

**STATE AGENCY BUY RECYCLED CAMPAIGN
REPORTING RESULTS FOR FY 2017-18
June 26, 2019**

Executive Summary

In Fiscal Year (FY) 2017-18, state agencies spent \$288 million on products included in the statutorily mandated categories in the State Agency Buy Recycled Campaign (SABRC). Of that amount, 67 percent of purchases, or about \$195 million, were in compliance with the SABRC post-consumer recycled content (PCRC) requirements.

In June 2019, CalRecycle referred 26 agencies to the Department of General Services (DGS) for notification as part of that Department's annual review of state agencies' delegated purchasing authority. The number of state agencies CalRecycle referred to DGS was significantly less than the prior FY 2016-17 year when the department referred 65 agencies for review. Information about specific agency compliance is posted in the [SABRC section on the CalRecycle website](#).

Despite the relatively high compliance rate for reported purchases (67 percent), the \$195 million compliant purchases constitute only about 8 percent of the approximate \$2.3 billion of state product purchases in FY 2017-18. This compliance rate would be even lower if combined with the approximate \$3.6 billion spent on service contracts, which include a significant number of non-reported product purchases.

Assembly Bill (AB) 2675 (Lowenthal, Chapter 617, Statutes of 2014) increases SABRC's overall procurement requirement to 75 percent in 2020 for most categories, which should help drive some additional recycled content procurement. In FY 2017-2018, state agencies already reached 75 percent in the glass and metal product categories. However, further statutory changes could more significantly leverage procurement decisions made by state agencies regarding PCRC products. These revisions would support efforts to achieve the state's broader waste reduction and climate change goals and help bolster recycling commodity markets negatively impacted by [China's National Sword policy](#). Potential changes include adding categories for additional products, eliminating outdated categories, updating the minimum content requirements in some existing categories, requiring annual mandatory online training for procurement and contract officers, and codifying that DGS will establish procedures regarding the referral process between CalRecycle and DGS for noncompliant agencies.

Overview of State Agency Purchasing Requirements

Public Contract Code sections 12200-12217 require state agencies to choose products made with PCRC and to report to CalRecycle annually on the results of their purchases within 11 categories of material types. Each state agency must ensure that at least 50 percent of reportable purchases within these categories are made from a prescribed percentage of PCRC.

This report summarizes state agency purchasing compliance based on FY 2017-18 SABRC annual reports, the status of ongoing efforts with DGS, monitoring and technical assistance provided to state agencies, the status of SABRC integration within the Financial Information System for California (FI\$Cal), and potential statutory changes to improve the program. Appendix A provides details on noncompliant product categories. Information regarding agency-specific and statewide compliance is available on [CalRecycle's SABRC "How Are We Doing?" webpage](#).

State government procurement decisions are directly linked to the climate change goals of AB 32 (Nunez, Chapter 488, Statutes of 2006) and the 75 percent statewide recycling goal of AB 341 (Chesbro, Chapter 476, Statutes of 2011). These purchasing decisions impact greenhouse gas (GHG) emissions and the carbon footprint of state operations. They also offer an opportunity to increase markets for PCRC products, which is critical to AB 341's focus on strengthening recycling manufacturing markets. Accordingly, the Air Resources Board's (ARB) Scoping Plan Update ([CalRecycle's AB 341 Report to the Legislature](#)) identifies increased state procurement of PCRC products as a priority. ARB's Short-Lived Climate Pollutant Reduction Strategy, adopted in March 2017 pursuant to Senate Bill (SB) 1383 (Lara, Chapter 395, Statutes of 2016), also identifies state procurement of recycled organic materials as a priority.

Existing law does not provide any enforcement or penalty mechanism for non-submittal of the annual report or noncompliance with the purchasing requirements. To date, CalRecycle's only recourse for addressing noncompliance of state agencies is for the director to notify the agency and department directors, post information on CalRecycle's public website, and forward a list of noncompliant agencies to DGS. DGS reviews these agencies as part of its annual evaluation of state agency delegated purchasing authority (see the section titled "Ongoing Collaboration with DGS" for more details).

Two legislative changes have affected and will affect the scope and goals of the program.

1. AB 2490 (Eggman, Chapter 342, Statutes of 2014):
As of January 1, 2015, California District Agricultural Associations (DAA), or Fairs, were excluded from the definition of "state agency" for purposes of the provisions in the Food and Agricultural Code section 4061(a). As such, DAAs are no longer required to submit SABRC reports. While AB 2490 exempts DAAs from reporting

requirements related to recycled content product purchases, each DAA is still required to maintain and monitor its recycled content purchasing programs to ensure adherence to the SABRC purchasing requirements for state entities under Public Contract Code section 12153–12217.

2. AB 2675 (Lowenthal, Chapter 617, Statutes of 2014):

Effective January 1, 2020, this law increases the overall goal for state agency procurement to 75 percent to align with the statewide goal set by AB 341. AB 2675 requires each state agency to ensure that at least 75 percent of reportable purchases are recycled products, except for paint, antifreeze, and tires, which will remain at the current 50 percent requirement.

Summary of State Agency Purchasing Compliance

For FY 2017-18, 155 state agencies and the state university system were required to report their recycled content product purchases by October 31, 2018. The names and number of reporting agencies may have changed compared to FY 2016–17 due to facility closures, openings, restructuring, or mergers. The majority of state agencies reported by the due date and the remaining reported to CalRecycle by February 2019.

According to SABRC reporting in FY 2017-18, state agencies spent \$288 million in SABRC purchasing categories, of which \$195 million were compliant with SABRC PCRC products. The overall statewide compliance rate increased 2 percent from the prior year. This is a slight compliance percentage increase over FY 2016-17 (See Table 1) when state agencies spent \$274 million in SABRC purchasing categories and \$180 million were compliant with SABRC. Factors contributing to the increase in total dollars spent on SABRC compliant purchases from the previous year may reflect changes in product availability, education to state agencies, and errors in reporting in previous years. For those categories where compliance remains strong, contributing factors could be increased technical assistance and training by CalRecycle, improved resources, tools for both agencies and vendors, and large compliant purchases made by some agencies.

Reportable SABRC purchases decreased from 15 percent of the \$1.2 billion in total goods purchased statewide in FY 2016-17 to 8 percent of the \$2.3 billion in FY 2017-18. This is based on IT, Non-IT, and Telecommunication Goods purchases as reported in DGS’s State Contract & Procurement Registration System (SCPRS) tracked within the Financial Information System for California (FI\$Cal). Calcard purchases under \$2,500 are excluded from this figure. However, this percentage would likely be even lower when considering the approximate \$23.7 billion spent on services for which the products purchased may not be reported separately from the services rendered. The Prison Industry Authority (PIA) also plays an important role in state agency purchasing. According to Penal Code Section 2807, a department must first consider if PIA can fulfill

the department’s need prior to purchasing an item from commercial suppliers. Furthermore, state procurement procedures state that PIA should be the first source for purchases; DGS-governed contracts should be the second, followed by all other sources. PIA instructs state agencies to request a waiver if PIA is unable to provide a requested product, and it identifies some PCRC products on its website. CalRecycle continues to work with PIA on the PCRC and SABRC compliancy of its available products.

Table 1: Overall Statewide SABRC Purchasing

(Figures based on state spending as reported by state agencies in the SABRC Annual Report System)

Report Year	Total SABRC Reportable Dollars	Total SABRC Compliant Dollars	% SABRC Compliant Spending
2017-18	\$288 million	\$195 million	67%
2016-17	\$274 million	\$180 million	65%
2015-16	\$351 million	\$245 million	69%

Table 2 documents the statewide percentage of compliant purchasing for FY 2017-18 by SABRC category. Notably, eight of the eleven product categories show statewide compliance rates of 50 percent or higher. Dollars spent in the metal products category accounted for approximately 54 percent of all reported SABRC purchases but it also exhibited a four percent decrease in compliance from the prior year.

Five product categories (Anti-freeze, Compost, Lubricating Oils, Metal, and Tires) experienced decreases in compliance. The remaining six categories realized increases. Table 2 also illustrates three product categories that did not meet the 50 percent requirement: antifreeze, paint, and retreaded tires. Compliance in these three categories has historically been low.

A number of factors can influence lower compliance rates, including state agency staff turnover (resulting in misreporting), SABRC being a low priority for state agency management, absence of DGS contracts that state agencies can use to procure SABRC-compliant purchases, limited vendor education, limited product availability (in some categories), and commodity-specific factors. In addition, under their delegated purchasing authority, some agencies purchase commodities and services independent of the DGS Procurement Division’s statewide contracts. Agencies may issue their own contracts and are required to reference the SABRC requirements that contractors or subcontractors must follow. However, since agencies may not be monitoring, tracking, and reporting these purchases, the contractors or subcontractors may not be purchasing products compliant with SABRC.

For the FY 2017-18 cycle, CalRecycle identified 26 agencies that had relatively significant purchases but failed to meet the 50 percent purchasing requirement in one or more categories that are significant in terms of CalRecycle’s efforts to reach the 75 percent statewide recycling goal. (This does not include 77 other agencies that were deficient in one or more categories but that provided a reasonable explanation regarding deficiencies. In addition, Appendix A describes three categories [paint, retreads, antifreeze] that historically have had low recycled-content product purchasing percentages for various reasons.) These agencies did not provide a sufficient explanation regarding the deficiency. Accordingly, in June 2019 CalRecycle referred these 26 agencies to the DGS Purchasing Authority Unit as part of DGS’s annual review.

Table 2: Statewide SABRC Purchasing by Product Category 2017–18

(Figures based on state spending as reported by state agencies in the SABRC Annual Report System)

Product Category	Total SABRC Reportable Dollars	Total SABRC Compliant Dollars	%SABRC Compliant Spending	No. of Agencies Reporting in Each Category
Antifreeze	\$1,185,043	\$404,938	34	30
Compost, Co-compost & Mulch	\$3,939,643	\$2,637,074	66	14
Glass Products	\$4,286,983	\$3,368,912	78	81
Lubricating Oils	\$1,783,488	\$908,600	50	63
Metal Products	\$155,491,567	\$117,867,956	75	141
Paint	\$4,309,506	\$1,734,106	40	61
Paper Products	\$28,745,210	\$19,683,035	68	147
Plastic Products	\$34,566,533	\$21,923,454	63	148
Printing and Writing Paper	\$45,947,291	\$25,495,205	55	150
Tire-derived Products	\$998,329	\$684,797	68	51
Tires	\$6,699,739	\$621,439	9	66
Totals	\$287,953,331	\$195,329,516	67	n/a

Ongoing Collaboration with DGS

CalRecycle and DGS establish and implement policies to promote the procurement of recycled content products. Ongoing collaboration activities between CalRecycle and DGS include the following:

- CalRecycle currently utilizes DGS's annual delegated purchasing authority renewal process as a tool to address noncompliant agencies. Agencies with delegated and/or statutory authority may purchase goods and services independently, including through service contracts. This is significant because more than 50 percent of state purchases are conducted outside of DGS's statewide contracts. CalRecycle and DGS established a process in 2015 for CalRecycle to identify agencies or departments not meeting SABRC requirements and report those agencies or departments to DGS; at the same time, CalRecycle's director sends letters to those agencies' directors informing them of noncompliance in some categories and offering CalRecycle assistance. DGS also notifies the agencies regarding noncompliance and requires each noncompliant agency to report to CalRecycle how it will correct the deficiencies. CalRecycle provides additional outreach, assistance, and training to those agencies or departments. This process has proven to be effective in helping agencies to address the deficiencies.
- CalRecycle is a member of the [Performance and Environmental Standards \(PES\) Workgroup](#). The PES Workgroup discusses topics related to improving and streamlining purchasing specifications, policies, and procedures. The group is comprised of key delegation buyers from multiple agencies, Prison Industry Authority representatives, and environmental subject matter experts when needed. The goal of the workgroup is to promote SABRC and statewide environmentally preferable purchasing throughout all agencies and departments. CalRecycle's assistance in the workgroup included providing comments and edits to various documents such as DGS purchasing standards and bid specifications for selected commodities. CalRecycle also provided feedback for Cal PCA training related to SABRC and Environmentally Preferable Purchasing (EPP).
- CalRecycle collaborates with DGS to implement [Executive Order B-18-12](#) related to existing buildings. CalRecycle leads the Recycling and Waste Diversion work group and participates in other groups related to building and grounds as part of the DGS Sustainability Taskforce. CalRecycle works with the California Government Operations Agency and DGS to provide input on the latest tools and topics to help the state achieve its sustainability goals.
- CalRecycle works with DGS's State Administrative Manual and State Contracting Manual units to update those manuals as needed. In 2017, CalRecycle submitted updates to both manuals to reflect SABRC purchasing requirements and other new laws, such as mandatory commercial organics recycling and extended producer responsibility programs. This has been effective, as it provides CalRecycle a process for providing the latest and most accurate information to state agency procurement staff and contractors. State agencies also use the manuals as a reference for guidelines and information and to train procurement staff.

Monitoring and Assistance to State Agencies

Beginning with FY 2013–14 and continuing through FY 2017–18 review cycles, CalRecycle has utilized more detailed tracking, and correspondence to state agencies and enhanced tools to monitor state agencies' compliance.

Correspondence to State Agencies

Since 2016, CalRecycle has communicated to each state agency director detailed information concerning SABRC compliance and the process implemented in conjunction with DGS's Delegated Purchasing Authority Unit.

Monitoring and Tracking

In 2019, CalRecycle staff reviewed explanations for noncompliance from an additional 77 agencies. CalRecycle did not refer these agencies to DGS's Purchasing Authority Unit because the agencies provided sufficient explanations for being deficient. CalRecycle staff will follow up with each agency to assist, monitor, and track potential gaps and address challenges and issues.

Although assistance has become broader, the following key issues still exist and CalRecycle addresses them by providing direct technical assistance and enhanced online information and tools:

- **Training and Education:** To be effective, training and education, particularly with larger agencies, needs to occur frequently and be promoted by agency leadership. Purchasing staff turnover is often high, and even staff educated by the agency's SABRC coordinator may not follow through and purchase products compliant with SABRC. Additionally, employees may not obtain information about the product's PCRC during the purchase, which makes it difficult to report whether the product is compliant. Information needs to be shared frequently to keep agencies updated about the availability of particular products and to reduce the misconception that recycled-content products (such as paint) are lower quality. In 2019, CalRecycle hosted a SABRC webinar training for one of the State's largest purchasers, CalTrans. CalTrans invited its statewide procurement staff to attend the webinar. The training was a combination of SABRC requirements and CalTrans' internal process to comply with SABRC.

CalRecycle will continue to work with SABRC coordinators to help promote the procurement of recycled content products to procurement staff. Updated reference and outreach tools are also essential and are being developed by CalRecycle (see below for online tool enhancements).

- **Tracking Purchases:** Many agencies have improved tracking of products purchased in the 11 SABRC categories but still may not be including all relevant purchases. CalRecycle worked with several agencies and vendors to clarify the

tracking and classification of products as compliant with SABRC. The education provided to SABRC coordinators is helping to improve reporting; however, in 2017/18 misreporting still occurred.

- **Limited Vendor Information:** In some cases, agencies may be underreporting due to limited PCRC information from vendors. Many state agencies note this as a problem. CalRecycle has compiled and disseminated vendor-specific information on how to identify and classify SABRC products (see the “Summary of Enhanced Online Information and Tools” below for online vendor information). CalRecycle staff have also met with some vendors to assist in providing improved information to agencies via the Form 74.

Financial Information System for California (FI\$Cal) and SABRC Integration

[The Financial Information System for California](#) combines accounting, budgeting, cash management, and procurement operations into a single financial management system.

CalRecycle worked with FI\$Cal on the initial implementation for statewide procurement and assisted with providing training to procurement staff who use FI\$Cal for tracking and reporting purchases for SABRC.

FI\$Cal has provided the ability for state procurement staff to record SABRC information on purchases. Users can enter the PCRC percentage for the product and the total recycled content when available, potentially providing CalRecycle with more information on product availability. However, a SABRC entry is not mandatory for a SABRC compliant transaction to be completed. Additionally, if there was a mistake in the entry, FI\$Cal does not allow corrections to prior entries.

To analyze and report the data captured, FI\$Cal needs to continue its work on the SABRC data export and reporting process. CalRecycle continues working with FI\$Cal to complete SABRC/EPP Detail Reports. When complete, state agencies will be able to export SABRC reportable and compliant purchases to include in their annual SABRC reports and provide summarized information to DGS on various levels of procurement, such as procurement by the vendor, contract, item description, or number. The current data export and reporting process can benefit from the improvement to make it more user-friendly for state agencies to report, and potentially eliminate the need for any separate tracking systems.

Potential Statutory Changes to Improve SABRC Procurement

Further statutory changes could leverage procurement decisions made by state agencies regarding post-consumer recycled content products. These revisions would support efforts to achieve the state’s broader waste reduction and climate change goals and help bolster recycling commodity markets negatively impacted by China’s National

Sword policy. While it is possible to implement some improvements without statutory changes, a more substantial and enduring approach is needed to ensure expectations and reforms are codified. This is even more important given the new mandates established by SB 1383 to reduce the disposal of organic materials by 75 percent by 2025.

Potential ideas for statutory changes to improve SABRC and state procurement of recycled content products include, but are not limited to, the following:

- Clarify in statute ([Public Resources Code Section 12200\(g\)](#)) that the recycled-content procurement requirement includes all state-funded purchases, including through a contractor or subcontractor, or through any contract mechanism, such as a statewide contract, delegated state agency contractor, or another method. (Note: This does not apply to contracts for service to be provided directly to the public.)
- Set specific PCRC percentages for individual product categories (janitorial paper, recycled glass, paper food service ware) rather than a blanket PCRC percentage which may not be attainable for some products within a broader category (paper or glass).
- Increase minimum content requirements for certain categories.
- Codify the current agreement between DGS and CalRecycle regarding referral of agencies to DGS's Delegated Purchasing Authority Unit.

Appendix: Noncompliant Categories for 2017-18

This section discusses the three categories not meeting SABRC-compliant procurement rates for FY 2017-18. In the prior year, five categories did not meet SABRC compliance.

Paint: The statewide compliance rate for PCRC latex paint increased significantly in 2017-18 (40 percent) with overall state spending of \$4.3 million compared to FY 2016-17 (25 percent) with overall state spending of \$5 million. The purchases for recycled paint has not met SABRC compliance for many years, partly because some agencies with the largest expenditures in this category are not buying recycled content paint, and the availability of recycled interior paint is not as robust as it is for exterior paint.

The Department of Transportation, California State University Chancellor's Office, Prison Industry Authority, Department of Water Resources, and the Department of Corrections and Rehabilitation (Facility Planning/Construction Management) are the top five spending agencies in this category; each reported spending more than \$600,000 in the paint category. The total reportable dollars for paint for the five agencies totaled \$3,842,560, accounting for almost 90 percent of the statewide reportable dollars in this category. Similar to last year, the California Department of Transportation and the Prison Industry Authority were the only agencies compliant in this category among the top five spending agencies. The California Department of Transportation reported spending about \$300,000 less in this category compared to the prior year, and they procured a majority of their paint purchases from a statewide contract. Additionally, the California Department of Transportation procured paint traditionally not available with recycled content ("Paint, Rapid Dry & High Build Waterbone Traffic Line").

Other agencies commented in reports that recycled paint does not meet professional standards, does not adhere well to old buildings, is difficult to color match, is not available in direct to metal paint, and either the vendor or business submitting a bid does not include the recycled content information on the product or includes the wrong information. It is also possible a large volume of paint is purchased as part of service contracts, where the paint type has generally not been prescribed, and the choice has been left to the painting contractor.

Thus, ongoing state agency and contractor education is a primary issue in increasing SABRC compliant paint purchases. CalRecycle will continue to inform agencies about recycled paint manufacturers, the state contract for exterior paint, the cost-saving benefits of buying recycled paint, and that performance issues are misconceptions. Furthermore, most, if not all, recycled paint manufacturers in California guarantee the quality of their products and will work with state agencies to address any potential performance issues experienced. Additionally, many agencies do not request color matching or samples for recycled content paint, although the state's supplier provides

the service (and other vendors may as well). Finally, CalRecycle will evaluate specific needs to confirm if recycled paint can be an alternative in designated circumstances.

To address the gaps in purchasing, DGS published the recycled paint bid specifications as part of the statewide commodity contract, whereby recycled paint must meet the same performance specifications as virgin paint, which should help increase the procurement of recycled paint. DGS also provides agencies with information, specifications, and links to paint contracts on its [Buying Green website](#). However, the contract on the Buying Green site is only for exterior paint. CalRecycle maintains a dedicated webpage for post-consumer recycled paint and will continue to educate state procurement staff about the benefits of using recycled paint.

Retread Tires: The overall purchasing compliance rate in this category is nine percent, which is a slight decrease from 13 percent rate from the prior year. The compliancy rate decreased because there was a decrease of approximately \$240,000 in the compliant dollars spent within this category with approximately the same dollar amount for the reportable dollars as last year.

The overall compliance rate has remained low primarily because the top-spending agencies, the California Department of Transportation and the California Highway Patrol, do not buy retreads due to safety concerns for both law enforcement and heavy-duty vehicles. California Department of Transportation spent \$2 million on new tires and around \$487,000 on tire retreads. This year, the California Department of Transportation procured 78 percent of the total dollars spent on retreaded tires. The California Highway Patrol was the second highest buyer with tire purchases totaling around \$1,516,813, but only \$2,600 were SABRC compliant. Other top buyers with purchases over \$100,000 (reportable dollars), and with less than fifty percent of those dollars spent on retreads, were the Department of General Services, California Parks and Recreation, State Parks Headquarters, Department of Water Resources, California State University Chancellor's Office, Department of Fish and Wildlife, and the California Governor's Office of Emergency Services. Some state agencies cited [Public Resource Code section 42413](#) et seq., which restricts the placement of retreaded tires on emergency vehicles.

Several agencies noted that retreads are difficult to find or are not available, especially for passenger vehicles. Market availability for retreaded passenger tires remains low in California and demand for retreads for other vehicles may be lessened due to low-rolling restraint tire regulations issued by ARB.

Antifreeze: The SABRC compliance rate of 34 percent decreased compared to FY 2016-17 (51 percent). This category was often below 50 percent until FY 2016-17. The largest purchaser of antifreeze was the California Department of Transportation. In FY 2017-18, the California Department of Transportation's purchases accounted for 95 percent of expenditures in this category. The remaining 29 reporting

agencies that purchased antifreeze had a combined average SABRC compliance rate of only 31 percent, a decrease compared with 44 percent last year.

Purchasing in this category is generally low due to state agencies purchasing antifreeze on their own, as there is no statewide contract. Some agencies have commented that recycled antifreeze is hard to find and that they cannot control the choice of products sold or used by vendors. Although the compliance rate is improving, research is needed to determine existing availability of recycled antifreeze and to consider its current applicability and relevance as a SABRC category.