

**REQUEST FOR APPROVAL**

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

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

**Request Date:** August 16, 2011

**Decision Subject:** Approval of Funding FY 2011/12 Rubberized Pavement Grant Program Applications With Funds Allocated For Both FYs 2011/12 and 2012/13 (Tire Recycling Management Fund, FYs 2011/12 and 2012/13); Conditional Cancellation Of Solicitation For The Rubberized Pavement Grant Program For FY 2012/13

**Action By:** August 23, 2011

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**Summary of Request:**

In recognition of the popularity of the program and the difficult economic climate in which most jurisdictions are now operating, staff proposes to fund Fiscal Year (FY) 2011/12 Rubberized Pavement (Pavement) Grant Program applications with funds allocated to the Pavement Grant Program for both FYs 2011/12 and 2012/13 and to conditionally cancel the FY 2012/13 grant solicitation. Staff will conduct the FY 2011/12 grant cycle using the application, review, and evaluation process presented at the July 19, 2011, CalRecycle meeting and approved by the Deputy Director. This funding approach would infuse money immediately into the economy and address the significant demand for rubberized pavement projects by providing funding for eligible grant projects.

**Recommendation:**

Staff recommends funding FY 2011/12 Pavement Grant Program applications with funds allocated to the Pavement Grant Program for FYs 2011/12 and 2012/13 and conditionally canceling the FY 2012/13 grant solicitation.

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**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 funding FY 2011/12 Rubberized Pavement Grant Program applications with funds allocated to the Rubberized Pavement Grant Program for FYs 2011/12 and, as needed, 2012/13 and conditionally canceling the FY 2012/13 grant solicitation. The FY 2012/13 grant solicitation will be cancelled if FY 2011/12 eligible applications equal or exceed the allocations for FYs 2011/12 and 2012/13. Use of FY 2012/13 funds is contingent upon enactment of the 2012/13 Budget Act containing Tire Recycling Management Fund appropriations.

Dated: 8/16/11



Howard Levenson  
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.

In the past several years, the Pavement Grant Program has received more eligible applications than initially allocated funds. Historically, oversubscription has been partially or fully satisfied through the annual reallocation of the Tire Fund. This proposal to use two years of funding authority for a single grant solicitation is not without precedent, having previously been employed in the Tire-Derived Product (TDP), RAC, and Household Hazardous Waste Grant Programs. Specific to the TDP and RAC Grant Programs, at its May 19, 2009, meeting, after previously approving the use of FY 2008/09 reallocated funds (FY 2008/09 initially allocated funds having been already exhausted), the California Integrated Waste Management Board, CalRecycle's predecessor, approved the use of the FY 2009/10 allocation to fund FY 2008/09 grants and cancelled the FY 2009/10 grant solicitation.

### **Statutory Authority**

CalRecycle receives an annual appropriation from the California Tire Recycling Management Fund (Tire Fund) to administer the California Tire Recycling Act, Assembly Bill 1843 (Brown, Statutes of 1989, Chapter 974), Public Resources Code (PRC) Sections 42840 et seq. Senate Bill 937 (Vuich, Statutes of 1990, Chapter 35) moved the Act from the Government Code to the PRC to become part of the Integrated Waste Management Act.

PRC Sections 42872 and 42873 allow for the awarding of grants for activities that result in reduced landfill disposal or stockpiling of waste tires. The Pavement Grant Program falls within the authority of PRC 42872 and 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 to the Pavement Grant Program for FYs 2011/12 and 2012/13, respectively.

## **Analysis and Finding**

### **Funding Proposal**

In recognition of the popularity of the Pavement Grant Program, the opportunity to further encourage rubberized pavement projects, and considering the benefits to taxpayers and industry, staff proposes accelerating funding availability for eligible applicants. If FY 2011/12 eligible applications exceed allocated FY 2011/12 funds, staff proposes using FY 2012/13 allocated funds to partially or fully satisfy eligible FY 2011/12 grant applications. If all FY 2011/12 and 2012/13 allocated funds are used, the grant solicitation for FY 2012/13 would be cancelled.

If eligible FY 2011/12 applications exceed the allocation for FY 2011/12, but not all of the allocation for FY 2012/13, the Deputy Director will determine whether to cancel the grant solicitation for FY 2012/13. In all cases, FY 2012/13 funding would only be available upon enactment of the 2012/13 Budget Act.

Staff will conduct the FY 2011/12 grant cycle using the application, review, and evaluation process presented at the July 19, 2011, CalRecycle meeting and approved by the Deputy Director. Grantees that are awarded funds from FY 2012/13 would:

1. Be subject to enactment of the FY 2013 Budget Act containing Tire Recycling Management Fund appropriations;
2. Not receive Notices to Proceed until after enactment of the FY 2012/13 Budget Act and would not be able to start pavement projects until the date indicated in the Notice to Proceed; and
3. Have a grant term end date of April 1, 2015.

The negative consequence of this proposal is that no funds would be available for Pavement Grant Program solicitations for FY 2012/13. However, potential applicants would be advised of the potential cancellation of the FY 2012/13 solicitation through the Pavement Grant Program listserv, program website, and applicable documents. Since local government pavement projects are often planned a few years in advance, the proposed funding approach should not adversely impact projects.

While this is a departure from the typical funding approach, staff believes the proposal provides immediate, significant benefits that further the mission of the grant program to promote markets for recycled-content surfacing products derived from waste tires generated in California, are in the best interests of the State and its stakeholders, and vastly outweigh any potential drawbacks:

- Grantees and industry stakeholders can receive immediate funding to implement more projects this year and next, as opposed to waiting until the first quarter of FY 2012/13 when grant awards would normally be considered;
- It would more effectively utilize CalRecycle resources to support local/regional recycling markets, as well as assisting in the State's economic recovery;

- It provides an immediate infusion of funds to benefit the tire-derived product marketplace, specifically the recycled-content surfacing sector. There is also a direct benefit to the construction sector, with additional benefits throughout the California economy due to the “multiplier effect”; and
- It would allow staff an opportunity to more effectively focus their efforts on assisting grantees to more efficiently use their grant resources.

**Tentative 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
Feb/Mar 2012	Grant Agreements (FY 2011/12 funds) executed: grant term ends April 1, 2014
July 2012 (or when FY 2013 Budget is enacted)	Grant Agreements (FY 2012/13) executed: grant term ends April 1, 2015