



Texas Emissions Reduction Plan (TERP) Program

The Air Grants Division (AGD) of TCEQ administers the TERP program which includes incentive funding for a variety of grant programs designed to reduce pollutant emissions in Texas.

TERP

- Provides grants to reduce nitrogen oxides (NO_x) emissions, a precursor to the formation of ground level ozone, from mobile sources
- Supports programs to encourage the use of natural gas and other alternative fuel vehicles, and infrastructure to provide fuel for those vehicles
- Achieves reductions in emissions from school bus diesel exhaust
- Conducts studies and funds pilot programs for port authorities to encourage cargo movement to reduce emissions
- Implements new technologies to reduce emissions from certain stationary sources and oil and gas operations

How Does TERP Reduce NO_x Emissions from Mobile Sources?

- TERP provides grants to replace older vehicles and equipment with newer, cleaner models
- Older vehicles are rendered permanently inoperable
- Grantees commit to operating newer, cleaner models in designated areas of Texas in order to reduce NO_x emissions in those areas



TERP & the State Implementation Plan (SIP)

Since 2001, the TERP has been included in certain SIP revisions as either a control strategy or as “Weight of Evidence,” which includes additional activities that are expected to further support the adequacy of the control plan included in the SIP revision.

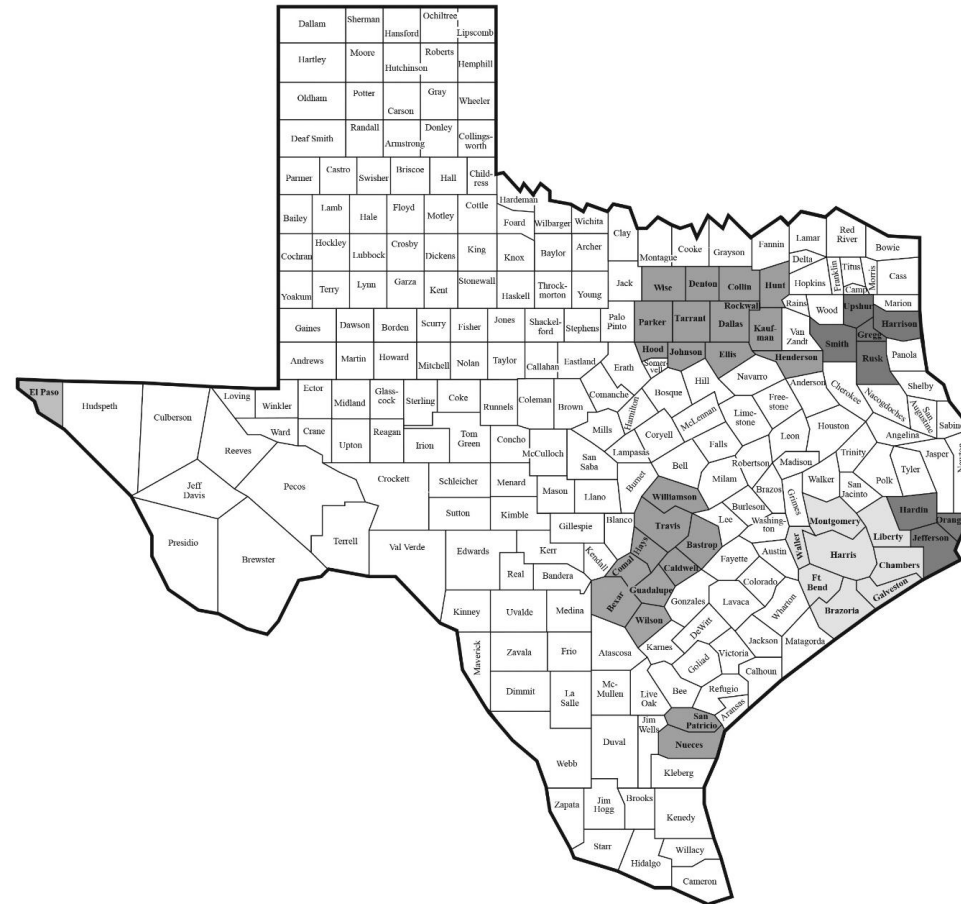
TERP Grant Programs

TERP programs that focus on reducing NO_x emissions in and around the population centers of Texas that are not currently meeting, or that are close to not meeting, the NAAQS:

- Diesel Emissions Reduction Incentive (DERI) Program
 - The **Emissions Reduction Incentive Grants Program** provides grants to upgrade or replace older heavy-duty vehicles, non-road equipment, locomotives, marine vessels, and stationary equipment.
 - The **Rebate Grants Program** provides grants for the replacement or repower of heavy-duty on-road diesel vehicles and select non-road equipment.

DERI Eligible Counties

- | | |
|-----------|--------------|
| Bastrop | Hunt |
| Bexar | Jefferson |
| Brazoria | Johnson |
| Caldwell | Kaufman |
| Chambers | Liberty |
| Collin | Montgomery |
| Comal | Nueces |
| Dallas | Orange |
| Denton | Parker |
| El Paso | Rockwall |
| Ellis | Rusk |
| Fort Bend | San Patricio |
| Galveston | Smith |
| Gregg | Tarrant |
| Guadalupe | Travis |
| Hardin | Upshur |
| Harris | Waller |
| Harrison | Williamson |
| Hays | Wilson |
| Henderson | Wise |
| Hood | |



TERP Grant Programs

TERP programs that focus on reducing NO_x emissions in and around seaports and rail yards:

- The **Port Authority Studies and Pilot Programs** provides grants to port authorities in Texas' nonattainment and affected areas for incentives to encourage cargo movement that reduces NO_x emissions and particulate matter.
- The **Seaport and Rail Yard Areas Emissions Reduction Program** provides grants for the replacement or repower of older drayage trucks, terminal tractors, and cargo-handling equipment operating at seaports and Class I rail yards in areas of Texas designated as nonattainment.

TERP Grant Programs

TERP programs that focus on natural gas, alternative fuel, and electric vehicles and infrastructure within counties in and along the major interstate corridors of Texas:

- The **Texas Natural Gas Vehicle Grants Program** provides grants for entities to upgrade or replace existing on-road heavy-duty and medium-duty vehicles powered by diesel or gasoline with new natural gas vehicles and engines.
- The **Texas Clean Fleet Program** provides grants for large fleets of on-road light-duty or heavy-duty vehicles to replace diesel vehicles with new alternative fuel or hybrid vehicles.
- The **Alternative Fueling Facilities Program** provides grants for the construction or expansion of natural gas and other alternative fueling stations.

TERP Grant Programs

TERP programs available state-wide:

- The **Light-Duty Purchase or Lease Incentive Program** provides grants for the purchase or lease of an eligible new light-duty motor vehicle powered by compressed natural gas, liquefied petroleum gas, or hydrogen fuel cell or other electric drive.
- The **Texas Clean School Bus Program** provides grants to replace or retrofit older diesel school buses with newer school buses.
- The **New Technology Implementation Grant Program** provides grants to offset the cost of the implementation of existing technologies that reduce emissions from facilities and other stationary sources in Texas.
- **Governmental Alternative Fuel Fleet Program** to provide grants for state agencies and political subdivisions to upgrade, replace, or expand their vehicle fleets to alternative fuel, and to purchase, lease, or install refueling infrastructure for grant-funded vehicles.

TERP Trust Fund

House Bill 3745, 86th Texas Legislature, 2019, amended the THSC to establish the TERP Fund as a trust fund, outside of the state treasury, to be held by the comptroller and administered by TCEQ as trustee. The creation of the TERP Fund became effective September 1, 2021.

- The Fund consists of money deposited from the TERP fees and from grant money recaptured under the TERP programs.
- TCEQ can use money in the Fund only as directed by THSC Chapter 386, relating to the TERP programs, allocations, and criteria.
- TCEQ is required to transfer the unencumbered balance of the Fund to the credit of the TERP Account No. 5071 no later than the 30th day after the last day of each state fiscal biennium.

House Bill 4472, 87th Texas Legislature, 2021, amended the THSC to require that the TCEQ remit not less than 35% of the TERP Trust Fund to the state highway fund for the Texas Department of Transportation (TxDOT) to administer congestion mitigation projects.

TERP Fees

- **Tax Code Section 151.0515(b):** A 1.5% surcharge on the sale price or lease/rental amount of off-road diesel equipment sold, rented, or leased (a surcharge is also applied to the storage, use, or consumption of this equipment in Texas).
- **Tax Code Section 152.0215(a):** A 2.5% surcharge of the total consideration on sale or lease of model year pre–1997 on-road diesel vehicles over 14,000 pounds and a 1% surcharge for vehicle model year 1997 and newer.
- **Texas Transportation Code Section 502.358:** A 10% surcharge of the total fees due for the registration of truck-tractors and commercial motor vehicles.
- **Texas Transportation Code Section 501.138(a):** A portion of the vehicle certificate of title fee, \$20 of the \$33 fee for applicants in the nonattainment counties and affected counties, and \$15 of the \$28 fee for applicants in all other counties.
- **Texas Transportation Code Section 548.5055:** A \$10 fee on commercial motor vehicles required to have an annual safety inspection.

TERP Funding and Implementation

FY 2022 – 2023 (Projected)

Program	FY 2022	FY 2023	Statutory Allocation
TCEQ Administration	\$13,301,961	\$13,301,961	not more than \$16,000,000/FY
Regional Air Monitoring Program	\$3,000,000	\$3,000,000	\$3,000,000/FY
Texas Clean School Bus Program	\$6,799,558	\$6,903,052	4%
Alternative Fueling Facilities Program	\$6,000,000	\$6,000,000	not more than \$6,000,000/FY
Texas Clean Fleet Program	\$8,499,448	\$8,628,815	5%
Texas Natural Gas Vehicle Grant Program	\$16,998,896	\$17,257,630	10%
Light-Duty Motor Vehicle Purchase or Lease Incentive Program	\$8,499,448	\$8,628,815	5%
Port Authority Studies and Pilot Projects	\$500,000	\$500,000	\$500,000/FY
Governmental Alternative Fueling Fleet Program	\$5,099,669	\$5,177,289	not more than 3%/FY
New Technology Implementation Grant Program	\$5,099,669	\$5,177,289	3%
Seaport and Rail Yard Areas Emissions Reduction Program	\$10,199,338	\$10,354,578	6%
Health Effects Study	\$200,000	\$200,000	not more than \$200,000/FY
Research	\$750,000	\$750,000	not more than \$750,000/FY
Energy Systems Laboratory Contract	\$216,000	\$216,000	not more than \$216,000/FY
Research for Demonstrations to EPA	\$2,500,000	\$2,500,000	not more than \$2,500,000/FY
Diesel Emissions Reduction Incentive Programs	\$81,824,975	\$83,480,869	balance
THSC Sec. 386.252 Air Quality Planning	\$500,000	\$500,000	not more than \$500,000/FY
Total	\$169,988,962	\$172,576,298	



Air Grants Division

Nate Hickman

TERP Program Specialist

Nate.Hickman@TCEQ.Texas.gov