

Volkswagen Mitigation Trust Fund Guidelines

Zero-Emission Transit, School and Shuttle Bus Project

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Volkswagen Mitigation Trust Fund Guidelines

Zero-Emission Transit, School and Shuttle Bus Project

I. Project Overview

The Zero-Emission Transit, School and Shuttle Bus Project provides funding for new zero-emission replacement buses for owners of transit, school, and shuttle buses. This project mitigates excess NOx emissions, reduces pollution in disadvantaged and low-income communities, supports advanced technology vehicle and equipment deployments and accelerates the zero-emission transformation of the heavy-duty fleet.

Applicants will complete the application and meet the other requirements of the project such as submitting required documentation, scrapping the old vehicle, and complying with reporting requirements.

II. Project Requirements

A. Application Requirements

1. **Applications:** The applicant for transit, school and shuttle buses must apply through the online application portal for each individual bus.
2. **Statewide:** Applications must be submitted for each individual bus through the web based application portal from entities that own buses domiciled in California and operate primarily within the state of California.
 - a. Applicants must receive prior written authorization from the SJVAPCD for new buses that will travel outside of the state of California at any time during their contract life.
3. **First come, first served:** Applications will be selected on a first come, first served basis based off a complete and eligible application per bus, subject to the maximum funding expenditures per Entity specified in [Table 2: Maximum-Funding Expenditures per Entity](#)
4. **Authorization for submittal:** Applicants must obtain authorization for the submittal of the applications and identification of the individual authorized to implement the bus purchase project.
5. **Multiple buses allowed:** Applicants must submit a separate application for each individual bus to be replaced.
6. **Prior Purchases:** Applicants must not purchase, make down payments, become financially committed, or take possession of the new replacement bus under funding consideration prior to the issuance of a completely executed

contract that is signed by all parties – doing so will render the project ineligible.

- a. A fully refundable deposit is allowed, as long as it is clearly stated that the deposit is fully refundable

7. Information for reports: Applicants must include information needed to fulfill the reporting requirements in [Project Reporting](#)

8. Information to determine eligibility: Applicants must submit required documentation to determine eligibility of the applicant and of the old bus.

B. Eligible Applicants

1. Eligible Applicants are owners of transit buses, school buses and shuttle buses.
2. Indian Tribes are eligible for this program. In addition, Indian Tribes Beneficiaries (i.e., for federally-recognized Indian Tribes) have entered into their own Environmental Mitigation Trust Agreement. For more information, please visit the Volkswagen Diesel Emissions Environmental Mitigation Trust site at: <https://www.vwenvironmentalmitigationtrust.com/tribe-trust>
3. Agencies that are the lessors that lease or rent applicable transit, school and shuttle buses to third parties may apply, however, additional requirements must be met. These requirements are specified in [Vehicle Leasing or Rental Agencies](#)

C. Requirements for the Old Bus

1. Only buses with internal combustion engines are eligible
2. Fuel type of the old bus can be gasoline, diesel, or compressed natural gas (CNG), or propane.
3. Engine Model Year of the old school bus must be 2006 or older
4. Engine Model Year of the old transit or shuttle bus must be 2009 or older
5. Gross Vehicle Weight Rating (GVWR) must be 14,001 pounds or greater
6. Current California Highway Patrol (CHP) certification for school buses is required
7. All old school buses may be eligible regardless of their compliance with the Truck and Bus Regulation. However, noncompliant school buses are subject to additional funding limitations specified in [Project Expenditure Limitations](#)
8. Compliance with the Truck and Bus Regulation must be submitted with the application. Acceptable documentation includes, but is not limited to, any of the following:
 - a. Invoice(s) for the purchase of the Diesel Particulate Filter (DPF) and its installation on the old bus specified on the application.
 - b. Pictures of the DPF on the bus engine specified on the application. The pictures must be able to identify both the DPF and the old bus.
 - c. CHP 292 school bus safety inspection of the installed DPF on the old bus

specified on the application.

- d. Compliance certificate from CARB TRUCRS database.

D. Requirements for the New Bus

1. **Zero emission:** Hydrogen fuel cell and battery electric-powered vehicle technologies are eligible projects. Eligible buses must be listed as an Eligible Vehicle for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and listed on the HVIP website at www.californiahvip.org/. SJVAPCD may consider other zero emission technologies for eligibility on a case by case basis, subject to approval by the California Air Resources Board (CARB).
2. **New Vehicle:** The vehicle must be a new vehicle as defined in California Vehicle Code Section 430.
3. **Not converted:** SJVAPCD and CARB does not consider a new vehicle to be a new chassis that has been converted with aftermarket parts or equipment to create a zero-emission vehicle, unless the completed zero emission vehicle has obtained CARB new vehicle certification. Eligible vehicles (and vehicle chassis) must be new and not yet have been registered in any state or paid for by the purchaser (other than a vehicle down payment). Used vehicles (including vehicles used by dealers, manufacturers, or other entities or for demonstration purposes) are not eligible.
4. **GVWR 14,001 pounds or greater:** Zero-emission vehicle makes/models must be 14,001 pounds GVWR or greater.
5. **CARB certified:** The manufacturer must have obtained CARB approval/certification of the vehicle model.
6. **HVIP eligible:** Stacking VW Mitigation Trust Funds with HVIP funds is prohibited. For additional information regarding match funding, please see section [Match Funding](#)
7. **CHP certification:** Current CHP 292 certification is required for the new school bus.

E. Project Expenditures

1. **Eligible Costs:** Eligible costs include purchase price and taxes for new eligible buses.
2. **Maximum Project Funding Expenditures:** Listed in Table 1: Maximum Funding Expenditures per Bus.

Table 1: Maximum Funding Expenditures per Bus

New Bus	Maximum Funding Level
Battery Electric Transit bus	\$180,000
Fuel Cell Transit bus	\$400,000
Electric School bus (replacing a compliant old bus)	\$400,000
Electric School bus (replacing a non-compliant old bus)	\$380,000
Electric Shuttle bus	\$160,000

F. Project Expenditure Limitations

1. **Entity Funding Limitation:** The maximum funding expenditures per Entity, as determined by Tax Identification Number, is \$3,250,000.
 - a. If insufficient applications are received to expend trust funds, SJVAPCD reserves the right to issue additional contracts beyond the above stated limit.

Table 2: Maximum-Funding Expenditures per Entity, per Installment

Entity	Maximum Funding Level
Determined by Tax ID	\$3,250,000

2. **Category Funding Limitation:** Of the three bus categories – transit, school bus, and shuttle – funding for a single bus category must not exceed 50 percent of the available VW Mitigation Trust Funds, including earned interest, in each installment.
3. **Equipment Options:** While not specifying any particular ineligible equipment options, SJVAPCD reserves the right to deny reimbursement for non-standard accessories and equipment considered excessive peripheral costs. The applicant may still choose to purchase these options, however, they are not eligible for reimbursement nor will they be used in the calculation of the limitations of funding amounts specified below.
4. **Bus Funding Limitation:** Funding amounts for buses must not exceed actual project costs.
5. **Non-government owned limitation:** Funding amounts for non-government owned transit, school, and shuttle buses must not exceed 75 percent of project costs.
6. **Non-Compliant School Bus:** For school buses that are not compliant with the CARB Truck and Bus Regulation, the maximum funding amounts will be reduced by \$20,000 to account for the cost of compliance through the purchase of a DPF.
7. **Multiple Funds Limitation:** Selected applicants may not receive more funds

than the eligible project costs, whether funded solely with the VW Mitigation Trust Funds or funded with multiple funding sources.

- 8. Leasing Limitations:** Replacement bus owners can lease the buses purchased using VW Mitigation Trust Funds to third parties, provided the following requirements are met:
 - a. Lease agreement must be a minimum of 36 months
 - b. Lease agreements must contain program requirements, including, but not limited to: requirements of the new bus, contract requirements, record requirements, reporting requirements. Additional requirements can be found in Section [Vehicle Leasing or Rental Agencies](#)
- 9. Returned VW Mitigation Trust Funds:** The SJVAPCD must spend returned trust funds on eligible projects, or return trust funds to the Trustee.
- 10. Unspent VW Mitigation Trust Funds:** CARB Executive Officer or designee reserves the right in his or her sole discretion to award any remaining unspent trust funds to another Project Administrator or other mitigation projects.

G. Match Funding (Co-Funding)

Match funding from the applicant is encouraged and required for school bus purchases (at least 5 percent) and all non-government owned purchases (at least 25 percent). For school bus purchases, the cost of the required infrastructure for the new, replacement bus is used to meet the required 5 percent match.

Match funding may include funding from other State, local, federal, non-profit, or private revenue sources. Match funding may not include funding where any portion of the resulting NOx reductions could be double-counted, including but not limited to Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), Carl Moyer Program, AB923, and AB617.

The applicant must report all match funding amounts and sources to SJVAPCD prior to contract and again during the reimbursement process.

H. Payment for Scrap

The selected applicant must scrap the old bus within 60 days of the receipt of the new bus by rendering the old bus permanently and irreversibly incapable of functioning as originally intended

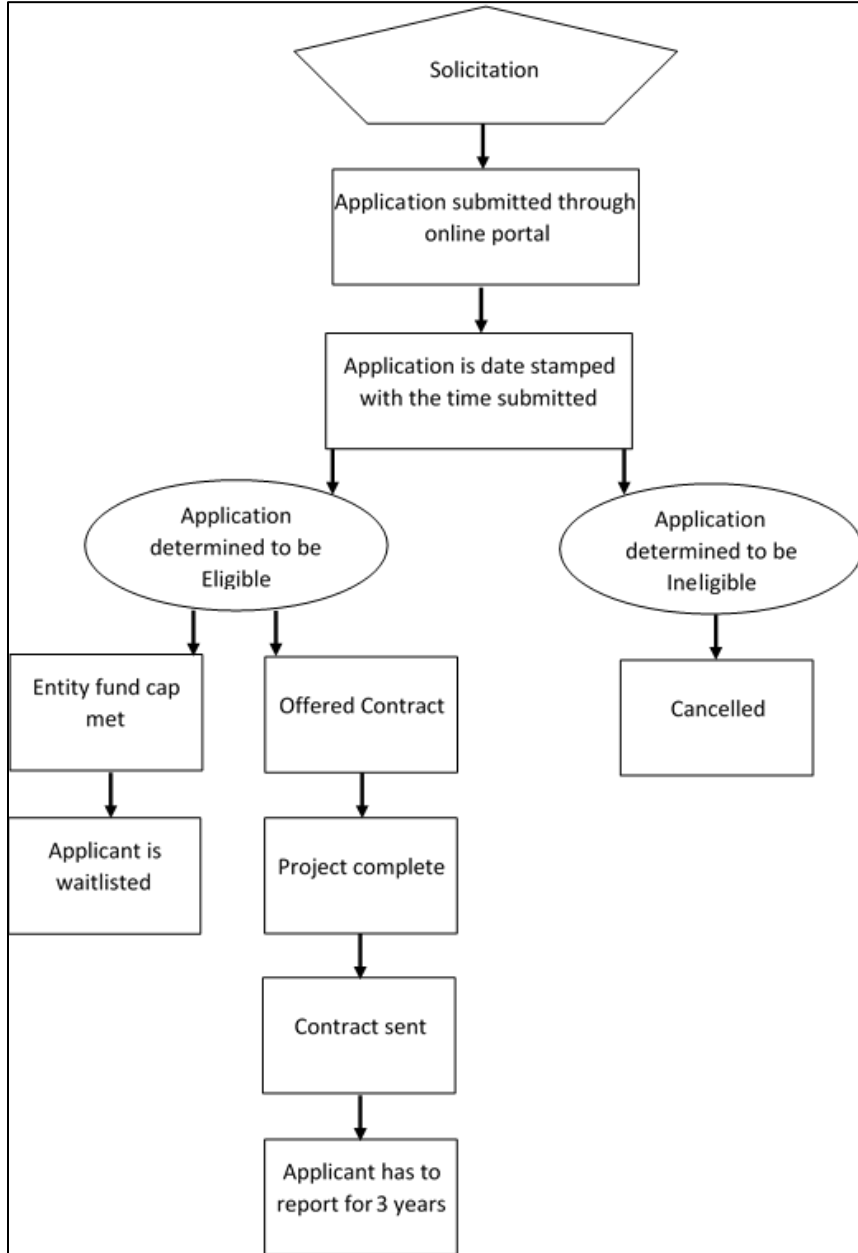
Income for scrap is not allowed. SJVAPCD will allow a selected applicant to receive payment for scrap under the following conditions

- a. The selected applicant provides to the SJVAPCD the receipt for any scrap payment showing the amount of funds received from the dismantler.
- b. SJVAPCD will reduce the VW Mitigation Trust Funds award by the scrap payment amount if the scrap amount, plus VW Mitigation Trust Funds

amount, plus match exceeds the new bus purchase price.

- c. SJVAPCD and the selected applicant will retain documentation of any scrap payment as part of the project record.

Table 3: Processing Flow Chart



L. Vehicle Purchasers

1. **Responsibilities for Vehicle Purchasers:** The bus purchaser is responsible for completing an application, executing a contract with SJVAPCD, complying with

the terms of the contract, and obtaining funding for or paying the match portion of the vehicle cost.

- 2. Requirements for Vehicle Purchasers:** The bus purchaser must be an individual, business, non-profit, or government entity that is based in California or has a California-based affiliate. A bus leasing/rental agency based outside of California is also eligible if the vehicle is leased/rented to an entity that will meet all operational, reporting, and other applicable requirements.
- 3. Restriction for Vehicle manufacturers and Dealers:** Vehicle manufacturers and dealers may apply for no more than two vehicles in each installment. This applies to vehicles the manufacturer produces and for vehicles the dealer makes available for sale. Vehicle manufacturers and dealers will be required to provide SJVAPCD and CARB additional information including, but not limited to, manufacturing costs and dealer invoice or acquisition costs. If a vehicle manufacturer or dealer chooses to purchase a vehicle they do not produce or sell, then this condition will not apply.
- 4. Insurance Requirement:** Maintain insurance as required by law. If an accident or other cause destroys or otherwise renders permanently inoperable the purchased vehicle, the bus purchaser must notify SJVAPCD within one week of the occurrence. The written notification must provide proof that the funded vehicle has become inoperable, including photographs of the inoperable vehicle with license plates or other identifying markings, as well as any applicable insurance or police documentation.
- 5. Expectation to Operate:** SJVAPCD expects the vehicle to operate primarily in California for three years after purchase.
- 6. Prohibition to Modify Vehicle:** Not make or allow any modifications to the vehicle's emissions control systems, hardware, or software calibrations, (Vehicle Code Section 27156), and not install any combustion source such as a fuel fired heater.
- 7. Reporting Requirement:** Submit annual activity reports for three years. SJVAPCD requires the funded vehicle owner to complete activity reports. SJVAPCD and CARB reserve the right to bar a fleet that does not provide timely and accurate usage surveys/questionnaires as required from future project participation.
- 8. Access to DMV Records:** Allow CARB, SJVAPCD, or their designees to verify the bus registration with the DMV for three years after initial registration.
- 9. Inspection Availability:** Be available for follow-up inspection if requested by the SJVAPCD, CARB, or designees.
- 10. Penalty for Falsifying Information:** The bus purchaser is responsible for ensuring the accuracy of the vehicle and purchaser information on the application forms. SJVAPCD and CARB may consider submission of false information on these forms a criminal offense, punishable under penalty of perjury under the laws of the State of California.

- 11. Requirement to Maintain Records:** Bus purchasers must keep written records of the bus purchase for buses funded with mitigation trust funds – including the vehicle invoice, proof of purchase, and DMV records – for the contract term plus three years.
- 12. Requirement to Provide Records:** A bus purchaser must provide SJVAPCD, CARB, or its designees with all requested information related to any bus purchased with mitigation trust funds within ten days of a written request for such information. Requested information may include but is not limited to purchase orders or agreements, vehicle payment information and related bank records, and purchaser fleet information. SJVAPCD and CARB may require selected applicants that submit false information to return the full mitigation trust fund amount and may exclude them from future project participation. In addition, SJVAPCD and CARB may pursue other remedies available under the law.

M. Resale of Vehicles

- 1. Notification of Intent to Resell:** The original vehicle purchaser must notify SJVAPCD in writing of its intent to sell the vehicle at least seven calendar days prior to the vehicle resale.
- 2. CARB Approval:** CARB and SJVAPCD expects selected applicants to keep the vehicle and meet all applicable project requirements for a minimum three-year period after the vehicle purchase date. However, unforeseen or unavoidable circumstances may allow for the resale of a vehicle within this three-year period. Resale of a funded vehicle must receive SJVAPCD and CARB written approval prior to resale.
- 3. Prohibition To Resell More Than Once in Three-Year Project Life:** A funded vehicle may not be resold more than once within three years of the original purchase date.
- 4. Contract Amendment (Novation):** For vehicles resold within three years of the original vehicle purchase date (and after SJVAPCD and CARB provides written approval), the original vehicle purchaser must inform the new purchaser in writing about the project requirements – by sharing a copy of the project contract. The new vehicle purchaser must agree in writing to meet all applicable requirements of original vehicle purchasers – by signing an amended version of the project contract with SJVAPCD.
- 5. Notification of Resell:** Within seven calendar days after the vehicle resale, the original vehicle or purchaser must notify SJVAPCD that the vehicle has been resold and provide the mailing address, phone number and email (if any) of the purchaser as well as the vehicle resale price.
- 6. Information Required from Second Owner During Three-Year Project Life:** Within thirty calendar days after the vehicle resale, the entity buying the vehicle from the original vehicle purchaser must also provide SJVAPCD with:
 - a. Mailing address**

- b. Phone number and email (if any)
 - c. A copy of the new DMV title documenting the vehicle resale
 - d. A written commitment to meet the project requirements
 - e. A written commitment to complete and return the annual usage survey/questionnaire as required by the project contract.
- 7. Prorated Funds for Resell or Moving Out-of-State:** For funded vehicles resold or moved out of the State, the vehicle purchaser must refund promptly to SJVAPCD a prorated portion of their mitigation trust funds received, in an amount equivalent to the original amount divided by 36 months and then multiplied by the number of months remaining in the original 60 month period (rounded to the nearest month): $(\text{Original Voucher Amount} \div 36 \text{ Months}) \times (36 - \text{months since vehicle purchase date})$.
- 8. Pursuit of Remedies for Noncompliance:** SJVAPCD and CARB reserve the right to pursue all remedies available under the law for noncompliance with these requirements.

N. Vehicle Leasing or Rental Agencies

Any vehicle lease or rental entity that leases or rents a vehicle purchased with VW Mitigation Trust Funds maintains responsibility for all recordkeeping and reporting requirements, and must disclose the recordkeeping and reporting requirements to the vehicle renter or lessee. The lease or rental agreement must include all commitments needed from the lessee or renter to ensure that:

1. The vehicle operates primarily in California as required by the contract with SJVAPCD; and
2. The lease must ensure that all required annual activity reports are submitted to SJVAPCD.

SJVAPCD, CARB or its designees reserve the right to review lease or rental agreements to confirm appropriate disclosures are made regarding VW Mitigation Trust Funds received and vehicle activity and reporting requirements. Selected applicants must provide SJVAPCD, CARB, or its designee all requested information related to any vehicle purchased with VW Mitigation Trust Funds (including lease or rental agreements) within ten days of SJVAPCD or CARB's written request for such information. The selected applicant (i.e. the lessor for lease agreements) is responsible for ensuring annual activity reports are accurate and are submitted as required. SJVAPCD provides a contract at time of vehicle purchase only, and not at the time a vehicle is leased or rented.

III. Project Non-Performance

SJVAPCD, CARB or its designee has the authority to recoup VW Mitigation Trust Funds received based upon misinformation or fraud, or for which SJVAPCD or its subcontractors, a dealership, manufacturer, or vehicle purchaser is in significant or

continual non-compliance with this Implementation Manual or State law. SJVAPCD and CARB also retains the authority to prohibit any entity from participating in other incentive programs due to non-compliance with project requirements.