Pre-Application Meeting Workshop - Volkswagen Settlement Funding

The presentation will begin shortly. . .

- Audio is available through your computer or telephone.
- Please keep your microphone muted to avoid background noise and feedback.
- If you have a question during the presentation, please type it into the chat box. We will have a dedicated time to answer questions at the end of the presentation.
- If you're experiencing any technical difficulties, please contact us through the chat box and we will try to troubleshoot the issue.

New Mexico Environment Department

Volkswagen Settlement Funding

Neal Butt, Senior Environmental Scientist

December 18, 2025

Request for Proposals

- Approximately $2.6 million is available. The application period for VW funding opened on October 17, 2025. For best consideration applications should be received by January 14, 2026.
  - On this day, the first evaluation period will commence, and received applications will be assessed for eligibility and suitability. Based on this review, funding recommendations will be made.
  - If funding is completely allocated after this first period, the Department will announce the closure of the formal application window, but will accept letters of interest from that time forward. These will be kept on file in the event that additional funding becomes available.
  - Completed applications should be sent to neal.butt@env.nm.gov .
- The Department will consider applications for projects as listed in the Eligible Mitigation Actions found in Appendix D-2 of the State Mitigation Trust Agreement [https://www.vwcourtsettlement.com/en/docs/DOJ/Approved%20Appendix%20D-2.pdf]
  - Preference for projects located in or adjacent to those counties with levels of ozone at or above 95% of the NAAQS for ozone. (i.e., Bernalillo, Doña Ana, Eddy, Lea, Sandoval, San Juan, and adjacent counties)

What did Volkswagen do wrong?

- VW installed illegal “defeat devices” on 590,000 diesel-engine vehicle's emission control systems
- A defeat device causes vehicle’s emission control systems to malfunction
- Illegal software allowed the on-board computer to detect when the car was being tested and run emissions controls on the exhaust (NO_X catalyst).
- But on the road, emissions controls were disengaged allowing up to 40 times the levels of nitrogen oxides (NO_X) allowed under EPA’s tailpipe standards
- VW violated the Clean Air Act by selling motor vehicles that were designed differently from that stated in its applications for engine certification that VW submitted to EPA.

VW Environmental Mitigation Trust Fund

- Funds eligible mitigation actions to reduce NO_X emissions
- Trust effective date – October 2, 2017
- New Mexico allocated nearly $18 million in settlement funds
  - Based on the number of affected vehicles registered within its jurisdiction
  - Between 4,000 and 10,000 of the affected models were delivered, marketed and sold in NM
- Beneficiary status for NM was approved on January 30, 2018
- NMED is the Lead agency

Beneficiary Mitigation Plan (BMP)

BMP includes planned use of the mitigation funds:

- Information about the specific uses for which funding is expected to be requested; and
- State goals.
  - Goals are non-binding
  - Does not create any rights to claim an entitlement of any kind
  - May be adjusted by the State

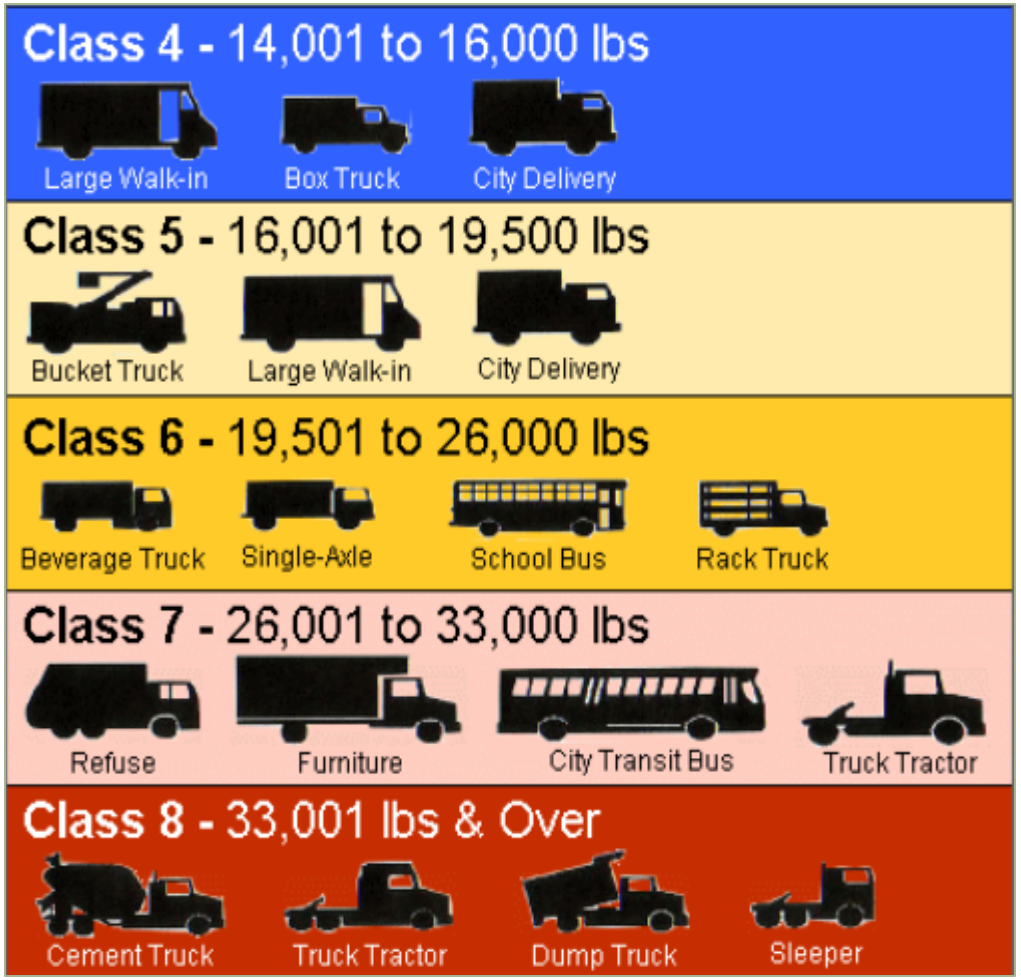
The Final BMP was posted on the VW website, July 24, 2018. The Plan was last revised on July 12, 2019

Public Comment Period for Proposed Revisions to the VW Beneficiary Mitigation Plan Closed on December 12, 2025

- Reinstate the necessary amount of funding to be set aside for the DERA Option from approximately 1.8% of the total funding amount ($317,553) to 3.29% ($592,244).
- $592,244 already earmarked as “State matching funds” for DERA Grant funding previously awarded by EPA. (i.e., $592,244/$17,982,660.90 = 3.29%).
- By providing State matching funds, utilizing VW settlement funding, New Mexico’s original DERA grant amount was augmented by EPA, who provided a “match incentive” of 50% of their “Base allocation”, thereby increasing their total award by 20%. EPA’s “base allocation” for FY17-18 ($274,691) + FY19 ($317,553) = $592,244. New Mexico matched this amount with VW settlement funds ($592,244), and was rewarded with a “match incentive” bonus of $296,123 [FY17-18 ($137,346) + FY19 ($158,777) = $296,123].
- DERA is a Congressionally authorized program that enables the EPA to offer funding assistance for projects reducing diesel emissions.
- The revised plan can be found at: [https://www.env.nm.gov/vw-settlement/].
- Written comments on the proposed revisions to the plan were solicited via list serve for 30 days, from November 12th until December 12th. No comments were received.

Eligible Mitigation Projects

- Class 4-7 local freight trucks
- Class 8 local freight trucks and port drayage trucks
- Class 4-8 school/shuttle/transit buses
- Freight switcher locomotives



Round 4 Funding – Ozone Counties

- $7.3 million for diesel emission reduction projects throughout New Mexico. Special consideration for projects located in or adjacent to those counties with levels of ozone at or above 95% of the National Ambient Air Quality Standard (NAAQS) for ozone (i.e., Bernalillo, Doña Ana, Eddy, Lea, Sandoval, San Juan and adjacent counties)
- Class 8 Local Freight Trucks and Port Drayage Trucks (Eligible Large Trucks); Class 4 – 8 school buses, shuttle buses, and transit buses; freight switcher locomotives; and Class 4 – 7 local freight trucks (Medium Trucks) may be *Repowered* with any new diesel or Alternate Fueled engine or All-Electric engine; or may be *Replaced* with any new diesel or Alternate Fueled or All-Electric vehicle
  - "Repower" shall mean to replace an existing engine with a newer, cleaner engine or power source that is certified by EPA and, if applicable, CARB, to meet a more stringent set of engine emission standards
  - "Alternate Fueled" shall mean an engine, or a vehicle or piece of equipment that is powered by an engine, which uses a fuel different from or in addition to gasoline fuel or diesel fuel (e.g., CNG, propane, diesel-electric Hybrid)
  - "All-Electric" shall mean powered exclusively by electricity provided by a battery, fuel cell, or the grid

General Limitations and Conditions

- Project area(s) must be physically located in New Mexico
- Vehicle / engine replacement projects must include scrapping old vehicle / engine
  - "Scrapped" means to render inoperable, and available for recycle, by cutting cut a 3-inch hole in the engine block, and disabling the chassis by cutting the vehicle's frame rails completely in half
- Vehicles that are being replaced or re-powered must be operational with a valid state registration
- New vehicles must be of the same class and perform the same duties as the vehicles being replaced
- Funding recipients must comply with all requirements in the implementation of the project

Scoring Criteria

- NOx Reductions (Lifetime tons reduced)
- Cost Effectiveness
- Cost Sharing
- Sensitive Populations
  - Minority
  - Poverty
  - School, to include daycare
  - Hospital/medical
  - Elderly
- NAAQS ozone status
  - Nonattainment area (Sunland Park)
  - ≥ 95% ozone NAAQS
- High impact areas
- Population
- Alternative fuel use

PART A
ORGANIZATION INFORMATION

PART A – ORGANIZATION INFORMATION					
Project Title	***Windy City Solid Waste Vehicle Replacement Project.***				
Number of Vehicles					
Funding Amount Requested		Total Project Cost			
Organization Name					
Responsible Official		Title			
Mailing Address					
City, State, Zip		Phone Number			
Cell Number		Email			
Contact Person		Title			
Phone Number		Email			
Organization Type	☐ State ☐City ☐ County ☐School District ☐ Non-Government ☐ Other If other, list:				
Fleet Address					
City		County		Zip Code	
Will the vehicle(s) permanently reside within New Mexico? ☐ Yes ☐ No Will the vehicle(s) permanently reside at the project address? ☐ Yes ☐ No If “No” to either of the questions above, provide a detailed explanation in accordance with the application instructions.					

PART B
PROJECT CATEGORY

PART B – PROJECT CATEGORY		
Project Area: Provide a summary of the project area below.		
Project Type	Select one: ☐ Engine replacement ☐ Vehicle replacement	
Number of years new vehicle(s) will remain in fleet		Years

PART B
PROJECT CATEGORY (Continued)

Total lifetime NO_X reductions from the entire project		Tons
Cost Effectiveness		
Cost Share ☐ 0% ☐ 25% ☐ 50% ☐ 75%		
Provide a detailed summary detailing the source of the emission reduction data used, and the calculated cost effectiveness.		
For on-road applications estimated emissions shall be calculated using Argonne National Laboratory's Heavy Duty Vehicle Emissions Calculator (HDVEC) https://afleet.es.anl.gov/hdv-emissions-calculator/ For non-road applications use the EPA's Diesel Emissions Quantifier https://cfpub.epa.gov/quantifier/		

PART B
Sensitive Populations

Sensitive Populations
Will the project be in or adjacent to an area identified as a priority area due to demographic and/or health factors that are impacted disproportionately, (e.g., elderly, young, low income, minority, evidence of morbidity or other health effects associated with diesel exhaust exposure)? Check all that apply.
☐ Elderly ☐ Hospital/medical ☐ School(s), including daycare
_____ Percent Minority _____ Percent below poverty level
Provide a detailed description of the project area as it relates to the criteria above using US Census Bureau data. Attach a screen print of each webpage that displays the required demographic data.
Use the United States Census Bureau website to find demographic data for this section. https://data.census.gov/

Air Quality Impacts
Attainment Status for Ozone

Air Quality Impacts
Is the project located in a county that is in non-attainment of the current National Ambient Air Quality Standard for ozone (i.e., Doña Ana County)? ☐Yes ☐No
Is the project located in an area or county that is equal to or greater than 95% of the current National Ambient Air Quality Standard for ozone? (i.e., Bernalillo, Doña Ana, Eddy, Lea, Sandoval, San Juan, and adjacent counties). ☐ Yes ☐ No
If yes, provide a summary on the project area as it applies to the ozone standard.

Air Quality Impacts
High Impact Areas

High Impact Areas
Is the project located in an area that is disproportionately affected by exposure to diesel-fueled vehicles? Select all that apply. The term "project area" as used in this Program Application refers to the primary area where the affected vehicles/engines operate, or the primary area where the emissions benefits of the project will be realized.
☐ Airport ☐ Distribution Center ☐ Fleet yard ☐ Interstate highway ☐ Multimodal center ☐ Port ☐ Bus terminal ☐ Rail terminal ☐ Truck stop ☐ US highway ☐ Other
Provide a description of the type of fleet(s) and the impacts on the project area. Include the proximity to any of the selections above. If "Other" was selected include a summary that describes the "other" source(s).
Private Christian School: Our project location and school campus borders Interstate 40, State Highway 118 (Route 66), and the BNSF Railway. There is a local airport on the west side of Gallup, and a large rail yard located in the center of the Gallup community. In communication with the Chamber of Commerce, we learned that 85 - 110 freight trains travel by our school campus and through our project area daily. According to the New Mexico Freight Plan published by the NM Department of Transportation in August 2015, the projected Truck Traffic on Interstate 40 will average between 25,000 and 146,000 trucks per day by 2035 (pg 29). A hub for truck stops is located on the west side of Gallup, and one of our bus routes travels directly through that area. We also have State Highway 491 as the main artery between Gallup and both Window Rock, AZ the Shiprock/Farmington NM areas. Two of our school buses travel daily on highway 491 to reach our students and their communities.

Air Quality Impacts
High Impact Areas (Continued)

Population: ☐ 0-49,999 ☐ 50,000-99,999 ☐ 100,000-149,999 ☐ 150,000-199,999 ☐ 200,000-249,999 ☐ 250,000-299,999 ☐ 300,000-349,999 ☐ ≥350,000
Provide a summary of the population as it relates to the project area.
The project area is centrally located within the Town of Dusty. The Town has a population of 35,000, U.S. Census Bureau (2010) and is rurally located in Dry County, NM. Using the U.S. EPA EJSCREEN software, the project is located within tract area STCNTR: 35001004501, with a population of 3,956.
Alternate Fuel Type of Proposed Vehicles: ☐ CNG/LNG ☐ Propane ☐ Electric ☐ Hydrogen
Ability to be deployed in a timely manner: Provide a detailed description, including estimated time of delivery and the procurement process.

Are additional fueling infrastructure developments or improvements needed for this project? If yes, describe below.	☐ Yes ☐ No

Provide a detailed summary of the applicant's purchasing procedures ensuring that all vendors will be selected in accordance with state public contracting and procurement regulations, as applicable.

Scoring, Selection, and Funding

- For best consideration, applications should be received by January 14, 2026. Electronic submittals: neal.butt@env.nm.gov
- First Evaluation Period: October 17, 2025 – January 14, 2026
- VW Steering Committee Awards: Spring 2026
- Project Agreements: After awards are announced
- Reimbursement by Trustee after completion
  - Eligible Mitigation Actions – Appendix D-2
    - *Allowable Projects and Costs*

Questions?

Neal T. Butt
Senior Environmental Scientist
NMED - Air Quality Bureau

Santa Fe Office
525 Camino de los Marquez, Suite 1
Santa Fe, NM 87505-1816
(505) 629-2972
(505) 476-4375 (FAX)

Neal.Butt@env.nm.gov
www.env.nm.gov
Twitter @NMEnvDep | #iamNMED