

Appendix 17

TERP

Texas Emission Reduction Plan

In 2001, the 77th Texas Legislature passed Senate Bill 5 which established the Texas Emission Reduction Plan (TERP). The bill provided funding mechanisms for the program and the state anticipated that about \$130 million in new fees would be collected to fund the emission reductions contemplated. However, the major funding source was found to be in violation of the commerce clause. The 78th Texas Legislature in 2003 enacted House Bill 1365 restoring funding to the TERP and providing a dedicated revenue mechanism for the TERP through an increase in the vehicle title fee and changes to existing surcharges on the sale, lease or use of on-road heavy-duty diesel vehicles and nonroad equipment. The TERP was also enhanced through the enactment of House Bill 1365 by the authorization of funding for projects that include stationary engines and equipment that use fuels other than diesel. Out of the \$140 million per fiscal year in projected revenue through FY 2008, the Emissions Reduction Incentive Grants Program is allocated 87.5 percent of that total, or about \$120.5 million per fiscal year. As a result, projected revenue for the program is expected to average about \$140 million per fiscal year through FY 2008.

To date, the TERP program has awarded more than \$129.5 million to grant projects in nonattainment areas. These grants are projected to result in reductions in NO_x emissions of more than 75,534 tons, at an average cost per ton of NO_x reduced of approximately \$4,447. Accounting for the projects already funded and, based on the approach established for allocating future TERP funds, the TERP funding will be sufficient to achieve more than 35.65 tpd of reductions in the HGB area by 2007. Of the tonnage assigned to the Houston-Galveston area, 3 tpd of the emissions are allocated to come from the on-road sector. The benefits of this program are not utilized in this conformity analysis for the 2007 Attainment Demonstration year because its emission results are significantly under the budget.

The table below lists the on-road projects that have been funded to date. For the full table of on-road and nonroad funding in the Houston-Galveston area, as well as further information on recent TERP activities, please visit the TERP Web site, <http://www.terpgrants.org>