

## REQUEST FOR APPROVAL

**To:** **Caroll Mortensen**  
Director

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

**Request Date:** **April 14, 2015**

**Decision Subject:** Eligibility, Scoring Criteria, and Evaluation Process for the Greenhouse Gas Reduction Programs: Organics Grant Program; Recycled Fiber, Plastic, and Glass Grant Program; and Greenhouse Gas Reduction Revolving Loan Program (Greenhouse Gas Reduction Fund and Greenhouse Gas Reduction Revolving Loan Fund, FY 2015–16)

**Action By:** **April 21, 2015**

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### **Summary of Request:**

This Request for Approval seeks approval of the proposed eligibility, scoring criteria, and evaluation process for the Greenhouse Gas Reduction Grant and Loan Programs for Fiscal Year (FY) 2015–16, pursuant to California Public Resources Code (PRC) sections 42995 et seq., upon passage and the adoption of the Governor’s Proposed Budget for FY 2015–16. The proposed changes for these programs are summarized below and described fully under the *Proposed Changes* section.

### ***Organics Grant Program & Recycled Fiber, Plastic, and Glass Grant Program***

- Change grant payment methodology
- Include additional requirements for preprocessing applicants
- Limit number of applications per eligible applicant
- Adjust points in Scoring Criteria

### ***Organics Grant Program Only***

- Establish a \$2 million Rural Program
- Expand eligible costs for food waste prevention/rescue projects

### ***Loan Program Only***

- Evaluate applications on a first-come, first- served basis, provided the project meets the minimum passing score
- Organics and recycled fiber, plastic, and glass projects are both eligible
- Eliminate two Scoring Criteria categories and adjust points in Scoring Criteria

### **Recommendation:**

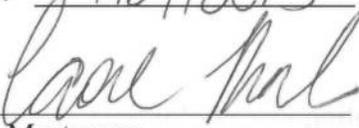
Staff recommends approval of the proposed eligibility, scoring criteria, and evaluation process for the Greenhouse Gas Reduction Grant and Loan Programs for FY 2015–16, as described below under *Proposed Eligibility and Process* and as shown in detail in Attachments 1 – 4.

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**Action:**

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby approve proposed eligibility, scoring criteria, and evaluation process for the Greenhouse Gas Reduction Grant and Loan Programs for Fiscal Year 2015–16, as set forth below and in Attachments 1 – 4.

**Dated:**

4/21/2015  


Caroll Mortensen  
Director

**Attachments**

1. Organics Grant Program – Scoring Criteria
2. Recycled Fiber, Plastic, and Glass Grant Program – Scoring Criteria
3. Greenhouse Gas Reduction Loan Program (Organics) – Scoring Criteria
4. Greenhouse Gas Reduction Loan Program (Recycled Fiber, Plastic, and Glass) – Scoring Criteria

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**Background & Analysis:**

Statutory Authority

PRC section 42995 et seq., added to statute by the enactment of SB 862 (Statutes of 2014, Chapter 36), authorizes the California Department of Resources Recycling and Recovery (CalRecycle) to award grants and loans to provide financial incentives for capital investments that expand waste management infrastructure resulting in greenhouse gas emission (GHG) reductions, with a priority in disadvantaged communities. The total funding in the Governor’s proposed budget for these programs for FY 2015–16 is \$25 million.

Program Background

California has an estimated diversion rate of 65 percent (this rate includes materials being sent to landfills for alternative daily cover and other beneficial uses, and materials being sent to transformation facilities). Although impressive, about 30 million tons of materials are still going to landfills, which are a significant source of methane emissions. Of the material going to landfills, over 30 percent is organic material (grass, yard waste, food waste, lumber and wood waste), 17 percent is paper and paperboard, 10 percent is plastics, and 30 percent is inert construction and demolition debris.

Two important pieces of legislation, AB 32 and AB 341, provide the policy drivers to realize significant GHG emission reductions through increased diversion of materials from landfills via source reduction, recycling and composting.

- ***AB 32 and Climate Change Priorities***

The Air Resources Board's AB 32 Scoping Plan Update, adopted in 2014, identifies recycling and organics management issues as key priorities in the Waste Management Sector Plan and includes activities to foster increased diversion of organics and recyclables from landfills. Organic materials management was also identified as a key priority in the Administration's April 2013 Cap-and-Trade Auction Proceeds Investment Fund and in the FY 2014-15 Budget.

- ***AB 341 and Statewide Goal of 75 Percent***

AB 341 established a new statewide goal of reducing, recycling, or composting 75 percent of the state's waste by 2020. There is a direct relationship between waste diversion from landfills and GHG emission reductions. CalRecycle estimates that about 20 to 25 million more tons of material will need to be reduced, recycled, or composted by 2020 to reach this goal. This would dramatically reduce methane emissions from landfills and GHG emissions associated with manufacturing processes, by approximately 20 to 30 million metric tons of GHG emission reductions, as well as result in creating up to 100,000 new local jobs, to the extent that these organic and recyclable materials can be used in California.

The Greenhouse Gas Reduction Grant and Loan Programs provide funds to support expansion of the waste management infrastructure that meets both AB 32 and AB 341 policies; investment is needed for new or expanded organics infrastructure, such as composting and anaerobic digestion facilities, as well as for facilities that manufacture recycled materials into beneficial products. This investment will result in reduced methane emissions from landfills and further GHG reductions in upstream resource management and manufacturing processes; benefit disadvantaged communities by upgrading existing facilities and, where warranted, establishing new facilities that reduce GHG emissions; provide for greater compliance with water and air quality standards; and create jobs.

Staff held a workshop on March 19, 2015, to discuss draft program overview and scoring criteria documents for the proposed grant and loan programs. The workshop, stakeholder comments, and subsequent revisions are addressed in the *Proposed Changes* section below and in the Scoring Criteria documents for each program (Attachments 1 – 4). A summary of major stakeholder comments and CalRecycle staff's rationale for making or not making changes is provided in *Stakeholder Comments and CalRecycle Responses* section at the end of this document.

## Funding

### ***Grant Programs***

The Organics Grant Program and the Recycled Fiber, Plastic, and Glass Grant Program will be administered by both the Financial Resources Management Branch and the Statewide Technical and Analytical Services Branch. The total appropriation in the proposed Budget is \$20,041,000. Approximately \$19,416,000 will be available for both of the grant programs, with \$625,000 allocated for staffing costs for FY 2015–16. Staff proposes:

- 1) Allocating \$14,416,000 to the Organics Grant Program, with a maximum award of \$3,000,000 for the standard program.
  - a. Within the Organics Grant Program, allocating \$2,000,000 (out of the total \$14,416,000 funding) for a Rural Program for organics projects in rural counties, with a maximum grant award for the Rural Program of \$1,000,000.

- 2) Allocating \$5,000,000 for the Recycled Fiber, Plastic, and Glass Grant Program, with a maximum award of \$2,500,000.

If one grant program is oversubscribed and the other grant program undersubscribed, CalRecycle may move funds from one greenhouse gas reduction grant program to the other in order to fund eligible applications.

### ***Loan Program***

The Greenhouse Gas Reduction Revolving Loan Program will be administered by the Financial Resources Management Branch, with assistance from the Statewide Technical and Analytical Services Branch to score the project components. The total appropriation in the proposed Budget is \$5,000,000. Approximately \$4,536,000 will be available for the Greenhouse Gas Reduction Revolving Loan Program, with \$464,000 allocated for staffing costs for FY 2015–16. Staff proposes that:

- 1) The maximum loan amount is \$2,000,000 or 75 percent of total project cost, whichever is less;
- 2) The matching fund requirement is 25 percent of the total project cost;
- 3) A borrower and its related entities may receive more than one loan, but may not have more than \$5,000,000 in total principal outstanding on all CalRecycle loans at any one time;
- 4) Loan proceeds cannot be used to pay for expenses that were funded by other GHG programs; and
- 5) A loan project is defined as the activity for which the loan proceeds will be disbursed for (i.e. purchase equipment, equipment installation, etc.).

### **Proposed Eligibility and Process**

#### ***Grant Programs***

Attachments 1 & 2 are the proposed Scoring Criteria for both the Organics Grant Program and the Recycled Fiber, Plastic, and Glass Grant Program. These attachments have been revised in light of stakeholder comments, which are summarized in *Stakeholder Comments and CalRecycle Responses* further below.

Staff will conduct an initial review of all applications to confirm applicant eligibility and application completeness. Applications will then be evaluated and scored by a review panel of CalRecycle staff based on the attached Scoring Criteria for each program.

Eligible applicants include:

- Local governments
  - Cities, counties, and cities and counties as defined in Public Resources Code section 30109.
  - Regional or local sanitation agencies, waste agencies, or Joint Powers Authorities.
- Private, for-profit entities. For purposes of this program, a “private, for-profit entity” is defined as a business intended to operate at a profit and return a profit to its owners. The business must be qualified to do business in California and be in good standing with all applicable California state agencies, including, but not limited to, the Secretary of State and the Franchise Tax Board. Any and all subsidiaries, divisions or affiliated businesses are considered part of the primary business entity for the purpose of applying for and receiving a grant award under the Organics and Recycled Fiber, Plastic and Glass Grant Programs.

- State agencies (including offices, departments, bureaus, and boards).
- The University of California, the California State University, or California Community Colleges.
- Nonprofit organizations (except private schools) registered with the federal government under 501(c)3, (c)4, (c)6 or (c)10 of the Internal Revenue Code.
- Qualifying Indian Tribes. A “Qualifying Indian Tribe” is defined as an Indian tribe, band, nation or other organized group or community, residing within the borders of California, which:
  - 1) Is recognized for special programs and services provided by the United States to Indians because of the status of its members as Indians; or
  - 2) Can establish that it is a government entity and which meets the criteria of the grant program.

Project requirements are as follows:

- Projects must be located in California and result in permanent, annual, and measurable reductions in greenhouse gas (GHG) emissions from the landfilling of California-generated green and food materials; and
- Projects must increase the quantity (tons) of: 1) for the Organics Grant Program, California-generated green or food materials, or ADC diverted from landfills and composted or digested; or 2) for the Recycled Fiber, Plastic, and Glass Grant Program, new diversion of these materials from landfills.

Eligible projects include:

- Construction, renovation, or expansion of facilities to increase in-state infrastructure for:
  - 1) The digestion or composting of organics into compost, soil amendments, biofuels, or bioenergy; or
  - 2) The manufacturing of value-added products using California derived recycled content fiber, plastic, or glass into finished products.
- Construction, renovation, or expansion of facilities to increase in-state infrastructure for:
  - 1) The preprocessing of organics when providing preprocessed materials to an in-state digestion or composting facility that is using the waste to make compost, soil amendments, biofuels, or bioenergy; or
  - 2) The preprocessing of fiber, plastic and glass waste when providing preprocessed materials to an in-state manufacturing facility that is using the waste to make finished products.
- Expansion of projects that have previously received Greenhouse Gas Reduction Funds (GGRF) are eligible provided the project meets the grant criteria and the previously funded project is progressing in a manner satisfactory to CalRecycle.
- Food waste prevention projects must be partnered with a compost or digestion project and result in measurable food waste reduction. Food waste prevention projects are projects that prevent edible food from becoming waste normally destined for landfills and result in rescued food being distributed to people, with any food waste residuals from the project being sent to composting or digestion when available within their service area.

Rural Program applicant requirements for organics grants are as follows:

An eligible applicant may choose to apply under the Rural Program if the project will be sited in a rural county and serve, at least in part, a rural community. Rural is defined as a county annually disposing no more than 200,000 tons of solid waste. In order to determine if the County where the facility is located disposes less than or equal to 200,000 tons of waste in a

year, applicants must generate a [Single-year Countywide Origin Detail](#) Disposal Reporting System web report. Applicants should use the latest report to determine this eligibility (currently 2013 data).

The Rural Program has a maximum award amount of \$1 million per applicant with \$2,000,000 being set aside for this program from the \$14,416,000 allocation for organics grants. Rural Program applications will be scored separately from the standard applications. The project requirements, eligible projects, ineligible costs, required application documents, scoring criteria, and minimum score requirements are the same for the Rural Program as the standard Organics Program.

### ***Loan Program***

Attachments 3 & 4 are the proposed Scoring Criteria for loans from both the Organics Program and the Recycled Fiber, Plastic, and Glass Program. Applicant and project eligibility are the same as for the grant programs, with the exceptions of a narrower range of eligible applicants (Local Governments, private for-profit entities, and nonprofit only) and food waste prevention being an eligible organics loan project. Staff will conduct an initial review of all applications to confirm applicant eligibility and application completeness. Project-related documents will then be evaluated by a review panel of CalRecycle technical staff. Applications that score 30 or more points, out of 60 total possible, will be evaluated by loan staff for repayment ability and adequate collateral to secure the loan.

### **Proposed Changes**

#### ***Organics Grant Program & Recycled Fiber, Plastic, and Glass Grant Program***

##### ***Grant Payment Methodology***

Both CalRecycle staff and stakeholders have raised the concern that GGRF funds will be disbursed yet awarded grant projects may not fully achieve anticipated GHG emission reductions for a variety of reasons (e.g., partial construction, inadequate funding for the total project, project delays, permit issues, failure to secure adequate feedstock, etc.). To address this concern, staff is proposing to change the payment methodology for the FY 2015–16 grant programs to develop a performance incentive approach to ensure that projects not only execute construction but also successfully achieve production that realizes anticipated GHG emission reductions. This performance-based payment methodology also provides an incentive to set realistic tonnage and GHG emission reduction projections and a disincentive to grant “banking” (i.e., when grant funds are awarded but not expended for an extended period of time; see *Stakeholder Comments and CalRecycle Responses* below) or to applying for and receiving funding for projects that are unlikely to develop in a manner similar to that originally proposed.

##### ***Organics Grant Program***

- An applicant can request up to \$3,000,000 in total funds for the project. Payment of requested funds are divided between infrastructure and performance payments. An applicant can request up to \$2,500,000 for capital expenses and other eligible expenses for the infrastructure of the project as described in the eligible projects section. An amount up to twenty percent (20%) of the amount requested for those expenses can then be requested as performance payments. The infrastructure portion of the grant will be paid on a reimbursement basis. Performance payments are made for each ton of California-generated greenwaste, food materials, or ADC diverted from landfills and composted or digested during the term of the grant. The payments will be made quarterly on a per ton basis with the dollar amount being determined by dividing the amount

requested for performance payments by the total number of tons diverted under the project during the grant term, as stated in the application.

- *Example 1:* Applicant may request \$2,500,000 for the construction of a new AD facility that will divert 50,000 tons of previously landfilled organic material during the grant term (10,000 tons per year for the five year term of the grant). This applicant may request \$500,000 in performance payments. These payments would be at a rate of \$10/ton. (\$500,000 divided by 50,000 tons)
- *Example 2:* Applicant requests \$1,000,000 for the conversion of a windrow composting facility into an aerated static pile. The conversion will allow the facility to compost an additional 50,000 tons of organic waste during the grant term (10,000 tons per year for the five year grant term). The applicant may request up to \$200,000 (20% of 1,000,000) in performance payments. These payments would be at a rate of \$4/ton. (\$200,000 divided by 50,000 tons)
- An applicant in the Rural Program can request up to \$1,000,000 in total funds for the project. Payment of requested funds are divided between infrastructure and performance payments. An applicant can request up to \$800,000 for capital expenses and other eligible expenses for the infrastructure of the project as described in the eligible projects section. An amount up to twenty percent (20%) of the amount requested for those expenses can then be requested as performance payments. The infrastructure portion of the grant will be paid on a reimbursement basis. Performance payments are made for each ton of California-generated greenwaste, food materials, or ADC diverted from landfills and composted or digested during the term of the grant. The payments will be made quarterly on a per ton basis with the dollar amount being determined by dividing the amount requested for performance payments by the total number of tons diverted under the project during the grant term, as stated in the application.

#### ***Recycled Fiber Plastic and Glass Grant Program***

- An applicant can request up to \$2,500,000 in total funds for the project. Payment of requested funds are divided between infrastructure and performance payments. An applicant can request up to \$2,000,000 for capital expenses and other eligible expenses for the infrastructure of the project as described in the eligible projects section. An amount up to twenty percent (20%) of the amount requested for those expenses can then be requested as performance payments. The infrastructure portion of the grant will be paid on a reimbursement basis. Performance payments are made for each ton of California-generated postconsumer recycled fiber, plastic, or glass diverted from a landfill and used to manufacture a product during the term of the grant. The payments will be made quarterly on a per ton basis with the dollar amount being determined by dividing the amount requested for performance payments by the total number of tons diverted by the project during the grant term, as stated in the application.
  - *Example 1:* Applicant may request \$2,000,000 for the construction of a new facility that will divert 50,000 tons of previously landfilled plastic during the grant term. (10,000 per year for the five year term of the grant) This applicant may request \$400,000 in performance payments. These payments would be at a rate of \$8/ton. (\$400,000 divided by 50,000)
  - *Example 2:* Applicant requests \$1,000,000 for the expansion of an existing facility. The conversion will allow the facility to utilize an additional 50,000 tons of fiber waste during the grant term. (10,000 tons per year for the five year grant term) The applicant may request up to \$200,000 (20% of 1,000,000) in

performance payments. These payments would be at a rate of \$4/ton. (\$200,000 divided by 50,000)

#### *Preprocessing*

- Project must result in new diversion from landfills, i.e., beyond that which the preprocessor was already diverting.
- Preprocessor must provide proof of binding agreement with a California facility that is receiving the preprocessed feedstock to make compost, soil amendments, biofuels, bioenergy, or recycled content finished products.
- If the composting, digestion or manufacturing facility that receives materials from a preprocessing applicant also submits an application, the applicant must demonstrate how each project will result in discrete increases in tons of material diverted from landfills and GHG reductions.

#### *Number of Applications Per Eligible Applicant*

- Limit to one application per eligible applicant

#### *Adjusting Points in Scoring Criteria*

- Eliminate 5 points for “Application Completeness” and add 5 points to “Tonnage” (diversion) - new points for Tonnage would be 20
- Deduct 5 points from Air & Water Quality Benefits and add them to Disadvantaged Communities; new points would be 5 for Air/Water and 15 for DAC

#### ***Organics Grant Program Only***

##### *Rural Program*

- Reserve \$2 million for rural organics projects, with a maximum of \$1 million per application
  - Rural is defined as a county annually disposing no more than 200,000 tons of solid waste.
  - Maintain funding for the Rural Program separately from the rest of the Organics Grant Program, with rural applicants scored competitively against each other. Applicants may decide upon applying whether to partake in the Rural Program or the standard Organics Grant Program. If the funding for the Rural Program is not fully allocated, it may be put towards the standard Organics Grant Program.

##### *Food Waste Prevention/Rescue Projects*

- Expand eligible costs to include purchase of food waste prevention software that can be shared with food waste generators.
- Remove Food Waste Prevention salaries (driver/nonprofit labor) from 5% of the total grant budget cap on salaries; allow up to 50% of Food Waste Prevention budget to pay for salaries.

#### ***Loan Program Only***

- Evaluate applications evaluated on a first-come, first-served basis, provided the project meets the minimum passing score and the application is complete.
- Make both organics projects and recycled fiber, plastic, and glass projects eligible.
- Eliminate two scoring criteria categories: 1) Project Readiness and Permits, and 2) Air and Water Quality Benefits; adjust the points in the remaining categories to match grant scoring. Applicants must score a minimum of 30 out of 60 points to be eligible for funding.

### Tentative Timeline for FY 2015–16

As shown in the table below, staff will post a Notice of Funds Available (NOFA) on CalRecycle’s website informing potential applicants of the funding, eligibility requirements, deadlines, and other important information. Notices will also be distributed through the Grants Management System database, various listservs, outreach presentations, and newsletters. NOFAs will be sent to current and past grant and loan recipients and shared with CalRecycle’s Local Assistance and Market Development staff to inform their local jurisdictions.

### ***Grant Programs***

<b>Target Date</b>	<b>Activity</b>
May 2015	Post Notice of Funds Available, Application, and related instructions and documents on the web site
June/July 2015	Applications due
July – November 2015	Conduct application evaluation/review process; determine funding for eligible applicants
December 2015	Awards presented at CalRecycle Public Meeting
January 2016	Agreements distributed and executed: term ends, April 2020

### ***Loan Program***

<b>Target Date</b>	<b>Activity</b>
June 2015	Application release
First-come, first-served	Loan applications submitted
90-120 dates after a complete application is received	Loan awards

### Stakeholder Comments and CalRecycle Responses

On March 19, 2015, CalRecycle held a workshop to discuss draft grant and loan program overviews and scoring criteria. Staff received stakeholder input at the workshop as well as additional comments in writing. Information prepared for the workshop and stakeholder comments submitted in writing have been posted on the CalRecycle website and can be accessed at [www.calrecycle.ca.gov/Climate/GrantsLoans/](http://www.calrecycle.ca.gov/Climate/GrantsLoans/).

Staff has reviewed all stakeholder comments and revised the grant scoring criteria to incorporate stakeholder input as appropriate (see Attachments 1-4). Staff made numerous clarifying changes to these documents. In addition to these, there were several common, higher-level themes among the stakeholder comments received that can be organized into the following five categories:

1. Funding
2. Rural Program
3. Number of Applications
4. Disadvantaged Communities
5. Technology and Feedstock

The following section summarizes the major stakeholder comments in these five categories and staff recommendations for proposed revisions to the application documents and Scoring Criteria documents for each program (Attachments 1–4).

## 1. Funding

**A) Grant Banking/Stacking:** Concerns were expressed about grant banking and grant stacking. Grant banking is when grant funds are awarded but not expended for an extended period of time. Related concerns are that GGRF funds will be disbursed yet awarded grant projects may not fully achieve anticipated GHG emission reductions for a variety of reasons, e.g., partial construction, inadequate funding for the total project, project delays, permit issues, failure to secure adequate feedstock, etc. Grant stacking is when a single project receives multiple grant awards.

- *Staff Recommendation for Grant Banking and related GGRF fund disbursement concerns:* Change payment methodology for the FY 2015–16 grant program to create a performance-based incentive approach that provides a disincentive to grant banking and ensures that projects not only execute construction but also successfully achieve production that realizes anticipated GHG emission reductions. As discussed above, staff proposes that CalRecycle will pay up to 20 percent of amount requested for infrastructure projects based on project performance during the grant term. This approach will also encourage applicants to set realistic tonnage and GHG emission reduction projections in their applications.
- *Staff Recommendation for Grant Stacking:* Staff recommends clarifying that grant stacking is allowed but limited to projects that are performing. Expansion of projects that have previously received GGRF funds would be eligible for separate and distinct eligible expenses provided the project meets all the grant criteria and the previously funded project is progressing as expected.

**B) Incentive Payments:** Stakeholders suggested the Department consider an incentive payment approach rather than strictly funding grants.

- *Staff recommendation:* No changes for the FY 2015–16 grant program. A long-term, dedicated funding stream would be required to implement an effective incentive payment program.

**C) Capital Costs:** Stakeholders recommended that use of grant funds be limited to reimbursement of capital costs.

- *Staff Recommendation:* CalRecycle staff recommend no change as limited expenditures for non-capital costs such as education and outreach, design and engineering, salaries, and labor associated with food rescue are critical to successfully implement grant projects. The current grant program limits the use of grant funds for non-capital expenditures.

**D) Matching Funds:** Stakeholders suggested that the Department establish a minimum requirement for matching funds for each project.

- *Staff Recommendation:* CalRecycle staff recommend no change for the FY 2015–16 grant program. The FY 2014–15 grant program was very competitive and successful applications included considerable amounts of matching funds and leveraged the State’s investment of GGRF. Matching funds are considered as part of the fiscal soundness and budget sections of the scoring criteria.

**E) Shift Loan Funds to Grant Funds:** Stakeholders noted that the grant programs were oversubscribed while the loan program was undersubscribed and recommended shifting the loan funding to the grant program.

- *Staff Recommendation:* CalRecycle staff recommend no change. The grant program is established in the Budget Act and loan program is separately established in the Budget Act and not subject to modification by CalRecycle.

**F) Adjust funding between grant programs:** Stakeholders suggested consideration of a sliding scale for each grant program (both Organics and FPG) that would allow CalRecycle flexibility to pick the best projects based on diversion/emission reductions (e.g., \$9-13M for Organics and \$5-9M for FPG).

- *Staff Recommendation:* CalRecycle staff recommend no change for the FY 2015–16 grant program. If FPG becomes more significantly oversubscribed, CalRecycle may consider proposing future adjustments to the funding accordingly.

## 2. Rural Program

Several stakeholders expressed concerns that setting aside funding for rural programs would allocate a disproportionate share of the funding to a small percentage of California's population. Some stakeholders also requested that rural be defined as a county with a population of less than 150,000 people.

- *Staff Recommendation:* CalRecycle staff recommends inclusion of a Rural Program as part of the FY 2015–16 Organics grant program. In the FY 2014–15 Organics Grant Program, several projects were proposed in rural areas but were not of sufficient size to effectively compete and receive an award. Many rural areas lack organics processing capacity. Using the following definition for “rural” will result in approximately 33 eligible counties for the Rural Program: “Rural is defined as a county annually disposing no more than 200,000 tons of solid waste.”

## 3. Number of Applications

Stakeholders requested that the Department clarify how it will define a primary business entity. Stakeholders wanted clarification that a technology provider could supply equipment and services to more than one grant application.

- *Staff Recommendation:* Staff recommends limiting applications to 1 per eligible applicant. A technology provider can provide equipment and services to more than one grant applicant.

## 4. Disadvantaged Communities

Stakeholders expressed concern that increasing the number of points for DACs would make it harder for meritorious projects located out of a DAC to compete.

- *Staff Recommendation:* CalRecycle staff recommend allocating 15 points for DACs as proposed. Projects located outside of a DAC can structure their project to provide benefits to a DAC and effectively compete for the funding.

## 5. Technology & Feedstock

**A) Cost Effectiveness/Innovation:** Several stakeholders suggested that CalRecycle focus on cost-effective and/or innovative technologies such as aerated static piles and anaerobic digestion as opposed to the expansion of windrow composting.

- *Staff Recommendation:* CalRecycle staff recommends no change. The grant criteria is structured to reward projects that achieve the greatest amount of GHG emission reductions, divert the most material away from landfills, provide benefits to DACs, and realize air and water quality improvements. In the FY 2014–15 grant cycle, a number of technologies were competitive and staff does not see a benefit to restricting the types of eligible composting and digesting projects.

**B) Feedstock Supply:** Some stakeholders suggested establishing projects with long-term commitments (minimum of five years) from food and green waste providers to ensure that feedstock for the project is secured throughout the grant term.

- *Staff Recommendation:* CalRecycle staff do not recommend additional changes for the FY 2015–16 grant program. This concern is addressed by scoring criteria and supporting documentation for new diversion tons for the project as well as the proposed reimbursement methodology which, in part, would disburse payment based on performance (i.e., the actual tons of material a project diverts from a landfill).

**C) Animal Feed:** Some stakeholders suggested expanding eligible projects types under the Organics Grant program to include production of animal feed.

- *Staff Recommendation:* Staff recommends not expanding the eligible project to include production of animal feed for the FY 2015–16 grant cycle, because of insufficient time to ascertain legal and health and safety requirements for the use of previously disposed organics for animal feed, and fully understand the implications of these requirements in the context of CalRecycles GGRF programs. CalRecycle staff could consider proposing this for future cycles.