

By: Landgraf

H.B. No. 3868

Substitute the following for H.B. No. 3868:

By: Anchía

C.S.H.B. No. 3868

A BILL TO BE ENTITLED

AN ACT

relating to programs established and funded under the Texas emissions reduction plan.

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

SECTION 1. Section 386.051(b), Health and Safety Code, is amended to read as follows:

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

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

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

(3) the air quality research support program established under Chapter 387;

(4) the clean school bus program established under Chapter 390;

(5) the new technology implementation grant program established under Chapter 391;

(6) the regional air monitoring program established under Section 386.252(a);

(7) a health effects study as provided by Section 386.252(a);

(8) air quality planning activities as provided by

Section 386.252(d);

(9) a contract with the Energy Systems Laboratory at the Texas A&M Engineering Experiment Station for computation of creditable statewide emissions reductions as provided by Section 386.252(a);

(10) the Texas clean fleet program established under Chapter 392A [392];

(11) ~~[the Texas alternative fueling facilities program established under Chapter 393;~~

~~[(12) the Texas natural gas vehicle grant program established under Chapter 394;~~

~~[(13)]~~ other programs the commission may develop that lead to reduced emissions of nitrogen oxides, particulate matter, or volatile organic compounds in a nonattainment area or affected county;

(12) ~~[(14)]~~ other programs the commission may develop that support congestion mitigation to reduce mobile source ozone precursor emissions;

(13) ~~[(15)]~~ the seaport and rail yard areas emissions reduction program established under Subchapter D-1;

(14) ~~[(16)]~~ conducting research and other activities associated with making any necessary demonstrations to the United States Environmental Protection Agency to account for the impact of foreign emissions or an exceptional event;

(15) ~~[(17)]~~ studies of or pilot programs for incentives for port authorities located in nonattainment areas or affected counties as provided by Section 386.252(a); and

1           (16) [~~(18)~~ the governmental alternative fuel fleet  
2 ~~grant program established under Chapter 395,~~

3           ~~[(19)]~~ remittance of funds to the state highway fund  
4 for use by the Texas Department of Transportation for congestion  
5 mitigation and air quality improvement projects in nonattainment  
6 areas and affected counties~~[, and~~

7           ~~[(20) the Texas hydrogen infrastructure, vehicle, and~~  
8 ~~equipment grant program established under Subchapter G].~~

9           SECTION 2. Subchapter B, Chapter 386, Health and Safety  
10 Code, is amended by adding Section 386.058 to read as follows:

11           Sec. 386.058. DATABASE AND PUBLIC OUTREACH INITIATIVE TO  
12 FACILITATE REPLACEMENT OF CERTAIN DIESEL-POWERED VEHICLES. (a)  
13 The commission shall administer a program designed to facilitate  
14 the replacement of pre-2009 model year diesel-powered vehicles by  
15 connecting applicants for a grant or other funding with owners of  
16 those diesel-powered vehicles to enable the applicant to partner  
17 with the vehicle owner for purposes of satisfying the requirements  
18 established under the plan.

19           (b) In administering the program, the commission shall:

20           (1) develop and maintain a database of owners of  
21 pre-2009 model year diesel-powered vehicles who are willing to  
22 partner with applicants for a state or local clean vehicle program  
23 as described by Subsection (a); and

24           (2) conduct a public outreach initiative to promote  
25 awareness of and participation in the program and in applicable  
26 state and local clean vehicle programs.

27           (c) The database developed under Subsection (b)(1) must:

1           (1) include owner contact information, vehicle  
2 information, and other relevant information as determined by the  
3 commission; and

4           (2) require applicants described by Subsection (a) to  
5 register with the commission in order to access the database.

6           (d) In conducting the public outreach initiative under  
7 Subsection (b)(2), the commission:

8           (1) shall include educational materials and  
9 information on the program on the commission's Internet website;  
10 and

11           (2) may collaborate with local governments, regional  
12 councils of government, port authorities, and other appropriate  
13 entities and stakeholders to recruit participants in the database  
14 and to encourage applications for state and local clean vehicle  
15 programs.

16           SECTION 3. Section 386.252(a), Health and Safety Code, is  
17 amended to read as follows:

18           (a) Money in the fund and account may be used only to  
19 implement and administer programs established under the plan.  
20 Subject to the reallocation of funds by the commission under  
21 Subsection (h) and after remittance to the state highway fund under  
22 Subsection (a-1), money from the fund and account to be used for the  
23 programs under Section 386.051(b) shall initially be allocated as  
24 follows:

25           (1) four percent may be used for the clean school bus  
26 program under Chapter 390;

27           (2) three ~~[eight]~~ percent ~~[total]~~ may be used for

1 ~~[between the Texas hydrogen infrastructure, vehicle, and equipment~~  
2 ~~grant program established under Subchapter G and]~~ the new  
3 technology implementation grant program under Chapter 391, from  
4 which at least \$1 million will be set aside for electricity storage  
5 projects related to renewable energy ~~[and not more than \$8 million~~  
6 ~~may be used for the Texas hydrogen infrastructure, vehicle, and~~  
7 ~~equipment grant program]~~;

8 (3) 21 ~~[five]~~ percent may be used for the Texas clean  
9 fleet program under Chapter 392A ~~[392]~~;

10 (4) not more than \$3 million may be used by the  
11 commission to fund a regional air monitoring program in commission  
12 Regions 3 and 4 to be implemented under the commission's oversight,  
13 including direction regarding the type, number, location, and  
14 operation of, and data validation practices for, monitors funded by  
15 the program through a regional nonprofit entity located in North  
16 Texas having representation from counties, municipalities, higher  
17 education institutions, and private sector interests across the  
18 area;

19 (5) ~~[7.5 percent may be used for the Texas natural gas~~  
20 ~~vehicle grant program under Chapter 394,~~

21 ~~[(6) not more than \$6 million may be used for the Texas~~  
22 ~~alternative fueling facilities program under Chapter 393, of which~~  
23 ~~a specified amount may be used for fueling stations to provide~~  
24 ~~natural gas fuel, except that money may not be allocated for the~~  
25 ~~Texas alternative fueling facilities program for the state fiscal~~  
26 ~~year ending August 31, 2019,~~

27 ~~[(7)]~~ not more than \$750,000 may be used each year to

support research related to air quality as provided by Chapter 387;

(6) [~~(8)~~] not more than \$200,000 may be used for a health effects study;

(7) [~~(9)~~] at least \$6 million but not more than 15 percent may be used by the commission for administrative costs, including all direct and indirect costs for administering the plan, costs for conducting outreach and education activities, and costs attributable to the review or approval of applications for marketable emissions reduction credits;

(8) [~~(10)~~] six percent may be used by the commission for the seaport and rail yard areas emissions reduction program established under Subchapter D-1;

(9) [~~(11)~~] 2.5 percent may be used for the light-duty motor vehicle purchase or lease incentive program established under Subchapter D;

(10) [~~(12)~~] not more than \$500,000 may be used by the commission to contract with the Energy Systems Laboratory at the Texas A&M Engineering Experiment Station annually for the development and annual computation of creditable statewide emissions reductions for the state implementation plan that are obtained through:

(A) wind and other renewable energy resources;

(B) energy efficiency programs administered by the Public Utility Commission of Texas or the State Energy Conservation Office; or

(C) the implementation of advanced building energy codes;

1           (11) [~~(13)~~] not more than \$500,000 may be used for  
2 studies of or pilot programs for incentives for port authorities  
3 located in nonattainment areas or affected counties to encourage  
4 cargo movement that reduces emissions of nitrogen oxides and  
5 particulate matter; and

6           (12) [~~(14)~~] the balance is to be used by the  
7 commission for the diesel emissions reduction incentive program  
8 under Subchapter C as determined by the commission.

9           SECTION 4. Chapter [390](#), Health and Safety Code, is amended  
10 by adding Section 390.0045 to read as follows:

11           Sec. 390.0045. REFUELING INFRASTRUCTURE, EQUIPMENT, AND  
12 SERVICES. A grant recipient may purchase, lease, or install  
13 refueling infrastructure or equipment or procure refueling  
14 services with money from a grant under the program if:

15                 (1) the purchase, lease, installation, or procurement  
16 is made in conjunction with the replacement of a school bus as  
17 described by Section [390.004](#);

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

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

1 services.

2 SECTION 5. Subtitle C, Title 5, Health and Safety Code, is  
3 amended by adding Chapter 392A to read as follows:

4 CHAPTER 392A. TEXAS CLEAN FLEET PROGRAM

5 SUBCHAPTER A. GENERAL PROVISIONS

6 Sec. 392A.001. DEFINITIONS. In this chapter:

7 (1) "Alternative fuel" means a fuel other than  
8 gasoline or diesel fuel, including electricity, compressed natural  
9 gas, liquefied natural gas, hydrogen, renewable diesel, propane, or  
10 a mixture of fuels containing at least 85 percent methanol by  
11 volume.

12 (2) "Certified" includes:

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

15 (B) certification or approval by the United  
16 States Environmental Protection Agency of a system to convert a  
17 vehicle or engine to operate on an alternative fuel and a  
18 demonstration by the emissions data used to certify or approve the  
19 vehicle or engine, if the commission determines the testing used to  
20 obtain the emissions data is consistent with the testing required  
21 for approval of an alternative fuel conversion system for new and  
22 relatively new vehicles or engines under 40 C.F.R. Part 85.

23 (3) "Clean transportation zone" means:

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

27 (B) counties located within the area bounded by



1 the interstate highways described by Paragraph (A);

2 (C) counties containing or intersected by a  
3 portion of:

4 (i) an interstate highway connecting San  
5 Antonio to Corpus Christi or Laredo;

6 (ii) the most direct route using highways  
7 in the state highway system connecting Corpus Christi and Laredo;  
8 or

9 (iii) a highway corridor connecting Corpus  
10 Christi and Houston;

11 (D) counties located within the area bounded by  
12 the highways described by Paragraph (C);

13 (E) counties in this state all or part of which  
14 are included in a nonattainment area designated under Section  
15 107(d) of the federal Clean Air Act (42 U.S.C. Section 7407); and

16 (F) counties designated as affected counties  
17 under Section 386.001.

18 (4) "Commission" means the Texas Commission on  
19 Environmental Quality.

20 (5) "Executive director" means the executive director  
21 of the commission.

22 (6) "Golf cart" has the meaning assigned by Section  
23 551.401, Transportation Code.

24 (7) "Heavy-duty motor vehicle" means a motor vehicle  
25 that:

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

1                   (B) is certified to or has an engine certified to  
2 the United States Environmental Protection Agency's emissions  
3 standards for heavy-duty motor vehicles or engines.

4                   (8) "Hybrid vehicle" means a vehicle with at least two  
5 different energy converters and two different energy storage  
6 systems on board the vehicle for the purpose of propelling the  
7 vehicle.

8                   (9) "Hydrogen vehicle" means a heavy-duty motor  
9 vehicle that uses hydrogen to operate the vehicle, including  
10 through the use of hydrogen fuel cells or an internal combustion  
11 engine that runs on hydrogen.

12                   (10) "Incremental cost" has the meaning assigned by  
13 Section [386.001](#).

14                   (11) "Medium-duty motor vehicle" means a motor vehicle  
15 with a gross vehicle weight rating of more than 8,500 pounds that:

16                   (A) is certified to the United States  
17 Environmental Protection Agency's light-duty emissions standard;  
18 or

19                   (B) has an engine certified to the United States  
20 Environmental Protection Agency's light-duty emissions standard.

21                   (12) "Motor vehicle" has the meaning assigned by  
22 Section [386.151](#).

23                   (13) "Natural gas engine" means an engine that  
24 operates:

25                   (A) solely an natural gas, including compressed  
26 natural gas, liquefied natural gas, or liquefied petroleum gas; or

27                   (B) on a combination of diesel fuel and natural

1 gas, including compressed natural gas, liquefied natural gas, or  
2 liquefied petroleum gas, and is capable of achieving at least 60  
3 percent displacement of diesel fuel with natural gas.

4 (14) "Natural gas vehicle" means a motor vehicle that  
5 is powered by a natural gas engine.

6 (15) "Neighborhood electric vehicle" means a motor  
7 vehicle that:

8 (A) is originally manufactured to meet, and does  
9 meet, the equipment requirements and safety standards established  
10 for "low-speed vehicles" in federal Motor Vehicle Safety Standard  
11 No. 500 (49 C.F.R. Section 571.500);

12 (B) is a slow-moving vehicle, as defined by  
13 Section 547.001, Transportation Code, that is able to attain a  
14 speed of more than 20 miles per hour but not more than 25 miles per  
15 hour in one mile on a paved, level surface;

16 (C) is a four-wheeled motor vehicle;

17 (D) is powered by electricity or alternative  
18 power sources;

19 (E) has a gross vehicle weight rating of less  
20 than 3,000 pounds; and

21 (F) is not a golf cart.

22 (16) "Political subdivision" means a county,  
23 municipality, school district, junior college di, river authority,  
24 water district or other special district, or other political  
25 subdivision created under the constitution or a statute of this  
26 state.

27 (17) "Program" means the Texas clean fleet program

established under this chapter.

(18) "Program project" means any of the following projects under the program:

(A) natural gas vehicle grant projects, as described by Section 392A.152(a);

(B) large fleet grant projects, as described by Section 392A.153(a);

(C) hydrogen infrastructure and vehicle grant projects, as described by Section 392A.154(a); and

(D) alternative fueling facilities grant projects, as described by Section 392A.155(a)(1).

(19) "Qualifying fuel" includes any liquid or gaseous fuel or additive registered or verified by the United States Environmental Protection Agency that is ultimately dispensed into a motor vehicle or a diesel-powered on-road or non-road vehicle that provides reductions of emissions of oxides of nitrogen beyond reductions required by state or federal law.

(20) "Renewable diesel means" a diesel fuel substitute produced from non-petroleum renewable source and refined from at least ninety-nine percent renewable feedstock.

(21) "Repower" means to replace an old engine powering a vehicle with a new engine, a used engine, a remanufactured engine, or electric motors, drives, or fuel cells.

Sec. 392A.002. EXPIRATION. This chapter expires on the last day of the state fiscal biennium during which the commission publishes in the Texas Register the notice required by Section [382.037](#).

1        SUBCHAPTER B. ESTABLISHMENT AND ADMINISTRATION OF PROGRAM

2        Sec. 392A.051. TEXAS CLEAN FLEET PROGRAM. (a) The  
3 commission shall establish and administer the Texas clean fleet  
4 program to encourage a person that has diesel-powered vehicles to  
5 purchase or replace them with alternative fuel or hybrid vehicles,  
6 as described in Subsection (b). Under the program, the commission  
7 shall provide grants for eligible projects to offset the  
8 incremental cost of projects that reduce emissions of oxides of  
9 nitrogen from high-emitting sources in designated areas in the  
10 clean transportation zone.

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

13                (1) purchase or lease of on-road or non-road  
14 alternative fuel or hybrid vehicles powered by an alternative fuel  
15 engine certified to the current federal emissions standards  
16 applicable to that type of engine;

17                (2) replacement or repowering of diesel-powered  
18 on-road or non-road vehicles with alternative fuel or hybrid  
19 vehicles powered by an alternative fuel engine certified to the  
20 current federal emissions standards applicable to that type of  
21 engine;

22                (3) use of qualifying fuel; and

23                (4) implementation of infrastructure projects.

24        (c) A project listed in Subsection (b) is not eligible if it  
25 is required by any state or federal law, rule or regulation,  
26 memorandum of agreement, or other legally binding document. This  
27 subsection does not apply to:

1           (1) an otherwise qualified project, regardless of the  
2 fact that the state implementation plan assumes that the change in  
3 vehicles, equipment, or operations will occur, if on the date the  
4 grant is awarded the change is not required by any state or federal  
5 law, rule or regulation, memorandum of agreement, or other legally  
6 binding document; or

7           (2) the purchase of an alternative fuel or hybrid  
8 vehicle or infrastructure required only by local law or regulation  
9 or by corporate or controlling board policy of a public or private  
10 entity.

11       Sec. 392A.052. REFUELING INFRASTRUCTURE, EQUIPMENT, AND  
12 SERVICES. A grant recipient may purchase, lease, or install  
13 refueling infrastructure or equipment or procure refueling  
14 services with money from a grant under the program if:

15           (1) the purchase, lease, installation, or procurement  
16 is made in conjunction with the purchase or lease of a qualifying  
17 vehicle as described by Section 392A.102;

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

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

1 services.

2 Sec. 392A.053. PROJECT PRIORITIZATION CRITERIA. The  
3 commission shall establish criteria for prioritizing projects  
4 eligible to receive grants under the program. The commission shall  
5 review and revise the criteria as appropriate.

6 Sec. 392A.054. APPLICATION FOR GRANT. (a) The commission  
7 shall develop a simple, standardized application package for grants  
8 under the program. The package must include:

- 9 (1) an application form;  
10 (2) a brief description of:  
11 (A) the program;  
12 (B) the projects that are eligible for available  
13 funding;  
14 (C) the selection criteria and evaluation  
15 process; and  
16 (D) the required documentation;  
17 (3) the name of a person or office to contact for more  
18 information;  
19 (4) an example of the contract that an applicant will  
20 be required to execute before receiving a grant; and  
21 (5) any other information the commission considers  
22 useful to inform the applicant and expedite the application  
23 process.

24 (b) The application form shall require as much information  
25 as the commission determines is necessary to properly evaluate each  
26 project but shall otherwise minimize the information required.

27 (c) The commission may allow an applicant to seek funds for

1 multiple program projects through a single application, provided  
2 that an applicant follows all requirements specified by this  
3 chapter and all criteria established by the commission for any  
4 specific program project.

5 (d) The opening date, key requirements, and as much of the  
6 application form as the agency deems possible shall be made  
7 publicly available no later than 30 days prior to the opening of the  
8 application period.

9 (e) All applications submitted under this chapter shall be  
10 considered on a competitive basis.

11 (f) The commission may adopt guidelines to allow a political  
12 subdivision, regional planning commission, council of governments,  
13 or similar regional planning agency created under Chapter 391,  
14 Local Government Code, or a private nonprofit organization to apply  
15 for and receive a grant to improve the ability of the program to  
16 achieve its goals.

17 Sec. 392A.055. APPLICATION REVIEW PROCEDURES. (a) The  
18 commission shall review an application for a grant for a project  
19 authorized under this chapter. If the commission determines that  
20 an application is incomplete, the commission shall notify the  
21 applicant with an explanation of what is missing from the  
22 application. The commission shall evaluate the completed  
23 application according to the appropriate project criteria. Subject  
24 to available funding, the commission shall make a final  
25 determination on an application as soon as possible.

26 (b) The commission shall make every effort to expedite the  
27 application review process and to award grants to qualified



1 projects in a timely manner. To the extent possible, the commission  
2 shall coordinate project review and approval with any timing  
3 constraints related to project purchases or installations to be  
4 made by an applicant.

5 (c) The commission may deny an application for a grant that  
6 does not meet the applicable project criteria or that the  
7 commission determines is not made in good faith, is not credible, or  
8 is not in compliance with this chapter and the goals of this  
9 chapter.

10 (d) Subject to availability of funds, the commission shall  
11 award a grant under the program in conjunction with the execution of  
12 a contract that obligates the commission to make the grant and the  
13 recipient to perform the actions described in the recipient's grant  
14 application. The contract must incorporate provisions for  
15 recapturing grant money in proportion to any loss of emissions  
16 reductions compared with the volume of emissions reductions that  
17 was projected in awarding the grant. Grant money recaptured under  
18 the contract provision shall be deposited in the Texas emissions  
19 reduction plan fund and reallocated for other projects under this  
20 chapter.

21 (e) The commission shall provide for application submission  
22 and application status checks using procedures established by the  
23 commission, which may include application submission and  
24 application status checks to be made over the Internet.

25 Sec. 392A.056. ADDITIONAL GRANT PROCEDURES. (a) The  
26 commission, or its designee, shall oversee the grant process and is  
27 responsible for final approval of any grant under the program.

1        (b) The commission shall ensure payment for awards under the  
2 program is made not later than the 30th day after the date the  
3 request for reimbursement for an approved grant is approved by the  
4 commission.

5        SUBCHAPTER C. GENERAL GRANT CONDITIONS AND ELIGIBILITY

6                    REQUIREMENTS

7        Sec. 392A.101. DUTY OF GRANT RECIPIENT TO MEET GRANT  
8 CONDITIONS. A grant recipient under this chapter is responsible  
9 for meeting all grant conditions, including reporting and  
10 monitoring as required by the commission through the grant  
11 contract.

12        Sec. 392A.102. QUALIFYING VEHICLES. (a) A vehicle is a  
13 qualifying vehicle that may be considered for a grant under the  
14 program if during the eligibility period established by the  
15 commission the person purchases, leases, or otherwise commercially  
16 finances a new on-road or non-road vehicle or, subject to  
17 Subsection (c), a used alternative fuel vehicle, that:

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

20                    (2) replaces or repowers a diesel-powered on-road or  
21 non-road vehicle of the same use;

22                    (3) is a hybrid vehicle or fueled by an alternative  
23 fuel; and

24                    (4) emits oxides of nitrogen at a rate that is at least  
25 25 percent less than the rate at which the engine in the vehicle  
26 being replaced or repowered under the program emits such  
27 pollutants.

1        (b) A vehicle is not a qualifying vehicle if the vehicle:

2            (1) is a neighborhood electric vehicle;

3            (2) has been used as a qualifying vehicle to qualify  
4 for a grant under the program for a previous reporting period or by  
5 another person; or

6            (3) has qualified for a similar grant in another  
7 jurisdiction if that grant is relied on for credit in the state  
8 implementation plan.

9        (c) A used alternative fuel vehicle that is proposed to  
10 replace an on-road or non-road heavy-duty or medium-duty motor  
11 vehicle must be of a model year that is not more than six years older  
12 than the current model year at the time of the submission of the  
13 grant application.

14        Sec. 392A.103. GRANT ELIGIBILITY FOR QUALIFYING VEHICLE  
15 REPLACEMENT OR REPOWERING PROJECT. (a) To be eligible for a grant  
16 for the replacement or repowering of a qualifying vehicle under the  
17 program, a project must:

18            (1) result in a reduction in emissions of nitrogen  
19 oxides or other pollutants, as established by the commission, of at  
20 least 25 percent, based on:

21                    (A) the baseline emission level set by the  
22 commission under Subsection (g); and

23                    (B) the certified emission rate of the new  
24 vehicle; and

25        (2) replace or repower a vehicle that:

26                    (A) is an on-road or non-road vehicle that has  
27 been owned, leased, or otherwise commercially financed and

1 registered and operated by the applicant in Texas for at least the  
2 two years immediately preceding the submission of a grant  
3 application;

4 (B) satisfies any minimum average annual mileage  
5 or fuel usage requirements established by the commission;

6 (C) satisfies any minimum percentage of annual  
7 usage requirements established by the commission; and

8 (D) is in operating condition and has at least  
9 two years of remaining useful life, as determined in accordance  
10 with criteria established by the commission.

11 (b) As a condition of receiving a grant, the qualifying  
12 vehicle must be continuously owned, registered, and operated in the  
13 state by the grant recipient until the earlier of the fifth  
14 anniversary of the activity start date established by the  
15 commission or the date the vehicle has been in operation for 400,000  
16 miles after the activity start date established by the commission.  
17 Not less than 75 percent of the annual use of the qualifying  
18 vehicle, either mileage or fuel use as determined by the  
19 commission, must occur in the state.

20 (c) For purposes of Subsection (b), the commission shall  
21 establish the activity start date based on the date the commission  
22 accepts verification of the disposition of the vehicle being  
23 replaced.

24 (d) The commission shall include and enforce the usage  
25 provisions in the grant contracts. The commission shall monitor  
26 compliance with the contract requirements, including submission of  
27 reports on at least an annual basis, or more frequently as

1 determined by the commission.

2 (e) The commission by contract may require the return of all  
3 or a portion of grant funds for a grant recipient's noncompliance  
4 with the usage and percentage of use requirements under this  
5 section.

6 (f) A vehicle or engine replaced under this program must be  
7 rendered permanently inoperable by crushing the vehicle, by making  
8 a hole in the engine block and permanently destroying the frame of  
9 the vehicle, or by another method approved by the commission that  
10 permanently removes the vehicle from operation in this state. The  
11 commission shall provide a means for an applicant to propose an  
12 alternative method of complying with the requirements of this  
13 subsection. The commission shall enforce the requirements of this  
14 subsection.

15 (g) The commission shall establish baseline emission levels  
16 for emissions of nitrogen oxides for on-road or non-road vehicles  
17 being replaced. The commission may consider and establish baseline  
18 emission rates for additional pollutants of concern, as determined  
19 by the commission.

20 (h) Mileage requirements established by the commission  
21 under Subsection (a)(2)(B) may differ by vehicle weight categories  
22 and type of use.

23 (i) On a finding of good cause, the executive director may  
24 waive the requirements of:

25 (1) Subsection (a)(2)(A), which may include a waiver  
26 for short lapses in registration or operation attributable to  
27 economic conditions, seasonal work, or other circumstances; or

1           (2) Subsection (f).

2           Sec. 392A.104. GRANT ELIGIBILITY FOR PROJECT RELATING TO  
3 AGRICULTURAL PRODUCT TRANSPORTATION. (a) In this section,  
4 "agricultural product transportation" means the transportation of  
5 a raw agricultural product from the place of production using a  
6 heavy-duty truck to:

7           (1) a nonattainment area, as defined by Section  
8 386.001;

9           (2) an affected county, as defined by Section 386.001;

10           (3) a destination inside the clean transportation  
11 zone; or

12           (4) a county adjacent to a county described by  
13 Subdivision (2) or that contains an area described by Subdivision  
14 (1) or (3).

15           (b) Notwithstanding any other provision of this chapter,  
16 the determining factor for eligibility for participation in the  
17 program with respect to a grant for a project relating to  
18 agricultural product transportation is the overall accumulative  
19 net reduction in emissions of oxides of nitrogen in a nonattainment  
20 area, an affected county, or the clean transportation zone.

21           Sec. 392A.105. RESTRICTION ON USE OF GRANT. Subject to  
22 Section 392A.152(c), a recipient of a grant under the program shall  
23 use the grant to pay the incremental costs of any purchase,  
24 replacement, or repowering project for which the grant is made,  
25 which may include the initial cost of the alternative fuel or hybrid  
26 vehicle, and the reasonable and necessary expenses incurred for the  
27 labor needed to install emissions-reducing equipment. The

recipient may not use the grant to pay the recipient's administrative expenses.

SUBCHAPTER D. PROGRAM PROJECTS

Sec. 392A.151. ALLOCATION OF FUNDS. (a) Money initially allocated to the program under Section 386.252(a)(3) shall be allocated to the program projects as follows:

(1) 35.5 percent for natural gas vehicle grant projects, as described by Section 392A.152(a);

(2) 24 percent for large fleet grant projects, as described by Section 392A.153(a);

(3) 23.5 percent for hydrogen infrastructure and vehicle grant projects, as described by Section 392A.154(a); and

(4) 17 percent for the alternative fueling facilities grant projects, as described by Section 392A.155(a)(1).

(b) Subject to the limitations outlined in this subsection, money allocated under this section to a particular program project may be used for another program project as determined by the commission, based on demand for grants for eligible projects after the commission solicits projects to which to award grants according to the initial allocation provisions of this section. If the commission determines there is insufficient demand for the program projects described by Subsection (a), the commission may redirect funds to other programs under the Texas emissions reduction plan, as provided by Section 386.252(h).

Sec. 392A.152. NATURAL GAS VEHICLE GRANT PROJECTS. (a) This section applies only to a grant under the program involving:

(1) the replacement of a motor vehicle with a natural

1 gas vehicle; or

2 (2) the repowering of a motor vehicle with a natural  
3 gas engine.

4 (b) As a condition of receiving a grant to which this  
5 section applies and in addition to the requirements of Section  
6 392A.103(b), not less than 75 percent of the annual use of the  
7 qualifying natural gas vehicle, either mileage or fuel use as  
8 determined by the commission, must occur in the clean  
9 transportation zone.

10 (c) For purposes of Section 392A.105, the incremental costs  
11 of the replacement or repower of a motor vehicle for which a grant  
12 to which this section applies may include a portion of the initial  
13 cost of the natural gas vehicle or natural gas engine, including the  
14 cost of the natural gas fuel system and installation.

15 (d) The commission shall develop a grant schedule for grants  
16 to which this section applies that:

17 (1) assigns a standardized grant in an amount up to 90  
18 percent of the incremental cost of a natural gas vehicle purchase,  
19 lease, other commercial finance, or repowering;

20 (2) is based on:

21 (A) the certified emission level of nitrogen  
22 oxides, or other pollutants as determined by the commission, of the  
23 engine powering the natural gas vehicle; and

24 (B) the usage of the natural gas vehicle; and

25 (3) may take into account the overall emissions  
26 reduction achieved by the natural gas vehicle.

27 (e) Not less than 60 percent of the total amount of grants to



1 which this section applies that are awarded for the purchase and  
2 repowering of motor vehicles must be awarded to motor vehicles with  
3 a gross vehicle weight rating of at least 33,001 pounds. The  
4 minimum grant requirement under this subsection does not apply if  
5 the commission does not receive enough grant applications to  
6 satisfy the requirement for motor vehicles described by this  
7 subsection that are eligible to receive a grant to which this  
8 section applies.

9       (f) A person may not receive a grant to which this section  
10 applies that, when combined with any other grant, tax credit, or  
11 other governmental incentive, exceeds the incremental cost of the  
12 vehicle or vehicle repower for which the grant is awarded. A person  
13 shall return to the commission the amount of a grant awarded under  
14 the program that, when combined with any other grant, tax credit, or  
15 other governmental incentive, exceeds the incremental cost of the  
16 vehicle or vehicle repower for which the grant is awarded.

17       (g) The commission shall reduce the amount of a grant to  
18 which this section applies as necessary to keep the combined  
19 incentive total at or below the incremental cost of the vehicle for  
20 which the grant is awarded if the grant recipient is eligible to  
21 receive an automatic incentive at or before the time a grant is  
22 awarded under the program.

23       (h) The commission shall establish criteria for:

24               (1) awarding grants to which this section applies to  
25 reimburse eligible costs;

26               (2) the commission to compile and regularly update a  
27 listing of potentially eligible natural gas vehicles and natural

1 gas engines that are certified to the appropriate current federal  
2 emissions standards as determined by the commission;

3 (3) a method to calculate the reduction in emissions  
4 of nitrogen oxides, volatile organic compounds, carbon monoxide,  
5 particulate matter, and sulfur compounds for each replacement or  
6 repowering;

7 (4) assigning a standardized grant amount for each  
8 qualifying vehicle or engine repower for grants to which this  
9 section applies; and

10 (5) requiring applicants for grants to which this  
11 section applies to identify natural gas fueling stations that are  
12 available to fuel the qualifying vehicle in the area of its use.

13 Sec. 392A.153. LARGE FLEET GRANT PROJECTS. (a) This  
14 section applies only to a grant under the program for an entity  
15 operating in this state that:

16 (1) operates a fleet of at least 75 vehicles; and

17 (2) places 10 or more qualifying vehicles in service  
18 for use entirely in this state during a calendar year.

19 (b) Notwithstanding Subsection (a)(2), an entity that  
20 submits a grant application for 10 or more qualifying vehicles is  
21 eligible to participate in the program with respect to a grant to  
22 which this section applies even if the commission denies approval  
23 for one or more of the vehicles during the application process.

24 (c) The amount the commission shall award for each vehicle  
25 being replaced or repowered is up to 90 percent, as determined by  
26 the commission, of the incremental cost for replacement or  
27 repowering of a heavy-duty vehicle. The commission may revise the

1 standards for determining grant amounts as needed to reflect  
2 changes to federal emission standards and decisions on pollutants  
3 of concern.

4 Sec. 392A.154. HYDROGEN INFRASTRUCTURE AND VEHICLE GRANT  
5 PROJECTS. (a) This section applies only to a grant under the  
6 program involving a hydrogen project described by Subsection (b).

7 (b) The commission shall prioritize the awarding of grants  
8 to which this section applies in the following order:

9 (1) projects to replace on-road heavy-duty motor  
10 vehicles with newer on-road hydrogen vehicles;

11 (2) projects to purchase, lease, or repower on-road  
12 heavy-duty motor vehicles with a powertrain that runs on or is  
13 powered by hydrogen;

14 (3) projects to implement hydrogen refueling  
15 infrastructure that will be accessible and available to the public  
16 at times designated by the grant contract;

17 (4) projects to replace non-road heavy-duty motor  
18 vehicles with newer non-road hydrogen vehicles; and

19 (5) projects to purchase, lease, or repower non-road  
20 heavy-duty motor vehicles with a powertrain that runs on or is  
21 powered by hydrogen.

22 (c) Subject to Subsection (b), in awarding grants to which  
23 this section applies, the commission shall give preference to the  
24 most cost-effective projects that will result in the greatest  
25 reduction in emissions of oxides of nitrogen.

26 (d) The amount the commission shall award for each vehicle  
27 being replaced or repowered is up to 90 percent, as determined by

1 the commission, of the incremental cost for replacement of a  
2 heavy-duty or light-duty vehicle. The commission may revise the  
3 standards for determining grant amounts as needed to reflect  
4 changes to federal emission standards and decisions on pollutants  
5 of concern.

6 (e) In addition to the requirements of this chapter, the  
7 commission shall establish additional eligibility and  
8 prioritization criteria as needed to implement the program with  
9 respect to grants to which this section applies.

10 Sec. 392A.155. ALTERNATIVE FUELING FACILITIES GRANT  
11 PROJECTS. (a) This section:

12 (1) applies only to a grant issued under the program to  
13 provide fueling facilities for alternative fuel in the clean  
14 transportation zone; and

15 (2) does not apply to the use of grant money under the  
16 program that is used pursuant to Section 392A.052 for the purchase,  
17 lease, or installation of refueling infrastructure or equipment or  
18 the procurement of refueling services.

19 (b) Under the program, the commission shall provide a grant  
20 to which this section applies for each eligible alternative fueling  
21 facility to offset the cost of those facilities.

22 (c) An entity that constructs or reconstructs an  
23 alternative fueling facility is eligible to participate in the  
24 program with respect to a grant to which this section applies.

25 (d) To ensure that alternative fuel vehicles have access to  
26 fuel and to build the foundation for a self-sustaining market for  
27 alternative fuels in Texas, the commission shall provide for

1 strategically placed fueling facilities in the clean  
2 transportation zone to enable an alternative fuel vehicle to travel  
3 in those areas relying solely on the alternative fuel.

4 (e) The commission shall maintain a listing to be made  
5 available to the public online of all vehicle fueling facilities  
6 that have received funding through a grant to which this section  
7 applies, including location and hours of operation.

8 (f) An entity operating in this state that constructs or  
9 reconstructs a facility to dispense alternative fuels may apply for  
10 and receive a grant under the program with respect to a grant to  
11 which this section applies.

12 (g) In addition to the requirements of this chapter, the  
13 commission shall establish additional eligibility and  
14 prioritization criteria as needed to implement the program with  
15 respect to grants to which this section applies.

16 (h) The prioritization criteria established under  
17 Subsection (g) must provide that, for each grant round, the  
18 commission may not award a grant to an entity that does not agree to  
19 make the alternative fueling facility accessible and available to  
20 the public at times designated by the grant contract until each  
21 eligible entity that does agree to those terms has been awarded a  
22 grant.

23 (i) The commission may not award more than one grant to  
24 which this section applies for each facility.

25 (j) The commission may give preference to or otherwise limit  
26 grant selections to:

27 (1) fueling facilities providing specific types of

1 alternative fuels;

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

4 (3) fueling facilities meeting other specified  
5 prioritization criteria established by the commission.

6 (k) For fueling facilities to provide natural gas, the  
7 commission shall give preference to:

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

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

12 (3) facilities located in the area in and between the  
13 Houston, San Antonio, and Dallas-Fort Worth areas; and

14 (4) facilities located in the area in and between the  
15 Corpus Christi, Laredo, and San Antonio areas.

16 (1) A recipient of a grant to which this section applies  
17 shall use the grant only to pay the costs of the facility for which  
18 the grant is made. In addition to any other limitation provided by  
19 this chapter, the recipient may not use the grant to pay the  
20 recipient's:

21 (1) expenses for the purchase of land or an interest in  
22 land; or

23 (2) expenses for equipment or facility improvements  
24 that are not directly related to the delivery, storage,  
25 compression, or dispensing of the alternative fuel at the facility.

26 (m) Each grant to which this section applies must be awarded  
27 using a contract that requires the recipient to meet operational,

1 maintenance, and reporting requirements as specified by the  
2 commission.

3 (n) A grant to which this section applies that is awarded  
4 for a facility to provide an alternative fuel other than natural gas  
5 may not exceed 50 percent of the sum of the actual eligible costs  
6 incurred by the grant recipient within deadlines established by the  
7 commission.

8 (o) A grant to which this section applies that is awarded  
9 for a facility to provide natural gas may not exceed:

- 10 (1) \$400,000 for a compressed natural gas facility;  
11 (2) \$400,000 for a liquefied natural gas facility; or  
12 (3) \$600,000 for a facility providing both liquefied  
13 and compressed natural gas.

14 (p) The requirements of Sections 392A.052 and 392A.103 do  
15 not apply to an applicant that is only seeking funding through a  
16 grant to which this section applies.

17 SECTION 6. The following provisions of the Health and  
18 Safety Code are repealed:

- 19 (1) Section 386.0515;  
20 (2) Subchapter G, Chapter 386;  
21 (3) Section 386.252(g);  
22 (4) Chapter 392;  
23 (5) Chapter 393;  
24 (6) Chapter 394; and  
25 (7) Chapter 395.

26 SECTION 7. This Act takes effect September 1, 2025.