

FY 2019 DERA State Clean Diesel Grant Program Overview

April 18, 2019





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Overview of State Clean Diesel Grant Program

- Annual funding opportunity since 2008
 - Section 793 of 2005 Energy Policy Act of 2005
 - Reauthorized in 2010
- Allocates funds to eligible states and territories to establish programs that reduce harmful heavy-duty diesel emissions
- States/territories can use funding for grant, loan, or rebate programs



Funding for FY 2019

- Total of \$84 million allocated to DERA in EPA's FY 2019 budget
 - \$25 million set aside for the State Program
 - 30% of \$84 million total
 - 2/3 of \$25 million is split between the states and territories as their base funding amount
 - If some states/territories do not participate, their base funds will be reallocated among the participating states based on population (2010 census)
 - 1/3 of \$25 million is set aside for the matching incentive (bonus)
 - States/territories that provide a voluntary match that equals or exceeds the base amount qualify for a bonus amount from EPA equal to 1/2 the base amount



Funding for FY 2019 (cont.)

Assuming all states and territories participate:

	State, PR, and DC Base	State, PR, and DC Matching Bonus	Territory Base	Territory Matching Bonus
Funding Amount	\$314,431	\$157,216	\$78,608	\$39,304
Base + Bonus	\$471,647		\$117,912	



Currently Open State Grants

- In general, any state with open State DERA Grants from FY 2014-2016 or FY 2017-2018 must ensure that these grants are completed by September 30, 2019 in order for the state to receive FY 2019 funding
- Requests to extend older state grants and also receive a new FY19 award will be evaluated by the EPA Regional program office on a case-by-case basis



Key Changes for FY 2019

1. We are now funding:
 - a. Marine vessel replacements
 - b. Idle-reduction technology at 100% cost-share when paired with exhaust retrofit
2. Removed “normal attrition” requirement, but still require:
 - Old vehicles/engines to be fully operational and in current, regular service to be eligible for replacement; and
 - For replacements to continue to perform similar function and operation as the vehicle, engine, or equipment that is being replaced.
3. Can replace highway engines/vehicles with engine model years 1996-2009 with new engines/vehicles with engine model years 2016 or newer
4. Project period is 2 years



Eligible Equipment

Eligible vehicles, engines, and equipment include:

1. Buses
2. Medium-duty or heavy-duty trucks
3. Marine Engines
4. Locomotives
5. Nonroad engines, equipment or vehicles used in:
 - a) Construction
 - b) Handling of cargo (including at a port or airport)
 - c) Agriculture
 - d) Mining
 - e) Energy production (including stationary generators and pumps)



Eligible Projects

- Eligible clean diesel projects are outlined in the State Program Guide on our website:
www.epa.gov/cleandiesel/clean-diesel-state-allocations
- Common projects include:
 - Vehicle replacements
 - Engine replacements
 - Verified exhaust retrofits (e.g., DPFs)
 - Verified idle reduction technology (e.g., fuel operated heaters)

Eligible Projects Cont.



Table 2: Medium and Heavy-Duty Trucks, Transit Buses, and School Buses Funding Restrictions

Current Engine Model Year (EMY)	DOC +/- CCV	DPF	SCR	Verified Idle Reduction, Tires, or Aero-dynamics	Vehicle or Engine Replacement: EMY 2016+ (2013+ for Drayage)	Vehicle or Engine Replacement: EMY 2016+ Zero Emission or Low-NO _x	Clean Alternative Fuel Conversion
older - 1995	No	No	No	No	No	No	No
1996 - 2006	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2007 - 2009	No	No	Yes	Yes*	Yes	Yes	Yes
2010 - newer	No	No	No	Yes*	No	Yes	Yes

Eligible Projects Cont.



Table 3 Part 1. Nonroad Engine Funding Restrictions

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

Eligible Projects Cont.



Table 3 Part 2. Nonroad Engine Funding Restrictions

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



Table 4: Marine Engines Funding Restrictions

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



Table 5: Locomotive Engines Funding Restrictions

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

Cost Shares



DERA Eligible Activities	DERA Funding Limits (EPA Funds + Voluntary Match)	Minimum Mandatory Cost-Share (Fleet Owner Contribution)
Exhaust Control Retrofit	100%	0%
Engine Upgrade / Remanufacture	40%	60%
Highway Idle Reduction Bundled with Exhaust Control Retrofit	100%	0%
Stand-alone Highway Idle Reduction	25%	75%
Locomotive Idle Reduction	40%	60%
Marine Shore Power	25%	75%
Electrified Parking Space	30%	70%
Engine Replacement – Diesel or Alternative Fuel	40%	60%
Engine Replacement – Low NOx	50%	50%
Engine Replacement – Zero Emission	60%	40%
Vehicle/Equipment Replacement – Diesel or Alternative Fuel	25%	75%
Vehicle/Equipment Replacement – Low NOx	35%	65%
Vehicle/Equipment Replacement – Zero Emission	45%	55%
Vehicle Replacement - Drayage	50%	50%
Clean Alternative Fuel Conversion	40%	60%



Next Steps – NOIP

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



Next Steps - Work Plan

- Work plan and budget narrative is due to your EPA Regional contacts no later than Tuesday May 28, 2019 for their review
 - Work plan template is posted on our [website](#)
- EPA Regions will review work plans and offer feedback



Next Steps - Final Application Submission

- States/territories must submit their application on Grants.gov no later than Tuesday, June 18, 2019
 1. Standard Form (SF) 424, Application for Federal Assistance
 2. Standard Form (SF) 424A, Budget Information
 3. Standard Form (SF) 424B, Assurances for Non Construction Programs
 4. Key Contacts Form
 5. EPA Form 4700-4, Preaward Compliance Review
 6. Certification Regarding Lobbying (Grants.gov Lobbying Form)
 7. EPA-approved Project Narrative Work Plan and Budget Narrative



Next Steps – Award and Project Period

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



VW Mitigation Trust - Overview

- 50 states, DC, Puerto Rico, and federally recognized tribes are eligible to become beneficiaries with ~\$3 billion available
 - Each beneficiary will receive a specific allocation of funds that can be used for any of the listed eligible mitigation actions
 - The allocation structure is primarily based on the number of registered illegal Volkswagen vehicles within the boundaries of the beneficiary
 - Appendix D lists 9 eligible mitigation actions (EMAs) as well as a 10th EMA, the “DERA Option”



VW Mitigation Trust – Eligible Mitigation Actions

Eligible Mitigation Projects

1. Class 8 local freight trucks and port drayage trucks
2. School/shuttle/transit bus
3. Locomotive switchers
4. Ferries/tugboats
5. Ocean going vessel shorepower
6. Class 4-7 local trucks
7. Airport ground support equipment
8. Forklifts and cargo handling equipment at ports
9. Light duty ZEV supply equipment (up to 15% of allocation)

DERA Option (#10)

- Option to use Trust Funds for actions eligible under DERA (may or may not be eligible under VW EMAs)
- Beneficiaries may use Trust Funds for their DERA non-federal voluntary match
- State and Tribal DERA grants only



VW Mitigation Trust – DERA Option

- Most of the eligible project types under the DERA Option allow Trust funds to pay for only a certain percentage of the project
- In addition, DERA grants generally require a mandatory cost-share
- Trust funds cannot be used to meet this non-federal mandatory cost-share requirement
- Mandatory cost-share funds cannot count towards the state's voluntary matching funds to qualify for the matching incentive (bonus)



VW Mitigation Trust – DERA Option Examples

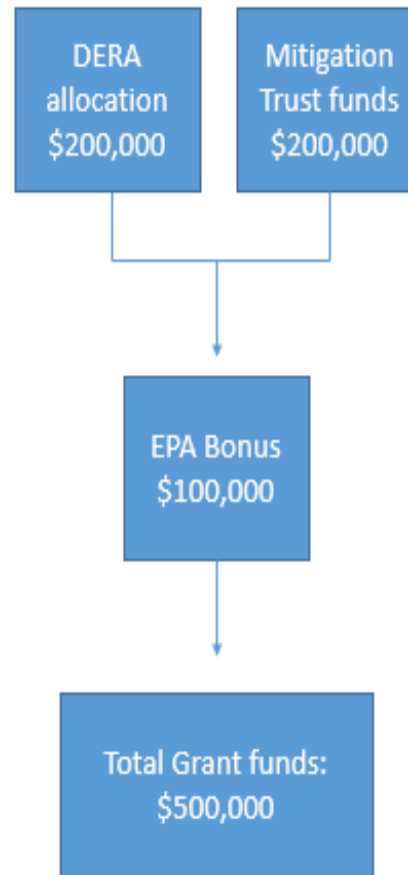
Example A: Trust funds can be used to match the EPA base funding for State DERA grants

- State's DERA allocation in FY2019 is ~\$200,000
- State uses \$200,000 in Trust funds as the 1:1 voluntary non-Federal match
- State bonus is 50% of the base amount \$100,000
- Total State grant is \$500,000
 - State will receive \$300,000 from DERA and \$200,000 from the Trust

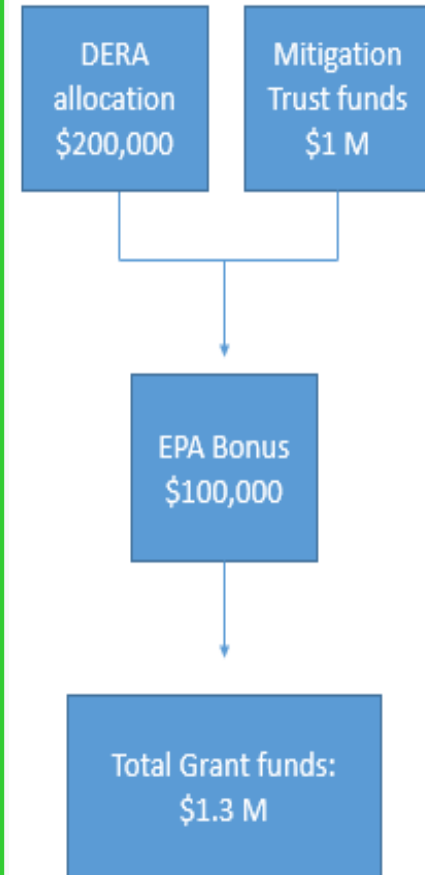
Example B: Trust funds can be greater than the 1:1 voluntary match above

- State's DERA allocation in FY2019 is ~\$200,000
- State may use a larger amount - \$1,000,000 in this example - in Trust funds
- State bonus DERA amount of \$100,000
- State's DERA Clean Diesel Grant program for FY2019 would be \$1.3 million
 - State will receive \$300,000 from DERA and \$1,000,000 from the Trust.

Example A



Example B





VW Mitigation Trust - Reporting

- A Beneficiary which chooses the DERA Option must submit DERA Quarterly Programmatic Reports and a Final DERA Programmatic Report to EPA as required under the DERA grant terms and conditions
- A Beneficiary may submit its DERA reports to the Trustee to fulfill reporting obligations for the portion of its Trust funds using the DERA Option



Lessons Learned/Tips

1. All projects must use verified technologies or certified engine configurations.
 - EPA's verified list: www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel
 - CARB's verified list: www.arb.ca.gov/diesel/verdev/vt/cvt.htm
2. States/territories must publish their State Program awards within 60 days of granting funds
 - Online notice must include the total number and dollar amount of rebates, grants, or loans provided, as well as a breakdown of the technologies funded.
3. States/territories may fund local or state mandates
 - Cannot use funds for federal Supplemental Environmental Projects (SEPs)
 - Cannot use funds for federally mandated projects



Lessons Learned/Tips - Waivers

- EPA will consider waiver requests from programmatic requirements on a case-by-case basis
- Waivers will only be approved for non-statutory and non-regulatory requirements. Sufficient justification for the waiver must be provided by the state.
- States must obtain EPA approval for any waiver request before conducting any work or expending any funds on a project involving a waiver request. Any questions regarding waivers should be directed to the EPA Project Officer.



Project Example

- State's application includes work plan to replace 5 engine model year 2002 street sweepers with engine model year 2019 street sweepers
- Total cost is estimated to be \$1 million
- Subaward to State DOT which owns the street sweepers
- EPA offers base of \$100k and State matches with \$100k
 - Bonus = \$50k
- State and EPA funds cover 25% of the cost - \$250k
- Mandatory cost share (75%) provided by fleet owner (State DOT) - \$750k



Project Example (cont.)

- October 1, 2019: Project begins
- November, 2019: State posts grant details on State website
- Quarterly reports submitted to EPA Project Officer as project progresses
- October, 2020: New street sweepers are delivered and old street sweepers are scrapped
- December, 2020: Final report and other close out forms submitted to EPA Project Officer





Lessons Learned/Tips - Administrative

- Keep your EPA PO in the loop
 - Inform them of potential issues early
 - Ask questions if you are unsure of program rules or requirements
- Actively track progress
 - Continually compare your progress to planned schedule/milestones in your work plan
 - Communicate with subgrantees and vendors often.
 - Again, do not assume everything is on track – KNOW that everything is on track. Grantees are ultimately responsible for the project.
- Document, Document, Document
 - Pictures are a great tool, and can also be used for press



Lessons Learned/Tips - Partnerships

If a DERA grant recipient intends to fund target fleets that they do not own and operate, they have the option to:

1. Make a subaward
 - Can fund a project partner's direct and indirect costs such as personnel and travel
2. Provide participant support costs (e.g., rebate) to a project partner
 - If the DERA grant recipient is only funding a project partner's equipment and installation costs, they may choose to provide participant support costs rather than a subaward to avoid the extensive subaward monitoring and management requirements

See Section XIII (Appendix A: How to Fund Projects and Partnerships) of the Program Guide for more details.



Lessons Learned/Tips - Administrative

- Drawing down grant funds
 - Only draw down funds for work that has been completed (invoiced, etc.)
 - Grantees may not draw down and ‘hold’ money in their account – must be used to pay invoice or pay employees, etc.
 - Generally, percentage of funds drawn down should correspond with percentage of work completed on the grant
 - EPA tracks this amount, and uses it to get general idea of project progress
 - In some cases, funds won’t be drawn until the end of the project (delivery of a replaced vehicle, etc.)



Lessons Learned/Tips - Technical Tips

- Auxiliary power units are only currently verified for long-haul, pre-2007 engine model year vehicles
- For on-highway vehicles, only Class 5 (16,001 lb GVWR) and above are eligible for DERA funding
 - School buses under Class 5 may also be funded (see pg. 7 of Program Guide)



Lessons Learned/Tips - Scrappage

- Vehicles and engines that are replaced must be scrapped to ensure emission reductions
- Cut 3” hole in engine block to disable engine for vehicle and engine replacements
- Cut chassis rails in half to disable chassis for vehicle replacements
- Be sure to obtain evidence of appropriate disposal including photos of the following:
 - Engine tag showing serial number, engine family number, and engine model year;
 - Destroyed engine block; and
 - Cut frame rails.



Lessons Learned/Tips - Reporting

- Begin open and frequent communication with fleets, vendors, and any other participants
 - Don't assume they know the program, or program requirements (verified technologies, etc.)
- Keep organized documents records – and please save them in a shared place
 - Competitive Procurement (cost and price analysis)
 - Scrappage
 - Early Retirement/Attrition/Useful Life
 - Mandated Measures
 - Invoices



Lessons Learned/Tips - Reporting

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



Timeline

Activity	Date
EPA sends all eligible states the FY 2019 Program materials	April 15, 2019
Deadline for all participating states to submit a Notice of Intent to Participate (NOIP) to EPA via email (CleanDiesel@epa.gov)	April 29, 2019
EPA will inform the states of their final allocation via email	May 2, 2019
Deadline for states to submit workplans and budget narratives to their EPA Regional Office for review	May 28, 2019
Deadline for participating states to submit their application package to www.Grants.gov	June 18, 2019
Project period for FY 2019 awards begins. Regional offices will finalize the FY 2019 Program awards prior to October 1, 2019.	October 1, 2019
Deadline for FY 2019 projects to be completed	September 30, 2021



Tools and Resources

- DEQ – Diesel Emissions Quantifier:
 - www.epa.gov/cleandiesel/diesel-emissions-quantifier-deq
- Verification Lists:
 - www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel
 - www.arb.ca.gov/diesel/verdev/vt/cvt.htm



Program Documents

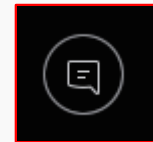
See the DERA State Clean Diesel Program Website at www.epa.gov/cleandiesel/clean-diesel-state-allocations for:

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



Questions?

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



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

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