FY 2019 DERA State Clean Diesel Grant Program Overview

April 18, 2019
Topics

1. Overview
2. Funding for FY 2019
3. Currently Open State Grants
4. Key Changes for FY 2019
5. Eligibility
6. Cost Shares
7. Next Steps
8. VW Mitigation Trust
9. Lessons Learned/Tips
10. Tools and Resources
Overview of State Clean Diesel Grant Program

- Annual funding opportunity since 2008
  - 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 2019

• Total of $84 million allocated to DERA in EPA’s FY 2019 budget
  – $25 million set aside for the State Program
    • 30% of $84 million total
  – 2/3 of $25 million is split between the states and territories as their base funding amount
    • 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 $25 million 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 ½ the base amount
Assuming all states and territories participate:

<table>
<thead>
<tr>
<th>Funding Amount</th>
<th>State, PR, and DC Base</th>
<th>State, PR, and DC Matching Bonus</th>
<th>Territory Base</th>
<th>Territory Matching Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>$314,431</td>
<td>$157,216</td>
<td>$78,608</td>
<td>$39,304</td>
<td></td>
</tr>
<tr>
<td>Base + Bonus</td>
<td>$471,647</td>
<td>$117,912</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Funding for FY 2019 (cont.)
Currently Open State Grants

• In general, any state with open State DERA Grants from FY 2014-2016 or FY 2017-2018 must ensure that these grants are completed by September 30, 2019 in order for the state to receive FY 2019 funding

• Requests to extend older state grants and also receive a new FY19 award will be evaluated by the EPA Regional program office on a case-by-case basis
Key Changes for FY 2019

1. We are now funding:
   a. Marine vessel replacements
   b. Idle-reduction technology at 100% cost-share when paired with exhaust retrofit

2. Removed “normal attrition” requirement, but still require:
   • Old vehicles/engines to be fully operational and in current, regular service to be eligible for replacement; and
   • For replacements to continue to perform similar function and operation as the vehicle, engine, or equipment that is being replaced.

3. Can replace highway engines/vehicles with engine model years 1996-2009 with new engines/vehicles with engine model years 2016 or newer

4. Project period is 2 years
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

• Eligible clean diesel projects are outlined in the State Program Guide on our website: [www.epa.gov/cleandiesel/clean-diesel-state-allocations](http://www.epa.gov/cleandiesel/clean-diesel-state-allocations)

• Common projects include:
  – Vehicle replacements
  – Engine replacements
  – Verified exhaust retrofits (e.g., DPFs)
  – Verified idle reduction technology (e.g., fuel operated heaters)
### Table 2: Medium and Heavy-Duty Trucks, Transit Buses, and School Buses Funding Restrictions

<table>
<thead>
<tr>
<th>Current Engine Model Year (EMY)</th>
<th>DOC +/- CCV</th>
<th>DPF</th>
<th>SCR</th>
<th>Verified Idle Reduction, Tires, or Aerodynamics</th>
<th>Vehicle or Engine Replacement: EMY 2016+ (2013+ for Drayage)</th>
<th>Vehicle or Engine Replacement: EMY 2016+ Zero Emission or Low-NOx</th>
<th>Clean Alternative Fuel Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>older - 1995</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>1996 - 2006</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2007 - 2009</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes*</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2010 - newer</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes*</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

4/18/2019 FY 2019 State Clean Diesel Grant Program
### Table 3 Part 1. Nonroad Engine Funding Restrictions

<table>
<thead>
<tr>
<th>Current Engine Horse-power</th>
<th>Current Engine Model Year (EMY) and Tier</th>
<th>Vehicle/Equipment Replacement: EMY 2019+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Compression Ignition</td>
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<tr>
<td></td>
<td></td>
<td>Spark Ignition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Zero Emission</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Verified Retrofit</td>
</tr>
<tr>
<td>0-50</td>
<td>2006 and Newer; Unregulated – Tier 2</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
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<td>Yes</td>
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<td>Yes</td>
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<tr>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>51-300</td>
<td>1996 and Newer; Tier 0 – Tier 2</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yes*</td>
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<tr>
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<td>Yes</td>
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<td>Yes</td>
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<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>51-300</td>
<td>1996 and Newer; Tier 3</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No</td>
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<td></td>
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<td>Yes</td>
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<td>Yes</td>
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<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>301+</td>
<td>1986 and Newer; Tier 0 – Tier 2</td>
<td>No</td>
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<tr>
<td></td>
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<td>Yes*</td>
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<td>Yes</td>
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<td>Yes</td>
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<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>301+</td>
<td>1986 and Newer; Tier 3</td>
<td>No</td>
</tr>
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<td>No</td>
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<td>Yes</td>
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<td></td>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>
Table 3 Part 2. Nonroad Engine Funding Restrictions

<table>
<thead>
<tr>
<th>Current Engine Horsepower</th>
<th>Current Engine Model Year (EMY) and Tier</th>
<th>Engine Replacement: EMY 2019+**</th>
<th>Verified Engine Upgrade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Compression Ignition</td>
<td>Spark Ignition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tier 0-3</td>
<td>Tier 4</td>
</tr>
<tr>
<td>0-50</td>
<td>2006 and Newer; Unregulated – Tier 2</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>51-300</td>
<td>1996 and Newer; Tier 0 – Tier 3</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>301-750</td>
<td>1986 and Newer; Tier 0 – Tier 3</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>751+</td>
<td>1986 and Newer; Tier 0 – Tier 2</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### Table 4: Marine Engines Funding Restrictions

<table>
<thead>
<tr>
<th>Current Engine Tier</th>
<th>Unregulated – Tier 2</th>
<th>Tier 3 - 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vessel or Engine Replacement: EMY 2019+ *</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compression Ignition</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Spark Ignition</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Zero Emission</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Certified Remanufacture System</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Verified Engine Upgrade</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Table 5: Locomotive Engines Funding Restrictions

<table>
<thead>
<tr>
<th>Current Locomotive Tier</th>
<th>Locomotive Replacement or Engine Replacement: EMY 2019+* or Zero Emission</th>
<th>Verified Retrofit</th>
<th>Idle-Reduction Technology</th>
<th>Certified Remanufacture System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unregulated - Tier 2</td>
<td>Tier 0+ - 3</td>
<td>Tier 4</td>
<td>Zero Emission</td>
<td>Yes</td>
</tr>
<tr>
<td>Tier 2+ switcher</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Tier 2+ line haul</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Tier 3 – Tier 4</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

*EMY 2019+ means Engine Manufactured Year 2019 or later.

**Yes** indicates funding is available.

No funding is available for Tier 3 – Tier 4 locomotives.
<table>
<thead>
<tr>
<th>DERA Eligible Activities</th>
<th>DERA Funding Limits (EPA Funds + Voluntary Match)</th>
<th>Minimum Mandatory Cost-Share (Fleet Owner Contribution)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhaust Control Retrofit</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Engine Upgrade / Remanufacture</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Highway Idle Reduction Bundled with Exhaust Control Retrofit</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Stand-alone Highway Idle Reduction</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>Locomotive Idle Reduction</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Marine Shore Power</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>Electrified Parking Space</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Engine Replacement</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>– Diesel or Alternative Fuel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engine Replacement – Low NOx</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Engine Replacement – Zero Emission</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Vehicle/Equipment Replacement</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>– Diesel or Alternative Fuel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle/Equipment Replacement – Low NOx</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Vehicle/Equipment Replacement – Zero Emission</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>Vehicle Replacement - Drayage</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Clean Alternative Fuel Conversion</td>
<td>40%</td>
<td>60%</td>
</tr>
</tbody>
</table>
Next Steps – NOIP

• Notices of Intent to Participate (NOIP) are due Monday, April 29, 2019
• EPA will use the Notices to determine participation and final allocations
• EPA will then notify participants of their final allocations by May 2, 2019
Next Steps - Work Plan

- Work plan and budget narrative is due to your EPA Regional contacts no later than Tuesday May 28, 2019 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 Tuesday, June 18, 2019
  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, Preaward Compliance Review
  6. Certification Regarding Lobbying (Grants.gov Lobbying Form)
  7. EPA-approved Project Narrative Work Plan and Budget Narrative
Next Steps – Award and Project Period

- EPA will finalize awards by September 30, 2019
- Project Period will begin October 1, 2019
- Project Period will end September 30, 2021
VW Mitigation Trust - Overview

- 50 states, DC, Puerto Rico, and federally recognized tribes are eligible to become beneficiaries with ~$3 billion available
  - 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 FY2019 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 FY2019 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 FY2019 would be $1.3 million
  - State will receive $300,000 from DERA and $1,000,000 from the Trust.
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](http://www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel)
   - CARB’s verified 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 federal 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 2019 street sweepers
- Total cost is estimated to be $1 million
- Subaward 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, 2019: Project begins
- November, 2019: State posts grant details on State website
- Quarterly reports submitted to EPA Project Officer as project progresses
- October, 2020: New street sweepers are delivered and old street sweepers are scrapped
- December, 2020: Final report and other close out forms submitted to EPA Project Officer
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
   - 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” 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
  o 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
  o Competitive Procurement (cost and price analysis)
  o Scrappage
  o Early Retirement/Attrition/Useful Life
  o Mandated Measures
  o Invoices
Lessons Learned/Tips - Reporting

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

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPA sends all eligible states the FY 2019 Program materials</td>
<td>April 15, 2019</td>
</tr>
<tr>
<td>Deadline for all participating states to submit a Notice of Intent to</td>
<td>April 29, 2019</td>
</tr>
<tr>
<td>Participate (NOIP) to EPA via email (<a href="mailto:CleanDiesel@epa.gov">CleanDiesel@epa.gov</a>)</td>
<td></td>
</tr>
<tr>
<td>EPA will inform the states of their final allocation via email</td>
<td>May 2, 2019</td>
</tr>
<tr>
<td>Deadline for states to submit workplans and budget narratives to their EPA Regional Office for review</td>
<td>May 28, 2019</td>
</tr>
<tr>
<td>Project period for FY 2019 awards begins. Regional offices will finalize the FY 2019 Program awards prior to October 1, 2019.</td>
<td>October 1, 2019</td>
</tr>
<tr>
<td>Deadline for FY 2019 projects to be completed</td>
<td>September 30, 2021</td>
</tr>
</tbody>
</table>
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:

• 2019 State Program Guide
• 2019 State Work Plan and Narrative Template
• Notice of Intent to Participate
• VW DERA Option Factsheet:
  • www.epa.gov/cleandiesel/vw-settlement-dera-option-supporting-documents
Questions?

• Please enter your questions or comments in the webinar chat module
• Slides will be posted on our website soon

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

Contact Info:
Jason Wilcox
DERA State Clean Diesel Program Manager
Wilcox.Jason@epa.gov  202-343-9571