



CLEAN FUELS FUNDING ASSISTANCE PROGRAM

2022 Applicant Guidance

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Division of Environmental Quality
Office of Air Quality

www.adeq.state.ar.us/air/planning/vw.aspx

Table of Contents

I.	PROGRAM SUMMARY	1
II.	DEFINITIONS	1
III.	ELIGIBILITY	4
A.	Eligible Applicants	4
B.	Eligible Vehicles	4
C.	Eligible Project Types	4
1.	Vehicle Repower Projects:	4
2.	Vehicle Replacement Projects	5
D.	Eligible and Ineligible Costs	6
IV.	FUNDING RESTRICTIONS AND OTHER CONDITIONS	7
V.	PROJECT SELECTION PROCESS	8
A.	Application Submittal	8
B.	Application Evaluation Criteria	8
1.	Share of Air Pollution Burden in the County	9
2.	Cost-effectiveness	9
3.	Project Benefits	9
4.	Programmatic Capability	9
5.	Additional Funding Contribution	9
C.	Project Selection	10
D.	Notifications	10

I. PROGRAM SUMMARY

The Clean Fuels Funding Assistance Program (“Clean Fuels program”) is a competitive funding opportunity for both public and private entities seeking to repower or replace eligible medium-duty trucks, heavy-duty trucks, or buses with new lower-emitting alternative-fueled technologies. The goal of the Clean Fuels program is to reduce emissions of nitrogen oxides (NO_x) from across the state and spur markets for alternative fuels. The Division of Environmental Quality (DEQ) will award funding under the Clean Fuels program in four program cycles. DEQ has allocated \$1,016,033 to fund projects under the current Clean Fuels program cycle. No more than \$400,000 will be awarded to any one entity during this program cycle.

The deadline for applications has been extended to March 15, 2023. Applicants must submit their application online at <https://eportal.adeq.state.ar.us/?FormTag=CleanFuelsApplication>. After the close of the application period, DEQ will score proposals for eligible projects based on several criteria:¹

- The share of air pollution burden in the county
- Cost-effectiveness in dollars per ton of NO_x reduced
- Programmatic capability
- Funding contribution above mandatory cost share

Projects selected for award under this program will receive reimbursement for project costs upon completion of the project and receipt by DEQ of all required documentation. A cost-share is required for projects funded under the Clean Fuels program. DEQ retains the right to partially fund projects. DEQ will not award funds for projects completed prior to signature of a Memorandum of Agreement (MOA) between DEQ and the project sponsor.

II. DEFINITIONS

All-Electric means a vehicle that is exclusively powered by electricity provided by a battery, fuel cell, or the grid.

Alternative-Fuel mean an engine, or a vehicle or piece of equipment that is powered by an engine that uses a fuel that is different from, or in addition to, gasoline fuel or diesel fuel (e.g., electric, Compressed Natural Gas (CNG), propane, or diesel-electric hybrid).

¹ Scoring criteria are further elaborated in Section V.B. of this Guidance.

Certified Remanufacture System or Verified Engine Upgrade means engine upgrades certified or verified by the United States Environmental Protection Agency (EPA) or California Air Resources Board (CARB) to achieve a reduction in emissions.

Class 4–7 Local Freight Trucks (Medium Trucks) means trucks, including commercial trucks, used to deliver cargo and freight (e.g., courier services, delivery trucks, box trucks, moving freight, waste haulers, dump trucks, concrete mixers) with a Gross Vehicle Weight Rating (GVWR) between 14,001 and 33,000 pounds (lbs).

Class 4–8 School Bus, Shuttle Bus, or Transit Bus (Buses) means vehicles with a GVWR greater than 14,001 lbs used for transporting people.

Class 8 Local Freight and Port Drayage Trucks (Heavy Trucks) means trucks with a GVWR greater than 33,000 lbs used for port drayage and/or freight/cargo delivery (including waste haulers, dump trucks, concrete mixers).

Drayage Trucks means trucks hauling cargo to and from ports and intermodal rail yards.

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

Class 1: < 6000 lbs

Class 2: 6001-10,000 lbs

Class 3: 10,001-14,000 lbs

Class 4: 14,001-16,000 lbs

Class 5: 16,001-19,500 lbs

Class 6: 19,501-26,000 lbs

Class 7: 26,001-33,000 lbs

Class 8: > 33,001 lbs

Hybrid means a vehicle that combines an internal combustion engine with a battery and electric motor.

Memorandum of Agreement (MOA) means the formal contract between DEQ and the project sponsor that outlines the eligible expenses, allowable reimbursement amounts, reporting requirements, photographic evidence, records retention requirements, and additional documentation required for reimbursement of project costs.

Non-Profit Entity means a nonprofit organization that is registered as a 501(c)(3), under the Internal Revenue Service tax code.

Private Entity means any organization that is not a unit of government or a non-profit entity, including, but not limited to, a corporation, partnership, company, or other legal establishment.

Public Entity means the state and units of state government; a political subdivision of the state, including a municipality and its subdivisions; a public school district; or an organization composed of political subdivisions of the state.

Project Sponsor means the organization that proposed a project that is selected by DEQ for funding under the Clean Fuels program.

Repower means 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 a clean alternative fuel, diesel engine replacement with an electric power source (e.g., grid, battery), or diesel engine replacement with a fuel cell. All-electric and fuel cell repowers do not require EPA or CARB certification.

School Bus means a Class 4–8 bus sold or introduced into interstate commerce for purposes that include carrying students to and from school or related events. School buses may be Type A–D.

Scrap Value means income from selling salvaged vehicle components.

Scrapped means to render inoperable and available for recycle, and, at a minimum, to specifically cut a three-inch hole in the engine block for all engines. If any eligible vehicle will be replaced as part of a project, scrapped shall also include the disabling of the chassis by cutting the vehicle's frame rails completely in half.

Sensitive Population means a population that includes people who are at increased risk because they are more intrinsically susceptible (children, the elderly, and individuals with chronic lung disease) and those who are more vulnerable due to increased exposure air pollutants because they work outside or live in areas that are more polluted than the mean levels in their communities.

III. ELIGIBILITY

A. Eligible Applicants

Any public or private entity that meets the following criteria is eligible to apply for funding assistance under the Clean Fuels program:

- The applicant has been in existence in Arkansas for at least three (3) consecutive years;
- The applicant proposes an eligible project (See “Eligible Vehicles” and “Eligible Projects”); and
- The applicant owns the vehicle(s) involved in the proposed project.

B. Eligible Vehicles

Vehicles eligible for repower or replacement under this program include diesel-powered Class 8 Local Freight Trucks and Port Drayage Trucks (Heavy Trucks); diesel-powered Class 4–8 School Buses, Shuttle Buses, and Transit Buses (Buses); and diesel powered Class 4–7 Local Freight Trucks (Medium Trucks) that meet the following requirements:

- The engine model year of the vehicle(s) to be replaced or repowered must be between 1992 and 2009;
- The vehicle(s) to be replaced or repowered must be operational, registered, and used in Arkansas for the preceding two (2) years);
- The vehicle(s) to be repowered or replaced must have accumulated at least 7,000 miles per year on average during calendar years 2020 and 2021;
- The vehicle(s) to be repowered or replaced must have at least three (3) years of remaining life at the time of application; and
- The applicant must currently own and operate the vehicle(s) to be repowered or replaced.

C. Eligible Project Types

Projects eligible for funding under the Clean Fuels Program include repower and replacement projects for eligible vehicles.

1. Vehicle Repower Projects:

Vehicle repower projects must satisfy all of the following requirements:

- The eligible vehicle(s) will be repowered to a new alternative-fueled engine(s) or all-electric motor(s) and battery(ies);
- The eligible vehicle will perform the same function after the repower project is completed;

- The horsepower of the replacement engine or cannot be more than twenty-five percent (25%) greater than the horsepower of the original engine;
- The repowered vehicle will be operated in Arkansas for at least ninety percent (90%) of the time that it is operation;
- The repowered vehicle will be operated in Arkansas for at least five (5) years;
- The replacement engine must be EPA- or CARB-certified to the engine model year in which the repower project occurs or one engine model year prior. All-electric repowers do not require EPA or CARB certification.
- The engine being replaced must be scrapped. At a minimum, a three-inch hole shall be drilled in the engine block and manifold.

The maximum funding assistance and cost-share requirements for repower projects is based on the applicant organization type. Table 1 provides the maximum funding assistance percentage and minimal mandatory cost share for repower projects. The applicant may choose to contribute additional funds toward the project beyond the minimum mandatory cost share to increase the competitiveness of their application or to cover additional costs beyond the \$400,000/entity funding assistance cap.

Organization Type	Project Type	Maximum Funding Assistance (Percentage of Eligible Costs)	Applicant Minimum Mandatory Cost-Share (Percentage of Eligible Costs)
Non-Government	Repower	40%	60%
Government	Repower	70%	30%

2. Vehicle Replacement Projects

Vehicle replacement projects must satisfy all of the following requirements:

- The eligible vehicle will be replaced with any new hybrid, alternative-fueled or all-electric vehicle;
- The replacement vehicle will perform the same function as the eligible vehicle that is being replaced;
- The eligible vehicle is not otherwise scheduled to be replaced on or before December 31, 2025;
- The horsepower of the replacement vehicle cannot be more than twenty-five percent (25%) greater than the horsepower of the original vehicle;
- The replacement vehicle will be operated in Arkansas for at least ninety percent (90%) of the time that it is operation;
- The replacement vehicle will be operated in Arkansas for at least five (5) years;

- The replacement vehicle must be EPA- or CARB-certified to the engine model year in which the repower project occurs or one engine model year prior. All-electric vehicles do not require EPA or CARB certification;
- The eligible vehicle being replaced must be scrapped. At a minimum, a three-inch hole shall be drilled in the engine block and manifold and the chassis shall be disabled by cutting the vehicle’s frame rails completely in half; and
- Vehicle components that are not part of the engine or chassis from the unit being replaced may be sold as scrap. The scrap value must be reported to DEQ and subtracted from the total project cost.

The maximum funding assistance and cost-share requirements for replacement projects is based on the applicant organization type. Table 2 provides the maximum funding assistance percentage and minimal mandatory cost share for repower projects. The applicant may choose to contribute additional funds toward the project beyond the minimum mandatory cost share to increase the competitiveness of their application or to cover additional costs beyond the \$400,000/entity funding assistance cap.

Organization Type	Project Type	Maximum Funding Assistance (Percentage of Eligible Costs)	Applicant Minimum Mandatory Cost-Share (Percentage of Eligible Costs)
Non-Government	Replacement	25%	75%
Government	Replacement	70%	30%

D. Eligible and Ineligible Costs

Eligible project costs are those directly related to implementation of the project.

1. **Repower Projects:** Eligible project costs for repower projects include the purchase price of the eligible alternative-fueled engine(s), all-electric motor(s), battery(ies); delivery and installation costs of new eligible engine(s), all-electric motor(s), and battery(ies), if applicable; costs to scrap the engine(s) being replaced, and taxes, if applicable.
2. **Replacement Projects:** Eligible project costs include the purchase price of the new vehicle(s); delivery costs of new vehicle(s); costs to scrap the vehicle(s) being replaced, and taxes, if applicable.
3. **All-electric vehicles:** Eligible costs for projects repowering an eligible diesel vehicle(s) with an all-electric motor(s) and battery(ies) or replacing an eligible diesel vehicle(s) with an all-electric vehicle(s) can include the purchase and installation of one charging unit per vehicle, including the unit and charging cable, mount, and pedestal. **Ineligible costs**

include power distribution to the pedestal, electric panels and their installation, wiring/conduit and its installation, electricity, operation and maintenance, stationary energy storage systems that power the equipment and their installation, and on-site power generation systems that power the equipment (e.g., solar and wind power generation equipment) and their installation.

4. **Alternative fuel vehicles:** Consistent with the Environmental Mitigation Trust Agreement for State Beneficiaries, fueling infrastructure for alternative fuel vehicles is not eligible for reimbursement under the Clean Fuels program.
5. Vehicle components that are not part of the engine or chassis may be salvaged from the buses being replaced (i.e., seats, tires, etc.). If scrapped equipment/parts from the replaced vehicle(s) are to be sold, this income must be reported to E&E and subtracted from the project eligible costs total.
6. The cost of optional components or “add-ons” that significantly increase the cost of the replacement buses may not be eligible for funding.

IV. FUNDING RESTRICTIONS AND OTHER CONDITIONS

- A. Prohibition on the Use of Funds for Matching:** No funds awarded under the Clean Fuels program shall be used to meet matching or cost-share requirements for other E&E-administered grants.
- B. Prohibition on Use of the Funds for Fleet Expansion:** Clean Fuels program funds cannot be used for the purchase of vehicles to expand a fleet.
 - 1) The vehicle(s) or engine(s) that are being replaced must be scrapped within thirty (30) days of being replaced.
 - 2) Evidence of appropriate disposal of scrapped vehicles is required for reimbursement of eligible expenses. Participating fleet owners must attest to the appropriate disposal in a signed scrappage statement. The scrappage statement must include:
 - a. Vehicle owner’s name and address;
 - b. Vehicle make, model, vehicle model year, vehicle identification number, odometer reading, engine make, engine model, engine model year, engine horsepower, and engine serial number;
 - c. Name, address, and signature of the dismantler;
 - d. Date engines and vehicles were scrapped;
 - e. Statement attesting to scrappage of the vehicles as defined above;
 - f. Signature of participating fleet owner;
 - g. Digital photos as follows:

1. Side profile of the vehicle, prior to disabling;
2. Vehicle identification number tag;
3. Engine label (showing serial number, engine family number, and engine model year);
4. Engine block, prior to drilling the three (3) inch hole;
5. Engine block, after drilling the three (3) inch hole;
6. Cut frame rails of chassis (replacement projects only);
7. Others, as needed.

C. Prohibition on the Use of Funds for Required Emission Reductions: No funds awarded under the Clean Fuels program shall be used to fund the costs of emission reductions that are mandated under federal law.

D. Operation and Maintenance of Replacement Vehicles: Any replacement vehicles funded under the Clean Fuels program must be operated and maintained according to manufacturer's specifications by the applicant organization for at least five (5) years.

V. PROJECT SELECTION PROCESS

A. Application Submittal

Please direct all questions regarding the Clean Fuels program to Mikayla Shaddon at 501-682-0808 or mikayla.shaddon@adeq.state.ar.us.

DEQ will accept applications from November 1, 2022 through March 15, 2023.

You must submit your application online. You may include multiple vehicle repower or replacement projects in a single application. The online application form can be found at <https://eportal.adeq.state.ar.us/?FormTag=CleanFuelsApplication>.

You must provide all of the required information and documentation specified in the online application form. DEQ will not evaluate incomplete applications. DEQ may contact you for clarification and/or supplemental information. Applicants have ten (10) calendar days to respond to any such request.

Applications are subject to the Arkansas Freedom of Information Act.

B. Application Evaluation Criteria

At the close of the application period, DEQ will evaluate and score applications. The application scoring criteria is described below.

1. Share of Air Pollution Burden in the County

DEQ will evaluate this criterion based on the county in which the equipment will primarily be used as identified in the application. Three metrics govern the scoring for this criterion:

- Metric 1: Percentage of vehicles subject to the Volkswagen Settlement registered in the county relative to the total number of vehicles subject to the Volkswagen Settlement in Arkansas;
- Metric 2: Percentage of onroad NO_x emissions in the County relative to statewide onroad NO_x emissions; and
- Metric 3: Areas with historic ozone and fine particulate concentrations near to or exceeding the level of national ambient air quality standards.

2. Cost-effectiveness

DEQ calculates cost-effectiveness in terms of dollars requested per pound of NO_x reduced using the applicant-provided parameters required in the application. The more cost-effective (lower \$/pound) a project is, the more points it will receive under this criterion.

3. Project Benefits

DEQ will evaluate the applications on the degree to which the application demonstrates a public benefit to the community. Such benefits may include the following:

- The project reduces environmental risks for sensitive populations;
- The project provides an economic benefit to the community; and/or
- The project is part of a partnership effort that supports the construction or expansion of a publicly available alternative fuel station. Note: no funding is available under this program for the construction of alternative fuel stations.

4. Programmatic Capability

DEQ's evaluation of each application will take into account the applicant's ability to complete and manage the proposed project. DEQ will consider the applicant's proposed project management plan and how the cumulative experience, knowledge, qualifications, and organizational resources of the applicant will assist in completion of the project.

5. Additional Funding Contribution

Additional points are available if the applicant proposes to provide additional funding beyond the minimum cost-share requirements.

C. Project Selection

DEQ will select the highest scoring projects to recommend for funding.

D. Notifications

DEQ will notify all applicants by email once applications have been scored and projects have been selected for funding. Notifications to successful applicants will indicate that the evaluation process is complete and that Clean Fuels program staff recommends the applicant for award. The Agency will send the notification to the original signatory of the application. **This initial notification, which advises that the applicant's proposed project has been recommended for award, is not an authorization to begin the project. The formal notification of award, which will be a MOA, is the only document that authorizes commencement of the project.** The formal notification will be delivered by the US Postal Service and will require a signature from both the recipient and a DEQ official. The MOA will outline the following: eligible expenses, allowable reimbursement amounts, reporting requirements, photographic evidence, record retention requirements, and additional documentation required for reimbursement.