



Oregon

Kate Brown, Governor

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DATE: April 1, 2015

TO: Senate Committee on Environment and Natural Resources

FROM: Paul Mather, Administrator
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SUBJECT: SB 824 – diesel engines

INTRODUCTION

Senate Bill 824 makes a number of changes to Oregon law related to emissions from both on-road and non-road diesel engines.

DISCUSSION

Senate Bill 824 makes three primary changes to Oregon law. The first of those changes is around how the state uses federal congestion mitigation and air quality improvement program funds (CMAQ). The bill requires that beginning in 2016, one percent of the contract price for public improvement contracts that contain federal CMAQ funds be used toward retrofitting diesel engines used on the contract. Beginning in 2018, one percent of the contract price for public improvement contracts that contain either CMAQ funds or other projects greater than \$2 million that have 30% or more state funds must be used to retrofit diesel engines used on the contract.

Currently, Oregon receives about \$17.7 million in CMAQ funds annually. All funds are distributed to those seven areas in the state (Portland Metro, Medford, Grants Pass, Klamath Falls, La Grande, Oakridge, Lakeview) eligible to receive them. Recipients of the CMAQ funds are responsible for determining projects to which the funds are applied. Improvement projects undertaken with CMAQ funds are typically funded with a combination of other sources of funding and a project contract amount is often many times the CMAQ funding provided.

For example a Medford roadway and bicycle/pedestrian project is scheduled for construction in 2017 and is funded with \$2.6 million of CMAQ funds, the current estimate for a construction contract that would be let by ODOT is estimated at \$11.7 million. Under the bill more than \$117,000 would be required to be reserved for diesel repowering or retrofitting of engines used in the course of performing the contract. In 2009, a public improvement project was undertaken by the City of Portland to provide streetcar infrastructure that was funded in part with \$993,192 of CMAQ funds, the awarded construction contract totaled just under \$52 million. If provisions of SB 824 were in effect at that time, \$520,000 would need to have been reserved for diesel repowering or retrofitting of engines used to construct the project.

It is unclear the monitoring that would need to occur to ensure the one percent was used to repower or retrofit diesel engines, and whether those engines continued to be used at least 50% in Oregon for three years following the repower or retrofit. In addition, CMAQ funds used

according to the provisions in the bill would have to meet federal funding and CMAQ program requirements. CMAQ funds can only be used in areas eligible to receive CMAQ funds and for eligible projects; CMAQ funds cannot be used for administration. Federal approval is needed for any use of CMAQ funds. It is unclear whether federal requirements would allow for an engine retrofitted for a project in one of the seven CMAQ eligibility areas to be used on projects outside of those areas or whether leftover funds could be directed to the Clean Diesel Engine Fund.

SB 824 also requires that non-road diesel engines be registered with the Department of Environmental Quality and pay a fee to be established by rule by the Environmental Quality Commission. ODOT has 841 non-road diesel engines in its inventory; we believe 573, excluding auxiliary engines, would fit the criteria for registration in the bill. Depending on the fee established this could be a significant cost to the department for equipment used to maintain Oregon's state highways.

Lastly, the bill requires the Environmental Quality Commission to establish diesel emission standards that are aligned with California's. When the rules are in place in 2022, there would be a cost to the agency to bring its fleet up to these standards. However, the most significant impact to the agency would likely be the increased cost for highway construction. Contractors who build highway projects would also be required to upgrade their fleets of equipment. Those costs will increase the costs of highway construction, resulting in fewer projects with the limited resources ODOT has available. Allowing for a phased-in implementation over time would lessen the impact.

The Oregon Department of Transportation has taken steps to reduce emissions from its fleet of vehicles by increasing the use of alternative fuels and by reducing idling. ODOT used 45 percent B-20 biodiesel equivalent through its overall fuel usage, surpassing the agency goal of 25 percent. In addition to using alternative fuels, ODOT also purchases hybrid and electric vehicles and equipment to reduce emissions and overall fuel use. Consumption of B20 equivalent fuels has increased from 360,449 gallons in FY 2009 to 943,133 gallons in 2014. In addition, 125 of ODOT's trucks use anti-idling technology.

Given the impact to the department from SB 824, we would be happy to participate in future conversations about this topic.

SUMMARY

SB 824 makes a number of policy changes around diesel emissions. The changes will have a significant impact to ODOT's operations and the cost of constructing highway projects.