BILL ANALYSIS

S.B. 1727
By: Deuell
Environmental Regulation
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Texas Commission on Environmental Quality and the comptroller of public accounts are currently required to provide grants and other funding to certain programs, studies, and activities under the Texas emissions reduction plan. Interested parties contend that regions of the state continue to have air quality that is noncompliant with certain federal ozone standards and note additional programs focused on reducing emissions from polluting vehicles and equipment that may benefit from Texas emissions reduction plan funding. S.B. 1727 seeks to revise the current laws relating to the Texas emissions reduction plan fund.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Commission on Environmental Quality in SECTIONS 3 and 7 of this bill.

ANALYSIS

S.B. 1727 amends the Health and Safety Code to include the clean fleet program, the alternative fueling facilities program, the natural gas vehicle grant program, the clean transportation triangle program, the energy efficiency grant program, the drayage truck incentive program, other programs the Texas Commission on Environmental Quality (TCEQ) may develop that lead to certain reduced emissions in a nonattainment area or affected county, or other programs TCEQ may develop that support congestion mitigation to reduce mobile source ozone precursor emissions among the programs for which TCEQ and the comptroller of public accounts are required to provide grants and other funding under the Texas emissions reduction plan. The bill authorizes TCEQ to establish and administer other programs under the plan as determined by TCEQ to be necessary or effective in fulfilling its duties and achieving its objectives relating to the plan and sets out related provisions. The bill removes language prohibiting TCEQ from awarding a grant for a proposed project with a certain cost-effectiveness.

S.B. 1727 sets an expiration date of August 31, 2015, for the light-duty motor vehicle purchase or lease incentive program. The bill removes certain duties of the comptroller from statutory provisions regarding the program and requires the program to authorize statewide incentives for the purchase or lease of new light-duty motor vehicles powered by compressed natural gas, liquefied petroleum gas, or electric drives, rather than new light-duty motor vehicles that are certified by the U.S. Environmental Protection Agency to meet certain emissions standards, for certain purchasers or lessees. The bill specifies that these purchasers and lessees must agree to operate the vehicle in Texas for a minimum period of time to be established by TCEQ, rather than for not less than 75 percent of the vehicle's annual mileage.

S.B. 1727 makes a new light-duty motor vehicle powered by compressed natural gas, liquefied petroleum gas, or electric drive eligible for a $2,500 incentive under the program and sets out the vehicle eligibility requirements. The bill authorizes TCEQ by rule, on determining that an updated version of a code or standard relating to the fuel system of a vehicle with a compressed natural gas or liquefied petroleum gas fuel system is more stringent than the version of the code or standard described by the bill's provisions, to make vehicle eligibility contingent on the vehicle complying with the updated version of the code or standard. The bill limits the incentive for new light-duty motor vehicles powered by compressed natural gas or liquefied petroleum gas to 2,000 vehicles and the incentive for new light-duty motor vehicles powered by electric drive to 2,000 vehicles for the state fiscal biennium beginning September 1, 2013. The bill requires TCEQ to publish the list of motor vehicles eligible for inclusion in the program on its Internet website.

S.B. 1727 clarifies that a person who purchases or leases a new light-duty motor vehicle powered by compressed natural gas, liquefied petroleum gas, or electric drive that meets the bill's prescribed requirements and is listed on the list of motor vehicles eligible for an incentive is eligible to apply for an incentive.

S.B. 1727 requires TCEQ to develop a purchase incentive program to encourage owners to replace drayage trucks with pre-2007 model year engines with newer drayage trucks and to adopt guidelines necessary to implement the program. The bill defines "drayage truck" as a truck that transports a load to or from a port, distribution center, or rail yard. The bill requires TCEQ by rule to establish criteria for the models of drayage trucks that are eligible for inclusion in the incentive program and sets out the requirements of those guidelines. The bill sets out the eligibility and application requirements for the drayage truck purchase incentive, limits one incentive to be provided for each drayage truck purchased, and caps the incentive at 80 percent of the purchase price of a drayage truck. The bill requires TCEQ to establish certain verification procedures for a person who receives an incentive and authorizes TCEQ to modify the program to improve its effectiveness or further the goal of the Texas emissions reduction plan.

S.B. 1727 removes statutory provisions relating to the Public Utility Commission's (PUC) energy efficiency grant program and instead requires TCEQ, in cooperation with the comptroller, to develop an energy efficiency grant program for energy efficiency projects in governmental entity buildings and facilities. The bill requires projects awarded a grant under the program to include energy conservation projects that improve the operational energy efficiency of buildings or facilities or that retire certain energy inefficient materials and appliances. The bill requires money allocated by TCEQ under the program to be administered by TCEQ, in cooperation with the comptroller. The bill requires the comptroller's state energy conservation office, in cooperation with the Energy Systems Laboratory at the Texas Engineering Experiment Station of The Texas A&M University System and in coordination with the PUC, to provide an annual report to TCEQ that, by county, quantifies certain reductions achieved from the projects awarded a grant under the program.

S.B. 1727 amends Section 386.252(a), Health and Safety Code, as amended by Chapter 28 (S.B. 527), Acts of the 82nd Legislature, Regular Session, 2011, to revise the allocation of the Texas emissions reduction plan fund, including allocating the following: not more than three percent to be used for the technology implementation grant program, from which at least $1 million will be set aside for electricity storage projects related to renewable energy; not less than 16 percent to be used for the Texas natural gas vehicle grant program; two percent to be used for the energy efficiency grant program; not more than five percent to be used to provide grants for natural gas fueling stations under the clean transportation triangle program; not more than five percent to be used for the Texas alternative fueling facilities program; at least $4 million and up to four percent to a maximum of $7 million, whichever is greater, to TCEQ for administrative costs; at least two percent and up to five percent to be used by TCEQ for the drayage truck incentive program; and not more than five percent to be used for the light-duty motor vehicle purchase or lease incentive program.

S.B. 1727 amends Section 386.252(f), Health and Safety Code, as added by Chapter 892 (S.B. 385), Acts of the 82nd Legislature, Regular Session, 2011, to authorize money in the fund to be used by TCEQ for certain programs developed by TCEQ that lead to certain reduced emissions in a nonattainment area or affected county, that support congestion mitigation to reduce mobile source ozone precursor emissions, or that are necessary or effective in fulfilling TCEQ's duties and achieving its objectives, as may be appropriated for those programs.

S.B. 1727 amends the Health and Safety Code to require TCEQ, if the legislature does not specify amounts or percentages from the total appropriation to TCEQ to be allocated to the required programs under the Texas emissions reduction plan, to determine the amounts of the total appropriations to be allocated to each of the required programs, such that the total appropriation is expended while maximizing emissions reductions. The bill authorizes money allocated to a particular program to be used for another program under the plan as determined by TCEQ subject to the specified limitations and any additional limitations placed on the use of the appropriated funds.

S.B. 1727 removes the minimum capital expenditure threshold for new technology projects that reduce emissions of regulated pollutants from point sources to be considered for a grant under the new technology implementation grant program and authorizes TCEQ to establish a minimum capital expenditure threshold. The bill, in a provision setting the amount TCEQ is required to award for each vehicle being replaced under the Texas clean fleet program, changes that amount from an amount determined as certain percentages of the incremental cost for replacement to an amount that is an amount up to 80 percent, as determined by TCEQ, of the total cost for replacement of a heavy-duty or light-duty diesel engine.

S.B. 1727 amends Section 394.007(a), Health and Safety Code, as amended by Chapter 892 (S.B. 385), Acts of the 82nd Legislature, Regular Session, 2011, to cap the amount of a standardized grant assigned under the grant schedule developed by TCEQ for the Texas natural gas vehicle grant program at 90 percent of the incremental cost of a natural gas vehicle purchase, lease, other commercial finance, or repowering, rather than limiting the grant to between 60 percent and 90 percent of such a cost.

S.B. 1727 amends Section 394.010(a), (b), (c), and (d), Health and Safety Code, as amended by Chapter 892 (S.B. 385), Acts of the 82nd Legislature, Regular Session, 2011, to include nonattainment areas and affected counties of Texas among the areas for which TCEQ is required to award grants to support the development of a network of natural gas vehicle fueling stations. The bill removes a provision prohibiting TCEQ from awarding more than three station grants to any entity and raises the caps on grants from $100,000 to $400,000 for a compressed natural gas station; from $250,000 to $400,000 for a liquefied natural gas station; and from $400,000 to $600,000 for a station providing both liquefied and compressed natural gas. The bill removes a requirement that stations funded by those grants be located not more than three miles from an interstate highway system and adds stations located in the triangular area between the Houston, San Antonio, and Dallas-Fort Worth areas to the stations for which TCEQ is required to give preference.

S.B. 1727 amends Section 393.006, Health and Safety Code, as amended by Chapter 892 (S.B. 385), Acts of the 82nd Legislature, Regular Session, 2011, to require TCEQ, for each eligible facility for which a recipient is awarded a grant under the alternative fueling facilities program, to award the grant in an amount equal to the lesser of 50 percent of the sum of the actual eligible costs incurred by the grant recipient within deadlines established by TCEQ to construct, reconstruct, or acquire the facility or $600,000, rather than $500,000.

S.B. 1727 repeals the following provisions of the Health and Safety Code:

- Section 386.151(1)
- Section 386.154
- Section 386.155
- Sections 386.204
- Section 386.252(a), as amended by Chapters 589 (S.B. 20) and 892 (S.B. 385), Acts of

the 82nd Legislature, Regular Session, 2011

- Section 386.252(f), as added by Chapter 589 (S.B. 20), Acts of the 82nd Legislature, Regular Session, 2011
- Chapters 393 and 394, as amended by Chapter 589 (S.B. 20), Acts of the 82nd Legislature, Regular Session, 2011

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.