SUPPLEMENTAL ENVIRONMENTAL PROJECTS (SEPs)
**What is a SEP?**

- **SEP** – A Supplemental Environmental Project (SEP) is an environmental enhancement project that offsets an administrative or civil penalty in an enforcement matter.

- Through a SEP, a respondent in an enforcement matter can choose to invest penalty dollars in a project that improves the environment, rather than paying into the Texas General Revenue Fund.
Criteria for SEPs

- Be environmentally beneficial
  - directly beneficial projects preferred

- Be funded by penalties resulting from a Settlement of a TCEQ Enforcement action
Additional Criteria...

- SEPs should match the environmental media of the violation.
  
  “Media”
  Water/Air/Waste
  *However, many SEPs have multiple environmental benefits

- Projects should benefit the community in which the violation occurred.
  
  “Community”
  River Basin/Aquifer/City/County/Air Control Region
Three Methods of SEPs

❖ Third Party SEP
  ❖ Pre-approved project selected by Enforcement Respondent
  ❖ Performed by:
    ❖ Government Entity
    ❖ § 501(c)(3) Non-Profit Organization

❖ Custom SEP
  ❖ Performed by TCEQ Enforcement Respondent
  ❖ Environmental project NOT Addressing Violation

❖ Compliance SEP
  ❖ Addresses Violation
  ❖ ONLY local governments
  ❖ Added in 2011
Examples of Third Party Administrators

- Keep Texas Beautiful
- Bayou Land Conservancy
- Lower Colorado River Authority
- City of Fort Worth
- Southeast Texas Regional Planning Commission
- The Trust for Public Land
- Texas State University
- Jefferson County
- University of Texas at Arlington
Types of Projects (Media)

- Air
- Cleanup
- Water Quality
- Habitat Restoration, Preservation, & Acquisition

*These activities cannot be conducted on sites under or subject to enforcement action (where the responsible party can be identified and is able to achieve compliance).*
Examples of Pre-Approved SEPs

- Brazoria County OSSF repair and replacement
- Water quality monitoring stations
  - San Marcos
  - San Antonio
- Projects to protect watersheds and habitat
  - Oso Bay Nature Park Development
  - Galveston Bay shoreline restoration
- Cleanup of Dump Sites statewide
What about the Money?

There are varied percentages of a penalty that can be offset through a SEP.

Offsets are based on:
1. Types of business under enforcement (for profit or not)
2. Environmental benefit (direct, indirect, or mixed)
### Penalty percentage Offset

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Not-for-profit &amp; Government Organizations</th>
<th>For-Profit Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Benefit</td>
<td>Up to 100%</td>
<td>Up to 50%</td>
</tr>
<tr>
<td>Mixed Benefit</td>
<td>Up to 50%</td>
<td>Up to 50%</td>
</tr>
<tr>
<td>Indirect Benefit</td>
<td>Up to 33%</td>
<td>Up to 33%</td>
</tr>
</tbody>
</table>
Allowable Expenses

- Direct costs that are reasonable and necessary for the proper performance of the project, such as:
  - Monitoring equipment
  - Purchase of conservation easements
  - Disposal fees
  - Restoration/Tree Planting
Non-Allowable Expenses

- Administrative costs (salaries, buildings, rent)
- Organizational operating costs
- Gratuities or refreshments for volunteers
- Legal defense costs
SEP Performance Requirements

- Contract or Agreed Order with TCEQ
- Project timeline of 1-3 years
- Estimated project budget
- Separate bank account to receive SEP funds
- Quarterly Progress Reports
- Completion of SEP and Final Report
FOR MORE INFORMATION

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