

Request for Approval

To: **Matt Henigan**
Deputy Director, Materials Management and Local Assistance Division

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

Request Date: **September 20, 2019**

Decision Subject: Awards for the Tire Incentive Program Grants (Tire Recycling Management Fund, Fiscal Year 2019–20)

Action By: October 15, 2019

Summary of Request

Staff requests approval of grant awards for the Tire Incentive Program (Program) for fiscal year (FY) 2019–20. Staff received seven eligible applications totaling \$2,189,141 in eligible costs for this competitive grant program.

Recommendation

Staff recommends approval of seven grant awards as listed below for \$2,189,141.

Table 1. Recommended Awards

Applicant	Total Award
Bent Manufacturing Company BDAA Inc.	\$70,132
Environmental Molding Concepts LLC	\$161,750
Herbert Malarkey Roofing Company, dba Malarkey Roofing Products	\$500,000
Mission Rubber Company LLC	\$128,000
Three D Plastics, Inc.	\$329,259
TraFFix Devices Inc.	\$500,000
U.S. Rubber Recycling, Inc.	\$500,000
Total	\$2,189,141

Funding

The draft *Five-Year Plan for the Waste Tire Recycling Management Program* (Tenth Edition Covering Fiscal Years FY 2019–20 to 2023–24) allocates \$3,500,000 for the Tire Incentive Program for FY 2019–20.

Table 2. Funding

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
California Tire Recycling Management Fund (FY 2019–20)	\$3,500,000	\$2,189,141	\$1,310,859	State Operations/Grants
Total	\$3,500,000	\$2,189,141	\$1,310,859	

Deputy Director Action

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve the grant awards for the Tire Incentive Program as listed in Table 1. Each proposed grantee's award is subject to two conditions:

1. The recommended grantee must pay all outstanding debts due to CalRecycle, or bring current any outstanding payments owed to CalRecycle, within 60 days of the date of the award email.
2. The recommended grantee's Signature Authority (or where delegation is authorized, his or her Designee) must sign and return the Grant Agreement to CalRecycle. CalRecycle must receive the signed Grant Agreement within 60 days of the award email.



Matt Henigan
Deputy Director

10/4/19

Dated

Background and Findings

Statutory Authority

CalRecycle receives an annual appropriation from the California Tire Recycling Management Fund to administer the California Tire Recycling Act (Senate Bill 937, Vuich, Statutes of 1990, Chapter 35) (Public Resources Code [PRC] sections 42860 et seq.). PRC sections 42872 and 42873 authorizes CalRecycle to award grants, subsidies, rebates and loans to businesses or other enterprises involved in activities and applications that result in reduced landfill disposal of used whole tires. PRC section 42872(g) specifically authorizes "Development and implementation of a waste tire incentive payment program to promote increased demand for waste tires recycled in this state and to promote higher value products." The Program operates within that authority, using a portion of the annual appropriation from the California Tire Recycling Management Fund.

Program Background

The Program is a competitive, incentive grant program that expands commercial (business) demand for different and higher value-added tire derived products (TDP) by providing financial

incentives to eligible manufacturers to more competitively price and market their TDPs, thereby increasing sales and market share. This is accomplished by providing an incentive for type of TDP produced and the amount (and possibly the size) of crumb rubber used.

Eligible applicants include:

- Manufacturers that produce (or will produce) an eligible product.
- Waste tire processors that also manufacture an eligible product.
- Manufacturers of devulcanized rubber.
- Rubber compounders.
- Manufacturers of calendered rubber sheeting products.
- Manufacturers that produce products on a contract basis for other companies provided they have that other company's permission to produce an eligible product and receive the incentive.

Table 3. Incentive Categories, Explanation and Amounts

Applicant	Total Award
1. New and Existing TDPs – a new or existing product, including one that is reconfigured to serve a different purpose/market. Also, end-of-life (EOL) material (crumb rubber, nuggets/mulch, etc.) being recycled or reused in a variety of eligible products.	10 cents
2. Feedstock Conversion or Devulcanized Rubber* – a new/improved product currently manufactured with virgin rubber, plastic or other material which will be substituted with a minimum of five percent crumb rubber and may be co-extruded, injected, calendered or otherwise combined.	40 cents
3. Fine (≤ 50) Mesh – a new or existing/improved product that will use fine (≤ 50) mesh crumb rubber.	50 cents

*Includes devulcanized rubber used in a finished product and as an intermediate product.

Criteria and Process

The Eligibility Criteria and Evaluation Process was discussed at the [February 20, 2018, CalRecycle Meeting](#) and subsequently approved by the Deputy Director. CalRecycle posted the Notice of Funds Available on its web site on May 16, 2019, with an appropriate notice sent to stakeholders.

Applications were due August 22, 2019. CalRecycle received seven applications requesting \$2,521,631. Six of the seven applicants were previous Program grantees. Staff reviewed the applicants in accordance with the approved evaluation criteria. Staff also evaluated the applications from previous Program grantees based on products included for incentives, previous Program grant performance, as well as historic and projected sales.

Four of the applications had products also included in an open Program grant (term end dates April 1, 2020 or April 1, 2021). Grantees may have more than one open grant. Products

receiving an incentive under one grant may not receive any other CalRecycle incentive or grant for that same product. In practical terms, grantees may have products included in more than one grant, but can only receive an incentive (for that product) under one grant at a time. Staff adjusted the recommended amount for two applicants because they would not be able to receive incentives on the overlapping products for the full (new) grant term. Based on the evaluations and adjustments, staff recommends awarding a reduced amount of \$2,189,141. Affected applicants understand staff's rationale and agree to the reduced recommended amounts. Awards are subject to a \$25,000 minimum and \$500,000 maximum.

If all of the applicants realize their projections over the approximately two and one half year grant term (which ends April 1, 2022), they will use 21,469,371 pounds (1,789,115 passenger tire equivalents [PTE]) of California-generated crumb rubber. Below are the incentive categories and incentive amounts. Also included is the estimated crumb rubber usage. There were no eligible applications proposing to use devulcanized rubber this solicitation.

Table 4. Incentive Categories, Incentive Amounts, and Estimated Crumb Rubber Usage

Incentive Category	Incentive Amount	Percentage of Total Incentive	Pounds of Crumb Rubber	PTE	Percentage of Total PTE
New and Existing TDP	\$1,403,641	64%	19,467,571	1,622,298	91%
Feedstock Conversion	128,000	6%	320,000	26,667	1%
Fine (\leq 50) Mesh	657,500	30%	1,681,800	140,150	8%
Total	\$2,189,141	100%	21,469,371	1,789,115	100%

Pounds of crumb rubber are product sales estimates. Reimbursement is for products actually sold. Below is a brief description of the recommended awards and proposed products.

[Bent Manufacturing Company BDAA Inc.](#)

Amount: \$70,132

Incentive Categories: New and Existing TDP

Products: Various traffic device bases

[Environmental Molding Concepts LLC](#)

Amount: \$161,750

Incentive Categories: New and Existing TDP; Fine Mesh

Products: Various rubber tiles

[Herbert Malarkey Roofing Company](#)

Amount: \$500,000

Incentive Categories: Fine Mesh

Products: Various roofing shingles

[Mission Rubber Company LLC](#)

Amount: \$128,000

Incentive Categories: Feedstock Conversion
Products: Air Intake Hose

[Three D Plastics, Inc.](#)

Amount: \$329,259
Incentive Categories: New and Existing TDP
Products: Various traffic device bases

[TrafFix Devices, Inc.](#)

Amount: \$500,000
Incentive Categories: New and Existing TDP
Products: Various traffic device bases

[U.S. Rubber Recycling, Inc.](#)

Amount: \$500,000
Incentive Categories: New and existing TDP
Products: Sports floor surfacing