

## 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 13, 2016

**Decision Subject:** Awards for the Tire Incentive Program (Tire Recycling Management Fund, Fiscal Year 2015–16)

**Action By:** September 20, 2016

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### **Summary of Request**

Staff requests approval of grant awards for the Tire Incentive Program (TIP), fiscal year (FY) 2015–16. Staff received three eligible applications for this competitive grant.

### **Recommendation**

Staff recommends approval of three grant awards listed below for \$1,242,589.

**Table 1. Recommended Awards**

Applicant	Total Award
United Sports Surfacing of America, Inc.	\$ 294,118
U.S. Rubber Recycling, Inc.	498,116
Van Duerr Industries, Inc. dba SafePath Products Inc.	450,355
<b>Total</b>	<b>\$1,242,589</b>

### **Funding**

The [Five-Year Plan](#) for the Waste Tire Recycling Management Program (Eight Edition Covering Fiscal Years 2015/16 - 2019/20) allocates \$4,125,000 for both the Tire-Derived Product Grant Program and the Tire Incentive Program for FY 2015–16. On [August 19, 2014](#), the Department of Resources Recycling and Recovery (CalRecycle) approved using \$450,000 of the FY 2015–16 allocation to fund a Feedstock Conversion Technical Assistance and Material Testing Services Contract. On [January 15, 2016](#), CalRecycle approved \$1,338,679 in Tire-Derived Product grants, which resulted in \$2,336,321 being available for the FY 2015–16 Tire Incentive Program.

**Table 2. Funding**

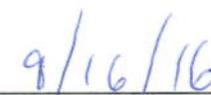
Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
California Tire Recycling Management Fund (FY 2015–16)	\$2,336,321	\$1,242,589	\$1,093,732	State Operations/Grants
<b>Total</b>	\$2,336,321	\$1,242,589	\$1,093,732	

**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 Program as listed in Table 1. Each proposed grantee’s award is conditional upon:

1. The full payment within sixty (60) days of the date of this grant award of all outstanding debt(s) or scheduled payment(s) owed by the proposed grantee to CalRecycle.
2. The return by the proposed grantee of a completed and executed Grant Agreement within sixty (60) days from the date that CalRecycle staff emails the Grant Agreement.

  
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 Howard Levenson  
 Deputy Director

  
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 Dated

**Background and Findings**

Statutory Authority

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 section 42872 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 used 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.”

Program Background

The TIP is a competitive, pilot incentive grant program that proposes to expand 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 type of TDP produced and the amount (and possibly the size) of rubber used.

Eligible applicants include:

- Manufacturers that produce (or will produce) an eligible product.
- Waste tire processors that also manufacture an eligible product.
- 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 3. Incentive Categories, Explanation and Amounts**

Category	New Product-Reimbursement per pound	Previously Awarded Products-Reimbursement per pound
1. <b>General Cost</b> is based on the crumb rubber used in all TIP-eligible TDPs sold and shipped during the grant term (regardless whether the products are included in a TIP award)	5 cents for total crumb rubber used	5 cents for total crumb rubber used
2. <b>New and Existing TDPs</b> is based on the incremental increase in usage of crumb rubber (compared with the previous year's sales, i.e. "baseline") for the production of an eligible product. TDPs with no previous year sales receive the incentive on all sales.	10 cents for incremental increase in crumb rubber used	7 cents for incremental increase in crumb rubber used
3. <b>Feedstock Conversion</b> is based on the crumb rubber usage for new/improved products 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.	30 cents for total crumb rubber used	21 cents for total crumb rubber used
4. <b>Fine (<math>\leq 50</math>) Mesh</b> is based on the crumb rubber usage for an existing or new/improved product that will use fine ( $\leq 50$ ) mesh crumb rubber (provided by a California waste tire processor). Particle size and particle size distribution are determined in accordance with ASTM D5603 and D5644.	40 cents for total crumb rubber used	28 cents for total crumb rubber used

Criteria and Process

The Eligibility Criteria and Evaluation Process was discussed at the [August 19, 2014 CalRecycle meeting](#) and subsequently approved by the Deputy Director. The Notice of Funds Available was placed on the CalRecycle website on June 2, 2016, with an appropriate notice sent to stakeholders. Awards are subject to a \$50,000 minimum and \$500,000 maximum.

Applications were due July 21, 2016. Staff received three applications requesting \$1,152,327. Staff reviewed the applicants in accordance with the approved evaluation criteria. Based on that review and correction of applicant calculation errors, staff increased the recommended amount to \$1,242,589.

If all of the applicants realize their projections over the nearly one and one-half year grant term (which ends April 1, 2018), they will use a total of 13 million pounds (1,083,407 passenger tire equivalents [PTE]) of California-generated crumb rubber. The breakdown of incentive categories, incentive amounts, and estimated crumb rubber usage is indicated below.

**Table 4. Incentive Categories, Incentive Amounts and Estimated Crumb Rubber Usage**

Incentive Category	Incentive Amount	Percentage of Total Incentive	Pounds of Crumb Rubber	PTE	Percentage of Total PTE
General Cost	\$247,091	19.88%	N/A	N/A	N/A
New and Existing TDP	\$555,798	44.73%	11,535,215	961,268	88.73%
Feedstock Conversion	\$439,700	35.39%	1,465,665	122,139	11.27%
Fine ( $\leq 50$ ) Mesh	0.00	0%	0	0	0%
<b>Total</b>	<b>\$1,242,589</b>	<b>100%</b>	<b>13,000,880</b>	<b>1,083,407</b>	<b>100%</b>

Figures are based on the projected amount of products sold; funding will be provided as reimbursement for actual products sold.

Below is a brief description of the proposed products.

[United Sports Surfacing of America, Inc.](#)

Amount: \$294,118

Incentive Categories: Feedstock conversion, Existing TDP

Products: Sidewalk repair, green rooftops, storm water management, and poured-in-place playgrounds

[U.S. Rubber Recycling, Inc.](#)

Amount: \$498,116

Incentive Categories: New and Existing TDP

Products: Various rubber flooring and dunnage products

[VanDuerr Industries, Inc. dba SafePath Products, Inc.](#)

Amount: \$450,355

Incentive Categories: Feedstock conversion, New TDP

Products: Americans with Disabilities Act (ADA) transitions and sidewalk repair