

**AGENCY: ENVIRONMENTAL PROTECTION AGENCY (EPA)**

**TITLE: American Recovery and Reinvestment Act Funding for the SmartWay Clean Diesel Finance Program**

**ACTION: Request for Applications (RFA)**

**RFA NUMBER: EPA-ARRA-OAR-OTAQ-09-04**

**CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: 66.039**

**DATES:** The closing date for receipt of applications is **Tuesday, April 28, 2009**. All hard copies of application packages must be received by the EPA contact identified in Section IV by **Tuesday, April 28, 2009, 4:00 p.m., Eastern Daylight Time (EDT)** to be considered for funding. Electronic submissions must be submitted via email and must be received by the EPA contact identified in Section IV by **Tuesday, April 28, 2009, 4:00 p.m., EDT** in order to be considered for funding. Applications received after the closing date and time will not be considered for funding. See Section IV for EPA contact and further submission information.

EPA will host a Question and Answer session regarding this Request for Applications via teleconference. Dates, times, and participant information will be posted at <http://www.epa.gov/otaq/eparecovery/progfinance.htm> as soon as it becomes available.

**SUMMARY:** The U.S. Environmental Protection Agency (EPA)'s National Clean Diesel Campaign and SmartWay Transport Partnership are announcing the availability of funding assistance through the American Recovery and Reinvestment Act of 2009 (Recovery Act), and the Energy Policy Act of 2005 (EPAAct 2005). Under the Recovery Act and EPAAct 2005, EPA's SmartWay Clean Diesel Finance Program is soliciting applications for projects that can be commenced quickly, reduce diesel emissions, and promote job preservation and/or creation and economic recovery through the creation of national, state or local innovative financing program(s). Innovative financial projects include, but are not limited to, those where the loan recipient receives a specific financial incentive (i.e., better than regular market rates or conditions) for the purchase or lease of retrofitted vehicles or equipment.

**FUNDING/AWARDS:** The total estimated funding available for this competitive opportunity is approximately \$30 million. EPA anticipates awarding approximately one to ten cooperative agreement(s) from this announcement, subject to availability of funds and the quality of applications received.

Funding will be in the form of cooperative agreements or grants, which must be used to achieve significant reductions in diesel emissions in terms of: (1) tons of pollution produced; and (2) diesel emissions exposure, particularly from fleets operating in areas designated by the Administrator as poor air quality areas. The project must also promote the preservation and/or creation of jobs and economic recovery. Recipients must use grant funds in a manner that maximizes job creation and economic benefit.

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### **I. FUNDING OPPORTUNITY DESCRIPTION**

On February 17, 2009, President Barack Obama signed the American Recovery and Reinvestment Act of 2009 (Public Law No. 111-05) (Recovery Act). EPA received \$300 million in Recovery Act appropriations for the DERA Program of which approximately \$206 million will be competed. Approximately \$30 million will be available under this competition. Recovery Act funds are available for DERA projects that can be implemented expeditiously consistent with prudent management practices and which promote job creation and/or preservation and economic recovery.

The U.S. Environmental Protection Agency's (EPA) National Clean Diesel Campaign and SmartWay Transport Partnership are announcing the availability of funding assistance through the American Recovery and Reinvestment Act of 2009, Public Law 111-5 (Recovery Act) and the Energy Policy Act of 2005, Public Law 109-58, signed August 8, 2005 (EPAAct 2005). The Diesel Emissions Reduction National Program (DERA) authorized by Title VII, Subtitle G (Sections 791 to 797) of the EPAAct 2005 enables EPA to offer funding assistance to eligible organizations and entities on a competitive basis to establish innovative financial programs, such as low cost leases or revolving loan programs, to achieve diesel emissions reductions throughout the United States. The Recovery Act enables EPA to offer funding assistance through DERA for projects that promote the preservation and/or creation of jobs and economic recovery.

In accordance with OMB's February 18, 2009, guidance for implementing the Recovery Act, EPA will fund DERA agreements selected under this announcement as new awards rather than through amendments to existing awards. This will ensure that grantees will track Recovery Act funds separately from DERA grants awarded using EPA's appropriation for DERA grants.

Under the Recovery Act and EPAAct 2005, EPA's SmartWay Clean Diesel Finance Program is soliciting applications nationwide for projects that can be commenced expeditiously that reduce diesel emissions and maximize job creation and/or preservation and economic benefit through the creation of national, state or local innovative financing program(s). Innovative financial projects include, but are not limited to, those where the loan recipient receives a specific financial incentive (i.e., better than regular market rates or conditions) for the purchase or lease of retrofitted vehicles or equipment. Eligible diesel emission reduction strategies include

verified emission control technologies such as retrofit devices, cleaner fuels, and engine upgrades, verified idle reduction technologies, verified aerodynamic technologies and low rolling resistance tires, certified engine repowers, and/or vehicle or equipment replacement. Eligible diesel vehicles, engines and equipment may include buses, medium-duty or heavy-duty trucks, marine engines, locomotives and non-road engines, equipment or vehicles used in construction, handling of cargo, agriculture, mining or energy production.

Under this solicitation, only the following entities are eligible to apply for assistance, in accordance with Section 791(3) of the Energy Policy Act of 2005: A) a regional, State, local or tribal agency or port authority with jurisdiction over transportation or air quality; and B) a nonprofit organization or institution that 1) represents or provides pollution reduction or educational services to persons or organizations that own or operate diesel fleets; or 2) has, as its principal purpose, the promotion of transportation or air quality.

Funding will be in the form of cooperative agreements, which must be used for innovative financial projects that achieve significant reductions in diesel emissions in terms of: (1) tons of pollution produced; and (2) diesel emissions exposure, particularly from fleets operating in areas designated by the Administrator as poor air quality areas. The projects must also preserve and create jobs and promote economic recovery. Recipients must use grant funds in a manner that maximizes job creation and economic benefit.

## **A. Background**

Diesel emissions account for 6.3 million tons of oxides of nitrogen (NO<sub>x</sub>) and 305,000 tons of particulate matter (PM) in the national mobile emissions inventory (2004). The emissions are from a variety of on-road and non-road vehicles, such as those used for freight, ports, transit, construction and agriculture and energy production.

Reducing emissions from diesel engines is one of the most important air quality challenges facing the country. Even with more stringent heavy-duty highway and non-road engine standards taking effect over the next decade, millions of diesel engines already in use will continue to emit large amounts of nitrogen oxides, particulate matter and air toxics, which contribute to serious public health problems, including asthma, lung cancer and various other cardiac and respiratory diseases. These problems result in thousands of premature deaths, millions of lost work days, and numerous other negative health and economic outcomes every year.

## **B. Program History**

Last year, 2008, was the inaugural year of funding for the SmartWay Clean Diesel Finance Program. Three assistance agreements totaling \$3.4 million were awarded nationwide to support innovative financial assistance programs. Specific information on these funded projects can be found on [www.epa.gov/diesel/projects.htm](http://www.epa.gov/diesel/projects.htm). Details about these agreements can be found at: [www.epa.gov/smartway/transport/what-smartway/financing-clean-diesel-info.htm](http://www.epa.gov/smartway/transport/what-smartway/financing-clean-diesel-info.htm). As discussed in more detail below in Section I.C “Scope of Work,” EPA is soliciting applications that would either build on existing innovative financial programs or establish new innovative financial programs. EPA encourages innovative approaches not previously funded through this program.

## C. Scope of Work

This section outlines the goals, objectives and eligible project activities to be funded under this RFA. Applicants must specifically address in their application package how the project will meet these goals and objectives within the scope of the eligible activities.

**1. Recovery Act Funding Priorities:** A principal goal and priority of the assistance under this program is to promote job creation and/or preservation and economic recovery. Applicants must demonstrate in their application how the proposed project will:

- a. Preserve and/or create jobs and promote economic recovery;
- b. Maximize job creation and economic benefit;
- c. Assist those most impacted by the current economic conditions;
- d. Provide investments needed to increase economic efficiency by spurring technological advances in science and health;
- e. Invest in transportation, environmental protection and other activities that will provide long-term economic benefits;
- f. Be commenced as quickly as possible consistent with prudent management.
- g. Track and measure the recipient's progress towards achieving the Recovery Act priorities.

**2. Innovative Financial Programs for Diesel Emission Reductions:** A goal of assistance under this program is to establish national, state or local innovative financial program(s) that support the implementation of diesel emissions reduction technology. Financial programs may include, but are not limited to, financing a variety of diesel emissions reduction solutions such as: add-on emission control retrofit technology or idle reduction technology for highway, nonroad, marine and locomotive fleets. For trucks, projects may also include financing the installation of EPA approved SmartWay upgrade kits, which can include emission control retrofit technologies, idle reduction technologies, advanced aerodynamics, and/or low rolling resistance tires. Additional information can be found in Section I.C.4 "*Eligible Diesel Emissions Reduction Solutions*," below.

Innovative financial programs must include specific financial incentives to purchase or lease either vehicles retrofitted with emission reduction technology or the emission reduction equipment itself. A financial program will be considered "innovative" in one of several ways including, but not limited to:

- Longer repayment periods,
- Lower interest rates, and/or
- More flexible qualification requirements (i.e., approving loans or leases that would not typically be approved).

The loan or lease conditions set by the cooperative agreement award recipient (or subrecipient or lender partner, etc.) must provide sufficient incentive to encourage the purchase of a retrofitted vehicle or piece of equipment that emits less harmful emissions, such as a diesel truck that includes an emission control technology. An example of a sufficient incentive is setting a payment period or interest rate at an amount that provides sufficient incentive for a loan applicant to select the loan for the retrofitted vehicle, engine or

equipment rather than the non-retrofitted vehicle, engine or equipment. Another example of a sufficient incentive is a flexible loan term that allows a loan applicant, who would not typically receive a loan based on the applicant's credit, to receive a loan for a retrofitted vehicle. When determining the interest rates for each loan made under the innovative financial program, cooperative agreement award recipients should consider program sustainability.

**a. Types of Financial Programs:** Innovative financial programs may include, but are not limited to, the following: loan guarantees, issuance of tax exempt or taxable bonds for low cost loans, equity investments, revolving loans, or leases. The examples discussed below could apply to either a loan or lease program. Lease programs finance the use of a vehicle, engine or equipment, whereas loan programs finance the purchase of a vehicle, engine or equipment. In all cases, the participating financial institutions should use industry standard recovery strategies, such as global positioning system (GPS) devices and automatic shut-off systems, as a means to minimize losses, and maximize vehicle recovery in the case of defaults. GPS devices can also be a useful technology for assessing what portion of the emission reductions occur in poor air quality areas, which is a programmatic priority. If a default does occur, the applicant shall determine the amount that would make them whole before requesting payment from the cooperative agreement recipient (i.e., the recovered value of the retrofitted engine or equipment at accepted industry rates).

*i. Loan Guarantee:* The innovative financial program may be used as a loan guarantee whereby the funds are used to guarantee repayment of the loans or leases made by a lending institution. Essentially, the cooperative agreement recipient would deposit funds into an escrow account to guarantee all or part of a loan for the purchase of a retrofitted vehicle, engine, or piece of equipment that has been upgraded with verified retrofit technology, idle reduction technology, or other verified technologies. Disbursement would not be requested until a guaranteed loan has been made by a participating financial institution. In the usual case, the funds would remain in escrow and be returned to the cooperative agreement recipient when all borrowers repaid the guaranteed loans. If there is a default, the cooperative agreement recipient (after going through the standard industry recovery practices) would use the funds in the escrow account to make the lender whole for its losses. The losses may include the principal loaned out plus interest payments that had accrued at the time of the default (minus any payments made on the loan). In these types of loans, neither the borrowers nor the participating financial institutions should be given the impression that the loans are guaranteed by the Federal Government. The loan is guaranteed by the cooperative agreement recipient (or subrecipient or lender partner, etc.). The escrow account must be properly structured in accordance with the standards of 64 Comp. Gen. 96, 98 (1984) to ensure that cooperative agreement funds transferred to the recipient are disbursements of assistance funds.

*ii. Bonds:* A bond is a certificate, evidence of a debt, or written promise on which the issuing entity promises to pay the bondholders a specified amount of interest for a specified length of time, and to repay the loan on the expiration date. The financial program may be used as collateral or to underwrite the cost of issuing a bond, which is

then used to create innovative financial programs to support eligible activities. The administrative cost cap of 15%, which is defined in Section II.G., does not apply to bonds. However, the administrative cost cap (i.e., the costs to the organization to set up the bond program) must amount to less than 15% of the bond available for eligible loans. For example, a cooperative agreement award of \$7.5 million must leverage a bond of at least \$50 million. In the case of bonds, the entire cooperative agreement award can be used for eligible bond expenses as described below. The capital raised by issuing a bond would be used to create an innovative financial program that lends funds to borrowers with extended terms or at better than market interest rates for the purchase of a retrofitted vehicle, engine, or piece of equipment that has been upgraded with verified retrofit technology, idle reduction technology, or other verified technologies. There are a number of different types of bonds that may be appropriate for this program including both taxable and tax-exempt bonds.

Eligible bond expenses include, but are not limited to, bond issuance fees, bond counsel and bank attorney fees, underwriter fees, trustee fees and bond insurance. Applicants are strongly encouraged to speak with the appropriate financial experts, or partner with a State or local agency that has experience in issuing bonds, such as an economic development agency. The cooperative agreement award recipient must demonstrate that they or their subrecipient or partnering organization have the authority to issue bonds and must use the bond funds to create a loan program that meets the criteria defined in this RFA. For more information on the use of bonds to support environmental objectives, please see: [www.epa.gov/efinpage/guidebook.htm](http://www.epa.gov/efinpage/guidebook.htm). EPA's Environmental Finance Advisory Board has also issued a recent report on innovative financing for reducing diesel emissions: [www.epa.gov/efinpage/efab/LetterSJ110107.pdf](http://www.epa.gov/efinpage/efab/LetterSJ110107.pdf).

**iii. Equity Investment:** An equity investment is the use of cooperative agreement award funds to leverage additional funds from a lending institution. For example, the cooperative agreement recipient may use cooperative agreement funds as collateral to borrow funds from another lending institution at a lower interest rate. This lower interest rate comes from using cooperative agreement funds with leveraged funds or voluntary match funds borrowed at lower market rates (see Section III.B for additional details regarding the difference between leveraged funds and voluntary match funds). The equity investment may lower the cooperative agreement award recipient's overall capital costs and enable them to finance the purchase of a retrofitted vehicle, engine, or piece of equipment that has been upgraded with verified retrofit technology, idle reduction technology, or other verified technologies, at a lower cost than if they had not received the cooperative agreement award.

**iv. Revolving Loan Fund (RLF):** A cooperative agreement award recipient may use cooperative agreement funds to capitalize a revolving loan or lease fund to be used for eligible activities as defined by EPOA2005 and this RFA. RLFs are used to provide no-interest or low-interest loans, or lower cost lease programs. The difference between an RLF and an equity investment is that the RLF uses the cooperative agreement award funds as the sole source of capital for the loan program, whereas an equity investment combines the cooperative agreement funds and leveraged funds for the loan program.

**b. Priority Projects:** EPA encourages applications for projects for the development of innovative financial programs for either 1) the purchase of cleaner diesel vehicles or pieces of equipment that maximize diesel emission reductions, or 2) the purchase of SmartWay Upgrade Kits for trucks. Where the objective of the loan or lease is to install verified retrofit technologies like diesel oxidation catalysts, flow-through filters, or diesel particulate filters, it has been EPA's experience that to provide sufficient incentive, financing must be provided to pay for the whole vehicle with the retrofit technology already installed. In the case of idle reduction technologies, low rolling resistance tires, or advanced aerodynamic technologies, it is sufficient incentive to provide financing only for the emission reduction equipment.

*i. Financing for Cleaner Vehicles or Equipment:* One way to cost-effectively maximize emission reductions is to install diesel exhaust after treatment such as diesel oxidation catalysts, flow-through filters, or diesel particulate filters, which can substantially reduce PM 2.5 emissions. Financing the purchase of the entire vehicle or equipment with the diesel exhaust filter can be an effective strategy to maximize diesel emission reductions as well as provide an incentive for a loan applicant to purchase the vehicle/equipment with more environmental controls. By offering better than regular market rates or conditions, this financing strategy allows the loan applicant to buy a cleaner vehicle/equipment at a lower monthly payment cost. This provides the loan applicant a cleaner vehicle, equipped with a diesel exhaust after treatment device, at a lower cost than the same vehicle without the diesel exhaust after treatment device.

An example of a cleaner vehicle or equipment financial program is where a cooperative agreement award recipient uses the award to develop a low interest loan program that makes the purchase of trucks and equipment with retrofit technologies less expensive than those without the retrofit technologies. A sufficient incentive could be a loan term that results in a monthly payment of \$100-\$200 less for the retrofitted vehicle than the monthly payment for a non-retrofitted vehicle procured through conventional financing. Another example is a financial program where the cooperative agreement award recipient uses part of the award to underwrite a bond, and then uses the bond funds to provide loans. The term and interest rate would be lowered to offset the full cost of adding a verified emission control device to a new or upgraded used vehicle, piece of equipment or vessel.

For example, a loan applicant seeking to purchase and retrofit a \$250,000 agricultural farm tractor would be offered a reduced interest rate or longer term loan that would save the applicant approximately \$100 to \$200 per month. Because the monthly payment is often a limiting factor, this approach allows the borrower to buy cleaner equipment at a lower monthly cost. It also gives the borrower the use of a tractor equipped with a verified emission control device at a lower cost and ensures that the cooperative agreement award funds are available for future loans once the borrower repays his/her loan.

Another option for the cleaner vehicle and equipment financing is refinancing an existing vehicle loan at a lower rate, with the agreement that the owner install a retrofit

technology.

The award funds can be used to finance the purchase of the entire vehicle or equipment that is equipped with eligible verified control technology, subject to the following conditions:

- **Used Vehicles, Engines and/or Equipment Financing:** These funds can be used to finance up to 100% of the purchase of used pre-2007 on-highway vehicles (e.g., heavy-duty trucks), used engines and used pieces of equipment (e.g., bulldozer, agricultural tractor), with verified emission control technologies installed. The purchase of used vehicles, engines, and equipment that have been remanufactured or retrofitted is not considered a replacement, does not require scrappage, and may be used to expand a fleet.
- **New Vehicles, Engines and/or Equipment Financing:** These funds can be used to finance up to 100% of the purchase of new trucks (MY2007 or newer), new engines and new pieces of equipment, with verified emission control technologies installed ONLY if the new purchase is a replacement. To qualify as a replacement, the purchase of new vehicles, engines, and equipment must be accompanied by the scrappage or remanufacturing of old vehicles, engines and equipment. The purchase of new vehicles, engines and equipment to expand a fleet is not covered by this program. Additional information on new vehicle and engine replacement criteria and requirements can be found below in Part 4, “Eligible Diesel Emissions Reduction Solutions,”

*ii. Financing for SmartWay Upgrade Kits:* For trucks, EPA has verified technologies that, as part of a SmartWay upgrade kit, can reduce emissions from heavy duty on-highway vehicles. SmartWay upgrade kits consist of the following types of verified technologies – emission control technologies, idle reduction technologies, advanced aerodynamic technologies, and/or low rolling resistance tires – either installed in combination with one another or installed individually. For example, SmartWay upgrade kits that include an idling reduction device, advanced aerodynamic technology, low rolling resistance tires, and a verified emission control technology can reduce CO<sub>2</sub> between 10-20%, reduce oxides of nitrogen (NO<sub>x</sub>) between 10-20%, reduce particulate matter (PM) up to 90%, while improving fuel efficiency between 10 and 20 percent.

Because the payback period for idle reduction technologies, low rolling resistance tires, and advanced aerodynamic technologies is short (approximately 14 months), it is not necessary to finance the entire truck to encourage adoption of these technologies. Applicants who are interested in using funds to finance idle reduction technologies, low rolling resistance tires and advanced aerodynamics technologies are encouraged to either package these technologies with a diesel exhaust filter, or leverage funds to make sure the projects are cost-effective.

**3. Eligible Diesel Vehicles, Engines and Equipment:** DERA addresses pollution from heavy duty diesel vehicles, engines and equipment that are currently used for either on-road or non-



road<sup>1</sup> applications. Projects may include diesel emission reduction solutions including but not limited to the following heavy duty diesel emission source types:

- a. buses;
- b. medium-duty or heavy-duty trucks;
- c. marine engines;
- d. locomotives; and
- e. non-road engines, equipment or vehicles used in:
  - i. construction;
  - ii. handling of cargo (including at a port or airport);
  - iii. agriculture;
  - iv. mining; or
  - v. energy production (including stationary generators and pumps)<sup>2</sup>.

NOTE: New emission standards in the highway sector took affect in 2007 and will affect future model year highway heavy-duty vehicles and engines. For non-road engines, new EPA standards are being phased in which started in 2008. Emission reductions from retrofits of post-2007, post-2008 and post-2009 vehicles, engines and equipment will be considered, if the technologies, devices or systems proposed in the application package will achieve significant emissions reductions beyond those required by EPA regulations at the time of engine certification.

**4. Eligible Diesel Emissions Reduction Solutions:** Financial programs must support the implementation of one or more of the following diesel emissions reduction solutions:

- a. ***Verified Retrofit Technologies:*** A “retrofit” project is defined broadly to include any technology, device, fuel or system that when applied to an existing diesel engine or vehicle achieves emission reductions beyond what is currently required by EPA regulations at the time of the engine’s certification. A list of EPA verified technologies is available at <http://www.epa.gov/otaq/retrofit/verif-list.htm>. A list of CARB verified technologies is available at <http://www.arb.ca.gov/diesel/verdev/vt/cvt.htm>. Note: technologies on the “Previously Verified” lists are not eligible for funding.
  - i. ***Exhaust Controls:*** Exhaust Controls include pollution control devices installed in the exhaust system (such as oxidation catalysts and particulate matter filters), or systems that include crankcase emission control (like a closed crankcase filtration system). The innovative financing may cover up to 100% of the cost (labor and equipment) for a verified exhaust control technology or the vehicle or equipment retrofitted with the verified exhaust control technology. A list of EPA verified technologies is available at <http://www.epa.gov/otaq/retrofit/verif-list.htm>. A list of CARB verified technologies is available at <http://www.arb.ca.gov/diesel/verdev/vt/cvt.htm>.
  - ii. ***Engine Upgrades:*** An engine upgrade is defined as an engine that is rebuilt or remanufactured to meet higher federal emission standards. Some engines are able to

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<sup>1</sup> Highway sources include vehicles used on roads for transportation of passengers and freight. These sources are also sometimes referred to as on-road sources. Non-road sources include vehicles, engines, and equipment used for construction, agriculture, non-road transportation, recreation, and other purposes. These sources are also sometimes referred to as off-road sources. Within these broad categories, highway and non-road sources are further distinguished by size, weight, use and/or horsepower.

<sup>2</sup> Eligible non-road engines used for energy production include, but are not limited to, stationary generators and pumps.

be upgraded to reduce their emissions by applying manufacturer recommended upgrades (or kits) to certified or verified configurations. The innovative financing may cover up to 100% of the cost (labor and equipment) for an engine upgrade with a manufacturer's kit listed in CARB or EPA's verified lists, or an engine upgrade to an EPA certified configuration. Note: This funding cannot be applied to the entire cost of an engine rebuild, but only the emissions-reducing upgrade kit and associated labor costs for installation. A list of EPA verified technologies is available at <http://www.epa.gov/otaq/retrofit/verif-list.htm>. A list of CARB verified technologies is available at <http://www.arb.ca.gov/diesel/verdev/vt/cvt.htm>.

- iii. *Cleaner Fuels Use:*** Cleaner fuels include, but are not limited to, ultra-low sulfur diesel fuel (for non-road vehicles, engines and equipment prior to EPA's mandate), biodiesel, diesel emulsions or additives verified by EPA or CARB, compressed natural gas, propane and other certified alternative fuels. Funding available under this program can be used to cover the cost differential between the cleaner fuel and conventional diesel fuel. Note: This funding cannot be used for fueling infrastructure, such as that used for the production and/or distribution of fuel such as biodiesel, or compressed natural gas fueling stations. A list of EPA verified technologies is available at <http://www.epa.gov/otaq/retrofit/verif-list.htm>. A list of CARB verified technologies is available at <http://www.arb.ca.gov/diesel/verdev/vt/cvt.htm>.
- b. *Verified Idle Reduction Technologies:*** An idle reduction project is generally defined as the installation of a technology or device that (1) is installed in one or more of the following vehicle(s) or equipment: a bus, medium-duty or heavy-duty truck, marine engine, locomotive, nonroad engine or vehicle used in construction, handling of freight (including at a port or airport), agriculture, mining, or energy production, or is installed in the ground; (2) reduces unnecessary idling of the main drive engine of such vehicles or equipment; and/or (3) is designed to provide services (such as heat, air conditioning, and/or electricity) to vehicles and equipment that would otherwise require the operation of the main drive engine while the vehicle is temporarily parked or remains stationary. The reduction in idling must also lower emissions. EPA has verified a number of categories of idle reduction technologies: (1) auxiliary power units and generator sets; (2) battery air conditioning systems; (3) thermal storage systems; (4) electrified parking spaces (truck stop electrification); (5) fuel operated heaters; (6) shore connection systems and alternative maritime power, (7) shore connection systems for locomotives, (8) automatic shutdown/start-up system. EPA is particularly interested in projects that combine idle reduction technologies with verified retrofit technologies which will further reduce emissions, e.g., through the addition of exhaust controls such as a diesel particulate filter, diesel oxidation catalyst or crankcase emission control. The innovative financing will cover up to 100% of the costs (labor and equipment) for these idle reduction technologies. A list of EPA verified idle reduction technologies is available at [www.epa.gov/smartway/transport/what-smartway/verified-technologies.htm](http://www.epa.gov/smartway/transport/what-smartway/verified-technologies.htm).
- c. *Verified Aerodynamic Technologies:*** Trailer aerodynamic technologies can minimize aerodynamic drag and maintain smoother air flow over the entire tractor-trailer vehicle. Trailer aerodynamic devices include gap fairings that reduce the gap between the tractor

and the trailer to reduce turbulence, trailer side skirts that minimize wind under the trailer, and trailer rear fairings that reduce turbulence and pressure drop at the rear of the trailer EPA is particularly interested in projects that combine aerodynamic technologies with verified retrofit technologies which will further reduce emissions, e.g., through the addition of exhaust controls such as a diesel particulate filter, diesel oxidation catalyst or crankcase emission control. The innovative financing will cover up to 100% of the costs (labor and equipment) for these advanced aerodynamic technologies. A list of EPA verified advanced aerodynamic technologies is available at [www.epa.gov/smartway/transport/what-smartway/verified-technologies.htm](http://www.epa.gov/smartway/transport/what-smartway/verified-technologies.htm). Advanced aerodynamic technologies are not eligible for funding if installed on trucks that have NOx aftertreatment.

- d. *Verified Low Rolling Resistance Tires:*** Based upon data provided by tire manufacturers and EPA testing and research, EPA determined that certain tire models can provide a reduction in NOx emissions and an estimated fuel savings of 3% or greater, relative to the "best selling" new tires for line haul trucks, when used on all three axles. The options offered include both dual tires and single wide tires (single wide tires replace the double tire on each end of a drive or trailer axle, in effect turning an "18" wheeler into a "10" wheeler). Low rolling resistance tires can be used with lower-weight aluminum wheels to further improve fuel savings. EPA is particularly interested in projects that combine these tires with verified retrofit technologies which will further reduce emissions, e.g., through the addition of exhaust controls such as a diesel particulate filter, diesel oxidation catalyst or crankcase emission control. The innovative financing will cover up to 100% of the costs (labor and equipment) for these low rolling resistance tires. A list of EPA verified low rolling resistance tires is available at [www.epa.gov/smartway/transport/what-smartway/verified-technologies.htm](http://www.epa.gov/smartway/transport/what-smartway/verified-technologies.htm). Low rolling resistance tires are not eligible for funding if installed on trucks that have NOx aftertreatment or in the case where low rolling resistance tires have already been installed on the truck.
- e. *Certified Engine Repowers:*** Repower refers to the removal of an existing engine and its replacement with a newer or cleaner engine that is certified to a more stringent set of engine emissions standards. Repower includes, but is not limited to, diesel engine replacement with an engine certified for use with a cleaner fuel (such as compressed natural gas or propane), and/or the replacement of a nonroad engine with a highway engine. In order for a repower to be eligible, the repowered vehicle, engine or equipment must continue to perform the same function as before the repower. EPA is particularly interested in projects that combine engine repower with verified technologies which will further reduce emissions, e.g., through the addition of exhaust controls such as a diesel particulate filter, diesel oxidation catalyst or crankcase emission control. The innovative financing will cover up to 100% of the cost of an engine repower, which includes labor and equipment.
- i. *Repower Criteria:*** Repower projects are eligible for funding on the condition that the following criteria are satisfied:

1. The engine being replaced will be scrapped or rendered permanently disabled or returned to the original engine manufacturer for remanufacturing to a certified cleaner emission standard. Drilling a hole in the engine block and manifold while retaining possession of the engine is an acceptable scrapping method. Other methods may be considered and will require prior EPA approval.
  2. Evidence of appropriate disposal, including the engine serial number, is required in a final assistance agreement report submitted to EPA.
- f. ***Certified Vehicle and Equipment Replacements:*** Non-road and highway diesel vehicles and equipment can be replaced under this program with newer, cleaner vehicles and equipment that operate on diesel or alternative fuels and meet a more stringent set of engine emissions standards. Replacement projects can include the replacement of diesel vehicles/equipment with newer, cleaner diesel or hybrid or alternative fuel vehicles/equipment. The replacement vehicle/equipment must be of the same type and similar gross vehicle weight rating or horsepower as the vehicle/equipment being replaced (e.g., a 300 horsepower bulldozer is replaced by a bulldozer of similar horsepower). The replacement vehicle/equipment must perform the same function as the vehicle/equipment that is being replaced (e.g., an excavator used to dig pipelines would be replaced by an excavator that continues to dig pipelines). These projects can also include the replacement of non-road vehicles/equipment with highway models if the highway models are capable of performing the same functions as the nonroad models. EPA encourages the replacement of older vehicles/equipment containing engines that were manufactured prior to the implementation of emissions standards. The innovative financing will cover up to 100% of the costs of new vehicles and equipment.
- i. **Replacement Criteria:** Replacement projects are eligible for funding on the condition that the following criteria are satisfied:
1. The vehicle/equipment being replaced will be scrapped or rendered permanently disabled or returned to the original engine manufacturer for remanufacturing to a certified cleaner emission standard. Drilling a hole in the engine block and manifold and disabling the chassis while retaining possession of the vehicle/equipment is an acceptable scrapping method. Other methods may be considered and will require prior EPA approval. Equipment and vehicle components that are not part of the engine or chassis may be salvaged from the unit being replaced (e.g. plow blades, shovels, seats, tires, etc). If scrapped or salvaged vehicles/parts are to be sold, program income requirements apply.
  2. Evidence of appropriate disposal, including engine serial number and vehicle identification number (VIN), is required is required in a final assistance agreement report submitted to EPA.
- g. **Repower and Replacement Restrictions:** The following are not covered under Repowers and Replacements:
- i. Emission reductions that would have occurred through normal attrition are considered to be the result of normal fleet turnover and are not eligible for funding under this program. Normal attrition is generally defined as a replacement or repower

that is scheduled to take place between now and the end of the project period (September 30, 2011). Normal attrition is typically defined by the vehicle or fleet owner's budget plan, operating plan, standard procedures, or retirement schedule. For example, if a school bus fleet typically retires vehicles after 7 years, a bus that is currently in its 6<sup>th</sup> or 7<sup>th</sup> year of service is not eligible for replacement. A bus that is currently in its 5<sup>th</sup> year of service and has 2 years of useful life remaining is eligible for replacement.

- ii. The purchase of new vehicles or equipment to expand a fleet is not covered by this program.

Please note: These funds can be used to finance up to 100% of the purchase of used vehicles (pre-2007 heavy-duty trucks), engines and /or equipment (e.g., bulldozer, agricultural tractor), with verified emission control technologies installed. The purchase of used vehicles, engines, and equipment that have been remanufactured or retrofitted is not considered a replacement, does not require scrappage, and may be used to expand a fleet.

5. **National Programmatic Priorities:** In addition to the Recovery Act priorities described above, a principal objective of the assistance under this program is to achieve significant reductions in diesel emissions in terms of tons of pollution produced and reductions in diesel emissions exposure, particularly from vehicles, engines and equipment operating in areas designated by the Administrator as poor air quality areas. Under EPA Act 2005, priority for funding under this RFA will go to projects that accomplish the following:
  - a. Maximize public health benefits;
  - b. Are the most cost-effective;
  - c. Are in areas with high population density, that are poor air quality areas (including nonattainment<sup>3</sup> or maintenance of national ambient air quality standards for a criteria pollutant; Federal Class I areas<sup>4</sup>; or areas with toxic air pollutant concerns);
  - d. Are in areas that receive a disproportionate quantity of air pollution from diesel fleets, including truck stops, ports, rail yards, terminals, and distribution centers or that use a community-based multi-stakeholder collaborative process to reduce toxic emissions;
  - e. Include a certified engine configuration or verified technology that has a long expected useful life;
  - f. Maximize the useful life of any certified engine configuration or verified technology used or funded by the eligible entity;
  - g. Conserve diesel fuel; and
  - h. Utilize ultra low sulfur diesel fuel (15 parts per million of sulfur content) ahead of EPA's mandate (for non-road projects).

## 6. Eligible Projects: Summary of What EPA Will Fund

- Innovative financial programs, as defined by this RFA, that involve pre-2007 used vehicles or equipment retrofitted with an EPA or CARB verified emission control

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<sup>3</sup> EPA's areas of nonattainment for criteria air pollutants can be found here: <http://www.epa.gov/air/oaqps/greenbk/>

<sup>4</sup> Federal Class I areas are National Parks, Wilderness Areas and National Monuments that are accorded special protection from visibility impairment under section 162(a) of the clean Air Act. A list of Class I areas can be found here: <http://www.epa.gov/air/visibility/program.html>

technology. The cooperative agreement award can be used to finance 100% of the cost of the used vehicle or equipment retrofitted with the verified emission control technology.

- Innovative financial programs, as defined by this RFA, that involve the purchase of new (MY2007 or newer) vehicles or equipment with EPA or CARB verified emission control technologies installed. The cooperative agreement award can be used to finance 100% of the cost of the new vehicle or equipment with the verified emission control technology. Replacement and scrappage conditions apply to the financing of new vehicles, engines and equipment.
- Innovative financial programs, as defined by this RFA, that involve installation of EPA verified retrofit technology. The cooperative agreement award can be used to finance 100% of the cost of eligible exhaust controls, engine repowers, and engine upgrades.
- Innovative financial programs, as defined by this RFA, that involve installation of EPA verified idle reduction technology. The cooperative agreement award can be used to finance 100% of the cost of the idling reduction technology.
- Innovative financial programs, as defined by this RFA, that involve installation of EPA approved SmartWay upgrade kits, which include emission control retrofit technologies, idle reduction technologies, advanced aerodynamics, and/or low rolling resistance tires. The cooperative agreement award can be used to finance 100% of the cost of the EPA approved SmartWay upgrade kits.

**7. Restriction for Mandated Measures:** Pursuant to Section 792(d)(2) of the EPA Act of 2005, no funds awarded under this RFA shall be used to fund the costs of emissions reductions that are mandated under Federal, State or local law. The restriction applies when the mandate takes effect (the effective date) for any affected vehicles, engines or equipment. If the project takes place in an affected area, or includes affected vehicles, engines or equipment, the Applicant must clearly demonstrate that emission reductions funded with EPA funds:

- a. will be implemented prior to the effective date of the mandate; and/or
- b. are in excess of (above and beyond) those required by the applicable mandate.

**Emission reduction benefits shall only be calculated for the period preceding the effective date or compliance deadline.** This restriction applies to projects across the ten EPA regions. Voluntary or elective emission reduction measures shall not be considered “mandated,” regardless of whether the reductions are included in a State Implementation Plan or a non-regulatory contract specification.

#### **D. EPA Strategic Plan Linkage and Anticipated Outcomes/Outputs**

Pursuant to Section 6a of EPA Order 5700.7, “Environmental Results under EPA Assistance Agreements,” EPA must link proposed assistance agreements to the Agency’s Strategic Plan. EPA also requires that grant applicants and recipients adequately describe environmental outputs

and environmental outcomes to be achieved under assistance agreements (see EPA Order 5700.7, Environmental Results under Assistance Agreements, <http://www.epa.gov/ogd/grants/award/5700.7.pdf>).

1. **Linkage to EPA Strategic Plan:** All applications must support Goal 1, Clean Air and Global Climate Change; Objective 1.1: Healthier Outdoor Air, Sub-objective 1.1.1, of EPA's 2006-2011 Strategic Plan, which states, "Through 2011...[EPA will]...protect human health and the environment by attaining and maintaining health-based air-quality standards and reducing the risk from toxic air pollutants." ([http://www.epa.gov/ocfo/plan/2006/goal\\_1.pdf](http://www.epa.gov/ocfo/plan/2006/goal_1.pdf)) Projects funded under this RFA must reduce emissions from diesel fleets, thereby reducing local and regional air pollution. In addition, all projects must support the Recovery Act priorities described above in Section I.C "Scope of Work." Award recipients may be provided additional information and guidance from EPA on reporting performance measures and project progress including those related to the Recovery Act.
2. **Outputs:** The term "output" means an environmental activity, effort and/or associated products related to an environmental goal and objective that will be produced or provided over a period of time or by a specified date. Outputs may be quantitative or qualitative but must be measurable during an assistance agreement funding period. Applications must include a description of how assistance agreement recipients will track and measure progress towards achieving the expected project outputs throughout the assistance agreement period including those related to the Recovery Act. Expected **outputs** from the projects to be funded under this solicitation may include, but are not limited to, the following:
  - a. Amount of funds expended on the project;
  - b. Number and amount of innovative financing loans awarded;
  - c. Amount of funds leveraged;
  - d. Evaluation of the completion status of the project;
  - e. Amount of funds dispersed to sub-recipients;
  - f. Number of purchased or retrofitted engines/vehicles/equipment; and
  - g. Number of individual jobs preserved and/or created working directly on the project.

To estimate some of the anticipated environmental outputs of your application, (e.g. pollution reduced), EPA encourages you to use the Diesel Emissions Quantifier found at <http://cfpub.epa.gov/quantifier/view/index.cfm>. More information on the Diesel Emissions Quantifier, including how to calculate cost effectiveness, is in Section VIII, "Other."

If you are unable to use these models, please describe your methodology for estimating or determining outputs in detail. Emission reduction estimates and measurements for a verified technology should be based on demonstrated emissions reductions and emission factors listed on EPA or CARB's verified technology list. Pre-retrofit and post-retrofit emissions testing and/or monitoring are not an eligible use of EPA funds under this assistance agreement program.

3. **Outcomes:** The term “outcome” means the result, effect or consequence that will occur from carrying out an environmental program or activity that is related to an environmental or programmatic goal or objective. Outcomes may be environmental, behavioral, health-related or programmatic in nature, but must be quantitative. They may not necessarily be achievable within an assistance agreement funding period. Applications must include a description of how assistance agreement recipients will track and measure progress towards achieving the expected project outcomes throughout the assistance agreement period including those related to the Recovery Act. Expected **outcomes** from projects funded under this solicitation may include, but are not limited to, the following:
- a. Developed innovative financial programs that result in longer terms, lower interest rates or higher approval rates as a means to retrofit used pre-2007 vehicles or equipment with EPA or CARB verified emission control technologies or to retrofit existing engines or equipment with verified idle reduction technologies for highway, nonroad, marine or locomotive fleets; or to install EPA approved SmartWay upgrade kits (which include emission control retrofit technologies, idle reduction technologies, advanced aerodynamic technologies, and/or low rolling resistance tires) on trucks; or to purchase new vehicles, engines, and equipment, which must be accompanied by the scrapping or remanufacturing of old vehicles, engines and equipment.
  - b. Disseminated knowledge of the innovative financial program developed through published articles, websites and general outreach to the public.
  - c. Reduced harmful emissions from diesel fleets across the country.
  - d. Developed relationships and gained experience among financial institutions offering innovative financing, dealerships or distributors selling eligible retrofitted diesel engines and/or equipment, and manufacturers of EPA and/or CARB verified emission control technologies and/or idle reduction technologies, whereby the transactions among these entities resulted in transparent processes.
  - e. Increased understanding of the environmental or economic cost effectiveness of selling eligible retrofitted diesel engines and equipment with innovative financing.
  - f. Preservation and/or creation of jobs, the promotion of economic recovery, assisting those most impacted by the recession, providing investments needed to increase economic efficiency by spurring technological advances in science and health, investment in transportation, environmental protection and other activities that will provide long-term economic benefits.
  - g. Annual pounds or tons of fine particulate matter (PM<sub>2.5</sub>), nitrogen oxides (NO<sub>x</sub>), greenhouse gases (GHG) and/or volatile organic compound (VOCs) reduced, Cost effectiveness of project (in \$/ton or \$/lb);

#### **E. Supplementary Information**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provides emergency funding for the Diesel Emissions Reduction National Program as outlined in the EPA Act of 2005, which provides diesel emissions reduction grant authority for EPA.



## **II. AWARD INFORMATION**

### **A. What is the amount of funding available?**

The total estimated funding expected to be available for awards under this competitive opportunity is approximately \$30 million.

### **B. Funding**

**Partial Funding:** In appropriate circumstances, EPA reserves the right to partially fund applications by funding discrete portions or phases of proposed projects. If EPA decides to partially fund an application, it will do so in a manner that does not prejudice any applicants or affect the basis upon which the application, or portion thereof, was evaluated and selected for award, and therefore maintains the integrity of the competition and selection process.

**Awards:** EPA reserves the right to reject all applications and make no awards under this announcement or to make fewer awards than anticipated. Awards may be in one or more of the areas identified in Section I.C. "Scope of Work."

**Additional Awards:** EPA reserves the right to make additional awards under this announcement, consistent with Agency policy and other applicable considerations, if additional funding becomes available after the original selections. Any additional selections for awards will be made no later than 6 months from the date of the original selection.

### **C. How many agreements will EPA award in this competition?**

EPA anticipates awarding 1-10 cooperative agreement(s) under this announcement ranging in value from \$3 to \$30 million subject to the availability of funds and quality of evaluated applications.

### **D. What is the project period for awards resulting from this solicitation?**

The estimated project period for awards resulting from this solicitation will begin in June 2009 and continue for up to 2 years (September 30, 2011).

### **E. Funding Type**

The funding for selected projects will be in the form of a cooperative agreement. Cooperative agreements permit substantial involvement between the EPA Project Officer and the selected applicants in the performance of the work supported. Although EPA will negotiate precise terms and conditions relating to substantial involvement as part of the award process, the anticipated substantial Federal involvement for this project will be:

- close monitoring of the successful applicant's performance to verify the results proposed by the applicant;
- participating and collaborating in approval of project phases;
- in accordance with 40 C.F.R. 30.44(e) and 31.36(g), reviewing of any proposed

- procurements;
- approving substantive terms of proposed contracts or sub-grants;
- approving qualifications of key personnel (EPA will not select employees or contractors employed by the award recipient);
- reviewing and commenting on reports prepared under the cooperative agreement (the final decision on the content of reports rests with the recipient), particularly those prepared to quantify and report results, prior to publication or submittal of a final technical report;
- monitoring that project proceeds within approved timeline.

## **F. Program Income**

Program income is allowable under the Diesel Emissions Reduction National Program and should be used to defray administrative costs and supplement the award. In accordance with 40 C.F.R. § 30.24(b)(1) or 31.25(g)(2), as applicable, the successful applicant shall add program income to the funds awarded by the EPA and use the program income under the same terms and conditions of the cooperative agreement to further eligible project or program objectives. In accordance with 40 C.F.R. § 30.2(x), or 31.25(b), as applicable, program income shall be defined as the gross income earned by the successful applicant that is directly generated by a supported activity or earned as a result of the cooperative agreement award.

Program income may be used to cover administrative costs, but is subject to the cap on such costs defined in Section II.G below (i.e., the cap on administrative costs applies both to the award funds and program income).

Loans and subgrants made with a combination of program income and direct funding from EPA will be subject to all terms and conditions applicable to each cooperative agreement. Interest earned on leveraged (non-Federal) funds is not program income; interest earned on cooperative agreement award funds is program income.

## **G. Are there any other funding restrictions or requirements?**

EPA cooperative agreement funds can be used only for the purposes set forth in the assistance agreement, and must be consistent with the statutory authority for the award.

Cooperative agreement funds cannot be used for matching funds for other federal grants, lobbying, or intervention in Federal regulatory or adjudicatory proceedings, and may not be used to sue the Federal government or any other government entity.

Cooperative agreement funds cannot be used for research and development or emissions testing and/or monitoring activities, including the acquisition cost of emissions testing equipment.

Grant or cooperative agreement funds cannot be used to fund the costs of emissions reductions that are mandated under Federal, State or local law, pursuant to Section 792(d)(2) of EPA Act of 2005. Funds may be used to support future mandates up until the requirements go into effect. The emission reduction benefits shall only be calculated for the period preceding the start of the mandated requirements. Voluntary or elective emission reduction measures shall not be

considered “mandated” regardless of whether the reductions are included in the State Implementation Plan of a State.

Grant or cooperative agreement funds cannot be used for fueling infrastructure, such as that used for the production and/or distribution of fuel such as biodiesel, or compressed natural gas fueling stations.

Grant or cooperative agreement funds cannot be used for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.

Any costs associated with the development and implementation of the innovative financial program, including administrative costs, and expenses to establish the innovative financial program, are capped at 15% of the cooperative agreement award and any accrued program income.

Terms and conditions will be established for each cooperative agreement that may contain additional restrictions or requirements.

### **III. ELIGIBILITY INFORMATION**

#### **A. Eligible Entities**

Under this solicitation, only the following entities are eligible to apply for assistance in accordance with Section 791(3) of the EPA Act 2005 and CFDA 66.039:

1. A regional, State, local or tribal agency or port authority with jurisdiction over transportation or air quality; and
2. A nonprofit organization or institution that:
  - a. represents or provides pollution reduction or educational services to persons or organizations that own or operate diesel fleets; or
  - b. has, as its principal purpose, the promotion of transportation or air quality.

School districts, municipalities, metropolitan planning organizations (MPOs), cities and counties are all eligible entities under this assistance agreement program to the extent that they fall within the definition above.

#### **B. Cost-Share and Leveraged Resources**

There is no requirement for a cost-share (match) contribution from applicants.

EPA encourages the use of leveraged funds to enhance and expand the project. Applications that leverage resources beyond EPA’s funding may receive additional points during the evaluation process. In order to be considered for evaluation, any leveraged funds, and their source, must be identified in the Budget Detail portion of the Work Plan. Leveraged funding or other resources need not be for eligible and allowable project costs under the EPA assistance agreement unless the Applicant proposes to provide a voluntary cost share or match as described below.

Applicants may include leveraged funds in the form of a voluntary cost-share in the official project budget. However, if EPA accepts an offer for a voluntary cost-share, applicants must meet their sharing commitment as a condition of receiving EPA funding. Applicants can use their own funds or other resources for voluntary cost-share if the standards at 40 CFR 30.23 or 40 CFR 31.24, as applicable, are met. Only eligible and allowable costs can be used for voluntary cost-share. Other Federal grants cannot be used as voluntary cost-shares without specific statutory authority (e.g. HUD's Community Development Block Grants). To be included in the total project budget, voluntary cost-share funds should be indicated in at least one of the following blocks in Section 15, *Estimated Funding*, on the SF-424: b. Applicant; c. State; d. Local; or e. Other. The cost-shared funds must also be indicated in Sections A-C of the SF-424A, and in the Budget Detail portion of the Work Plan.

Loans and subgrants made with direct funding from EPA in combination with non-Federal sources of funds are subject to all terms and conditions of the cooperative agreement. Subjecting non-Federal funds to the terms and conditions of the cooperative agreement is intended to mandate that the entire loan only be used for activities eligible under the SmartWay Clean Finance Program, even if the loan is made up of Federal award funds and non-Federal, leveraged funding.

### **C. Threshold Eligibility Criteria**

In addition to the applicant eligibility criteria in Section III.A above, applications must also meet the following threshold criteria. Failure to meet any of the following criteria in the application submission will result in disqualification of the application for funding consideration. Ineligible applicants will be notified within 15 calendar days of the finding that the applicant was not eligible for award consideration based on the threshold criteria.

1. Applicants must submit applications to implement national, state or local innovative financing programs for diesel emissions reduction activities such as those described in Section I.C. "Scope of Work." An innovative program includes those where the loan or lease recipient receives a unique financial incentive (i.e., better than regular market rates or conditions) for the purchase of retrofitted vehicles or equipment.
2. Applicants must submit applications to implement one or more of the diesel emissions reduction solutions set forth in Section I.C.4.
3. Application Content and Submission
  - a. Applications must substantially comply with the application submission instructions and requirements set forth in Section IV of this announcement or else they will be rejected.
  - b. Where a page limit is expressed in Section IV with respect to the Narrative Proposal, pages in excess of the page limitation will not be reviewed.
  - c. Applications must be received by EPA through one of the specified methods in Section IV, on or before the application submission deadline published in Section IV of the announcement. Applications received after the submission deadline will be considered late and returned to the sender without further consideration unless

the applicant can clearly demonstrate that it was late due to EPA mishandling. For hard copy and e-mailed submissions, where Section IV requires application receipt by a specific person/office by the submission deadline, receipt by an agency mailroom is not sufficient. Applicants should confirm receipt of their application with the EPA contact identified in Section IV as soon as possible after the submission deadline; failure to do so may result in your application not being reviewed.

- d. Applications will not be accepted via fax or standard 1<sup>st</sup> class mail delivery by U.S. Postal Service.

4. Applications in which the applicant is requesting assistance funds below \$3,000,000 or in excess of \$30,000,000 will not be reviewed.
5. Applications that are solely for emissions testing, and/or air monitoring activities, or for fueling infrastructure, such as that used for the production and/or distribution of biodiesel, and/or other cleaner fuels, or compressed natural gas fueling stations, are not eligible and will not be reviewed.
6. Applications that use funds for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool will not be reviewed.
7. Applications requesting funds for emission reductions that are mandated under Federal, State or local law will not be reviewed.
8. For applications for States, the Governor or State legislature has to have agreed to accept Recovery Act funds for this program as required by section 1607 of the Recovery Act. State Certifications can be viewed at <http://www.recovery.gov/?q=content/state-certifications>.

#### **IV. APPLICATION AND SUBMISSION INFORMATION**

##### **A. How to Obtain Application Package**

Applicants may download individual grant application forms from EPA's Office of Grants and Debarment website at: [www.epa.gov/ogd/grants/how\\_to\\_apply.htm](http://www.epa.gov/ogd/grants/how_to_apply.htm).

To obtain a hard copy of materials, please send an email or written request to the Agency contact listed in Section VII of this announcement.

##### **B. Application Submission**

Applicants have the following options to submit their applications: 1) hard copy by express delivery service, or 2) electronically through email to the specified EPA contact. Applications will not be accepted via fax or standard 1<sup>st</sup> class mail delivery by U.S. Postal Service. All applications must be prepared, and include the information, as described in Section IV.C below regardless of mode of transmission.

## 1. Hard Copy Submission

Please provide one original of the application package (including signed and completed SF 424 and SF 424A forms) and four copies--**no binders or spiral binding**--to:

### **Express Address (FedEx, UPS, DHL, etc.)**

U.S. Environmental Protection Agency  
ATTN: Annie Kee  
1310 L Street, NW (Room 354B)  
Washington, DC 20005  
(202) 343-9218

All hard copies of application packages must be received by the EPA contact by **Tuesday, April 28, 2009, 4:00 p.m. EDT**

## 2. Email Submission

Please send an email containing Adobe pdf files of all required application package materials including signed and completed forms. Please type "Recovery Act SmartWay Finance Application - [name of applicant]" in the subject line of your email. Emails must be addressed to [kee.annie@epa.gov](mailto:kee.annie@epa.gov) and received no later than **April 28, 2009, 4:00 p.m. EDT** to be considered for funding. Please note that if you choose to submit your materials via email, you are accepting all risks attendant to email submission including server delays.

## C. Content of Application Package

All application submissions, regardless of mode of submission, must contain completed and signed grant application forms, as well as a Narrative Proposal and Applicant Fleet Description, as described below.

### **Grant Application Forms:**

Please be sure to include the Applicant organization fax number and email address in Block 5 of the Standard Form SF 424. The forms are available at <http://www.epa.gov/ogd/AppKit/application.htm>

- a. Application for Federal Assistance (SF-424)
- b. Budget Information for Non-Construction Programs (SF-424A)
- c. Assurances, Non-Construction Programs (SF-424B)
- d. Certification Regarding Lobbying; and, if applicable Pre-Award Disclosure of Lobbying Activities (SF-LLL)
- e. Pre-Award Compliance Review Report for All Applicants Requesting Federal Financial Assistance (EPA Form 4700-4)
- f. Key Contacts Form (EPA Form 5700-54)

## **Narrative Proposal:**

The Narrative Proposal, which includes the Summary Page, Narrative Work Plan and Detailed Budget Narrative, shall not exceed 12 single-spaced typewritten pages. Pages in excess of 12 will not be considered. Supporting materials, such as resumes and letters of support, can be submitted as attachments and are not included in the 12-page limit.

### **1. Summary Page**

- a. Project Title
- b. Applicant Information. Include applicant (organization) name, address, contact person, phone number, fax and e-mail address and DUNS number.
- c. Funding Requested. Specify the amount you are requesting from EPA.
- d. Total Project Cost. Specify total cost of the project. Be sure to identify use of leveraged funds and include letters from banks or other financial institutions that document the availability of these funds for purposes of supporting the cooperative agreement.
- e. Project period. Provide beginning and ending dates.

### **2. Narrative Work Plan**

**\*\*The Narrative must explicitly describe how the proposed project meets the guidelines established in Sections I-III (including the threshold eligibility criteria in Section III.C) of this announcement, and address each of the evaluation criteria set forth in Section V.**

The Work Plan must include the following:

#### **a. Project Summary/Approach: This section should contain the following components:**

1. **Legal Authority:** Provide an opinion from your legal counsel that demonstrates your legal authority (or the legal authority of your partner) to perform the actions necessary to manage an innovative financial program. At a minimum, legal authority must include the ability to hold funds, make loans, enter into loan agreements, and collect repayments. This authority may be based on statute, regulation, or other authority. Attach your counsel's legal opinion (does not count against page limit);
2. **Business Concept:** Describe your business concept and the main innovative financial product(s) you will offer borrowers. Include loan structure; interest and repayment rates; a multi-year timeline for managing the financial program (include milestones for expending the funds expeditiously, e.g., percent of funds expended); complimentary products/services you or a partner will offer (if applicable); program incentives; and how the balance of projected loan funds, after the project period, will promote the long-term availability (including the ability to revolve, if applicable) of the finance project;
3. **Market Analysis:** Present your market analysis, including your target market. Detail the types of borrowers (e.g., small businesses, owner-operators, or drayage operators), and the territory (e.g. national, ports) you will target;

4. **Selection Process:** Describe your process for selecting borrowers. Include how you will develop criteria for applicant selection, how you will ensure that borrower eligibility determinations are made in accordance with the provisions of EPAct2005, and how you might use the SmartWay Finance Center web site ([www.smartwayfinancecenter.com/](http://www.smartwayfinancecenter.com/)) as a mechanism to market your financial program and select/process loan or lease applications;
5. **Loss Minimization:** Explain your process for vehicle and/or equipment repossession in case of defaults. Include discussion of strategies (e.g., GPS devices, automatic shut-offs) used to minimize loss risk. For the use of GPS devices explain whether this is a standard business practice for these loans or leases, and whether their use raises any privacy concerns;
6. **Staff:** Present both the management and operational teams that will oversee and implement all phases of work under this cooperative agreement, including fund management and vehicle or equipment selection. Include information on the qualifications of staff and institutions the applicant may use for fleet selection, environmental, financial, analytical, legal, and record keeping activities to ensure the use of prudent lending practices. Successful management of an innovative financial program requires a dedicated project manager and staff;
7. **Air Quality of the Area:** A description of the air quality of the area served by the eligible entity (if providing innovative financing nationally, state this fact because the vehicles or equipment may not be known until loans are issued and the vehicles or equipment may travel throughout the United States);
8. **Quantity of Air Pollution:** The quantity of air pollution produced by the diesel fleets in the area served by the eligible entity (if providing innovative financing nationally, state this fact because the vehicles or equipment may not be known until loans are issued and the vehicles or equipment may travel throughout the United States);
9. **Fleet Project Description:** A fleet project description (if providing innovative financing nationally, state this fact and provide a best estimate of (a), (b), and (c) below):
  - a. Any retrofitted vehicle or equipment with verified retrofit technologies to be used or funded by the eligible entity (e.g., diesel flow through filters);
  - b. A description of the age and expected lifetime control of the equipment used or funded by the eligible entity; and
  - c. The means by which the project will achieve a significant reduction in diesel emissions;
10. **Diesel Fuel Availability:** A description of the diesel fuel available in the areas to be served by the eligible entity, including the sulfur content of the fuel (if providing innovative financing nationally, state this fact and provide as specific and detailed a description as possible).
11. **Evaluation of Emission Reductions:** An evaluation of the quantifiable and unquantifiable benefits of the emission reductions of the proposed project (applicants can use the Diesel Emissions Quantifier tool found at the National Clean Diesel Campaign website at: <http://cfpub.epa.gov/quantifier/view/index.cfm>). If GPS devices are included in the vehicles, explain whether this information will be used to document the quantity and location of emission reductions;



12. **Cost-Effectiveness:** An estimate of proposed project costs and the cost-effectiveness of emission reductions as funded by the innovative financing program (dollar/ton reduction). In order to include leveraged funds in the cost-effectiveness calculation, the entity providing the leveraged funds must provide a signed document stating that the funds will be available;
13. **Monitoring and Verification:** Provisions for the monitoring and verification of the project, including scrappage requirements and, particularly reporting on items 7, 8, and 9 above when loans have been made;
14. **Project Sustainability:** Information on the sustainability of the project beyond the assistance agreement period.
  - a. Applicants that want to provide loans or leases for new vehicles, engines and equipment must clearly document in their application the procedures and funds that will be used to implement a scrappage program. Procedures for clearly documenting the emission reductions from the scrapped vehicles must also be provided so that EPA can accurately assess the emission benefits of the program.

#### **b. Recovery Act Funding Priorities**

This section of the work plan must contain specific information demonstrating how the project will achieve the goal of maximizing job creation and/or preservation and economic recovery.

This section must address how the project will:

- a. Preserve and/or create jobs and promote economic recovery;
- b. Maximize job creation and promoting economic benefit;
- c. Assist those most impacted by the current economic conditions;
- d. Provide investments needed to increase economic efficiency by spurring technological advances in science and health;
- e. Invest in transportation, environmental protection and other activities that will provide long-term economic benefits;
- f. Be commenced as quickly as possible consistent with prudent management; and
- g. Track and measure the recipient's progress towards achieving the Recovery Act priorities.

#### **c. Project Partner Roles and Leveraged Resources:**

- a. **Leveraged Resources:** Identify how you will coordinate the use of EPA funding with other Federal and/or non-Federal sources of funds to leverage additional resources to carry out the proposed project(s). Identify how EPA funding will complement activities relevant to the proposed project(s) carried out by the applicant with other sources of funds or resources. Leveraged funding or other resources need not be for eligible and

allowable project costs under the EPA assistance agreement unless the Applicant chooses to include a voluntary cost-share as part of the official project budget. See Section III.B for additional information on leveraged resources.

- b. **Project Partners:** Provide information on project partners and their various roles, including any leveraged resources or cost-share funds provided.

#### d. Programmatic Priorities

Please address how the project meets the programmatic priorities listed below.

- a. Maximize public health benefits;
- b. Are the most cost-effective;
- c. Are in areas with high population density, that are poor air quality areas (including nonattainment or maintenance of national ambient air quality standards for a criteria pollutant; Federal Class I areas; or areas with toxic air pollutant concerns);
- d. Are in areas that receive a disproportionate quantity of air pollution from diesel fleets, including truck stops, ports, rail yards, terminals, and distribution centers;
- e. Use a community-based multi-stakeholder collaborative process to reduce toxic emissions;
- f. Include a certified engine configuration or verified technology that has a long expected useful lives;
- g. Maximize the useful life of any certified engine configuration or verified technology used or funded by the eligible entity;
- h. Conserve diesel fuel; and
- i. Utilize ultra low sulfur diesel fuel (less than or equal to 15 parts per million of sulfur content) ahead of EPA's mandate (for nonroad, marine, or locomotive projects).

#### e. Past Performance, Programmatic Capability and Reporting on Environmental Results:

Submit a list of federally funded assistance agreements (**assistance agreements include Federal grants and cooperative agreements but not Federal contracts**) similar in size, scope and relevance to the proposed project that your organization performed within the last three years (no more than 3, and preferably EPA agreements) and describe (i) whether, and how, you were able to successfully complete and manage those agreements; (ii) your history of meeting the reporting requirements under those agreements including submitting acceptable final technical reports; and (iii) how you documented and/or reported on whether you were making progress towards achieving the expected results (e.g., outputs and outcomes) under those agreements. If you were not making progress, please indicate whether, and how, you documented why not.

- \* In evaluating applicants for these factors, EPA will consider the information provided by the applicant and may also consider relevant information from other sources, including information from EPA files and from current and prior Federal agency grantors (to

verify and/or supplement the information provided by the applicant). If you do not have any relevant or available past performance or reporting information, please indicate this in the narrative proposal and you will receive a neutral score for these factors under Section V. If you do not provide any response for this item, you may receive a score of 0 for these factors.

Also include information on your organizational experience for timely and successfully achieving the objectives of the proposed project, and your staff expertise/qualification, staff knowledge, and resources or the ability to obtain them, to successfully achieve the goals of the proposed project.

#### **f. Environmental Results—Outcomes and Outputs**

Identify the expected quantitative and qualitative outcomes and outputs of the project (See Section I.C and D), including those related to the Recovery Act priorities identified in Section I, and describe how you will track, report, and measure your progress towards achieving them and how the results of the project will be evaluated. Project cost effectiveness should be reported in dollars per ton of emissions reduced, with and without leverage funds.

#### **3. Detailed Budget Narrative**

In addition to the SF 424A, please provide a detailed breakdown and narrative description of the total costs of the project. While not required, we recommend that you use the sample Budget Detail in Appendix A.

Management Fees: When formulating budgets for applications, applicants must not include management fees or similar charges in excess of the direct costs and indirect costs at the rate approved by the applicant's cognizant Federal audit agency, or at the rate provided for by the terms of the agreement negotiated with EPA. The term "management fees or similar charges" refers to expenses added to the direct costs in order to accumulate and reserve funds for ongoing business expenses, unforeseen liabilities, or for other similar costs that are not allowable under EPA assistance agreements. Management fees or similar charges may not be used to improve or expand the project funded under this agreement, except to the extent authorized as a direct cost of carrying out the work plan.

#### **4. Optional Attachments. These are not included in the 12-page limit.**

- a. Resumes. Provide resumes or curriculum vitae for all principal investigators and any other key personnel. Although resumes are optional, they are strongly encouraged.
- b. Support Letters. Specifically indicate how supporting organizations will assist in the project. Although support letters are optional, they are strongly encouraged.

#### **D. Contracts and Subawards**

##### **1. Can funding be used for the applicant to make subawards/subgrants, acquire contract services, or fund partnerships?**

If an applicant decides it will need assistance in the management and processing of loans, it must hold a competition to contract these services with a bank or financial institution. Applicants are encouraged to review the applicable contract competition regulations before selecting a specific bank or financial institution. The issuance of a contract can be done before or after an application is submitted, but in either case applicants must compete the contracts for those services and conduct cost and price analyses to the extent required by the procurement provisions of C.F.R. 40 Part 30 or 31.

EPA awards funds to one eligible applicant as the recipient even if other eligible entities are named as partners or co-applicants or members of a “coalition” or “consortium.” The recipient is accountable to EPA for the proper expenditure of funds.

If successful applicants intend to use EPA cooperative agreement funds to purchase goods or services under the cooperative agreement, such applicants must compete the contracts for those goods and services and conduct cost and price analyses to the extent required by the procurement provisions of 40 C.F.R. Part 30 or 31. (See [www.epa.gov/ogd/grants/nonprofit/supply.htm](http://www.epa.gov/ogd/grants/nonprofit/supply.htm) for guidelines on competitive procurement procedures.) The regulations also contain limitations on consultant compensation. **While applicants are not required to identify contractors or consultants in their application if they do so it does not relieve the applicant of its obligations to comply with competitive procurement requirements, nor does it guarantee that costs incurred for such contractor/consultant will be eligible under the grant/cooperative agreement.** Please note that applicants may not award sole source contracts to consulting, engineering or other firms assisting applicants with the application based solely on the firm's role in preparing the application.

Successful applicants may award subgrants (also referred to as subawards) of financial assistance to fund partnerships under the EPA cooperative agreement provided the recipient complies with applicable requirements for subgrants/subawards including those contained in 40 C.F.R. Parts 30 or 31, as appropriate. Subgrants/subawards do not have to be competed; however, successful applicants cannot use subgrants/subawards to avoid requirements in EPA grant regulations for competitive procurement by using subgrants/subawards to acquire commercial services or products from for-profit organizations. EPA will not be a party to these subgrant/subaward agreements.

## **2. How will an applicant's proposed subawardees/subgrantees and contractors be considered during the evaluation process described in Section V of the announcement?**

Section V of the announcement describes the evaluation criteria and evaluation process that will be used by EPA to make selections under this announcement. During this evaluation, except for those criteria that relate to the applicant's own qualifications, past performance, and reporting history, the review panel will consider, as appropriate and relevant, the qualifications, expertise, and experience of:

- an applicant's named subawardees/subgrantees identified in the application if the applicant demonstrates in the application that if it receives an award that the subaward/subgrant will be properly awarded consistent with the applicable regulations in 40 C.F.R. Parts 30 or 31. For example, applicants must not use subawards/subgrants to obtain commercial services or products from for profit firms or individual consultants;

- an applicant's named contractor(s), including consultants, identified in the application if the applicant demonstrates in its application that the contractor(s) was selected in compliance with the competitive Procurement Standards in 40 C.F.R. Part 30 or 40 C.F.R. 31.36 as appropriate. For example, an applicant must demonstrate that it selected the contractor(s) competitively or that a proper noncompetitive sole-source award consistent with the regulations will be made to the contractor(s), that efforts were made to provide small and disadvantaged businesses with opportunities to compete, and that some form of cost or price analysis was conducted. EPA may not accept sole source justifications for contracts for services or products that are otherwise readily available in the commercial marketplace.

EPA will not consider the qualifications, experience, and expertise of named subawardees/subgrantees and/or named contractor(s) during the application evaluation process unless the applicant complies with these requirements.

#### **E. Submission Dates and Time**

The closing date for receipt of applications is **Tuesday, April 28, 2009**. All hard copies of application packages must be received by the EPA Contact identified above in IV.B.1 by **4:00 p.m., EDT on Tuesday, April 28, 2009**, in order to be considered for funding. Electronic submissions must be submitted via email and received by the EPA contact identified above in IV.B.2 by **Tuesday, April 28, 2009, 4:00 p.m., EDT**. Applications received after the closing date and time will not be considered for funding.

#### **F. Confidential Business Information**

In accordance with 40 CFR 2.203, applicants may claim all or a portion of their application/proposal package as confidential business information. EPA will evaluate confidentiality claims in accordance with 40 CFR Part 2. Applicants must clearly mark applications/proposals or portions thereof that they claim as confidential. If no claim of confidentiality is made, EPA is not required to make the inquiry to the applicant otherwise required by 40 CFR 2.204(c)(2) prior to disclosure. However, competitive proposals/applications are considered confidential and protected from disclosure prior to the completion of the competitive selection process.

#### **G. Pre-Application Assistance and Communications**

In accordance with EPA's Assistance Agreement Competition Policy (EPA Order 5700.5A1), EPA staff will not meet with individual applicants to discuss draft applications, provide informal comments on draft applications, or provide advice to applicants on how to respond to ranking criteria. Applicants are responsible for the content of their applications.

EPA will respond to questions in writing from individual applicants regarding threshold eligibility criteria, administrative issues related to the submission of the application, and requests for clarification about the announcement.

Please email written questions to [cleandiesel@epa.gov](mailto:cleandiesel@epa.gov). Please type “Recovery Act SmartWay Finance RFA Question” in the subject line of your email. All questions and answers will be posted to the website <http://www.epa.gov/otaq/eparecovery/progfinance.htm>.

In addition, EPA will host a Question and Answer session regarding this Request for Applications via teleconference. EPA will attempt to answer any appropriate questions in this public forum. Dates, times, and participant information will be posted at <http://www.epa.gov/otaq/eparecovery/progfinance.htm> as it becomes available.

Frequently asked questions and answers from these teleconferences, as well as any questions received in writing, will also be posted on the website listed above.

## V. APPLICATION REVIEW INFORMATION

Only those applications that meet the threshold criteria in Section III will be evaluated according to the criteria set forth below. Applicants should directly and explicitly address these criteria as part of their application submittal. Each application will be rated under a points system, with a total of 100 points possible.

### A. Evaluation Criteria

Criteria	Points
<p><b>1. <u>Project Summary/Approach:</u></b> Under this criterion, the Agency will evaluate the following factors:</p> <p>a. (9 pts) the extent and quality to which the narrative proposal includes a well-conceived strategy for addressing the Project Summary /Approach requirements in Section IV.C.2a, parts 1-10, and 14.</p> <p>b. (9 pts) the quantity and cost-effectiveness of the emission reductions projected to be achieved by the proposal consistent with the requirements in Section IV.C.2a, parts 11 and 12.</p> <p>c. (2 pts) whether the project describes an innovative approach that has not been previously funded through this program.</p>	<b>20</b>
<p><b>2. <u>Recovery Act Funding Priorities:</u></b> Under this criterion, the Agency will evaluate the degree and quality to which the applicant effectively demonstrates that the project will:</p> <p>a. (15 pts) Preserve and/or create jobs and promote economic recovery; assist those most impacted by the current economic conditions; maximize job creation and economic benefit; provide investments needed to increase economic efficiency by spurring technological advances in science and health; invest in transportation, environmental protection and other activities that will provide long-term economic benefits.</p> <p>b. (10 pts) Be commenced as quickly as possible consistent with prudent management.</p>	<b>25</b>

<p><b>3. <u>Programmatic Priorities:</u></b> Under this criterion, the Agency will evaluate the extent and quality to which the proposed project addresses the programmatic priorities stated in <b>Section I</b> and <b>Section IV.C.2d</b>.</p>	<p><b>15</b></p>
<p><b>4. <u>Results – Outcomes and Outputs:</u></b> Under this criterion, the Agency will evaluate the effectiveness of the applicant’s plan for tracking, measuring and reporting its progress toward achieving the expected project outputs and outcomes, including those identified in Section I.D and the Recovery Act related priorities and goals.</p> <p><b>a.</b> (8 points) The applicant’s plan and approach for tracking, measuring, and reporting its progress towards achieving the Recovery Act related priorities and outputs and outcomes of the project including those identified in Sections I.C and D and whether the plan and approach is presented clearly and accurately.</p> <p><b>b.</b> (7 points) The applicant’s plan and approach for tracking, measuring, and reporting its progress towards achieving the environmental related outputs and outcomes of the project including those identified in Section I.D and whether the plan and approach is presented clearly and accurately. Also see Project Summary/Approach requirements in Section IV.C.2a, part 13.</p>	<p><b>15</b></p>
<p><b>5. <u>Budget/Resources:</u></b> Whether the proposed project budget is appropriate to accomplish the proposed goals, objectives, and measurable environmental outcomes.</p>	<p><b>5</b></p>
<p><b>6. <u>Leveraging Resources:</u></b> Under this criterion, applicants will be evaluated based on the extent they demonstrate (i) how they will coordinate the use of EPA funding with other Federal and/or non Federal sources of funds to leverage additional resources to carry out the proposed project(s) and/or (ii) that EPA funding will complement activities relevant to the proposed project(s) carried out by the applicant with other sources of funds or resources.</p>	<p><b>10</b></p>
<p><b>7. <u>Staff Expertise/Qualifications:</u></b> Under this criterion, applicants will be evaluated on their staff expertise/qualifications, staff knowledge, and resources or the ability to obtain them, to successfully achieve the goals of the proposed project.</p>	<p><b>5</b></p>

<p><b>8. Past Performance--Programmatic Capability and Reporting on Environmental Results:</b> Under this criterion, the Agency will evaluate the applicant’s technical ability to successfully complete and manage the proposed project taking into account the following factors:</p> <p>(i) (2 pts) the applicant’s past performance in successfully completing and managing federally funded assistance agreements (<b>assistance agreements include Federal grants and cooperative agreements but not Federal contracts</b>) similar in size, scope and relevance to the proposed project performed within the last 3 years,</p> <p>(ii) (2 pts) the applicant’s history of meeting reporting requirements on federally funded assistance agreements (<b>assistance agreements include Federal grants and cooperative agreements but not Federal contracts</b>) similar in size, scope, and relevance to the proposed project performed within the last 3 years and submitting acceptable final technical reports under those agreements, and</p> <p>(iii) (1 pts) the applicant’s past performance in documenting and/or reporting on progress towards achieving the expected outcomes and outputs (e.g., results) under federally funded assistance agreements (<b>assistance agreements include Federal grants and cooperative agreements but not Federal contracts</b>) within the last 3 years; and, if such progress was not made whether the documentation and/or reports satisfactorily explained why not.</p> <p>In evaluating applicants under these factors, EPA will consider the information provided by the applicant and may also consider relevant information from other sources, including information from EPA files and from current and prior Federal agency grantors (e.g., to verify and/or supplement the information provided by the applicant). If you do not have any relevant or available past performance or reporting information, please indicate this in the application and you will receive a neutral score (a neutral score is half of the total points available in a subset of possible points) for those factors-failure to do so may result in 0 points for these factors.</p>	<p><b>5</b></p>
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**B. Review and Selection Process**

Each eligible application will be evaluated by a review team using the evaluation criteria described above. Each application will be given a numerical score and will be rank-ordered according to the numerical score. Preliminary funding recommendations will be provided to the Approval Official based on this ranking.

**C. Selection Recommendations**

Final funding decisions will be made by the Approval Official based on the rankings and preliminary recommendation of the EPA evaluation team. In making the final funding decisions, the Approval Official may consider sector and technology, geographic diversity, the extent to which the project promotes Recovery Act objectives, and



the funding priorities of the statutory funding allocation (EPA Act 2005). Once final decisions have been made a funding recommendation will be developed and forwarded to the EPA Award Official.

## **VI. AWARD ADMINISTRATION INFORMATION**

### **A. Award Notices**

Following evaluation of applications, all applicants will be notified regarding their status.

- 1. Successful Applicants:** EPA anticipates notification to the *successful* applicant will be made via telephone, electronic or postal mail by June 1, 2009. The notification will advise the applicant that its application has been successfully evaluated and recommended for award. The notification will be sent to the original signer of the Standard Form 424, Application for Federal Assistance.

This notification, which advises that the applicant's application has been recommended for award, is not an authorization to begin performance. The award offer signed by the EPA Award Official is the authorizing document and will be provided through postal mail.

- 2.** EPA anticipates notification to *unsuccessful* applicant(s) will be made via electronic or postal mail by June 15, 2009. The notification will be sent to the original signer of the Standard Form 424, Application for Federal Assistance.
- 3.** Final applications and forms will be requested, as necessary, from those eligible entities whose application has been successfully evaluated and preliminarily recommended for award. Those entities will be provided with instructions and a due date for submittal of the final application package.

### **B. General Administrative and National Policy Requirements**

A listing and description of general EPA Regulations applicable to the award of assistance agreements may be viewed at:

[http://www.epa.gov/ogd/AppKit/applicable\\_epa\\_regulations\\_and\\_description.htm](http://www.epa.gov/ogd/AppKit/applicable_epa_regulations_and_description.htm).

Executive Order 12372, Intergovernmental Review of Federal Programs may be applicable to awards resulting from this announcement. Applicants selected for funding may be required to provide a copy of their application to their State Point of Contact (SPOC) for review, pursuant to Executive Order 12372, Intergovernmental Review of Federal Programs. Not all States require such a review. *Federally-recognized Tribal governments are not required to comply with this procedure.*

Terms and conditions will be established for each cooperative agreement that may contain additional restrictions or requirements.

### **C. American Recovery and Reinvestment Act of 2009 Requirements**

All assistance agreements resulting from this announcement will include all terms and conditions required by the American Recovery and Reinvestment Act of 2009 (Recovery Act) and implementing regulations and guidance including but not limited to terms relating to recipient reporting on the use of funds as specified in Section 1512 of the Act.

Certain provisions of the Recovery Act are applicable only to specific types of grant recipients and/or to specific projects.

For example, States must comply with the requirements of Division A, Title XVI, Section 1607 of the Recovery Act. See <http://www.recovery.gov/?q=content/state-certifications> for more information. For infrastructure investments, States or local governments must comply with the requirements of Division A, Title XV, Section 1511 of the Recovery Act. For infrastructure investments, all recipients must give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than June 17, 2009. Additionally, a “Buy American” provision (Division A, Title XVI, Section 1605) applies to projects for the construction, alteration, maintenance, or repair of a public building or public work. More information regarding the Buy American provision, including a process for waivers, will be forthcoming.

### **D. DUNS Number and Central Contractor Registration**

All applicants are required to provide a Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS) number when applying for a Federal grant or cooperative agreement. Applicants can receive a DUNS number, at no cost, by calling the dedicated toll-free DUNS Number request line at 1-866-705-5711, or visiting the D&B website at: <http://Fedgov.dnb.com>

If selected for award, subrecipients (first-tier) must have a DUNS number.

If selected for award, recipients and subrecipients must maintain active and current profiles in the Central Contractor Registration database.

### **E. Reporting Requirement**

Quarterly progress reports and a detailed final report will be required. Quarterly reports summarizing technical progress, planned activities for next quarter and summary of expenditures are required. The final report shall be submitted to EPA within 90 calendar days of the completion of the period of performance. The final report should include: summary of the project or activity, advances achieved and costs of the project or activity. In addition, the final report shall discuss the problems, successes, and lessons learned from the project or activity that could help overcome structural, organizational or technical obstacles to implementing a similar project elsewhere. The schedule for submission of quarterly reports will be established by EPA, after the award.

Award recipients may be provided additional information and guidance from EPA on reporting performance measures and project progress including those related to the Recovery Act.

## **F. Disputes**

Assistance agreement competition-related disputes will be resolved in accordance with the dispute resolution procedures published in 70 FR (Federal Register) 3629, 3630 (January 26, 2005) located on the web at:

[http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?position=all&page=3629&dbname=2005\\_register](http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?position=all&page=3629&dbname=2005_register)

## **G. Non-profit Administrative Capability**

Non-profit applicants that are recommended for funding under this announcement are subject to administrative capability reviews consistent with Section 8b, 8c and 9d of EPA Order 5700.8 - Policy on Assessing Capabilities of Non-Profit Applicants for Managing Assistance Awards ([http://www.epa.gov/ogd/grants/award/5700\\_8.pdf](http://www.epa.gov/ogd/grants/award/5700_8.pdf)) and any additional terms on administrative capability in the grant agreement.

## **H. Program Income**

In accordance with 40 C.F.R.30.24(b)(1) or 40 CFR 31.25(g)(2), as applicable, the applicant shall add program income generated under this agreement to the funds committed by EPA and to use this program income to carry out activities described in the scope of work for this agreement and under the same terms and conditions of the agreement.

## **I. False Claims Act**

Each recipient and sub-recipient awarded funds made available under the Recovery Act shall promptly refer to the Office of Inspector General any credible evidence that a principal, employee, agent, contractor, sub-grantee, subcontractor, or other person has submitted a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity, or similar misconduct involving those funds.

## **J. Exchange Network**

EPA, states, territories, and tribes are working together to develop the National Environmental Information Exchange Network, a secure, Internet- and standards-based way to support electronic data reporting, sharing, and integration of both regulatory and non-regulatory environmental data. States, tribes and territories exchanging data with each other or with EPA, should make the Exchange Network and the Agency's connection to it, the Central Data Exchange (CDX), the standard way they exchange data and should phase out any legacy methods they have been using. More information on the Exchange Network is available at [www.exchangenetwork.net](http://www.exchangenetwork.net).

## VII. AGENCY CONTACTS

For further information, contact:

Annie Kee  
Telephone: (202) 343-9218  
E-Mail: Kee.Annie@epa.gov

Ken Adler  
Telephone: (202) 343-9402  
E-Mail: Adler.Ken@epa.gov

## VIII. OTHER INFORMATION

### A. Quantifying Environmental Outputs:

1. **Diesel Emission Reductions:** To estimate some of the anticipated outputs of your project, EPA encourages you to use the Diesel Emissions Quantifier found at <http://cfpub.epa.gov/quantifier/view/index.cfm>. If you are having trouble getting started, please check out the step-by-step instructions on [www.epa.gov/quantifier/view/stepbystep.cfm](http://www.epa.gov/quantifier/view/stepbystep.cfm). Most of the questions that users have can be answered by reading the users' guide for the Quantifier found on the Quantifier web site at <http://cfpub.epa.gov/quantifier/view/UserGuide.pdf>. In addition, EPA produced a webinar tutorial on the DEQ which can be found here: <http://epa.gov/otaq/diesel/webinar.htm#deq>.

Another tool for quantifying emission reductions is the National Mobile Inventory Model (<http://www.epa.gov/otaq/nmim.htm>). This tool must be used for State Implementation Plan calculations. For technical assistance regarding this tool, please email [mobile@epa.gov](mailto:mobile@epa.gov).

2. **Cost Effectiveness Calculation:** Project cost effectiveness is a programmatic priority and the applicant is encouraged to use the Diesel Emissions Quantifier (DEQ) to make this calculation.

When running the DEQ for a particular project, Funding Information is inputted for the diesel fleet. If a project has multiple fleets (i.e. both school buses and public transit buses), enter the funding information for the first fleet only and leave the others blank, then save the scenario. When technologies are added to the fleets, the applicant has the option of entering the Unit Cost and Installation Cost for each technology. Once all this have been entered, the DEQ calculates the Capital Cost Effectiveness and Total Cost Effectiveness in dollars per ton reduced. **Emission reduction benefits shall only be calculated for the period preceding any effective date or compliance deadline, if applicable.**

The Capital Cost Effectiveness is calculated by dividing the total unit and installation

costs of all the technologies by the Amount Reduced for each of the following pollutants: NO<sub>x</sub>, PM, HC, CO, and CO<sub>2</sub>. The Total Cost Effectiveness is calculated by dividing the total amount of funding for the project (which includes unit cost, installation cost, administrative costs, travel costs, fees, etc.) by the Amount Reduced for each pollutant. Both cost effectiveness values reflect the lifetime of the project, which is based on the remaining life of your fleets. Please submit the separate Total Cost Effectiveness numbers for each of the following pollutants: NO<sub>x</sub>, PM, HC, CO, and CO<sub>2</sub>.

## **B. Projects Affecting Tribes**

If the application involves projects that may affect a federally recognized Tribe or may have an effect on Indian country<sup>5</sup> EPA encourages the applicant to notify the potentially affected Tribe of the proposed project before it submits its application to EPA. EPA believes that such coordination may help ensure that there will not be any avoidable delays in awarding and implementing the project, should the application be selected for funding. If you need assistance or information in identifying or notifying a potentially affected Tribe, please contact the EPA contact for your Region.

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<sup>5</sup> EPA defines “Indian country” as defined by 18 U.S.C. § 1151. 18 U.S.C. § 1151 defines “Indian Country” as “(a) all land within the limits of any Indian reservation under the jurisdiction of the United States government, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation, (b) all dependent Indian communities within the borders of the United States whether within the original or subsequently acquired territory thereof, and whether within or without the limits of a state, and (c) all Indian allotments, the Indian titles to which have not been extinguished, including rights-of-way running through the same.

**Appendix A: Sample Budget Detail**

**GUIDE TO PREPARING BUDGET DETAIL AND NARRATIVE**

**Personnel - List all staff positions by title. Give annual salary, percentage of time assigned to the project, and total cost for the budget period.**

This category includes only direct costs for the salaries of those individuals who will perform work directly for the project (generally, paid employees of the applicant organization). If the applicant organization is including staff time (in-kind services) as a cost share, this should be included as Personnel costs.

Personnel costs do not include: (1) costs for services of consultants, contractors, consortia members, or other partner organizations, which are included in the “Contractual” category; (2) costs for employees of subrecipients under subawards, which are included in the “Other” category; or (3) effort that is not directly in support of the proposed project, which may be covered by the organization’s negotiated indirect cost rate.

The budget detail must identify the personnel category type by FTE (Full-Time Equivalent), including percentage of FTE for part-time employees, number of personnel proposed for each category, and the estimated funding amounts. For example:

Personnel	Federal	Cost-share/Match*	Leverage*
Salaries and Wages			
(1) Exec. Dir. @ \$50/hr x 4 hrs/week x 52 wks		10,400.00	
(1) Proj. Dir. @ \$40/hr x 10 hrs/week x 52 wks	20,800.00		
(1) Staff Engineer @ \$30/hr x 40 hrs/week x 40 wks	48,000.00		
(1) Jr. Engineer @ \$20/hr x 20hrs/week x 52 wks		20,800.00	
Totals	\$68,800.00	\$ 31,200.00	

\* Denote source of “Other” funds.

**Fringe Benefits - Identify the percentage used, the basis for its computation, and the types of benefits included.**

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to the cost of leave, employee insurance, pensions and unemployment benefit plans.

Fringe Benefits	Federal	Cost-share/Match*	Leverage*
20% of Salary and Wages	20%(68,800)	20%(31,200)	
- Retirement, Health Benefits, FICA, SUI	13,760.00	6,240.00	
Totals	\$13,760.00	\$6,240.00	

\* Denote source of "Other" funds.

**Travel - Specify the mileage, per diem, estimated number of trips in-State and out-of-State, and other costs for each type of travel.**

Travel may be integral to the purpose of the proposed project (e.g. inspections) or related to propose project activities (e.g. attendance at meetings). Travel costs do not include: (1) costs for travel of consultants, contractors, consortia members, or other partner organizations, which are included in the "Contractual" category; (2) travel costs for employees of subrecipients under subawards, which are included in the "Other" category.

Travel	Federal	Cost-share/Match*	Leverage*
Local mileage for Project Director:			
3 trips @ 100 mi/mo @ \$0.17/mi x 12 mos.	204.00		
Local mileage for (2) Engineers:			
3 trips each @ 200 mi/mo @ \$0.17/mi x 12 mos.	816.00		
Travel expenses for Project Director to attend Diesel Retrofit Conference in Los Angeles, July 11-15, 200X, \$325 tuition plus \$218 round-trip air plus 6 days per diem @ \$33/day	741.00		
Totals	\$ 1,761.00		

\* Denote source of "Other" funds.

**Equipment - Identify each item to be purchased which has an estimated acquisition cost of \$5,000 or more per unit and a useful life of more than one year.**

Equipment also includes accessories necessary to make the equipment operational. Equipment does not include: (1) equipment planned to be leased/rented, including lease/purchase agreement; or (2) equipment service or maintenance contracts. These types of proposed costs should be included in the "Other" category. Items with a unit cost of less than \$5,000 are deemed to be supplies, pursuant to 40 CFR 31.3 and 30.2.

The budget detail must include an itemized listing of all equipment proposed under the project. Please include a

description of who owns the vehicle on which the retrofit device will be installed, and who will own (with title) the retrofit device at the end of the project period.

Equipment	Federal	Cost-share/Match*	Leverage*
(50) DPFs with installation kit @ \$6,000 per unit	300,000		
(10) DPFs with installation kit @ \$6,000 per unit. Provided at no cost (in-kind) by the equipment manufacturer.			60,000
Totals	\$ 300,000		\$60,000

\* Denote source of "Other" funds.

**Supplies - "Supplies" means all tangible personal property other than "equipment".**

The budget detail should identify categories of supplies to be procured (e.g., laboratory supplies or office supplies). Non-tangible goods and services associated with supplies, such as printing service, photocopy services, and rental costs should be included in the "Other" category.

Supplies	Federal	Cost-share/Match*	Leverage*
(100) Replacement CCV filters @ \$100 per unit	1000.00		
Totals	\$ 1000.00		

\* Denote source of "Other" funds.

**Contractual - Identify each proposed contract and specify its purpose and estimated cost.**

Contractual/consultant services are those services to be carried out by an individual or organization, other than the applicant, in the form of a procurement relationship. Leased or rented goods (equipment or supplies) should be included in the "Other" category.

The applicant should list the proposed contract activities along with a brief description of the scope of work or services to be provided, proposed duration, and proposed procurement method (competitive or non-competitive), if known.

Contractual	Federal	Cost-share/Match*	Leverage*
Retrofit Installation Services Contract 50 installed @ \$200 each	10,000		
Laboratory Analysis Services Contract		10,000	
Technical Assistance by Partner Org. (1) Staff Engineer @ \$900/mo x 100% x 11 mos.			19,800.00
Totals	\$ 10,000.00	\$10,000.00	\$19,800.00



\* Denote source of “Other” funds.

**Other - List each item in sufficient detail for EPA to determine the reasonableness and allowability of its cost.**

This category should include only those types of direct costs that do not fit in any of the other budget categories. Examples of costs that may be in this category are: insurance and indemnification, rental/lease of equipment or supplies, equipment service or maintenance contracts, printing or photocopying, and subaward costs.

Subawards (e.g., subgrants) are a distinct type of cost under this category. The term “subaward” means an award of financial assistance (money or property) by any legal agreement made by the recipient to an eligible subrecipient. This term does not include procurement purchases, technical assistance in the form of services instead of money, or other assistance in the form of revenue sharing, loans, loan guarantees, interest subsidies, insurance, or direct appropriations. Subcontracts are not subawards and belong in the contractual category.

Applicants must provide the aggregate amount they propose to issue as subaward work and a description of the types of activities to be supported.

**Indirect Charges - If indirect charges are budgeted, indicate the approved rate and base.**

Indirect costs are those incurred by the grantee for a common or joint purpose that benefit more than one cost objective or project, and are not readily assignable to specific cost objectives or projects as a direct cost. In order for indirect costs to be allowable, the applicant must have a negotiated indirect cost rate (e.g., fixed, predetermined, final or provisional), or must have submitted a proposal to the cognizant Federal or State agency. A copy of the most current negotiated indirect cost rate must be attached to the proposal if one has not been previously submitted to EPA. If the applicant does not have a negotiated indirect cost rate, indirect costs may be detailed in “Other.”

Examples of Indirect Cost Rate calculations are shown below:

1. Personnel (Indirect Rate x Personnel = Indirect Costs)
2. Personnel and Fringe (Indirect Rate x Personnel & Fringe = Indirect Costs)
3. Total Direct Costs (Indirect Rate x Total direct costs = Indirect Costs)
4. Direct Costs minus distorting or other factors such as contracts and equipment  
(Indirect Rate x (total direct cost – distorting factors) = Indirect Costs)