Request for Approval

To: **Scott Smithline**
Director

From: **Howard Levenson**
Deputy Director, Materials Management and Local Assistance Division

Request Date: April 23, 2019

Decision Subject: Awards for the Greenhouse Gas Reduction Recycled Fiber, Plastic, and Glass Grant Program, Cycle 3, Fiscal Year 2018–19 (Greenhouse Gas Reduction Fund, Fiscal Years 2017–18 and 2018–19)

Action By: April 23, 2019

Summary of Request

Staff requests approval of grant awards for the Recycled Fiber, Plastic, and Glass Grant Program for fiscal year (FY) 2018–19. After the applications were evaluated and scored, there were five eligible applications requesting a total of $11,675,626 for this competitive grant program. This request seeks approval of five grant awards, listed in rank order in Table 1, totaling $11,675,626. This request also seeks approval to use the remaining amount of FY 2017–18 funds ($3,719,629) and $7,955,997 of the FY 2018–19 allocation in order to fully fund all of the passing applications.

Recommendation

Staff recommends approval of the five grant awards as listed in Table 1, for a total of $11,675,626.

Table 1. Recommended Awards

Applicant	County	Total Award
Netafim	Fresno	$2,011,647
Roplast Industries	Butte	$2,478,014
Shark Glass Recycling West, LLC.	San Bernardino	$1,283,401
Envision Plastics	San Bernardino	$2,940,000
FDS Manufacturing	Fresno and Riverside	$2,962,564
Total		**$11,675,626**

Funding

The FY 2017–18 Budget, as amended by AB 109 (Chapter 249, Statutes of 2017), allocated $40,000,000 to CalRecycle for its Greenhouse Gas grant programs. The original allocation for

this grant cycle was $2,250,000, approved on August 23, 2018. The amount available from FY 2017–18 is $1,238,379, for reasons described under the Statutory Authority and Budget section.

The FY 2018–19 Budget, as amended by SB 856 (Chapter 30, Statutes of 2018), allocated $25,000,000 to CalRecycle for its Greenhouse Gas Reduction Fund Grant Programs, with $1,250,000 allocated for administrative costs. Staff proposes using $10,437,247 in FY 2018–19 monies, along with the available FY 2017–18 monies, to fully fund all passing applications.

Table 2. Funding

Funding Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
Greenhouse Gas Reduction Fund (FY 2017–18)	$1,238,379	$1,238,379	$0	Local Assistance/Grants
Greenhouse Gas Reduction Fund (FY 2018–19)	$23,750,000	$10,437,247	$13,312,753	Local Assistance/Grants
Total	**$24,988,379**	**$11,675,626**	**$13,312,753**	

Director Action

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve the grant awards for the Recycled Fiber, Plastic, and Glass Grant Program as listed in Table 1. Each proposed grantee's award is subject to two conditions:

1. The recommended grantee must pay all outstanding debts due to CalRecycle, or bring current any outstanding payments owed to CalRecycle, by May 8, 2019.
2. The recommended grantee's Signature Authority (or where delegation is authorized, his or her Designee) must sign and return the Grant Agreement to CalRecycle. The signed Grant Agreement must be received by CalRecycle by May 8, 2019.

Dated: April 24, 2019

Signed by: Scott Smithline

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Scott Smithline
Director

Dated

Background and Findings

Statutory Authority

Public Resources Code section 42995 et seq., added to statute by the enactment of SB 862 (Statutes of 2014, Chapter 36) and revised by SB 859 (Statutes of 2016, Chapter 386), authorizes the California Department of Resources Recycling and Recovery (CalRecycle) to award grants and loans for capital investments that expand waste management infrastructure resulting in greenhouse gas (GHG) emission reductions, with a priority placed on projects that benefit disadvantaged and low-income communities.

The Governor's budget for FY 2017–18, as amended by AB 109 (Chapter 249, Statutes of 2017) allocated $40,000,000 to CalRecycle, with two years allowed for encumbrance, ending June 30, 2019. Of this, CalRecycle awarded $25,109,441 to the Organics Grant Program and $4,388,509 to the Food Waste Prevention and Rescue Grant Program, Cycle 2. The remaining $2,000,000 was allocated for administrative costs.

The FY 2018–19 Budget, as amended by SB 856 (Chapter 30, Statutes of 2018), allocated $25,000,000 to CalRecycle with $1,250,000 set aside to cover the Department's staffing costs to administer the grant programs.

On August 28, 2018, CalRecycle's Director approved initial allocations for the Greenhouse Gas Reduction Fund Grant Programs from the remaining FY 2017–18 funds and new FY 2018–19 funds. Allocations were as follows:

- Food Waste Prevention and Rescue Grant Program
  - $5,750,000 from FY 2017–18
- Food Rescue Communication Platform Project
  - $502,050 from FY 2017–18
- Recycled Fiber, Plastic and Glass Grant Program
  - $9,000,000 from a combination of $2,250,000 remaining from FY 2017–18 and $6,750,000 from FY 2018–19
- Organics Grant Program
  - $17,000,000 from FY 2018–19

CalRecycle ultimately decided not to move forward with the development of Food Rescue Communication Platform Program, in part because other entities are developing similar tools. As a result an additional $502,050 is available. In addition, one awardee from the Organics Grant Program, Cycle 3 (FY 2017–18), did not meet all of the grant award conditions and its award totaling $4,000,000 has been disencumbered. The total amount of funding available from FY 2017–18 is $12,502,050. Staff is recommending $11,263,671 in FY 2017–18 funding be allocated to the Food Waste Prevention and Rescue Grant Program to fund applications from cycle 3 of that grant program.

Staff proposes to use the remaining funds from FY 2017–18 ($1,238,379) and a portion of the FY 2018–19 funds ($10,437, 247) to fund all passing Recycled Fiber, Plastic, and Glass Grant Program applications. The remainder of the FY 2018–19, less administrative costs of $1,250,000, is proposed for allocation to cycle 4 of the Organics Grant Program ($13,312,753). If additional GGRF funds are allocated to CalRecycle in the FY 2019–20 Budget, CalRecycle will bring forward an item to its Monthly Public Meeting with a recommended allocation.

Program Background

The Recycled Fiber, Plastic, and Glass Grant Program provides funds to support the expansion of recycling infrastructure that meets AB 32 (Núñez, Chapter 488, Statutes of 2006), AB 341 (Chesbro, Chapter 476, Statutes of 2011), and the California Air Resources Board's greenhouse gas reduction policies. California had an estimated recycling rate of about 44 percent in 2016 (this recycling rate excludes materials sent to landfills for alternative daily cover and other beneficial uses). Although impressive, about 30 million tons of materials are landfilled and represent a significant source of methane emissions. Of the material going to landfills, over 40

percent is organic material (grass, yard waste, food waste, lumber and wood waste), 17 percent is paper and paperboard, 10 percent is plastics, and 20 percent is inert construction and demolition debris. Approximately 1.2 million tons of textiles are landfilled every year, and 95 percent of that is reusable or recyclable. Eligible applicants and eligible projects are described in detail in the Application Guidelines and Instructions (calrecycle.ca.gov/docs/cr/climate/grantsloans/fpg/fy201819instructions.pdf)

Criteria and Process

The Eligibility Criteria and Evaluation Process was presented at the December 18, 2018, CalRecycle monthly public meeting and subsequently approved by the Director. The Notice of Funds Available was published on January 29, 2019 and applications were due on February 28, 2019.

CalRecycle received 14 applications requesting a total of $32,943,964.09 in funding. Staff reviewed the applications for completeness and eligibility and disqualified three applications. The remaining 11 eligible applications were reviewed by staff in accordance with the approved evaluation and scoring criteria. Five applications received a passing score and are recommended for award.

The projects with proposed grant awards are briefly summarized below. Note that in some instances, CalRecycle and California Air Resources Board modified GHG reductions and tons diverted estimates contained within the application documents.

Applicant: Netafim
County: **Fresno**
Grant Funds Recommended for Approval: **$2,011,647**
Estimated GHGs (MTCO2e) Total Project: **16,526**
Estimated Diversion (Tons) Total Project: **20,658**

Netafim Irrigation, Inc grant application is for a closed-loop recycling solution for irrigation tubing that will serve farming operations in the Central Coast region of California. Netafim's grant will result in the expansion of an established and successful recycling operation. The grantee will collect used irrigation tubing and transport it to Netafim's recycling facility in Fowler, CA. At the recycling facility, the irrigation tubing will be shredded, washed, and pelletized before being transported to Netafim's manufacturing facility located in Fresno, CA. At the manufacturing facility, the recycled HDPE pellets will be blended with other resins and extruded into new irrigation tubing. Once this recycled content irrigation tubing reaches end of life, it will be collected by Netafim in a closed-loop recycling process.

Applicant: Roplast Industries
County: **Butte**
Grant Funds Recommended for Approval: **$2,478,014**
Estimated GHGs (MTCO2e) Total Project: **3,500**
Estimated Diversion (Tons) Total Project: **4,375**

Roplast manufactures retail and grocery bags that contain post-consumer recycled content material. Roplast's grant is for the acquisition of a deinking system that will allow Roplast to expand its operations and recycle low density polyethylene (LDPE) post-consumer feedstock that would otherwise be landfilled. As a result of the grant, Roplast will collect post-consumer feedstock from its customers, process the material, and create deinked pellets for use in production of retail and reusable grocery bags, which are delivered back to those customers.

Applicant: Shark Glass Recycling West, LLC
County: **San Bernardino**
Grant Funds Recommended for Approval: **$1,283,401**
Estimated GHGs (MTCO2e) Total Project: **2,609**
Estimated Diversion (Tons) Total Project: **13,045**

Shark Glass's grant will result in a new windshield recycling facility in California. The facility will source post-consumer windshields and building glass, which are currently sent to landfill. The windshield glass will be recycled by separating the glass from the polyvinyl butyral (PVB) interlayer. Approximately 87 percent of a windshield is glass, which will be utilized by California fiberglass insulation manufacturers to make new building insulation. Eight percent of the windshield is the PVB interlayer, which will be sent to a Shark Solutions company in Lavonia, GA for reprocessing into useable raw materials that replace PVC (Polyvinyl Chloride) in carpet tiles.

Applicant: Envision Plastics
County: **San Bernardino**
Grant Funds Recommended for Approval: **$2,940,000**
Estimated GHGs (MTCO2e) Total Project: **4,176**
Estimated Diversion (Tons) Total Project: **5,220**

Envision Plastics' grant project will result in the installation of equipment that can produce devolatized post-consumer recycled high density polyethylene (HDPE) from recycled containers and agricultural film generated in California. The project will add a grinder, wash line system, washed flake drying/mixing equipment, and devolatization equipment to produce food grade and devolatized recycled resins. The project will create a high value recycled plastic feedstock material that can be used to manufacture goods and products made in California and nationally.

Applicant: FDS Manufacturing
County: **Riverside and Fresno**
Grant Funds Recommended for Approval: **$2,962,564**
Estimated GHGs (MTCO2e) Total Project: **4,005**
Estimated Diversion (Tons) Total Project: **4,500**

FDS Manufacturing's grant project will add a melt filtration unit, pelletizer, and extruder to divert post-consumer recycled polypropylene and polyethylene to create compounded masterbatch resin pellets. The resin will be used by FDS Manufacturing and other partners to produce commercial products such as bins, pallets, angle board, and other multi-use products.