



FACTS ON THE TCEQ DRAFT PLAN FOR VW SETTLEMENT FUNDS

Basics on the TCEQ Draft Plan

- As a part of a settlement for illegally placing “defeat devices” that avoid emission standards, Volkswagen was required to pay \$2.9 billion into an Environmental Mitigation Trust for states. Texas will receive \$209 million.
- To receive the funds, TCEQ, the administering agency, is required to submit a plan for the funds’ use. TCEQ released a draft plan for public comment on August 8. Comments are due by October 8.
- The draft plan allocates 4 percent of the funds to TCEQ administrative costs, 15 percent to a statewide light-duty zero emission vehicles program, and the remaining 81 percent to five priority areas:
 - Houston, \$27.4 million
 - San Antonio, \$73.6 million
 - Dallas, \$29.1 million
 - El Paso, \$26.8 million
 - Beaumont-Port Arthur, \$12.7 million

The draft plan does not allocate the funds in accordance to where the illegal vehicles were located.

- The first section of the “Purpose and Recitals” of the Environmental Mitigation Trust Agreement for State Beneficiaries states “Whereas, the Defendants are required to establish this State Mitigation Trust and to fund it with funds to be used for environmental mitigation projects that reduce emissions of nitrogen oxides (“NO_x”) **where the Subject Vehicles were, are, or will be operated** (“Eligible Mitigation Actions”), and to pay for Trust Administration Costs as set forth in this State Trust Agreement.”
- About **24 percent** of the vehicles with illegal defeat devices were registered in the Houston region.
- Under the draft plan, the Houston region is slated to receive **13 percent** of the funds allocated to the State of Texas.
- The Houston region had twice as many vehicles with the illegal defeat devices registered as San Antonio, but is receiving less than half the funding San Antonio is under the draft plan. The Houston region had twelve times as many vehicles registered as El Paso, but El Paso is receiving almost as much as Houston under the draft plan.
- To follow the Trust Agreement, the State should allocate the funds where the vehicles “were, are, or will be operated,” which should mean a greater share should go to the Houston region that what the draft plan proposes. The Trust Agreement says the funds should go where the harm occurred.

Houston has the most need for air quality relief.

- Houston has the worst air quality by nearly every metric:
 - Houston has been in nonattainment status for 14 years
 - Houston had three days in 2017 classic as unhealthy due to ozone
 - Houston had only 71.8 percent of days in 2017 where air quality was classified as “good.”
- The Houston region has nearly 7 million people who are affected by poor air quality.
- This includes children at a heightened risk of asthma.

The draft plan includes an unnecessary local match that could prevent Houston from utilizing the funds.

- The Trust Agreement allows for funds to cover up to 100 percent of a public entity’s project costs.
- The draft plan will only cover up to 60 percent of public entity costs.
- The Houston region was hit hard by Hurricane Harvey, with local governments’ budgets stretched to their limit. If the match is too high, Harvey-affected local governments will be unable to access the funds.
- Funds must be spent by October 2, 2027 or be returned. The local match could prevent funds from being utilized, and the State could lose those funds.

A strictly competitive basis for awarding the funds would mean more efficient use of the funds.

- The draft plan proposes awarding grants on both a competitive and a “first come, first serve” basis.
- To meet the goal of the Trust Agreement, the final plan should operate in a manner that best improves air quality. A competitive basis would ensure the funds go to projects best able to execute that goal.

| Comparison of Priority Areas | Houston | San Antonio | Dallas | El Paso | Beaumont-Port Arthur |
|--|----------------|--------------------|----------------|----------------|-----------------------------|
| Maximum VW Funding Amount | \$27,399,879 | \$73, 554, 754 | \$29,116,296 | \$26,771,921 | \$12,705,673 |
| Population | 6,928,233 | 2,479,874 | 7,424,256 | 908,421 | 423,300 |
| Percent of affected vehicles registered in city | 24% | 11% | 25% | 2% | |
| 2015 Ozone NAAQs Attainment Status | Non-Attainment | Non-Attainment | Non-Attainment | Attainment | Attainment |
| Years Designated as Nonattainment Area for an 8-hour ozone standard | 14 | <1 | 14 | 0 | 6 |
| 2015- 2017 Ozone Design Value (ppm) | 0.081 | 0.074 | 0.079 | 0.071 | 0.067 |
| Number of Days in 2017 Classified as Unhealthy due to Ozone | 3 | 1 | 0 | 0 | 0 |
| Number of Days in 2017 Classified as Unhealthy for Sensitive Groups due to | 21 | 4 | 24 | 12 | 3 |
| Percent of Days in 2017 where Air Quality was Classified as “Good” | 71.8% | 85.5% | 72.3% | 71.8% | 88.8% |
| American Lung Association “Most Polluted City in the USA” Ranking for | 11 | Not ranked | 16 | Not Ranked | Not Ranked |