only)	127 (Processors & Manufacturers)	161 (Processors, Manufacturers & CSEs)	113 (Processors, Manufacturers & CSEs)

Figure O. Total Jobs Reported (at the close of each reporting period)



The chart above shows the number of industry-related jobs at the end of the time period indicated. The Q2 2012 jump in jobs reflects the adoption of the Program approximately six months after its launch. Since the last half of 2013, the average number of jobs has remained fairly steady at 136.3. Since the program was launched, the average number of jobs (with the exception of the spike in Q2 2012) has been approximately 175. With the new incentives launched in the second half of 2015, the number of jobs is expected to increase.

Job numbers are reported only for direct jobs within California. This does not include jobs at facilities located outside California, such as Tier-1 processor and Tier-2 manufacturers located in other states. The California Program also estimates that 3 to 5 indirect jobs are created for every 1 job resulting from the PCC recycling industry in California. Under this assumption, the industry has created more than 1,000 direct and indirect jobs in the State over time. This number will increase as recycled output demand increases and new Tier-1 processors and Tier-2 manufacturers open new facilities within California.

5.13 Measurement Methodology, Assumptions, Factors and Data Sources

Describes the measurement methodology, assumptions, conversion factors, and data sources.

Measurement methodology is outlined in detail within the Plan. The Program recycling rate is estimated as a function of total estimated discards, and was 10% in 2015. The formula used for calculating carpet available for diversion is also summarized below in the following section.

The values used in the formula are updated annually in March of each year based on market data gathered by Market Insights. This update does not affect previously reported 2015 quarterly data.

5.13.1 Formula for Calculating Carpet Discards

The discard calculation formula is presented within the approved Plan and below. The data is taken from a variety of sources, including new 2015 data received by Torcivia Market Insights, LLC¹⁵ in Feb. 2016. Due to the timing of these new figures, no changes have been made to the calculation for the purpose of this report. Rather, adjustments to these figures were applied in the Q2 2015 reporting cycle (based on updated figures reported in the 2014 annual report) and will be adjusted again in Q2 2016 (using the updated figures presented below). These adjustments increase the accuracy of discard estimation based on the calculation formula and may result in improved gross collection, recycled output and diversion rates.

Table 18. Discard Methodology Variables

Variable	Variable Description	Updated Value	Source
S	Sales (sq. yd.)	97 million	Accounting firm (HA&W)
R	Replacement Rate (%)	0.84	Torcivia Market Insights
P	Average weight of carpet per square yard (lbs.)	4.2	CARE
D	Pounds of carpet from demolition projects not replaced (%)	0.6	Torcivia Market Insights

The formula used is: **Discards = (((Sales * R)* P) + D)**

2015 Sales: 97 million square yards

Discards = (97*0.84) * 4.2 = 342.2 + D

Where D = (342.2*0.006) = 2.05 million lbs.

Discards = 342.2 + 2.05 = **344.25 million lbs. in 2015**

S = Carpet sales in California for the reporting period (square yards). In 2015 97 million sq. yds. were sold, slightly down from 99 million sq. yds. in 2014 and 101 million sq. yds. in 2013. Sales data comes from the independent accounting firm (HA&W) who collects the confidential sales data from the carpet manufacturers registered with CARE.

R = Percent of carpet that is replacement, or carpet replacing existing carpet. Replacement carpet is typically destined for the landfill. In 2015, this rate was 84%, the same as 2014. The remaining 16% of carpet was purchased for new housing. This was the lowest percentage of residential replacement purchases since 2011. The rate is derived as the weighted average of the residential vs. commercial sectors and reported by Torcivia Market Insights, an independent market research firm.

P = Average weight of carpet per square yard. Since 2013, the average weight has been 4.2 lbs./sq. yd. CARE gathers and analyzes raw industry data to calculate the weighted averages of carpet weights of broadloom and tile used in the commercial and residential sectors.

D = Pounds of carpet from demolition projects that was not replaced. The 2015 rate is calculated to be 0.51%, the same as 2014. This includes the weighted demolition rate (85% residential and 15% commercial). D is converted to pounds by multiplying the percentage by the product of S x R x P. This data is

¹⁶US Carpet Market Size for Recycling Program Tracking with California Market Detailed," (Market Insights LLC Report, Feb. 18, 2016).

taken from a report by Torcivia Market Insights, an independent market research firm.

No new information has been identified that impacts the formula for calculating discards, beyond those referenced above. The current formula takes into account the following:

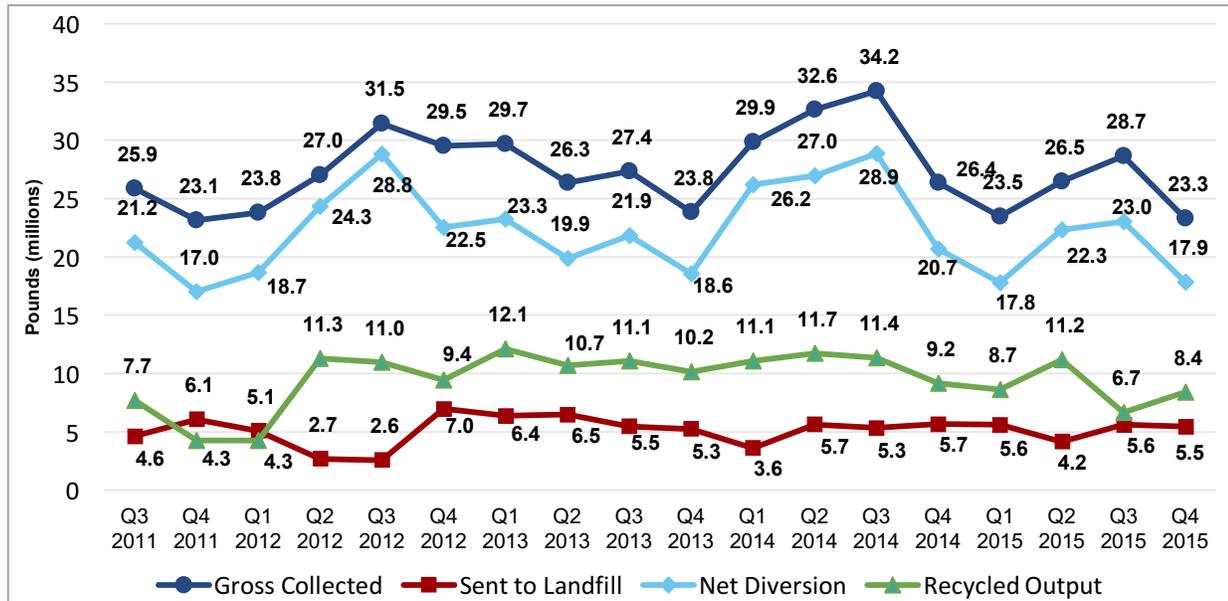
- The term demolition represents the teardown of a building. The actual volume of carpet resulting from this process cannot be accurately calculated. By using the actual demolition rate obtained from Torcivia Market Insights, the total volume of carpet sent to landfill is being overestimated. However, this is a tiny fraction (~1%) of the overall amount and does not significantly alter the calculations because it is well within acceptable error limits.
- Deselection or the removal of carpet for the replacement by another flooring material is estimated to be approximately 0.75%, based on analysis of historical trend data. It has a minimal impact on the flow to landfill and is well within the error limits of current estimates.
- Trimmings discarded during the installation process are accounted for within total carpet sales figures, as reporting quarterly by participating mills.
- Imported carpet discards are excluded from figures, as Tier-1 processors report only California carpet materials collected, recycled and disposed. Reported California carpet shipments by mills are verified through regularly Agreed Upon Procedures (AUP) reviews by the independent accounting firm HA&W.
- At this time, no additional data gaps have been identified.

The formula was adjusted in 2014 using new industry data. See Section 5.12 of the CARE 2014 Annual Report for CalRecycle for more information.

5.14 Performance Trends Over Time

Report demonstrates that over time source reduction, reuse, and recycling increased, while environmentally safe transformation and land disposal decreased.

Figure P. Collection, Recycled Output, Net Diversion and Process Waste to Landfill Performance



Trends (millions of pounds)

The chart above summarizes performance trends over time with four key indicators:

- Gross collections (dark blue line),
- 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 Recycled Output Type 1, Recycled Output Type 2, calcium carbonate or carcass), and
- Net diversion (balance of gross collections minus materials sent to landfill).

This chart illustrates the history of the CARE California Program during the past 18 quarters. Initial success in 2011 and 2012 was followed by relatively flat growth in 2013 and 2014. Although collections remained flat, the market was able to sustain itself despite the loss of two California-based Tier-1 processors in late 2013. This plateau sparked the first program assessment increase to fund the launch of several subsidies to stimulate interest by Tier-1 processors and Tier-2 manufacturers. Unfortunately external macroeconomic and industry factors, such as the drop in oil prices and port shutdown described in Section 2 - Executive Summary, triggered a sharp decline in gross collections, diversion and recycling output during 2015.

This began with the submission of Addendum 1 which increased the assessment so the Program could add/increase incentives, expand outreach, add staffing and market development services and make other program changes.

As the Program quickly responded throughout 2015, the market began to stabilize. After initial positive

improvements the market underwent a collapse in the second half of 2015, requiring more dramatic changes that were proposed in Addendum 2 and 3 during 2015. The Program hopes to see these downturns trends reverse in 2016, thanks to the various new initiatives introduced in 2015. The market recovery is foreshadowed by an uptick in the recycled output rate in Q4 2015.

The performance trends over time can be clearly seen in the chart. The program saw a near doubling of the recycling rate from 2011 to 2012. The rate began to plateau in 2013. During the reporting period, recycled output peaked at 11.2 million lbs. in Q2, typically a busy time for recycling, then dropping to 6.7 million lbs. (Q3), before rebounding to 8.4 million lbs. in Q4 as the market collapsed due to external market factors. The amount sent to landfill increased slightly as full warehouses had to be emptied to make room for orders. Gross collections and net diversion, which typically track each other, also dropped due to the negative market conditions.

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

Given the current status of carpet recycling technology, increased proportions of non-nylon in the waste stream and additional market forces, the Program will continue to take an active role in managing the mechanisms that stimulate the industry in the short-term. However, the Program anticipates long-term proportional reductions in transformation and disposal as collection and processing infrastructure capacity and efficiency improve in the years ahead.

5.15 Continuous Meaningful Improvement

Report demonstrates continuous meaningful improvement toward achievement of goals.

The CARE California Program has shown continuous meaningful improvement in the face of the many dramatic changes within the 12 months of 2015, especially in actions taken in the areas of recyclability, reuse, convenient collection, outreach/education and market development. The Program had three addenda that were either submitted, approved and/or implemented during the year. The addenda combined a mix of short- and long-term strategies to address the major contraction occurring in the market and to build a stable foundation to handle future change. While the Program doesn't anticipate a collapse as severe as 2015 occurring again soon, it believes it has built a stable but flexible program foundation that can respond to a rapidly changing marketplace.

First, the Program responded aggressively to market indicators by adding or increasing the number and payouts on program incentives to boost the market. A new Tier-2 subsidy was added to spur demand. The first CSE subsidy was launched to address the most vulnerable link in the ecosystem. After an initial startup period, these incentives have shown signs of success as the market begins to recover.

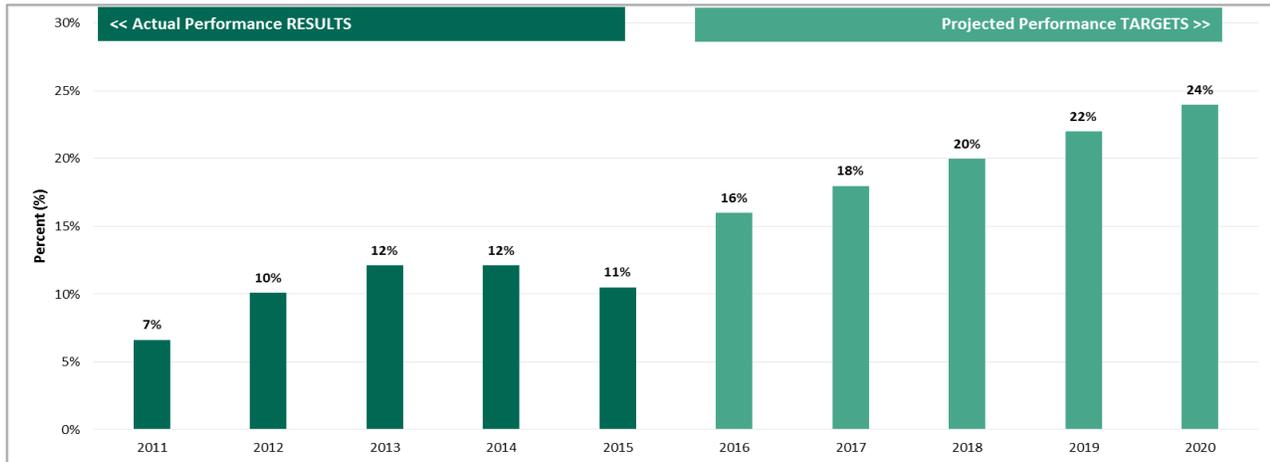
One example is the calcium carbonate incentive, which contributes to up to 40% of the weight of carpet. Thanks to a new subsidy, calcium carbonate is now being tested for potential use in a variety of products. The California Program also took other short-term actions. It moved to a monthly reporting system to improve cash flow for Tier-1 processors, Tier-2 manufacturers and CSEs. This gives the Program more timely insights into market conditions. More resources were added to support achievement of program goals including the addition of a full-time employee, expanded drop-off sites, the hiring of an experienced market development firm and an expanded outreach/education presence to build building awareness with key constituencies.

To address market needs on a long-term basis, the Program proposed three grants to spur the manufacturing sector to create more products using recycled output. The first grant offers capital improvements to CSEs, Tier-1 processors and Tier-2 manufacturers. The second encourages product testing of secondary products to enable a more rapid expansion of processing capacity and diversity. As of Dec. 2015, several business entities were considering applying for grant program funding to open new facilities within California or to enhance existing operations. A third grant element was proposed in 2015 to incent government agencies to buy secondary products; this will be rolled out in 2016.

A proposal for the development of an economic model was submitted as part of Addendum 3; the Program staff will use the model to better understand current and future forces and more quickly respond to changing market conditions. In addition, a grant was given to University of Connecticut to provide research and development into potential uses for PET discards. The national CARE organization continues to strive to improve the quality of data collection, data analysis and to add transparency and value to the reporting process both within California and nationwide. Both the CARE Sustainable Planning Committee (SPC) and Dr. Matthew Realff, an engineering professor at Georgia Tech and long-time CARE advisor, helped CARE accomplish this.

Since the first full year of operation for the California Program, recycled output has been relatively constant, as illustrated in the graph below which shows recycled output results through the reporting year 2015 in deep blue. The right hand side of the graph projects the rate for the future. During 2014, the Program projected a 14% recycling rate in 2015 based on past performance. The Program attained a rate of 10%, well below expectations due to faltering market conditions described in Section 2 - Executive Summary.

Figure Q. Actual Recycled Output Results & Projected Performance Targets¹⁶



In order for the Program to accomplish its 2016 and 2020 recycled output goals, it will need to: (1) increase recycled output by approximately 1.5% during each quarter in 2016 to meet its 2016 recycling goal of 16% and (2) achieve a 2% increase per year thereafter to reach the 2020 recycling target. The recycled output increased by approximately 3% between Q3 and Q4 2015, a positive development toward achieving the 2016 recycled output goal.

For more information on expected results going forward, please consult the 2016 section of this report in Section 11 - 2016 Updates.

Summary of Feedback

CalRecycle's Request for Approval (RFA) from Sept. 26, 2015, made several recommendations on how the California Program could achieve continuous meaningful improvement. These findings were addressed in detail in Addendum 3. Highlights pertinent to the current reporting period are presented below.

❶ Key Finding 1 – Recycled Output and other program goals not seeing meaningful and continuous improvement.

Please see Section 5.8 - Increase Recycled Output and Section 5.15 - Continuous Meaningful Improvement above.

❷ Key Finding 2: Consumers purchasing carpet do not have reasonable access to recycling services in all counties.

The California Program expanded to 23 drop-off sites in 22 counties, 138% of its stated goal of securing 16 drop-off sites by July 2016. A new policy adopted in 2015 will expand collections to all 58 California counties by July 2017 to provide for reasonable access to recycling services. With the adoption of Addendum 3, the Program will include any rural or urban county that requests a site.

¹⁶ In the graph, recycled output includes Type 1 + Type 2, but does not include additional diversion achieved through mechanisms such as Reuse, CAAF, Kiln, WTE, etc.

③ Key Finding 3: Education and outreach are lacking. Key target audiences such as installers, retailers, and consumers remain unaware of CARE's Carpet Stewardship Program, what recycling services are available, what assessment funds are used for, and what their respective roles are in making the Program successful.

The following actions were taken during 2015 to address this finding:

- The outreach/education budget was doubled in 2015 compared to 2014, enabling the launch of several communication initiatives targeting consumers through retailers, installer/contractors and local governments by an environmental communications firm. These initiatives and the many other changes undertaken are detailed in Section 8 - Outreach & Education. Some highlights include:
 - A full-time staff person was hired to work with local governments and retailers to promote program awareness.
 - A market development consultant hired in 2014 was retained again for the entire 2015 year and will continue in 2016.
 - 250 or 10% of 2,500 California carpet retailers were visited in 2015. Visits included education on how to include the fee on consumer invoices.
 - An interactive California-specific collection map to help consumers find carpet drop off sites was developed and posted on the CARE [website](#) for public access.
 - Stakeholder workshops were offered to the public in northern and southern California; additional stakeholder outreach was conducted via webinars and in-person presentations.
 - Presentations were made to a variety of industry groups and government agencies to promote awareness of the program and the availability of secondary recycled products.

④ Key Finding 4: The definition of “processor” was modified from the approved Plan. This term is being used to evaluate performance and CARE should avoid changing definitions to make them contrary to the statute, regulations, or the approved Plan without good cause and clear explanation in the Annual Report.

In all communications, the three primary stakeholders were changed to reflect the labels as follows: Tier-1 processor, Tier-2 manufacturer and CSE. The term Tier-2 manufacturer replaced the term Tier-2 processor to reinforce the distinction between processors (companies that receive carpet discards and produce recycled output) and manufacturers (companies that buy recycled output to use in the manufacture of new or existing products). Carpet manufacturers are referred to as either manufacturers or carpet mills. These definitions were updated in Addendum 3; a revised program glossary is presented in Appendix 10.11 - Updated Glossary of Terms.

⑤ Key Finding 5: CARE is not responding to market changes in a timely manner with assessment and incentive adjustments that result in increased recycling output.

Significant changes were adopted in 2015 to improve responsiveness and implement incentive adjustments through three addenda submitted throughout the year. Changes range from a shift to monthly subsidy reporting, improved program processes and the launch of a new California Council on Carpet Recycling. Please see Section 3 - Program Scope, Section 6 - Market Development and Section 5.14 - Performance Trends for more information on these many changes.

⑥ **Key Finding 6: The assessment is the same for all carpet types, while the cost to recycle different types varies considerably. In general, the assessment is a very low percentage of total product cost.**

The overall assessment was increased in 2015 to support program changes implemented during the year. A second increase was proposed (and implemented) in 2016. At this time the assessment continues to be applied equally to all fiber types. Due to the more pressing issues that arose during the second half of 2015, the CARE SPC tabled the issue for discussion until 2016. The Program will gather stakeholder feedback during 2016 and then address the issue in its 2017 Plan amendment.

5.16 Additional Progress

Report covers progress toward achievement of all goals in the approved stewardship plan.

The California Program continues to make continuous and meaningful progress toward Program goals into 2016. These efforts are discussed further in Section 11 – Additional Progress - 2016 Updates.

6 Market Development – Section 18944(a)(6)

Statutory Citation

The annual report shall include a description of possible market development activities to incentivize the market growth of secondary products made from PCC.

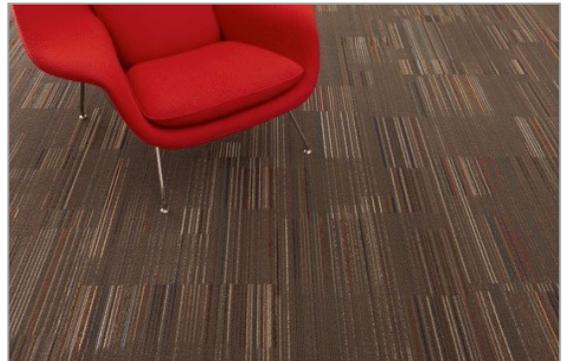
6.1 Introduction

Tinney & Associates contracted with the CARE California Program to focus on market development in 2014.

- Development of recycled carpet products produced in California
- Exploration of alternative uses for existing products, e.g. recycled carpet content cushion
- Increasing the number of Tier-2 manufacturers producing recycled carpet products in California
- Spurring public agency interest in purchasing recycled carpet products

The year was highlighted by several major changes to the Program to spur continuous and meaningful improvement through the expansion of products produced and Tier-2 manufacturer capacity within California. New and increased Tier-2 manufacturer incentives sought to spur product development of a wider variety of products using recycled carpet output. Both subsidies and grants drove an increase in the number of Tier-2 manufacturers interested in processing carpet and/or producing secondary products in California throughout the year. By the end of 2015, several companies had begun the process of establishing new or expanding operations in California in response to these new resources.

This change follows a year marked by swelling inventories of unprocessed carpet due to steadily dropping oil prices and an abrupt stop to the movement of goods due to a port strike. (See Section 2 - Executive Summary for more information on market conditions.)



6.2 Stimulating the Market

Much of the product development work begun in 2015 was based on the concept of feedstock conversion. Tinney identified companies manufacturing products from other waste material, such as recycled tires, that were interested in pursuing other opportunities. Several began the process of testing calcium carbonate, an output of post-consumer carpet (PCC), in various percentages in their existing products. Many were successful but needed an incentive to continue as well as financial assistance in testing the reformulated products to assure their customers of satisfactory product performance.



This initial success of companies in feedstock conversion gave birth to further actions by the California Program

Two major roadblocks to product and market development have been a lack of capacity in California to process PCC and enough Tier-2 manufacturers to buy the resulting material. After receiving strong input at stakeholder workshops mid-year, the California Program began offering 4 incentives:

- Bonus incentive for Tier-2 manufacturers similar to that for Tier-1 processors;
- Increased subsidy for Tier-2 manufacturers using non-nylon recycled output as feedstock in recycled products;
- Targeted Tier-1 subsidies serving to generate a stronger end-use market for difficult to recycle components like calcium carbonate; and
- Multi-faceted grant program designed to increase collection, Tier-1 processing and Tier-2 manufacturing capacity and throughput of California PCC.

6.2.1 Grant Program

As it pertains to market development, the new grants support capital improvements that increase the:

- Number of Tier-2 manufacturers,
- Number and variety of recycled carpet content products available in the marketplace,
- Quantity of recycled output utilized in secondary products and
- Testing and development support for reformulated products using recycled carpet content to ensure they perform as required.

The grant program, launched in Q4 2015 under Addendum 2 (and outlined below and in Section 3 - Program Scope), has proven to be an additional boon to translate market opportunity into reality. Priority is given to California-based companies, with a goal of awarding at least 50% of funds to California-based projects. Cycle 1A/1B grants are open to participating Program members, businesses qualified to do business in California, non-profit agencies and local agencies. The two initial grant types include:

- **Capital improvement grants:** Cycle 1A allocated approximately \$2 million in funds, 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/or utilized in manufacturing of Tier-2 recycled products” during 2016.
- **Product testing grants:** Cycle 1B allocated funding of up to \$250,000 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.”

The grants were approved in mid-November 2015 and were followed by a December communications campaign that included a stakeholder webinar, comment period, release of final solicitations, blog posting, e-newsletters and various email blasts. For a program update, consult the 2016 update in the Section 11 – Report Addendum.

The third grant program element (Cycle 1C), procurement grants for California public agencies to purchase recycled carpet products, was proposed in 2015 and is expected to roll out in mid-2016.

6.3 Measuring Market Development

The year 2015 showed a slight increase in Tier-2 manufacturer use of non-nylon recycled output in products that have shipped or sold. Tier-2 manufacturer pounds shipped and sold increased from 9.9 million lbs. in 2014 to 11.8 million lbs. in 2015, an increase of 16%. The last two quarters of 2015 had Tier-2 manufacturer shipments of 6.8 million lbs., a 26% increase over 5.2 million lbs. for the same period in 2014.

Figure R. Tier-2 Manufacturer Pounds Shipped and Sold and Payouts (Q4 2013-Q4 2015)



The graph above illustrates the evolution of the non-nylon post-consumer carpet processed, sold and shipped since the non-nylon subsidy was put in place in Q4 2013. Subsidies are paid out only on products shipped and sold, based on the number of pounds of recycled output utilized as a feedstock for each product. Additional pounds were used in production during 2015, as represented in the numbers referenced above, and will be eligible for subsidies upon sale. Subsidy payouts remained steady through 2014, but began to steadily increase in Q2 2015. The increase to a \$0.17/lb. payout in Q2 2015 started an uptick; the adoption of the \$0.25/lb. payout in the last two quarters of 2015 sparked real growth in Tier-2 manufacturer participation. This growth is directly attributable to the Tier-2 manufacturer non-nylon subsidy put in place in Q4 2013 but which began to gain traction in 2015 with increased subsidy and growth incentive payout levels.

The Program began with two Tier-2 manufacturers producing limited-demand products in Q4 2013; in 2015 the Program ended the year with 7 active Tier-2 manufacturers requesting subsidies, a 350% increase in the number of Tier-2 manufacturers utilizing California PCC recycled output in their secondary products, since this program element launched. Of these, 5 companies regularly request subsidies. These companies are located throughout the U.S., with 1 in California. (See the Appendix 10.4 for a full list of Tier-2 manufacturers.)

Note: The Tier-2 manufacturer landscape described above reflects only non-nylon carpet utilization, the current focus of California Program subsidies. These figures do not include all Tier-2 manufacturers who may use nylon recycled carpet content in their products because the Program does not collect information on their activities at this time.

6.4 Market Shift

In 2015, the increase in PET was offset by a dramatic decline in nylon carpet collections. This is primarily due to the attractiveness of PET because of its lower cost and higher turnover. Also a factor is the preference shown by CSEs and Tier-1 processors for non-nylon PCC materials due to the decline in the recycled markets in 2015. (To see more about this trend, see Section 5.7 - Increasing Recyclability.)

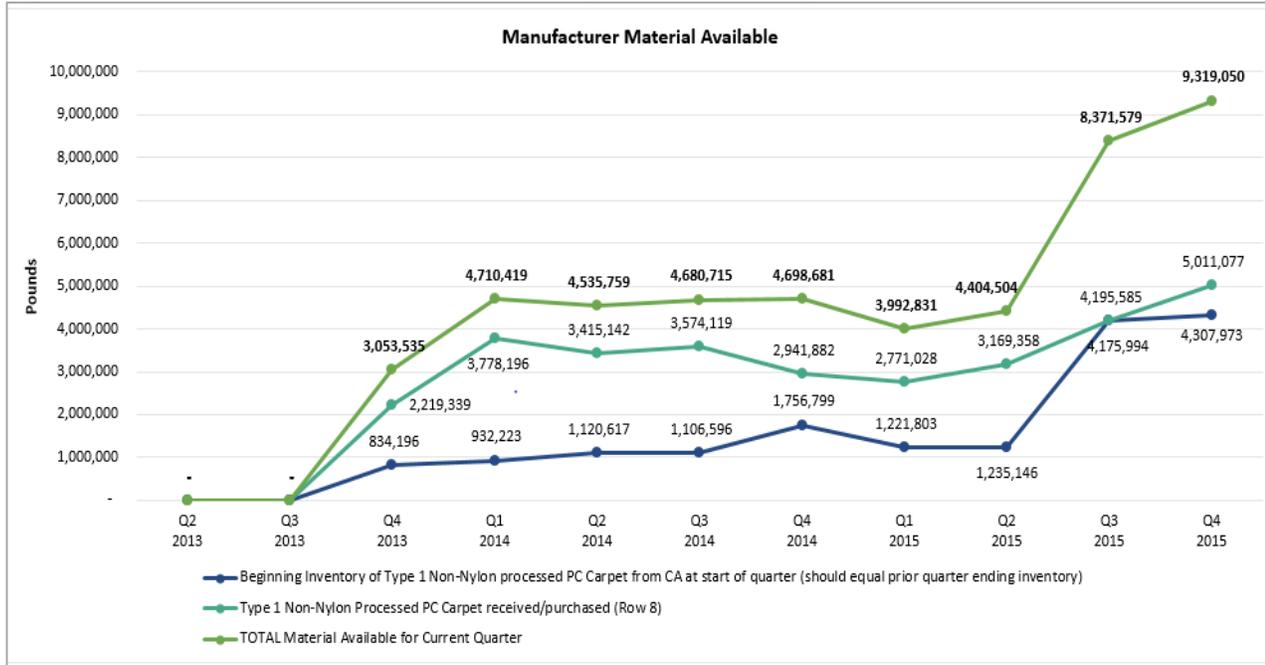
During Q3/Q4 of 2015, the Program saw a significant jump in Tier-2 manufacturer material available for future use. During 2014, material inventory averaged around 4.2 million lbs. per quarter. This number stayed at 4.2 million lbs. in Q1/Q2 but jumped to 8.3 million lbs. in Q3 and 9.3 million lbs. in Q4 2015.

The inventory build-up is a direct reflection of changing macroeconomic factors of the market, including the drop in oil prices, which drove Tier-2 manufacturers to buy virgin over recycled output and a port slowdown which stopped movement of goods to Asia. As inventories increased, recyclers were unable to sell product and stopped purchasing carpets from collectors/sorter entrepreneurs (CSEs). The collections bottleneck caused additional carpet to be sent to landfill because it could not be moved. (See Section 2 - Executive Summary for more information on 2015 market conditions.)



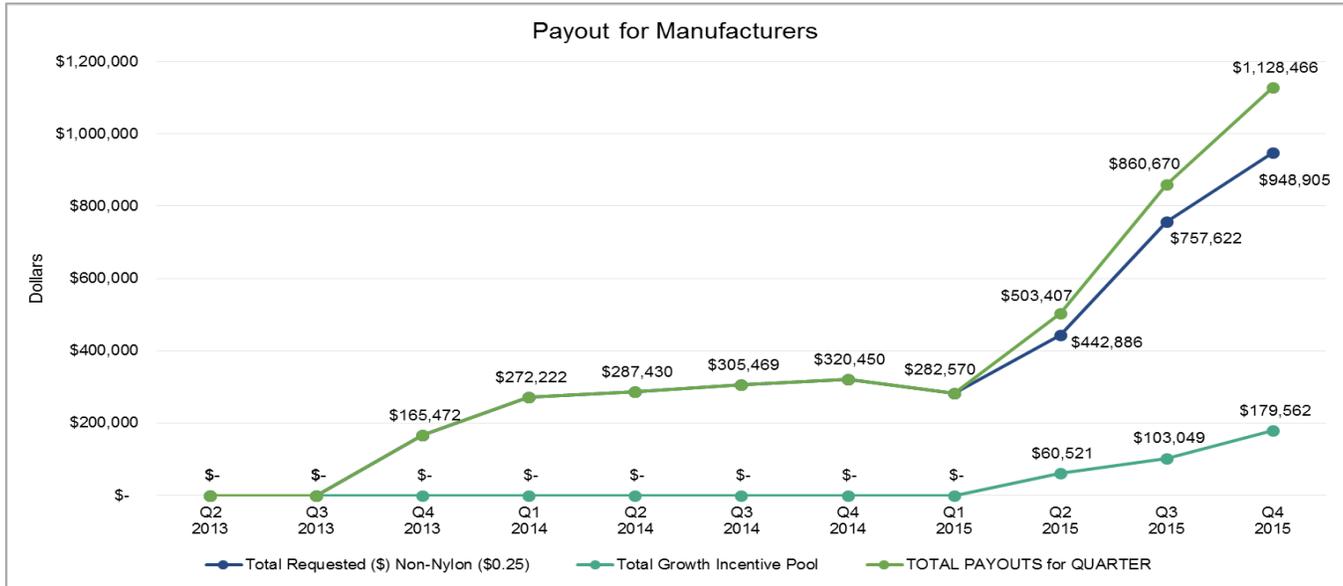
Inventory spikes are an issue in any recycling industry. To ensure recycled output inventory can be monitored and managed properly, the California Program implemented additional tracking control to monitor inventory levels, including monthly reporting from Tier-1 processors. Proper controls will enable the Program to monitor increases in temporary storage and take action to avoid the unintended disposal of recycled output when market conditions change. (See Section 5.10.2 - Other Environmental Impacts for a further discussion of the steps the Program has taken to monitor inventory levels.)

Figure S: Tier-2 Manufacturer Material Trends (Q2 2013-Q4 2015)



Another key metric in market development is the payout to Tier-2 manufacturers as requested in Addenda 1 and 3. A new Tier-2 growth non-nylon incentive was implemented, with payouts at \$0.10/lb. for quantities above a quarterly threshold target (set at 2 million lbs. per quarter in 2015). In Q2 2015, the first quarter this incentive was offered, purchases were only 605,211 lbs. over the target; the bonus was just over \$60,000. By Q4, the payout had risen to 1.8 million lbs. over target for payouts of almost \$180,000. In just three quarters, payouts on the growth incentive almost tripled, sparking interest by Tier-2 manufacturers in using recycled output in new and existing products.

Figure T: Tier-2 Manufacturer Payouts (Q2 2013- Q4 2015)

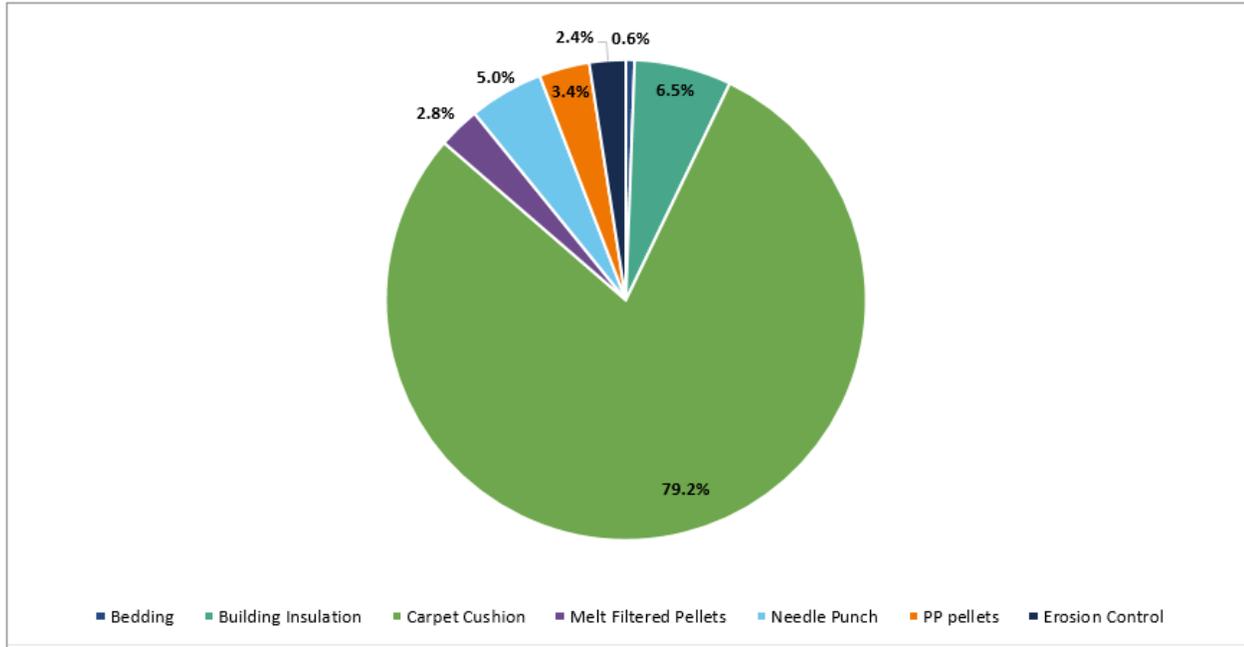


A total of \$2.7 million was paid to Tier-2 manufacturers in 2015, with payments increasing from \$282,570 in Q1 to \$1.1 million in Q4. The addition of the growth incentive and an increase in the non-nylon subsidy rate drove this change. Payouts during 2015 were more than double the subsidy payouts of just over \$1.2 million in 2014. To date, a total of \$4.1 million has been paid to Tier-2 manufacturers since the subsidy was launched in Q4 2013. This upward trend is expected to continue into 2016, tempered slightly by an anticipated upward adjustment in the growth target threshold scheduled for 2016. The incentive increase should create pull-through demand for recycled output use in secondary products by Tier-2 manufacturers. In turn, this should accelerate the recycling rate to meet the recycled output goals of 16% in 2016 and 24% in 2020.

The number of non-nylon products shipped and sold during 2015 also expanded, reflecting a variety of new products being offered by Tier-2 manufacturers. In a recent survey, Tier-2 manufacturers reported 13 unique products in the following general categories: building insulation, water heater blankets, carpet cushion, flooring underlayment, mattress and bedding, erosion control as well as pellets used in shelving units and molded plastics. The program began collecting this data in Q3 2015 and will continue to track progress in both number of pounds of recycled output utilized as well as the number of secondary recycled carpet content products offered.

Carpet cushion usage brings recycling full circle by using carpet to manufacture a carpet product. New products shipped during 2015 include fiber products for needle punch processing and polypropylene and melt-filtered pellets. The Program expects the non-carpet cushion segment to shrink while other product sectors to expand in the near future. The figure below illustrates the breakdown of products, with almost 80% still being used for carpet cushion.

Figure U: Tier-2 Non-Nylon Products Shipped & Sold (Q3 and Q4)



6.5 Currently Available Recycled Products

During 2015, several Tier-2 manufacturers either began operating or set in motion production of products within California during 2016:

- [Ecostrate](#), which combines recycled carpet with recycled plastic to manufacture traffic signs, vehicle mud flaps, flooring and core laminate, thermoforming panels, indoor signage, opened a manufacturing facility in Los Angeles (Watts), Calif;
- [Safepath Products](#), a custom ramp manufacturer, and [South Bend Modern Molding](#), a manufacturer of molded rubber products such as mats and highway sound barriers, will jointly open a new facility in Chico, Calif., to manufacture products that use recycled output;
- [Sierra Mat](#) will begin producing mats of rubber, plastic and post-consumer carpet in Modesto, Calif.
- Landfill CLEAR began establishing new operations in Lincoln, Calif., to process PCC and produce non-nylon pellets for use in secondary products. (Opening in May 2016.)



The following companies continue to offer these products using recycled output to the market.

- [American Fiber Cushion](#) uses PET to manufacture carpet cushion;
- [Bonded Logic](#) uses recycled output in building and acoustical insulation, water heater blankets, mattresses and pillows;
- [Carpet Recycling Resources](#) converts recycled carpet into reusable nylon pallets;
- [CTC Plastics](#) uses polypropylene in pallets and extruded parts;
- Columbia Recycling uses polypropylene in melt-filtered pellets;
- [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;
- [Reliance Carpet Cushion](#) uses the recycled PET carpet materials to manufacture its EcoSoft carpet cushion;
- [Interface](#), [J&J](#) and [Tandus-Centiva](#) use recycled output in their carpet tiles;
- [MP Global Products](#) uses recycled output in its carpet underlayment;
- Trin Polymers uses polypropylene in its shelves and toolboxes.



6.6 Major Market Developments

In 2015, the California Program brought the conversation about recycled carpet products to a bigger audience

- The CARE California Program made a carpet-derived product presentation at the Department of General Services (DGS) quarterly buyers forum. This high-profile opportunity enabled California procurement officials to learn about the Program and products that use recycled carpet and engage with individual agencies to discuss their specific needs.
- To take advantage of the emerging synergy between recycled tire products and recycled carpet products, the California Program approached CalRecycle to help facilitate joint presentations to other state agencies. Joint presentations were made to two very important groups: California Department of Transportation (Caltrans) architects and the Department of Motor Vehicles (DMV).
- Products from several Tier-2 manufacturers, including Reliance Carpet Cushion, GeoHay, UltraTouch Insulation and Ecostrate, were introduced to more than 200 California public agencies.
 - Three GeoHay pilot projects were arranged with individual agencies:
 - Butte College and Department of Water Resources (DWR), which have separate pilot projects in place.
 - Caltrans, which has a GeoHay pilot project in process, awaiting leeching test information requested by the its environmental committee.
 - Ecostrate began the Caltrans product application approval process and is now an approved substrate for certain sized signs used by Caltrans. The California Program helped facilitate the application process.



California Program representatives regularly ask their audiences, especially architects and engineers, for ideas on new product uses as well as how to use the material fractions coming from recycled carpet. Viable ideas, including geo-textiles and sand trap liners for carpet cushions and use of calcium carbonate as structural filler in composite product mixtures, have been passed along to Tier-2 manufacturers for consideration.

6.7 New Product Development

The California Program is modeling its market development program on California's tire recycling program

its recycled materials where Tier-2 manufacturers incorporate recycled carpet materials into existing products. This has resulted in several new opportunities for Tier-2 manufacturers.

For example, the California Program pursued the opportunity to use PET dust or calcium carbonate generated from the carpet recycling process as a viable alternative to the recycled rubber used in synthetic turf. While this idea proved to not be viable, it opened up an array of new opportunities for using PET carpet material as feedstock in other recycled rubber products.

Calcium carbonate is used in the construction of carpet backing and comprises as much as 40% of the average weight of carpet. The California Program recognized that this component was not immediately marketable as a recycled output feedstock, due to contaminants in the material and the inexpensive cost and ready availability of virgin calcium carbonate in the marketplace. A new calcium carbonate subsidy in Addendum 1 was designed to catalyze the development of new processes and products that could utilize calcium carbonate as a feedstock and divert it from the waste stream. This had been enhanced with the subsidy increases announced in Addendum 3.

Here are a some examples of calcium carbonate's use in secondary products:

- [West Coast Rubber Recycling](#), in Hollister, CA, produces tire-derived aggregate (TDA) as large shreds of old tires used as backfilling applications. The Program introduced the feedstock conversion concept to WCRR, which successfully tested carpet through its existing tire shredding equipment. This led to the concept of carpet derived aggregate (CDA) as a new product with similar civil engineering uses. The product is in the early stages of new product development. The Program facilitated a discussion with [GHD Engineering](#), the engineering firm that continues to work on TDA development and new project uses, about CDA's feasibility in civil engineering applications. A grant proposal was in the process of being generated during 2015.
- The California Program is helping companies explore the potential use of calcium carbonate as a filler material in molded products produced from recycled rubber and plastic. Samples were delivered to a dozen companies, primarily in California, and one in Indiana, to investigate this as a potential use. Calcium carbonate is a viable alternative that can be used in existing recipes, reducing the cost and perhaps the weight of existing products. So far, the idea has proven viable. A partnership is being formed between SafePath Products (Chico, California) and SouthBend Modern Molding (Indiana) to produce a line of "double green" products containing two types of recycled content (rubber and carpet) in a facility in Chico, Calif.

6.8 Spurring Public Agency Interest

The visibility with public agencies enables the California Program to leverage the market opportunity presented by the State Agency Buy Recycled Campaign (SABRC). The agency requires all state agencies to report their annual purchases of recycled content products in 11 SABRC categories against predefined goals. According to the CalRecycle 2014 annual report, 71 of 226 (31%) of the agencies are non-compliant with SABRC requirements.

This presents a significant market opportunity. These products have a compelling benefit to state agencies as they try to meet their SABRC goals. The emerging practice of mixing in calcium carbonate with recycled rubber and plastic creates "double green" products, which agencies can counted against goals in two SABRC categories. The availability of the CARE California Program grants combined with the "double green" message may be a persuasive story for recycled carpet market development. This demand could translate into increased California capacity for both processing used carpet and manufacturing products using the recycled output.

The next step will be to schedule joint product presentations to these agencies to offer products that will help them reach their SABRC goals. In addition, the California Program is working with CalRecycle and the California Product Stewardship Council (CPSC) on adding carpet-derived products as a separate SABRC category.

6.9 Summary

The past year was a productive 12 months as the California Program was able to make continuous and meaningful improvement in developing a market for recycled output within California. The Program applied the power of incentives, subsidies and grants, as well as technical assistance, to spur rapid expansion in the Tier-2 manufacturer market. These actions are a direct investment in the California PCC infrastructure and capacity expansion. A solid foundation was laid during 2015 to expand the number of Tier-2 manufacturers participating in the Program within California as well as the variety of products being offered through investment in California capacity and infrastructure. A program to further penetrate the state agency market was also implemented. These actions are resulting in continued and meaningful progress toward increasing the number of Tier-2 manufacturers currently participating or interested in joining the Program, increasing the amount of recycled output used in non-nylon secondary products and expanding the number of products available.

7 Financing Mechanisms – Section 18944(a)(7)

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 Section 18943 Criteria for Plan Approval).

7.1 Total Program Cost – Section 18944(a)(7)(A)

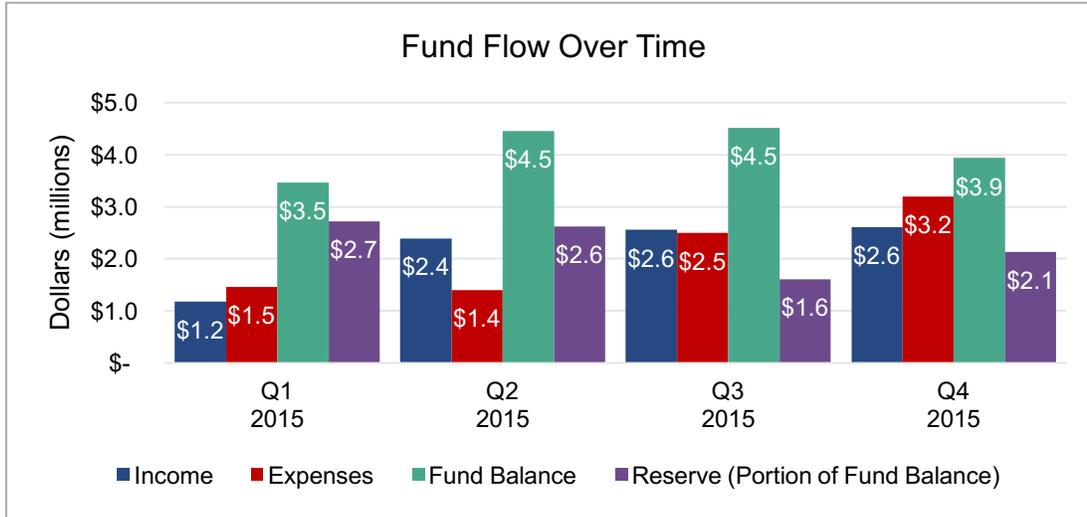
- **2015 starting balance¹⁷: \$3.8 million**
- **Total 2015 revenues: \$8.6 million**, comprised of \$8.6 million in assessment remittances paid by participating mills and interest income of \$16,000.
- **Total 2015 expenditures: \$8.5 million**
 - 75% Program Incentives/Subsidies
 - 25% Program Administration
- **2015 ending balance¹⁷: \$3.9 million**
- \$2.1 million (54%) of ending balance earmarked as program reserve^{17, 18} (see **Section 7.10**)

The following figure summarizes the revenues, expenditures and fund balance retained by quarter throughout 2015. The purple bars denote the Fund Balance, which is set-aside as a Reserve, comprising the majority of surplus funding.

¹⁷ Reported in accordance with the accrual basis accounting method

¹⁸ Effective Sept 2015, the program adjusted its reserve calculation (sum of the last 4 quarters of total payouts, divided by four equals one quarter average) from 2 quarters to 1 quarter

Figure V. Summary of Program Remittances, Expenditures and Balance Over Time (\$ in millions)¹⁷



7.2 Cost(\$)/capita – Section 18944(a)(7)(B)

Based on a total California population of roughly 39.1 million persons in 2015¹⁹ the \$8.5 million expended in 2015 on Program expenses accounts for approximately \$0.22 for each Californian, an increase of \$0.08 from 2014.

7.3 Cost (\$)/pound collected – Section 18944(a)(7)(C)

In 2015, a total of 103 million pounds of PCC were gross collected. Based on 2015 California population data referenced above, an average of 2.63 pounds of PCC was recovered per capita. Based on total funds expended in 2015, the cost per pound collected is \$0.08 per pound, double the 2014 cost per pound of \$0.04.

7.4 Education/Communications – Section 18944(a)(7)(D)

(% of total program cost)

To facilitate a higher level of engagement through Marketing, Education and Outreach (ME&O), the education and outreach approved budget was increased from \$150,000 in 2014 to \$300,000 in 2015. Out of the amount allocated, \$227,000 was actually spent over the course of the year led by environmental marketing agency Gigantic Idea Studio (GIS). This equates to about 2.7% of the total expenses incurred in 2015. In 2015, Addendum 3 proposed an additional increase to \$600,000 in 2016 for education and outreach.

7.5 End-Of-Life (EOL) Materials Management – Section 18944(a)(7)(E)

(% of total program cost)

For the purpose of this 2015 report, 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 is assumed to include such activities as reuse, recycling, secondary product manufacturing, incineration, energy recovery, and landfilling. In

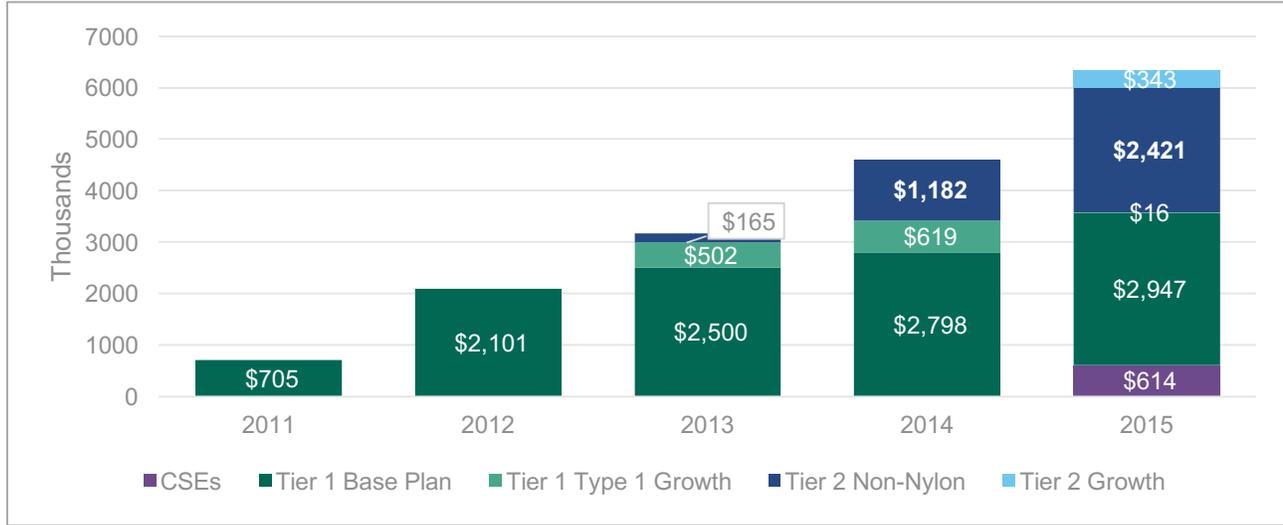
¹⁹ Per capita estimate is based off a U.S. Census Bureau population data of 39,144,818 for California in 2015.

2015, \$6.8 million in Program resources were directed to support EOL materials management in the following amounts:

1. **Gross Collections** – In support of its effort to expand its Rural County Collection Network, \$441,000 contributed to storage and transportation of discarded PCC generated 23 drop-off sites in 22 participating counties. In Q4 2015, the program expanded to include the first drop-off sites located in urban counties, an effort which will continue in 2016. For details see Section 4.2 - Rural County Collection Sites.
2. **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 2015, the following incentives supporting recycling were paid in the form of:
 - a. Base Subsidies:
 - i. Type 1 recycled output – (\$2.7 million)
 - ii. Type 2 recycled output – includes calcium carbonate and carcass – (\$8,400)
 - b. Bonus Incentives for exceeding Type 1 target thresholds (\$16,000)
 - c. Tier-2 non-nylon secondary product manufacturer incentives (\$2.8 million), includes base payouts and growth incentive
 - d. Collector/Sorter Entrepreneur (CSE) Subsidy (\$614,000)
3. **Energy Recovery** – WTE does not receive subsidy payouts under the current Plan. In 2015, CAAF (\$0) and Kiln payouts (\$206,000) accounted for 3% of total subsidy expenditures²⁰
4. **Incineration** — no incineration was reported during the reporting period. No subsidies are offered for incineration.
5. **Disposal**—disposal figures are reported in Section 5.6.5. No subsidies are offered for disposal.

²⁰ See additional discussion related to kiln pounds and expenditure in **Section 7.9.1**.

Figure W. Summary of Incentive Funds Paid to Processors Over Time by Incentive Type



7.6 Program Administration – Section 18944(a)(7)(F)

Total % program cost, including annual administrative fee for service payments to CalRecycle

Program administration includes general administrative costs as related to the overall program management, and costs associated with implementing and carrying out specific program activities.

2015 activities included the continued use of services provided by Market Development Consultant, Tinney Associates, as well as supporting the grant program. In 2015, the University of Connecticut launched its work on PET research & development supported by a \$500,000 grant to be extended in 2015-2016. The cost of the university grant program in 2015 was about \$196,000 or 2.3% of the annual expenses.

Program administration expenses were 17.7% of overall 2015 Program expenditures, which are summarized in the Table below.

Table 19. Summary of Program Administrative Expenses in 2015 (Numbers in Thousands)

Program Administration Expense (in thousands)	Q1	Q2	Q3	Q4	2015 Total	% of Admin	% of Total Program Expenses
CalRecycle Fees	\$0	\$59	\$172	\$171	\$402	26.7%	4.7%
CARE Admin ²¹	\$115	\$156	\$162	\$237	\$669	44.5%	7.9%
Legal & Accounting ²²	\$27	\$63	\$34	\$83	\$207	13.8%	2.4%
Marketing, Education & Outreach	\$16	\$11	\$72	\$129	\$227	15.0%	2.7%
Total Admin	\$158	\$289	\$440	\$620	\$1,505	100%	17.7%

²¹ Includes bank service charges, office expenses, facilities costs, travel expenses, and apportioned CARE Salaries, California Program Manager (CPM) professional services, and Tinney Associates.

²² Legal & Accounting includes auditing and accounting expenses.

7.7 Governance – Section 18944(a)(7)(G)

(Program oversight as % of total program cost)

Program governance is provided by CalRecycle. In 2015, the Program paid \$402,000 to CalRecycle for their role in providing governance support and oversight on behalf of the state of California, equivalent to 4.7% of total Program expenditures.

7.8 Total cost to local government (if applicable) – Section 18944(a)(7)(H)

According to CalRecycle waste characterization studies²³ (2008), an estimated 3.2% of total annual disposal statewide is attributable to discarded carpet. Based on this understanding, 3.2% of local government disposal costs could be attributed to management of discarded carpet. CalRecycle conducted an updated waste characterization study in 2015, with preliminary results released in November 2015. Final results are anticipated in February 2016. CARE does not presently track the costs of managing discarded carpet incurred by local governments, and does not require any direct contribution by local governments. However, some local governments may support Program efforts financially, in line with their local goals for waste diversion.

²³ 2008 waste characterization study is the most recent available study; however, a 2014 waste characterization study was done and preliminary results were released in November 2015 with expected final available in early 2016 <http://calrecycle.ca.gov/WasteChar/WasteStudies.htm> CARE finds that the total carpet discards estimates from this 2008 waste characterization study do not reflect actual discard levels. This is discussed further in the current Plan ver. 3.2.2.

7.9 Summary of Expenses – Section 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.

Table 20. A summary of Program income and expenses by category is presented below.

Summary of Expenses	Amount/ Description
Amount of Assessment	\$.10 per sq yd of carpet sold in CA
Total Assessment Remittances	\$ 8.6 million
Total Interest Income	\$ 16 K
EOL ²⁴ Base Incentive Payout (Type 1, Type 2, CAAF, Kiln Incentives)	\$ 2.7 million (Type 1 and Type 2) \$ 206 K (CAAF and Kiln)
EOL Bonus Subsidy Payout (Type 1)	\$ 16 K
EOL Tier-2 Subsidy Payout (base and growth incentives)	\$ 2.8 million
CSE Incentive Payout	\$ 614 K
EOL Gross Collection Payout (Rural County Program Storage/Transportation)	\$ 441 K
Marketing, Education, Outreach	\$ 227 K
Grant Program	\$ 196 K
Program Administration	\$ 669 K
Program Governance (CalRecycle Fees)	\$ 402 K
Total Program Cost	\$ 8.5 million
Cost per Pound of Gross Collection	\$ 0.08/pound
Cost per Capita	\$ 0.22/person

7.9.1 Economic and Environmental Impacts of CAAF and Kiln

Throughout 2015, CAAF was not utilized under the Program, and accounted for 0.0% of discards and 0.0% of diversion.

Kiln utilization decreased in 2015 to 6.9 million pounds from 9.3 million pounds in 2014. Kiln utilization as an alternative to WTE or landfill is considered a preferred disposition and is counted toward landfill diversion figures. With this decline, CAAF/Kiln only accounted for 3% of associated subsidy expenditures and 6.7% of gross collections in 2015 (CAAF/Kiln are presently capped at 15% of subsidy payouts).

CAAF/Kiln subsidies provide an economic incentive for processors to choose kiln disposition over WTE or landfill disposal for material components that are not able to be diverted via higher use recycling efforts.

²⁴ EOL = End-of-Life

7.10 Surplus Funding– Section 18944(a)(7)(J)

If any, and how it will be applied to reduce program costs

The starting fund balance at the beginning of 2015 was \$3.8 million. During the calendar year, program revenues totaled \$8.6 million, comprised of \$8.6 million in assessment remittances paid by participating mills and interest income of \$16,000. Total expenditures in the form of subsidy payouts and other expenses totaled \$8.5 million during the term, or 99% of remittances. At the close of 2015, the Program's total ending fund balance was \$3.9 million. The Plan allows for a 2 quarter reserve. It is the goal of CARE to deploy funds to maximize program performance. Therefore, on September 4, 2015 the SPC approved a goal of a one quarter average reserve and we are working toward this target. The Reserve changes quarterly with the level of payouts.

7.11 Assessment Rate– Section 18944(a)(7)(K)

An evaluation of the assessment rate

Several changes and enhancements were reviewed and approved by the Sustainable Funding Oversight Committee (SFOC), CARE's highest level decision-making entity, for implementation starting Q2 2015. Effective April 1, 2015, the assessment rate increased from \$0.05 to \$0.10 per square yard 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. In Nov. 2015, the Program requested an additional assessment increase from \$0.10 to \$0.20 per square yard to support additional programmatic improvements adopted under Addenda 2 and 3, in response to deteriorating market conditions. These increased resources are necessary to support continued meaningful improvement in the face of difficult macroeconomic conditions. See Section 11 - Report Addendum – 2016 Updates.

8 Outreach and Education – Section 1844(8)

Statutory Citation - Section 18944(a)(8)

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.

8.1 Introduction

The California Program’s marketing and outreach goals for 2015 focused on developing relationships and modes of communication with key stakeholders via in-person, digital and analog communications. The universe of key stakeholders is small but with diverse needs and preferences. A multi-layered approach was adopted to establish trust and encourage long-term relationships.

This past year was focused on communications to build capacity in the California Program. The Program’s education and outreach (E&O) efforts in 2015 were conducted by California Program Manager Brennen Jensen, Senior Associate Lisa Mekis, the environmental marketing agency Gigantic Idea Studio (GIS) and market development consultant Tinney Associates. (Market development efforts are addressed in Section 6 - Market Development. Electronic samples of educational materials are presented in Appendix 10.9.)

Establishing good communication channels was a key goal that emerged from the stakeholder research conducted by GIS in late 2014 and identified in stakeholder workshops conducted in 2014 and 2015. The research found that the California Program had low, and in some cases, a negative reputation and recognition among key stakeholders. Many people were not pleased with the progress being made or were not aware of Program activities. Patient, face-to-face communications were essential to establishing long-term, effective relationships.

In 2015, the education and outreach budget was doubled to \$300,000 to facilitate a higher level of engagement during the reporting period. This expanded budget allowed the Program to launch a variety of new outreach efforts including updated website content, an interactive California-specific drop-off/collection site map, monthly E-blast newsletters, updated retailer educational materials and expanded stakeholder on-the-ground educational efforts, discussed in further detail below. Under Addendum 3, the education and outreach budget was again doubled to \$600,000 per year, effective 2016.



8.2 Education and Outreach Goals

The California Program utilized market research obtained in late 2014 to develop education and outreach efforts in 2015. Based on this research, the Program adopted a strategy of engaging consumers via multiple stakeholder groups. At present, the Program does not target its educational efforts directly to the consumer. Instead, the focus is on educating the target audiences that connect with consumers at the moment when they are likely to be the most receptive: when purchasing new carpet or preparing for carpet tear-out. The 3 target audiences to best engage the consumer and promote change are retailers, local governments and installers.

2015 goals included:

- Connecting with retailers to gauge and ensure compliance with and understanding of AB 2398 and carpet recycling opportunities, including the increased assessment launched on Apr. 1, 2015;
- Communicating with recycling coordinators throughout the state to increase local government awareness of carpet recycling opportunities and resources provided by the California Program;
- Supporting current and additional drop-off sites with information and collateral;
- Enhancing a sense of community among stakeholders and promoting understanding of the challenges faced by different parties while working toward improving carpet recycling in the state in the face of declining market conditions.



Qualitative and quantitative metrics were used to measure the success of 2015's outreach efforts. The California Program currently measures the impact of marketing, education, and outreach efforts by audience reach.

8.3 Local Government Outreach

One of the primary goals of the California Program is to expand the number of drop-off sites to provide for reasonably convenient collections, as discussed in Section 4 - Program Outline. This requires contacting county governments throughout California and working with the local recycling coordinator, local enforcement agency (LEA) or Recycled Market Development Zone (RMDZ) zone administrator to identify the best site

in each county for a regional drop-off location. In late 2015, the Program expanded these efforts to include both rural and urban areas and set targets for establishing drop-off sites in all California counties by mid-2017. The California Program worked with CalRecycle to get a list of recycling coordinators across the state. An introductory email was sent in 2015 to more than 400 recycling coordinators, with regular communications planned for 2016.

California Program Senior Associate Lisa Mekis met with recycling coordinators across the state to introduce the Program, inform agencies about drop-off opportunities in the area, understand the needs of each local community and to leave material for distribution as appropriate. In total, 28 counties were contacted individually to discuss the California Program, which resulted in 14 site visits in 2015.

This outreach resulted in 11 new counties joining the Program and the launch of 9 new drop-off sites, bringing the total number of California Program drop-off sites to 23 sites serving 22 counties. This effectively doubled the number of counties being served by the California Program between Q4 2014 and Q4 2015. The program

<ul style="list-style-type: none"> Carpet Stewardship Program Drop-off Site Map Retailers Manufacturers Processors <li style="background-color: black; color: white; padding: 2px;">Recycling Coordinators 	<h3>Resources for Local Government Recycling Coordinators</h3> <p>Local government agencies are vital partners for disseminating information on carpet recycling to retailers, transfer stations and the general public. The California Carpet Stewardship Program can provide you with information and resources to empower you to communicate with your constituents with a goal of increasing carpet recycling in your area.</p>
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achieved 138% of its goal of 16 set for July 2015 and 105% of the Dec. 2015 goal of serving 21 counties. The locations that added drop-off sites in 2015 include:

1. El Dorado – El Dorado Disposal/Waste Connections, Placerville CA
2. Lake – Lake County Waste Solutions, Lakeport, CA
3. Marin – Marin Resource Recovery Center, San Rafael
4. Mendocino – Solid Waste Systems, Ukiah
5. Mariposa – Mariposa Landfill, Composting and Recycling Center, Mariposa
6. Mono – Benton Crossing Landfill, Crowley Lake CA
7. Inyo – Bishop-Sunland Landfill, Bishop CA
8. Sacramento – Florin Perkins Public Disposal Site, Sacramento CA
9. Solano – Devlin Road American Canyon, CA (service by Napa County)
10. Sutter – Recology, Marysville CA (shared with Yuba County)
11. Yuba – Recology, Marysville CA (shared with Sutter County)

In addition, the Program senior associate encouraged local governments to connect with major retailers. The strategy began with 1:1 meetings, followed by the distribution of educational materials targeted to each group so that the message could be syndicated to a broader audience. The California Program made the retailer educational materials (brochures, postcard and window cling) unveiled in early 2015 available on-demand via an [online order form](#). Sample educational materials are presented in Appendix 10.9.

The Program is on target to double drop-off sites to meet the goal of 42 sites by the end of 2016 and all Counties in California by mid-2017. The expansion of the drop-off sites to all California counties in 2017 requires that a system be put in place to streamline the addition and service support of these sites. During 2015, California Program put into place various processes to support the expansion, including a formal on-boarding procedure for new drop-off sites, a dispatch system for handling trailer swap-outs and hauling, an online [service request order form](#) and invoicing and data tracking/reporting systems.

8.4 Transfer Station Engagements

Transfer stations and other disposal sites have been identified as the major location for public carpet recycling drop-off sites; scale houses are an important point of contact for installers. To help transfer stations and local governments promote carpet recycling at their facilities or jurisdictions, CARE created education and outreach materials for distribution. The collateral kit includes: site-customized bi-lingual “Prepare Carpet for Recycling” fliers, signage for drop-off containers, posters highlighting program, press release templates, newsletters and public service announcements. Development of these materials was started in Q4 2015 with distribution scheduled for Mar. 2016. (Sample outreach materials are presented in Appendix 10.9).

In addition, a plan was outlined to partner with installer organizations and collaborative tools were developed, such as training slides, curriculum and materials. This effort will enable the California Program to reach many more installers at a time when they are learning about their craft and are receptive to the message. This training module will be launched in 2016.

8.5 Retailer Outreach

Retailers were identified as a key audience for 2015 focus due to their importance in the carpet recycling ecosystem and their direct contact with other key audiences, including installers and consumers. The total number of retailers in California has greatly fluctuated. The initial contact list assembled by the California Program had over

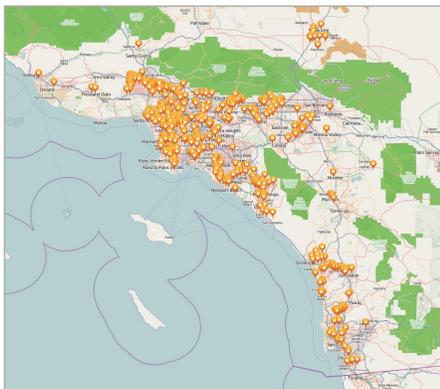


4,000 retailers. In 2015, the California Program collaborated with CalRecycle to combine historical retailer lists from CalRecycle enforcement, participating Tier-2 manufacturers and purchased lists utilized for assessment noticing to validate California retailers currently in business. This effort has resulted in a pared-down list, as many outlets had closed or were determined to not sell carpet. The current estimate is that the true California retailer universe has approximately 2,500 active retailers. The Program contacted 100% of active carpet retailers in 2015 via multiple mail and email notices.

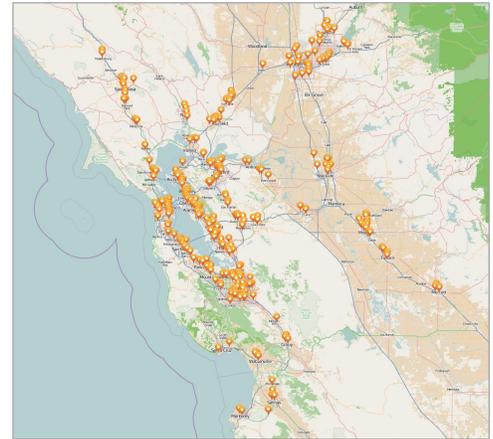
8.5.1 Retailer Site Visits

In fall 2015, CalRecycle provided feedback to the California Program about its enforcement visits conducted with retailers throughout the state. The results of these visits indicated a lack of awareness of the California Program among retailers, as well as a high percentage of retailers implementing the mandatory invoice labeling of the carpet assessment incorrectly.

In response to these findings, the California Program launched a pilot retailer in-person outreach campaign in Q4 2015. The pilot's goal was to visit 10% of retailers in person by the end of the year, which it achieved. GIS managed the recruiting, training and deployment of 5-7 contractors to go door to door to retailers.



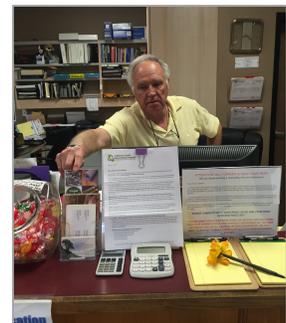
The purpose was to have these representatives introduce and/or update retailers on the California Program. Retailers were asked a script of questions to assess their knowledge of the past assessment, inform them of the recently approved assessment changes, and offer California Program collateral and resources, including a brochure window cling, drop off map and FAQ. Outreach team visits also focused on delivering key information about Program protocols, requirements and available



resources.

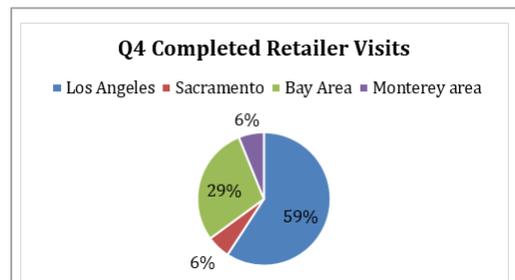
resources.

Outreach was concentrated in four urban areas: Los Angeles region, Sacramento region, San Francisco Bay area, and the Monterey Bay region. The visits also provided the implementation team with valuable data on what retailers need and how the California Program can support them. Visits to retailers in northern and southern California are shown in the corresponding maps. Outreach site visits will continue in 2016.



The contractors were also asked to review invoices to ensure the assessments were printed on every invoice as a clearly visible after-tax line item and using properly approved labels. This action was taken to address CalRecycle's concern that some retailers were incorrectly classifying the carpet recycling fee on consumer invoices.

In addition, the representatives were able to answer many retailer questions about the industry and the recycling process. Many indicated a concern about the slowing of the Program in Q4 2015 due to the port closure and the shutdown of a major Tier-1



processor. The representatives were able to outline the actions being taken by the Program.

By the end of 2015, 251 retailers throughout the state—or 10% of the 2,500 that are active—had been visited, with most visits taking place in urban areas like Los Angeles, the San Francisco Bay Area and Sacramento. GIS managed the data collection from each of the retailer visits, which included gathering up-to-date contact information for the businesses, providing each site with 30-50 brochures and distributing information packages for later reference. These contacts were entered into Customer Relationship Management (CRM) software, which is helping the California Program keep track of retailer engagements and plan for continued engagement in the coming year.

8.6 Assessment Change Campaign

In early 2015, the California Program announced that the assessment on all carpet sold or shipped in California would increase to \$0.10/sq. yd. from \$0.05/sq. yd. on Apr. 1, 2015. GIS developed a communications plan to inform California retailers of the Apr. 1 increase, as well as raise awareness of the California Program’s resources for retailers and engage more directly with them.

The plan was executed between Jan. and Mar. 2015, and included the following tactics to reach retailers:

- Formal notice of the assessment change mailed to a purchased contact list of California carpet retailers;
- Postcard notice of the assessment change mailed to a purchased contact list of California carpet retailers;
- Formal notice of the assessment change mailed to all Tier-2 manufacturers participating in the CARE California Stewardship Plan;
- Email notices of the assessment change to all participating Tier-2 manufacturers for distribution to sales teams and retailer networks;
- Social media posts (@CarpetRecycle) announcing the increase;
- E-mail communications to retailers through a rented e-mail list from InfoUSA;
- E-mail template for e-communications to retailers, CalRecycle and other California Program stakeholders;
- Draft [press release](#) to media outlets announcing assessment change in Feb.;
- Dedicated landing page for retailers on the CARE website describing the change: <https://carpetrecovery.org/ca-retailers/>;
- Email signup feature for parties interested in more information (featured in emails and on website); and
- Two public webinars (Mar. 12 & Mar. 18, 2015) for retailers and other interested stakeholders to learn more about the assessment change and have their questions answered by Program staff.



Campaign effectiveness was evaluated via a phone survey of selected retailers conducted in Apr. 2015.

- Number of retailers called: 69
- Number of interviews conducted: 25 (many numbers out of service; left voicemails if no answer)
- Number of companies represented: 22
- Retailers that confirmed knowledge of the assessment and are implementing it: 16

The survey indicated that while some retailers had heard about and implemented the assessment, some had not or did not intend to implement it as required. This was reported to the CARE national office and steps were taken to emphasize compliance requirements through 2015. Overall, this first campaign targeted at retailers revealed a need to improve and increase Program resources for retailers, an effort which will continue in 2016.

8.7 Retailer Materials

GIS worked with the California Program team to update the retailer materials for the California Carpet Stewardship Program during 2015. The materials were designed to educate retailers, installers and consumers about the assessment and carpet recycling as well as increase awareness of the benefits of participation in the Program. Packet materials included (See Appendix 10.9 for samples):

- **Brochure.** A brochure was developed in Apr. 2015 as a resource for retailers to give to customers that asked about the Carpet Stewardship Assessment fee on their invoice. A sample brochure was mailed to the retailers contacted for the assessment change campaign instructing them to request their own supply online or via e-mail. In 2015, the California Program mailed or hand delivered more than 20,000 brochures to retailers.
- **Window Cling.** GIS developed window clings for retailers to place in their store windows indicating their participation in the California Carpet Stewardship Program. A window cling was mailed, along with the retailer brochure, to the retailers contacted for the assessment change campaign. In 2015, the California Program distributed more than 4,000 window clings to retailers.
- **Program Frequently Asked Questions (FAQs).** Along with above collateral elements, retailers were sent an introductory letter and FAQ outlining details on the Program and assessment increase. More than 4,000 Program FAQs were distributed to retailers.
- **Re-order Postcards.** A quick reference re-order postcard was included for retailers interested in ordering additional supplies of brochures or decals.



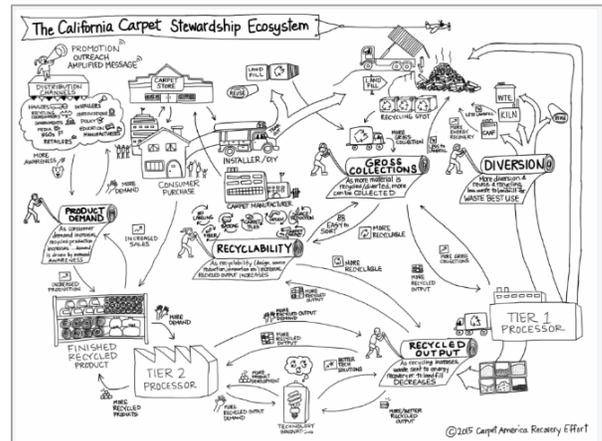
8.8 Additional ME&O Materials

The California Program developed several additional marketing pieces that were used to support the Program in its various communications strategies:

- **California Carpet Stewardship Program Logo.** The California program logo was redesigned in 2015 and featured in a wide variety of communication vehicles.
- **Public drop-off Site Map.** An online California public drop-off [site map](#), created in mid-2014 as a spin-off from the national map on the CARE website, was revised in Aug. 2015. The goal of the map is to provide an easy, interactive way to help consumers find active drop-off sites for their used carpet. The map uses data from a survey of current sites and their practices on tipping fees, opening hours, address, etc. The map is updated regularly as sites change their carpet policies and as new sites are added. The map is promoted on the site and via digital, print and in-person communications.



- Eco-System Map.** In order to visually demonstrate the complexity of the stakeholder relationships around carpet recycling in California, the California Program commissioned a Carpet Recycling Ecosystem map, which is used in stakeholder workshops and on the web. This map is a powerful image that illustrates the entire carpet recycling ecosystem, from purchase through incorporation of recycled output into a new product.



8.9 E-Communications

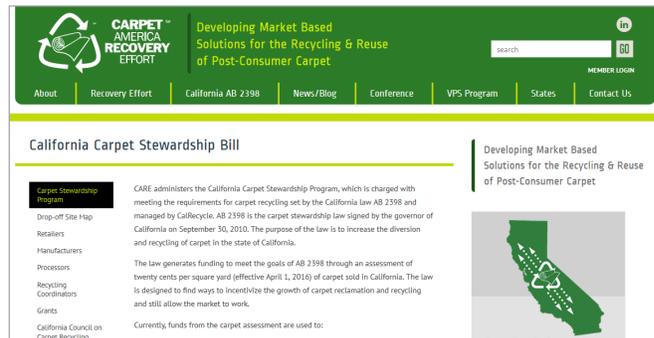
- Monthly E-Newsletters.** In the first half of 2015, the California Program launched a California-specific email communications program. The strategy focused on attracting signups, obtaining lists and ramping up a system to advise stakeholders on the California Program's activities and in particular the assessment increase. In May 2015, The California Program began sending regular e-news to stakeholders.

Starting in May 2015, the California Program sent 8 monthly e-news issues. In 2015, the California email universe numbered over 1,600, including media, retailers, Tier-2 manufacturers, recycling coordinators, Tier-1 processors and other stakeholders.



Additional emails promoted particular events and news, including the assessment increase, stakeholder workshops and webinars. Open and click-through rates vary by audience and topic; the average open rate for the monthly e-news is 44%, an exceptionally high level.

- Website.** The California Program maintains a website with AB 2398 specific webpages and specialized sections targeted to various stakeholder groups. The California Program updated the AB 2398 specific pages on the website in 2015, including revising content, improving navigation, creating audience-specific landing pages and assisting with content for blogs. Results from 2015 show significant increased website use as compared to the previous year.



Website statistics for 2015 for the California section of the CARE website are estimated at:

- 42,000 visits (up 14% from 2014)
- 32,000 unique visitors (+12.5%)
- 2:10 average session duration (+6%)
- 7,500 visits from California (+23%)

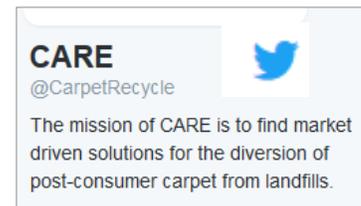
- 5,000 unique visitors from California (+14.5%)
- 2:52 average session duration, CA visitors (+14%)

Approximately 18% of all visits to the CARE website in 2015 came from California. This is by far the largest segment of web visitors; the second-largest source of visits is Georgia, home to a large group of stakeholders. (The Carpet and Rug Institute and the CARE national headquarters are both located in Georgia.) California-based users primarily visited the main home page, the California AB 2398 page and the drop-off site map.

- **Blog Posts.** The California Program posted 16 [blog posts](#) related to the California Program on the national CARE website in 2015. The topics ranged from program updates and announcements to media coverage to California Program events. These blogs communicate recent activities as well as provide industry thought leadership on the topic of carpet recycling.



- **Social Media.** The California Program uses the CARE national Twitter account ([@CarpetRecycle](#)) to amplify events and news pertinent to the state. The California team has a major voice in the national Twitter feed account. It gained 60 followers and over 6,000 impressions in 2015.



As a national stewardship organization, CARE gives the Program access to the website, blogs and social media platforms to reach a much wider audience. The California Program attempts to, whenever possible, leverage these and other resources of the CARE national organization to extend the reach of its messages. The CARE website features a variety of materials including [annual reports](#) on the industry and [entrepreneurial links](#) for those entering the industry.

8.10 Public Presentations and Workshops

8.10.1 Stakeholder Workshops

GIS assisted the California Program in planning, promoting and facilitating 2 stakeholder workshops in California in 2015. The workshops were held in Lakewood on July 14 and in Sacramento on July 15. The 5-hour workshops included presentations by the California Program and CalRecycle, GIS-facilitated group discussion to gather input and highlight opportunities for collection, market development and communication around the goal of increasing the recycling and diversion of carpet in the state.

The workshops were promoted via mass email and one-to-one invitations from the California team. Two e-newsletters promoting the workshops were sent to the California stakeholder list and to Tier-2 manufacturers on June 22 and July 2. Reminders to the registrants were sent the day before each workshop. A follow-up email with links to the presentations and a survey was sent to participants on July 17, with a reminder sent on July 21.



8.10.2 Survey Results

There were 38 unique workshop attendees in addition to 4 California Program staff and 2 GIS staff. Several attendees attended both sessions. The California Program conducted a post-workshop survey that was completed by 16 respondents (Lakewood-6; Sacramento-8; and Both-2). All participants agreed that the morning presentations were informative. All but 2 agreed that the venue/location was appropriate.

Feedback from workshop attendees stated a desire for greater participation from industry stakeholders, as well as greater notice of the workshops.

	Strongly agree	Somewhat agree	Neutral	Somewhat disagree	Strongly disagree	Total
The morning presentations were informative.	62.50% 10	37.50% 6	0.00% 0	0.00% 0	0.00% 0	16
The afternoon exercise was useful.	40.00% 6	53.33% 8	6.67% 1	0.00% 0	0.00% 0	15
The location (building, city) was appropriate.	68.75% 11	18.75% 3	12.50% 2	0.00% 0	0.00% 0	16
I had the opportunity to give input and be heard.	73.33% 11	20.00% 3	6.67% 1	0.00% 0	0.00% 0	15
My goals for attending were met.	56.25% 9	18.75% 3	18.75% 3	6.25% 1	0.00% 0	16

The image to the right contains the survey results. The majority of the respondents indicated that they felt they had been given the opportunity to give input and be heard. Twelve of the respondents agreed that the goals of the meeting were met. GIS made recommendations to the California Program on how to increase participation and ensure continued improvement for workshops and stakeholder engagement in 2016.

8.10.3 Public Presentations

Public presentations were a key element in marketing efforts in 2015. These are an opportunity for the California Program to engage with its stakeholders as well as share experiences and best practices with others in the industry. These included:

- 2 Public Workshops (mentioned above) to engage with a range of stakeholders including CalRecycle, non-government entities (NGOs), cities, local governments, Tier-1 processors, Tier-2 manufacturers and collector/sorter entrepreneurs (CSEs).

Various workshops, presentations or webinars to the industry regarding the California Carpet Stewardship Program, including Solid Waste Task Force for Placer County, May 2015; California Resource Recovery Association (CRRRA)/Aug. 2015 (2 sessions); International Fiber Symposium/June and Oct. 2015; Product Stewardship Institute Webinar (Carpet and Mattress Stewardship in Rural Areas)/June 2015; Rural County drop-off sites webinar/July 2015; San Diego Floor Covering Association/Sept. 2015; and the Rural County Joint Powers Authority (RCRC) May and Aug. 2015. Market consultant Mike Tinney made various presentations as described in Section 6 - Market Development. These sessions enable shared experiences with other industry experts as well as learn about the best practices of the organizations. New ideas are shared with the entire California Program team and, as appropriate, considered for adoption.

- The California Program made presentations at the 2015 annual CARE national conference. This annual event is an excellent way for the California Program team to share its experiences and learn from the program executives in other states on topics such as secondary product development, processing technologies and other initiatives and best practices. It is a key opportunity to share market development and outreach and education experiences under the current Plan.

8.11 Summary

In 2015, the California Program made significant advancements in its outreach to retailers, installers and local governments, especially through retailer and drop-off sites campaigns launched during the year. The Program employed a variety of communication strategies to help expand outreach to key stakeholders moving forward. Contact lists were expanded and refined. The California Program is now well-positioned to expand outreach in 2016 with more accurate contact lists, more interactive communications with its stakeholders, updated collateral and stronger relationships.

During 2015 the Program built a solid foundation for further growth in the education and outreach program. The budget increase approved in Addendum 3 will allow the Program to expand outreach and education in 3 key markets — retailers, installers and local governments – especially in areas such as collection, recycling and reuse.

9 Audits - Section 18944(9)

Statutory Citation

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.

- 1. The department may investigate further. If the department decides to further review the findings of the independent auditor, the review will be conducted based on same information the individual manufacturer or stewardship organization provided to the independent auditor.*
- 2. Financial audits must be prepared by a Certified Public Accountant.*
- 3. The department may request supplemental information from the individual manufacturer or stewardship organization during the course of review of a manufacturer- or stewardship organization-submitted financial audit, if necessary.*
- 4. The department will inform the individual manufacturer or the stewardship organization within 60 days of the results of its review.*
- 5. If after conducting further review of the audit, the Department deems it to be necessary, the Department may conduct its own audit.*

The Financial Statements of CARE and the California's Stewardship Plan AB 2398 for the year ended Dec. 31, 2015 were audited by an independent Certified Public Accounting firm. The Audited Financial Statements and a Performance Audit are found in Appendix 10.10.

10 Appendices

10.1 Summary of Incentives

Table 21.

Subsidy	Rate	Status	Timeline/Date of Action	Addendum
Type 1 Recycled Output Payout	\$0.06/lb.	No change	In Plan v.3.2.2 – Mar. 2014. Base payout rate to be tied to market indicator using Economic Model (mid-2016).	1
Type 2 Recycled Output Payout	\$0.03/lb.	No change	In Plan v.3.2.2 – Mar. 2014	1
Bonus (Incentive) for Type 1 Output Growth	\$0.10/lb.	No change: Growth target changes annually.	In Plan v.3.2.2 – Mar. 2014	1
Tier-2 Manufacturer Non-Nylon Payout	\$0.17/lb.	Modification: Increased from \$0.10 to \$0.17/lb. in 2015	Effective Q2 2015. (Subsequently increased to \$0.25/lb. in Addendum 3, retroactive to Q3 2015.)	1
Tier-2 Manufacturer Non-Nylon Growth Payout Incentive	\$0.10/lb.	New: Similar to the Type 1 growth bonus paid on lbs. above threshold.	Effective Q2 2015. Initial threshold set at 2 million lbs. /qtr., to be adjusted annually.	1
Collector/Sorter Entrepreneur (CSE) Incentive	\$0.12/lb.	New: For sold and shipped lbs.; Maximum subsidy \$150,000 per quarter or \$400,000 per year.	California Program-approved under current Plan purview; Retroactive to Q3 2015.	3
Type 2 Calcium Carbonate Payout	\$0.07/lb. \$0.12/lb.	New: For use as a raw material (recycled output feedstock) only.	Effective Q2 2015. Increase from \$0.07/lb. to \$0.12/lb. in June 2015. (Subsequently increased to \$0.17/lb. in Addendum 3)	1
Tile Reuse/Recycle	\$0.10/lb.	New: To drive reuse and 100% recycle of carpet tile.	Reuse subsidy rate applies to the reuse of both broadloom and carpet tile. Clarified requirements retroactive to Q2 2015.	1

Table 22.

Approved Changes	Incentive Description	Timeline/Date of Action	Addendum
Establish Grant Program	\$1 million to \$3 million to be budgeted annually. Also allocates up to \$300,000 per year for legal and administrative costs.	Approved as pilot in Oct. 2015. Cycle 1A capital improvement and 1B product testing grants launched in Dec. 2015.	2
Capital Improvement Grants	\$2 million allocated for Cycle 1A, no limit of per grant awarded.	Approved in Nov. 2015 for immediate roll out.	2
Product Testing Grants	\$250,000 allocated for Cycle 1B, continuous recruitment and review, as funding is available.	Approved in Nov. 2015 for immediate roll out.	2
Product Procurement Grants	\$500,000 approved for Cycle 1C release. To be used to encourage Calif. public agencies to purchase products made from post-consumer carpet recycled output.	To be launched in mid-2016.	3

10.2 List of Collector/Sorter Entrepreneurs

Table 23. Participating Collectors/Sorter Entrepreneurs (CSEs)

Applied for / Received Funding in 2015

	Parent Company	City	State	Status
1	A-1 Planet Recycling	Phoenix Chula Vista	AZ CA	Active; has Calif. in-state facility.
2	Carpet Solutions*	Carson	CA	Active
3	Construction & Demolition Recycling Inc.	South Gate	CA	Active as of Q3 2015.
4	GreenWaste Carpet Recycling	San Jose	CA	Active
5	Los Angeles Fiber Co.*	Vernon	CA	Active
6	Padworks	Chula Vista	CA	Went out of business in Q2 2015.

10.3 List of Processors

Table 24. Participating Tier-1 Processors List (2015)
Applied for / Received Funding in 2015

	Parent Company	City	State	Status
1	Ming International LLC (Carpet Solutions)	Carson	CA	Active
2	Midwest Carpet Recycling (CLEAR)	Lake Villa	IL	Joined program in Q3 2015; opening in-state facility in CA in 2016
3	Columbia Recycling Corp.	Dalton	GA	Existing out of state processor; previous Tier 2 manufacturer using Calif. PCC
4	Gold Pond Corp.	Dalton	GA	Active
5	Interface, Inc.	Atlanta	GA	Active
6	Jai Hai	Vernon	CA	Active until Q3 2015 when it ceased operations.
7	Marspring Corporation (Los Angeles Fiber Co.)	Vernon	CA	Active
8	Shaw Industries Group, Inc.	Dalton	GA	Active. Reduced capacity due to facility closure. New facility operational but not yet at full capacity.
9	Tandus Centiva Inc.	Dalton	GA	Active. Reduced throughput in 2015 due to facility not running at full capacity

10.4 List of Manufacturers

Table 25. Participating Tier-2 Manufacturers List
Applied for / Received Funding in 2015

	Parent Company	City	State	Notes
1	American Fiber Cushion	Dalton	GA	Active
2	Bonded Logic	Chandler	AZ	Active
3	Midwest Carpet Recycling (CLEAR)	Lake Villa	IL	Existing processor. Joined program in Q3 2015. Establishing Calif. facility in 2016.
4	Columbia Recycling Corp.	Dalton	GA	Active. Also Tier-1 Processor.
5	GeoHay, LLC	Inman	SC	Active. New in Q2 2015.
6	MP Global Products LLC	Norfolk	NE	Active
7	Reliance Carpet Cushion	Vernon	CA	Active

Table 26. Participating Tier-2 Manufacturers List
Signed contract in 2015 for 2016

	Parent Company	City	State	Notes
1	Aquafil USA	Cartersville	GA	Signed 2016 contract.
2	M. Chasen & Son, Inc.	Irvington	NJ	Signed 2016 contract.

10.5 List of Drop-off Sites

California Carpet Stewardship Program

Carpet Recycling Drop-Off Locations

Note: Be sure to contact the collection site of your choice before your visit, to inquire about business hours, types of carpet accepted, etc. Some locations may require an appointment and/or proof of residency.

ALAMEDA COUNTY

Fremont Recycling & Transfer
41149 Boyce Road
Fremont, CA 94538
510-252-0500

BUTTE COUNTY

Recology Butte
2720 South 5th Avenue
Oroville, CA 95965
530-533-5868

CALAVERAS COUNTY

Rock Creek Solid Waste Facility & Landfill
12021 Hunt Road
Milton, CA 95684
209-754-6403

DEL NORTE COUNTY

Del Norte County Transfer Station
1700 State Street
Crescent City, CA 95531
707-465-1100

EL DORADO COUNTY

El Dorado Disposal/Waste Connections
4100 Throwita Way,
Placerville, CA 95667
530-295-2808

HUMBOLDT COUNTY

Hawthorne Street Transfer Station
1059 West Hawthorne Street
Eureka, CA 95501
707-268-8680

INYO COUNTY

Bishop-Sunland Landfill
110 Sunland Indian Reservation Road
Bishop CA 93514
760-872-4126

LAKE COUNTY

Lake County Waste Solutions
230 Soda Bay Road
Lakeport, CA 95453
707-234-6412

LOS ANGELES COUNTY

Carpet Pad Conversion
1429 W. 130th Street
Gardena, CA 90249
714-299-4206

Carpet Solutions
17100 Margay Avenue
Carson, CA 90746
310-886-3800

LA Fiber
4920 S Boyle Avenue
Vernon, CA 90058
323-277-0627

MARIN COUNTY

Marin Resource Recovery Center
565 Jacoby Street
San Rafael, CA 94901
415-485-5646

MARIPOSA COUNTY

Mariposa Landfill, Composting and Recycling Center
5593 Highway 49 North
Mariposa, CA 95338
209-966-5165

MENDOCINO COUNTY

Solid Waste Systems
3151 Taylor Drive
Ukiah, CA 95482
707-234-6410

MONO COUNTY

Benton Crossing Landfill
899 Pit Road,
Crowley Lake, CA 93546
(760) 937-2192

MONTEREY COUNTY

Salinas Valley Solid Waste Authority
139 Sun Street
Salinas, CA 93901
831-775-3000

NAPA COUNTY

Devlin Rd Transfer Station
889 Devlin Road
American Canyon, CA 94503
707-258-9005

Napa Recycling & Waste Services
820 Levitin Way
American Canyon, CA 94503
707-256-3500

NEVADA COUNTY

COMING SOON
Waste Management
14741 Wolf Mountain Road
Grass Valley, CA 95945
530-274-3090

PLUMAS COUNTY

Delleker Transfer Station
73980 Industrial Way
Delleker, CA 96122
530-832-4879

SACRAMENTO COUNTY

Florin Perkins Public Disposal Site
4201 Florin Perkins Road,
Sacramento, CA 95826
408-938-4958

SAN DIEGO COUNTY

A-1 Planet Recycling
1564 Jayken Way
Chula Vista, CA 91911
619-424-7545

SAN FRANCISCO COUNTY

Recology San Francisco
501 Tunnel Avenue
San Francisco, CA 94134
415-330-1400

SAN JOAQUIN COUNTY

COMING SOON
Lovelace Materials Recovery Facility and Transfer Station
2323 E. Lovelace Road
Manteca, CA 95336
209-982-5770

SANTA CLARA COUNTY

Green Waste Recovery
625 Charles Street
San Jose, CA 95112
408-938-4958

GreenWaste Carpet Recycling
1201 North 15th Street
San Jose, CA 95112
408-938-4958

Zanker

675 Los Esteros Road
San Jose, CA 95134
408-938-4958

SANTA CRUZ COUNTY

City of Santa Cruz Resource Recovery Facility
605 Dimeo Lane
Santa Cruz, CA 95060
831-420-6270

Ben Lomond Transfer Station
9835 Newell Creek Road
Ben Lomond, CA 95005
831-336-3951

Buena Vista Landfill – Santa Cruz County
1231 Buena Vista Drive
Watsonville, CA 95076
831-454-5153

SISKIYOU COUNTY

Black Butte Transfer Station - Mount Shasta
3710 Springhill Drive
Mt Shasta, CA 96067
530-926-1610

SUTTER/YUBA COUNTIES

Recology Sutter - Yuba 3001 Levee Road
Marysville, CA 95901
530-743-6933

TEHAMA COUNTY

Tehama County/Red Bluff Landfill
19995 Plymire Rd
Red Bluff, CA 96080
530-528-1102

TRINITY COUNTY

The Floor Store (Retail store)
1306 Nugget Lane,
Weaverville, CA 96093
209-532-1413

TUOLUMNE COUNTY

Cal Sierra Transfer Station
19309 Industrial Drive
Sonora, CA 95370
209-532-1413

-  = Official CARE drop-off location
-  = Independent drop-off location*

*Carpet acceptance at independent drop-off sites is subject to change. Always call ahead to confirm participation.

California Carpet Stewardship Program

Carpet Recycling Drop-Off Locations



CarpetRecovery.org/CA

10.6 List of Participating Mills²⁵

Table 27.

Registered Manufacturers List					
	Parent Company	Sub Companies	City	State	Country
1	Alexandria Carpet		Adairsville	GA	USA
2	ALLIANCE TEXTILES, INC.	METRO CARPET	Cartersville	GA	USA
3	Beaulieu Canada Company		Acton Vale	Quebec	Canada
4	Beaulieu Group LLC	Aqua, Armstrong FashionSmart, Armstrong FashionSmart B, Beaulieu, Beaulieu Commercial, Beaulieu Engineered Fabrics & Fibers, Beaulieu of America, Bliss Aligned Dealer Program, Bliss by Beaulieu, Bliss Flooring Solutions, BOA Distributor Div., BolYu, Cambridge, Citation, Compass, Coronet Carpets, Coronet SFC, Hollytex, Interloom, Laura Ashley, Property Management Solutions, Pure, Royalist, Surfaces	Dalton	GA	USA
5	Bellbridge Inc		Benicia	CA	USA
6	Bentley Prince Street	Bentley Mills	City Of Industry	CA	USA
7	Berkshire Flooring		Dalton	GA	USA
8	Best Carpet Values, Inc./W.R. Inc.		Chatworth	GA	
9	Bloomsburg Carpet Ind., Inc.		Bloomsburg	PA	USA
10	Brintons		Kennesaw	GA	USA
11	CAP Carpet Inc	Aircraft Interior Products, White Oak Carpet Mills	Wichita	KS	USA
12	Carpet Crafts, Inc.		Dalton	GA	USA
13	CATALINA CARPET MILLS, INC	CATALINA HOMES	Santa Fe Springs	CA	USA
14	Couristan, Inc.		Fort Lee	NJ	USA
15	Crossley Holdings of South Africa	Crossley Axminster, Inc.	Greenville	MS	USA
16	Dalton Carpet Mart	Signature Hospitality Carpet LLC.	Dalton	GA	USA
17	DALTONIAN FLOORING INC		Calhoun	GA	USA
18	Design Manufacturing International, LLC.	Cavan Carpets	Warminster	PA	USA
19	Design Materials, Inc.		Kansas City	KS	USA
20	DESSO BV	DESSO USA, Inc.,	Darien	CT	USA
21	Earth Weave Carpet Mills Inc.		Dalton	GA	USA
22	ECMH,LLC	Cadence, Clayton Miller, Nood Fashion,	Dalton	GA	USA
23	Emerald Carpet, Inc.		Dalton	GA	USA
24	Emery Park Carpet Company		Calhoun	GA	USA
25	Engineered Floors	Dream Weaver ,	Calhoun	GA	USA
26	Fibreworks Corporation		Louisville	KY	USA
27	Forbo Flooring Systems	Flotex Carpet,	Hazleton	PA	USA
28	Fortune Contract, Inc.		Dalton	GA	USA
29	Foss Manufacturing Co LLC		Hampton	NH	USA

²⁵ List includes mills and subsidiaries as of 12/31/15. This list does not reflect any additions, removals, acquisitions, mergers or removals due to delinquency, which may have occurred in 2016. For the most up to date list please visit: <http://www.calrecycle.ca.gov/Carpet/MfrBrands/default.htm>

	Parent Company	Sub Companies	City	State	Country
30	Godfrey Hirst USA, Inc.		Adairsville	GA	USA
31	Hibernia Woolen Mills		Whittier	CA	USA
32	iCarpetiles.com., Inc.		Louisville	KY	USA
33	Indian Summer Carpet Mills, Inc	Cherokee Carpet, Northstar Flooring Design, Southwind Carpet	Dalton	GA	USA
34	Interface Americas	FLOR	Atlanta	GA	USA
35	Invista		Kennesaw	GA	
36	J Mish LLC		Cartersville	GA	USA
37	J&J Industries, Inc.	Templeton	Dalton	GA	USA
38	Joy Carpets & Co.		Fort Oglethorpe	GA	USA
39	Kane Carpet	Weavemasters	Brooklyn	NY	USA
40	Kinsley Carpet Mills		Dalton	GA	USA
41	Kraus	Barrett Carpet	Dalton	GA	USA
42	Lancer Enterprises, Inc.		Dalton	GA	USA
43	Langhorne Carpet Co Inc.		Penndel	PA	USA
44	Lexmark Carpet Mills, Inc		Dalton	GA	USA
45	LONESOME OAK TRADING CO., INC.		Chatsworth	GA	USA
46	Manassas Textiles, Inc. DBA Carpet Bagger		Adairsville	GA	USA
47	Mannington Mills, Inc.	Mannington Commercial	Calhoun	GA	USA
48	Marquis Industries, inc	Artisans Carpet, Artisans Hospitality, Astro Carpet Mills, Best Buy Flooring Source, Best Buy Hard Surfaces, Cornerstone Hospitality, Dalton Carpet Depot, Omega Pattern Works	Chatsworth	GA	USA
49	Mathews & Parlo Carpet Wholesalers, Inc		Calhoun	GA	USA
50	Merida Meridian Inc		Boston	MA	USA
51	Millennium Carpet Mills Inc.	Atlas Ind., Creative Carpet, Orion Carpet, Mill Creek	Chatsworth	GA	USA
52	Milliken & Company	Milliken Services LLC., Sylvan Chemical Co.,	Spartanburg	SC	USA
53	Mohawk Industries, Inc.	Aladdin, Aladdin Manufacturing Corporation, Bigelow, Color Center, CustomWeave, Durkan, Floorscapes, Floorz, Galaxy, Helios, Horizon, Horizon Europe, Karastan, Lees, Mohawk, Mohawk Carpet, Mohawk Carpet Distribution, Mohawk Carpet Foundation, Mohawk Carpet Transportation of Georgia, Mohawk Commercial, Mohawk ESV, Mohawk Factoring, Mohawk Industries, Mohawk Resources, Mohawk Servicing, Nautilus, Portico, Portico Estate, Properties by Mohawk, Regency Grand, Wayn-Tex LLC, World, Wunda Weve,	Dalton	GA	USA
54	Nature's Carpet		Vancouver	British Columbia	Canada
55	Next Floor Inc.		Waterloo	Ontario	Canada
56	Northwest Carpet, Inc.		Dalton	GA	USA
57	Nourison Industries Inc.	Div of Nourison, AeroSea, Nourison Home, Nourtex,	Saddle Brook	NJ	USA
58	Oriental Weavers USA, Inc.	OW Hospitality,	Dalton	GA	USA
59	Phenix Flooring, LLC (Dobbs Mill)	Looptex Mills	Dalton	GA	USA
60	Prestige Mills	Concepts International, Weavetuft Carpet,	Long Island City	NY	USA
61	R.C. Willey Home Furnishings, Inc.		Salt Lake City	UT	USA
62	RADICI USA, INC		Spartanburg	SC	USA

	Parent Company	Sub Companies	City	State	Country
63	Relative Space (Floorworks)				
64	Royalty Carpet Mills, Inc.	Camelot Carpet Mills, Pacificrest Mills, Moda	Irvine	CA	USA
65	Savnik & Company, Inc.		Oakland	CA	USA
66	SHAHEEN CARPET MILLS	CARPETS BY SIERRA, SIERRA CARPET MILLS,	Resaca	GA	USA
67	Shaw Industries, Inc.	American Home Fashions of California, Cabin Crafts, Couture Elegant Floors by Shaw, HGTV Home - Flooring by Shaw, Kathy Ireland Home Solutions, Patcraft, Philadelphia Commercial, Philadelphia Residential, Queen, Queen Commercial, Shaw, Shaw Contract Group, Shaw Home Foundations Flooring, Shaw Hospitality, ShawMark Home, Sutton Carpets, Tufftex,	Dalton	GA	USA
68	Signature Hospitality Carpet LLC.	Dalton Carpet Mart, Signature Crypton,	Dalton	GA	USA
69	Stanton Carpet Corporation	Antrim Carpets, Rosecore, Royal Dutch Carpets,	Cartersville	GA	USA
70	Stark Carpet Corp				
71	TaiPing Carpets Americas Inc	Edward Field,	Calhoun	GA	USA
72	Tandus Centiva Inc	Tandus Centiva US LLC, Tandus Flooring, Inc.,	Dalton	GA	USA
73	The Dixie Group	Dixie Home, Fabrica International, Masland Carpets and Rugs, Masland Contract, Whitespace, Atlas Carpet Mills	Dalton	GA	USA
74	The Miller Davis Group	Davis & Davis Rugs, Glen Eden Wool Carpets, Luzern LTD			
75	Totally Enterprises				
76	Ulster Carpet Mills (North America) Inc				
77	Unique Carpets Ltd.		Riverside	CA	USA
78	WOOLSHIRE CARPET MILLS INC		Calhoun	GA	

10.7 Recording Sheets (Processors, Manufacturers, CSEs)

Table 28. Tier-1 Processors

Processors Data Entry Form		
1		
2	Company Name:	
3	Report Prepared by:	
4	Phone Number:	
5	Email Address:	
6	Date of Report:	
7	AB 2398 Monthly Reporting CONFIDENTIAL	Actual
8		December
9		2015
10	California Jobs Information	
11	Number of CA FTE Employees at beginning of this month	
12	Number of FTE CA Jobs lost this month	
13	Number of FTE CA Jobs gained this month	
14	Total Number of FTE CA Employees at end of this month	-
15	Post-consumer carpet pounds directly collected or received by you for this month	
16	Post-consumer carpet pounds directly collected by you from California for this month	
17	Whole carpet from CA received from other collectors	
18	Total CA lbs.	-
19	Post-consumer carpet pounds directly collected by you from OUTSIDE California for this month	
20	TOTAL Post-consumer carpet pounds	-
21	Carpet PADDING	
22	Pounds of carpet PAD/CUSHION collected by you	-
23	Carpet POUNDS directly collected by YOU from California by FIBER type [Do NOT report pounds you are purchasing from other collectors]	
24	Nylon 6	
25	Nylon 6,6	-
26	Polypropylene	-
27	PET	-
28	Wool	-
29	Other/Mixed Fibers	-
30	TOTAL	-
31	<i>CHECK: Row 30 must equal Row 16</i>	-
32	Accounting for total PC Carpet Inputs & Beginning Inventory this month	
33	Beginning Inventory of Whole Carpet from CA at start of month (should equal prior month ending inventory)	
34	Whole Carpet Collected from California (equal to Total CA lbs. Row 18)	-
35	TOTAL CA CARPET AVAILABLE FOR PROCESSING	-
36	Accounting for total Whole Carpet Outputs & Ending Inventory	
37	Tile REUSE Carpet TILE Sold/Donated & Shipped for REUSE only	
38	Broadloom REUSE Whole Carpet Sold/Donated & Shipped for REUSE only	
39	COLLECTED and Internally Used BY YOU Whole Carpet this month from CA only	
40	RECEIVED from other collectors / sorters and Internally Used BY YOU Whole Carpet this month from CA only	
41	Whole Carpet shipped to US customers OUTSIDE California	
42	Whole Carpet shipped to customers outside the United States	
43	Whole Carpet shipped to customers INSIDE California	
44	Whole Carpet sent to WTE	
45	Whole Carpet sent to Incineration	
46	Whole Carpet sent to Landfill	
47	Ending Inventory of Whole Carpet	
48	TOTAL	-
49	<i>CHECK: Row 48 must equal Row 35</i>	-

50	Processing of Internally Used Whole Carpet	
51	Internally Used Whole Carpet from CA only (Rows 39 and 40)	-
52	All Processed Outputs (Type 1, Type 2, Calcium Carbonate, CAAF, and Cement Kiln)	
53	Processed Wastes sent to Landfill	
54	Processed Wastes sent to WTE	
55	Other Outlets	
56	Processed Wastes sent to Incineration	
57	TOTAL	-
58	<i>CHECK: Row 57 must equal Row 51</i>	-
59	Output and other destinations of post-consumer carpet internally processed this month	
60	Beginning Inventory of Type 1 Outputs from prior month	
61	Processed Output generated this month (Row 52)	-
62	TOTAL TYPE 1 MATERIAL PROCESSED	-
63	REUSE	
64	Tile REUSE Carpet Tile Sold & Shipped for REUSE only (Row 37)	-
65	Broadloom REUSE Whole Carpet Sold/Donated & Shipped for REUSE only (Row 38)	-
66	Type 1 Outputs (Sold and Shipped)	
67	TILE RECYCLED: Shredded Carpet tile used for tile backing	
68	Fiber	-
69	DePoly or Chemical Component	-
70	Total Type 1 Output (SOLD & SHIPPED)	-
71	Ending Inventory of Type 1 Outputs	
72	<i>CHECK: Rows 60+61-67-68-69-71 must equal zero</i>	-
73	Ash Tests	
74	Number of Ash Tests run this month (min 1 per 1M pounds)	
75	Average Ash Test Results over month for Type 1 pounds	
76	Type 2 Outputs (Sold & Shipped)	
77	Filler	
78	Carcass Sold	
79	Total Type 2 Output (SOLD & SHIPPED) as Counted by CalRecycle	-
80	Calcium Carbonate	
81	Pounds of Calcium Carbonate sold & shipped as a RAW MATERIAL	
82	Other Diversion	
83	CAAF	
84	Cement Kiln feedstock	
85	Total Other Diversion	-
86	TOTALS	
87	Total Ending Inventory of All Processed Output (Type 1, Type 2, Calcium Carbonate, and Other)	
88	TOTAL Recycled Output As Counted by CalRecycle (lbs)	-
89	Calculations for funding	
90	Whole Carpet collected by you Shipped/Sold for recycling (\$0.02)	\$ -
91	Tile REUSE Only (\$0.10)	\$ -
92	Broadloom REUSE Only (\$0.10)	\$ -
93	Tile RECYCLED: Shredded Carpet tile used for tile backing (\$0.10)	\$ -
94	Fiber and DePoly Type 1 Output (\$0.10)	\$ -
95	Type 2 Output (excluded CAAF and Kiln) (\$0.03)	\$ -
96	Calcium Carbonate as Raw Material (\$0.17)	\$ -
97	CAAF (Separate Payment Calculation) (\$0.03)	\$ -
98	Cement Kiln feedstock (Separate Payment Calculation) (\$0.03)	\$ -
99	Total Requested \$s (Tile Reuse + Tile Recycle + Type 1 + Type 2 + CC + Other Diversion)	\$ -
100	ATTESTATION	
101	Have you submitted the attestation form?	

Submission of this data reaffirms my agreement to maintain good standing with CARE: I attest to the truthfulness of this data, I will allow on-site review by CARE and its accounting representatives for verification, and I acknowledge I am not in violation of any local or state environmental regulations.

Table 29. Tier-2 Manufacturers

Manufacturers Data Entry Form			
2	Company Name:		
3	Report Prepared by:		
4	Phone Number:		
5	Email Address:		
6	Date of Report:		
7	AB 2398 Monthly Reporting & Forecast CONFIDENTIAL	Actual	
8		December	
9		2015	
10 If located in CA, number of Full Time Equivalent (FTE) Employees working on PCC Products			
11	Number of FTE CA Employees at end of each month using PCC carpet		
12 Type 1, Non-Nylon PC Carpet pounds purchased by you in this month			
13	Type 1 pounds directly purchased by you from a QUALIFIED Processor of CA Waste Carpet each month		
14 Type 1, Non-Nylon Processed CA PC Carpet pounds directly purchased by YOU by FIBER type			
15	Polypropylene		
16	PET		
17	Other including mixed non-nylon fibers		
18	TOTAL	-	
19	<i>CHECK: Row 18 must equal Row 13</i>		
20 Accounting for total processed Type 1 PC Carpet Inputs & Beginning Inventory this month			
21	Beginning Inventory of Type 1 Non-Nylon processed PC Carpet from CA at start of month (should equal prior month ending inventory)		
22	Type 1 Non-Nylon Processed PC Carpet received/purchased (Row 13)	-	
23	TOTAL Material Available for Current Month	-	
24 Accounting for total PC Carpet Outputs & Ending Inventory			
25	Type 1 Non-Nylon Processed PC Carpet SOLD & SHIPPED this month [SEE NOTE 1]		
26	Type 1 Non-Nylon (waste) sent to WTE		
27	Type 1 Non-Nylon (waste) sent to Landfill		
28	Type 1 Non-Nylon (waste) sent to Incineration		
29	Ending Inventory of Type 1 Non-Nylon processed PC Carpet from CA		
30	TOTAL	-	
31	<i>CHECK: Row 30 must equal Row 23</i>		
32 Calculations for funding			
33	Total Requested (\$) Non-Nylon (\$0.25)	\$ -	
34 Output and other destinations of Non-Nylon Type 1 materials internally processed this month			
35	Non-Nylon Products SOLD & SHIPPED in month	# LBS Purchased	
36	Name of End Product (Specify Product)	[# LBS]	
37	Name of End Product (Specify Product)	[# LBS]	
38	Name of End Product (Specify Product)	[# LBS]	
39	Name of End Product (Specify Product)	[# LBS]	
40	Name of End Product (Specify Product)	[# LBS]	
41 Source of Type 1, Non-Nylon Processed CA PC Carpet pounds directly purchased by YOU			
42	PLEASE LIST ALL SOURCES OF FIBER PURCHASES BY COMPANY	# LBS Purchased	Location/Contact Information for Purchasing Party
43	[insert]	[# LBS]	[insert]
44	[insert]	[# LBS]	[insert]
45	[insert]	[# LBS]	[insert]
46	[insert]	[# LBS]	[insert]
47	[insert]	[# LBS]	[insert]
48 ATTESTATION			
49	Have you submitted the attestation form?		

Submission of this data reaffirms my agreement to maintain good standing with CARE: I attest to the truthfulness of this data, I will allow on-site review by CARE and its accounting representatives for verification, and I acknowledge I am not in violation of any local or state environmental regulations.

NOTE 1: This is pounds of Type 1 PCC contained in your final product. It is NOT the total product weight; only that of the Type 1 content.

Table 30. Recording Sheets (CSEs)

CSE Data Entry Form		
2	Company Name:	
3	Report Prepared by:	
4	Phone Number:	
5	Email Address:	
6	Date of Report:	
7	AB 2398 Monthly Reporting CONFIDENTIAL	Actual
8		December
9		2015
California Jobs Information		
11	Number of CA FTE Employees at beginning of this month	
12	Number of FTE CA Jobs lost this month	
13	Number of FTE CA Jobs gained this month	
14	TOTAL Number of FTE CA Employees at end of this month	-
Accounting of Beginning Inventory this month		
16	Starting Inventory - Whole Carpet	
17	Starting Inventory - Carpet Tiles For REUSE	
18	Starting Inventory - Pounds of carpet PAD/CUSHION	
19	TOTAL Starting Inventory	-
Accounting for total PC Carpet Inputs & Beginning Inventory this month		
21	Post-consumer carpet pounds directly collected by you from California for this month	-
22	Nylon 6	
23	Nylon 6,6	
24	Polypropylene	
25	PET	
26	Wool	
27	Other/Mixed Fibers	
Carpet PADDING		
29	Pounds of carpet PAD/CUSHION collected by you	-
30	TOTAL Carpet + Padding	-
Accounting for total PC Carpet Outputs & Ending Inventory		
32	CARPET TILE REUSE: Carpet Tile Shipped and Sold/Donated for Reuse	<i>Not eligible for 2 cents/lb</i>
33	Broadloom REUSE Whole Carpet Sold/Donated & Shipped for REUSE only	<i>Not eligible for 2 cents/lb</i>
34	Carpet tile shipped and sold for recycling	<i><< this is eligible for CSE incentive @ 2 cents/lb</i>
35	Whole carpet shipped to US customers OUTSIDE California	<i><< this is eligible for CSE incentive @ 2 cents/lb</i>
36	Whole carpet shipped to customers outside the United States	<i><< this is eligible for CSE incentive @ 2 cents/lb</i>
37	Whole carpet shipped to customers INSIDE California	<i><< this is eligible for CSE incentive @ 2 cents/lb</i>
38	Non-carpet materials with value (i.e. carpet cushion) - Shipped for Recycling	<i>Not eligible for 2 cents/lb</i>
39	Ending Inventory - Whole Carpet	
40	Ending Inventory - Carpet Tile	
41	Ending Inventory - Pounds of carpet PAD/CUSHION	
42	TOTAL	-
43	TOTAL Carpet	-
Output and other destinations of post-consumer carpet internally processed this month		
45	CAAF	
46	Cement Kiln feedstock	
47	Carcass Sold	
48	Landfilled	
49	WTE	
50	Incinerated	
51	TOTAL	-
Mass Balance (should equal 0)		
53	Starting + Collections In - Collections Out - Other End Use	-
Calculations for funding		
55	CSE Reporting Incentive	\$ 1,000.00
56	Carpet Tile REUSE: Carpet Tile Shipped and Sold/Donated for Reuse (\$0.10)	\$ -
57	Broadloom REUSE Only (\$0.10)	\$ -
58	Whole Carpet or TILE Shipped and Sold for recycling (\$0.02)	\$ -
59	TOTAL Requested	\$ 1,000.00

60

61 **STRICTLY CONFIDENTIAL SHIPMENT SALE/DONATION DETAIL FOR CARE/ACCOUNTING FIRM ONLY**

62 **LIST ALL PARTIES RECEIVING SOLD/DONATED CARPET TILE FOR REUSE (greater than or equal to 500 pounds)**

63	Company/Individual Receiving Carpet Tiles for REUSE	# LBS Sold/Donated	Location/Contact Information for Receiving Party
64	[insert]	[# LBS]	[insert]
65	[insert]	[# LBS]	[insert]
66	[insert]	[# LBS]	[insert]
67	[insert]	[# LBS]	[insert]
68	[insert]	[# LBS]	[insert]

69

70 **STRICTLY CONFIDENTIAL SHIPMENT SALE/DONATION DETAIL FOR CARE/ACCOUNTING FIRM ONLY**

71 **LIST ALL PARTIES RECEIVING SOLD/DONATED CARPET TILE FOR REUSE (greater than or equal to 500 pounds)**

72	Company/Individual Receiving Broadloom for REUSE	# LBS Sold/Donated	Location/Contact Information for Receiving Party
73	[insert]	[# LBS]	[insert]
74	[insert]	[# LBS]	[insert]
75	[insert]	[# LBS]	[insert]
76	[insert]	[# LBS]	[insert]
77	[insert]	[# LBS]	[insert]

78

79 **STRICTLY CONFIDENTIAL SHIPMENT SALE/DONATION DETAIL FOR CARE/ACCOUNTING FIRM ONLY**

80 **LIST ALL PARTIES RECEIVING SOLD/DONATED CARPET TILE FOR REUSE (greater than or equal to 500 pounds)**

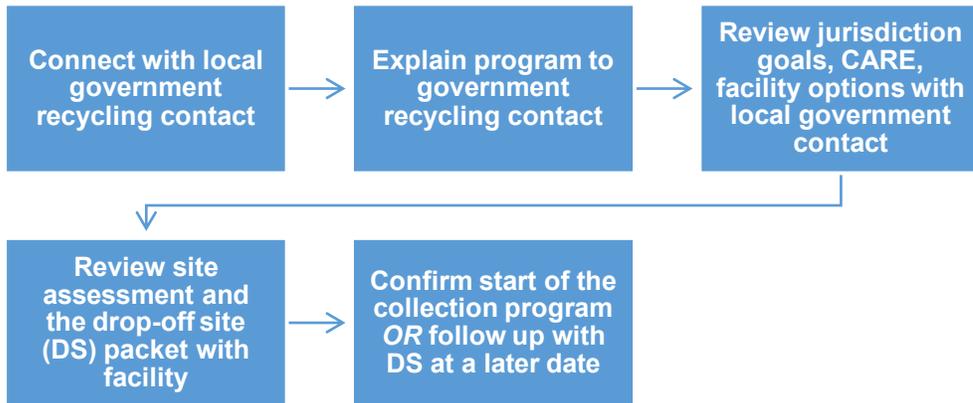
81	Company/Individual Receiving Whole Carpet	# LBS Sold/Shipped	Location/Contact Information for Receiving Party
82	[insert]	[# LBS]	[insert]
83	[insert]	[# LBS]	[insert]
84	[insert]	[# LBS]	[insert]
85	[insert]	[# LBS]	[insert]
86	[insert]	[# LBS]	[insert]

Submission of this data reaffirms my agreement to maintain good standing with CARE: I attest to the truthfulness of this data, I will allow review by CARE and its accounting representatives for verification, and I acknowledge I am not in violation of any local or state environmental regulations.

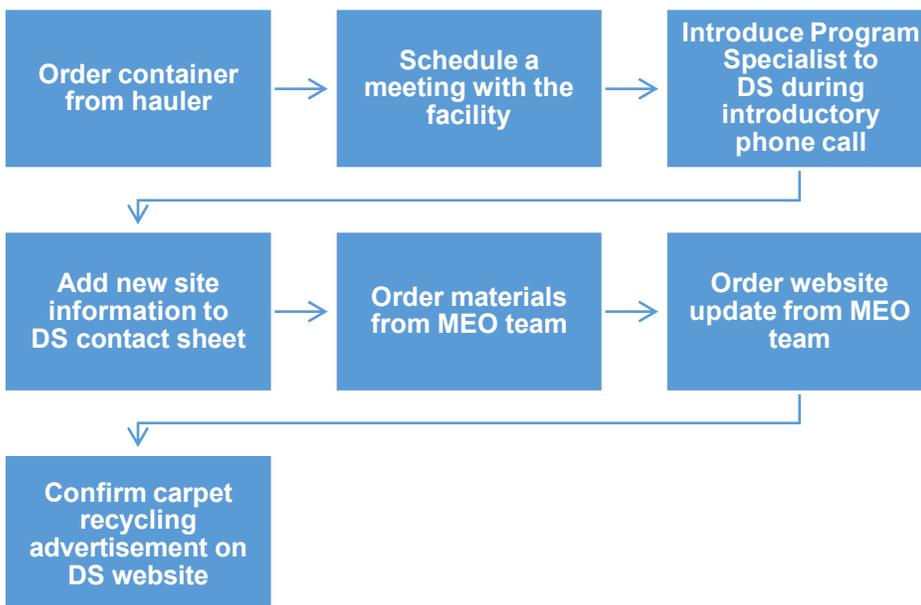
10.8 Workflow (supports Section 4.2)

The following workflow was established to enhance service for drop-off sites by increasing efficiency and response time:

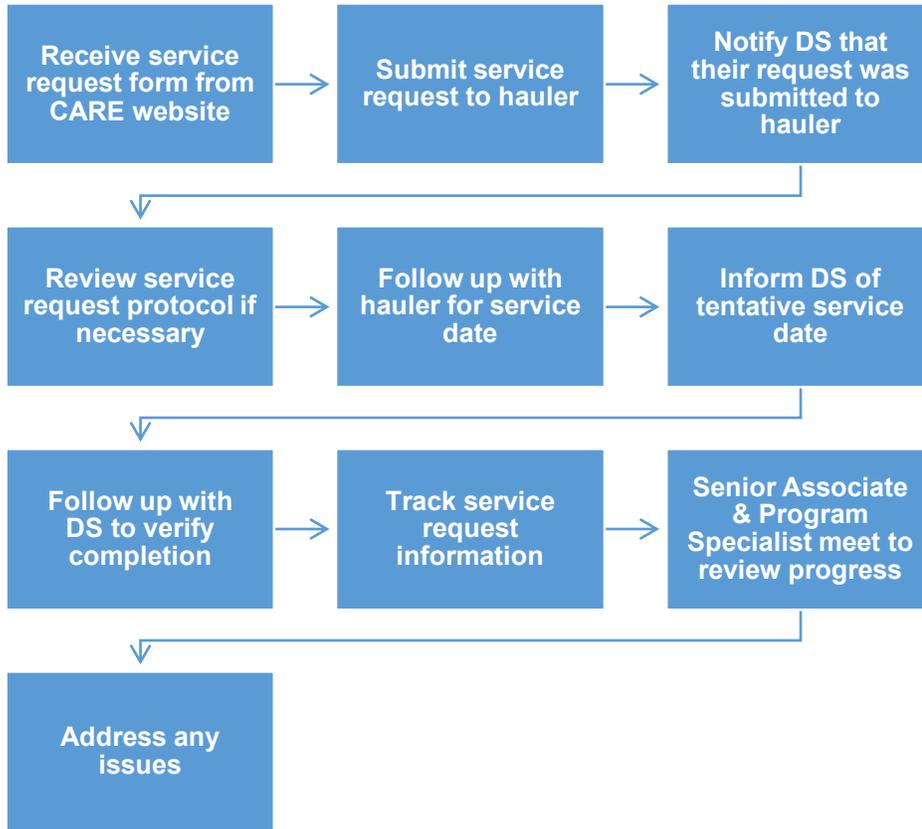
1) Outreach & Drop-off Site Expansion



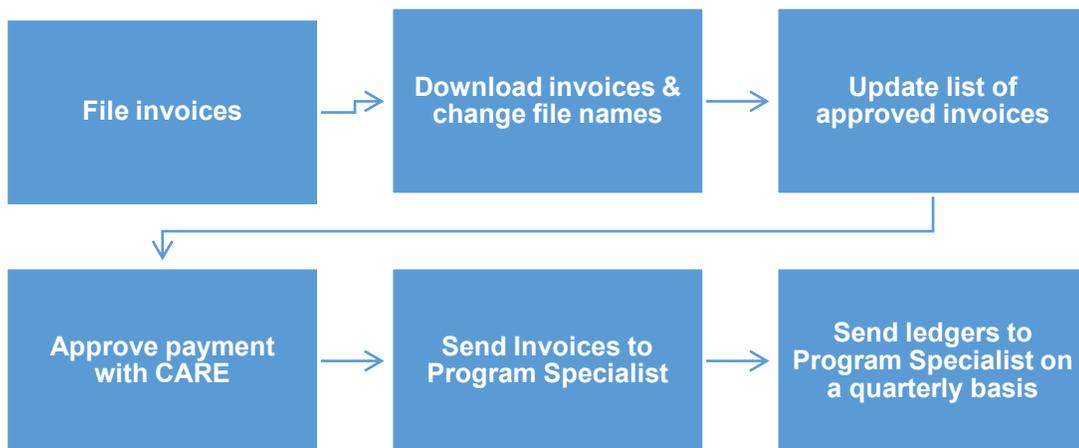
2) Starting Service



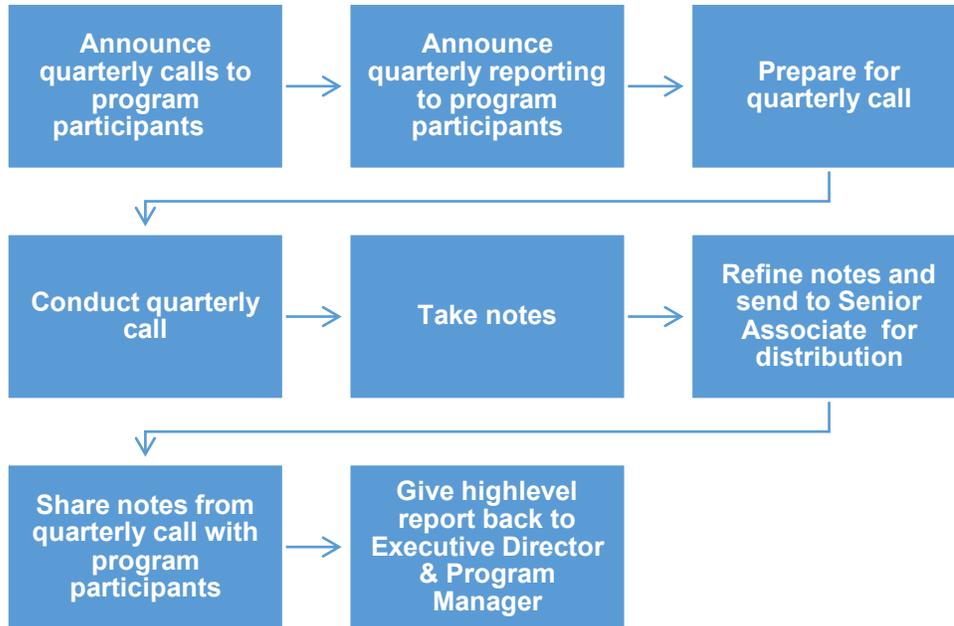
3) Providing Service



4) Invoicing

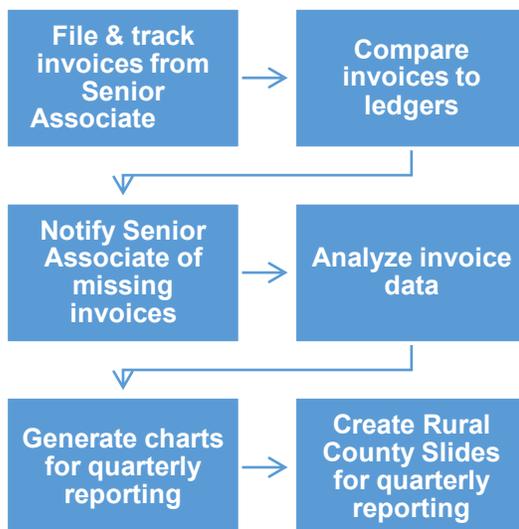


5) Quarterly Calls

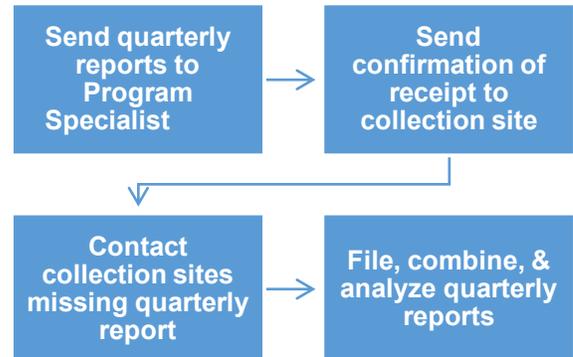


6) Quarterly Reporting

A) Rural County Invoice Reporting



B) Rural County Collection Site Reporting



7) Quarterly Reporting to Executive Director/SPC



10.9 Samples of Education and Outreach



California Program Logo

Developed and incorporated into all program materials with intention to localize while tying to National CARE effort



Retailer Brochure

20,000 Distributed



Retailer Assessment Increase Postcard

Distributed to all California retailers



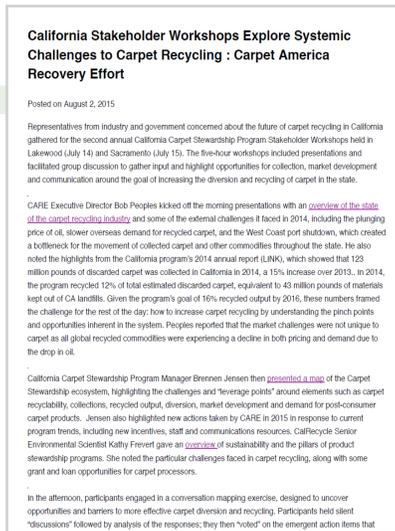
Window Cling

Distributed to all California retailers



'Prepare Carpet for Recycling' Bilingual Flyer

Distributed to participating transfer stations
Localized for each drop-off site



Sample Blog Post

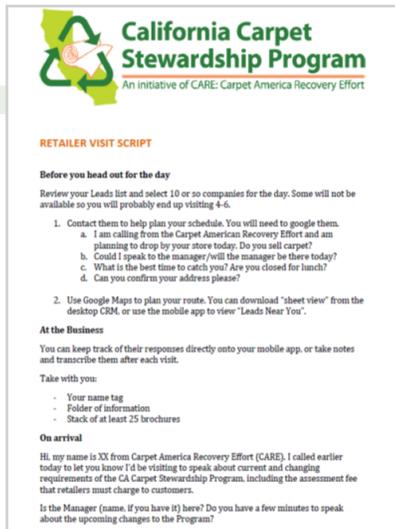
Regular blog posts on CARE website
Highlights program events, updates, resources and achievements



New Collection Map

New flyer lists updated drop-off site map for California

Reverse side includes location, site hours, etc.



Retail Visit Script

To engage and educate retail sites during in-person visits

Carpet Recycling in California Retailer FAQ



Frequently Asked Questions for Retailers

More than 400 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 April 1, 2015, the assessment is \$30 (30 cents) per square yard on all forms of carpet and carpet tile. (Area rugs are not included).

The assessment is expected to increase to \$20 (20 cents) per square yard on March 1, 2016.

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.
- 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 2014 alone, processors recycled 43 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 Enterprises (CSE) are eligible to receive reuse incentive funds. In 2014, \$4.7 million was dispensed to processors from the California

CarpetRecovery.org/CA @CarpetRecycle

Retail FAQ

Available to California retailers to help answer the most commonly asked questions

The content in this preview is based on the last saved version of your email - any changes made to your email that have not been saved will not be shown in this preview.



California Carpet Stewardship Program
An Initiative of CARE: Carpet America Recovery Effort

California Carpet Stewardship Program
December 2015 Update

Carpet Assessment Expected to Rise to 20 cents on March 1, 2016

In order to support and promote improved carpet recycling and diversion, CARE has requested an increase in the carpet assessment to 20 cents per sq yd from the current 30 cents. CARE anticipates that CalRecycle will approve the increase at the January 26, 2016 public meeting; the increase will go into effect on March 1. "Tough times call for tough measures," notes CARE Executive Director Bob Peoples. "We have increased incentive types and amounts in 2015 in order to bolster the industry, which is facing severe financial challenges as outlets for these materials have contracted. Increasing the assessment to 20 cents will fund this increased support, with a goal of creating a stable and viable market for post-consumer carpet." CARE is in the process of alerting mills and retailers via online, print and in-person communications. [Back to top](#)

Applications Sought for California Council on Carpet Recycling Facilitator

CARE is seeking proposals from firms or individuals to provide facilitation services for the newly-formed [California Council on Carpet Recycling](#). The Council is intended to provide input from stakeholders interested in the design and implementation of the California Carpet Stewardship Program. The Council's first meeting is slated for mid-February 2016. Proposals must be submitted by January 22, 2016, 5 p.m. PST. See full [Request for Proposals](#) [here](#).

New Grants Program Releases Q&A Document

In November, CARE announced a new pilot grant program to provide funding to establish, increase, improve and enhance California generated post-consumer carpet collection, recycling, and utilization of recycled content product manufacturing. [Click a details](#) will support Capital Improvement and Product Testing. Potential applicants submitted questions on the program; responses have been [posted here](#) along with the program announcement. Where applicable @handle@calrecycle.org.

Two More Additions to CARE Collection Site Program

CARE has added two collection sites: Fort Ord Public Storage (Sacramento County) and Waste Connection El Dorado (Sacramento County). CARE expects to add additional collection sites to the program in 2016. Please contact our disposal facility in Inglewood for information on how to use the program. Please email ask@calrecycle.org and visit www.calrecycle.org.



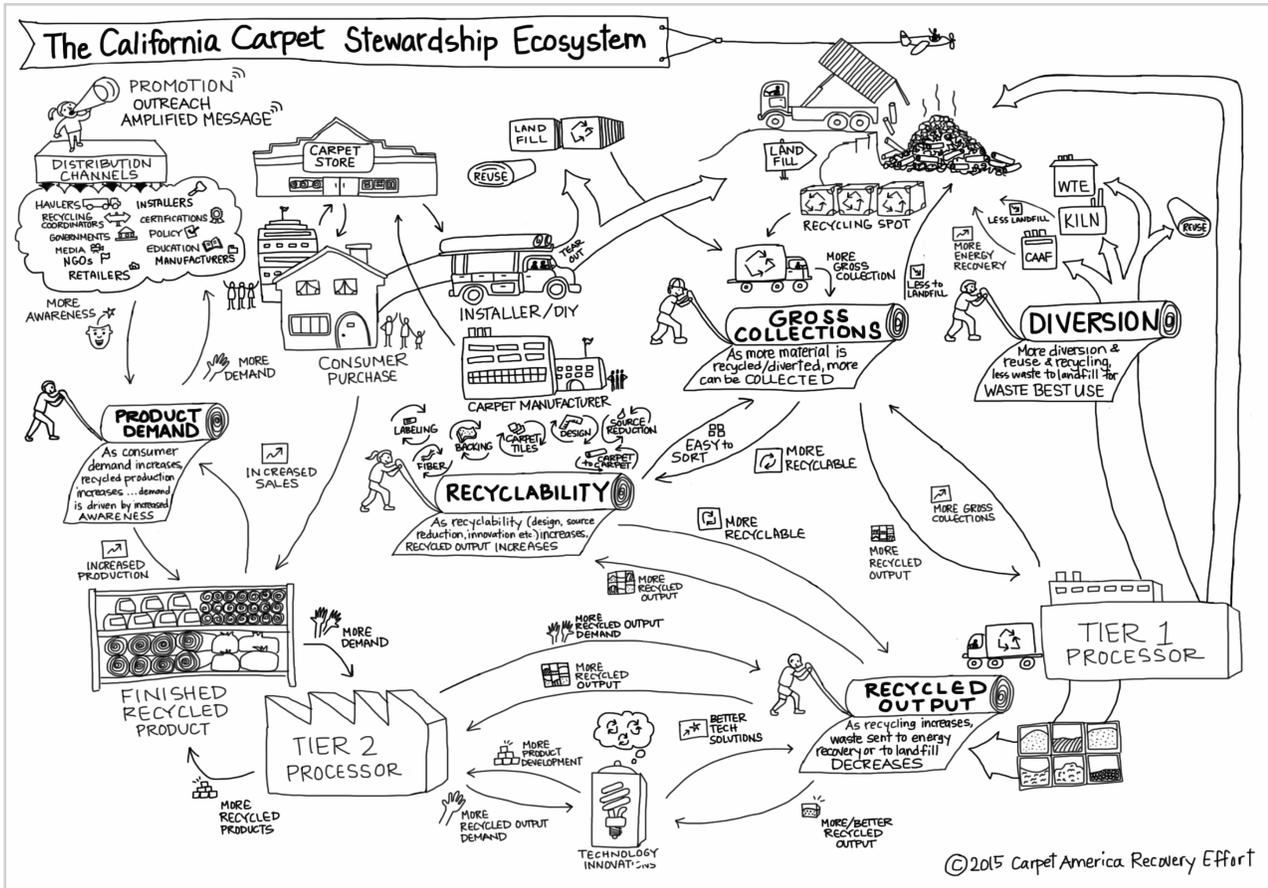
Forward this email
ask@calrecycle.org

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Carpet America Recovery Effort | 230 College Drive | Dayton | CA | 95020

eNews

Monthly updates distributed to stakeholders



California Carpet Stewardship Ecosystem

Developed and used at stakeholder workshops to communicate the carpet ecosystem in which the program operates. To further the Program's continued commitment to achieve continuous meaningful progress, provides a look at the broader system in which recycling is occurring and the interconnected and interrelated elements of the system.

10.10 Audited Financial Statements

- a. CARE Audited Financial Statement
- b. AB 2398 California Carpet Stewardship Program 2015 Audited Financial Statement
- c. CARE Performance Audit 2015

CARPET AMERICA RECOVERY EFFORT, INC.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

CARPET AMERICA RECOVERY EFFORT, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Carpet America Recovery Effort, Inc.

We have audited the accompanying financial statements of the Carpet America Recovery Effort, Inc. (a nonprofit organization), which are comprised of the statements of financial position as of December 31, 2015 and 2014, the related statements of activities and cash flows, and the related notes to the financial statements for the years then ended.

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 misstatements 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.

Board of Directors
Carpet America Recovery Effort, Inc.
Page 2

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Carpet America Recovery Effort, Inc. as of December 31, 2015 and 2014, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Sincerely,



Winter & Scoggins
Certified Public Accountants, PC

Dalton, GA
June 23, 2016

Carpet America Recovery Effort, Inc.
STATEMENTS OF FINANCIAL POSITION
 December 31,

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 556,288	\$ 314,219
VPS restricted cash	386,469	-
Accounts receivable, net	26,050	65,200
Accounts receivable - AB2398	43,499	70,767
Prepaid expenses	<u>10,651</u>	<u>14,429</u>
Total current assets	<u>1,022,957</u>	<u>464,615</u>
 PROPERTY AND EQUIPMENT, NET	 <u>263</u>	 <u>1,813</u>
 Total Assets	 <u><u>\$1,023,220</u></u>	 <u><u>\$ 466,428</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 47,058	\$ 10,501
Due to VPS program	386,469	-
Accrued expenses	35,700	5,738
Deferred revenue	<u>5,500</u>	<u>-</u>
Total current liabilities	<u>474,727</u>	<u>16,239</u>
 NET ASSETS		
Unrestricted net assets	<u>548,493</u>	<u>450,189</u>
 Total net assets	 <u>548,493</u>	 <u>450,189</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,023,220</u></u>	 <u><u>\$ 466,428</u></u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

Carpet America Recovery Effort, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	<u>2015</u>	<u>2014</u>
REVENUES		
CARE dues	\$381,208	\$380,955
CARE conferences	106,963	89,681
Contributions in-kind of CRI	98,412	61,505
Interest income	<u>1,799</u>	<u>1,298</u>
Total revenues	<u>588,382</u>	<u>533,439</u>
EXPENSES		
Program Services		
Member programs	<u>371,604</u>	<u>406,363</u>
Total program services	<u>371,604</u>	<u>406,363</u>
Support services		
Administrative	100,508	106,049
Uncollected Dues	-	16,300
Facilities	<u>17,966</u>	<u>20,693</u>
Total support services	<u>118,474</u>	<u>143,042</u>
Total expenses	<u>490,078</u>	<u>549,405</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>98,304</u>	<u>(15,966)</u>
UNRESTRICTED NET ASSETS - beginning of year	<u>450,189</u>	<u>466,155</u>
UNRESTRICTED NET ASSETS - end of year	<u>\$548,493</u>	<u>\$450,189</u>

Carpet America Recovery Effort, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Change in unrestricted net assets	\$ 98,304	\$(15,966)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,550	1,620
(Increase) Decrease in VPS restricted cash	(386,469)	-
(Increase) Decrease in net accounts receivable	39,150	(30,507)
(Increase) Decrease in accounts receivable-AB2398	27,268	(45,899)
(Increase) Decrease in prepaid expense	3,778	(10,133)
Increase (Decrease) in accounts payable	36,557	(13,117)
Increase (Decrease) in due to VPS program	386,469	-
(Decrease) Increase in accrued liabilities	29,962	(44,695)
(Decrease) Increase in deferred revenue	5,500	-
Total adjustment	143,765	(142,731)
Net cash provided (consumed) by operating activities	<u>242,069</u>	<u>(158,697)</u>
Cash Flows Used In Investing Activities		
Acquisition of equipment	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	242,069	(158,697)
CASH AND CASH EQUIVALENTS-beginning of year	<u>314,219</u>	<u>472,916</u>
CASH AND CASH EQUIVALENTS-end of year	<u>\$ 556,288</u>	<u>\$314,219</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

Carpet America Recovery Effort, Inc.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

A. Summary of Significant Accounting Policies

ORGANIZATION - The Carpet America Recovery Effort, Inc. (known by the trade name "CARE") 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 major part of its educational program is the Organization's website, www.carpetrecovery.org.

CARE is also the "Carpet Stewardship Organization" (CSO) under California AB2398 whereby it 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) Program. 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.

PRESENTATION OF FINANCIAL STATEMENTS - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The financial statements are prepared under the requirements of ASC Topic 958-205-05. The topic requires CARE to recognize any contributions as support in the period received or when an unconditional pledge has been made. In addition, contributed services using specialized skills that would have been required to be purchased, if not provided by donation, are also recognized in the period performed.

CARE is required to report information regarding its financial position and activities according to three classes of assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2015 and 2014, CARE had no temporarily restricted or permanently restricted net assets.

Other significant accounting policies followed by CARE are described below.

SEE INDEPENDENT AUDITORS' REPORT

Carpet America Recovery Effort, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 Years Ended December 31, 2015 and 2014

1. **ESTIMATES AND UNCERTAINTIES** - The preparation of financial statements in conformity with generally accepted accounting principles in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
2. **CASH AND CASH EQUIVALENTS** - CARE considers all money market accounts and highly liquid debt instruments with maturities that do not exceed ninety days to be cash equivalents for financial statement purposes. The amounts that exceed federally insured limits are secured by investment portfolio securities of the bank.
3. **VPS RESTRICTED CASH** – CARE as the stewardship organization of the VPS program held VPS funds in CARE’s bank account as trustees since the VPS program did not have its own bank account.
4. **ACCOUNTS RECEIVABLE** - Accounts receivable consist of dues owed from members as of December 31, 2015 and 2014. Management has evaluated historical trends and individual account collectability and determined that an allowance for doubtful accounts was not necessary as of December 31, 2015 and an allowance of \$16,300 at December 31, 2014 was necessary.
5. **ACCOUNTS RECEIVABLE - AB2398** - CARE is reimbursed for costs it incurs as the Carpet Stewardship Organization under California AB2398 Carpet Stewardship Plan, and “Accounts receivable – AB2398” consists of amounts due to CARE from the Plan as of December 31, 2015 and 2014.
6. **PROPERTY AND EQUIPMENT** - Property and equipment are carried at cost less accumulated depreciation. It is management’s policy to capitalize acquisitions of property and equipment of \$1,500 or more. Maintenance and repairs are charged as incurred.

Property and Equipment consist of the following major classifications at December 31:

	2015	2014
Computer equipment	\$ 16,990	\$ 16,990
Accumulated depreciation	<u>(16,727)</u>	<u>(15,177)</u>
	<u>\$ 263</u>	<u>\$ 1,813</u>

SEE INDEPENDENT AUDITORS’ REPORT

Carpet America Recovery Effort, Inc.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

6. PROPERTY AND EQUIPMENT (continued) - Depreciation expense for the year ended December 31, 2015 and 2014 was \$1,550 and \$1,620, respectively.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	3 years
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7. ACCRUED EXPENSES - Accrued expenses consist of accounting expenses incurred and amounts due to employees but not yet paid.
8. INCOME TAX STATUS - The Organization is currently exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The exemption does not apply to activity unrelated to the tax exempt function of the Organization. CARE did not have any unrelated business income for the year ended December 31, 2015 and 2014.
9. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES - CARE has adopted ASC Topic 740-10 which prescribes measurement and disclosure requirements for current and deferred income tax provisions. The topic provides for a consistent approach in identifying and reporting uncertain tax provisions. It is management's belief that CARE does not hold any uncertain tax positions as of December 31, 2015 and 2014. CARE's returns are subject to examination by the IRS generally for three years following the date filed. With few exceptions, the Organization is no longer subject to tax examination for years prior to 2012.
10. REVENUE RECOGNITION - Revenue from membership dues is recognized over the course of the membership period. Revenues from events are recognized at the time of the event
11. FUNCTIONAL ALLOCATION OF EXPENSES - Expenses are charged directly to programs and supporting activities as incurred and have been summarized on a functional basis. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for overall administration of the Organization.

B. Related Parties; Industry Affiliate

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 under the Internal Revenue Code and one of the primary trade groups of the carpet industry.

SEE INDEPENDENT AUDITORS' REPORT

Carpet America Recovery Effort, Inc.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

B. Related Parties: Industry Affiliate (continued)

CRI initiated CARE's organization as the entity to represent and to promote the industry's carpet recycling efforts and to 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 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.

CRI shares common directors 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 \$98,412 for the year ended December 31, 2015 and \$61,505 for the year ended December 31, 2014.

Under AB2398, CARE is allowed to be reimbursed for costs it incurs administering its Carpet Stewardship Plan. Costs incurred directly by the Plan are paid from AB2398 funds. Shared labor costs of AB2398 and CARE are systematically allocated and periodically settled. The plan reimbursed CARE a total of \$234,190 for the year ended December 31, 2015 and \$147,778 for the year ended December 31, 2014.

To participate in CARE's AB2398 California Carpet Stewardship Plan, membership in CARE is required.

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 \$61,363 in 2015. Membership in CARE is required to participate in the VPS program.

C. Concentrations

CARE holds all of its cash at one bank. The amounts that exceed federally insured limits are secured by investment portfolio securities of the bank. Management believes that there is no significant concentration of credit risk.

Approximately 49% of dues were received from ten members in 2015 and 50% in 2014.

SEE INDEPENDENT AUDITORS' REPORT

Carpet America Recovery Effort, Inc.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

D. Subsequent Events

Management has evaluated events through June 23, 2016, the date on which the financial statements were available to be issued.

THE AB2398 CALIFORNIA CARPET STEWARDSHIP PLAN
FINANCIAL STATEMENTS
December 31, 2015 and 2014

The AB2398 California Carpet Stewardship Plan

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carpet America Recovery Effort, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the AB2398 California Carpet Stewardship Plan, which are comprised of the statements of financial position as of December 31, 2015 and 2014, and the related statement of activities, and cash flows for the years 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.

Board of Directors
Carpet America Recovery Effort, Inc.
Page two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AB2398 California Carpet Stewardship Plan, as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years 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 June 23, 2016, on our consideration of the Carpet America Recovery Effort, Inc.'s internal control over the AB2398 California Carpet Stewardship Plan'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 AB2398 California Carpet Stewardship Plan's financial reporting and compliance.

Sincerely,


Winter & Scoggins
Certified Public Accountants

Dalton, GA
June 23, 2016

The AB2398 California Carpet Stewardship Plan

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$3,429,819	\$3,860,096
Accounts receivable	<u>2,286,293</u>	<u>1,178,081</u>
Total current assets	<u>5,716,112</u>	<u>5,038,177</u>
Total Assets	<u>\$5,716,112</u>	<u>\$5,038,177</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$1,835,070	\$1,286,698
Accrued expenses	<u>-</u>	<u>-</u>
Total current liabilities	<u>1,835,070</u>	<u>1,286,698</u>
Total Liabilities	<u>1,835,070</u>	<u>1,286,698</u>
NET ASSETS		
Unrestricted net assets	<u>3,881,042</u>	<u>3,751,479</u>
Total net assets	<u>3,881,042</u>	<u>3,751,479</u>
Total Liabilities and Net Assets	<u>\$5,716,112</u>	<u>\$5,038,177</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

The AB2398 California Carpet Stewardship Plan

STATEMENTS OF ACTIVITIES

Year Ended December 31,

	<u>2015</u>	<u>2014</u>
REVENUES		
Carpet recovery assessments	\$8,614,707	\$4,942,695
Interest income	<u>16,294</u>	<u>13,769</u>
Total revenues	<u>8,631,001</u>	<u>4,956,464</u>
EXPENSES		
Recycler disbursements	6,358,325	4,682,006
Accounting fees	173,322	226,268
CalRecycle administrative fees	402,037	(168,477)
Personnel	234,190	147,778
Rural county program (collection program)	441,376	78,073
Consulting fees	257,151	138,416
Travel	40,801	27,268
Facilities	13,495	15,152
Marketing, education and outreach	226,900	42,488
Testing fees	20,014	6,800
CA Manager	130,752	108,044
University grant	196,271	-
Insurance	1,848	-
Other	<u>4,956</u>	<u>1,711</u>
Total expenses	<u>8,501,438</u>	<u>5,305,527</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>129,563</u>	<u>(349,063)</u>
UNRESTRICTED NET ASSETS - beginning of year	<u>3,751,479</u>	<u>4,100,542</u>
UNRESTRICTED NET ASSETS - end of year	<u>\$3,881,042</u>	<u>\$3,751,479</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

The AB2398 California Carpet Stewardship Plan

STATEMENTS OF CASH FLOWS

Year Ended December 31,

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Change in unrestricted net assets	\$ 129,563	\$ (349,063)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease (Increase) in accounts receivable	(1,108,212)	80,419
Increase (Decrease) in accounts payable	548,372	266,065
(Decrease) Increase in accrued expenses	<u>-</u>	<u>(642,342)</u>
Total adjustment	(559,840)	(295,858)
Net cash (consumed) provided by operating activities	<u>(430,277)</u>	<u>(644,921)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(430,277)	(644,921)
CASH AND CASH EQUIVALENTS-beginning of year	<u>3,860,096</u>	<u>4,505,017</u>
CASH AND CASH EQUIVALENTS-end of year	<u>\$3,429,819</u>	<u>\$3,860,096</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

The AB2398 California Carpet Stewardship Plan
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

A. Summary of Significant Accounting Policies

ORGANIZATION - The AB2398 California Carpet Stewardship Plan (the Plan) is authorized by CA AB2398 to implement measures to achieve measurable improvements in the landfill diversion and recycling of postconsumer carpet. AB 2398 was signed into law by the governor of California on September 30, 2010. Subsequent regulations were approved and are found in Title 14, Division 7, Chapter 11. The Plan began operations 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 AB2398. 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). Periodic changes are made to the Plan and changes are approved by CalRecycle. These four documents collectively comprise the current Plan.

AB2398 requires manufacturers or retailers to collect an assessment based on the square yardage of carpeting sold in California. CARE mill members participating under the Plan collects the funds from the 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, AB2398 requires that they participate in CARE's Plan, or develop and implement their own Carpet Stewardship Plan.

CARE is the sole carpet stewardship organization until April 1, 2015. At that time other organizations can apply for status as a "Carpet Stewardship Organizations". As of June 23, 2016, no other Carpet Stewardship Organizations are approved. CARE's current plan is approved until December 31, 2016.

CARE does not have the authority to levy penalties on Manufacturers or Retailers that are not compliant with AB2398. That authority belongs solely to the state of California.

The AB2398 California Carpet Stewardship Plan
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

PRESENTATION OF FINANCIAL STATEMENTS - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Plan is required to report information regarding its financial position and activities according to three classes of assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2015 and 2014 the Plan had no temporarily restricted or permanently restricted net assets.

Other significant accounting policies followed by the Plan are described below.

1. **CASH AND CASH EQUIVALENTS** - The Plan considers all money market accounts and highly liquid debt instruments with maturities that do not exceed ninety days to be cash equivalents for financial statement purposes. The amounts that exceed federally insured limits are secured by investment portfolio securities of the bank.
2. **ESTIMATES AND UNCERTAINTIES**-The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. **REVENUE RECOGNITION** - Revenue from carpet stewardship 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 were due within 30 days following the close of each quarter. The assessment for the years ended December 31, 2015 and 2014 was \$0.10 and \$0.05 per square yard of carpeting sold in California, respectively. The 2015 assessment was increased on April 1, 2015.

The carpet stewardship assessment is added to the wholesale price of carpet, and it is passed through until it reaches the retail consumer.

4. **ACCOUNTS RECEIVABLE** - Accounts receivable consist of carpet recovery assessments due from plan participants. As of December 31, 2015 and 2014, management is of the opinion that all accounts are collectible.

SEE INDEPENDENT AUDITORS' REPORT

The AB2398 California Carpet Stewardship Plan
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

5. **ACCRUED EXPENSES** - The Plan is responsible for reimbursing CalRecycle's costs to administer the Plan. Pursuant to AB2398 Section 42977(d), the total amount payable to CalRecycle is up to 5% of the carpet recovery assessments received. There were no unreimbursed costs as of December 31, 2015 and 2014.
6. **INCOME TAX STATUS** - The Plan is not subject to income taxes under Section 115 of the Internal Revenue Code.
7. **FUNCTIONAL ALLOCATION OF EXPENSES** - Expenses are charged directly to programs and supporting activities as incurred and have been summarized on a functional basis. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for overall administration of the plan.

B. Related Parties; Industry Affiliate

The Plan 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 Plan, 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.

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 common directors and facilities.

Under AB2398, CARE is allowed to be reimbursed for costs it incurs administering its Carpet Stewardship Plan. Costs incurred directly by AB2398 are paid from AB2398 funds. Shared

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labor costs of AB2398 and CARE are systematically allocated and periodically settled. These shared labor costs totaled \$234,190 for the year ended December 31, 2015 and \$147,778 for the year ended December 31, 2014.

The Plan included in accounts payable \$43,499 and \$70,767 due to CARE as of December 31, 2015 and 2014 for expenses paid by CARE, but incurred by the Plan.

C. Concentrations

The Plan holds AB2398 bank accounts at one bank. Management believes that there is no significant concentration of credit risk due to amounts that exceed federally insured limits being insured by investment portfolio securities of the bank.

The Plan has funds held by an escrow agent. The amount held by the escrow agent at December 31, 2015 was \$18,680 and at December 31, 2014 was \$9,651. These funds likewise are held at one bank and amounts in excess of FDIC limits are secured by investment portfolio securities of the bank.

For the year ended December 31, 2015 and 2014, 10 carpet manufacturers accounted for approximately 90% of the carpet stewardship assessments. These manufacturers also accounted for 90% of accounts receivable at December 31, 2015 and 2014.

For the years ended December 31, 2015 and 2014, there were 18 and 13 recyclers respectively that received disbursements from the Plan.

D. Commitments

In November 2014, CARE on behalf of AB2398 selected the University of Connecticut to receive a competitive grant of \$500,000 for the purpose of identifying value-added uses for PET (polyester carpet fiber) derived from post-consumer carpet. The final contract was signed January 19, 2015.

E. Compliance

In September 17, 2015, CalRecycle notified CARE, that based upon their review of CARE's 2014 Report, the Plan was out of compliance for the following reasons:

1. The recycled output and other Program goals are not showing meaningful and continuous improvements.

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2. Consumers purchasing carpet do not have reasonable access to recycling services in all counties.
3. Education and outreach are lacking. Key target audiences such as installers, retailers, and consumers remain unaware of CARE's Carpet Stewardship Program, what recycling services are available, what assessment funds are used for, and what their respective roles are in making the Program successful.
4. The definition of "processor" was modified from the approved Plan. This term is being used to evaluate performance and CARE should avoid changing definitions to make them contrary to the statute, regulations, or the approved Plan without good cause and clear explanation in the Annual Report.
5. CARE is not responding to market changes in a timely manner with assessment and incentive adjustments that result in increased recycling output.
6. The assessment is the same for all carpet types, while the cost to recycle different types varies considerably. In general, the assessment is a very low percentage of total product cost.

In closing, CalRecycle made the following observation: "The California Carpet Stewardship Plan expires by the end of 2016 by its own terms. A new Plan will need to be approved by the Director of CalRecycle prior to its expiration if CARE intends to continue being a stewardship organization for carpet in California. Making program improvements over the next year will be critical for the Director's assessment of this new Plan. The development of the Plan for subsequent years will provide CARE and stakeholders an opportunity to assess what is working well, what needs improvements, and how to adjust the overall program. Additionally, it will provide another opportunity to refine program metrics, reset goals and consider more profound changes that will enable a successful program."

In response to CalRecycle's findings, CARE submitted two Plan Amendments and submitted a revised budget to CalRecycle that addressed each of CalRecycle's findings. More specifically, they have worked on the following:

1. To achieve the Plan goals:
 - (a) CARE requested CalRecycle approve the assessment increase from \$0.10 to \$0.20 per square yard and approve the increase in various incentives to processors, Tier 2 manufacturers, addition of new incentives for

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Collector/Sorter Entrepreneurs and additional resources, processes, grants and staffing to improve responsiveness.

- (b) CARE also began laying the groundwork towards establishing a pilot grant program following approval of Addendum #2. Grant Cycle 1 was released in December 2015. Solicitation 1A focused on capital investments to strengthen collection, recycling and recycled product manufacturing infrastructure and capacity to manage California PCC. Solicitation 1B focused on product testing to expand the number and variety of secondary products available using California PCC in the marketplace. CARE also completed initial development of a Cycle 1C grant element presented in Addendum #3 to be focused on secondary product procurement for California public entities with plans for release in mid-2016.
- (c) CARE also established the California Council on Carpet Recycling to provide input and feedback on the Program.
- (d) CARE adopted a monthly reporting process for subsidy payouts versus the quarterly payouts to improve cash flow for processors and improve visibility of market dynamics and timely response to market changes CARE adopted.
- (e) CARE increased data analysis and subsidy reporting support by securing the assistance of HA&W for monthly reporting, cash flow, and other analyses.
- (f) CARE allocated funding to develop a new economic model to better understand and respond to changing market conditions. The economic model will also support development of the new 2017 Plan.
- (g) CARE adopted a new Reserve level of one quarter average subsidy payouts, enabling more funding to be deployed to serve Program needs.
- (h) CARE expanded California Program staffing resourced by adding one full time employee in 2015 and allocating funding for a second full time employee who was hired in April 2016. In addition, CARE increased marketing, education and outreach support by 100%, secured grant administration support services and continued market development support.
- (i) CARE clarified definitions related to Processor and Tier 2 manufacturers.

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- (j) CARE announced a new industry-led commitment to adopt back-labeling of carpet to improve long-term carpet recyclability to be implemented in 2016. This initiative will be industry-funded.
2. CARE submitted a schedule to expand the rural county collection program to include urban counties and eventually all counties in the State by July 2017. As of December 31, CARE was slightly ahead of that schedule, achieving 105% of the Program's 2015 year-end goal. CARE is adjusting its collections support program consistent with market economics. The grant program implemented was also predicated on facilitating uses of PCC to justify growing collections by driving market outlets to absorb these materials.
 3. Education and outreach budget was doubled in 2015 and again doubled for 2016 to dramatically increase stakeholder engagement among target audiences including consumers, retailers, installer/contractors and local governments. In 2015 a major focus was placed on rural country outreach in support of expanded collection services, face-to-face visits and material distribution with target audiences, updated web content and downloadable materials, periodic webinars and presentations, monthly e-newsletters and regular blog articles, development of collection site signage and site-specific bilingual flyers, production and distribution of new educational materials including retailer brochures and decals and promotion and noticing of retailers, mills and other stakeholders in support of the April 1, 2015 assessment increase. Two stakeholder workshops were held in July 2015 to solicit stakeholder feedback, and a new retailer outreach program was implemented. By the end of 2015 more than 250 retailers were visited with a goal of meeting with 50% of all CA retailers by the end of 2016. Care is expected to achieve this goal by mid-July. CARE also participated in the California Resource Recovery Association (CRRA) annual conference, both hosting a carpet-focused working session to update and solicit feedback and participating in a general Extender Producer Responsibility session with other California stewardship programs.

F. Subsequent Events

On January 26, 2016, CalRecycle approved the increased assessment of carpeting sold to \$0.20 per square yard effective April 1, 2016. CalRecycle also acknowledged the changes in subsidies and incentives to recyclers as shown in the following tables:

Element	Metric	Status
Tile & Broadloom Reuse	\$0.10/lb	Q2-2015: To drive reuse of tile & broadloom

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Element	Metric	Status
Tile Recycle	\$0.10/lb	Q2-2015: To drive recycle of tile
Type 1 Recycle Output	\$0.10/lb	New: Increased from \$0.06 to \$0.10/lb (additional \$0.04/lb adjustable quarterly based on market indices)
Calcium Carbonate	\$0.17/lb	New: Increased from \$0.12 to \$0.17/lb
Tier 2 End User Non-Nylon	\$0.25/lb	New: Increased from \$0.17 to \$0.25/lb
Tier 2 Growth Bonus	\$0.10/lb	Q2-2015: Applied to pounds over 2M/qtr
Collector/Sorter Entrepreneur	\$0.02/lb	New: Supports collection/sorter network

In May 2016, CARE awarded \$2 million in grants. Six were capital improvement grants and three product testing projects to support increased recycling and use of California-generated post-consumer carpet. 85% of the grants were awarded to California-based projects. Additionally, \$500,000 was allocated to a pilot recycle content procurement grant program to promote the purchase of products containing California post-consumer carpet. Grants are limited to \$50,000 each and must be to California public entities. Commercial businesses and nonprofit groups are not eligible to apply for this grant.

Management has evaluated events through June 23, 2016, the date on which the financial statements were available to be issued.

The AB2398 California Carpet Stewardship Plan

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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
Carpet America Recovery Effort, Inc.

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 AB2398 California Carpet Stewardship Plan, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carpet America's Recovery Effort, Inc.'s internal control over financial reporting (internal control) of the Plan 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 Carpet America Recovery Effort, Inc.'s internal control over the Plan. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified two deficiencies in internal control described in Finding 2015-1 and 2015-2 that we consider to be significant deficiencies. In addition, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, as described at 2013-1, 2013-2, and 2014-1 in the accompanying schedule of findings and corrective action plans that we consider to be material deficiencies. At CalRecycle's request, we again include Finding 2012-4 although in our opinion there is no improvement to be made due to the structure of the Plan.

Board of Directors
Carpet America Recovery Effort, Inc.
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AB2398 California Carpet Stewardship Plan'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*.

Carpet America Recovery Effort, Inc.'s Response to Findings

The Carpet America Recovery Effort, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and corrective action plans. Carpet America Recovery Effort, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Sincerely,



Winter & Scoggins
Certified Public Accountants, PC

Dalton, GA
June 23, 2016

SUMMARY OF AUDIT RESULTS

Opinion:

Unqualified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller of the United States.

Internal Control Deficiencies:

During the audit of the financial statements five material weakness, two new and three prior material weakness in internal controls were disclosed.

One prior audit finding is included at CalRecycle's request.

Material Noncompliance:

No instances of compliance or other matters were disclosed.

FINDINGS AND CORRECTIVE ACTION PLANS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

INTERNAL CONTROL:

Prior Audit Findings:

Finding 12-4 – Accounts Receivable

Criteria:

Detail of outstanding accounts receivable should be maintained to manage collection efforts and ensure accurate financial statements.

Condition Found:

No detailed accounts receivable reports are maintained to support the balances found in the general ledger. Additional audit procedures had to be performed to gather enough evidence to support our opinion.

Recommendation:

CARE should maintain a detailed ledger of amounts reported and amounts and dates of when paid to ensure that the amount reported as accounts receivable at the end of each period is correct.

Status:

Since the Accounting Department of CARE and AB2398 is not privy to the manufacturers self-reported liability to the plan, a detailed accounts receivable ledger is not possible. Accounts receivable at a quarter end are determined by summation of cash received during the three months following the quarter end. The audit procedures employed did not result in the discovery of any material misstatement of accounts receivable or a material difference between cash receipts and the manufacturers self-reported liability. Until the Accounting Department of CARE and AB2398 is made privy to the manufacturers data or the agreed upon procedures performed by the independent accountant are expanded to include the vouching of individual receipts from the mills, we do not believe further improvement possible.

Per CalRecycle's request, we have included this finding although we find there is no further improvement possible due to the structure of the Plan.

Finding 13-1

Criteria:

Government Auditing Standards state that "inadequate controls for the safeguarding of assets" is a control deficiency.

Condition Found:

Upon review of the AB2398 system of revenue reporting by manufacturers and payment requests by recyclers, the following conditions were found:

On January 4, 2013, the sustainable funding oversight committee of CARE reduced the reporting window for mills and recyclers from 60 days plus a 15 day grace period to 30 days after quarter end with no grace period, effective with the Q1 2013 data, in order to shorten the payout cycle to the recyclers.

However, the timetable for the application of the plans agreed upon procedures have not been shortened and delivery of the agreed upon procedure reports for the 2013 data are seven and eight months after the quarterly data is available.

This makes it difficult for the management of the plan to timely respond to issues discovered by the agreed upon procedures.

Recommendation:

1. The timetable for the completion of the appropriate Agreed Upon Procedures (AUP) needs to be compressed to ninety days. Reporting of manufacturers and their remittance to the Plan is to occur within 30 days after each calendar quarter end. Recyclers, likewise, are to report and request payment within 30 days of the end of the calendar quarter. The agreed

upon procedures need to take place within the 90 day window between reporting deadlines to be effective and reduce the chance for an excess payment to be made or recovered. Likewise an error in revenue recognition from the mills would be reduced.

Status:

We tested three mill AUPs and three recycler AUPs completed for 2015. Two of the mill AUPs were completed within 90 days; one was completed in 135 days. None of the recycler AUPs were completed within 90 days; they were completed at 197, 117, and 122 days, respectively. No fourth quarter mill AUPs were completed as of June 23, 2016 which is 144 days after filing. This finding will be maintained for follow up for 2016.

Response:

CARE is in agreement with the finding. We clearly articulated this expectation to our independent accounting firm in 2015 as a result of the 2014 audit results. Habif, Arogeti & Wynne's engagement was expanded to manage this process and ensure timely closure of AUPs per the recommendation. As a result of this finding CARE has modified our internal control to make AUP reporting part of the regular quarterly review process with the SPC.

Finding 13-2

Criteria:

Government Auditing Standards state that "inadequate controls for the safeguarding of assets" is a control deficiency.

Condition Found:

CARE management does not maintain a registry of, nor an easy access library of, the agreed upon procedure reports performed by the independent accountant. Likewise, an easy access library of the minutes of the SFOC, SPC, and meetings with CalRecycle are not maintained in a centralized repository. These reports and minutes are central to the system of internal control of the Plan and need to be maintained in one central location.

Recommendation:

1. We recommend that hard copies of all agreed upon procedure reports be maintained in a locked, confidential, fireproof cabinet in the CARE offices for access by management and auditors.
2. We recommend that hard copies of all minutes be maintained in the same cabinet.
3. Further, we recommend CARE's copy of the AB2398 registration, annual filings, the approved stewardship plan, etc., likewise, be maintained in this repository.

The above documents are key to the existence and internal control of CARE and CARE's role as steward over AB2398.

Status:

CARE embarked upon developing an electronic centralized filing system for all key documents. Gaps in reports and minutes were still noted with CARE personnel having to obtain these documents from a contract employee and CalRecycle. Further, the indexing and electronic filing system used made it difficult for CARE personnel to retrieve requested data. It is as if they are incorporating two different indexing systems. We recommend that they file either by year with clearly labeled subfolders within the general folder for the year or the general folders be labeled as the different key documents and the subfolders are indexed by year and quarter. At present, it is a combination of both systems which makes it difficult to search for any documents as it is unclear where they could be filed. This finding will be maintained for follow up in 2016.

Response:

CARE agrees with this finding, despite progress over 2014. The issues are an obvious result of under-staffing. The staffing issue has been corrected in April and May 2016 with the hiring of three key staff resources (CA Senior Program Associate, Director of Finance, and Administrative Assistant who will have primary responsibility for archiving going forward.

Finding 14-1

Criteria:

Government Auditing Standards state that "inadequate controls for the safeguarding of assets" is a control deficiency.

Condition Found:

In order to receive funds from the Plan, the recipient must submit a signed request for payment within 30 days of the last day of the quarterly reporting period (page 36 of the Plan document). Upon review of the AB2398 disbursement process, there were four instances where the request for release of funds authorization signature pages from recyclers/processors could not be located. Subsequently, two of said releases were found, but two had to be obtained from the recycler.

Recommendation:

We recommend that a checklist be created for each quarter to verify that all necessary documents are received timely from the recyclers/processors prior to issuing the disbursements and that the documents are properly filed within the system to allow for easy retrieval.

Status:

CARE staff was unable to locate 17 requests for release of funds authorization signature pages from recyclers/processors. Said signature pages are a required document for disbursements of funds per the Plan guidelines. This finding remains for 2016.

Response:

CARE agrees with this observation, but not with the finding for the following reasons. The use of annual contracts with all attestation stipulations began implementation 1/1/2015. These contracts commit all recipients to the various program requirements contained in the original attestation letters and more. These quarterly letters are a relic of the old system and rightfully should have been discontinued.

Herein we provide additional insight.

- CARE recognized the master Excel data fields were rapidly expanding and were a patchwork of developments over two Executive Directors, several years of program operations, and multiple program changes. As a result:
- In 2014 CARE launched a "Computing for Good" student senior design project with Georgia Tech. to be build a new internet based reporting system.
- After considerable analysis the student team recommended we go with a commercial database service known as Caspio.
- One of the many features of that system was the ability to require and test for an upload of the attestation letter.
- The system was launched for Q1 2015 data reporting and worked well.
- However, while the students worked very hard to program up all the data fields and logic required to meet the current system, the SPC approved a series of major changes in the subsidy program effective April 1, 2015. This mandated significant reprogramming. At the same time most of the student team moved on and were no longer available. CARE quickly realized that it was a major undertaking to work with Caspio and the work could not be completed in a timely fashion. As a result a decision was made to abandon Caspio and move back to an Excel based system (better control by CARE and much more user-friendly with an ability to be modified).
- HAW was engaged to rebuild the entire system that had been a patchwork over the prior 4 years.
- That new system is fully functional and represents major step forward in terms of data collection, analysis, tracking, documentation, and record keeping.
- Data is now submitted monthly by all recyclers and each Excel reporting sheet has a reminder of the stipulations contained in the contract.
- In the new Excel reporting system, a check is made to assure submission of all documentation is submitted within the allowable time window.
- In the new Excel reporting system, each reporting form contains a statement attesting to the veracity of the data, on-site review and other program requirements pursuant to their signed participant agreement.
- In the transition away from Caspio CARE had already translated all the Q1 data into the Excel master files so there are no gaps.
- However, during the transition CARE failed to recognize that we had not recovered the attestation letters. While efforts have been made to do so, we do not have the 9 attestation letters for Q1 2015 in our files.

- We do not see this as a major issue since there have been no identified problems (sans one exception years ago) with any subsidy recipient at any time during this program. In addition, annual contracts stipulate veracity in data and compliance (see above notes).
- As a learning from this experience we have modified our 2 year 2016 contracts AND, data sheets now contain the appropriate disclaimers for data veracity and compliance.

Current Audit Findings:

Finding 15-1

Criteria:

Government Auditing Standards state that "inadequate controls for the safeguarding of assets" is a control deficiency.

Condition Found:

CARE operations staff does not always effectively communicate with the financial staff. The financial staff is often unaware of what is occurring within the program. In addition, the CARE CFO is not receiving all HA&W reports and since she is part of the disbursement procedure, she should be aware of any concerns or exceptions to the recyclers.

Recommendation:

We recommend that the financial and operations staff meet quarterly to exchange pertinent information in the management of the program. It is imperative that any concerns be shared among all in management.

Response:

CARE agrees with this finding and has already taken steps to remedy this gap – a symptom of under-staffing. A new, fulltime Financial Director has been hired by CARE. In addition, a complete review of financial internal controls is underway and a multi-functional quarterly meeting will be held prior to each Board meeting to review all aspect of the operational financials.

Finding 15-2

Criteria:

Government Auditing Standards state that "inadequate controls for the safeguarding of assets" is a control deficiency.

Condition Found:

The Collector/Sorter Entrepreneurs (CSEs) began receiving subsidies during the course of 2015 and are required to submit data, but have not been required to submit attestation letters. Per the Plan guidelines, attestation letters are a requirement for the disbursement of funds.

Recommendation:

We recommend that CARE include the requirement of attestation letters for all processors receiving subsidies and incentives.

Response:

CSE reporting sheets have consistently included a statement attesting to the veracity of data submissions. Since the launch of the new CSE subsidy in mid-2015, all participating CSEs were required to submit annual contracts. However, since the currently approved Plan requires attestation letters of all subsidy recipients, we will commence that requirement explicitly adding CSEs effective May 2016.



Board of Directors of the
Carpet America Recovery Effort, Inc.
PO Box 2048
Dalton, GA 30722-2048

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

Compliance

We have audited CARE's compliance with the requirements specified in the State of California's Code of Regulation, Title 14, Division 7, Chapter 11, Article 1 applicable to CARE's statutory requirements identified below for the year ended December 31, 2015.

We have also audited the basic financial statements of Carpet America Recovery Effort, Inc. (CARE) as of and for the year ended December 31, 2015 and have issued our report thereon dated June 23, 2016.

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 CARE's compliance with laws and regulations. In connection with our audits referred to above, we selected and tested transactions and records to determine CARE's compliance with state laws and regulations applicable to CARE's program.

Auditor's Responsibility

Our responsibility is to express an opinion on CARE's compliance based on our audit.

Carpet America Recovery Effort, Inc.
 June 27, 2016
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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 transactions and records to determine CARE’s compliance with state laws and regulations including, but not limited to, the following applicable items:

Description List each compliance requirement	Audit Procedures Performed (Yes/No)	Complied (Yes/No)
Performance Goals and Activities. Measurement methods accurately identify:		
a.	Amount of California carpet that is diverted from landfills	Yes
b.	Amount of California carpet that is processed into a new commodity	Yes
c.	That California carpet is managed in a manner consistent with the state's waste management hierarchy.	Yes
d.	Amount of California carpet discarded each year (estimated using a formula based on sales). Assumptions used in the formula are appropriate for California.	Yes

Carpet America Recovery Effort, Inc.

June 27, 2016

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Financing Mechanisms			
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	Yes
b.	The assessments collected for the AB2398 program are only spent on the AB2398 program.	Yes	Yes
c.	The payments are accurately presented by categories found in the Regulations, Section 18944 (7). Annual Report Compliance Criteria, Financing Mechanism.	Yes	Yes
d.	The annual report accurately presents information.	Yes	Yes
Program Performance Measurement			
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	Yes*
b.	CARE is tracking information needed to include in Annual Report per regulations Section 18944.	Yes	Yes
c.	CARE's practices support a level playing field among those requesting AB2398 funds.	Yes	Yes
d.	CARE has a method to determine the effectiveness of educational and outreach activities that is appropriate for use in California.	Yes	Yes

*See Audit Findings 14-1 and 15-2 to 2015 Audit of AB2398 Financial Statements. Issue was CARE's not receiving signed requests for payment or required attestation statement balance of documentation was present. Managements' response to the Findings was to put into place controls to assure receipt and retention of these documents prior to payment.

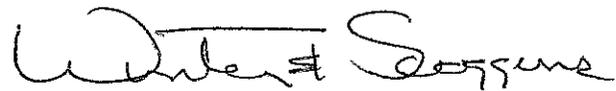
Carpet America Recovery Effort, Inc.
June 27, 2016
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Opinion

In our opinion, CARE complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed above for the year ended December 31, 2015.

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.

Sincerely,



Winter & Scoggins
Certified Public Accountants

Dalton, GA
June 27, 2016

10.11 Updated Glossary of Terms (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 the approved Plan are marked with an asterisk (*). Additional revisions presented in this report are underlined.

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.

- (1) "Carpet" includes, but is not limited to, a commercial or a residential broadloom carpet or modular carpet tiles.
- (2) "Carpet" does not include a rug, pad, cushion, or underlayment used in conjunction with, or separately from, a carpet.

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 article. CAAF is an alternative fuel source to other fuel sources such as coal, natural gas and fuel oil.

Carpet America Recovery Effort (CARE): A nationwide, 501(c)(3) non-profit organization whose focus is on post-consumer carpet stewardship.

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 manufacturers, fiber manufacturers, material suppliers, etc. It includes, but is not limited to, members of the Carpet and Rug Institute (CRI).

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 Calif. PCC collected (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/Sorter Entrepreneur (CSE): An entrepreneur 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.

Demolition: Represents the teardown of a building (one-time carpet removal). There is no estimate of percentage of flooring covered by carpet.

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 (Net): Estimated total PCC removed from Calif. landfills for reuse, recycle, CAAF, kiln or WTE. It is calculated as the difference of gross collected pounds minus PCC and process waste pounds that ultimately goes to landfill from processors or collectors.

Diversion (Reported): The sum of reported PCC removed from Calif. landfills. It is calculated as the sum of reported pounds of reuse + recycled output (Type 1 + Type 2) + CAAF + Kiln + Carcass + Cushion + Export + WTE.

Education/Communication Costs: Refers to expenses incurred in support of Marketing, Education and Outreach (ME&O) efforts conducted under the Plan. Includes the cost of market development professional services, research and promotion, on-the-ground education and outreach support, communications, market research, collateral and materials development and related expenses.

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.

ESJPA: Environmental Services Joint Power Authority

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.

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 total Program implementation costs.

Gross Collection (GC): Actual pounds of PCC removed from waste stream for reuse, recycle, CAAF, kiln, or WTE, as reported to CARE by recyclers, 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, 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) costs and administration costs.

Incineration: Complete burning of material to ashes, with no energy recovery, to reduce waste volume.

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 primary producer of carpet, carpet tiles or related products covered under the Plan. Also referred to as Carpet Mill or Mill.

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.

Non-Governmental Entities (NGOs): Non-governmental entities.

Post-Consumer Carpet Materials: Carpet that has completed its lifecycle as a consumer item or is no longer used for its manufactured purpose.

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.

Processor: Qualified recipient participating under the Plan, that uses 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: Includes all non-subsidy Program expenses, including: accounting, legal services, CARE facilities and operational expenses, staffing/contractor expenses, and marketing, education and outreach activities and professional services. Program administration also includes service payments (governance costs) to CalRecycle for Program oversight.

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 CA PCC collected (this includes unrecyclable PCC carpet or carpet processing waste that may eventually be sent to landfill). Also referred to as *Gross Collected*.

Recycled Content: Also known as recovered material content, it is the percentage of material, by weight, contained within a product that has been recovered from consumers in the municipal solid waste stream (post-consumer 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 mills, that is incorporated back into the manufacturing process of the same or a different product.

Recycled Output (RO): The material that results from the industry-recognized processing (shredding, sheering, hammer milling, depolymerization, etc.) of PCC from a Tier-1 processor. Examples of output include: fiber,

shredded carpet tile, depolymerized chemical components, carpet filler, etc. The Program currently distinguishes between two types of material:

- **Type 1 Recycled Output Material:** Output of the materials with the most benefits to manufacturers of finished products. 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:** Output of the materials with benefit to manufacturers of finished products, but 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.

Reuse: Refurbishing and donating/selling 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)

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).

SFOC: Sustainable Fund Oversight Committee of CARE.

SPC: Sustainable Plan Committee of CARE

Tier-1 Processor: See Processor.

Tier-2 Manufacturer: A manufacturer of secondary products made with PCC content. Tier-2 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 Tier-2 manufacturers are only eligible for subsidy payments if they use non-nylon Type 1 output. CARE reserves the option to extend the Tier 2 subsidy system to nylon based Type 1 output if market dynamics justify. In this report, secondary manufacturers are referred to as Tier-2 manufacturers.

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 CSEs.

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*.

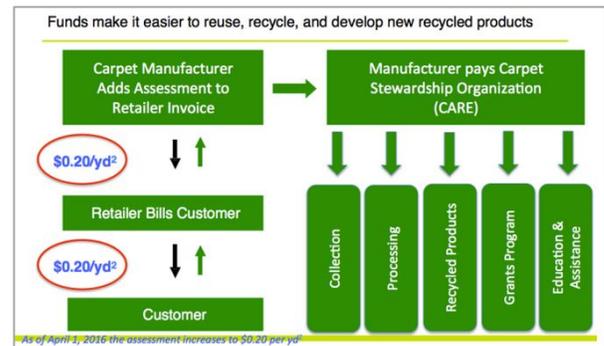
11 Report Addendum: Additional Progress – 2016 Updates

Approval of Addendum 3

On Jan. 26, 2016, [CalRecycle](#) approved Addendum 3 of the CARE California Program plan. The addendum is further outlined in detail in Section 3-Program Scope. Many of the activities below followed this approval.

Assessment Increase

To facilitate the adoption of changes proposed and approved in Addenda 2 and 3, an [assessment](#) increase was approved to take effect on April 1, 2016 adjusting the assessment from \$0.10/sq. yd. to \$0.20/sq. yd. on all carpet sold or shipped in California. The assessment will continue to be collected as a non-tax item at the point of sale to the final customer. This adjustment marks only the second time since the Program launch in 2011 that the assessment has been adjusted. This change was deemed necessary due to worsening macroeconomic conditions described in detail throughout this report.



The assessment funding will be used for various activities, including:

- **Continued collection expansion** by increasing the number of drop-off sites — improving accessibility and convenience for installers and residents to recycle their old carpet.
- **Increasing subsidies** to qualifying Tier-1 Processors and Collector/Sorter Entrepreneurs (CSEs) involved in the recycling of post-consumer carpet.
- **Increasing subsidies** to Tier-2 Manufacturers who use recycled output as feedstock in the production of new recycled content products.
- **Launching a new grants program** to encourage capital improvements in new/expanded processing capacity, support product development and testing, and encourage California public agency procurement of secondary products made with California PCC — all critical to expanding market outlets.
- **Expanded education, outreach and technical assistance** are delivering enhanced and improved Program communications, materials and technical expertise to facilitate improved program outcomes.
- **Improved programs resources and processes** are supporting these programmatic additions and working to streamline and improve program delivery in 2016.

In an effort to act swiftly in the face of declining market conditions, many of the subsidy changes adopted were put in place retroactively to Q3 2015. These are described in detail in Section 3 - Program Scope.

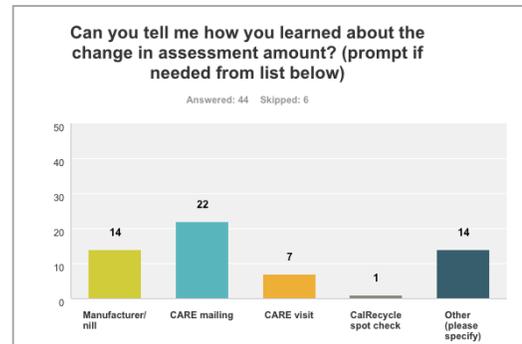
The new assessment was supported by an aggressive outreach campaign to educate [retailers](#), including:

- Official [letter](#) to retailers informing them of the change.
- Official [notice](#) sent to retailers.
- [Press](#) release.
- Frequently Asked Questions (FAQ).
- Website [update](#).
- Letters to carpet mills.

- [Information](#) on calculating and labelling the assessment and sample invoices.
- Informational [webinar](#) for retailers and other stakeholders (63 attendees). [Download presentation.](#)
- Multiple email announcements via in-house, purchased and stakeholder distribution lists.
- Stakeholder distribution of announcements, through engagement of CalRecycle, California Product Stewardship Council, California Resource Recovery Association, Solid Waste Association of North America, StarNet, Fuse, Rural County Representatives of California, Local Government Commission, corporate retailers, and others.

The assessment launch was also supported by a **follow-up survey** conducted in April-May 2016 in which 50 retailers were reached and surveyed. Of these respondents, 86% reported being aware of the assessment, up from 74% in the prior year. Retailers were also asked about implementation of the changes, with 86% confirming these changes had been made (improved from 78% compliance reporting in 2015.)

Respondents reported no issues (0%) with compliance; comments were recorded to assist in future program implementation. Respondents also indicated the manner in which each party learned about the assessment, demonstrating the multi-pronged educational approach was effective in reaching retailers. The majority of respondents learned via (CA Program) CARE mailings (50%), mills (32%) and (CA Program) CARE site visits (16%), or “Other” (32%) – primarily resulting from corporate office noticing (16%) and invoicing system updates (5%).



Expanding Convenient Collection with Program Drop-off Sites

In 2012 the California Carpet Drop-off Site Program (formerly the Rural County Collection Program) was launched as a pilot program with six counties. In 2014 drop-off sites more than doubled from 6 to 14 sites, serving 11 counties. In 2015, drop-off sites again doubled to serve 23 sites in 22 counties. The Program is on track to again double convenient collection by the end of 2016. As of June 1, 2016, the Program has added an additional 4 drop-off locations now serving some of the biggest population areas in California, and is in the process of onboarding another 3 counties by July, supporting a combined 30 participating counties and 30 drop-off sites, or 69% of the Program’s 2016 year-end goal. The Program’s goal is to increase the number of participating counties to 42 by the end of 2016 and have all 58 counties enrolled by the end of 2017.

Table 31.

Counties Served			
Butte	Los Angeles*	Sacramento	Tehama
Calaveras	Marin	San Joaquin	Trinity
Colusa (serviced by Butte)	Mariposa	Santa Barbara*	Tuolumne
Del Norte	Mendocino	Santa Cruz (3 sites)	Ventura (coming soon)
Humboldt	Mono	Siskiyou	Yuba
Inyo	Napa (2 sites)	Solano (serviced by Napa)	
Kern (coming soon)	Orange*	Sonoma (coming soon)	
Lake	Plumas	Sutter (serviced by Yuba)	
Total Counties To Date: 29, 69% of 2016 year-end goal			

Pilot Self-Hauling Program*

Most California Program drop-off sites are located at transfer stations and/or mixed construction and demolition (C&D) facilities. A Program-provided container is used to store the post-consumer carpet (PCC). The Program uses a third-party hauler to transport the material to a California-based CSE or Tier-1 processor. In April 2016, three urban counties were approved to participate in a Pilot Collection Site/Hauling Program to act as their own drop-off site and hauler. The Pilot will be tested through the end of 2016; at that time the California Program will evaluate its results and work with the counties to make adjustments as needed. The three counties being serviced through this new model include Los Angeles, Santa Barbara and Orange, and represent expanded access in critical regions of the state.

Service & Support Improvements

The Program also made the following operational changes:

- **Shorter Turnaround Time.** As of April 2016, drop-off sites will receive container swap-out service within one week of submitting a service request; the old process required two weeks of processing time. The change is applicable to any site with a 20- or 40-foot cargo container or a 53-foot trailer. All 28-foot trailers require a two-week timeframe due to the remote locations of many of these sites and unique size of these containers.
- **Scale Tickets.** The Program is requesting that all drop-off sites with a 28- or 53-foot trailer weigh the empty (light) trailer upon arrival and the full (heavy) trailer upon departure so that the Program can gather and maintain more accurate weight information. The Program is asking the scale weight ticket be provided to the hauler for every service request.
- **Expanded Dispatch.** The Program expanded dispatching and service support in 2016 to aid in more streamlined service, tracking and monitoring of collections throughout the state.

Staffing and Support Services

As approved in Addendum 3, the Program hired a second full-time senior associate, Jared Zitron, to assist Lisa Mekis in driving the Program's efforts in California. As of March 1, 2016, he serves as a regional coordinator for program efforts primarily focused in the Southern California region. He also provides general statewide support in collaboration with the California Program team in various areas.

The program's two full-time equivalent (FTE) senior associates have been meeting with transfer stations, local governments and onsite drop-off site representatives to promote program expansion, educate the participants on program policies and encourage use of promotional materials, including bilingual flyers, signs, posters and brochures, to raise awareness with local residents and businesses.

Staffing and support services supporting the program in 2016 include FTE and part-time (PT) resources:

- (2) FTE CA Program Senior Associates (*serving only CA Program*) – ***Doubled in 2016**
- (1) FTE Finance Director (*serving both CA Program & CARE National Program*) – ***New in 2016**
- (1) FTE Administrative Assistant (*serving both CA Program & CARE National Program*) – ***New in 2016**
- (1) PT CA Program Manager (*provided by Emerging Ecologies*) – ***Expanded in 2016**
- (1) PT Grant Program Administrator – ***New Nov 2015**
- (1) PT Market Development Professional (*provided by Tinney Associates*) – ***Continued in 2016**
- (1) PT Collections Administrative & Dispatch Support – ***New in Nov 2015**
- (5) PT Outreach Team Members (*serving retailer campaign*) – ***Continued in 2016**
- (3) PT Communications Professionals (*provided by Gigantic Idea Studio*) – ***Doubled in 2016**

Grant Program

In May 2016, the California Program formally announced signed contracts to distribute approximately \$2 million in grant funding for 6 capital improvement and 3 product testing projects, with 85% of funding allocated for California-based projects. In total, the award funding will result in millions of pounds of recycled California-generated post-consumer carpet (PCC) output and tens of new California jobs by the end of 2016.

The grant awards support existing Tier-1 processors, new California facilities and companies experienced in processing other recycled materials. The Program selected a diverse range of projects focused on testing and/or producing a number of recycled products from post-consumer carpet including fiber, pellets, carpet derived aggregate and civil engineering and molded product applications. Projects focus on recycling various carpet fiber and backing types from both broadloom and carpet tiles, such as nylon 6, nylon 66, polypropylene, calcium carbonate and polyester.

Awarded projects represent a significant expansion in California PCC capacity through enhanced or improved operations at one existing California facility, the support of one out of state pilot using California PCC with potential for in-state operations in future years, and the establishment of four new PCC operations in California (200% increase in the number of California PCC facilities).

Grant Recipients

Recipients and a description of their projects are listed below (awardees are listed alphabetically):

Capital Improvement Grantees

- **American Fiber Cushion**, Dalton, GA, awarded \$250,000 (Cycle 1A) — American Fiber Cushion has committed to working with California carpet recyclers to process and ship California PCC recycled output fibers to its existing Georgia facility to be remanufactured into new Tier-2 (no further processing needed for sale to end consumer) recycled products for resale. The company intends to use this project as a pilot operation for a future PCC processing facility in California.
- **Carpet Solutions**, Carson, CA, awarded \$375,000 (Cycle 1A) — Through the installation of cleaning and pelletizing machines, Carpet Solutions will improve the quality of post-consumer Nylon 6 and Nylon 6,6 carpet fiber processed at its existing California based facility. The improved carpet fiber will fill a current

market gap for the availability of clean, nylon fiber, suitable for pelletizing and use in Tier-2 manufacturing processes.

- **CLEAR**, Lake Villa, IL, awarded \$350,000 (Cycle 1A) — CLEAR is building a new facility in Lincoln, CA to manufacture products containing post-consumer carpet. The project will recycle carpet fiber into pellets for existing products such as shelves, toolboxes, pallets, and other products and use calcium carbonate for concrete forms.
- **SafePath Products**, Chico, CA, awarded \$462,000 (Cycle 1A) – SafePath Products will develop a new Tier-2 facility in Northern California that will use fiber and calcium carbonate as an additive in several existing products along with other engineering applications still being tested.
- **Sierra Rubber Company**, Ripon, CA, awarded \$108,000 (Cycle 1A) — The purpose of this project is to purchase equipment necessary to expand new and existing product lines using recycled carpet components, and calcium carbonate in particular, blended with recycled rubber. Sierra Rubber Company will become a new California manufacturer of PCC.
- **XT Green**, Irvine, CA, awarded \$250,000 (Cycle 1A) — Grant funds help support the construction of a new, advanced technology carpet recycling facility in Southern California. Operating under the name of EarthCare Carpet Recycling, the facility's processing system was developed by XT Green to produce highest quality reclaimed nylon, polypropylene and calcium carbonate for use in manufacturing in California while also designed for record recycling rates, greenhouse gas reduction benefits and worker health protection standards.

Product Testing Grantees

- **Carpet Solutions**, Carson, CA, awarded \$24,000 (Cycle 1B) — This testing project will conduct sample testing of a 100% post-consumer carpet nylon chair that is manufactured using California PCC nylon recycled output, to diversify secondary use opportunities for recycled nylon feedstock. Chairs will undergo testing to qualify the new recycled product for marketing and sale in the U.S.
- **GHD**, Santa Rosa, CA, awarded \$133,984 (Cycle 1B) — The purpose of this testing project, in partnership with Humboldt State University Environmental Resource Engineering (ERE) Department, is to help determine the feasibility of using PET carpet fiber for civil engineering applications such as lightweight fill, infiltration media, and erosion control. This project includes testing of Shredded Waste Carpet to define its beneficial properties as a construction material.
- **South Bend Modern Molding**, Mishaka, IN, awarded \$50,000 (Cycle 1B) — This testing project will test various combinations of PCC components (primarily nylon, PET and calcium carbonate) with recycled rubber and plastics for various properties necessary for finished products, as well as perform tests on a large application sound barrier that utilizes PCC.

These projects anticipate significant contributions to increased recycled output and secondary product development in Q4 2016. A final [press release](#) announced the awards.

Grant Program – Cycle 1C

Phase 3 of the grant program (Cycle 1C) was approved in Addendum 3 in early 2016. This grant element, provides product procurement grants to California public agencies that purchase products using carpet recycled output, is on schedule to launch in mid-2016. A draft Cycle 1C Solicitation was released for public comment on June 7, 2016, followed by a stakeholder webinar on June 14, 2016. Comments were accepted through June 24, 2016. The final Cycle 1C Solicitation is scheduled for release on July 8, 2016 and proposals are due in September 2016. The California Program will begin making joint product presentations with the CalRecycle tire program to State Agency Buy Recycled Campaign (SABRC) non-compliant state agencies once the first phase of

the CARE grant program is in place. To read more about this grant and the SABRC program, see Section 6 - Market Development.

Procurement Web Portal – Under Development

The year of 2016 promises real advances in the area of market development beyond the grant program described above. In addition to the several Tier-2 manufacturers who have or will join the Program, a local government initiative is underway to target local procurement departments to encourage and facilitate increased purchase of products made with post-consumer carpet recycled output. In addition, the Program will introduce an online procurement tool for anyone — government agency, business or consumer — to use to find and buy these products. Phase 1 of this initiative will be rolled out in late 2016, targeting local government procurement officers and will be supported by educational materials distributed to local governments throughout the state. Initial scoping and development is already underway.

Outstanding Producer Responsibility

The Del Norte Solid Waste Management Authority awarded the 2015 Green Ribbon Award for Outstanding Producer Responsibility Program to the CARE California Program and Hambro Waste Solutions Group (WSG) for recycling 123,520 lbs. of carpet in 2015. Hambro operates the Del Norte County Transfer Station and was an early participant in the California Program's [Carpet Collection Program](#) (formerly known as the Rural Counties Program.)



California Council on Carpet Recycling

In Addendum 2, approved in October 2015, CalRecycle approved creation of the [California Council on Carpet Recycling](#) to provide insights, feedback and suggestions to the California Carpet Stewardship Program. Council members met in Sacramento four times in the first half of 2016 to make suggestions and help prioritize program actions to be included the 2017 California Stewardship Plan. The 18 members represent a broad stakeholder group of industry leaders from the waste, recycling, carpet, product stewardship arenas and the government, nonprofits and business sectors. A [press release](#) announced formation of the Council.



Annual Stakeholder Workshops

The 2016 Annual Stakeholder Workshops were held in Irvine on March 8 and Sacramento on March 10. More than 1,000 CARE contacts were invited. The five-hour workshop included presentations by CARE Executive Director Bob Peoples, California Program Manager Brennen Jensen and J&J Flooring Director of Environmental Innovation Russ DeLozier. The afternoon session featured a facilitated exercise to solicit ideas and input for the 2017 California Carpet Stewardship Plan. The workshops drew more than 75 attendees from various stakeholder groups including Tier-1 processors, Tier-2 manufacturers, retailers, collectors, local government representatives, transfer stations and environmental non-government organizations (NGOs).



On the Road in California

Program Manager Brennen Jensen, Sales Consultant Mike Tinney and GreenWaste Recycling representative and Council member Wes Nelson presented at CalRecycle's Recycling Market Development Zone (RMDZ) *Zone Works* conference on Extended Producer Responsibility (EPR). The RMDZ program combines recycling with economic development to help create new businesses, expand existing businesses, create jobs and divert waste from landfills. Conference presentations from the participants be found [here](#).



California Program Senior Associate Lisa Mekis presented about carpet recycling opportunities to the Redwood Empire Flooring Association in Petaluma. She covered legislative requirements, diversion goals and drop-off sites and how the California Program can assist retailers.

In May 2016, Program Manager Brennen Jensen attended the [14th Annual CARE Conference](#) in Greenville, South Carolina, to deliver an update on the California Carpet Stewardship Program and share experiences and best practices with attendees from across the US. A short presentation about California's Economic Model by a consultant from Louis Berger and CARE Executive Director Bob Peoples was also featured.



General Outreach

The Program continued general outreach efforts in 2016 including:

- Monthly E-blast newsletters
- Regular Blog articles
- Ongoing Website Updates
- Social Media (Twitter)

Retailer Outreach

During the first part of 2016, the California Program continued the retailer outreach program that was launched in late 2015. (See Section 8-Market Education & Outreach for more information.) The team is gathering useful information about the level of understanding of the fee, its implementation and effect on the market as well as obstacles to compliance. During Q1 2016, the team visited 555 retailers, bringing the total for the project to 726 to date. The goal is to visit 50% of retailers (1,225) by year-end 2016. At present, the Program is on track to exceed the 2016 goal to reach approximately 61% of the total carpet retailers in California of 2,250. The current number of retailers is estimated based on validation by Program outreach team and lists provided by CalRecycle enforcement, CARE participating mills, and purchased lists. **As June 20, 2016, the outreach team has successfully completed 1,051 visits, achieving 93% of the 2016 year-end goal.**

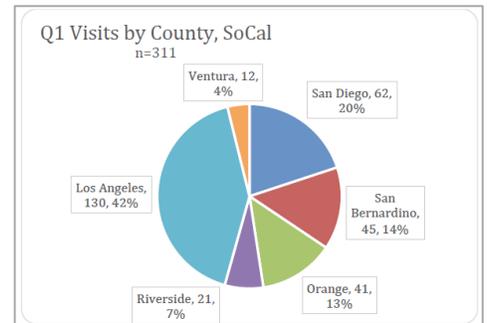
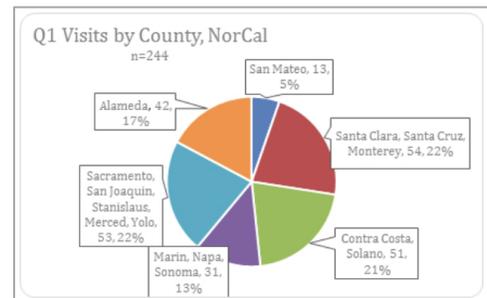
Feedback from the visits indicates that 80% of retailers are charging the assessment, while 20% are not. Of those responding as charging the assessment, only (6%) were not labeling the invoice. This indicates that awareness and compliance are moving in the right direction. The top four categories of comments included:

- Like to be able to recycle carpet more easily
- Difficult to retain/secure a collection service
- Distances to drop-off location
- Lack of clarity about the recycling process

This feedback is being used to improve ongoing communications with retailers. Additional information is gathered and managed in a Consumer Reporting System (CRS) and includes helpful information for future outreach efforts such as installer practices and interest in carpet recycling collection service.

Local Government Outreach

In 2016, the California Program is expanding local government outreach through three principal strategies: Recycling Coordinator and Zone Administrator communications, Procurement Collateral (under development), and Recycled Product Promotion (procurement web portal discussed above). CARE staff work with local governments to identify potential new drop-off sites in each County, provide educational materials relevant for key target audiences including retailers and installers, and provide technical assistance recommendations on localized promotion especially in tandem with new collection opportunities. In the latter half of 2016, the Program plans to launch enhanced procurement communications.



Local government resources launched in 2016 include:

- **New Local Government Website page**
- **CA Drop-off Map and Printable Flyer**
- **Quarterly Local Government enews**
- **Retailer Program Brochure offered in 2016**



Installer Outreach

In 2016, The California Program is already making headway on expanding outreach to engage installers/contractors involved in the tear-out and disposal/recycling of carpet via three strategies:

- Drop-off Site engagement
- (Bilingual) Installer Flyers describing proper preparation for recycling
- Custom Installer Flyers, distributed through drop off sites and retailers where CARE Drop off Sites exist
- New Installer Curriculum (**Complete – scheduled for launch in Q3 2016**)

The primary mechanism for installer outreach has focused on engagement via transfer stations and CARE’s drop-off site program. CARE staff works with local governments and site staff to identify mechanisms for engaging visiting installers. At many sites, scale house attendees are familiar with “all the regulars” installers that haul carpet tear-out regularly through their facility. In these instances, distribution of site-specific bilingual flyers with the careful touch of on-site scale-house attendants can be very effective in increasing recycling for newly established drop-off sites. Sites also are encouraged to offer reduced tipping-fees for source separated and properly prepared carpet for recycling as an additional incentive to installer/contractors. In Q2 2016 the Program also developed and routed the first installer focused curriculum for use in upcoming curriculum training for Certified Flooring Installers (CFI) a leading carpet installation certification program. The curriculum is expected to launch in Q3 2016.

Drop-Off Site Outreach

In 2016, Gigantic Idea Studio (GIS), the California Program’s marketing vendor, ramped up marketing activities following the larger budget allocated to improving awareness in Addendum 3. Most notably, GIS created and distributed the following to carpet recycling drop-off sites:

- Custom, bilingual one-sheets which provide suggestions, in English and Spanish, for anyone dropping off carpet for recycling (sites ordered 50-250 handouts)
- Template for Public Service Announcements
- Template for Press Releases
- Template for Newsletters
- 18 X 24 posters
- On-site signage

Other ongoing outreach efforts such as a monthly newsletter, social media and website updates were also continued.

Additional 2016 Activities

2017 Plan under Development

The California Program team is developing a revised 2017 California Carpet Stewardship Program Plan that will guide the program during the next five years. This Plan will detail the Program's strategic and tactical approach for reaching California's mandated carpet recycling goals, while identifying opportunities and leverage points for increasing carpet diversion, collection, recyclability, new product development and reuse by 2021. Input is being sought from the Council and retailers, as described above, as well as [online](#). To date the follow major activities are informing development of the Plan:

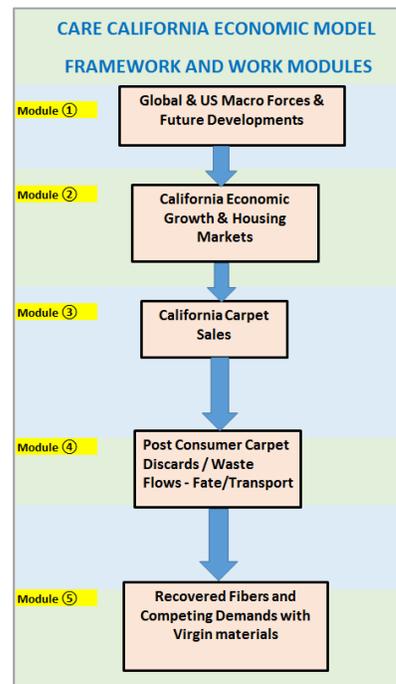
- **Council** – 4 Full-Day Interactive Council Meetings (February, March, April, June 2016)
- **Stakeholder Workshops** – 2 Full-Day Interactive Workshops focused on Plan Input (March 8 and March 10, 2016)
- **Sustainable Plan Committee** – participation by SPC members at each Council meeting and interim plan update presentations, May 17, June 15 and July 7
- **CalRecycle** – Invited to attend and participate in workshops; attends Council as observers
- **Team Strategic Planning** – CA Program Team, Executive Director, SPC Meetings and Updates
- **Online Feedback Form** –Public can submit ongoing comments via online form; E-blast announcements
- **Cascadia Consulting Group** – Hired for deep experience and expertise in plan development to assist with Plan development and project management

University Research Grant

In January 2015 (following Addendum 1 approval), the California Program awarded a \$500,000 grant to the University of Connecticut to (UConn) perform PET research and development. Collections of PET carpet are steadily rising in the face of falling oil prices. Initial laboratory studies confirm the potential of combining whole ground PET carpet with the natural fiber bagasse to make medium-density particle board that exceeds ANSI minimums. Scale-up trials took place at the University of Maine Advanced Structure & Composites Center in late March 2016. UConn presented promising findings at the CARE annual conference in May 2015, including plans to commercial the new product at a factory in Louisiana. Final results report is expected in Q3 2016.

Economic Model

Following approval of Addendum 3, CARE engaged [Louis Berger](#), an international environmental planning consulting firm, to develop a dynamic economic analysis model. The tool will help the California Program better analyze changing market conditions and facilitate timely decision-making using what-if analysis and optimization scenarios. One of the first applications of the model will be in giving the Program the ability to identify the proper indicators to help dynamically adjust the Type 1 base payout for Tier-1 processors to better reflect market conditions. Louis Berger presented promising findings at the CARE annual conference, unveiling the beta version of the 5 module model that will inform the new 5-year Plan as well as ongoing implementation. Modules include Macroeconomic Forces and Developments, Economic Growth and Housing Markets, California Carpet Sales, Carpet Discards & Waste Flows, and Recovered Fibers vs. Virgin Materials. The model will continue development based on input following the Conference, SPC review and refinement in 2016.



2016 Projections

CARE has been working on identification of new/novel technologies and the expansion of existing products to build market penetration. A detailed analysis of the second half of 2016 expected pounds and 2017 projections show good promise for substantial growth as a result of the new subsidies. Since much of this data is business sensitive to the added processing, it is not appropriate to publish the details. While many assumptions go into such analyses, a key assumption is that recycled output will hit 16% in Q4 2016 based on square yards sold. CARE has assumed sales of new carpet into CA will remain flat in 2017.

New Technology Development

The 2016 CARE Annual Conference, held in Greenville, SC, included key sessions on new technologies and also a special session on plastics. Approximately 50% of a typical carpet is polymer (plastic) and 50% of all market outlets are into the thermoplastic automotive sector, building this enhanced linkage is critical.

While it is not appropriate to go into detail, the following list summarizes the new technologies, several of which have better economics, introduced at the conference.

- American Fiber Cushion: announced the introduction of several new, novel pad products made with PET fiber. This development represents a significant increment in our 2H 2016 growth and the construction of a new plant in CA in 2017 to grow the use of additional pounds.
- EcoBlock: commercial technology from South America which can consume a range of plastic waste, including PCC, and convert it into lumber products – company is planning to build a plant in the U.S.
- North Coast Fibers: described a new, low cost separation technology currently in the large-scale pilot demonstration phase.
- Resinate: novel technology for conversion of PET PCC into polyols, which can go into a range of commercial products.

- ST Equipment & Technologies: introduced a novel separation technology based on tribo-electrostatic separation. This technology is currently commercially practiced worldwide in the coal industry.
- UConn: CARE grant recipient Dr. Richard Parnas presented an update on the particle board development. Current boards meet ANSI standards for medium density fiberboard use and containing a minimum of 20% PET PCC. Preliminary discussions are underway to build a plant in the U.S. An additional application for these materials has also been identified in the acoustic sector.
- Verdex Technology: novel nozzle-based spinning for non-wovens, which is tolerant of higher contamination levels.

Improved Participant On-Boarding Process

In 2015 the Program streamlined and refined Program protocols and requirements into new contract agreements. New contracts were executed for 2016 with a 2-year term through December 2017. In 2016, the Program continued to refine and streamline participant processes by developing new **Participant Welcome Packages** for:

- Carpet Manufacturers (Mills)
- Collector/Sorter Entrepreneurs
- Tier-1 Processors
- Tier-2 Manufactures

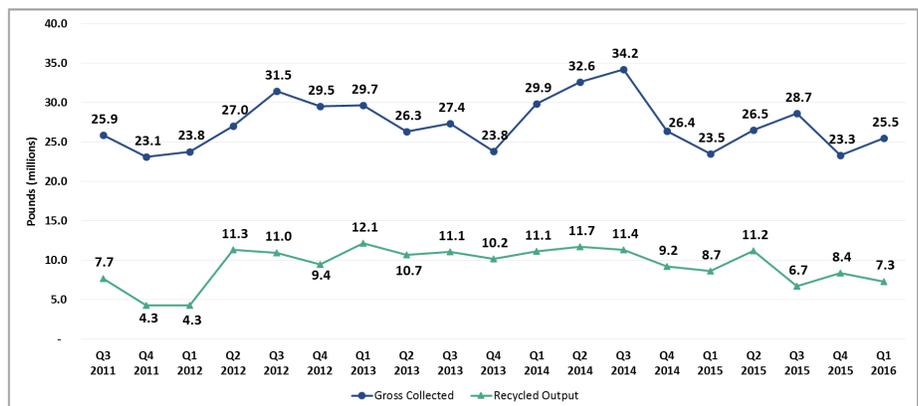
These packages include instructions on how to become a participant under the program, details regarding CARE membership, program requirements and contract documents improving communications and understanding among new or prospective participants. Since this program element launched in early 2016, 11 welcome packages have been distributed to interested parties, with 55% of these resulting in new participation under the Program, indicating upward trend for Program participation.

Q1 Results and Performance Trends

Following the launch of new incentives in 2015, CARE is beginning to see program trends which support continued meaningful progress in the face of continued poor macroeconomic conditions. This success indicator appears throughout this 2016 updates section.

Gross Collections & Recycled Output

Gross collected pounds were up 2.2 million pounds or 10% over the previous quarter, although recycled output fell 1.1 million due to equipment breakdown and delayed repair at a major California processor. Although this is disappointing, six of the eight reporting processors in Q1 2016 reported significant increases in recycled output over the previous quarter, with the



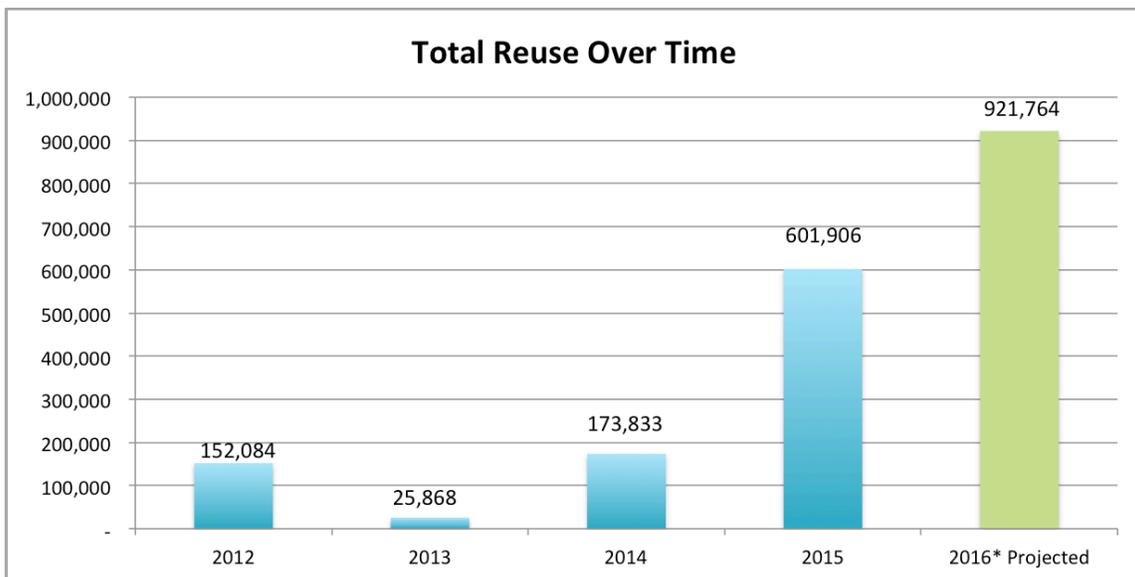
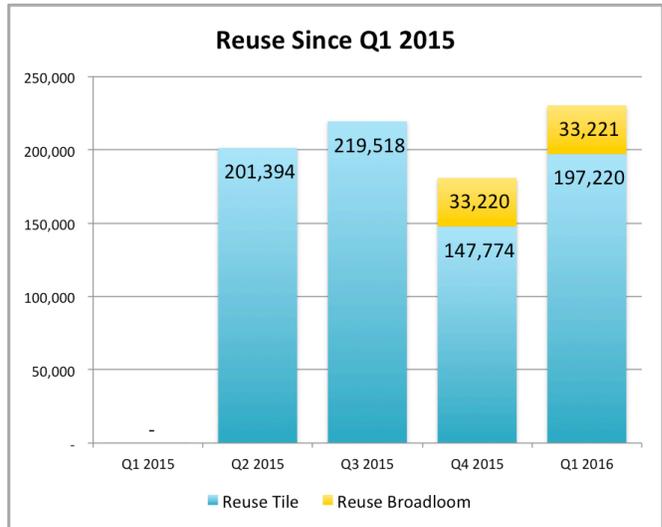
highest reporting an 11-fold increase over Q4 2015. The remaining processor held steady on recycled output from Q4 2015 to Q1 2016. Setting the one processor aside, the remaining seven processors increased overall recycled output by nearly 1 million pounds, representing a 16% increase over their Q4 2015 result. This is a positive indicator for subsequent quarters in 2016 as this processor comes back online and new capacity becomes

established supported in part of the launch of nine new grant projects, suggesting the Program remains on target for hitting the 2016 recycling goal of 16%.

Incentives Catalyze Reuse Rate

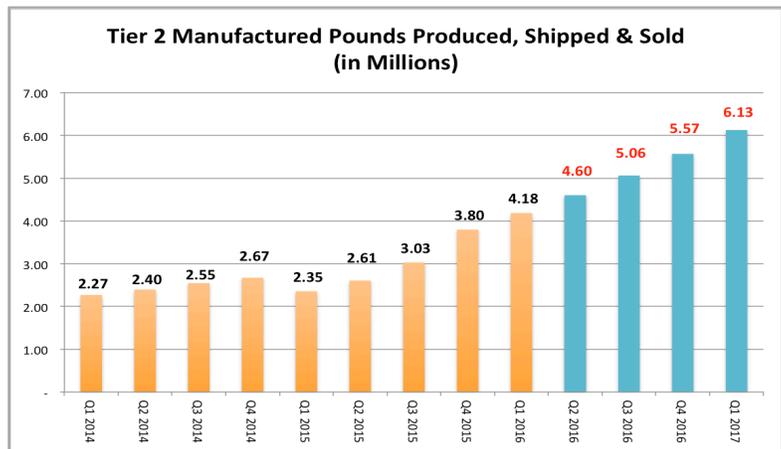
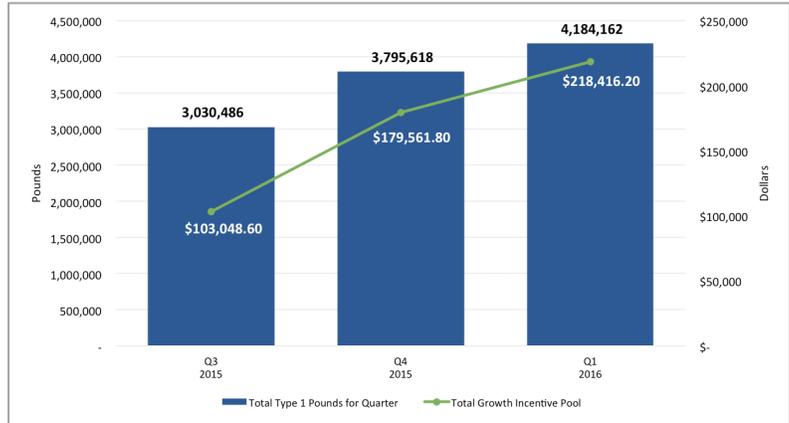
The Program launched new Reuse incentives in Q2 2015, seeing an immediate jump from 0 pounds in Q1 to 201K pounds in Q2 and 220K pounds in Q3. The results are encouraging:

- First ever program-reported broadloom reuse, totaling 66K pounds over the past 2 quarters
- Q4 and Q1 total reuse (tile + broadloom) averages 206K pounds/quarter
- If Q1 2016 reuse levels remain consistent throughout 2016, reuse is on track to exceed 900K pounds
- **2016 projected reuse would represent a 53% increase over 2015**



Tier 2 Manufactured Products Increasing

Since the Tier 2 subsidies and growth bonus first launched, the Program has seen steady increases in Tier 2 product manufacturing and sale of secondary products each quarter. As the subsidy increased, the growth in pounds kept pace, posting an average increase of 10% each quarter. Should these trends continue through Q1 2017 (projected pounds indicated by blue bars), the Program is on target to more than double production by the end of 2016, since recent incentive changes took effect in Q2 and Q3 2015. This is a good sign for recycled carpet content products, utilization of previously difficult to recycling PET, and strengthening recycled markets. The second figure shows pounds and payouts over the past three quarters on an upward trend.



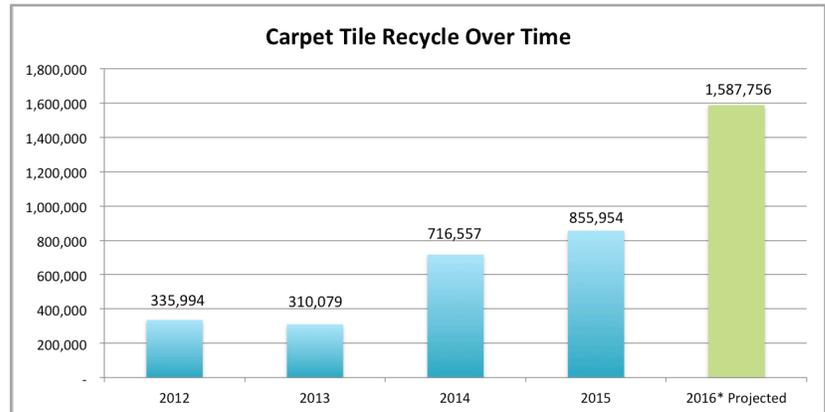
Incentives Strengthening CSEs

The launch of the new CSE subsidy was intended to support these important stakeholders through difficult times in the recycling market. Despite a big drop in CSE collections from Q2 to Q3 2015, collections are holding steady Q3 2015 through Q1 2016, a good sign the market is stabilizing. CSE reported reuse remained relatively constant from Q2 to Q3, while CSE collection increased significantly over the same period. CSE export dropped from Q2 to Q3 as a symptom of challenging international markets. CSE exports held steady from Q3 to Q4 and increased 38% in Q1 2016 over Q4, a sign that markets are beginning to move and providing some benefit for Program diversion. Also promising are some reports of in-California sales of whole carpet in Q1 indicating in state markets are also improving and supporting Program recycling. Also encouraging is a steady decline in CSE reported Landfill pounds in Q4 (20% reduction over Q3) and Q1 (34% reduction over Q4), further supporting strengthened conditions for the state CSE network.

Carpet Tile Recycling Increasing

Although carpet tile is one of the most recyclable forms of carpet, collection and recycling of this material has remained low. In response, a new carpet tile recycling incentive is successfully increasing carpet tile recycling over just a few quarters. The Program saw a big increase (428%) in carpet tile from Q2 to Q3, from 75K pounds to 394K pounds, following a 55% decrease over Q1 2015. Despite a decline in Q4 2015 to 175K after the initial enthusiasm of the new incentive, tile recycling remained 136% over the low of Q2.

In Q1, another significant increase was observed, returning to 397K pounds, or 126% over Q4. **Overall average pound of carpet tile recycled increased 22%, in the four quarters since the new subsidy launch.**



New Calcium Carbonate (CC) Recycling

Calcium Carbonate backing comprises up to 40% of carpet by weight, but has historically had few to no recycling markets. The launch of the new CC incentive is beginning to change this. Although the numbers are still low, they are growing and new grant capital and testing projects show promise for increasing their use further by the end of 2016. Highlights to date include:

- First program reported recycling of CC in Q2 2015, in direct response to new subsidy
- Initial use of 41K pounds in Q2 2015, dropped to 21K pounds in Q3 2015
- Despite 0 pounds in Q4 2015, 80K pounds were reported in Q1 2016, **a 195% increase over Q2 2015**
- Several new companies are exploring use of CC in new products expected to launch in late 2016

Conclusion

As described throughout this Addendum, CARE has taken many steps over the course of 2015 and 2016 to support continuous meaningful improvement in the California Program. The increased assessment provides new resources to support program improvements, expanded collection, increased subsidies, new grant resources, extended education and outreach and improved processes.

Meaningful improvements in 2016 include increased convenient collection, improved communications, signed grant agreements resulting in nine projects and four new California-based business participants, released draft Cycle 1C grant solicitation, CARE's recognition with an Extended Producer Responsibility award from a participating local jurisdiction and expanded stakeholder engagement as evidenced by the Council, workshops, webinars and presentations. Face-to-face technical assistance is facilitating improved participation through engagement of retailers, local governments and installers. Market development efforts are helping to bring new recycled carpet products to market and provide continued support and improvement for CSEs, processors and manufacturers. Monthly reporting is giving more timely data and will now be informed by the economic model. Upward trends are noted in pounds of recycled carpet tile, reuse of tile and broadloom, calcium carbonate utilization, Tier 2 non-nylon product sales and strengthened collections. New technologies discussed above and tools like the economic model are positioning the Program for increased success in the years ahead. The first four

months of 2016 have seen a steady increase in gross collections, recycled output and net diversion along with a continuing decline in pounds sent to landfill. All improving trends.

The bottom line: Markets are improving, and new technology and product development are reaching implementation as a result of aggressive new incentives. CARE looks forward to the trend lines finally tipping upward and the ability to set new, more aggressive targets in the 5-Year Plan. A formula for success is now in hand, and barring any major global disruptions, CARE expects significant growth in collection, recycled output and jobs creation in California.