

Request for Approval

To: **Zoe Heller**
Deputy Director, Division of Circular Economy

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

Request Date: **September 28, 2023**

Decision Subject: Awards for the Tire Incentive Grant Program (Tire Recycling Management Fund, Fiscal Year 2023–24)

Action By: October 17, 2023

Summary of Request

Staff requests approval of eight grant awards in the amount of \$2,460,000 for the competitive Tire Incentive Grant Program (Program) for fiscal year (FY) 2023–24.

Funding

The [draft Five Year Plan for the Waste Tire Management Program \(Twelfth Edition Covering Fiscal Years FY 2023–24 to 2027–2028\)](https://www2.calrecycle.ca.gov/Publications/Details/1723) (<https://www2.calrecycle.ca.gov/Publications/Details/1723>) allocates \$3,200,000 to the Tire Fund Account for the Program.

Table 1. Funding

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
California Tire Recycling Management Account (FY 2023–24)	\$3,200,000	\$2,460,000	\$740,000	State Operations/Grants

Background and Findings

Statutory Authority

Public Resources Code section 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 uses 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 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 the 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 2. 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 the finished product and as an intermediate product.

Criteria and Process

The Eligibility Criteria and Evaluation Process was discussed at the [April 19, 2022, CalRecycle Meeting](https://www2.calrecycle.ca.gov/PublicNotices/Details/4677) (https://www2.calrecycle.ca.gov/PublicNotices/Details/4677) and subsequently approved by the Deputy Director. The Notice of Funds Available was placed on the CalRecycle web site on June 9, 2022, with an appropriate notice sent to stakeholders.

Applications were due August 4, 2023. However, there was a technical issue with the CalRecycle listserv where only a few stakeholders received the Notice of Funds Available message. As a result, a second notice was sent to stakeholders on July 27, 2023, with an extended deadline of August 15, 2023. CalRecycle received 9 applications requesting \$3,848,667.70. Staff reviewed the applications 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. Subsequently, one application was disqualified. The applicant failed to meet the eligibility requirement for the Tire Incentive Grant Program.

Seven of the applications had products also included in an open Program grant (term end date April 1, 2024, for one grantee and April 1, 2025, for six grantees). 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 three applications because they would not be able to receive incentives on the overlapping products for the full (new) grant term. Additionally, staff evaluated the remaining five applications based on previous TIP grant performance as well as historic and projected sales. Following this evaluation, staff had discussions with one applicant regarding their requested amount. Based on the evaluations and adjustments, staff recommends awarding a reduced amount of \$2,460,000. All affected applicants understand staff's analysis and agree to the reduced recommended amounts. Awards are subject to a \$25,000 minimum and a \$500,000 maximum.

If all the applicants realize their projections over the approximately two- and one-half year grant term (which ends April 1, 2026), they will use 18,321,437 pounds (1,526,786 passenger tire equivalents [PTES]) of California-generated crumb rubber. These amounts reflect what the applicants are estimated to use based on the \$2,460,000 recommended incentive amount. The Program only pays for crumb rubber used in sold products, based on the amount of the grant. There were no eligible applications proposing to use devulcanized rubber in this solicitation.

Below is a summary of the proposed projects.

EM Concepts A DBA of Lakin Tire West, LLC

Amount: \$100,000

Incentive Categories: New and existing TDP; Fine Mesh

Products: Rubber Tiles for gym flooring, equestrian and patio flooring (Fine Mesh); Decktop product used for roof decktop protection pad

Haydon Corporation

Amount: \$200,000

Incentive Categories: Feedstock Conversion

Products: Molded H Block for Electrical Strut Blocks and HVAC

Herbert Malarkey Roofing Company

Amount: \$500,000

Incentive Categories: Fine Mesh

Products: Various roofing shingles

Millenium Molding

Amount: \$310,000

Incentive Categories: New and Existing TDP

Products: Ballistic Tiles, Bridjit Curb Ramps, RoofTop Supports, Rubber Blocks, PopLock Tiles, and Cradles

Three D Plastics, Inc.

Amount: \$200,000

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: Survivor Roll Goods and Survivor Tile Goods (New and Existing TDP)

Van Duerr Industries, Inc. dba SafePath Products Inc.

Amount: \$150,000

Incentive Categories: New and existing TDP

Products: Americans with Disabilities Act transitions

Recommendation

Staff recommends approval of eight grant awards as listed below for \$2,460,000.

Table 2. Recommended Awards

Applicant	Award Amount
EM Concepts, a DBA of Lakin Tire West, LLC.	\$100,000
Haydon Corporation	\$200,000
Herbert Malarkey Roofing Company, dba Malarkey Roofing Products	\$500,000
Millennium Molding, Inc.	\$310,000
Three D Plastics, Inc.	\$200,000
TrafFix Devices Inc.	\$500,000
U.S. Rubber Recycling, Inc.	\$500,000
Van Duerr Industries, Inc. dba SafePath Products Inc.	\$150,000
Total Award	\$2,460,000

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 Grant Program as listed in Table 2. 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. The signed Grant Agreement must be received by CalRecycle within 60 days of the date of the award email.

Zoe Heller
Deputy Director

Dated