

**REQUEST FOR APPROVAL**

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

**From:** **Shirley Willd-Wagner**  
Branch Chief, Financial Resources Management Branch

**Request Date:** **March 6, 2012**

**Decision Subject:** Approval of Recycling Market Development Revolving Loan Program  
Project Eligibility Criteria (Recycling Market Development Revolving Loan  
Subaccount)

**Action By:** **March 8, 2012**

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**Summary of Request:** Staff requests approval of proposed revisions to the Recycling Market Development Zone (RMDZ) Loan Program Project Eligibility Criteria. The revisions remove eligibility for conversion technology projects and clarify eligibility for anaerobic digestion projects. Staff will conduct analysis of loan requests consistent with the current process and approved project eligibility criteria.

**Recommendation:** Staff recommends approval of approval of the attached RMDZ Loan Program Project Eligibility Criteria, as described in Attachment 1.

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**Deputy Director Action:** On the basis of the information and analysis in this Request for Approval and the findings set out above, I hereby approve the Recycling Market Development Zone Loan Program Project Eligibility Criteria as described in Attachment 1.

Dated: March 8, 2012

Howard Levenson  
Howard Levenson  
Deputy Director

Attachment 1: Recycling Market Development Zone Loan Program Project Eligibility Criteria

## **Background and Analysis:**

### Statutory Authority

The Recycling Market Development Zone (RMDZ) Program was established by Senate Bill 1322 (Bergeson, Statutes of 1989, Chapter 1096) and codified in Public Resources Code (PRC) § 42010-42024. Program regulations are found in Title 14 of California Code of Regulations, § 17900-17939.5. Public Resources Code (PRC) Section 42023.1 (f) authorizes the Department of Resources Recycling and Recovery (CalRecycle) to approve RMDZ loans to eligible businesses and not-for-profit organizations located in designated zones.

### Program Background

CalRecycle administers the RMDZ Revolving Loan Program to encourage California-based recycling businesses located within designated zones to site new manufacturing facilities, expand existing operations and processing capabilities, and create additional markets for recycled-content products. This program provides direct, low-interest loans for the purchase of equipment and other related business costs.

### Criteria and Process

The RMDZ Loan Program Project Eligibility Criteria was previously approved in September 2008. Loan applications are analyzed and evaluated in accordance with established procedures to ensure that the project meets eligibility and underwriting criteria. This evaluation also includes the following interdivisional reviews:

- Permitting and Certification Division staff determines whether/which major permits (land, air, water, fire) are required for the proposed project.
- Local Assistance and Market Development Branch staff determines whether the project's non-hazardous solid waste feedstock material is normally disposed of in landfills.
- Statewide Technical and Analytical Resources Branch staff determines that equipment proposed for the project is proven and appropriate.

The Loan Committee considers the financial soundness of the applicant and the proposed loan terms to recommend whether a loan request be approved or declined. The Deputy Director for the Material Management and Local Assistance Division considers all aspects and determines whether to approve the loan.

### Proposed Changes

Staff proposes to change the eligibility criteria related to conversion technologies to focus on anaerobic digestion projects and to place anaerobic digestion projects within the "What Are Recycling Projects?" section of the criteria. Anaerobic digestion is a biological process that has already been piloted in California. It is particularly well-suited to handle food waste, which comprises 15 percent of the disposal waste stream and which is a high priority for CalRecycle over the next several years in its efforts to achieve the 75 percent statewide recycling goal of AB 341. Anaerobic digestion also is a component in the Air Resources Board's AB 32 Scoping Plan; the Plan's climate change measure focused on anaerobic digestion has a goal of achieving greenhouse gas emissions reductions totaling 2 MMTCO<sub>2e</sub> by 2020. In addition, the Low Carbon Fuel Standard (LCFS) calls for a 10 percent reduction in the carbon intensity of California transportation fuels by 2020, and CalRecycle is currently working with the ARB on the development of a LCFS pathway for anaerobic digestion projects. CalRecycle also has completed a Program Environmental Impact Report for anaerobic digestion projects, to assist project proponents and lead agencies in preparing required environmental documents for such projects.