

**SB 1008 A STAFF MEASURE SUMMARY**

**Senate Committee On Environment and Natural Resources**

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**Action Date:** 04/17/17

**Action:** Do pass with amendments and requesting referral to Rules. (Printed A-Engrossed.)

**Vote:** 5-0-0-0

**Yeas:** 5 - Dembrow, Linthicum, Olsen, Prozanski, Roblan

**Fiscal:** Fiscal impact issued

**Revenue:** Revenue impact issued

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**WHAT THE MEASURE DOES:**

Defines “replacement” to mean to scrap a motor vehicle powered by a diesel engine and replace it with an equivalent motor vehicle or to scrap a piece of equipment powered by a non-road diesel engine and replace it with equivalent equipment. “Replacement” does not include ordinary maintenance, repair or replacement of a diesel engine.

Adds grants and loans for vehicle and equipment replacements to permissible uses of moneys in Clean Diesel Engine Fund (Fund). Directs Department of Environmental Quality (DEQ) to use fund to award grants and loans for up to 25 percent of the certified cost of qualifying replacements in addition to certain existing uses of fund. Authorizes Environmental Quality Commission (EQC) by rule to set grant or loan award rates at a higher percentage provided grant or loan assistance does not exceed the cost-effectiveness threshold, if the higher percentage would benefit sensitive populations or areas with elevated diesel particulate matter, or otherwise increase participation by those categories of owners or operators. Prohibits award of grant or loan unless applicant demonstrates that resulting vehicle, equipment or engine will undergo at least 50 percent of its use in Oregon, measured by miles driven or hours operated, for the three years.

Authorizes State of Oregon to receive moneys pursuant to the Volkswagen Environmental Mitigation Trust Agreement (Agreement) and to deposit money in Clean Diesel Engine Fund (Fund). Requires DEQ to use Agreement Funds to award grants for purpose of reducing nitrogen oxide emissions from diesel engines. Specifies statutory requirements that are not applicable to these grant awards. To extent authorized by the Agreement, directs DEQ to allocate funds among: (1) school buses powered by diesel engines for 30 percent of replacement costs beginning with oldest buses in state and continuing until 450 buses have been replaced; and (2) specified categories of vehicles powered by diesel engines. Sets grant award criteria.

Directs EQC to adopt rules to implement grant and loan program, including rules that establishes preferences for awarding grants and loans. Preference criteria include: percentage of diesel engine use in Oregon, availability of matching funds, benefit to sensitive populations, and cost-benefit analysis. Requires EQC to reserve a portion of funds for applicants that own or operate a small number of diesel engines.

Requires DEQ to hire or contract with third-party organization to complete an inventory of non-road diesel engines used in Oregon. Establishes required qualifications of third-party organization, requirements for inventory and required uses of inventory by DEQ. Requires completion of inventory no later than July 1, 2019. Sunsets requirement to obtain inventory from third-party organization January 2, 2020. Requires DEQ to make inventory publicly available in aggregate form. Appropriates moneys to DEQ to cover costs of hiring or contracting with third-party organization.

Makes conforming amendments to tax credit statutes that are applicable to past tax years.

Declares emergency, effective upon passage.

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### **ISSUES DISCUSSED:**

- Potential health consequences of diesel emissions
- Work group process during interim to develop legislation
- Use of Volkswagen settlement funds
- Inventory of non-road diesel engines
- California diesel program

### **EFFECT OF AMENDMENT:**

Replaces measure.

### **BACKGROUND:**

Diesel engines are used throughout Oregon and the United States because of their reputation for reliability, durability, power and fuel efficiency. In Oregon, on-road heavy duty diesel trucks and diesel construction equipment is the largest source of diesel exhaust. Diesel exhaust is considered a health risk, particularly in urban areas that are close to highways and major roads.

Senate Bill 1008A would add grants and loans for diesel engine replacements to the permissible uses of the Clean Diesel Engine Fund and make other modifications to provisions governing the issuance of grants and loans from this fund. The measure would also authorize the State of Oregon to receive funds under the Volkswagen Environmental Mitigation Trust Agreement and specify the allocation of these funds for grants to reduce emissions from diesel engines.