

REQUEST FOR APPROVAL

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

From: Shirley Willd-Wagner
Branch Chief, Financial Resources Management Branch

Request Date: September 11, 2012

Decision Subject: Application Process, Applicant Eligibility, Project Eligibility, and Evaluation Process for the Tire-Derived Aggregate Grant Program (Tire Recycling Management Fund, FYs 2012/13 and 2013/14)

Action By: September 21, 2012

Summary of Request:

This Request for Approval proposes the application process, applicant eligibility, project eligibility, and evaluation process for the Tire-Derived Aggregate (TDA) Grant Program for Fiscal Year (FY) 2012/13 and FY 2013/14. This was first heard at CalRecycle's August monthly meeting, where stakeholders suggested expanding eligibility to include private sector projects. The item has been revised to address this suggestion (as shown in shading for purposes of the September monthly meeting).

Staff proposes to conduct the FYs 2012/13 and 2013/14 grant cycles using the application process, applicant eligibility, project eligibility, and evaluation process applied in the FY 2011/12 cycle, except as described under *Proposed Changes* and summarized below:

- Change the project requirements by lowering the minimum tonnage from 750 to 500 tons of TDA material.
- Increase the maximum engineering/design cost per applicant from \$35,000 to \$45,000.
- Change eligible applicants to include private, for-profit entities with total funding for all private, for-profit entities not to exceed 50% of the initial available funding.
- Landfill application projects shall represent the lowest funding priority of the four categories.
- Allow very large projects (over 400,000 passenger tire equivalents) to receive grant awards up to \$750,000.

Recommendation:

Staff recommends approval of the proposed application process, applicant eligibility, project eligibility, evaluation process and recommended changes for the TDA Grant Program for FYs 2012/13 and FY 2013/14.

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, evaluation process and recommended changes for the TDA Grant Program for FYs 2012/13 and 2013/14.

Dated: 9/20/12



Howard Levenson
Deputy Director

Background and Analysis:

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.). Public Resources Code Section 42873 allows for the awarding of grants for activities and applications that result in reduced landfill disposal or stockpiling of waste tires. The TDA Grant Program meets the statutory requirements of PRC 42873.

The *Five-Year Plan for the Waste Tire Recycling Management Program (Sixth Edition Covering Fiscal Years 2011/12 – 2015/16) Report to the Legislature* allocates \$2,000,000 to the TDA Grant Program for each of the FY 2012/13 and FY 2013/14 grant cycles. As a result of budget reductions to the Tire Recycling Management Fund, the FY 2012/13 TDA Grant Program allocation for grants is up to \$1,524,000. Staff recommends that up to 50% of initially allocated funds be awarded to private, for-profit entities¹ (see *Proposed Changes*).

Program Background

Tire-Derived Aggregate (TDA) is the second largest use of recycled tires in the United States and provides a cost-effective alternative to conventional aggregate for use in various civil engineering projects. These uses include retaining wall backfill, lightweight embankment fill, landslide stabilization, vibration mitigation, and various landfill applications.

CalRecycle has funded TDA research and pilot projects for several years in an effort to ensure a solid base from which to expand TDA usage. The fundamental goal of CalRecycle's Tire Program is to promote the development of long-term, sustainable, and diversified markets for California's tire-derived products. In 2010, R.W. Beck, in consultation with stakeholders, evaluated CalRecycle's Waste Tire Programs and produced the *Waste Tire Market Development Program Evaluation Final Report* <http://www.calrecycle.ca.gov/Publications/default.asp?pubid=1368>. The report specifically recommended that CalRecycle establish a new TDA program. The report further suggests that, "a grant program may be the most appropriate as it can be quickly implemented without substantial start-up development time, and because a relatively small number of projects may be proposed." Consistent with the report's recommendation, staff established the TDA Grant Program in FY 2011/12.

Proposed Process and Eligibility

Process

Staff will post a Notice of Funds Availability 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 TDA listserv, various publications, and newsletters.

Consistent with CalRecycle's continuing effort to streamline grant processes and reduce waste, applications will be submitted on-line. The TDA Grant Program will provide competitive grants to "local governments"

¹ For purposes of the Tire-Derived Aggregate Grant Program, "private, for-profit entity" means: a business intended to operate at a profit and return a profit to the owners. The business must be California-based or domiciled in another state with an existing operational presence in California. The business must be in qualified to do business in California and in good standing with all applicable California state agencies, including, but not limited to, the Secretary of State and the Franchise Tax Board. Any and all subsidiaries, divisions and/or affiliated businesses are considered part of the primary business entity for the purpose of applying for and receiving a grant award under this Program. A business is considered an "affiliated business" if it has at least one owner with a 20 percent or greater interest in another applicant business.

(cities, counties, or cities and counties) as defined in PRC Section 48617, special districts, state agencies (including offices, department, bureaus, and boards), qualifying Indian Tribes and private, for-profit entities (see *Proposed Changes*).

Eligible projects include:

- Lightweight fill (slope stabilization, embankment fill, and landslide repair)
- Retaining wall backfill (where lightweight material is required)
- Vibration mitigation (under rail lines)
- Landfill application (aggregate replacement projects such as leachate and gas collection systems, drainage layers, leachate injection). TDA landfill application projects shall not include use of shredded waste tires for alternative daily cover (ADC) or alternative intermediate cover (AIC). Staff recommends that landfill application projects receive the lowest funding priority (see *Proposed Changes*).

Septic leach fields are not eligible at this time. CalRecycle has an on-going contract with Humboldt State University to study the use of TDA in septic leach fields.

Project requirements:

- One hundred percent (100%) California-generated waste tires must be used in the project(s).
- The project(s) must be located in California.
- Use a combined minimum of 500 tons of TDA in the project(s).
- Staff recommends that the project(s) represent a new category of activity at the project(s) facility/location. Projects that are currently underway or that have been completed at the same facility/location within three years of application are not eligible. However, projects in a different category or different use within a category at the same facility/location may be eligible (see *Proposed Changes*).
- Landfill projects must not use more than 0.5 tons of TDA per lineal foot of landfill gas collection or leachate injection line.
- Construction of the TDA portion of any project must commence on or after receipt of the Notice to Proceed (NTP) and be completed by the end of the Grant Term.
- Plans and specifications must be review by CalRecycle staff.
- Each project must incorporate technical assistance/training that will be provided by CalRecycle contractors and/or staff.

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 award.

The recommended grant award will be based on appropriate costs (as determined by CalRecycle staff) directly related to the purchase and transportation of the TDA material, and the installation, testing, engineering/design work for the project. The maximum grant award is \$350,000 except for very large projects (see *Proposed Changes*).

If oversubscribed, CalRecycle will fund one eligible application from each project category using the greatest appropriate amount of TDA material within each category, with the exception of applications for landfill projects. Staff recommends that landfill projects represent the lowest priority and should be funded only after all other eligible projects are funded (see *Proposed Changes*). The remaining applications will be ranked starting with project(s) that use the greatest appropriate amount of TDA material in all categories except landfill projects, which will be funded only after all other eligible projects (see *Proposed Changes*).

Proposed Changes

1. Decrease the minimum tonnage from 750 to 500 tons of TDA material

Based on feedback from stakeholders who indicated that their projects could not meet the minimum 750 tons of TDA required for the FY 2011/12 grant cycle, staff proposes lowering the combined minimum tonnage from 750 to 500 tons of TDA material. Staff believes lowering the minimum tonnage requirement will generate more interest and allow more jurisdictions to be eligible to apply for a TDA grants.

2. Increase the maximum engineering/design cost per applicant from \$35,000 to \$45,000

Staff reevaluated the cost to adapt engineering design plans to accommodate TDA and determined that this cost should be increased for the more complex TDA projects that could be funded under this grant program. Staff believes that increasing the maximum engineering/design cost per grantee from \$35,000 to \$45,000 (13% of TDA material and installation costs) will provide the appropriate level of support for grantees and encourage more jurisdictions to apply.

Eligible applicants to include private, for-profit entities with total funding not to exceed 50% of initially available funding. Staff believes that eligibility should be expanded to include private, for-profit entities. These entities represent an important segment to increase the use of TDA and to develop a diversified and sustainable market. To ensure a balance of private and public projects, staff also recommends that the total funding for all private, for-profit entities not exceed 50% of the initial available funding.

If the TDA Grant Program has fewer eligible requests than available funds, then all eligible applications can be funded regardless of the applicant type. If the TDA Grant Program is oversubscribed, then no more than 50% of the initial available funding shall be for private, for-profit entities. Any subsequent reallocation of the Tire Recycling Management Fund to the TDA Grant Program shall be available regardless of the applicant type, but still subject to landfill applications receiving the lowest funding priority.

3. Landfill applications projects

Because there are several examples of the utility and cost effectiveness of landfill application projects, staff recommends that such projects represent the lowest funding priority of the four project categories and that landfill projects be funded only after all projects in the other three eligible categories. For the purposes of this Program, landfill projects do not include the use of TDA or waste tire shreds as ADC or AIC.

4. Very large projects

Staff continues to provide outreach and education to various entities, some of which may have very large projects with regional and/or statewide importance which could use significant amounts of TDA. To assist in developing the TDA market, staff recommends that an applicant with a very large single project (over 400,000 passenger tire equivalents) may request an exception to the standard grant award maximums. Landfill applications are not eligible for consideration as a very large project. For very large projects, an applicant may provide appropriate justification and request up to 13% of TDA material and installation costs for testing and engineering/design cost reimbursement. The total award for a very large project shall not exceed \$750,000.

Tentative Timeline for FY 2012/13

Target Date	Activity
October 2012	Post Notice of Funds Available, Application, and related instructions and documents on the web site
February 2013	Applications due
March/April 2013	Conduct application evaluation/review process; determine funding for eligible applicants
April 2013	Grant awards announced at CalRecycle Public Meeting
April/May 2013	Grant Agreements distributed and executed: grant term ends April 1, 2015

The FY 2013/14 grant cycle timeline will be similar to the tentative FY 2012/13 grant cycle. Please refer to CalRecycle's website for more information.

