



Mike Kehoe
Governor

Kurt U. Schaefer
Director

January 21, 2025

Russell L. Crane
Volkswagen Environmental Mitigation Trust
c/o Wilmington Trust, N.A. as Trustee
1100 North Market Street
Attn: Capital Markets & Agency Services
Wilmington, DE 19890

Dear Russell Crane,

The Missouri Department of Natural Resources has enclosed Missouri's 39th funding request through the Volkswagen Environmental Mitigation Trust (Project ID: Cat 7-EMA10 FY23/24-001). The department is sending the enclosed electronically through the portal. Due to the pandemic, Wilmington Trust waived the requirement to send a hard copy required by paragraph 5.2 of the Trust Agreement. As such, the department does not intend to send a hard copy. If circumstances change and a hard copy is required, please let us know and we will send one as soon as possible.

Thank you for attention to this matter. If you have any questions regarding this submission, please contact Stephen Hall, with the department's Air Pollution Control Program at P.O. Box 176, Jefferson City, MO 65102 or by phone at (573) 751-7840 or email at stephen.hall@dnr.mo.gov.

Sincerely,

AIR POLLUTION CONTROL PROGRAM

Stephen M. Hall
Director

SMH:ss

Enclosure

APPENDIX D-4
Beneficiary Eligible Mitigation Action Certification

Missouri Funding Request #39

Project ID: Cat 7-EMA10 FY23/24-001

BENEFICIARY ELIGIBLE MITIGATION ACTION CERTIFICATION

Beneficiary State of Missouri

Lead Agency Authorized to Act on Behalf of the Beneficiary: Missouri Department of Natural Resources
(Any authorized person with delegation of such authority to direct the Trustee delivered to the Trustee pursuant to a Delegation of Authority and Certificate of Incumbency)

Action Title:	DERA Award Category – Federal Program Year 2023 & 2024
Beneficiary's Project ID:	Cat 7-EMA10 FY23/24-001
Funding Request No.	39
Request Type: (select one or more)	<input checked="" type="checkbox"/> Reimbursement <input checked="" type="checkbox"/> Advance <input type="checkbox"/> Other (specify): _____
Payment to be made to: (select one or more)	<input checked="" type="checkbox"/> Beneficiary <input type="checkbox"/> Other (specify): _____
Funding Request & Direction (Attachment A)	<input type="checkbox"/> Attached to this Certification <input checked="" type="checkbox"/> To be Provided Separately

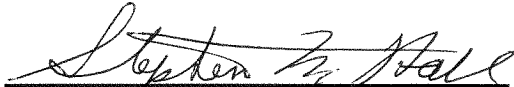
SUMMARY

Eligible Mitigation Action Type	<input type="checkbox"/> Appendix D-2 item (specify): <input checked="" type="checkbox"/> Item 10 - DERA Option (5.2.12) (Match for 2023 and 2024 Missouri State Clean Diesel Program):
Explanation of how funding request fits into Beneficiary's Mitigation Plan (5.2.1): Missouri allocates \$3 million to provide the state's match to the state allocated Diesel Emission Reduction Act (DERA) grant each year throughout the ten-year period of the VW Trust. This funding request will provide the state's match for Missouri's state DERA grant for EPA's 2023 and 2024 program years. Under this grant program, Missouri plans to provide funding for the replacement of vehicles and equipment in accordance with DERA requirements.	
Detailed Description of Mitigation Action Item Including Community and Air Quality Benefits (5.2.2): Missouri's work plan and budget for the 2023 and 2024 State Clean Diesel Program is attached. Under the grant program, Missouri expects to implement replacements and re-powers for on-road and non-road equipment.	
Estimate of Anticipated NO_x Reductions (5.2.3): The department will use specific equipment replacement information and the EPA Diesel Emissions Quantifier to determine the magnitude of NO _x reduction over the lifetimes of these projects.	
Identification of Governmental Entity Responsible for Reviewing and Auditing Expenditures of Eligible Mitigation Action Funds to Ensure Compliance with Applicable Law (5.2.7.1): Missouri Department of Natural Resources	
Describe how the Beneficiary will make documentation publicly available (5.2.7.2). The Missouri Department of Natural Resources, as lead agency for the state of Missouri implementing the Environmental Mitigation Plan, has established a webpage on the VW Trust and mitigation actions. https://dnr.mo.gov/air/what-were-doing/volkswagen-trust-funds	
Describe any cost share requirement to be placed on each NO_x source proposed to be mitigated (5.2.8). Missouri's DERA grant dollars will be used to fund a portion of the equipment, vehicle, and engine replacement projects. Using the grant dollars and the Trust dollars, the department will provide a percentage of the cost of the new equipment and the equipment owners will pay the remaining cost in accordance with DERA and VW Trust requirements.	
Describe how the Beneficiary complied with subparagraph 4.2.8, related to notice to U.S. Government Agencies (5.2.9). On February 28, 2018, the Department notified the Department of Interior, including the National Park Service and U.S. Fish and Wildlife Service, and the Department of Agriculture, including the Forest Service of the availability of VW funds for locations within Missouri. The Department did not receive notice from any other federal agency indicating interest in these funds.	
If applicable, describe how the mitigation action will mitigate the impacts of NO_x emissions on communities that have historically borne a disproportionate share of the adverse impacts of such emissions (5.2.10). School bus replacement projects operate primarily around school-aged children, which are a sensitive population. As a sensitive population, children bear an increased share of air pollution burden.	

CERTIFICATIONS

By submitting this application, the Lead Agency makes the following certifications:

1. This application is submitted on behalf of Beneficiary State of Missouri, and the person executing this certification has authority to make this certification on behalf of the Lead Agency and Beneficiary, pursuant to the Certification for Beneficiary Status filed with the Court.
2. Beneficiary requests and directs that the Trustee make the payments described in this application and Attachment A to this Form.
3. This application contains all information and certifications required by Paragraph 5.2 of the Trust Agreement, and the Trustee may rely on this application, Attachment A, and related certifications in making disbursements of trust funds for the aforementioned Project ID.
4. Any vendors were or will be selected in accordance with a jurisdiction's public contracting law as applicable. (5.2.5)
5. Beneficiary will maintain and make publicly available all documentation submitted in support of this funding request and all records supporting all expenditures of eligible mitigation action funds subject to applicable laws governing the publication of confidential business information and personally identifiable information. (5.2.7.2)


[SIGNATURE]

3/20/2025
[DATE]

Stephen M. Hall
[NAME]

AIR POLLUTION CONTROL
PROGRAM DIRECTOR
[TITLE]

MISSOURI DEPARTMENT OF
NATURAL RESOURCES
[LEAD AGENCY]

For

STATE OF MISSOURI
[BENEFICIARY]

ATTACHMENTS

(CHECK BOX IF ATTACHED)

- | | | |
|-------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> | Attachment A | Funding Request and Direction. |
| <input checked="" type="checkbox"/> | Attachment B | Eligible Mitigation Action Management Plan Including Detailed Budget and Implementation and Expenditures Timeline (5.2.4). |
| <input checked="" type="checkbox"/> | Attachment C | Detailed Plan for Reporting on Eligible Mitigation Action Implementation (5.2.11). |
| <input checked="" type="checkbox"/> | Attachment D | Detailed cost estimates from selected or potential vendors for each proposed expenditure exceeding \$25,000 (5.2.6). [Attach only if project involves vendor expenditures exceeding \$25,000.] |
| <input checked="" type="checkbox"/> | Attachment E | DERA Option (5.2.12). [Attach only if using DERA option.] |
| <input type="checkbox"/> | Attachment F | Attachment specifying amount of requested funding to be debited against each beneficiary's allocation (5.2.13). [Attach only if this is a joint application involving multiple beneficiaries.] |

ATTACHMENT A

FUNDING REQUEST AND DIRECTION

(Attachment to Appendix D-4, Beneficiary Eligible Mitigation Action Certification, pursuant to Paragraph 5.2 of the Environmental Mitigation Trust Agreement)

Pursuant to the authority granted to Missouri Department of Natural Resources to act on behalf of Beneficiary State of Missouri under the Mitigation Trust, *Missouri Department of Natural Resources* directs the Trustee to make the following payments from its subaccount, no. 122969.030 to the following payees, for the amounts specified on the dates specified below.

LEAD AGENCY INFORMATION

Beneficiary Name:	<u>State of Missouri</u>	Lead Agency Contact Person:	<u>Stephen M. Hall</u>
Lead Agency Name:	<u>Missouri Department of Natural Resources</u>	Lead Agency Email Address:	<u>Stephen.Hall@dnr.mo.gov</u>
Lead Agency Address:	<u>PO Box 176, Jefferson City, MO 65102</u>	Lead Agency Fax:	<u>573-751-2706</u>
Lead Agency Phone:	<u>573-751-7946</u>	Lead Agency TIN:	<u>446000987</u>

Contact information entered above may correspond to Lead Agency or any authorized person with delegation of such authority to direct the Trustee delivered to the Trustee pursuant to a Delegation of Authority and Certificate of Incumbency

MITIGATION ACTION INFORMATION

Action Title:	<u>DERA Award Category – Federal Program Year 2023 & 2024</u>	Funding Request No:	<u>39</u>
Beneficiary's Project ID:	<u>Cat7-EMA10 FY23/24-001</u>		

PAYMENTS REQUESTED

Amount	Requested Date	Payee	Request Type
\$855,248	1/21/2025	Missouri Department of Natural Resources	Advance

ATTACHMENT B

Beneficiary Eligible Mitigation Action Certification – Missouri Funding Request #33
Project ID: Cat 7-EMA10 FY22-002

Eligible Mitigation Action Management Plan Including Detailed Budget and Implementation and Expenditures Timeline

PROJECT MANAGEMENT PLAN

PROJECT SCHEDULE AND MILESTONES

Milestone	Date
DNR provides notice of availability of mitigation action funds	Aug/Sept 2019
Due date for project sponsors to submit proposals to lead agency	Oct/Nov, 2019
DNR provides approval of successful project sponsors' proposals	Dec 2019/Jan 2020
Project sponsors complete procurement and submit purchase orders	Project approval + 1 month
DNR submits attachment A to cover annual admin and project awards	Project approval +1 month
Trustee provides funds to DNR as requested in the attachment A	Project approval +1.5 months
Vehicles delivered to project sponsors	Project approval + 3 months
Project sponsors submit evidence of vehicle scrapping, invoices, proof of payment, and other documents required for reimbursement	Project approval + 3.5 months
DNR reviews, requests corrections if necessary, certifies project completion, and provides reimbursement	Project approval + 4 months
DNR reports to Trustee on status of and expenditures with mitigation actions completed and underway	Jan. 31 and July 31 each year

PROJECT BUDGET

	Period of Performance: <u>October 2024 - September 2025</u>			
Budget Category	Total Approved Budget	Share of Total Budget to be Funded by the Trust	Cost-Share, if applicable (DERA Grant)	Cost-Share, if applicable (Project Sponsors)
1. Equipment Expenditure	\$8,552,480	\$855,248	\$1,282,872	\$6,414,360
2. Contractor Support <i>(Provide List of Approved Contractors as Attachment with approved funding ceilings)</i>	\$0	\$0	\$0	\$0
3. Subrecipient Support <i>(Provide List of Approved Subrecipients or Grant Awardees as Attachment with approved funding ceilings)</i>	\$0	\$0	\$0	\$0
4. Administrative ¹	\$0	\$0	\$0	\$0
Project Totals	\$8,552,480	\$855,248	\$1,282,872	\$6,414,360
Percentage	100%	10%	15%	75%

¹ Subject to Appendix D-2 15% administrative cap.

Beneficiary Eligible Mitigation Action Certification – Missouri Funding Request #39
Project ID: Cat 7-EMA10 FY23/24-001

PROJECTED TRUST ALLOCATIONS

	FY 2022	FY 2023-28
1. Anticipated Annual Project Funding Requests to be paid through Trust	\$ 14,500,000	\$ 6,895,504
2. Anticipated Annual Cost Share	\$ 12,884,650	\$ 8,762,000
3. Anticipated Total Project Funding by Year (line 1 plus line 2)	\$ 27,384,650	\$ 15,657,504
4. Cumulative Trustee Payments made to Date Against Cumulative Approved Beneficiary Allocation	\$ 19,756,547	\$ 34,256,547
5. Current Beneficiary Project Funding to be paid through the Trust (line 1)	\$ 14,500,000	\$ 6,895,504
6. Total Funding Allocated to Beneficiary, inclusive of Current Action by Year (line 4 plus line 5)	\$ 34,256,547	\$ 41,152,051
7. Beneficiary Share of Estimated Funds Remaining in Trust	\$ 21,395,504	\$ -
8. Net Beneficiary Funds Remaining in Trust, net of cumulative Beneficiary Funding Actions (line 7 minus line 5)	\$ 6,895,504	\$ -

ATTACHMENT C

Detailed Plan for Reporting on Eligible Mitigation Action Implementation (5.2.11)

Records of the applicant, selected projects, and financial reports will be made available on the department's VW webpage in the form of a report to coincide with reporting requirements listed in the trust. Records may also be obtained through the state sunshine request portal.

ATTACHMENT D

Detailed cost estimates from selected or potential vendors for each proposed expenditure exceeding \$25,000 (5.2.6)

Beneficiary Eligible Mitigation Action Certification – Missouri Funding Request #39

Project IDs: Cat 7-EMA10 FY23/24-001

Nonroad Engine Replacement Project

Vehicle/Equipment Type	Diesel
Stationary Baler	\$21,000 - \$32,000

Nonroad Vehicle/Equipment Replacement Projects

Vehicle/Equipment Type	Diesel
40 Ton Haul Truck	\$780,000 - \$117,000
Forklift	\$56,000 - \$84,000
Loader	\$140,000 - \$210,000
Backhoe	\$80,000 - \$120,000

School Bus Replacement Projects

Bus Style	Diesel	Propane	Compressed Natural Gas
Type A	\$60,000 - \$85,000	\$65,000 - \$95,000	\$75,000 - \$105,000
Type B	NA	NA	NA
Type C	\$88,000 - \$120,000	\$100,000 - \$130,000	\$110,000 - \$150,000
Type D	\$100,000 - \$140,000	NA	NA

The department reviewed invoices for school bus purchases that schools have made in recent grants the department administered. School buses are classified by type that reflects passenger capacity and body style. Nonroad equipment price estimates based on submission by program applicants, and are classified by project type and vehicle/equipment use. All projects funded with Volkswagen Trust funds in this EMA are diesel powered.

2023-2024 Diesel Emissions Reduction Act (DERA) State Program

Work Plan and Budget Narrative Template

INSTRUCTIONS: States and territories applying for 2023-2024 DERA State Program funds should use this template to prepare their Work Plan and Budget Narrative.

Please refer to the 2023-2024 DERA State Program Guide full program details, eligibility criteria and funding restrictions, and application instructions.

SUMMARY PAGE

Project Title: 2023-2024 Missouri State Clean Diesel Program

Project Manager and Contact Information

Organization Name: Missouri Department of Natural Resources

Project Manager: Stephanie La Bonte

Mailing Address: PO Box 176, Jefferson City, MO, 65102

Phone: 573-522-3222

Fax: 573-751-2706

Email: Stephanie.LaBonte@dnr.mo.gov

Project Budget Overview:

	2022* State DERA (FY 2023)	2023 State DERA (FY 2024)	2024 State DERA (FY 2025)	Total
EPA Base Allocation	\$363,403	\$439,766	\$415,482	***1,218,651
Total State Contribution (Cost share)	\$363,403	\$439,766	\$415,482	***1,218,651
EPA Match Bonus (If applicable)	\$181,702	\$219,883	\$207,741	***609,326
Total EPA Allocation (base plus match bonus if applicable)	\$545,105	\$659,649	\$623,223	***1,827,977
TOTAL Project Cost (EPA Allocation plus State contribution)	\$908,508	\$1,099,415	\$1,038,705	***3,046,628

Note: *If state participated in 2022

3 Year Project Period for 2023-2024 State DERA Grants¹

FY2023 First Phase: October 1, 2023 – September 30, 2024

FY2024 Incremental Amendments: October 1, 2024 – September 30, 2025

2023-2024 Project Period Close Out: September 30, 2026

Summary Statement

The Missouri Department of Natural Resources will implement a rebate program that allows eligible vehicle, engine, and equipment replacement projects in accordance with EPA's *2023 Diesel Emissions Reduction Act (DERA) State Grants Program Guide*. The Department will solicit applications for projects no later than December 1, 2023. The Department will not accept proposals from third-party organizations seeking a sub-award option. The Department will select applications for funding by lottery from the application pool. The Department will offer participant support costs to applicants in the order drawn using the available DERA funding. The Department will keep the remaining applications as alternatives in case any of the selected recipients decline project funding in part or in its entirety. Applicants in good standing with Department requirements may participate in future state DERA programs regardless of having accepted or declined funding in the past.

The Department will use Volkswagen Environmental Mitigation Trust funds (VW Trust Funds) to match the federal funds for the fiscal year 2023 DERA grant pursuant to the "DERA Option" specified in Appendix D-2 of Missouri's Beneficiary Mitigation Plan for the Volkswagen Trust.

Use of all funds will be in line with the scope of work outlined in this plan and Missouri's *Volkswagen Trust Diesel Emission Reduction Act Program Requirements*. Past program reports are available on the Department's website at: <https://dnr.mo.gov/air/what-were-doing/volkswagen-trust-funds/diesel-emissions-reduction-act-dera-option>

SCOPE OF WORK

STATE/TERRITORY GOALS AND PRIORITIES: Diesel fleets across the state vary widely. The Missouri River runs through the middle of the state from Kansas City to St. Louis, which generates diesel traffic from locomotives, marine engines, and other industry. Kansas City and St. Louis each contain international airports, major railroad hubs, marine ports, and significant on-road diesel vehicle traffic. The entire eastern edge of the state borders the Mississippi River, which likewise generates diesel traffic from marine, rail, and other industries. There are dozens of smaller regional airports throughout the state. Missouri has more than 550 public school districts, nearly all of which offer transportation to students. Numerous cities around the state offer transportation services via diesel-powered public transit buses. Greater than 100

¹ FY2024 funds will be dispersed as an incremental amendment to existing 2023 DERA State Grants or, if a state does not have a 2023 grant, a new award.

incorporated cities offer public and/or contracted refuse-hauling services. Missouri contains over 1,100 miles of interstate highway and approximately 40,000 miles of total roadway system. This complex system generates billions of vehicle miles traveled annually and accommodates tens of thousands of public and commercial diesel trucks.

VEHICLES AND TECHNOLOGIES: The Department plans to accept eligible project applications statewide. All public and private entities operating in Missouri will have the opportunity to apply for funding. The Department will not accept proposals from third-party organizations seeking a sub-award option. The Department anticipates the majority of projects to be vehicle replacements, primarily school buses. The Department is targeting the most common successful projects this project period. The past several years have clearly shown that engine, vehicle, and equipment replacements are the most popular and efficient projects. The Department anticipates funding 25 to 35 individual projects with the available funding in the 2023 project year.

A. 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;
2. Medium-duty or heavy-duty trucks;
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).

B. 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.

1. **Engine Replacement:** Engine Replacement includes, but is not limited to, diesel engine replacement with an engine certified for use with diesel or an alternative fuel (e.g., gasoline, CNG, propane), diesel engine replacement with a zero tailpipe emissions power source (grid, battery or fuel cell), and/or diesel engine replacement with an electric generator(s) (genset). Zero tailpipe emissions engine replacements do not require EPA or CARB certification.

The eligible cost of engine replacement includes the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment functional, including related labor expenses. Charges for equipment and parts on engine replacement projects are only eligible for funding if they are included in the certified engine configuration and/or are required to ensure the effective installation and functioning of the new technology but are not part of typical vehicle or equipment maintenance or repair. Examples of ineligible engine replacement costs include, but are not limited to: tires, cabs, axles, paint, brakes, and mufflers. For engine replacement with battery, fuel cell, and grid electric, examples of eligible engine replacement costs include, but are not limited to: electric motors, electric inverters, battery assembly, direct drive transmission/gearbox, regenerative braking system, vehicle control/central processing unit, vehicle instrument cluster, hydrogen storage tank, hydrogen management system, fuel cell stack assembly, and the purchase and installation of electrical infrastructure or equipment to enable the use of power. Examples of ineligible costs include, but are not limited to, electricity, and operation and maintenance costs.

a) Locomotive, Marine, and Nonroad Diesel Vehicles and Equipment:

- i. Funding can cover up to 40% of the cost (labor and equipment) of replacing a diesel engine with a 2021 model year or newer engine certified to EPA emission standards. Previous engine model year engines may be used if the engine is certified to the same emission standards applicable to the engine in EMY 2021. Nonroad, locomotive, and marine engine emission standards are on EPA's website at: www.epa.gov/emission-standards-reference-guide/epa-emission-standards-nonroad-engines-and-vehicles.
- ii. Funding can cover up to 60% of the cost (labor and equipment) of replacing a diesel engine with a zero-tailpipe emissions power source.

b) Highway Diesel Vehicles:

- i. Funding can cover up to 40% of the cost (labor and equipment) of replacing a diesel engine with a 2021 model year or newer engine certified to EPA emission standards. Highway engine emission standards are on EPA's website at: www.epa.gov/emission-standards-reference-guide/epa-emission-standards-heavy-duty-highway-engines-and-vehicles.
- ii. Funding can cover up to 50% of the cost (labor and equipment) of replacing a diesel engine with a 2021 model year or newer engine that is certified to CARB's Optional Low-NO_x Standards of 0.1 g/bhp-hr, 0.05 g/bhp-hr, or 0.02 g/bhp-hr NO_x. Please see the "How to Identify Low NO_x Certified Engines" document on EPA's website: www.epa.gov/cleandiesel/clean-diesel-state-allocations

- iii. Funding can cover up to 60% of the cost (labor and equipment) of replacing a diesel engine with a zero tailpipe emissions power source.

2. Vehicle and Equipment Replacements: Nonroad and highway diesel vehicles and equipment, locomotives, and marine vessels 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 and, if applicable, CARB to meet a more stringent set of engine emission standards. Replacement includes, but is not limited to, diesel vehicle/equipment replacement with newer, cleaner diesel, zero tailpipe emission (grid, battery or fuel cell), hybrid or alternative fuel (e.g., gasoline, CNG, propane) vehicles/equipment. Zero tailpipe emissions vehicles and equipment do not require EPA or CARB certification.

The eligible cost of a vehicle/equipment replacement includes the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment functional. The cost of additional "optional" components or "add-ons" that significantly increase the cost of the vehicle may not be eligible for funding under the grant; the replacement vehicle should resemble the replaced vehicle in form and function. For grid electric powered equipment replacements, examples of eligible replacement costs include, but are not limited to, the purchase and installation of electrical infrastructure or equipment to enable the use of power. Examples of ineligible costs include, but are not limited to, electricity, and operation and maintenance costs.

a) Locomotives, Marine Vessels and Nonroad Diesel Vehicles and Equipment:

- i. Funding can cover up to 25% of the cost of a replacement locomotive, marine vessel, or nonroad vehicle or piece of equipment powered by a 2021 model year or newer engine certified to EPA emission standards. Previous engine model year engines may be used if the engine is certified to the same emission standards applicable to EMY 2021. Nonroad, locomotive and marine engine emission standards are on EPA's website at: www.epa.gov/emission-standards-reference-guide/epa-emission-standards-nonroad-engines-and-vehicles.
- ii. Funding can cover up to 45% of the cost of a new, zero tailpipe emissions locomotive, marine vessel, or nonroad vehicle or piece of equipment.

b) Highway Diesel Vehicles and Buses (other than Drayage):

- i. Funding can cover up to 25% (up to \$22,500 for school buses) of the cost of a replacement vehicle powered by a 2021 model year or newer engine certified to EPA emission standards. Highway engine emission standards are on EPA's website at: www.epa.gov/emission-standards-reference-guide/epa-emission-standards-heavy-duty-highway-engines-and-vehicles.

- ii. Funding can cover up to 35% of the cost of a replacement vehicle powered by a 2021 model year or newer engine certified to meet CARB's Optional Low-NO_x Standards of 0.1 g/bhp-hr, 0.05 g/bhp-hr, or 0.02 g/bhp-hr NO_x. Please see the "How to Identify Low NO_x Certified Engines" document on EPA's website: www.epa.gov/cleandiesel/clean-diesel-state-allocations
 - iii. Funding can cover up to 45% of the cost of a new, zero tailpipe emissions replacement vehicle.
- c) **Drayage Vehicles:** Funding can cover up to 50% of the cost of a replacement drayage truck powered by a 2017 model year or newer certified engine.
- i. **Definition of Drayage Truck:** A "Drayage Truck" means any Class 8 (GVWR greater than 33,000) highway vehicle operating on or transgressing through port or intermodal rail yard property for the purpose of loading, unloading or transporting cargo, such as containerized, bulk or break-bulk goods.

Drayage Operating Guidelines: If an application for the replacement of drayage trucks is selected for funding, the grant recipient will be required to establish guidelines to ensure that any existing truck replaced with grant funds has a history of operating on a frequent basis over the prior year as a drayage truck, and to ensure any new truck purchased with grant funds is operated in a manner consistent with the definition of a drayage truck, as defined above.

ROLES AND RESPONSIBILITIES: Program Requirements and Application Period

The Department will ensure the Program Requirements are in accordance with EPA's state DERA requirements, including mandatory cost-share funding levels. The Department intends to allow a maximum rebate of \$22,500 for new diesel school bus replacement projects exceeding \$90,000. The program beneficiary will provide any funds required over the \$22,500 maximum. New alternative fuel and electric buses will receive the maximum cost-share percentage per EPA's 2023 DERA state grant program guide. The Program Requirements explain the eligibility requirements, funding levels, project milestone requirements, and implementation procedures. The Department will provide an application for funding.

The Department will make the Program Requirements available on the Department's website, along with applicable closing dates, project period dates, and instructions explaining how to apply. The website will also include information about the benefits of clean diesel projects and activities.

In addition to notification of the application period on our website, the Department will send out emails to the following groups: the Department's email list-serve for the state clean diesel webpage, the list-serve for Missouri's Volkswagen Trust webpage, and regional planning organizations. The emails will inform the groups of the opportunities available and encourage the groups to pass the information along to interested parties.

The Department will review each application submission for completeness and ensure that applicants meet all the eligibility requirements. If the Department determines any applications to

be incomplete or ineligible, the Department will return the application to the applicant with an explanation.

The Department will use a lottery drawing for the selection of qualified projects to receive funding. The qualified applicants will be divided into two pools, one of which will consist of applicants falling into an environmental justice/disadvantaged community project area, based on where the project vehicle(s) is located. The Department will draw projects from this group first and maintain the list of the order in which each project in this group was drawn to be used in the event additional funds become available due to projects that may withdraw from participating in the program. Following this initial drawing, the Department will select projects for award selection from the initial drawing based on the order in which they were drawn until at least 40 percent of the program funding dedicated to subgrants is awarded.

After 40 percent of the subgrant funding has been allocated, all applicants, including those in the EJ/disadvantaged pool that were not selected to receive the initial 40 percent of funds, will be added into a drawing that will be used to select the recipients for the remaining 60 percent of the subgrant funding. The Department will also maintain a list of the order in which non-selected applications from this second group were drawn, which the Department will use in the event that additional funds for this group become available due to projects that may withdraw from participating in the program.

Project Implementation

The Department does not intend to include any project partners to help implement the 2023 Missouri State Clean Diesel Program. The Department will work with each selected program beneficiary individually under the 2023 program. The Department will provide technical assistance and oversight as needed to ensure the successful implementation of projects. The Department will distribute funds in the form of rebates upon completion of each project.

The signed application form will serve as the agreement for program beneficiaries to comply with the requirements of this program, including the milestones, which if not met, could result in forfeiture of the award, in which case the Department would offer funding to the next application drawn in the lottery. The newly offered applicant will need to be able to complete their project on an expedited schedule if this occurs later in the project period.

The program beneficiaries must submit an invoice with the cost of new vehicle or equipment, and “before” photos of the vehicle or equipment, if applicable. The Department will review the photo documentation and verify project eligibility. After approval, the Department will inform the program beneficiary they may order the new engine, vehicle, or equipment. The Department expects program beneficiaries to pay for 100% of the cost of the new vehicle or equipment up front and provide proof of payment to the Department.

For applicable projects, program beneficiaries must disable their old vehicles or engines within 60 days of the receipt and acceptance of the new engine, vehicle, or equipment. Disabling requires the chassis to be cut in half, and a hole to be drilled/cut through the engine block. The Department plans to allow scrapping the entire vehicle as an acceptable method of disabling.

Scrapping entails the crushing/breaking/tearing apart the engine and body/chassis of the vehicles and engines, as is typically done at numerous scrap metal recycling facilities. Photos will document the disabling process for each engine, vehicle, or equipment. If the program beneficiary generates income by selling the disabled vehicle and engine for scrap value or by salvaging/selling non-engine/non-chassis parts, the awardee will document the program income. The Department expects that if a program beneficiary generates program income in this fashion, they will use it to recover a portion of their cost-share for their project.

Either the awardee or the Department (if the Department decides to witness the disabling process) will take photographs documenting the disabling procedures. The Department will also require photographs of each new engine, vehicle, and equipment purchased. The Department will require status reports from awardees throughout the duration of the project. The Department will complete and submit quarterly progress reports and a final report to EPA using EPA-approved reporting templates.

Issuing Program Funds

Upon completion, the Department will verify all required documentation. If the program beneficiary fulfills all documentation requirements, the Department will pay a one-time, lump-sum reimbursement for up to the allowable cost share of eligible equipment and installation costs of their projects. The Department will reimburse program beneficiaries, dependent on their project, up to the percentages or cost share maximum outlined in the Program Requirements. For school bus replacement projects, the program beneficiary will provide as voluntary match any funds required over the \$22,500 maximum for the purchase of a new diesel school bus. New alternative fuel and electric buses will receive the maximum cost-share percentage per EPA's 2023 DERA state grant program guide.

TIMELINE AND MILESTONES:

Milestone	Expected Date
Department updates Program Requirements, application forms, and website	July – September 2024
Program Requirements and applications released to the public, and posted on the Department's website	October – December 2024
Department selects projects	December 2024 – February 2025
Pre documentation approvals	December 2024 – March 2025
Equipment order deadline (or funding rolls to the next applicant)	April 30, 2025
Vehicle and engine disabling	January 2025 – December 2025
Site inspections for vehicles and engines being disabled	January 2025 – December 2025
Participant support costs issued to program beneficiaries	After completion of each individual project (No later than September 2026)
Program beneficiaries submit status reports to the Department	Every quarter of the project
Department submits quarterly progress reports to EPA	Every quarter of the project

Projects completed	September 30, 2026
Missouri submits final report to EPA	December 31, 2026

DERA PROGRAMMATIC PRIORITIES:

The primary objective of this program is to reduce diesel emissions resulting in reduced diesel particulate matter and precursor (NO_x) emissions that lead to the formation of ground-level ozone. The Department expects the 2023 program to reduce diesel emissions throughout the state, including areas in Missouri facing air quality challenges. The emission reductions will be achieved through utilization of EPA certified engine configurations that replace engines that meet less stringent emission standards and additional equipment that improves fuel efficiency. Reducing diesel emissions can help reduce the frequency of negative health symptoms for anyone with asthma or other respiratory diseases. Diesel emission reductions can also contribute to achieving or maintaining attainment of the PM_{2.5} and Ozone NAAQS.

ENVIRONMENTAL JUSTICE AND DISADVANTAGED COMMUNITIES:

The Department will use a lottery drawing for the selection of qualified projects to receive funding. The qualified applicants will be divided into two pools, one of which will consist of applicants falling into an environmental justice/disadvantaged community project area, based on where the project vehicle(s) is located. Projects will be drawn from this group first, until at least 40 percent of the program funding dedicated to subgrants is awarded. After 40 percent of the subgrant funding has been allocated, all applicants, including those in the EJ/disadvantaged pool that were not selected to receive the initial 40 percent of funds, will be added into a drawing that will be used to select the recipients for the remaining 60 percent of the subgrant funding. This will ensure that a minimum of 40 percent of the subgrant funding benefits will flow to environmental justice or disadvantaged communities per EPA's EJ40 initiative.

PROJECT SUSTAINABILITY: The Department anticipates the emission reductions realized through program to continue after the agreement period, as vehicles and engines have long expected useful lives, and the improvement in operating costs expected by some of the fleets involved could spur further investment in technologies that improve fuel economy and reduce emissions. Fleets that implement all-electric conversions or replacements will also grow more accustomed to charging station infrastructure and charging times, which will improve fleet owner acceptance of the new equipment and best practices for maintenance of such equipment.

PROJECT RESILIENCE TO CLIMATE IMPACTS: As the program is intended to be a vehicle replacement program, there is little risk that climate impacts would affect the investments from the grant program. The Department will use standard terms and conditions to ensure that fleets take appropriate actions to protect the equipment that is fully or partially funded through the grant.

WORKFORCE DEVELOPMENT: This is a vehicle/equipment replacement program, and the Department does not intend for any funds in this program to be allocated for workforce development.

EPA'S STRATEGIC PLAN LINKAGE AND ANTICIPATED OUTCOMES/OUTPUTS:

Outputs

The expected outputs of the 2022 program are to reduce diesel emissions from fleets throughout the state. Because the Department has not yet selected the 2022 projects to receive funding, the Department cannot yet calculate the emission reductions that will result from the 2022 program. Missouri anticipates that the 2022 DERA funding of \$908,508, which is a larger amount than past programs, will reduce diesel emissions and improve air quality more than in the past. The Department will continually report outputs in the requisite quarterly reports.

Outcomes

- **Short-term outcomes:** The 2022 program will benefit a variety of heavy-duty diesel owners to replace engines, vehicles, and equipment that will reduce diesel emissions and conserve diesel fuel. It will provide both public and private owners an opportunity to replace their old diesels sooner without covering the entire expense of new, cleaner engines, vehicles, or equipment. As the fleet owners grow accustomed to these technologies, they could decide to use their own funding to replace additional vehicles, upgrade engines, or add equipment.
- **Medium-term outcomes:** By successfully implementing the projects under the 2022 program, other fleet owners will see the fuel economy improvements, the reduced operational costs, and the environmental benefits and subsequently decide to implement similar projects. As new, cleaner heavy-duty engines, vehicles, and equipment become more wide-spread, the entire state-wide fleet becomes cleaner with fewer NO_x emissions contributing to the formation of ozone.
- **Long-term outcomes:** Through these projects, improved air quality measurements are expected in the future, and are anticipated to result in a decrease in the number of asthma attacks and other health issues exasperated by air pollution in and around the state of Missouri.

Budget Category	EPA Allocation 23-24	EPA Allocation 24-25	Mandatory Cost-Share	Voluntary Match (if applicable)		Voluntary Match (if applicable)		Line Total
				VW Mitigation Trust Funds	Other Funds	VW Mitigation Trust Funds	Other Funds	
1. Personnel	27,620	27,620						55,240
2. Fringe Benefits	16,633	16,633						33,266
3. Travel	250	250						500
4. Equipment								
5. Supplies								
6. Contractual								
7. Other/PSD	604,648	568,222		439,766		415,482		2,028,118
8. Total Direct Charges (sum 1-7)	649,151	612,725		439,766		415,482		2,117,124
9. Indirect Charges	10,498	10,498						20,996
10. Total (Indirect + Direct)	659,649	623,223		439,766		415,482		2,138,120
11. Program Income								

BUDGET NARRATIVE

2023 Itemized Project Budget

Explanation of Budget Framework

Personnel –

Category	FY 2023	
	EPA	State or Territory Match (if applicable)
Env Prog Analyst @ 24.08/hr x 675 hrs, Project Manager \$26.64/hr x 170 hrs - \$1 (rounding)	\$20,782	\$0
Administrative Clerical (payment processing, documentation review etc.), \$17.03/hr x 128 hrs	\$2,180	\$0
Financial & Administrative Manager, \$33.46/hr x 139.20	\$4,658	\$0

hrs		
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Fringe Benefits –

	FY 2023	
Category	EPA	State or Territory Match (if applicable)
2023 Fringe Rate 60.22%	\$16,633	

Travel -

	FY 2023	
Category	EPA	State or Territory Match (if applicable)
<i>Site visits</i>		
Local Travel Mileage - 1087 miles x \$0.28	\$250	\$0

Supplies -

	FY 2023	
Category	EPA	State or Territory Match (if applicable)
NA		

Equipment - \$0 - No equipment purchases will occur besides that which the awardees will purchase. The Department reports those costs under the “other” (PSD) award category.

Contractual –

	FY 2023	
Category	EPA	State or Territory Match (if applicable)
NA		

Other –

	FY 2023
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Category	EPA	State or Territory Match (if applicable)
Other – Participant Support Costs	\$604,648	\$439,766

Indirect Charges –

	FY 2023	
Category	EPA	State or Territory Match (if applicable)
Indirect Rate 23.59%	\$10,498	

Note: Indirect is not applied to the Other/PSD category above.

Administrative Costs Expense Cap

States and territories must demonstrate that no more than 15% of a state or territory's total project costs are being used to cover administrative costs as identified in OMB Circular A-87 Appendix B (e.g., personnel, benefits, travel, 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 15% maximum does not include indirect cost rates or funds assigned to projects, and total cost for the budget period.

Matching Funds and Cost-Share Funds

States and territories must provide a detailed description of the source of funding for any voluntary match or mandatory cost-share funds included in the project budget, if applicable. Include details on when the match will be available for use. If applicable, include letters of financial support, which specifically indicate how supporting organizations will assist in the project.

See Sections V.C and XI of the Program Guide for more information on the voluntary matching incentive and mandatory cost-share funds.

Funding Partnerships

*If a DERA grant recipient intends to fund target fleets that they do not own and operate, they have the option to (1) make a **subaward** or (2) provide **participant support costs** to a project partner. Both options can fund a project partner's equipment and installation costs, but only subawards can fund a project partner's direct and indirect costs such as personnel and travel. If the DERA grant recipient is only funding a project partner's equipment and installation costs, they may instead choose to provide participant support costs rather than a subaward to avoid the extensive subaward monitoring and management requirements.*

For more information on categorizing costs for funding partnerships, please refer to Appendix A of the Program Guide.]