REQUEST FOR APPROVAL

To: ~~**Caroll Mortensen**~~ **Scott Smithline**
Director

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

Request Date: November 14, 2014

Decision Subject: Awards for the Recycled Fiber, Plastic, and Glass Grant Program (Greenhouse Gas Reduction Fund, FY 2014–15)

Action By: ~~November 18, 2014~~ (Revised July 24, 2015)

Summary of Request:
Staff requests approval of grant awards for the Recycled Fiber, Plastic, and Glass (FPG) Grant Program, Fiscal Year (FY) 2014–15. CalRecycle received 10 eligible applications requesting a total of $18,018,986 for this competitive grant program. This request seeks approval for three grant awards to those passing applicants with the highest scores, totaling $5,000,000 (see Table 1). Of those eligible applications, one was partially funded due to insufficient funds. The remaining passing applications, reflected in rank order in Table 2, could be funded in that order if additional funds become available.

Recommendation:
Staff recommends approval of three grant awards, as listed in Table 1, List A below, for $5,000,000.

Table 1. Recycled Fiber, Plastic, and Glass Grant Program Recommended Award – List A

Applicant	Project Type	Total Award Recommended
Command Packaging	Plastic	$3,000,000
Peninsula Plastics Recycling, Inc.	Plastic/Fiber	$1,000,000
~~Sonoco Products Company *(partially funded)*~~	~~Fiber~~	~~$1,000,000~~
Reliance Carpet Cushion *(partially funded)*	Fiber	$1,000,000
	Total	**$5,000,000**

Table 2. Recycled Fiber, Plastic, and Glass Grant Program Recommended Award (if additional funds become available) – List B

Applicant	Project Type	Total Amount Requested *
~~Sonoco Products Company *(partially funded)*~~	~~Fiber~~	~~$972,451~~
Reliance Carpet Cushion *(partially funded)*	Fiber	~~$1,677,126~~ $677,126
Direct Pack, Inc.	Plastic	$2,000,000
	Total	~~**$,4,649,577**~~**$2,677,126**

** Amount requested subject to CalRecycle staff verification of eligible expenditures prior to issuance of an award.*

Funding:
The FY 2014–15 Budget Act allocates $5,000,000 to the Greenhouse Gas Reduction Fund for the FPG Grant Program.

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
Greenhouse Gas Reduction Fund (FY 2014–15)	$5,000,000	$5,000,000	$0	Grants
Total	$5,000,000	$5,000,000	$0	

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 FPG Grant Program as listed in Table 1. Each proposed grantee's award is conditional upon:

1. The full payment within 60 (sixty) days of the date of this grant award of all outstanding debt(s) or scheduled payment(s) owed by the proposed grantee to CalRecycle.
2. The return by the proposed grantee of a completed and executed Grant Agreement within 60 (sixty) days from the date that CalRecycle staff emails the Grant Agreement.

Dated: 7/24/15

~~Caroll Mortenson~~ Scott Smithline
Director

Background and Findings:

Statutory Authority
The Budget Act of 2014 (Chapter 25, Statutes of 2014), which enacted section 42999 of the Public Resources Code, authorizes the Department of Resources Recycling and Recovery (CalRecycle) to award grants for capital investments that expand organics management and recyclable commodities manufacturing infrastructure in the state. The Act provided $20 million for grants, and CalRecycle allocated $5 million of this amount to the FPG Grant Program. This investment in recyclable commodities manufacturing infrastructure is focused on reducing greenhouse gas emissions and diverting more materials from landfills in support of the State's greenhouse gas reduction and 75 percent solid waste recycling goals.

Program Background
Two key pieces of legislation, AB 32 and AB 341, provide the policy drivers for the FPG Grant Program. The purpose of the FPG Grant Program is to lower overall greenhouse gas emissions by expanding existing capacity or establishing new facilities in California that use California-generated postconsumer recycled fiber (paper, textiles, carpet, or wood), plastic, or glass to manufacture products.

Criteria and Process
The program eligibility criteria and evaluation process were discussed at the February 6, 2014, public workshop and at the March 18, 2014, CalRecycle public meeting, and subsequently approved by the Director. The Notice of Funds Available was placed on the CalRecycle website on May 1, 2014 (with an indication that funding was contingent upon inclusion in the Budget Act). Stakeholders were notified via an email notice and listserv

The projects with grant awards are briefly summarized in the following table:

Applicant Name	Description	Estimated GHGs (MTCO2e) Total Project*	Estimated Diversion (Tons) Total Project*
Command Packaging	Los Angeles County: Command Packaging is a manufacturer of reusable plastic carry-out bags made for the retail, restaurant and grocery industries. Encore Recycling collects, cleans, and converts agricultural film plastic into feedstock that Command Packaging will use to produce reusable bags. The yearly capacity of Command Packaging is equivalent to approximately 550 million reusable bags. The grant funds will allow Command to upgrade its facility from one-layer to three-layer extrusion equipment in order to increase the recycled content of reusable bags and manufacture a higher quality product capable of 125 reuses over its lifetime.	272,700	313,600
Peninsula Plastics Recycling, Inc.	Stanislaus County: Peninsula Plastics Recycling, Inc. will use grant funds to assist in the purchase of on-the-shelf equipment to divert approximately 45% of its current PET recycling process by-product from landfills and convert it into a final product. The proposed extrusion equipment will allow Peninsula Plastics to utilize a combination of bottle labels, fines, and paper sludge as feedstock to produce a range of landscaping material.	41,900	50,300
~~Sonoco Products Company~~	~~Los Angeles County: Sonoco Products will use grant funds for procurement and installation of improved detrasher equipment designed to increase the percentage of recyclable fiber processed through the manufacturing plant. Additionally, funds will be used to purchase new paper drying equipment to speed the paper process line, resulting in increased production of products and increased use of recyclable fiber. Sonoco will produce tube rolls that require no additional manufacturing or processing to be used as a product when sold to customers.~~	~~154,300~~	~~33,300~~
Reliance Carpet Cushion	Los Angeles County: Reliance Carpet Cushion, in collaboration with Los Angeles Fiber, ReThink Green, Inc., and EcoStrate SFS, Inc. plans to increase the recovery, recycling, and re-manufacturing of hard-to-recycle post-consumer carpet fiber in California. The project will result in permanent, annual, and measureable reductions in greenhouse gas emissions while creating products such as carpet cushion, traffic signs, building signs, and flooring substrate.	8,113	38,633

** Eligible GHGs and tons as verified by CalRecycle and ARB. Applicants' GHGs and tons were modified by CalRecycle and ARB in some instances.*

announcements. The Budget Act of 2014 was signed by the Governor on June 20, 2014. The original eligibility criteria and evaluation process were revised and approved by the Director on August 14, 2014, to conform to the funding provisions included in the Budget Act.

Eligible applicants included cities, counties and other local agencies, private, for-profit entities, solid waste service providers, owners/operators of solid waste facilities, operators of fiber, plastic, or glass manufacturing facilities, state agencies, the University of California, the California State University, or other public universities or colleges, nonprofit organizations, and Qualifying Indian Tribes. Qualifying entities were allowed to submit up to two applications for the FPG Grant Program; these could be in the form of an individual, regional, or cooperative application. In a regional or cooperative application, one entity must have been identified as the Lead Participant to act on behalf of the Participating Jurisdictions or Participating Entities.

Eligible projects included: construction, renovation or expansion of facilities in California using California-derived recycled-content fiber, plastic, or glass in the manufacture of value-added products. This includes purchase of equipment, machinery and real estate improvements associated with the installation thereof. For the purposes of this program, a manufactured "product" is defined as a good or package in a form which requires no further processing or forming before it is offered for sale to an end-user. It does not include intermediate products, such as plastic pellets sold as feedstock to a converter for fabrication into a consumer product.

Projects must be located in California and result in permanent, annual, and measurable:

1. Reductions in greenhouse gas emissions by manufacturing products with California-generated recycled-content fiber, plastic or glass; and
2. Increases in quantity (tons) of California-generated fiber, plastic and glass materials diverted from landfills, and used to manufacture products.

Applications were due July 31, 2014, with a "secondary" due date of August 28, 2014, for submission of required Resolutions and Environmentally Preferable Purchasing and Practices Policy Notifications. Twenty applications were received requesting a total of $36,867,492. Of these, one applicant withdrew its application and three applications were disqualified due to incomplete submissions. Six more applications were disqualified for project ineligibility. Of those, a few applications proposed interesting projects that included material substitution and source reduction, but unfortunately did not meet the specific requirements of this cycle. Eligibility for these types of projects will be considered if CalRecycle receives additional funding in subsequent years for future grant cycles.

Staff reviewed the remaining ten applications in accordance with the approved evaluation and scoring criteria. The most important criteria in terms of potential scoring were: greenhouse gas reductions, tons of recycled materials used in fiber, plastic, and glass manufacturing, benefits to disadvantaged communities, and project readiness. Additional points were possible for fiscal soundness, air and water quality benefits, budget, and overall work plan.

The maximum grant award is $3,000,000 per applicant. With the $5,000,000 available, the two top-scoring applications can be fully funded and one can be partially funded. Two additional applications received a passing score, and five did not receive a passing score. Should additional monies become available, staff recommends that the applicant proposed to receive partial funding (~~Sonoco Products Company~~ Reliance Carpet Cushion) receive additional funds. Sonoco Products Company declined their awarded funds as they could not complete their project with partial funding. Awards were revised in July 2015 to partially fund Reliance Carpet Cushion for $1,000,000. Of the three projects that can be funded, all are located in or near, and provide benefits to, disadvantaged communities. CalRecycle will work with successful applicants to accurately assess the total project costs in order to determine the cost-effectiveness of the program in reducing greenhouse gas (GHG) emissions on a metric ton of carbon dioxide equivalent per Greenhouse Gas Reduction Fund dollar investment basis.