

2025-2026 Diesel Emissions Reduction Act (DERA) State Program Guide

Legacy Emissions Division
Office of Transportation and Air Quality
U.S. Environmental Protection Agency

SUMMARY

In accordance with [42 U.S.C § 16133](#), the U.S. Environmental Protection Agency's (EPA) Office of Transportation and Air Quality (OTAQ) is soliciting applications from eligible States and territories to participate in the 2025-2026 Diesel Emissions Reduction Act (DERA) State Program. Subject to appropriations, the EPA anticipates approximately \$27 million for Fiscal Year (FY) 2025 and approximately \$27 million for FY 2026 (for a total of approximately \$54 million) in funding that will support State and territory administered grants and rebates.

The DERA State Program is an allocation, not a competitive process. Eligible States and territories submit their interest to participate; the EPA awards each participant a funding allocation using a formula based on the total number of participants. Participating States and territories will receive both FY 2025 and FY 2026 funding as a single, new grant award issued at the same time.

Eligible diesel vehicles, engines, and equipment may include buses, Class 5 – Class 8 heavy-duty highway vehicles, marine engines, locomotives, and nonroad engines, equipment, or vehicles, such as those used in construction, handling of cargo, agriculture, mining, or energy production.

Eligible diesel emissions reduction solutions include verified retrofit technologies, such as exhaust after-treatment technologies, engine upgrades, cleaner fuels and additives, verified idle reduction technologies, verified aerodynamic technologies, verified low rolling resistance tires, certified engine replacements and conversions, and certified vehicle or equipment replacement.

All public materials for the DERA State Program are available at the [DERA State website](#).

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I. OVERVIEW

The DERA State Program Guide consolidates and streamlines the programmatic requirements applicable to all DERA State Grant awardees receiving FY 2025-2026 funding.

This DERA State Program Guide informs the EPA Regional Offices and participating States and territories on how the Agency intends to exercise the Agency's discretion in awarding and managing DERA State Grant funds for 2025-2026. It establishes national policy on these issues. Although some of the statutory provisions described in this document are legally binding, this document is not a statute or regulation and does not replace them. Thus, it cannot impose legally binding requirements on the EPA, States, territories, or the regulated community, and may not apply to a particular situation based upon the circumstances. Decisions in specific situations will be made based on applicable statutes and regulations, and EPA decision-makers retain the discretion to adopt approaches on a case-by-case basis that differ from this guidance, where appropriate. The EPA will consider, on a case-by-case basis, waiver requests from programmatic terms and conditions of the assistance agreement. Waivers will be considered only for requirements that are neither statutory nor threshold requirements. States or territories must obtain EPA approval for any waiver request **before** conducting any work on a project involving a waiver request.

II. STATUTORY AUTHORITY

DERA is authorized by the Energy Policy Act of 2005, Title VII, Subtitle G, 42 USC § 16131, *et seq.*, as amended. DERA authorizes the award of grants to reduce diesel emissions and diesel emissions exposure, administered by eligible States or territories, particularly from fleets operating in areas designated by the Administrator as poor air quality areas. This Program is referred to as the DERA State Program. While the EPA has the authority under DERA to support grant programs, the Agency's authority to obligate grant funds is subject to the availability of appropriated funds.

III. ELIGIBLE RECIPIENTS

Eligibility to apply for and receive funds under the DERA State Program is limited to the 50 States, the District of Columbia, Puerto Rico, and the territories: U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands. For the purposes of this document, the term "State" will be used to describe these 56 entities.

The EPA presumes that the respective State agency with jurisdiction over air quality will be the lead agency to receive these funds. If a State's circumstances dictate that another State agency administers the funds, a letter from the State governor or designee to the EPA Administrator is required to certify one State agency as the recipient of funds that has the legal and administrative authority to enter into a grant or cooperative agreement with the Agency. Upon receipt, the EPA will consider that agency the lead agency from that point forward. However, if there is a change, a new governor's letter to the Administrator must be submitted during the renewal process and the

new agency would be considered the lead agency for future grants. A letter to identify an alternate lead agency and provide specific contact information should be sent to the following contacts and be received before the State submits its application package through [Grants.gov](https://www.grants.gov).

A scan of the signed letter must also be emailed to DERA@epa.gov.

Lee M. Zeldin, Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., N.W., Mail Code: 1101A
Washington, DC 20460

Cc: Jorge Acevedo, DERA State Program Manager
Office of Transportation and Air Quality
U.S. Environmental Protection Agency
2000 Traverwood Drive
Ann Arbor, MI 48105
Phone: (734) 214-4338, Email: acevedo.jorge@epa.gov

IV. **2025-2026 FUNDING SCHEDULE AND PROCEDURES**

Table 1: Funding Schedule

Activity	2025 - 2026
The EPA distributes 2025-2026 State Program materials	September 24, 2026
Notice of Intent to Participate (NOIP) due to DERA@epa.gov	October 8, 2026
The EPA emails final allocations.	October 15, 2026
Workplan and Supplemental Application Template due to EPA Regional Office(for review).	November 5, 2026
Application package due to Grants.gov	November 19, 2026
Project period begins as early as December 17, 2026, for 2025-2026 awards	December 17, 2026
Project completion deadline	December 16, 2029

***Note:** This schedule is subject to change. Updated guidance will be provided directly to States and territories as needed.*

V. **NOTICE OF INTENT**

A. Notice of Intent to Participate: States and territories that want to receive 2025-2026 DERA State Grants funding must submit a Notice of Intent to Participate ([NOIP](#)).

1. **Submission of the NOIP:** The NOIP can be submitted in one of two ways: (1) a State can fill out the form electronically or by hand, print and sign the document, scan the document, and return the document via email to DERA@epa.gov; or (2) a State can fill out the form electronically, digitally sign the document, save the document, and return via email to DERA@epa.gov. The NOIP must be signed by the Environmental Commissioner or other authorized official but does not need to be emailed from this person directly; the NOIP can be emailed from the programmatic contact at the State.
 2. **Review of the NOIP:** OTAQ will forward the NOIPs to the appropriate EPA Regional Office for review. Regional Offices will work with the States as necessary to resolve any identified issues.
- B. Open 2022 and Earlier State Grants:** Any State participating in the 2025-2026 DERA State Program which has an open DERA State Grant from 2021-2022 or earlier must ensure that prior awards are closed out in a timely manner. Ideally, this means that vehicles/equipment should be delivered, technologies installed, and all other project work completed by December 31, 2026. If the State is unable to obligate and expend all 2022 and earlier funds by December 31, 2026, the State has two options, listed below.
1. First, the State may request a no-cost time extension of the period of performance. Requests to extend previous awards and receive a new 2025-2026 award will be evaluated and approved by the EPA Regional 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 less than six months, and the impact of the extension on the State's ability to implement its 2025-2026 workplan. The EPA anticipates approving no-cost time extensions in the event that equipment has been ordered but is facing manufacturing or delivery delays.
 2. Alternatively, if the State is unable to complete the grant in a timely manner (*e.g.*, project partners backed out, new eligible vehicles have not yet been secured) the State may elect to close the grant and return any remaining funds to the EPA.
- C. Voluntary Match Incentive:** The NOIP must indicate if the State intends to voluntarily contribute funding to the 2025-2026 DERA State Program project budgets. The NOIP must also indicate the intended amount and sources of non-Federal voluntary matching funds.
- If a State provides a voluntary match equal to the EPA base allocation offering, the EPA will provide a matching incentive equal to 50 percent of the base allocation. For example, if the EPA offers a base allocation of \$200,000 to the State, the State could contribute \$200,000 of State funding as a voluntary match and the State would receive an additional \$100,000 in EPA funding as a matching incentive. The total project budget would then be \$500,000, not including any mandatory cost share funds.
- The voluntary match may be satisfied by allowable costs incurred by the State (including in-kind contributions), by cash donations of State funds, or by private funds. State voluntary matching funds included in the approved project budget are subject to the same terms and

conditions and funding limits as the awarded DERA funds. A recipient is legally obligated to expend any voluntary match included in the approved project budget within the period of performance of that award.

Mandatory cost share funds provided by the State and/or eligible third parties cannot count towards the State's voluntary matching funds to qualify for the matching incentive. *See* [Section XI](#) of this Guide for additional information on mandatory cost share requirements.

VI. ALLOCATION OF FUNDS

- A. Allocation Formula:** Congress appropriated \$90 million for DERA in FY 2025 and \$90 million for DERA in FY 2026 (for a total of approximately \$180 million over two years). In accordance with [42 U.S.C § 16133](#), subject to the availability of appropriations, the EPA set aside 30 percent of the DERA Program's annual allocation available to States and territories in the form of assistance agreements under the DERA State Program. Of this 30 percent set-aside, two-thirds is the base allocation and one-third is the voluntary match incentive.

Each year, if all 50 states, the District of Columbia, Puerto Rico, and all territories submit an NOIP, the 50 states, the District of Columbia, and Puerto Rico will each receive 1.887 percent of the two-thirds base allocation pool within the DERA State Program. The remaining territories each qualify for 0.472 percent of the two-thirds potential base allocation pool. If fewer than all 50 States, the District of Columbia, Puerto Rico, and the qualifying territories submit an NOIP, the EPA applies the population formula outlined in [42 U.S.C. § 16133\(c\)\(2\)\(B\) and \(C\)](#) to redistribute any unclaimed base funds among participating States and territories' base allocations, using the most recent [U.S. Census Bureau Data](#). In accordance with [42 U.S.C § 16133\(c\)\(4\)](#), any unclaimed funds from the DERA State Program will revert to the DERA National Program.

Participating States and territories may choose to voluntarily match the EPA award amount. If a State or territory provides a State match equal to the base allocation awarded by the EPA, the Agency will provide a matching bonus equal to 50 percent of the base allocation. *See* [Section V. C of this Guide](#) for additional information on the voluntary match incentive.

- B. Allocation Notification:** After receiving all NOIPs, the EPA will calculate the final allocations and notify State contacts via email. States must then complete (1) a Workplan and (2) a Supplemental Application Template with best estimates on the number and type of equipment that will be impacted by the grant and send these documents to their EPA Regional contact(s) for review. The EPA will review the documents and provide comments so that the State or territory can correct any issues prior to submitting the documents in their application on [Grants.gov](#).

VII. APPLICATION PACKAGE AND SUBMISSION INFORMATION

A. Content of Application Package: The application package must include all of the following.

1. [Standard Form \(SF\) 424](#), Application for Federal Assistance
2. [Standard Form \(SF\) 424A](#), Budget Information for Non-Construction Programs
3. [EPA Key Contacts Form 5700-54](#)
4. [EPA Form 4700-4](#), Pre-award Compliance Review Report
5. **Workplan.** States must ensure that the workplan template provided on the [DERA State Website](#) addresses eligibility criteria and submitted on Grants.gov after it has been reviewed by their regional EPA DERA contacts.
6. **Applicant Fleet Description.** Applicants must use the “Other Attachments” form in [Grants.gov](#) to upload their Applicant Fleet Description after it has been reviewed by their regional EPA DERA contact. The Applicant Fleet Description is a single file: the DERA Supplemental Application Template (excel), also known as the Burden Statement for EPA Form 5900-681. This can be found on the [DERA State website](#).

B. Application Instructions

1. The electronic submission of your application to this funding opportunity must be made by an official representative of your organization who is registered with [Grants.gov](#) and is authorized to sign applications for Federal financial assistance. If the submit button is grayed out, it may be because you do not have the appropriate role to submit applications for your organization. Contact your organization’s Electronic Business Point of Contact (EBiz POC) or contact [Grants.gov](#) for assistance at 1-800-518-4726 or support@grants.gov.

Recipients need to ensure that the Authorized Organization Representative (AOR) who submits the application through [Grants.gov](#) and whose Unique Entity Identifier (UEI) is listed on the application is an AOR for the recipient listed on the application. Additionally, the UEI listed on the application must be registered to the recipient organization's SAM.gov account. If not, the application may be deemed ineligible.

2. Follow the steps below to download, complete, and submit an application package through [Grants.gov](#). The application package requires forms 1-6 listed above.

Go to [Grants.gov](#) and then hover your cursor over the “Applicants” tab in the horizontal row of blue tabs. A drop-down list will appear.

- a. Click on “How to Apply for Grants.”
- b. Click on the red button titled “Search for Opportunity Package” on the right-hand side of the page.
- c. Search by **Funding Opportunity Number: EPA-CEP-01.**
- d. From the list of Opportunity Package(s) currently available, click on the “Apply” link corresponding with CFDA #: **66.040**.
- e. Click on the red “Apply” button. You should be prompted to log-in. Follow the on-screen instructions to complete the application submission.

- f. After downloading an application and saving it, you do not need to be online to complete the application.
- g. When saving application files, please ensure that the following characters are not included in the file names: ~ “ # % & * : < > ? / \ { | }. Including these characters can cause problems with application files.
- h. Complete the required forms listed above, including uploading your final Workplan, Budget Narrative, and Supplemental Application Template. **Note:** States and territories should have already received approval of their Workplan and Supplemental Application Template from their EPA region prior to uploading this documentation in their application. While filling out the application package, be sure to save frequently by clicking the Save button on the cover page of the application package.
- i. Click the Check Package for Errors button to ensure all the required portions of the application package are complete. Address any errors that are identified before submitting.
- j. Click the Save & Submit button after completing the application package. The Save & Submit button will not be functional until the application is properly completed with no errors and saved.

VIII. SCOPE OF WORK

Title VII, Subtitle G, Section 793 of DERA allows States to use funds provided under the DERA State Program to develop and implement State grant and rebate programs as appropriate to meet State needs and goals relating to the reduction of diesel emissions, subject to the following eligibility limitations and funding priorities.

Period of Performance and Budget Period: The period of performance and budget period for the 2025-2026 DERA State Program is as early as December 17, 2026, to December 16, 2029. FY 2025 and FY 2026 funds will be awarded at the same time.

A. Eligible Diesel Vehicles, Engines, and Equipment: Projects may include the diesel emissions source type defined in Table 2, below:

Table 2: Eligible Diesel Vehicles, Engines, and Equipment

School Buses	A “school bus” is defined as a diesel-powered 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 (<i>see</i> definition of eligible Class 5–8 vehicles below).
Medium-Duty or Heavy-Duty	Includes diesel-powered medium-duty and heavy-duty highway vehicles with gross vehicle weight rating (GVWR) as defined below:

Trucks	Class 5 (16,001–19,500 lbs GVWR); Class 6 (19,501–26,000 lbs GVWR); Class 7 (26,001–33,000 lbs GVWR); and Class 8 (33,001 lbs GVWR and over)
Marine Engines	Includes diesel-powered commercial Category 1, 2, and 3 marine engines and vessels.
Locomotives	Includes diesel-powered line-haul, passenger, and switcher locomotives.
Nonroad Engines and Equipment	Diesel-powered nonroad engines and equipment 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).

- 1. Drayage Trucks:** Eligible heavy-duty trucks include drayage trucks. A “drayage truck” means any Class 8 highway vehicle operating on or transgressing through port or intermodal rail yard property for the purpose of loading, unloading, or transporting cargo, such as containerized, bulk, or break-bulk goods. If a State is funding drayage trucks, the State will be required to establish guidelines to ensure that any existing truck replaced with grant funds has a history of operating on a frequent basis over the prior year as a drayage truck, and to ensure any new truck purchased with grant funds is operated in a manner consistent with the definition of a drayage truck, as defined above. Sample drayage truck guidelines can be found at the [DERA State website](#).
- 2. Transport Refrigeration Units:** Eligible nonroad equipment includes transport refrigeration units (TRUs). Please refer to the TRU Factsheet found at the [DERA State website](#) for information on TRUs and eligible TRU projects.

B. Diesel Emissions Reduction Solutions: Projects may upgrade existing diesel vehicles and equipment using the diesel emissions reduction solutions defined in Table 3, below.

Table 3. Diesel Emission Reduction Solutions

Certified Vehicle and Equipment Replacements	Highway diesel vehicles and nonroad equipment, locomotives, and marine vessels can be replaced with newer, cleaner vehicles and equipment. Eligible replacement highway vehicles include those certified by the EPA or the California Air Resources Board (CARB) to run on diesel or clean alternative fuel engines (including gasoline), electric generators (gensets), hybrid engines, and zero emissions power sources (<i>i.e.</i> , grid, battery, or fuel cell). Eligible replacement nonroad equipment, locomotives, and marine vessels include those powered by EPA or CARB certified diesel or clean alternative fuel engines (including gasoline), electric generators (gensets), and hybrid engines. Nonroad equipment, locomotives, and marine vessels powered by zero emissions power sources (<i>i.e.</i> , grid,
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	battery, or fuel cell) do not require EPA or CARB certification.
Certified Engine Replacement	Highway diesel vehicles and nonroad equipment, locomotives, and marine vessels can have their engines replaced with newer, cleaner engines. Eligible replacement highway engines include those certified by the EPA or CARB for use with diesel or clean alternative fuel (including gasoline), electric generators (gensets), and hybrid engines, and zero-emissions power sources (<i>i.e.</i> , grid, battery, or fuel cell). Eligible replacement nonroad, locomotive, and marine engines include those powered by EPA or CARB certified diesel or clean alternative fuel engines (including gasoline), electric generators (gensets), and hybrid engines. Nonroad equipment, locomotives, and marine vessel engine replacement with zero-emissions power sources (<i>i.e.</i> , grid, battery, or fuel cell) do not require EPA or CARB certification.
Certified Remanufacture Systems	Certified remanufacture systems are technologies for marine and locomotive engines, typically applied during engine rebuilds and involving the replacement of existing parts. Eligible certified manufacture systems' projects result in an engine configuration that is a higher Tier than the original engine. Some locomotives and marine engines can be upgraded through the application of a certified remanufacture system (<i>i.e.</i> , kit). Certified remanufacture systems may not be available for all engines, and not all remanufacture systems may achieve an emissions benefit. Applications for EPA certified remanufacture systems should include a discussion of the availability of a certified remanufacture system and indicate the pre- and post-project emissions standard level of the engines to demonstrate that the upgrade will result in a particulate matter (PM) or nitrogen oxides (NO _x) emissions benefit.
Verified Idle Reduction Technologies	An idle reduction project is generally defined as the installation of a technology or device that reduces unnecessary idling of diesel engines or is designed to provide services (such as heat, air conditioning, or electricity) to vehicles and equipment that would otherwise require the operation of the main or auxiliary engine(s) while the vehicle is temporarily parked or remains stationary. For an idle reduction technology to be considered verified, it must be a verified SmartWay Technology . EPA SmartWay verified technologies currently include options to reduce idling for school buses, TRUs, locomotives, marine vessels, and long-haul Class 8 trucks equipped with sleeper cabs.
Verified Retrofit Technologies	Diesel engine retrofits include engine exhaust after-treatment technologies, such as Diesel Oxidation Catalyst (DOC), Diesel Particulate Filter (DPF), Crankcase Ventilation (CCV), and Selective Catalytic Reduction (SCR) systems. For a retrofit technology to be considered verified it must be on the EPA's Verified Technologies List for Clean Diesel or CARB's similar list of Verified Diesel Emission Control Strategies . Manufacturer engine upgrades, which achieve specific levels of emissions reductions by applying a package of components, have been verified as retrofits for some nonroad and

	marine engines. Several systems which convert a conventional diesel engine configuration to a hybrid-electric system have also been verified as retrofits for some nonroad and marine engines. Some cleaner fuels and additives have been verified as retrofits by the EPA or CARB to achieve emissions reductions when applied to an existing diesel engine. Older, heavy-duty diesel vehicles that will not be retired for several years are good candidates for verified retrofit technologies. The EPA suggests that applicants proposing to install verified retrofit technologies consult with suppliers to confirm that the proposed vehicles/engines and their duty-cycles are good candidates for the technology.
Clean Alternative Fuel Conversions	Existing highway diesel engines can be altered to operate on alternative fuels, such as propane and natural gas by applying a certified alternative fuel conversion kit.
Verified Aerodynamic Technologies and Low Rolling Resistance Tires	To improve fuel efficiency, long-haul Class 8 trucks can be equipped with verified aerodynamic devices or low rolling resistance (LRR) tires. To be considered verified, the aerodynamic device or LRR tires must be on SmartWay's Verified Lists for Aerodynamic Devices or LRR New and Retread Tire Technologies .

C. DERA Programmatic Priorities: In accordance with [42 U.S.C § 16133\(d\)\(4\)](#), the DERA allows the EPA to prioritize certain projects in the DERA State Program. The statute enables the Program to prioritize projects that maximize public health benefits, are the most cost-effective, serve areas with the highest population density or that are poor air quality areas (including nonattainment or maintenance areas and areas with toxic air pollutant concerns), serve areas that receive a disproportionate quantity of air pollution from diesel fleets, and projects that use a community-based multistakeholder collaborative process to reduce toxic emissions. The State's workplan should discuss if and how the State will ensure that projects selected for funding support the programmatic priorities listed below.

The term "project location" refers to the primary area where the affected vehicles/engines operate, or the primary area where the emissions benefits of the project will be realized.

a. Goods Movement Facilities: Priority may be given to projects based on whether the vehicles/engines/equipment targeted for diesel emissions reductions are located at, or service, goods movement facilities as defined below. Applicants should include the name of the specific port, airport, rail yard, terminal, or distribution center where the affected vehicles operate.

- 1) **Ports** - places on land alongside navigable water (e.g., oceans, rivers, or lakes) with one or more facilities in close proximity for the loading and unloading of passengers or cargo from ships, ferries, and other commercial vessels. This includes facilities that support noncommercial Tribal fishing operations.
- 2) **Airports** - places where aircraft operate that have paved runways and terminals

which include cargo, baggage, or passenger-movement operations.

- 3) **Rail Yards** - a system of tracks, other than main tracks and sidings, used for arranging trains, storing railway cars, and other purposes.
- 4) **Terminals** - freight and passenger stations at the end of carrier lines, or that serve as junctions at any point with other lines, that have facilities for the handling of freight or passengers.
- 5) **Distribution Centers** - facilities that perform consolidation, warehousing, packaging, decomposition, and other functions linked with handling freight, often in proximity to major transport routes or terminals, and which generate large amounts of truck traffic.

b. Project Location: The DERA statute enables the Program to prioritize projects that serve poor air quality areas (including nonattainment or maintenance areas and areas with air toxic air pollutant concerns).

- 1) **Nonattainment or Maintenance Area:** These counties are identified as priority project locations for the DERA Program because they are designated as nonattainment areas or maintenance areas for the following National Ambient Air Quality Standards. Data is sourced from [EPA's Green Book of Nonattainment Areas for Criteria Pollutants](#).

- a) Ozone (O₃) 2008 Standard (8-hour: 0.075 ppm)
- b) Ozone (O₃) 2015 Standard (8-hour: 0.070 ppm)
- c) PM_{2.5} 1997 Standard (Annual: 15 µg/m³, 24-hour: 65 µg/m³)
- d) PM_{2.5} 2006 Standard (Annual: 15 µg/m³, 24-hour: 35 µg/m³)
- e) PM_{2.5} 2012 Standard (Annual: 12 µg/m³, 24-hour: 35 µg/m³)

The term “project location” refers to the area(s) where the affected vehicles, engines, or equipment operate. A list of counties that have been designated as priority project locations can be found on the [DERA State website](#).

- 2) **Area of Air Toxics Concern:** Counties that are identified as priority project locations for the DERA Program because they contain at least one census tract where the modeled ambient diesel PM concentration from the [2020 Air Toxics Screening Assessment](#) is above the 80th percentile (0.27 µg/m³ for 2020) for census tracts nationwide. The 80th percentile is a programmatic cutoff designed to help the EPA evaluate those areas that are most likely to have higher concentrations of diesel PM in the year of analysis (*i.e.*, the year for which data are available); this level was not chosen based on risk or other health-based criteria or thresholds. [AirToxScreen](#) is a screening tool and there are limitations and uncertainties associated with it; refer to: [AirToxScreen Limitations](#).

These Program criteria for priority areas are drawn from the prioritization authorization described in the DERA statute. The methodology for calculating covered Program benefits to priority areas may be updated in the future as additional funding opportunities are offered under the Program.

IX. PROGRAM GOALS AND ENVIRONMENTAL RESULTS

The activities to be funded under this announcement support Pillar 1: *Clean Air, Land, and Water for Every American* and Pillar 5: *Protecting and Bringing Back American Auto Jobs* of [the EPA's Five Pillars, under the “Powering the Great American Comeback Initiative.”](#)

The DERA State Program provides funding to States and territories to establish their own programs to replace diesel vehicles and equipment. Recipients must include specific statements describing the environmental results of the proposed project in terms of well-defined outputs and, to the maximum extent practicable, well-defined outcomes.

- 1. Outputs:** The term “output” means an environmental activity, effort, or associated work product related to an environmental goal or objective that will be produced or provided over a period of time or by a specified date. Outputs may be quantitative or qualitative but must be measurable during an assistance agreement funding period.

Expected outputs from the projects to be funded under this announcement include, but are not limited to:

- Number of replaced or retrofitted engines/vehicles/equipment; and
- Hours of idling reduced, if applicable.

Progress reports and a final report are required outputs, as specified in Section XIII.I of this Guide.

Other potential outputs may include, but are not limited to:

- Engaging with local residents to ensure their meaningful participation with respect to the design, planning, and performance of the project;
- The project’s inclusion in a broader-based environmental or air quality plan;
- The implementation of contract specifications requiring the use of cleaner vehicles and equipment;
- A documented commitment to continue to identify and address air quality issues in the affected community;
- Establishing a clear point of contact in a public platform for community issues and complaints;
- A publicly documented policy or process for getting community input on operations and projects that impact air quality;
- Adoption of an idle reduction policy;
- The completion of a baseline mobile source emission inventory for PM_{2.5} and or NO_x;
- Number of subawards; and
- Dissemination of project/technology information via listservs, websites, journals, and outreach events.

- 2. Outcomes:** The term “outcome” means the result, effect, or consequence that will occur

from carrying out an environmental program or activity that is related to an environmental or programmatic goal or objective. Outcomes may be environmental, behavioral, health-related, or programmatic in nature, but should also be quantitative. They may not necessarily be achievable within an assistance agreement funding period.

Expected outcomes from the projects to be funded under this announcement include, but are not limited to:

- Tons of pollution reduced over the lifetime of the vehicles/engines/equipment, specifically:
 - Fine particulate matter (PM_{2.5})
 - Nitrogen oxides (NO_x)
 - Carbon monoxide (CO), and
 - Volatile organic compounds (VOCs);
- Tons of pollution reduced annually;
- Lifetime total project cost effectiveness for NO_x and PM_{2.5};
- Lifetime capital cost effectiveness for NO_x and PM_{2.5};
- Net reduction in gallons of diesel fuel used;
- Improved ambient air quality in communities in which the vehicles operate; and
- Reduction of emitted criteria pollutants from replaced vehicles.

Other potential outcomes may include, but are not limited to:

- Community engagement and partnership;
- Improved ambient air quality;
- Health benefits achieved;
- Changes in driver behavior regarding idling practices;
- An increased understanding of the environmental or economic effectiveness of the implemented technology;
- Increased public awareness of the project and results;
- Widespread adoption of implemented technology;
- Emissions reductions along freight transportation corridors.

3. **Performance Measures:** The State should also develop performance measures they expect to achieve through the proposed activities and describe them in their application. These performance measures will help gather insights, be the mechanism to track progress concerning successful processes, output, and outcome strategies, and provide the basis for developing lessons to inform future recipients. Additional details on reporting requirements are included in Section XII.I of this Guide. It is expected that the description of performance measures will directly relate to the project outcomes and outputs.

The description of the performance measures should directly relate to the project's outcomes and outputs, including but not limited to:

- Overseeing subrecipients, contractors, and vendors;
- Tracking and reporting project progress on expenditures and purchases;
- Tracking, measuring, and reporting accomplishments and proposed timelines/milestones;
- Tracking and reporting project progress on installations/replacements by maintaining an accurate project fleet description;
- Measuring and reporting on outcomes by maintaining an accurate project fleet description and using the EPA's diesel emissions quantifier;
- Efforts should be made to track, measure, and report the actual vehicle miles traveled, hours of use/operation, and fuel use for all vehicles and equipment involved in the project.

The following are questions to consider when developing output and outcome measures of quantitative and qualitative results:

- What are the measurable short-term and long-term results the project will achieve?
- How does the plan measure progress in achieving the expected results (including outputs and outcomes) and how will the approach use resources effectively and efficiently?

X. ELIGIBLE AND INELIGIBLE ACTIVITIES

Activities must meet the following requirements to be eligible for funding:

- A. Project Eligibility Criteria:** Projects must meet the eligibility criteria defined in the tables below.

Table 4: Medium and Heavy-Duty Truck, Transit Bus, and School Bus Project Eligibility

Current Engine Model Year (EMY)	Verified Retrofit Technologies			Verified Idle Reduction, Tires, or Aero-dynamics	Vehicle or Engine Replacement: EMY 2024+ (2019+ for Drayage)	Zero-emission ¹ or Low-NO _x ² Vehicle or Engine Replacement: EMY 2024+	Clean Alternative Fuel Conversion
	DOC +/- CCV	DPF	SCR				
Older – 2006	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2007 – 2009	No	No	Yes	Yes ³	Yes	Yes	Yes
2010 - newer	No	No	No	Yes ³	No	Yes	Yes

Acronyms: DOC = Diesel Oxidation Catalyst; CCV = Closed Crankcase Ventilation; DPF = Diesel Particulate Filter; EMY = Engine Model Year; SCR = Selective Catalytic Reduction

Table 5. Nonroad Engine Project Eligibility

Current Engine Tier	Nonroad Equipment Replacement					Verified Retrofit
	Compression Ignition			Spark Ignition	Zero-Emission ⁴	
	Tier 0-2	Tier 3-4i	Tier 4	Tier 2		
Unregulated – Tier 2	No	No	Yes	Yes	Yes	Yes
Tier 3	No	No	Yes	Yes	Yes	Yes
Tier 4	No	No	No	No	Yes	No
Current Engine Tier	Nonroad Engine Replacement					Verified Engine Upgrade
	Compression Ignition			Spark Ignition	Zero-Emission ⁵	
	Tier 0-2	Tier 3-4i	Tier 4	Tier 2		
Unregulated – Tier 2	No	Yes ⁶	Yes	Yes	Yes	Yes
Tier 3	No	No	Yes	Yes	Yes	Yes
Tier 4	No	No	No	No	Yes	No

¹ Eligible zero emission projects utilizing fuel cell technology are limited to vehicle replacement projects for eligible transit buses, shuttle buses, and drayage trucks.

² Engines are Low-NO_x if they are certified to 0.10 NO_x/bhp-hr or lower. Refer to the Low-NO_x guidance document on the [DERA State](#) website.

³ Auxiliary power units and generators are not eligible technologies for vehicles with EMY 2007 or newer.

⁴ Eligible zero-emission projects utilizing fuel cell technology are limited to nonroad equipment replacements for eligible terminal tractors/yard hostlers, stationary generators, and forklifts.

⁵ Engine replacement with a fuel cell technology is not eligible.

⁶ Tier 3 and Tier 4i engines may be used for engine replacement projects only with an approved best achievable technology analysis.

Table 6: Marine Engine Project Eligibility

Engine Category	Engine Horsepower	Current Engine Tier	Engine & Vessel Replacement					Certified Re-manufacture System ⁷	Verified Engine Upgrade
			Compression Ignition			Spark Ignition	Zero-Emission ⁸		
			Tier 1-2	Tier 3	Tier 4				
C1, C2	<803	Un-regulated – Tier 2	No	Yes	No ⁹	Yes	Yes	Yes	Yes
C1, C2	≥804	Un-regulated – Tier 2	No	Yes ¹⁰	Yes	Yes	Yes	Yes	Yes
C1, C2	<803	Tier 3	No	No	No ⁹	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 ⁹	No	No	No	No
C3	All	Tier 3	No	No	No ⁹	No	No	No	No

Table 7: Locomotive Engine Project Eligibility

Current Locomotive Tier	Engine & Locomotive Replacement				Verified Retrofit	Idle-Reduction Technology ¹¹	Certified Remanufacture System ¹²
	Tier 0–2+	Tier 3	Tier 4	Zero-Emission ¹³			
Unregulated - Tier 2+	No	Yes ¹⁴	Yes	Yes	Yes	Yes	Yes
Tier 3	No	No	Yes	Yes	Yes	Yes	Yes
Tier 4	No	No	No	No	No	Yes	No

⁷ Some marine engine projects may be subject to the restriction on mandated measures, refer to Section X.D.24 below.

⁸ Zero emission projects utilizing fuel cell engine and vessel replacements are ineligible.

⁹ Tier 4 engines are not available for this type of engine.

¹⁰ Tier 3 engines may be used for engine replacement projects with an approved best achievable technology analysis. Over 803 horsepower (HP), Tier 3 engines are not eligible technologies for full vessel replacement projects.

¹¹ Automatic engine start-stop technologies are only eligible to be installed on locomotives currently unregulated or certified to Tier 0, subject to the restriction on mandated measures.

¹² Some locomotive engine projects may be subject to the restriction on mandated measures.

¹³ Zero-emission projects utilizing fuel cell engine replacement are ineligible. However, zero-emission fuel cell locomotive replacement projects are eligible for funding.

¹⁴ Tier 3 engines may only be used for an engine replacement project if Tier 4 engines are demonstrated to not be available or feasible through an approved best achievable technology analysis as defined in Section X.B., below. Full locomotive replacement projects with Tier 3 locomotives are ineligible for funding.

Note: Tier 0+, Tier 1+, Tier 2+, Tier 3, and Tier 4 represent locomotives manufactured or remanufactured under the more stringent Tier standards promulgated under the 2008 (current) locomotive and marine rule. Tier 0, Tier 1, and Tier 2 represent locomotives originally manufactured or remanufactured under the less stringent Tier standards promulgated in 1997.

B. Best Achievable Technology (BAT): Please refer to the BAT analysis guidance document found at the [DERA State website](#) for more information on how to conduct a BAT analysis.

C. Ownership, Usage, and Remaining Life Requirements: To be eligible for funding, vehicles and equipment targeted for upgrades must meet certain ownership, usage, and remaining life requirements. States should demonstrate that all funded vehicles and equipment in their projects will meet the criteria defined in 1–6, below.

If selected for funding, participating fleet owners must attest to each criterion in 1–6 below in a signed eligibility statement that includes each vehicle make, model, year, vehicle identification number, odometer/usage meter reading, engine make, model, year, horsepower, engine ID or serial number, and vehicle/equipment registration/licensing number and State. Recipients must submit this documentation as part of the recipient's programmatic reporting to the EPA to verify the eligible use of grant funds. The most recent version of the required eligibility statement may be found on the [DERA State website](#). The signed eligibility statement is not required at the time of project development.

- 1. Operational:** The existing vehicle, engine, or equipment must be fully operational. Operational equipment must be able to start, move, and have all necessary parts to be operational.
- 2. Ownership:** The participating fleet owner must currently own and operate the existing vehicle or equipment and have owned and operated the vehicle during the two years prior to upgrade.
- 3. Remaining Life:** The existing vehicle, engine, or equipment must have at least three years of remaining life when upgraded. Remaining life is the fleet owner's estimate of its operational lifespan before retirement if the unit were not being upgraded or scrapped because of the grant funding regardless of rebuilding or resale. This estimate considers the unit's age, condition, usage, maintenance, and project location.
- 4. Highway Usage:** The mileage of two or more units may be combined to reach the thresholds below if those units are scrapped and replaced with a single unit.
 - a.** To be eligible for funding, the existing certified highway engine/vehicle must have accumulated at least 7,000 miles per year during the two years prior to upgrade.
 - b.** Exception: If a recipient can demonstrate that a certified highway engine/vehicle is being used in a predominately nonroad manner (*e.g.*, firetrucks or utility trucks, which require the vehicle's engine to idle for long periods to power auxiliary apparatus), engine operating hours as defined below in "nonroad usage" may be used for application eligibility purposes. If selected for award, the EPA will review and approve eligibility on a case-by-case basis.

5. **Nonroad Usage:** The engine operating hours of two or more units may be combined to reach the thresholds below if those units will be scrapped (*see* Section X.D.16. of this Guide below) and replaced with a single unit.
 - a. **Agricultural Pumps:** To be eligible for funding, certified nonroad agricultural pumps must operate at least 250 hours per year during the two years prior to upgrading.
 - b. **All Other Nonroad Engines:** To be eligible for funding, certified nonroad engines must operate at least 500 hours per year during the two years prior to upgrade.
 - c. **Exception:** If a recipient can demonstrate that a certified nonroad engine/piece of equipment is being used in a predominately highway manner, vehicle mileage as defined above in “highway usage” may be used for application eligibility purposes. If selected for award, the EPA will review and approve eligibility on a case-by-case basis.
6. **Locomotive and Marine Usage:** The engine operating hours of two or more units may be combined to reach the thresholds below if those units will be scrapped (*see* Section X.D.16. of this Guide below) and replaced with a single unit. To be eligible for funding, the existing certified locomotive and marine engines must operate at least 1,000 hours per year during the two years prior to upgrade.

D. Vehicle and Equipment Costs

1. **Vehicles, Engines, and Equipment:** Eligible project costs include the purchase price of eligible vehicles, engines, and equipment as defined in Sections VIII and XI of this Guide.
2. **Ineligible Expenses for All Zero-emission Projects:** DERA grant funds (including cost share) cannot be used for charging infrastructure; power distribution to the property line; electricity; operation and maintenance of electrical systems; or stationary energy storage systems, such as batteries and their installation. Similarly, these funds cannot be used for on-site power generation systems, like solar or wind power equipment, and their installation.
3. **Vehicle and Equipment Replacement Projects:**
 - a. **Certification:** Prior to being legal for sale in the United States, regulated mobile sources must be certified by the EPA (or CARB). This requirement to be certified applies to the following internal combustion mobile sources: highway vehicles and highway, nonroad, marine, and locomotive engines. The only type of zero-emission mobile technology requiring certification is zero-emission highway vehicles. There are no certification requirements for zero-emission nonroad, marine, and locomotive engines.

As a result of these regulatory requirements, to be eligible for DERA funding, all replacement highway vehicles must be certified by the EPA (or CARB) to meet applicable emission standards. This means for projects in which the replacement highway vehicle is powered using an internal combustion engine, both the vehicle and the engine must have been certified. For projects in which the replacement highway vehicle is powered by a zero-emission powertrain, only the vehicle must be certified.

Similarly, all projects involving the replacement of nonroad equipment, locomotives, or marine vessels must be powered by engines certified to meet EPA (or CARB) emission standards unless the engine on the replacement nonroad equipment, locomotive, or marine vessel is a zero-emission engine.

Certification data for vehicles, engines, and equipment may be found at the EPA's [Annual Certification Data for Vehicles, Engines, and Equipment website](#). More information on the EPA's engine emission standards for mobile sources may be found on the EPA's [All EPA Emission Standards website](#). Engines certified by CARB may be found by searching CARB's Executive Orders for Heavy-duty Engines and Vehicles, found on [CARB's New Vehicle and Engine Certification website](#).

- b. To be eligible for funding, replacements must be of similar type, including similar GVWR or horsepower as the existing vehicle or equipment being replaced.
 - 1) Nonroad/Locomotive/Marine Projects: Horsepower increases of more than 40 percent require specific approval by the EPA prior to purchase, and the recipient may be required to pay the additional costs associated with the higher horsepower equipment.
 - 2) Highway Vehicles: The replacement vehicle must not be in a larger weight class than the existing vehicle. Exceptions may be granted for vocational purposes and require specific EPA approval prior to purchase.
- c. Replacement vehicles and equipment must continue to perform similar functions and operations of the existing vehicles and equipment.
- d. Replacement vehicles must resemble the replaced vehicle in form and function. The cost of optional components or "add-ons" that significantly increase the cost of the vehicle may not be eligible for funding under the grant.

4. Grid Electric Powered Replacement Projects:

- a. Grant funds cannot be used for the purchase and installation of certain equipment required for power delivery directly related to the replacement technology; design and engineering; electrical panels; upgrades to existing electrical panels or electrical service; and wiring/conduit.

5. Engine Replacement Projects:

- a. To be eligible for funding, replacement highway, nonroad, marine, and locomotive engines must be certified to meet EPA or CARB emission standards, unless the replacement is a zero-emission powertrain. Please reference the [EPA's Annual Certification Data for Vehicles, Engines, and Equipment](#), the EPA's mobile source [Emission Standards](#), and [CARB's Executive Orders for Heavy-duty Engines and Vehicles](#).
- b. Eligible costs include equipment and parts included in the certified engine configuration or necessary to ensure the effective installation and functioning of the new technology, such as design and engineering, parts and materials, and installation.
- c. For engine replacement with battery, fuel cell, or grid electric, eligible costs include electric motors, electric inverters, battery assembly, direct drive transmission/gearboxes, regenerative braking systems, vehicle control/central

processing units, vehicle instrument clusters, hydrogen storage tanks, hydrogen management systems, and fuel cell stack assemblies.

- d. Funding under this Program cannot be used to replace cabs, axles, paint, brakes, or mufflers.
- e. To be eligible for funding, the replacement engine must be of similar horsepower as the engine being replaced.
 - 1) All engine replacement projects: Horsepower increases of more than 40 percent require specific approval by the EPA prior to purchase, and the recipient may be required to pay the additional costs associated with the higher horsepower equipment.

6. Certified Engine Remanufacture System Projects:

- a. To be eligible for funding, remanufacture systems for locomotives and marine engines must be certified by the EPA at the time of acquisition. The list of certified remanufacture systems is available at [Annual Certification Data for Vehicles, Engines, and Equipment](#) and additional information on remanufacture systems is available at the [EPA's Marine Remanufacturing Program: Maintaining Compliance when Rebuilding Category 1 and 2 Marine Diesel Engines](#).
- b. Eligible costs include the associated labor costs for installation of the system.
- c. Funding under this Program cannot be used for the entire cost of an engine rebuild if a certified remanufacture system is applied at the time of rebuild; the funds may only be used for the cost of the certified remanufacture system and associated labor costs for installation of the kit.

7. All Idle Reduction Projects:

- a. Please refer to the cost share table in [Section XI](#) of this Guide to see the group of technologies considered idle reduction projects for the purpose of this Program Guide.
- b. Eligible costs for idle reduction technologies that are installed on the vehicle can include the associated labor costs for installation of the system.
- c. To be eligible for funding, technologies must be on the [EPA's SmartWay Verified Technologies](#) list at the time of acquisition, unless the technology is a marine shore power connection system that requires verification on a case-by-case basis. Please see Section X.D.10 of this Guide for more information on project requirements for marine shore power connection systems.

8. Electrified Parking Space Projects:

- a. To address long duration idling and engine operation, eligible costs include the purchase and installation of certain equipment required for power delivery directly with a verified technology; design and engineering; electrical panels; upgrades to existing electrical panels or electrical service; wiring/conduit; and installation.

9. Locomotive Shore Power Connection Projects:

- a. Eligible costs include purchase and installation of certain equipment required for power delivery directly related to the installation of a verified technology; design and engineering; electrical panels; upgrades to existing electrical panels or electrical service; wiring/conduit; and installation.

10. Marine Shore Power Connection Projects:

- a. Funding may support new installations or expansions of existing marine shore power systems.
- b. To be eligible for funding, marine shore power projects must meet the following criteria:
 - 1) Due to the unique nature and custom design of marine shore power connection systems, the EPA must review and approve marine shore power connection systems on a case-by-case basis. If the project application is selected for funding, the final design of the marine shore power connection system requires specific EPA approval prior to purchase and installation.
 - 2) Recipients must commit to reporting usage information to the EPA for five years after the system is operational.
 - 3) Recipients must attest to compliance with international shore power design standards ([IEC/ISO/IEEE 80005-1:2019/ AMD 2:2023](#) High Voltage Shore Connection Systems or the [IEC/PAS 80005-3:2025](#) Low Voltage Shore Connection Systems).
 - 4) Shore power connection systems must be supplied with electricity from the local utility grid.
 - 5) Demonstration that the proposed system has the capacity, demand, and commitment necessary to be used for more than 1,000 megawatt-hours per year. Smaller projects will be considered if the recipient can demonstrate cost effectiveness.
 - 6) Shore power capable vessels docked at a berth where shore power is available must be required to turn off the vessel's engines and use the shore power system, with limited exceptions for extreme circumstances.
 - 7) Eligible costs include the purchase and installation of the shore side equipment and certain equipment required for power delivery directly related to the new equipment, such as design and engineering, cables, cable management systems, shore power coupler systems, distribution control systems, grounding switches, service breakers, capacitor banks, electrical panels, upgrades to existing electrical panels or electrical service, wiring/conduit, and installation. Funding under this Program cannot be used for modifications to marine vessels to accept shore-based electrical power.

11. Retrofit Projects:

- a. Eligible costs include the associated labor costs for installation of the system, design and engineering, DPF cleaning machines, extra DPFs for maintenance rotation, replacement CCV filters, and filter cleaning contracts during the grant open period.
- b. To be eligible for funding, verified retrofit technologies must be on the [EPA's](#) or [CARB's](#) Verified Technologies lists at the time of acquisition, be used only for the vehicle/engine application specified on the lists, and meet any applicable verification criteria.
- c. The EPA will not fund the use of fuels or additives.

12. Alternative Fuel Vehicle Conversion Projects:

- a. Eligible costs include the associated labor costs for installation of the system.
- b. To be eligible for funding, alternative fuel conversion systems must be certified by the EPA or CARB or must be approved by the EPA for Intermediate-Age engines. *Refer to the [EPA's](#) lists of "Certified Conversion Systems for New Vehicles and Engines" and "Conversion Systems for Intermediate-Age Vehicles and Engines" and [CARB's](#) list of "Approved Alternate Fuel Retrofit Systems."*
- c. To be eligible for funding, conversion systems for EMYs 2006 and earlier must achieve at least a 30 percent NO_x reduction and a 10 percent PM reduction from the applicable certified emission standards of the original engine.
- d. To be eligible for funding, conversion systems for EMYs 2007 and newer must achieve at least a 20 percent NO_x reduction with no increase in PM from the applicable certified emission standards of the original engine. Applications for clean alternative fuel conversions should include a discussion of the availability of conversion systems and indicate the pre- and post-project emission standard levels of the engines to demonstrate that the conversions result in the required emissions benefit.

13. Aerodynamics and Low Rolling Resistance Tire Projects:

- a. Eligible costs include the associated labor costs for installation.
- b. Eligible costs can include single-wide wheels only if a fleet is retrofitting from standard dual tires to SmartWay-verified single-wide low rolling resistance tires.
- c. Funding under this Program cannot be used to replace steel wheels with aluminum wheels of the same configuration (singles or duals).
- d. To be eligible for funding, technologies must be on the [EPA's verified aerodynamic technologies list](#) and [verified list for low rolling resistance new and retread tire technologies list](#) at the time of acquisition, must be used only for the application specified on the lists, and must meet any applicable verification criteria.
- e. The EPA will not fund stand-alone aerodynamic technologies or LRR tires. To be eligible for funding, these technologies must be combined on the same vehicle with the new installation of an exhaust after-treatment retrofit funded under this Program.

14. Replacement Technologies: Funding under this Program cannot be used for the purchase of engine retrofits, idle reduction technologies, LRR tires or advanced aerodynamic technologies if similar technologies have previously been installed on the truck or trailer.

15. Scrappage: The vehicle, equipment, or engine being replaced must be scrapped or rendered permanently disabled within ninety (90) days of being replaced. Vehicles, equipment, and engines are considered replaced when the new vehicle, equipment, or engine is operational.

- a. Cutting a three-inch-by-three-inch hole in the engine block (the part of the engine containing the cylinders) is the preferred scrapping method. Other scrapping methods may be considered but require prior EPA approval.
- b. Disabling the chassis may be completed by cutting through the frame/frame rails on each side at a point located between the front and rear axles. The recipient may consider other scrapping methods which will require prior written EPA approval.
- c. Equipment and vehicle components that are not part of the engine or chassis may be salvaged from the unit being replaced (*e.g.*, plow blades, shovels, seats, tires). Program

income requirements apply if disabled engines, disabled vehicles, disabled equipment, or parts are to be sold.

d. Alternative Scrappage Options:

- 1) If a 2010 EMY or newer highway vehicle is replaced, the 2010 EMY or newer vehicle may be retained or sold if the 2010 EMY or newer vehicle will replace a pre-2009 EMY vehicle, and the pre-2009 EMY vehicle will be scrapped. It is preferred that the scrapped unit currently operates within the same project location(s) as the 2010 EMY or newer vehicle, however alternative scenarios will be considered. All existing and replacement vehicles are subject to the funding restrictions in this guidance. All equipment must operate within the United States. Under this scenario, the recipient must submit a detailed scrappage plan that requires prior EPA approval before carrying out the alternative scrappage plan.
 - 2) If a Tier 2, Tier 3, or Tier 4 locomotive, marine, nonroad vehicle, equipment, or engine is replaced, the units may be retained or sold if they replace a similar, lower Tiered unit, and the lower Tiered unit will be scrapped. It is preferred that the scrapped unit currently operates within the same project location(s) as the original Tier 2, 3, or 4 unit, however alternative scenarios will be considered. All existing and replacement equipment are subject to the funding restrictions in this guidance. All equipment must operate within the United States. Under this scenario, the recipient must submit a detailed scrappage plan that requires prior EPA approval before carrying out the alternative scrappage plan.
- e.** For aerodynamic and LRR tire projects, the original tires must be scrapped according to local and state requirements.
- f.** Evidence of appropriate disposal must be submitted as part of the recipient's programmatic reporting to the EPA to verify the eligible use of grant funds. Participating fleet owners must attest to the appropriate disposal in a signed scrappage statement. The most recent version of the required scrappage statement may be found on the [EPA's DERA State website](#). The scrappage statement must include:
- 1) Vehicle owner's name and address.
 - 2) Vehicle make, vehicle model, vehicle model year, VIN, odometer reading or usage meter reading, engine make, engine model, engine model year, engine horsepower, engine ID or serial number, as applicable.
 - 3) Name, address, and signature of dismantler.
 - 4) Date engine or vehicle/equipment was scrapped.
 - 5) Statement attesting to scrappage of vehicle/engine as defined above.
 - 6) Signature of participating fleet owner.
 - 7) Digital photos as follows:
 - Side profile of the vehicle, prior to disabling;
 - VIN tag or equipment serial number;
 - Engine label (showing serial number, engine family number, and engine model year);
 - Engine block, prior to hole;
 - Engine block, after hole;
 - Cut frame rails or other cut structural components, as applicable; and
 - Others, as needed.

- 16. Project Implementation Costs:** Eligible project costs include those costs directly related to the implementation, management, and oversight of the project, including recipient and subrecipient personnel and benefits, equipment, scrappage, contractual, travel, supplies, subgrants and rebates, and indirect costs.
- 17. Mechanic and Driver Training:** Eligible project costs can include mechanic/driver training related to the maintenance and operation of new technologies.
- 18. Truck DPF Maintenance:** Eligible costs for truck replacement projects include the required/scheduled vehicle maintenance, as specified in the owner's manual, which is necessary to meet the warranty requirements for DPFs installed on trucks. Funding for required maintenance is available for the duration of the period of performance.
- 19. Federal Matching Funds:** Funding under this Program cannot be included as a cost or used to meet cost sharing or matching requirements of any other federally financed grant, as required under [2 CFR 200.306\(b\)\(5\)](#) and [2 CFR 200.403\(f\)](#). This includes funding received under the EPA's DERA National Program and Federal Supplemental Environmental Project funds.
- 20. Administrative Costs Expense Cap:** No more than 15 percent of the State's total project costs may be used to cover administrative type costs (*e.g.*, personnel, benefits, travel, office supplies). Total project costs include the Federal share as well as any cost-share provided by the State. However, regions have the discretion to allow State matching funds to exceed the 15 percent cap if the State provides justification for unique circumstances. The State's indirect costs are not considered administrative type costs and do not count towards the 15 percent maximum.
- 21. Expenses Incurred Prior to the Period of Performance:** Funding under this Program cannot be used to cover expenses incurred prior to the project period of performance set forth in any assistance agreement funded under this Program, except for eligible pre-award costs as defined in [2 CFR 200.458](#) and as authorized by [2 CFR 200.309](#) and [2 CFR 1500.8](#).
- 22. Emissions Testing:** Funding under this Program cannot be used for emissions testing or air monitoring activities (including the acquisition cost of emissions testing equipment), research and development, or technology demonstration, commercialization, certification, or verification.
- 23. Fueling and Charging Infrastructure:** Funding under this Program cannot be used for fueling or charging infrastructure, such as for the production or distribution of biodiesel, compressed natural gas, liquefied natural gas, hydrogen, or other fuels; or the purchase and installation of a charging unit for an electric vehicle/equipment or related Electric Vehicle Supply Equipment (EVSE).
- 24. Mandated Measures:** Funding under this Program cannot be used to fund the costs of emissions reductions that are mandated under Federal law pursuant to [42 U.S.C. § 16132\(d\)\(2\)](#). Please reference the Mandated Measures Justification document on the

[DERA State](#) website for further information if the application includes marine, locomotive, or stationary generator projects.

25. Leasing: Funding under this Program cannot be used for leasing vehicles, engines, or equipment.

26. Build America, Buy America Requirements: Certain projects are subject to the Buy America Sourcing requirements under the Build America, Buy America (BABA) provisions of the [Infrastructure Investment and Jobs Act \(IIJA\)](#) (P.L. 117-58, 70911-70917) when using funds for the purchase of goods, products, and materials on any form of construction, alteration, maintenance, or repair of infrastructure in the United States. The Buy America preference requirement applies to all of the iron and steel, manufactured products, and construction materials used for the infrastructure project under an award for the [EPA's financial assistance funding programs](#).

These sourcing requirements require that all iron, steel, manufactured products, and construction materials used in federally funded infrastructure projects must be produced in the United States. The recipient must implement these requirements in its procurements, and this article must flow down to all subawards and contracts at any time.

For more information about BABA requirements for DERA projects, applicants should consult the [BABA Implementation Procedures for OTAQ's Federal Assistance Programs](#). Please consider this information when preparing budget information. A list of approved EPA general applicability waivers is available on the EPA's [Build America, Buy America website](#). When supported by rationale provided in [IIJA 70914](#), the recipient may submit a project-specific waiver request to the EPA if available general applicability waivers do not apply. For more information on waivers, refer to Section 5 and Appendix 5 of the [BABA Implementation Procedures for OTAQ's Federal Assistance Programs](#).

In addition to BABA requirements, all procurements under grants may be subject to the domestic preference provisions of [2 CFR 200.322](#).

Refer to the “Build America, Buy America” clause in the [EPA's Solicitation Clauses](#).

27. Cross-Cutters: Cross-cutters refers to federal laws, regulations, or executive orders that apply across multiple federally funded programs, including certain projects awarded through the DERA Program that involve construction or land disturbance. Construction activities consist of any project-related land-clearing or ground-breaking activities, including those that inform design or are part of the planning process, such as the drilling of test boreholes. Cross-cutting requirements ensure that projects comply with broader environmental standards. Applicability of cross-cutting requirements will depend upon the specifics of the project. A non-exhaustive list is available in the EPA's [guidance to pass-through entities](#). Each cross-cutting authority has its own requirements and associated schedule. Additional time will be needed for activities that require consultation with other federal agencies or with State, local, and Tribal partners.

XI. COST SHARE REQUIREMENTS

Any form of cost share, mandatory or voluntary, must be included in the budget detail portion of the project narrative, and the project must describe how and when the recipient will obtain the cost share and how the cost share funding will be used. Recipients may use their own funds or other sources for cost share if the standards of [2 CFR Part 200](#), as applicable, are met. **If the proposed cost share is to be provided by a named project partner, a letter of commitment is required.** Only eligible and allowable costs may be used for cost share.

Applicants must demonstrate in their proposal how they will meet the cost share requirement to be considered eligible. Selected recipients must comply with [2 CFR §200.306](#) when meeting a cost share requirement. The EPA has developed an optional tool to assist in determining mandatory cost share requirements, which can be found on the [DERA State](#) website.

Note: Please adhere to the cost share requirements specific to the FY State Program Guide for which funding was received.

The “EPA Funding Limits” (percentages) shown below represent the maximum portion of the equipment costs (parts and labor, including sales tax) that can be covered with a combination of EPA DERA funds and any non-Federal voluntary matching funds provided by the State. The portion of the costs that exceed the EPA Funding Limit is referred to as the “mandatory cost share.” Meeting the mandatory cost share is ultimately the responsibility of the grantee; however, the mandatory cost-share is typically provided by project partners (*e.g.*, fleet owners). As discussed in [Section V.C. of this Guide](#), States may contribute voluntary matching funds to the project to qualify for the matching incentive. In addition to a voluntary match provided by a State to receive the EPA matching incentive, a State may contribute a larger voluntary match to achieve additional diesel emissions reductions under their DERA State Grant. Mandatory cost share funds provided by the State or third parties cannot count towards the State’s voluntary matching funds to qualify for the matching incentive.

Please note: DERA funds may not be used to meet mandatory cost sharing requirements for projects funded with environmental mitigation funds resulting from Federal settlements. Furthermore, Federal environmental mitigation funds may not be used to meet non-Federal mandatory cost share requirements of any DERA grant.

Cost sharing and matching requirements under \$200,000 for territory recipients (the U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands) are waived as a matter of law as authorized by the [Omnibus Territories Act, 48 U.S.C. Section 1469a](#). Territory recipients with applications that will require a cost share of \$200,000 or more are advised to contact their EPA Regional Office to determine if cost share requirements will be waived in whole or in part.

A. Mandatory Cost Share Requirement: Projects are subject to the funding limitations and mandatory cost share requirements shown in Table 8, below.

Table 8: Cost Share Requirements

Eligible Technologies	EPA Funding Limit	Recipient Cost Share Requirement
Highway Vehicle Replacement with certified engine meeting:		
0.20-0.11 g NO _x /bhp-hr emission limit ¹⁵	25%	75%
0.10-0.036 g NO _x /bhp-hr emission limit ¹⁶	35%	65%
0.035 g NO _x /bhp-hr or lower emission limit ¹⁷	45%	55%
Highway Engine Replacement with certified engine meeting:		
0.20-0.11 g NO _x /bhp-hr emission limit	40%	60%
0.10-0.036 g NO _x /bhp-hr emission limit	50%	50%
0.035 g NO _x /bhp-hr or lower emission limit	60%	40%
Nonroad/Locomotive/Marine Replacement		
Nonroad equipment, locomotive or vessel replacement with certified engine	25%	75%
Engine replacement with certified engine or zero-emission power source	35%	65%
Nonroad, with unregulated or Tier 1 engine, equipment replacement with current (Tier 4) certified engine or zero-emission power source	40%	60%
EPA certified remanufacture systems	80%	20%
Idle Reduction		
EPA Verified Highway Vehicle Idle Reduction Technologies when combined with new or previously installed exhaust after-treatment retrofit	100%	0%
EPA Verified Locomotive Idle Reduction Technologies	40%	60%
EPA Verified Electrified Parking Space Technologies	30%	70%
EPA Verified Highway Idle Reduction Technologies without new exhaust after-treatment retrofit	25%	75%
EPA Verified Marine shore connection systems	25%	75%
Verified Retrofit Technologies		
EPA or CARB Verified Exhaust After-treatment Retrofits	100%	0%
EPA Verified Engine Upgrade Retrofits	100%	0%
EPA Verified Aerodynamics and Low Rolling Resistance Tires when combined with new exhaust after-treatment retrofit	100%	0%
EPA Verified Hybrid Retrofit Systems	60%	40%
Alternative Fuel Conversion	40%	60%
EPA Verified Fuel and Additive Retrofits when combined with new retrofit, upgrade, or replacement	Cost differential between conventional diesel fuel	0%

¹⁵ 0.20 g NO_x/bhp-hr is from the EPA's heavy-duty engines standard at [40 CFR 86.007-11\(a\)\(1\)\(i\)\(A\)](#).

¹⁶ 0.10 g NO_x/bhp-hr is the highest of three NO_x emission limits an original equipment manufacturer (OEM) could certify an engine to under CARB's Optional Low NO_x rule. These rules have essentially been superseded since model year 2024.

¹⁷ 0.035 g NO_x/bhp-hr is from the EPA's heavy-duty 2027 rule ("HD27") at [40 CFR 1036.104\(a\)\(1\)](#)

Identifying emissions to determine eligibility: NO_x emissions for highway engines and vehicles should be estimated at the time of application by identifying the NO_x standard to which an engine was certified to. An authorized dealer may be able to provide this information. Otherwise, it can be located in either an issued [CARB Executive Order](#) or by locating the engine in the EPA's certification data table following the instructions below.

1. Navigate to the EPA's [Annual Certification Data website](#).
2. Download the most recent Heavy-Duty Highway Gasoline and Diesel Certification Data.
3. On the "Family Info" tab, locate the vehicle's EPA engine family name in the "Engine Family" column by searching using CTRL+f.
4. Determine the correct row by locating "Nitrogen Oxides" in the "Pollutant name" column.
5. If a value is listed in the "Transient FEL" column, that is the engine's applicable NO_x emission standard. If no value is listed in that column, the applicable standard is in the "Transient Standard" column.

Applicants will need to know the engine installed in a highway vehicle to be able to determine the applicable NO_x emission standard for the new highway vehicle. If uncertain of a highway engine's EPA engine family name, the EPA recommends speaking with an authorized dealer of the vehicle or engine for which the applicant is applying for. Applicants are also able to find an engine's family name using the EPA's interactive certificate data report on the Agency's [annual certification data](#) website by searching for it using the engine's model name. Prior model year engines or vehicles may be used at the time of application to provide an estimate of the NO_x emissions from the engine or vehicle that will be purchased after selection. Applicants who do not identify a projected EPA engine family name at the time of application will only be able to apply for the lowest cost share for their highway project, as listed in Table 8. For more detailed instructions, reference the Low-NO_x document on the [DERA State website](#).

Projects with mandatory cost share requirements must demonstrate on the SF-424 Application for Federal Assistance and on the SF-424A Budget Information for Non-Construction Programs that the recipient will be able to meet the minimum mandatory cost share requirements. Specifically, the mandatory cost share funds must be indicated in at least one of the following blocks in Section 18, Estimated Funding, on the SF-424: b. Applicant; c. State; d. Local; or e. Other. The mandatory cost shared funds must also be indicated on the SF-424A in Section A Column (f), Section B columns (2), (3), or (4), and Section C.

B. Voluntary Cost Sharing: Voluntary cost sharing is when a recipient voluntarily proposes to legally commit to providing costs or contributions to support the project when a cost share is not required or beyond the mandatory cost share amount. Voluntary committed cost sharing is a binding requirement of a Federal award. Recipients who propose to use a voluntary cost share *must* include the costs or contributions for the voluntary cost share in the project budget on the SF-424 and SF-424A. If a recipient proposes a voluntary cost share, the following applies:

- A voluntary cost share is subject to the applicable provisions of [2 CFR § 200.306](#), *Cost sharing*.
- A voluntary cost share may only be met with eligible and allowable costs.

- The recipient may not use other sources of Federal funding to meet a voluntary cost share unless the statute authorizing the other Federal funding provides that the Federal funds may be used to meet a cost share requirement on a Federal grant or cooperative agreement.

The recipient is legally obligated to meet any proposed voluntary cost share that is included in the approved project budget. If the proposed voluntary cost share does not materialize during the performance period of the grant or cooperative agreement, the EPA may reconsider the legitimacy of the award or take other appropriate action as authorized by [2 CFR Part 200](#).

XII. WAIVER OF PROGRAMMATIC REQUIREMENTS

The EPA will consider, on a case-by-case basis, waiver requests from programmatic requirements. 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.

XIII. AWARD ADMINISTRATION INFORMATION

- A. Terms and Conditions:** General administrative and programmatic terms and conditions applicable to the EPA assistance agreements under this Program may be viewed at: [EPA Grant Terms and Conditions](#).
- B. Funding to Other State Agencies:** The EPA's general policy, based on the definitions of the terms in [\(2 CFR §200.1\)](#) "Non-federal entity," "Pass-through entity," "Recipient," and "State," is that the State itself is the legal entity that receives EPA funds even if one particular component of the State is named in the assistance agreement as the recipient. Transfers of EPA funds between State agencies to perform a particular financial assistance agreement would, therefore, be governed by State law. Additionally, [2 CFR §200.417](#) "Interagency Services" contemplates situations in which one agency provides services to another agency within the same unit of government as a direct cost of performing the EPA assistance agreement.

If utilizing interagency service agreements between State agencies under [2 CFR §200.417](#), the expenditures the State agency makes to carry out the Interagency Service Agreement should be shown in the corresponding direct cost categories (Personnel, Travel, Contractual etc.). If State law characterizes agreements under which one State agency provides services to another State agency as a procurement contract, the costs would be placed in the contractual category. In interagency service situations, [2 CFR §200.417](#) provides the State may charge a pro-rated share of indirect costs for the service, or 15 percent of the "...direct salary and wage cost of providing the service (excluding overtime, shift premiums, and fringe benefits) may be used in lieu of determining the actual indirect costs of the service." Centralized services included in central service cost allocation plans subject to Appendix V of 2 CFR Part 200 are accounted for separately.

There may be situations in which State law provides that State agencies or instrumentalities are legally separate for the purposes of financial transactions between them or when State financial management policies for Federal assistance agreements require separate instruments for accounting purposes (*e.g.*, due to differences in indirect cost rates). In those situations, a State may characterize appropriate funding transfers as subawards. Note, if one State agency provides a subaward to another State agency, the State agency acting as the pass-through entity must comply with applicable provisions of 2 CFR Part 200 (including [2 CFR §200.331](#)), the National Terms and Condition for Subawards, and the EPA Subaward Policy unless the EPA provides an exception. The aggregate cost estimates for subawards to other State agencies or instrumentalities should be included as line items in the “Other” budget category.

- C. In-Kind Assistance:** The State may purchase equipment through blanket purchase agreements or some other mechanism that ensures a low price for the item. The State may then provide the equipment in lieu of money as in-kind assistance through a subaward.
- D. Contract:** As defined at [2 CFR §200.1](#), contract means a legal instrument by which a recipient or subrecipient conducts procurement transactions under a Federal award. The term as used in this part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward (*see* [§200.1 Subaward](#)).
- E. Procurements:** When procuring property and services under a Federal award, a State must follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will comply with [§200.323 Procurement of Recovered Materials](#) and ensure that every purchase order or other contract includes any clauses required by section [§200.327 Contract Provisions](#). All other non-Federal entities, including subrecipients of a State (other than another State agency), will follow [§200.318 General Procurement Standards](#) through [§200.327 Contract Provisions](#).
- F. Performance Partnership Grants:** Funds awarded under this Program are not eligible for inclusion with the State’s Performance Partnership Grants.
- G. State Notification:** [Executive Order 12372, Intergovernmental Review of Federal Programs](#), may be applicable to awards resulting from this announcement. The EPA implemented the Executive Order in 40 CFR Part 29. The EPA may require recipients selected for funding to provide a copy of their application to their State Point of Contact (SPOC) for review as provided at [40 CFR 29.7](#) and [40 CFR 29.8](#) on the [Intergovernmental Review SPOC List](#).
- H. Public Notification:** Per [42 USC § 1633](#), not later than 60 days after the date of the award of a subaward, rebate, or loan by a State, the State shall publish the following on the website of the State:

 - 1. For subawards, rebates, and loans provided to the owner of a diesel vehicle or fleet, the total number and dollar amount of subawards, rebates, or loans provided, as well as a breakdown of the technologies funded through the subgrants, rebates, or loans; and
 - 2. For other subawards, rebates, and loans, a description of each application for which the subaward, rebate, or loan is provided.

- I. Reporting Requirements:** Semi-Annual programmatic progress reports and a detailed final programmatic report will be required. Additional administrative and financial reporting may be required per the terms and conditions of the award. The regional Project Officer may require more frequent reports as deemed necessary.
- 1. Progress Reports:** Progress reports summarizing technical progress, planned activities, and a summary of expenditures are required. The schedule for submission of progress reports will be established by the EPA, after the grants are awarded. A template for progress reports is available at the [DERA State website](#).
 - 2. Final Reports:** The final report must include: a summary of the project or activity, emissions benefits and other outputs and outcomes achieved, and costs of the project or activity addition. The final report shall also discuss the problems, successes, and lessons learned from the project or activity that could help overcome structural, organizational, or technical obstacles to implementing a similar project elsewhere. Award recipients may be provided with additional information and guidance on reporting performance measures and project progress after award. A template for the final report is available at the [DERA State website](#). The final report shall be submitted to the EPA within 120 calendar days of the completion of the period of performance. However, to facilitate awarding funds for the following FY, it is recommended that the report be completed well before 120 days.
- J. Administrative and National Policy Requirements:** A listing and description of general EPA regulations applicable to the award of assistance agreements may be found at [EPA Policies and Guidance for Grants](#).

APPENDIX A – Further information Regarding Contracts, Subawards, and Participant Support Costs

I. Background

The Standard Form 424A (SF-424A) includes separate rows for “contractual” costs and “other” costs. As noted in the workplan template, the “other” cost category on the SF-424A should be used to cover both subawards and participant support costs. Depending on the project, these costs may be applicable to a DERA application. This appendix helps clarify these differences. Additional information about participant support costs is contained in [RAIN-2018-G05, “EPA Guidance on Participant Support Costs.”](#)

Where the target fleets are owned and operated by the DERA grant recipient, the recipient may directly implement the project. The recipient is responsible for procuring all vehicles and equipment in accordance with applicable competitive procurement requirements in [2 CFR Part 200](#). The recipient’s budget should reflect only those expenses incurred directly by the recipient organization for personnel, fringe, travel, supplies, equipment, contractual, other, and indirect.

If a recipient intends to fund the proposed project’s technologies (*i.e.*, vehicles, engines, equipment) that they do not directly own, the recipient may have the option to: (1) issue a contract; (2) make a subaward to an eligible entity; or (3) provide participant support costs to a program beneficiary. For options (2) and (3), the recipient may be able to fund technology and installation costs, but only subawards can be used to fund direct and indirect costs. If the grant recipient only intends to fund equipment and installation costs, the recipient may choose to provide participant support costs to a program beneficiary rather than a subaward. DERA recipients often use participant support costs to offer rebates or vouchers for vehicle costs.

II. Contracts

As described in [2 CFR § 200.331](#), a contract is for the purpose of obtaining goods and services for the recipient’s own use and creates a procurement relationship with the contractor. Characteristics indicative of a procurement relationship between the recipient and a contractor are when the contractor:

- Provides the goods and services within normal business operations.
- Provides similar goods or services to many different purchasers.
- Normally operates in a competitive environment.
- Provides goods or services that are ancillary to the operation of the Federal program; and
- Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

Grant recipients that enter into procurement contracts must comply with the applicable procurement provisions in [2 CFR § 200.317](#) through [200.327](#).

III. Subawards

Under [2 CFR § 200.1](#), subrecipient means a non-Federal entity that receives a subaward from a grantee to carry out part of a Federal program but does not include program beneficiaries receiving participant support costs; *see* Section IV. of this appendix below. Grant recipients may

make subawards to subrecipients to carry out a portion of the grant project; in such cases, the grant recipient is also known as a “pass-through entity.” Subawards establish a financial assistance relationship under which the subrecipient’s employees and contractors implement programs and projects to accomplish the goals and objectives of the grant. It is important to bear in mind that subrecipients are subject to the same Federal requirements as the pass-through entity.

Under this competition, a non-Federal entity is eligible to receive a subaward even if it is not eligible to receive a grant from the EPA directly. While there may be some situations in which a subaward to an individual may be appropriate, those situations are rare.

Subrecipients only receive reimbursement for their actual direct or approved indirect costs and do not “profit” from the transaction. For-profit entities participating in grant activities are typically contractors rather than subrecipients.

The EPA’s Award Official must approve subawards to for-profit entities and individuals on the basis of either a precise description of the subaward in the EPA approved budget and project narrative or on a transaction-by-transaction basis.

The recipient’s project narrative and budget narrative should include detailed descriptions of any proposed subawards and include cost estimates for subawards as line items under the “Other” budget category in the SF-424A. Should a recipient decide to make a subaward that was not described in the approved project narrative and budget, the recipient must obtain prior written approval from the EPA’s Award Official for the subaward.

If a recipient chooses to pass funds from its grant to other entities through subawards, the recipient must comply with applicable subaward provisions of [2 CFR Part 200](#), the EPA Subaward Policy, and the EPA’s National Terms and Condition for Subawards. Note that under [2 CFR § 200.331](#) through [200.333](#), there are extensive requirements for subrecipient monitoring and management that apply to pass-through entities.

Many of the Federal administrative grant regulations in [2 CFR Part 200](#) and [2 CFR Part 1500](#), as well as the grant terms and conditions in the assistance agreement, “flow down” to subrecipients receiving a subaward. Such requirements need to be identified in the written subaward agreement between the recipient and the subrecipient. Additionally, if a subrecipient intends to procure goods or services using DERA grant funds, the subrecipient must comply with the applicable Federal procurement standards in [2 CFR Part 200](#), [2 CFR Part 1500](#), and [40 CFR Part 33](#) as these requirements also “flow down” to subrecipients.

There is no requirement for recipients to compete subawards under this Program; however, pass-through entities may choose to select subrecipients competitively, provided this practice is consistent with applicable statutes, regulations, and the terms and conditions of their DERA State grant.

Recipients may use the subaward template contained in Appendix D of the EPA’s Subaward Policy (listed under Resources) to assist them in complying with the “subaward content”

requirements; however, the EPA does not mandate the use of this template.

IV. Participant Support Costs

Recipients may provide participant support costs (PSCs) to program beneficiaries to enable beneficiaries to participate in the recipient's program or project. PSCs include rebates, subsidies, stipends, or other payments to program beneficiaries by a grant recipient, subrecipient, or contractor. For example, the recipient might use PSCs for the purchase of eligible technologies which the program beneficiaries, rather than the grant recipient, would own.

PSCs are different from subawards because, with PSCs, the beneficiary is participating in the grant recipient's project or program instead of implementing their own project or program. Program beneficiaries may include but are not limited to individual owner/operators, private or public fleet owners, or residents in the applicable area. However, program beneficiaries are not employees, contractors, or subrecipients of the grant recipient.

Recipients may also use PSCs to make purchases on behalf of program beneficiaries. In some situations, this approach allows grant recipients to achieve economies of scale or take advantage of existing purchase contracts. Competitive procurement requirements apply to the grant recipient when the recipient takes this approach.

The Federal administrative grant regulations in [2 CFR Part 200](#) and [2 CFR Part 1500](#), as well as the grant terms and conditions in the recipient's grant agreement, generally do not "flow down" to program beneficiaries receiving PSCs except that costs must be reasonable and incurred within the grant period of performance. Requirements for compliance with civil rights laws and ensuring that program beneficiaries are eligible to receive Federal financial assistance are applicable as explained in the [EPA Guidance on Participant Support Costs](#). In addition, program beneficiaries must abide by requirements to ensure that the funds are used only for authorized purposes.

If a recipient, subrecipient, or contractor is issuing PSCs, it must have a written agreement in place. The written agreement should not be structured as a subaward agreement and should not refer to program beneficiaries as subrecipients consistent with [2 CFR § 200.1](#), "Subrecipient." In addition, the written agreement should not include language requiring the program beneficiary to comply with the Federal grant regulations at [2 CFR Part 200](#), [2 CFR Part 1500](#), or the terms and conditions found in the award between the EPA and the recipient, other than requiring that the costs must be reasonable, necessary, and allocable. The written agreement should also include the following:

- A description of the activities and amounts that will be supported by the PSCs;
- The program and statutory requirements that the program beneficiary must abide by to ensure that the funds are used only for authorized purposes;
- A specification of which party will have title to the technologies (*e.g.*, vehicles, engines, equipment appliances), if there are any, purchased with PSCs;
- Source documentation requirements to ensure proper accounting of the PSCs; and
- Any reporting that the program beneficiary must submit.

The EPA's Award Official must approve PSCs on the basis of either a precise description of the

PSCs in the EPA approved budget and workplan or on a transaction-by-transaction basis. The recipient's project narrative and budget narrative should include detailed descriptions of any proposed PSCs and include cost estimates for PSCs as line items under the "Other" budget category. Should a recipient decide to issue PSCs that were not described in the approved workplan and budget, the recipient must obtain prior written approval from the EPA's Award Official. Moreover, after a grant is awarded, should a recipient decide to modify the amount approved (upwards or downwards) for PSCs, prior written approval from the EPA's Award Official is also required.

When creating budgets, recipients must exclude PSCs from Modified Total Direct Costs for calculation of indirect costs as required by [2 CFR § 200.1](#), "Modified Total Direct Costs."

Resources:

[RAIN-2018-G05, "EPA Guidance on Participant Support Costs."](#)

[Best Practice Guide for Procuring Services, Supplies, and Equipment Under EPA Assistance Agreements](#)

[Grants Policy Issuance 16-01: EPA Subaward Policy for EPA Assistance Agreement Recipients](#), with attachments, including:

- [EPA Subaward Policy](#)
 - [Appendix A: Distinctions Between Subrecipients and Contractors](#)
 - [Appendix B: National Term and Condition for Subawards](#)
 - [Appendix C: Model Programmatic Subaward Reporting Requirement](#)
 - [Appendix D: Subaward Agreement Template](#)
-