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# An Introduction to AB 2398

Responsibilities of CARE for AB 2398  
and Implementation of Carpet  
Stewardship Plan



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# Agenda

- Introduction to Carpet Stewardship Organization (CSO) Requirements
- Status
  - Accounting
  - Sustainable Funding
  - Retailer and Manufacturer Education and Communications
  - Timetables
- Next Steps



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# California AB 2398

*Legislation to increase the landfill diversion and recycling of post-consumer carpet generated in California\*.*



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# Background

- Signed by Governor September 30, 2010
- Carpet Stewardship Assessment of \$0.05/yd<sup>2</sup> on every square yard of carpet sold in California
- Assessments will begin July 1, 2011



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# Goals of CA Carpet Stewardship Program- Incentivize

- Recyclability of carpets
- Market growth of secondary products made from post-consumer carpet.
- Growth of recycling of post-consumer carpet
- Growth of diversion of post-consumer carpets from landfills



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# Who is Impacted?

- Carpet Manufacturers
- Importers
- Distributors
- Commercial Dealers
- Retailers
- Consumers
- Carpet Recyclers
- Plastics Compounders
- CARE (Carpet Stewardship Organization)
- CalRecycle (Program Manager)



# Carpet America Recovery Effort (CARE)

- CARE will be the Carpet Stewardship Organization for AB 2398
  - Nationwide, voluntary 501 (c) (3) organization
  - Began in 2002
  - Members diverted 1.6 Billion lbs of carpet from the landfill from 2002-2009
  - <http://www.carpetrecovery.org>
- CARE represents >90% of US carpet manufacturers and 95% of carpet sold in the US
- Members include entrepreneurs, government representatives, carpet manufacturers, NGOs, suppliers



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# CARE and the Implementation of AB 2398





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# CARE Role as Carpet Stewardship Organization (CSO)

- Role: CARE is the sole Carpet Stewardship Organization (CSO) for AB 2398, until April 1, 2015.
  - A CSO is an organization appointed by one or more manufacturers to act as an agent on behalf of the manufacturer to design, submit, and administer a carpet stewardship plan.
  - An individual manufacturer may also submit a stewardship plan
  - After April 1, 2015, a carpet stewardship organization appointed by one or more manufacturers, may submit a plan.



# CARE Responsibilities

- Develop an Approved Stewardship Plan
  - Submit Plan to CalRecycle by September 30, 2011
  - Final plan must be approved by CalRecycle by March 31, 2012
- Collect the Carpet Stewardship Assessment
- Negotiate Performance Goals with CalRecycle
  - The goals established in the plan shall, at a minimum, be equal to the goals established in the CARE MOU
- Distribute the Carpet Assessment Funds to Recipients
  - Meet the goals of AB 2398
- Measure and Report Performance through an annual report to CalRecycle



# Requirements for Carpet Manufacturer

- Carpet manufacturer may join the CARE Stewardship Plan
  - Manufacturer may submit a Stewardship Plan to CalRecycle
- In order for the manufacturer to be included in the CARE Stewardship Plan, the manufacturer **must be a member of CARE**
  - **Go to [www.carpetrecovery.org](http://www.carpetrecovery.org) to join CARE**

## IF YOU NEED A CARPET STEWARDSHIP PLAN, YOU'RE NOT ALONE.

The era of AB 2398 has begun. To comply with the new California law, all carpet manufacturers must register and submit a stewardship plan to CalRecycle. Fortunately, you don't have to do it alone. You can participate in the stewardship plan developed by Carpet America Recovery Effort (CARE). We can ensure that you comply with CalRecycle's requirements.

As of April 1, 2012, retailers and wholesalers will only be able to sell from manufacturers who are in compliance with AB 2398. So act now.

To participate in CARE's stewardship plan, go to [www.carpetrecovery.org](http://www.carpetrecovery.org) or call 706-428-2127.



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# Important Information for the Retailers

- Retailers may sell carpets only from manufacturers in compliance with AB 2398
- CalRecycle will post a list of manufacturers in compliance
  - Retailers are required to monitor the web site
  - If your carpet manufacturer is not on the list, please contact your sales rep or CARE
- If your carpet manufacturer is a member of CARE, the carpet manufacturer will be in compliance with the stewardship plan requirements



# AB 2398 Requirements

- Starting July 1, 2011, carpet manufacturers will add an assessment of \$0.05/yd<sup>2</sup> on the purchase price of ALL carpet sold in California
- Retailers must pass the assessment on to consumers
  - Must make assessment visible on all invoices

## JOE'S CARPET SHOP

### INVOICE

BILL TO Susie Quesue 456 Little Susie Way Somewhere, CA, 12345	SHIP TO Susie Quesue 456 Little Susie Way Somewhere, CA, 12345	Invoice # 1234567 Invoice Date 07/01/2011 Customer ID 123456
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DATE	WORK ORDER #	OUR ORDER #	SALES REP.	F.O.B.	SHIP VIA	TERMS	TAX ID
7/1/2011	Susie Q.	9876543				Net 10 days	

QTY	UNITS	DESCRIPTION	UNIT PRICE	TOTAL
35	SY	Perfect Carpet, Color: Blue (12' x 26' 3")	4.56	159.60
45	SY	Perfect Carpet, Color: Blue (12' x 33' 8")	4.56	205.20
Sub Total				364.80
Tax @ 10%				36.48
CA Crpt Stewardship Assessment				4.00
<b>Total</b>				<b>405.28</b>

Installation Date	7/10/2011
Installer	Best Installer
Phone #	555-555-1234

Thank you for your business.

Joe's Carpet Shop 123 Somewhere St Somewhere, CA, 12345	PHONE: (555) 555-0125 FAX: (555) 555-0126 E-MAIL: joe@joescarpetshop.com
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Sample – Two line broadloom invoice (SY) - Retailer

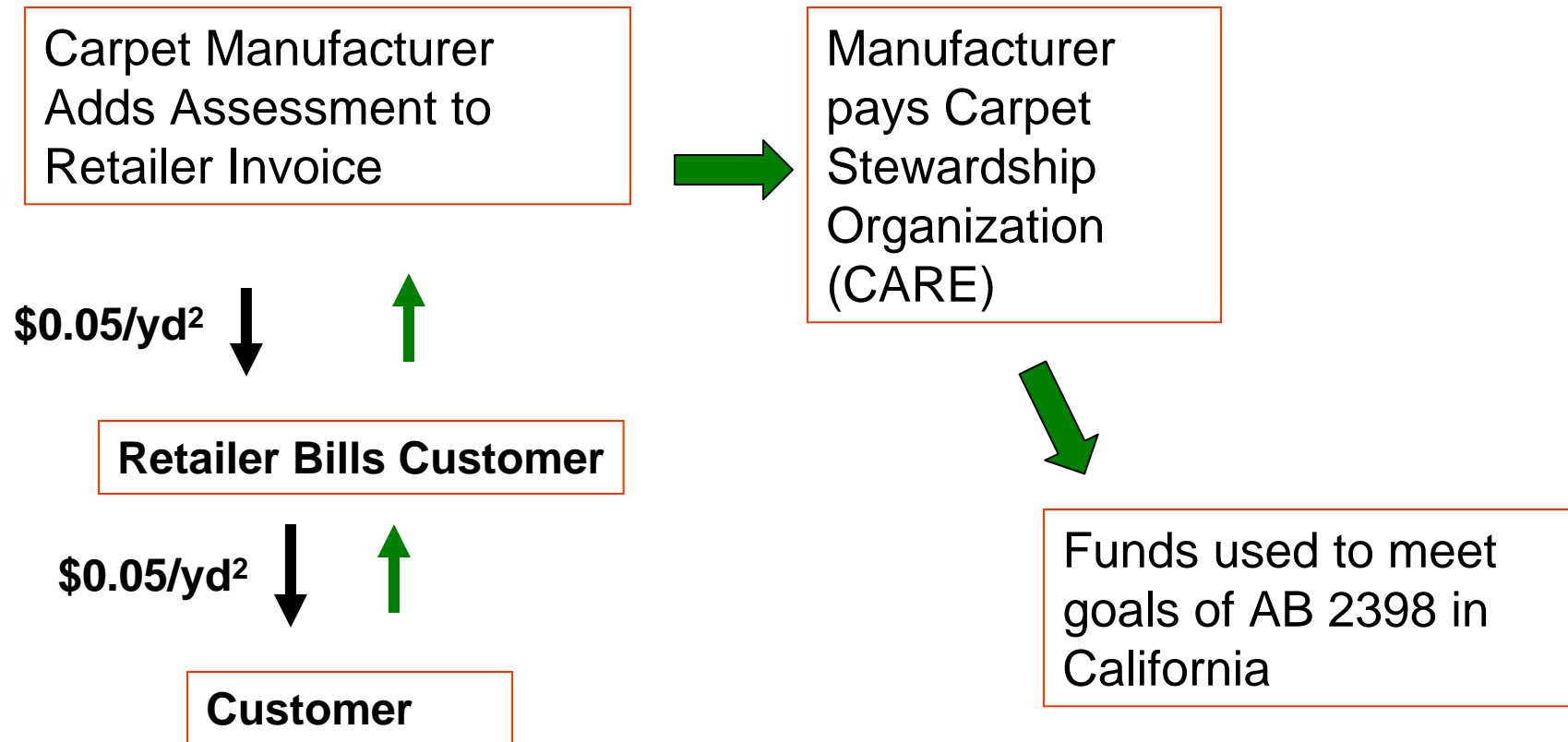
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# Penalties for Non-Compliance

- A civil penalty may be imposed by CalRecycle for anyone in violation of AB 2398
  - ❑ One thousand dollars (\$1,000) per day
  - ❑ Ten thousand dollars (\$10,000) per day if violation is intentional, knowing, or negligent
- Civil penalties may be imposed on any person who violates AB 2398
  - ❑ i.e. manufacturer, distributor, importer, wholesaler, retailer



# Flow of Funds



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# Key Points for All Stakeholders

- Law goes into effect July 1, 2011
- Manufacturer will begin invoicing \$0.05/yd<sup>2</sup> on all carpet going into California
- Retailers will be required to invoice \$0.05/yd<sup>2</sup> to consumers and show the line item on the invoice
- Retailers will begin to receive communications from CARE in March, 2011
- Retailers will receive marketing support materials prior to July 1 launch





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## For More Information:

- ❑ [http://info.sen.ca.gov/pub/09-10/bill/asm/ab\\_2351-2400/ab\\_2398\\_bill\\_20100930\\_chaptered.pdf](http://info.sen.ca.gov/pub/09-10/bill/asm/ab_2351-2400/ab_2398_bill_20100930_chaptered.pdf)
- ❑ [www.carpetrecovery.org](http://www.carpetrecovery.org)
- ❑ [www.calrecycle.ca.gov](http://www.calrecycle.ca.gov)
- ❑ FAQ for California AB 2398



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# Accounting Procedures

Frank Hurd, Chairman, CARE Board  
of Directors



# Accounting Overview

- Provide best practice processes and enhance the system to support the submitted carpet stewardship plan for the carpet industry including Residential, Commercial, and Modular Carpet Tile.
- The Carpet Stewardship Plan will include support for:
  - Reporting Sales
  - Collection of Revenue
  - Audit capability for sales of carpet and carpet tile into the state of California
  - Remittance of Stewardship Assessment to CARE



# Resources



- HA&W Accounting Firm
- Manufacturers' Accounting, Credit, IT and Communications Departments
- CalRecycle
- Importers, Distributors, and Wholesalers
- Residential Retailers and Commercial Dealers
- Software Vendors



# Impacted Processes and/or Systems

## ■ Master Data Management

- CARE data tables

## ■ Customer Support

- Customer order value
- EDI/B2B/Mill
- Communication (Sales and Customer)

## ■ Credit

- Credit approval – order value
- Customer's credit approved not shipped

## ■ Logistics

- Build of billing tables

## ■ Invoicing

- Include line item for Stewardship Assessment

## ■ Claims

- Credit or Collect Stewardship Assessment

## ■ Tax

- Stewardship Assessment is not taxable

## ■ Finance

- Financial reporting
- CARE reporting

## ■ Sales

- Sales reporting

## ■ Marketing

## ■ Audit



# Projected Work Plan & Timeline

	JAN	FEB	MAR	APR	MAY	JUN	JUL
Business Requirements	█						
Design	█	█					
Development		█	█				
Functional Testing		█	█				
System Test				█			
User Verification				█			
Training				█			



# Process for Assessment and Reporting

- Carpet Manufacturer will be adding Assessment of \$0.05/sq yd starting July 1, 2011
- Carpet Manufacturer will report sales and send Assessments to HAW on a quarterly basis
- HAW will consolidate reports and send funds to CARE quarterly
- HAW and/or CalRecycle may audit the process



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# Sustainable Funding for AB 2398





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# CARE Stewardship Plan Funding Process

- Abide by the Guiding Principles for the Implementation of plan to meet the goals and requirements of AB 2398
- Use the Sustainable Funding Options as a guideline for distributing funds to the Sustainable Funding Hierarchy.
- Review results quarterly, and make changes as needed to meet the goals of AB 2398, and to insure compliance with AB 2398 requirements.
- Report results quarterly or as needed to the CARE SFOC.



# Guiding Principles

- **Maintain a carpet flooring industry that is both sustainable and viable**
- **Comply with Requirements of AB 2398**
  - Goals established in the plan shall, at a minimum, be equal to the goals established in the CARE MOU
- **Meet Goals of AB 2398 to Incentivize**
  - Recyclability of carpets
  - Market growth of secondary products made from postconsumer carpet
  - Growth of recycling of postconsumer carpets
  - Growth of diversion of postconsumer carpet from landfill
- **Achieve Economic Sustainability**
- **Utilize Stewardship Fund Management Hierarchy**



# Funding Logistics

## **Proposed Funding: Growth Incentive**

Year 1: \$0.06/lb (establish baseline)

Year 2: and beyond: \$0.06/lb for base  
\$0.08/lb for growth

### **Example:**

Year 1 process 100,000 lbs., paid \$6,000. (100,000 x \$0.06/lb)

Year 2 process 110,000 lbs., paid \$6,800. (100,000 x \$0.06/lb + 10,000 x \$0.08/lb)

Year 3 process 150,000 lbs., paid \$9,800. (110,000 x \$0.06/lb + 40,000 x \$0.08/lb)

Year 4 process 140,000 lbs., paid \$8,400. (140,000 x \$0.06/lb)

## **Funding Recipient: 100% to First-Level Processor**

Viewed as a push – pull strategy

### **Expected Outcomes:**

Insures the health of the base business, while stimulating growth.

Processor will pull product (feedstock) from upstream sources and push increase demand for recycled carpet materials through the end user/manufacturer by being able to negotiate more favorable pricing.

Paying for invoices paid; paying for what the processors are selling.

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# Consumer Education and Outreach

Georgina Sikorski, CARE



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# Target Audiences

- Carpet Manufacturers
- Importers
- Distributors
- Commercial Dealers
- Retailers
- Consumers
- Carpet Recyclers



# Manufacturer Awareness

- Insure that Carpet manufacturers are aware of AB 2398 and register
  - Letters sent to  
~85 non –CRI mill members

Floor Focus Ad, May, 2011

## IF YOU NEED A CARPET STEWARDSHIP PLAN, YOU'RE NOT ALONE.

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As of April 1, 2012, retailers and wholesalers will only be able to sell from manufacturers who are in compliance with AB 2398. So act now.

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# Retailer Education

- Educate Mills' Salespeople
- Educate Retailers
- Webinar May 11, 2011

Trade Ad for Retailer Webinar

## WHAT IS AB 2398? AND WHAT DOES IT HAVE TO DO WITH YOU?

The passage of AB 2398 in California means new responsibilities for carpet retailers. As of July 1, 2011, there will be a \$0.05/sq. yd. Carpet Stewardship Assessment fee placed on all carpet sold into the state of California. Retailers must include the \$0.05/sq. yd. Carpet Stewardship Assessment fee as an after-tax line item on the customer invoice starting July 1, 2011.

CARE will be hosting a webinar for salespeople and retailers on March 22 at 2 PM EST.

Register at  
[www.carpetrecovery.org/  
AB2398.php](http://www.carpetrecovery.org/AB2398.php)



# Retailer Communications

**WHAT IS AB 2398?  
AND WHAT DOES IT HAVE  
TO DO WITH YOU?**

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The passage of AB 2398 in California has ushered in a new era in carpet recycling. With it comes new responsibilities for carpet retailers. Here are some facts to get you prepared.

- California has passed a new law to increase the diversion and recycling of post-consumer carpet.
- As of July 1, 2011, there will be a \$0.05/sq. yd. Carpet Stewardship Assessment fee placed on all carpet sold into the state of California. Retailers must include the \$0.05/sq yd Carpet Stewardship Assessment fee as an after-tax line item on the customer invoice starting July 1, 2011.
- Those found in violation of the law will be fined \$1,000/day; up to \$10,000 per day if the violation is found to be intentional or negligent.
- For more information, Contact CARE at [carpetrecovery.org](http://carpetrecovery.org) or speak directly to the carpet manufacturers.

Visit [www.carpetrecovery.org](http://www.carpetrecovery.org) or call 706-428-2127



Tradeshow Placard



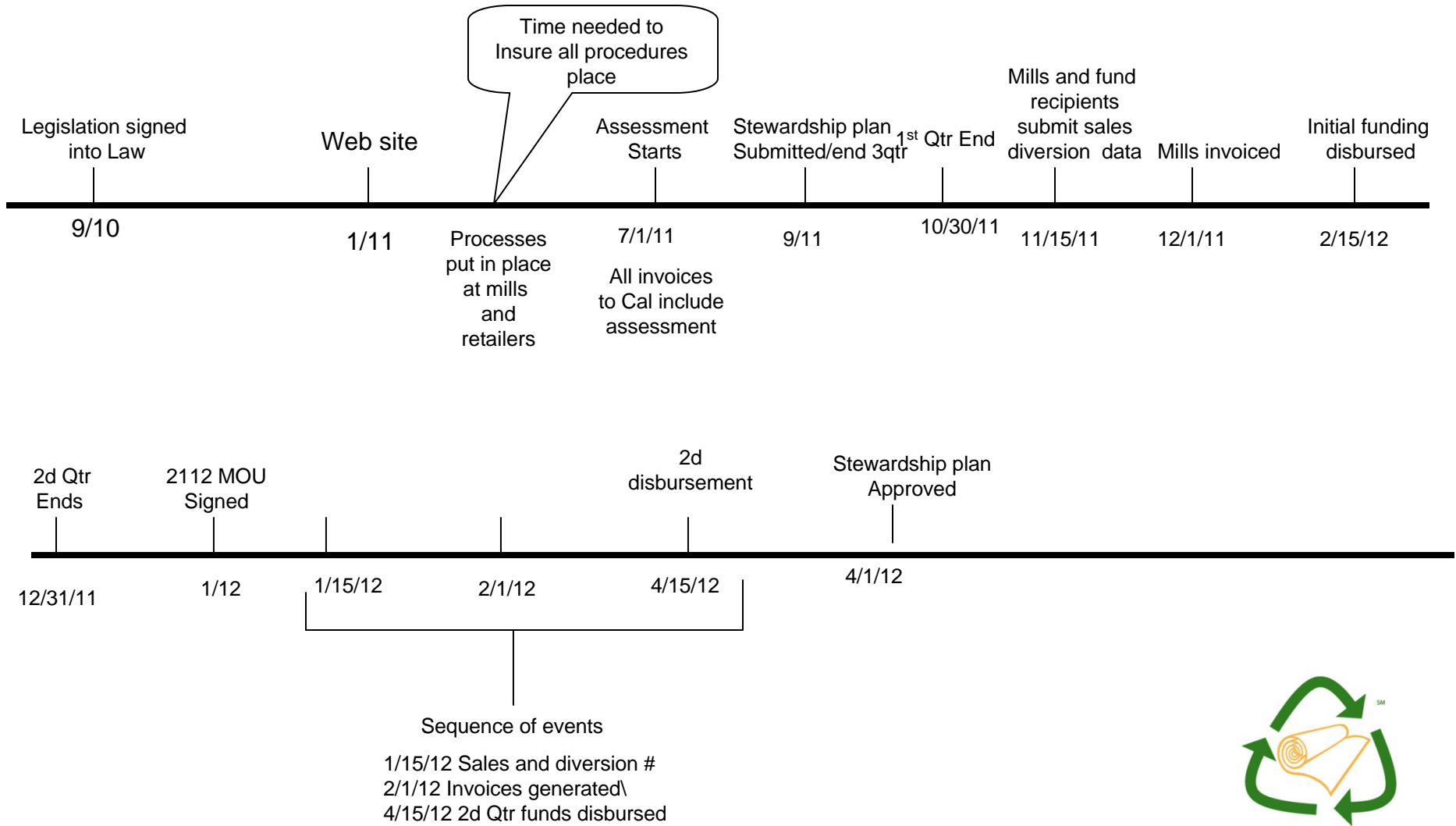
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# Tactics

- Retailer Tradeshow activities
- Trade Journal Articles and Interviews
- CRI Blogs
- Letters and Emails to Manufacturers and Retailers
- Webinars for Salespeople and Retailers
- Web page: <http://carpetrecovery.org/AB2398.php>
- CARE Annual Conference
- Signage and Consumer Flyers
- Tour of Carpet Manufacturing and Carpet Recycling Facilities



# Next Steps



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## For More Information:

- ❑ [http://info.sen.ca.gov/pub/09-10/bill/asm/ab\\_2351-2400/ab\\_2398\\_bill\\_20100930\\_chaptered.pdf](http://info.sen.ca.gov/pub/09-10/bill/asm/ab_2351-2400/ab_2398_bill_20100930_chaptered.pdf)
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# Questions? Comments?

