



October 30, 2018

Assessment Increase Notice

Dear California Carpet Retailer,

I am writing to update you on important changes to the California Carpet Stewardship Program that take effect on January 1, 2019. **These changes will affect your business.**

Effective January 1, 2019, all carpet sold and/or shipped in California is required to be assessed at \$0.35 per square yard at the point of sale. This consumer pass-through assessment is an increase from the current \$0.25 per square yard.

As you may know, CARE is the non-profit 501(c)3 organization serving as the Carpet Stewardship Organization (CSO) for California's Carpet Stewardship Program. The purpose of the original law (AB 2398) is to increase the diversion and recycling of carpet in the state of California.

The funding collected from the assessment is directed to:

- **Ongoing subsidies** to carpet recyclers and processors, in support of the carpet recycling industry and manufacturing of products made from recycled carpet. These subsidies help support capital investments in recycling equipment, materials testing and product development—especially in light of the negative impacts from China's recent shutdown of accepting recycled materials on recycling markets overall.
- CARE has awarded \$2.3 million in **grant funding** for capital investment, product testing, market development and collection projects to establish and expand recycling of California post-consumer carpet. Approximately 90% of those funds were awarded to California-based projects. CARE has approved an additional \$5 million in capital investment, new product testing, and collection projects for 2018-19.
- Developing new California-generated **post-consumer carpet (PCC) content products**, expanding California processing and manufacturing capacity, and encouraging procurement of California PCC-content products by private and government entities.
- Expansion of the public **carpet drop-off site program**, with a goal of establishing at least one site in every county in California.
- Continuing education/outreach efforts to carpet retailers, installers, manufacturers, building owners and managers, and consumers to encourage carpet recycling.

All of these efforts are critical to growing market outlets and increasing diversion from landfill, as mandated by AB 2398. CARE is seeing a steady increase in recycled pounds and expects significant growth in subsidy payouts beginning in 2019. To meet financial obligations to make these payouts, it is necessary to collect additional funds through the assessment.

CARE is now operating under the new conditionally approved 5-Year Plan and CalRecycle has approved CARE's request to move forward with notification regarding an assessment increase that will be effective January 1, 2019. It is our responsibility to notify you of this change. CARE is committed to working with California retailers to incorporate these

changes to ensure a smooth transition by January 1. Retailers play a critical role in CARE's efforts to divert and recycle carpet in California, and your participation is greatly valued.

To sign up for email updates and for additional information about this change, please visit:
CarpetRecovery.org/CA-retailers.

Thank you for your cooperation on the implementation of this important change. We have provided additional recommended actions enclosed to ensure proper compliance.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Peoples', written in a cursive style.

Robert Peoples, Ph.D.
Executive Director
Carpet America Recovery Effort (CARE)



To ensure compliance with the assessment adjustment and to avoid civil penalties, CARE recommends that retailers take action on the following:

1. As of January 1, 2019, **customer invoices must include the \$0.35 per square yard assessment.**

Please note that CalRecycle requires the invoice label to follow a precise protocol. The assessment must be clearly visible on invoices or functionally equivalent billing documents as a separate line item and shall be accompanied by a brief description of the assessment or a label approved by the Department (see below). We recommend that you use the terminology 'CA Carpet Stewardship Assessment' to describe the after-tax line item. Other approved labels are listed below.

Below are the only CalRecycle approved labels:

- California Carpet Stewardship Assessment
- CA Carpet Stewardship Assessment
- CA Crpt Stewardship Assessment
- CA Crpt Stwdshp Asmt
- CA Carpet Assessment

For additional information regarding labeling, visit: www.CalRecycle.ca.gov/Carpet/ApprovLabels.htm.

For a detailed explanation on how to calculate the Assessment, as well as examples for a variety of invoices, visit: CarpetRecovery.org/CA-retailers.

2. The scope of AB 2398 includes all carpet sold into California.

The Carpet Stewardship Assessment must be included on all carpet sold and/or shipped into California.

This includes:

- Manufactured carpet that is used in commercial and residential buildings (indoor/outdoor included)
- Commercial and residential broadloom carpet or modular carpet tiles
- Carpet does NOT include rug, pad, cushion or underlayment
- Carpet does NOT include synthetic turf

3. You are required to purchase carpet only from carpet manufacturers in compliance with AB 2398.

The California Department of Resources, Recycling and Recovery (CalRecycle) posts a notice on its website CalRecycle.ca.gov/Carpet/MfrBrands listing manufacturers that are in compliance with AB 2398. The wholesaler and retailer that distributes or sells carpet shall monitor this website. If you do not see your manufacturer on the list, please contact your manufacturer, CalRecycle or CARE.

Please recall there are civil penalties for non-compliance of \$1,000/day or up to \$10,000/day if the violation is intentional, knowing or negligent.

4. Exemptions

The law covers all carpet sold and/or shipped into the state of California. If you sell carpet to someone whose ship-to address is outside of the state of California, or outside of the United States, for example, the sale shall not include the California Carpet Stewardship Assessment. Please send the exemption form to your carpet manufacturer when completed. For a copy of the exemption form, please go to the CARE website, CarpetRecovery.org/CA-retailers.

5. Retain Records for Three Fiscal Years

Retailers must retain the following records for sales of carpet into California for a period of three fiscal years:

1. Manufacturer of the Carpet
2. Date(s) the retailer ordered or purchased the carpet from the manufacturer
3. Date(s) the retailer sold or offered the carpet for promotional purposes
4. Retailer Invoice(s) or functionally equivalent billing documents showing California Carpet Stewardship Assessment
5. Certification Letter(s) from the department if provided by a manufacturer to demonstrate that carpet from the manufacturer is or was subject to a Department-approved stewardship plan.

Thank you for your cooperation for the implementation of this important change. I encourage you to sign up to receive email updates about the California Carpet Stewardship Program on our website:

CarpetRecovery.org/CA-retailers.

Remember: Effective January 1, 2019, all carpet sold and/or shipped in California is required to be assessed at \$0.35 per square yard at the point of sale.