

**Texas Commission on Environmental Quality (TCEQ)
Texas Volkswagen Environmental Mitigation Program (TxVEMP)**

**Request for Grant Applications
Fiscal Year (FY) 2019**

Grants for Projects to Replace or Repower

School Buses, Transit Buses, and Shuttle Buses

Solicitation No. 582-19-96219

Priority Areas

Under this RFGA, a person must operate school buses, transit buses, or shuttle buses with at least 51% of the buses' annual mileage occurring in one of the Priority Areas.

Austin Area: Bastrop, Caldwell, Hays, Travis, and Williamson Counties

Beaumont-Port Arthur Area: Hardin, Jefferson, and Orange Counties

Bell County: Bell County

Dallas-Fort Worth Area: Collin, Dallas, Denton, Ellis, Hood, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties

El Paso County: El Paso County

Houston-Galveston-Brazoria Area: Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties

San Antonio Area: Bexar, Comal, Guadalupe, and Wilson Counties

May 8, 2019

**Texas Commission on Environmental Quality
Implementation Grants Section (TxVEMP), MC-204
P.O. Box 13087
Austin, Texas 78711-3087
833-215-TXVW (8989)**

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Applications will be accepted for consideration during this grant period only if received at the front desk, Rm. 1301, 1st floor of Building F on the premises of TCEQ by no later than 5:00 p.m. Central Time, Friday, May 8, 2020. Applications received in TCEQ mail room on this date are not guaranteed to be delivered to Rm. 1301 by the required deadline, so applicants are encouraged to plan their submissions accordingly.

There will be no pre-proposal conference held.

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**Texas Commission on Environmental Quality (TCEQ)
Texas Volkswagen Environmental Mitigation Program (TxVEMP)**

**Request for Grant Applications
Fiscal Year (FY) 2019**

**Grants for Projects to Replace or Repower
School Buses, Transit Buses, and Shuttle Buses**

1.0 INVITATION

The Texas Commission on Environmental Quality (TCEQ) invites applications from persons who operate **school buses, transit buses, or shuttle buses** in areas designated as Priority Areas in this Request for Grant Applications (RFGA). Incentive funding is available for activities that will reduce the emissions of nitrogen oxides (NO_x) in designated eligible counties.

1.1 Purpose

This grant program implements a portion of the Texas Volkswagen (VW) Environmental Mitigation Program (TxVEMP) established and administered by the TCEQ. Visit the TxVEMP website, <www.TexasVWFund.org>, for more information on the background and purpose of the TxVEMP.

Grants under this program are subject to: (1) Texas Water Code Section 5.124 (TCEQ's authority to award grants); (2) the Uniform Grant and Contract Management Act, Texas Government Code, Section 783.001 et seq., and the Texas Uniform Grant Management Standards (UGMS); (3) Local Government Code Chapter 391 and implementation rules of the Governor's Office of Budget, Planning, and Policy (pertaining to costs for entities defined as Councils of Government, etc.); (4) TCEQ rules and policies (pertaining to TCEQ contracts and grants); (5) the *Environmental Mitigation Trust Agreement for State Beneficiaries* (Trust Agreement) and the *Beneficiary Mitigation Plan for Texas* (RG-537) (Mitigation Plan); (6) this RFGA; and (7) other applicable Federal and State rules and statutes.

1.2 TxVEMP Objectives

The objectives of the TxVEMP are to:

- reduce NO_x emissions;
- reduce the potential for exposure of the public to pollutants;
- prepare for increased and sustained use of zero emission vehicles; and
- complement other incentive funding programs.

1.3 Program Guidance

The Trust Agreement, Mitigation Plan, project application forms, project application instructions, an example contract, and a copy of this RFGA may be viewed and downloaded from the TxVEMP website at <www.TexasVWFund.org>. The materials may also be obtained by calling TxVEMP staff at 833-215-TXVW (8989).

2.0 PROJECT CRITERIA

2.1 Eligible Applicants and Areas

General eligibility requirements are contained in the Trust Agreement and the Mitigation Plan available on the TxVEMP website at <www.TexasVWFund.org>.

Under this RFGA, any person who operates school buses, transit buses, or shuttle buses with at least 51% of the buses' annual mileage in one of the Priority Areas, as designated below, is potentially eligible to apply for a grant.

All activities in a grant application must be operated **in one primary Priority Area**. Activities with different primary Priority Areas must be applied for under separate applications.

Eligible applicants include individuals, corporations, organizations, governments or governmental subdivisions or agencies, business trusts, partnerships, associations, or any other legal entity. This may include a corporation headquartered outside of the state of Texas, but which operates vehicles primarily in an eligible county in Texas.

Businesses or other entities in which a TCEQ employee, spouse, or family member of a TCEQ employee has a direct or indirect interest, financial or otherwise, may be prohibited from receiving a grant, depending upon the nature of the interest. Any questions regarding the eligibility of an entity to apply for a grant should be referred to the TxVEMP staff early in the application process.

For purposes of determining maximum funding amounts, a "government" shall mean a state or local government agency (including school district, municipality, city, county, special district, joint powers authority, or port authority owning fleets purchased with government funds), and a tribal government or native village. A federal government agency or entity is not included in this definition and will be considered a private entity for purposes of applying the percentage of cost limits included in this RFGA.

This RFGA does not apply to entities intending to serve as a third party for the funding, whereby the grant funding and/or cost savings resulting from the funding will be passed through to the owners or operators of the vehicles.

For this grant funding period, the Priority Areas and eligible counties within those areas include:

1. **Austin Area:** Bastrop, Caldwell, Hays, Travis, and Williamson Counties
2. **Beaumont-Port Arthur Area:** Hardin, Jefferson, and Orange Counties

3. **Bell County:** Bell County
4. **Dallas-Fort Worth Area:** Collin, Dallas, Denton, Ellis, Hood, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties
5. **El Paso County:** El Paso County
6. **Houston-Galveston-Brazoria Area:** Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties
7. **San Antonio Area:** Bexar, Comal, Guadalupe, and Wilson Counties

A map of the Priority Areas is provided in Appendix A.

2.2 Eligible Activities — General Requirements

Activities eligible for incentive funding are intended to reduce NO_x emissions in the designated Priority Areas through the replacement or repower of **school buses, transit buses, and shuttle buses**. An eligible vehicle must be powered by a diesel engine and may be replaced or repowered with a new all-electric, diesel, or alternative fuel (e.g., CNG, propane, hybrid) vehicle or engine. Charging infrastructure associated with a new all-electric engine and hydrogen-fueling infrastructure associated with a new hydrogen fuel cell vehicle can be included as a separate activity within the project application.

1. **Eligible school buses** include a bus with a Gross Vehicle Weight Rating (GVWR) of 14,001 pounds or greater and which is intended to carry students to and from school and related events. School bus types are as described:
 - a. **Type A:** A “Type A” school bus is a van conversion or body constructed utilizing a cutaway front-section vehicle with a left side driver’s door. The entrance door is behind the front wheels. No single rear wheel vehicles will be allowed.
 - b. **Type B:** A “Type B” school bus is constructed utilizing a stripped chassis. The entrance door is behind the front wheels. A manufacturer shall provide the minimum specifications for approval on a Type B prior to the sale in Texas.
 - c. **Type C:** A “Type C” school bus is a body installed upon a flat back cowl chassis or an integrated conventional chassis/body combination, with a hood and front fender assembly. The engine is in front of the windshield and the entrance door is behind the front wheels. This type is also known as a “conventional school bus”.
 - d. **Type D:** A “Type D” school bus is a body installed upon a chassis, with the engine mounted in the front, mid bus, or rear. The engine may be behind the windshield and beside the driver’s seat; it may be at the rear of the bus, behind the rear wheels; or between the front and rear axles. The entrance door is ahead of the front wheels. This type is also known as “transit-style school bus”.
2. **Eligible transit and shuttle buses** include a bus with a GVWR of 14,001 pounds or greater and which carry passengers on routes within a city or

defined regional area. Buses intended for interstate travel or travel among regions within the state are not considered transit buses and are not eligible under this program.

Vehicles used primarily for competition or recreational purposes are not eligible for funding under any of the project categories.

Applications will not be accepted for an activity that was included in a project previously awarded a Texas Emissions Reduction Plan (TERP) grant and that was subsequently canceled by the grant recipient after the date of issuance of this RFGA.

A project application may only include activities involving one mitigation action category, replacement vehicle fuel type, and Priority Area. Projects involving different mitigation action categories, fuel types, or Priority Areas should be applied for on separate applications. Please discuss any questions with TxVEMP staff at (833) 215-TXVW (8989) before submitting an application.

2.3 Eligible Activities — Replacement

Specific eligibility criteria and project requirements for the replacement of school buses, transit buses, and shuttle buses are listed below.

1. Vehicle Being Replaced

- a. A school bus, transit bus, or shuttle bus being replaced must have a diesel engine with a model year of 2009 or older.
- b. The diesel engine on the vehicle being replaced must be certified by the EPA or CARB to a NO_x emissions standard or family emissions limit (FEL) greater than 0.5 grams of NO_x per brake horsepower-hour (g/bhp-hr).
- c. The vehicle must currently be used routinely by the applicant in its primary function and be considered capable of performing its primary function for the next five years, consistent with the TxVEMP contract's five-year Activity Life.
- d. The vehicle must currently be registered for operation in Texas and must have been continuously inspected and registered in Texas for the two years immediately preceding the application signature date.
- e. The vehicle must have been used routinely by the applicant in its primary function in Texas for the two years immediately preceding the application signature date.
- f. The applicant must own the vehicle at the time of application and must have been listed as the owner on the title for the two years immediately preceding the application signature date.
- g. Applicants must submit documentation with the application showing compliance with the ownership and registration requirements, including a copy of the vehicle title for the two years immediately preceding the application signature date.
- h. The two-year ownership requirement may be waived when the ownership of the company applying for a grant has changed, the assets of the

company have been purchased by another company, or the company has changed names or incorporation status. Applicants should submit additional information with an application to explain this type of situation. In any case, the vehicle should have been owned under either the current company name or the previous company name and registered and operated in Texas for the two years immediately preceding the application signature date.

2. Replacement Vehicle

- a. The engine model year of the replacement vehicle may not be more than one year older than the year the application is submitted.
- b. The engine must be certified by the EPA or CARB to a NO_x emissions standard or family emissions limit (FEL) of 0.2 g/bhp-hr or lower. An all-electric model will be considered to have 0.0 NO_x emissions for purposes of this requirement. For a hybrid vehicle that operates on a combination of electricity and diesel or alternative fuel, the diesel or alternative fuel engine must meet these emissions certification requirements.
- c. The replacement vehicle must be of the same type, weight category, and body and axle configuration as the vehicle being replaced. The replacement vehicle must be configured and intended for use in the same way. For example, the replacement bus should be a bus of similar length and passenger capacity compared to the bus being replaced. The TCEQ may accept, in particular cases, a vehicle of a different type, weight category, or body and axle configuration to account for the latest technology or vehicle type.

2.4 Eligible Activities — Repower

Specific eligibility criteria and program requirements for the repower of school buses, transit buses, and shuttle buses are listed below.

1. Vehicle and Engine Being Repowered

- a. The diesel engine being replaced must be of a model year 2009 or older.
- b. The diesel engine on the vehicle being replaced must be certified by the EPA or CARB to a NO_x emissions standard or family emissions limit (FEL) greater than 0.5 grams of NO_x per brake horsepower-hour (g/bhp-hr).
- c. The applicant must be repowering a vehicle currently being used routinely by the applicant in its primary function and be considered capable of performing its primary function for the next five years, consistent with the TxVEMP contract's five-year Activity Life.
- d. The applicant must own the vehicle at the time of application and must have owned the vehicle and have been listed as the owner on the title for the two years immediately preceding the application signature date.
- e. The two-year ownership requirement may be waived when the ownership of the company applying for a grant has changed, the assets of the company have been purchased by another company, or the company has changed names or incorporation status. Applicants should submit

additional information with an application to explain this type of situation. In any case, the vehicle should have been owned under either the current company name or the previous company name and registered and operated in Texas for the two years immediately preceding the application signature date.

- f. The vehicle must currently be registered for operation in Texas and must have been continuously inspected and registered in Texas for the two years immediately preceding the application signature date. Unless the vocational type of school bus is exempt from inspection and registration requirements, the school bus must currently be registered for operation in Texas.
 - g. The vehicle must have been used routinely by the applicant in its primary function in Texas for the two years immediately preceding the application signature date.
 - h. Applicants must submit documentation with the application showing compliance with the ownership and registration requirements, including a copy of the vehicle title for the two years immediately preceding the application signature date.
2. Replacement Engine
- a. The engine model year of the replacement vehicle may not be more than one year older than the year the application is submitted.
 - b. The replacement engine must be certified by the EPA or CARB to a NO_x emissions standard or family emissions limit (FEL) of 0.2 g/bhp-hr or lower. An all-electric model will be considered to have 0.0 NO_x emissions for purposes of this requirement. For a hybrid vehicle that operates on a combination of electricity and diesel or alternative fuel, the diesel or alternative fuel engine must meet these emissions certification requirements.

2.5 Eligible Activities — Electric and Hydrogen Infrastructure

Electric and hydrogen infrastructure may be included in a project application for the purpose of charging or refueling grant-funded all-electric or hydrogen-fuel cell replacement and repower projects. For purposes of the application, the purchase and installation of the infrastructure will be considered a separate activity.

- a. The infrastructure must be associated with charging or providing hydrogen to the replacement or repowered vehicle(s) included in the application. The number of charging and fueling units may not exceed the number of grant-funded vehicles.
- b. Reasonable costs to provide for future expansion of the charging or fueling infrastructure may be included (e.g., larger conduit, larger transformer size, more extensive concrete pad, etc.), subject to acceptance by the TCEQ.

- c. The infrastructure must be installed at the location or facilities where the grant-funded replacement or repowered vehicle(s) will be charged or provided hydrogen fuel.
- d. If electric charging infrastructure is needed along a bus route, at least one of the buses being replaced or repowered under the grant must be operated on that route.
- e. The applicant is encouraged to own the infrastructure equipment purchased with grant funds for at least the five-year Activity Life. The applicant may, but is not required to, own the property where the infrastructure will be installed.
- f. For any grant activity where the grant-funded infrastructure equipment will be acquired and used under a lease or lease-purchase agreement, the period of the lease agreement must extend for at least the Activity Life or, if the lease terminates before the end of the Activity Life, the lease agreement must include a binding commitment for the grant recipient to pay any remaining costs and take ownership of the equipment.
- g. Reimbursement will not be authorized for pre-payment of future periodic lease or finance payments. A grant recipient will need to either (i) ensure that payments equal to the grant amount are made before the contract's purchase expiration date; or (ii) structure the financing or lease agreement to allow for an up-front payment in return for lower periodic payments.

2.6 Disposition of Vehicle or Engine Being Replaced

The grant contract will include specific provisions for destroying the vehicles or engines being replaced and for submitting disposition verification information to the TCEQ.

- a. The vehicle or engine being replaced under the grant must be rendered inoperable and available for recycle (e.g., scrapped). The disposition of the engine must be permanent and unable to be repaired. This may include drilling a 3-inch hole or larger in the engine block on both sides of the engine. For a replacement activity, scrappage must also be permanent and include disabling the vehicle chassis by cutting both vehicle frame rails completely in half. Subject to acceptance by the TCEQ, complete destruction of the vehicle or engine through complete crushing or a similar mechanism may also meet the requirement.
- b. The disposition of the vehicle or engine must be completed prior to requesting reimbursement under TxVEMP.
- c. You must provide certified evidence of proper disposition on TCEQ forms either before or with the Request for Reimbursement.

2.7 Eligible Costs — Replacement

The amount of eligible costs that may be reimbursed for each replacement activity is subject to the maximum funding amounts established by the TCEQ

for that type of activity. To determine the maximum funding amount for each activity, applicants should refer to the instructions provided in Appendix B of this RFGA.

Final reimbursement amounts may not exceed the maximum percentage of cost limits applied to the actual invoice cost of the new vehicle. The maximum percentage of cost limits for replacement projects are provided in Appendix D of this RFGA.

Grantees may receive the **lesser amount** of either:

- (i) the applicable table amount under Appendix B, or
- (ii) the cost percentage from Appendix D applied to the grantee's actual, eligible expenditures.

The eligible costs for replacement activities are provided below.

- The eligible costs for a replacement project may include the capital cost of the purchase of the replacement vehicle.
- Capital Cost - Invoice cost of the vehicle, including taxes, duty, protective in-transit insurance, and freight charges. The cost for an extended warranty to cover the vehicle for the five-year Activity Life may also be included.

2.8 Eligible Costs — Repowers

The percentage of eligible costs that may be reimbursed for each repower activity is subject to the maximum percentage of cost limits provided in Appendix D of this RFGA.

Final reimbursement amounts may not exceed the maximum funding amounts established by the TCEQ for that type of activity in Appendix B of this RFGA. To determine the eligible costs for each repower activity, applicants should follow the steps below.

- Step one: Complete and calculate the repower budget using the supplemental form provided in the project application.
- Step two: Determine the maximum percentage of eligible costs for the activity using the table provided in Appendix D of this RFGA.
- Step three: Apply the maximum percentage of eligible costs to the repower budget total.
- Step four: Determine the maximum funding amounts established by the TCEQ for the activity using the instructions provided in Appendix B of this RFGA.
- Step five: Determine the requested grant amount. The requested grant amount should be the lesser of the amounts determined in steps three and four.

The eligible costs for repower activities are provided below. The TCEQ will closely evaluate the reasonableness of these costs in approving a grant and

when reviewing and approving a Request for Reimbursement. Based on this information, the TCEQ may set a grant amount that is less than the grant amount requested in the project application or Request for Reimbursement. The eligible costs for a repower project may include capital cost and supplies directly related to the project.

- Capital Costs – Equipment and Installation
 - Invoice cost of the new engine, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the repower project.
 - Installation costs, including the cost to remove the old engine, if needed. Installation costs may include costs to re-engineer the vehicle for the new engine to fit. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory.
- Supplies and Materials – Invoice cost of equipment and materials not included as part of the engine that cost less than \$5,000 and are necessary for the repower of the vehicle.

2.9 Eligible Costs — Electric and Hydrogen Infrastructure

The percentage of eligible costs that may be reimbursed for each infrastructure activity is subject to the maximum percentage of cost limits provided in Appendix D of this RFGA.

Final reimbursement amounts may not exceed the maximum funding amounts established by the TCEQ for that type of activity in Appendix B of this RFGA. To determine the eligible costs for each infrastructure activity, applicants should follow the steps below.

- Step one: Complete and calculate the infrastructure budget using the supplemental form provided in the project application.
- Step two: Determine the maximum percentage of eligible costs for the activity using the table provided in Appendix D of this RFGA.
- Step three: Apply the maximum percentage of eligible costs to the repower budget total.
- Step four: Determine the maximum funding amounts established by the TCEQ for the activity using the instructions provided in Appendix B of this RFGA.
- Step five: Determine the requested grant amount. The requested grant amount should be the lesser of the amounts determined in steps three and four.

The eligible costs for infrastructure activities are provided below. The TCEQ will closely evaluate the reasonableness of these costs in approving a grant and when reviewing and approving a Request for Reimbursement. Based on this

information, the TCEQ may set a grant amount that is less than the grant amount requested in the project application or Request for Reimbursement.

- The eligible costs for electric infrastructure to charge an electric vehicle or provide hydrogen fuel to a fuel cell vehicle may include capital costs and supplies **directly** related to the project. On-site electrical work or work necessary to install hydrogen fueling infrastructure may be included. Electrical work or natural gas line work outside of the subject property may not be reimbursed under the grant.
- The TCEQ will withhold reimbursement for the infrastructure costs until all vehicles to be provided electricity or hydrogen from the infrastructure have been replaced or repowered and the reimbursement submitted.
- Capital Costs – Equipment and Installation
 - Invoice cost or cash basis for the lease of the equipment, including taxes, duty, protective in-transit insurance, and freight charges.
 - Invoice cost of additional equipment with a per unit acquisition cost of \$5,000 or more and that is necessary for the completion of the project.
 - Installation of the equipment and associated on-site electrical work. Technical design, testing, and other engineering services required as part of the installation work should also be listed under this subcategory. The costs for permitting required as part of the installation may also be included.
- Supplies and Materials – Invoice cost of equipment and materials not included as part of the infrastructure system itself that cost less than \$5,000 and are necessary for the installation of the equipment.
- Ineligible Costs
 - The purchase of land or an interest in land is not eligible for funding.
 - Site improvements, construction and buildings, and other costs not directly associated with the purchase and installation of the equipment may not be included. For example, paving of a parking lot may not be included, but limited repaving necessary after running new electrical conduit may be included as an installation cost.

2.10 Additional Requirements

Additional criteria that apply to activities funded under this program are discussed below:

- a. Activities involving different vehicle or fuel types must be submitted using separate applications. Activities that include charging or hydrogen

- fueling infrastructure may not be included in the same application as activities that do not include the purchase of infrastructure.
- b. An activity is not eligible if it is required by any state or federal law, rule, regulation, memorandum of agreement, or other legally binding document.
 - c. Activities funded under this program are not eligible to generate marketable credits under state or federal emissions reduction credit averaging, banking, or trading programs.
 - d. Any existing financial incentive that directly reduces the cost of the proposed activity, such as tax credits or deductions, other grants, or any other public financial assistance must be accounted for in the application. The grant reimbursement plus financial incentives must not exceed 100% of the total cost of the proposed activity.
 - e. The purchases under the grant may not have been completed prior to the opening date of the grant application period under this RFGA. Under this provision, a vehicle may not have been paid for in full and taken delivery of prior to the opening date of the RFGA. However, a vehicle may have been ordered prior to the opening date of the RFGA and the purchase secured with a down payment.
 - f. The TCEQ provides no assurances that a project will be awarded a grant. The TCEQ has no liability for expenses incurred by an applicant prior to the execution of a grant contract and issuance of a Notice to Proceed.
 - g. Entities selected to receive grant funding must enter into a contract with the TCEQ. All services or work carried out under a contract awarded as a result of this RFGA must be completed within the scope, time frames, and funding limitations specified in the contract.
 - h. Administrative costs and other internal costs to the grant recipient, including but not limited to personnel expenses, internal salaries, indirect costs, and travel are not eligible for grant funding under this RFGA. This restriction also applies to situations where the grant recipient acts as a transportation provider for delivery of the grant-funded vehicle or equipment before or after acceptance of the vehicle or equipment.
 - i. In cases where a grant recipient acts as both the purchaser and the vendor for equipment or services, only the direct costs to the grantee may be considered in determining the reimbursable amount. Grantees may not profit from the grant.
 - j. Consultant fees for the preparation of a grant application, either directly or as an addition of the cost basis of the grant-funded vehicle, equipment, or engine, are not eligible for reimbursement by the TCEQ.
 - k. Fees for a third-party consultant hired by the grant recipient to manage and administer the grant-funded activities, including coordination of the work and submission of reports and paperwork to the TCEQ for the grant recipient are not eligible for reimbursement. This restriction is not intended to limit the ability of the vehicle or equipment provider or installer to include reasonable and necessary costs for managing the

work to be performed in the price of the vehicle, equipment, or installation services. The costs for professional services, including engineering and technical work, required for completion of the activity may be included, subject to the restrictions pertaining to that type of project. Per the UGMS, the cost plus a percentage of cost methods of contracting for professional services may not be used.

- l. Under Section 231.006, Texas Family Code, a child support obligor who is more than 30 days delinquent in paying child support and a business entity in which the obligor is a sole proprietor, partner, shareholder, or owner with an ownership interest of at least 25% is not eligible to receive a state-funded grant or loan. This provision also applies to the funds under this program. All applicants under this RFGA must include in the application the name and social security number of the individual or sole proprietor and each partner, shareholder, or owner with an ownership interest of at least 25% of the business entity submitting the application. The certifying official submitting the application must also certify in the application that the individual or business entity named in the application is not ineligible to receive the grant and acknowledges that the grant contract may be terminated, and payment may be withheld if the certification is inaccurate.
- m. Applicants must submit a W-9 Form (Request for Taxpayer Identification Number and Certification Form) when submitting the application.

3.0 DESIGNATED ACTIVITY LIFE

The Activity Life for activities submitted under this RFGA will be five years. The specific start and end dates will be established by the TCEQ once reimbursements are completed.

4.0 PERCENTAGE OF USE COMMITMENT

Applicants must list a Priority Area for use of the vehicles included in the project application. Activities with different Priority Areas must be applied for under separate applications. The applicant must commit to use the grant-funded vehicle at least 51% of the vehicle's annual miles of operation in the listed Priority Area as designated in the application and contract.

5.0 MONITORING AND REPORTING

- a. The grant recipient must agree to monitor the use of grant-funded vehicles and equipment for the designated five-year Activity Life.
- b. Annual reports on the use of the grant-funded vehicles and equipment will not be required. However, the grant recipient must agree to provide information on the use of the vehicles and equipment upon request by the TCEQ. The grant recipient must also agree to provide the TCEQ and/or the State Auditor, or their representatives, access to the vehicles and equipment and to records regarding use of the vehicles and equipment.

6.0 FUNDING

The total amount to be awarded under this RGFA will depend upon the amount of funds available to the TCEQ under the Trust Agreement and the amount allocated by the TCEQ to this RFGA. The TCEQ will not be obligated to select project proposals to cover the full amount of expected or available funding.

The TCEQ will not be obligated to select applications for funding, even if received within the application deadline.

The TCEQ may select parts of a proposal for funding and may offer to fund less than the dollar amount requested in a proposal.

7.0 APPLICATION PROCESS

7.1 Required Forms

This RFGA, grant application forms, and grant application form instructions may be viewed and downloaded from the TxVEMP website at www.TexasVWFund.org. The materials may also be obtained by calling TxVEMP staff at (833) 215-TXVW (8989).

7.2 Application Submission

To apply for funding, applicants must complete and submit a grant application. Two (2) copies of the completed forms must be submitted to:

Regular Mail:

Texas Commission on Environmental Quality
Air Quality Division
Implementation Grants Section (TxVEMP), MC-204
P.O. Box 13087
Austin, TX 78711-3087

Express Mail or Hand Delivery

Texas Commission on Environmental Quality
Air Quality Division
Implementation Grants Section (TxVEMP), MC-204
12100 Park 35 Circle
Austin, TX 78753

7.3 Deadline for Submission

Unless the acceptance of applications is suspended by the TCEQ prior to the application deadline, applications must be completed according to the application instructions and received at the front desk, Rm. 1301, 1st floor of Building F on the premises of the TCEQ no later than 5:00 p.m. Central Time, Friday, May 8, 2020. Applications received in the TCEQ mail room on this date are not guaranteed to be delivered to Rm. 1301 by the required deadline, so

applicants are encouraged to plan their submission accordingly. Applicants are encouraged to submit an application as early as possible.

The TCEQ may suspend acceptance and/or processing of applications at any time during the application period with no obligation to continue processing an otherwise eligible application received within the deadline.

7.4 Use of Consultants

Private consultants may be available to assist an applicant to complete and submit an application. These consultants do not represent the TCEQ, and the TCEQ neither encourages nor discourages the use of a consultant to assist with the application process. The TCEQ has no agreement with any consultant that applications submitted by a particular consultant will receive more favorable treatment than other applications.

Any fees charged by a consultant are the responsibility of the applicant or the vendor and may not be charged to the grant, either directly or as an addition to the cost basis of the grant-funded vehicle or equipment. Also, all purchase decisions must be based on sound business practices and arms-length bargaining. It is generally considered acceptable for an applicant to accept assistance from a vendor or an agent of a vendor in preparing an application, as long as any decision by the applicant to purchase the grant-funded vehicle or equipment from that vendor is made independently and meets the other reasonableness provisions in the grant contract.

The applicant must indicate on the application if the application was prepared by a third party. In those cases, the third-party preparer must also sign the application and certify that the information provided is correct.

7.5 Additional Program Information

Individuals desiring further information are encouraged to call the TxVEMP staff at (833) 215-TXVW (8989).

7.6 Public Information

Upon submission, all proposals become the property of the State of Texas and as such become subject to the Texas Public Information Act, Chapter 552, Texas Government Code.

8.0 SELECTION CRITERIA

8.1 Primary Criteria

- a. **First-Come, First-Served.** Applications will be date and time stamped as they are received by TxVEMP staff, not as they are received in the TCEQ mail. Subject to the additional criteria in this section, properly completed and eligible projects will be processed for approval on a first-come, first-served basis. Incomplete or ineligible applications will be returned to the applicant. Corrected or changed applications will be considered based on the date and

time at which the corrected or changed versions are received and stamped by TxVEMP staff. Properly completed and eligible applications will be reviewed by TxVEMP staff and recommended for award.

- b. **Number of Vehicles.** Applicants may apply for the replacement or repower of up to 20 vehicles per Priority Area, either in one application or multiple applications, every three months. The TCEQ may extend or reduce the three months through issuing an addendum to this RFGA, if warranted to ensure funding for the greatest number and geographic range of applicants and projects.

8.2 Additional Criteria

In addition to the selection criteria explained above, the TCEQ may consider the additional criteria explained below when selecting applications for grant funding. The TCEQ is not obligated to select a project for funding. Awarded projects are also based on a determination of the risks and other factors associated with the applicant and/or project, including the factors outlined below:

- a. The TCEQ may base funding decisions on other factors associated with best achieving the goals of the program. As part of this consideration, the TCEQ may give priority to projects in certain areas and/or for certain mitigation actions.
- b. The TCEQ may assess the risks associated with a project and may classify or otherwise categorize projects according to the assessed risks separate from the general scoring and ranking, including adjusting the ranking to account for those risks.
- c. The TCEQ may make selection for funding contingent upon agreement by the applicant with additional conditions or changes to the project pertaining to equipment, logistical considerations, expenses, and other program elements.
- d. The TCEQ may select parts of a proposal for funding and may offer to fund smaller amounts and/or a smaller percentage of the eligible incremental costs than requested in the application. The TCEQ may fund projects at less than the cost per ton funding limits.
- e. Based on the number and types of applications received, the TCEQ may establish a funding limit for grant selections that is less than the available funding, and projects may be offered a smaller amount of funding or may be held until a later date.
- f. The TCEQ is not obligated to fund a proposal from an applicant that has demonstrated marginal or unsatisfactory performance on previous contracts with the TCEQ and other state agencies. A rating of marginal or unsatisfactory performance on past contracts may be used as a basis to lower or otherwise change the priority and ranking of an application.
- g. The TCEQ is not obligated to fund a proposal from an applicant or a project based on a determination of risk. Risk may include the financial condition of the applicant, the extent to which application information is

verified by supporting documentation, pre-award site visit evaluation, and other risk factors as may be determined by the TCEQ. The TCEQ may also include additional controls in a grant contract to address the risks that may be involved with providing a grant to an applicant considered to be high risk.

- h. The TCEQ is not obligated to fund a proposal from an applicant that is under federal, state, or local enforcement action for violation of environmental laws or permit conditions.
- i. The TCEQ is not obligated to fund a proposal from an applicant with an overall compliance history classification of Unsatisfactory (55.01 or greater) on the TCEQ's Compliance History Database, for applicants that are subject to the rating.

9.0 APPLICATION REVIEW AND SELECTION PROCESS

9.1 Grant Award and Contracting

Successful applicants will be notified by phone or other means of their selection and the amount of grant funds that may be awarded. At that time, the applicant will need to confirm to the TCEQ if the applicant intends to accept the grant. A grant contract will be developed and provided to the applicant to sign and return to the TCEQ. Upon signature and execution of the contract by the TCEQ, a copy of the signed contract will be returned to the applicant, at which time the grant will be considered awarded. However, the execution of a contract will not be the final commitment by the TCEQ to provide the funds as the funding will be subject to issuance of a Notice to Proceed (NTP).

9.2 Notice to Proceed

Once a contract has been executed, a subsequent NTP will be issued to the grant recipient. Any eligible expenses incurred prior to receipt of the NTP will be at the grant recipient's own risk. The NTP may also include authorization for a lesser reimbursement amount than originally approved in the contract, based on the amount of funds available.

The TCEQ may also make issuance of a NTP contingent upon receiving any additional documentation and information that may be needed from the applicant, including inspection by the TCEQ of a vehicle, equipment, and/or engine to be replaced under the grant to verify information and the condition of the vehicle, equipment, or engine.

9.3 Contract Term

There are two important periods of time under this grant.

First, the Contract Term is the period setting the time limit for financial purposes. This is an administrative period which begins on the date the contract is signed and ends when TCEQ authorizes final reimbursement.

The Activity Life begins once reimbursement is received. It continues beyond the expiration date of the Contract Term and extends to the longest Activity Life of any activity under the TxVEMP contract.

The grant recipient must agree to these commitments for achieving emissions reductions for the life of each activity. Before signing a grant contract, grant recipients must read and agree to the commitments under the grant contract, including the deadlines for incurring expenses and requesting reimbursement and the obligations over the full Activity Life.

9.4 Performance Evaluation

The TCEQ may prepare a written evaluation of the performance of the grant recipient upon completion of the terms of the grant contract, or more frequently, as deemed necessary by the TCEQ. A copy of the evaluation will be provided to the grant recipient and a copy retained in the TCEQ's contract files.

The content of the evaluation shall be wholly within the discretion of the TCEQ. The grant recipient may provide a written statement which explains or disagrees with the evaluation, which will be incorporated into the evaluation. The grant recipient waives any claim for damages against TCEQ for the evaluation.

A rating of marginal or unsatisfactory performance may be used as a basis to lower or otherwise change the priority and ranking of a future application.

10.0 GRANT ADMINISTRATION AND REIMBURSEMENT OF EXPENSES

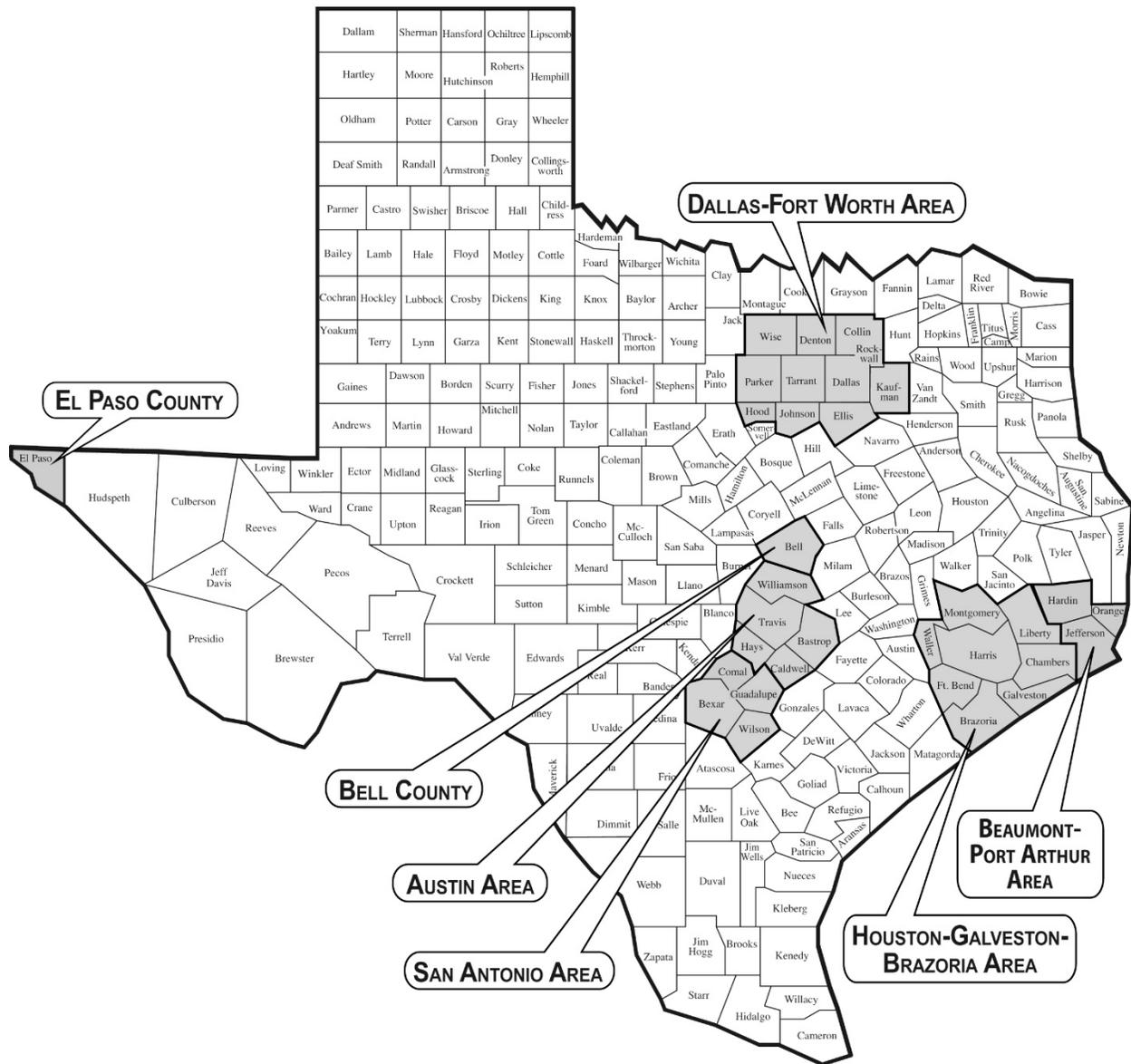
- a. In order to ensure that all allocated funds are used under this program, the TCEQ may select projects and award contracts that may ultimately exceed the amount of funding received.
- b. Except as provided for under Section c. below, payments will be made on a reimbursement basis for eligible expenses incurred and paid by the grant recipient. A cost may not be considered incurred until the grant-funded goods and services have been received and accepted by the grant recipient. Grant recipients will be required to provide documentation to show that equipment or services have been received and the expenses have been incurred and paid by the grant recipient, before reimbursement is provided by the TCEQ.
- c. Subject to approval by the TCEQ, the grant recipient may assign the payments due from the TCEQ directly to the supplier, subcontractor, financing or leasing company, or other entity from which the goods or services were procured or financed by the grant recipient. Under this option, the goods and services to be reimbursed must have been received and accepted by the grant recipient and the grant recipient must have an obligation to pay the expense.
- d. A summary of all expenses and budget items must be submitted with the request for reimbursement. These forms will also be available on the TxVEMP website <www.TexasVWFund.org> or by calling the toll free TxVEMP number at (833) 215-TXVW (8989).

- e. The TCEQ will reimburse the grant recipient for no more than the predetermined maximum funding amounts established by the TCEQ for that type of activity (see Appendix B). This amount may be adjusted downward in accordance with the maximum percentage of cost limits (Appendix D).
- f. Before applying the percentages to the vehicle or engine costs, the costs must be reduced by the value of the vehicle or engine being scrapped. For on-road vehicle replacement projects, the TCEQ will use a default scrap value of \$1,000 in lieu of the grant recipient reporting the actual remuneration received. For on-road vehicle repower projects, the TCEQ may use a default scrap value of \$250.
- g. Unless otherwise approved by the TCEQ, all project costs must have been incurred and grant funded vehicles received before the Purchase Expiration Date as explained in the contract.
- h. Reimbursement will not be authorized for pre-payment of future finance payments. A grant recipient will need to either ensure that sufficient payments will be made before the Purchase Expiration Date or structure the finance agreement to allow for an up-front down payment.
- i. Reimbursement will be disbursed via check issued by Wilmington Trust, N.A., the Trustee of the Volkswagen Settlement Trust, as directed by TCEQ. Wilmington Trust, N.A., is not liable for any losses or damages in connection with any actions it takes or does not take as Trustee or as Disburser.

11.0 CONSIDERATION OF APPLICATION IN FUTURE GRANT ROUNDS

The TCEQ may, at its discretion, retain applications not selected for funding under this RFGA for consideration under a new RFGA issued for a future TxVEMP grant round. Applicants will be notified by the TCEQ if their application is retained for consideration under a future grant round and will be given the option of withdrawing their application from consideration.

APPENDIX A: PRIORITY AREAS



This map was generated by the Air Quality Division of the Texas Commission on Environmental Quality. This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries. For more information concerning this map, contact the Air Quality Division at 512-239-4900.

APPENDIX B: MAXIMUM FUNDING AMOUNTS

Instructions are provided below to determine the maximum funding amount available for a proposed replacement, repower, or infrastructure activity. Tables are available at the TxVEMP website, <www.TexasVWFund.org>.

Step 1. Navigate to the Table for your Entity and Activity Type

Tables are organized by entity and activity type (replacement, repower, or infrastructure). For purposes of determining maximum funding amounts, a “government” shall mean a state or local government agency (including school district, municipality, city, county, special district, joint powers authority, or port authority owning fleets purchased with government funds), and a tribal government or native village. A federal government agency or entity is not included in this definition and will be considered a private entity for purposes of determining maximum funding amounts.

Step 2. Determine the Type of Vehicle

The eligible types of vehicles are listed on the funding tables. Under this RFGA, school buses, transit buses, and shuttle buses are eligible for consideration.

1. **Eligible school buses** include a bus with a Gross Vehicle Weight Rating (GVWR) of 14,001 pounds or greater and which is intended to carry students to and from school and related events. School bus types are as described:
 - a. **Type A:** A “Type A” school bus is a van conversion or body constructed utilizing a cutaway front-section vehicle with a left side driver’s door. The entrance door is behind the front wheels. No single rear wheel vehicles will be allowed.
 - b. **Type B:** A “Type B” school bus is constructed utilizing a stripped chassis. A manufacturer shall provide the minimum specifications for approval on a Type B prior to the sale in Texas.
 - c. **Type C:** A “Type C” school bus is a body installed upon a flat back cowl chassis or an integrated conventional chassis/body combination, with a hood and front fender assembly. The engine is in front of the windshield and the entrance door is behind the front wheels. This type is also known as a “conventional school bus”.
 - d. **Type D:** A “Type D” school bus is a body installed upon a chassis, with the engine mounted in the front, mid bus, or rear. The engine may be behind the windshield and beside the driver’s seat; it may be at the rear of the bus, behind the rear wheels; or between the front and rear axles. The entrance door is ahead of the front wheels. This type is also known as “transit-style school bus”.
2. **Eligible transit and shuttle buses** include a bus with a GVWR of 14,001 pounds or greater and which carry passengers on routes within a city or defined regional area. Buses intended for interstate travel or travel among regions within the state are not considered transit buses and are not eligible under this program.

Step 3. Determine the Engine Year and Emission Standard of the Vehicle and Engine being replaced

You must know the model year of your current vehicle and engine. If the original engine was replaced with a later model year engine, use the model year of the engine and not the year of the vehicle itself.

On-road heavy-duty engines are certified by the U.S. Environmental Protection Agency (EPA) to meet federal nitrogen oxides (NO_x) emission standards established by year. The 2010 EPA NO_x emission rate standard for heavy-duty, compression ignition, on-road vehicles was phased-in from 2007 thru 2010. Engines produced during these years may have a range of NO_x emission rates. If the EPA certified emission rate for an engine manufactured between 2007 and 2009 falls between one of the NO_x emission rate values listed on the table, round up to the nearest listed value for the purposes of determining an eligible grant amount.

Step 4. Determine the Emission Standard of the New Vehicle and Engine

There are three options for the emission standard applicable to the new engine. Most new heavy-duty diesel engines will be certified to an emission standard of 0.2 g/bhp-hr of NO_x. New alternative fuel engines (CNG, LNG, LPG, etc.) may be certified to either the federal standard of 0.2 g/bhp-hr of NO_x, or the optional California low-NO_x standard of 0.02 g/bhp-hr of NO_x. For all-electric vehicles and engines, use the 0.0 g/bhp-hr of NO_x option.

Step 5. Determine the Maximum Funding Amount

Find the appropriate line applicable to the vehicle and the new engine emission standard. Go across to the column representing the emission standard for the engine being replaced. Note the maximum funding amount listed for that activity.

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APPENDIX C: NO_x EMISSION STANDARDS

On-Road Heavy-Duty Diesel Compression-Ignition Engines

NO_x Emission Standards by Model Year

Emissions Model Year	Diesel Engines Emissions Standard	
	NO _x Only (g/bhp-hr)	NO _x +NMHC (g/bhp-hr)
1989 and earlier	10.7	
1990	6.0	
1991-1997	5.0	
1998-2003	4.0 ¹	
2004 -2006	2.375	2.5
2007 - 2009	2.375 - 0.2 ²	

¹ Under 1998 Consent Decrees, some manufacturers supplied engines compliant with the more stringent 2.375 g/bhp-hr NO_x standard beginning in October 2002. For model year 2003 engines, applicants must be sure to confirm the applicable emission standard, based on the engine family code.

² For 2007-2009 model years, NO_x standards were phased-in on a percent-of-sales basis: 50% in 2007-2009 and 100% in 2010. Most manufacturers certified their 2007-2009 engines to a NO_x limit of about 1.2 g/bhp·hr, based on a fleet average calculation.

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APPENDIX D: MAXIMUM PERCENTAGE OF COST LIMITS

Table 1. Maximum Percentage of Cost Limits

Government-Owned	
Replacement or Repower-Electric, Diesel, or Alternative Fuel	80%
Non-Government-Owned	
Replacement - Diesel or Alternative Fuel	25%
Repower - Diesel or Alternative Fuel	40%
Replacement or Repower - Electric	50%