

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: July 5, 2016

Decision Subject: Eligibility Criteria and Evaluation Process for the Rubberized Pavement Grant Program (Tire Recycling Management Fund, FYs 2016–17 and 2017–18)

Action By: July 19, 2016

Summary of Request

Staff requests approval of the proposed eligibility criteria and evaluation process for the Rubberized Pavement Grant Program (Program) for fiscal years (FY) 2016–17 and 2017–18.

Staff proposes to use the same eligibility criteria and evaluation process that was used in FY 2015–16, except as described under *Proposed Changes* and summarized below:

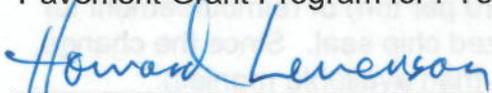
1. Change the reimbursement amounts to provide a higher reimbursement (in specified geographic areas) and allow the full cost difference between rubberized and conventional asphalt (under specified conditions).
2. Increase the maximum grant amount to \$350,000 for individual applications and \$500,000 for regional applications.
3. Allow recycled crumb rubber from tire-derived products to be an eligible material, as appropriate.

Recommendation

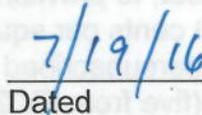
Staff recommends approval of the proposed eligibility criteria and evaluation process for the Rubberized Pavement Grant Program for FYs 2016–17 and 2017–18.

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 2016–17 and 2017–18.



Howard Levenson
Deputy Director


Dated

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 Program falls within the authority of PRC sections 42872, 42872.1, and 42873.

The *Five-Year Plan for the Waste Tire Recycling Management Program* (Eighth Edition Covering Fiscal Years 2015/16-2019/20) allocates \$7,252,000 and \$7,750,000 for FYs 2016–17 and 2017–18, respectively, for the Program.

Program Background

The Program is designed to promote the use of rubberized pavement while encouraging the recycling of California-generated waste tires. The 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 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 (except as described under *Proposed Changes*).
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.

Starting in FY 2014–15, CalRecycle changed the Program from reimbursing the cost difference between rubberized and conventional asphalt pavement and a fixed \$1 per square yard for rubberized chip seal, to providing a fixed amount (\$10 per ton) of reimbursement for rubberized asphalt and 50 cents per square yard for rubberized chip seal. Since the change, the Program has been undersubscribed (i.e., fewer requests than available monies). Additionally, six grantees (five from FY 2014–15 and one from FY 2015–16) with awards totaling \$485,400 have withdrawn their grant awards due to insufficient reimbursement to compensate for the difference in the cost of rubberized pavement (both RAC hot mix and chip seal) compared to conventional pavement.

Table 1. Comparison of the Pavement Grant Program Allocation, Requests, and Approved Grants (Amount in thousands)

FYs	2011–12	2012–13	2013–14	2014–15	2015–16
Allocation Amount	\$7,791	\$3,624	\$3,000	\$8,000	\$7,550
Requested Grants	\$9,228	\$10,916	(included in FY 2012-13)	\$6,908	\$5,650
Approved Grants	\$7,791	\$3,624	\$3,000	\$6,917	\$5,282

CalRecycle has recently analyzed historical cost data for rubberized and conventional pavement for both Caltrans and local governments. Based on the analysis, CalRecycle proposes to:

1. Institute a two tier reimbursement to provide an increased incentive for certain areas of the state that experience higher costs for rubberized pavement.
2. Allow applicants to request reimbursement for the full difference in cost between conventional and rubberized asphalt (under certain circumstances).
3. Increase the maximum grant amounts. These proposals are more fully described under *Proposed Changes*.

Proposed Process and Eligibility

Staff proposes to conduct the FY 2016–17 grant cycle using the same eligibility criteria and evaluation process as in the FY 2015–16 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 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 for individual applications and \$400,000 for a regional application (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. Applicants that have been awarded Rubberized Pavement Grants are eligible to apply in the following fiscal year. Consistent with existing

practice, initially available funding will be allocated (approximately) two-thirds for RAC projects and one-third for rubberized chip seal projects.

Reimbursement decreases (to 70 percent and 40 percent of the applicable base rate) as grantees gain experience using rubberized pavement and recognize the cost effective benefits of using the material. In addition, regional applicants receive the full (Tier 1 or Tier 2) base rate, regardless of the reimbursement rate that a lead or participating jurisdiction would otherwise receive if submitting an individual application.

If the Program is over-subscribed, the following process will be used to prioritize funding decisions. As shown in Table 2 below, RAC hot-mix applications will be categorized into three groups based on the number of previous Rubberized 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 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 and if the Program is oversubscribed, 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. CalRecycle will reassess whether to change this for future cycles depending on results from this cycle.

Proposed Changes

Staff recommends two changes regarding funding and one general change regarding eligible material. These changes were provided in draft form to stakeholders on July 1; of the five responses received, three supported the proposed changes, one suggested an increased reimbursement ratio and extending the term of grant agreements, and one suggested running two cycles within the fiscal year.

- 1. Change the reimbursement amounts to provide a higher reimbursement (in certain areas) and allow the full cost difference between rubberized and conventional asphalt (under certain conditions).**

CalRecycle analyzed Caltrans and local government pavement projects using 3,000 to 20,000 tons of material. The analysis quantified the cost difference between conventional and rubberized asphalt in the state by Caltrans district and by county. The analysis also reviewed the location of mix plants and general competitive factors. Based on that analysis, CalRecycle proposes to have two tiers of reimbursement.

Tier 1 would include eligible applicants located in a county that has been identified as being in a relatively competitive rubberized asphalt market and generally having a cost difference between conventional and rubberized asphalt of \$10 per ton or less. For those applicants, the current base rate of \$10 per ton would remain unchanged. Those counties are: Los Angeles, Orange, Ventura, San Bernardino, and Riverside.

Tier 2 would include eligible applicants in all other counties. These counties typically do not have a robust and competitive rubberized asphalt market like Tier 1 counties. Cost

differences between conventional and rubberized asphalt are typically \$20 per ton or more. For applicants in these counties, the proposed \$20 per ton base rate would be twice the Tier 1 base rate.

Chip Seal would also be subject to a corresponding change in reimbursement for rubberized chip seal projects. CalRecycle proposes to maintain the 50 cents per square yard for eligible applicants in Tier 1 counties but to increase the reimbursement to \$1 per square yard for applicants in Tier 2.

Full Differential Costs. Additionally, in an effort to further encourage first-time or one-time users of rubberized pavement, CalRecycle proposes to allow eligible applicants that have had zero or one previous rubberized pavement grant to request the full differential cost between conventional and rubberized asphalt. In order to support the request, the applicant must provide a recent alternate bid documenting both conventional and rubberized asphalt costs, subject to CalRecycle’s review and approval. At this time, rubberized chip seal is not eligible for the full differential cost.

Table 2 below identifies the existing grant categories and proposed reimbursement basis. Currently, grants are reimbursed using the amounts indicated in Tier 1.

Table 2. Rubberized Pavement Grant Program Categories and Reimbursement Rates (Individual Applicants)

Grant Category	Number of Previous RAC Grants*	Tier 1 (Applicants in the following counties: Los Angeles, Orange, Ventura, San Bernardino, & Riverside)	Tier 2 (Applicants in all counties not in Tier 1)
RAC - 1**	0 - 1	Total grant award is based on 100 percent of the \$10 per ton base rate (\$10 per ton) or full differential cost.	Total grant award is based on 100 percent of the \$20 per ton base rate (\$20 per ton) or full differential cost.
RAC - 2	2 - 3	Total grant award is based on 70 percent of the \$10 per ton base rate (\$7 per ton)	Total grant award is based on 70 percent of the \$20 per ton base rate (\$14 per ton)
RAC - 3	4 - 5	Total grant award is based on 40 percent of the \$10 per ton base rate (\$4 per ton)	Total grant award is based on 40 percent of the \$20 per ton base rate (\$8 per ton)
Chip Seal	0 - 5	50 cents per square yard	\$1 per square yard

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

** Eligible applicants may request the full differential cost between conventional and rubberized asphalt and must provide a recent alternate bid documenting both conventional and rubberized asphalt costs, subject to CalRecycle’s review and approval.

2. Increase the maximum grant amount.

CalRecycle proposes to increase the maximum grant award to \$350,000 for individual applicants and \$500,000 for regional applicants (increased from \$250,000 and \$400,000, respectively). Because the reimbursement rate will increase for many applicants, the increased grant award will enable local jurisdictions to use more rubberized pavement material than would otherwise be the case.

3. Allow recycled crumb rubber from tire-derived products to be an eligible material, as appropriate.

CalRecycle proposes to allow recycled end-of-life crumb rubber that meets all specifications and standards to be used in rubberized pavement applications, as appropriate. CalRecycle recognizes existing standards may be limited and additional research may be needed in the future.

Tentative Timeline for FYs 2016–17 and 2017–18

Staff will post a Notice of Funds Available on CalRecycle’s website that includes the funding, eligibility requirements, deadlines, and other important information. Notices will 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.

Table 3. Tentative Timeline

FY 2016–17	Activity
August 2016	Post Notice of Funds Available, application, and related instructions and documents on the website
October 2016	Applications due
November 2016	Conduct application evaluation/review process and determine funding for eligible applicants
January/February 2017	Grant Agreements distributed and executed
April 1, 2019	Grant term ends

The FY 2017–18 grant cycle timeline will be similar to the tentative 2016–17 grant cycle. Please refer to CalRecycle’s website, www.calrecycle.ca.gov/Tires/Grants/Pavement/default.htm, for more information.