

2023-2024 Diesel Emissions Reduction Act (DERA) State Grants Overview

JULY 2023



Topics

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Overview of DERA State Grants Program

- Previously known as the: State Clean Diesel Grant Program
- Annual funding opportunity since 2008
 - Section 793 of Energy Policy Act of 2005
 - Reauthorized in 2010 and again in December of 2020 through FY 2024
- Allocates funds to eligible states and territories to establish programs that reduce harmful heavy-duty diesel emissions
- States/territories can use funding for grant or rebate programs



Funding for 2023-2024

- Total of \$100 million allocated to DERA in EPA's FY 2023 budget.
 - ~\$30 million set aside for the State Program
 - 30% of \$100 million total
 - 2/3 of \$30 million is split between the states and territories as their base funding amount
 - If states/territories do not participate, their base funds will be reallocated among the participating states based on the most recent population census (2021 estimates)
 - 1/3 of \$30 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
- Estimated \$100 million to be allocated for DERA's FY 2024 budget for duplicate State distribution.



Funding for 2023 & 2024 Breakdown

Estimated funding assuming all states and territories participate:*

	State (+ PR & DC) Base	State (+ PR & DC) Matching Bonus	Territory Base	Territory Matching Bonus
FY23 Funding Amount	\$373,585	\$186,792	\$93,396	\$46,698
FY23 Base + Bonus	\$560,376		\$140,094	
FY24 Funding Amount	\$373,585	\$186,792	\$93,396	\$46,698
FY24 Base + Bonus	\$560,376		\$140,094	

* FY24 Funding Amount, Base Amount, and Bonus Amount based on an assumed \$100M appropriation for DERA from Congress.



Currently Open State Grants

- Unless the state has an approved extension, any remaining DERA State Grants from 2022 or earlier must be completed by September 30, 2023, for the state to receive 2023 funding
- Requests to extend 2022 and older state grants will be evaluated by the EPA Regional program office on a case-by-case basis



Key Changes for 2023-2024

1. 2 Year Budget:
 - If the state is participating in FY23 and FY24, their 2024 DERA State Grants will be funded as supplemental amendments to the existing 2023 DERA State Grants.
 - FY23 Non-Participating States/Territories will have another opportunity to participate in FY24. The FY24 grant will be funded as a new award.
2. 3 Year Project Period:
 - FY2023 First Phase: Begins October 1, 2023
 - FY2024 Incremental Amendments: Begins October 1, 2024
 - 2023-2024 Project Period: October 1, 2023- September 30, 2026
3. Usage requirement exceptions for on-highway vehicles used in nonroad applications and nonroad engines/vehicles used for highway applications.
4. Updated the definition of Disadvantaged Communities
5. Additional Programmatic Priorities
 - Community Engagement, Project Sustainability, Project Resilience to Climate Impacts, and Workforce Development
6. Updated BABA Guidance – partial waiver currently under development for EV chargers



Ownership, Usage, and Remaining Life

- The existing vehicle must be fully operational.
- The participating fleet owner must have owned and operated the vehicle during the 2 years prior to upgrade.
- The existing vehicle must have at least 3 years of remaining life at the time of upgrade. Remaining life is the fleet owner's estimate of the number of years until the unit would have been retired from service if the unit were not being upgraded or scrapped because of the grant funding.
- Highway Usage: The existing highway engine/vehicle must have accumulated at least 7,000 miles/year during the 2 years prior to upgrade.
- Nonroad, Locomotive, and Marine Usage:
 - Agricultural Pumps: 250 hours/year during 2 years prior to upgrade.
 - All Other Nonroad Engines: 500 hours/year during 2 years prior to upgrade.
 - Locomotive and Marine Usage: 1,000 hours/year during 2 years prior to upgrade.
- Exceptions for recipients unable to meet usage requirements will be reviewed & approved on a case-by-case basis.



Ownership, Usage, and Remaining Life (cont.)

- Documentation Requirements: Participating fleet owners must attest to the ownership, usage, and remaining life requirements in a signed eligibility statement. The documentation is not required at the time of application but is required if the project is selected for funding. This documentation is to verify the eligible use of grant funds. A sample eligibility statement may be found at: www.epa.gov/dera/state



Eligible Equipment

School Buses	Includes diesel powered school buses of Type A, B, C and D. A “school bus” is defined as a passenger motor vehicle designed to carry a driver and more than 10 passengers, that the Secretary of Transportation decides is likely to be used significantly to transport preprimary, primary, and secondary school students to or from school or an event related to school.
Transit Buses	Includes diesel powered medium-duty and heavy-duty transit buses (see definition of eligible Class 5-8 vehicles below).
Medium-duty or heavy-duty trucks	Includes diesel powered medium-duty and heavy-duty highway vehicles with gross vehicle weight rating (GVWR) as defined below: Class 5 (16,001 - 19,500 lbs GVWR); Class 6 (19,501 - 26,000 lbs GVWR); Class 7 (26,001 - 33,000 lbs GVWR); Class 8 (33,001 lbs GVWR and over)
Marine Engines	Includes diesel powered Category 1, 2, and 3 marine engines and vessels.
Locomotives	Includes diesel powered line-haul, passenger, and switch engines and locomotives.
Nonroad engines, equipment or vehicles	Diesel powered nonroad engines, equipment and vehicles including, but not limited to, those used in construction, handling of cargo (including at ports and airports), agriculture, mining, or energy production (including stationary generators and pumps).



Eligible Projects

- Eligible diesel emission reduction projects are outlined in the State Program Guide on our website: www.epa.gov/dera/state
- 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 4: Medium and Heavy-Duty Truck, Transit Bus, and School Bus Project Eligibility

Current Engine Model Year (EMY)	DOC +/- CCV	DPF	SCR	Verified Idle Reduction, Tires, or Aerodynamics	Vehicle or Engine Replacement: EMY 2021+ (2017+ for Drayage)	Vehicle or Engine Replacement: EMY 2021+ Zero Emission ² or Low-NO _x ³	Clean Alternative Fuel Conversion
older - 2006	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2007 - 2009	No	No	Yes	Yes ¹	Yes	Yes	Yes
2010 - newer	No	No	No	Yes ¹	No	Yes	Yes



Table 5. Nonroad Engine Project Eligibility

Current Engine Tier	Vehicle/Equipment Replacement					Verified Retrofit
	Compression Ignition			Spark Ignition	Zero Emission ³	
	Tier 0-2	Tier 3-4i	Tier 4	Tier 2		
Unregulated – Tier 2	No	Yes ¹	Yes	Yes	Yes	Yes
Tier 3	No	No	Yes	Yes	Yes	Yes
Tier 4	No	No	No	No	Yes	No
Current Engine Tier	Engine Replacement					Verified Engine Upgrade
	Compression Ignition			Spark Ignition	Zero Emission ⁴	
	Tier 0-2	Tier 3-4i	Tier 4	Tier 2		
Unregulated – Tier 2	No	Yes ²	Yes	Yes	Yes	Yes
Tier 3	No	No	Yes	Yes	Yes	Yes
Tier 4	No	No	No	No	Yes	No



Table 6: Marine Engines Project Eligibility

Engine Category	Engine Horsepower	Current Engine Tier	Engine & Vessel Replacement					Certified Re-manufacture System ³	Verified Engine Upgrade
			Compression Ignition			Spark Ignition	Zero Emission ²		
			Tier 1-2	Tier 3	Tier 4				
C1, C2	<803	Un-regulated – Tier 2	No	Yes	No	Yes	Yes	Yes	Yes
C1, C2	≥804	Un-regulated – Tier 2	No	Yes ¹	Yes	Yes	Yes	Yes	Yes
C1, C2	<803	Tier 3	No	No	No	Yes	Yes	No	No
C1, C2	≥804	Tier 3	No	No	Yes	Yes	Yes	No	No
C1, C2	≥804	Tier 4	No	No	No	No	No	No	No
C3	All	Un-regulated - Tier 2	No	Yes	No	No	No	No	No
C3	All	Tier 3	No	No	No	No	No	No	No



Table 7: Locomotive Engines Project Eligibility

Current Locomotive Tier	Engine & Locomotive Replacement				Verified Retrofit	Idle-Reduction ² Technology	Certified Remanufacture System ⁴
	Tier 0–2+	Tier 3	Tier 4	Zero Emission ¹			
Unregulated - Tier 2+	No	Yes ³	Yes	Yes	Yes	Yes	Yes
Tier 3	No	No	Yes	Yes	Yes	Yes	Yes
Tier 4	No	No	No	No	No	Yes	No

Cost Shares



Eligible Technologies	EPA Funding Limit	Mandatory Cost Share
Drayage Truck Replacement	50%	50%
Vehicle or Equipment Replacement with EPA Certified Engine	25%	75%
Vehicle or Equipment Replacement with CARB Certified Low NOx Engine	35%	65%
Vehicle or Equipment Replacement with Zero-tailpipe Emission Power Source	45%	55%
Engine Replacement with EPA Certified Engine	40%	60%
Engine Replacement with CARB Certified Low NOx Engine	50%	50%
Engine Replacement with Zero-tailpipe Emission Power Source	60%	40%
EPA Certified Remanufacture Systems	100%	0%
EPA Verified Highway Idle Reduction Technologies when combined with new or previously installed exhaust after-treatment retrofit	100%	0%
EPA Verified Highway Idle Reduction Technologies without new exhaust after-treatment retrofit	25%	75%
EPA Verified Locomotive Idle Reduction Technologies	40%	60%
EPA Verified Marine Shore Connection Systems	25%	75%
EPA Verified Electrified Parking Space Technologies	30%	70%
EPA Verified Exhaust After-treatment Retrofits	100%	0%
EPA Verified Engine Upgrade Retrofits	100%	0%
EPA Verified Hybrid Retrofit Systems	60%	40%
EPA Verified Fuel and Additive Retrofits when combined with new retrofit, upgrade, or replacement	Cost differential between conventional diesel fuel	Cost of conventional diesel fuel
EPA Verified Aerodynamics and Low Rolling Resistance Tires when combined with new exhaust after-treatment retrofit	100%	0%
Alternative Fuel Conversion	40%	60%



Next Steps – NOIP

- Notice of Intent to Participate, NOIPs are due to DERA@epa.gov by **Friday, July 21, 2023**
 - NOIPs can be signed by hand or electronically
- EPA will use the NOIPs to determine participation and final allocations
 - FY23 NOIPs will carryover to FY24
 - FY23 Non-participating States/Territories will have another opportunity to participate in FY24
- EPA will then notify participants of their final allocations by Wednesday, July 26, 2023



Next Steps - Work Plan

- Work Plans, Budget Narratives, and Fleet Descriptions are due to your EPA Regional contacts no later than **Tuesday, August 8, 2023** for their review
 - Templates are available via the 2023-2024 State DERA Program Guide and posted on the [DERA State Website](#)
 - Fleet Description: Provide a *best estimate* of equipment/technology to be impacted by 2023 State Grant Funds. Projects listed on this sheet at the time of application are not binding.
- EPA Regional Contacts will need to review and offer feedback before grants.gov submission.



Next Steps - Final Application Submission

- States/territories must submit their application on Grants.gov no later than **Tuesday, August 22, 2023**
 1. Standard Form (SF) 424, Application for Federal Assistance
 2. Standard Form (SF) 424A, Budget Information
 3. Key Contacts Form
 4. EPA Form 4700-4, Preaward Compliance Review
 5. Certification Regarding Lobbying (Grants.gov Lobbying Form)
 6. EPA-reviewed Project Narrative, Work Plan, and Budget Narrative
 7. EPA-reviewed Fleet Description spreadsheet



Next Steps – Award and Project Period

- EPA will finalize awards by September 30, 2023
- 1st Project Period Phase: Begins by October 1, 2023
- 2nd Project Period: Begins by October 1, 2024
- FY23-24 Project Period close out: September 30, 2026



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

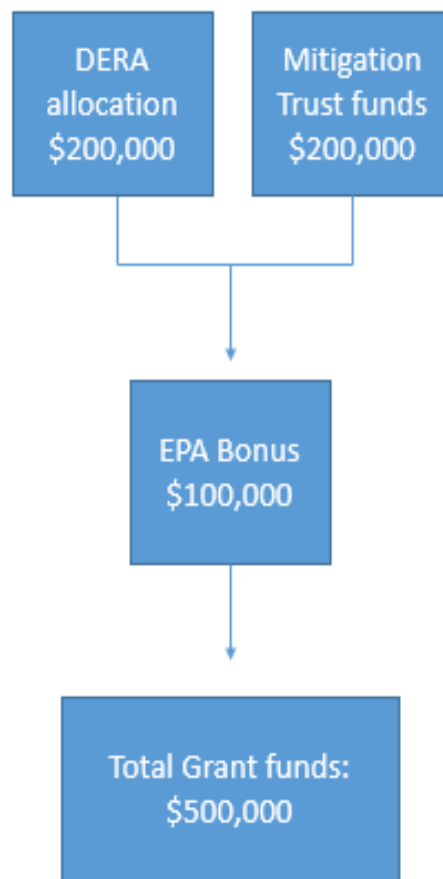
Example A: Trust funds can be used to match the EPA base funding for State DERA grants

- State's DERA allocation in 2023 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

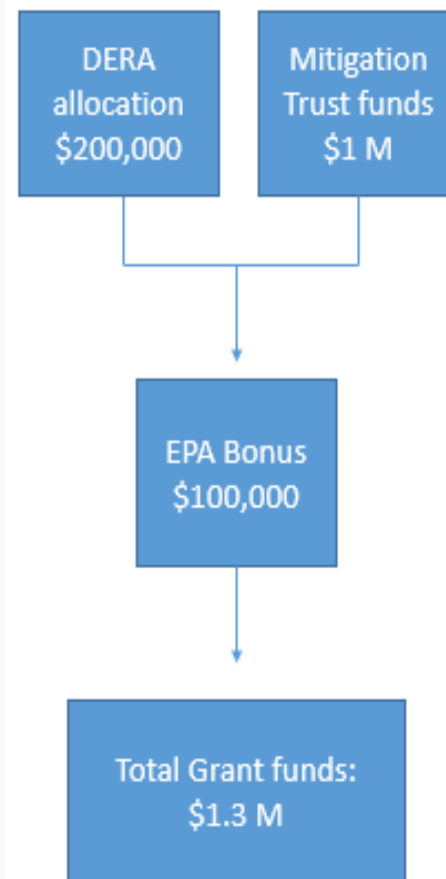
Example B: Trust funds can be greater than the 1:1 voluntary match above

- State's DERA allocation in 2023 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 2023 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. 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 - Technical Tips

- 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. 6 of Program Guide)
- All projects must use EPA or CARB verified technologies or certified engine configurations



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.



Lessons Learned/Tips - Reporting

- Keep organized documents records – and please save them in a shared place
 - Competitive Procurement (cost and price analysis)
 - Scrappage – Photos and documentation
 - Invoices
 - Pictures are a great tool, and can also be used for press
- 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



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, fleets, vendors, and any other participants
 - Don't assume they know the program, or program requirements (verified technologies, etc.)
 - Grantees are ultimately responsible for the project.



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 - 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
 - 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 - 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:
 - 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



Timeline

Activity	Date
EPA sends all eligible states the 2023-2024 program materials	July 6, 2023
Deadline for all participating states to submit a 2023-2024 Notice of Intent to Participate (NOIP) to EPA via email (DERA@epa.gov)	July 21, 2023
EPA will inform the states of their final allocation via email	July 26, 2023
Deadline for states and territories to submit Workplan and Budget Narrative and Fleet Description to their EPA Regional Office for review	August 8, 2023
Deadline for participating states to submit their application package to Grants.gov	August 22, 2023
Period of performance for 2023-2024 awards begins October 1, 2023.	October 1, 2023
Deadline for all participating states to confirm 2024 participation	April 1, 2024
FY24 Incremental amendments completed	September 30, 2024
2023-2024 Period of performance end date	September 30, 2026

Note: This schedule is subject to change, updated guidance will be provided directly to states as needed.



Tools and Resources

- DEQ – Diesel Emissions Quantifier:
 - <https://cfpub.epa.gov/quantifier/index.cfm?action=main.home>
- Verification/Certification Lists:
 - EPA Verified Technologies List for Clean Diesel
 - www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel
 - California Air Resources Board (CARB) Verified Technologies
 - <https://ww2.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



Program Documents

See the DERA State Clean Diesel Program Website at www.epa.gov/dera/state for:

- 2023-2024 State Program Guide
- 2023-2024 State Work Plan and Budget Narrative Template
- 2023-2024 Fleet Description Spreadsheet
- Notice of Intent to Participate (NOIP)
- VW DERA Option Factsheet:
 - <https://www.epa.gov/dera/volkswagen-vw-settlement-dera-option>



Questions?

- Please enter your questions or comments in the webinar chat
- Slides will be posted on our [DERA State Website](#) soon

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

Contact Info:

DERA@epa.gov