HOUSE
RESEARCH
ORGANIZATION bill digest | 5/23/2017 | SB 26
Estes, et al. (Landgraf, et al.)
(CSSB 26 by Pickett)

SUBJECT: Continuing and amending the Texas Emissions Reduction Plan

COMMITTEE: Environmental Regulation — committee substitute recommended

VOTE: 9 ayes — Pickett, E. Thompson, Cyrier, Dale, Kacal, Landgraf, Lozano, Reynolds, F. Rodriguez

0 nays

SENATE VOTE: On final passage, March 14 — 27-4 (Burton, Creighton, Hall, V. Taylor)

WITNESSES: *On House companion bill, HB 1979:*
For — Bob Baldwin, CNG 4 America; Susan Shifflett, Greater Houston Natural Gas Vehicle Alliance; Cyrus Reed, Lone Star Chapter Sierra Club; Stephen Minick, Texas Association of Business; (*Registered, but did not testify*: Caleb Troxclair, Alphabet Energy; June Deadrick, CenterPoint Energy; Bill Kelly, City of Houston Mayor's Office; Robert Peeler, Ford Motor Company; John Athin, Freedom CNG, Woodfuel, NOVUS Woodgroup, and AACO Investments; Dan Lefevers, Gas Technology Institute; and Neftali Partida, Gulf States Toyota; Mike Meroney, Huntsman Corporation, and BASF Corporation; Ben Shepperd, Permian Basin Petroleum Association; Russ Keene, Plug-In Texas Alternative Fuels Coalition; Mark Mendez, Tarrant County; Suzanne Bertin, Texas Advanced Energy Business Alliance; Katherine Carmichael, Texas Alliance of Energy Producers; Donald Lee, Texas Conference of Urban Counties; Riley Stinnett, Texas Gas Service; Lindsey Miller, Texas Independent Producers and Royalty Owners Association; Michelle Romero, Texas Medical Association; William Van Hoy, Texas Propane Gas Association; Chloe Lieberknecht, The Nature Conservancy; Jennifer Allmon, The Texas Catholic Conference of Bishops; Chris Shields, Toyota; Danny Smith, UPS; Shawna Russell, VIA Metropolitan Transit)

Against — Adrian Shelley, Public Citizen

On — Hector Rivero, Texas Chemical Council; David Brymer and Steve Dayton, TCEQ; Brian Ragland, Texas Department of Transportation;

Mari Ruckel, Texas Oil and Gas Association; (*Registered, but did not testify*: Joe Walton, TCEQ)

BACKGROUND: In 2001, the 77th Legislature created the Texas Emissions Reduction Plan (TERP) to provide financial incentives to eligible individuals, businesses, and local governments to reduce emissions from vehicles and equipment and help the state achieve federal Environmental Protection Agency air quality standards. TERP, which is scheduled to expire August 31, 2019, provides incentives through a variety of programs.

TERP is funded from certain fees and surcharges on obtaining vehicle titles, purchase or lease of heavy-duty vehicles and equipment, and registration and inspection of commercial vehicles. The TERP account is anticipated to have a balance of $1.4 billion at the end of fiscal 2017, and revenue collections in the upcoming biennium are expected to be about $215 million during each fiscal year.

Some observers suggest that TERP should be continued past 2019 to continue helping Texas achieve the benefits of reduced air pollution in major cities.

DIGEST: CSSB 26 would continue the Texas Emissions Reduction Plan (TERP), including TERP programs, fees, and surcharges, until the end of the biennium in which the state attained compliance with the federal ambient air quality standards for ground-level ozone. The bill also would amend the provisions of certain TERP programs and funding mechanisms.

Governmental Alternative Fuel Fleet Grant Program. The Texas Commission on Environmental Quality (TCEQ) would establish and administer a governmental alternative fuel fleet grant program to assist an eligible state agency, county, municipality, or political subdivision purchase or lease new alternative fuel motor vehicles or refueling equipment. A state agency, county, or municipality would be eligible for a grant if the entity operated a fleet of more than 15 vehicles, excluding vehicles owned and operated by a private company or other third-party under contract. A mass transit or school transportation provider would be eligible, but law enforcement or emergency vehicles would not be eligible for this program.

The bill would require a motor vehicle lease agreement paid for with money from a grant under this program to have a term of at least three years. A lease or service agreement for refueling infrastructure, equipment, or services paid for by a grant also would have to have a term of at least three years.

A grant under this program could be combined with funding from other sources, except for another TERP grant. When combined with other funding, a grant could not exceed the total cost to the grant recipient.

Light-Duty Motor Vehicles Incentive Program. The bill would require TCEQ to develop a purchase or lease incentive program for new light-duty motor vehicles. A person would be eligible for incentives if he or she agreed to operate a light-duty vehicle powered by compressed natural gas, liquefied petroleum gas, or hydrogen fuel cell or other electric drives for a minimum period of time. Only one incentive would be provided per vehicle.

A vehicle powered by compressed natural gas or liquefied petroleum gas that met certain requirements would be eligible for a $5,000 incentive. The bill would limit this incentive to 1,000 vehicles per fiscal biennium.

Vehicles powered by an electric drive that met certain requirements would be eligible for a $2,500 incentive. This incentive would be limited to 2,000 vehicles per fiscal biennium.

No later than July 1 of each year, a manufacturer of motor vehicles, an intermediate or final state vehicle manufacturer, or a manufacturer of compressed natural gas or liquefied petroleum gas systems would have to provide to TCEQ a list of the new vehicles or systems intended for sale which meet the incentive requirements. TCEQ would publish that list on the commission's website on August 1 of each year.

Texas Alternative Fueling Facilities Program. TCEQ would be required to provide grants for strategically placed fueling facilities in the clean transportation zone to enable a vehicle to travel in those areas relying only on the alternative fuel.

The clean transportation zone would include counties:

- containing a portion of an interstate highway connecting Houston, San Antonio, Dallas, and Fort Worth;
- containing a portion of an interstate highway connecting San Antonio to Corpus Christi or Laredo, or the most direct route between Corpus Christi and Laredo;
- included in a nonattainment area; and
- designated as affected counties with deteriorating air quality.

Grants awarded under the program could not exceed $400,000 for a compressed or liquefied natural gas facility or $600,000 for a facility providing both. TCEQ could not award a grant to an entity that did not agree to make the facility accessible to the public.

Clean Transportation Triangle Program. The bill would repeal the Clean Transportation Triangle Program, a part of the Texas Natural Gas Vehicle Grant Program that awarded grants to support the development of a network of natural gas vehicle fueling stations along the interstate highways connecting Houston, San Antonio, Dallas, and Fort Worth, and in nonattainment areas and affected counties.

Clean School Bus Program. The list of projects eligible for a grant under the Clean School Bus Program would be expanded to include the replacement of a pre-2007 model year school bus. A bus proposed for replacement would have to be of model year 2006 or earlier, operated for at least two years, in good operational condition, and used on a regular daily school route. An applicant for a grant would have to agree to own and operate the school bus for at least five years.

A school bus replaced under this program would be rendered permanently inoperable by crushing the bus, making a hole in the engine block and destroying the frame, or by permanent removal. The bill would specify that "permanent removal" meant the export of the bus or engine to a destination outside of the United States, Canada, or Mexico.

New Technology Implementation Grant Program. The bill would expand the projects eligible for a grant under the New Technology Implementation Grant Program to include new technology projects that would reduce emissions from upstream and midstream oil and gas production and other activities.

Texas Clean Fleet Program. CSSB 26 would amend program eligibility to allow an entity that placed 10 or more qualifying vehicles in service in the state during the year to be eligible to participate in the Texas Clean Fleet Program.

Drayage Truck Incentive Program. The bill also would re-name the program as the Seaport and Rail Yard Areas Emissions Reduction Program. Vehicles classified as cargo handling equipment would be eligible for the incentive program.

Natural Gas Vehicle Grant Program. A grant under the Natural Gas Vehicle Grant Program could be used to pay the incremental costs of the vehicle repower, as well as vehicle replacement.

TERP Fund. The bill would amend the amount of funds authorized to be appropriated by TCEQ for certain purposes. Certain allocations would be limited to:

- no more than $1.5 million for a regional air monitoring program in commission regions 3 and 4;
- 10 percent of the fund for the Natural Gas Vehicle Grant Program;
- no more than $6 million for the Alternative Fueling Facilities Program;
- 6 percent of the fund for the Seaport and Rail Yard Areas Emissions Reduction Program; and

- up to $8 million for administrative costs.

Money allocated from the TERP Fund to a particular program could be used for another program under the plan based on demand for grants for eligible projects.

The bill would amend the amount of funds remitted from the Department of Transportation to the comptroller for deposit to the TERP Fund, and would extend the remittance until August 31, 2021.

Administration. TCEQ could streamline the process to apply for a grant under the diesel emissions reduction incentive program by reducing data entry and the copying of applications and developing, maintaining, and periodically updating a system to accept applications electronically.

The executive director of TCEQ would have the ability, rather than being required, to waive any eligibility requirements for TERP grants on a finding of good cause.

Effective date. CSSB 26 would take effect August 30, 2017, and would apply only to a TERP grant awarded or fee collected on or after that date.

NOTES:

CSSB 26 differs from the Senate-passed version in certain ways, including by:

- renaming the Drayage Truck Incentive Program and allowing cargo handling equipment to be eligible for the program;
- amending requirements for allocations of the TERP Fund; and
- extending the fees and surcharges that fund TERP.