

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 14
By: Morrison et al. (Watson)
Natural Resources & Economic Development
5/19/2015
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Emissions Reduction Plan (TERP) was created in 2001 to provide financial incentives and assistance to upgrade and replace older vehicles and equipment, particularly those with large diesel engines, because their emissions have a negative impact on air quality. TERP was established to incentivize, rather than mandate, the upgrade or replacement of these vehicles and equipment much sooner that would occur through normal turnover. The Texas Commission on Environmental Quality (TCEQ) has used programs included in TERP to provide grants and financial assistance and it has proven to be an important tool in addressing the state's air quality concerns in order to ensure the continued economic vitality and growth that has been part of Texas economic success.

C.S.H.B. 14 continues to build on the success of TERP. This "TERP tune up" bill seeks to improve the administrative efficiency and air quality impact of the existing TERP programs, including the merging of two existing programs. The bill merges the "Clean Transportation Triangle" program into the Alternative Fueling Facilities Program for a more streamlined administration for TCEQ and clarity for applicants. Other highlights of the bill include: other changes to streamline processes in the different TERP programs; addition of hydrogen fuel cell powered vehicles to the Light Duty Motor Vehicle program and expanding that program to include grants for vehicle conversion systems on recently-purchased vehicles; and allowing the New Technology Implementation Grant program to provide grants to reduce flaring and release of gases from oil and gas production. Efforts to minimize flaring, emissions from compressors, and the release of gases in the oil fields not only will benefit local air quality but will help minimize the release of ozone precursors. The bill expands the "Clean Transportation Triangle" to create a second triangle encompassing the area between San Antonio, Corpus Christi, and Laredo. The bill extends TERP programs to 2023. Extending the programs will allow TERP to continue to be used to address Texas' air quality needs and continued economic growth.

C.S.H.B. 14 amends current law relating to the Texas emissions reduction plan.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Commission on Environmental Quality (TCEQ) in SECTION 6 (Section 386.152, Health and Safety Code) of this bill.

Rulemaking authority previously granted to TCEQ is rescinded in SECTION 30 (Section 393.004, Health and Safety Code) and SECTION 37 (Section 394.005, Health and Safety Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 386.001(3), Health and Safety Code, to redefine "commission" to mean the Texas Commission on Environmental Quality (TCEQ), rather than the Texas Natural Resource Conservation Commission.

SECTION 2. Amends Section 386.002, Health and Safety Code, as follows:

Sec. 386.002. EXPIRATION. Provides that this chapter expires August 31, 2023, rather than August 31, 2019.

SECTION 3. Amends Section 386.051(b), Health and Safety Code, as follows:

(b) Requires TCEQ and the comptroller of public accounts of the State of Texas (comptroller) to provide grants or other funding, under the Texas Emissions Reduction plan (TERP), for:

(1)-(8) Makes no change to these subdivisions;

(9) a contract with the Energy Systems Laboratory at the Texas A&M Engineering Experiment Station for computation of creditable statewide emissions reductions as provided by Section 386.252(a) (relating to use of money in Texas Emissions Reduction Plan Fund), rather than Section 386.252(a)(14);

(10) and (11) Makes no change to these subdivisions;

(12) the natural gas vehicle grant program, rather than the natural gas vehicle grant program and clean transportation triangle program, established under Chapter 394 (Texas Natural Gas Vehicle Grant Program);

(13)-(15) Makes no change to these subdivisions.

SECTION 4. Amends Section 386.103, Health and Safety Code, by adding Subsection (c), as follows:

(c) Authorizes TCEQ, to reduce the administrative burden for TCEQ and applicants, to streamline the application process by:

(1) reducing data entry and the copying and recopying of applications; and

(2) developing, maintaining, and periodically updating a system to accept applications electronically through TCEQ's Internet website.

SECTION 5. Amends Section 386.104(j), Health and Safety Code, as follows:

(j) Authorizes, rather than requires, the executive director of TCEQ (executive director) to waive any eligibility requirements established under this section on a finding of good cause, which may include a waiver for short lapses in registration or operation attributable to economic conditions, seasonal work, or other circumstances.

SECTION 6. Amends Section 386.152, Health and Safety Code, by amending Subsection (b) and adding Subsection (d), as follows:

(b) Requires the lease incentive program to authorize statewide incentives for the purchase or lease of new light-duty motor vehicles powered by compressed natural gas, liquefied petroleum gas, or hydrogen fuel cell or other electric drives for a purchaser or lessee who agrees to register and operate the vehicle in this state for a minimum period of time to be established by TCEQ.

(d) Authorizes TCEQ by rule to revise the standards for the maximum unloaded vehicle weight rating and gross vehicle weight rating of an eligible vehicle to ensure that all of the vehicle weight configurations available under one general vehicle model may be eligible for an incentive.

SECTION 7. Amends Sections 386.153(a), (b-1), (c), and (d), Health and Safety Code, as follows:

(a) Provides that a new light-duty motor vehicle powered by compressed natural gas or liquefied petroleum gas is eligible for a \$5,000, rather than \$2,500, incentive if the vehicle fulfills certain criteria including if the vehicle complies with applicable federal

regulation and has a dedicated or bi-fuel compressed natural gas or petroleum gas fuel system installed prior to first sale within 500 miles of the vehicle following first sale. Deletes existing text from the criteria a vehicle that is rated at not more than 9,600 pounds unloaded vehicle weight.

(b-1) Provides that the incentive under Subsection (a) is limited to 1,000 vehicles for each state fiscal biennium, rather than provides that the incentive under Subsection (a) is limited to 2,000 vehicles for the state fiscal biennium beginning September 1, 2013.

(c) Provides that a new light-duty motor vehicle powered by an electric drive is eligible for a \$2,500 incentive if the vehicle meets certain criteria set forth, including if the vehicle is propelled to a significant extent by an electric motor that draws electricity from a hydrogen fuel cell or from a battery with certain capabilities. Deletes existing text providing that a vehicle rated at not more than 8,500 pounds unloaded vehicle weight is eligible for an incentive.

(d) Provides that the incentive under Subsection (c) is limited to 2,000 vehicles for each state fiscal biennium, rather than the state fiscal biennium beginning September 1, 2013.

SECTION 8. Amends Section 386.155, Health and Safety Code, as follows:

Sec. 386.155. MANUFACTURER'S REPORT. (a) Creates this subsection from existing text. Requires a manufacturer of motor vehicles, an intermediate or final state vehicle manufacturer, or a manufacturer of compressed natural gas or liquefied petroleum gas systems, at the beginning of but not later than July 1 of each year preceding the vehicle model year, to provide to TCEQ a list of the new vehicle or natural gas or liquefied petroleum gas systems models that the manufacturer intends to sell in this state during that model year that meet the incentive requirements established under Section 386.153, meet the emissions standards, rather than established by the schedules set out under Section 386.153. Authorizes the manufacturer or installer to supplement the list provided to TCEQ under this section as necessary to include additional new vehicle models the manufacturer intends to sell in this state during the model year.

(b) Authorizes TCEQ to supplement the information provided under Subsection (a) with additional information on available vehicle models, including information provided by manufacturers or installers of systems to convert new motor vehicles to operate on natural gas or liquefied petroleum gas before sale as a new vehicle or within 500 miles of operation of the vehicle following first sale.

SECTION 9. Amends Section 386.156, Health and Safety Code, as follows:

Sec. 386.156. LIST OF ELIGIBLE MOTOR VEHICLES. (a) Requires TCEQ, on August 1 each year, to publish a list of new motor vehicle models eligible for inclusion in an incentive under this subchapter. Requires TCEQ to publish supplements to that list as necessary to include additional new vehicle models. Deletes existing text requiring TCEQ, on August 1 each year, to publish a list of new model motor vehicles eligible for inclusion in an incentive under this subchapter as listed for TCEQ under Section 386.155.

(b) Requires TCEQ to publish the list of eligible motor vehicle models, rather than eligible vehicles, on TCEQ's Internet website.

SECTION 10. Amends Section 386.158(b), Health and Safety Code, to require that a lease incentive for a new light-duty motor vehicle be prorated based on a three-year, rather than four-year, lease term.

SECTION 11. Amends Section 386.160(c), Health and Safety Code, to authorize TCEQ to require the submission of forms and documentation as needed to verify eligibility for an incentive under this subchapter.

Deletes existing text requiring TCEQ, in addition to other forms developed and published under this section, to develop and publish a verification form by which, with information provided by the dealer or leasing agent, TCEQ can verify the sale of a vehicle covered by this subchapter. Deletes existing text setting forth additional requirements relating to the verification form.

SECTION 12. Amends the heading to Section 386.161, Health and Safety Code, to read as follows:

Sec. 386.161. PURCHASE OR LEASE INCENTIVES INFORMATION.

SECTION 13. Amends Subchapter D, Chapter 386, Health and Safety Code, by adding Section 386.1611, as follows:

Sec. 386.1611. RESERVATION OF INCENTIVES. Authorizes TCEQ to provide for dealers and leasing agents to reserve for a limited time period incentives for vehicles that are not readily available and must be ordered, if the dealer or leasing agent has a purchase or lease order signed by an identified customer.

SECTION 14. Amends Section 386.162, Health and Safety Code, as follows:

Sec. 386.162. EXPIRATION. Provides that this subchapter expires August 31, 2023, rather than August 31, 2015.

SECTION 15. Amends Section 386.181(a), Health and Safety Code, to define "drayage truck."

SECTION 16. Amends Section 386.182(a), Health and Safety Code, as follows:

(a) Requires TCEQ to:

(1) develop a purchase incentive program to encourage owners to replace drayage trucks with pre-2007 model year engines or engines certified to an emission rate equivalent to a pre-2007 model year engine; and

(2) adopt guidelines necessary to implement the program described by Subdivision (1).

Deletes existing text requiring TCEQ to develop a purchase incentive program to encourage owners to replace drayage trucks with pre-2007 model year engines with newer drayage trucks and to adopt guidelines necessary to implement the program.

SECTION 17. Amends Section 386.252, Health and Safety Code, by amending Subsection (a) and adding Subsections (g-1) and (g-2), as follows:

(a) Authorizes money in the Texas emissions reduction plan fund (fund) to be used only to implement and administer programs established under the plan. Provides that money appropriated to TCEQ to be used for the programs under Section 386.051(b) shall be allocated as follows:

(1)-(5) Makes no change to these subdivisions;

(6) not more than 10 percent may be used for the Texas alternative fueling facilities program under Chapter 393, of which a specified amount may be used for fueling stations to provide natural gas fuel, rather than not more than 5 percent may be used to provide grants for natural gas fueling stations under the clean transportation triangle program under Section 394.010;

(7) Deletes existing Subsection (7) and renumbers existing subsections accordingly;

(8) and (9) Makes no change to these subdivisions;

Deletes existing text providing that \$500,000 is to be deposited in the state treasury to the credit of the clean air account created under Section 382.0622 to supplement funding for air quality planning activities in affected counties.

(10) Deletes existing text providing that at least two percent and up to five percent of the fund is to be used by the commission;

(11)-(12) Makes no change to these subdivisions;

Deletes existing text providing that 1.5 percent of the money in the fund is allocated for administrative costs incurred by the laboratory;

(13) Makes no change to this subdivision;

(g-1) Provides that, to supplement funding for air quality planning activities in affected counties, \$500,000 from the fund is to be deposited annually in the state treasury to the credit of the clean air account created under Section 382.0622 (Clean Air Act Fees).

(g-2) Authorizes money in the fund to be allocated for administrative costs incurred by the laboratory.

SECTION 18. Amends Section 390.006, Health and Safety Code, as follows:

Sec. 390.006. EXPIRATION. Provides that this chapter expires August 31, 2023, rather than August 31, 2019.

SECTION 19. Amends Section 391.002(b), Health and Safety Code, as follows:

(b) Provides that projects that may be considered for a grant under the program include:

(1) advanced clean energy projects, as defined by Section 382.003 (Definitions);

(2) new technology projects that reduce emissions of regulated pollutants from stationary, rather than point, sources;

(2-a) new technology projects that reduce emissions from upstream and midstream oil and gas production, completions, gathering, storage, processing, and transmission activities through:

(A) the replacement, repower, or retrofit of stationary compressor engines;
or

(B) the installation of systems to reduce or eliminate the loss of gas, flaring of gas, or burning of gas using other combustion control devices;
and

(3) electricity storage projects related to renewable energy, including projects to store electricity produced from wind and solar generation that provide efficient means of making the stored energy available during periods of peak energy use.

SECTION 20. Amends Section 391.205(a), Health and Safety Code, as follows:

(a) Requires TCEQ, except as provided by Subsection (c), in awarding grants under this chapter, to give preference to projects that involve the transport, use, recovery for use, or prevention of the loss of natural resources originating or produced in this state. Makes no further change to this subsection.

SECTION 21. Amends Section 391.304, Health and Safety Code, as follows:

Sec. 391.304. EXPIRATION. Provides that this chapter expires August 31, 2023, rather than August 31, 2019.

SECTION 22. Amends Section 392.001(1), Health and Safety Code, to define "alternative fuel."

SECTION 23. Amends Section 392.003(a), Health and Safety Code, to provide that a vehicle is a qualifying vehicle that may be considered for a grant under the program if during the eligibility period established by TCEQ, rather than during the calendar year, the entity purchases a new on-road vehicle that fulfills certain criteria as set forth.

SECTION 24. Amends Section 392.004(d), Health and Safety Code, as follows:

(d) Requires TCEQ to minimize, to the maximum extent possible, the amount of paperwork required for an application.

Deletes existing text providing that an applicant may be required to submit a photograph or other documentation of a vehicle identification number, registration information, inspection information, tire condition, or engine block identification only if the photograph or documentation is requested by TCEQ after TCEQ has decided to award a grant to the applicant under this chapter.

SECTION 25. Amends Section 392.005, Health and Safety Code, by amending Subsections (b), (c), and (i) and adding Subsection (c-1), as follows:

(b) Provides that a project, to be eligible for a grant under the program, must replace a vehicle that is in operating condition and has at least four, rather than two, years of remaining useful life, as determined in accordance with criteria established by the commission.

(c) Requires that the qualifying vehicle, as a condition of receiving a grant, be continuously owned, registered, and operated in the state by the grant recipient until the earlier of the fifth anniversary of the activity start date established by TCEQ or the date the vehicle has been in operation for 400,000 miles after the activity start date established by TCEQ. Provides that not less than 75 percent of the annual use of the qualifying vehicle, either mileage or fuel use as determined by TCEQ, must occur in the state.

Deletes existing text requiring that the qualifying vehicle, as a condition of receiving a grant, be continuously owned, registered, and operated in the state by the grant recipient until the earlier of the fifth anniversary of the date of reimbursement of the grant-funded expenses or until the date the vehicle has been in operation for 400,000 miles after the date of reimbursement.

(c-1) Requires TCEQ, for purposes of Subsection (c), to establish the activity start date based on the date TCEQ accepts verification of the disposition of the vehicle being replaced.

(i) Authorizes, rather than requires, the executive director to waive the requirements of Subsection (b)(2)(A) on a finding of good cause, which may include a waiver for short lapses in registration or operation attributable to economic conditions, seasonal work, or other circumstances.

SECTION 26. Amends Section 392.008, Health and Safety Code, as follows:

Sec. 392.008. EXPIRATION. Provides that this chapter expires August 31, 2023, rather than August 31, 2017.

SECTION 27. Amends Section 393.001, Health and Safety Code, by amending Subdivision (1) to redefine "alternative fuel" and adding Subdivisions, (1-a) and (4) to define "clean transportation triangle" and "state highway."

SECTION 28. Amends Section 393.002, Health and Safety Code, as follows:

Sec. 393.002. PROGRAM. (a) Requires TCEQ to establish and administer the Texas alternative fueling facilities program to provide fueling facilities for alternative fuel in the clean transportation triangle, rather than in nonattainment areas. Requires TCEQ, under the program, to provide a grant for each eligible facility to offset the cost of those facilities.

(b) Provides that an entity that constructs or reconstructs, rather than constructs, reconstructs, or acquires, an alternative fueling facility is eligible to participate in the program.

(c) Requires TCEQ, to ensure that alternative fuel vehicles have access to fuel and to build the foundation for a self-sustaining market for alternative fuels in Texas, to provide for strategically placed fueling facilities in the clean transportation triangle to enable an alternative fuel vehicle to travel in those areas relying solely on the alternative fuel.

(d) Requires TCEQ to maintain a listing to be made available to the public online of all vehicle fueling facilities that have received grant funding, including location and hours of operation.

SECTION 29. Amends Section 393.003, Health and Safety Code, by amending Subsections (a) and (b) and adding Subsections (d) and (e), as follows:

(a) Authorizes an entity operating in this state that constructs or reconstructs a facility to dispense alternative fuels to apply for and receive a grant under the program. Deletes existing text authorizing an entity operating in this state that constructs, reconstructs, or acquires a facility to store, compress, or dispense alternative fuels to apply for and receive a grant under the program.

(b) Authorizes TCEQ to allow, rather than adopt guidelines to allow, a regional planning commission, council of governments, or similar regional planning agency created under Chapter 391 (Regional Planning Commissions), Local Government Code, or a private nonprofit organization to apply for and receive a grant to improve the ability of the program to achieve its goals.

(d) Requires that an application for a grant under the program include a certification that the applicant complies with laws, rules, guidelines, and requirements applicable to taxation of fuel provided by the applicant at each fueling facility owned or operated by the applicant. Authorizes TCEQ to terminate a grant awarded under this section without further obligation to the grant recipient if TCEQ determines that the recipient did not comply with a law, rule, guideline, or requirement described by this subsection. Provides that this subsection does not create a cause of action to contest an application or award of a grant.

(e) Requires TCEQ to disperse grants under the program through a competitive application selection process to offset a portion of the eligible costs.

SECTION 30. Amends Section 393.004, Health and Safety Code, as follows:

Sec. 393.004. ELIGIBILITY OF FACILITIES FOR GRANTS. (a) Requires TCEQ, in addition to the requirements of this chapter, to establish additional eligibility and prioritization criteria as needed to implement the program.

Deletes existing text requiring TCEQ by rule to establish criteria for prioritizing facilities eligible to receive grants under this chapter and to review and revise the criteria as appropriate.

(b) Requires the entity receiving the grant, to be eligible for a grant under the program, to agree to make the alternative fueling facility accessible and available to the public at times designated by TCEQ in the grant contract, rather than requiring the entity receiving the grant to agree to make the alternative fueling facility persons not associated with the entity at times designated by the grant agreement.

(c) Prohibits TCEQ from awarding more than one grant for each facility.

(d) Authorizes TCEQ to give preference to or otherwise limit grant selections to:

- (1) fueling facilities providing specific types of alternative fuels;
- (2) fueling facilities in a specified area or location; and
- (3) fueling facilities meeting other specified prioritization criteria established by TCEQ.

(e) Requires TCEQ, for fueling facilities to provide natural gas, to give preference to:

- (1) facilities providing both liquefied natural gas and compressed natural gas at a single location;
- (2) facilities located not more than one mile from an interstate highway system; and
- (3) facilities located in the triangular area in and between the Houston, San Antonio, and Dallas-Fort Worth areas; and
- (4) facilities located in the triangular area in and between the Corpus Christi, Laredo, and San Antonio areas.

Deletes existing text providing that a recipient of a grant under this chapter is not eligible to receive a second grant under this chapter for the same facility.

SECTION 31. Amends Section 393.005, Health and Safety Code, as follows:

Sec. 393.005. RESTRICTION ON USE OF GRANT. (a) Creates this subsection from existing text. Requires a recipient of a grant under this chapter to use the grant only to pay the costs of the facility for which the grant is made. Prohibits the recipient from using the grant to pay the recipient's:

- (1) administrative expenses;
- (2) expenses for the purchase of land or an interest in land; or
- (3) expenses for equipment or facility improvements that are not directly related to the delivery, storage, compression, or dispensing of the alternative fuel at the facility.

(b) Requires that each grant be awarded using a contract that requires the recipient to meet operational, maintenance, and reporting requirements as specified by TCEQ.

SECTION 32. Amends Section 393.006, Health and Safety Code, as follows:

Sec. 393.006. AMOUNT OF GRANT. (a) Prohibits grants awarded under this chapter for a facility to provide alternative fuels other than natural gas from exceeding the lesser of:

(1) 50 percent of the sum of the actual eligible costs incurred by the grant recipient within deadlines established by TCEQ; or

(2) \$600,000.

Deletes existing text requiring TCEQ, for each eligible facility for which a recipient is awarded a grant under the program, to award the grant in an amount equal to the lesser of 50 percent of the sum of the actual eligible costs incurred by the grant recipient within deadlines established by TCEQ to construct, reconstruct, or acquire the facility or \$600,000.

(b) Prohibits grants awarded under this chapter for a facility to provide natural gas from exceeding:

(1) \$400,000 for a compressed natural gas facility;

(2) \$400,000 for a liquefied natural gas facility; or

(3) \$600,000 for a facility providing both liquefied and compressed natural gas.

SECTION 33. Amends Section 393.007, Health and Safety Code, as follows:

Sec. 393.007. EXPIRATION. Provides that this chapter expires August 31, 2023, rather than August 31, 2018.

SECTION 34. Amends Sections 394.001(1), (4), and (5), Health and Safety Code, to define "clean transportation triangle" to redefine "heavy-duty motor vehicle" and "incremental cost," and to delete existing definition of "advisory board."

SECTION 35. Amends Section 394.001, Health and Safety Code, by adding Subdivision (1-a) to define "certified."

SECTION 36. Amends Section 394.003(a), Health and Safety Code, as follows:

(a) Provides that a vehicle is a qualifying vehicle that may be considered for a grant under the program if during the eligibility period established by TCEQ, rather than during the calendar year, the entity:

(1) purchased, leased, or otherwise commercially financed the vehicle as a new on-road heavy-duty or medium-duty motor vehicle that:

(A)-(C) Makes no change to these paragraphs;

(D) is certified to or powered by an engine certified to:

(i) and (ii) Makes a nonsubstantive change;

(iii) meet or exceed the United States Environmental Protection Agency's (EPA) chassis-certified heavy-duty vehicle emission standard of:

(a) 0.2 grams of nitrogen oxides per mile for vehicles with a gross vehicle weight rating of 8,501 to 10,000 pounds; or

(b) 0.4 grams of nitrogen oxides per mile for vehicles with a gross vehicle weight rating of 10,001 to 14,000 pounds; or

(2) repowered the on-road motor vehicle to a natural gas vehicle powered by a natural gas engine that:

(A) makes no change to this paragraph; and

(B) is:

(i) and (ii) Makes a nonsubstantive change; or

(iii) certified to meet or exceed EPA's chassis-certified heavy-duty vehicle emission standard of:

(a) 0.2 grams of nitrogen oxides per mile for vehicles with a gross vehicle weight rating of 8,501 to 10,000 pounds when powering the vehicle; or

(b) 0.4 grams of nitrogen oxides per mile for vehicles with a gross vehicle weight rating of 10,001 to 14,000 pounds when powering the vehicle.

SECTION 37. Amends Section 394.005, Health and Safety Code, by amending Subsections (a), (b), (c), (g), and (i) and adding Subsection (c-1), as follows:

(a) Requires TCEQ to establish criteria for prioritizing qualifying vehicles eligible to receive grants under this chapter. Requires TCEQ to review and revise the criteria as appropriate. Deletes existing text requiring TCEQ by rule to establish criteria for prioritizing qualifying vehicles eligible to receive grants under this chapter and to review and revise the criteria as appropriate after consultation with the advisory board.

(b) Changes references to two years to four years.

(c) Requires that the qualifying vehicle, as a condition of receiving a grant, be continuously owned, leased, or otherwise commercially financed and registered and operated in the state by the grant recipient until the earlier of the fourth anniversary of the activity start date established by TCEQ or the date the vehicle has been in operation for 400,000 miles after the activity start date established by TCEQ. Provides that not less than 75 percent of the annual use of the qualifying vehicle, either mileage or fuel use as determined by TCEQ, must occur in the clean transportation triangle.

Deletes existing text requiring that the qualifying vehicle, as a condition of receiving a grant, be continuously owned, leased, or otherwise commercially financed and registered and operated in the state by the grant recipient until the earlier of the fourth anniversary of the date of reimbursement of the grant-funded expenses or until the date the vehicle has been in operation for 400,000 miles after the date of reimbursement and providing that not less than 75 percent of the annual use of the qualifying vehicle, either mileage or fuel use as determined by TCEQ, must occur in the counties any part of which are included in the area described by Section 394.010(a) or counties designated as nonattainment areas within the meaning of Section 107(d) of the federal Clean Air Act (42 U.S.C. Section 7407).

(c-1) Requires TCEQ, for purposes of Subsection (c), to establish the activity start date based on the date TCEQ accepts verification of the disposition of the vehicle or engine.

(g) Requires TCEQ to establish baseline emission levels for emissions of nitrogen oxides for on-road heavy-duty or medium-duty motor vehicles being replaced or repowered by using the emission certification for the engine or vehicle being replaced. Authorizes TCEQ to consider deterioration of the emission performance of the engine of the vehicle being replaced in establishing the baseline emission level. Authorizes TCEQ to consider and establish baseline emission rates for additional pollutants of concern, rather than

authorizing TCEQ to consider and establish baseline emission rates for additional pollutants of concern as determined by TCEQ after consultation with the advisory board.

(i) Authorizes, rather than requires, the executive director of TCEQ (executive director) to waive the requirements of Subsection (b)(2)(A)(i) on a finding of good cause, which may include short lapses in registration or operation due to economic conditions, seasonal work, or other circumstances.

SECTION 38. Amends Section 394.006, Health and Safety Code, as follows:

Sec. 394.006. RESTRICTION ON USE OF GRANT. Requires a recipient of a grant under this chapter to use the grant to pay the incremental costs of the replacement or vehicle repower for which the grant is made, which may include a portion of the initial cost of the natural gas vehicle or natural gas engine, including the cost of the natural gas fuel system and installation. Prohibits the recipient from using the grant to pay the recipient's administrative expenses.

Deletes existing text requiring a recipient of a grant under this chapter to use the grant to pay the incremental costs of the replacement for which the grant is made, which may include the initial cost of the natural gas vehicle or natural gas engine and the reasonable and necessary expenses incurred for the labor needed to install emissions-reducing equipment.

SECTION 39. Amends Section 394.007(c), Health and Safety Code, as follows:

(c) Prohibits a person from receiving a grant under this chapter that, when combined with any other grant, tax credit, or other governmental incentive, exceeds the incremental cost of the vehicle or vehicle repower for which the grant is awarded. Requires a person to return to TCEQ the amount of a grant awarded under this chapter that, when combined with any other grant, tax credit, or other governmental incentive, exceeds the incremental cost of the vehicle or vehicle repower for which the grant is awarded.

SECTION 40. Amends Sections 394.008(a) and (b), Health and Safety Code, as follows:

(a) Requires TCEQ to establish procedures for:

- (1) awarding grants under this chapter to reimburse eligible costs; and
- (2) streamlining the grant application, contracting, reimbursement, and reporting process for qualifying natural gas vehicle purchases or repowers.

Deletes existing text requiring TCEQ to adopt procedures for awarding grants under this chapter in the form of rebates.

(b) Requires that procedures established under this section:

- (1) provide for TCEQ to compile and regularly update a listing of potentially eligible natural gas vehicles and engines powered by natural gas that are certified to:
 - (A) emit not more than 0.2 grams of nitrogen oxides per brake horsepower hour;
 - (B) EPA's light-duty Bin 5 standard or better; or
 - (C) meet or exceed EPA's chassis-certified heavy-duty vehicle emission standard of:
 - (i) 0.2 grams of nitrogen oxides per mile for vehicles with a gross vehicle weight rating of 8,501 to 10,000 pounds; or

(ii) 0.4 grams of nitrogen oxides per mile for vehicles with a gross vehicle weight rating of 10,001 to 14,000 pounds;

(2) makes no change to this subdivision;

(3) assign a standardized grant, rather than rebate, amount for each qualifying vehicle or engine repower under Section 394.007 (Amount of Grant);

(4) allow for processing applications, rather than rebates, on an ongoing first-come, first-served basis;

(5) Redesignates existing Subdivision (7) as Subdivision (5); require grant applicants to identify natural gas fueling stations that are available to fuel the qualifying vehicle in the area of its use;

(6) Redesignates existing Subdivision (8) as Subdivision (6); provide for payment not later than the 30th day after the date the request for reimbursement for an approved grant is received;

(7) Redesignates existing Subdivision (9) as Subdivision (7); provide for application submission and application status checks using procedures established by the commission, which may include application submission and status checks to be made over the Internet; and

(8) Redesignates existing Subdivision (10) as Subdivision (8); consolidate, simplify, and reduce the administrative work for applicants and TCEQ associated with grant application, contracting, reimbursement, and reporting requirements.

Deletes existing text requiring that procedures adopted under this section: provide for TCEQ to compile and regularly update a listing of preapproved natural gas vehicles powered by natural gas engines certified to emit not more than 0.2 grams of nitrogen oxides per brake horsepower hour or certified to EPA's light-duty Bin 5 standard or better; provide for contracts between TCEQ and participating dealers under Section 394.009; and allow grant recipients to assign their grant funds to participating dealers to offset the purchase or lease price.

SECTION 41. Amends Section 394.012, Health and Safety Code, as follows:

Sec. 394.012. EXPIRATION. Provides that this chapter expires August 31, 2023, rather than August 31, 2017.

SECTION 42. Repealer: Section 386.161(b) (relating to the balance available in the fund for motor vehicle purchase or lease incentives), Health and Safety Code.

Repealer: Section 386.252(e-1) (relating to use of fund money), Health and Safety Code.

Repealer: Section 394.009 (Participating Dealers), Health and Safety Code.

Repealer: Section 394.010 (Clean Transportation Triangle), Health and Safety Code.

Repealer: Section 394.011 (Administration of Program), Health and Safety Code.

SECTION 43. Makes application of this Act prospective regarding the awarding of a Texas emissions reduction plan grant.

SECTION 44. Effective date: August 31, 2015.