

REQUEST FOR APPROVAL

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

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

Request Date: September 1, 2015

Decision Subject: Eligibility Criteria and Evaluation Process for the Rubberized Pavement Grant Program (Tire Recycling Management Fund, FYs 2015–16 and 2016–17)

Action By: September 15, 2015

Summary of Request:

This memo seeks approval of the proposed eligibility criteria and evaluation process for the Rubberized Pavement (Pavement) Grant Program for fiscal years (FY) 2015–16 and 2016–17.

Staff proposes to conduct FYs 2015–16 and 2016–17 grant cycles using the same eligibility criteria and evaluation process used in the FY 2014–15 cycle, except as described under *Proposed Changes* and summarized below:

1. Allow applicants to apply and receive grants in consecutive fiscal years
2. Change the maximum grant amount, reimbursement rate, and funding consideration for regional applications

Recommendation:

Staff recommends approval of the proposed eligibility criteria and evaluation process for the Pavement Grant Program for FYs 2015–16 and 2016–17.

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 Rubberized Pavement Grant Program for FYs 2015–16 and 2016–17.

Dated: 9/16/15

Howard Levenson

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Deputy Director

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, Chapter 35, Statutes of 1990) (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.

Assembly Bill 513 (Frazier, Chapter 499, Statutes of 2013) added PRC Section 42872.1 and made changes to eligible applicants, projects, and the approach used to reimburse grantees. Senate Bill 861 (Committee on Budget and Fiscal Review, Chapter 35, Statutes of 2014) Section 150 clarified PRC 42872.1 to cover the broader term “rubberized pavement” rather than “rubberized asphalt concrete”. The Pavement Grant Program falls within the authority of PRC Sections 42872, 42872.1, and 42873.

The draft *Five-Year Plan for the Waste Tire Recycling Management Program (Eighth Edition Covering Fiscal Years 2015–16 through 2019–20)* approved in April 2015 allocates \$7,550,000 each for FYs 2015–16 and 2016–17 for the Pavement Grant Program.

Program Background

The Pavement 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 eligible applicants (described below). The grants fund public works projects that use rubberized asphalt concrete (RAC) hot-mix or rubberized chip seal (collectively referred to as rubberized pavement) materials from only California-generated waste tires.

The Pavement Grant Program expands the market for rubberized pavement by encouraging first-time or limited users of rubberized pavement in two areas:

1. *RAC Hot-Mix*: Eligible projects must use a minimum of 3,500 tons of RAC hot-mix. Grant awards in this category are proposed to be based on a fixed dollar amount per ton of RAC hot-mix.
2. *Rubberized Chip Seal (Chip Seal)*: Eligible projects must use a minimum area of 40,000 square yards of rubberized chip seal material. Grant awards in this category are based on a fixed amount per square yard of chip seal.

Proposed Process and Eligibility

Staff proposes to conduct the FY 2015–16 grant cycle using the same eligibility criteria and evaluation process as in the FY 2014–15 cycle, except as noted below under *Proposed Changes*. 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.

Eligible applicants and projects include:

- Local Governments (cities, counties, or city and county), local governmental agencies (special districts, Joint Powers Authorities [where all JPA members are also otherwise eligible applicants] and regional park districts), and Qualifying Indian Tribes are eligible for rubberized pavement projects which may include disability access projects at parks, Class 1 bikeways, and greenways.

- State agencies are eligible for only disability access projects at parks, Class 1 bikeways, and greenways.
 - Because of the amount of paving material used, disability access, Class 1 bikeways, and greenway projects may be combined with eligible roadway projects in order to satisfy Pavement Grant Program minimums. A greenway is a travel corridor for pedestrians, bicycles, non-motorized vehicle transportation, recreation, or a combination thereof, located along natural landscape features, such as an urban watercourse.

The maximum grant award currently is \$250,000 (but see *Proposed Changes* below). 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. Currently, applicants that have been awarded Pavement Grants are not eligible to apply in the following fiscal year (but see *Proposed Changes* below). Consistent with existing practice, initially available funding will be allocated (approximately) two-thirds for RAC projects and one-third for rubberized chip seal projects.

Table 1 below identifies the grant categories and proposed reimbursement basis.

Table 1: Rubberized Pavement Grant Program Categories and Reimbursement Rates (Individual Applicants)

Grant Category	Number of Previous RAC Grants*	Grant Award Basis
RAC - 1	0 - 1	Total grant award is based on 100% of the \$10 per ton base rate (\$10 per ton)
RAC - 2	2 - 3	Total grant award is based on 70% of the \$10 per ton base rate (\$7 per ton)
RAC - 3	4 - 5	Total grant award is based on 40% of the \$10 per ton base rate (\$4 per ton)
Chip Seal	0 - 5	50¢ per square yard

* RAC categories are based on the number of previously funded Rubberized Asphalt Concrete Use (RAC), Targeted RAC Incentive (TRI), and Rubberized Pavement (TRP) for RAC hot-mix grants. Chip Seal eligibility is based on the number of previously funded RAC Chip Seal (TCS) and TRP for chip seal grants.

If the program is over-subscribed, the following process will be used to prioritize funding decisions (see *Proposed Changes*). As shown in Table 1 above, RAC hot-mix applications will be categorized into three groups based on the number of previous Pavement Grants. All RAC-1 projects will be funded before any RAC-2 project and all RAC-2 projects will be funded before any RAC-3 projects. 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:

1. Applicants who did not receive funding in the past two fiscal years
2. The greatest number of pounds of crumb rubber proposed to be used in its project(s)

Notwithstanding the above, applicants that received a grant in the preceding three fiscal years, and either withdrew a grant or used less than 50 percent of a grant award will only be considered after all other eligible applicants have been recommended for award.

Proposed Changes

Staff recommends one general change regarding eligibility and additional changes related to maximum amount, reimbursement rate, and other funding considerations to encourage regional applications:

1. Allow applicants to apply and receive grants in consecutive fiscal years

The Pavement Grant Program was previously funded at a lower level and was frequently oversubscribed (more requests than available monies). The restriction on applying for grants in consecutive fiscal years was an effort to provide priority funding for new and infrequent users of the material with the limited fund available. Because of the increase in funding, staff believes that the restriction on applying for grants in consecutive fiscal years is not necessary at this time. However, to ensure that new and infrequent users continue to receive priority consideration, applicants who received funding in the previous fiscal year will be funded only after funding all eligible non-consecutive year applications. Additionally, all consecutive year applicants will be ranked based on the greatest number of pounds of crumb rubber proposed to be used in the project(s).

2. Change the maximum grant amount, reimbursement rate, and funding consideration for regional applications

Since allowing regional applications in FY 2011–12, there has only been one regional application. The rationale for the changes proposed here is to encourage more regional applications and assist in strengthening and expanding the rubberized pavement market. It may also help encourage smaller local agencies to use rubber in their pavement projects and generally encourage local cooperation. This should increase the use of crumb rubber with a corresponding increase in the diversion of waste tires. Previous economic analysis on the multiplier effect of public works paving projects calculated that every \$1 of paving construction provides an estimated \$1.90 in direct and indirect economic benefits along with increase state and local tax revenues.

Regional applications will support the Pavement Grant Program's market development efforts by having a stronger, more experienced lead provide the expertise associated with bidding and project coordination. Less experienced participants will benefit from the experience of the lead plus technical assistance from CalRecycle. Both the lead and participant will benefit from the lower costs anticipated from economies of scale associated with a larger quantity of rubber paving. The intent is that the regional collaboration will see this benefit and continue their partnership regardless of whether there are grant funds to provide an additional incentive.

The regional application effort will enable those jurisdictions that have received several previous grants and may no longer be eligible for Rubberized Pavement Grants to not only participate in the grant program, but demonstrate their local leadership in coordinating projects and mentoring nearby jurisdictions. Staff also believes that the effort may enable rural jurisdictions, which have historically not participated in the grant program, to achieve sufficient order quantities to participate and also receive grant funds. Staff will develop an outreach plan to potential mentoring agencies and specifically target rural and underserved communities.

Specific recommended changes to support regional applications are:

- Allow regional applications to be reimbursed at program maximums (100 percent of the \$10 per ton base rate (\$10 per ton) for RAC hot-mix and 50¢ per square yard of rubberized chip seal) regardless of the reimbursement rate that a lead or participating jurisdiction would otherwise receive.
- Provide a \$400,000 maximum grant for regional applications with lead or participating jurisdictions limited to not more than \$250,000 of the grant award.
- If oversubscribed, provide priority funding consideration for regional applications over all other applications.

- Do not count participation in a regional application as a past grant received when considering future grant awards.

Tentative Timeline for FYs 2015–16 and 2016–17

As shown in the table below, 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. Notices will also be distributed through the Grants Management System database, applicable listservs, outreach presentations, newsletters and CalRecycle’s Local Assistance and Market Development staff to inform their local jurisdictions.

Tentative Dates		Activity
FY 2015–16	FY 2016–17	
September 2015	May 2016	Post Notice of Funds Available, Application, and related instructions and documents on the website
December 2015	June 2016	Applications due
January/February 2016	July/August 2016	Conduct application evaluation/review process; determine funding for eligible applicants
February 2016	August 2016	Grant approval
March 2016	September 2016	Grant Agreements distributed and executed
April 1, 2018	April 1, 2019	Grant term ends

Please refer to CalRecycle’s website, www.calrecycle.ca.gov/Tires/Grants/Pavement/default.htm, for more information.

