



Electric School Bus Guidebook Guide 4: Financial Incentives





Incentive programs enable fleet owners to buy ESBs for the same or less than ICE buses and benefit from operational cost-savings.

Leveraging financial incentives to fund electric school buses (ESBs) and electric vehicle supply equipment (EVSE) can help you transition your diesel or gasoline powered buses to electric vehicles. Grants, rebates, vouchers, and tax credits can help mitigate the higher upfront vehicle costs and infrastructure investments. Several State and federal programs offer funding opportunities for both ESBs and EVSE.

This chapter will answer the following questions:

- What do I need to consider when applying for financial incentives for ESBs and EVSE?
- What types of financial incentives are available?
- How do I apply for financial incentives?
- What type of vehicles are eligible?
- Who is eligible to apply?
- How much money do the different financial incentive programs provide?

Finding the Right Financial Incentive for You

When researching and evaluating various financial incentives keep in mind that each program has its own requirements that may impact your eligibility to receive funding and the level of effort needed to apply.

Types of Incentives

Programs have different ways in which each applicant will receive awards.

- Tax Incentives A tax incentive can come in the form of a deduction, exemption, or credit. Most tax incentive programs for school buses come in the form of a tax credit. A tax credit is a dollar-for-dollar amount that taxpayers can claim on their tax return to reduce the income tax they owe. Eligible taxpayers can use them to reduce their tax bill and potentially increase their refund.^{1,2}
- Voucher A vehicle purchaser or lease operator agrees to purchase a piece of equipment from a vendor. The vendor will deduct the value of the voucher, like a coupon, from the total sale price. Once the piece of equipment is delivered, the vendor will receive a reimbursement for the voucher amount from the entity providing the incentive.
- Rebate Awards that are typically redeemed after a purchase.
 Occasionally, a program offers a rebate ahead of a purchase, usually upon presentation of a purchase order.
- Grant Applications for grants are typically more extensive than for rebates and vouchers. Grant awards are typically made on a competitive basis.

Key Activities

Initial actions you can take after reading this chapter include:

- Review the list of State and federal financial incentives.
- Note key dates, materials, and other information needed to apply for each funding opportunity.
- Start preparing your application(s).



¹ https://www.irs.gov/newsroom/tax-credits-for-individuals-what-they-mean-and-how-they-can-help-refunds#:~:text=A%20tax%20credit%20is%20a,and%20potentially%20increase%20their%20refund.

² In some cases, such as the Inflation Reduction Act tax rebates, a direct-pay option is included for tax-exempt organizations. This would apply for school districts applying for these incentives.

ESB Program Requirements

Programs to fund ESBs have differing eligibility requirements that may include the following:

Program Requirement	Description		
Fleet Location	This requirement can target fleets either parked or operated in certain jurisdictions, such as low-income areas, tribal lands, rura areas, areas with air quality challenges, and/or disadvantaged communities (DACs). Many funding programs prioritize fleets that serve historically marginalized communities and/or communities that do not have the financial resources to purchase new buses.		
School District Type	Some programs focus solely on public schools, whereas others provide funding for public, charter, and/or private schools.		
Ownership	Some programs only fund district-owned fleets, while others may fund third-party (contractor) fleets whose vehicles are either leased to schools or used under "transportation-as-a-service" (TaaS) contracts. Some programs may require third-parties to spread their awards amongst multiple districts that they serve.		
Eligible Vehicles	Some programs may target specific model years, weights, and vehicle classes, and/or bus types (e.g., A, C, and/or D). Programs tend to favor replacing older buses, and some have weight requirements that only allow for the purchase of the larger Type C and D buses. Further, some programs may allow funding for bus repowering (i.e., converting a fossil-fuel-powered bus to electric). Eligibility requirements may also include domestic production, sustainability, and labor.		
Scrappage Requirements	Some programs mandate that participating fleets destroy (scrap) vehicles that will be replaced. By ensuring that the replaced buses will not be sold, this requirement ensures fossil-fuel-powered buses will no longer emit pollutants. However, this approach reduces the value of the old bus, though the dollar value of the incentive typically outweighs the foregone resale value of the scrapped bus.		
Purchase Mechanism	These requirements determine whether leased ESBs are eligible for funding in addition to purchased vehicles. For instance, if a potential applicant leases their vehicles, they may not be able to take advantage of incentive program funding.		
Usage Requirements	Some funding programs require a minimum number of years in service and annual miles traveled, as well as ongoing data reporting.		

EVSE Program Requirements

Programs to fund EVSE have differing eligibility requirements that may include the following:

EVSE Program Requirement	Description		
Fleet and/or Charger Location	This requirement can target fleets that are parked or operated in certain jurisdictions. These jurisdictions can include low-income areas, tribal lands, rural areas, areas with air quality challenges, and/or disadvantaged communities (DACs). This requirement can also target charger location. Many funding programs prioritize fleets that serve historically marginalized communities and/or communities that do not have the financial resources to purchase new buses or EVSE.		
School District Type	Some programs focus solely on public schools, whereas others provide funding for public, charter, and/or private schools.		
Ownership	Some funding programs may only be available to school-district owned EVSE, while others may be available to EVSE owned by service providers and utilities.		
Eligible Charger Types	In some cases, only certain charger types (such as Level 2 or DCFC) are eligible.		
ESB Procurement Pairing	Some charging infrastructure incentives can only be accessed as a follow-on or as a companion to a vehicle purchase incentive.		
Eligible Infrastructure Components	Utility-side distribution upgrades, customer-side transformer, or other facility improvements, as well as soft costs such as permitting and administration, may not be covered under certain program designs.		
Usage Requirements	Some programs may require a minimum amount of time the charger must operate and require ongoing reporting on charging data to receive funding.		



³ Chard, R., Espinoza, J., Hamilton, H., & Silver, F., (2021). "Zeroing in on Electric School Buses. https://calstart.org/wp-content/uploads/2022/01/ZIO-Electric-School-Buses-2021-Edition.pdf



Tips for Applying for Financial Incentives

- Start early. Sign up for email updates from the entity administering the incentive.
- Get organized. Note important deadlines and required documents (e.g., tax forms, vehicle registration info, etc.) Some programs may require you create an account to access their application portal.
- Attend webinars/info sessions. Use these opportunities to learn more about the application process, eligibility requirements, etc.
- Submit questions. Most funding opportunities include a question-andanswer period.
- **Consider partnering**. For grant programs, your application may be stronger with a partner district, contractor, or dealer.

Financial Incentive Programs for ESBs and EVSE

New York State and the federal government have financial incentive programs in place that can help offset the upfront costs of ESBs and charging infrastructure. Access to these funds depends on eligibility requirements. The following section describes key State and federal funding programs, the entities that are eligible to apply, and which types of buses are eligible. It also includes instructions on how to apply for funding, with links to more information about each funding source.

ESB and EVSE Funding Sources Available in New York State

Program Name	Maximum Funding Available	Available Funds (2023)	Maximum Vehicle Funding	Max Infrastructure Funding
2022 Inflation Reduction Act (IRA) Commercial Clean Vehicle Tax Credit	\$1 billion*	\$1 billion*	\$40,000	None
Alternative Fuel Vehicle Refueling Property Credit	N/A	N/A	N/A	\$100,000
EPA Clean School Bus Program 2023 Funding – Grant	\$400 million*	\$37 million*	\$375,000	\$20,000
EPA Clean School Bus Program 2023 Funding – Rebate	TBD	TBD	TBD	TBD
EPA Diesel Emission Reduction Act (DERA) – Rebate	TBD	TBD	TBD	TBD
Joint Utilities of NY: Medium- and Heavy-Duty EV Make-Ready Pilot**	\$24 million	Dependent on utility	None	90% of utility-side make ready
NY Environmental Bond Act	\$500 million	TBD	TBD	TBD
New York Truck Voucher Incentive Program (NYTVIP)	\$6.3 million	\$5 million	\$220,000	None
PSEG Long Island EV Make Ready Program	\$12.84 million	\$4.28 million	None	\$529,302

^{*} National amount

^{**} This program includes the utility-led make-ready programs offered by Central Hudson, Con Edison, National Grid, New York State Electric & Gas, Orange & Rockland, and Rochester Gas & Electric



Funding for Buses

The following incentives provide funding for school buses only. These do not include charging station infrastructure.

New York Truck Voucher Incentive Program

Overview: The New York Truck Voucher Incentive Program (NYTVIP) provides point-of-sale vouchers to qualifying public school districts, private schools, and contractors for purchasing ESBs. NYTVIP vouchers cover the full incremental cost of an ESB over a comparable petroleum-fueled bus, up to defined limits.

Fleet Location: Must be domiciled within 0.5-mile of a DAC or the buses must be used on routes that provide bus service to residents of a DAC.

What Is Eligible: Battery or fuel-cell electric school buses.

Who Is Eligible: Public and private schools; transportation service contractors.

Scrappage Requirements: Diesel-powered Class 4-8 school buses with an engine model year of 2009 or older.

Purchase Mechanism: Buy or lease.

Usage Requirements: Vehicle must travel at least 8,000 miles annually, operate 95% within NYS and 70% within the identified school district, and submit semi-annual usage reports.

What It Funds: Up to \$220,000 per bus or 100% of the difference in cost between an electric school bus and an equivalent diesel bus. The amount awarded depends, in part, on bus size and fleet location, with fleets that serve disadvantaged communities receiving greater incentives.

Total Funding Available (2023): \$5 million.

How to Apply: To apply, vehicle purchasers must meet the requirements of the Vehicle Purchaser Checklist. If the criteria are met, vehicle purchasers must then agree to purchase an eligible vehicle from an eligible contractor listed on the NYTVIP Eligible Vehicles webpage. Once a contractor and vehicle have been chosen, the vehicle purchasers must sign the Vehicle Purchaser Participation Agreement for the contractor to submit through the NYSERDA portal alongside additional vehicle and vehicle purchaser documents. A full list of these required documents can found on page 26 of the Program Implementation Manual.

New York Environmental Bond Act

Overview: The Environmental Bond Act, which was passed by New York State voters in November 2022, includes \$500 million to help school bus fleets transition to zero-emission buses. At this time, it is expected that the \$500 million will primarily support the purchase of buses in a program similar to NYTVIP as well as funding the purchase of ESB charging infrastructure. New York State will disseminate more details on Bond Act funding in the fall and winter of 2023.



2022 Inflation Reduction Act Commercial Clean Vehicle Tax Credit

Overview: The Inflation Reduction Act (IRA) was signed into law on August 16, 2022. Section 13403 of the Act creates a new tax credit for qualified commercial clean vehicles, including some ESBs. These credits (or any other federal subsidies) are available in addition to any rebates or grants received under the EPA Clean School Bus Program.

Fleet Location: Unrestricted.

What is Eligible: Light to heavy-duty battery or fuel-cell electric vehicles. The credit can be applied to ESBs purchased after December 31, 2022, through December 31, 2032.

Who is Eligible: School districts; State, local, and tribal governments.

Scrappage Requirements: None.

Purchase Mechanism: Must be purchased, not leased or lease-to-own.

Usage Requirement: None.

What it Funds: For electric vehicles, the potential tax credit is the lesser of 30% of the purchase cost or the incremental cost increase for the new vehicle compared to a comparable internal combustion vehicle. There is also a limitation of \$40,000 for vehicles weighing more than 14,000 pounds and \$7,500 for vehicles weighing less than than 14,000 pounds. Vehicles must be assembled in North America. The IRA also includes a direct pay provision, which allows qualifying tax-exempt and governmental entities to receive a payment equal to the full value of the tax credit when they inform the IRS of their intent to claim the credit and file an annual tax return claiming the direct pay.⁴

Total Funding Available (2023): \$1 billion.

How to Apply: At the time of this writing, there is no IRS form available to claim the <u>Commercial Clean Vehicle Credit</u>. The IRS will release a finalized form on their Commercial Clean Vehicle Credit webpage when it is publicly available. Other IRS forms to claim clean vehicle credits and deductions available through the 2022 Inflation Reduction Act are available on the <u>IRS</u> Credits and Deductions Under the Inflation Reduction Act.

EPA Diesel Emissions Reduction Act: Rebates

Overview: The DERA rebate program replaces old, dirty diesel school buses with new, significantly cleaner, diesel and alternative-fuel buses. Buses are selected through a lottery process with at least one selectee from each state/territory represented in the applicant pool. The program is not currently accepting applications, but the following information describes the 2021 program, the last time the rebate program was open, as an example.

Fleet Location: Unrestricted.

What Was Eligible: Electric school buses or ICE school buses powered by a 2017 or newer model year engine.

Who Was Eligible: Public school districts and private fleets serving those schools. Eligible applicants with fleets larger than 100 school buses could submit up to 2 applications. Private schools were not eligible.

Scrappage Requirements: Diesel powered school buses with engine year 2006 or older had to be scrapped.

Purchase Mechanism: New vehicles had to be purchased, not leased or lease-to-own.

Usage Requirements: None.

What It Funded: Electric, diesel, gasoline, propane, or CNG buses that met 2021 emission standards. Provided up to 10 buses at \$20,000-\$60,000 per bus depending on fuel type of the replacement. Maximum rebate amount was \$300,000.

Total Funding Available (2023): Not available at this time. \$10 million was available nationally in 2021.

How to Apply: At the time of this writing, the rebate program was not open for new applications. For more information about the DERA School Bus Rebate Program and upcoming program announcements, visit the <u>DERA School Bus Rebate website</u>.

⁴ https://www.whitehouse.gov/cleanenergy/directpay/

Funding for Buses and Charging Infrastructure

The following programs fund both school buses and charging station infrastructure.

EPA Clean School Bus Program 2023 Funding: Grants

Overview: The Bipartisan Infrastructure Law of 2021 authorized EPA to create the five-year, \$5 billion Clean School Bus (CSB) Program. In 2023, EPA anticipates awarding approximately \$400 million in CSB funds nationally via competitive grants. EPA Region 2, which includes New York State, is expected to receive \$37 million of the total funds, but fleet recipients are still to be determined. Fleets had until August 22, 2023 to apply to the program. Winners will be selected by January 2024.

Fleet and/or Charger Location: High-need, low-income, rural, tribal school districts receive priority.

What Is Eligible: Electric and fuel-cell battery, CNG, and propane school buses.

Who Is Eligible: Local or State government entities that provide school bus service or purchase buses; tribal organizations that provide school bus service or purchase buses; public and charter school districts; eligible contractors that purchase school buses; and nonprofit transportation associations. Private schools are not eligible to apply.

Scrappage Requirements: CSB recipients must scrap a 2010 or older diesel bus, or, if not available, a 2010 or older non-diesel internal combustion engine bus; or scrap, sell, or donate an internal combustion engine bus model year 2011 or newer. Vehicles must have a Gross Vehicle Weight Rating (GVWR) of 10,001 lbs. or more. Vehicles must service a school district for at least 3 days/week on average during the 2022-2023 school year.

Purchase Mechanism: Must be purchased, not leased or lease-to-own.

Usage Requirements: Must meet the Ownership, Usage, and Remaining life requirements and submit quarterly reports.

ESB Procurement Pairing: EVSE funding is paired with ESB procurement.

Eligible Infrastructure Components: Costs associated with EVSE installation, utility-side distribution upgrades, customer-side electrical service installation, and charge management software are covered.

What It Funds: Will provide a maximum of \$375,000 per bus and maximum of \$20,000 of additional charging infrastructure per bus.

Prioritization Status	ZE Class 7+	ZE Class 3–6
School District that Meets One or More Prioritization Criteria	Up to \$395,000 (Bus + Charging Infrastructure)	Up to \$285,000 (Bus + Charging Infrastructure)
Other Eligible School Districts	Up to \$290,000 (Bus + Charging Infrastructure)	Up to \$190,000 (Bus + Charging Infrastructure)

Total Funding Available: \$37 million in 2023 for EPA Region 2

How to Apply: Applications were due through <u>grants.gov</u> by August 22, 2023 and results should be announced in the winter of 2023-24. This grant program may open again in 2024. Applications had to contain the following documents: Application for Federal Assistance Form SF 424, EPA Form 4700-4, Project Narrative Attachment Form, EPA Key Contacts Form, Budget Information for Non-Construction Program Form SF-424A, and Other Attachments Form V1.2. These forms can be found on the opportunity package details page of the <u>2023 CSB Grant Opportunity</u> webpage.





EPA Clean School Bus Program 2022 Funding: Rebates

Overview: EPA is distributing CSB funds via both grants, as planned for 2023 and mentioned above, and rebates, as were used in 2022. In 2022, EPA awarded nearly \$1 billion in CSB rebates nationally, with nearly \$67 million (7% of the total funding) going to New York State. The EPA is expected to announce a 2023 Rebate Program by the end of 2023. The following information describes the 2022 program.

Fleet and/or Charger Location: High-need, low-income, rural, tribal school districts received priority.

What Was Eligible: Class 3–7+ electric school buses and charging infrastructure. Awardees could receive an additional \$20,000 per electric bus for charging infrastructure for buses serving prioritized districts. \$13,000 in additional funding was available for buses serving non-prioritized areas.

Who Was Eligible: Public school districts and government entities that provided bus service; tribal schools and organizations that provided bus service; nonprofit school transportation associations; and eligible contractors.

Scrappage Requirements: Recipients were required to scrap an internal combustion engine bus model year 2010 or older; or scrap, sell, or donate a diesel or non-diesel internal combustion engine bus model year 2011 or newer. Vehicles had to have a Gross Vehicle Weight Rating (GVWR) of 10,001 lbs. or more. Vehicles were required to service a school district for at least 3 days/week on average during the 2022-2023 school year.

Purchase Mechanism: Purchased, not leased or leased-to-own.

Usage Requirements: None.

ESB Procurement Pairing: EVSE funding was paired with ESB funding.

Eligible Infrastructure Components: Costs associated with EVSE installation, utility-side distribution upgrades, customer-side electrical service installation, charge management software were covered.

What it Funded: Varied by bus type and prioritization criteria. Provided a maximum of \$375,000 per bus and a maximum of \$20,000 of additional charging infrastructure per bus.⁵

Prioritization Status	ZE Class 7+	ZE Class 3–6	ZE Infrastructure
School District that Meets One or More Prioritization Criteria	\$375,000	\$285,000	\$20,000 per bus
Other Eligible School Districts	\$250,000	\$190,000	\$13,000 per bus

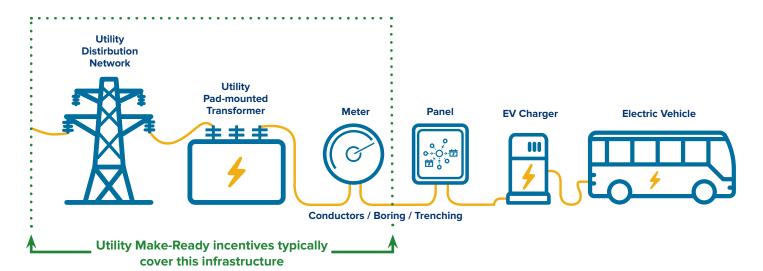
Total Funding Available (2023): TBD

How to Apply: At the time of this writing, applications are not being accepted for the rebate program. In 2022 applicants submitted an online rebate application form through <u>SAM.gov</u>. The user guide for the 2022 rebate application, as well as upcoming program announcements, can be found on the <u>EPA's Clean School Bus</u> rebate application webpage.



Funding for Utility-Side Charging Infrastructure

The following programs provide financial incentives for "utility-side" infrastructure necessary to install ESB charging stations. Utility-side infrastructure includes the utility distribution network, the utility pad-mounted transformer, and the meter (see figure below).⁶



⁶ Central Hudson Medium-Duty/Heavy-Duty Make-Ready Pilot: https://www.cenhud.com/en/my-energy/electric-vehicles/EV-make-ready-program/medium-dutyheavy-duty-make-ready-pilot/

Joint Utilities of New York Medium- and Heavy-Duty EV Make-Ready Pilot

Overview: School bus operators in the service areas of the Joint Utilities of New York (i.e., Central Hudson Gas and Electric Corp; Con Edison; National Grid; NYSEG; Orange and Rockland Utilities, Inc.; and RG&E) can access funding for charging infrastructure from their utility. Funds are limited, however, and available on a first-come, first-served basis. Each participating utility will accept applications until December 31, 2025, or until available incentive funding has been fully allocated, whichever comes first. Each of the utilities has unique requirements related to the pilot. Visit your utility's program website for specifics on how to apply.

Fleet and/or Charger Location: Must be operated within the service area of one of the Joint Utilities. DACs are prioritized.

What Is Eligible: "Utility-side" charging station infrastructure for electric school buses. Level 2 (L2) or Level 3 (L3) chargers. Fleets must be participating in either the New York Truck Voucher Incentive Program or the NYC Clean Trucks Program.

Who Is Eligible: School districts and school bus operators in the service areas of the Joint Utilities.

Usage Requirements: Projects must meet the five-year operating requirements from the date of post-construction approval.

ESB Procurement Pairing: Applicants must be approved for participation in either the New York Truck Voucher Incentive Program or the New York City Clean Trucks Program.

Eligible Infrastructure Components: Soft costs are eligible for funding.

What it Funds: Up to 90% of utility-side infrastructure costs of developing EV charging capacity.

Total Funding Available (2023): Dependent on utility.

How to Apply: Each utility has its own web page, where you can find information about how to apply:

- Central Hudson
- Con Edison
- National Grid
- NYSEG
- Orange and Rockland Utilities
- RG&E

Updates to the Joint Utility Make-Ready Program

The New York State Public Service Commission (PSC) initiated a mid-point review for the statewide Make-Ready Program in August 2022, assessing all elements of the program—including the Medium- and Heavy-Duty EV Make-Ready Pilot. Department of Public Service (DPS) staff filed the Midpoint Review Whitepaper in March 2023 recommending modifications to the Medium- and Heavy-Duty Make-Ready Pilot to increase the budget by \$30 million, make customer-side costs eligible for funding, and add the EPA Clean School Bus Program to the list of qualifying voucher programs for fleets to be eligible for funding. The Midpoint Review Whitepaper also recommends that utilities should identify existing load serving capacity at school bus depots, and that existing Fleet Assessment Services be adapted to a standardized program to serve needs of school transportation operators.



Alternative Fuel Vehicle Refueling Property Credit

Overview: The Alternative Fuel Vehicle Refueling Property credit is an extension of the IRA. If you install qualified vehicle refueling and recharging equipment in your business, you may qualify for the alternative fuel refueling property tax credit.

Fleet and/or Charger Location: Low-income community or non-urban census tract.

What Is Eligible: EVSE charging infrastructure. Bi-directional charging/Vehicle-to-Grid (V2G) equipment is allowed.

Who Is Eligible: Businesses that place qualified refueling property into service during the tax year.

Usage Requirements: None.

What It Funds: EVSE for electric vehicles are eligible for a tax credit of 30% of cost, or 6% if property is subject to depreciation. There is a \$100,000 cap for this tax credit.

Total Funding Available (2023): N/A

How to Apply: Applicants may use IRS Form 8911. The Alternative Fuel Vehicle Refueling Property Credit also includes direct pay provision, which allows qualifying tax-exempt and governmental entities to receive a payment equal to the full value of the tax credit when they inform the IRS of their intent to claim the credit and file an annual tax return claiming the direct pay.



PSEG Long Island's Electric Vehicle Make Ready Program

Overview: PSEG Long Island, which operates the electric distribution system on Long Island on behalf of the Long Island Power Authority (LIPA), provides funding to support EVSE with incentives that may cover up to 100% of eligible make-ready costs for light-duty vehicles (PSEG-LI proposed that school bus fleets qualify for this program in a recent filing, a decision is expected in Winter 2023-24), including utility-owned equipment and customer-owned equipment. Applicants with multiple chargers, located less than a mile from a DAC, and offer their chargers for public use will receive the maximum incentive.

Fleet and/or Charger Location: Must be within the PSEG service area.

Who Is Eligible: Owners/operators of EVSE.

What Is Eligible: Approved utility-owned and customer-owned equipment

What It Funds: PSEG will cover up to 100% of utility-side and customer-side infrastructure costs.

ESB Procurement Pairing: None.

Eligible Infrastructure Components: On the utility-side, the program will cover the distribution network, transformers, meters, conductor. On the customer-side, the program will cover the panel, conductor, boring, trenching, and conduit.

Usage Requirements: None.

Total Available Funding (2023): \$4.28 million

How to Apply: Applicants must submit the application via email to PSEG-LI-MakeReady@pseg.com

