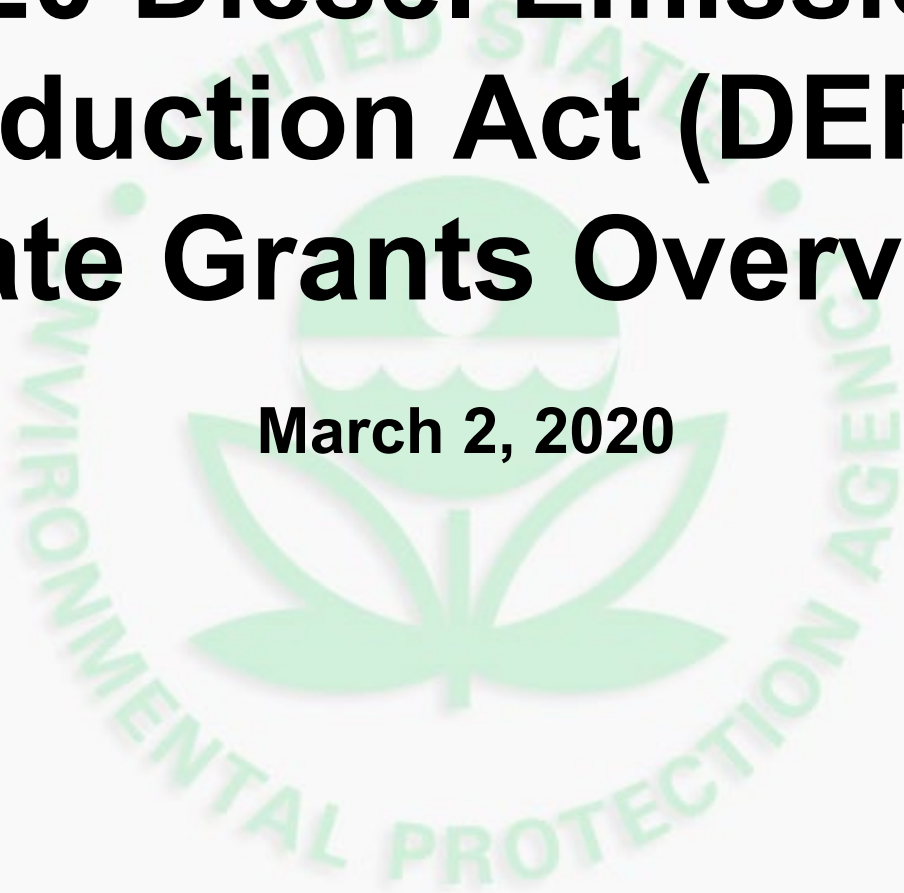


# **2020 Diesel Emissions Reduction Act (DERA) State Grants Overview**

**March 2, 2020**





# Topics

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1. Overview
2. Funding for 2020
3. Status of Currently Open 2018 or Earlier State Grants
4. Key Changes for 2020
5. Eligibility
6. Cost Shares
7. Next Steps
8. VW Mitigation Trust
9. Lessons Learned/Tips
10. Tools and Resources



## Overview of DERA State Grants

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- AKA: 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 2020

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- Total of \$87 million allocated to DERA in EPA's FY 2019 budget
  - ~\$26 million set aside for the State Program
    - 30% of \$87 million total
  - 2/3 of \$26 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 \$26 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 1/2 the base amount



## Funding for 2020 (cont.)

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*Assuming all states and territories participate:*

	<b>State, PR, and DC Base</b>	<b>State, PR, and DC Matching Bonus</b>	<b>Territory Base</b>	<b>Territory Matching Bonus</b>
<b>Funding Amount</b>	\$325,019	\$162,510	\$81,255	\$40,628
<b>Base + Bonus</b>	\$487,529		\$121,883	



# Currently Open State Grants

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- *In general*, any state with open DERA State Grants from 2018 or earlier must ensure that these grants are completed by September 30, 2020 in order for the state to receive 2020 funding
- Requests to extend older state grants and also receive a new 2020 award will be evaluated by the EPA Regional program office on a case-by-case basis



# Key Changes for 2020\*

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\*Compared to 2019

1. 2020 funds will be added as a supplemental amendment to a state/territory's existing 2019 State Grant
2. Fleet description spreadsheet required with application
3. Insular area cost-share requirements
4. Revised budget guidance for participant support costs (i.e., rebates)



# Eligible Equipment

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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

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- 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)

# Eligible Projects Cont.



**Table 2: 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 2016+ (2013+ for Drayage)	Vehicle or Engine Replacement: EMY 2016+ Zero Emission or Low-NO <sub>x</sub>	Clean Alternative Fuel Conversion
older - 1995	No	No	No	No	No	No	No
1996 - 2006	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2007 - 2009	No	No	Yes	Yes*	Yes	Yes	Yes
2010 - newer	No	No	No	Yes*	No	Yes	Yes

# Eligible Projects Cont.



## Table 3 Part 1. Nonroad Engine Funding Restrictions

Current Engine Horsepower	Current Engine Model Year (EMY) and Tier	Vehicle/Equipment Replacement: EMY 2019+					Verified Retrofit
		Compression Ignition			Spark Ignition	Zero Emission	
		Tier 0-2	Tier 3-4i	Tier 4	Tier 2		
0-50	2006 and Newer; Unregulated – Tier 2	No	No	Yes	Yes	Yes	Yes
51-300	1996 and Newer; Tier 0 – Tier 2	No	Yes*	Yes	Yes	Yes	Yes
51-300	1996 and Newer; Tier 3	No	No	Yes	Yes	Yes	Yes
301+	1986 and Newer; Tier 0 – Tier 2	No	Yes*	Yes	Yes	Yes	Yes
301+	1986 and Newer; Tier 3	No	No	Yes	Yes	Yes	Yes

# Eligible Projects Cont.



## Table 3 Part 2. Nonroad Engine Funding Restrictions

Current Engine Horsepower	Current Engine Model Year (EMY) and Tier	Engine Replacement: EMY 2019+**				Verified Engine Upgrade
		Compression Ignition		Spark Ignition	Zero Emission	
		Tier 0-3	Tier 4	Tier 2		
0-50	2006 and Newer; Unregulated – Tier 2	No	Yes	Yes	Yes	Yes
51-300	1996 and Newer; Tier 0 – Tier 3	No	Yes	Yes	Yes	Yes
301-750	1986 and Newer; Tier 0 – Tier 3	No	Yes	Yes	Yes	Yes
751+	1986 and Newer; Tier 0 – Tier 2	No	Yes	Yes	Yes	Yes

# Eligible Projects Cont.



## Table 4: Marine Engines Funding Restrictions

Current Engine Tier	Vessel or Engine Replacement: EMY 2019+ *				Certified Remanufacture System	Verified Engine Upgrade
	Compression Ignition		Spark Ignition	Zero Emission		
	Tier 1-2	Tier 3-4				
<b>Unregulated – Tier 2</b>	No	Yes	Yes	Yes	Yes	Yes
<b>Tier 3 - 4</b>	No	No	No	Yes	No	No

# Eligible Projects Cont.



## Table 5: Locomotive Engines Funding Restrictions

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

# Cost Shares



<b>DERA Eligible Activities</b>	<b>DERA Funding Limits (EPA Funds + Voluntary Match [incl. VW])</b>	<b>Minimum Mandatory Cost-Share (Fleet Owner Contribution)</b>
Exhaust Control Retrofit	100%	0%
Engine Upgrade / Remanufacture	40%	60%
Highway Idle Reduction Bundled with Exhaust Control Retrofit	100%	0%
Stand-alone 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 Cert	50%	50%
Engine Replacement – Zero Emission	60%	40%
Vehicle/Equipment Replacement – Diesel or Alternative Fuel	25%	75%
Vehicle/Equipment Replacement – Low NOx Certified	35%	65%
Vehicle/Equipment Replacement – Zero Emission	45%	55%
Vehicle Replacement - Drayage	50%	50%
Clean Alternative Fuel Conversion	40%	60%



## Next Steps – NOIP

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- Notices of Intent to Participate (NOIP) are due Tuesday, March 10, 2020
- EPA will use the NOIPs to determine participation and final allocations
- EPA will then notify participants of their final allocations by March 13, 2020
  - Note: In previous years we had two separate forms, a NOIP and a Notice of Intent to Continue (NOIC) to add funds to an existing State Grant. We have merged them into one NOIP form.





## Next Steps - Work Plan

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- Work Plan and Budget Narrative and Fleet Description spreadsheet is due to your EPA Regional contacts no later than Wednesday, April 15, 2020 for their review
  - Templates are posted on our [website](#)
- New Fleet Description Requirement: Provide a *best estimate* of equipment/technology to be impacted by 2019+2020 State Grant Funds. Projects listed on this sheet at the time of application are not binding.
  - Very similar to quarterly report form
- EPA Regions will review and offer feedback



# Next Steps - Final Application Submission

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- States/territories must submit their application on Grants.gov no later than Thursday, May 14, 2020
  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~~
    - SF424B no longer required
  4. Key Contacts Form
  5. EPA Form 4700-4, Preadward Compliance Review
  6. Certification Regarding Lobbying (Grants.gov Lobbying Form)
  7. EPA-reviewed Project Narrative Work Plan and Budget Narrative
  8. EPA-reviewed Fleet Description spreadsheet



## Next Steps – Award and Project Period

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- EPA will finalize awards by September 30, 2020
- Project Period will begin by October 1, 2020
- Project Period will end September 30, 2021



# VW Mitigation Trust - Overview

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- 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

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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

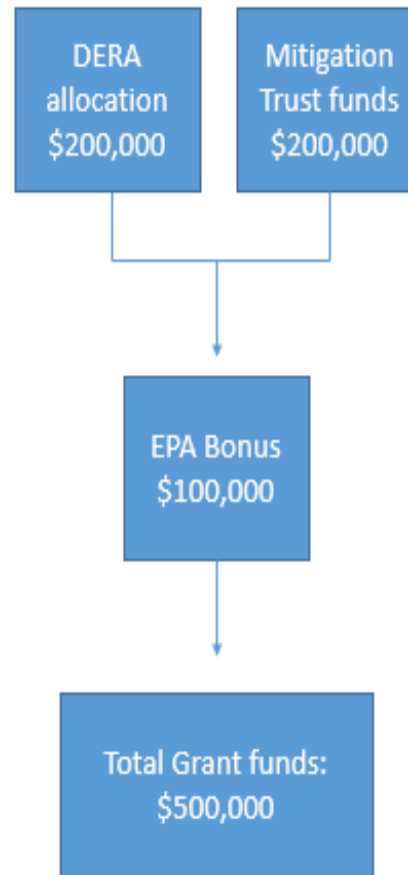
**Example A:** Trust funds can be used to match the EPA base funding for State DERA grants

- State's DERA allocation in 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

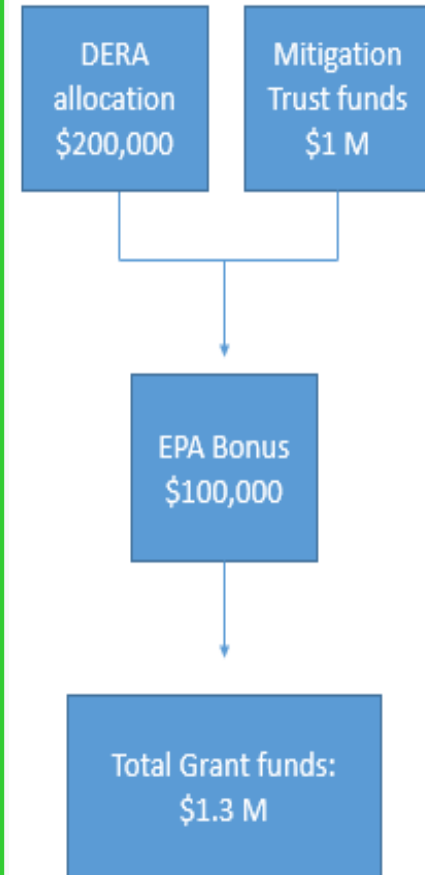
**Example B:** Trust funds can be greater than the 1:1 voluntary match above

- 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.

## 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 reporting obligations for the portion of its Trust funds using the DERA Option





# Lessons Learned/Tips

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1. 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.
2. States/territories may fund local or state mandates
  - Cannot use funds for federal Supplemental Environmental Projects (SEPs)
  - Cannot use funds for federally mandated projects
3. Do not use other federal funds on your DERA State Grant projects
  - E.g., No mixing CMAQ and DERA



## Lessons Learned/Tips - Waivers

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- 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.



# 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 - Partnerships

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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
  - Rebates should be listed under the “Other” budget category
  - See Section XIII (Appendix A: How to Fund Projects and Partnerships) of the Program Guide for more details.



# 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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- 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)
- All projects must use EPA or CARB verified technologies or certified engine configurations
  - Zero emission vehicles and equipments do not require EPA or CARB certification



# Lessons Learned/Tips - Scrappage

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- 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:
  - VIN tag
  - Side profile of equipment
  - Engine tag showing serial number, engine family number, and engine model year;
  - Before and after photos of destroyed engine;
  - 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 – Photos and documentation
  - 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 Project Period
  - Final report
  - Coordinate with PO regarding any other close out documentation



# Timeline

Activity	Date
Release of Notice of Intent to Participate (NOIP) form	Tuesday, February 25, 2020
Deadline for states and territories to submit Notice of Intent to Participate form to <a href="mailto:DERA@epa.gov">DERA@epa.gov</a>	Tuesday, March 10, 2020
States and territories will be notified of final allocation amounts via email	Friday, March 13, 2020
Deadline for states and territories to submit Work Plan and Budget Narrative and Fleet Description to their EPA Region for review	Wednesday, April 15, 2020
Deadline for states and territories to submit application on <a href="https://www.grants.gov">Grants.gov</a>	Thursday, May 14, 2020
Project period for 2020 awards begins. Regional offices will finalize the 2020 Program awards prior to October 1, 2020.	Thursday, October 1, 2020



# Tools and Resources

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- DEQ – Diesel Emissions Quantifier:
  - [www.epa.gov/cleandiesel/diesel-emissions-quantifier-deq](http://www.epa.gov/cleandiesel/diesel-emissions-quantifier-deq)
- Verification Lists:
  - EPA Verified Technologies List for Clean Diesel
    - [www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel](http://www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel)
  - California Air Resources Board (CARB) Verified Technologies
    - [www.arb.ca.gov/diesel/verdev/vt/cvt.htm](http://www.arb.ca.gov/diesel/verdev/vt/cvt.htm)
  - CARB certified low-NOx engine list:
    - [ww3.arb.ca.gov/msprog/onroad/optionnox/optional\\_low\\_nox\\_certified\\_hd\\_engines.pdf](http://ww3.arb.ca.gov/msprog/onroad/optionnox/optional_low_nox_certified_hd_engines.pdf)



# Program Documents

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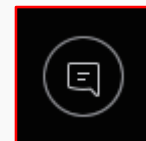
See the DERA State Clean Diesel Program Website at [www.epa.gov/cleandiesel/clean-diesel-state-allocations](http://www.epa.gov/cleandiesel/clean-diesel-state-allocations) for:

- 2020 State Program Guide
- 2020 State Work Plan and Narrative Template
- 2020 Fleet Description Spreadsheet
- Notice of Intent to Participate (NOIP)
- 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?

- 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 DERA State Grants

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