

By: Estes, et al.  
(Landgraf, Pickett, Dale, Reynolds)

S.B. No. 26

Substitute the following for S.B. No. 26:

By: Pickett

C.S.S.B. No. 26

A BILL TO BE ENTITLED

AN ACT

relating to the Texas emissions reduction plan and other related programs and measures to reduce emissions.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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 electric 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 electric motor vehicle:

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

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

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

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

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

24           (1) the agency's vehicles will be operating primarily  
25 in an area in which neither the agency nor a supplier has or can  
26 reasonably be expected to establish adequate refueling for  
27 compressed natural gas, liquefied natural gas, liquefied petroleum

1 gas, methanol or methanol/gasoline blends of 85 percent or greater,  
2 ethanol or ethanol/gasoline blends of 85 percent or greater,  
3 biodiesel or biodiesel/diesel blends of 20 percent or greater,  
4 hydrogen fuel cells, or electricity, including electricity to power  
5 a plug-in hybrid electric motor vehicle; or

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

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

19 Sec. 2158.0051. ALTERNATIVE FUEL FLEETS.

20 (a) Notwithstanding the purchase requirements of Section  
21 2158.004:

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

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

8           (3) motor vehicles of a state agency, county, or  
9 municipality described by Subdivisions (1) and (2) that are capable  
10 of using fuels described by those subdivisions shall be primarily  
11 operated with those fuels.

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

14           (1) the purchase or lease of new motor vehicles,  
15 including new motor vehicles that are converted to operate on an  
16 alternative fuel described by Subsection (a)(1), when replacing  
17 vehicles or adding vehicles to the fleet;

18           (2) the purchase of new motor vehicles, including new  
19 motor vehicles that are converted to operate on an alternative fuel  
20 described by Subsection (a)(1), to replace vehicles that have the  
21 highest total mileage and do not use a fuel described by Subsection  
22 (a)(1); and

23           (3) to the extent feasible, obtaining, whether by  
24 purchase, purchase and conversion, or lease, motor vehicles that  
25 use compressed natural gas, liquefied natural gas, or liquefied  
26 petroleum gas.

27           (c) Subsection (a)(1) does not apply to law enforcement or

1 emergency vehicles.

2 SECTION 3. Section 386.001(3), Health and Safety Code, is  
3 amended to read as follows:

4 (3) "Commission" means the Texas [~~Natural Resource~~  
5 ~~Conservation~~] Commission on Environmental Quality.

6 SECTION 4. Section 386.002, Health and Safety Code, is  
7 amended to read as follows:

8 Sec. 386.002. EXPIRATION. This chapter expires on the last  
9 day of the state fiscal biennium during which the United States  
10 Environmental Protection Agency publishes in the Federal Register  
11 certification that, with respect to each national ambient air  
12 quality standard for ozone under 40 C.F.R. Section 81.344, the  
13 agency has, for each designated area under that section:

14 (1) designated the area as attainment or  
15 unclassifiable; or

16 (2) approved a redesignation substitute making a  
17 finding of attainment for the area [~~August 31, 2019~~].

18 SECTION 5. Section 386.051(b), Health and Safety Code, is  
19 amended to read as follows:

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

22 (1) the diesel emissions reduction incentive program  
23 established under Subchapter C, including for infrastructure  
24 projects established under that subchapter;

25 (2) the motor vehicle purchase or lease incentive  
26 program established under Subchapter D;

27 (3) the air quality research support program

- 1 established under Chapter 387;
- 2 (4) the clean school bus program established under  
3 Chapter 390;
- 4 (5) the new technology implementation grant program  
5 established under Chapter 391;
- 6 (6) the regional air monitoring program established  
7 under Section 386.252(a);
- 8 (7) a health effects study as provided by Section  
9 386.252(a);
- 10 (8) air quality planning activities as provided by  
11 Section 386.252(d) [~~386.252(a)~~];
- 12 (9) a contract with the Energy Systems Laboratory at  
13 the Texas A&M Engineering Experiment Station for computation of  
14 creditable statewide emissions reductions and other reductions of  
15 air contaminants subject to the permitting requirements of Chapter  
16 382 as provided by Section 386.252(a) [~~386.252(a)(14)~~];
- 17 (10) the clean fleet program established under Chapter  
18 392;
- 19 (11) the alternative fueling facilities program  
20 established under Chapter 393;
- 21 (12) the natural gas vehicle grant program [~~and clean~~  
22 ~~transportation triangle program~~] established under Chapter 394;
- 23 (13) other programs the commission may develop that  
24 lead to reduced emissions of nitrogen oxides, particulate matter,  
25 or volatile organic compounds in a nonattainment area or affected  
26 county;
- 27 (14) other programs the commission may develop that

1 support congestion mitigation to reduce mobile source ozone  
2 precursor emissions; ~~and~~

3 (15) the seaport and rail yard areas emissions  
4 reduction ~~[drayage truck incentive]~~ program established under  
5 Subchapter D-1;

6 (16) conducting research and other activities  
7 associated with making any necessary demonstrations in the state's  
8 air quality state implementation plan submitted to the United  
9 States Environmental Protection Agency that the excess emissions  
10 reported for an area are the result of a foreign emissions source or  
11 an exceptional event; and

12 (17) the governmental alternative fuel fleet grant  
13 program established under Chapter 395.

14 SECTION 6. Sections 386.0515(a) and (c), Health and Safety  
15 Code, are amended to read as follows:

16 (a) In this section:

17 (1) "Agricultural ~~[, "agricultural]~~ product  
18 transportation" means the transportation of a raw agricultural  
19 product from the place of production using a heavy-duty truck to:

20 (A) ~~[(1)]~~ a nonattainment area;

21 (B) ~~[(2)]~~ an affected county;

22 (C) ~~[(3)]~~ a destination inside the clean  
23 transportation zone ~~[triangle]; or~~

24 (D) ~~[(4)]~~ a county adjacent to a county described  
25 by Paragraph (B) ~~[Subdivision (2)]~~ or that contains an area  
26 described by Paragraph (A) or (C) ~~[Subdivision (1) or (3)]~~.

27 (2) "Clean transportation zone" has the meaning

1 assigned by Section 393.001.

2 (c) The determining factor for eligibility for  
3 participation in a program established under Chapter 392 or  
4 [~~Chapter~~] 394 [~~, as added by Chapter 892 (Senate Bill No. 385), Acts~~  
5 ~~of the 82nd Legislature, Regular Session, 2011,~~] for a project  
6 relating to agricultural product transportation is the overall  
7 accumulative net reduction in emissions of oxides of nitrogen in a  
8 nonattainment area, an affected county, or the clean transportation  
9 zone [~~triangle~~].

10 SECTION 7. Section 386.103, Health and Safety Code, is  
11 amended by adding Subsection (c) to read as follows:

12 (c) To reduce the administrative burden for the commission  
13 and applicants, the commission may streamline the application  
14 process by:

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

17 (2) developing, maintaining, and periodically  
18 updating a system to accept applications electronically through the  
19 commission's Internet website.

20 SECTION 8. Section 386.104(j), Health and Safety Code, is  
21 amended to read as follows:

22 (j) The executive director may [~~shall~~] waive any  
23 eligibility requirements established under this section on a  
24 finding of good cause, which may include a waiver for short lapses  
25 in registration or operation attributable to economic conditions,  
26 seasonal work, or other circumstances.

27 SECTION 9. Sections 386.116(a), (b), and (c), Health and



1 Safety Code, are amended to read as follows:

2 (a) In this section, "small business" means a business owned  
3 by a person who:

4 (1) owns and operates not more than five [~~two~~]  
5 vehicles, one of which is:

6 (A) an on-road diesel [~~with a pre-1994 engine~~  
7 ~~model~~]; or

8 (B) a non-road diesel [~~with an engine with~~  
9 ~~uncontrolled emissions~~]; and

10 (2) has owned the vehicle described by Subdivision  
11 (1)(A) or (B) for more than two years [~~one year~~].

12 (b) The commission [~~by rule~~] shall develop a method of  
13 providing fast and simple access to grants under this subchapter  
14 for a small business. The method must:

15 (1) create a separate small business grant program; or

16 (2) require the commission to give special  
17 consideration to small businesses when implementing another  
18 program established under this subchapter.

19 (c) The commission shall publicize and promote the  
20 availability of grants under this subchapter for small businesses  
21 [~~section~~] to encourage the use of vehicles that produce fewer  
22 emissions.

23 SECTION 10. Chapter 386, Health and Safety Code, is amended  
24 by adding Subchapter D to read as follows:

25 SUBCHAPTER D. MOTOR VEHICLE PURCHASE OR LEASE INCENTIVE PROGRAM

26 Sec. 386.151. DEFINITIONS. In this subchapter:

27 (1) "Light-duty motor vehicle" means a motor vehicle

1 with a gross vehicle weight rating of less than 10,000 pounds.

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

6 Sec. 386.152. APPLICABILITY. The provisions of this  
7 subchapter relating to a lessee do not apply to a person who rents  
8 or leases a light-duty motor vehicle for a term of 30 days or less.

9 Sec. 386.153. COMMISSION DUTIES REGARDING LIGHT-DUTY MOTOR  
10 VEHICLE PURCHASE OR LEASE INCENTIVE PROGRAM. (a) The commission  
11 shall develop a purchase or lease incentive program for new  
12 light-duty motor vehicles and shall adopt rules necessary to  
13 implement the program.

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

20 (c) Only one incentive will be provided for each new  
21 light-duty motor vehicle. The incentive shall be provided to the  
22 lessee and not to the purchaser if the motor vehicle is purchased  
23 for the purpose of leasing the vehicle to another person.

24 (d) The commission by rule may revise the standards for the  
25 maximum unloaded vehicle weight rating and gross vehicle weight  
26 rating of an eligible vehicle to ensure that all of the vehicle  
27 weight configurations available under one general vehicle model may

1 be eligible for an incentive.

2 Sec. 386.154. LIGHT-DUTY MOTOR VEHICLE PURCHASE OR LEASE  
3 INCENTIVE REQUIREMENTS. (a) A new light-duty motor vehicle  
4 powered by compressed natural gas or liquefied petroleum gas is  
5 eligible for a \$5,000 incentive if the vehicle:

6 (1) has four wheels;

7 (2) was originally manufactured to comply with and has  
8 been certified by an original equipment manufacturer or  
9 intermediate or final state vehicle manufacturer as complying with,  
10 or has been altered to comply with, federal motor vehicle safety  
11 standards, state emissions regulations, and any additional federal  
12 or state regulations applicable to vehicles powered by compressed  
13 natural gas or liquefied petroleum gas;

14 (3) was manufactured for use primarily on public  
15 streets, roads, and highways;

16 (4) has a dedicated or bi-fuel compressed natural gas  
17 or liquefied petroleum gas fuel system:

18 (A) installed prior to first sale or within 500  
19 miles of operation of the vehicle following first sale; and

20 (B) with a range of at least 125 miles as  
21 estimated, published, and updated by the United States  
22 Environmental Protection Agency;

23 (5) has, as applicable, a:

24 (A) compressed natural gas fuel system that  
25 complies with the:

26 (i) 2013 NFPA 52 Vehicular Gaseous Fuel  
27 Systems Code; and

1                    (ii) American National Standard for Basic  
2 Requirements for Compressed Natural Gas Vehicle (NGV) Fuel  
3 Containers, commonly cited as "ANSI/CSA NGV2"; or

4                    (B) liquefied petroleum gas fuel system that  
5 complies with:

6                    (i) the 2011 NFPA 58 Liquefied Petroleum  
7 Gas Code; and

8                    (ii) Section VII of the 2013 ASME Boiler and  
9 Pressure Vessel Code; and

10                   (6) was acquired on or after September 1, 2013, or a  
11 later date established by the commission, by the person applying  
12 for the incentive under this subsection and for use or lease by that  
13 person and not for resale.

14                   (b) If the commission determines that an updated version of  
15 a code or standard described by Subdivision (a)(5) is more  
16 stringent than the version of the code or standard described by  
17 Subdivision (a)(5), the commission by rule may provide that a  
18 vehicle for which a person applies for an incentive under  
19 Subsection (a) is eligible for the incentive only if the vehicle  
20 complies with the updated version of the code or standard.

21                   (c) The incentive under Subsection (a) is limited to 1,000  
22 vehicles for each state fiscal biennium.

23                   (d) A new light-duty motor vehicle powered by an electric  
24 drive is eligible for a \$2,500 incentive if the vehicle:

25                   (1) has four wheels;

26                   (2) was manufactured for use primarily on public  
27 streets, roads, and highways;

1           (3) has not been modified from the original  
2 manufacturer's specifications;

3           (4) has a maximum speed capability of at least 55 miles  
4 per hour;

5           (5) is propelled to a significant extent by an  
6 electric motor that draws electricity from a hydrogen fuel cell or  
7 from a battery that:

8                   (A) has a capacity of not less than four kilowatt  
9 hours; and

10                   (B) is capable of being recharged from an  
11 external source of electricity; and

12           (6) was acquired on or after September 1, 2013, or a  
13 later date as established by the commission, by the person applying  
14 for the incentive under this subsection and for use or lease by that  
15 person and not for resale.

16           (e) The incentive under Subsection (d) is limited to 2,000  
17 vehicles for each state fiscal biennium.

18           Sec. 386.155. MANUFACTURER'S REPORT. (a) At the beginning  
19 of but not later than July 1 of each year preceding the vehicle  
20 model year, a manufacturer of motor vehicles, an intermediate or  
21 final state vehicle manufacturer, or a manufacturer of compressed  
22 natural gas or liquefied petroleum gas systems shall provide to the  
23 commission a list of the new vehicle or natural gas or liquefied  
24 petroleum gas systems models that the manufacturer intends to sell  
25 in this state during that model year that meet the incentive  
26 requirements established under Section 386.154. The manufacturer  
27 or installer may supplement the list provided to the commission

1 under this section as necessary to include additional new vehicle  
2 models the manufacturer intends to sell in this state during the  
3 model year.

4 (b) The commission may supplement the information provided  
5 under Subsection (a) with additional information on available  
6 vehicle models, including information provided by manufacturers or  
7 installers of systems to convert new motor vehicles to operate on  
8 natural gas or liquefied petroleum gas before sale as a new vehicle  
9 or within 500 miles of operation of the vehicle following first  
10 sale.

11 Sec. 386.156. LIST OF ELIGIBLE MOTOR VEHICLES. (a) On  
12 August 1 of each year the commission shall publish a list of new  
13 motor vehicle models eligible for inclusion in an incentive under  
14 this subchapter. The commission shall publish supplements to that  
15 list as necessary to include additional new vehicle models.

16 (b) The commission shall publish the list of eligible motor  
17 vehicle models on the commission's Internet website.

18 Sec. 386.157. LIGHT-DUTY MOTOR VEHICLE PURCHASE OR LEASE  
19 INCENTIVE. (a) A person who purchases or leases a new light-duty  
20 motor vehicle described by Section 386.154 and listed under Section  
21 386.156(a) is eligible to apply for an incentive under this  
22 subchapter.

23 (b) A lease incentive for a new light-duty motor vehicle  
24 shall be prorated based on a three-year lease term.

25 (c) To receive money under an incentive program provided by  
26 this subchapter, the purchaser or lessee of a new light-duty motor  
27 vehicle who is eligible to apply for an incentive under this

1 subchapter shall apply for the incentive in the manner provided by  
2 law or by rule of the commission.

3 Sec. 386.158. COMMISSION TO ACCOUNT FOR MOTOR VEHICLE  
4 PURCHASE OR LEASE INCENTIVES. (a) The commission by rule shall  
5 develop a method to administer and account for the motor vehicle  
6 purchase or lease incentives authorized by this subchapter and to  
7 pay incentive money to the purchaser or lessee of a new motor  
8 vehicle, on application of the purchaser or lessee as provided by  
9 this subchapter.

10 (b) The commission shall develop and publish forms and  
11 instructions for the purchaser or lessee of a new motor vehicle to  
12 use in applying to the commission for an incentive payment under  
13 this subchapter. The commission shall make the forms available to  
14 new motor vehicle dealers and leasing agents. Dealers and leasing  
15 agents shall make the forms available to their prospective  
16 purchasers or lessees.

17 (c) The commission may require the submission of forms and  
18 documentation as needed to verify eligibility for an incentive  
19 under this subchapter.

20 Sec. 386.159. PURCHASE OR LEASE INCENTIVES INFORMATION.

21 (a) The commission shall establish a toll-free telephone number  
22 available to motor vehicle dealers and leasing agents for the  
23 dealers and agents to call to verify that incentives are available.  
24 The commission may provide for issuing verification numbers over  
25 the telephone line.

26 (b) Reliance by a dealer or leasing agent on information  
27 provided by the commission is a complete defense to an action

1 involving or based on eligibility of a vehicle for an incentive or  
2 availability of vehicles eligible for an incentive.

3 Sec. 386.160. RESERVATION OF INCENTIVES. The commission  
4 may provide for dealers and leasing agents to reserve for a limited  
5 time period incentives for vehicles that are not readily available  
6 and must be ordered, if the dealer or leasing agent has a purchase  
7 or lease order signed by an identified customer.

8 SECTION 11. The heading to Subchapter D-1, Chapter 386,  
9 Health and Safety Code, is amended to read as follows:

10 SUBCHAPTER D-1. SEAPORT AND RAIL YARD AREAS EMISSIONS REDUCTION  
11 [~~DRAYAGE TRUCK INCENTIVE~~] PROGRAM

12 SECTION 12. The heading to Section 386.181, Health and  
13 Safety Code, is amended to read as follows:

14 Sec. 386.181. DEFINITIONS [~~DEFINITION~~]; RULES.

15 SECTION 13. Section 386.181(a), Health and Safety Code, is  
16 amended to read as follows:

17 (a) In this subchapter:

18 (1) "Cargo handling equipment" means any heavy-duty  
19 non-road, self-propelled vehicle or land-based equipment used at a  
20 seaport or rail yard to lift or move cargo, such as containerized,  
21 bulk, or break-bulk goods.

22 (2) "Drayage [~~,"drayage]~~ truck" means a heavy-duty  
23 on-road or non-road vehicle that is used for drayage activities and  
24 that operates in or transgresses through [~~truck that transports a~~  
25 load to or from] a seaport or rail yard for the purpose of loading,  
26 unloading, or transporting cargo, including transporting empty  
27 containers and chassis.



1 SECTION 14. Section 386.182, Health and Safety Code, is  
2 amended to read as follows:

3 Sec. 386.182. COMMISSION DUTIES. (a) The commission  
4 shall:

5 (1) develop a purchase incentive program to encourage  
6 owners to replace older drayage trucks and cargo handling equipment  
7 [~~with pre-2007 model year engines~~] with newer drayage trucks and  
8 cargo handling equipment; and

9 (2) [~~shall~~] adopt guidelines necessary to implement  
10 the program described by Subdivision (1).

11 (b) The commission by rule and guideline shall establish  
12 criteria for the models of drayage trucks and cargo handling  
13 equipment that are eligible for inclusion in an incentive program  
14 under this subchapter. [~~The guidelines must provide that a drayage~~  
15 ~~truck owner is not eligible for an incentive payment under this~~  
16 ~~subchapter unless the truck being replaced contains a pre-2007~~  
17 ~~model year engine and the replacement truck's engine is from model~~  
18 ~~year 2010 or later as determined by the commission and that the~~  
19 ~~truck operates at a seaport or rail yard.~~]

20 SECTION 15. The heading to Section 386.183, Health and  
21 Safety Code, is amended to read as follows:

22 Sec. 386.183. DRAYAGE TRUCK AND CARGO HANDLING EQUIPMENT  
23 PURCHASE INCENTIVE.

24 SECTION 16. Section 386.183, Health and Safety Code, is  
25 amended by amending Subsections (a), (b), (c), (d), and (e) and  
26 adding Subsection (a-1) to read as follows:

27 (a) To be eligible for an incentive under this subchapter, a

1 person must:

2 (1) purchase a replacement drayage truck or cargo  
3 handling equipment that under Subsection (a-1)(1) and the  
4 guidelines adopted by the commission under Section 386.182 is  
5 eligible for inclusion in the program for an incentive under this  
6 subchapter; and

7 (2) agree to:

8 (A) register the drayage truck in this state, if  
9 the replacement vehicle is an on-road drayage truck;

10 (B) operate the drayage truck or cargo handling  
11 equipment in and within a maximum distance established by the  
12 commission of a seaport or rail yard in a nonattainment area of this  
13 state for not less than 50 percent of the truck's or equipment's  
14 [vehicle's] annual mileage or hours of operation, as determined by  
15 the commission; and

16 (C) permanently remove the [a pre-2007] drayage  
17 truck or cargo handling equipment replaced under the program  
18 [containing a pre-2007 engine owned by the person] from operation  
19 in a nonattainment area of this state by destroying the engine and  
20 scrapping the truck or equipment after the purchase of the  
21 replacement [new] truck or equipment in accordance with guidelines  
22 established by the commission.

23 (a-1) To be eligible for purchase under this program a  
24 drayage truck or cargo handling equipment must:

25 (1) be powered by an electric motor or contain an  
26 engine certified to the current federal emissions standards  
27 applicable to that type of engine, as determined by the commission;

1 and

2 (2) emit oxides of nitrogen at a rate that is at least  
3 25 percent less than the rate at which the truck or equipment being  
4 replaced under the program emits such pollutants.

5 (b) To receive money under an incentive program provided by  
6 this subchapter, the purchaser of a drayage truck or cargo handling  
7 equipment eligible for inclusion in the program must apply for the  
8 incentive in the manner provided by law, rule, or guideline of the  
9 commission.

10 (c) Not more than one incentive may be provided for each  
11 drayage truck or piece of cargo handling equipment purchased.

12 (d) An incentive provided under this subchapter may be used  
13 to fund not more than 80 percent of the purchase price of the  
14 drayage truck or cargo handling equipment.

15 (e) The commission shall establish procedures to verify  
16 that a person who receives an incentive:

17 (1) has operated in a seaport or rail yard and owned or  
18 leased the drayage truck or cargo handling equipment to be replaced  
19 for at least two years prior to receiving the grant; and

20 (2) permanently destroys the engine and scraps the  
21 drayage truck or cargo handling equipment replaced under the  
22 program [~~that contained the pre-2007 engine owned or leased by the~~  
23 ~~person~~], in accordance with guidelines established by the  
24 commission, after the purchase of the replacement [~~new~~] truck or  
25 equipment.

26 SECTION 17. Section 386.205, Health and Safety Code, is  
27 amended to read as follows:

1           Sec. 386.205. EVALUATION OF UTILITY COMMISSION AND  
2   COMPTROLLER ENERGY EFFICIENCY PROGRAMS. (a) In cooperation with  
3   the laboratory, the utility commission shall provide an annual  
4   report to the commission that, by county, quantifies the reductions  
5   of energy demand, peak loads, and associated emissions of air  
6   contaminants achieved from programs implemented by the state energy  
7   conservation office and from programs implemented under Section  
8   39.905, Utilities Code.

9           (b) The report must also quantify the reductions in the  
10 emissions of each air contaminant subject to the permitting  
11 requirements of Chapter 382.

12           SECTION 18. Section 386.252, Health and Safety Code, is  
13 amended to read as follows:

14           Sec. 386.252. USE OF FUND. (a) Money in the fund may be  
15 used only to implement and administer programs established under  
16 the plan. Subject to the reallocation of funds by the commission  
17 under Subsection (g), money [~~Money~~] appropriated to the commission  
18 to be used for the programs under Section 386.051(b) shall  
19 initially be allocated as follows:

20           (1) [~~not more than~~] four percent may be used for the  
21 clean school bus program under Chapter 390;

22           (2) [~~not more than~~] three percent may be used for the  
23 new technology implementation grant program under Chapter 391, from  
24 which at least \$1 million will be set aside for electricity storage  
25 projects related to renewable energy;

26           (3) five percent may [~~shall~~] be used for the clean  
27 fleet program under Chapter 392;

1           (4) not more than \$1.5 [~~\$3~~] million may be used by the  
2 commission to fund a regional air monitoring program in commission  
3 Regions 3 and 4 to be implemented under the commission's oversight,  
4 including direction regarding the type, number, location, and  
5 operation of, and data validation practices for, monitors funded by  
6 the program through a regional nonprofit entity located in North  
7 Texas having representation from counties, municipalities, higher  
8 education institutions, and private sector interests across the  
9 area;

10           (5) 10 [~~not less than 16~~] percent may [~~shall~~] be used  
11 for the Texas natural gas vehicle grant program under Chapter 394;

12           (6) not more than \$6 million [~~five percent~~] may be used  
13 [~~to provide grants for natural gas fueling stations under the clean~~  
14 ~~transportation triangle program under Section 394.010,~~

15           [~~(7) not more than five percent may be used~~] for the  
16 Texas alternative fueling facilities program under Chapter 393, of  
17 which a specified amount may be used for fueling stations to provide  
18 natural gas fuel, except that money may not be allocated for the  
19 Texas alternative fueling facilities program for the state fiscal  
20 year ending August 31, 2019;

21           (7) [~~(8)~~] not more than \$750,000 [~~a specified amount~~]  
22 may be used each year to support research related to air quality as  
23 provided by Chapter 387;

24           (8) [~~(9)~~] not more than \$200,000 may be used for a  
25 health effects study[+]

26           [~~(10) \$500,000 is to be deposited in the state treasury~~  
27 ~~to the credit of the clean air account created under Section~~

1 ~~382.0622 to supplement funding for air quality planning activities~~  
2 ~~in affected counties];~~

3 (9) [(11)] at least \$4 million and up to four percent  
4 to a maximum of \$8 [~~\$7~~] million, whichever is greater, is allocated  
5 to the commission for administrative costs, including all direct  
6 and indirect costs for administering the plan and costs for  
7 conducting outreach and education activities;

8 (10) six [(12) ~~at least two~~] percent [~~and up to five~~  
9 ~~percent of the fund~~] is to be used by the commission for the seaport  
10 and rail yard areas emissions reduction [~~drayage truck incentive~~]  
11 program established under Subchapter D-1;

12 (11) [(13) not more than] five percent may be used for  
13 the light-duty motor vehicle purchase or lease incentive program  
14 established under Subchapter D;

15 (12) [(14)] not more than \$216,000 is allocated to the  
16 commission to contract with the Energy Systems Laboratory at the  
17 Texas A&M Engineering Experiment Station annually for the  
18 development and annual computation of creditable statewide  
19 emissions reductions and other reductions of air contaminants  
20 subject to the permitting requirements of Chapter 382 that are  
21 obtained through wind and other renewable energy resources for the  
22 state implementation plan;

23 (13) not more than \$500,000 may be used by the  
24 commission to conduct research and other activities associated with  
25 making any necessary demonstrations in the state's air quality  
26 state implementation plan submitted to the United States  
27 Environmental Protection Agency that the excess emissions reported

1 for an area are the result of a foreign emissions source or an  
2 exceptional event [~~(15) 1.5 percent of the money in the fund is~~  
3 ~~allocated for administrative costs incurred by the laboratory]; and~~  
4 (14) [~~(16)~~] the balance is to be used by the  
5 commission for the diesel emissions reduction incentive program  
6 under Subchapter C as determined by the commission.

7 (b) [~~The commission may allocate unexpended money~~  
8 ~~designated for the clean fleet program under Chapter 392 to other~~  
9 ~~programs described under Subsection (a) after the commission~~  
10 ~~allocates money to recipients under the clean fleet program.~~

11 [~~(c) The commission may allocate unexpended money~~  
12 ~~designated for the Texas alternative fueling facilities program~~  
13 ~~under Chapter 393 to other programs described under Subsection (a)~~  
14 ~~after the commission allocates money to recipients under the~~  
15 ~~alternative fueling facilities program.~~

16 [~~(d) The commission may reallocate money designated for the~~  
17 ~~Texas natural gas vehicle grant program under Chapter 394 to other~~  
18 ~~programs described under Subsection (a) if:~~

19 [~~(1) the commission, in consultation with the governor~~  
20 ~~and the advisory board, determines that the use of the money in the~~  
21 ~~fund for that program will cause the state to be in noncompliance~~  
22 ~~with the state implementation plan to the extent that federal~~  
23 ~~action is likely, and~~

24 [~~(2) the commission finds that the reallocation of~~  
25 ~~some or all of the funding for the program would resolve the~~  
26 ~~noncompliance.~~

27 [~~(e) Under Subsection (d), the commission may not~~

1 ~~reallocate more than the minimum amount of money necessary to~~  
2 ~~resolve the noncompliance.~~

3 ~~[(e-1) Money allocated under Subsection (a) to a particular~~  
4 ~~program may be used for another program under the plan as determined~~  
5 ~~by the commission.~~

6 ~~[(f)]~~ Money in the fund may be used by the commission for  
7 programs under Sections 386.051(b)(13), (b)(14), and (b-1) as may  
8 be appropriated for those programs.

9 (c) ~~[(g)]~~ If the legislature does not specify amounts or  
10 percentages from the total appropriation to the commission to be  
11 allocated under Subsection (a) or (b) ~~[(f)]~~, the commission shall  
12 determine the amounts of the total appropriation to be allocated  
13 under each of those subsections, such that the total appropriation  
14 is expended while maximizing emissions reductions.

15 (d) To supplement funding for air quality planning  
16 activities in affected counties, \$500,000 from the fund is to be  
17 deposited annually in the state treasury to the credit of the clean  
18 air account created under Section 382.0622.

19 (e) Money in the fund may be allocated for administrative  
20 costs incurred by the Energy Systems Laboratory at the Texas A&M  
21 Engineering Experiment Station as may be appropriated by the  
22 legislature.

23 (f) To the extent that money is appropriated from the fund  
24 for that purpose, the commission may use that money to award grants  
25 under the governmental alternative fuel fleet grant program  
26 established under Chapter 395, except that the commission may not  
27 use for that purpose more than three percent of the balance of the



1 fund as of September 1 of each state fiscal year of the biennium for  
2 the governmental alternative fuel fleet grant program in that  
3 fiscal year.

4 (g) [~~h~~] Subject to the limitations outlined in this  
5 section and any additional limitations placed on the use of the  
6 appropriated funds, money allocated under this section to a  
7 particular program may be used for another program under the plan as  
8 determined by the commission, based on demand for grants for  
9 eligible projects under particular programs after the commission  
10 solicits projects to which to award grants according to the initial  
11 allocation provisions of this section.

12 SECTION 19. Section 390.002(b), Health and Safety Code, is  
13 amended to read as follows:

14 (b) Projects that may be considered for a grant under the  
15 program include:

16 (1) diesel oxidation catalyts for school buses built  
17 before 1994;

18 (2) diesel particulate filters for school buses built  
19 from 1994 to 1998;

20 (3) the purchase and use of emission-reducing add-on  
21 equipment for school buses, including devices that reduce crankcase  
22 emissions;

23 (4) the use of qualifying fuel; [~~and~~]

24 (5) other technologies that the commission finds will  
25 bring about significant emissions reductions; and

26 (6) replacement of a pre-2007 model year school bus.

27 SECTION 20. Section 390.004, Health and Safety Code, is

1 amended by adding Subsections (c) and (d) to read as follows:

2 (c) A school bus proposed for replacement must:

3 (1) be of model year 2006 or earlier;

4 (2) have been owned and operated by the applicant for  
5 at least the two years before submission of the grant application;

6 (3) be in good operational condition; and

7 (4) be currently used on a regular, daily route to and  
8 from a school.

9 (d) A school bus proposed for purchase to replace a pre-2007  
10 model year school bus must be of the current model year or the year  
11 before the current model year at the time of submission of the grant  
12 application.

13 SECTION 21. Section 390.005, Health and Safety Code, is  
14 amended to read as follows:

15 Sec. 390.005. RESTRICTION ON USE OF GRANT. (a) A  
16 recipient of a grant under this chapter shall use the grant to pay  
17 the incremental costs of the project for which the grant is made,  
18 which may include the reasonable and necessary expenses incurred  
19 for the labor needed to install emissions-reducing equipment. The  
20 recipient may not use the grant to pay the recipient's  
21 administrative expenses.

22 (b) A school bus acquired to replace an existing school bus  
23 must be purchased and the grant recipient must agree to own and  
24 operate the school bus on a regular, daily route to and from a  
25 school for at least five years after a start date established by the  
26 commission, based on the date the commission accepts documentation  
27 of the destruction of the school bus being replaced.

1        (c) A school bus replaced under this program must be  
2 rendered permanently inoperable by crushing the bus, by making a  
3 hole in the engine block and permanently destroying the frame of the  
4 bus, or by another method approved by the commission, or be  
5 permanently removed from operation in this state. The commission  
6 shall establish criteria for ensuring the permanent destruction or  
7 permanent removal of the engine or bus. The commission shall  
8 enforce the destruction and removal requirements. For purposes of  
9 this subsection, "permanent removal" means the permanent export of  
10 the bus or engine to a destination outside of the United States,  
11 Canada, or the United Mexican States.

12        SECTION 22. Section 390.006, Health and Safety Code, is  
13 amended to read as follows:

14        Sec. 390.006. EXPIRATION. This chapter expires on the last  
15 day of the state fiscal biennium during which the United States  
16 Environmental Protection Agency publishes in the Federal Register  
17 certification that, with respect to each national ambient air  
18 quality standard for ozone under 40 C.F.R. Section 81.344, the  
19 agency has, for each designated area under that section:

20                (1) designated the area as attainment or  
21 unclassifiable; or

22                (2) approved a redesignation substitute making a  
23 finding of attainment for the area [August 31, 2019].

24        SECTION 23. Section 391.002(b), Health and Safety Code, is  
25 amended to read as follows:

26        (b) Projects that may be considered for a grant under the  
27 program include:

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

3 (2) new technology projects that reduce emissions of  
4 regulated pollutants from stationary ~~[point]~~ sources;

5 (3) new technology projects that reduce emissions from  
6 upstream and midstream oil and gas production, completions,  
7 gathering, storage, processing, and transmission activities  
8 through:

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

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

14 (C) the installation of systems that reduce  
15 flaring emissions and other site emissions by capturing waste heat  
16 to generate electricity solely for on-site service; and

17 (4) ~~(3)~~ electricity storage projects related to  
18 renewable energy, including projects to store electricity produced  
19 from wind and solar generation that provide efficient means of  
20 making the stored energy available during periods of peak energy  
21 use.

22 SECTION 24. Section 391.102(f), Health and Safety Code, is  
23 amended to read as follows:

24 (f) In reviewing a grant application under this chapter  
25 [~~coordinating interagency application review procedures~~], the  
26 commission may ~~[shall]~~:

27 (1) solicit review and comments from:

- 1 (A) the comptroller to assess:  
2 (i) the financial stability of the  
3 applicant;  
4 (ii) the economic benefits and job creation  
5 potential associated with the project; and  
6 (iii) any other information related to the  
7 duties of that office;

8 (B) the Public Utility Commission of Texas to  
9 assess:

- 10 (i) the reliability of the proposed  
11 technology;  
12 (ii) the feasibility and  
13 cost-effectiveness of electric transmission associated with the  
14 project; and  
15 (iii) any other information related to the  
16 duties of that agency; and

17 (C) the Railroad Commission of Texas to assess:

- 18 (i) the availability and cost of the fuel  
19 involved with the project; and  
20 (ii) any other information related to the  
21 duties of that agency; and

22 (2) consider the comments received under Subdivision  
23 (1) in the commission's grant award decision process~~[, and~~

24 ~~[(3) as part of the report required by Section 391.104,~~  
25 ~~justify awards made to projects that have been negatively reviewed~~  
26 ~~by agencies under Subdivision (1)].~~

27 SECTION 25. Section 391.104, Health and Safety Code, is

1 amended to read as follows:

2       Sec. 391.104. REPORTING REQUIREMENTS. The commission  
3 [~~annually~~] shall include in the biennial plan report required by  
4 Section 386.057(b) information [~~prepare a report~~] that summarizes  
5 the applications received and grants awarded in the preceding  
6 biennium [~~year~~]. Preparation of the information for the report may  
7 [~~must~~] include the participation of any [~~the~~] state agency  
8 [~~agencies~~] involved in the review of applications under Section  
9 391.102, if the commission determines participation of the agency  
10 is needed.

11       SECTION 26. Section 391.205(a), Health and Safety Code, is  
12 amended to read as follows:

13       (a) Except as provided by Subsection (c), in awarding grants  
14 under this chapter the commission shall give preference to projects  
15 that:

16               (1) involve the transport, use, recovery for use, or  
17 prevention of the loss of natural resources originating or produced  
18 in this state;

19               (2) contain an energy efficiency component; [~~or~~]

20               (3) include the use of solar, wind, or other renewable  
21 energy sources; or

22               (4) recover waste heat from the combustion of natural  
23 resources and use the heat to generate electricity.

24       SECTION 27. Section 391.304, Health and Safety Code, is  
25 amended to read as follows:

26       Sec. 391.304. EXPIRATION. This chapter expires on the last  
27 day of the state fiscal biennium during which the United States

1 Environmental Protection Agency publishes in the Federal Register  
2 certification that, with respect to each national ambient air  
3 quality standard for ozone under 40 C.F.R. Section 81.344, the  
4 agency has, for each designated area under that section:

5 (1) designated the area as attainment or  
6 unclassifiable; or

7 (2) approved a redesignation substitute making a  
8 finding of attainment for the area [August 31, 2019].

9 SECTION 28. Section 392.001(1), Health and Safety Code, is  
10 amended to read as follows:

11 (1) "Alternative fuel" means a fuel other than  
12 gasoline or diesel fuel, including electricity, compressed natural  
13 gas, liquefied [~~liquified~~] natural gas, hydrogen, propane, or a  
14 mixture of fuels containing at least 85 percent methanol by volume.

15 SECTION 29. Sections 392.002(b) and (c), Health and Safety  
16 Code, are amended to read as follows:

17 (b) An entity that places 10 [~~20~~] or more qualifying  
18 vehicles in service for use entirely in this state during a calendar  
19 year is eligible to participate in the program.

20 (c) Notwithstanding Subsection (b), an entity that submits  
21 a grant application for 10 [~~20~~] or more qualifying vehicles is  
22 eligible to participate in the program even if the commission  
23 denies approval for one or more of the vehicles during the  
24 application process.

25 SECTION 30. Section 392.003(a), Health and Safety Code, is  
26 amended to read as follows:

27 (a) A vehicle is a qualifying vehicle that may be considered

1 for a grant under the program if during the eligibility period  
2 established by the commission [~~calendar year~~] the entity purchases  
3 a new on-road vehicle that:

4 (1) is certified to the appropriate current federal  
5 emissions standards as determined by the commission;

6 (2) replaces a diesel-powered on-road vehicle of the  
7 same weight classification and use; and

8 (3) is a hybrid vehicle or fueled by an alternative  
9 fuel.

10 SECTION 31. Section 392.004(d), Health and Safety Code, is  
11 amended to read as follows:

12 (d) The commission shall minimize, to the maximum extent  
13 possible, the amount of paperwork required for an application. [~~An~~  
14 ~~applicant may be required to submit a photograph or other~~  
15 ~~documentation of a vehicle identification number, registration~~  
16 ~~information, inspection information, tire condition, or engine~~  
17 ~~block identification only if the photograph or documentation is~~  
18 ~~requested by the commission after the commission has decided to~~  
19 ~~award a grant to the applicant under this chapter.]~~

20 SECTION 32. Section 392.005, Health and Safety Code, is  
21 amended by amending Subsections (c) and (i) and adding Subsection  
22 (c-1) to read as follows:

23 (c) As a condition of receiving a grant, the qualifying  
24 vehicle must be continuously owned, registered, and operated in the  
25 state by the grant recipient until the earlier of the fifth  
26 anniversary of the activity start date established by the  
27 commission [~~the date of reimbursement of the grant-funded expenses~~]



1 or ~~[until]~~ the date the vehicle has been in operation for 400,000  
2 miles after the activity start date established by the commission  
3 ~~[of reimbursement]~~. Not less than 75 percent of the annual use of  
4 the qualifying vehicle, either mileage or fuel use as determined by  
5 the commission, must occur in the state.

6 (c-1) For purposes of Subsection (c), the commission shall  
7 establish the activity start date based on the date the commission  
8 accepts verification of the disposition of the vehicle being  
9 replaced.

10 (i) The executive director may ~~[shall]~~ waive the  
11 requirements of Subsection (b)(2)(A) on a finding of good cause,  
12 which may include a waiver for short lapses in registration or  
13 operation attributable to economic conditions, seasonal work, or  
14 other circumstances.

15 SECTION 33. Section 392.008, Health and Safety Code, is  
16 amended to read as follows:

17 Sec. 392.008. EXPIRATION. This chapter expires on the last  
18 day of the state fiscal biennium during which the United States  
19 Environmental Protection Agency publishes in the Federal Register  
20 certification that, with respect to each national ambient air  
21 quality standard for ozone under 40 C.F.R. Section 81.344, the  
22 agency has, for each designated area under that section:

23 (1) designated the area as attainment or  
24 unclassifiable; or

25 (2) approved a redesignation substitute making a  
26 finding of attainment for the area ~~[August 31, 2017]~~.

27 SECTION 34. Section 393.001, Health and Safety Code, is

1 amended by amending Subdivision (1) and adding Subdivision (1-a) to  
2 read as follows:

3 (1) "Alternative fuel" means a fuel other than  
4 gasoline or diesel fuel, other than biodiesel fuel, including  
5 electricity, compressed natural gas, liquefied [~~liquified~~] natural  
6 gas, hydrogen, propane, or a mixture of fuels containing at least 85  
7 percent methanol by volume.

8 (1-a) "Clean transportation zone" means:

9 (A) counties containing or intersected by a  
10 portion of an interstate highway connecting the cities of Houston,  
11 San Antonio, Dallas, and Fort Worth;

12 (B) counties located within the area bounded by  
13 the interstate highways described by Paragraph (A);

14 (C) counties containing or intersected by a  
15 portion of:

16 (i) an interstate highway connecting San  
17 Antonio to Corpus Christi or Laredo; or

18 (ii) the most direct route using highways  
19 in the state highway system connecting Corpus Christi and Laredo;

20 (D) counties located within the area bounded by  
21 the highways described by Paragraph (C);

22 (E) counties in this state all or part of which  
23 are included in a nonattainment area designated under Section  
24 107(d) of the federal Clean Air Act (42 U.S.C. Section 7407); and

25 (F) counties designated as affected counties  
26 under Section [386.001](#).

27 SECTION 35. Section [393.002](#), Health and Safety Code, is

1 amended to read as follows:

2           Sec. 393.002. PROGRAM. (a) The commission shall establish  
3 and administer the Texas alternative fueling facilities program to  
4 provide fueling facilities for alternative fuel in the clean  
5 transportation zone [~~nonattainment areas~~]. Under the program, the  
6 commission shall provide a grant for each eligible facility to  
7 offset the cost of those facilities.

8           (b) An entity that constructs or[~~7~~] reconstructs[~~7~~, ~~or~~  
9 ~~acquires~~] an alternative fueling facility is eligible to  
10 participate in the program.

11           (c) To ensure that alternative fuel vehicles have access to  
12 fuel and to build the foundation for a self-sustaining market for  
13 alternative fuels in Texas, the commission shall provide for  
14 strategically placed fueling facilities in the clean  
15 transportation zone to enable an alternative fuel vehicle to travel  
16 in those areas relying solely on the alternative fuel.

17           (d) The commission shall maintain a listing to be made  
18 available to the public online of all vehicle fueling facilities  
19 that have received grant funding, including location and hours of  
20 operation.

21           SECTION 36. Section 393.003, Health and Safety Code, is  
22 amended by amending Subsections (a) and (b) and adding Subsections  
23 (d) and (e) to read as follows:

24           (a) An entity operating in this state that constructs or[~~7~~]  
25 reconstructs[~~7~~, ~~or~~ ~~acquires~~] a facility to [~~store, compress, or~~  
26 dispense alternative fuels may apply for and receive a grant under  
27 the program.

1 (b) The commission may [~~adopt guidelines to~~] allow a  
2 regional planning commission, council of governments, or similar  
3 regional planning agency created under Chapter 391, Local  
4 Government Code, or a private nonprofit organization to apply for  
5 and receive a grant to improve the ability of the program to achieve  
6 its goals.

7 (d) An application for a grant under the program must  
8 include a certification that the applicant complies with laws,  
9 rules, guidelines, and requirements applicable to taxation of fuel  
10 provided by the applicant at each fueling facility owned or  
11 operated by the applicant. The commission may terminate a grant  
12 awarded under this section without further obligation to the grant  
13 recipient if the commission determines that the recipient did not  
14 comply with a law, rule, guideline, or requirement described by  
15 this subsection. This subsection does not create a cause of action  
16 to contest an application or award of a grant.

17 (e) The commission shall disburse grants under the program  
18 through a competitive application selection process to offset a  
19 portion of the eligible costs.

20 SECTION 37. Section 393.004, Health and Safety Code, is  
21 amended to read as follows:

22 Sec. 393.004. ELIGIBILITY OF FACILITIES FOR GRANTS.

23 (a) In addition to the requirements of this chapter, the  
24 commission shall establish additional eligibility and  
25 prioritization criteria as needed to implement the program [~~The~~  
26 ~~commission by rule shall establish criteria for prioritizing~~  
27 ~~facilities eligible to receive grants under this chapter. The~~

1 ~~commission shall review and revise the criteria as appropriate].~~

2       (b) The prioritization criteria established under  
3 Subsection (a) must provide that, for each grant round, the  
4 commission may not award a grant to an entity that does not [~~To be~~  
5 ~~eligible for a grant under the program, the entity receiving the~~  
6 ~~grant must~~] agree to make the alternative fueling facility  
7 accessible and available to the public [~~persons not associated with~~  
8 ~~the entity~~] at times designated by the grant contract until each  
9 eligible entity that does agree to those terms has been awarded a  
10 grant [~~agreement~~].

11       (c) The commission may not award more than one grant for  
12 each facility.

13       (d) The commission may give preference to or otherwise limit  
14 grant selections to:

15               (1) fueling facilities providing specific types of  
16 alternative fuels;

17               (2) fueling facilities in a specified area or  
18 location; and

19               (3) fueling facilities meeting other specified  
20 prioritization criteria established by the commission.

21       (e) For fueling facilities to provide natural gas, the  
22 commission shall give preference to:

23               (1) facilities providing both liquefied natural gas  
24 and compressed natural gas at a single location;

25               (2) facilities located not more than one mile from an  
26 interstate highway system;

27               (3) facilities located in the area in and between the

1 Houston, San Antonio, and Dallas-Fort Worth areas; and

2 (4) facilities located in the area in and between the  
3 Corpus Christi, Laredo, and San Antonio areas [~~A recipient of a~~  
4 ~~grant under this chapter is not eligible to receive a second grant~~  
5 ~~under this chapter for the same facility~~].

6 SECTION 38. Section 393.005, Health and Safety Code, is  
7 amended to read as follows:

8 Sec. 393.005. RESTRICTION ON USE OF GRANT. (a) A  
9 recipient of a grant under this chapter shall use the grant only to  
10 pay the costs of the facility for which the grant is made. The  
11 recipient may not use the grant to pay the recipient's:

12 (1) administrative expenses;

13 (2) expenses for the purchase of land or an interest in  
14 land; or

15 (3) expenses for equipment or facility improvements  
16 that are not directly related to the delivery, storage,  
17 compression, or dispensing of the alternative fuel at the facility.

18 (b) Each grant must be awarded using a contract that  
19 requires the recipient to meet operational, maintenance, and  
20 reporting requirements as specified by the commission.

21 SECTION 39. Section 393.006, Health and Safety Code, is  
22 amended to read as follows:

23 Sec. 393.006. AMOUNT OF GRANT. (a) Grants awarded under  
24 this chapter for a facility to provide alternative fuels other than  
25 natural gas may not exceed [~~For each eligible facility for which a~~  
26 ~~recipient is awarded a grant under the program, the commission~~  
27 ~~shall award the grant in an amount equal to]~~ the lesser of:

1 (1) 50 percent of the sum of the actual eligible costs  
2 incurred by the grant recipient within deadlines established by the  
3 commission [~~to construct, reconstruct, or acquire the facility~~]; or

4 (2) \$600,000.

5 (b) Grants awarded under this chapter for a facility to  
6 provide natural gas may not exceed:

7 (1) \$400,000 for a compressed natural gas facility;

8 (2) \$400,000 for a liquefied natural gas facility; or

9 (3) \$600,000 for a facility providing both liquefied  
10 and compressed natural gas.

11 SECTION 40. Section 393.007, Health and Safety Code, is  
12 amended to read as follows:

13 Sec. 393.007. EXPIRATION. This chapter expires on the last  
14 day of the state fiscal biennium during which the United States  
15 Environmental Protection Agency publishes in the Federal Register  
16 certification that, with respect to each national ambient air  
17 quality standard for ozone under 40 C.F.R. Section 81.344, the  
18 agency has, for each designated area under that section:

19 (1) designated the area as attainment or  
20 unclassifiable; or

21 (2) approved a redesignation substitute making a  
22 finding of attainment for the area [August 31, 2018].

23 SECTION 41. Section 394.001, Health and Safety Code, is  
24 amended by amending Subdivisions (1), (4), (5), and (8) and adding  
25 Subdivisions (1-a) and (7-a) to read as follows:

26 (1) "Clean transportation zone" has the meaning  
27 assigned by Section 393.001 [~~"Advisory board" means the Texas~~

1 ~~Emissions Reduction Plan Advisory Board]~~.

2 (1-a) "Certified" includes:

3 (A) new vehicle or new engine certification by  
4 the United States Environmental Protection Agency; or

5 (B) certification or approval by the United  
6 States Environmental Protection Agency of a system to convert a  
7 vehicle or engine to operate on an alternative fuel and a  
8 demonstration by the emissions data used to certify or approve the  
9 vehicle or engine, if the commission determines the testing used to  
10 obtain the emissions data is consistent with the testing required  
11 for approval of an alternative fuel conversion system for new and  
12 relatively new vehicles or engines under 40 C.F.R. Part 85.

13 (4) "Heavy-duty motor vehicle" means a motor vehicle  
14 that ~~[with]~~:

15 (A) has a gross vehicle weight rating of more  
16 than 8,500 pounds; and

17 (B) is certified to or has an engine certified to  
18 the United States Environmental Protection Agency's emissions  
19 standards for heavy-duty vehicles or engines.

20 (5) "Incremental cost" has the meaning assigned by  
21 Section 386.001 ~~[means the difference between the manufacturer's~~  
22 ~~suggested retail price of a baseline vehicle, the documented dealer~~  
23 ~~price of a baseline vehicle, cost to lease or otherwise~~  
24 ~~commercially finance a baseline vehicle, cost to repower with a~~  
25 ~~baseline engine, or other appropriate baseline cost established by~~  
26 ~~the commission, and the actual cost of the natural gas vehicle~~  
27 ~~purchase, lease, or other commercial financing, or repower]~~.



1           (7-a) "Natural gas engine" means an engine that  
2 operates:

3                   (A) solely on natural gas, including compressed  
4 natural gas, liquefied natural gas, or liquefied petroleum gas; or

5                   (B) on a combination of diesel fuel and natural  
6 gas, including compressed natural gas, liquefied natural gas, or  
7 liquefied petroleum gas, and is capable of achieving at least 60  
8 percent displacement of diesel fuel with natural gas.

9           (8) "Natural gas vehicle" means a motor vehicle that  
10 is powered by a natural gas engine [~~receives not less than 75~~  
11 ~~percent of its power from compressed or liquefied natural gas~~].

12           SECTION 42. Section 394.003(a), Health and Safety Code, is  
13 amended to read as follows:

14           (a) A vehicle is a qualifying vehicle that may be considered  
15 for a grant under the program if during the eligibility period  
16 established by the commission [~~calendar year~~] the entity:

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

20                           (A) is a natural gas vehicle;

21                           (B) is certified to the appropriate current  
22 federal emissions standards as determined by the commission; and

23                           (C) replaces an on-road heavy-duty or  
24 medium-duty motor vehicle of the same weight classification and  
25 use; [~~and~~

26                           [~~(D) is powered by an engine certified to:~~

27                                   [~~(i) emit not more than 0.2 grams of~~

1 ~~nitrogen oxides per brake horsepower hour, or~~  
2 ~~[(ii) meet or exceed the United States~~  
3 ~~Environmental Protection Agency's Bin 5 standard for light-duty~~  
4 ~~engines when powering the vehicle,] or~~

5 (2) repowered the on-road motor vehicle to a natural  
6 gas vehicle powered by a natural gas engine that[+]

7 ~~[(A)]~~ is certified to the appropriate current  
8 federal emissions standards as determined by the commission[, and

9 ~~[(B) is:~~

10 ~~[(i) a heavy-duty engine that is certified~~  
11 ~~to emit not more than 0.2 grams of nitrogen oxides per brake~~  
12 ~~horsepower hour, or~~

13 ~~[(ii) certified to meet or exceed the~~  
14 ~~United States Environmental Protection Agency's Bin 5 standard for~~  
15 ~~light-duty engines when powering the vehicle].~~

16 SECTION 43. Section 394.005, Health and Safety Code, is  
17 amended by amending Subsections (a), (b), (c), (f), (g), and (i) and  
18 adding Subsection (c-1) to read as follows:

19 (a) The commission [~~by rule~~] shall establish criteria for  
20 prioritizing qualifying vehicles eligible to receive grants under  
21 this chapter. The commission shall review and revise the criteria  
22 as appropriate [~~after consultation with the advisory board~~].

23 (b) To be eligible for a grant under the program:

24 (1) the use of the qualifying vehicle must be  
25 projected to result in a reduction in emissions of nitrogen oxides  
26 of at least 25 percent as compared to the motor vehicle or engine  
27 being replaced, based on:

1 (A) the baseline emission level set by the  
2 commission under Subsection (g); and

3 (B) the certified emission rate of the new  
4 vehicle; and

5 (2) the qualifying vehicle must:

6 (A) replace a heavy-duty or medium-duty motor  
7 vehicle that:

8 (i) is an on-road vehicle that has been  
9 owned, leased, or otherwise commercially financed and registered  
10 and operated by the applicant in Texas for at least the two years  
11 immediately preceding the submission of a grant application;

12 (ii) satisfies any minimum average annual  
13 mileage or fuel usage requirements established by the commission;

14 (iii) satisfies any minimum percentage of  
15 annual usage requirements established by the commission; and

16 (iv) is in operating condition and has at  
17 least four [~~two~~] years of remaining useful life, as determined in  
18 accordance with criteria established by the commission; [~~or~~]

19 (B) replace a heavy-duty or medium-duty motor  
20 vehicle that:

21 (i) is owned by the applicant;

22 (ii) is an on-road vehicle that has been:

23 (a) owned, leased, or otherwise  
24 commercially financed and operated in Texas as a fleet vehicle for  
25 at least the two years immediately preceding the submission of a  
26 grant application; and

27 (b) registered in a county located in

1 the clean transportation zone for at least the two years  
2 immediately preceding the submission of a grant application; and  
3 (iii) otherwise satisfies the mileage,  
4 usage, and useful life requirements established under Paragraph (A)  
5 as determined by documentation associated with the vehicle; or

6 (C) be a heavy-duty or medium-duty motor vehicle  
7 repowered with a natural gas engine that:

8 (i) is installed in an on-road vehicle that  
9 has been owned, leased, or otherwise commercially financed and  
10 registered and operated by the applicant in Texas for at least the  
11 two years immediately preceding the submission of a grant  
12 application;

13 (ii) satisfies any minimum average annual  
14 mileage or fuel usage requirements established by the commission;

15 (iii) satisfies any minimum percentage of  
16 annual usage requirements established by the commission; and

17 (iv) is installed in an on-road vehicle  
18 that, at the time of the vehicle's repowering, was in operating  
19 condition and had at least four [~~two~~] years of remaining useful  
20 life, as determined in accordance with criteria established by the  
21 commission.

22 (c) As a condition of receiving a grant, the qualifying  
23 vehicle must be continuously owned, leased, or otherwise  
24 commercially financed and registered and operated in the state by  
25 the grant recipient until the earlier of the fourth anniversary of  
26 the activity start date established by the commission [~~the date of~~  
27 ~~reimbursement of the grant-funded expenses~~] or [~~until~~] the date the

1 vehicle has been in operation for 400,000 miles after the activity  
2 start date established by the commission [~~of reimbursement~~]. Not  
3 less than 75 percent of the annual use of the qualifying vehicle,  
4 either mileage or fuel use as determined by the commission, must  
5 occur in the clean transportation zone [+

6 [~~(1) the counties any part of which are included in the~~  
7 ~~area described by Section 394.010(a); or~~

8 [~~(2) counties designated as nonattainment areas~~  
9 ~~within the meaning of Section 107(d) of the federal Clean Air Act~~  
10 ~~(42 U.S.C. Section 7407)]].~~

11 (c-1) For purposes of Subsection (c), the commission shall  
12 establish the activity start date based on the date the commission  
13 accepts verification of the disposition of the vehicle or engine.

14 (f) A heavy-duty or medium-duty motor vehicle replaced  
15 under this program must be rendered permanently inoperable by  
16 crushing the vehicle, by making a hole in the engine block and  
17 permanently destroying the frame of the vehicle, or by another  
18 method approved by the commission, or be [~~that~~] permanently removed  
19 [~~removes the vehicle~~] from operation in this state. The commission  
20 shall establish criteria for ensuring the permanent destruction or  
21 permanent removal of the engine or vehicle. The commission shall  
22 enforce the destruction and removal requirements. For purposes of  
23 this subsection, "permanent removal" means the permanent export of  
24 the vehicle or engine to a destination outside of the United States,  
25 Canada, or the United Mexican States.

26 (g) The commission shall establish baseline emission levels  
27 for emissions of nitrogen oxides for on-road heavy-duty or

1 medium-duty motor vehicles being replaced or repowered by using the  
2 emission certification for the engine or vehicle being replaced.  
3 The commission may consider deterioration of the emission  
4 performance of the engine of the vehicle being replaced in  
5 establishing the baseline emission level. The commission may  
6 consider and establish baseline emission rates for additional  
7 pollutants of concern[~~, as determined by the commission after~~  
8 ~~consultation with the advisory board~~].

9 (i) The executive director may [~~shall~~] waive the  
10 requirements of Subsection (b)(2)(A)(i) or (B)(ii) on a finding of  
11 good cause, which may include short lapses in registration or  
12 operation due to economic conditions, seasonal work, or other  
13 circumstances.

14 SECTION 44. Section 394.006, Health and Safety Code, is  
15 amended to read as follows:

16 Sec. 394.006. RESTRICTION ON USE OF GRANT. A recipient of a  
17 grant under this chapter shall use the grant to pay the incremental  
18 costs of the replacement or vehicle repower for which the grant is  
19 made, which may include a portion of the initial cost of the natural  
20 gas vehicle or natural gas engine, including the cost of the natural  
21 gas fuel system and installation [~~and the reasonable and necessary~~  
22 ~~expenses incurred for the labor needed to install~~  
23 ~~emissions-reducing equipment~~]. The recipient may not use the  
24 grant to pay the recipient's administrative expenses.

25 SECTION 45. Section 394.007(c), Health and Safety Code, is  
26 amended to read as follows:

27 (c) A person may not receive a grant under this chapter

1 that, when combined with any other grant, tax credit, or other  
2 governmental incentive, exceeds the incremental cost of the vehicle  
3 or vehicle repower for which the grant is awarded. A person shall  
4 return to the commission the amount of a grant awarded under this  
5 chapter that, when combined with any other grant, tax credit, or  
6 other governmental incentive, exceeds the incremental cost of the  
7 vehicle or vehicle repower for which the grant is awarded.

8 SECTION 46. Sections 394.008(a) and (b), Health and Safety  
9 Code, are amended to read as follows:

10 (a) The commission shall establish [~~adopt~~] procedures for:

11 (1) awarding grants under this chapter to reimburse  
12 eligible costs; [in the form of rebates, and]

13 (2) streamlining the grant application, contracting,  
14 reimbursement, and reporting process for qualifying natural gas  
15 vehicle purchases or repowers; and

16 (3) preapproving the award of grants to applicants who  
17 propose to purchase and replace motor vehicles described by Section  
18 394.005(b)(2)(B).

19 (b) Procedures established [~~adopted~~] under this section  
20 must:

21 (1) provide for the commission to compile and  
22 regularly update a listing of potentially eligible [preapproved]  
23 natural gas vehicles and natural gas engines that are certified to  
24 the appropriate current federal emissions standards as determined  
25 by the commission [+

26 [~~(A) powered by natural gas engines certified to~~  
27 ~~emit not more than 0.2 grams of nitrogen oxides per brake horsepower~~

1 hour; or

2                    [~~(B) certified to the United States~~  
3 ~~Environmental Protection Agency's light-duty Bin 5 standard or~~  
4 ~~better~~];

5            (2) [~~if a federal standard for the calculation of~~  
6 ~~emissions reductions exists,~~] provide a method to calculate the  
7 reduction in emissions of nitrogen oxides, volatile organic  
8 compounds, carbon monoxide, particulate matter, and sulfur  
9 compounds for each replacement or repowering;

10            (3) assign a standardized grant [~~rebate~~] amount for  
11 each qualifying vehicle or engine repower under Section 394.007;

12            (4) allow for processing applications [~~rebates~~] on an  
13 ongoing first-come, first-served basis;

14            (5) [~~provide for contracts between the commission and~~  
15 ~~participating dealers under Section 394.009,~~

16            [~~(6) allow grant recipients to assign their grant~~  
17 ~~funds to participating dealers to offset the purchase or lease~~  
18 ~~price,~~

19            [~~(7)~~] require grant applicants to identify natural gas  
20 fueling stations that are available to fuel the qualifying vehicle  
21 in the area of its use;

22            (6) [~~(8)~~] provide for payment not later than the 30th  
23 day after the date the request for reimbursement for an approved  
24 grant is received;

25            (7) [~~(9)~~] provide for application submission and  
26 application status checks using procedures established by the  
27 commission, which may include application submission and status



1 checks to be made over the Internet; and

2           (8) [~~10~~] consolidate, simplify, and reduce the  
3 administrative work for applicants and the commission associated  
4 with grant application, contracting, reimbursement, and reporting  
5 requirements.

6           SECTION 47. Section 394.012, Health and Safety Code, is  
7 amended to read as follows:

8           Sec. 394.012. EXPIRATION. This chapter expires on the last  
9 day of the state fiscal biennium during which the United States  
10 Environmental Protection Agency publishes in the Federal Register  
11 certification that, with respect to each national ambient air  
12 quality standard for ozone under 40 C.F.R. Section 81.344, the  
13 agency has, for each designated area under that section:

14                   (1) designated the area as attainment or  
15 unclassifiable; or

16                   (2) approved a redesignation substitute making a  
17 finding of attainment for the area [~~August 31, 2017~~].

18           SECTION 48. Subtitle C, Title 5, Health and Safety Code, is  
19 amended by adding Chapter 395 to read as follows:

20           CHAPTER 395. GOVERNMENTAL ALTERNATIVE FUEL FLEET GRANT PROGRAM

21           Sec. 395.001. DEFINITIONS. In this chapter:

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

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

1           (3) "Incremental cost" has the meaning assigned by  
2 Section 386.001.

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

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

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

14           (7) "State agency" has the meaning assigned by Section  
15 2151.002, Government Code.

16           Sec. 395.002. PROGRAM. (a) The commission shall establish  
17 and administer a governmental alternative fuel fleet grant program  
18 to assist an eligible state agency, county, municipality, or  
19 political subdivision in purchasing or leasing new motor vehicles  
20 that operate primarily on an alternative fuel.

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

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

25           (2) purchase, lease, or install refueling  
26 infrastructure or equipment or procure refueling services as  
27 described by Section 395.005 to store and dispense alternative fuel

1 needed for a motor vehicle described by Subdivision (1) of this  
2 subsection.

3 Sec. 395.003. ELIGIBLE APPLICANTS. (a) A state agency,  
4 county, or municipality is eligible to apply for a grant under the  
5 program if the entity operates a fleet of more than 15 motor  
6 vehicles, excluding motor vehicles that are owned and operated by a  
7 private company or other third party under a contract with the  
8 entity.

9 (b) A mass transit or school transportation provider or  
10 other public entity established to provide public or school  
11 transportation services is eligible for a grant under the program.

12 Sec. 395.004. MOTOR VEHICLE REQUIREMENTS. (a) A grant  
13 recipient may purchase or lease with money from a grant under the  
14 program a new motor vehicle that is originally manufactured to  
15 operate using one or more alternative fuels or is converted to  
16 operate using one or more alternative fuels before the first retail  
17 sale of the vehicle, and that:

18 (1) has a dedicated system, dual-fuel system, or  
19 bi-fuel system; and

20 (2) if the motor vehicle is a fully electric motor  
21 vehicle or plug-in hybrid electric motor vehicle, has a United  
22 States Environmental Protection Agency rating of at least 75 miles  
23 per gallon equivalent or a 75-mile combined city and highway range.

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

1 vehicle being replaced.

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

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

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

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

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

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

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

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

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

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

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

21       (e) A grant under the program may be combined with funding  
22 from other sources, including other grant programs, except that a  
23 grant may not be combined with other funding or grants from the  
24 Texas emissions reduction plan. When combined with other funding  
25 sources, a grant may not exceed the total cost to the grant  
26 recipient.

27       (f) In providing a grant for the lease of a motor vehicle

1 under this chapter, the commission shall establish criteria:

2 (1) to offset incremental costs through an up-front  
3 payment to lower the cost basis of the lease; or

4 (2) if determined appropriate by the commission, to  
5 provide for reimbursement of lease payments over no more than the  
6 period of availability of the contracted funds under applicable  
7 state law and regulation, which may be less than the required  
8 three-year lease term.

9 (g) In providing a grant for the lease of refueling  
10 infrastructure, equipment, or services, the commission shall  
11 establish criteria:

12 (1) to offset incremental costs through an up-front  
13 payment to lower the cost basis of the lease; or

14 (2) if determined appropriate by the commission, to  
15 provide for reimbursement of lease payments over no more than the  
16 period of availability of the contracted funds under applicable  
17 state law and regulation, which may be less than the required  
18 three-year lease term.

19 (h) Notwithstanding Subsection (d), the commission is not  
20 obligated to fund the full cost of the purchase, lease,  
21 installation, or procurement of refueling infrastructure,  
22 equipment, or services if those costs cannot be incurred and  
23 reimbursed over the period of availability of the funds under  
24 applicable state law and regulation.

25 Sec. 395.008. AVAILABILITY OF EMISSIONS REDUCTION CREDITS.

26 (a) A project that is funded from a grant under the program and  
27 that would generate marketable emissions reduction credits under a

1 state or federal emissions reduction credit averaging, banking, or  
2 trading program is not eligible for funding under the program  
3 unless:

4 (1) the project includes the transfer of the credits,  
5 or the reductions that would otherwise be marketable credits, to  
6 the commission and, if applicable, the state implementation plan;  
7 and

8 (2) the credits or reductions, as applicable, are  
9 permanently retired.

10 (b) An emissions reduction generated by a purchase or lease  
11 under this chapter may be used to demonstrate conformity with the  
12 state implementation plan.

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

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

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

24 (c) The commission shall provide an online application  
25 process for the submission of all required application documents.

26 (d) The commission may limit funding for a particular period  
27 according to priorities established by the commission, including

1 limiting the availability of grants to specific entities, for  
2 certain types of vehicles and infrastructure, or to certain  
3 geographic areas to ensure equitable distribution of grant funds  
4 across the state.

5 (e) In awarding grants under the program, the commission  
6 shall prioritize projects that:

7 (1) are proposed by a state agency;

8 (2) are in or near a nonattainment area;

9 (3) are in an affected county, as that term is defined  
10 by Section 386.001; and

11 (4) will produce the greatest emissions reductions.

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

14 (1) the effectiveness of a proposed project in  
15 assisting an applicant in complying with Section 2158.0051,  
16 Government Code;

17 (2) the total amount of the emissions reduction that  
18 would be achieved from the project;

19 (3) the type and number of vehicles purchased or  
20 leased;

21 (4) the location of the fleet and the refueling  
22 infrastructure or equipment;

23 (5) the number of vehicles served and the rate at which  
24 vehicles are served by the refueling infrastructure or equipment;

25 (6) the amount of any matching funds committed by the  
26 applicant; and

27 (7) the schedule for project completion.



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

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

8       Sec. 395.012. ADMINISTRATIVE COSTS. In each fiscal year,  
9 the commission may use up to 1.5 percent of the total amount of  
10 money allocated to the program in that fiscal year, but not more  
11 than \$1 million, for the administrative costs of the program.

12       Sec. 395.013. RULES. The commission may adopt rules as  
13 necessary to implement this chapter.

14       Sec. 395.014. REPORT REQUIRED. On or before November 1 of  
15 each even-numbered year, the commission shall submit to the  
16 governor, lieutenant governor, and members of the legislature a  
17 report that includes the following information regarding awards  
18 made under the program during the preceding state fiscal biennium:

19               (1) the number of grants awarded under the program;  
20               (2) the recipient of each grant awarded;  
21               (3) the number of vehicles replaced;  
22               (4) the number, type, and location of any refueling  
23 infrastructure, equipment, or services funded under the program;

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

26               (6) any other information the commission considers  
27 relevant.

1       Sec. 395.015. EXPIRATION. This chapter expires on the last  
2 day of the state fiscal biennium during which the United States  
3 Environmental Protection Agency publishes in the Federal Register  
4 certification that, with respect to each national ambient air  
5 quality standard for ozone under 40 C.F.R. Section 81.344, the  
6 agency has, for each designated area under that section:

7           (1) designated the area as attainment or  
8 unclassifiable; or

9           (2) approved a redesignation substitute making a  
10 finding of attainment for the area.

11       SECTION 49. Section 151.0515(d), Tax Code, is amended to  
12 read as follows:

13       (d) This section expires on the last day of the state fiscal  
14 biennium during which the United States Environmental Protection  
15 Agency publishes in the Federal Register certification that, with  
16 respect to each national ambient air quality standard for ozone  
17 under 40 C.F.R. Section 81.344, the agency has, for each designated  
18 area under that section:

19           (1) designated the area as attainment or  
20 unclassifiable; or

21           (2) approved a redesignation substitute making a  
22 finding of attainment for the area [~~August 31, 2019~~].

23       SECTION 50. Section 152.0215(c), Tax Code, is amended to  
24 read as follows:

25       (c) This section expires on the last day of the state fiscal  
26 biennium during which the United States Environmental Protection  
27 Agency publishes in the Federal Register certification that, with

1 respect to each national ambient air quality standard for ozone  
2 under 40 C.F.R. Section 81.344, the agency has, for each designated  
3 area under that section:

4 (1) designated the area as attainment or  
5 unclassifiable; or

6 (2) approved a redesignation substitute making a  
7 finding of attainment for the area [August 31, 2019].

8 SECTION 51. Sections 501.138(b-1), (b-2), and (b-3),  
9 Transportation Code, are amended to read as follows:

10 (b-1) Fees collected under Subsection (b) to be sent to the  
11 comptroller shall be deposited to the credit of the Texas Mobility  
12 Fund[, ~~except that \$5 of each fee imposed under Subsection (a)(1)~~  
13 ~~and deposited on or after September 1, 2008, and before September 1,~~  
14 ~~2015, shall be deposited to the credit of the Texas emissions~~  
15 ~~reduction plan fund].~~

16 (b-2) The comptroller shall establish a record of the amount  
17 of the fees deposited to the credit of the Texas Mobility Fund under  
18 Subsection (b-1) that are attributable to applicants described by  
19 Subsection (b)(3)(A). On or before the fifth workday of each month,  
20 the Texas Department of Transportation shall remit to the  
21 comptroller for deposit to the credit of the Texas emissions  
22 reduction plan fund an amount of money equal to the amount of the  
23 fees deposited by the comptroller to the credit of the Texas  
24 Mobility Fund under Subsection (b-1) that are attributable to  
25 applicants described by Subsection (b)(3)(A) in the preceding  
26 month. The Texas Department of Transportation shall use for  
27 remittance to the comptroller as required by this subsection money

1 in the state highway fund that is not required to be used for a  
2 purpose specified by Section 7-a, Article VIII, Texas Constitution,  
3 and may not use for that remittance money received by this state  
4 under the congestion mitigation and air quality improvement program  
5 established under 23 U.S.C. Section 149.

6 (b-3) This subsection and Subsection (b-2) expire August  
7 31, 2021 [~~2019~~].

8 SECTION 52. Section 502.358(c), Transportation Code, is  
9 amended to read as follows:

10 (c) This section expires on the last day of the state fiscal  
11 biennium during which the United States Environmental Protection  
12 Agency publishes in the Federal Register certification that, with  
13 respect to each national ambient air quality standard for ozone  
14 under 40 C.F.R. Section 81.344, the agency has, for each designated  
15 area under that section:

16 (1) designated the area as attainment or  
17 unclassifiable; or

18 (2) approved a redesignation substitute making a  
19 finding of attainment for the area [~~August 31, 2019~~].

20 SECTION 53. The heading to Section 548.5055, Transportation  
21 Code, is amended to read as follows:

22 Sec. 548.5055. TEXAS EMISSIONS [~~EMISSION~~] REDUCTION PLAN  
23 FEE.

24 SECTION 54. Sections 548.5055(b) and (c), Transportation  
25 Code, are amended to read as follows:

26 (b) The department shall remit fees collected under this  
27 section to the comptroller at the time and in the manner prescribed

1 by the comptroller for deposit in the Texas emissions [~~emission~~]  
2 reduction plan fund.

3 (c) This section expires on the last day of the state fiscal  
4 biennium during which the United States Environmental Protection  
5 Agency publishes in the Federal Register certification that, with  
6 respect to each national ambient air quality standard for ozone  
7 under 40 C.F.R. Section 81.344, the agency has, for each designated  
8 area under that section:

9 (1) designated the area as attainment or  
10 unclassifiable; or

11 (2) approved a redesignation substitute making a  
12 finding of attainment for the area [~~August 31, 2019~~].

13 SECTION 55. Sections 394.009, 394.010, and 394.011, Health  
14 and Safety Code, are repealed.

15 SECTION 56. (a) The changes in law made by this Act apply  
16 only to a Texas emissions reduction plan grant awarded on or after  
17 the effective date of this Act. A grant awarded before the  
18 effective date of this Act is governed by the law in effect on the  
19 date the award was made, and the former law is continued in effect  
20 for that purpose.

21 (b) The changes in law made by this Act to Section 501.138,  
22 Transportation Code, apply only to a fee collected on or after the  
23 effective date of this Act. A fee collected before the effective  
24 date of this Act is governed by the law in effect when the fee was  
25 collected, and the former law is continued in effect for that  
26 purpose.

27 SECTION 57. This Act takes effect August 30, 2017.