

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: March 22, 2021

Decision Subject: Eligibility Criteria and Evaluation Process for the Tire Incentive Program
(Tire Recycling Management Fund, Fiscal Year 2021–22)

Action By: April 20, 2021

Summary of Request

Staff seeks approval of the proposed eligibility criteria and evaluation process for the Tire Incentive Program (Program) for fiscal year (FY) 2021–22. Staff proposes to use the same eligibility criteria and evaluation process that was used in FY 2020–21 except as described under the Proposed Changes section and summarized below.

1. Revise eligible project types to remove playgrounds and athletic fields.

Recommendation

Staff recommends approval of the proposed eligibility criteria and evaluation process for the Tire Incentive Program for FY 2021–22.

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 Tire Incentive Program for FY 2021–22.

Matt Henigan
Deputy Director

Dated

Background and Analysis

Statutory Authority

The Department of Resources Recycling and Recovery (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 allow for the awarding and funding of grants for activities and applications that result in reduced landfill disposal or stockpiling of waste 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 meets the statutory requirements of PRC sections 42872 and 42873.

The draft *Five-Year Plan for the Waste Tire Recycling Management Program* (Eleventh Edition Covering Fiscal Years 2021/22 – 2025/26) Report to the Legislature allocates \$3,250,000 to the Program for FY 2021–22.

Program Background

The Program is a competitive, market development grant program that expands commercial (business) demand for different and higher value-added tire-derived products (TDPs) by providing financial incentives to eligible manufacturers to competitively price and market their TDPs, thereby increasing sales and market share.

Proposed Process and Eligibility

Staff proposes to conduct the review of FY 2021–22 applications using the eligibility, criteria and evaluation process applied in the FY 2020–21 cycle. Staff will perform a review of all applications to determine completeness. Complete applications will be evaluated to confirm applicant and project eligibility and determine the recommended incentive amount. The Program will reimburse grantees quarterly via an incentive payment for completed sales (net of returns) of eligible TDPs.

Eligible applicants include:

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

Start-up businesses or individuals without an otherwise eligible manufacturing business.

Examples of eligible products include, but are not limited to:

- Devulcanized crumb rubber.
- Flooring underlayment.
- Rubberized flooring.
- Conveyor belts.
- Calendered rubber.

- Agricultural harvesting devices.
- Various landscaping and garden products.
- Various building products.
- Various traffic devices (i.e., traffic cones, delineators, spacers, tire stops and barricades).
- Fencing.
- Asphalt products that are not eligible under the Rubberized Pavement Grant Program or any other CalRecycle tire programs. Asphalt products (i.e., crack seal, roofing products, etc.) must contain a minimum of five percent crumb rubber in the binder or flux.
- Rubberized sidewalks, pathways, and tree wells (if specifically designed for storm water management).
- Paints, sealants and coatings.
- End-of-life (EOL) material (crumb rubber, nuggets/mulch) being recycled or reused in a variety of eligible products. Source of EOL material must be located in California.
- Americans with Disabilities Act (ADA) leveling and accessibility ramps, etc.

Specifically excluded from this program would be:

- Crumb rubber used by itself as an intermediate product (i.e., used as infill for a synthetic turf field).
- Tire-derived aggregate.
- Rubberized pavement or rubberized paving products (i.e., chip seal, slurry seal, etc.).
- Rubber nuggets/mulch/bark eligible for the Tire-Derived Product Grant Program.
- Rubberized sidewalks and tree wells eligible for the Tire-Derived Product Grant Program.
- Loose-fill or poured-in-place playgrounds that use truck tires or buffings for the cushion course
- Poured-in-place playgrounds which use ground, shredded or chunk rubber from California-generated passenger tires (not truck tires or buffings) for the cushion course; or crumb rubber to replace ethylene propylene diene monomer (EPDM) and thermoplastic vulcanizates (TPV) in the wear layer.
- Synthetic turf underlayment (not loose infill).
- Sports/running tracks.
- All weather sports field infill.
- Similar type products, which have enjoyed significant benefit from the Tire-Derived Product Grant Program and its predecessors.

Applicants will submit an application using CalRecycle's online Grant Management System. Application information may include, but is not limited to contact and business information, the most recent business Federal tax return and appropriate business and product information. Tax return and other proprietary information appropriately labeled will be treated as a "trade secret" consistent with PRC section 40062. Several products may be included in the application, including products and/or materials produced for other companies (with the appropriate written authorization of the applicable companies). CalRecycle staff will review appropriate information to make a recommendation regarding eligibility and total incentive amount.

Awards amounts are subject to a \$25,000 minimum and a \$500,000 maximum. See the table below for reimbursement categories, products and amounts.

Eligible Categories, Products and Incentive Amounts

Categories	Products	Incentive per Pound
TDP	An existing or new/improved TDP	10 cents for crumb rubber or end-of-life material used in eligible products
Feedstock conversion or devulcanized rubber	An existing or new/improved product currently manufactured with virgin rubber, plastic or other material which will be produced with a minimum of five percent crumb rubber or devulcanized rubber	40 cents for total crumb rubber used or devulcanized rubber sold
Fine (≤ 50) mesh	An existing or new/improved product that will use fine (≤ 50) mesh	50 cents for total crumb rubber used

If there are more requests than available funds (i.e., the program is oversubscribed), priority will be provided to applicants seeking a subsequent award for a previously approved product. Other available monies will be allocated in approximately equal amounts for each of the three product categories. Eligible applications will be ranked within each of three product categories, which are: TDPs, feedstock conversion or devulcanized rubber, and fine (≤ 50) mesh (see Table above) according to the greatest amount of crumb rubber projected to be used. If an application has products in more than one category, the amount of crumb rubber for the category with the highest reimbursement rate will be considered for ranking purposes.

Staff will analyze applicant's estimates for reasonableness and will make adjustments when appropriate. To guard against an applicant overestimating product sales, applicants that used less than 50 percent of a previous Program award will be considered only after all other eligible applications have been awarded.

Application and reimbursement documentation is subject to review and/or audit by CalRecycle, the Department of Finance, the Bureau of State Audits, and designated representatives of these agencies. Grantees will provide periodic Progress Reports, a Final Report, and Progress Updates for three years after the grant term ends. Grantees are required to use only California-generated crumb rubber from California waste tire processors during the grant term. If supply chain-related issues arise, the Grantee must contact the Grant Manager immediately to request a meeting. The Grant Manager will provide guidance as appropriate.

Grantees may pass on all or a portion of the incentive (as a price discount) to the end purchaser of the product and/or other non-Program products. The incentive may also be used for a myriad of TDP production or selling expenses, such as product development, testing and certification, and marketing and selling costs. Program funds cannot be used to increase management and/or officer compensation.

Proposed Changes

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

- 1. Revise eligible project types to remove playgrounds and athletic fields.**

This revision is a precautionary measure until the study and findings of the Office of Environmental Health Hazard Assessment's (OEHHA) Human Health Risk Assessment Report are released.

Tentative Timeline for FY 2021–22

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 their local jurisdictions, the Grants Management System database, applicable listservs, outreach presentations, and newsletters.

May 2021: Post Notice of Funds Available, application, and related instructions and documents on the web site

June 2021: Question and Answer Period

July 2021: Applications due

August/September 2021: Conduct application evaluation/review process and determine funding for eligible applicants

October 2021: Grant Agreements distributed and executed

April 1, 2024: Grant term ends

Please refer to [CalRecycle's website](https://www.calrecycle.ca.gov/Tires/Grants/TIP/default.htm),
(<https://www.calrecycle.ca.gov/Tires/Grants/TIP/default.htm>) for more information.