

REQUEST FOR APPROVAL

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

From: **Michelle Martin**
Branch Chief, Financial Resources Management Branch

Request Date: February 1, 2016

Decision Subject: Eligibility Criteria, Evaluation Process, and Program Management for the Beverage Container Recycling City/County Payment Program (California Beverage Container Recycling Fund)

Action By: ~~February 16, 2016~~ revised June 24, 2016

Summary of Request

Staff seeks approval of the proposed eligibility criteria, evaluation process, and program management for the Beverage Container Recycling City/County Payment Program (Program) beginning fiscal year (FY) 2015–16 and going forward.

Staff proposes to implement the *Proposed Changes* summarized below.

1. Implement an approximate two year term for recipients to expend Program funds.
2. Allow jurisdictions to submit a regional application (Funding Request).
3. Require all recipients to submit an approved resolution.
4. Require authorized signatures with submittal of Funding Request and Expenditure Reporting.
5. Implement a proportionate cost policy for all eligible projects.
6. Remove Recycled Content Products as an eligible expenditure.
7. Require all recipients to submit an expenditure report with supporting documentation for funds expended.

Recommendation

Staff recommends approval of the proposed eligibility criteria, evaluation process, and program management for the Beverage Container Recycling City/County Payment Program.

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 project eligibility criteria, evaluation process, and program management for the Beverage Container Recycling City/County Payment Program.



Howard Levenson
Deputy Director

6/24/16

Dated

Background and Analysis

Statutory Authority

Pursuant to Public Resources Code section 14581(a)(3)(A) of the California Beverage Container Recycling and Litter Reduction Act, the Department of Resources Recycling and Recovery (CalRecycle) is distributing \$10,500,000 in FY 2015–16 to eligible cities and counties specifically for beverage container recycling and litter cleanup activities.

Program Background

The fundamental goal of CalRecycle's beverage container recycling program is to reach and maintain an 80 percent recycling rate for all California Refund Value beverage containers - aluminum, glass, plastic and bi-metal. Projects implemented by cities and counties will assist in reaching and maintaining this goal.

Proposed Process and Eligibility

Staff will review the funding requests for completeness and determine eligibility. The recommended payment amount will be based on each jurisdiction's allocation. Each city is eligible to receive \$5,000, or an amount calculated by CalRecycle on a per capita basis, whichever is greater. Each county is eligible to receive \$10,000, or an amount calculated by CalRecycle on a per capita basis, whichever is greater. The per capita calculation is based upon the population as of January 1, 2015, in the incorporated areas of a city or a city and county, or the unincorporated area of a county, as stated in the annual *E-1 Cities, Counties and the State Population Estimates with Annual Percentage Change—January 1, 2014 and 2015* report submitted to the governor by the California Department of Finance.

Local governments (cities, counties, or cities and counties) in California, as identified by the California Department of Finance, are eligible to receive funding under this Program, unless otherwise determined by CalRecycle.

Eligible activities include:

- New or existing curbside recycling programs.
- Neighborhood drop-off recycling programs.
- Public education promoting beverage container recycling.
- Litter prevention and cleanup where the waste stream includes beverage containers that will be recycled.
- Cooperative regional efforts among two or more cities or counties, or both.
- Other beverage container recycling programs.
- Supporting AB 341 Mandatory Commercial Recycling requirements.
 - Infrastructure for businesses to recycle beverage containers.
 - Support for new or existing beverage container recycling programs for multi-family residential dwellings.
 - Public education and outreach that includes a beverage container recycling component.

Jurisdictions that do not submit a complete funding request or Resolution by their respective due dates are ineligible. These funds ~~will~~ may be reallocated to all eligible jurisdictions.

Proposed Changes

Some of these are being implemented as a result of findings in a California State Auditor report completed in 2010 and 2014 on the Beverage Container Recycling Program. Since then, CalRecycle has addressed how it will address those findings through a Corrective Action Plan. Other recommended changes will promote increased fiscal accountability and alignment of this Program with CalRecycle's other payment programs. Staff is proposing the following changes to the application process and management of the program as described below.

1. Implement an approximate two-year term to expend Program funds.

This requirement was implemented in the FY 2014–15 cycle as a result of the California State Auditor's Corrective Action Plan. Recipients will have approximately two years from the date of award to expend their funding. Any unspent or unreported funds at the end of the term must be repaid to CalRecycle by the recipient. Failure to meet these requirements may result in the denial of future funding.

In previous years, many recipients have carried over funding from past cycles to fund a larger project or activity. In some instances, funding from previous years remained unspent. Prior-year payment cycles did not include a term date to expend funds and recipients were not required to report or reimburse the department for any unspent or unreported funds. Implementing a term date will assist recipients in utilizing the funds in a timely manner and ensuring proper cycle closure. This change will also encourage recipients to identify and plan for their most critical needs related to beverage container recycling.

2. Allow recipients to apply as a regional applicant.

Local governments may join together in a regional funding request in which two or more eligible jurisdictions join together for the purpose of program implementation. A Regional Lead Participant (Lead) must be designated to act on behalf of all participating applicants. The Lead is the recipient who will be responsible for the performance of the payment program and all required documentation. CalRecycle will direct all official correspondence and payments to the Lead. If an applicant is a participant in a regional funding request, it may not apply individually.

3. Require all recipients to submit an approved resolution.

All recipients are required to submit an approved resolution with their funding request. The resolution must identify the job title of the signature authority who shall be authorized to sign the funding request and all expenditure reporting. Other authorizing documents may be required based on the funding request and will be defined in the Program Guidelines.

4. Require authorized signatures with submittal of Funding Request and Expenditure Reporting Certifications.

The Signature Authority, identified in the approved Resolution, or their designee must sign a Funding Request Certification at time of submittal. The Signature Authority or designee, must also sign an Expenditure Reporting Certification for reported expenditures after funds have been spent. The City/County Annual Payment and Reporting System (CAPRS) will include a summary of the Funding Request or reported expenditures.

5. Implement a proportionate cost policy for all eligible activities.

Components of a project or activity unrelated to beverage container recycling and litter cleanup activities will not be funded by the Program. The funding level for beverage container portions for activities will be approved on a case-by-case basis by CalRecycle staff as further defined in the Program Guidelines.

For example, suppose a recycling education resource guide costs \$5,000. The guide includes material topics such as oil, electronic waste, sharps, organics, cardboard, and beverage container recycling. The beverage container recycling portion is 1 of 4 pages of the entire guide. Therefore, staff would approve 25% (or \$1,250) in this case as an eligible expenditure for the beverage container recycling portion.

6. Remove Recycled Content Products as an eligible expenditure.

Public Resources Code section 14581(a)(3)(C) explicitly states that funds shall not be used for activities unrelated to beverage container recycling or litter reduction. In previous cycles, recycled content products were identified as an eligible expenditure. There is no direct correlation between beverage container recycling, litter cleanup activities, or market development for recycled-content products (i.e. parking stops, playground equipment, posts for signage, and park benches). In addition, it is extremely difficult for recipients and staff to determine whether the recycled-content products are produced from California feedstock and/or include California Redemption Value materials.

7. Require all recipients to submit an expenditure report with supporting documentation for funds expended.

This requirement was implemented in the FY 2011–12 cycle for a sample of 60 payment recipients, as a result of the California State Auditor’s Corrective Action Plan. Subsequently, the California State Auditor recommended that CalRecycle should require all recipients to submit an expenditure report with supporting documentation to ensure proper expenditure of the funds. Staff will review and determine whether the expenditures were related to beverage container recycling and litter cleanup activities. Supporting documentation may include, but is not limited to: expenditure ledgers, time sheets, paid warrants, contracts/change orders, invoices, receipts, and cancelled checks.

Tentative Timeline for FY 2015–16

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 to all recipients.

Tentative Timeline

FY 2015–16	Activity
March 2016	Post Notice of Funds Available, funding request, and related instructions and documents on the website
June 2016	Funding requests due with authorizing Resolution
July 2016	Awards and distribution of payments

Please refer to CalRecycle’s website:

<http://www.calrecycle.ca.gov/BevContainer/Grants/CityCounty/default.htm> for more information.