

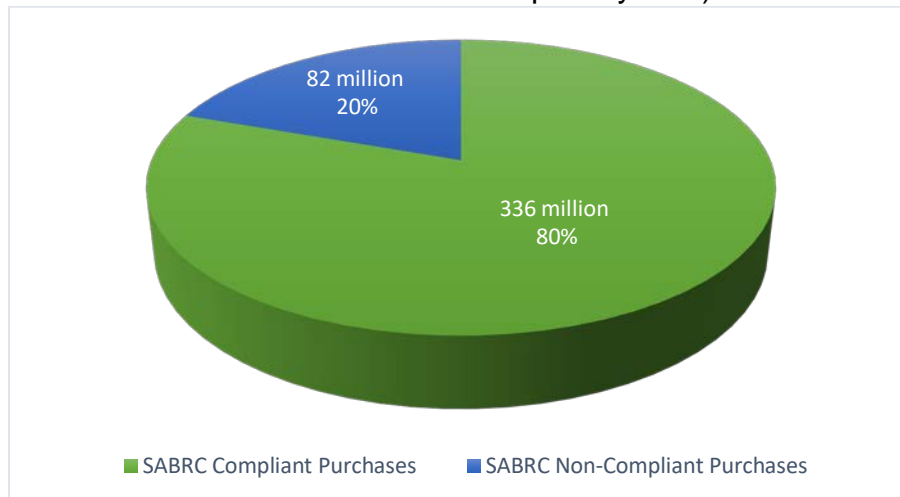
STATE AGENCY BUY RECYCLED CAMPAIGN REPORTING RESULTS FOR FY 2018-19 August 31, 2020

Executive Summary

In Fiscal Year (FY) 2018-19, state agencies spent \$418 million on products included in the statutorily mandated categories in the State Agency Buy Recycled Campaign (SABRC). Of that amount, 80 percent of purchases, or about \$336 million, were in compliance with the SABRC post-consumer recycled content (PCRC) requirements.

Graph 1: Statewide SABRC Compliant vs. Non-Compliant Purchases for FY 2018-19

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



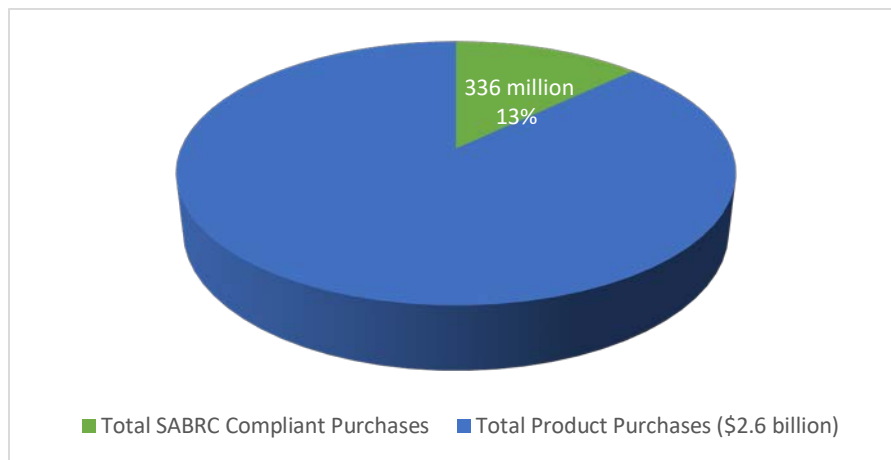
In June 2020, CalRecycle referred 7 out of 150 agencies to the Department of General Services (DGS) for notification as part of that Department's annual review of state agencies' delegated purchasing authority. DGS reviews these agencies as part of its annual evaluation of state agency delegated purchasing authority (see the section titled "Ongoing Collaboration with DGS" for more details). Compliance levels have improved as the number of state agencies CalRecycle referred to DGS was significantly less than the prior FY 2017-18, when the department referred 26 agencies for review. Information about specific agency compliance is posted in the [SABRC section of the CalRecycle website](#).

Despite the relatively high compliance rate for reported purchases (80 percent), the \$336 million compliant purchases constitute only about 13 percent of the approximate \$2.6 billion of state product purchases in FY 2018-19. This compliance rate would be

even lower if combined with the approximate \$25.8 billion spent on service contracts, which include a significant number of non-reported product purchases.

Graph 2: SABRC Product Category Purchases Compared to All Statewide Product Purchases for FY 2018-19

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



Assembly Bill (AB) 2675 (Lowenthal, Chapter 617, Statutes of 2014) increases SABRC’s overall procurement requirement to 75 percent in 2020 for all categories, except paint, antifreeze, and tires, which remain at the 50 percent requirement. In FY 2018-2019, state agencies already reached 75 percent in several categories, including compost and mulch, lubricating oils, metal products, paper products, and tire-derived products. Although paint and antifreeze remained at the 50 percent requirement, these categories exceeded with 60 percent and 93 percent compliance, respectively.

Further changes in the program could 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. Potential changes include adding categories for additional products, eliminating outdated categories, updating the minimum content requirements in several existing categories, and requiring annual mandatory online training for procurement and contract officers.

Overview of State Agency Purchasing Requirements

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.

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 2018-19 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 changes to improve the program. The appendix provides details on the noncompliant product category. Information regarding agency-specific and statewide compliance is available on [CalRecycle's SABRC "How Are We Doing?" webpage](#).

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

- 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.
- 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 2018-19, there were 150 state agencies and the state university system required to report their recycled content product purchases by October 31, 2019. The names and number of reporting agencies may have changed compared to FY 2017-18 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 2020.

According to SABRC reporting in FY 2018-19, state agencies spent \$418 million in SABRC purchasing categories, of which \$336 million were compliant with SABRC PCRC products. The overall statewide compliance rate increased 13 percent from the prior year. This is an increase in compliance percentage over FY 2017-18 (See Table 1) when state agencies spent \$288 million in SABRC purchasing categories and \$195 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 are increased technical assistance and training by CalRecycle, improved resources, tools for both agencies and vendors, and large compliant purchases made by some agencies.

Table 1: Overall Statewide SABRC Purchasing

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

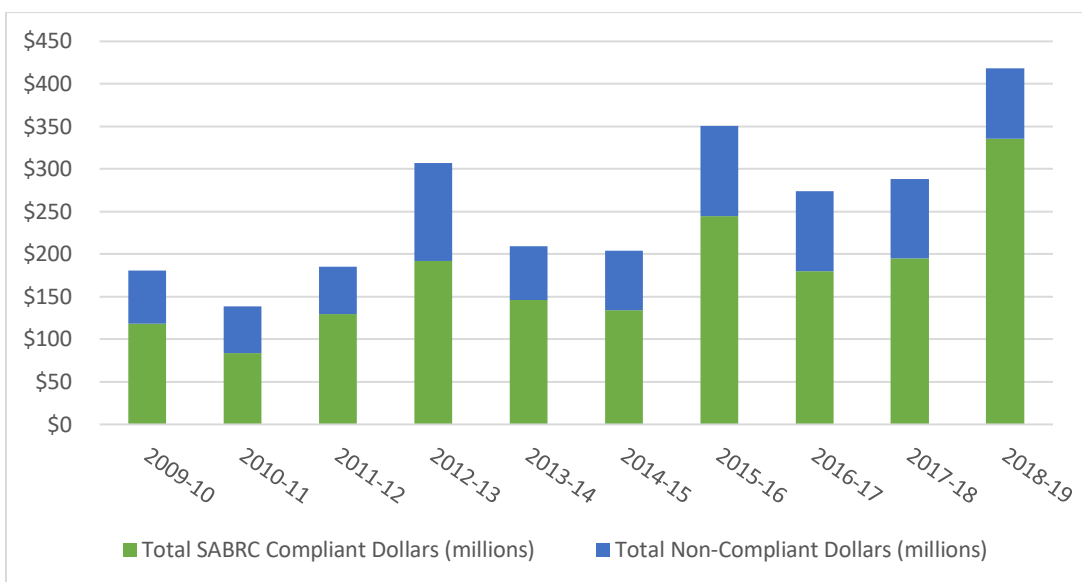
Report Year	Total SABRC Reportable Dollars	Total SABRC Compliant Dollars	% SABRC Compliant Spending
2018-19	\$418 million	\$336 million	80%
2017-18	\$288 million	\$195 million	67%
2016-17	\$274 million	\$180 million	65%
2015-16	\$351 million	\$245 million	69%
2014-15	\$204 million	\$134 million	65%
2013-14	\$209 million	\$146 million	70%
2012-13	\$307 million	\$192 million	62%
2011-12	\$185 million	\$130 million	70%
2010-11	\$139 million	\$84 million	60%
2009-10	\$181 million	\$118 million	65%

Reportable SABRC purchases increased from 8 percent of the \$2.3 billion in total goods purchased statewide in FY 2017-18 to 13 percent of the \$2.6 billion in FY 2018-19. This is based on IT goods, non-IT goods and telecom purchases as reported in DGS's State

Contract and 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 \$25.8 billion spent on services for which the products purchased may not be reported separately from the services rendered.

**Graph 3: SABRC Compliant Spending by Dollar Amount
Trend for FY 2009-10 to FY 2018-19**

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



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. PIA identifies some PCRC products on its website. CalRecycle continues to work with PIA to improve the PCRC and SABRC compliancy of its available products.

Table 2 documents the statewide percentage of compliant purchasing for FY 2018-19 by SABRC category. Notably, ten of the eleven product categories show statewide compliance rates of 50 percent or higher. Dollars spent in the metal products category accounted for approximately 65 percent of all reported SABRC purchases and exhibited a ten percent increase in compliance from the prior year.

Table 2: Statewide SABRC Purchasing by Product Category 2018–19

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

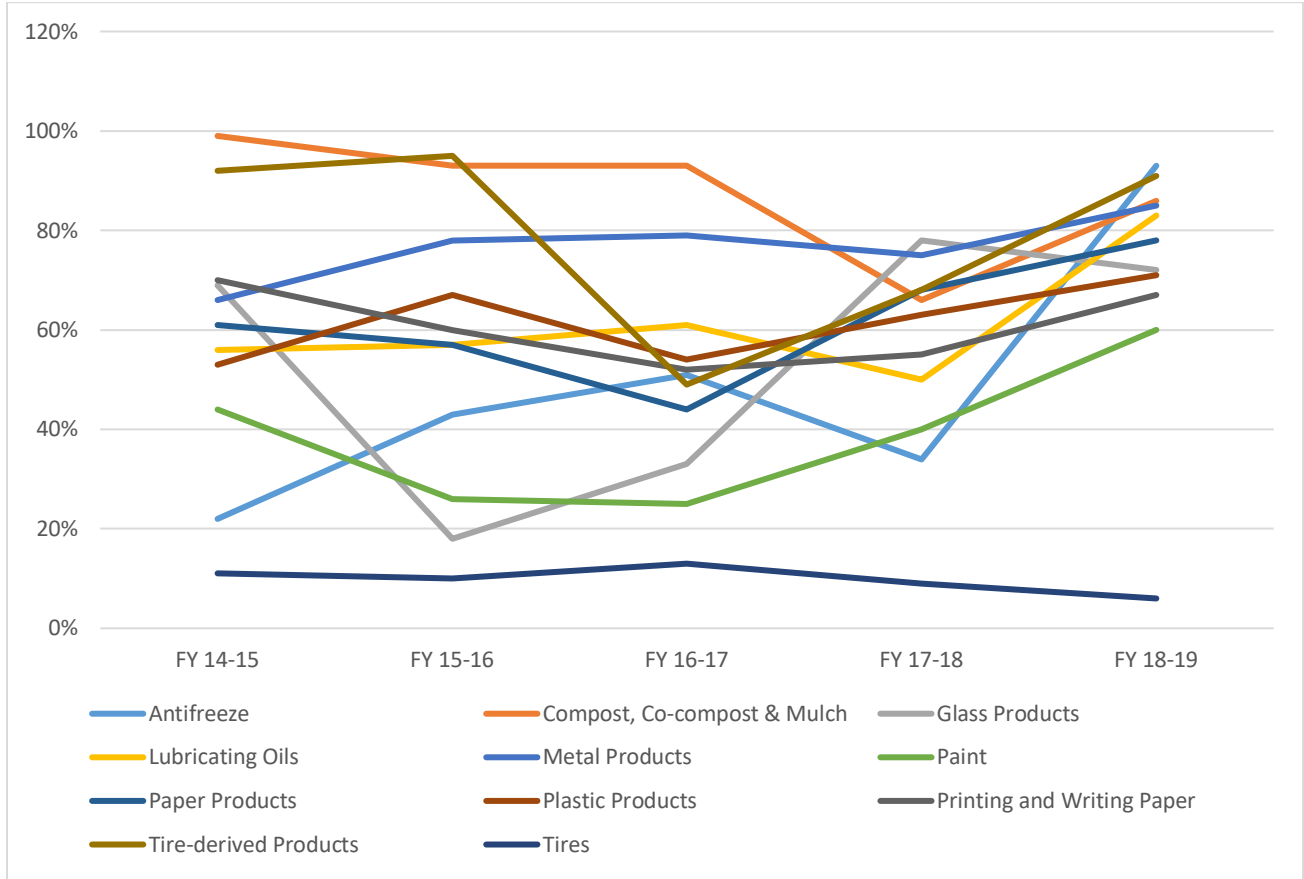
Product Category	Total SABRC Reportable Dollars	Total SABRC Compliant Dollars	% SABRC Compliant Spending	No. of Agencies Reporting in Each Category
Antifreeze	\$8,157,234.26	\$7,589,917.97	93	24
Compost, Co-compost & Mulch	\$3,667,807.73	\$3,184,785.12	86	21
Glass Products	\$7,697,208.73	\$5,552,158.20	72	70
Lubricating Oils	\$6,038,841.71	\$5,059,253.98	83	56
Metal Products	\$271,954,627.61	\$232,889,941.45	85	137
Paint	\$9,388,689.01	\$5,716,010.47	60	54
Paper Products	\$30,717,792.25	\$24,180,418.20	78	144
Plastic Products	\$37,018,082.51	\$26,568,272.71	71	143
Printing and Writing Paper	\$30,413,998.90	\$20,596,198.76	67	144
Tire-derived Products	\$4,854,342.24	\$4,434,973.93	91	47
Tires	\$8,576,422.03	\$597,126.28	6	52
Totals	\$418,485,046.98	\$336,369,057.07	80	n/a

Two product categories (glass and tires) experienced decreases in compliance. The remaining nine categories realized increases. Table 2 also illustrates the tires category did not meet the 50 percent requirement. Compliance in the tires category 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. Graph 4 illustrates product category trends over five fiscal years.

Graph 4: SABRC Percent Compliance Trend for Each Product Category from FY 2014-15 to FY 2018-19

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



For the FY 2018-19 cycle, CalRecycle identified seven 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 83 other agencies that were deficient in one or more categories but provided a reasonable explanation regarding those deficiencies. In addition, Appendix A describes the tires category which historically has had low recycled-content product purchasing percentages for various reasons). These seven agencies did not provide a sufficient explanation regarding their deficiency. Accordingly, in June 2020 CalRecycle referred these agencies to the DGS Purchasing Authority Unit as part of DGS’s annual review (see the section titled “Ongoing Collaboration with DGS” for more details).

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:

- 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. 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 Department of General Services' [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 collaborates with DGS to implement [Executive Order B-18-12](#) related to existing buildings. CalRecycle attends monthly Sustainable Building Working Group Meetings and presents pertinent topics such as new legislation and requirements for state agencies. CalRecycle also reviews the Sustainability Road Maps, Waste Management section, which was added in 2019. Additionally, CalRecycle worked with DGS's Procurement Division to post SABRC statewide data onto the [Green](#)

[California](#) website. Both the SABRC and EPP programs are highlighted to provide transparency, encourage the purchase of recycled-content products, show cost savings, and the reduction in statewide environmental impact. The Green Buyer website emphasizes to state agencies that if a purchased good is SABRC compliant then it also meets DGS's EPP program requirements.

- CalRecycle works with DGS's State Administrative Manual and State Contracting Manual units to update those manuals as needed. CalRecycle will be submitting revisions to both manuals to reflect updates to 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 2018–19 review cycles, CalRecycle has utilized more detailed tracking, more 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.

CalRecycle has an established listserv for SABRC coordinators. SABRC coordinators are provided direct correspondence on program updates, RCP resources, annual report reminders, and workshops. For example, email correspondence went out informing state agencies about upcoming regulations and soliciting feedback during open comment periods, i.e. SB 1383 (Short-Lived Climate Pollutants, Lara, Chapter 395, Statutes of 2016) and SB 1335 (Sustainable Packaging for the State of California, Allen, Chapter 610, Statutes of 2018).

CalRecycle provides state agencies and SABRC coordinators a general email (SABRC@calrecycle.ca.gov) that is monitored by Local Assistance and Market Development staff. State agencies are provided responses and technical assistance by the end of business day. Vendors and state procurement suppliers have also utilized the general email to ask for clarification on the SABRC program, certification forms, and minimum recycled-content percentages.

Monitoring and Technical Assistance

In 2020, CalRecycle staff reviewed explanations for noncompliance from an additional 83 agencies. CalRecycle did not refer these agencies to DGS's Purchasing Authority Unit because the agencies provided sufficient explanations for being deficient.

CalRecycle staff is following up with each agency to provide assistance and address challenges and issues.

CalRecycle also provided the following 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.

CalRecycle hosted two SABRC trainings. One for the Emergency Medical Services Authority and another for one of the State's largest purchasers, the California Department of Transportation (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 continues to work with agencies, providing training and new resources individually and as a group. For example, CalRecycle collaborates with the State Agency Green Employees (SAGE). SAGE meetings provide an opportunity for CalRecycle to inform state agency staff the importance of green purchasing. CalRecycle also invited SABRC coordinators to the 2019 Retread Tire Workshop to combat retread tire myths.

CalRecycle will continue to work with SABRC coordinators to help promote the procurement of recycled content products to procurement staff. Also, as essential resource and outreach tools are updated, CalRecycle will conduct webinars to provide training to SABRC coordinators.

- **Tracking Purchases:** Many agencies have improved tracking of products purchased in the 11 SABRC categories but still may not be including all relevant purchases. During this review cycle, 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 2018-19 some misreporting still occurred. So CalRecycle is focusing assistance with California Public Employment Relations Board, California State University Chancellor's Office, Air Resources Board, Financial Information System for California, California Department of Corrections and Rehabilitation, and California State Teachers' Retirement System.

- **Limited Vendor Information:** A number of agencies have informed CalRecycle they have challenges with obtaining PCRC information from vendors. To address this gap, CalRecycle has compiled and disseminated vendor-specific information on how to identify and classify SABRC products. CalRecycle staff has also communicated with vendors to assist in providing improved information to agencies via the CalRecycle 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 known, 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. When complete, state agencies will be able to export SABRC reportable and compliant purchases to put into their annual SABRC reports and provide summarized information to DGS on procurement, such as procurement by the vendor, contract, item description, or number. CalRecycle initiated clarification/job aid resources with FI\$Cal. CalRecycle requested a job aid for users, and clarification as it appeared this report was not being utilized, nor running correctly for SABRC users. A resolution was not reached.

Potential Changes to Improve SABRC Procurement

Changes to the SABRC program could leverage procurement decisions made by state agencies beyond what is being achieved today. These revisions would support efforts to achieve the state's broader waste reduction and climate change goals and help bolster recycling commodity markets that have been negatively impacted by China's National Sword policy. Changes to the program are 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 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 purchase of recycled-content procurement requirement means any contractual agreement that state agencies use to obtain goods or materials. This includes service contracts where the contractor is purchasing reportable recycled products in the performance of the service contract. To focus on the largest purchases, clarify that specific recycled product categories purchased as part of service agreements that must be reported on are printing and writing papers, soil amendments and soil toppings, erosion control products, paint, and carpet. (Note: This does not apply to contracts for service to be provided directly to the public.)
- Set specific PCRC percentages for individual product categories, (e.g., recycled tire-derived products, recycled erosion control products, recycled soil amendments and soil toppings, printing and writing paper, paper products, carpet, recycled glass, and 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, such as printing and writing paper.

Appendix: Noncompliant Category for FY 2018-19

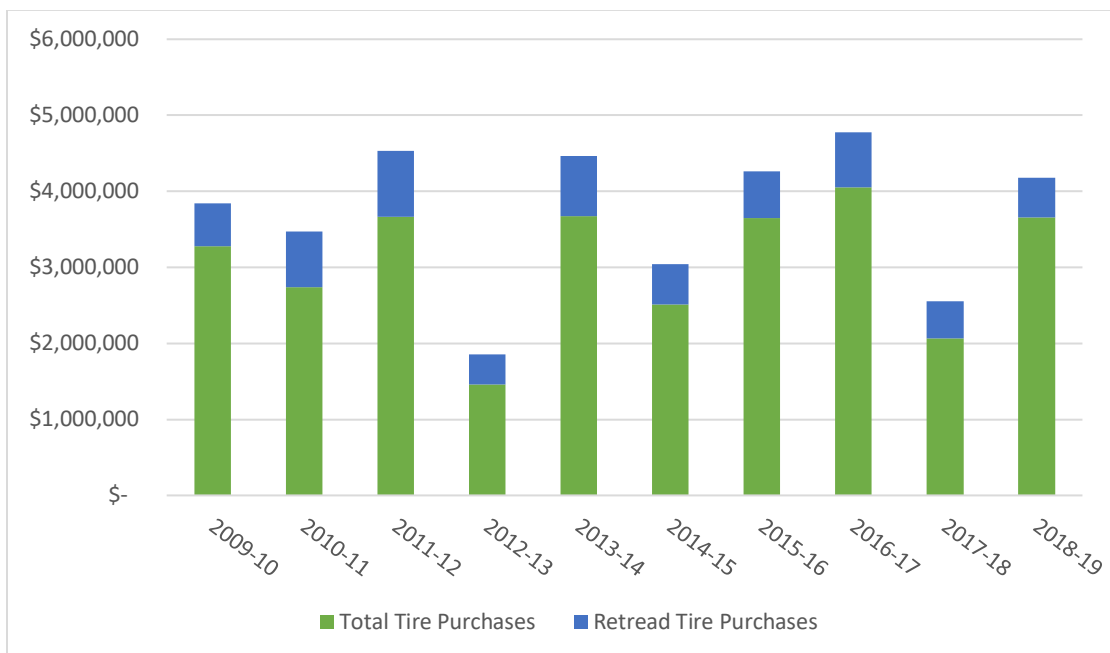
This section discusses the retread tires category, which is the only category that did not meet SABRC compliant procurement rates. In the prior year, three categories did not meet SABRC compliance.

Retread Tires: The overall purchasing compliance rate in this category is six percent, which is a slight decrease from nine percent rate from the prior year. The compliancy rate decreased because there was a slight decrease of \$24,000 in the compliant dollars spent within this category with an increase of \$1,877,000 for the reportable dollars compared to FY 2017-18.

The overall compliance rate has remained low. Primarily because the top tire purchasing agencies, the California Department of Transportation and the California Highway Patrol, do not consistently buy retreads due to safety concerns for both law enforcement and heavy-duty vehicles. The California Department of Transportation spent \$3.6 million on new tires and approximately \$520,000 on tire retreads. This is 14 percent of the total dollars spent on retread tires, which is decline from the 24 percent from the prior fiscal year (or \$488,000 in retreads out of the total \$2 million spent on tires). Graph 5 shows the California Department of Transportation's 10-year retread purchasing trend.

Graph 5: CalTrans's Tire Purchase Trend from FY 2009-10 to 2018-19

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



The California Highway Patrol was the second highest buyer with tire purchases totaling around \$2.6 million, none of which were SABRC compliant. Table 3 lists state agencies with tire purchases over \$100,000, but did not meet the SABRC compliance goal of fifty percent. Some state agencies cited [Public Resource Code section 42413](#) et seq., which exempts emergency vehicles from the requirement to use retreaded tires.

Table 3: State Agencies with over \$100,000 in Tire Purchases

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

State Agency	Total Tire Purchases	Retread Tires	Percent Compliant
Prison Industry Authority	\$109,695	\$34,307	31.3%
California Conservation Corps	\$126,301	\$0	0.0%
California State University Chancellor's Office	\$170,213	\$20,015	11.8%
California Parks and Recreation, State Parks Headquarters	\$318,433	\$822	0.3%
Department of General Services	\$358,145	\$0	0.0%
Department of Water Resources	\$484,030	\$8,250	1.7%
California Highway Patrol	\$2,642,808	\$0	0.0%
California Department of Transportation	\$3,656,504	\$520,000	14.2%

Several agencies noted that retreads are difficult to find or are not available, especially for passenger vehicles. Currently, retread passenger tires are not produced in California and have very limited availability nationally. Demand for retread truck and bus tires is reduced due to importation of very low cost tires that are reportedly not capable of being retread. Many state agencies typically consider the initial cost of tires rather than considering the life cycle cost of a quality tire that can be retread several times. In an effort to increase the use of retread tires, CalRecycle advertised a Request for Proposal (RFP) entitled “Retread Tires Services, DRR19084” on April 17, 2020. CalRecycle received a qualified proposal that is undergoing approval review. This contract will evaluate potential for certain market segments (including state and local government

fleets) to use retread light truck and passenger tires. The Contractor will provide at least 40 California state agencies or departments, including regional or district offices that have purchasing authority for tires or retread tires, with education and training regarding the benefits of using retread targeted tires. The contract tasks also includes surveying the procurement process to understand any impediments such as policy, bidding or insurance requirements (such as the State Agency Buy Recycled Campaign, recycled product purchasing policies and ordinances) or prohibitions, and identifying the applicable contracting and purchasing process for tires and retread tires.