

**From:** [LRO](#)  
**To:** [Allanach Christopher](#); [Longacre Julia](#)  
**Subject:** FW: Response to the Joint Tax Credit Committee - SB 319 & HB 3170  
**Date:** Friday, May 13, 2011 2:55:22 PM  
**Attachments:** [EOC Authority - diesel engines.doc](#)

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JTAX – public hearings held on both of these bills.

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**From:** ALDRICH Greg [mailto:[ALDRICH.Greg@deq.state.or.us](mailto:ALDRICH.Greg@deq.state.or.us)]  
**Sent:** Friday, May 13, 2011 2:08 PM  
**To:** LRO  
**Cc:** Stidham Melanie  
**Subject:** Response to the Joint Tax Credit Committee - SB 319 & HB 3170

Dear Co-Chairs and Members of the Joint Tax Credits Committee,

Thank you for the opportunity to testify last week on HB 3170A, the diesel engine repower and retrofit tax credit extension bill. This e-mail provides DEQ's responses to two questions that could not be answered at the hearing. Representative Barnhart asked why it is difficult to get school buses retrofitted with better emission controls.

The difficulty in getting diesel school buses retrofitted is not mechanical or technical but rather financial. Over the past several years DEQ and school districts on their own have demonstrated that school buses can be effectively upgraded with exhaust controls. However, school districts are strapped for cash to do this work and grant funds have proven to be limited. Previously, EPA offered a specific grant program for school buses but the adoption of the Diesel Emission Reduction Act in 2005 combined all grant funds under one competitive grant program. Now, school buses operating no more than nine months a year are competing for limited funding against higher emitting trucks, construction equipment and towboats that operate all year long. No school bus project has been funded in EPA Region X under the competitive grant process since that change.

Tax credits could play a role in school bus retrofits since they are transferable to an Oregon taxpayer. While DEQ is prepared to offer assistance in identifying interested taxpayers for purchase of tax credits, we have not had a district willing to take this approach, probably because it still requires the district to underwrite 50-60 percent of the costs.

Co-Chair Bailey asked for clarification of our authority to regulate diesel engines.

Attached is a table that summarizes the Environmental Quality Commission's authority to regulate new and in-use diesel powered vehicles. DEQ's focus to date has been on non-regulatory methods, relying on providing technical and financial assistance. Our success has depended upon identifying and securing partnerships with interested parties in

whatever setting diesel engines operate. The overall impact from diesel engines is such that while some categories may dominate and are preferred, like non road construction equipment, reductions from any category are valuable in achieving overall public health and environmental goals.

Thank you again for your interest in DEQ's diesel emissions reduction efforts and please let me know if you have any additional questions.

Sincerely,

Greg Aldrich

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**Oregon Environmental Quality Commission's authority to establish diesel engine emission standards**

<b>Engine Category</b>	<b>Federal Law</b>	<b>EQC Authority</b>
On Road Heavy Duty Diesel – New	Federal pre-emption California can adopt emission standards and other states may opt in and enforce once an EPA waiver is granted.	If the EQC were to act, state law allows a focus primarily on medium through heavy-duty vehicles with exceptions for farm vehicles, special interest vehicles, fixed load vehicles (e.g., cement mixers), and heavy-duty trucks that primarily operate in interstate commerce
On Road Heavy Duty Diesel – In Use	There is no federal restriction on state authority to establish emission standards	If the EQC were to act, state law allows a focus primarily on medium through heavy-duty vehicles with exceptions for farm vehicles, special interest vehicles, fixed load vehicles (e.g., cement mixers), and heavy-duty trucks that primarily operate in interstate commerce
Non Road Diesel – New – locomotive engines; construction and agricultural equipment engines smaller than 175 HP. Examples of engines smaller than 175 HP include: backhoes, skid loaders and rough terrain forklifts.	Federal pre-emption	No authority to regulate due to federal preemption
Non Road Diesel – New - <b>other than</b> locomotive engines; construction and agricultural equipment engines smaller than 175 HP. (Includes large equipment – road graders, etc.)	California can adopt emission standards and other states may opt in and enforce once an EPA waiver is granted.	No state authority
Non Road Diesel – In Use - <b>other than</b> locomotive engines, construction and agricultural equipment engines smaller than 175 HP. (Includes large equipment – road graders, etc.)	California can adopt emission standards and other states may opt in and enforce once an EPA waiver is granted.	No state authority