



State of Oregon Department of Environmental Quality

Draft Fiscal Impact Statement

Volkswagen Grants 2020 Rulemaking

Summary

DEQ proposes to develop rules for a Diesel Emissions Mitigation Grant Program under Division 255 of Chapter 340 of the Oregon Administrative Rules. The proposed rules would implement House Bill 2007 (2019), which directs DEQ to develop and implement a grant program for Oregon with available funds from Environmental Mitigation Trust Agreement (VW Settlement). The Diesel Emissions Mitigation Grant Program is designed to retrofit, repower, and replace older diesel vehicles and equipment. By providing grant funding to support the purchase of exhaust control devices, cleaner burning engines, and new, lower emissions technologies this program will reduce harmful diesel emissions in Oregon.

ORS 468A.805 requires DEQ to spend available Environmental Mitigation Trust Agreement funding on at least 450 older diesel school buses and through the new Diesel Emissions Mitigation Grant Program. The new program will include two grant options. One component provides set amounts of grant funding to public and private parties as authorized in the Environmental Mitigation Trust Agreement and detailed in OAR 340-255-0040. A second component provides set amounts of grant funding to public and private parties as authorized by the federal Diesel Emissions Reduction Act under the DERA Option. Both options are available under the proposed rules with statutory guidance regarding how DEQ will award preference to grant applications by project type, location, ownership, and other air quality goals.

DEQ is proposing to establish program requirements including:

- Types of diesel equipment eligible to participate in the program.
- Diesel emissions reduction projects that are eligible for grant funding.
- Maximum grant amounts for the retrofit, repower, and replacement of eligible older diesel vehicles and equipment.
- Application requirements regarding equipment ownership, usage, procurement, and project type.
- Grant award preferences based on air quality and project-specific criteria.
- Review process for DEQ decision making on qualified grant applications.
- Schedule for grant application solicitations, deadlines, and funding availability.

Fee Analysis

This rulemaking does not involve fees.

Statement of fiscal and economic impact

The proposed rules are not anticipated to create negative economic impacts for any entity. The grant program would provide a financial benefit to vehicle and equipment dealers and manufacturers because they would see an increase in sales as a result of the grant funding. The rules would also benefit any individual, corporation, and government entity that owns and operates eligible older diesel vehicles and equipment and that receives grant funding support for the purchase of new, cleaner burning, equivalent equipment.

Statement of Cost of Compliance

State agencies

The proposed rules are not anticipated to create negative economic impacts for any entity. The rules establish a program to award grant funds for the upgrade and replacement of eligible older diesel vehicles and equipment and DEQ is the agency responsible for implementing and overseeing the program. Program funding of approximately \$72.9M total is provided through the Environmental Mitigation Trust Agreement for all grant and administrative activities. DEQ's administrative costs, up to 15% of the total fund amount, will be covered by grant program funding.

State agencies would benefit from the grant program and they do not face any fiscal or economic impacts as a result proposed rules. Agencies that own eligible diesel vehicles and equipment and choose to apply for grant funding would incur a small fiscal cost for the time spent preparing and submitting an application.

Local governments

There are no negative fiscal impacts to other state, federal, or local agencies as a result of the proposed rule. Agencies that own eligible diesel vehicles and equipment and choose to apply for grant funding would incur a small fiscal cost for the time spent preparing and submitting an application.

Public

The public would benefit from the proposed rulemaking. People will realize a fiscal benefit from improved health outcomes due to better air quality from grant funded projects. Additionally, under the program rules members of the public would be eligible to apply for grant funding to upgrade or replace eligible diesel vehicles and equipment. People that own eligible diesel vehicles and equipment and choose to apply for grant funding would be responsible for the costs of preparing and submitting an application and covering the cost share amount of the grant project.

Large businesses - businesses with more than 50 employees

Large businesses cost to comply with the proposed rules is identical to costs described under small businesses. Those that choose to participate in the grant program would benefit from the proposed rules. Businesses that manufacture and sell medium and heavy duty trucks and equipment of all fuel types will additionally benefit from the proposed rules due to increased State investment in new, cleaner burning and zero emissions equipment.

Small businesses – businesses with 50 or fewer employees

Small businesses that choose to apply for funding and sell eligible equipment would benefit from the proposed rules. Under the program rules small businesses would be eligible to apply for grant funding to upgrade or replace eligible diesel vehicles and equipment. Businesses that own qualifying diesel vehicles and equipment and choose to apply for grant funding would be responsible for the costs of preparing and submitting an application. Program rules require DEQ to award preference to grant applications submitted by a disadvantaged business enterprise, a minority-owned business, a woman-owned business, a business that a service-disabled veteran owns or an emerging small business. This requirement will create benefits for small businesses.

Vehicle and equipment dealers and manufacturers would benefit from the proposed rulemaking. Under the Diesel Emissions Mitigation Program individuals could receive grant funding to replace older diesel vehicles and equipment which would provide a benefit in the form of increased sales for businesses that provide this type of equipment.

Under the vehicle replacement and engine repower portions of the program, successful applicants will be required to scrap older diesel engines and equipment to be able to receive grant funds. Incapacitating the engine block to fulfill the scrappage requirement prevents the applicant from being able to resell the vehicles and equipment. However, they would still receive some value for the remaining car components. Vehicle scrappage companies would see a benefit because their business may increase as a result of equipment being required to be scrapped in order for applicants to receive grant funding.

ORS 183.336 Cost of Compliance Effect on Small Businesses

1. Estimated number of small businesses and types of businesses and industries with small businesses subject to proposed rule.

Using recent employment data, DEQ identified up to 216 small businesses potentially affected by this rule, primarily Automobile and Other Motor Vehicle Merchant Wholesalers and Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers. This includes diesel truck and non-road equipment dealers and 8 additional salvage companies who could see an increase in business activity for addressing the scrappage component of the grant program. All of these businesses could see increased sales resulting from proposed rules.

2. Projected reporting, recordkeeping and other administrative activities, including costs of professional services, required for small businesses to comply with the proposed rule.

Small businesses that apply for grant funding under the proposed rule will be required to provide information about the older diesel equipment to be scrapped and replaced. This information includes, but is not limited to, equipment model year, engine model year, engine family name, annual usage, and area of operation. This information should be available without creating additional recordkeeping requirements beyond standard business practices and brief equipment inspections.

3. Projected equipment, supplies, labor and increased administration required for small businesses to comply with the proposed rule.

The proposed rules will not require any additional resources for small businesses to comply.

4. Describe how DEQ involved small businesses in developing this proposed rule.

DEQ included small business representatives on the Diesel Emissions Mitigation Grant Program Rule Advisory Committee that advised DEQ on the cost of compliance for small businesses. DEQ also provided rulemaking notice through the Oregon Trucking Association and the Association of General Contractors. These associations include small businesses as part of their membership.

Documents relied on for fiscal and economic impact

Document title	Document location
DEQ Industry Totals - Small Business	Employment Department 875 Union Street NE Salem OR 97311

Advisory committee fiscal review

DEQ has appointed an advisory committee.

As ORS 183.33 requires, DEQ will ask for the committee’s recommendations on:

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses; if so, then how DEQ can comply with ORS 183.540 reduce that impact.

The committee will review the draft fiscal and economic impact statement and its findings will be stated in the approved minutes.

Housing cost

As ORS 183.534 requires, DEQ evaluated whether the proposed rules would have an effect on the development cost of a 6,000-square-foot parcel and construction of a 1,200-square-foot detached, single-family dwelling on that parcel. DEQ determined the proposed rules would have no effect on the development costs because it is a grant program to replace diesel vehicles and equipment