

Request for Approval

To: Ken DaRosa
Acting Director, Department of Resources, Recycling and Recovery

From: Matt Henigan
Deputy Director, Financial Resources Management Branch

Request Date: August 11, 2020

Decision Subject: Eligibility, Scoring Criteria, and Evaluation Process for the Food Waste Prevention and Rescue Grant Program (Greenhouse Gas Reduction Fund, Fiscal Year 2019–20 Funds)

Action By: August 18, 2020

Summary of Request

Staff seeks approval of the proposed eligibility, scoring criteria, and evaluation process for the Food Waste Prevention and Rescue Grant Program for fiscal year (FY) 2019–20, pursuant to California Public Resources Code section 42995 et seq.

Staff proposes to use the same eligibility and evaluation process that was used in FY 2018–19, except as described under this document’s *Proposed Changes* section, and summarized below.

1. Create Applicant Eligibility for past and current grantees.
2. Adjust Scoring Criteria categories and point allocation.
3. Propose changes to eligible costs and eligible projects.

Recommendation

Staff recommends approval of the proposed eligibility criteria and evaluation process for the Food Waste Prevention and Rescue Grant Program for FY 2019–20.

Deputy Director Action

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby approve the eligibility criteria and evaluation process for the Food Waste Prevention and Rescue Grant Program for FY 2019–20.

Ken DaRosa
Acting Director

Dated

Attachments

Attachment 1 – Applicant Eligibility Criteria for Food Waste Prevention and Rescue Grant Program, Fiscal Year 2019–20

Attachment 2 – Scoring Criteria for Food Waste Prevention and Rescue Grant Program, Fiscal Year 2019–20

Background and Analysis

Statutory Authority

Public Resources Code section 42995 et seq., 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), 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 (GHG) emission reductions, with a priority in disadvantaged and low income communities.

The total funding available for these programs in the Governor's Budget for Fiscal Year 2019–20, as amended by Budget Act (Assembly Bill (AB) 74, Ting, Chapter 23, Statutes of 2019), is \$25,000,000. The Department of Finance reduced CalRecycle's FY 2019–20 funding from \$25,000,000 to \$21,366,397 due to lower Cap-and-Trade auction proceeds. CalRecycle has allocated \$1,250,000 for administrative costs and awarded \$2,487,247 to the Cycle 4 Organics Grant Program and \$1,350,000 to the first cycle of the Community Composting for Green Spaces Grant Program. A request for *Reallocation of Remaining Greenhouse Gas Reduction Funds from Fiscal Year 2019–20 Funds* (Greenhouse Gas Reduction Fund, 2019–20) is pending approval to allocate \$4 million to Food Waste Prevention and Rescue Grant Program. If the program is undersubscribed, any unused funds may be reallocated to any of the GHG grant programs or related activities.

Program Background

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, about 40 percent is grass, yard waste, food waste, lumber and wood waste; 17 percent is paper and paperboard; and 10 percent is plastics. Food waste comprises five to six million tons of the landfill material.

The Food Waste Prevention and Rescue Grant Program will provide funds to support the expansion of existing projects or establishment of new food waste prevention (source reduction) and/or rescue projects (food rescue for people) in California. The Program meets policy driven legislation and strategies, and reduces the amount of food being disposed in landfills. This investment will reduce methane emissions from landfills; benefit disadvantaged and low-income communities; feed people in need; and create jobs.

Proposed Process and Eligibility

Staff will review all applications for completeness and eligibility. Complete applications will be evaluated to confirm project eligibility, and Staff will determine if appropriate costs are directly related to expanding or establishing a new food waste prevention and/or rescue project.

Eligibility

Only two applications per qualifying entity will be accepted (two applications per campus will be accepted for the University of California, California State University, or California Community Colleges). Eligible applicants may submit an individual or joint (typically for two or more private entities). For a joint application, one entity must be identified as the Lead Participant to act on behalf of the participating entities. A maximum of four other participants is allowed because it is not efficient for one entity to administer the grant on behalf of a large number of participants. Lead Participants and participating entities are subject to the two-application rule.

Eligible Applicants

Eligible applicants include:

- Local governments (cities, counties, or cities and counties).
 - 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.
- Nonprofit organizations (except private schools).
 - Nonprofit organizations must be registered with the federal government under 501(c)3, (c)4, (c)6 or (c)10 of the Internal Revenue Code, and must be registered in the State of California with the Department of Justice.
- B Corporations and Benefit Corporations.
- Private, for-profit entities.
 - 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. 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 or federal agencies (including offices, department, bureaus, and boards).
- University of California campuses, California State University campuses, or the California Community College campuses.
- Solid Waste Facilities.
- Public School Districts.
- Qualifying Indian Tribes.
 - 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.

CalRecycle requires that any application that includes a charter city (either as an individual applicant, as part of a joint application, or as a member of an applicant Joint Powers Authority) include a certification by the applicant that all charter cities included in the application are eligible to receive grant funds for the project described in the application. If it is later found that grant funds were received in violation of Labor Code section 1782, the grant will be terminated, and the grantee will be required to return any grant funds.

Eligible Projects

Eligible projects include:

- Food waste prevention projects that prevent food waste from being generated and becoming waste that is normally destined for landfills.
- Food rescue projects that result in rescued food being distributed to people, that would otherwise be destined for landfills.
 - Any food waste residuals from the food rescue project must be composted or sent to a digester within the project service area (if available).

Eligible expenses and activities will be described in the application documents. Eligible expenses will include, but are not limited to: refrigeration systems, refrigerated vehicles, personnel, food waste prevention tracking equipment/software, and food preparation items.

Project Requirements

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

1. Reductions in GHG emissions attributed to the production, processing, packaging, distribution, and landfilling of California-generated food waste; and
2. Increases in quantity (tons) of California-generated food waste, newly diverted from landfills, and prevented or rescued from disposal.

“Newly diverted” means the tons of materials that are currently being landfilled that will instead be diverted as a result of this project.

Projects resulting in a net increase of GHG emissions are ineligible and will not be recommended for funding.

Funding

The Food Waste Prevention and Rescue Grant Program will be administered by both the Financial Resources Management Branch and the Statewide Technical and Analytical Resources Branch. The total amount available is \$4,000,000. If the Program is undersubscribed, the remaining funds will be reallocated to an oversubscribed GHG grant, or activities related to the GHG programs. Grant Awards are limited to a \$150,000 minimum and a \$300,000 maximum per application, see the *Proposed Changes* section below. Applicants should evaluate their project needs and determine appropriate costs for their grant budget.

Proposed Changes

Staff is proposing changes from the past grant cycle as indicated below.

Create Applicant Eligibility for Past and Current Grantees

Staff proposes developing applicant eligibility for past and current grantees. For more details, see Attachment 1: *Applicant Eligibility Criteria for Food Waste Prevention and Rescue Grant Program, Fiscal Year 2019–20*. Past and current grantees will be evaluated for eligibility using diverted tonnage achieved and grant funds expended within their past or current grant term. This eligibility requirement will emphasize the need for projects to prioritize achieving their food waste diversion projections and expending grant funds efficiently, while allowing a more diverse applicant pool for new applicants to compete for grant funding.

Adjust Scoring Criteria Categories and Point Allocation

Staff proposes changing the Scoring Criteria categories and point allocation. Additionally, staff proposes including a minimum score of 65 points. The changes being proposed in the Scoring Criteria will provide more clarity to applicants. The changes add increased emphasis on project viability, concept, and methodologies that support GHG emission reductions. The changes will also allow CalRecycle staff to effectively and consistently score applications.

The proposed point allocation for each application category includes:

- 35 Points: Project Viability, Concept, and Experience
- 25 Points: Diversion and GHG Projections, Methodology, and Supporting Documentation

- 15 Points: Eligible Grant Dollars Requested Per Ton of GHG Emission Reductions
- 10 Points: Budget
- 10 Points: Work Plan
- 5 Points: Job Creation and Job Training

For more details, see Attachment 2: *Scoring Criteria for Food Waste Prevention and Rescue Grant Program for Fiscal Year (FY) 2019–20*.

Propose Changes to Eligible Costs and Eligible Projects

- **Changes to Admin/Indirect Costs**

Staff proposes increasing the Admin/Indirect cap from 5 percent to 10 percent. CalRecycle received feedback from stakeholders that there is a need to fund additional costs supporting the grant project to help run facilities and operations. For example, due to the COVID-19 pandemic, many food rescue organizations have had to readjust their approach to food distribution and develop new health and safety protocols to maintain a safe work environment. Increasing the Admin/Indirect cap will allow for more funds to cover costs related to the COVID-19 response efforts, and to better coordinate these food waste projects.

- **Changes to Personnel Costs**

The previous personnel cap was 50 percent of requested grant funds, not to exceed \$150,000. Staff proposes removing the personnel cap and the \$150,000 limit. CalRecycle staff received a significant amount of feedback from current and past grantees, and also heard from key food rescue stakeholders that personnel is one of the most critical components necessary for running both prevention and rescue operations. Because of the COVID-19 pandemic, fewer people are volunteering due to safety concerns, which is negatively affecting many food rescue organizations' ability to deliver services. Removing the personnel cap and the \$150,000 limit will allow new grantees to allocate more funds to vital personnel roles in achieving food waste prevention and rescue targets. CalRecycle is proposing this change for this cycle and will re-evaluate limitations on personnel costs for future cycles.

- **Changes to the Minimum and Maximum Award Amount**

Staff proposes changing the minimum and maximum award amounts from the \$50,000–\$500,000 minimum/maximum range to a \$150,000–\$300,000 minimum/maximum range. The recommendation to increase the minimum award amount is consistent with the majority of applicant grant fund requests, and will aid in maintaining a balanced number of awarded grants in the program. The recommendation to reduce the maximum grant award amount is based on previous Food Waste Prevention and Rescue cycles in which past grantees were sometimes unable to successfully expend grant awards over \$300,000 within the two-year grant term.

- **Changes to Eligible Projects**

Staff proposes making food upcycling projects ineligible. For the purpose of this program, upcycling projects are defined as projects that create a product out of food that would have otherwise been wasted. While CalRecycle respects the merit of these projects, it is important to prioritize the recovery of edible food for human consumption, as well as, food waste prevention activities that prevent the creation of food waste.

Tentative Timeline for Fiscal Year 2019–20

Staff will post a Notice of Funds Available on CalRecycle’s website that includes the funding, eligibility requirements, deadlines, and other important information. Notices will be distributed through CalRecycle’s Local Assistance and Market Development staff (to inform local jurisdictions), the Grants Management System database, applicable listservs, outreach presentations, and newsletters.

Table 1. Tentative Timeline

Fiscal Year 2019–20	Activity
September 2020	Post Notice of Funds Available, application, and related instructions and documents on the website
October 2020	Applications due
November–December 2020	Conduct application evaluation/review process and determine funding for eligible applicants
January 2021	Grant Awards
February 2021	Grant Agreements distributed and executed
April 1, 2023	Grant term ends

For more information, please refer to [CalRecycle’s Food Waste Recovery and Prevention Grant webpage](https://www.calrecycle.ca.gov/Climate/GrantsLoans/FoodWaste) (<https://www.calrecycle.ca.gov/Climate/GrantsLoans/FoodWaste>).

Legislative Background

Five important pieces of legislation (AB 32, AB 341, SB 1383, AB 1826) and the California Air Resources Board’s (ARB) *Short-Lived Climate Pollutant Reduction Strategy* provide the policy drivers to realize significant GHG emission reductions. This is accomplished through increased diversion of materials from landfills via source reduction, recycling, and composting.

AB 32 and Climate Change Priorities

The ARB’s AB 32 *First Update to the Climate Change Scoping Plan*, 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, FY 2015–16, FY 2016–17, FY 2017–18, and FY 2018–19 Budgets.

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. To reach this goal, CalRecycle estimates that 20 to 25 million more tons of material will need to be reduced, recycled, or composted by 2020. This would dramatically reduce methane emissions from landfills and GHG emissions associated with manufacturing processes, by approximately 20 to 30 million metric.

SB 1383 and Statewide Goal of 75 Percent Reduction in Organics Disposal

SB 1383 establishes a target of 50 percent reduction in the statewide disposal of organic waste from 2014 levels by the year 2020, and a 75 percent reduction by 2025, as well as a target of at least 20 percent recovery of edible food currently disposed of, by 2025. It requires CaRecycle to adopt regulations to achieve these targets, although the regulations would not go into effect until January 1, 2022.

AB 1826 Mandatory Commercial Organics Recycling

AB 1826 requires businesses to recycle their organic waste on and after April 1, 2016, depending on the amount of waste they generate per week. It also requires that on and after January 1, 2016, local jurisdictions across the state implement an organic waste recycling program to divert organic waste generated by businesses, including multifamily residential dwellings that consist of five or more units.

ARB's Short-Lived Climate Pollutant Reduction Strategy

ARB's Short-Lived Climate Pollutant Reduction Strategy was established pursuant to SB 605 and SB 1383, and lays out a range of options to accelerate Short-Lived Climate Pollutant emission reductions in California, including regulations, incentives, and other market-supporting activities.