

**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 19, 2015

**Decision Subject:** Awards for the Tire Incentive Program (California Tire Recycling Management Fund, FY 2014–15)

**Action By:** June 27, 2015

**Summary of Request:**

Staff requests approval of grant awards for the Tire Incentive Program (TIP), Fiscal Year (FY) 2014–15. CalRecycle received 11 applications for this competitive grant, requesting a total of \$2,620,365; of these, eight applications, totaling \$1,900,020, are eligible.

**Recommendation:**

Staff recommends approval of eight grant awards as listed in Table 1 below, for \$1,900,020.

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

Applicant	Total Award
Eco-Flex California LLC	\$500,000
Environmental Molding Concepts LLC	\$147,669
KMC Acquisition Corporation	\$499,200
MBTechnology	\$73,583
McCoy's Industrial Tire, Inc.	\$136,500
Millennium Molding, Inc.	\$151,031
Mission Rubber Company LLC	\$243,537
Rubber Bark, Inc.	\$148,500
<b>Total</b>	<b>\$1,900,020</b>

**Funding:**

The *Five-Year Plan for the Waste Tire Recycling Management Program – (Seventh Edition Covering FY 2013–14 - 2017–18) (Five-Year Plan)* allocates \$4,123,747 for both the Tire-Derived Product Grant Program and the TIP for FY 2014–15. On [April 29, 2015](#), CalRecycle awarded \$823,747 in Tire-Derived Product Grants. On [August 19, 2014](#), CalRecycle approved using \$300,000 of the FY 2014–15 allocation to fund a Feedstock Conversion Technical Assistance and Material Testing Services Contract. That contract was awarded on May 22, 2015. These actions result in \$3,000,000 being available for FY 2014–15 TIP awards.

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
California Tire Recycling Management Fund (FY 2014–15)	\$3,000,000	\$1,900,020	\$1,099,980	Local Assistance/Grants
<b>Total</b>	\$3,000,000	\$1,900,020	\$1,099,980	

**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 60 (sixty) 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 60 (sixty) days from the date that CalRecycle staff emails the Grant Agreement.

Dated: 6/22/15

  
Howard Levenson  
Deputy Director

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**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.

Eligible applicants are:

- 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 2. Incentive Categories, Explanation and Amounts**

Category	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
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
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
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

#### Criteria and Process

The Eligibility Criteria and Evaluation Process were 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 March 25, 2015, with an appropriate notice sent to stakeholders. Awards are subject to a \$50,000 minimum and \$500,000 maximum.

Applications were due April 29, 2015. Eleven applications were received requesting \$2,620,375. Three applications were disqualified for not meeting program eligibility requirements. Staff reviewed the remaining eight applicants in accordance with the approved evaluation criteria. Based on that review, staff recommends approval of eight applications totaling \$1,900,020.

If all of the applicants realize their projections over the nearly two-year grant terms (which end April 1, 2017), they will use a total of 12.8 million pounds (1,064,717 passenger tire equivalents [PTE]) of California-generated crumb rubber, including an estimated 2.5 million pounds (210,170 PTE) of fine ( $\leq 50$ ) mesh crumb rubber. The breakdown of incentive categories, incentive amounts, and estimated crumb rubber usage is indicated below:

**Table 3. 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	\$200,038	10.5%	N/A	N/A	N/A
New and Existing TDP	\$682,989	35.9%	7,871,730	655,978	61.7%
Feedstock Conversion	\$357,972	18.8%	2,382,832	198,569	18.6%
Fine ( $\leq 50$ ) Mesh	\$659,021	34.8%	2,522,036	210,170	19.7%
<b>Total</b>	<b>\$1,900,020</b>	<b>100%</b>	<b>12,776,598</b>	<b>1,064,717</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.

[Eco-Flex California LLC\\*](#)

Amount: \$500,000

Incentive Categories: New and Existing TDP

Products: Curb ramps, rubber tiles, and ADA transitions

\*Link is to Canadian affiliated company

[Environmental Molding Concepts LLC](#)

Amount: \$147,669

Incentive Categories: Feedstock Conversion and New and Existing TDP

Products: Various rubber tiles

[KMC Acquisition Corporation](#)

Amount: \$499,200

Incentive Categories: Fine ( $\leq 50$ ) Mesh

Products: Roofing tiles, pool coping, heated walkway mats, driveway tile, calendared sheet rubber, seawall extension, and ortho sponge mat

[MBTechnology](#)

Amount: \$73,583

Incentive Categories: Fine ( $\leq 50$ ) Mesh

Products: Ecotorch roofing membrane

[McCoy's Industrial Tire, Inc.](#)

Amount: \$136,500

Incentive Categories: Feedstock Conversion

Products: Industrial tire fill

[Millennium Molding, Inc.](#)

Amount: \$151,031

Incentive Category: New and Existing TDP

Products: Interlocking deck tiles and transitions

[Mission Rubber Company LLC](#)

Amount: \$243,537

Incentive Categories: Fine ( $\leq 50$ ) Mesh and Feedstock Conversion

Products: Various pipe couplings

[Rubber Bark, Inc.](#)

Amount: \$148,500

Incentive Category: New and Existing TDP

Product: 1/2 inch mat