

TASC and the Volkswagen Settlement

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Outline of Presentation

- ▶ Background of the Volkswagen Settlement
- ▶ Chronology of Actions to Date
- ▶ Actions Taken by TASC



Background of the Volkswagen Settlement

- ▶ *September 2015:* Volkswagen (VW) officials admitted to installing “defeat devices” on certain diesel vehicles sold in US
- ▶ Devices were intended to cheat diesel emissions tests under the US Clean Air Act and the California Health and Safety Code - caused emissions control systems to perform differently during normal vehicle operations versus during emissions testing

Background of the Volkswagen Settlement

- ▶ Intentional cheating resulted in emissions of nitrogen oxides (NOx) that were significantly in excess of compliant levels
- ▶ Defeat devices had been installed in nearly 600,000 2.0 liter and 3.0 liter VW, Audi, and Porsche branded diesel vehicles sold in the US
- ▶ Civil and criminal litigation began

Background of the Volkswagen Settlement

- ▶ *October 25, 2016:* US District Court for Northern District of California approved first partial consent decree relating to 500,000 2.0 liter diesel engine vehicles with defeat devices
- ▶ *May 17, 2017:* Court approved second partial consent decree relating to 90,000 3.0 liter diesel vehicles with defeat devices

Background of the Volkswagen Settlement

- ▶ As condition of 1st decree, VW required to mitigate excess emissions through establishment of Environmental Mitigation Trust (Trust)
- ▶ Under 1st partial consent decree, VW required to pay \$2.7 billion (\$900 million per year over three years) to the Trust



Background of the Volkswagen Settlement

- ▶ Second partial consent decree required additional \$225 million contribution to Trust
- ▶ *Total Allocation to Trust: \$2,925 Billion*
- ▶ Allocated for benefit of 50 states, the District of Columbia, and Puerto Rico
- ▶ Allocation per beneficiary based on number of subject vehicles registered in each jurisdiction, with minimum funding allocation of \$7.5 million per beneficiary

Background of the Volkswagen Settlement

South Carolina's Allocation Under the Trust:

\$33,895,291.39

Represents 1.16% of Total Trust



Chronology of the Volkswagen Settlement

- ▶ *June 14, 2017:* Governor McMaster designated SC Department of Insurance (SCDOI) as lead agency to administer SC's allocation under Trust
- ▶ *October 2, 2017:* District Court approved finalized Trust Agreement between the National Trustee (Wilmington Trust, N.A.), the United States, California, and VW
- ▶ *November 21, 2017:* SCDOI filed executed Certification for Beneficiary Status under the Trust
- ▶ *January 29, 2018:* National Trustee officially designated SC as a Beneficiary; SCDOI is lead agency

Chronology of the Volkswagen Settlement

- ▶ *April 20, 2018:* SCDOI publishes Draft Beneficiary Mitigation Plan (BMP) for SC under the Trust; issued for public comment
- ▶ Trust requires each beneficiary develop a BMP that summarizes how the state will use mitigation funds allocated under the Trust
- ▶ *Overall BMP Goal:* Reduce future NOx emissions while focusing on the state's needs

Chronology of Volkswagen Settlement

- ▶ SC's Draft BMP addresses:
 - ▶ SC's overall goal for use of the funds
 - ▶ Categories of eligible mitigation actions and estimated percentage of funds for each eligible mitigation action
 - ▶ Description of how SC will consider potential beneficial impact of selected eligible mitigation actions on air quality
 - ▶ Description of expected ranges of emissions benefits SC estimated would be realized by implementing eligible mitigation actions

Chronology of Volkswagen Settlement

- ▶ SCDOI provided 45 day public comment period on Draft BMP
- ▶ *May 1, 2018*: Public Hearing Convened in Columbia, SC
- ▶ *May 25, 2018*: Deadline to submit written comments to SCDOI regarding Draft BMP
- ▶ Comments and information provided considered in re-evaluating/modifying Draft BMP

Chronology of Volkswagen Settlement

- ▶ *July 25, 2018:* SCDOI issues revised BMP for public comments
- ▶ *August 24, 2018:* Deadline to submit written comments on revised Draft BMP
- ▶ *Currently:* SCDOI reviewing written comments received and evaluating if any changes needed to Draft BMP; if no substantive changes, Final Draft BMP will be published and submitted to National Trustee

Chronology of Volkswagen Settlement

- ▶ *30 Days Prior to Submitting 1st Funding Request:* State must file a BMP summarizing how funds will be utilized with National Trustee
- ▶ *30 Days After Submission of BMP:* State may request funds

No Dates Set As Yet to Receive Funding Proposals
from Eligible Agencies!

Actions Taken by TASC

- ▶ *December 18, 2017:* TASC President Keith Scott, Secretary Sharon Hollis, and Policy Committee Chair Brian Piascik met with SCDOI Director Ray Farmer about the Trust and TASC
- ▶ Discussed TASC member agencies' interest in receiving settlement funding
- ▶ Presented a spreadsheet listing each public transit agency requesting funding
 - ▶ Dollar amount requested for use as local match
 - ▶ Number of new rolling stock to be purchased if funds awarded

Actions Taken by TASC

In the Meeting with Director Farmer:

- ▶ Requested \$6,344,402 in settlement funding to use as local match to leverage available state and federal dollars to purchase new rolling stock
- ▶ Explained need for funding:
 - ▶ About 50% of fleet at or nearing end of useful life
 - ▶ Many vehicles not energy efficient or environmentally friendly
 - ▶ Most agencies do not have sufficient local match needed to access federal and state funding

Actions Taken by TASC

In the meeting with Director Farmer, discussed:

- ▶ Use of VW funds to leverage other funding would extend value of settlement by \$30,975,610 (amount of federal and state dollars that could be drawn down and used for vehicle purchases)
- ▶ Introduced SCDOT to TASC; explained TASC goals
- ▶ Discussed why expanding public transportation is critically important for South Carolina

Actions Taken by TASC

In the meeting with Director Farmer, discussed:

- ▶ Need for reliable, affordable, and accessible transportation for all state's citizens
- ▶ Impact of increasing traffic congestion in SC
- ▶ Need for energy-efficient and environmentally friendly rolling stock that utilizes clean natural gas or are powered by electric engines to improve air quality throughout SC



Actions Taken by TASC:

- ▶ *May 1, 2018:* TASC Director Terecia Wilson gave testimony on First Draft BMP at Public Hearing in Columbia; TASC President Keith Scott and TASC Member Keith Moody from Clemson Area Transit attended hearing
- ▶ Twelve (12) people spoke, including:
 - ▶ State Superintendent of Education Molly Spearman
 - ▶ Landon Masters, State Energy Office
 - ▶ Erick McCarthy, Proterra

Actions Taken by TASC

- ▶ Other groups represented at hearing:
 - ▶ Natural Gas Association
 - ▶ Greenlox (Electric Charging Solutions)
 - ▶ SC Green Building Council
 - ▶ Sierra Club
 - ▶ Southern Alliance on Clean Energy
 - ▶ Electric Vehicle Owners' Association
 - ▶ SC Clean Energy Business Alliance
 - ▶ Cummings Sales

Actions Taken by TASC

Key Points Made in TASC Testimony:

- ▶ Majority of public transportation agencies do NOT have sufficient local match needed to access state and local funds for purchase of new buses
- ▶ Settlement funding offers amazing opportunity to leverage federal dollars available to the state, thus extending total value of settlement



Actions Taken by TASC

Key Points Made in TASC Testimony:

- ▶ According to State Multimodal Transportation, 56% of transit needs in SC remain unmet
- ▶ Concurred with general factors in Draft BMP that will be part of project review process:
 - ▶ Leveraged funding opportunities
 - ▶ Other potential funding sources
 - ▶ Current and long-term environmental and economic benefits
 - ▶ Addresses needs of the state

Actions Taken by TASC

Key Points Made in TASC Testimony:

- ▶ Concur with inclusion of transit buses in Section V of Draft BMP, allowing for replacement with vehicles that use clean natural gas, propane or powered by electric engines in order to make significant reductions in emissions
- ▶ Concur with Funding Priorities listed in Section V-b in which Class 4 - 8 School, Shuttle, and *Transit Buses are listed as a top funding priority!*



Actions Taken by TASC

Key Points Made in TASC Testimony:

- ▶ Requested that Table on Page 10 of Draft BMP include “Transit Buses” in the heading, and include Non-Government-Owned Transit Buses as well. (Related to Maximum Allocation of Funding)
- ▶ Supported language in Appendix allowing for a percentage of actual administrative expenditures associated with implementing Eligible Mitigation Actions be included in funding projects

Actions Taken by TASC

- ▶ *May 25, 2018:* Updated oral testimony from May 1, 2018 and submitted complete written response with attachments (TASC Fact Sheet)
- ▶ *August 24, 2018:* Submitted written comments in response to July 25th release of second draft of Benefit Mitigation Plan for South Carolina



Actions Taken by TASC

Key Comments on Second Draft of BMP:

- ▶ Requested Section IV, “Available Funding and Eligible Applicants” be modified to explain and clarify that “non-government” entities include but are not limited to private, non-profit organizations that provide public transit services, as well as quasi-governmental organizations that provide public transit services
- ▶ The change would allow these entities to be Eligible applicants under the BMP

Actions Taken by TASC

Key Comments on Second Draft of BMP:

- ▶ Pleased to see that Class 4 - 8 school, shuttle, and transit buses are included as a Funding Priority (80 - 100%)
- ▶ Inclusion of transit buses is critical for expansion of public transit services in SC
- ▶ Important to replace aging buses and engines with models that will reduce emissions and improve air quality

Actions Taken by TASC

Key Comments on Second Draft of BMP:

- ▶ Requested that the Glossary of Terms be expanded to define “Non-Governmental Entity” to include organizations such as private, non-profit organizations that offer public transit services, as well as quasi-governmental organizations that provide public transit services.



Closing Remarks

- ▶ TASC will post the May 25th and the August 24th comments on our website.
- ▶ TASC will also be sending out an email with the draft comments to all members
- ▶ Use the comments to talk with your legislative delegation and encourage them to support TASC efforts to obtain funding through the settlement!



Closing Remarks

- ▶ TASC will continue to monitor SCDOI progress toward finalizing the BMP
- ▶ At the May 1st hearing, Director Farmer set no timeframes for when funding proposals will be solicited.

Thanks for your attention!
TASC will keep you posted!!

