

# Volkswagen Settlement Funding Overview

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HOUSE BR SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC  
PROTECTION, TOURISM, AND ENERGY

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# Agenda for Today

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- ❖ Goals
- ❖ History
- ❖ EEC's Current Plan
- ❖ Requirements



# Kentucky's Overall Goal

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*Improve health benefits for all Kentuckians by:*

- ❖ Replacing aging ***school buses*** with a new one in ***every county*** throughout the state.
- ❖ Enabling the Commonwealth to utilize an additional \$17 Million in federal funds by using \$4 Million of settlement funds as match to replace a total of \$21 Million in aging ***transit buses***.



# Environmental Mitigation Trust

(Appendix D of the Settlement)

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- ❖ \$2.7 Billion nationwide to remediate excess NOX emissions
- ❖ Intended to fully mitigate excess NOx emissions from 2 liter and 3 liter diesel engines.

**Kentucky's portion of the Trust is \$20,378,649**



# Environmental Mitigation Trust

## History/Important Dates

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**March 2017** – Wilmington Trust was designated as the national trustee of the Environmental Mitigation Trust. Kentucky Energy & Environment Cabinet (KY EEC) is officially listed as a beneficiary.

**October 2, 2017** – Trust Fund Effective Date



# 2018 Legislative Session

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From HB 200 (Budget Bill):

**Volkswagen Mitigation Trust Agreement:** All funds received from the environmental mitigation trust established by Volkswagen pursuant to the partial consent decree shall be held in a trust and agency account. **These funds shall not be expended or appropriated without the express authority of the General Assembly.**



# Funding Stipulations from the Consent Decree

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Funds are for diesel vehicle replacements to mitigate excess NOx emissions – ***not to provide additional vehicles***

Vehicles being replaced must be **“SCRAPPED”**

Scrapped means *“...to render inoperable and available for recycle,....”* (Appendix D2 to the Consent Decree)

For most categories – an eligible project would replace a vehicle with a cleaner like vehicle, or repower an existing engine with a new clean diesel or alternative fueled engine – **typically 2009 and older vehicles.**



# Beneficiary Mitigation Plans

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Kentucky is the only state to date  
that has not submitted a  
Beneficiary Mitigation Plan.





# Current Plan: School Buses

There are **3,233** diesel school buses in daily operation in Kentucky that are 2009 models and older.

- **~170** are older than model year 2000.

Total number of K-12 students enrolled in public schools in KY: **646,766**

- Number of K-12 PUBLIC school students transported daily on home-school-home routes: **376,167**

Total annual school bus route mileage (including morning, mid-day and afternoon runs):  
**93,826,566** miles



# Current Plan: School Buses (cont.)

Children who ride school buses are exposed to 5 to 15 times more particulate matter than through other transportation options.

Diesel exhaust exacerbates asthma and existing allergies, and long-term exposure is thought to increase the risk of lung cancer.

**75% of funding (\$15,283,987) directed to cleaner school buses across the Commonwealth.**



# Current Plan: Transit Buses

Nearly 25 million trips are taken each year utilizing Kentucky's urban and rural transit network.

- **More than one half of these trips are related to employment.**

Public transportation also plays a vital role in the Commonwealth by providing access to education, medical care and recreation for all Kentucky's citizens including our Veterans, students, elderly, and those without access to private transportation.



**20% of funding (\$4,075,729) directed to support cleaner public transit projects in areas of the state that share a disproportionate share of air pollution burden.**





# Current Plan: Transit Buses

Transit agencies are positioned to leverage Settlement Funding to maximize vehicle replacement using Federal Transit Administration funding.

**The \$4,075,729 can be utilized by local transit agencies as the local match to support over \$20 million in federal diesel emission reduction transit projects.**

Transit agencies have existing experience with diesel emission reduction projects.



# Current Plan: Administrative Costs

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Kentucky EEC is responsible for:

- Ensuring all projects that receive funding comply with the eligibility requirements specified in the Trust Agreements
- Ensuring all reporting requirements as specified in the Trust Agreement are met
- Maintaining and making publicly available all documentation submitted in support of funding requests and the plan
- Semi-annual reporting describing the progress implementing each Eligible Mitigation Action

**5% of funding (\$1,018,932) is directed to support administrative activities.**



# Current Plan: Summary

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Eligible Mitigation Measures	Percent of Funding	Amount
School Buses*	75%	\$15,283,987
Transit Buses in priority nonattainment areas	20%	\$4,075,729
Administrative costs	5%	\$1,018,932
<b>Total</b>	<b>100%</b>	<b>\$20,378,649</b>

\*EEC's plan is to provide a new school bus in every Kentucky county.



# Process for Accessing Funds

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**The Trustee may only disburse funds for Eligible Mitigation Actions (Projects) and Administrative Expenditures in accordance with Appendix D-2 as part of KY EEC's mitigation plan.**

- ❖ EEC submits plan to Trustee 30 days prior to requesting funds
- ❖ EEC identifies specific projects for funding consideration
- ❖ EEC files the “Eligible Mitigation Action Form” to request funding for the specified projects
- ❖ Trustee has 60 days to approve, deny, request modifications, or request further information
- ❖ Trustee shall begin disbursement of funds within 15 days of approval of KY EEC Funding Request



# Administrative Burden on KY EEC

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## Once a BMP is submitted, each request for funding from the Trustee must include:

- Certification that the funding request fits into the Beneficiary Mitigation Plan;
- Detailed description of community and air quality benefits;
- Estimate of the NOx reductions anticipated as a result;
- Project management plan including budget and expenditure timelines;
- Certification that all vendors were or will be selected in accordance with state public contracting laws;
- Detailed description of how KY EEC will oversee the proposed Eligible Mitigation Action (review, auditing, compliance procedures) and commitment by the Beneficiary to maintain and make publicly available all documentation;
- Description of any cost share requirements;
- If applicable, a description of how the Eligible Mitigation Action mitigates the impacts of NOx emissions on communities that have historically borne a disproportionate share of the adverse impacts of such emissions;
- A detailed plan for reporting on Eligible Mitigation Action implementation.





# Additional Requirements/Deadlines

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States have up to 10 years to expend allocations – deadline is October 1, 2027.

After the 10 year deadline, the National Trustee is required to report on all settlement funds that have not been spent or obligated.

States may request from the Trustee a portion of these remaining funds by demonstrating that their original funds have been expended/obligated.

States will have an additional 5 years to spend any supplemental awards.



# Summary

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## Potential Benefits from EEC's Plan

- ❖ Better health outcomes for those exposed to exhaust from the replacement of school and transit buses.
- ❖ Potential savings on maintenance costs for school districts and transit authorities due to vehicle replacements
- ❖ Maximizes use of \$17million federal dollars with \$4 million match of settlement funds; relieves pressure on state general funds.
- ❖ Replaces an aging school bus with a new one in every county throughout the state.

***EEC has put careful thought into a plan that supports the constraints of the settlement funds, but still allows each county to benefit from the limited funds available. This plan offers fairness across the state as a whole.***



# APPENDIX

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## ADDITIONAL INFORMATION



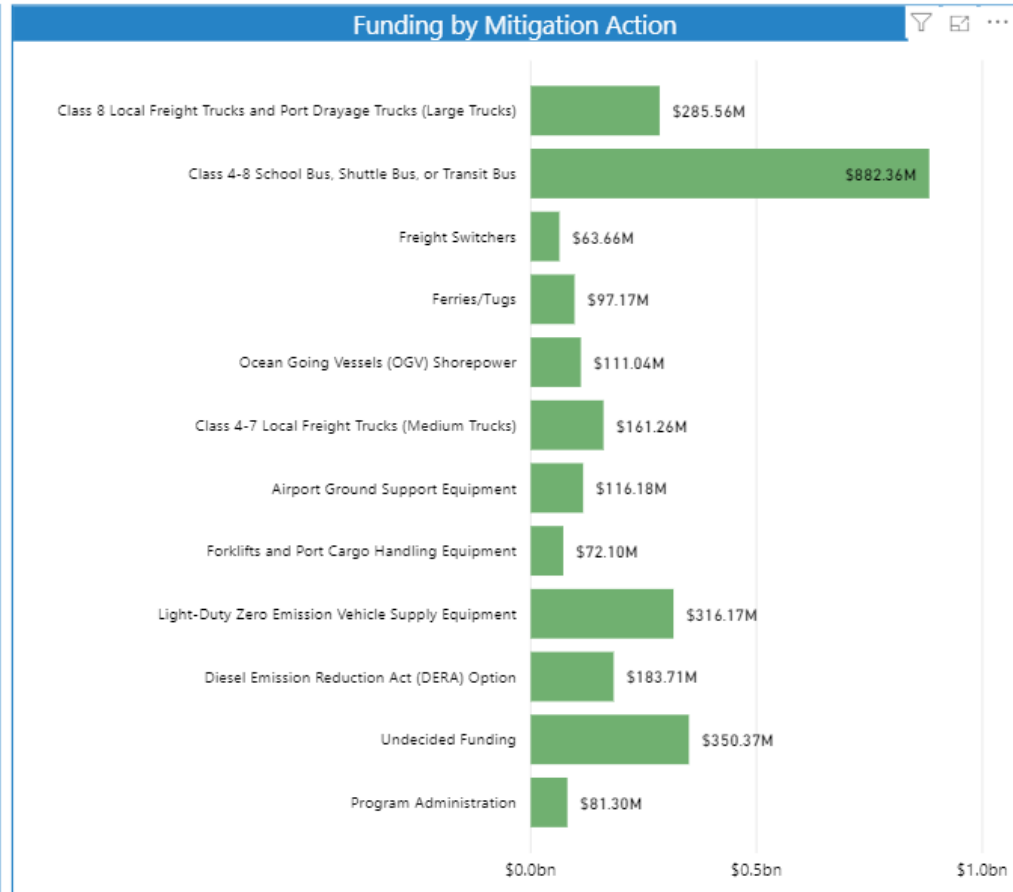
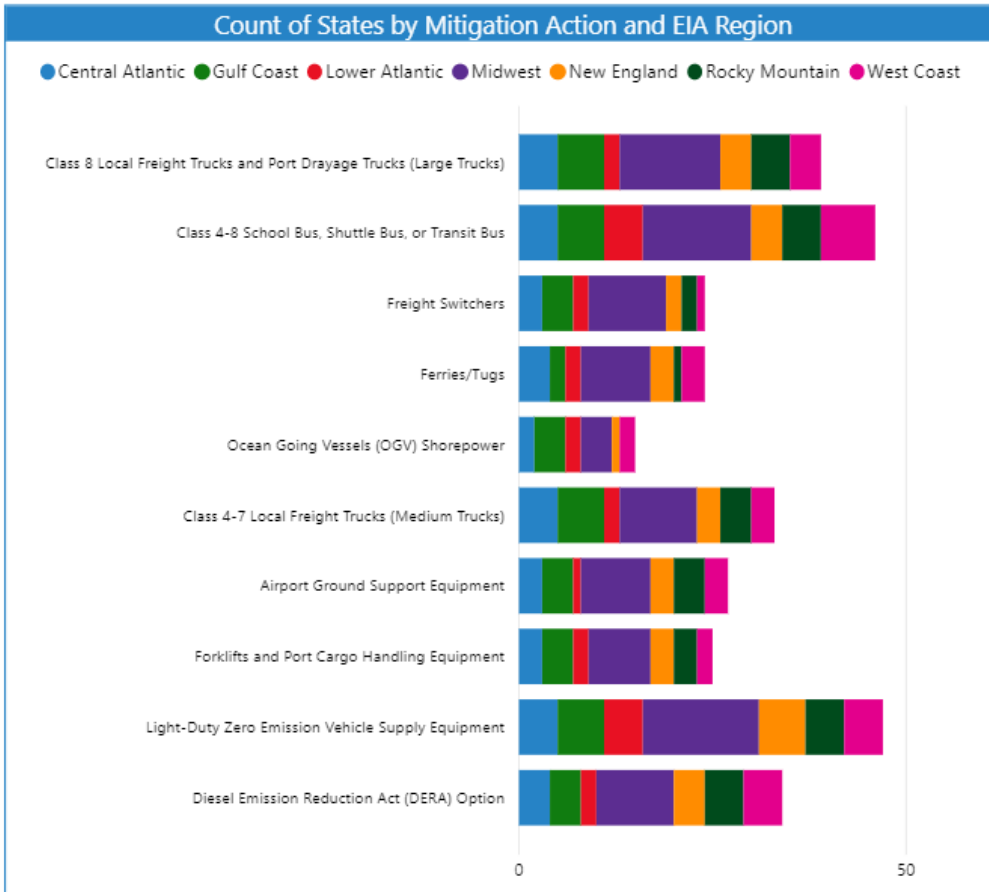
# Nationwide VW Settlement Information

## VW Settlement State Mitigation Plan Summary

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**Selections**

Selected States 51 States	Selected GHG Target States 20	Selected Mitigation Actions ALL
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# VW Settlement – Affected Vehicles

## 2.0 liter diesel vehicles & model years

- Jetta (2009-2015)
- Jetta Sportwagen (2009-2014)
- Beetle (2012-2015)
- Beetle Convertible (2012-2015)
- Audi A3 (2010-2015)
- Golf (2010-2015)
- Golf Sportwagen (2015)
- Passat (2012-2015)

## 3.0 liter diesel vehicles & model years

- Volkswagen Touareg (2009-2016)
- Porsche Cayenne (2013-2016)
- Audi A6 Quattro (2014-2016)
- Audi A7 Quattro (2014-2016)
- Audi A8 (2014-2016)
- Audi A8L (2014-2016)
- Audi Q5 (2014-2016)
- Audi Q7 (2009-2016)



# Environmental Mitigation Trust Agreement for State Beneficiaries

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<https://www.epa.gov/sites/production/files/2017-10/documents/statebeneficiaries.pdf>

