

## **BILL ANALYSIS**

Senate Research Center  
84R18275 DDT-D

C.S.S.B. 12  
By: Uresti; Menéndez  
Natural Resources & Economic Development  
4/1/2015  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

C.S.S.B. 12 uses existing state revenues to provide financial incentives for state agencies, counties, cities, universities, and school districts to convert or replace vehicles to models that use less-polluting alternative fuels. It also would expand a program that provides state grants to build alternative fueling stations.

The primary intent of C.S.S.B. 12 is to encourage the conversion of state government vehicle fleets to cleaner-burning natural gas, making more use of a Texas product and at the same time reducing air pollution in the state.

Funds for the program — an appropriations rider to provide approximately \$30 million a year has been filed — would come from the accumulated balance of approximately \$1 billion in the Texas Emissions Reduction Plan (TERP). TERP funds come from annual fees already assessed and collected on industry and motor vehicle registrations. Annual revenue amounts to about \$225 million, and annual legislative appropriations have averaged about \$155 million. The plan and fund were created by the legislature in 2001 to establish and pay for several programs aimed at reducing air pollution in the state.

It is the intent of the bill to require state agencies that operate more than 15 vehicles to convert or replace vehicles to models that use compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity. The substitute removes the stated intention that county and municipality fleets also be converted, making it voluntary for those entities to participate in the program and in fleet conversions. The substitute also adds Section 3 to add the new program to the list of those authorized for funding under the TERP plan and fund.

Texas is responsible for one-fourth of all the natural gas production in the United States, and the state exports almost half of that. It has 29 percent of the proven natural gas reserves in the country. Making more use of this Texas product will put more Texans to work and reduce air pollution in the state.

The State of Texas has almost 28,000 vehicles in its fleet – the largest in the state. Only small strides have been made to convert to alternative fuels. Right now, only 51 state vehicles operate on compressed natural gas.

Residents, governments, and businesses have been slow to convert to cleaner-burning vehicles due to a lack of fueling stations. To help encourage conversion, the state spent \$2.4 million on TERP grants in the last two years to help open 21 public natural gas fueling stations in Texas. That brings the state's total to just over 100, most of them in the Houston-Dallas-San Antonio triangle.

C.S.S.B. 12 amends current law relating to alternative fuel fleets of certain governmental entities, including funding for motor vehicles, infrastructure, and equipment.

[**Note:** While the statutory reference in this bill is to the Texas Natural Resource Conservation Commission (TNRCC), the following amendments affect the Texas Commission on Environmental Quality, as the successor agency to TNRCC.]

## **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

## **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 2158, Government Code, by adding Section 2158.0051, as follows:

Sec. 2158.0051. ALTERNATIVE FUEL FLEETS. (a) Provides that 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; and

(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 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) Requires a state agency to which this section applies, in complying with Subsection (a), to 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.

SECTION 2. Amends Chapter 403, Government Code, by adding Subchapter R, as follows:

### **SUBCHAPTER R. GOVERNMENTAL ALTERNATIVE FUEL FLEET GRANT PROGRAM**

Sec. 403.461. DEFINITIONS. Defines “alternative fuel,” “incremental cost,” “motor vehicle,” “program,” and “state agency.”

Sec. 403.462. PROGRAM. (a) Requires the comptroller of public accounts of the State of Texas (comptroller) to establish and administer a governmental alternative fuel fleet grant program (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) Provides that the program is funded under the Texas Emissions Reduction Plan (TERP) established under Chapter 386 (Texas Emissions Reduction Plan), Health and Safety Code.

(c) Authorizes the program to 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) Provides that 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) Provides that 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) Authorizes a grant recipient to 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) Prohibits a grant recipient from using 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. Authorizes a grant recipient to 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

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

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

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

Sec. 403.467. GRANT AMOUNTS. (a) Authorizes the comptroller to 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) Authorizes the comptroller, in determining the incremental costs and setting the standardized grant amounts, to 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) Prohibits the amount of a grant for the purchase or lease of a motor vehicle from exceeding the amount of the incremental cost of the purchase or lease.

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

(e) Authorizes a grant under the program to be combined with funding from other sources, including other grant programs, except prohibits a grant from being combined with other funding or grants from the Texas emissions reduction plan (TERP). Prohibits a grant, when combined with other funding sources, from exceeding the total cost to the grant recipient.

Sec. 403.468. AVAILABILITY OF EMISSIONS REDUCTION CREDITS. (a) 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.

(b) Provides that an emissions reduction generated by a purchase or lease under this subchapter may not be used as a marketable emissions reduction credit and may be used to demonstrate conformity with the state implementation plan.

(c) Provides 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.

Sec. 403.469. USE OF GRANT MONEY BY COUNTY OR MUNICIPALITY. Requires a county or municipality to prioritize the actions listed in Sections 2158.0051(b)(1)-(4) when using money from a grant under the program.

Sec. 403.470. GRANT PROCEDURES AND CRITERIA. (a) Requires the comptroller to 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) Requires the comptroller to award a grant through a contract between the comptroller and the grant recipient.

(c) Authorizes the comptroller to 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) Requires the comptroller, in determining priorities for funding under the program, to 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 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.

Sec. 403.471. FUNDING. Authorizes the legislature to appropriate money to the comptroller from TERP fund established under Section 386.251, Health and Safety Code, to administer the program.

Sec. 403.472. EXPIRATION. Provides that this subchapter expires August 31, 2025.

SECTION 3. Amends Section 386.051(b), Health and Safety Code, to require the Texas Natural Resource Commission (TNRCC) and the comptroller, under the plan, to provide grants or other funding for the governmental alternative fuel fleet grant program established under Subchapter R, Chapter 403, Government Code. Makes nonsubstantive changes.

SECTION 4. Amends Section 386.252, Health and Safety Code, by adding Subsection (i), as follows:

- (i) Authorizes the comptroller, to the extent that money is appropriated from the TERP fund for that purpose, to use that money to award grants under the governmental alternative fuel fleet grant program created under Subchapter R, Chapter 403, Government Code, except that the comptroller is prohibited from using for that purpose more than three percent of the balance of the TERP fund as of September 1 of each fiscal year of the biennium for the program in that fiscal year. Provides that this section expires August 31, 2025.

SECTION 5. Provides that Section 2158.0051, Government Code, as added by this Act, applies beginning with the state fiscal biennium beginning September 1, 2015.

SECTION 6. Effective date: September 1, 2015.