

## **BILL ANALYSIS**

C.S.H.B. 3518  
By: Landgraf  
Energy Resources  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties note that the state and its fleet of almost 28,000 vehicles, as well as local government fleets, have been slow to convert to cleaner-burning alternative fuels due to a lack of infrastructure and incentives. C.S.H.B. 3518 seeks to address this issue.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Commission on Environmental Quality in SECTION 3 of this bill.

### **ANALYSIS**

C.S.H.B. 3518 amends the Government Code to establish that it is the state's intent that the vehicle fleet of a state agency that operates a fleet of more than 15 motor vehicles, subject to the availability of funds, shall be converted into or replaced with motor vehicles that use compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity, including fully electric vehicles and plug-in hybrid motor vehicles; that a county or municipality that operates a vehicle fleet of more than 15 motor vehicles is authorized, but is not required, to convert the fleet into or replace the fleet with such motor vehicles; and that motor vehicles of such a state agency, county, or municipality that are capable of using such fuels be primarily operated with those fuels rather than conventional gasoline or diesel fuels. The bill requires an applicable state agency, in complying with such intent, to prioritize the purchase or lease of new motor vehicles when replacing vehicles or adding vehicles to the fleet, the purchase of new motor vehicles to replace vehicles that have the highest total mileage and do not use an alternative fuel, the conversion of motor vehicles that were driven the most miles during the previous biennium and do not use an alternative fuel, and, to the extent feasible, obtaining, whether by conversion, purchase, or lease, motor vehicles that use compressed natural gas, liquefied natural gas, or liquefied petroleum gas. The bill exempts law enforcement or emergency vehicles from the state's intent regarding a state agency's vehicle fleet. The bill's provisions relating to alternative fuel fleets apply beginning with the 2016–2017 state fiscal biennium. The bill includes hydrogen fuel cells as an alternative fuel under statutory provisions regarding state purchasing of passenger vehicles using alternative fuels.

C.S.H.B. 3518 amends the Health and Safety Code to require the Texas Commission on Environmental Quality (TCEQ) to establish and administer a governmental alternative fuel fleet grant program funded under the Texas emissions reduction plan to assist an eligible state agency, county, municipality, or political subdivision in purchasing or leasing new motor vehicles that operate primarily on an alternative fuel or in converting motor vehicles to operate primarily on

an alternative fuel. The bill defines "alternative fuel" as compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity, including electricity to power fully electric vehicles and plug-in hybrid motor vehicles. The bill authorizes the program to provide a grant to a state agency, county, municipality, or political subdivision to purchase or lease an applicable new motor vehicle, to convert a motor vehicle to operate primarily on an alternative fuel, or to purchase, lease, or install applicable refueling infrastructure or equipment or procure applicable refueling services to store and dispense alternative fuel needed for an applicable motor vehicle. The bill makes a state agency, county, or municipality eligible to apply for a grant under the program if the entity operates a fleet of more than 15 motor vehicles, excluding motor vehicles that are owned and operated by a private company or other third party under a contract with the entity. The bill makes a mass transit or school transportation provider or other broadly similar public entity established to provide public or school transportation services eligible for a grant under the program. The bill makes a political subdivision eligible to apply for a grant under the program during the remainder of a fiscal year if, on April 1 of an even-numbered year, TCEQ has awarded less than 75 percent of the total amount to be awarded in that fiscal year to the other eligible applicants.

C.S.H.B. 3518 authorizes a grant recipient to purchase or lease with money from a grant a new motor vehicle that is originally manufactured to operate using one or more alternative fuels or is converted to operate using one or more alternative fuels before the first retail sale of the vehicle and that has a dedicated system, dual-fuel system, or bi-fuel system with a range equivalent of at least 75 miles when operating on the alternative fuel without refueling as published by the U.S. Environmental Protection Agency. The bill prohibits a grant recipient from using grant money to replace a motor vehicle, transit bus, or school bus that operates on an alternative fuel unless the replacement vehicle produces fewer emissions and has greater fuel efficiency than the vehicle being replaced. The bill authorizes a grant recipient to purchase, lease, or install refueling infrastructure or equipment or procure refueling services with grant money if the purchase, lease, installation, or procurement is made in conjunction with the purchase or lease of an applicable motor vehicle or the conversion of a motor vehicle to operate primarily on an alternative fuel; the grant recipient demonstrates that a refueling station that meets the recipient's needs is not available within five miles of the location at which the recipient's vehicles are stored or primarily used; and, for the purchase or installation of refueling infrastructure or equipment, the infrastructure or equipment will be owned and operated by the grant recipient, and for the lease of refueling infrastructure or equipment or the procurement of refueling services, a third-party service provider engaged by the grant recipient will provide the infrastructure, equipment, or services.

C.S.H.B. 3518 sets out provisions relating to eligible costs regarding grant money. The bill authorizes TCEQ to establish standardized grant amounts based on the incremental costs associated with the purchase or lease of different categories of motor vehicles. The bill caps the amount of a grant for the purchase or lease of a motor vehicle at the amount of the incremental cost of the purchase or lease. The bill authorizes TCEQ to establish grant amounts to reimburse the full cost of the purchase, lease, installation, or procurement of refueling infrastructure, equipment, or services or to establish criteria for reimbursing a percentage of the cost. The bill authorizes a grant under the program to be combined with funding from other sources, including other grant programs, other than funding or grants from the Texas emissions reduction plan, but prohibits a grant that is combined with other sources from exceeding the total cost to the grant recipient. The bill defines "incremental cost" as the cost of a motor vehicle or the cost of purchasing or installing refueling infrastructure and equipment less a baseline cost that would otherwise be incurred by a grant recipient in the normal course of business and specifies that incremental costs may include added lease or fuel costs as well as additional capital costs.

C.S.H.B. 3518 prohibits a purchase, lease, or installation that uses money from a grant under the program from being used for credit under a state or federal emissions reduction credit averaging, banking, or trading program. The bill prohibits an emissions reduction generated by a purchase or lease under the program from being used as a marketable emissions reduction credit and

authorizes such emissions reduction to be used to demonstrate conformity with the state implementation plan. The bill establishes that a project involving a new emissions reduction measure that would otherwise generate marketable credits under a state or federal emissions reduction credit averaging, banking, or trading program is not eligible for funding under the program unless the project includes the transfer of the reductions that would otherwise be marketable credits to the state implementation plan and the reductions are permanently retired. The bill requires a county or municipality to prioritize the actions listed in the bill's alternative fuel fleets provisions when using money from a grant under the program. The bill requires TCEQ to establish specific criteria and procedures in order to implement and administer the program, to award a grant through a contract between TCEQ and the grant recipient, and to provide an online application process for the submission of all required application documents. The bill authorizes TCEQ to limit funding for a particular period according to priorities established by TCEQ and specifies projects TCEQ must prioritize and considerations TCEQ must make in awarding grants. The bill prohibits TCEQ from awarding more than 10 percent of the total amount awarded under the program in any fiscal year for purchasing, leasing, installing, or procuring refueling infrastructure, equipment, or services.

C.S.H.B. 3518 authorizes the legislature to appropriate money to TCEQ from the Texas emissions reduction plan fund to administer the program and authorizes TCEQ in each fiscal year to use up to three-fourths of one percent of the total amount of money awarded under the program in that fiscal year, but not more than \$1 million, for the administrative costs of the program. The bill authorizes TCEQ to adopt rules as necessary to implement the program, requires TCEQ, on or before November 1 of each even-numbered year, to submit to the governor, the lieutenant governor, and members of the legislature a report regarding awards made under the program during the preceding state fiscal biennium, and provides for the required contents of the report. The bill sets its provisions relating to the governmental alternative fuel fleet grant program to expire August 31, 2025.

C.S.H.B. 3518 includes a temporary provision, set to expire August 31, 2025, authorizing TCEQ, to the extent that money is appropriated from the Texas emissions reduction plan fund for that purpose, to use that money to award grants under the governmental alternative fuel fleet grant program but prohibiting TCEQ from using for that purpose more than three percent of the balance of the fund as of September 1 of each fiscal year of the biennium for the program in that fiscal year.

#### **EFFECTIVE DATE**

September 1, 2015.

#### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 3518 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

##### INTRODUCED

No equivalent provision.

##### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Sections 2158.004(a), (b), (c), and (d), Government Code, are amended to read as follows:

(a) A state agency operating a fleet of more than 15 vehicles, excluding law enforcement and emergency vehicles, may not purchase or lease a motor vehicle unless that vehicle uses compressed natural gas, liquefied

natural gas, liquefied petroleum gas, methanol or methanol/gasoline blends of 85 percent or greater, ethanol or ethanol/gasoline blends of 85 percent or greater, biodiesel or biodiesel/diesel blends of 20 percent or greater, hydrogen fuel cells, or electricity, including electricity to power a plug-in hybrid motor vehicle.

(b) A state agency may obtain equipment or refueling facilities necessary to operate vehicles using compressed natural gas, liquefied natural gas, liquefied petroleum gas, methanol or methanol/gasoline blends of 85 percent or greater, ethanol or ethanol/gasoline blends of 85 percent or greater, biodiesel or biodiesel/diesel blends of 20 percent or greater, hydrogen fuel cells, or electricity, including electricity to power a plug-in hybrid motor vehicle:

(1) by purchase or lease as authorized by law;

(2) by gift or loan of the equipment or facilities; or

(3) by gift or loan of the equipment or facilities or by another arrangement under a service contract for the supply of compressed natural gas, liquefied natural gas, liquefied petroleum gas, methanol or methanol/gasoline blends of 85 percent or greater, ethanol or ethanol/gasoline blends of 85 percent or greater, biodiesel or biodiesel/diesel blends of 20 percent or greater, hydrogen fuel cells, or electricity, including electricity to power a plug-in hybrid motor vehicle.

(c) If the equipment or facilities are donated, loaned, or provided through another arrangement with the supplier of compressed natural gas, liquefied natural gas, liquefied petroleum gas, methanol or methanol/gasoline blends of 85 percent or greater, ethanol or ethanol/gasoline blends of 85 percent or greater, biodiesel or biodiesel/diesel blends of 20 percent or greater, hydrogen fuel cells, or electricity, including electricity to power a plug-in hybrid motor vehicle, the supplier is entitled to recoup its actual cost of donating, loaning, or providing the equipment or facilities through its fuel charges under the supply contract.

(d) The commission may waive the requirements of this section for a state agency on receipt of certification supported by evidence acceptable to the commission

that:

(1) the agency's vehicles will be operating primarily in an area in which neither the agency nor a supplier has or can reasonably be expected to establish adequate refueling for compressed natural gas, liquefied natural gas, liquefied petroleum gas, methanol or methanol/gasoline blends of 85 percent or greater, ethanol or ethanol/gasoline blends of 85 percent or greater, biodiesel or biodiesel/diesel blends of 20 percent or greater, hydrogen fuel cells, or electricity, including electricity to power a plug-in hybrid motor vehicle; or

(2) the agency is unable to obtain equipment or refueling facilities necessary to operate vehicles using compressed natural gas, liquefied natural gas, liquefied petroleum gas, methanol or methanol/gasoline blends of 85 percent or greater, ethanol or ethanol/gasoline blends of 85 percent or greater, biodiesel or biodiesel/diesel blends of 20 percent or greater, hydrogen fuel cells, or electricity, including electricity to power a plug-in hybrid motor vehicle, at a projected cost that is reasonably expected to be no greater than the net costs of continued use of conventional gasoline or diesel fuels, measured over the expected useful life of the equipment or facilities supplied.

SECTION 1. Subchapter A, Chapter 2158, Government Code, is amended by adding Section 2158.0051 to read as follows:

Sec. 2158.0051. ALTERNATIVE FUEL FLEETS. (a) It is the intent of this state that:

(1) the vehicle fleet of a state agency, county, or municipality that operates a fleet of more than 15 motor vehicles be converted into or replaced with motor vehicles that use compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity, including fully electric vehicles and plug-in hybrid motor vehicles; and

SECTION 2. Subchapter A, Chapter 2158, Government Code, is amended by adding Section 2158.0051 to read as follows:

Sec. 2158.0051. ALTERNATIVE FUEL FLEETS. (a) It is the intent of this state that:

(1) the vehicle fleet of a state agency that operates a fleet of more than 15 motor vehicles, subject to the availability of funds, shall be converted into or replaced with motor vehicles that use compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity, including fully electric vehicles and plug-in hybrid motor vehicles;

(2) a county or municipality that operates a vehicle fleet of more than 15 motor vehicles is authorized, but is not required, to convert the fleet into or replace the fleet with motor vehicles that use compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity, including fully electric vehicles and plug-in

(2) motor vehicles of a state agency, county, or municipality described by Subdivision (1) that are capable of using fuels described by that subdivision be primarily operated with those fuels rather than conventional gasoline or diesel fuels.

(b) In complying with Subsection (a), a state agency to which this section applies shall prioritize:

(1) the purchase or lease of new motor vehicles when replacing vehicles or adding vehicles to the fleet;

(2) the purchase of new motor vehicles to replace vehicles that have the highest total mileage and do not use a fuel described by Subsection (a);

(3) the conversion of motor vehicles that were driven the most miles during the previous biennium and do not use a fuel described by Subsection(a); and

(4) to the extent feasible, obtaining, whether by conversion, purchase, or lease, motor vehicles that use compressed natural gas or liquefied natural gas.

(c) A county or municipality may comply with the intent of the legislature as described in Subsection (a). If the county or municipality complies with the intent, the county or municipality shall prioritize the actions listed in Subsections (b)(1)-(4).

SECTION 2. Chapter 403, Government Code, is amended by adding Subchapter R to read as follows:

SUBCHAPTER R. GOVERNMENTAL ALTERNATIVE FUEL FLEET GRANT PROGRAM

Sec. 403.461. DEFINITIONS. In this subchapter:

(1) "Alternative fuel" means compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity, including electricity to power fully electric vehicles and plug-in hybrid motor vehicles.

(2) "Incremental cost" means the cost of a motor vehicle or the cost of purchasing or installing refueling infrastructure and equipment less a baseline cost that would

hybrid motor vehicles; and

(3) motor vehicles of a state agency, county, or municipality described by Subdivisions (1) and (2) that are capable of using fuels described by those subdivisions be primarily operated with those fuels rather than conventional gasoline or diesel fuels.

(b) In complying with Subsection (a), a state agency to which this section applies shall prioritize:

(1) the purchase or lease of new motor vehicles when replacing vehicles or adding vehicles to the fleet;

(2) the purchase of new motor vehicles to replace vehicles that have the highest total mileage and do not use a fuel described by Subsection (a);

(3) the conversion of motor vehicles that were driven the most miles during the previous biennium and do not use a fuel described by Subsection (a); and

(4) to the extent feasible, obtaining, whether by conversion, purchase, or lease, motor vehicles that use compressed natural gas, liquefied natural gas, or liquefied petroleum gas.

(c) Subsection (a)(1) does not apply to law enforcement or emergency vehicles.

SECTION 3. Subtitle C, Title 5, Health and Safety Code, is amended by adding Chapter 395 to read as follows:

CHAPTER 395. GOVERNMENTAL ALTERNATIVE FUEL FLEET GRANT PROGRAM

Sec. 395.001. DEFINITIONS. In this chapter:

(1) "Alternative fuel" means compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity, including electricity to power fully electric vehicles and plug-in hybrid motor vehicles.

(2) "Commission" means the Texas Commission on Environmental Quality.

(3) "Incremental cost" means the cost of a motor vehicle or the cost of purchasing or installing refueling infrastructure and equipment less a baseline cost that would

otherwise be incurred by a grant recipient in the normal course of business. Incremental costs may include added lease or fuel costs as well as additional capital costs.

(3) "Motor vehicle" means a self-propelled device designed for transporting persons or property on a public highway that is required to be registered under Chapter 502, Transportation Code.

(4) "Program" means the governmental alternative fuel fleet grant program established under this subchapter.

(5) "State agency" has the meaning assigned by Section 2151.002, Government Code.

Sec. 403.462. PROGRAM. (a) The comptroller shall establish and administer a governmental alternative fuel fleet grant program to assist an eligible state agency, county, or municipality in complying with Section 2158.0051 through the purchase or lease of new motor vehicles that operate primarily on an alternative fuel.

(b) The program may provide a grant to a state agency, county, or municipality to:

(1) purchase or lease a new motor vehicle described by Section 403.464; or

(2) purchase and install refueling infrastructure and equipment described by Section 403.465 to store and dispense alternative fuel needed for a motor vehicle described by Subdivision (1).

Sec. 403.463. ELIGIBLE APPLICANTS.

(a) A state agency, county, or municipality is eligible to apply for a grant under this program if the entity operates a fleet of more than 15 motor vehicles, excluding motor vehicles that are owned and operated by a private company or other third party under a

otherwise be incurred by a grant recipient in the normal course of business. Incremental costs may include added lease or fuel costs as well as additional capital costs.

(4) "Motor vehicle" means a self-propelled device designed for transporting persons or property on a public highway that is required to be registered under Chapter 502, Transportation Code.

(5) "Political subdivision" means a school district, junior college district, river authority, water district or other special district, or other political subdivision created under the constitution or a statute of this state, other than a county or municipality.

(6) "Program" means the governmental alternative fuel fleet grant program established under this chapter.

(7) "State agency" has the meaning assigned by Section 2151.002, Government Code.

Sec. 395.002. PROGRAM. (a) The commission shall establish and administer a governmental alternative fuel fleet grant program to assist an eligible state agency, county, municipality, or political subdivision in:

(1) purchasing or leasing new motor vehicles that operate primarily on an alternative fuel; or

(2) converting motor vehicles to operate primarily on an alternative fuel.

(b) The program is funded under the Texas emissions reduction plan established under Chapter 386.

(c) The program may provide a grant to a state agency, county, municipality, or political subdivision to:

(1) purchase or lease a new motor vehicle described by Section 395.004;

(2) convert a motor vehicle to operate primarily on an alternative fuel; or

(3) purchase, lease, or install refueling infrastructure or equipment or procure refueling services as described by Section 395.005 to store and dispense alternative fuel needed for a motor vehicle described by Subdivision (1) or (2).

Sec. 395.003. ELIGIBLE APPLICANTS.

(a) A state agency, county, or municipality is eligible to apply for a grant under this program if the entity operates a fleet of more than 15 motor vehicles, excluding motor vehicles that are owned and operated by a private company or other third party under a

contract with the entity.

(b) A transit or school transportation provider or other similar entity established to provide public or school transportation services is eligible for a grant under this program.

Sec. 403.464. MOTOR VEHICLE REQUIREMENTS. (a) A grant recipient may purchase or lease with money from a grant under the program a new motor vehicle that:

(1) is originally manufactured to operate using one or more alternative fuels or is converted to operate using one or more alternative fuels before the first retail sale of the vehicle; and

(2) has a dedicated system, dual-fuel system, or bi-fuel system with a range of at least 125 miles when operating on the alternative fuel without refueling, as published by the United States Environmental Protection Agency.

(b) A grant recipient may not use money from a grant under the program to replace a motor vehicle, transit bus, or school bus that operates on an alternative fuel unless the replacement vehicle produces less emissions and has greater fuel efficiency than the vehicle being replaced.

Sec. 403.465. REFUELING INFRASTRUCTURE AND EQUIPMENT REQUIREMENTS. A grant recipient may purchase or install refueling infrastructure or equipment with money from a grant under the program if:

(1) the purchase or installation is made in conjunction with the purchase or lease of a motor vehicle as described by Section 403.464;

(2) the grant recipient demonstrates that a refueling station that meets the needs of the recipient is not available within 30 miles of the location at which the recipient's vehicles are stored or primarily used; and

contract with the entity.

(b) A mass transit or school transportation provider or other broadly similar public entity established to provide public or school transportation services is eligible for a grant under this program.

(c) If, on April 1 of an even-numbered year, the commission has awarded less than 75 percent of the total amount to be awarded in that fiscal year to eligible applicants under Subsections (a) and (b), a political subdivision is eligible to apply for a grant under the program during the remainder of that fiscal year.

Sec. 395.004. MOTOR VEHICLE REQUIREMENTS. (a) A grant recipient may purchase or lease with money from a grant under the program a new motor vehicle that:

(1) is originally manufactured to operate using one or more alternative fuels or is converted to operate using one or more alternative fuels before the first retail sale of the vehicle; and

(2) has a dedicated system, dual-fuel system, or bi-fuel system with a range equivalent of at least 75 miles when operating on the alternative fuel without refueling, as published by the United States Environmental Protection Agency.

(b) A grant recipient may not use money from a grant under the program to replace a motor vehicle, transit bus, or school bus that operates on an alternative fuel unless the replacement vehicle produces fewer emissions and has greater fuel efficiency than the vehicle being replaced.

Sec. 395.005. REFUELING INFRASTRUCTURE, EQUIPMENT, AND SERVICES. A grant recipient may purchase, lease, or install refueling infrastructure or equipment or procure refueling services with money from a grant under the program if:

(1) the purchase, lease, installation, or procurement is made in conjunction with the purchase or lease of a motor vehicle as described by Section 395.004 or the conversion of a motor vehicle to operate primarily on an alternative fuel;

(2) the grant recipient demonstrates that a refueling station that meets the needs of the recipient is not available within five miles of the location at which the recipient's vehicles are stored or primarily used; and



(3) the refueling infrastructure or equipment will be owned and operated by the grant recipient.

Sec. 403.466. ELIGIBLE COSTS. (a) A motor vehicle lease agreement paid for with money from a grant under the program must have a term of at least three years.

(b) Refueling infrastructure or equipment purchased or installed with money from a grant under the program must be used specifically to store or dispense alternative fuel, as determined by the comptroller.

Sec. 403.467. GRANT AMOUNTS. (a) The comptroller may establish standardized grant amounts based on the incremental costs associated with the purchase or lease of different categories of motor vehicles, including the type of fuel used, vehicle class, and other categories the comptroller considers appropriate.

(b) In determining the incremental costs and setting the standardized grant amounts, the comptroller may consider the difference in cost between a new motor vehicle operated using conventional gasoline or diesel fuel and a new motor vehicle operated using alternative fuel.

(c) The amount of a grant for the purchase or lease of a motor vehicle may not exceed the amount of the incremental cost of the purchase or lease.

(d) The comptroller may establish grant amounts to reimburse the full cost of the purchase and installation of refueling infrastructure or equipment or may establish criteria for reimbursing a percentage of the cost.

(e) A grant under the program may be combined with funding from other sources, including other grant programs, except that a grant may not be combined with other funding or grants from the Texas emissions reduction plan. When combined with other funding sources, a grant may not exceed the

(3) for the purchase or installation of refueling infrastructure or equipment, the infrastructure or equipment will be owned and operated by the grant recipient, and for the lease of refueling infrastructure or equipment or the procurement of refueling services, a third-party service provider engaged by the grant recipient will provide the infrastructure, equipment, or services.

Sec. 395.006. ELIGIBLE COSTS. (a) A motor vehicle lease agreement paid for with money from a grant under the program must have a term of at least three years.

(b) Refueling infrastructure or equipment purchased or installed with money from a grant under the program must be used specifically to store or dispense alternative fuel, as determined by the commission.

(c) A lease of or service agreement for refueling infrastructure, equipment, or services paid for with money from a grant under the program must have a term of at least three years.

Sec. 395.007. GRANT AMOUNTS. (a) The commission may establish standardized grant amounts based on the incremental costs associated with the purchase or lease of different categories of motor vehicles, including the type of fuel used, vehicle class, and other categories the commission considers appropriate.

(b) In determining the incremental costs and setting the standardized grant amounts, the commission may consider the difference in cost between a new motor vehicle operated using conventional gasoline or diesel fuel and a new motor vehicle operated using alternative fuel.

(c) The amount of a grant for the purchase or lease of a motor vehicle may not exceed the amount of the incremental cost of the purchase or lease.

(d) The commission may establish grant amounts to reimburse the full cost of the purchase, lease, installation, or procurement of refueling infrastructure, equipment, or services or may establish criteria for reimbursing a percentage of the cost.

(e) A grant under the program may be combined with funding from other sources, including other grant programs, except that a grant may not be combined with other funding or grants from the Texas emissions reduction plan. When combined with other funding sources, a grant may not exceed the

total cost to the grant recipient.

Sec. 403.468. AVAILABILITY OF EMISSIONS REDUCTION CREDITS.

Sec. 403.469. USE OF GRANT MONEY BY COUNTY OR MUNICIPALITY. A county or municipality shall prioritize the use of money from a grant under the program as required by Sections 2158.0051(b)(1)-(4).

Sec. 403.470. GRANT PROCEDURES AND CRITERIA. (a) The comptroller shall establish specific criteria and procedures in order to implement and administer the program, including the creation and provision of application forms and guidance on the application process.

(b) The comptroller shall award a grant through a contract between the comptroller and the grant recipient.

(c) The comptroller may limit funding for a particular period according to priorities established by the comptroller, including limiting the availability of grants to specific entities, geographic areas, or types of vehicles and infrastructure.

(d) In determining priorities for funding under the program, the comptroller shall consider:

- (1) the effectiveness of a proposed project in assisting an applicant in complying with Section 2158.0051;
- (2) the total amount of the emissions reduction that would be achieved from the project;
- (3) the type and number of vehicles

total cost to the grant recipient.

Sec. 395.008. AVAILABILITY OF EMISSIONS REDUCTION CREDITS.

Sec. 395.009. USE OF GRANT MONEY BY COUNTY OR MUNICIPALITY. A county or municipality shall prioritize the actions listed in Sections 2158.0051(b)(1)-(4), Government Code, when using money from a grant under the program.

Sec. 395.010. GRANT PROCEDURES AND CRITERIA. (a) The commission shall establish specific criteria and procedures in order to implement and administer the program, including the creation and provision of application forms and guidance on the application process.

(b) The commission shall award a grant through a contract between the commission and the grant recipient.

(b-1) The commission shall provide an online application process for the submission of all required application documents.

(c) The commission may limit funding for a particular period according to priorities established by the commission, including limiting the availability of grants to specific entities, for certain types of vehicles and infrastructure, or to certain geographic areas to ensure equitable distribution of grant funds across the state.

(d) In awarding grants under the program, the commission shall prioritize projects that:

- (1) are proposed by a state agency;
- (2) are in or near a nonattainment area;
- (3) are in an affected county, as that term is defined by Section 386.001(2);
- (4) will produce the greatest emissions reductions; and
- (5) will generate the most marketable credits under a state or federal emissions reduction credit averaging, banking, or trading program.

(e) In addition to the requirements under Subsection (d), in awarding grants under the program, the commission shall consider:

- (1) the effectiveness of a proposed project in assisting an applicant in complying with Section 2158.0051, Government Code;
- (2) the total amount of the emissions reduction that would be achieved from the project;
- (3) the type and number of vehicles

purchased, leased, or converted;  
(4) the location of the fleet and the refueling infrastructure or equipment;  
(5) the number of vehicles served and the rate at which vehicles are served by the refueling infrastructure or equipment;  
(6) the amount of any matching funds committed by the applicant; and  
(7) the schedule for project completion.

purchased, leased, or converted;  
(4) the location of the fleet and the refueling infrastructure or equipment;  
(5) the number of vehicles served and the rate at which vehicles are served by the refueling infrastructure or equipment;  
(6) the amount of any matching funds committed by the applicant; and  
(7) the schedule for project completion.

(f) The commission may not award more than 10 percent of the total amount awarded under the program in any fiscal year for purchasing, leasing, installing, or procuring refueling infrastructure, equipment, or services.

Sec. 395.011. FUNDING. The legislature may appropriate money to the commission from the Texas emissions reduction plan fund established under Section 386.251 to administer the program.

Sec. 395.0115. ADMINISTRATIVE COSTS. In each fiscal year, the commission may use up to three-fourths of one percent of the total amount of money awarded under the program in that fiscal year, but not more than \$1 million, for the administrative costs of the program.

Sec. 395.012. RULES. The commission may adopt rules as necessary to implement this chapter.

Sec. 395.013. REPORT REQUIRED. On or before November 1 of each even-numbered year, the commission shall submit to the governor, the lieutenant governor, and members of the legislature a report that includes the following information regarding awards made under the program during the preceding state fiscal biennium:

(1) the number of grants awarded under the program;

(2) the recipient of each grant awarded;

(3) the number of vehicles converted or replaced;

(4) the number, type, and location of any refueling infrastructure, equipment, or services funded under the program;

(5) the total emissions reductions achieved under the program; and

(6) any other information the commission considers relevant.

Sec. 403.471. EXPIRATION.

No equivalent provision.

Sec. 395.014. EXPIRATION.

SECTION 4. Section 386.051(b), Health and Safety Code, is amended to read as

follows:

(b) Under the plan, the commission and the comptroller shall provide grants or other funding for:

- (1) the diesel emissions reduction incentive program established under Subchapter C, including for infrastructure projects established under that subchapter;
- (2) the motor vehicle purchase or lease incentive program established under Subchapter D;
- (3) the air quality research support program established under Chapter 387;
- (4) the clean school bus program established under Chapter 390;
- (5) the new technology implementation grant program established under Chapter 391;
- (6) the regional air monitoring program established under Section 386.252(a);
- (7) a health effects study as provided by Section 386.252(a);
- (8) air quality planning activities as provided by Section 386.252(a);
- (9) a contract with the Energy Systems Laboratory at the Texas Engineering Experiment Station for computation of creditable statewide emissions reductions as provided by Section 386.252(a)(14);
- (10) the clean fleet program established under Chapter 392;
- (11) the alternative fueling facilities program established under Chapter 393;
- (12) the natural gas vehicle grant program and clean transportation triangle program established under Chapter 394;
- (13) other programs the commission may develop that lead to reduced emissions of nitrogen oxides, particulate matter, or volatile organic compounds in a nonattainment area or affected county;
- (14) other programs the commission may develop that support congestion mitigation to reduce mobile source ozone precursor emissions; ~~and~~
- (15) the drayage truck incentive program established under Subchapter D-1; and
- (16) the governmental alternative fuel fleet grant program established under Chapter 395.

SECTION 3. Section 2158.0051, Government Code, as added by this Act, applies beginning with the state fiscal biennium beginning September 1, 2015.

SECTION 5. Same as introduced version.

SECTION 4. (a) To the extent that money is appropriated from the Texas emissions reduction plan fund for that purpose, the **comptroller** may use that money to award grants under the governmental alternative fuel fleet grant program created under Subchapter R, Chapter 403, Government Code, as added by this Act, except that the **comptroller** may not use for that purpose more than three percent of the balance of the Texas emissions reduction plan fund as of September 1 of each fiscal year of the biennium for the governmental alternative fuel fleet grant program in that fiscal year.

(b) This section expires August 31, 2025.

SECTION 5. This Act takes effect September 1, 2015.

SECTION 6. (a) To the extent that money is appropriated from the Texas emissions reduction plan fund for that purpose, the **Texas Commission on Environmental Quality** may use that money to award grants under the governmental alternative fuel fleet grant program created under Chapter 395, Health and Safety Code, as added by this Act, except that the **commission** may not use for that purpose more than three percent of the balance of the Texas emissions reduction plan fund as of September 1 of each fiscal year of the biennium for the governmental alternative fuel fleet grant program in that fiscal year.

(b) This section expires August 31, 2025.

SECTION 7. Same as introduced version.