

**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:** June 2, 2014

**Decision Subject:** Awards for the Tire Incentive Program and Reallocation of the Tire Fund  
(Tire Recycling Management Fund, FY 2013/14)

**Action By:** June 17, 2014

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**Summary of Request:** Staff requests approval of grant awards for the Tire Incentive Program (TIP), Fiscal Year (FY) 2013/14. CalRecycle received 10 applications for this competitive grant, requesting a total of \$2,888,659 of which 7 totaling \$2,627,552 are eligible. Since only \$1,867,031 is available from initially allocated funds, this proposal also seeks a \$760,521 reallocation of the Tire Recycling Management Fund (Tire Fund).

Staff has ranked all eligible applications consistent with the approved process. Ranked applications are summarized in Table 1, which also reflects the recommended use of initially allocated FY 2013/14 funds and/or reallocated funds. There is currently \$1,225,037 available for reallocation. The \$1,225,037 includes \$500,000 from the Emergency Reserve which is contingent upon no tire emergency situations occurring on or before June 30, 2014.

**Recommendation:** Staff recommends approval of 7 grant awards, as listed in Table 1 below, for \$2,627,552 using funding from: FY 2013/14 initial allocations for TIP awards (\$1,867,031) and reallocated Tire Fund monies (\$760,521, including \$35,484 from the Emergency Reserve).

**Table 1. Tire Incentive Program Recommended Awards**

Applicant	Incentive Category(ies)	Recommended Amount	FY 2013/14 Funds	Reallocation Funds
KMC Acquisition Corporation	Feedstock Conversion and fine ( $\leq 50$ ) mesh	\$500,000	\$500,000	
Three D Plastics, Inc.	Existing TDP and Feedstock Conversion	\$478,229	\$478,229	
Environmental Molding Concepts, LLC	Existing TDP and Feedstock Conversion	\$118,898	\$118,898	
Millennium Molding, Inc.	Existing TDP	\$451,000	\$451,000	
U.S. Rubber Recycling, Inc.	Existing TDP	\$483,375	\$318,904	\$164,471
Rubber Bark, Inc.	Existing TDP	\$437,500		\$437,500
Jessop Holding Co, LLC	Existing TDP	\$158,550		\$158,550*
<b>Total</b>		<b>\$2,627,552</b>	<b>\$1,867,031</b>	<b>\$760,521</b>

*\*\$35,484 of these funds will be approved contingent upon no tire emergency situations occurring on or before June 30, 2014*

**Funding:** The *Five-Year Plan for Waste Tire Recycling Management Program – (7<sup>th</sup> Edition covering Fiscal Years 2013/14-2017/18) (Five-Year Plan)* allocates \$3,273,747 for both Tire-Derived Products (TDP) Grant Program and TIP awards for FY 2013/14. On April 17, 2013 (revised on May 20, 2013), CalRecycle approved using \$1,436,441 of the FY 2013/14 allocation to fund TDP Grants resulting in \$1,837,306 available to fund TIP awards. One approved TDP grant (\$29,725) was withdrawn by the applicant prior to funding, increasing the amount available for TIP awards to \$1,867,031.

On April 15, 2014, CalRecycle approved the FY 2013/14 reallocation of Tire Recycling Management Fund (Tire Fund) resulting in \$875,037 (which includes the \$500,000 emergency reserve) remaining available. Subsequent to the April 15, 2014, decision there have been two transactions that affected the Tire Fund. First, the \$750,000 contract for Feedstock Conversion Technical Assistance and Material Testing Services was cancelled for FY 2013/14. It will be rebid for FY 2014/15. Second, \$400,000 was allocated to a contract with the California Highway Patrol. The net effect of these two activities result in \$1,225,037 being available for reallocation. The \$1,225,037 includes \$500,000 from the Emergency Reserve which is contingent on no tire emergency situations occurring on or before June 30, 2014.

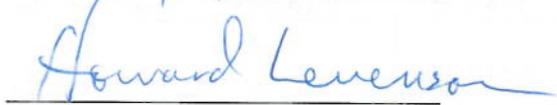
Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
TDP and TIP Awards from the Tire Recycling Management Fund (FY 2013/14)	\$1,867,031	\$1,867,031	\$0	State Operations/Grants
Reallocation of the Tire Recycling Management Fund (FY 2013/14)	\$1,225,037	\$760,521*	\$464,516	Grants
<b>Total</b>	<b>\$3,092,068</b>	<b>\$2,627,552</b>	<b>\$464,516</b>	

\*Contingent upon no tire emergency situations occurring on or before June 30, 2014

**Deputy Director Action:** On the basis of the information and analysis in this Request for Approval and the findings set out herein, we hereby approve the reallocation of the Waste Tire Management Fund and conditionally approve the Tire Incentive Program awards and funding source(s) as identified in Table 1. Each of the proposed awards shall be funded in the order in which funding becomes available and is conditional upon:

1. The full payment by June 24, 2014, of all outstanding debt(s) or scheduled payment(s) owed by the proposed grantee to CalRecycle; and
2. The return by the proposed grantee of a completed and executed Grant Agreement by June 24, 2014\*\*.

Dated: 6/2/2014



Howard Levenson  
Deputy Director

Dated: 6/2/2014



Mark De Bie  
Deputy Director

\*\* With the exception of Grantee Jesse Holding Co, LLC's grant agreement, which will be executed on June 30, 2014, due to the need to use Emergency Reserve Funds to fully fund this award.

## 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 TDPs 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. Incentive awards are subject to a \$50,000 minimum and \$500,000 maximum.

Eligible applicants are:

- Manufacturers that produce an eligible product;
- Waste tire processors that also manufacture an eligible product;
- Rubber compounders;
- Manufacturers which produce calendered rubber sheet products; and
- 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.

Incentive categories and amounts are:

Category	Reimbursement per pound
1. <b>Existing TDPs</b> which have not significantly benefited from the TDP Grant Program or have been reconfigured to serve a different purpose/market.	10 cents for incremental increase in crumb rubber used
2. <b>Feedstock conversion</b> is an existing or new product currently manufactured with virgin rubber.	20 cents for total crumb rubber used
3. <b>Fine (<math>\leq 50</math>) mesh or combined with other materials</b> is an existing or new/improved product currently manufactured with virgin rubber (or plastic or other material) which is: a. Fine ( $\leq 50$ ) mesh crumb rubber; or b. Co-extruded, injected, calendered or otherwise combined with plastic or other materials*	20 cents for total crumb rubber used

\* May be combined with feedstock conversion reimbursement amount for a total of 40 cents per pound

### Criteria and Process

Program eligibility criteria, evaluation process and award amounts were discussed at the October 15, 2013, CalRecycle meeting and subsequently approved by the Deputy Director. The Notice of Funds Available was placed on the CalRecycle website in April 2014, with an appropriate notice sent to stakeholders. Applications were due April 28, 2014. Ten applications were received requesting \$2,888,659. Three applications were disqualified for not meeting program eligibility requirements. Staff reviewed the remaining seven applicants in accordance with the approved evaluation criteria. Based on that review, staff recommends approval of seven applications totaling \$2,627,552.

If all of the applicants realize their projections over the nearly two year grant term, they will use a total of 26 million pounds of California-generated crumb rubber, including an estimated 2 million pounds of fine ( $\leq 50$ ) mesh crumb rubber. These figures are based on the projected amount of products sold; funding will be provided as reimbursement for actual products sold. Below is a summary of the proposed projects.

**Environmental Molding Concepts, LLC**

Amount: \$118,898

Incentive Categories: Existing TDP and feedstock conversion

Summary: Various roof deck tiles, architectural paver tiles and solar racking protection pads

**Jessop Holding Co, LLC**

Amount: \$158,550

Incentive Category: Existing TDP

Summary: Rubber weight plates and rubber bases

**KMC Acquisition Corporation**

Amount: \$500,000

Incentive Categories: Feedstock conversion and fine ( $\leq 50$ ) mesh

Summary: Traffic device base, sponge rubber gasket, pipe couplings, sewer pipe gasket, calendered rubber gaskets and plungers

**Millennium Molding, Inc.**

Amount: \$451,000

Incentive Category: Existing TDP

Products: Ballistic tiles, lawn edgings and roof supports

**Rubber Bark, Inc.**

Amount: \$437,500

Incentive Category: Existing TDP

Products: 5/8 inch industrial mat

**Three D Plastics, Inc.**

Amount: \$478,229

Incentive Categories: Existing TDP and feedstock conversion

Summary: Various traffic device bases, traffic cones and solar panel supports

**U.S. Rubber Recycling, Inc.**

Amount: \$483,375

Incentive Category: Existing TDP

Products: Sport floor rolls and tiles, acoustic underlayment, weed mat, dunnage/load securement