

**STATE OF TENNESSEE  
VOLKSWAGEN DIESEL SETTLEMENT  
ENVIRONMENTAL MITIGATION TRUST  
SCHOOL BUS REPLACEMENT GRANT  
APPLICATION MANUAL**



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## VW SETTLEMENT OVERVIEW:

In 2015, Volkswagen (VW) publicly admitted that it had secretly and deliberately installed a defeat device—software designed to cheat emissions tests and deceive federal and state regulators—in approximately 590,000 model year 2009 to 2016 motor vehicles containing 2.0 and 3.0 liter diesel engines. The United States Department of Justice (DOJ) filed a complaint against VW, alleging that the company had violated the Clean Air Act. In October 2016 and May 2017, the U.S. District Court, Northern District of California (“Court”), approved two partial settlements related to the affected 2.0 and 3.0 liter vehicles, respectively, totaling \$14.9 billion (“the VW Settlement”). The VW Settlement will be implemented through the First Partial Consent Decree and Second Partial Consent Decree.

Under these consent decrees, VW has agreed to establish a \$2.9 Billion Environmental Mitigation Trust (EMT) to mitigate the environmental effects of the excess nitrogen oxide (NOX) emissions from the affected vehicles. In March 2017, the Court appointed Wilmington Trust, N.A. as Trustee of the EMT, and in October 2017, the Court approved two Trust Agreements for Beneficiaries: one for the 50 states, the District of Columbia, and the Commonwealth of Puerto Rico (“State Trust Agreement”), and one for the separate allocation for federally recognized Indian tribes in the U.S. The State of Tennessee (“the State”) officially became a Beneficiary of the EMT on January 29, 2018, allowing the State to fund Eligible Mitigation Actions (EMAs), as defined in the First Partial Consent Decree and State Trust Agreement, that comply with the State’s Beneficiary Mitigation Plan (BMP). The State’s initial allocation under the EMT is \$45,759,914.40.

For more information on the VW Settlement, the EMT, and the State of Tennessee’s final BMP, which was released on September 21, 2018, please visit <https://www.tn.gov/environment/VWSettlement>.

**Note:** All terms that are both bolded and italicized in this Application Manual are defined in Appendix D-2 of the State Trust Agreement.<sup>1</sup>

## STATE OF TENNESSEE VW SETTLEMENT EMT SCHOOL BUS REPLACEMENT GRANT PROGRAM:

The State of Tennessee VW Settlement EMT School Bus Replacement Grant Program (“Program”) is managed by the Tennessee Department of Environment and Conservation (TDEC) Office of Energy Programs (OEP). Under this solicitation, \$8,710,353.78 in EMT funding is available for Eligible ***Class 4-8 School Bus*** projects. Grants shall not exceed \$750,000 per Grantee. Eligible applicants are limited to one application each. Applications may include a variety of vehicle and/or fuel types. The terms and conditions of the program are outlined in this Application Manual.

## DEADLINE TO SUBMIT:

Applications and supporting documentation must be submitted electronically via the TDEC Online Grants Management System, which may be accessed here: <https://tdec.smartsimple.com/>. Applications must be received by **4:00 pm CST on December 14, 2018**. Awards are expected to be

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<sup>1</sup> State Trust Agreement, [https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/Dkt\\_51-1\\_State\\_Beneficiary\\_Trust\\_Agreement.pdf](https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/Dkt_51-1_State_Beneficiary_Trust_Agreement.pdf).

announced in January 2019, and the expected timeframe for grant contracting efforts will be March 2019.

## ELIGIBILITY AND KEY CONSIDERATIONS:

### Eligible Applicants:

- Eligible applicants include both **Government** and Non-Government entities. “**Government**” shall mean a State or local government agency (including a school district, municipality, city, county, special district, transit district, joint powers authority, or port authority, owning fleets purchased with government funds), and a tribal government or native village.<sup>2</sup>
  - With regard to Federal Agencies, the State will classify the Department of Interior, the U.S. Department of Agriculture, and other eligible Federal Agencies as **Government** entities with regard to proposal(s) for projects limited to or located in federal Clean Air Act Class I and II areas<sup>3</sup> and as Non-Government entities with regard to all other proposals.
  - **Government** entities must be located (e.g., a municipal or county government) and/or have a physical presence in Tennessee (e.g., certain Federal Agencies). Non-Government entities must have a physical presence and operate within Tennessee.
  - Non-Government Owned **School Buses** under contract with a public school district shall be eligible for the same funding caps that are available to **Government** Owned projects.
- Applicants must intend to maintain operations in Tennessee for a minimum of five years.

### Eligible Projects:

- **School Buses** eligible for replacement include 2009 engine model year or older **Class 4-8 School Buses** sold or introduced into interstate commerce for purposes that include carrying students to and from school or related events. Eligible **School Buses** may include Type A-D **School Buses**.
  - Noting that EPA emission standards for heavy-duty highway engines of a **Gross Vehicle Weight Rating (GVWR)** of 8,500 lbs. or more went into effect in vehicles with a model year of 2007 and later, the State will prioritize replacement of **School Buses** in Tennessee that are model year 2006 or older. Within this prioritized range, vehicles with more years of remaining useful life will be prioritized over vehicles that are nearing their requisite retirement under Tenn. Code Ann. § 49-6-2109 (b).<sup>4</sup>
- Eligible projects must seek to replace a minimum of one eligible **School Bus**. Eligible **School Buses** may be replaced with any new diesel or **Alternate Fueled** or **All-Electric School Bus**, with the engine model year in which the Eligible Bus Mitigation Action occurs or one engine model year prior. “**Alternate Fueled**” shall mean an engine, or a vehicle or piece of equipment that is

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<sup>2</sup> State Trust Agreement, App’x D-2,

[https://www.tn.gov/content/dam/tn/environment/energy/documents/vwresources/Dkt\\_51-1\\_State\\_Beneficiary\\_Trust\\_Agreement.pdf](https://www.tn.gov/content/dam/tn/environment/energy/documents/vwresources/Dkt_51-1_State_Beneficiary_Trust_Agreement.pdf).

<sup>3</sup> See 42 U.S.C. §7472 and §7407 for definitions of Clean Air Act Class I and Class II areas.

<sup>4</sup> As noted in the final BMP, the State will prioritize certain model years, due to the pre-existing useful life restrictions on School Buses in Tennessee and the natural turnover in vehicle stock that results.

powered by an engine, which uses a fuel different from or in addition to gasoline fuel or diesel fuel (e.g., CNG, propane, diesel-electric **Hybrid**).<sup>5</sup> "**All-Electric**" shall mean powered exclusively by electricity provided by a battery, fuel cell, or the grid.<sup>6</sup>

- All eligible **School Buses** to be replaced under this Program must be **Scrapped** within sixty (60) days of new vehicle delivery. "**Scrapped**" shall mean to render inoperable and available for recycle, and, at a minimum, to specifically cut a 3-inch hole in the engine block and to disable the chassis by cutting the vehicle's frame rails completely in half.
- Eligible **School Buses** must be purchased new, from an original equipment manufacturer (OEM) or OEM-authorized dealer. If the new **School Bus** shall be **Alternate Fueled** or **All-Electric**, it shall be fully equipped by the manufacturer or by a third party at the direction of the manufacturer to operate on an alternative fuel or electricity prior to the initial purchase and registration of the vehicle.
- Each eligible **School Bus** must be certified/approved by the U.S. Environmental Protection Agency (EPA) and/or the California Air Resources Board (CARB) and must comply with all federal and state safety requirements.
- Eligible **School Buses** must be registered within the State of Tennessee.
- The following projects are not eligible for the State of Tennessee VW EMT **School Bus** Replacement Grant Program funding:
  - **School Buses** and/or related fueling technologies that are not commercially available;
  - Rebuilds of existing vehicles;
  - **Repowered** or remanufactured engines; and
  - Bi-fuel **School Buses** ("Bi-fuel" shall mean an engine or motor vehicle that is capable of operating on gasoline or diesel fuel in addition to another type of fuel, such as natural gas or propane. Both fuels are stored on board and the driver can switch between the fuels. The vehicle is equipped with fuel tanks, fuel injection systems, and fuel lines for both fuels).<sup>7</sup>

#### Eligible Costs:

- For selected, eligible **School Bus** projects, the program will provide:
  - Up to 25% of the cost of a replacement for Non-Government Owned projects;
  - Up to 50% of the cost of a replacement for **Government** Owned projects;
  - Up to 75% of the cost of a replacement for **Government** Owned projects that will operate 70% or more of the time in current or former nonattainment areas for Ozone and/or PM2.5 National Ambient Air Quality Standards (NAAQS);<sup>8</sup>

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<sup>5</sup> State Trust Agreement, App'x D-2, [https://www.tn.gov/content/dam/tn/environment/energy/documents/vwresources/Dkt\\_51-1\\_State\\_Beneficiary\\_Trust\\_Agreement.pdf](https://www.tn.gov/content/dam/tn/environment/energy/documents/vwresources/Dkt_51-1_State_Beneficiary_Trust_Agreement.pdf).

<sup>6</sup> Ibid.

<sup>7</sup> Appendix 4, State of Tennessee's Beneficiary Mitigation Plan, [https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/TDEC%20VW%20EMT%20BMP\\_FINAL.pdf](https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/TDEC%20VW%20EMT%20BMP_FINAL.pdf).

<sup>8</sup> Tennessee Nonattainment/Maintenance Status for Each County by Year for All Criteria Pollutants, [https://www3.epa.gov/airquality/greenbook/anayo\\_tn.html](https://www3.epa.gov/airquality/greenbook/anayo_tn.html). Please note that only portions of Roane and Cocke counties are designated as current or former nonattainment areas for Ozone and/or PM2.5 NAAQS. Within Roane County, this includes [the area described by U.S. Census 2000 block group identifier 47-145-0307-2](#), and within Cocke County, this includes [the area covering Great Smoky Mountain Park](#).

- Up to 75% of the cost of a replacement for **Government** Owned projects that will operate 70% or more of the time in Distressed Counties.<sup>9</sup>
  - For **All-Electric** replacement projects, up to 25% of the acquisition and installation costs for associated charging infrastructure (**All-Electric** infrastructure costs) for Non-Government Owned projects and up to 50% of the **All-Electric** infrastructure costs for **Government** Owned projects.
- Eligible costs under this Program are limited to (1) the purchase costs of eligible **School Buses** and (2) the acquisition and installation costs for **All-Electric** infrastructure, if applicable.
  - The total purchase cost of eligible **School Buses** may include required costs to acquire the vehicle(s), such as taxes and delivery fees.
  - Costs not integral to **School Bus** function (e.g., idle reduction technologies, optional diesel aftertreatment devices, etc.) cannot be considered eligible for reimbursement. Cost estimates provided as supporting documentation along with the application must detail any such costs in an itemized fashion. (Please refer to Appendix A to view a sample cost estimate).
  - Grant funding shall not cover costs associated with scrapping of eligible **School Buses** to be replaced. If a Grantee receives money in return for scrapping a **School Bus**, they may apply said funds toward their required cost share.

#### Grant Project/Reimbursement Timeline:

- The Grantee will have 24 months from the effective date of the Grant Contract to complete the project.
- Payment of project expenses will take place on a reimbursement basis. The Grantee must purchase the vehicle(s) and submit required invoice documentation before payment can occur. TDEC will not reimburse expenses that are incurred prior to the start date of the Grant Contract.
- The Grantee may proceed with its project after it is notified by State that its Grant Contract has been fully approved.

#### Additional Considerations:

- Any information submitted in response to the solicitation for the State of Tennessee's **School Bus** Replacement Grant will be considered public records and subject to disclosure to the public. The VW EMT Beneficiary Mitigation Plan and all documentation and records submitted by TDEC in support of each funding request to the Trustee will be available to the public on the TDEC Webpage, which is accessible at <https://www.tn.gov/environment/VWSettlement>. Funding requests submitted by TDEC to the Trustee will also be made available to the public via the Trustee Public Website, which is accessible at <https://www.vwenvironmentalmittigationtrust.com/>. Summarized details regarding the expenditure of Trust Funds by TDEC (e.g., cumulative totals for categories of eligible

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<sup>9</sup> Distressed Counties are defined as those counties that rank amongst the 10% most economically distressed counties in the nation based on a three-year average unemployment rate, per capita market income, and poverty rate. As of August 2018, Tennessee has 15 Distressed Counties. A comprehensive list of Distressed Counties for Fiscal Year 2019 may be accessed here: <https://www.tn.gov/transparenttn/jobs-economic-development/openecd/tnecd-performance-metrics/openecd-long-term-objectives-quick-stats/distressed-counties.html>.

mitigation actions identified in the Beneficiary Mitigation Plan, identification of recipients of Trust funds and their project scopes) will be maintained on the TDEC Webpage. Documentation and records supporting all expenditures of the Trust Funds by TDEC will be made publicly available. The general public may request such information by submitting a records request to TDEC. Specific request instructions are provided on the TDEC Webpage, including the name, title, and contact information for the TDEC staff tasked with responding to such records requests. By submitting an application for a grant, applicants agree to allow the use of applicant and project information as provided in application and grant documents to be published or distributed in various print or electronic media publications.

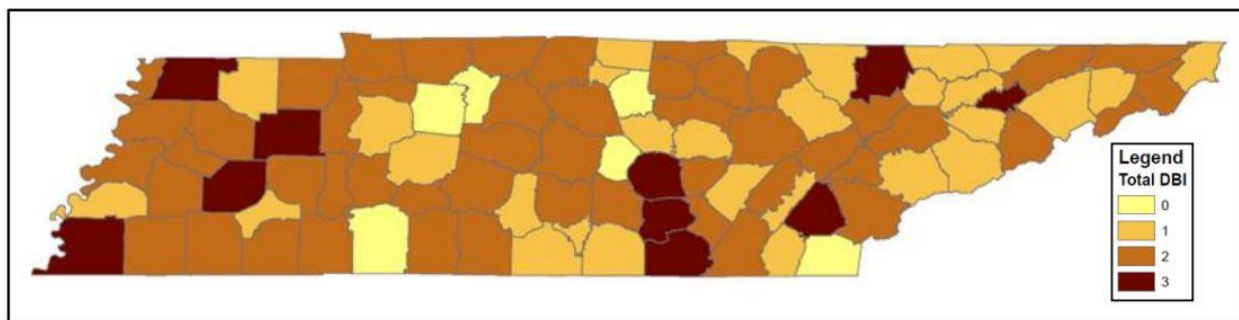
- TDEC OEP is required by Tenn. Code Ann. § 4-3-514(b)(1) to “maintain the confidentiality of all proprietary information it may acquire.” Proprietary information is defined in Tenn. Code Ann. § 4-3-514(b)(2) as “trade secrets and commercial or financial information that is used either directly or indirectly in the business of any person submitting information to the office under this chapter, and that gives such person an advantage or an opportunity to obtain an advantage over competitors who do not know or use such information.” Applicants for and/or recipients of funding from the VW EMT shall identify any proprietary information in submitted documents. TDEC OEP will review information identified as proprietary to determine that it fits within the aforementioned statutory definition of proprietary information. Further, TDEC OEP will maintain a log of the documents that contain proprietary information in order to ensure that such is redacted prior to being produced in response to a records request or disseminated for other purposes. The certification is also subject to the State of Tennessee’s applicable laws governing the public disclosure of personally identifiable information, which are set forth in Tenn. Code Ann. §10-7-504(a)(29). Pursuant to Tenn. Code Ann. § 10-7-503(a)(5), “information made confidential by State law shall be redacted whenever possible, and the redacted record shall be made available for inspection and copying.”
- TDEC reserves the right to not award funds to applicants that have:
  - Failed to submit a complete application;
  - Exhibited poor performance in complying with the expectations and requirements of grant contracts with the State of Tennessee; or
  - Regulatory and/or programmatic compliance issues with the State of Tennessee (e.g., is not in compliance with current regulations enforced by TDEC).
- By signing the application, the Applicant certifies that:
  - He/she understands the scrappage requirements of this grant program and that he/she will comply with these requirements;
  - He/she has read and understands the reporting requirements and that she/she will comply with these requirements;
  - All vendors will be selected in accordance with applicable State public contracting laws; and
  - He/she, along with any other officers, directors, owners, partners, employees, or agents of the applicant organization is (are) not presently debarred, suspended, proposed for debarment, or declared ineligible for an award by any State or Federal agency.
- TDEC may terminate and cancel this Program at any time.

## APPLICATION EVALUATION:

TDEC will conduct a comprehensive review of all complete and eligible grant applications, including all required supporting documentation (see the list of required supporting documentation in the Application Requirements section below). Applications will be competitively evaluated based solely on the data provided; therefore, completeness and accuracy are important. Each applicant is responsible for submitting all relevant, factual, and correct information with the application. Funding will be awarded based on the merits of the applications. Please note that TDEC may select parts of a proposal for funding and may offer to fund less than the eligible grant amounts and/or a smaller amount than requested in the application. Please also note that due to expected NOx emissions reductions from **Alternate Fueled** and **All-Electric** projects being higher than expected NOx emissions reductions from new diesel projects, the State will prioritize funding for **Alternate Fueled** and **All-Electric School Bus** replacement projects.

**Disproportionate Burden Index:** To consider the potential beneficial impact of selected projects on air quality in areas that bear a disproportionate share of the air pollution burden, the State has developed a “Disproportionate Burden Index” (DBI), which combines environmental, economic, and demographic datasets in a geospatial format to determine geographic units in Tennessee that have the highest air quality burden. Given that disproportionate burden is relative to the location of a project, TDEC will utilize the DBI and its geospatial display during the proposal review phase to assist with project prioritization and selection, focusing on the location and/or service area of the proposed project. For more information on the DBI, refer to Section VI. Consideration of Disproportionate Burden and Appendix 7 – Identification of Areas that Bear a Disproportionate Share of Air Pollution of the State of Tennessee’s Beneficiary Mitigation Plan.<sup>10</sup> A DBI map of Tennessee by county, dated October 2018, is available below for reference.

**Disproportionate Burden Index by County for Tennessee (October 2018)**



**Idle Reduction:** Considering that **School Bus** idling wastes fuel and financial resources while producing exhaust emissions that are harmful to human health and the environment, the State will prioritize eligible **School Bus** projects in school districts where an idle reduction policy for or including **School Buses** has been adopted as of the date a proposal is submitted. (Please refer to Appendix B to view a sample idle reduction policy).

<sup>10</sup> [https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/TDEC%20VW%20EMT%20BMP\\_FINAL.pdf](https://www.tn.gov/content/dam/tn/environment/energy/documents/vw-resources/TDEC%20VW%20EMT%20BMP_FINAL.pdf).



In addition to the above-mentioned criteria, projects will be evaluated, in part, on the following additional criteria:

- Expected NOx emission reductions from the proposed project;
- Cost-effectiveness of the project;
- Whether the vehicles will operate primarily in a former nonattainment area for Ozone and/or PM 2.5 NAAQS;
- Whether the vehicles will operate primarily in a Distressed county;
- Potential impact to vulnerable populations or populations affected by a disproportionate share of the air pollution burden, evaluated using the DBI and any additional information provided by the applicant;
- Whether the project proposes use of eligible **Alternate Fueled** or **All-Electric** vehicles;
- Community benefits to be achieved as a result of the project, including whether the project will strengthen emergency preparedness and resiliency of the transportation sector through diversity of fuel and project types; and
- Whether the project will result in the establishment of a new refueling station or an expanded refueling station such that the station will have expanded fueling capacity installed during the period of performance, including expanded fuel storage, increased compressor capacity, or increased fueling rate.

Projects may be determined to be incomplete and ineligible for an award if the information provided in the application:

- Requests funding to replace and/or purchase a non-eligible vehicle, rebuild an existing vehicle, or **Repower**/remanufacture an existing engine;
- Requests funding for greater than the maximum grant amount of \$750,000; and
- Does not include some or all of the required supporting documentation (see the list of required supporting documentation in the Application Requirements section below).

## APPLICATION REQUIREMENTS:

Applicants must complete and provide the items listed below in their grant application. Details for completing the items below are provided in this Application Manual.

- Applicants must complete and submit the State of Tennessee Volkswagen Diesel Settlement Environmental Mitigation Trust **School Bus** Replacement Grant Application, accessible at <https://tdec.smartsimple.com/>.
- The application must state the intent of the applicant and all project partners to:
  - Maintain operations in Tennessee for no fewer than five years;<sup>11</sup>
  - Register all purchased vehicles within Tennessee;
  - Comply with related Title VI requirements;
  - Comply with scrappage requirements;
  - Comply with reporting requirements; and
  - To select all vendors in accordance with applicable State contracting laws.

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<sup>11</sup> Applicants selected to receive grant funding will be required to submit annual reports for a period of five years following vehicle procurement, delivery, and the placement of vehicles into service.

#### Supporting Documentation:

- If vehicles are expected to operate in multiple counties, applicants must detail the expected breakout in percentage of time that the vehicle(s) will operate in each county and must provide supporting documentation to justify this breakout (e.g., driving routes of the vehicles to be replaced).
- The application must include a project description, which must contain:
  - The number, type, and model year of eligible **School Buses** to be replaced;
  - Supporting images of the VIN number and engine number for each vehicle to be replaced;
  - The number, type, and model year of new eligible **School Buses** to be purchased;
  - Information on the refueling infrastructure to be used and whether the project will involve construction and installation of a new refueling facility as well as whether the refueling facility is or will be accessible to the public;
  - A statement of the projected use of fuel in gallons or diesel gallon equivalents (DGEs) and the methodology utilized to determine the projected use;
  - Detail or documentation on prior annual fuel consumption by the vehicle(s) to be replaced;
  - A plan which demonstrates the financial viability of the project, the proposed project purchase schedule, and the expected payback (the expected length of time that it will take to recover the cost of the applicant's anticipated investment, likely to be achieved through fuel and/or vehicle maintenance savings);
  - A description of the total purchase cost of eligible **School Buses** and the amount requested as grant share;
  - A description of the cost to acquire and install associated infrastructure for **All-Electric School Buses**, if applicable, and the amount requested as grant share;
  - Information on the expected driving route of the **School Buses** (i.e., whether the vehicle will be in service on a daily, weekly, or monthly basis and the expected length of vehicle trips; where the vehicle is expected to travel (will it serve a local route, regional route, state-wide route), the highways/roadways that the vehicle is expected to travel on, etc.), supported by additional detail or documentation on the driving routes and previous annual mileage of the vehicle(s) to be replaced;
  - A statement on whether an idle reduction policy for or including **School Buses** has been adopted as of the date the application is submitted, and a copy of that policy, if one has been adopted; and
  - A description of the community benefits to be achieved as a result of the project, including whether the project will strengthen emergency preparedness and resiliency of the transportation sector through diversity of fuel and project types.
- The application must contain an estimate of the expected lifetime NOx emissions reduction for each proposed **School Bus** replacement, calculated using the Argonne National Laboratory Heavy-Duty Vehicle Emissions Calculator (accessible at <https://afleet-web.es.anl.gov/hdv-emissions-calculator/>). When utilizing the Heavy-Duty Vehicle Emissions Calculator, applicants should take the following steps:
  - For "Project Type," select, "Environmental Mitigation with Scrappage."
  - For "State," select, "Tennessee."
  - For "Vehicle Type," select, "**School Bus**."

- For "Number of Vehicles," insert "1."
- For "Model Year of Scrapped Vehicle," insert the model year of the vehicle to be replaced.
- For "Estimate Years for Early Retirement of Scrapped Vehicle," assume that the useful life of the **School Bus** is 18 years. (i.e., If a model year 2006 **School Bus** is to be **Scrapped** and retired in 2019, the **School Bus** will be retired 5 years early).
- For "Estimate Lifetime of New Vehicle," insert "18."
- For "Annual Miles of Scrapped Vehicle," insert the average annual mileage of the vehicle to be replaced.
- For "Annual Miles of New Vehicle," insert an appropriate estimate for the annual miles of the new vehicle, based on previous annual mileage of the vehicle to be replaced.
- **Do not** select the options for the "Diesel In-Use Multiplier."
- Only select and fill in the option for "Custom Fuel Economy" if you are proposing to replace a diesel **School Bus** with a **Hybrid**. After selecting the "Custom Fuel Economy" checkbox, insert the average fuel economy for the **Hybrid School Bus** as provided by the OEM within the "New Diesel (MPDGE)" field.
- Only select the option for "Low NOx Engines" if you are proposing to purchase a new **School Bus** with this type of engine.
- For "Funding Options," insert the amount of grant funding that you are requesting for the specific **School Bus** replacement, based on your entity type and geographic location.
- For "Natural Gas Feedstock Source," select "North American NG," unless the proposed project is to utilize natural gas from landfill gas, anaerobic digester (AD) gas of animal waste, AD gas of wastewater sludge, or AD gas of municipal solid waste.
- If you are applying to purchase an **All-Electric School Bus**, for "Source of Electricity," select "Custom Mix." Within the Custom Mix section, insert the following:<sup>12</sup>

| Heavy Duty Vehicle<br>Emissions Calculator Power<br>Source Inputs | Percent Share (in 2017)* |
|-------------------------------------------------------------------|--------------------------|
| Residual Oil                                                      | 0.16                     |
| Natural Gas                                                       | 12.81                    |
| Coal                                                              | 35.37                    |
| Nuclear                                                           | 41.59                    |
| Biomass                                                           | 0.0                      |
| Renewable (e.g., wind, solar)                                     | 10.07                    |
| Total must add up to 100%                                         |                          |

\*Data collected by the U.S. Energy Information Administration, net generation for electric utility in Tennessee, 2017.

- Select "Calculate Results," and then "Export Results." Save the file and provide it as an attachment to the application.

<sup>12</sup> Inputs for future VW EMT solicitations will be based on the net generation for electric utilities in Tennessee as reported by EIA for the calendar year preceding the release of the solicitation.

- Repeat this process for each proposed **School Bus** replacement.
- The application must contain documentation confirming the existence of refueling infrastructure available in Tennessee to supply eligible vehicles to be supported with grant funds.
  - For existing refueling stations, the applicant must provide a letter from the owner or operator stating that the refueling station is or will be capable of supporting the projected fuel consumption within the grant period of performance.
  - For proposed new refueling stations, the applicant must provide a letter from the owner/operator stating that the refueling station will be online and will be capable of supporting the projected fuel consumption within the grant period of performance.
- The application must include a budget justification and supporting documentation to detail the calculations or assumptions used to arrive at the total purchase cost of eligible vehicles, the total acquisition and installation costs of associated **All-Electric** infrastructure (if applicable), the total grant amount requested, cost share, and/or expected payback. Supporting documentation should include detailed cost estimates from potential vendors for each proposed expenditure.
- The application must contain a letter of financial commitment from each expected cost share contributor. Each letter shall state the amount and source of funds to be contributed to the project.
- The application must include the following supporting documentation related to Title VI compliance:
  - A completed Title VI Pre-Audit Survey;
  - The applicant's Non-Discrimination Policy;
  - The applicant's Limited English Proficiency Plan;
  - A copy of the applicant's Title VI training program; and
  - A copy of the applicant's procedures for reviewing Title VI complaints.

**Note:** For applicants that would like to view samples of the Title VI policies referenced above, TDEC has made samples available for the use of sub-contractors, sub-recipients, and Grantees: <https://www.tn.gov/environment/program-areas/opsp-policy-and-sustainable-practices/opsp-title-vi-and-environmental-justice.html>.

**Note:** For questions regarding natural gas refueling infrastructure, please contact the Tennessee Gas Association at 615-872-2411. For questions regarding propane autogas refueling infrastructure, please contact the Tennessee Propane Gas Association at 888-240-8742. For questions regarding **All-Electric** infrastructure, please contact your Local Power Company.

## **GENERAL GRANT AND CONTRACT CONDITIONS:**

- Projects selected for funding will receive a letter from the TDEC Commissioner, addressed to the contact person specified in the application.
- After the announcement of a grant award, TDEC OEP will forward a Grant Contract to the recipient. Grantees will be required to execute (sign) the Grant Contract, which will include a detailed scope-of-work, project schedule, budget, and other information.
- Grantees will be required to obtain a vendor identification number and will need to submit a Form W-9, Request for Taxpayer Identification Number and Certification. Grantees will also be required to submit bank information via an original Automated Clearing House (ACH)

form, in order to receive grant reimbursements electronically. The ACH form must be signed by an authorized account representative and a representative of the associated financial institution.

- TDEC will make payment to the Grantee based on review of reimbursement requests detailing vehicle and/or infrastructure costs with accompanying invoices, actual costs at time of purchase, and documentation of the delivery of the vehicle(s). TDEC will not fund costs in excess of the requested grant amount. For vehicles that are expected to utilize new refueling stations, TDEC will not make payment unless said refueling stations are operable.
- Grantees will be reimbursed for costs incurred by the Grantee only during the grant period of performance.
- Procurement of vehicles shall be made on a competitive basis, including the use of competitive bidding procedures, where practical. In each instance where it is determined that use of a competitive procurement method is not practical, supporting documentation shall include a written justification for the decision and for use of a non-competitive procurement. The Grantee shall obtain prior approval from the State before purchasing any equipment under the Grant Contract.
- Reporting:
  - The Grantee must submit quarterly reports to include updates on procurement, vehicle operator training, and refueling infrastructure until the grant-funded **School Buses** are purchased, delivered, and put into service, and the **School Buses** to be replaced are **Scrapped**. Such reports shall include a complete description of the status of the project (including actual or projected termination date), development, implementation, and any modification. Quarterly reports shall be due no later than January 10, April 10, July 10, and October 10 of each year of the Grant Contract term.
  - Grantees will be required to submit annual reports for a period of five years following vehicle procurement, delivery, and the placement of vehicles into service. Such reporting shall include the demonstrated usage of fuel in purchased vehicles, the number of DGEs or gallons purchased, purchase price, refueling locations, miles driven, driving or route habits, metrics regarding emissions reductions, and savings or cost avoidance.
  - Grantees must submit a final project report within three months of the completion of the grant period. (Please note that this report may be combined with the annual report for the final year of the grant period.) In addition to the information requested for the annual report, the final project report must also include cumulative financial information to match the final reimbursement request as well as inventory documentation for all equipment or vehicles purchased with funding through the Grant Contract. The inventory documentation must include, at a minimum, the following:
    - a. Description of the equipment or vehicles;
    - b. Manufacturer's serial number or other identification number, when applicable;
    - c. Consecutive inventory equipment or vehicles tag identification;
    - d. Acquisition date, cost, and check number;
    - e. Fund source, State Grant number, or other applicable fund source identification;
    - f. Percentage of state funds applied to the purchase;
    - g. Location within the Grantee's operations where the equipment or vehicles

- are used;
- h. Condition of the property or disposition date if Grantee no longer has possession;
- i. Depreciation method, if applicable; and
- j. Monthly depreciation amount, if applicable.
- Failure to submit quarterly, annual, or final reports may result in the required refund of any and all payments made to the Grantee by the State.
- The Grantee will use quarterly, annual, and final report templates provided by TDEC. These templates will be referenced in the Grant Contract and will be attached to the corresponding Grant Program Manual.
- The Grantee will be responsible for providing all the information required to complete the reports.
- TDEC will exercise stewardship in overseeing the project activities performed under the Grant Contract. Stewardship activities include, but are not limited to, conducting site visits; reviewing performance and financial reports; providing technical assistance and/or temporary intervention in unusual circumstances to address deficiencies that develop during the project; assuring compliance with Grant Contract terms and conditions; and reviewing technical performance after project completion to ensure that the project objectives have been accomplished.
- Accounting and Financial Controls:
  - Grantees must properly manage and account for funding received. A complete spending record for all expenditures will be required, including invoice receipts, logs of record and other properly certified documents.
  - Only vehicles purchased within the period of performance of a fully executed and approved Grant Contract shall be eligible for reimbursement. No credit will be given for costs incurred prior to the grant period of performance. Documentation will be required for all funds requested. Any applicant who starts a project and incurs costs before receiving a fully executed Grant Contract does so at its own risk.
  - All funding must be spent in accordance with the Grant Contract.
  - TDEC reserves the right to terminate the Grant Contract and/or recover funding from Grantees that TDEC determines are not in compliance with the conditions of this solicitation or the Grant Contract.
  - TDEC will not automatically grant project extensions. Requests for extensions will be evaluated on a case by case basis.
  - TDEC reserves the right to monitor projects and to audit any Grantee's financial transactions or compliance with the Grant Contract.
- Public Notice: OEP encourages Grantees to publish or otherwise make publicly available the results of work performed and vehicle purchases made under their Grant Contracts. All notices, informational pamphlets, press releases, research reports, signs, and similar public notices prepared and released by Grantees in relation to their Grant Contract should include the statement, "This project was funded in part under a Grant Contract with the State of Tennessee's Department of Environment & Conservation, under the State of Tennessee Volkswagen Diesel Settlement Environmental Mitigation Trust School Bus Replacement Grant Program."

## DEFINITIONS:

*The following definitions are set forth in Appendix D-2 of the State Trust Agreement:*<sup>13</sup>

**"All-Electric"** shall mean powered exclusively by electricity provided by a battery, fuel cell, or the grid.

**"Alternate Fueled"** shall mean an engine, or a vehicle or piece of equipment that is powered by an engine, which uses a fuel different from or in addition to gasoline fuel or diesel fuel (e.g., CNG, propane, diesel-electric Hybrid).

**"Class 4-8 School Bus, Shuttle Bus, or Transit Bus (Buses)"** shall mean vehicles with a Gross Vehicle Weight Rating (GVWR) greater than 14,001 lbs. used for transporting people.

**"CNG"** shall mean Compressed Natural Gas.

**"Diesel Gallon Equivalent (DGE)"** shall mean the amount of alternative fuel it takes to equal the energy content of one liquid gallon of diesel.

**"Government"** shall mean a State or local government agency (including a school district, municipality, city, county, special district, transit district, joint powers authority, or port authority, owning fleets purchased with government funds), and a tribal government or native village. The term "State" means the several States, the District of Columbia, and the Commonwealth of Puerto Rico.

**"Gross Vehicle Weight Rating (GVWR)"** shall mean the maximum weight of the vehicle, as specified by the manufacturer. GVWR includes total vehicle weight plus fluids, passengers, and cargo.

Class 1: < 6000 lb.

Class 2: 6001-10,000 lb.

Class 3: 10,001-14,000 lb.

Class 4: 14,001-16,000 lb.

Class 5: 16,001-19,500 lb.

Class 6: 19,501-26,000 lb.

Class 7: 26,001-33,000 lb.

Class 8: > 33,001 lb.

**"Hybrid"** shall mean a vehicle that combines an internal combustion engine with a battery and electric motor.

**"Infrastructure"** shall mean the equipment used to enable the use of electric powered vehicles (e.g., electric vehicle charging station).

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<sup>13</sup> State Trust Agreement, App'x D-2,  
[https://www.tn.gov/content/dam/tn/environment/energy/documents/vwresources/Dkt\\_51-1\\_State\\_Beneficiary\\_Trust\\_Agreement.pdf](https://www.tn.gov/content/dam/tn/environment/energy/documents/vwresources/Dkt_51-1_State_Beneficiary_Trust_Agreement.pdf).

**“Repower”** shall mean to replace an existing engine with a newer, cleaner engine or power source that is certified by EPA and, if applicable, CARB, to meet 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 diesel or a clean alternate fuel, diesel engine replacement with an electric power source (e.g., grid, battery), diesel engine replacement with a fuel cell, diesel engine replacement with an electric generator(s) (genset), diesel engine upgrades in Ferries/Tugs with an EPA Certified Remanufacture System, and/or diesel engine upgrades in Ferries/Tugs with an EPA Verified Engine Upgrade. All-Electric and fuel cell Repowers do not require EPA or CARB certification.

**“School Bus”** shall mean a Class 4-8 bus sold or introduced into interstate commerce for purposes that include carrying students to and from school or related events. May be Type A-D.

**“Scrapped”** shall mean to render inoperable and available for recycle, and, at a minimum, to specifically cut a 3-inch hole in the engine block for all engines. If any Eligible Vehicle will be replaced as part of an Eligible project, Scrapped shall also include the disabling of the chassis by cutting the vehicle’s frame rails completely in half.

*The State has defined additional terms for purposes of administering this Program:*

**“Bi-fuel”** shall refer to an engine or motor vehicle that is capable of operating on gasoline or diesel fuel in addition to another type of fuel, such as natural gas or propane. Both fuels are stored on board and the driver can switch between the fuels. The vehicle is equipped with fuel tanks, fuel injection systems, and fuel lines for both fuels.

**“Grantee”** shall mean an applicant that has an executed Grant Contract with TDEC.

**“Original Equipment Manufacturer (OEM)”** shall mean the entity that originally manufactures the engine or the vehicle for sale.

## **CONTACT:**

All communications (regular mail, express mail, electronic mail, or fax), concerning this application and award process must be addressed to:

The Office of Energy Programs – Volkswagen Diesel Settlement Environmental Mitigation Trust  
Tennessee Department of Environment and Conservation  
C/o Alexa Voytek, Energy Consultant / Senior Program Manager  
William R. Snodgrass Tennessee Tower  
312 Rosa L. Parks Avenue, 2nd Floor  
Nashville, TN 37243  
[TDEC.OEP@tn.gov](mailto:TDEC.OEP@tn.gov)  
Phone: 615-741-2994  
Fax: 615-741-5070



## APPENDIX A – EXAMPLE SCHOOL BUS COST ESTIMATE

### TO:

Applicant Name  
Address  
Point of Contact  
Telephone Number  
Email Address

### FROM:

OEM/Dealer Name  
Address  
Point of Contact  
Telephone Number  
Email Address

### DATE:

### VEHICLE:

Model Year: *(must be replacing 2009 engine model year or older **Class 4-8 School Bus**)*  
Bus Size: *(Type A-D)*  
Fuel Type: *(diesel, propane, compressed natural gas [CNG], **Hybrid, All-Electric\***)*  
Passenger Capacity:  
**Gross Vehicle Weight Rating (GVWR):** *(must be 14,001 lbs. or greater)*  
Engine Make and Model:  
Horsepower:

### QUANTITY:

|                                                                                        |                    |
|----------------------------------------------------------------------------------------|--------------------|
| <b>Standard Vehicle/Body and Chassis</b>                                               | \$XX,XXX.XX        |
| <b>CNG/Propane/Electric Engine Prep and/or Powertrain Package <i>(if selected)</i></b> | \$XX,XXX.XX        |
| <b>Vehicle Delivery Fees</b>                                                           | \$XX,XXX.XX        |
| <b>Taxes</b>                                                                           | \$XX,XXX.XX        |
| <b>TOTAL**</b>                                                                         | <b>\$XX,XXX.XX</b> |

\*If the applicant's grant application includes associated charging infrastructure for **All-Electric School Buses**, related cost estimates or quotes for the acquisition and installation of such shall be addressed and included within a separate attachment.

\*\*Costs not integral to **School Bus** function (e.g., idle reduction technologies, optional diesel aftertreatment devices, etc.) cannot be considered eligible for reimbursement. Cost estimates provided as supporting documentation along with the application must detail any such costs in an itemized fashion.

## APPENDIX B – EXAMPLE SCHOOL BUS IDLING POLICY

[School or School District Letterhead]

**School District Name:**

**Policy Number:**

**Effective Date:**

**Applicability:**

This policy applies to the operation of every district-owned and/or contracted school bus.

**Rationale:**

Exhaust from idling school buses can accumulate in and around the bus and pose a health risk to children, drivers and the community at large. Exposure to exhaust can cause lung damage and respiratory problems. Exhaust may exacerbate asthma and existing allergies. Idling buses also waste fuel and financial resources.

**Purpose:**

Eliminate unnecessary idling by **[school district]** school buses (including activity buses) and minimize idling time in all aspects of school bus operation.

**Guidance:**

1. If there is a wait time of more than five (5) minutes when arriving at a loading/unloading zone to pick up or drop off students, school bus drivers should turn off their buses as soon as possible to eliminate idling time and reduce harmful emissions. The school bus should not be restarted until it is ready to depart and there is a clear path to exit the pick-up area. Exceptions include conditions that would compromise passenger safety, such as extreme weather, idling in direct traffic, or necessary idling for use of bus safety lights/equipment or wheelchair type lifts.
2. Limit idling time during early morning warm-up to what is recommended by the manufacturer (generally 3-5 minutes) in all but the coldest weather. Exceptions include idling necessary for pre-trip inspection and idling necessary to defrost windows and mirrors for safe driving.
3. Buses should not idle while waiting for students during field trips, extracurricular activities, or other events where students are transported off school grounds.
4. In colder weather, schools are directed to provide a space inside the school where bus drivers can wait if they have shut down their bus.
5. In colder weather, if the warmth of the bus is an issue, idling is to be at a very minimum and occur outside the school zone. The "warmed" bus is to enter the school zone as close to pick-up time as possible to maintain warmth and then shut down if there is a wait time of more than five (5) minutes.

6. All currently employed drivers shall receive a copy of this policy and be trained regarding the policy's requirements. As part of the onboarding and/or new hire process, all new drivers shall receive a copy of this policy and be trained regarding the policy's requirements.
7. Excessive idling by the driver may result in disciplinary action.

### **General Exemptions:**

The actions outlined in the Guidance section above need not apply for the period(s) during which idling is necessary:

1. While stopped:
  - (A) For an official traffic control device;
  - (B) For an official traffic control signal;
  - (C) For traffic conditions over which the driver has no control, including, but not limited to, stopped in a line of traffic; or
  - (D) At the direction of a peace officer;
2. To ascertain that the school bus is in safe operating condition and equipped as required by all provisions of law, and all equipment is in good working order, either as part of the driver's daily vehicle inspection, or as otherwise needed;
3. For testing, servicing, repairing, or diagnostic purposes by maintenance staff;
4. To cool down a turbo-charged diesel engine for turning the engine off, for a period not to exceed 5 minutes (as per the recommendation of the manufacturer);
5. To operate:
  - (A) A lift or other piece of equipment designed to ensure safe loading, unloading, or transport of persons with one or more disabilities; or
  - (B) A heater or an air conditioner of a bus or vehicle that has, or will have, one or more children with exceptional medical needs aboard whose IEP requires such;
6. To operate defrosters, heaters, air conditioners, or other equipment to ensure the safety or health of the driver or passengers
7. To recharge a battery or other energy storage unit of a hybrid electric bus.

Additionally, zero emission electric buses are exempt from this policy as they do not emit harmful exhaust while at idle. Non-electric buses may also be exempt from this policy in the instance that they are equipped with onboard anti-idling technologies (e.g., fuel operated heaters / direct fired heaters).