

# **FY 2017 DERA State Clean Diesel Grant Program Overview**

**March 15, 2017**

**Audio options:**

- 1. Listen through headphones/speakers connected to your computer**
- 2. Join conference line at 1-866-299-3188 + 202 343 9571#**

**Please enter all questions in the Q&A module in Adobe Connect**



# Purpose

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1. Introduce the FY 2017 DERA State Clean Diesel Grant Program to States and Territories
2. Clarify funding options for FY 2017
3. Provide resources for successful projects



# Overview

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1. Brief Background
2. Timeline
3. Funding for FY 2017
4. Next Steps
5. Notable Changes for FY 2017
6. VW Mitigation Trust
7. Lessons Learned/Tips
8. Tools and Resources
9. Questions



# Brief Background on State Clean Diesel Grant Program

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- 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 diesel emissions
- States/territories can use funding for grant, loan, or rebate programs



## Brief Background (cont.)

- Eligible clean diesel projects are outlined in the [State Program Guide](#)
- In most cases, 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

DERA Eligible Activities	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%



# Timeline

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**February 13, 2017:** EPA sends out NOIP forms and Program Guide - **Complete**

**February 24, 2017:** Deadline for all participating states and territories to submit a Notice of Intent to Participate (NOIP) to OTAQ via email - **Complete**

**April 14, 2017:** Deadline for submitting draft work plan and budget to EPA Regional Project Officer (PO) for review and approval

**May 2, 2017:** Regions will inform the states of their final allocation

**May 19, 2017:** Deadline for participating states and territories to make updates or revisions to work plans as needed and to submit their final approved work plan and budget to EPA through [www.Grants.gov](http://www.Grants.gov)

**October 1, 2017:** Project period for FY 2017 awards begins. Regional offices will finalize the FY 2017 Program awards prior to October 1, 2017.

**Note:** The schedule above assumes a final FY 2017 DERA budget appropriation by April 28, 2017. This schedule is subject to change and updated guidance will be provided directly to states as needed.



# Funding for FY 2017

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- Continuing budget resolution through April 28<sup>th</sup> allocates ~\$29 million to DERA
  - \$8.6 million set aside for the State Program
    - 30% of ~\$29 million total
  - 2/3 of \$8.6 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
  - 1/3 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 2017 (cont.)

- Full FY17 budget expected by the end of April
  - EPA anticipates the total funding for DERA to be ~\$29-\$50 million in FY17
    - Other funding scenarios are possible
  - Likely State Program funding: \$8.6-\$14.9 million

<b>DERA Funding Scenario</b>	<b>State Program Funding</b>	<b>State* Base</b>	<b>State* Matching Incentive</b>	<b>Territory Base</b>	<b>Territory Matching Incentive</b>
<b>\$29 million</b>	\$8.6 million	\$108,340	\$54,170	\$27,085	\$13,542
<b>\$50 million</b>	\$14.9 million	\$186,792	\$93,396	\$46,698	\$23,349

\*Includes DC and Puerto Rico





## Funding for FY 2017 (cont.)

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- 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, 2017, in order for the state to receive FY 2017 funding.
- Requests to extend previous awards and also receive a new award will be evaluated and approved by the EPA Regional program office on a case-by-case basis. Approval is dependent on the status of the project and unexpended funds, the ability to complete the project in 3-6 months, and assurances that completion of the project will not negatively affect the state's ability to implement its FY 2017 work plan.



## Next Steps - Work Plan

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- Draft work plan is due to your EPA Regional Project Officer (PO) no later than **April 14, 2017** for review
- Work plan template and budget examples are posted on our [website](#)
- EPA is requesting flexible work plans that can easily be adapted to different funding scenarios
  - E.g., propose expanding the number of vehicle replacements if additional funding is available



# Next Steps - Final Application Submission

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- EPA anticipates notifying states/territories of their final allocation by May 2, 2017
- States/territories must then adapt their work plan accordingly and are encouraged to reach out to their EPA Regional PO, who had initially reviewed their draft work plan, for assistance
- After coordinating with their PO, states/territories must submit their application on Grants.gov no later than May 19, 2017 (tentative deadline)



## Notable Changes for FY 2017

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1. Standalone highway idle reduction tech now funded at 25% by EPA
  - Previously bundled with retrofits
2. Electrified Parking Spaces [also known as Truck Stop Electrification (TSE)] now funded at 30% by EPA
  - Previously funded at 25%
3. “Repowers” now called “engine replacements”
4. Nonroad engine eligibility updated



# VW Mitigation Trust - Overview

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- 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 \$2.7 billion to fully remediate the excess NOx emissions from the affected vehicles (Appendix D)



# VW Mitigation Trust - Overview

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- 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

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- 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

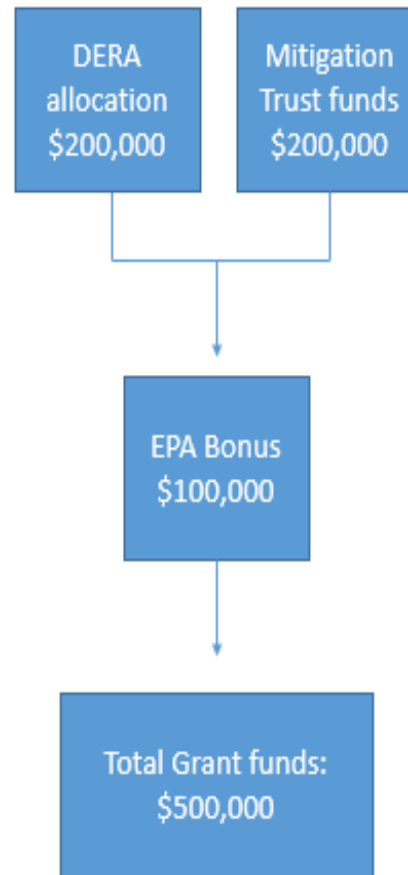
**Example A:** Trust funds can be used to match the EPA base funding for State DERA grants

- State's DERA allocation in FY2017 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

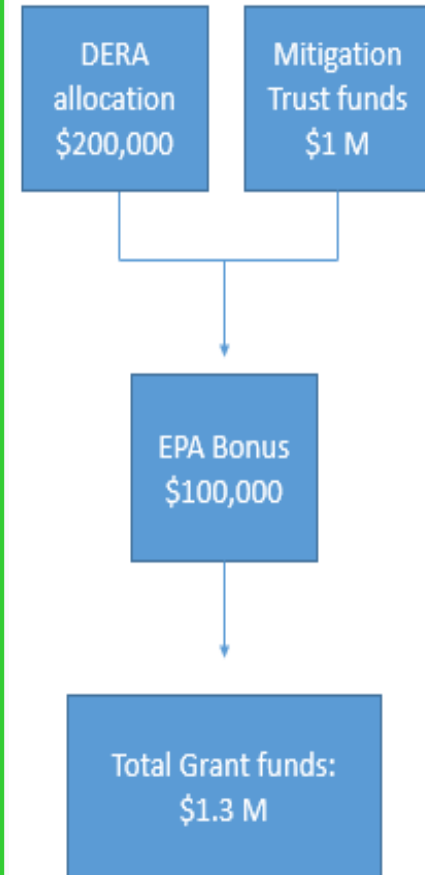
**Example B:** Trust funds can be greater than the 1:1 voluntary match above

- State's DERA allocation in FY2017 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 FY2017 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

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- 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 its reporting requirements for any portion of its Trust funds using the DERA Option



# VW Mitigation Trust – Timing

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- The Trust Effective Date (TED) is the date the United States files with the Court a finalized Trust Agreement that has been signed by VW and the Trustee
  - As of 3/15/2017, we have not yet reached the TED
- States must submit paperwork to become Beneficiaries within 60 days of the TED
- Timing of DERA State FY2017 grants may not match up with availability of trust funds
  - Grantees can add trust funds as voluntary funding later to FY2017 grants or wait until FY2018 NOIP/C



# Lessons Learned/Tips

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1. All projects must use verified technologies or certified engine configurations.
  - EPA's list: [www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel](http://www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel)
  - CARB's list: [www.arb.ca.gov/diesel/verdev/vt/cvt.htm](http://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 – Subaward Policy

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- Effective March 29, 2016
- New requirements contained in 2 CFR § 200.330 – § 200.331
- Clarifies guidance on for-profit recipients and direct implementation
- Rebates are categorized as “Participant Support Costs”



## Lessons Learned/Tips - Waivers

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- EPA will consider, on a case-by-case basis, waiver requests from programmatic requirements
- Waivers will only be approved for non-statutory and/or 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 2017 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, 2017: Project begins
- November, 2017: State posts grant details on State website
- Quarterly reports submitted to EPA Project Officer as project progresses
- July, 2018: New street sweepers are delivered and old street sweepers are scrapped
- August, 2018: 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





# Lessons Learned/Tips - Administrative

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- 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 - Administrative

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- 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

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- Vehicle eligibility chart for nonroad engines are categorized by horsepower
- 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) and above are eligible for DERA funding
- **All replacement engines must be in a certified configuration;** obtain certificates of conformity for both old and new engines



## Lessons Learned/Tips - Scrappage

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- Vehicles and engines that are replaced must be scrapped to ensure emission reductions
  - See pg. 19 of the [Program Guide](#) for the exception to this rule for specific Tier 3 nonroad vehicles/engines/equipment
- 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

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- 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

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- Quarterly reports must be submitted to your PO
- Close out process:
  - All work must be completed and all costs incurred during the Grant Period
  - Final report
  - Other administrative forms
  - Financial forms



# Tools and Resources

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- DERA State Clean Diesel Program Website:
  - [www.epa.gov/cleandiesel/clean-diesel-state-allocations](http://www.epa.gov/cleandiesel/clean-diesel-state-allocations)
- DEQ – Diesel Emissions Quantifier:
  - [www.epa.gov/cleandiesel/diesel-emissions-quantifier-deq](http://www.epa.gov/cleandiesel/diesel-emissions-quantifier-deq)
- Verification Lists:
  - [www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel](http://www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel)
  - [www.arb.ca.gov/diesel/verdev/vt/cvt.htm](http://www.arb.ca.gov/diesel/verdev/vt/cvt.htm)
- Grants Policy Issuance 16-01 (Subaward Policy):
  - [www.epa.gov/grants/grants-policy-issuance-gpi-16-01-epa-subaward-policy-epa-assistance-agreement-recipients](http://www.epa.gov/grants/grants-policy-issuance-gpi-16-01-epa-subaward-policy-epa-assistance-agreement-recipients)
  - EPA Subaward Cross Cutter Requirements:
    - [www.epa.gov/grants/epa-subaward-cross-cutter-requirements](http://www.epa.gov/grants/epa-subaward-cross-cutter-requirements)



# Program Documents

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- 2017 State Program Guide:
  - [www.epa.gov/sites/production/files/2017-02/documents/fy17-state-program-guide-2017-02.pdf](http://www.epa.gov/sites/production/files/2017-02/documents/fy17-state-program-guide-2017-02.pdf)
- Technical Tips Document:
  - <https://nepis.epa.gov/Exe/ZyPDF.cgi?Dockkey=P100CVIS.pdf>
- 2017 State Work Plan and Narrative Template:  
[www.epa.gov/sites/production/files/2017-03/fy17-workplan-narrative-template.docx](http://www.epa.gov/sites/production/files/2017-03/fy17-workplan-narrative-template.docx)
- 2017 State Budget Example: [www.epa.gov/sites/production/files/2017-03/documents/fy17-state-budget-examples\\_1.pdf](http://www.epa.gov/sites/production/files/2017-03/documents/fy17-state-budget-examples_1.pdf)
- VW DERA Option Factsheet: [www.epa.gov/cleandiesel/vw-settlement-dera-option-supporting-documents](http://www.epa.gov/cleandiesel/vw-settlement-dera-option-supporting-documents)





## Questions?

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- 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

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