

# Minnesota's Volkswagen settlement state plan

## Executive summary

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### The settlement

In 2016 Volkswagen Corporation was caught violating air pollution standards for nitrogen oxides (NO<sub>x</sub>) in its diesel cars and SUVs. Their vehicles were producing 30-40 times more pollution than allowed by law. The federal government took VW to court and on October 2, 2017, the Department of Justice and VW signed a \$15 billion settlement. A portion of the settlement – \$2.9 billion – will be shared among the U.S. states and tribes, based on the number of violating vehicles registered in each jurisdiction. Minnesota's share is \$47 million. Governor Dayton designated the Minnesota Pollution Control Agency (MPCA) to manage the settlement funds, which will be spent over 10 years on projects to offset the excess pollution from the violating vehicles.

States can develop programs and fund projects that make the most sense for them, within the boundaries set by the settlement. Because VW's violations involved diesel models, the settlement will fund pollution reductions from diesel vehicles. States and tribes can only use the funds on activities outlined in the settlement, most of which involve replacing older diesel vehicles or equipment with new ones that produce far less pollution. The replacements can use any fuel, including diesel, propane, natural gas, and electricity. Replacements allowed under the settlement are:

- Heavy-duty and medium-duty trucks
- School, transit, and shuttle buses
- Switcher locomotives
- Ferry, tug, and tow boats
- Shore power for ocean-going vessels
- Airport ground support equipment
- Forklifts and port cargo-handling equipment
- Construction equipment (by supplementing the existing Diesel Emission Reduction Act)

Additionally, up to 15% of each state's funds may be used for electric vehicle charging infrastructure. All funds must be spent or committed to approved projects by October 2, 2027.

### Minnesota's plan

States must develop plans for using their settlement funds and submit them for approval to the Trustee managing the funds nationally. Minnesota's plan involves three phases of funding for five grant programs, over 10 years. Once it's approved, the MPCA can begin requesting proposals for projects and issuing grants.

### Goals

The MPCA will use the state's settlement funds to support a healthy environment for all Minnesotans and achieve significant emissions reductions across the state, especially in those communities most impacted by vehicle pollution. Because 60% of the violating vehicles were registered in the Twin Cities metropolitan area and 40% were registered in Greater Minnesota, the funds will be targeted using the same 60%-40% ratio. We will invest in communities disproportionately impacted by air pollution, both in the Twin Cities area and in Greater Minnesota. In developing the grant programs and selecting projects for funding, we will balance project costs with emissions reductions and other benefits.

## Three phases

Minnesota's plan is structured in three phases, so the MPCA can seek additional input and make changes as needed along the way. This plan addresses Phase 1 (2018-2019) only.

The three phases are:

- Phase 1: \$11.75 million (25% of overall funds) – 2018-2019
- Phase 2: \$23.5 million (50%) – 2020-2023
- Phase 3: \$11.75 million (25%) – 2024-2027

## Five grant programs in Phase 1 (2018-2019)

Minnesota will manage the VW settlement funds through five grant programs that will allow different vehicle and equipment types to be compared with each other through the grant process. With these investments in 2018 and 2019, the MPCA expects to reduce approximately 1,152-1,228 tons of nitrogen oxides, 41-60 tons of fine particles, and 21,188-34,751 tons of greenhouse gases.

**Table: Summary of grant programs, 2018-2019 (phase 1)**

MN grant categories (2018-2019)	Settlement category	Eligible fuels	2018-2019 grants (Phase 1)	
			Targeted percent*	Targeted dollar amount
<b>School bus replacement program</b>	School buses	All (diesel, propane, natural gas, electric)	20%	\$2,350,000
<b>Clean heavy-duty on-road vehicles program</b>	Transit buses, class 4-8 trucks	All (diesel, propane, natural gas, electric)	35%	\$4,112,500
<b>Clean heavy-duty off-road equipment program</b>	Switcher locomotives, ferries, tugs, forklifts, port cargo handling equipment, ocean-going vessel shore power, Diesel Emission Reduction Act (DERA)	All (diesel, propane, natural gas, electric)	15%	\$1,762,500
<b>Heavy-duty electric vehicle program</b>	School buses, transit buses, trucks, airport ground support equipment	Electric	15%	\$1,762,500
<b>Electric vehicle charging stations</b>	Zero-emission vehicle infrastructure	Not applicable	15%	\$1,762,500
	<b>Total:</b>			<b>\$11,750,000</b>

\*Percentage of available settlement funds targeted at these activities for 2018-2019

## Outreach and input

The MPCA is committed to developing a program that benefits all Minnesotans and reflects the needs and desires of people across the state. The agency sought input statewide for more than a year. Before drafting the state plan, we held nine public meetings and four stakeholder meetings, kept interested people up to date with informational email bulletins, received nearly 300 written comments and over 800 responses to online surveys, sought input from the MPCA's Environmental Justice Advisory Group, and posted information and data on a website. We released a draft of the state plan and gave Minnesotans the opportunity to tell us if we did a good job reflecting their input. We held seven public meetings, one webinar meeting, and one stakeholder meeting, and received over 580 written comments. All the information gathered during this process is available at [www.pca.state.mn.us/vw](http://www.pca.state.mn.us/vw). We also encourage anyone interested in applying for funds in the future, to go to our website and sign up to receive our emails.