REQUEST FOR APPROVAL

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

From: **Shirley Willd-Wagner**
Branch Manager, Financial Resources Management

Request Date: July 19, 2011

Decision Subject: Approval of Application Process, Applicant Eligibility, Project Eligibility, Grant Award Categories, and the Evaluation Process for the Rubberized Pavement Grant Program (Tire Recycling Management Fund, FYs 2011/12 and 2012/13)

Action By: July 26, 2011

Summary of Request:
This memo proposes the application process, applicant eligibility, project eligibility, grant award categories, and the evaluation process for the Rubberized Pavement (Pavement) Grant Program (formerly known as the Rubberized Asphalt Concrete (RAC) Grant Program) for Fiscal Year (FY) 2011/12 and FY 2012/13.

Staff will conduct the FY 2011/12 and FY 2012/13 grant cycles using the application, review, and evaluation process applied in the FY 2010/11 cycle, except as described under *Proposed Changes* and summarized below:

- Implementation of an online application process.
- Change the program by: streamlining into a single grant offering; changing the maximum grant to $250,000 or $375,000 depending on whether the proposed project(s) uses one rubberized material (RAC or Chip Seal) or both; and initially allocating 67% of available monies to RAC projects and 33% to Chip Seal projects.
- Change the over-subscription process to give the lowest priority to applicants who used less than 50% of a previously awarded grant.

Recommendation:
Staff recommends approval of the proposed application process, applicant eligibility, project eligibility, grant award categories, and the evaluation process for the Rubberized Pavement Grant Program for FY 2011/12 and FY 2012/13.

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 application process, applicant eligibility, project eligibility, grant award categories, and the evaluation process for the Pavement Grant Program for FY 2011/12 and FY 2012/13.

Dated: 7/19/11

Howard Levenson

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Deputy Director

Background Information

The Rubberized Pavement (Pavement) Grant Program (formerly known as the Rubberized Asphalt Concrete (RAC) Grant Program) is designed to promote the use of rubberized pavement while encouraging the recycling of California-generated waste tires. The Pavement Grant Program provides competitive grants to "Local Governments" (cities, counties, or city and county) as defined in Public Resources Code Section 48617 and to Qualifying Indian Tribes. The grants fund public works projects that use RAC or rubberized chip seal materials from 100% California-generated waste tire material.

The Pavement Grant Program is designed to encourage first-time or limited users of rubberized pavement in two areas:

- Rubberized Asphalt Concrete (RAC) Eligible projects must use a minimum of 3,500 tons of RAC. Grant awards in this category are based on the differential cost of using RAC versus conventional asphalt concrete and the tonnage of RAC used. This was formerly known as the Targeted Rubberized Asphalt Concrete Incentive Grant.
- Rubberized Chip Seal (Chip Seal) Eligible projects must use a minimum area of 35,000 square yards of RAC chip seal material. Grant awards in this category are based on a fixed amount per square yard of chip seal. This was formerly known as the Rubberized Asphalt Concrete Chip Seal Grant.

The maximum grant award for both RAC and Chip Seal project(s) is $250,000. Staff proposes that applicants that apply to use both RAC and Chip Seal material be eligible for a maximum grant award of $375,000, reduced from $500,000 in the former RAC Grant Program (see *Proposed Changes*). Applicants that have been awarded Pavement Grants are not eligible to apply in the following fiscal year. Accordingly, those who received FY 2010/11 funding under the RAC Grant Program cannot apply until FY 2012/13. Projects must use material that contains a minimum of 300 pounds (equivalent to 15 percent by weight) of tire-derived crumb rubber per ton of rubberized binder.

Statutory Authority

CalRecycle receives an annual appropriation from the California Tire Recycling Management Fund (Tire 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 Section 42873 allows for the awarding of grants for activities and applications that result in reduced landfill disposal or stockpiling of waste tires. The Pavement Grant Program falls within the authority of PRC 42873.

In May 2011, CalRecycle adopted the draft *Five-Year Plan for the Waste Tire Recycling Management Program (Sixth Edition Covering Fiscal Years 2011/12 – 2015/16) Report to the Legislature (Draft Five-Year Plan)*. It is currently being reviewed by Natural Resources Agency and Governor's Office before presentation to the Legislature. The *Draft Five-Year Plan* allocates $5,445,000 and $3,300,000 for FYs 2011/12 and 2012/13, respectively, for the program and does not allocate specific funding for each material type.

Analysis and Finding

Process

Staff will conduct the FY 2011/12 and FY 2012/13 grant cycles using the application, review, and evaluation process applied in past cycles, except as noted below under *Proposed Changes*. Staff will post a Notice of Funds Available on CalRecycle's website informing potential applicants of the funding, eligibility requirements, deadlines, and other important information. Potentially interested entities will be notified through the program's listserv, various publications, and newsletters.

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 grant amount. The recommended grant amount will be based on: the difference between the cost of conventional asphalt and rubberized asphalt (for RAC projects) or a fixed dollar amount per square yard of material (for Chip Seal projects).

Staff proposes that applicants who received any rubberized asphalt concrete grant in the preceding three fiscal years, and either withdrew a grant or used less than 50% of a grant award will only be considered after all other eligible applicants have been awarded grants (see *Proposed Changes*).

The chart below identifies the grant categories and reimbursement basis.

Pavement Grant Program Categories and Reimbursement Rates

Grant Category	Number of Previous RAC Grants	Proposed Grant Award Basis
RAC - 1	0	Total grant award is based on a 100% differential reimbursement rate
RAC - 2	1	Total grant award is based on a 70% differential reimbursement rate
RAC - 3	2	Total grant award is based on a 40% differential reimbursement rate
Chip Seal - 1	0-1	$1.00 per square yard
Chip Seal - 2	2-3	$0.50 per square yard

Based on past cycles, it is possible that the program will be over-subscribed, in which case the following process will be used to prioritize funding decisions. In the event of ties within any of the grant program funding categories, staff recommends the following tiebreakers be applied in sequential order for eligible applicants:

a. Applicants who did not receive funding in FY 2009/10.
b. The greatest number of pounds of crumb rubber proposed to be used in its project(s).

Removed are the tie-breakers related to the date of completed application and the fewest number of grants.

Proposed Changes

1. Implementation of an Online Application Process

As part of CalRecycle's continued effort to streamline existing grant processes and procedures, the previous paper-based application will now be submitted online. Supporting documentation will now be scanned and uploaded into the application system.

Starting with the Used Oil Payment Program in 2010, CalRecycle has been converting its grant and payment offerings to be web-based rather than paper-based. Staff anticipates that most of CalRecycle's grant and payment offerings will be online within two years.

2. Streamlining the Program, Changing the Maximum Grant, and Allocating the Funding

Consistent with recommendations contained in the *Waste Tire Market Development Program Evaluation Final Report*, the separate RAC and Chip Seal grants are proposed to be consolidated.

The maximum grant award for both RAC and Chip Seal projects is unchanged at $250,000. The former RAC Grant Program allowed a maximum potential grant award of $500,000 if an eligible applicant was awarded both a RAC and Chip Seal Grant ($250,000 maximum each). The Pavement Grant Program provides a single consolidated grant for RAC and/or Chip Seal projects. In FY 2011/12, an eligible applicant may apply for both RAC and Chip Seal projects for an additional award of $125,000 (beyond the maximum grant award of $250,000), resulting in a maximum potential grant award of $375,000. In FY 2012/13, due to an anticipated reduction in funding, the additional award is eliminated resulting in a maximum award of $250,000.

The *Draft Five Year Plan* allocates $5,445,000 and $3,300,000 for FYs 2011/12 and 2012/13, respectively, for the program. Staff proposes an initial allocation 67% of monies to RAC projects and 33% to Chip Seal projects. The actual amount allocated to RAC and Chip Seal is subject to change, depending on the amount of eligible applications received.

3. Changes to Application Ranking if the Program is Oversubscribed

For the past several years, the program has been oversubscribed. Each year, several Grantees either withdrew their grant or used a minimal amount of their award. In many cases, these monies could have been used by other eligible applicants that did not receive funding or received funding through reallocation of Tire Fund monies. To ensure that limited funds are used effectively, staff proposes a change in application ranking to be used if the program is oversubscribed. Specifically, applicants who were awarded any rubberized asphalt concrete grant in the previous three FYs, but either withdrew their grant or used less than 50% of their grant award will be considered only after all other eligible applications have been awarded.

Proposed Timeline for FY 2011/12

Target Date	Activity
September 14, 2011	Post Notice of Funds Available, Application, and related instructions and documents on the web site
October 25, 2011	Applications due
Nov/Dec 2011	Conduct application evaluation/review process; determine funding for eligible applicants
January 2012	Grant awards presented at CalRecycle Public Meeting
Feb/Mar 2012	Grant Agreements executed: grant term ends April 1, 2014