



CARE Sustainable Funding Oversight Committee

Q3 2014 AB 2398 Summary &
Recommendations for Approval

Updated 12/11/14



Agenda

- ✓ Quarterly Overview of Results
- ✓ Manufacturers Report
- ✓ Recyclers Report
- ✓ Subsidy Program Change Recommendations
- ✓ Approval Requests



CARE's Executive Director's Message

Third quarter 2014 was an eventful period for carpet recycling under AB 2398 and CARE. The most significant event was the finding by CalRecycle of CARE as “non-compliant” with the continuous and meaningful improvement provisions of the statute. This was despite the fact CARE cleared 3 independent audits of calendar year 2013, one by CalRecycle’s audit arm, and none with findings. In addition, 2013 saw the shutdown of 2 CA-based processors with about 25% of the in state capacity. In spite these shutdowns recycled output remained flat. CARE viewed this as a remarkable outcome given the impact of lost processing capacity. CARE saw two new Tier 2 manufacturers come on-line in 2014 and expects at least 2 or 3 additional processors and Tier 2 manufactures in 2015. Since investment typically lags by one or more years, this indicates progress is being made. Finally, Gigantic Idea Studio was hired to enable our Marketing, Education and Outreach efforts, along with Mike Tinney to work the procurement side of post-consumer carpet content products. Despite the skepticism of some of CARE’s CA-based critics, progress is being made on reverse supply chain logistics that are neither simple or isolated. Global oil and natural gas prices have weakened impacting the value of recycled commodities in the global market, as has the China housing market slow down.

As a result of the CalRecycle’s feedback, CARE has accelerated our detailed examination of the subsidy program and has evaluated a significant number of alternatives in an effort to find ways to increase gross collections, recycled output and, in particular, consume some of the less valuable components in a recycled carpet, such as calcium carbonate. High level concepts were reviewed with CalRecycle in November and it is expected will be rolled out in California in 2015 after detailed reviews and approvals are completed.

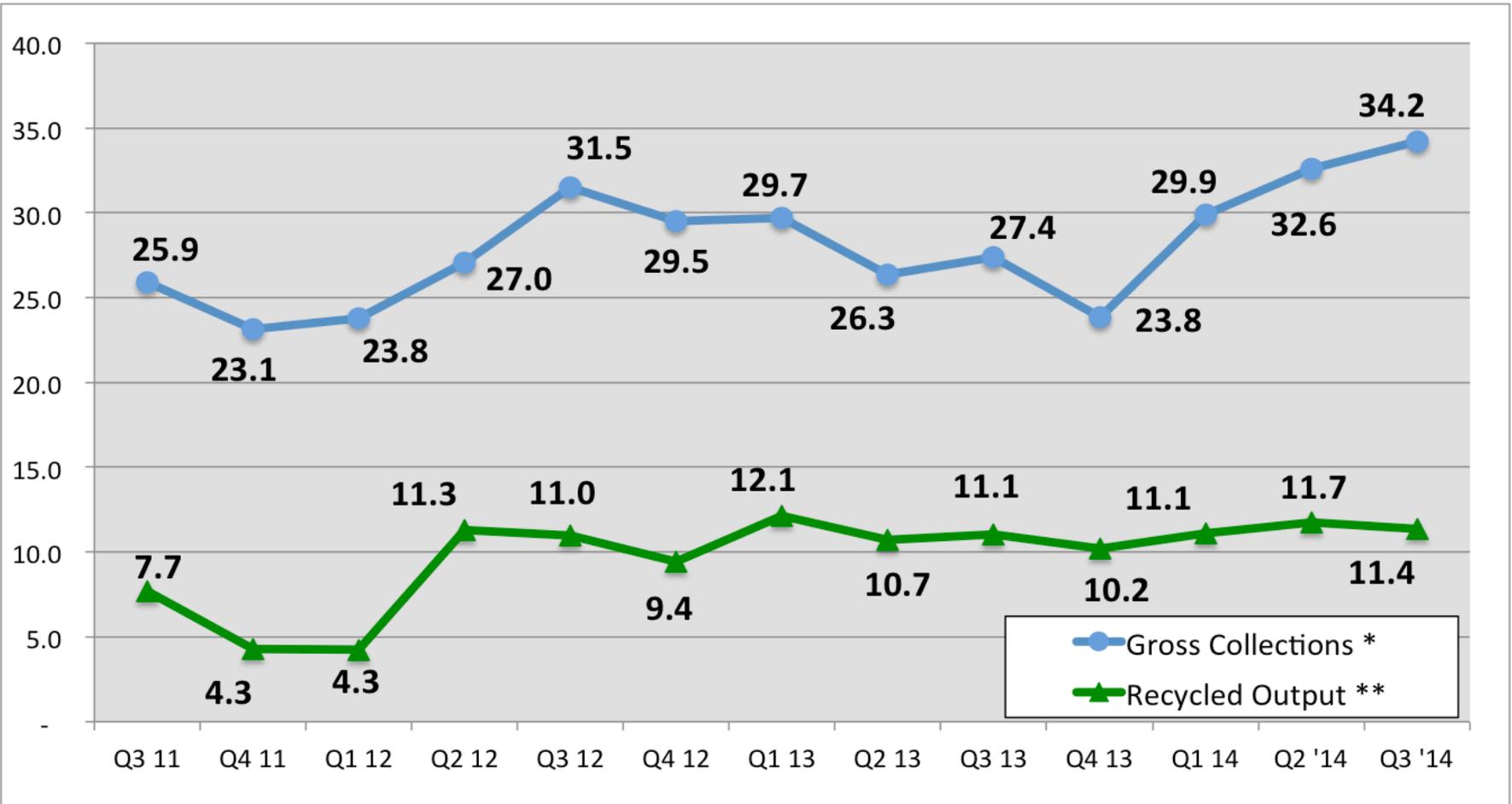
Bob Peoples, Ph.D., Executive Director, December 11, 2014



AB 2398 Summary Results



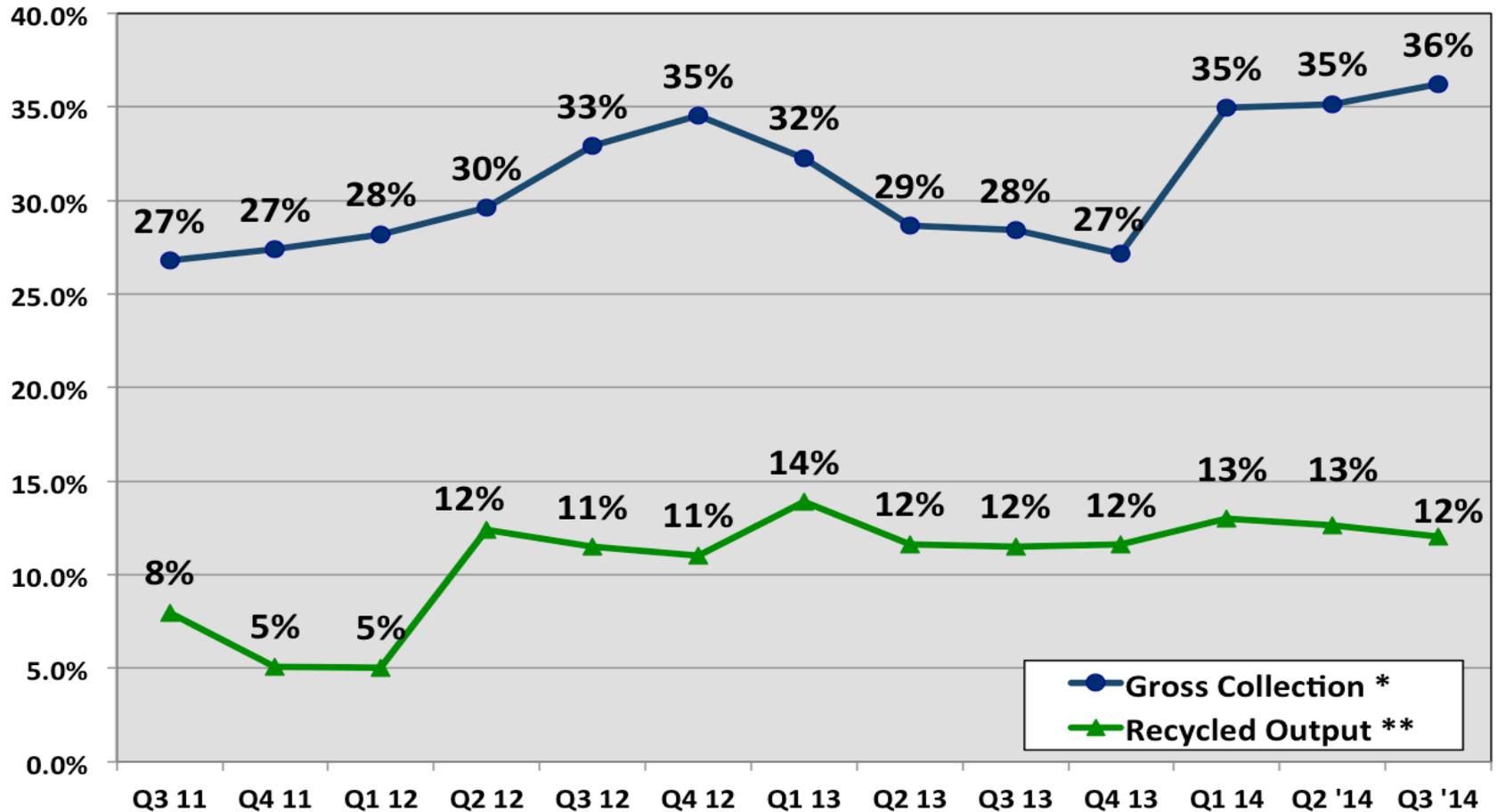
AB 2398 Performance Trends (pounds)



*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)

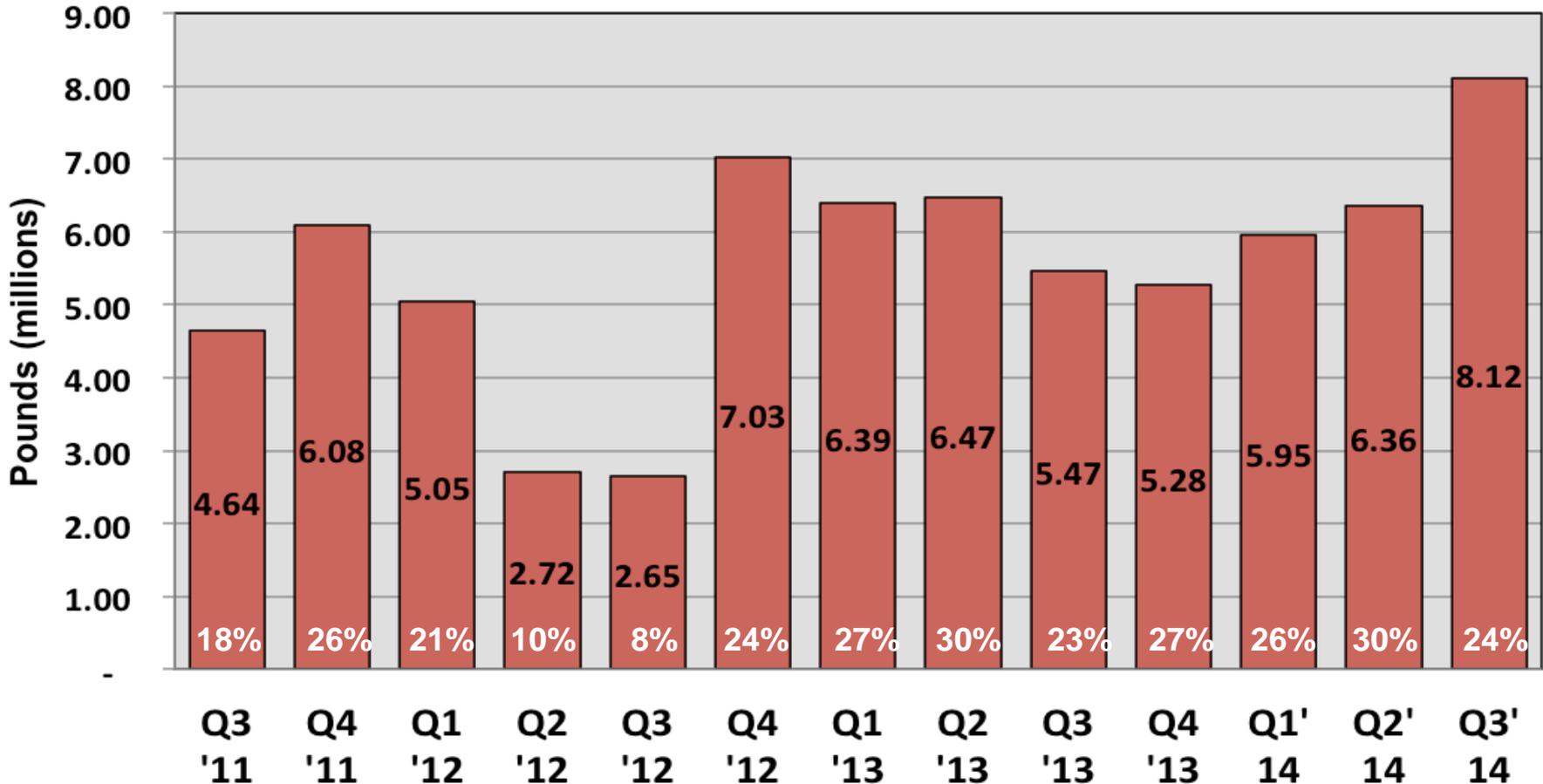


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Gross Collected PCC Sent Back to Landfill*



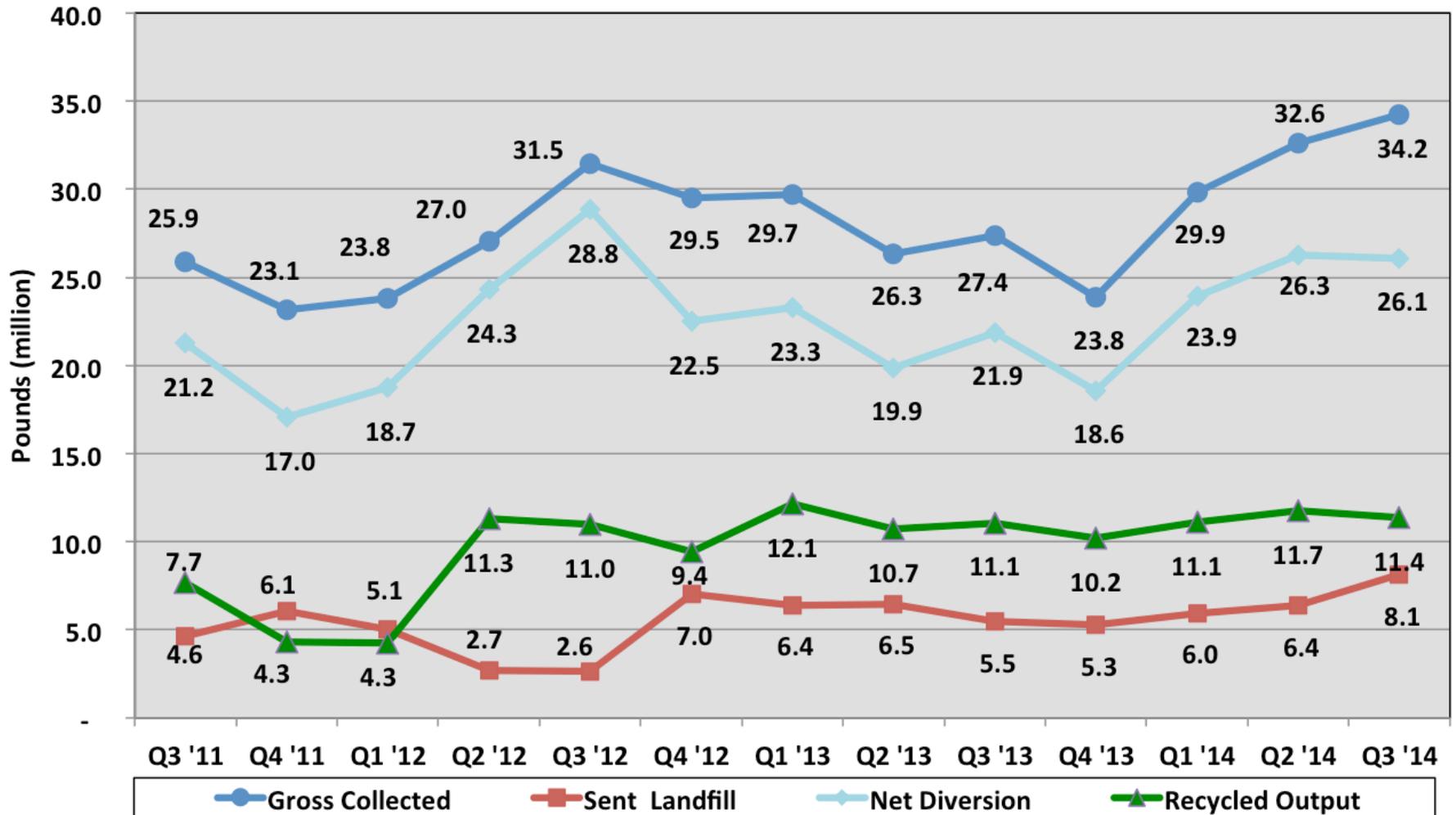
Q3 Gross Collected: 34.2M pounds – 8.1M sent back to landfill
 Cumulative back to landfill: 72.2M lbs

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
# Mills Registered	80	80	79	79	79	79
# Mills Not Reporting	0	4	5	2	0	1
Non-response Rate		5%	6%	3%	0%	1%
Remittance Collected						
Total Sq Yd Sold (millions)	50.1	98.5	100.5	23.6	25.7	26.1
Total Remittances (\$M)	\$2.53	\$4.91	5.0	\$ 1.18	\$ 1.28	\$ 1.31
Top 10 Remittances (>\$10K)	\$2.33	\$4.55	4.65	\$ 1.05	\$ 1.18	\$ 1.20
Top 10 Percentage of Total	92%	93%	92%	89%	92%	92%

Cumulative SQYD sold: 324M

Cumulative Remittances: \$16.2M

* As of 11/25/14



AB 2398 Processors Quarterly Report



Growth Incentive Contributions

Total Type 1 Pounds for Quarter	11,350,030
Target Pounds for growth incentive	11,000,000
Over (Under) Target	350,030
Total Growth Incentive Pool (10 cents/lb over target)	\$35,003

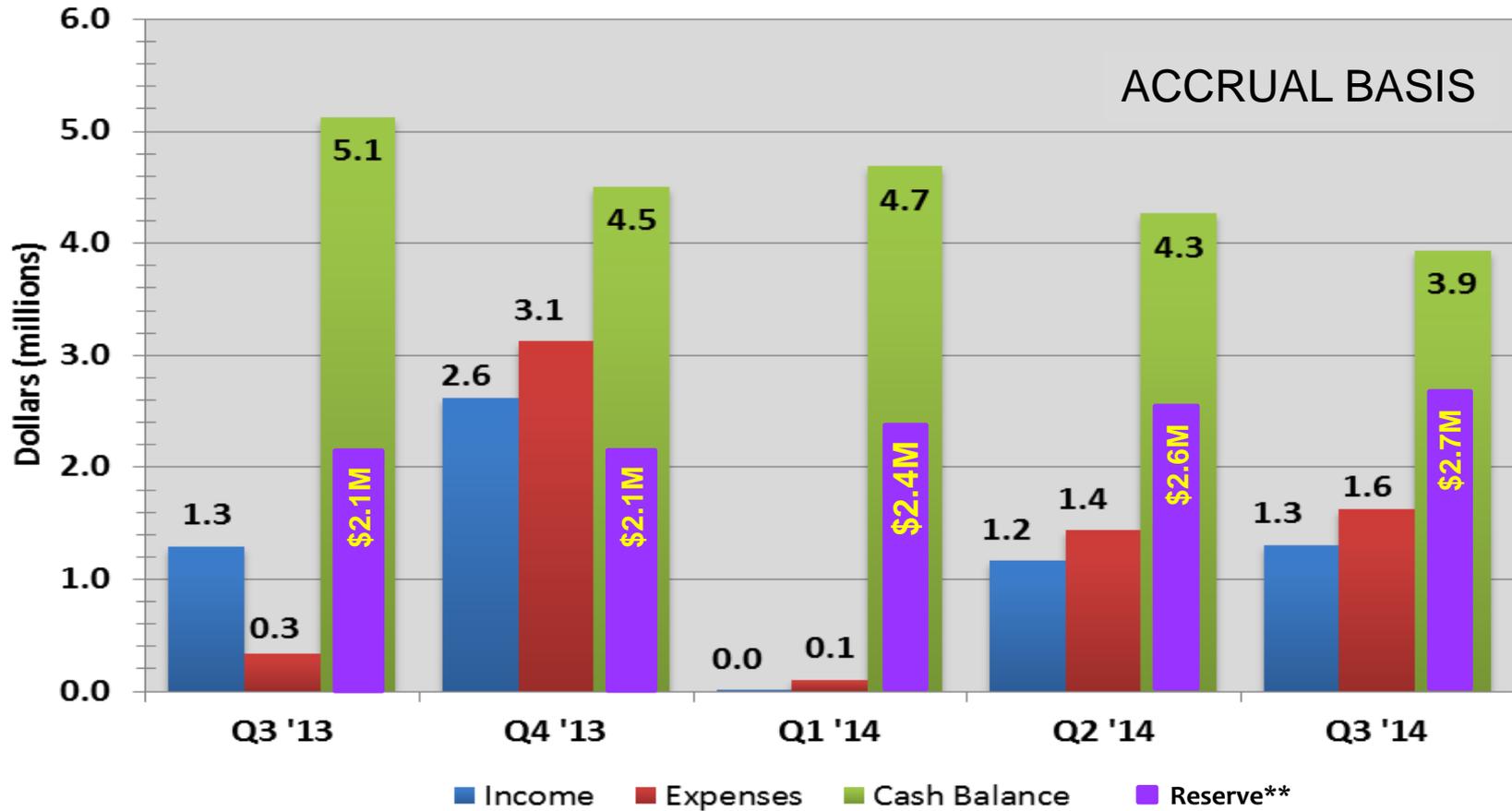
	Description	Amount in Thousands
Processors	Type 1 Standard Payout	\$ 681.0
	Type 1 Growth Bonus Payout	\$ 35.0
	<i>Total Type 1 Payout</i>	\$ 716.0
	Type 2 Filler/Other	\$ -
	Type 2 CAAF	\$ -
	Type 2 Kiln	\$ 10.2
	<i>Total Type 2 Payout</i>	\$ 10.2
	Adjustments*	\$ -
	Total All Processor Payouts	\$ 726.2
	Non-nylon (Tier 2) Payouts	\$ 305.5
Total Program Payouts for Quarter	\$ 1,031.7	
Expenses	\$ 215.1	
Total	\$ 1,246.8	

5% of Total All Processor Payouts

No Q3 Adjustments



Fund Balance Trends*

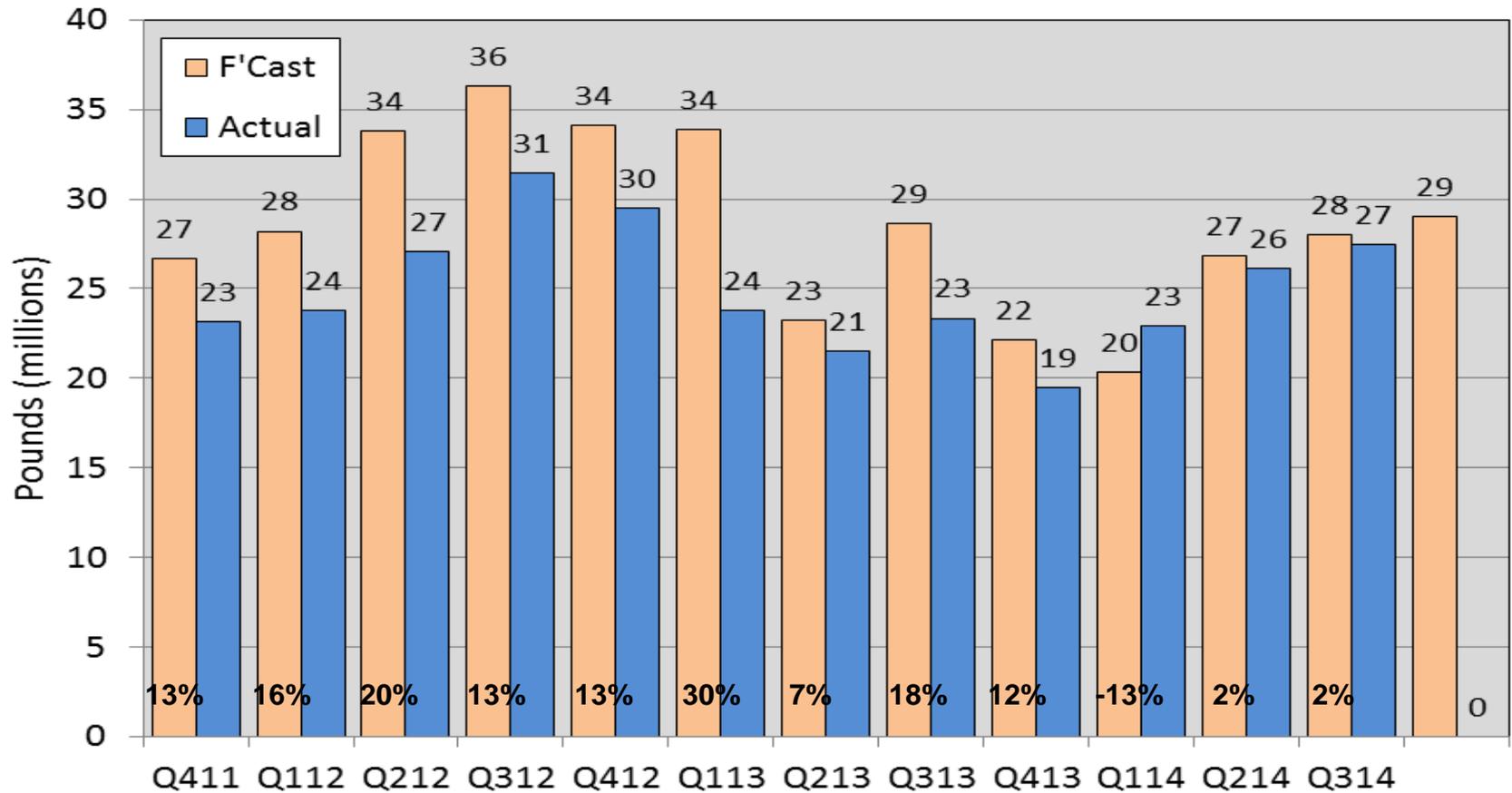


* Includes Processors + Tier 2 Manufacturers

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



Gross Collection (lbs): Processor Estimates

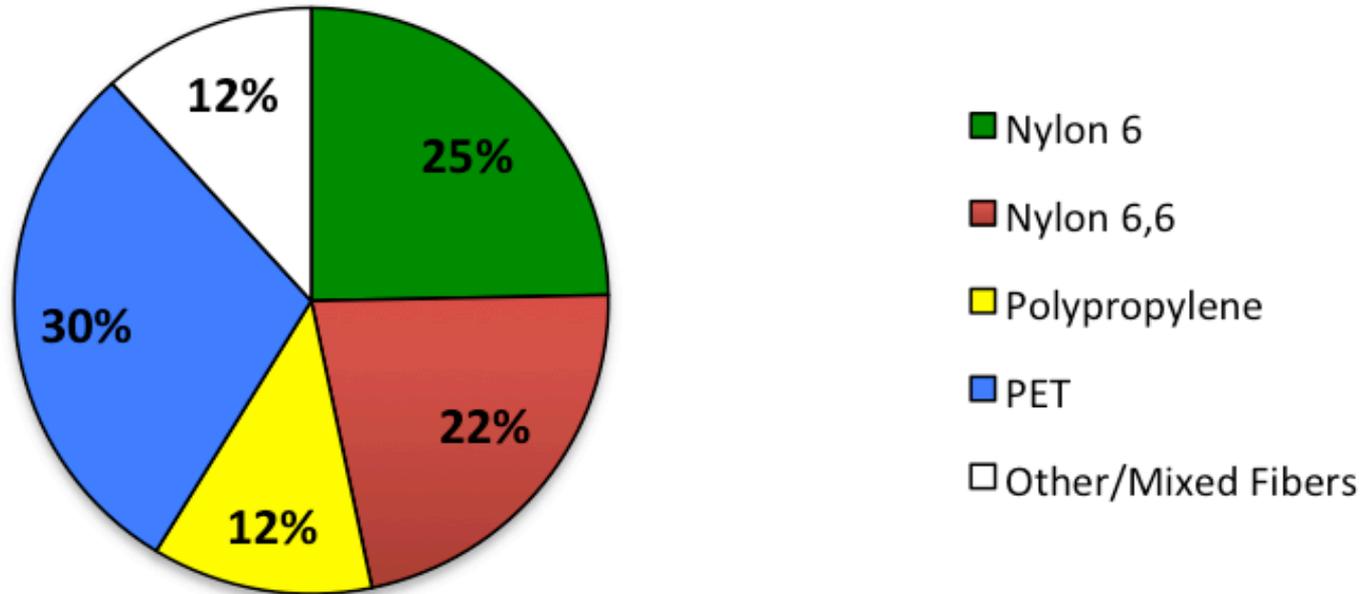


Gross Collected Pounds (in millions of pounds) are listed along chart peak
 Percent difference between Forecasted vs. Actual appears along chart base



Quarterly Collection: Face Fiber Breakdown*

Percent Fiber By Type (Q3 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 (\$726.2K)
- 2) Approve Tier 2 Distribution (\$305.5K)
- 3) Approve Administrative reimbursements (\$215.1K)

Total Payout Q3: \$1,247K



Additional Information

- CARE is now operating under Plan version 3.2.2 dated March 10, 2014 and approved by CalRecycle in January 2014.
- 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).



End of Review

