

Chapter 7

Third-Party Grants Program

Texas Health and Safety Code 385.103(a) authorizes the TCEQ to allow a person other than the owner to apply for and receive a grant in order to improve the ability of the program to achieve its goals.

Eligible Applicants

Public agencies, such as those able to coordinate local and regional projects, are eligible to apply for third-party grants. Third-party applicants will need to be able to pass through money to eligible applicants. The TCEQ may limit eligible applicants, areas, and projects. Applicants will be considered case by case.

Eligible Activities

Activities eligible for third-party grants are intended to reduce NO_x emissions in the designated eligible counties from on-road heavy-duty vehicles, non-road equipment, marine vessels, locomotives, or stationary engines.

Most of the engines eligible under this program will be powered by diesel-fueled compression-ignition engines. However, engines powered by other fuels may also be eligible, subject to decisions by the TCEQ for particular funding periods and geographic areas.

All project categories listed under the Emissions Reduction Incentive Grants program in Chapter 4 of these guidelines may be eligible for funding under the Third-Party Grants program, subject to a determination by the TCEQ for each third-party grant. In some cases, the TCEQ may require that a third party has already identified the projects to be funded prior to submitting an application.

Grant-Program Procedures

This section contains the general procedures that will be used for the application, awarding, and administration of grants under this program. The TCEQ may adjust these procedures and develop more detailed procedures, as needed, to ensure the effectiveness of the program.

Project Solicitation

The TCEQ will make information available on times when applications may be filed for third-party grants, based on the expected availability of funding for the program.

The TCEQ may establish a cost-effectiveness threshold for particular funding periods and geographic areas.

Application Review and Selection

The agency will evaluate grant applications according to the project's ability to meet and support the goals of the TERP. In general, the selection priorities may include allocation of the funding among a subset of the eligible counties, as well as allocation among the various emissions-reduction categories.

Potential applicants will work with the TCEQ to determine the goals and priorities of the third-party grants.

Awarding of Grants and Contracting

Projects selected for funding will be awarded a grant through the development and execution of a contract that is signed by the third-party grant recipient and by an official of the TCEQ. Grant contracts may contain additional and more specific requirements than those contained in these guidelines. Grant recipients should review the contract's language carefully before accepting and signing it.

Because the funding for this program comes from revenue that is received throughout the year, all grant awards and contracts will be contingent upon the receipt of sufficient revenue to cover the grant.

Grant contracts will include the minimum requirements for use of the funds, including the pass-through of funding by the recipient. Administrative costs of the third-party grant recipient will not be eligible for funding under this program.

To the extent needed to ensure compliance with the program requirements, the TCEQ may require pre-approval authority over the funding decisions of the grant recipient and over the contracts and agreement used by the recipient as part of a pass-through program.

Any pass-through agreements and other contracts used by the grant recipient must ensure compliance with these guidelines and other requirements imposed by the TCEQ.

Reimbursement

The TCEQ will establish the payment and reporting processes case by case. Payments may be reimbursements, meaning that payment will be made after expenses are incurred by the grant recipient. In some cases, the TCEQ may also authorize advance payments, based on the expected or final selection of pass-through projects or other projects.

The grant contract and the payment forms will include requirements for documentation of expenses. The TCEQ may also require approval authority over the payment processes used by the grant recipient to fund a pass-through project or other project.

Monitoring and Reporting

The grant recipient will be required to establish a mechanism to monitor and track the use of grant-funded on-road heavy-duty vehicles, non-road equipment, marine vessels, locomotives, or stationary engines.

The recipient must also submit reports on project status for the period designated by the TCEQ in the grant contract and upon final completion of all grant-funded activities.

Emissions-Reduction Commitment

Over the activity life of each grant-funded activity, the third-party grant recipient commits the generated emissions reductions to the State Implementation Plan. The recipient is responsible for enforcing the emissions reduction commitments by sub-grant recipients. The TCEQ may require return of all or a pro rata share of the grant funds for failure to enforce the emissions reduction requirements.

Sub-Grant-Program Procedures

This section contains the general procedures that will be used for the application, awarding, and administration of pass-through grants. The TCEQ may adjust these procedures and develop more detailed ones, as needed, to ensure the effectiveness of the program.

Project Solicitation

The third-party grant recipient will announce solicitations for projects in accordance with the third-party grant contract between the TCEQ and the recipient.

The third-party grant recipient will make information available on times when applications may be filed for grants, based on the expected availability of funding for the program. To the extent possible, the third-party grant recipient will keep dealers and installers informed of the availability of funds for the program.

Application Review and Selection

The third-party grant recipient will evaluate grant applications according to criteria established in these guidelines and the Requests for Applications (RFAs). Project selections will be made using ranking and scoring procedures that will be explained in the RFAs or in the order received. The RFA will explain the procedure for application review and selection.

The TCEQ will establish cost-effectiveness thresholds that may not be exceeded by the third-party grant recipients in awarding pass-through grants. However, the third-party grant recipient may establish a lower threshold than the limit set by the TCEQ for particular funding periods and geographic areas.

Application-Verification Visits

Upon receipt of a grant application, the third-party grant recipient may check the vehicle and equipment for condition, engine identification, and vehicle identification.

Awarding of Grants and Contracting

Projects selected for funding will be awarded a grant through the development and execution of a grant contract that is signed by the sub-grant recipient and by the third-party grantee. Grant contracts may contain additional and more specific requirements than those contained in these guidelines. Grant recipients should review the contract language carefully before accepting and signing the contract.

Because the funding for this program comes from revenue that is received throughout the year, all grant awards and contracts will be contingent upon the receipt of sufficient revenue to cover the grant.

Reimbursement

Grant payments will be reimbursements, meaning that payment will be made after the eligible expense has been incurred by the grant recipient. The third-party grant recipient may, but is not required to, give the sub-grant recipients the option to assign their grant payments directly to a dealer or service provider. The third-party grantee will supply reimbursement request and reporting forms for use by the grant recipient.

In some cases, particularly for large and lengthy projects, the TCEQ may also authorize advance payments, based on a percentage of the expected final costs. The grant contract and the reimbursement forms will include requirements for documentation of expenses.

Upon completion of all grant-funded purchases, the grant recipient will need to submit a final request for reimbursement of all remaining unreimbursed expenses. The final reimbursement request must include a completed and signed release of claims.

The grant recipient must also agree to place a label or sticker on grant-funded vehicles and equipment, as may be supplied by the TCEQ.

Vehicle, Equipment, and Engine Disposition Verification

The applicant must agree to destroy the old vehicle and equipment (including the engine) within 90 days of receiving reimbursement from the third-party grant recipient, provided, however, that for a locomotive project, the executive director may allow permanent removal from Texas in specific grants where the applicant has provided sufficient assurances that the old locomotive will not be returned to Texas. The TCEQ may require the third-party grantee to request approval from the executive director for acceptance of an alternative disposition plan for a locomotive project.

Except where an alternative disposition plan is authorized for a locomotive replacement project, a hole, large enough to prevent repairs (usually at least 3 inches in diameter), will need to be drilled through the engine block, and the frame rails will need to be cut so that repairs are not possible. A certification of the disposition of the old vehicle must be provided, using forms supplied by the third-party grantee. The third-party grantee may require a certified or duplicate Texas Salvage Vehicle Title or Nonrepairable Vehicle Title as evidence that the vehicle has been scrapped. Grantees may be required to return grant funds if they fail to meet disposition requirements.

If an alternative disposition plan is approved for a locomotive project, its details will be included in the grant contract and the grant recipient must commit to implementing the provisions as set forth in the contract. If the recipient fails to meet the provisions of the alternative disposition plan are not met, the recipient

must then either destroy the old locomotive, as stated above, or the agency may require the recipient to return funds.

Monitoring and Reporting

The grant recipient must agree to monitor and track the use of grant-funded vehicles, equipment, infrastructure, and qualifying fuel for the activity life designated in the grant contract. The activity life is used to determine the total reductions in emissions of NO_x and the cost-effectiveness of the activities and the project.

The recipient must submit monitoring reports to the third-party grantee twice a year. These reports will include information on usage over the required reporting period. The third-party grantee may require applicants to use global positioning system units to monitor grant funded equipment, or allow voluntary use of a GPS unit in lieu of filing the required reports. All applicants monitoring via GPS will be required to use a vendor selected by the TCEQ.

If an alternative disposition plan is approved for a locomotive replacement project, the grant recipient must agree to monitor and track the location of the old locomotive to ensure that it is not returned to Texas. The grant recipient must also agree to supply all monitoring information to the third-party grantee upon request. The grant recipient must notify the third-party grantee immediately if the use of the locomotive, including where it is used, deviates from the approved alternative disposition plan.

Emissions-Reduction Commitment

Over the activity life of each grant-funded activity, the sub-grant recipient commits the generated emissions reductions to the State Implementation Plan. The sub-grant recipient is responsible for performing the activities, as defined in the contract, necessary to achieve the calculated NO_x emissions reductions within the eligible areas.

The third-party grant recipient will implement and enforce emissions reduction commitments by the sub-grant recipients according to the criteria established for the Emissions Reduction Incentive Grants Program or the Rebate Grants Program, as applicable to the approach used to award and administer the sub-grants. The TCEQ may include more specific enforcement requirements in the third-party grant contracts.