

## Executive Summary

The Energy Policy Act of 2005 (H.R. 6) contains two sections that provide grants and loans to states and other eligible entities to achieve significant reductions in diesel emissions. Section 792 of the act provides for grants and loans that would go to eligible national entities, while section 793 provides for grants and loans to states. A total of \$200 million per year is authorized for such programs for fiscal years (FYs) 2007-2011.

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## Section 792

Of the \$200 million authorized to grants and loans for reductions in diesel emissions, 70% would be set aside for national grant and loan programs. These grants and loans are intended for eligible national entities, including regional, state, local, tribal agencies or port authorities with jurisdiction over transportation or air quality. Also included are non-profit organizations or institutions that represent or provide pollution reduction or educational services to persons or organizations that own or operate diesel fleets, or have, as their principal mission, the promotion of transportation or air quality.

Public fleets are guaranteed at least 50% of the allotted funds per year. The 50% standard is only a minimum; the administrator of the Environmental Protection Agency (EPA) could decide to allot up to 100% of the funds to public fleets. If the EPA decided not to allot 100% of funds to public fleets, the remaining funds would go to engine configurations and emerging technologies. At least 90% of any remaining funds would go to engine configurations, including certified engine configuration and verified technologies. Certified engine configurations are new, rebuilt or remanufactured engines that have been verified by the EPA or the California Air Resources Board to meet or exceed acceptable or more stringent emission standards. Verified technologies are pollution control technologies that have been verified by either the EPA or the California Air Resources Board. Once again this 90% standard is a minimum; if the EPA decides to use only 90% for engine configuration, the remaining 10% of the funds, but no more, is to be used for emerging technologies. Emerging technologies are technologies that have not been certified or verified by the EPA or the California Air Resources Board but have been deemed approvable by either of the two through receipt of a separate application and a test plan.

In order to receive a grant or loan, eligible entities must submit an application to the EPA that includes the following:

- Description of the air quality of the area served by the eligible entity
- Quantity of air pollution produced by the diesel fleets in the area served by the eligible entity
- Description of the project proposed by the eligible entity, including any certified engine configuration, verified technology or emerging

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technology to be used or funded by the eligible entity; and the means by which the project will achieve a significant reduction in diesel emissions

- Evaluation (using a methodology approved by the EPA or the National Academy of Sciences) of the quantifiable and unquantifiable benefits of the emissions reductions of the proposed project, an estimate of the cost of the proposed project, and a description of the age and expected lifetime control of the equipment used or funded by the eligible entity
- Description of the diesel fuel available in the areas to be served by the eligible entity, including the sulfur content of the fuel
- Provisions for the monitoring and verification of the project

In determining which national entities to provide with grants and loans, the EPA will place priority on those that can maximize public health benefits, provide cost-effective programs, serve areas with the highest population density and service areas that have poor air quality. Moreover, there will be a priority on technological efforts, and grants will be given to entities that include a certified engine configuration, use verified technology and/or emerging technology.

Under section 792, a national entity may use grants or loans to fund the costs of a retrofit technology that significantly reduces emissions in buses, medium- and heavy-duty trucks, marine engines, locomotives, non-road engines or vehicles used in construction, cargo-handling vehicles, and vehicles used for agriculture, mining or energy production. Grants and loans may also be used in programs that use verified technology to reduce long-duration idling in any of the types of vehicles mentioned above. Grants and loans may not be used to fund programs that are already mandated by federal, state or local law.

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## Section 793

Section 793 outlines state grant and loan programs, which will receive 30% of the authorized funds per year in FYs 2007-2011. In order to receive funding, states must submit an application to the EPA which will be evaluated by the administrator, who will also provide guidance to the states as they complete said applications. This guidance will include information on the process of applying for loans and grants, permissible uses of funds received, the cost-effectiveness of various eligible emission-reduction technologies, the process by which the administrator will approve or disapprove an application and the process by which a state may reapply for funding in future years.

Of the portion authorized for state grant and loan programs, the EPA will make only 20% available to states. If all 50 states apply and are approved for grants or loans, each state would receive 2% of the funds made available to the EPA. If fewer than 50 states are approved for grants or loans, those that are approved will receive 2% plus additional amounts determined by multiplying each state's share of the national population by the remaining funds available after each state received its 2%.

Section 793 also contains a state matching incentive. If a state agrees to match the funds it receives under the rules of section 793 for a full fiscal year, the EPA will provide an additional 50% of the funding it received for that fiscal year. However, the state cannot use any of the funds allotted to pay the required matching share.

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# Next Steps

The Energy Policy act of 2005 (H.R. 6) has been approved by the House and the Senate and has been signed into law by the president. The programs outlined in sections 792 and 793 are set to fund grant and loan programs from FYs 2007-2011.

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