

FY 2018 DERA State Clean Diesel Grant Program Overview

April 26, 2018





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Overview of State Clean Diesel Grant Program

- Annual funding opportunity since 2008
 - Section 793 of 2005 Energy Policy Act of 2005
 - Reauthorized in 2010
- Allocates funds to eligible states and territories to establish programs that reduce harmful heavy-duty diesel emissions
- States/territories can use funding for grant, loan, or rebate programs



Funding for FY 2018

- March 2018 omnibus bill appropriated \$75 million to DERA
 - Rescission of EPA funds may slightly reduce the \$75M total
 - ~\$22 million set aside for the State Program
 - 30% of \$75 million total
 - 2/3 of \$22 million is split between the states and territories as their base fund
 - If some states/territories do not participate, their base funds will be reallocated among the participating states based on population (2010 census)
 - 1/3 of \$22M is set aside for the matching incentive (bonus)
 - States/territories that provide a voluntary match that equals or exceeds the base amount qualify for a bonus amount from EPA equal to 1/2 the base amount



Funding for FY 2018 (cont.)

Assuming \$75 million total and all states and territories participate:

Total Available Funding Estimate	State, PR, and DC Base	State, PR, and DC Matching Bonus	Territory Base	Territory Matching Bonus
\$22 million	\$280,189	\$140,094	\$70,047	\$35,024



Funding for FY 2018 (cont.)

- In general, any state with an open State Program award from FY 2014 - 2016 must ensure that the project period of the FY 2014 - 2016 award ends by September 30, 2018, in order for the state to receive FY 2018 funding
- Requests to extend FY 2014 – 2016 grants and also receive a new award will be evaluated by the EPA Regional program office on a case-by-case basis



What If You Have an Open FY 2017 State DERA Grant?

- States and territories with open FY 2017 State DERA Grants will receive FY 2018 funds as supplemental amendments to their FY 2017 grants
- The project period for open FY 2017 grants will be extended to September 30, 2019 if a state or territory receives FY 2018 funds



Eligible Equipment

Eligible vehicles, engines, and equipment include:

1. Buses
2. Medium-duty or heavy-duty trucks
3. Marine Engines
4. Locomotives
5. Nonroad engines, equipment or vehicles used in:
 - a) Construction
 - b) Handling of cargo (including at a port or airport)
 - c) Agriculture
 - d) Mining
 - e) Energy production (including stationary generators and pumps)



Eligible Projects

- Same as FY 2017
- Eligible clean diesel projects are outlined in the State Program Guide on our website:
www.epa.gov/cleandiesel/clean-diesel-state-allocations
- Common projects include:
 - Vehicle replacements
 - Engine replacements
 - Exhaust retrofits (e.g., DPFs)
 - Idle reduction technology (e.g., fuel operated heaters)

Eligible Projects Cont.



Table 1: Medium and Heavy-Duty Trucks, Transit Buses, and School Buses Funding Restrictions

Current Engine Model Year (EMY)	DOC +/- CCV	DPF	SCR	Verified Idle Reduction, Tires, or Aerodynamics	Vehicle or Engine Replacement: EMY 2017+ (2012+ for Drayage)	Vehicle or Engine Replacement: Electric	Clean Alternative Fuel Conversion
older - 1994	No	No	No	No	No	No	No
1995 - 2006	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2007 - 2009	No	No	Yes	Yes*	No	Yes	Yes
2010 - newer	No	No	No	No	No	No	No

Eligible Projects Cont.



Table 2 Part 1. Nonroad Engine Funding Restrictions

Current Engine Horsepower	Current Engine Model Year (EMY) and Tier	<u>Vehicle/Equipment Replacement:</u> EMY 2017+				Verified Exhaust Control
		Tier 0 - 2	Tier 3 - 4i	Tier 4	All-Electric	
0-50	2005 and Newer; Unregulated – Tier 2	No	No	Yes	Yes	Yes
51-300	1995 and Newer; Tier 0 – Tier 2	No	Yes*	Yes	Yes	Yes
51-300	1995 and Newer; Tier 3	No	No	Yes	Yes	Yes
301+	1985 and Newer; Tier 0 – Tier 2	No	Yes*	Yes	Yes	Yes
301+	1985 and Newer; Tier 3	No	No	Yes	Yes	Yes

Eligible Projects Cont.



Table 2 Part 2. Nonroad Engine Funding Restrictions

Current Engine Horsepower	Current Engine Model Year (EMY) and Tier*	Engine Replacement: EMY 2017+**			Verified Engine Upgrade
		Tier 0 - 3	Tier 4	All-Electric	
0-50	2005 and Newer; Unregulated – Tier 2	No	Yes	Yes	Yes
51-300	1995 and Newer; Tier 0 – Tier 3	No	Yes	Yes	Yes
301-750	1985 and Newer; Tier 0 – Tier 3	No	Yes	Yes	Yes
751+	1985 and Newer; Tier 0 – Tier 2	No	Yes	Yes	Yes



Table 3: Marine Engines Funding Restrictions

Current Engine Tier	Engine Replacement: EMY 2017+ *			Certified Remanufacture System	Verified Engine Upgrade
	Tier 1-2	Tier 3-4	All-Electric		
Unregulated – Tier 2	No	Yes	Yes	Yes	Yes
Tier 3 - 4	No	No	No	No	No



Table 4: Locomotive Engines Funding Restrictions

Current Locomotive Tier	Locomotive Replacement or Engine Replacement: EMY 2017+* or Electric			Verified Exhaust Control	Idle-Reduction Technology	Certified Remanufacture System
	Tier 0+ - 3	Tier 4	All-Electric			
Unregulated - Tier 2	No	Yes	Yes	Yes	Yes**	Yes
Tier 2+ switcher	No	Yes	Yes	Yes	Yes**	Yes
Tier 2+ line haul	No	No	No	Yes	Yes**	Yes
Tier 3 – Tier 4	No	No	No	No	No	No



Cost Shares

- Same as FY 2017
- EPA and state voluntary matching funds can only fund a portion of eligible equipment, with the remaining cost share typically covered by the fleet owner
 - One exception being verified exhaust retrofits which EPA will fund at 100%

DERA Eligible Projects	DERA Funding Limits (DERA Funds + Voluntary Match)	Minimum Mandatory Cost-Share (Fleet Owner Contribution)
Exhaust Control Retrofit	100%	0%
Engine Upgrade / Remanufacture	40%	60%
Highway Idle Reduction	25%	75%
Locomotive Idle Reduction	40%	60%
Marine Shore Power	25%	75%
Electrified Parking Space	30%	70%
Engine Replacement – Diesel or Alternative Fuel	40%	60%
Engine Replacement – Low NOx	50%	50%
Engine Replacement – All-Electric	60%	40%
Vehicle/Equipment Replacement – Diesel or Alternative Fuel	25%	75%
Vehicle/Equipment Replacement – Low NOx	35%	65%
Vehicle/Equipment Replacement – All-Electric	45%	55%
Vehicle Replacement - Drayage	50%	50%
Clean Alternative Fuel Conversion	40%	60%



Next Steps – NOIP/NOIC

- Notices of Intent to Participate/Continue are due Monday, April 30, 2018
- EPA will use the Notices to determine participation and final allocations
- EPA will then notify participants of their final allocations by May 7, 2018



Next Steps - Work Plan

- Work plan and budget narrative is due to your EPA Regional contacts no later than June 4, 2018 for their review
 - Work plan template is posted on our [website](#)
- EPA Regions will review work plans and offer feedback



Next Steps - Final Application Submission

- States/territories must submit their application on Grants.gov no later than June 25, 2018
 - Application must include Region-approved work plans
 1. Standard Form (SF) 424, Application for Federal Assistance
 2. Standard Form (SF) 424A, Budget Information
 3. Standard Form (SF) 424B, Assurances for Non Construction Programs
 4. Key Contacts Form
 5. EPA Form 4700-4, Preadward Compliance Review
 6. Certification Regarding Lobbying (Grants.gov Lobbying Form)
 7. Project Narrative Attachment Form, with final Work Plan and Budget Narrative



Next Steps – Award and Project Period

- EPA will finalize awards prior by September 30, 2018
- Project Period will begin October 1, 2018
- Project Period will end September 30, 2019



VW Mitigation Trust - Overview

- On June 28, 2016, the United States lodged with the court a settlement that partially resolves allegations that Volkswagen violated the Clean Air Act by the sale of approximately 500,000 vehicles containing 2.0 liter diesel engines equipped with defeat devices
- The partial settlement was finalized on October 25, 2016
- Under this settlement, among other actions, VW is required to provide ~\$3 billion to fully remediate the excess NOx emissions from the affected vehicles (Appendix D)



VW Mitigation Trust - Overview

- 50 states, DC, Puerto Rico, and federally recognized tribes are eligible to become beneficiaries
 - Each beneficiary will receive a specific allocation of funds that can be used for any of the listed eligible mitigation actions
 - The allocation structure is primarily based on the number of registered illegal Volkswagen vehicles within the boundaries of the beneficiary
 - Appendix D lists 9 eligible mitigation actions (EMAs) as well as a 10th EMA, the “DERA Option”



VW Mitigation Trust – Eligible Mitigation Actions

Eligible Mitigation Projects

1. Class 8 local freight trucks and port drayage trucks
2. School/shuttle/transit bus
3. Locomotive switchers
4. Ferries/tugboats
5. Ocean going vessel shorepower
6. Class 4-7 local trucks
7. Airport ground support equipment
8. Forklifts and cargo handling equipment at ports
9. Light duty ZEV supply equipment (up to 15% of allocation)

DERA Option (#10)

- Option to use Trust Funds for actions eligible under DERA (may or may not be eligible under VW EMAs)
- Beneficiaries may use Trust Funds for their DERA non-federal voluntary match
- State and Tribal DERA grants only



VW Mitigation Trust – DERA Option

- Most of the eligible project types under the DERA Option allow Trust funds to pay for only a certain percentage of the project
- In addition, DERA grants generally require a mandatory cost-share
- Trust funds cannot be used to meet this non-federal mandatory cost-share requirement
- Mandatory cost-share funds cannot count towards the state's voluntary matching funds to qualify for the matching incentive (bonus)



VW Mitigation Trust – DERA Option Examples

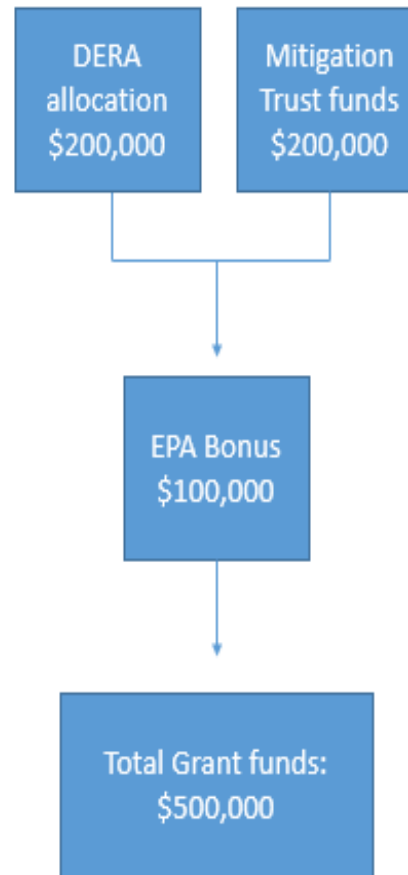
Example A: Trust funds can be used to match the EPA base funding for State DERA grants

- State's DERA allocation in FY2018 is ~\$200,000
- State uses \$200,000 in Trust funds as the 1:1 voluntary non-Federal match
- State bonus is 50% of the base amount \$100,000
- Total State grant is \$500,000
 - State will receive \$300,000 from DERA and \$200,000 from the Trust

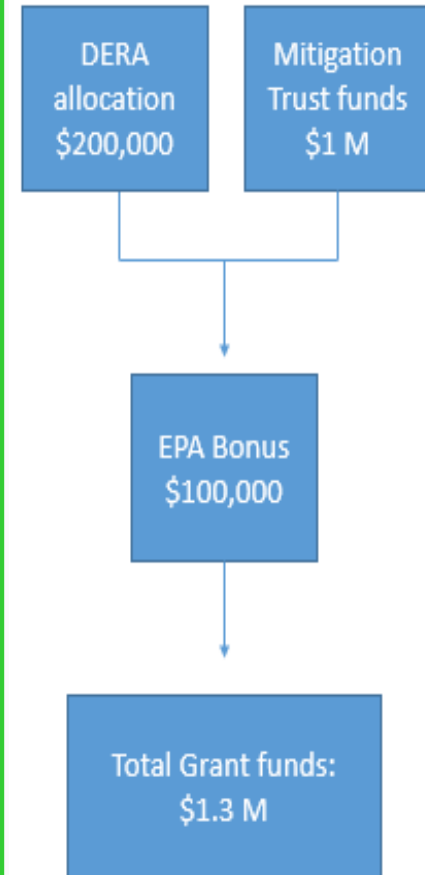
Example B: Trust funds can be greater than the 1:1 voluntary match above

- State's DERA allocation in FY2018 is ~\$200,000
- State may use a larger amount - \$1,000,000 in this example - in Trust funds
- State bonus DERA amount of \$100,000
- State's DERA Clean Diesel Grant program for FY2018 would be \$1.3 million
 - State will receive \$300,000 from DERA and \$1,000,000 from the Trust.

Example A



Example B





VW Mitigation Trust - Reporting

- A Beneficiary which chooses the DERA Option must submit DERA Quarterly Programmatic Reports and a Final DERA Programmatic Report to EPA as required under the DERA grant terms and conditions
- A Beneficiary may submit its DERA reports to the Trustee to fulfill reporting obligations for the portion of its Trust funds using the DERA Option



Lessons Learned/Tips

1. All projects must use verified technologies or certified engine configurations.
 - EPA's verified list: www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel
 - CARB's verified list: www.arb.ca.gov/diesel/verdev/vt/cvt.htm
2. States/territories must publish their State Program awards within 60 days of granting funds
 - Online notice must include the total number and dollar amount of rebates, grants, or loans provided, as well as a breakdown of the technologies funded.
3. States/territories may fund local or state mandates
 - Cannot use funds for Supplemental Environmental Projects (SEPs)
 - Cannot use funds for federally mandated projects



Lessons Learned/Tips - Waivers

- EPA will consider waiver requests from programmatic requirements on a case-by-case basis
- Waivers will only be approved for non-statutory and non-regulatory requirements. Sufficient justification for the waiver must be provided by the state.
- States must obtain EPA approval for any waiver request before conducting any work or expending any funds on a project involving a waiver request. Any questions regarding waivers should be directed to the EPA Project Officer.



Project Example

- State's application includes work plan to replace 5 engine model year 2002 street sweepers with engine model year 2018 street sweepers
- Total cost is estimated to be \$1 million
- Project subgranted to State DOT which owns the street sweepers
- EPA offers base of \$100k and State matches with \$100k
 - Bonus = \$50k
- State and EPA funds cover 25% of the cost - \$250k
- Mandatory cost share (75%) provided by fleet owner (State DOT) - \$750k





Project Example (cont.)

- October 1, 2018: Project begins
- November, 2018: State posts grant details on State website
- Quarterly reports submitted to EPA Project Officer as project progresses
- July, 2019: New street sweepers are delivered and old street sweepers are scrapped
- September, 2019: Final report and other close out forms submitted to EPA Project Officer



- Annual Emission Reductions calculated using EPA's Diesel Emission Quantifier (DEQ) tool:
 - NOx: 11 tons
 - PM: 0.33 tons
 - CO: 1.5 tons

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Lessons Learned/Tips - Administrative

- Keep your EPA PO in the loop
 - Inform them of potential issues early
 - Ask questions if you are unsure of program rules or requirements
- Actively track progress
 - Continually compare your progress to planned schedule/milestones in your work plan
 - Communicate with subgrantees and vendors often.
 - Again, do not assume everything is on track – KNOW that everything is on track. Grantees are ultimately responsible for the project.
- Document, Document, Document
 - Pictures are a great tool, and can also be used for press



Lessons Learned/Tips - Partnerships

If a DERA grant recipient intends to fund target fleets that they do not own and operate, they have the option to:

1. Make a subaward; or
 - Can fund a project partner's direct and indirect costs such as personnel and travel
2. Provide participant support costs (e.g., rebate) to a project partner
 - If the DERA grant recipient is only funding a project partner's equipment and installation costs, they may choose to provide participant support costs rather than a subaward to avoid the extensive subaward monitoring and management requirements

See Section XIII (Appendix A: How to Fund Projects and Partnerships) of the Program Guide for more details.



Lessons Learned/Tips - Administrative

- Drawing down grant funds
 - Only draw down funds for work that has been completed (invoiced, etc.)
 - Grantees may not draw down and ‘hold’ money in their account – must be used to pay invoice or pay employees, etc.
 - Generally, percentage of funds drawn down should correspond with percentage of work completed on the grant
 - EPA tracks this amount, and uses it to get general idea of project progress
 - In some cases, funds won’t be drawn until the end of the project (delivery of a replaced vehicle, etc.)



Lessons Learned/Tips - Technical Tips

- Auxiliary power units are only currently verified for long-haul, pre-2007 engine model year vehicles
- For on-highway vehicles, only Class 5 (16,001 lb GVWR) and above are eligible for DERA funding
 - School buses under Class 5 may also be funded (see pg. 7 of Program Guide)



Lessons Learned/Tips - Scrappage

- Vehicles and engines that are replaced must be scrapped to ensure emission reductions
- Cut 3"x3" hole in engine block to disable engine for vehicle and engine replacements
- Cut chassis rails in half to disable chassis for vehicle replacements
- Be sure to obtain evidence of appropriate disposal including photos of the following:
 - Engine tag showing serial number, engine family number, and engine model year;
 - Destroyed engine block; and
 - Cut frame rails.



Lessons Learned/Tips - Reporting

- Begin open and frequent communication with fleets, vendors, and any other participants
 - Don't assume they know the program, or program requirements (verified technologies, etc.)
- Keep organized documents records – and please save them in a shared place
 - Competitive Procurement (cost and price analysis)
 - Scrappage
 - Early Retirement/Attrition/Useful Life
 - Mandated Measures
 - Invoices



Lessons Learned/Tips - Reporting

- Quarterly reports must be submitted to your PO
- Close out process:
 - All work must be completed and all costs incurred during the Project Period
 - Final report
 - Coordinate with PO regarding any other close out documentation



Timeline

Release of Notice of Intent to Participate (NOIP) and Notice of Intent to Continue (NOIC) forms	Thursday, April 19, 2018
Deadline for states and territories to submit Notice of Intent forms to CleanDiesel@epa.gov	Monday, April 30, 2018
States and territories will be notified of final allocation amounts via email	Monday, May 7, 2018
Deadline for states and territories to submit work plan and budget narrative to their EPA Region for review	Monday, June 4, 2018
Deadline for states and territories to submit application on Grants.gov	Monday, June 25, 2018
Project period for FY 2018 awards begins. Regional offices will finalize the FY 2018 Program awards prior to October 1, 2018.	Monday, October 1, 2018



Tools and Resources

- DEQ – Diesel Emissions Quantifier:
 - www.epa.gov/cleandiesel/diesel-emissions-quantifier-deq
- Verification Lists:
 - www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel
 - www.arb.ca.gov/diesel/verdev/vt/cvt.htm



Program Documents

See the DERA State Clean Diesel Program Website at www.epa.gov/cleandiesel/clean-diesel-state-allocations for:

- 2017-2018 State Program Guide
- 2018 State Work Plan and Narrative Template
- Notice of Intent to Continue
- Notice of Intent to Participate
- 2018 State Budget Example
- VW DERA Option Factsheet:
 - www.epa.gov/cleandiesel/vw-settlement-dera-option-supporting-documents



Questions?

- Please enter your questions or comments in the Adobe Connect Q&A module
- Slides will be posted on our [website](#) soon

Thank you for your participation in this webinar and the State DERA Program

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