



Legislative Fiscal Bureau

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August 4, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Commerce: Governor's Section 13.10 Request for the Use of Federal Economic Stimulus Funding for Diesel Emission Reduction Grants -- Agenda Item XI

REQUEST

The Governor submitted a request dated July 22, 2009, to the Joint Committee on Finance for approval of the allocation and expenditure of \$2,073,135 in 2009-10 in federal economic stimulus funds for diesel emission reduction grants administered by the Department of Commerce.

BACKGROUND

The federal American Recovery and Reinvestment Act (ARRA) of 2009 provided \$156 million for a National Clean Diesel Funding Assistance Program to implement diesel emission reduction technologies. The U.S. Environmental Protection Agency (EPA) awarded the funds through a nationwide competition. On July 21, 2009, EPA awarded a grant to Commerce for \$2,073,135 for a program to assist heavy-duty diesel truck owners in the purchase and installation of idling reduction technologies. The grant includes \$2,000,000 for grants and \$73,135 (3.5%) for Commerce administration of the program. Idle reduction units are devices installed on a vehicle to provide alternative power for services such as heat, air conditioning, or electricity so the engine does not have to be turned on while the vehicle is not moving.

Commerce currently operates a state-funded diesel truck idling reduction grant program that provides assistance to Wisconsin-headquartered motor carriers for a portion of the costs of the purchase of idling reduction units on truck tractors with post-1998 diesel truck engines. Under 2009 Wisconsin Act 28 (the 2009-11 biennial budget act) Commerce is provided \$250,000 in state funding from the petroleum inspection fund for the Department's program during the 2009-11 biennium. Further, Act 28 directs Commerce to spend ARRA funds before it spends any of the state funds. Finally, when the Department expends any ARRA funds for diesel emission reduction

activities, Commerce is required, to the extent permitted under federal law, to give priority to diesel truck idling reduction activities for motor carriers eligible for grants under the Commerce program. (Act 28 also contains a priority requirement related to DNR expenditure of ARRA funds for diesel emission reduction activities, which is described in a separate paper on the DNR program.)

The ARRA program would expand eligibility from the state-funded program in at least two ways. First, while the state-funded program provides funds only to Wisconsin-based motor carriers that own and operate their trucks, leased trucks would be eligible under the ARRA program if the applicant receives written permission from the owner to alter equipment on the truck. Second, the state-funded program requires owners of more than one truck tractor to purchase multiple types of idling reduction technologies, but the ARRA program would allow applicants to choose whichever EPA-verified technologies they want to use.

Commerce plans to award grants for up to 50% of the cost of purchase and installation of diesel idling reduction equipment. Department staff anticipate grants would fund approximately 444 idling reduction units. The actual number will vary depending on the type of idling reduction technologies funded under the program.

Commerce is in the process of finalizing the award selection process, and the timeline for submitting applications and awarding grants. Under the state-funded program, Commerce has previously used a computerized lottery type system to award funds, where each applicant trucking company receives one ticket per eligible truck for a sub-award. The lottery process selects tickets until all available funds are utilized or all tickets are selected. Commerce is in the process of determining how they would structure the lottery award selection process to comply with the Act 28 priority requirement. Department officials anticipate they may use the lottery process first for trucks eligible under the state-funded program, then use the lottery process with any remaining funds for trucks that are eligible under the ARRA program, but that are not eligible under the state-funded program. However, a final decision had not been made as of this writing.

ANALYSIS

Commerce has not finalized the application format, begun to accept applications under the ARRA program, or announced an application deadline. Thus, information is not available about the specific recipients of grants under the diesel emissions reduction program, number of trucks to be funded, and the portion of the total funding that will be spent on motor carriers eligible under the state-funded program. Since the ARRA funding must be used for diesel emission reduction projects, Committee approval of the ARRA funding at this time would allow Commerce to award funds as soon as it holds the application cycle. Alternatively, if the Committee wishes to review the final selection procedures and award decisions made by Commerce, the Committee could deny the request at this time. The Governor could resubmit the request to the Committee when that information is available. However, resubmittal of the request may delay implementation of diesel emission reduction projects for some grantees.

ALTERNATIVES

1. Approve the allocation and expenditure of \$2,073,100 in 2009-10 of federal stimulus funds for Commerce diesel emission reduction grants.
2. Deny the request. The Governor could submit a request when selection criteria and grant recipients are identified.

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