
CARE Sustainable Funding Oversight Committee

Q4 2014 AB 2398 Summary &
Recommendations for Approval

Updated 3/12/15



Agenda

- ✓ Quarterly Overview of Results
- ✓ Manufacturers Report
- ✓ Processors Report
- ✓ Other Information
- ✓ Approval Requests



CARE's Executive Director's Message

The 4th quarter of 2014 continued to be a an eventful and challenging period for carpet recycling in California. CARE worked diligently in response to CalRecycle's 2013 Annual Report findings announced in late Q3-2014, taking actions to address concerns related to the pace at which the Program is making continuous and meaningful improvement in line with statute provisions. CARE engaged in a thorough and deliberative process to consider various options and opportunities to address these concerns. In addition, the Program sought input from industry and stakeholders, including the completion of an initial market research survey conducted by communications firm Gigantic Idea Studio, and an outreach pilot Program targeting the San Francisco Bay Area in order to guide Program efforts for the year ahead. Analysis and deliberations resulted in the proposed Plan addendum submitted to CalRecycle on December 23, 2014, outlining several Program adjustments to take affect in 2015. CalRecycle approved these changes in a response dated January 5, 2015.

The amended Plan will incorporate an increase in the California Carpet Stewardship Assessment from 5 cents per square yard to 10 cents to square yard of carpet sold or shipped in California, effective April 1, 2015. New incentives as well as adjustments to existing incentives are both made possible by this assessment increase and were enacted in response to dynamic market conditions, exacerbated by falling global oil and natural gas prices as well as port challenges limiting movement of goods through California. CARE also finalized a grant to the University of Connecticut to focus on polyester outlets and products.

Although 4th quarter 2014 saw a seasonally expected decline in recycled output, CARE is confident the new adjustments planned for 2015, will help to reverse this trend. The Program will be reaching out to manufacturers, retailers, processors and stakeholders in 2015 to promote and prepare for these Program changes. To sign up for Program Updates, please visit: www.carpetrecovery.org/california-ab-2398/

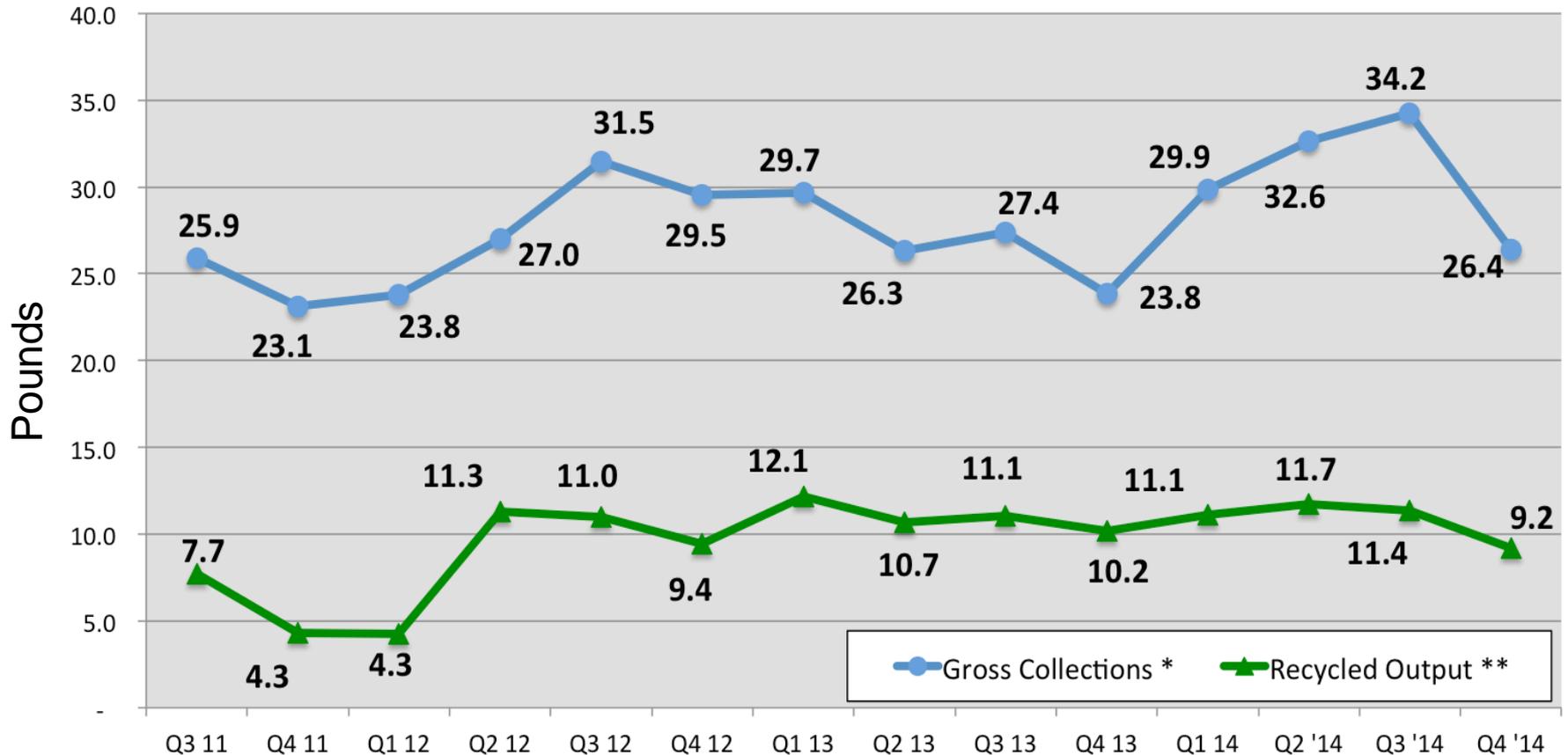
Bob Peoples, Ph.D., Executive Director, March 12, 2015



AB 2398 Summary Results



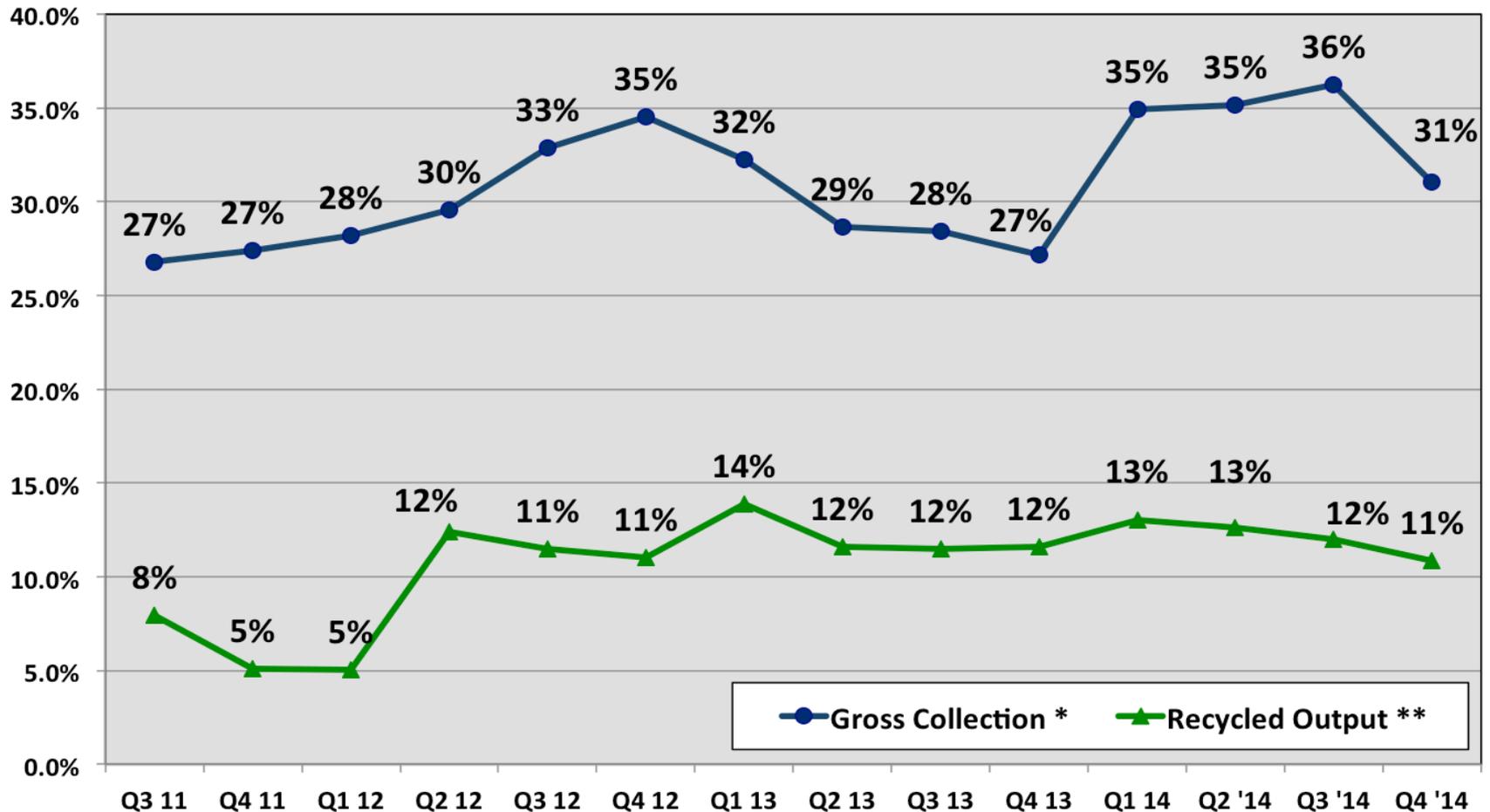
AB 2398 Performance Trends (millions of pounds)



*As of Q1-2014, Gross Collections (GC) include refined data historically collected, not previously reported. These data adjust GC amounts beginning Q1-2013 through the current period.

**Beginning in Q3-2014, Recycled Output (RO) reported no longer includes estimated international recycled output. Beginning in Q1-2014, RO is adjusted to include only Type 1 + Type 2 pounds. Pounds diverted from landfill through international RO, CAAF and/or Kiln will now be reported as pounds diverted.

AB 2398 Performance Trends (percentage)

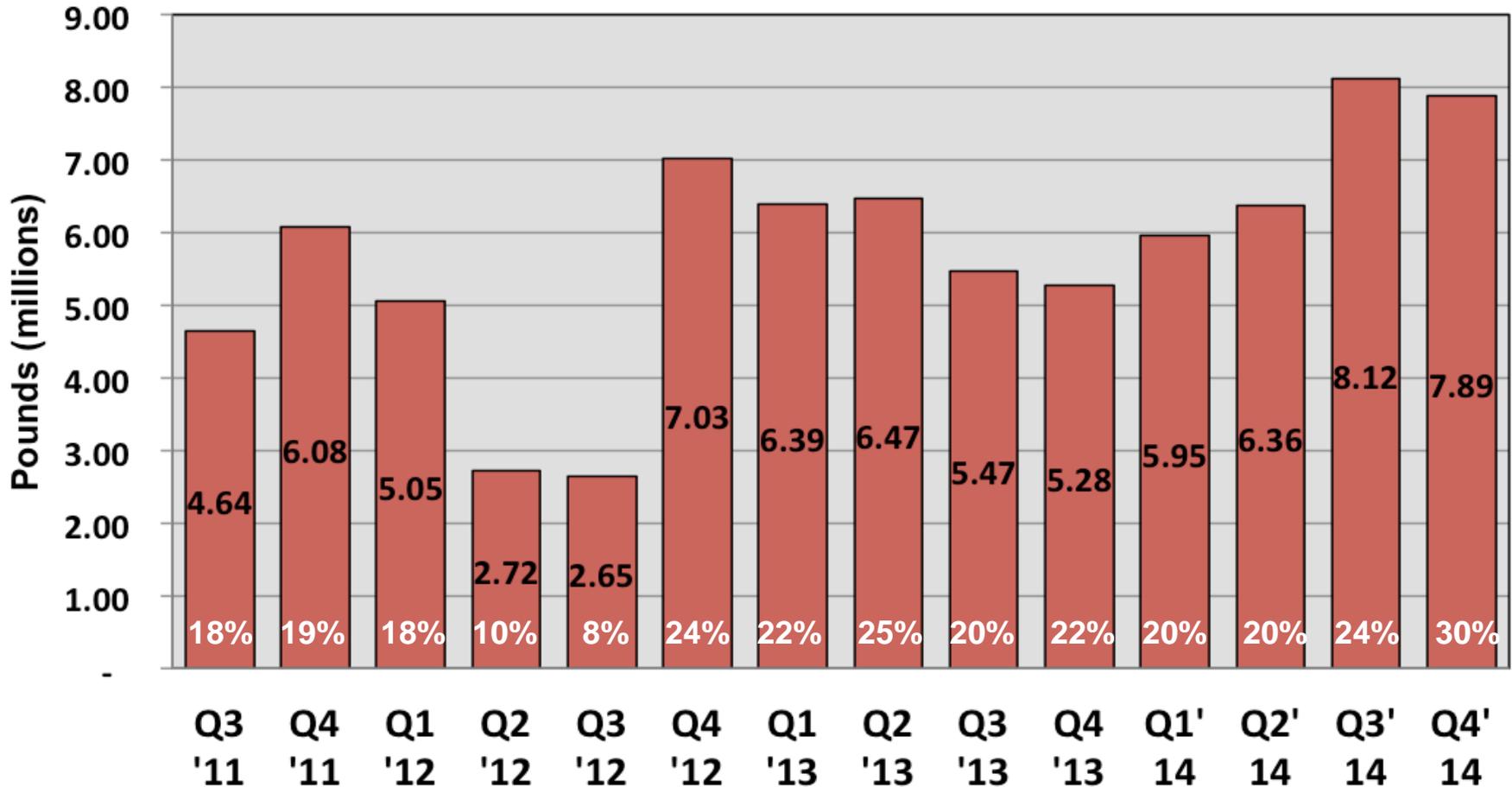


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Gross Collected PCC Sent Back to Landfill*



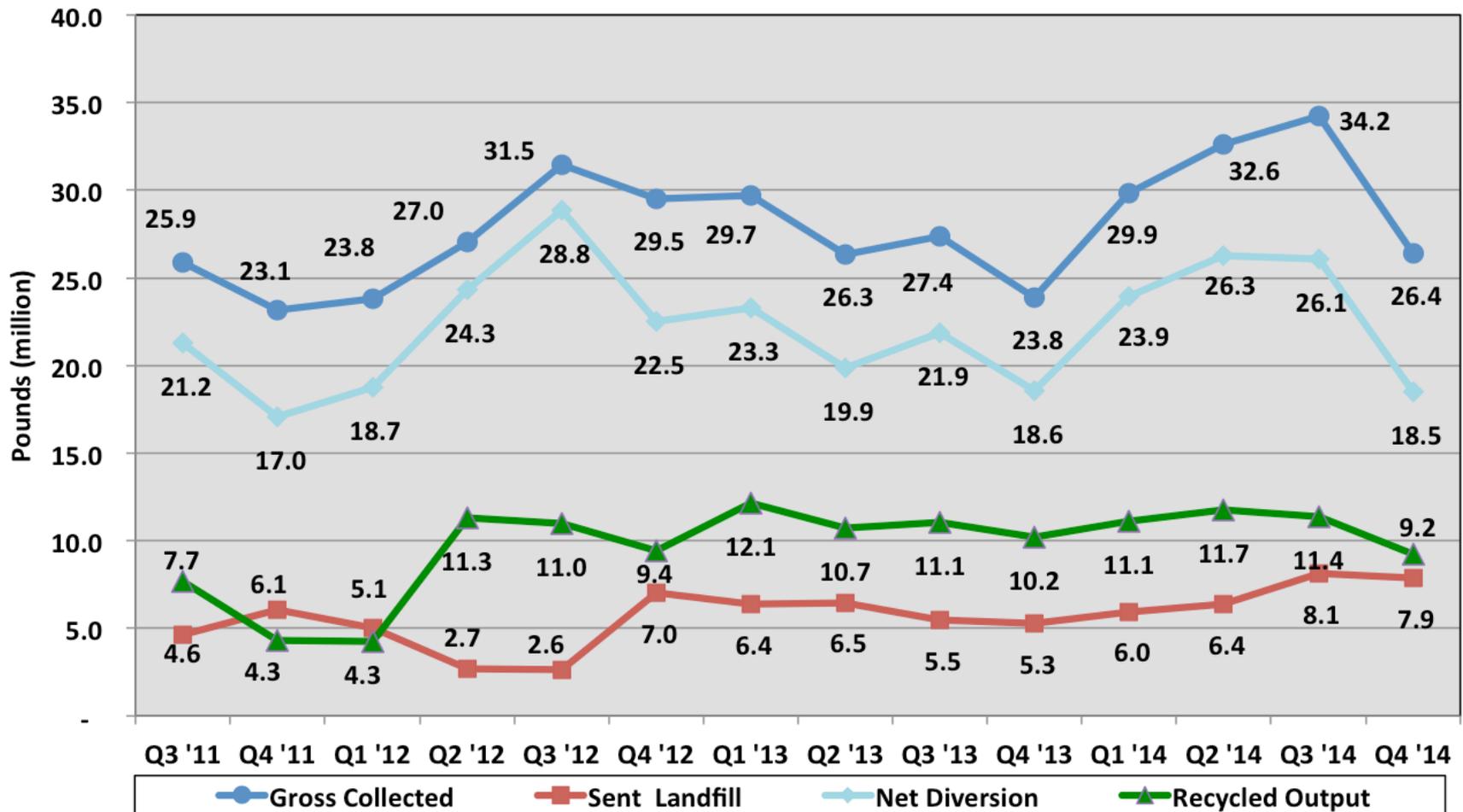
Q4 Gross Collected: 26.4M pounds – 7.9M sent back to landfill
 Cumulative back to landfill: 80.1M lbs

Note: percentage shown is % of Gross Collected PCC that actually goes to landfill as PCC or process waste.

*Data above includes Processor as well as Sorter landfilled pounds beginning in Q2 2014.



Performance Trends



Net Diversion = Gross Collection – Sent to landfill*

AB 2398 Manufacturers/Mills Quarterly Summary Report



AB 2398 Manufacturers' Summary*

Manufacturers	2011	2012	2013	Q1 '14	Q2 '14	Q3 '14	Q4 '14
# Mills Registered	80	80	79	79	79	79	77
# Mills Not Reporting	0	4	5	2	0	1	1
Non-response Rate		5%	6%	3%	0%	1%	1%
Remittance Collected							
Total Sq Yd Sold (millions)	50.1	98.5	100.5	23.6	25.7	26.1	23.5
Total Remittances (\$M)	\$2.53	\$4.91	5.0	\$1.18	\$1.28	\$1.31	\$1.17
Top 10 Remittances (>\$10K)	\$2.33	\$4.55	4.65	\$1.05	\$1.18	\$1.20	\$1.06
Top 10 Percentage of Total	92%	93%	92%	89%	92%	92%	90%

Cumulative SQYD sold: 348M

Cumulative Remittances: \$17.4M

Note, reduction in number of mills is a result of consolidation/merger of one or more mills, rather than business closure; It is anticipated that this number may reduce further in 2015.

* As of 2/10/15



AB 2398 Processors Quarterly Report



Growth Incentive Contributions

Total Type 1 Pounds for Quarter	9,205,726
Target Pounds for growth incentive	11,000,000
Over (Under) Target	-1,794,274
Total Growth Incentive Pool (10 cents/lb over target)	\$0

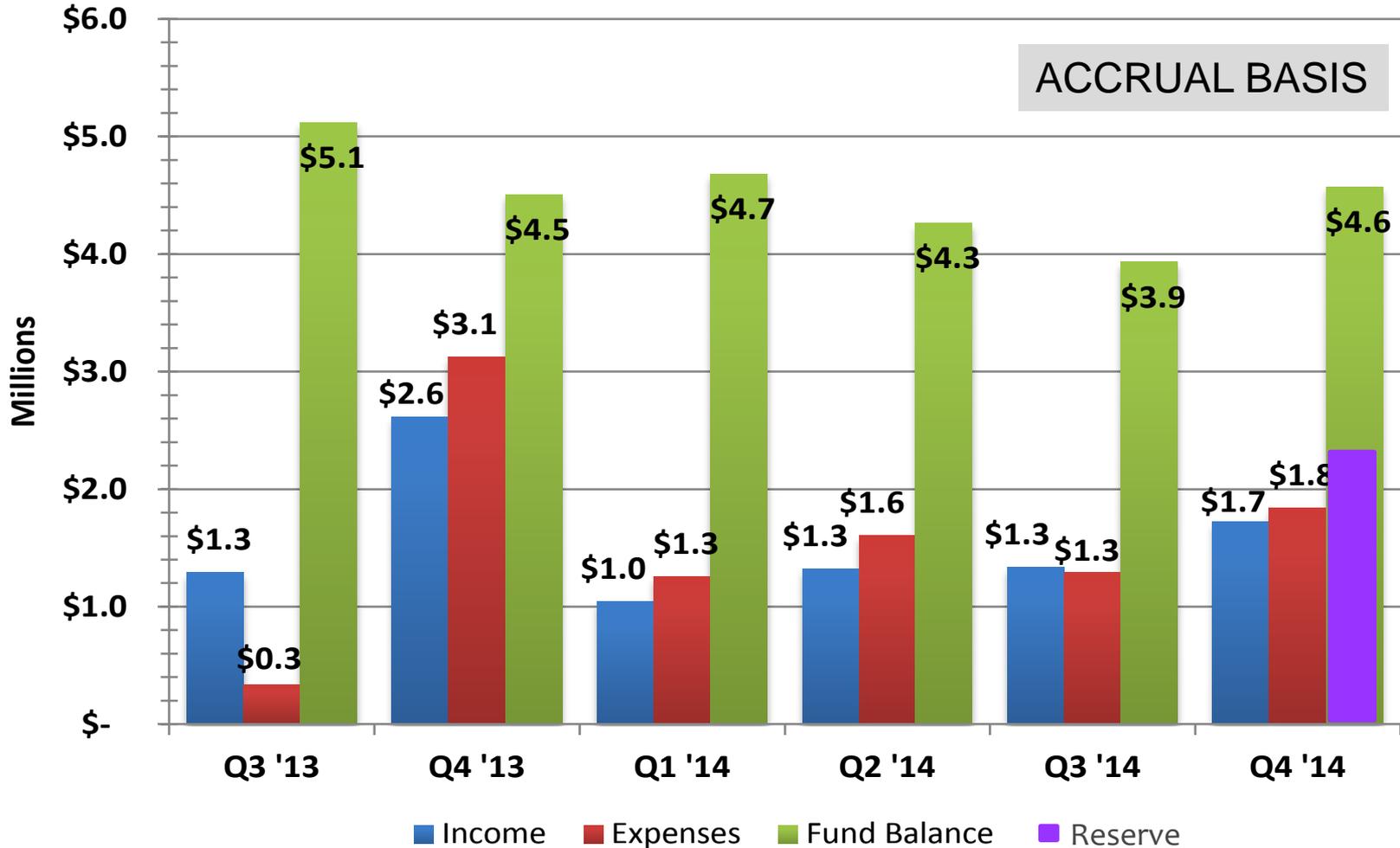
	Description	Amount in Thousands
Processors	Type 1 Standard Payout	\$ 552.3
	Type 1 Growth Bonus Payout	\$ -
	<i>Total Type 1 Payout</i>	\$ 552.3
	Type 2 Filler/Other	\$ -
	Type 2 CAAF	\$ -
	Type 2 Kiln	\$ 7.3
	<i>Total Type 2 Payout</i>	\$ 7.3
	Adjustments*	\$ -
	Total All Processor Payouts	\$ 559.7
	Non-nylon (Tier 2) Payouts	\$ 320.5
Total Program Payouts for Quarter	\$ 880.1	
Expenses	\$ 385.3	
Total	\$ 1,265.4	

← 0% of Processor Payouts;
1.8M pounds under Growth target

← No Q4 Adjustments



Fund Balance Trends*



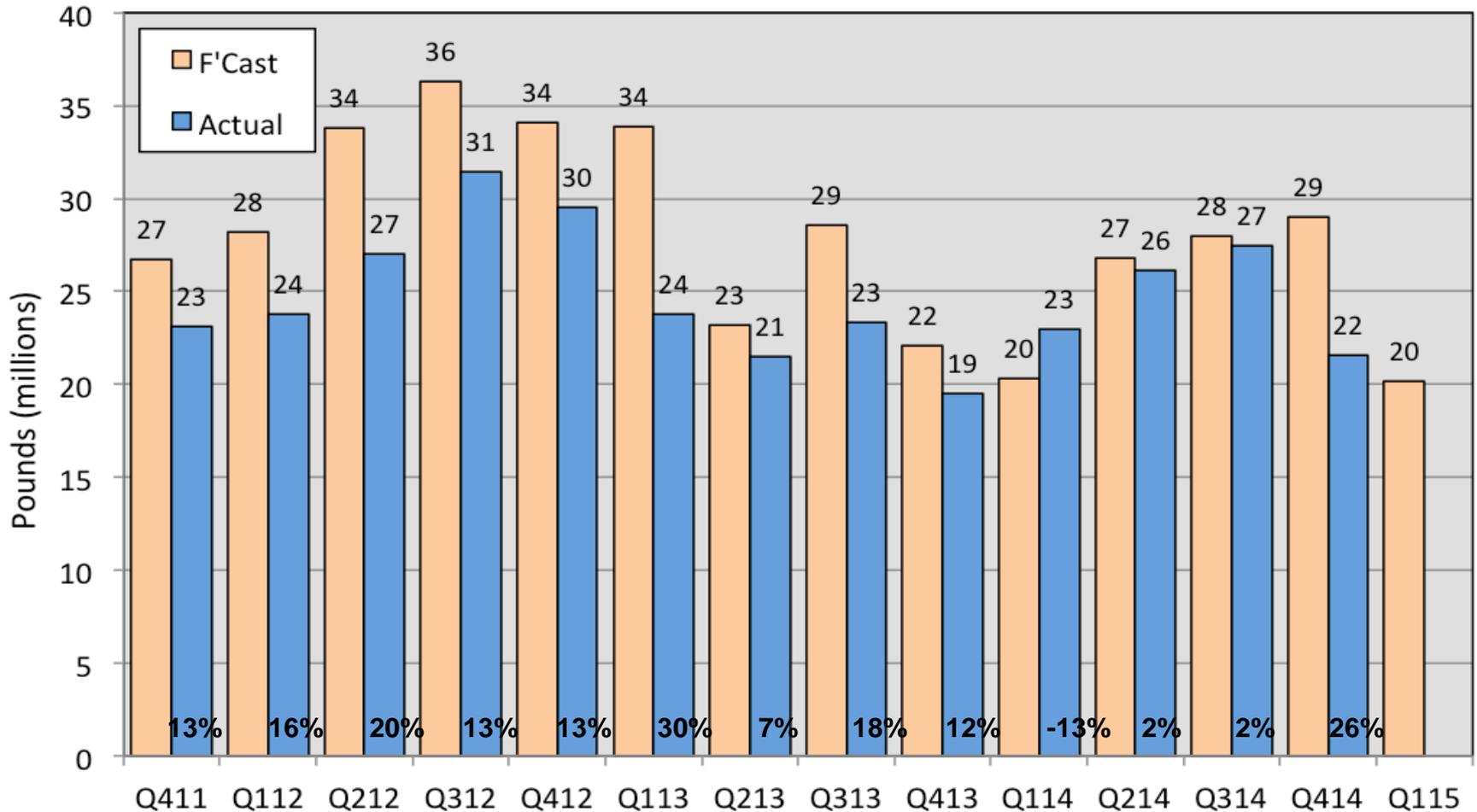
* Includes Processors + Tier 2 Manufacturers

** Reserve = last 4 quarter payouts divided by 2 to ensure fund availability and stability

All data from Susan Feb. 2015



Gross Collection (lbs): Processor Estimates

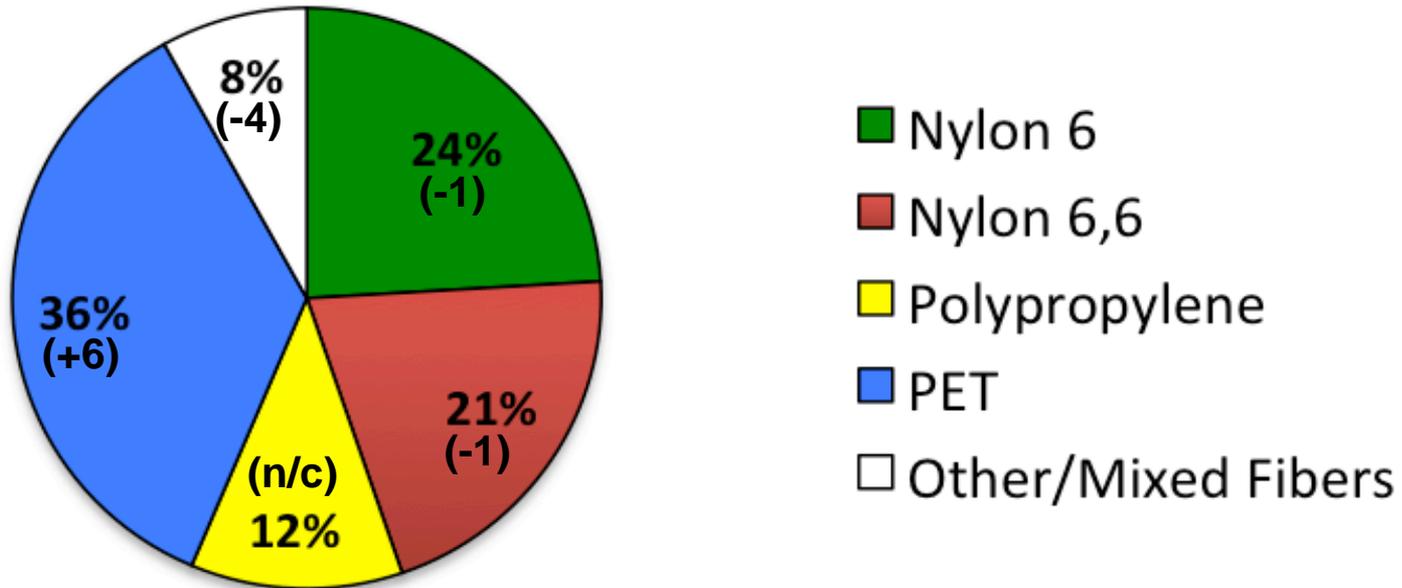


Gross Collected Pounds (in millions of pounds) are listed along chart peak
 Percent difference between Forecasted vs. Actual appears along chart base



Quarterly Collection: Face Fiber Breakdown*

Percent Fiber By Type (Q4 2014)



Quarterly Data from Recycler's Reports

* Data based on reported percentages by CA recyclers, however, may not be accurate due to preferential selection of higher value nylon.



Recommendations to SFOC



Recommendations for SFOC Approval

- 1) Approve Processor Distribution (\$560K)
- 2) Approve Tier 2 Distribution (\$321K)
- 3) Approve Administrative reimbursements (\$385K)

Total Payout Q4: \$1,266K



Additional Updates

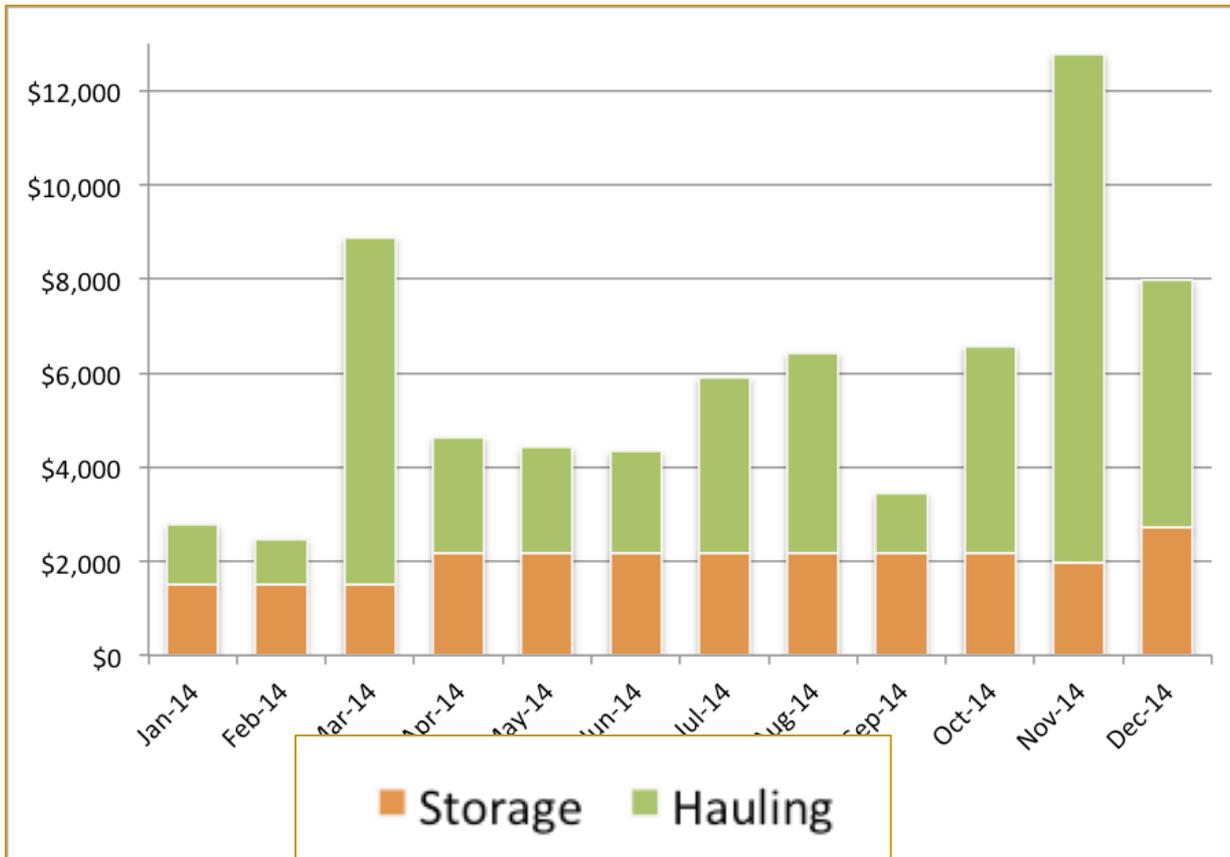


Rural County Program Update

- 12 Participating Counties as of Jan 2015
 - Calaveras, Del Norte, Humboldt, Plumas, Siskiyou, Tehama
 - Butte, Trinity, Tuolumne, Santa Cruz
 - Napa, Marin
- 2 Haulers : Trailers and Cargo Bins
- 7 Sites serviced by Trailers in 2014
- 6 Sites serviced by Cargo Bins in 2014
- 37 Pulls in 2014; average 3 per month in 2014
 - \$46,229 Hauling Costs
 - \$24,389 Storage Costs
 - Average monthly cost of \$588 per county
- Increased participation expected in 2015



Rural County Program – 2014 Costs Over Time



- ◆ Estimated 523,000 pounds collected
- ◆ Hauling + Storage Costs = \$70,615
- ◆ \$0.12 cost/pound



Rural County Additions

- 12 Participating Counties as of Jan 2015:

- Calaveras, Del Norte, Humboldt, Plumas, Siskiyou, Tehama, Butte, Trinity, Tuolumne, Santa Cruz, Napa, Marin

- Expect to add at least 4 per Plan by June:

- Calusa, Yuba, Sutter, Mendocino, Lake, Shasta, Mariposa, San Benito, Amador

- May be able to add more than 4 in 2015



Program Updates

- **New Assessment Noticing / Promotion**
 - Retailer and Manufacturer Channels
 - Updated Website (CARE & CalRecycle)
 - Updated Program Documents (FAQs, Invoice Sample, Overview, etc.)
- **Retailer Outreach**
 - Retailer Certified Letters (over 3,000 locations)
 - Commercial Marketing Group Email Distribution (2 Groups)
 - Postcard Mailing scheduled this month
 - (2) Email Newsletters scheduled this month
- **Manufacturer Outreach**
 - Manufacturer Email Notice (all 77 manufacturers, 2 contacts)
 - (2) Email Newsletters scheduled this month
 - Request to Disseminate through supply chain



Program Updates

■ Stakeholder Outreach

- Press Release – Website, Blog, Listserve, CR
- Personal Emails to Stakeholder Groups
 - CPSC, CAW, CRRRA, SWANA, RCRC, others
- CARE - CA Media Listserve
- New Website Landing Pages & Sign-up for Updates
- Building Listserve Distributions list for Ongoing Updates

■ Informational Webinars

- (2) Webinars scheduled March 12 and March 18
- Retailers, Manufacturers, Stakeholders



Additional Information

- CARE is now operating under Plan version 3.2.2 dated March 10, 2014 and approved by CalRecycle in January 2014.
- Addendum submitted in December 2014, was approved by CalRecycle in Letter dated January 5, 2015, and thereby incorporated into Plan 3.2.2.
- A copy of the Plan may be downloaded from the CalRecycle website: www.calrecycle.ca.gov/carpet
- The formula used for calculation of total CA discards is based on carpet sales and may be found in the approved Plan on page 20.
- Definitions used in these slides may be found in the approved Plan under Appendix III (page 51).

Note: Effective April 1 the assessment goes to \$0.10 per square yard



End of Review

