

REQUEST FOR APPROVAL

To: Mark Leary
Deputy Director

From: Howard Levenson
Assistant Director

Request Date: October 14, 2010

Decision Subject: Approval of Applicant Eligibility, Project Eligibility, Grant Award Categories and the Evaluation Process for the Rubberized Asphalt Concrete Grant Program (Tire Recycling Management Fund, Fiscal Year (FY) 2010/11)

Action By: October 21, 2010

Summary of Request:

This memo seeks approval of the proposed applicant eligibility, project eligibility, grant award categories and the evaluation process for the Targeted Rubberized Asphalt Concrete Incentive (Targeted) Grant and the Rubberized Asphalt Concrete Chip Seal (Chip Seal) Grant, which are collectively referred to as the Rubberized Asphalt Concrete (RAC) Grant Program, for FY 2010/11. Staff will consider additional changes to the RAC Grant Program for FY 2011/12, based on analyses in the Tire Program Evaluation Report (currently being finalized) and on subsequent management direction that will be reflected in the next edition of the Five-Year Plan for the Waste Tire Recycling Management Program (Five-Year Plan). The Five-Year Plan will be the subject of a CalRecycle workshop in November 2010 and will be considered for approval in spring 2011.

Staff will conduct the FY 2010/11 grant cycle using the application review and evaluation process applied in past cycles, except as described on pages 4-5 of this memo. Key items proposed for FY 2010/11 include:

- Discontinuance of the RAC Use Grant offering.
- Inclusion of terminal blend as an eligible material/process under the Targeted Grant.
- Reduction of the number of prior grants used in determining applicant eligibility, and changed reimbursement rates.
- Implementation of process changes to improve verification of the source of crumb rubber.

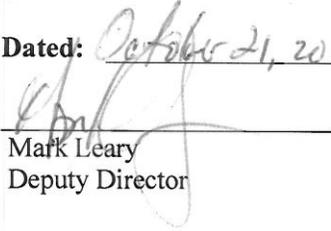
Recommendation:

Staff recommends approval of the proposed applicant eligibility, project eligibility, grant award categories and the evaluation process for the RAC Grant Program for FY 2010/11.

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 applicant eligibility, project eligibility, grant award categories and the evaluation process for the RAC Grant Program for FY 2010/11.

Dated: October 21, 2010



Mark Leary
Deputy Director

Background Information

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 RAC Grant Program provides competitive grants to "Local Governments" (cities, counties, or city and county) as defined in Public Resources Code Section 48617 and Qualifying Indian Tribes. The grants fund public works projects that use RAC or rubberized chip seal materials from 100% California-generated waste tire material.

The RAC Grant Program to date has been comprised of three grant offerings:

- The Targeted Rubberized Asphalt Concrete Incentive (Targeted) Grant is aimed at assisting first-time or limited users of RAC. Eligible projects must use a minimum of 3,500 tons of RAC which meets American Society for Testing and Material (ASTM) D 6114-97 (2002) "Standard Specification for Asphalt-Rubber Binder." Grant awards in this program are based on the differential cost of using RAC versus conventional asphalt concrete and the tonnage of RAC used.
- The Rubberized Asphalt Concrete Use (Use) Grant is aimed at repeat users of RAC as a means to support continued use of RAC. Reimbursement is based on \$5 per ton of RAC material used. This grant offering is proposed to be eliminated (see "Program Eligibility" below).
- The Rubberized Asphalt Concrete Chip Seal (Chip Seal) Grant is aimed at new and repeat users of rubberized chip seal material for road repair and maintenance. Eligible projects must use a minimum area of 35,000 square yards of RAC chip seal material. The chip seal material must contain a minimum of 300 pounds (equivalent to 15 percent by weight) of tire-derived crumb rubber per ton of rubberized binder.

The maximum grant award is \$250,000. However, an eligible applicant may apply for either a Targeted RAC Grant or a Use Grant and also a Chip Seal Grant for a maximum potential grant award of \$500,000. Applicants that have been awarded grants may not apply for the same grant type in the same or following fiscal year. Due to oversubscription in FY 2008/09, CalRecycle cancelled the FY 2009/10 solicitation and funded remaining eligible FY 2008/09 Applicants using FY 2009/10 monies. Accordingly, applicants who received FY 2008/09 funding are currently eligible to apply to the RAC Grant Program. Those who received FY 2009/10 funding cannot apply until FY 2011/12.

CalRecycle is currently working with R.W. Beck, Inc. to evaluate its tire market development programs. Based on the analyses in the resulting report and subsequent policy direction from management in the next edition of the Five-Year Plan, staff will consider additional changes to the RAC Grant Program in FY 2011/12. As noted above, the Five-Year Plan will be the subject of a CalRecycle workshop in November 2010 and will be considered for approval in spring 2011. Accordingly, businesses and potential applicants should view the existing RAC Grant Program as applicable for FY 2010/11 only and not make long-term decisions based on the current RAC Grant Program.

Statutory Authority

CalRecycle receives an annual appropriation from the California Tire Recycling Management Fund (Tire Fund) to administer the California Tire Recycling Act (Senate Bill (SB) 937, (Vuich, Statutes of 1990, Chapter 35) (Public Resources Code (PRC) Sections 42860 et seq.). Public Resources Code Section 42873 allows for the awarding of grants for activities and applications that result in reduced landfill disposal or stockpiling of waste tires. The RAC Grant Program falls within the authority of PRC 42873.

At its May 19, 2009, meeting, CalRecycle adopted the *Five-Year Plan for Waste Tire Recycling Management Program – (5th Edition Covering Fiscal Years 2009/10-2013/14)*. The Plan identifies FY 2010/11 funding of \$3,509,334 and \$2,000,000 for the Targeted Grant and Chip Seal Grant, respectively.

Process

Staff will conduct the FY 2010/11 grant cycle using the application review and evaluation process applied in past cycles, except as noted below under “Proposed Changes.” Staff will post a Notice of Funds Available on CalRecycle’s website informing potential Applicants of the funding, eligibility requirements, deadlines and other important information, and notify potentially interested entities through the RAC Program listserv, various publications and newsletters.

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. The recommended grant amount will be based on: the difference between the cost of conventional asphalt and rubberized asphalt (for the Targeted Grant) or a fixed dollar amount per square yard of material (for the Chip Seal Grant) (see below for proposed changes in reimbursement rates).

Based on past cycles, it is possible that the program will be over-subscribed, in which case the following process will be used to prioritize funding decisions. In the event of ties within any of the grant programs, staff recommends the following tiebreakers will be applied in sequential order for eligible Applicants:

- a. Applicants who did not receive funding in FY 2008/09.
- b. The greatest number of pounds of crumb rubber proposed to be used in its project(s).
- c. The date of the completed grant application.
- d. The fewest total grants.

Proposed Changes

1) Discontinue Use Grant

Staff supports continuing the Targeted and Chip Seal Grant as effective tools for the development of markets and reduced reliance on an on-going subsidy for rubberized pavement. The Use Grant is intended to support continued RAC use by repeat and experienced users of RAC. In keeping with stakeholder input and preliminary findings from the Tire Program Evaluation Report about the need to reduce subsidies for jurisdictions that have received multiple RAC grants, staff recommends discontinuance of the Use Grant to more effectively target limited grant monies.

2) Allow Terminal Blend in Targeted Grants

The Targeted Grant currently requires that RAC material meet the American Society for Testing and Material (ASTM) D 6114-97 (2002) "Standard Specification for Asphalt-Rubber Binder" and does not allow the use of terminal blended material. Terminal blend material is currently allowed under the Use Grant and Chip Seal Grant. Information from CSU, Chico's evaluation report of rubberized asphalt terminal blends indicates that it is comparable in performance to Asphalt-Rubber Binder. Because of terminal blend's lower cost, its ability to be prepared in smaller quantities and its ability to be transported over longer distances before application the use of terminal blend may improve the ability of smaller and rural jurisdictions, which have been historically underserved, to benefit from the improved performance and longevity of rubberized pavement. Standardizing grant program offerings will also reduce stakeholder confusion. Staff recommends changing the project eligibility for all grants to state that the binder material must contain a minimum of 300 pounds (equivalent to 15 percent by weight) of tire-derived crumb rubber per ton of rubberized binder. This will accommodate the use of either the Standard Specification for Asphalt-Rubber Binder or the terminal blend binder material for the Targeted Grant.

3) Changes to the Grant Categories and Reimbursement Rates

CalRecycle's support for market development and research efforts has been instrumental in the success of increasing demand for RAC in California. CalRecycle's intention for the RAC Grant Program is to develop a long-term sustainable market without the need for on-going subsidies. This goal is supported by the program's reimbursement structure which provides for a reducing subsidy as a jurisdiction increases its experience and acceptance of using RAC. Accordingly, staff recommends the following changes from the FY 2008/09 categories and reimbursement rates:

RAC Grant Program Categories and Reimbursement Rates*

Grant Category	Number of Previous RAC Grants	Proposed Grant Award Basis	Change from FY 2008/09
1 - Targeted	0	Total grant award is based on a 100% differential reimbursement rate	No change
2 - Targeted	1	Total grant award is based on a 70% differential reimbursement rate	No change
3 - Targeted	2	Total grant award is based on a 40% differential reimbursement rate	Changed from 2 – 3 previous grants
4 - Chip Seal	0-1	\$1.00 per square yard	Changed from 0 – 2 previous grants
5 - Chip Seal	2-3	\$0.50 per square yard	Changed from 3+ previous grants and \$0.20 per square yard

*Assuming the Use Grant program is discontinued.

Other Recommended Changes

In response to stakeholder comments, staff has identified several additional areas for improvement. Staff believes the following changes will assist in strengthening markets for rubberized pavement and reduce programmatic administrative burden.

4) Improved Verification of the Source of Recycled Tire Material

Stakeholders have requested that CalRecycle strengthen its verification of the source of recycled waste tires used in the RAC Grant Program. Staff has responded by revising the Recycled Content Certification (CalRecycle 74-G Tire). Changes include requiring supporting documentation tracing the source of the recycled waste tire material back to the processor of the California-generated waste tires. Staff will seek input from stakeholders regarding the effectiveness of these improvements in verifying sources and may consider additional changes in the future.

5) Testing Costs

Staff recommends elimination of reimbursement for testing costs. Due to program demand, staff believes the limited grant funds would be more effectively used to fund additional grants. Additionally, most of the reimbursement requests for testing costs were from experienced RAC users who should be testing as part of their normal business practice.

6) Require Individual Grantees to Complete Survey

Staff needs meaningful feedback from Grantees in order to objectively assess CalRecycle programs and provide additional evidence regarding the use of RAC. Accordingly, staff recommends requiring Grantees to complete a post-grant annual survey for a period of five years, which is consistent with the Tire-Derived Products Grant Program.

7) Revision of the Signage/Acknowledgement Requirements

CalRecycle's current requirements allow alternative acknowledgement, such as posting on the grantee's web site, when the use of street signage for multiple RAC projects is problematic. Based upon comments received from grantees and the public, staff recommends that the web site posting serve as the preferred acknowledgement requirement with street signage being the alternative.

Proposed Timeline

Target Date	Activity
October 13, 2010	FY 2010/11 program criteria presented to MMLA Public Meeting for consideration/approval
November 2010	Post Notice of Funds Available, Application, and Application Guidelines and Instructions on the web site
February 9, 2011	Applications due
February/March 2011	Conduct application evaluation/review process; determine funding for eligible applicants
April 2011	Grant awards presented for consideration/approval
May/June 2011	Grant Agreements executed: grant term ends April 1, 2013

