

REQUEST FOR APPROVAL

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

Through: Cara Morgan, Branch Chief

From: Don Peri
Senior Integrated Waste Management Specialist

Request Date: July 26, 2011

Decision Subject: Grant Awards For The Tire-Derived Product Business Assistance Program
(Tire Recycling Management Fund, FYs 2010/11, 2011/12, and 2012/13)

Action By: September 20, 2011

Summary of Request: Staff requests approval of the grant awards for the Tire-Derived Product Business Assistance Program (TBAP), Fiscal Year (FY) 2010/11.

CalRecycle received 30 applications, of which 22 were eligible. Each application was reviewed to determine grant program eligibility and appropriate funding level, and applications were evaluated, in accordance with the applicant eligibility criteria, evaluation process and funding levels approved by CalRecycle in November and April of 2011. Public Resources Code Section 42872(a) authorized CalRecycle to award grants to business or other enterprises engaged in activities that result in reduced landfill disposal of used whole tires and reduced illegal disposal or stockpiling of used whole tires. TBAP technical assistance grants accomplish this by helping grantee businesses increase market capacity and improve operations and cost efficiencies, with the goal to divert more tires from California landfills. For the 4th cycle, the TBAP has \$3,000,000 available for technical assistance grants for FY 2010/11

Recommendation: Staff recommends the approval of the 22 technical assistance grant awards, as listed below in Table 1, totaling \$2,510,745.

Table 1. TBAP 4th Cycle Technical Assistance Recommended Grant Awards By Company and Category of Assistance

Company	General Assistance	Technical Assistance	Marketing	Product Testing	Total
Ag Link			\$87,500		\$87,500
BAS/EMC			\$135,000	\$40,000	\$175,000
CRM		\$35,000	\$115,000	\$25,000	\$175,000
Crossfield		\$7,500	\$20,000	\$22,500	\$50,000

Products					
Deccofelt	\$7,500		\$25,500	\$17,000	\$50,000
Golden By-Products		\$55,000	\$32,500		\$87,500
Kirkhill		\$17,000	\$63,000	\$45,000	\$125,000
Lakin Tires	\$25,000	\$115,000	\$35,000		\$175,000
MB Technology			\$38,000	\$12,000	\$50,000
Millenium Molding	\$15,000	\$10,000	\$15,000	\$10,000	\$50,000
POLYMERight		\$12,500	\$27,500	\$10,000	\$50,000
reRubber		\$114,000	\$61,000		\$175,000
Rubbersidewalks			\$34,000	\$16,000	\$50,000
Spectraturf			\$115,000	\$60,000	\$175,000
Super Trap		\$15,000	\$60,000	\$15,120	\$90,120
SwissTrax		\$12,000	\$116,625	\$15,000	\$143,625
Three-D Plastics		\$25,000	\$52,000		\$77,000
Tri-C Manufacturing	\$20,000	\$45,000	\$80,000	\$30,000	\$175,000
U.S. Rubber Recycling			\$145,000	\$30,000	\$175,000
USSA			\$38,000	\$12,000	\$50,000
West Coast Rubber		\$55,000	\$120,000		\$175,000
Worldwide Integrated		\$63,500	\$67,500	\$19,000	\$150,000
Total	\$62,500	\$581,500	\$1,488,125	\$378,620	\$2,510,745

Funding: There is three million six hundred thousand dollars (\$3,600,000) allocated from the Tire Recycling Management Fund to the Tire-Derived Product Technical Assistance Grant

Contract, three million dollars (\$3,000,000) of which is budgeted for Tire-Derived Product Technical Assistance Grants.

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
Tire Recycling Management Fund (FY 2010/11)	\$3,000,000	\$2,510,745	\$489,255	Grants
Total	\$3,000,000	\$2,510,745	\$489,255	

Deputy Director Action:

On the basis of the information and analysis in this Request for Approval and the findings set out above, I hereby conditionally approve technical assistance grant awards for the Tire-Derived Product Business Assistance Program as listed in Table 1, totaling \$2,510,745. Each proposed grant award is conditioned upon the full payment within ninety (90) days of the date of this grant award of all outstanding debt(s) or scheduled payments owed by the proposed Grantee to CalRecycle.

Dated: [9/2/11]

Howard Levenson
 Howard Levenson, Deputy Director
 Materials Management and Local Assistance Division

Background and Findings:

Statutory Authority:

Public Resources Code Section 42872(a) authorized CalRecycle to award grants to business or other enterprises engaged in activities that result in reduced landfill disposal of used whole tires and reduced illegal disposal or stockpiling of used whole tires. TBAP technical assistance grants accomplish this by helping grantee businesses increase market capacity and improve operations and cost efficiencies, with the goal to divert more tires from California landfills.

Program Background: CalRecycle has established a Strategic Directive goal of 90 percent diversion of waste tires by 2015. As of 2010, the rate is just above 80%. To address this challenge, CalRecycle has taken a strong market-based, “demand pull” approach rather than one focused on crumb rubber supply. Actions are focused on the primary goal of reducing the number of tires (especially passenger tires) being landfilled with a secondary goal of promoting the management of materials to their highest and best use.

One of the major programmatic activities under this Strategic Directive is the Tire-Derived Product Business Assistance Program. The program is designed to increase demand for tire-derived products by building the capacity and improving cost efficiencies of tire-derived product businesses. It follows a basic principle of effective economic development, i.e., it is much more cost-effective to retain existing businesses and enable them to expand operations than it is to focus primarily on attracting new businesses to the state, although attracting new businesses is also important to sustain programmatic goals of diversity of products and diversion of tires. By improving the ability and likelihood of businesses to not only continue operations, but by helping them position themselves to take advantage of market opportunities and expand, the program provides an effective means of combining economic development principles and market development for recycled materials. The program takes a hybrid approach that uses a contracted expert (SAIC Energy, Environment & Infrastructure, LLC) to provide technical and consultative services, with grant agreements being the vehicle for non-cash grant awards of those technical and consultative services to individual businesses.

At its November 16, 2010, Monthly Public Meeting, CalRecycle presented the Scopes of Work for the two TBAP contracts (Technical Assistance Grants Contract and Industry-Wide Support Contract), as well as the applicant eligibility criteria, evaluation process, and funding levels for the technical assistance grants under the contract.

At its March 15, 2011, Monthly Public Meeting, CalRecycle announced that SAIC had been awarded the Tire-Derived Product Business Assistance Program Technical Assistance Grants Contract.

At its April 12, 2011, Monthly Public Meeting, CalRecycle presented approved changes to the applicant eligibility and ineligibility criteria for the TBAP technical assistance grant program.

As approved by CalRecycle, the technical assistance grants will continue the focus of the previous grant cycles to strengthen the profitability and business performance of waste-tire processors and TDP producers, installers, and marketers. The grants also will help to increase and diversify markets for TDPs, with the long-term goal of helping to ensure that firms in the TDP supply chain are self-sufficient and independently viable.

The grants are unique in that they are the only tire grants that directly target tire-derived product businesses. This cycle has also continued placing an emphasis on attracting potential feedstock conversion businesses, i.e., businesses that can switch from using virgin materials to some percentage of recycled rubber in their manufacturing processes. Cycle 2 attracted one feedstock conversion applicant. Cycle 3 had five feedstock conversion grant applicants. This cycle has 6 feedstock conversion grant applicants.

Criteria and Process:

Eligible Applicants

Eligible applicants are for-profit California-based tire-derived product businesses and those for-profit businesses domiciled in other states but with an existing operational presence in California.

Qualifying Indian tribes are also eligible. Eligible applicants must produce in California, or demonstrate commitment to produce, products made from recycled 100 percent California generated waste tires. Feedstock conversion using 80 to 300 mesh or even smaller fine crumb rubber sourced from outside of California may be used for “testing and demonstration” purposes, subject to a CalRecycle staff determination that the needed materials are not currently available in California.

Subsidiary and/or affiliated businesses may apply for an initial assessment (limited to two entities per fiscal year period), and are limited to a maximum combined assistance of \$175,000 per year for all related entities. A business is considered an “affiliated business” if it has at least one owner with a 20 percent or greater interest in another applicant business.

Ineligible applicants and activities include:

- Businesses that perform waste tire incineration, pyrolysis, gasification and/or liquefaction.
- Waste tire collectors and/or haulers, also the tire collection and/or hauling portion of other businesses.
- Businesses or that portion of business’ operation, that shred or chip tires for use as Alternative Daily Cover (ADC) or Tire-Derived Fuel (TDF).
- Entities that perform only research and testing and are not in business to produce and/or sell products.
- Wholesalers and/or distributors; however they may benefit from assistance provided to eligible businesses.
- De novo businesses (from concept stage to less than twelve months of actual operation/sales) and micro businesses (businesses that produce and sell less than 5,000 PTE in the previous 12 months).

Types of Assistance and Maximum Funding Per Grant

The types of assistance provided to businesses include but are not limited to:

- General: business plan development or modification, human resource issues, inventory management/control (including just-in-time inventory systems), asset management, appropriate business structure, appropriate or optimal financial structure, accounting systems and controls, quality systems, etc.
- Technical: efficient plant design, manufacturing process improvement or optimization, optimizing specific equipment performance, increasing the amount/percentage of recycled material, converting to recycled material from virgin material, IT systems planning or review, preparation of environmental impact reports, assistance with negotiating with governmental entities regarding siting and permitting issues, etc.
- Marketing: branding, marketing plan development or modification, product pricing, product promotion, product packaging, sales lead management systems, distribution systems, cooperative marketing, ad placement, trade shows, website development or modification, internet marketing, etc.

- Product Testing and Certification: testing products to satisfy the marketplace requirements of the public and private sectors.

Grant Award Recommendations

Staff received 30 applications (7 were ineligible or withdrew and 2 affiliated companies decided to share one grant) with 22 eligible applicants. (Another set of affiliated companies chose to share a grant award between two grants.) . Applicants do not ask for a specific dollar amount as they would in other competitive grant programs, but they provide their tire diversion totals for a specified time period (in this cycle, calendar year 2010) and CalRecycle program staff and the SAIC assessment team make an initial determination of the maximum award available, based on their business category (small, existing, conversion) and their diversion or their estimated diversion (if they are a feedstock conversion candidate), consistent with established program criteria. CalRecycle program staff and members of the SAIC assessment team visited all of the eligible businesses in June and July. The SAIC assessment team prepared a draft recommendation of assistance to be provided and submitted it to CalRecycle program staff for review. The owner and/or manager of the applicant business, program staff, and the assessment team discussed the assessment report and recommendations in a conference call. The final decision regarding recommended funding and technical assistance was made by the CalRecycle Grant Manager.

The Tire-Derived Business Assistance Program Technical Assistance Grants Contract is funded in an amount not to exceed \$3,600,000. Of this figure, the Notification of Funds Available and the grant application stated that an estimated \$3,000,000 was available for grants. The grant cycle was undersubscribed and all 22 eligible applicants will be funded.

Due to confidentiality concerns, this memorandum does not provide a detailed description of the specific assistance being recommended for individual businesses. The assistance is based upon the assessment of those businesses, and revealing specific details could disclose information about those businesses that would be considered protected trade secrets. Staff has taken numerous precautions to protect the confidentiality of information. Given this, Table 1 provides a general description of the types of assistance and amounts that staff recommends for the eligible businesses.