



TO: Greenhouse Gas Reduction Fund Program

FROM: Yana Garcia
Secretary
California Environmental Protection Agency

Rachel Machi Wagoner
Director
Department of Resources Recycling and Recovery

DATE: January 9, 2023

SUBJECT: Greenhouse Gas Reduction Fund:
Department of Resources Recycling and Recovery

Expenditure Record for Fiscal Years 2021–22 and 2021–22
Organics Grant Program and Co-Digestion Grant Program

This Attestation Memorandum documents that the Department of Resources Recycling and Recovery completed the attached Expenditure Record on December 21, 2022, for the Organics Grant Program, fiscal years 2021–22 and Co-Digestion 2022–23. The Expenditure Record is consistent with the statutory requirements of Government Code Section 16428.9 and with the California Air Resources Board (CARB) Funding Guidelines for Agencies that Administer California Climate Investments to support expenditures from the Greenhouse Gas Reduction Fund.

This Attestation Memorandum and Expenditure Record will be submitted to CARB for public posting on the CARB website at: www.arb.ca.gov/caclimateinvestments. Questions on this Attestation Memorandum or Expenditure Record may be directed to Michelle Martin at Michelle.Martin@calrecycle.ca.gov or (916) 341-6116.


Eric Jarvis (Jan 24, 2023 14:31 PST)

Yana Garcia
Secretary
California Environmental Protection
Agency


Rachel Machi Wagoner
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Attachment

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Greenhouse Gas Reduction Fund: Expenditure Record

CalRecycle Greenhouse Gas Reduction Grant Programs
Organics Grant Program and Co-Digestion Grant Program
Fiscal Years 2021–22 and 2022–23

Authorizing legislation: Public Resources Code section 42999 added to statute by the enactment of Senate Bill (SB) 862 (Statutes of 2014, Chapter 36) and revised by SB 859 (Statutes of 2016, Chapter 386), further amended by SB 155 (Statutes of 2021, Chapter 258), 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 emission reductions, with a priority for projects that benefit priority populations.

Element (1) A description of each expenditure proposed to be made by the administering agency pursuant to the appropriation.

Agency that will administer funding

- Department of Resources Recycling and Recovery (CalRecycle)

Amount of proposed expenditure and appropriation reference

- The amount available for this program from a combination of allocations is \$154,960,671.
- The FY 2021–22 Budget, as amended by SB 170 (Chapter 240, Statutes of 2021), allocated \$70,000,000 to CalRecycle from the Greenhouse Gas Reduction Fund, with \$3,500,000 reserved to cover administrative costs, as authorized in the Budget and shall be used to provide grants for the purposes of paragraphs (1), (2), or (5) of subdivision (b) of Section 42999 of the Public Resources Code.
- The FY 2022–23 Budget, as amended by Assembly Bill (AB) 179 (Chapter 249, Statutes of 2022), allocated \$15,000,000 to CalRecycle from the General Fund, with \$750,000 reserved to cover administrative costs, as authorized in the Budget. CalRecycle has awarded \$12,338,802 of the FY 2022–23 money and \$1,911,198 remains available for allocation for the purposes of

paragraphs (1), (2), or (5) of subdivision (b) of Section 42999 of the Public Resources Code to provide funding for eligible infrastructure projects pursuant to subdivision (c) of Section 42999 of the Public Resources Code.

- The FY 2022–23 Budget, as amended by AB 179, allocated \$10,000,000 to CalRecycle from the Greenhouse Gas Reduction Fund, with \$500,000 reserved to cover administrative costs, as authorized in the Budget. CalRecycle proposes to award \$3,950,527 to an unfunded applicant from the Co-Digestion Grant Program Cycle 1, resulting in one award for Co-Digestion Grant Program Cycle 2. The remaining funds will be used in the Organics Grant Program to award co-digestion projects. The amount available in from this allocation is \$5,549,473 for purposes of paragraph (6) of subdivision (b) of Section 42999 of the Public Resources Code to expand food waste co-digestion projects at existing wastewater treatment plants. In addition, AB 179 allocates \$180,000,000 to provide grants to local jurisdictions to assist in the implementation of regulations adopted by the Department of Resources Recycling and Recovery pursuant to SB 1383 (Lara, Chapter 395, Statutes of 2016). Of that allocation, \$81,000,000 is directed to the Organics Grant Program to fund the critical infrastructure needed to process organic waste to support SB 1383 implementation. These additional funds can only be directed and awarded to local jurisdictions.

***Estimated amount
of expenditures
for administering
agency
administrative
costs***

- The FY 2021–22 Budget, as amended by SB 170 (Chapter 240, Statutes of 2021), allocated \$70,000,000 to CalRecycle from the Greenhouse Gas Reduction Fund, with \$3,500,000 reserved to cover administrative costs.
- The FY 2022–23 Budget, as amended by AB 179 (Chapter 249, Statutes of 2022), allocated \$15,000,000 to CalRecycle from the General Fund, with \$750,000 reserved to cover administrative costs.

- The FY 2022–23 Budget, as amended by AB 179, allocated \$10,000,000 to CalRecycle from the Greenhouse Gas Reduction Fund, with \$500,000 reserved to cover administrative costs. In addition, AB 179 allocates \$180,000,000, to provide grants to local jurisdictions to assist in the implementation of SB 1383, \$81,000,000 of the allocation will be use in this program. Up to five percent of the amount appropriated may be used for administrative costs for the various SB 1383 grants.
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***If applicable,
identify laws or
regulations that
govern how funds
will be used***

- PRC section 42999:
 - (a) The department shall, upon appropriation by the Legislature, administer a grant program to provide financial assistance to promote in-state development of infrastructure, food waste prevention, or other projects to reduce organic waste or process organic and other recyclable materials into new, value-added products. Moneys appropriated by the Legislature from the Greenhouse Gas Reduction Fund, created pursuant to Section 16428.8 of the Government Code, to the department shall be expended consistent with the requirements of Article 9.7 (commencing with Section 16428.8) of Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code and Chapter 4.1 (commencing with Section 39710) of Part 2 of Division 26 of the Health and Safety Code.
 - (b) Eligible financial assistance shall be provided for any of the following:
 - (1) Organics composting.
 - (2) Organics in-vessel digestion.
 - (3) Recyclable material manufacturing.
 - (4) Activities that expand and improve organic waste diversion and recycling, including, but not limited to, the recovery of food for human consumption and food waste prevention.
 - (5) Preprocessing organic materials for composting or organics in-vessel digestion.
 - (6) Codigestion at existing wastewater treatment plants.

For purposes of this section, eligible infrastructure projects include, but are not limited to, any of the following:

- (a) Capital investments in new facilities and increased throughput at existing facilities for activities, such as converting windrow composting to aerated-static-pile composting to use food waste as feedstock.

- (b) Designing and constructing organics in-vessel digestion facilities to produce products, such as biofuels to be used or distributed on site, bioenergy, and soil amendments.
- (c) Designing and constructing or expanding facilities for processing recyclable materials.
- (d) Projects to improve the quality of recycled materials.
- (c) In awarding a grant for organics composting or organics in-vessel digestion pursuant to this section, the department shall consider all of the following:
 - (1) The amount of reductions of emissions of greenhouse gases that may result from the project.
 - (2) The amount of organic material that may be diverted from landfills as a result of the project.
 - (3) If and how the project may benefit disadvantaged communities.
 - (4) For a grant awarded for an organics in-vessel digestion project, if and how the project maximizes resource recovery, including the production of clean energy or low-carbon or carbon negative transportation fuels.
 - (5) Project readiness and permitting that the project may require.
 - (6) Air and water quality benefits that the project may provide.
- (d) To the degree that funds are available, the department may provide larger grant awards for large-scale regional integrated projects that provide cost-effective organic waste diversion and maximize environmental benefits.

- SB 970 (Leyva, Chapter 365, Statutes of 2016) requires CalRecycle to consider certain factors when awarding grants for organic recycling projects such as the amount of greenhouse gas (GHG) emission reductions and the amount of organic material that may be diverted from landfills. It also permits the department to provide larger grant awards for large-scale regional integrated projects that provide cost-effective organic waste diversion and maximize environmental benefits. These changes were incorporated in SB 859 (Committee on Budget and Fiscal Review, Chapter 368, Statutes of 2016) including trailer bill language that is specified above.
- AB 1532 (Pérez, Chapter 807, Statutes of 2012), SB 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), SB 862 (Budget and Fiscal Review Committee, Chapter 36, Statutes of 2014), and AB 1550 (Gomez, Chapter 369, Statutes of 2016) provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32.
- SB 1383 (Lara, Chapter 395, Statutes of 2016) establishes a target of 50 percent reduction in the statewide disposal of organic waste from 2014 levels by 2020 and a 75 percent reduction by 2025, as well as a target of recovering at least 20 percent of edible food currently disposed of by 2025. It requires CalRecycle to adopt regulations to achieve these targets.

***Continuation of
existing
Expenditure
Record***

- The FY 2021–22 and FY 2022–23 expenditures covered by this Expenditure Record will support a continuing program that will fund some of the same types of projects that have been previously funded under an existing Expenditure Record.

Project type(s)

- Four project types will be funded from this expenditure: (1) anaerobic digestion/co-digestion, (2) composting, (3) in-vessel composting, and (4) stand-alone pre-processing projects.
 - Projects must be located in California and facilitate or result in:
 1. Reductions in GHG emissions compared to existing practices of landfilling green or food materials within California; **and**
 2. Increases in quantity (tons) of green materials or food materials that are newly diverted from landfill disposal or alternative daily cover (ADC) use and composted or digested in California.
 - For purposes of this program, “newly diverted” means the tons of materials that are currently being landfilled or used as ADC that will instead be diverted as a result of this project.
 - For Co-Digestion Projects - Project must either have an existing food waste receiving station with excess capacity on-site or propose to construct new or expanded food waste receiving station infrastructure that allows for direct receipt of food waste into the anaerobic digester(s). (A project that proposes to receive food waste at the headworks or through the sewage system for co-digestion is ineligible.)
 - For Anaerobic Digestion Projects and Co-Digestion Projects - Project must utilize the biogas that is generated to produce transportation fuel, renewable electricity, heat, or biomethane for pipeline injection.
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Describe the projects and/or measures that will be eligible for funding

- Construction, renovation, or expansion of facilities to increase in-state infrastructure for the composting or digestion of organics into compost, soil amendments, fertilizers, biofuels, or bioenergy.
- Construction, renovation, or expansion of facilities to increase in-state infrastructure for the pre-processing of organics.
 - Projects must result in an increase in tons of green materials or food materials diverted from landfills beyond that which the pre-processor was already diverting.

Intended recipients

- Local governments (cities, counties, or cities and counties):
 1. Cities, counties, and cities and counties as defined in Public Resources Code Section 30109.
 2. 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 Grant Program. A business is considered an “affiliated business” if it has at least one owner with a forty (40) percent or greater interest in another applicant business.
- State agencies (including offices, departments, bureaus, and boards).
- The University of California campuses, the California State University campuses, or California Community Colleges campuses.
- 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. Must

be qualified to do business in California and be in good standing with all applicable California state agencies, including being registered and current in the Registry of Charitable Trusts.

- Qualifying Native American Tribes. A "Qualifying Native American Tribe" is defined as a Native American 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 Native Americans because of the status of its members as Native Americans; or
 2. Can establish that it is a government entity which meets the criteria of the grant program.
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Program structure and process for selecting projects for funding

- CalRecycle anticipates releasing the Organics Grant Program application in January 2023 with announcement of awards in September 2023.
- After the close of the application period, CalRecycle staff will review the applications for completeness and eligibility. Only complete applications can be considered for award.
- All eligible grant applications will be evaluated and scored by a CalRecycle review panel based on the approved scoring criteria. The same scoring criteria will be used for anaerobic digestion/co-digestion, composting, in-vessel composting, and stand-alone pre-processing projects.
- Each project type has a separate allocation to allow similar project types to compete fairly amongst each other for funding.
 - Anaerobic Digestion/Co-Digestion Projects - \$56,549,473
 - Composting Projects - \$78,411,198
 - Stand-Alone Pre-Processing Projects - \$15,000,000
 - In-Vessel Composting Projects - \$5,000,000
- All project types will follow the same scoring criteria. Applications will be funded in rank order by score within each project type allocation.
- The scoring criteria includes the following categories:
 1. Project Description, Tons of Organic Material Composted or Digested, and Greenhouse Gas Emission Reductions
 2. Permits
 3. Experience and Project Viability
 4. Community Benefits
- An application may receive a maximum of 100 possible general criteria points, and 5 bonus points for submitting a Community Benefits Agreement, for a total maximum possible score of 105 points. A 60-point minimum score is required to be considered eligible for funding.

- Applications with a passing score will be funded in rank order according to each applicant's score (highest passing score to lowest passing score), within each project category, until funds are exhausted.
 - The highest-ranking passing rural project will be given priority funding to ensure that at least one such project is funded.
 - If any project allocation is undersubscribed, those funds may be moved to another project type, with priority going to the highest scoring application in the Composting or Anaerobic Digestion/Co-Digestion projects.
 - In utilizing various funding sources, a grand total of \$154,960,671 is available for this grant cycle. Of that, at least \$5,549,473 must be awarded to co-digestion projects and \$81,000,000 must be awarded to local jurisdictions, according to the California State Budget. The remaining \$68,411,198 is available to all eligible entities and all eligible project types. If there are any funds remaining from the \$81,000,000 SB 1383 funding, those remaining funds will be utilized in another SB 1383 related grant program.
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Element (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.

How the expenditure is consistent with the Investment Plan and the Scoping Plan

- The Cap-and-Trade Auction Proceeds Third Investment Plan lists waste diversion as an eligible investment, specifically: reducing GHG emissions through “increased in-state diversion of municipal solid waste from disposal through waste reduction, recycling, composting, and reuse.”
- The 2017 Scoping Plan Update identifies the need for material diversion from landfills to preserve resources and minimize landfill gas production. The 2014 Scoping Plan Update describes the potential for the waste sector to achieve GHG reductions of as much as 20-30 million metric tons of CO₂ equivalents (MTCO₂e) through diversion efforts, and the 2017 Scoping Plan Update further estimates that 100,000 green jobs could be generated by meeting statewide recycling goals. In state, total emissions from composting and landfill operations are estimated to be 8.8 million MTCO₂e, which is primarily from organic materials (*CARB’s Greenhouse Gas Inventory Data*). This is supported by various models and studies, including the U.S. EPA Waste Reduction Model (WARM) and CARB’s official emission reduction factors (e.g., for composting and recycling).

Element (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Describe how expenditures will facilitate the achievement of GHG emission reductions in the State

- Expenditures will be used to support waste management infrastructure, particularly for new or expanded organics infrastructure such as composting and digestion facilities to achieve GHG reductions through reducing methane emissions from landfills.

Explain when GHG emission reductions and/or co-benefits are expected to occur and how they will be maintained

- GHG emission reductions will begin to accrue shortly after grant awards are made, equipment installation is completed, and projects are fully implemented.
 - For smaller projects, like in-vessel composting and stand-alone pre-processing projects, GHG emission reductions should begin for most projects in the last quarter of 2024.
 - For larger projects, like compost and digestion facilities, GHG emission reductions should begin for most projects in 2025 and increase as projects become fully implemented.
 - GHG emission reductions that result from avoided landfill methane emissions will continue beyond the grant term since the organic material is diverted from landfills.
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Element (4) A description of how the administering agency considered the applicability and feasibility of other non-greenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency

- The composting and digestion projects will yield economic, environmental, and public health co-benefits. These projects will provide California jobs both during project implementation and afterward.
- The composting and digestion projects involving reduced transport distances for hauling material will result in additional GHG emission reductions and reduced emissions of toxic pollutants and fine particulates.

How the project will support other objectives of AB 32 and related statutes

- Directs public and private investment towards disadvantaged and low-income communities in California due to the design of the scoring criteria.
- Maximizes additional environmental and economic co-benefits for California.
- Reduces short-lived climate pollutants.

Percentage of total funding that will be expended for projects that are located in and benefit priority populations* per CARB guidance

- For waste diversion allocations the administering agency has established a target to expend 50 percent overall of the total project funds to fund projects that provide benefits to priority populations. Our targets include 30 percent of total project funds for investments in and benefiting residents of disadvantaged communities, 15 percent in and benefiting residents of low-income communities, and 5 percent in the half-mile buffer.

- For the SB 1383 Local Assistance allocation the administering agency has established a target to expend 35 percent overall of the total project funds to fund projects that provide benefits to priority populations. Our targets include 25 percent of total project funds for investments in and benefiting residents of disadvantaged communities, 5 percent in and benefiting residents of low-income communities, and 5 percent in the half-mile buffer.

*Priority populations include residents of:

- (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535;
 - (2) census tracts identified as low-income per AB 1550; or
 - (3) a low-income household per AB 1550. See Section VII.B for more information on the definitions of priority populations.
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Describe the benefits to priority populations per CARB guidance

- These expenditures can support projects that provide direct, meaningful, and assured benefits to disadvantaged and/or low-income communities and meaningfully address an important community need. CalRecycle will prioritize projects that meet the criteria for providing benefits to disadvantaged and/or low-income communities listed in CARB's 2018 Funding Guidelines Benefit Criteria Table(s) (Waste Diversion and Utilization, and Jobs Training and Workforce Development) and meaningfully address an important community need (as described in Table 5 of CARB's 2018 Funding Guidelines).
- Investment in waste diversion projects can provide access to jobs/job training for disadvantaged and/or low-income community residents, locate food rescue projects to increase food access in disadvantaged and/or low-income communities, and/or divert waste from landfills located in disadvantaged and/or low-income communities, among other benefits.

Explain strategies the administering agency will use to maximize benefits to disadvantaged communities

- CalRecycle is using the following strategies to maximize community benefits:
 - CalRecycle has assigned 15 percent of the total possible scoring points to projects that provide direct, meaningful, and assured benefits to a disadvantaged and/or low-income community.
 - Applicants will receive five bonus points if they submit a community benefits agreement signed by both the applicant and the group(s) representing the residents of disadvantaged and/or low-income communities surrounding the facility. The agreement shall include, at a minimum: a description of clear and ongoing communication between the facility and its neighbors, actions that will be taken to reduce facility impacts including litter and odors, monitoring and complaint reporting protocols, as well as other community benefits (e.g., free compost or mulch, or financial assistance).

Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities or, if unknown, explain the process for identifying and avoiding potential substantial burdens

- CalRecycle will post a list of all submitted applications with key project information on the program website for at least 10 days prior to making any funding recommendations. The listing will identify if the project is claiming to provide benefits to priority populations. After the information is posted, CalRecycle will send out messages via the GHG Reduction and Environmental Justice Listservs. If feedback is received, CalRecycle may make programmatic adjustments to recommended projects to avoid potential burdens to disadvantaged and low-income communities.

Element (5) A description of how the administering agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 35800) of the Health and Safety Code.

How the administering agency will track/report progress to make sure projects are implemented per requirements in statute and CARB guidance

- Grantees are required to submit quarterly Progress Reports during the grant term and a Final Report at the close of the grant project.
- Project tracking and reporting will be conducted as described in CARB’s 2018 Funding Guidelines.
- A Critical Project Review may be scheduled at any time during the grant term to ensure grantee will meet critical milestones. CalRecycle will work with the grantee to formulate a plan to keep the project on track or, if unlikely to meet certain milestones, CalRecycle shall have the right to terminate the Grant Agreement pursuant to the Terms and Conditions (Exhibit A) of the Grant Agreement.
- A post-Grant Term annual survey will be requested every year for three years after the end of the grant term.

Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion

- Grantees will calculate the net GHG emission reductions from waste diversion projects using the CARB approved Organics Grant Program Quantification Methodology and Waste Diversion GHG Emission Reduction Calculator Tool as found on the CCI Quantification, Benefits, and Reporting Materials website (www.arb.ca.gov/cc-resources).
- CalRecycle will work closely with CARB staff to refine GHG emission reductions quantification methodologies and estimates to ensure that only projects with net GHG emission reductions receive Greenhouse Gas Reduction Fund (GGRF) funds.

Type of information that will be collected to document results, consistent with CARB guidance

- CalRecycle will collect data on project location, baseline and estimated GHG emissions, expected quantification period, and other data as specified in CARB's 2018 Funding Guidelines.
- Grantees will be required to report on data required by CARB's 2018 Funding Guidelines which includes expenditure amounts, project description, locations and status, GHG emission reductions and tons of organic materials diverted from landfills, estimates of other applicable co-benefits, jobs created, and description of positive impacts to the local community, especially benefits to disadvantaged and/or low-income communities.
- To determine the job creation benefits, CalRecycle will compile data from funded recipients consistent with CARB's 2018 Funding Guidelines and using the CARB's Job Co-Benefits Modeling Tool.

How the administering agency will report on program status

- CalRecycle will provide bi-annual updates on expenditures, project statuses, and benefits in reports prepared according to CARB's 2018 Funding Guidelines. At a minimum, the reports will include expenditure amounts, project description and locations, current estimates of GHG emission reductions and tons of material diverted from landfills, estimates of other applicable co-benefits, jobs created, and description of benefits to disadvantaged and/or low-income communities and associated census tracts for those communities.
-