
CARE Update: Q3 2023 Results

California Carpet Stewardship Program Approved Results

12/14/23

Agenda

- Quarterly Overview of Results
- Manufacturers Report
- Quarterly Subsidy and Expense Payouts
- Drop-off Program Update
- Approval Request
- Program Updates

CARE Executive Director Message

Collections increased in Q3 while recycled output decreased slightly. Carpet sales continue their steady decline falling over a million square yards below budget. Markets for our products continue to be adversely impacted by numerous externalities. This combination of factors resulted in the Recycling Rate declining to 33%, this first drop in over 7.5 years.

Sales in Q3 were 14.4M square yards and 1M square yards below budget, again resulting in a lower revenue stream than expected. The residential sector (~86% of sales) slowdown continues to impact the collection of carpet, despite adding 17 new public Drop Off Sites year to date. In addition, the pad markets, while not covered by the carpet steward law, have collapsed putting further financial pressure on recyclers. Virgin resin prices remain at decade lows and oil prices have declined.

Overall, 77% of expenses were paid out in the form of subsidies and 75% of subsidies were paid to CA recyclers. An analysis of all expenses paid in CA is underway. Revenue exceeded expenses due to the April assessment increase. Thus, the fund balance ended the quarter at \$3.0M, up by \$1.2M vs. Q2. Note: on November 21st, CalRecycle approved an assessment increase effect January 1, 2024. This increase is necessary to meet the new reserve requirement of the 2023-2027 approved Plan.

Finally, all stakeholders are encouraged to go to the CARE website, click on the CA tab and sign up for the monthly e-news letter to stay abreast of the latest developments. www.carpetrecovery.org

Robert Peoples, PhD
Executive Director



AB 2398 Summary Results

Quarterly Overview of Results

Readers note: There may be slight differences in numbers versus prior reports since some data are based on accruals and may change when actual data is available, or adjustments must be made. Adjustments typically occur with audits, are routine, and are usually minor with minimal impact and no implications for the Program.

AB 2398 Performance Trends (millions of pounds)

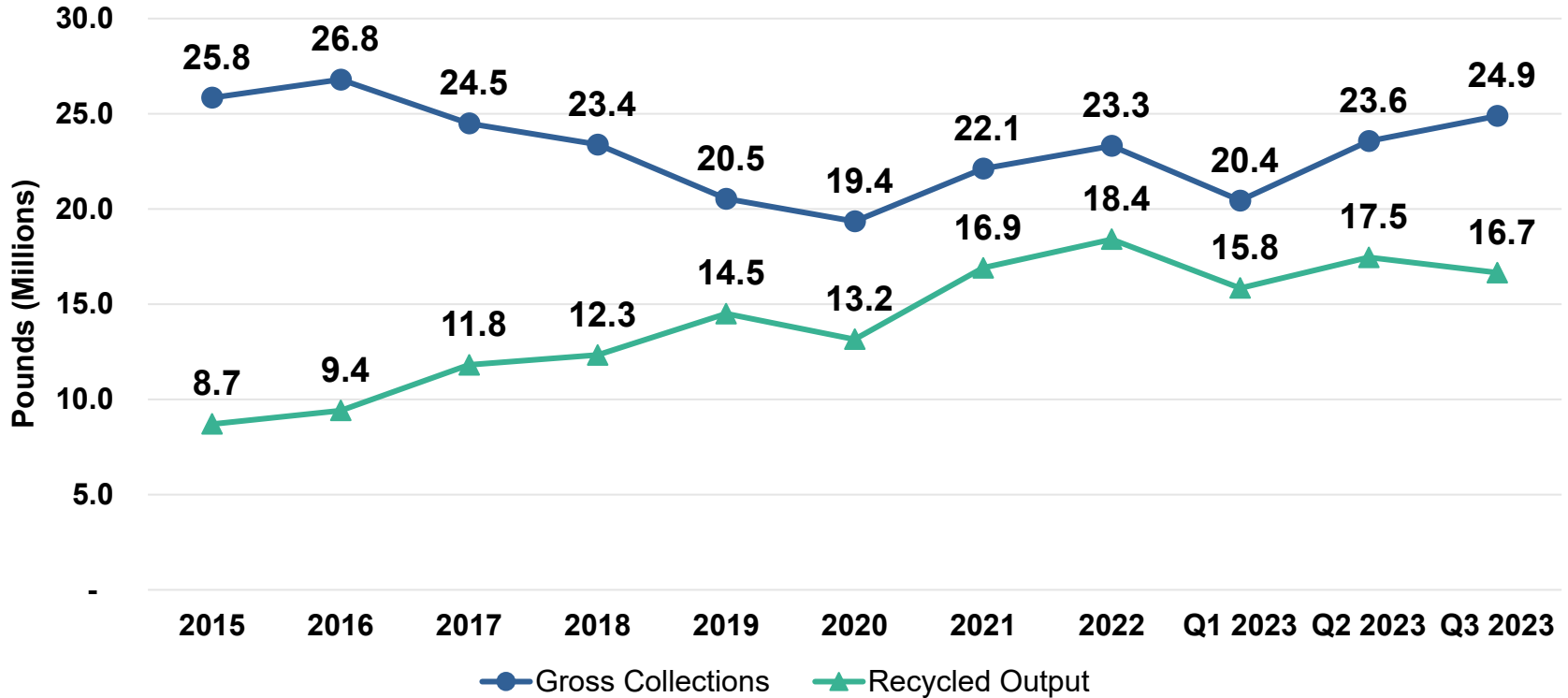


Table Note: 2015 – 2022 data represents the quarterly average during the year.

AB 2398 Performance Trends (percentage)

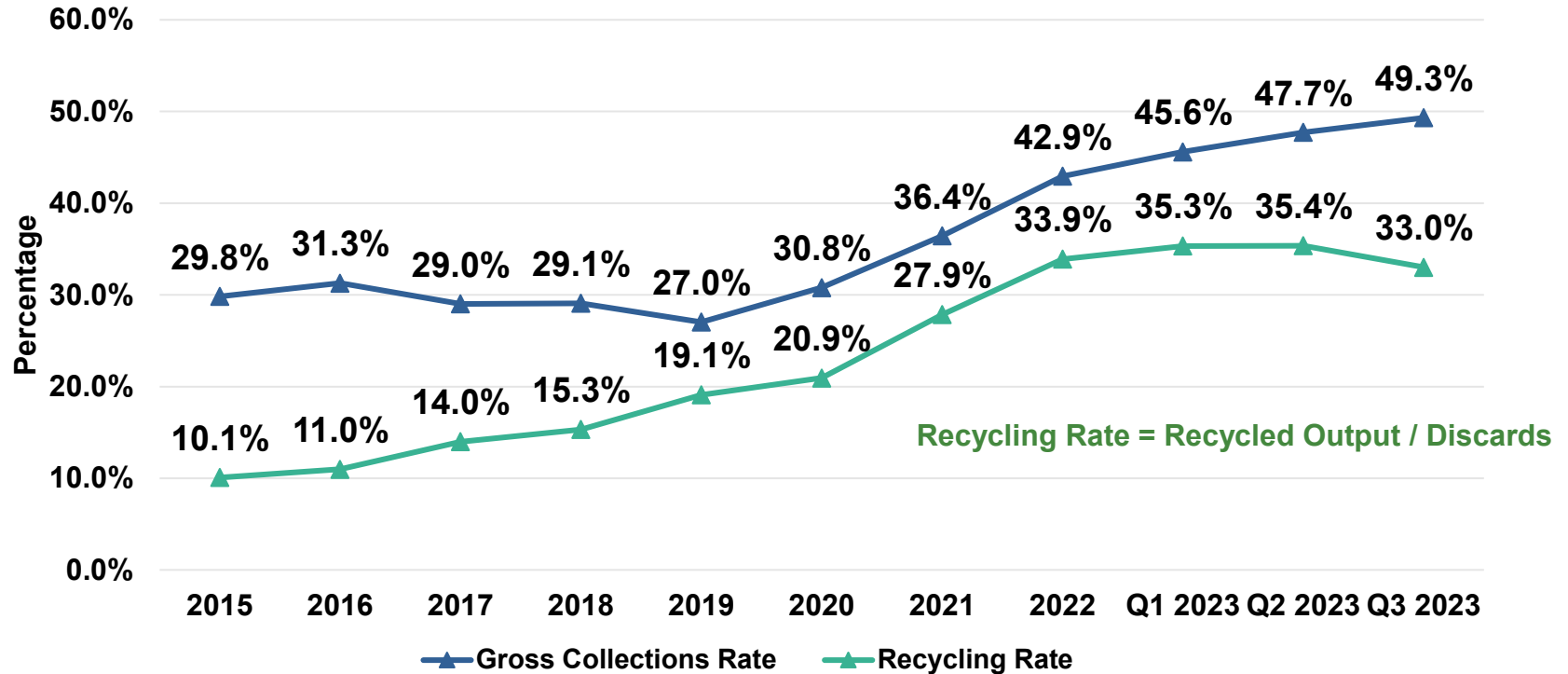
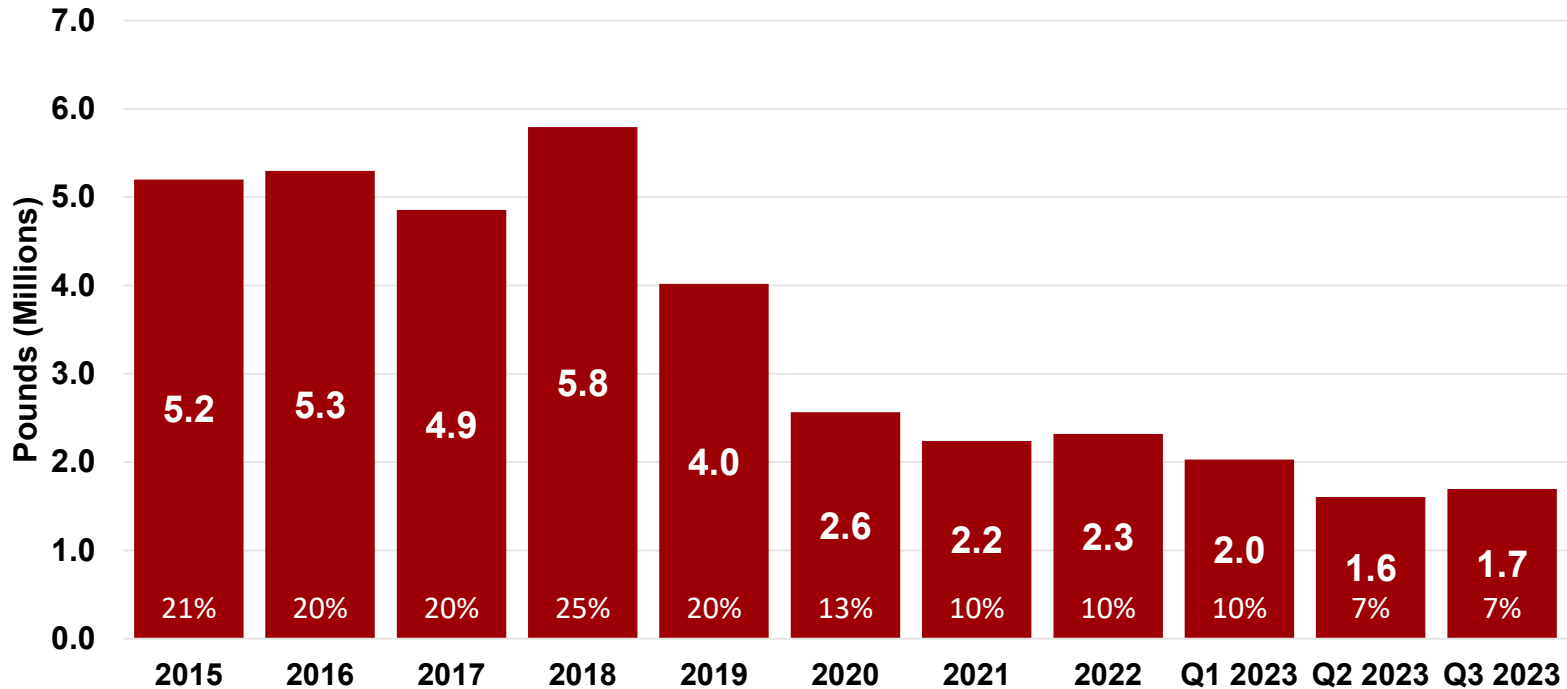


Table Note: 2015 – 2022 data represents the respective rates on a full-year basis

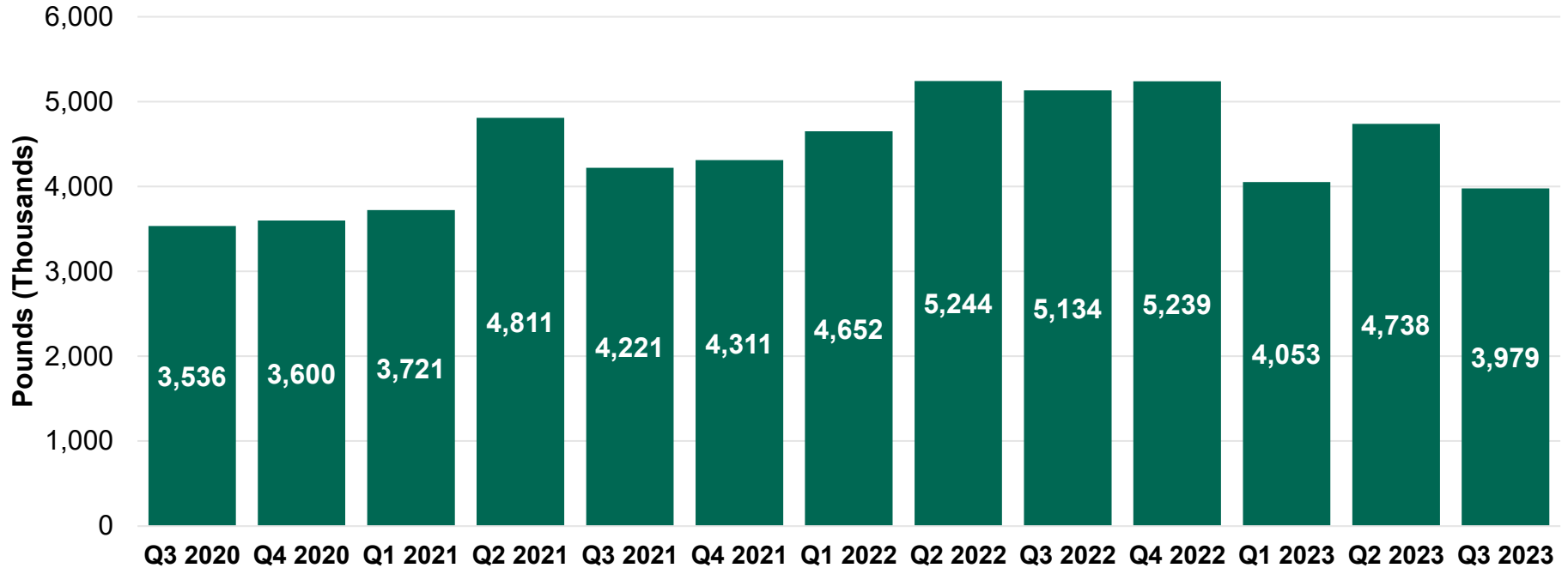
Gross Collected PCC Sent Back to Landfill ¹



Q3 2023 Gross Collected: 24.9M lbs. – 1.7M lbs. sent to landfill | **Cumulative back to landfill 2015 – YTD 2023:** 136.1M lbs.

1. Percentages shown are % of Gross Collected PCC sent to landfill as unrecyclable PCC or process waste. 2015 – 2022 data represents the quarterly average during the year.

Calcium Carbonate (PC4) by Quarter¹



1. Beginning with Q4 2022, PC4 pounds were adjusted to correct for excess water content.

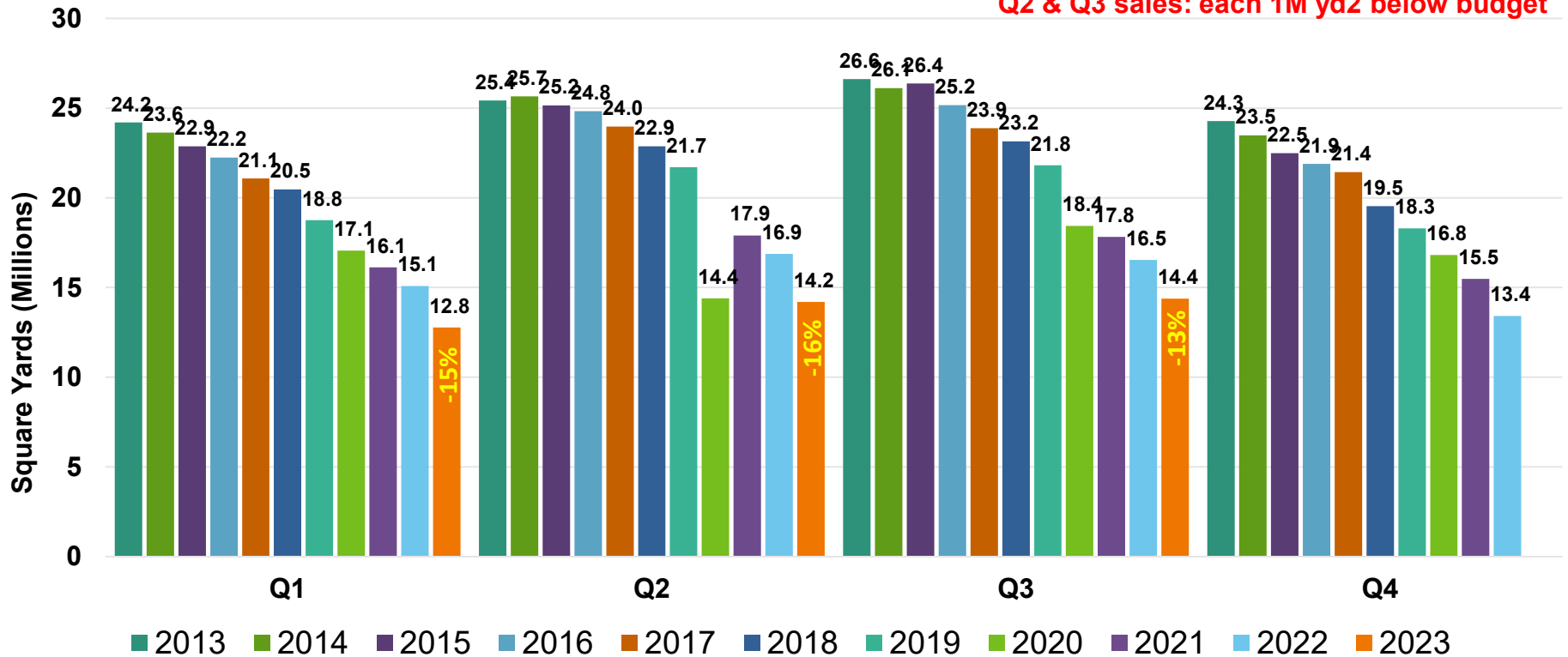
AB 2398 Manufacturers/Mills Quarterly Summary Report

Mills - Quarterly Summary

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
# Mills Registered	79	79	79	79	77	77	77	78	80	83	82	83	84
# Mills Not Reporting	4	3	3	1	0	2	2	2	0	0	0	1	17
Non-response Rate	5%	4%	4%	1%	0%	3%	3%	3%	0%	0%	0%	1%	20%
Remittance Collected													
Total Sq Yd Sold (millions)	18.4	16.8	16.1	17.9	17.8	15.5	15.1	16.9	16.5	13.4	12.8	14.2	14.4
Total Remittances (\$M)	\$ 6.45	\$ 5.89	\$ 5.64	\$ 6.26	\$ 6.24	\$ 5.42	\$ 5.28	\$ 6.22	\$ 6.11	\$ 4.99	\$ 4.72	\$ 8.53	\$ 8.60
Top 10 Remittances (>\$10K)	\$ 6.15	\$ 5.56	\$ 5.35	\$ 5.93	\$ 5.86	\$ 5.09	\$ 4.90	\$ 5.81	\$ 5.69	\$ 4.63	\$ 4.39	\$ 8.01	\$ 8.09
Top 10 % of Total (Avg)	95%	95%	95%	95%	94%	94%	93%	93%	93%	93%	93%	94%	94%

Cumulative SQYD Sold: 1,033.3M Cumulative Remittances: \$206.3M

Q2 & Q3 sales: each 1M yd2 below budget



AB 2398 Quarterly Subsidy and Expense Payouts

1

CSEs	
CSE Reporting Incentive	\$ 12,000
Tile Recycling or Reuse Pilot	\$ 52,820
Tile Reuse	\$ 129,839
Broadloom Reuse	\$ 9,572
Total Reuse Payout	\$ 139,411
Broadloom Shipped and Sold	\$ 658,889
Adjustments	\$ -
Total CSE Payouts	\$ 863,120

2

Processors	
Tile RECYCLED	\$ 94,905
Type 1 Standard Payout	\$ 1,424,432
Highest Recyclability: Nylon	\$ 357,083
Total Type 1 Payout	\$ 1,876,420
Type 2 Filler/Other	\$ -
PC4 (Calcium Carbonate)	\$ 676,401
Total Type 2 Payout	\$ 676,401
Adjustments	\$ (8,659)
Total All Processor Payouts	\$ 2,544,163

3

Manufacturers	
Non-Nylon Payouts	\$ 1,282,552
Nylon 6 Payouts	\$ 906,084
Nylon 6,6 Payouts	\$ 198,349
Adjustments	\$ (7,680)
Total All Manufacturers Payouts	\$ 2,379,305

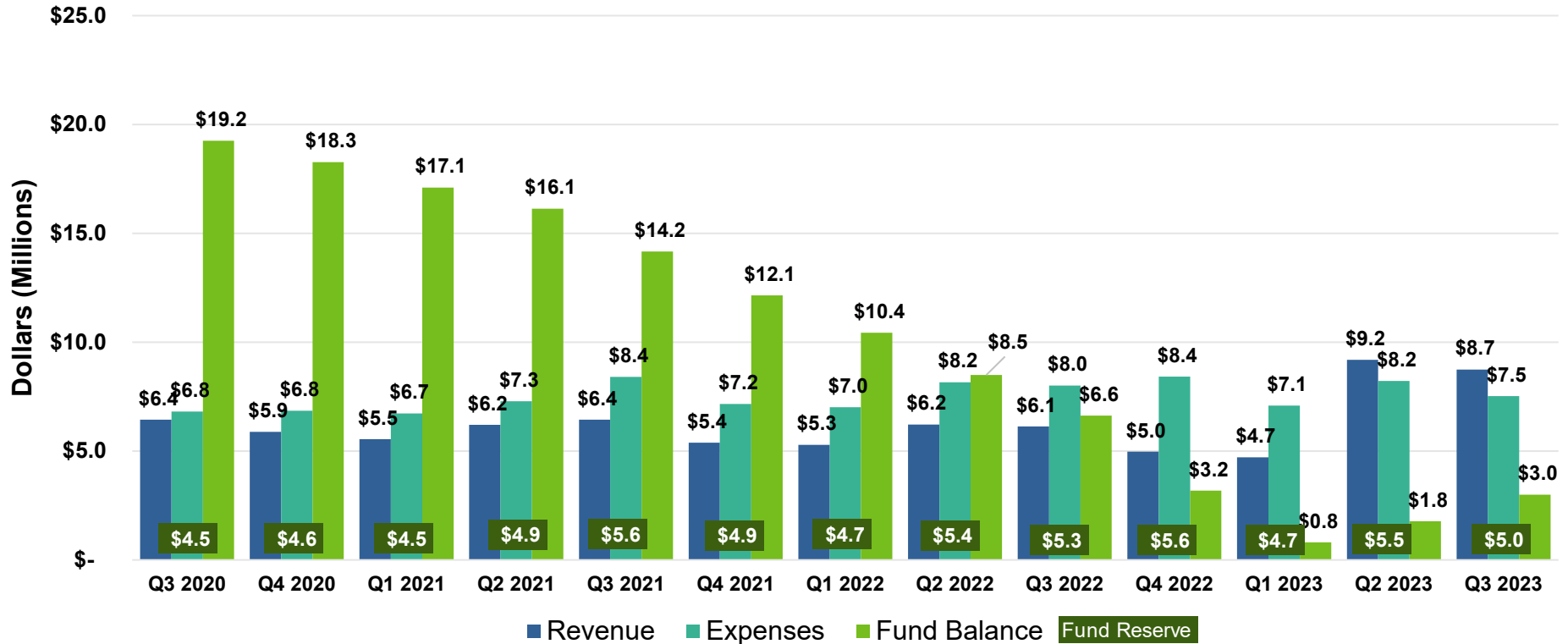
4

Subsidy Payouts	
Total Subsidy Payouts for Qtr	\$ 5,786,587

Expenses	Q3 2023	Percentage
Base Subsidy Payouts	\$ 5,786,587	77%
Total Subsidy Payouts for Quarter	\$ 5,786,587	77%
Advisory Committee	\$ 3,000	0%
Education and Outreach	\$ 228,908	3%
Collections Program	\$ 572,873	8%
Grants	\$ 162,764	2%
Technical Assistance	\$ 93,159	1%
Program Expenses Sub-total	\$ 1,060,704	14%
CalRecycle	\$ 200,000	3%
CARE Administrations Cost	\$ 15,781	0%
Direct Expenses	\$ 335,500	4%
Direct Support	\$ 95,104	1%
Accounting and Legal	\$ 27,096	0%
Admin Expenses Sub-total	\$ 673,481	9%
Program & Admin Expenses Total	\$ 1,734,185	23%
Grand Total Expenses	\$ 7,520,772	100%

Note: All data from Finance Director confirmed 11/16/23

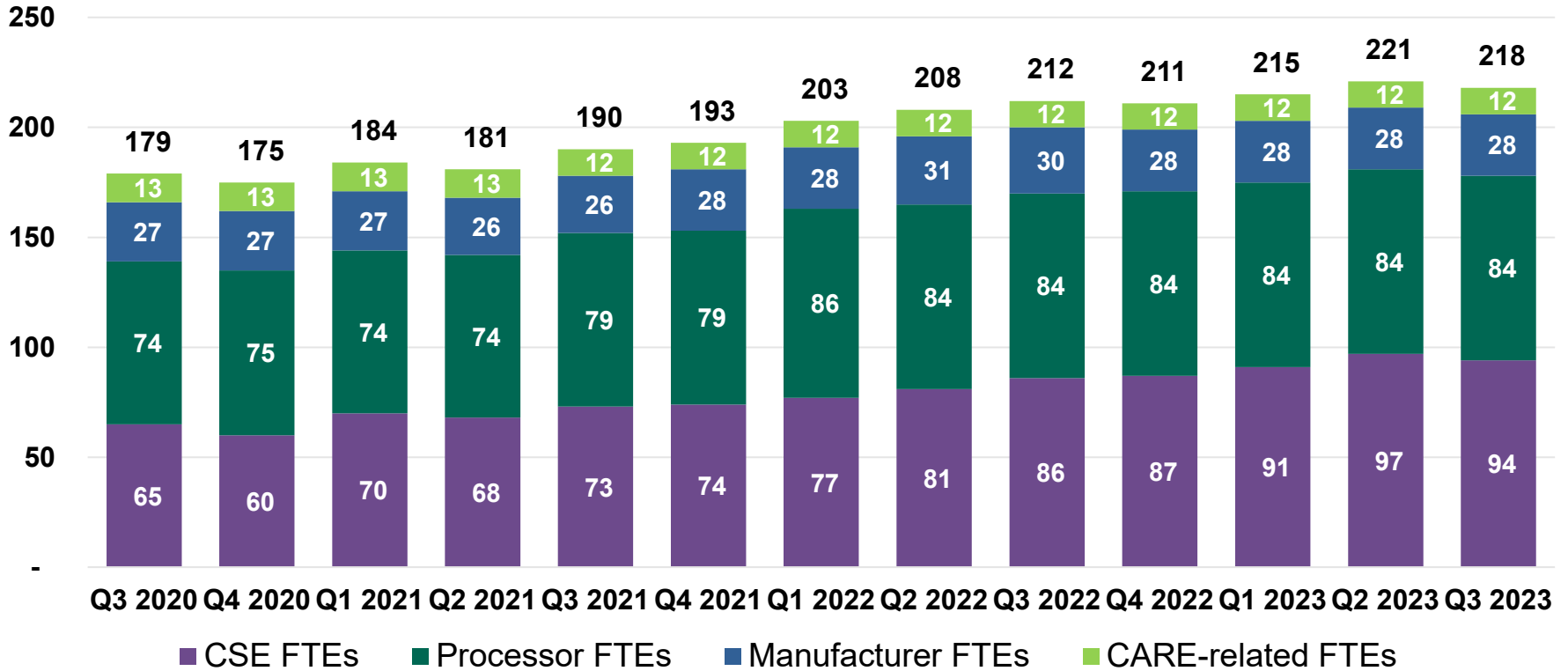
Fund Balance Trends: Accrual Basis



Based on unaudited numbers – adjustments may be made after audit closes.

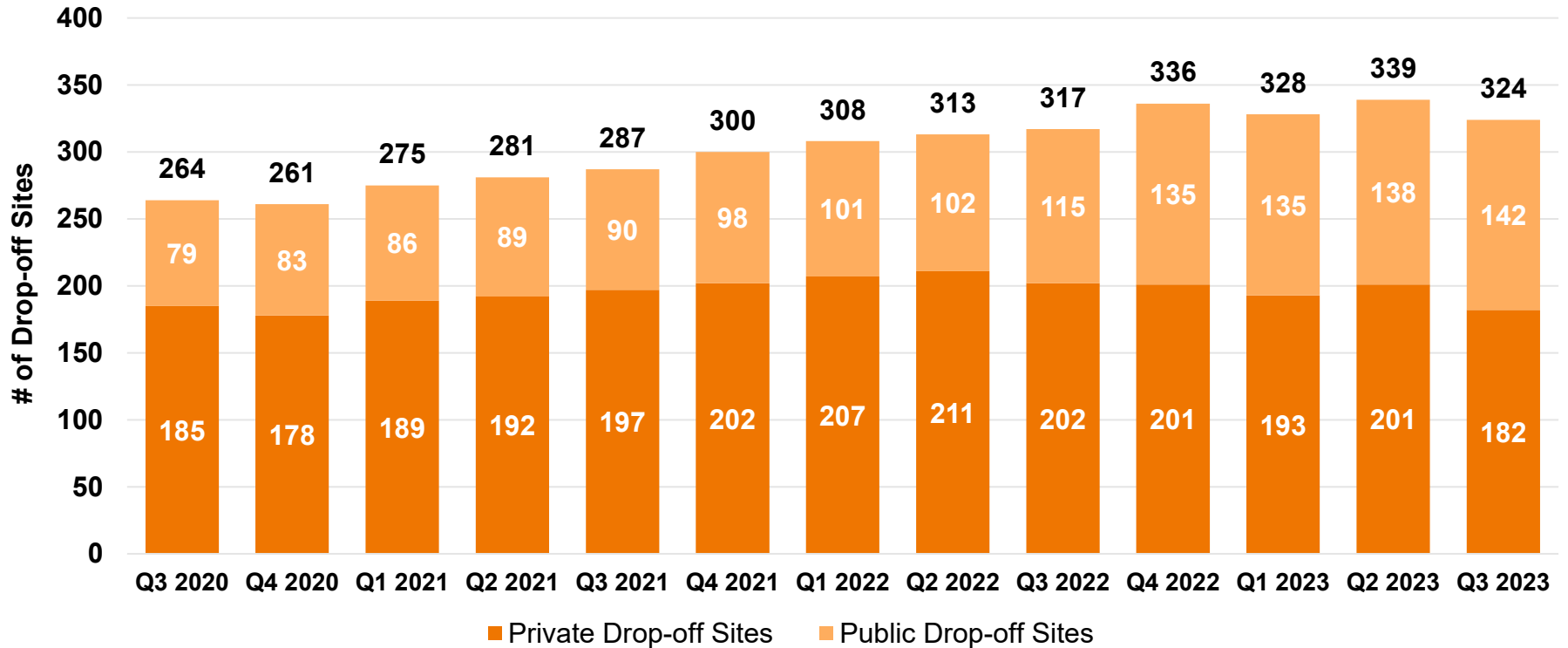
Reserve = 2-month average of the last quarter total expenses (effective Q1-2019)

Financial Director confirmed 11/16/23



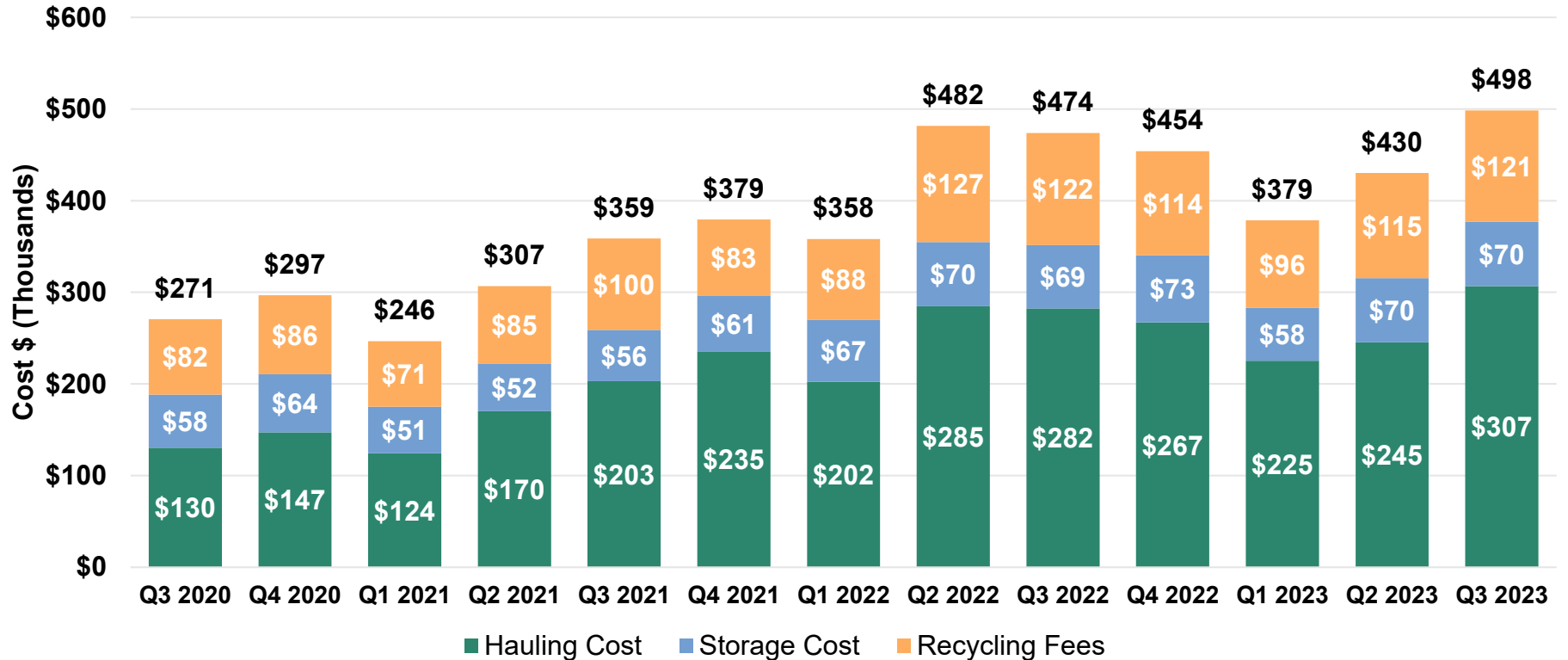
FTE = Fulltime equivalent employees

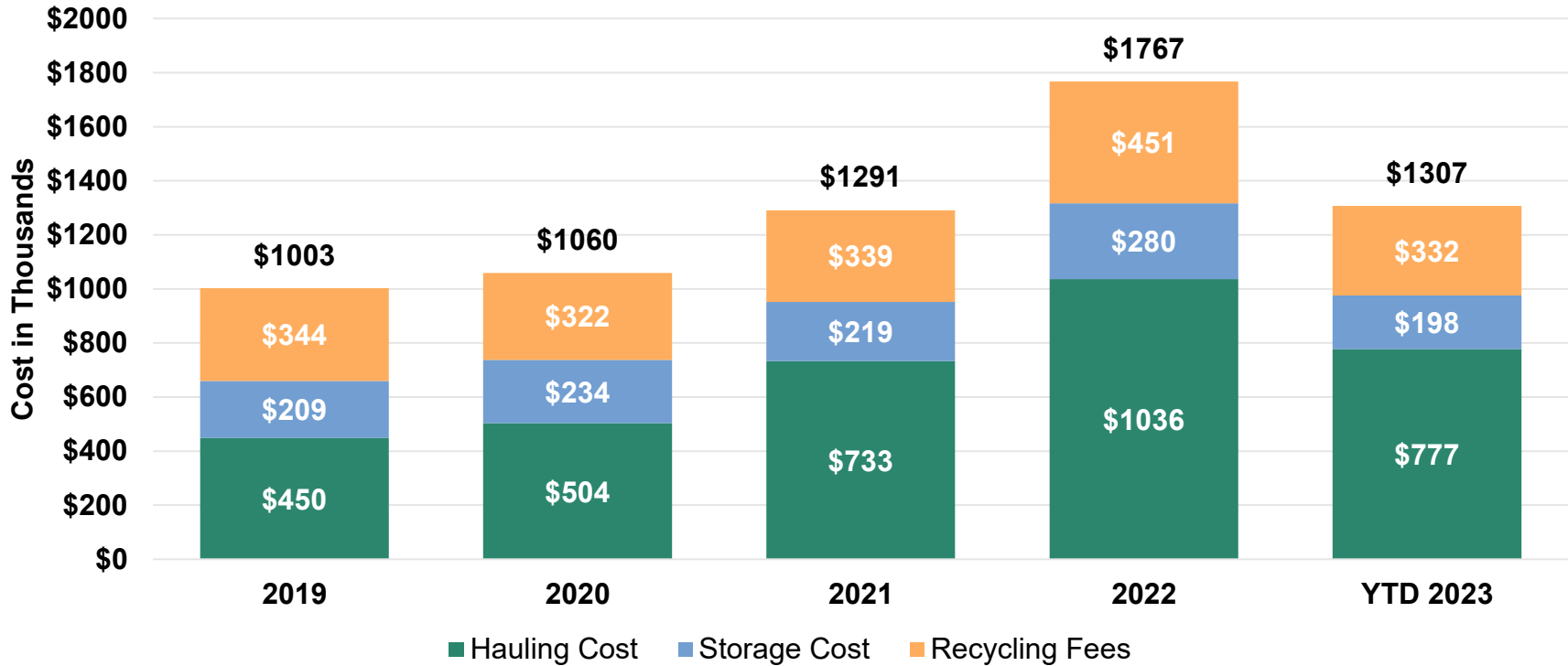
Drop-Off Site Program Update



Note: Public drop-off site data includes one union site and three regional distribution sites.

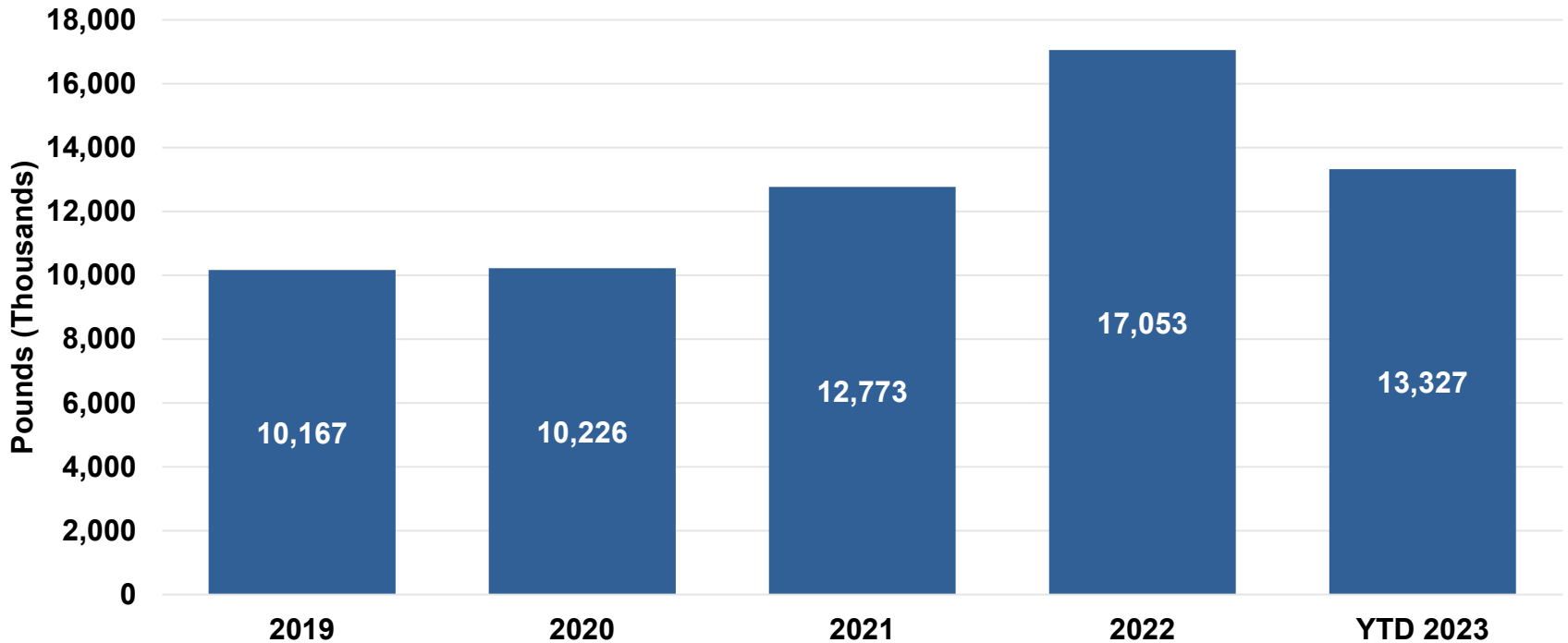
Drop-Off Site Total Program Costs





% of YTD 2023 Total Program Costs: Hauling: 60% | Storage: 15% | Recycling Fees: 25%

Material Collected by CARE Drop-Off Sites (Annual)



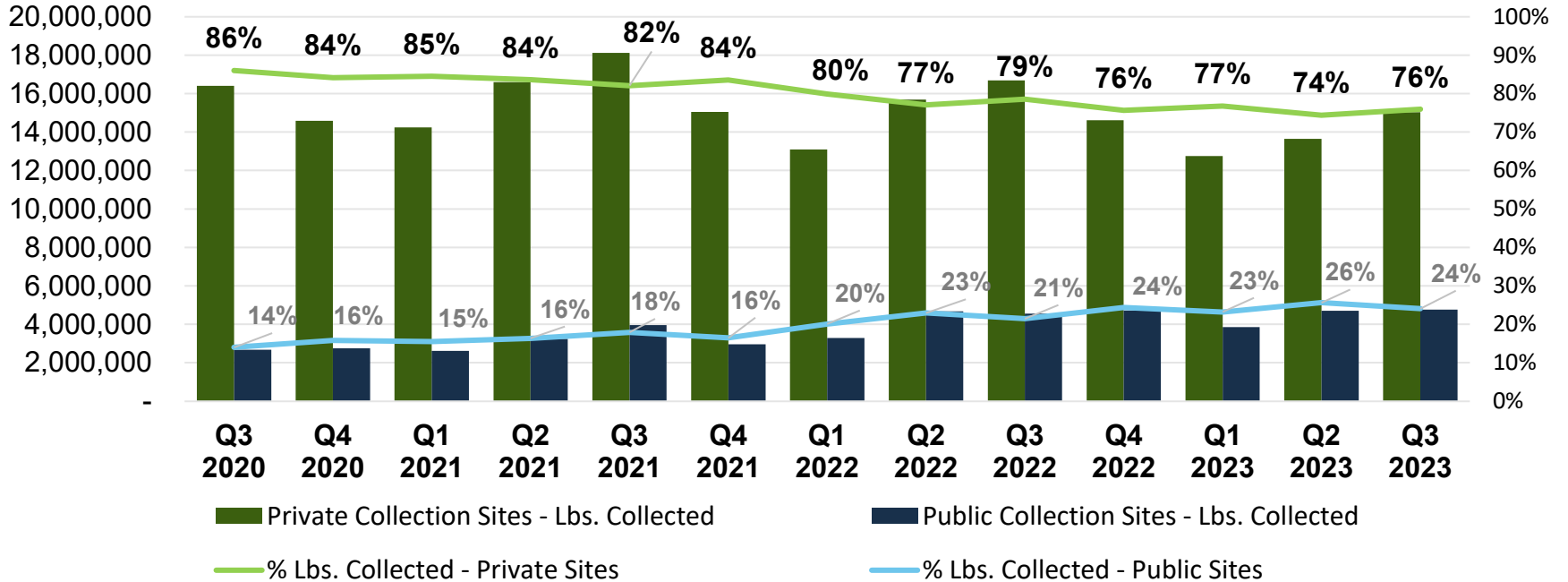
2023 lbs. collected YTD: **78% of total 2022 lbs. collected**

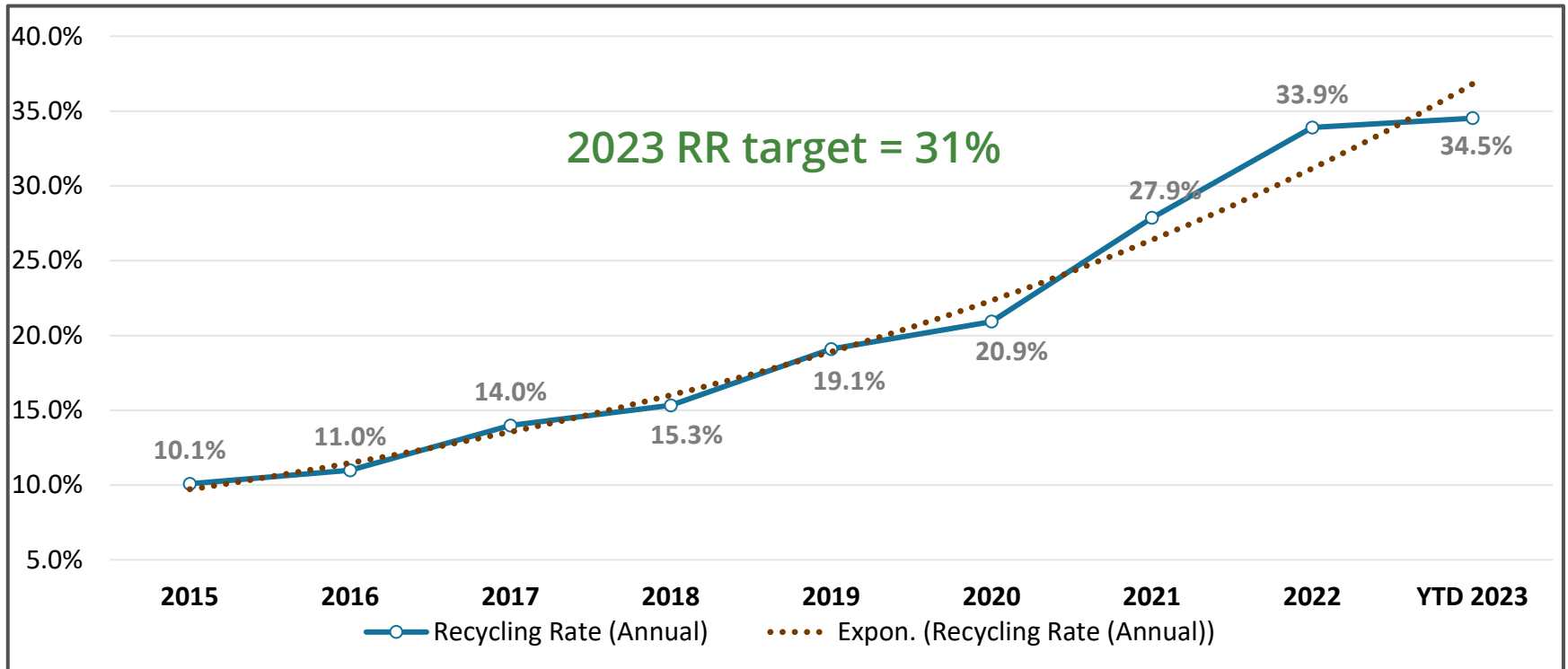
Q3 2023 lbs. collected: **1% increase** from Q2 2023 lbs.; **5% increase** from Q3 2022 lbs. collected

Annual Data Summary						
Data Collected	2018	2019	2020	2021	2022	YTD 2023
Hauling Cost (K \$)	\$475	\$450	\$504	\$733	\$1,037	\$777
Storage Cost (K \$)	\$172	\$209	\$234	\$219	\$280	\$198
Recycling Fees (K \$)	\$284	\$344	\$322	\$339	\$451	\$332
TOTAL Cost (K \$)	\$930	\$1,003	\$1,060	\$1,291	\$1,768	\$1,307
Avg. Cost/lb Collection	\$0.12	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
Avg. Cost/lb - Rural	\$0.17	\$0.21	\$0.20	\$0.19	\$0.18	\$0.19
Avg. Cost/lb - Urban	\$0.10	\$0.08	\$0.09	\$0.09	\$0.09	\$0.09
Average Cost/Capita [1]	\$0.005	\$0.004	\$0.003	\$0.003	\$0.004	\$0.004
Pounds Collected (K lbs)	7,945	10,167	10,226	12,773	17,053	13,327
Private Drop-Off Site	117	160	178	202	201	182
Public Drop-Off Site	53	73	83	98	135	142

- operational private sites reported at the end of Q3 2023.
- operational CARE Drop-Off Sites in 56 CA counties at the end of Q3 2023. Public drop-off site data includes one union site and three regional distribution sites.

1. Cost/Capita uses updated U.S. Census information as available.





1. Recycling rate increased by an average of 34% year over year from 2015 to 2022.
2. 2023 reflects YTD through Q3 2023.

Differential Assessment Analysis

Recommendations to SFOC

	(Thousands)
1) Approve CSE subsidy	\$ 863,120
2) Approve Processor subsidy	\$ 2,544,163
3) Approve Manufacturer subsidy	\$ 2,379,305
4) Approve Program costs	\$ 1,060,704
5) Approve Administrative costs	\$ 673,481
Total Payout:	\$ 7,520,772



CARE Program Update

Agenda

- Education & Outreach
- Collection
- Grants
- Market Development
- Newsletters & Communications

■ Retailer and Installer

- 958 phone outreach calls to flooring retailers in 2023 YTD.
- Presentation given at the IUPAT LMCI Flooring Industry Summit (Carlsbad, CA).
- Collaboration with USGBC to to develop a CEU program for reuse and recycling of carpet.

■ Differential Assessment

- Website updated & press release issued.
- Email alert & direct mail sent to all retailers, mills and software vendors.

■ Consumer

- Los Angeles regional approach media campaign to raise awareness of recycling opportunities.
- Carpet maintenance article published via Brandpoint media network.
- [RecycleMyCarpet.com](https://www.recyclemycarpet.com) micro site launched, targeting consumers with info on recycling and reuse.

■ Drop-off Site

- One quarterly outreach effort - technical assistance phone calls with CARE drop-off sites (4YTD).

- **CARE Drop-off Sites – 151 (YTD)**
 - 148 public drop-off sites supporting all 58 counties.
 - Three semi-public Drop-off Sites supporting flooring installers.
- **Nine new Drop-off Sites (18 YTD):**
 - 8 in Northern CA.
 - 1 in Southern CA.
- **Growing Collections**
 - Expanded site-visit effort to support increased collections at current Drop-off Sites.
 - Phone and mailing outreach effort to large volume waste facilities throughout CA.
 - New adoption incentive for large facilities to become public Drop-off Site.
 - Collaboration with Waste Management - template contract created.
 - Collaboration with Circular Polymers - pilot begun to pay Drop-off Sites per pound for carpet.

■ Micro Grants

- Cycle 5 of micro grants is evergreen and continues to take applications through year end (\$15,000).
- Three awards have been granted, and three projects are underway and will close in 2023.
- Two applications are under review.

■ Pilot Collection Awards for Small-Volume Projects

- One project continues through 2023.

■ Capital Grants

- Cycle 5: One project is ongoing through Q3 2023.
- Cycle 6: Five new applications were received. One was denied, one awarded, three are under review.

■ Testing Grants

- Cycle 5: One new application was received and is under review this month.

■ Innovation and Design Grants

- A new cycle has been launched and will receive applications for projects up to \$100k through 2/29/24.
- Two project are underway through mid-2024.

- 103 Products containing PCC recycled content
 - 26 Tier two manufacturers
 - 10 in California
 - 16 outside of California
- Ongoing technical and business development assistance to processors, and manufacturers.

- Three e-news sent (September, October, November); 11 YTD
- Added 7 blog posts:
 - Presentation given at IUPAT Floorcovering Summit 2023
 - CalRecycle Approves Carpet Assessment Increase for January 1, 2024
 - Grantee Case Study: Carpet Tile Reuse – A Win/Win Business
 - Making Your Carpet Last Makes Sense: Carpet Maintenance Tips
 - Partnerships with Lowe’s Raises Awareness of Carpet Recycling
 - CARE Awards First Innovations & Design Grants
 - Economic Challenges Impact Q2 2023 California Results
 - California Program 2022 Annual Report Details Tremendous Progress
- Ongoing: reporting, collateral, presentations, website and LinkedIn and Twitter.

Table 3-2. Summary of Program Performance Goals and Metrics, 2023
Performance Progress as of Q3 2023

Metric	2023 Goal	Status
Recyclability: Recyclable Products	Ensure program capacity to recycle 70% of PCC types and understand baseline PCC types not being recycled at recycling locations	On Track
Recyclability: Innovation Grants	Award 2 Innovation & Design grants	On Track
Markets: New Products	2 new products; 105 total products	On Track
Markets: New Vendors	1 new vendor; 28 total vendors	On Track
Reuse of PCC (% of Recycled Output)	1.4% of Recycled Output	On Track
Gross Collection (thousand pounds)	93,000	Market Impacts
Disposal of PCC (thousand pounds)	132,000	Some Risk
Public Access to Drop-off Sites (Collection Convenience)	One site per 500,000 residents in each county, (minimum of one per county)	On Track
Flooring Professional Proximity: % of residents within 15 miles of a location that accepts carpet from all flooring professionals	75%	On Track
Processor Capacity (West Coast)	134 million pounds capacity	On Track
Recycling Rate	31%	On Track
Collection Rate	41%	On Track
Recycling Efficiency Rate (formerly Yield)	75%	On Track

End of Review