



National Clean Diesel Campaign

FY 2014 – 2016 STATE CLEAN DIESEL GRANT PROGRAM INFORMATION GUIDE

June 28, 2016

SUMMARY

EPA's Office of Transportation and Air Quality is soliciting proposals from eligible states and territories for participation in the fiscal year (FY) 2016 Diesel Emission Reduction Program (DERA), State Clean Diesel Grant Program. EPA has approximately \$49.5 million available for the FY 2016 DERA Program. In accordance with DERA, EPA makes 30 percent (approximately \$14.8 million for FY 2016) of the annual allocation available to states and territories in the form of assistance agreements under the State Clean Diesel Grant Program. Funding can support grant, rebate, and loan programs administered by eligible states or territories that are designed to achieve significant reductions in diesel emissions.

The State Clean Diesel Grant Program is not a competition; it is an allocation process in which the eligible states and territories submit their interest to participate to EPA, and EPA awards a specific allocation by formula, based on the number of states and territories with approved applications that participate.

State Clean Diesel Grant Program funding for FY 2016 will be distributed to those states and territories that participated in FY 2014/2015 as supplemental amendments to their current FY 2014/2015 awards. Those states and territories that did not participate in the FY 2014/2015 State Clean Diesel Grant Program will receive FY 2016 funds as a new award, pending successful close-out of any FY 2013 or older State Clean Diesel Grant Program awards.

Under the State Clean Diesel Grant Program, eligible diesel emission reduction solutions include verified emission control technologies such as exhaust controls, cleaner fuels, and engine upgrades, verified idle reduction technologies, verified aerodynamic technologies and low rolling resistance tires, certified engine repowers, and/or certified vehicle or equipment replacement. 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 used in construction, handling of cargo (including at a port or airport), agriculture, mining or energy production (including stationary generators and pumps).

This document contains the FY 2014 - 2016 State Clean Diesel Grant Program information for both internal and external stakeholders. All public materials for the State Clean Diesel Grant Program are available at www.epa.gov/cleandiesel/clean-diesel-state-allocations.

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I. OVERVIEW

Beginning in FY 2014, programmatic requirements from EPA's competitive Clean Diesel Funding Assistance Program, specifically RFP# EPA-OAR-OTAQ-14-05, were incorporated into the FY 2014 State Clean Diesel Grant Program by reference. These programmatic requirements include, but are not limited to, mandatory cost share requirements for certain types of projects, and specific vehicle, engine and technology eligibility criteria. In FY 2015, a few minor modifications and clarifications were included in the FY 2015 State Clean Diesel Grant Program.

This document, the FY 2014 - 2016 State Clean Diesel Grant Program Information Guide, consolidates and streamlines the programmatic requirements applicable to all new and continuing State Clean Diesel Grant Program awards receiving FY2016 funding. All projects funded with FY 2014, 2015 and/or 2016 State Clean Diesel Grant Program funds, must meet all eligibility and funding requirements set forth in this program guide.

This document provides information to EPA Regions and to participating states and territories concerning how the Agency intends to exercise its discretion in awarding and managing State Clean Diesel Grant Program rebates, grants, and/or loans for FY 2014 - 2016. This guidance is designed to provide national policy on these issues. Some of the statutory provisions described in this document contain legally binding requirements. However, this document does not substitute for those provisions or regulations, nor is it a regulation itself. Thus, it cannot impose legally binding requirements on EPA, states, territories or the regulated community, and may not apply to a particular situation based upon the circumstances. Any decisions regarding a particular situation will be made, based on the 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.

II. STATUTORY AUTHORITY

Title VII, Subtitle G, Section 793 of the Diesel Emissions Reduction Program (DERA) in the Energy Policy Act of 2005 (codified at 42 U.S.C. 16133) authorizes the U.S. Environmental Protection Agency (EPA) to support grant, rebate, and loan programs, administered by eligible states or territories, which are designed to achieve significant reductions in diesel emissions. This program is referred to as the *State Clean Diesel Grant Program* (the Program).

III. ELIGIBLE APPLICANTS

Eligibility to apply for and receive funds under the Program is limited to the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands. For the purposes of this document, the term "state" will be used to describe the 50 states and the District of Columbia, Puerto Rico, Guam, the US Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands.

EPA presumes that the 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 administer the funds, then a letter from the state governor or designee to the Administrator of EPA is required in order to certify one state Agency as the recipient of funds who has the legal and administrative authority to enter into a grant or cooperative agreement with EPA. Upon receipt, 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. For fiscal year 2016, the letter to identify an alternate lead agency and provide specific contact information should be sent to the following contacts and be received on or before May 1, 2016.

The Honorable Gina McCarthy
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Ave, N.W., Mail Code: 1101A
Washington, DC 20460

Cc: Jennifer Keller, Director
Legacy Fleets Incentives and Assessment Center
U.S. Environmental Protection Agency
1200 Pennsylvania Ave., N.W., Mail Code: 6406A
Washington, DC 20460
Phone: (202) 343-9541, Fax: (202) 343-2803, Email: keller.jennifer@epa.gov

IV. FY 2016 FUNDING SCHEDULE AND PROCEDURES

The steps below outline the procedure and schedule for states to participate in the FY 2016 State Clean Diesel Grant Program.

- A. February 29, 2016:** OTAQ sends all eligible states the FY 2016 Program materials.
- B. March 18, 2016:** All participating states must submit a Notice of Intent to Participate (NOIP) or a Notice of Intent to Continue (NOIC), to OTAQ via email (cleandiesel@epa.gov).
- C. March 21, 2016:** OTAQ will perform the funding allocation calculation and email the final funding allocation table to the EPA Regional Air Division Directors.
- D. March 22, 2016:** Regions will inform the states of their final allocation via email and/or hard copy.
- E. April 26, 2016:** Participating states must submit their application package to www.Grants.gov.
- F. October 1, 2016:** Project period for FY 2016 awards begins. Regional offices will finalize the FY 2016 Program awards prior to October 1, 2016.

V. NOTICE OF INTENT

States that want to receive FY 2016 State Clean Diesel Grant Program funding must submit a Notice of intent to Participate (NOIP) or Notice of Intent to Continue (NOIC).

- A. Notice of Intent to Continue:** States with an open FY 2014/2015 Program award must submit a Notice of Intent to Continue. Continuing states will receive FY 2016 funds as a supplemental

amendment to the existing award. OTAQ will work with regional staff on the progress of those continuing states that have yet to complete all their FY 2014/2015 grant activities.

B. Notice of Intent to Participate: States that do not have an open FY 2014/2015 State Clean Diesel Grant Program award must submit a Notice of Intent to Participate.

Any state with an open Program award from FY 2008 - 2013 must ensure that the project period of the FY 2008 – 2013 award ends by September 30, 2016, in order for the state to receive FY 2016 funding. This means that vehicles/equipment should be delivered, technologies installed, and clean diesel project work completed by September 30, 2016. If the state has already obligated but not drawn down funds by the grant period end date, it will have to make a final request for a drawdown payment. If the state is unable to complete all the tasks outlined in the work plan and obligate or expend all FY 2008 - 2013 funds by September 30, 2016, the Region can close out the FY 2008 – 2013 award and de-obligate the remaining funds so that the state can participate in the FY2016 Program.

Alternatively, if a state with an open Program award from FY 2008 – 2013 is unable to complete all the tasks outlined in the work plan and obligate or expend all FY 2008 – 2013 funds by September 30, 2016, the state can request an additional no-cost time extension under extenuating circumstances. However, a state requesting a no-cost time extension for a currently open FY 2008 – 2013 Program award will not be able to receive FY 2016 Program funding.

C. Voluntary Match Incentive: The NOIC/NOIP must indicate whether or not the state intends to voluntarily contribute funding to the FY 2016 Program project budget. The NOIC/NOIP must also indicate the types and sources of cost-share funds.

If a state provides a voluntary match equal to the base allocation offered by EPA, EPA will provide a matching incentive equal to 50 percent of the base allocation. For example: A state legislature has provided \$1M per year to the state air agency to fund clean diesel activities in the state. If EPA offers a base allocation of \$200,000 to the state, the state could contribute \$200,000 of the 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 cost-share may be satisfied by allowable costs incurred by the state (i.e. in-kind contributions), or by cash donations of state funds or private funds. State matching funds are subject to the same terms and conditions as EPA awarded funds. A recipient is legally obligated to expend any voluntary cost-share included in the approved project budget within the project period 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. However, if a state requires a third-party cost-share contribution above and beyond the mandatory cost-share amount for the implemented technology, then the "excess" cost-share may be applied towards the state voluntary match funds for the purpose of qualifying for the matching incentive. See Section X for additional information on mandatory cost-share requirements. Detailed sample

budgets representing various mandatory cost-share versus state match scenarios are available at: www.epa.gov/cleandiesel/clean-diesel-state-allocations.

D. Submission of NOIC/NOIP: The Notice, which is available in a fillable Word form (www.epa.gov/cleandiesel/clean-diesel-state-allocations), 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 at cleandiesel@epa.gov; or 2) a state can fill out the form electronically, digitally sign the document, save the document and return via email at cleandiesel@epa.gov. The Notice must be signed by the Environmental Commissioner or other authorized official, but does not need to be emailed from this person directly; the Notice can be emailed from the programmatic contact at the state.

E. Review of NOIC/NOIP: OTAQ will forward the Notices to the appropriate EPA Regional Office for review. Regions will inform OTAQ if there are issues regarding the state matching amounts (source, etc.), continuing states that have yet to make sufficient progress on their FY 2014/2015 Program activities, or states that have open Program awards from FY 2008 – 2013. Regions will work with the states as necessary to resolve these issues.

VI. ALLOCATION OF FUNDS

A. Allocation Formula: EPA has approximately \$49.5 million available for the FY 2016 DERA Program. In accordance with 42 U.S.C. 16133, subject to the availability of appropriations, EPA makes 30 percent (approximately \$14.8 million for FY 2016) of the DERA Program's annual allocation available to states and territories in the form of assistance agreements under the State Clean Diesel Grant Program. This 30 percent is divided: two-thirds is provided as a base allocation and one-third is provided as an incentive to match.

If all 50 states, the District of Columbia, and the five qualifying territories participate in the FY 2016 program, then the 50 states, the District of Columbia, and Puerto Rico will each receive 1.887 percent of the two-thirds of the funds set aside for the State Clean Diesel Grant Program as a potential base allocation. The remaining territories each qualify for 0.472 percent of the two-thirds of the funds set aside for the State Clean Diesel Grant Program as a potential base allocation. If fewer than all 50 states, the District of Columbia, and the five qualifying territories submit a Notice to Continue/Participate in FY 2016, then the population formula outlined in 42 U.S.C. 16133(c)(2)(B) will be applied to any unclaimed base funds, and these funds will be added to the all participating states' and territories' potential base allocations. In that case, OTAQ will perform the allocation calculation using the U.S. Census Bureau estimated population data for 2010, found at www.census.gov/2010census/.

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 EPA, EPA will provide a matching bonus equal to 50 percent of the base allocation. See Section V.3 for additional information on the voluntary match incentive.

B. Allocation Notification: OTAQ will prepare draft formal funding allocation letters and send them to the Regions. Regions should send the formal funding allocation letters to their states and

territories via email and follow-up with a hardcopy letter with original signatures. All funding allocation letters should be emailed to the states and territories by Tuesday, March 22, 2016.

VII. APPLICATION PACKAGE AND SUBMISSION INFORMATION

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

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. **Project Narrative Attachment Form, with final Work Plan and Budget Narrative** attached. States must use the template available at www.epa.gov/cleandiesel/clean-diesel-state-allocations to prepare their Work Plan and Budget Narrative.

B. Grants.gov Application Instructions

1. Your organization's authorized official representative (AOR) must submit your complete application package electronically to EPA through Grants.gov (www.grants.gov) no later than Tuesday, April 26, 2016.
2. Follow the steps below to download, complete, and submit an application package through Grants.gov. The application package contains the required forms listed above.
 - a) Go to Grants.gov and then click on the "Applicants" tab in the horizontal row of blue tabs. A drop down list will appear.
 - b) Click on "Apply for Grants."
 - c) Click on the red button titled, "Get Application Package," on the right hand side of the page.
 - d) Search by **Funding Opportunity Number: EPA-CEP-01**, or by **CFDA#: 66.040**.
 - e) From the list of Opportunity Package(s) currently available, click on the "Select Package" corresponding with CFDA#: 66.040.

- f) Enter your email or check the box titled, “No, I do not wish to provide my email.” Then click on the gray box titled, “Submit”.
- g) You can now access and download Application Instructions as well as the Application Package from this webpage.
- h) After downloading an application and saving it, you do not need to be online to complete the application.
- i) Complete the required forms listed above, including uploading and attaching your final Work Plan and Budget Narrative. While filling out the application package, be sure to save frequently by clicking the Save button on the cover page of the application package.
- j) Click the Check Package for Errors button to ensure all of the required portions of the application package are complete. Address any errors that are identified before submitting.
- k) 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 the Diesel Emissions Reduction Program (DERA) allows states to use funds provided under the State Clean Diesel Grant Program to develop and implement such grant, rebate and low-cost revolving loan programs in the state as are appropriate to meet state needs and goals relating to the reduction of diesel emissions, subject to the following eligibility limitations and funding priorities.

- A. Project and Budget Period:** FY 2016 funds will be dispersed as new awards or supplemental amendments which have project and budget periods of October 1, 2016 to September 30, 2017. All states will need to complete work and close-out any FY 2014 - 2016 State Clean Diesel Program awards by September 30, 2017 in order to be eligible to receive FY 2017 Program funding, pending a FY 2017 DERA appropriation.
- B. Eligible Diesel Vehicles, Engines and Equipment:** Projects may include, but are not limited to, diesel emission reduction solutions from the following heavy-duty diesel emission source types:
 1. Buses^{1,2};
 2. Medium-duty or heavy-duty trucks³;

¹ For the purposes of the Program, buses include school buses of Type A, B, C and D. To be eligible as a school bus a vehicle should meet the definition of a school bus as defined by the National Highway Transportation Safety Administration. This definition includes, but is not limited to: 1) A bus that is used for purposes that included carrying students to and from school or related events on a regular basis; 2) Be identified with the words “School Bus”; and 3) Be painted National School Bus Glossy Yellow.

² For the purposes of the Program, buses include and medium and heavy-duty transit buses (see footnote #5, below).

³ For the purposes of the Program, medium heavy-duty and heavy heavy-duty highway vehicles are defined as Class 5 through Class 8: Class 5 (16,001 -19,500 lbs GVWR); Class 6 (19,501 - 26,000 lbs GVWR); Class 7 (26,001 - 33,000 lbs GVWR); Class 8a (33,001 - 60,000 lbs GVWR); Class 8b (60,001 lbs GVWR and over).

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

C. Eligible Diesel Emission Reduction Solutions: Projects must include one or more of the following diesel emission reduction solutions that utilize a certified engine configuration and/or a verified technology.

A “retrofit” project is defined broadly to include any technology, device, fuel or system that, when applied to an existing diesel engine, achieves emission reductions beyond what is currently required by EPA regulations at the time of the engine’s certification.

1. **Exhaust Controls:** Exhaust Controls include pollution control devices installed in the exhaust system (such as oxidation catalysts and particulate matter filters), or systems that include crankcase emission control (like a closed crankcase filtration system). The state may fund up to 100% of the cost (labor and equipment) for an eligible verified emission control. EPA suggests that each applicant requesting diesel particulate filters datalog the exhaust temperature of all vehicles to be considered before the application is submitted, so that there is evidence that the fleets can accommodate the technology.

A list of eligible, EPA verified exhaust control technologies is available at: www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel and a list of eligible, California Air Resources Board (CARB) verified exhaust control technologies is available at: www.arb.ca.gov/diesel/verde/vt/cvt.htm. The types (e.g. DOC, DPF, etc) of exhaust control technologies proposed for funding under this category must exist on one of these lists for the specific vehicle/engine application specified in the proposal at the time of proposal submission to EPA. If selected for funding, the actual exhaust control technologies used by the grant recipient must be specifically named on EPA or CARB’s Verified Exhaust Control Technologies lists at the time of acquisition, and used only for the vehicle/engine applications specified on the list, in order to be eligible for funding.

2. **Engine Upgrades:** Generally, an engine upgrade involves the removal of parts on an engine during a rebuild and replacement with parts that cause the engine to represent an engine configuration which is cleaner than the original engine. Some nonroad and marine engines are able to be upgraded to reduce their emissions by applying manufacturer upgrades that are retrofits currently verified by EPA or CARB as a package of components demonstrated to achieve specific levels of emission reductions. Some locomotives and marine engines are able to be upgraded through the application of a certified remanufacture system that is used to rebuild the engine to represent a cleaner engine configuration. Engine upgrades may not be available for all engines, and not all upgrades may achieve an emissions benefit. Proposals for upgrades should include a discussion of the availability of engine upgrade kits/systems and indicate the pre- and post-project emission standard levels of the engines in order to demonstrate that the upgrade will result in an emissions benefit.

The state may fund up to 40% of the cost (labor and equipment) of an eligible nonroad, locomotive or marine engine upgrade. To be eligible for funding, the upgrade must either be a verified retrofit as described above, or a certified remanufacture system that will result in an emissions benefit by rebuilding the engine to a cleaner engine configuration. For an engine to be eligible for an upgrade, the engine must be currently operating and performing its intended function. If a certified remanufacture system for a locomotive includes a full engine replacement, the funding restrictions applicable to engine repowers in Section IX.C will apply. In the case of an engine upgrade with a certified remanufacture system applied at the time of rebuild (not manufacturer upgrades that are retrofits verified by EPA or CARB), funds under this award cannot be used for the entire cost of the engine rebuild, but only for the cost of the certified remanufacture system and associated labor costs for installation.

A list of eligible, EPA verified engine upgrade technologies is available at: www.epa.gov/verified-diesel-tech/verified-technologies-list-clean-diesel. Lists of certified remanufacture systems for locomotives and marine engines, and additional information on remanufacture systems, are available at: www.epa.gov/otaq/certdata.htm. Engine upgrades proposed for funding under this category must exist on one of these lists for the specific vehicle/engine application specified in the proposal at the time of proposal submission to EPA. If selected for funding, the actual engine upgrades used by the grant recipient must be specifically named on EPA's list of certified remanufacture systems or EPA or CARB's Verified Exhaust Control Technologies lists at the time of acquisition, and used only for the vehicle/engine applications specified on the lists, in order to be eligible for funding.

3. **Cleaner Fuels Use:** Cleaner fuels include, but are not limited to, biodiesel, diesel fuel additives verified by EPA or CARB, compressed natural gas, propane and other certified alternative fuels. EPA will not fund stand-alone cleaner fuel use. For new or expanded use of a cleaner fuel, the state may fund the cost differential between the cleaner fuel and conventional diesel fuel if that cleaner fuel is used in combination, and on the same vehicle, with a new eligible verified exhaust control or an eligible clean alternative fuel conversion or an eligible engine upgrade or an eligible certified engine repower or an eligible certified vehicle/equipment replacement, as described in this Section.
4. **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 vehicles or equipment and/or is designed to provide services (such as heat, air conditioning, and/or electricity) to vehicles and equipment that would otherwise require the operation of the main drive or auxiliary engine(s) while the vehicle is temporarily parked or remains stationary. The reduction in idling will conserve diesel fuel and must also lower emissions.

A list of eligible, EPA verified idle reduction technologies is available at: www.epa.gov/smartway/forpartners/technology.htm#tabs-4. The types of idle reduction technologies proposed for funding under this category must exist on this list for the vehicle/engine application specified in the proposal at the time of proposal submission to EPA. The technology categories include: Auxiliary power units and generator sets, battery air conditioning systems, thermal storage systems, electrified parking spaces (truck stop electrification), fuel operated heaters, shore connection systems and alternative maritime power, shore connection systems for locomotives, and automatic shutdown/start-up systems

for locomotives. The actual idle reduction technologies used must be specifically named on EPA's SmartWay Verified Technologies list at the time of acquisition, and used only for the vehicle/engine applications specified on the list, in order to be eligible for funding.

Please note that technologies for the electrification of engines/vehicles/equipment other than those specifically listed on EPA's SmartWay Verified Technologies list, cannot be considered verified idle reduction technologies, but may be eligible as a Repower (removal of a diesel engine and its replacement with an electric power source, see Section VIII.C.6 below) or a Replacement (replacement of a diesel powered engine/vehicle/equipment with an eligible electric engine/vehicle/equipment, see VII.C.7, below).

- a) **Verified Idle Reduction Technologies on Locomotives:** The state may fund up to 40% of the cost (labor and equipment) of the installation of eligible verified idle reduction technologies on locomotives.
 - b) **Shore Connection Systems and Truck Stop Electrification:** The state may fund up to 25% of the cost (labor and equipment) of eligible shore connection systems and truck stop electrification/electrified parking space technologies.
 - c) **Verified Idle Reduction Technologies on School Buses:** The state may fund up to 100% of the cost (labor and equipment) of verified idle reduction technologies on school buses with model year 2006 or older engines that have been previously retrofitted with a verified emission control device.
 - d) **All Other Verified Idle Reduction Technologies:** The state may fund up to 100% of the cost (labor and equipment) for all other eligible, verified idle reduction technologies, only if the technology is combined on the same vehicle with a new eligible verified exhaust control funded under the Program, as described in Section VIII.C.1, above. Auxiliary power units (APUs) and generators are not eligible for vehicles with 2007 model year or newer certified engine configurations on long haul Class 8 vehicles.
5. **Verified Aerodynamic Technologies and Verified Low Rolling Resistance Tires:** To improve fuel efficiency, long haul Class 8 trucks can be retrofitted with aerodynamic trailer fairings or the fairings can be provided as new equipment options. Certain tire models can provide a reduction in NOx emissions and fuel savings, relative to the "standard" new tires for long haul Class 8 trucks, when used on all axles.

A list of eligible, EPA verified aerodynamic technologies is available at: www.epa.gov/smartway/forpartners/technology.htm#tabs-2, and includes:

- gap fairings that reduce the gap between the tractor and the trailer to reduce turbulence;
- trailer side skirts that minimize wind under the trailer; and
- trailer rear fairings that reduce turbulence and pressure drop at the rear of the trailer.

A list of EPA verified low rolling resistance tires is available at: www.epa.gov/smartway/forpartners/technology.htm#tabs-3, and includes both dual tires and single wide tires (single wide tires replace the double tire on each end of a drive or trailer

axle, in effect turning an "18" wheeler into a "10" wheeler). Low rolling resistance tires can be used with lower-weight aluminum wheels to further improve fuel savings, however aluminum wheels are not eligible for funding under this RFP.

The types of aerodynamic technologies and low rolling resistance tires proposed for funding under this category must exist on EPA's SmartWay Verified Technologies list for the vehicle/engine application specified in the proposal at the time of proposal submission to EPA. If selected for funding, the actual technologies/tires used by the grant recipient must be specifically named on EPA's SmartWay Verified Technologies list at the time of acquisition, and used only for the vehicle/engine applications specified on the list, in order to be eligible for funding.

The state cannot fund stand-alone aerodynamic technologies or low rolling resistance tires. The state may fund up to 100% of the cost (labor and equipment) for verified aerodynamic technologies or verified low rolling resistance tires installed on long haul Class 8 trucks, if combined on the same vehicle with the new installation of one or more of the Verified Exhaust Controls funded under the Program, as described in Section VIII.C.1, above.

Note: Low rolling resistance tires are not eligible for funding where these types of tires have already been installed on the truck.

- 6. Certified Engine Repowers:** "Repower" refers to replacing an existing engine with a newer, cleaner engine that is certified to a more stringent set of engine emission standards. Repower includes, but is not limited to, diesel engine replacement with an engine certified for use with a clean alternative fuel, diesel engine replacement with an electric power source (grid, battery or fuel cell⁴), and/or the replacement of a nonroad engine with a highway engine. The state may fund up to 40% of the cost (labor and equipment) of an eligible engine repower. All-electric (i.e. zero emission) repowers do not require EPA or CARB certification.

a) Electric Generator Repower:

- i.** For a repower that involves the replacement of an existing diesel propulsion engine with a stationary or auxiliary diesel powered electric generator (genset), the electric generator and the newer, cleaner engine comprising the genset are both eligible costs of the repower.
- ii.** Repower of an existing genset involves replacing the existing diesel engine in the genset with a newer, cleaner engine. Only the newer, cleaner engine (labor and equipment) is an eligible cost of the repower.

- 7. Vehicle and Equipment Replacements:** Nonroad and highway diesel vehicles and equipment can be replaced under this program with newer, cleaner vehicles and equipment that operate on diesel or alternative fuels and use engines certified by EPA or CARB to meet a more stringent set of engine emission standards. Replacement projects can include the replacement of diesel vehicles/equipment with newer, cleaner diesel, electric (grid, battery or

⁴ Hydrogen fuel cells are eligible only for repowers for eligible medium and heavy-duty urban transit buses and eligible drayage trucks.

fuel cell⁵), hybrid or alternative fuel vehicles/equipment. All-electric (i.e. zero emission) vehicles and equipment do not require EPA or CARB certification. Marine vessels are not eligible for full replacement.

- a) **Nonroad Diesel Vehicles and Equipment:** The state may fund up to 25% of the cost of a replacement vehicle or piece of equipment powered by a 2013 model year or newer certified nonroad engine. Nonroad engine emission standards are on EPA's website at: www.epa.gov/otaq/standards/nonroad/index.htm.
 - i. **Electric Generator Replacement:** For stationary or auxiliary diesel powered electric generator (genset), replacement means the removal of the entire genset and its replacement with a newer, cleaner genset. The electric generator in a genset together with the newer, cleaner engine is an eligible cost of the replacement.
 - b) **Highway Diesel Vehicles:** The state may fund up to 25% the cost of a newer, cleaner medium or heavy-duty vehicle, powered by a 2013 model year or newer certified highway heavy-duty engine, (except for drayage vehicles as explained in Section VIII.C.7.c, below).
 - c) **Replacements for Drayage Vehicles:** The state may fund up to 50% of the cost of an eligible drayage truck powered by a 2010 model year or newer certified heavy-duty engine equipped with a diesel particulate filter (or catalyst equipped in the case of a CNG engine).
 - i. **Definition of Drayage Truck:** A "Drayage Truck" means any Class 8b in-use on-road vehicle with a gross vehicle weight rating (GVWR) of greater than 33,000 pounds 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.
 - ii. **Drayage Operating Guidelines:** The subgrant recipient will be required to establish guidelines to ensure that all drayage trucks purchased with grant funds are operated in a manner consistent with the definition of a drayage truck, as defined above. For an example of sample guidelines, see www.epa.gov/sites/production/files/2015-10/documents/fy14-sample-drayage-operating-guidelines.pdf.
 - iii. **Required/Scheduled Maintenance:** The state may fund the required/scheduled vehicle maintenance, as specified in the owner's manual, which is necessary to meet the warranty requirements for diesel particulate filters installed on drayage trucks. Funding for required maintenance is available for the duration of the project period.
8. **Clean Alternative Fuel Conversions:** Conventional, original equipment manufacturer (OEM) highway diesel vehicles and engines that are altered to operate on alternative fuels such as propane, natural gas, alcohol, or electricity are classified as aftermarket clean alternative fuel conversions. Clean alternative fuel conversions are accomplished by applying a certified or compliant alternative fuel conversion "kit" to an existing highway diesel engine. The state may fund up to 40% of the cost (labor and equipment) of an eligible certified or compliant clean alternative fuel conversion. Proposals for clean alternative fuel conversions should include a discussion of the availability of conversion systems and

⁵ Hydrogen fuel cell vehicles and equipment are eligible only as replacements for eligible medium and heavy-duty urban transit buses, eligible drayage trucks, and eligible forklifts.

indicate the pre- and post-project emission standard levels of the engines in order to demonstrate that the conversion will result in an emissions benefit.

In the United States, all clean alternative fuel conversions (except pure battery electric) must meet applicable EPA standards pursuant to 40 CFR Parts 85 and 86. Lists of certified and compliant clean alternative fuel conversion systems, and additional guidance, can be found at www.epa.gov/otaq/consumer/fuels/altfuels/altfuels.htm. Vehicles operating in California must follow conversion rules issued by CARB.

Clean alternative fuel conversions must be “dedicated” or “mixed fuel”, meaning the engine runs only on the alternative fuel, or uses a small amount of diesel mixed with the alternative fuel. Dedicated or mixed fuel engines do not have the ability to operate solely on diesel fuel. “Dual fuel” or “bi-fuel” conversions, meaning the engine can switch between fuel sources and still has the capability of running on 100% diesel, are not eligible for funding.

D. DERA Programmatic Priorities: The principal objective of the assistance to be awarded under this program is to achieve significant reductions in diesel emissions in terms of tons of pollution produced and reductions in diesel emissions exposure from vehicles, engines and equipment operating in areas designated as poor air quality areas. The state’s workplan must discuss how the state will ensure that projects selected for funding support the programmatic priorities listed below. Please note that these are funding priorities, and are not eligibility factors.

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 list of priority counties and areas can be found at: www.epa.gov/sites/production/files/2015-10/documents/fy14-county-area-list.pdf. These counties and areas were identified as priority locations for the DERA program because they are:

- in nonattainment or maintenance of national ambient air quality standards for Ozone and/or PM2.5;
- areas with toxic air pollutant concerns as identified from the National Air Toxics Assessment data;
- designated as Federal Class I areas; and/or
- accepted to participate in EPA’s Ozone Advance or PM Advance Programs.

In addition, priority should be given to projects located in areas that receive a disproportionate quantity of air pollution from diesel fleets, including:

- truckstops (e.g. places especially for truckers that are usually by a highway or interstate and that include a parking area, fueling services, and other facilities)
- ports (e.g. a cities, towns, or other places alongside navigable water with facilities for the loading and unloading of cargo from ships; places from which aircraft operate that have paved runways and passenger and cargo terminals which include baggage-movement and passenger-transit operations; places where foreign goods are inspected by customs officers and allowed to pass into and out of a country)
- rail yards (e.g. places at which trains originate or terminate, or at which they are distributed or combined)

- terminals (e.g. freight or 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 and passengers)
- construction sites (e.g. sites of ongoing large scale commercial, industrial, or heavy civil construction)
- school bus depots/yards (e.g. parking areas and/or garages where school buses are stored and maintained, or where school buses queue), distribution centers (e.g. 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)

E. EPA Strategic Plan Linkage and Anticipated Outputs/Outcomes

Pursuant to Section 6a of EPA Order 5700.7, “Environmental Results under EPA Assistance Agreements,” EPA must link proposed assistance agreements with the Agency’s Strategic Plan. EPA also requires that grant applicants and recipients adequately describe environmental outputs and outcomes to be achieved under assistance agreements (see EPA Order 5700.7, Environmental Results under Assistance Agreements, www.epa.gov/sites/production/files/2015-03/documents/epa_order_5700_7a1.pdf).

1. **Linkage to EPA Strategic Plan:** All proposals must support progress towards EPA’s 2014-2018 Strategic Plan Goal 1, ‘Addressing Climate Change and Improving Air Quality,’ Objective 1.2, ‘Improve Air Quality,’ which states, “achieve and maintain health-and welfare-based air pollution standards and reduce risk from toxic air pollutants and indoor air contaminants.” Specifically, the proposed activities must reduce emissions from diesel fleets, thereby reducing local and regional air pollution of criteria pollutants, air toxics, and greenhouse gases.

Please read [EPA’s FY 2014-2018 Strategic Plan](#) for more information.

2. **Outputs:** The term “output” means an environmental activity, effort and/or associated work product related to an environmental goal and 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 Program include, but are not limited to:

- number of replaced or retrofitted engines/vehicles/equipment; and/or
- hours of idling reduced.

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

- engaging local communities with respect to the design 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;

- adoption of an idle reduction policy;
- providing support to clean diesel coalitions by sharing information, working with interested fleets, and addressing specific geographic needs;
- number of subawards; and/or
- dissemination of project/technology information via list serves, websites, journals and outreach events.

Progress reports and a final report will also be required outputs.

- 3. 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 qualitative and environmental, behavioral, health-related or programmatic in nature, but must 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 Program 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),
 - greenhouse gases (GHG) such as carbon dioxide (CO₂) and black carbon, and/or
 - volatile organic compounds (VOCs).
- net reduction in gallons of diesel fuel used;
- benefits to the communities affected by the project, including improvements to human health and the environment, the local economy, social conditions, and the welfare of residents in such communities.

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 project and results;
- widespread adoption of the implemented technology;
- demonstration and deployment of zero and near-zero emission vehicles and engines; and
- emission reductions along freight transportation corridors.

IX. USE OF FUNDS RESTRICTIONS

- A. Mandated Measures:** Pursuant to 42 U.S.C. 16132(d)(2), no funds awarded under the Program shall be used to fund the costs of emission reductions that are mandated under federal law. The restriction applies when the mandate takes effect (the effective date) for any affected vehicles, engines or equipment. This restriction does not apply to a mandate in a State Implementation Plan approved by the Administrator under the Clean Air Act. Voluntary or elective emission

reduction measures shall not be considered “mandated,” regardless of whether the reductions are included in the State Implementation Plan.

Specifically, projects involving locomotives and marine engines are not eligible for funding if the emission reductions are required by EPA’s locomotive and marine rule, “Control of Emissions of Air Pollution from Locomotives and Marine Compression-Ignition Engines Less than 30 liters per Cylinder.” Also, projects involving stationary engines will not be considered for funding if the emission reductions proposed for funding are required by EPA’s RICE rule, “National Emission Standards for Hazardous Air Pollutants (NESHAP) for Stationary Reciprocating Internal Combustion Engines (40 CFR Part 63 Subpart ZZZZ). Projects which include locomotives and/or marine engines and/or stationary engines must provide the state and EPA a clear and concise justification for why/how the proposed emission reduction are not subject to the Restriction for Mandated Measures. The justification must clearly demonstrate that:

- the target engines are exempt from any federal requirements; or
- emission reductions funded under the Program will be implemented prior to the effective date of any applicable federal requirements; and/or
- emission reductions funded under the Program will not be used to satisfy any applicable federal requirements, but instead are in excess of (above and beyond) those required by the applicable mandate.

Sufficient information must be provided to support the justification, including maintenance records, if applicable. The mandated measures justification must be approved by EPA before any grant funds are expended on applicable projects.

B. Normal Attrition: Repowers and replacements that would have occurred through normal attrition are considered to be the result of normal fleet turnover and are not eligible for funding under this program. Normal attrition is generally defined as a replacement that is scheduled to take place within 3 years of the project start date. Normal attrition is typically defined by the vehicle or fleet owner’s budget plan, operating plan, standard procedures, or retirement schedule. For example, if a school bus fleet typically retires vehicles after 20 years, a bus that is currently in its 18th or 19th year of service is not eligible for replacement. A bus that is currently in its 17th year of service and has three years of useful life remaining (as defined by the fleet’s retirement schedule) is eligible for replacement. Therefore, FY 2016 award funds, including recipient cost-share, shall not be used for replacements/repowers that would have occurred through normal fleet turnover prior to September 30, 2019). Normal attrition does not include replacements that must occur due to a state or Local mandate. Any question as to eligibility of a vehicle/equipment replacement or repower should be directed to the EPA Project Officer.

C. Fleet Expansion: Funding under this Program cannot be used for the purchase of vehicles, engines, or equipment to expand a fleet. Repower and replacement projects are eligible for funding on the condition that the following criteria are satisfied:

1. The replacement vehicle, engine, or equipment will perform the same function and operation as the vehicle, engine, or equipment that is being replaced (e.g., an excavator used to dig pipelines would be replaced by an excavator that continues to dig pipelines).

2. The replacement vehicle, engine, or equipment will be of the same type and similar gross vehicle weight rating or horsepower as the vehicle, engine, or equipment being replaced (e.g., a 300 horsepower bulldozer is replaced by a bulldozer of similar horsepower). Horsepower increases of more than 25 percent require specific written approval from the EPA Project Officer prior to purchase, and the grantee/subgrantee may be required to pay the additional costs associated with the higher horsepower equipment.
3. The engine being replaced will be scrapped or rendered permanently disabled within ninety (90) days of the replacement, or remanufactured to a certified cleaner emission standard. Permanently disabling the engine while retaining possession of the engine is an acceptable scrapping method. 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. Remanufacturing shall be performed by the original engine manufacturer, or by a dealership/distributor that has a service program that is sponsored/backed by original engine manufacturer warranties (i.e. the new, remanufactured and upgraded engine is warranted by the OEM). Non-road engines shall be remanufactured to the cleanest certified emission standard possible. Highway engines shall be remanufactured to Model Year (MY) 2007 or newer certified emission standards. Remanufacturing must be completed during the project period. Other acceptable scrapping methods may be considered and will require prior written approval from the EPA Project Officer. If scrapped or remanufactured engines are to be sold, program income requirements apply.
4. The vehicle/equipment being replaced will be scrapped or rendered permanently disabled within ninety (90) days of the replacement, or remanufactured to a certified cleaner emission standard. Permanently disabling the chassis and disabling or remanufacturing the engine (see above) while retaining possession of the vehicle/equipment is an acceptable scrapping method. The engine will be scrapped or disabled as described above in E.3. 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. Other acceptable scrapping methods may be considered and will require prior written approval from the EPA Project Officer. Vehicle/equipment components that are not part of the engine or chassis may be salvaged from the unit being replaced (e.g. plow blades, shovels, seats, etc.). If scrapped or remanufactured vehicles/equipment or salvaged vehicle/equipment chassis or components are to be sold, program income requirements apply.
5. Evidence of appropriate disposal (such as digital photos of the engine tag showing serial number, engine family number, and engine model year, and of the destroyed engine block and cut frame rails or other structural components) is required in a final assistance agreement report submitted to EPA.
6. For tire replacement projects, the original tires should be scrapped according to local or state requirements, or the tires can be salvaged for reuse or retreading. If salvaged tires are sold, program income requirements apply.

D. Federal Matching Funds: No funds awarded under the Program shall be used for matching funds for other federal grants unless expressly authorized by statute. Likewise, recipient may not use federal funds as cost-share funds for the State Clean Diesel Grant Program, including funds received under EPA's National Clean Diesel Emissions Reduction Programs and federal Supplemental Environmental Project (SEP) funds.

E. Expenses Incurred Prior to the Project Period: 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, no funds awarded

under the Program shall be used to cover expenses incurred prior to the project period set forth in any assistance agreement funded under the Program. Additionally, except for eligible pre-award costs as defined above, expenses incurred prior to the project period set forth in any assistance agreement funded under the Program are not eligible as a cost-share.

- F. 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, and 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% cap if the state provides justification for unique circumstances. The state's indirect costs are not considered as administrative type costs and do not count towards the 15 percent maximum.
- G. Formerly Verified Technologies:** No funds awarded under the Program shall be used for retrofit technologies on EPA's or CARB's, "Formerly Verified Technologies" lists. EPA's formerly verified list can be found at: www.epa.gov/verified-diesel-tech/list-formerly-verified-technologies-clean-diesel, and CARB's formerly verified lists can be found at: www.arb.ca.gov/diesel/verdev/vt/fv1.htm, www.arb.ca.gov/diesel/verdev/vt/fv2.htm, and www.arb.ca.gov/diesel/verdev/vt/fv3.htm.
- H. Emissions Testing:** No funds awarded under the Program shall be used for emissions testing and/or air monitoring activities (including the acquisition cost of emissions testing equipment), or research and development.
- I. Fueling Infrastructure:** No funds awarded under the Program shall be used for fueling infrastructure, such as that used for the production and/or distribution of biodiesel, compressed natural gas, liquefied natural gas, and or other fuels.
- J. Single-Wide Wheels:** No funds awarded under the Program shall be used for the purchase of single-wide wheels except where a fleet is retrofitting from standard dual tires to SmartWay-verified single-wide low rolling resistance tires. In this case, the cost of single-wide wheels would be acceptable as additional equipment necessary to use the SmartWay verified technology.
- K. Tires and Aerodynamics:** No funds awarded under the Program shall be used for the purchase of low rolling resistance tires or advanced aerodynamic technologies if similar technologies have previously been installed on the truck or trailer.
- L. Auxiliary Power Units:** No funds awarded under the Program shall be used for the purchase of APUs or generators for vehicles with 2007 or newer certified engine configurations on long haul Class 8 vehicles.
- M. On-highway Model Year:** No funds awarded under the Program shall be used to retrofit, repower, convert or replace a transit bus, medium-duty, or heavy-duty highway vehicle with engine model year 1990 older, or to retrofit engine model year 2007 or newer with DOCs or DPFs, or retrofit engine model year 2010 or newer with SCR, or replace engine model year 2004-2006 with other than with an all-electric vehicle, or replace, repower or convert engine model year 2007 or newer. Refer to Table 1 for further explanation.

Table 1: Medium and Heavy-Duty Trucks and Transit Buses Funding Restrictions

Current Engine Model Year	DOC	DPF	SCR	Replace with 2010 or Newer (Dray Only)	Replace with 2013 or Newer	Repower or Conversion of Engine to Higher Certification Level	Repower, Replacement or Conversion to All-Electric (Includes Dray)
1991-2003	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2004 to 2006	Yes	Yes	Yes	No	No	Yes	Yes
2007 to 2009	No	No	Yes	No	No	No	No
2010 to current	No	No	No	No	No	No	No

N. School Bus Model Year: No funds awarded under the Program shall be used to retrofit, repower, convert or replace a school bus with engine model year 1990 or older, or replace school buses with engine model year 2004-2006 other than with an all-electric vehicle, or retrofit, replace, repower or convert school buses with engine model year 2007 or newer. Refer to Table 2 for further explanation.

Table 2: School Bus Funding Restrictions

Current Engine Model Year	DOC	DOC + CCV	DPF	Replace with 2013 or Newer	Repower or Conversion of Engine to Higher Certification Level	Repower, Replacement or Conversion to All-Electric
1991 to 2003	Yes	Yes	Yes	Yes	Yes	Yes
2004 to 2006	Yes	Yes	Yes	No	Yes	Yes
2007 to current	No	No	No	No	No	No

O. Nonroad Useful Life and Operating Hours: No funds awarded under the Program shall be used to retrofit, repower, upgrade or replace a nonroad engine or equipment that has less than seven years of useful life remaining. A table distinguishing which nonroad engine model years EPA has determined to have at least seven years of useful life remaining, based on the type and age of vehicle, can be found at www.epa.gov/sites/production/files/2015-10/documents/fy14-nonroad-remaining-useful-life.pdf. No funds awarded under the Program shall be used to retrofit, repower, replace or upgrade nonroad engines and equipment that operate less than 500 hours per year.

P. Nonroad Repower/Replacement: No funds awarded under the Program shall be used to repower or replace nonroad Tier 0 (unregulated) engines to a nonroad Tier 1 or lower nonroad engine standard or from a Tier 2 nonroad engine standard to a Tier 3 or lower nonroad engine standard. Refer to Table 3 for further explanation.

Table 3: Nonroad Engine Funding Restrictions

Current Engine Tier	Repowered or Replaced 2013 or Newer Certified Engine				
	Tier 0	Tier 1	Tier 2/3	Tier 4	All-Electric
Tier 0 / 1	No	No	Yes	Yes	Yes
Tier 2 / 3	No	No	No	Yes	Yes

Q. Locomotive and Marine Operating Hours: No funds awarded under the Program shall be used to retrofit, repower, replace, upgrade or install idle reduction technologies on eligible locomotives or marine engines that operate less than 1000 hours per year.

R. Marine Repower/Replacement/Upgrade: No funds awarded under the Program shall be used to repower, replace or upgrade Tier 3 or Tier 4 marine engines, or to repower or replace marine engines from Tier 1 marine engine standard to Tier 1 marine engine standard, or from a Tier 2 marine engine standard to a Tier 2 or lower marine engine standard. Refer to Table 4 for further explanation.

Table 4: Marine Engines Funding Restrictions

Current Engine Tier	Repowered or Replaced New Certified Engine				Certified Engine Upgrade (Remanufacture System)	Verified Engine Upgrade
	Tier 1	Tier 2	Tier 3	Tier 4		
Unregulated	Yes	Yes	Yes	Yes	Yes	Yes
Tier 1	No	Yes	Yes	Yes	Yes	Yes
Tier 2	No	No	Yes	Yes	Yes	Yes
Tier 3 and Tier 4	No	No	No	No	No	No

S. Marine Shore Connection: No funds awarded under the Program shall be used for marine shore connection system projects that are expected to be utilized less than 2,000 MW-hr/year.

T. Locomotive Retrofit/Repower/Replacement/Upgrade: No funds awarded under the Program shall be used to retrofit unregulated or Tier 0 locomotives with SCR, or to upgrade, repower or replace locomotives from: Tier 0+/1 to Tier 0+ or lower; Tier 1+/2 to Tier 1+ or lower; Tier 2 to Tier 1+ or lower; or, from Tier 2+ to Tier 2+ or lower. Additionally, no funds awarded under this RFP shall be used upgrade, repower or replace line-haul locomotives from Tier 2 to Tier 4, or to upgrade, repower or replace line-haul locomotives from Tier 2+ to Tiers 3 and 4. No funds awarded under the Program shall be used to install Automatic Engine Start-Stop technologies on locomotives currently certified to Tier 0+ or higher. Refer to Table 5 for further explanation.

Table 5: Locomotive Engines Funding Restrictions

Current Locomotive Tier	New Locomotive Tier					Verified Exhaust Controls
	Tier 0+	Tier 1+	Tier 2+	Tier 3	Tier 4	SCR
Unregulated and Tier 0	Yes	Yes	Yes	Yes	Yes	No
Tier 0+ and Tier 1	No	Yes	Yes	Yes	Yes	Yes
Tier 1+	No	No	Yes	Yes	Yes	Yes
Tier 2	No	No	Yes	Yes	Yes*	Yes
Tier 2+	No	No	No	Yes*	Yes*	Yes

*Applies to switcher locomotives only

Note: Tier 0+, Tier 1+, and 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.

U. Locomotive Shore Connection: No funds awarded under the Program shall be used for locomotive shore connection system projects that are expected to be utilized less than 1,000 hours/year.

X. MANDATORY COST-SHARE REQUIREMENT

Projects involving engine upgrades, certain idle reduction technologies, shore connection systems, truck stop electrification technologies, certified engine repowers, clean alternative fuel conversions, or certified vehicle/equipment replacements, as defined in Section VIII.C, are subject to the following funding limitations and mandatory cost-share requirements.

Any voluntary matching funds provided by the state to qualify for the matching incentive, count towards the “EPA funds and state voluntary matching funds” described below. Further, 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. However, if a state requires a third-party cost-share contribution above and beyond the mandatory cost-share amount for the elected technology, then the “excess” cost-share may be applied towards the state voluntary match funds for the purpose of qualifying for the matching incentive. See Section V.C for additional information on the matching incentive.

A. Engine Upgrades: EPA funds and state voluntary matching funds can cover up to 40% of the cost (labor and equipment) of an eligible engine upgrade (i.e. states and/or eligible third parties are responsible for cost-sharing at least 60% of the cost of an eligible engine upgrade).

B. Idle Reduction Technologies on Locomotives: EPA funds and state voluntary matching funds can cover up to 40% of the cost (labor and equipment) of an eligible idle reduction technology on a locomotive (i.e. states and/or eligible third parties are responsible for cost-sharing at least 60% of the cost of an eligible idle reduction technology on a locomotive).

C. Shore Connection Systems and Truck Stop Electrification Technologies: EPA funds and state voluntary matching funds can cover up to 25% of the cost (labor and equipment) of an eligible shore connection system or truck stop electrification technology (i.e. states and/or eligible third parties are responsible for cost-sharing at least 75% of the cost of an eligible shore connection system or truck stop electrification technology).

D. Certified Engine Repower: EPA funds and state voluntary matching funds can cover up to 40% of the cost (labor and equipment) of an eligible engine repower (i.e. states and/or eligible third parties are responsible for cost-sharing at least 60% of the cost of an eligible engine repower).

E. Certified Vehicle/Equipment Replacement:

1. Nonroad Diesel Vehicles and Equipment: EPA funds and state voluntary matching funds can cover up to 25% of the cost of an eligible replacement vehicle or piece of equipment powered by a 2013 model year or newer certified engine (i.e. states and/or eligible third parties are responsible for cost-sharing at least 75% of the cost of an eligible replacement vehicle or piece of equipment).

2. Highway Diesel Vehicles: EPA funds and state voluntary matching funds can cover up to 25% of the cost of an eligible replacement vehicle powered by a 2013 model year or newer certified engine (i.e. states and/or eligible third parties are responsible for cost-sharing at least 75% of the cost of an eligible replacement vehicle or piece of equipment).

3. Drayage Vehicle Replacement: EPA funds and state voluntary matching funds can cover up to 50% of the cost of an eligible replacement drayage truck powered by a 2010 model year or newer engine equipped with a diesel particulate filter (or diesel oxidation catalyst in the case of a CNG engine) (i.e. states and/or eligible third parties are responsible for cost-sharing at least 50% of the cost of an eligible replacement drayage vehicle).

F. Clean Alternative Fuel Conversions: EPA funds and state voluntary matching funds can cover up to 40% of the cost (labor and equipment) of an eligible clean alternative fuel conversion (i.e. states and/or eligible third parties are responsible for cost-sharing at least 60% of the cost of an eligible clean alternative fuel conversion).

XI. WAIVER OF PROGRAMMATIC REQUIREMENTS

EPA will consider, on a case-by-case basis, waiver requests from programmatic requirements. Waivers will only be approved for non-statutory and/or 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.

XII. AWARD ADMINISTRATION INFORMATION

A. Terms and Conditions: General administrative and programmatic terms and conditions applicable to EPA assistance agreements under this Program may be viewed at: www.epa.gov/grants/grant-terms-and-conditions.

B. Pass-through Entity: As defined at 2 CFR §200.74, refers to a non-Federal entity (i.e. the state) that provides a subaward to a subrecipient to carry out part of a Federal program.

C. Subaward: As defined at 2 CFR §200.92, means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. If the recipient chooses to pass funds from this assistance agreement to other entities, the recipient must comply with applicable provisions of 2 CFR Part 200, the National Term and Condition for Subawards, and the EPA Subaward Policy (Grants Policy Issuance 16-01), both of which may be found at <https://wcms.epa.gov/grants/epa-subaward-policy>.

Subrecipients only receive reimbursement for their actual direct or approved indirect costs such that they do not “profit” from the transaction and subrecipients are subject to the same Federal requirements as the pass-through entity. There is no requirement in the applicable regulations or these guidelines for pass-through entities to compete subawards, but pass-through entities may choose to conduct competition for subawards based on their own policies. Please note that sometimes a pass-through entity or subrecipient may use the term ‘contract’ to characterize a subaward. Therefore, it is important to examine the substance of the agreement to determine if the transaction is a subaward or a procurement contract per the terms and conditions of the EPA assistance agreement.

Recipients must obtain the written approval of EPA’s Award official for any subawards that are not described in the approved work plan in accordance with 2 CFR §200.38 or prior to awarding a subaward to an individual if the EPA-approved work plan does not include a description of subawards to individuals.

D. Subawards to For-Profit Entities: A for-profit company may be awarded a subgrant when doing so is consistent with applicable regulations and policies. The EPA Subaward Policy Section 7(c) states, “For-profit organizations and individual consultants, with very few exceptions, are contractors rather than subrecipients under the standards in 2 CFR §200.330 and EPA’s guidance; they are typically ineligible for subawards from pass-through entities. As provided in the National Term and Condition for Subawards, EPA’s Award Official must approve subawards to these entities on the basis of either precise descriptions of the subawards in the EPA approved budget and work plan or on a transaction by transaction basis. See Appendix A: Distinctions Between Subrecipients and Contractors for additional guidance.” For example, it would be appropriate to provide a subaward to a private school bus company so that the company may implement a diesel emission reduction school bus replacement program (i.e. the for-profit firm is not providing goods and services to the pass-through entity); it would NOT be appropriate to provide a subaward to a private school bus company so that the company may provide transportation services to the recipient (i.e. the for-profit firm is providing goods and services to the pass-through entity).

E. Funding to Other State Agencies: EPA’s general policy, based on the definitions of the terms “Non-federal entity” (2 CFR §200.69), “Pass-through entity” (2 CFR §200.74) “Recipient” (2 CFR §200.86) and “State” (2 CFR §200.90), 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 then 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 10% 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 funding transfers as subawards. Note, however, that 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 Term and Condition for Subawards, and the EPA Subaward Policy unless 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.

- F. 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.
- G. Rebates:** Recipients and subrecipients may implement rebate programs and issue rebates to program beneficiaries (who are not employees, contractors, or subrecipients of the pass-through entity) that purchase eligible equipment and/or vehicles as described in Section VIII of this program guide, and not exceeding the “EPA funds and state voluntary matching funds” share of costs as defined in Section X of this document. Rebates should be classified as participant support costs rather than subawards as required by 2 CFR § 200.75 and 2 CFR §200.92 and included as line items in the “Other” budget category.
- H. Contract:** As defined at 2 CFR §200.22, means a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program 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 §200.92 Subaward).
- I. 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 §200.322 Procurement of Recovered Materials, and ensure that every purchase order or other contract includes any clauses required by section §200.326 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 200.326 Contract Provisions.

J. Performance Partnership Grants: Funds awarded under this program are not eligible for inclusion with the state's Performance Partnership Grants.

K. State Notification: Executive Order 12372, Intergovernmental Review of Federal Programs, may be applicable to awards resulting from this announcement. Recipients may be required to provide a copy of their application to their State Point of Contact (SPOC) for review, pursuant to EO 12372. This review is not required with the initial application, and not all states require such a review. A listing of State Point of Contacts (SPOC) may be viewed at: www.whitehouse.gov/omb/grants_spoc. For application purposes, applicants may choose to not respond to question #19 on the SF 424 form; EPA will provide additional guidance to Recipients during the award process.

L. Public Notification: 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 Web site 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.

M. Reporting Requirements: Quarterly 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.

1. **Quarterly Reports:** Quarterly reports summarizing technical progress, planned activities for the next quarter and a summary of expenditures are required. The schedule for submission of quarterly reports will be established by EPA, after the grants are awarded. A template for quarterly reports is available at www.epa.gov/cleandiesel/clean-diesel-state-allocations.
2. **Final Reports:** The final report must include: 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 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 www.epa.gov/cleandiesel/clean-diesel-state-allocations. The final report shall be submitted to EPA within 90 calendar days of the completion of the period of performance. However, in order to facilitate awarding funds the following fiscal year, it is recommended that the report be completed well before 90 days.