South Dakota Department of Agriculture and Natural Resources
523 E Capitol
Pierre, SD 57501

South Dakota Diesel Emission Reduction Act (DERA) & Volkswagen School Bus, Shuttle Bus, and Transit Bus Rebate Programs

Guidelines and Applications
Round Nineteen



Application Deadline:

December 23, 2026 – 5:00 PM

This program is funded through the United States Environmental Protection Agency State Clean Diesel Grant and the South Dakota Volkswagen (VW) Environmental Mitigation Trust

Section 1 – Introduction

The primary goal of the South Dakota Clean Diesel Rebate Program is to reduce school children's exposure to fine particulate and smog-forming pollution; and the primary goal of South Dakota's VW Environmental Mitigation Trust is to facilitate the improvement and protection of the ambient air quality throughout South Dakota. The South Dakota Department of Agriculture and Natural Resources (DANR) administers these programs. The programs provide rebates to help purchase new buses that replace older in-use higher emitting diesel buses to reduce diesel particulate matter and smog-forming emissions.

Program information will be posted on the Clean Diesel Grant Program website at https://danr.sd.gov/Environment/AirQuality/CleanDieselProgram/default.aspx. For additional information, please contact: **South Dakota's Clean Diesel Program** at 1-800-GET-DENR (1-800-438-3367) or barb.regynski@state.sd.us.

Section 2 – Background

While South Dakota's air quality is cleaner than many states and currently meets the federal National Ambient Air Quality Standards, reducing emissions from diesel engines is one of the most important air quality challenges facing the country. The South Dakota programs provide rebates to help public schools, non-public schools, state special schools, approved educational programs, shuttle or transit system providers, and school bus contractors purchase new buses to replace old, high-emitting, diesel buses.

Buses are a safe and effective way to transport children, the elderly, and others; but they emit pollution. According to the Environmental Protection Agency (EPA), exposure to diesel exhaust, even at low levels, is a health hazard that can aggravate respiratory problems such as asthma and bronchitis and possibly increase the risk of lung damage.

Children are especially vulnerable to the effects of diesel exhaust since their lungs are not yet fully developed, and they breathe twice as much air as adults per pound of body weight. Diesel fuel contains 40 chemicals listed as hazardous air pollutants under the federal Clean Air Act. You don't have to ride the bus to breathe in these fumes. The air quality in and around bus stops is compromised by idling buses during drop off and pick up, exposing not only the riders, but also those outside the bus to unhealthy diesel emissions.

Purchasing newer buses with better emissions controls is a health benefit to the passengers and to the environment by helping keep the air in South Dakota clean.

Section 3 - Eligible Participants

South Dakota public schools, non-public schools, state special schools, other educational programs, shuttle or transit system providers, and school bus contractors that provide transportation services are eligible to participate.

Section 4 - Eligible Projects

The South Dakota program will provide rebates for diesel bus replacement. The primary focus will be on school buses with any extra funds used for transit systems.

Total rebate per replacement bus will be up to 25% of the purchase price of an EMY 2024 or newer certified engine meeting 0.20-0.11 g NOx/bhp-hr emission limit, 35% of the purchase price of an EMY 2024 or newer certified engine meeting 0.10-0.036 g NOx/bhp-hr emission limit, or 45% of the purchase price of an EMY 2024 or newer certified engine meeting 0.035 g NOx/bhp-hr or lower emission limit or a zero tailpipe emissions replacement bus. Funds must be used to pay for the replacement of old diesel buses. Recipients may not use funds to pay for administrative expenses.

For replacements, the engine being replaced must be scrapped or rendered permanently disabled. Drilling a three-inch hole in the engine block and disabling the chassis is the preferred scrapping method. The replacement vehicle must not be in a larger weight class than the existing vehicle.

No funds used under this program shall be used to cover expenses incurred prior to the project period set forth in any assistance agreement. Projects may include the diesel emissions source types defined below:

School Buses	A "school bus" is defined as a diesel-powered passenger motor vehicle, designed to carry a driver and more than 10 passengers, that the Secretary of Transportation decides is likely to be used significantly to transport preprimary, primary, and secondary school students to or from school or an event related to school.
Transit Buses	Includes diesel-powered medium-duty and heavy-duty transit buses (*see* definition of eligible Class 5–8 vehicles below). Gross vehicle weight rating (GVWR): Class 5 (16,001 -19,500 lbs GVWR); Class 6 (19,501 -26,000 lbs GVWR); Class 7 (26,001 -33,000 lbs GVWR); Class 8 (33,001 lbs GVWR and over)

Projects must include bus replacement. Buses can be replaced with newer, cleaner vehicles. Eligible replacement vehicles include those powered by diesel or clean alternative fuel engines (including gasoline), hybrid engines, and zero tailpipe emissions power sources.

To be eligible for funding, vehicles must be powered by engines certified by EPA and, if applicable, CARB emission standards. Zero tailpipe emissions vehicles and equipment do not require EPA or CARB certification. EPA's annual certification data for vehicles, engines, and equipment may be found at: https://www.epa.gov/compliance-and-fuel-economy-data/annual-certification-data-

vehicles-engines-and-equipment. EPA's engine emission standards may be found at: https://www.epa.gov/emission-standards-reference-guide/all-epa-emission-standards. Engines certified by CARB may be found by searching CARB's Executive Orders for Heavy-duty Engines and Vehicles, found at: https:\\www.arb.ca.gov/msprog/onroad/cert/cert.php.

Existing engines and new vehicles must meet the eligibility criteria defined below to be eligible for funding. No buses being replaced may be engine model year 2010 or newer, except if replacing with an EMY2024 CARB low-NOx or a zero emissions replacement vehicle.

Transit Bus and School Bus Current Engine Model Year (EMY)	Vehicle Replacement: EMY 2024+	Vehicle: EMY 2024+ Zero Emission or Low-NOx 1
older -2006	Yes	Yes
2007 -2009	Yes	Yes
2010 -newer	No	Yes

1 Engines are Low-NOx if they are certified to 0.10 NOx/bhp-hr or lower. Refer to the Low-NOx guidance document on the DERA State website. https://www.epa.gov/dera/state

Eligible project costs include the purchase price of eligible vehicles as defined above. These costs are subject to the mandatory cost share requirements.

Ineligible Expenses for All Zero-emission Projects: DERA grant funds (including cost share) cannot be used for charging infrastructure; power distribution to the property line; electricity; operation and maintenance of electrical systems; or stationary energy storage systems, such as batteries and their installation. Similarly, these funds cannot be used for on-site power generation systems, like solar or wind power equipment, and their installation.

Below are the ownership, usage and remaining life requirements:

1. **Operational:** The existing vehicle, engine, or equipment must be fully operational. Operational equipment must be able to start, move, and have all necessary parts to be operational.
2. **Ownership:** The participating fleet owner must currently own and operate the existing vehicle or equipment and have owned and operated the vehicle during the two years prior to upgrade.
3. **Remaining Life:** The existing vehicle, engine, or equipment must have at least three years of remaining life when upgraded. Remaining life is the fleet owner's estimate of its operational lifespan before retirement if the unit were not being upgraded or scrapped because of the grant funding regardless of rebuilding or resale. This estimate considers the unit's age, condition, usage, maintenance, and project location.
4. **Highway Usage:** To be eligible for funding, the existing certified highway engine/vehicle must have accumulated at least 7,000 miles per year during the two years prior to upgrade.

- **The applicant should receive the new bus by August 31, 2027.**

Section 5 – Funding Amounts

DANR is currently applying for FY25 & FY26 DERA funds in the amounts of $513,053 and $511,317. It is planned to use VW category 10 funds for matching funds.

Section 6 – Project Awards

Preference will be given to applications from public schools. Ranking will be based on the number of replacements received during previous rounds and then by age of the bus engine being replaced. No recipient will receive an additional bus until all applicants have received a bus.

Applications received prior to the deadline will be considered first and those received after the deadline will be considered for any remaining funds using the same criteria mentioned above.

On January 7, 2026, the list of selected applicants will be made available on the website. They will be emailed a rebate agreement. Selected applicants will enter into a written agreement with DANR and will submit a copy of their purchase order. Rebates will be issued upon submittal of a completed IRS W-9 Form, a Request for Reimbursement Form, evidence of final bus purchase price, a Certificate of Disposal Form, photographic evidence of disposal, and if requesting the 35% rebate, a copy of the engine certificate showing it meets CARB's Low-NOx Standards.

Section 7 – Tentative Schedule

Date	**Activity**
December 17, 2026	Call for Round 19 Projects Opens
December 23, 2026	Call for Round 19 Projects Deadline
December 28, 2026 – January 15, 2027	Evaluate & Select Round 19 Projects
January 20, 2027	Post Round 19 Selected Projects List. Email rebate agreements to selected applicants.
January 2027 – April 2027	Recipients will order buses and email DANR copies of purchase orders
September 2027	Deadline for all invoices and paperwork to be submitted to DANR

Section 8 – Program Application Process

The application and program participation process is as follows:

1. Program applications are attached to this document and are also available from the website at https://danr.sd.gov/Environment/AirQuality/CleanDieselProgram/default.aspx
2. Applications must be submitted to DANR by 5:00 PM, December 23, 2026, for initial consideration. Applications are to be submitted by email to barb.regynski@state.sd.us or by mail to:
   Bus Rebate Programs
   SD DANR – AQ Program
   523 E Capitol
   Pierre, SD 57501
3. DANR will evaluate applications.
4. DANR will post selection list.
5. Selected applicants will be emailed rebate agreements.

Section 9 – Program Requirements

Successful project applicants must enter into an agreement with DANR setting forth specific performance criteria to ensure compliance with statutory and audit requirements. Agreement preparation will begin immediately upon DANR selection of a project. The agreement will include further details on complying with program requirements. All services or work carried out under an agreement awarded as a result of this call for projects must be completed within the scope, time frames, and funding limitations specified by the agreement. Upon signature and execution of the agreement by DANR, a copy of the executed agreement will be returned to the applicant, at which time the project will be considered awarded.

Replacement Bus Requirements

- Ordering of new buses may not occur prior to both parties signing the agreement. Rebates will be made on a reimbursement basis for eligible expenses incurred and paid by the recipient. A cost may not be considered incurred until the replacement bus has been received and accepted by the recipient.

- Program funds must only be used to purchase a bus that is equipped with essential or standard equipment.

- The applicant must submit a copy of the Purchase Order to DANR.

- The applicant must ensure that the replaced bus is permanently disabled or scrapped and maintain documentation on how the replaced bus was permanently disabled or scrapped.

- The applicant must provide DANR with an original Internal Revenue Service (IRS) Request for Taxpayer Identification Number and Certification Form W-9. A copy of the IRS Form W-9 can be downloaded at www.irs.gov or by calling 1-800-829-3676.

- The applicant submits a Request for Reimbursement Form, evidence of final bus purchase price, Certificate of Disposal Form, photographic evidence of disposal, and if requesting the 35% rebate, a copy of the engine certificate showing it meets CARB's Low-NOx Standards. DANR will review the information for compliance with all grant requirements.

- Rebate will be issued upon verification (documentation and/or DANR staff site visit).

- The applicant agrees that program criteria and requirements may be reviewed, as new information becomes available, and can be revised at the discretion of DANR.

- DANR maintains the right to monitor the project periodically.

- The applicant must maintain ownership of the replacement bus for three years after receipt of the rebate.

Section 10 - Verification Procedures

Any applicant that receives Bus Replacement Rebate Program funds may be subject to verification of each program or project funded. The verification may be conducted by staff from DANR and/or EPA. Grant documentation, records, and referenced materials must be available for review during monitoring visits.

Upon the completion of verification, DANR will determine if the funds were used for the approved project and make the verification available to the applicant and to the public upon request.

If DANR determines that the funds were expended in a manner contrary to law or not in accordance with provisions, DANR will notify the applicant of the determination, and may, at its discretion, seek re-payment of funds misappropriated, spent for non-eligible activities, or otherwise inappropriately expended.

APPLICATION PACKET CHECKLIST
BUS REPLACEMENT

A complete application packet includes the following items:

- ☐ Completed **Application.**
- ☐ Copy of Department of Motor Vehicles **registration or title** for the bus to be replaced.
- ☐ Dated and itemized dealer **quote** for replacement bus.
- ☐ Applications must be submitted to DANR by 5:00 PM, December 23,2026, for initial consideration for Round 19 funding. Applications are to be submitted by email to barb.regynski@state.sd.us or by mail to:

  Bus Rebate Programs
  SD DANR – AQ Program
  523 E Capitol
  Pierre, SD 57501

BUS REPLACEMENT APPLICATION

I. APPLICANT INFORMATION			
1	a. Applicant Name:		
2	Applicant Address:		
3	a. City:	b. State:	c. Zip:
4	a. Contact Name:	b. Contact Title:	
5	a. Contact Phone:	b. Contact Fax:	
6	Contact Email:		
7	☐ Public School, ☐Other School or Ed Program, ☐School Bus Contractor, or ☐Shuttle/Transit Provider		
II. EXISTING BUS INFORMATION:			
1	Bus Storage Address:		
2	a. City:	b. County:	c. Zip Code:
3	Bus Type: ☐ School Bus or ☐ Transit Bus		
4	a. Bus Manufacturer:	a. Bus Model:	b. Bus Model Year:
5	Type of Fuel: ☐ Diesel		
6	Estimated Annual Fuel Usage for this Bus (gallons):		
7	a. Cumulative Mileage:	b. Estimated Annual Mileage:	
8	Gross Vehicle Weight Rating (GVWR):		
9	Vehicle Identification Number (VIN):		
10	a. Engine Manufacturer:	b. Engine Model:	c. Engine Model Year:
11	Engine Serial Number:		
12	Estimated Remaining Vehicle Life (must have at least 3 years remaining):		
III. NEW REPLACEMENT BUS INFORMATION			
1	Bus Type: ☐ School Bus or ☐ Transit Bus		
2	a. New Bus Manufacturer:	a. New Bus Model:	b. New Bus Model Year:
3	New Bus Type of Fuel: ☐Diesel, ☐CNG, ☐LNG, ☐LPG/Propane, ☐zero tailpipe emissions, or ☐Gas		
4	Rebate: ☐25%, ☐35% if certified to meet CARB's Low-NOx Standards, or ☐45% if zero tailpipe emissions		
5	Gross Vehicle Weight Rating (GVWR):		
6	a. Price of New Bus:		
7	a. Estimated Purchase Order Date:	b. Estimated Date of Bus Delivery:	
8	a. Engine Manufacturer:	b. Engine Model:	c. Engine Model Year:
IV. SCRAPPING COMPANY/DISMANTLER INFORMATION			
1	Describe Method of Disposal of School Bus:		
2	Scrapping Company/Dismantler Name:		
3	Contact Name:		
4	Address:		
5	a. City:	b. State:	c. Zip Code:
6	a. Phone:	b. Fax:	
7	Email:		

BUS REPLACEMENT APPLICATION

V. BUS MANUFACTURER/DEALER INFORMATION			
1	Bus Manufacturer/Dealer:		
2	Contact Name:		
3	Address:		
4	a. City:	b. State:	c. Zip Code:
5	a. Phone:	b. Fax:	
6	Email:		

VI. SCHOOL DISTRICT/ORGANIZATION CERTIFICATION	
I certify that to the best of my knowledge the information contained in this application and in the supplemental material is correct and complete. I certify that the funding requested satisfies the eligibility requirements for this Program as represented in the Program Description and related materials. I certify that I understand that the funding under this Program is subject to restrictions and other conditions listed in the Program Description.	
✓	The applicant will use the funding under this Program for the specific purposes defined in the Program Description.
✓	The applicant has received approval to apply and make use of the funding under this program.
✓	The applicant is not currently debarred or suspended from receiving federal funding.
✓	The existing bus is fully operational.
✓	The existing bus has been owned and operated during the two years prior to application.
✓	The existing bus has at least three years of remaining life at the time of application.
✓	The existing bus has accumulated at least 7,000 miles/year during the two years prior to application.
✓	The applicant agrees to complete scrappage of the bus being replaced.
✓	The applicant certifies that all vendors will be selected in accordance with state public contracting laws as applicable (SDCL 5-18 A to D) and will follow 2 CFR §§200.318 General Procurement Standards through 200.326 Contract Provisions.
I authorize DANR to make any necessary inquiries to verify the information that I have presented. I acknowledge that the information in this application is not confidential and may be released as required by the Program.	

Printed Name of Responsible Party:	Title:
Signature of Responsible Party:	Date:

Applications are to be submitted by email to barb.regynski@state.sd.us or by mail to:

Bus Rebate Programs
SD DANR – AQ Program
523 E Capitol
Pierre, SD 57501

Request for Reimbursement Form

Name of Applicant: _____

Date new bus was delivered: _____

Engine Model Year of New Bus: _____

Fuel Type of New Bus: _____

VIN of New Bus: _____

***Instructions**:* Fill in the information below to summarize the Reimbursement Request.

Reimbursement Summary

Final Purchase Price of Bus	$
Rebate Amount (not to exceed awarded amount) = Final Purchase Price X percentage from award	$

*Program Income from Salvage/Scrappage	$

*If scrapped or salvaged engines/vehicles are to be sold, program income requirements apply. Program income may be used to meet the cost-sharing or matching requirement of the award, including any mandatory or voluntary cost-share. The amount of the award remains the same.

☐ Please attach a completed IRS W-9 Form

☐ Please attach evidence of final bus purchase price such as a copy of the dealer invoice, receipt, or canceled check

☐ Please attach Certificate of Disposal Form and photos verifying disposal

☐ if requesting the 35% rebate, please attach a copy of the engine certificate showing it meets CARB's Low-NOx Standards.

Requests are to be submitted by email to barb.regynski@state.sd.us or by mail to:

Bus Rebate Programs
SD DANR – AQ Program
523 E Capitol
Pierre, SD 57501

Certificate of Disposal Form

EPA Grantee Name: SD Department of Agriculture and Natural Resources

Applicant Name: _____

Applicant Address: _____

Old Bus/Chassis Information

Make:		Vehicle ID Number:	
Model:		Odometer Reading:	miles
Year:			

Old Engine Information

Make:		Horsepower:	
Model:		ID or Serial No.:	
Year:			

Name of Dismantler: _____

Address of Dismantler: _____

Signature of Dismantler: _____ Date Bus Disabled: _____

Applicant Representative:

Statement: I certify that within 90 days of replacement, the old engine and chassis have been permanently disabled. Disabling the engine consists of cutting or punching a three inch by three inch (3" x 3") hole in the engine block. Disabling the chassis consists of cutting completely through the frame/frame rails on each side of the vehicle/equipment at a point located between the front and rear axles. Photos of the disabled engine/chassis that are required pursuant to the Terms and Conditions of the award agreement are attached to this Certificate of Disposal.

Representative Name: _____

Representative Signature: _____ Date: _____

Note: Documentation must include colored JPEG images of the following, with corresponding file names:

1) Side profile of vehicle
2) VIN
3) Engine label
4) Chassis rail cut in half
5) Engine block, prior to hole
6) Engine block, after hole
7) Others, as needed

Examples of Bus Disposal Pictures

Photo #1: Side profile of bus being scrapped



Photo #2: VIN of the bus being scrapped

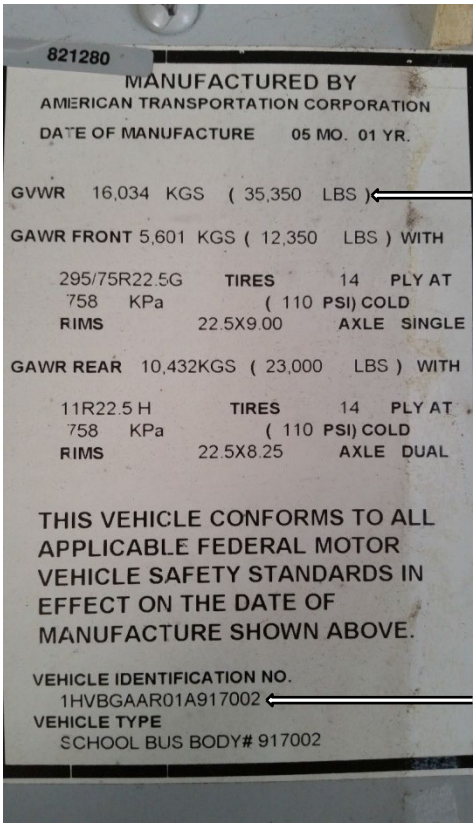

Photo #3: Engine tag with engine serial number and EPA engine family name

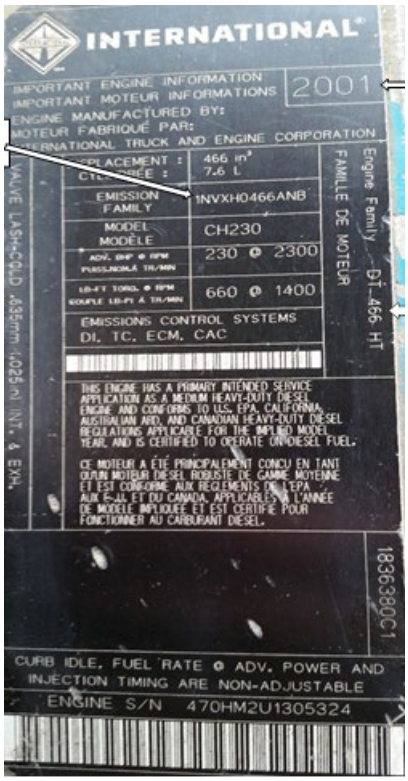

Photo #4: Chassis rail cut in half



Photo #5: Engine block prior to hole being drilled



Photo #6: Engine block after hole has been drilled

