

NOTE: This bill has been prepared for the signatures of the appropriate legislative officers and the Governor. To determine whether the Governor has signed the bill or taken other action on it, please consult the legislative status sheet, the legislative history, or the Session Laws.

An Act

SENATE BILL 24-214

BY SENATOR(S) Hansen and Cutter, Bridges, Buckner, Exum, Jaquez Lewis, Michaelson Jenet, Priola;
also REPRESENTATIVE(S) Amabile and McCormick, Bird, Boesenecker, Brown, Daugherty, DeGraaf, Epps, Froelich, Garcia, Herod, Jodeh, Kipp, Lindsay, Lindstedt, Mabrey, Marvin, McLachlan, Ortiz, Parenti, Rutinel, Snyder, Story, Titone, Valdez, Velasco, Vigil, Willford, Woodrow.

CONCERNING THE IMPLEMENTATION OF STATE CLIMATE GOALS, AND, IN CONNECTION THEREWITH, MAKING AND REDUCING AN APPROPRIATION.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, **add** part 23 to article 30 of title 24 as follows:

PART 23
OFFICE OF SUSTAINABILITY

24-30-2301. Legislative declaration. THE GENERAL ASSEMBLY HEREBY FINDS AND DECLARES THAT:

- (1) THE STATE SHOULD BE A LEADER IN SUSTAINABILITY AND

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

SHOULD OFFER SUSTAINABLE PRACTICES TO STATE AGENCIES AS A CORE ADMINISTRATIVE SERVICE;

(2) REDUCING THE STATE'S OPERATING AND ENERGY COSTS SUPPORTS A VIBRANT AND DIVERSE ECONOMY AND SAVES TAXPAYERS MONEY;

(3) ENSURING STATE COMPLIANCE WITH ENVIRONMENTAL MANDATES IS CRITICAL TO THE FUTURE OF OUR STATE AND OUR NATION;

(4) SUSTAINABLE STATE AGENCY OPERATIONS CONSERVE WATER AND OFFSET THE ESTIMATED FUTURE WATER NEEDS OF UP TO SEVEN HUNDRED FORTY THOUSAND ADDITIONAL ACRE FEET AS OUTLINED IN THE 2023 COLORADO WATER PLAN ADOPTED BY THE COLORADO WATER CONSERVATION BOARD; AND

(5) COORDINATING SUSTAINABLE PRACTICES IS BEST ACCOMPLISHED THROUGH THE CREATION OF AN OFFICE FOCUSED ON THE STATE'S OPERATIONS, CAPITAL CONSTRUCTION PROJECTS, AND PROCUREMENT.

24-30-2302. Definitions. AS USED IN THIS PART 23, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(1) "DEPARTMENT" MEANS THE DEPARTMENT OF PERSONNEL.

(2) "ELECTIVE PAY APPLICATION" MEANS ANY APPLICATION FOR ELECTIVE PAY FUNDING AVAILABLE UNDER THE FEDERAL "INFLATION REDUCTION ACT OF 2022", PUB.L. 117-169, 136 STAT. 1818 (2022).

(3) "ENVIRONMENTALLY PREFERABLE PRODUCTS OR SERVICES" MEANS PRODUCTS OR SERVICES THAT CREATE FEWER OR LESS SEVERE NEGATIVE IMPACTS ON THE NATURAL ENVIRONMENT WHEN COMPARED TO SIMILAR PRODUCTS OR SERVICES.

(4) "OFFICE" MEANS THE OFFICE OF SUSTAINABILITY CREATED IN SECTION 24-30-2303 (1).

(5) "STATE AGENCY" MEANS A PRINCIPAL DEPARTMENT AS DEFINED IN SECTION 24-1-110 AND ANY DIVISION, OFFICE, BOARD, COMMISSION, OR ENTERPRISE WITHIN A PRINCIPAL DEPARTMENT; EXCEPT THAT "STATE

AGENCY" DOES NOT INCLUDE AN INSTITUTION OF HIGHER EDUCATION AS DEFINED IN SECTION 23-18-102 (7).

(6) "SUSTAINABILITY" MEANS THE MINIMIZATION OF NEGATIVE IMPACTS ON THE NATURAL ENVIRONMENT, WHICH INCLUDE BUT ARE NOT LIMITED TO EMISSIONS OF GREENHOUSE GASES, CLIMATE CHANGE, INCREASED WATER CONSUMPTION OR WATER WASTE, POLLUTION, NONRENEWABLE ENERGY USAGE, AND OVER-CONSUMPTION OR WASTE OF RESOURCES.

(7) "SUSTAINABLE PRACTICE" MEANS A PRACTICE THAT INCREASES SUSTAINABILITY BY REDUCING ONE OR MORE NEGATIVE IMPACTS ON THE NATURAL ENVIRONMENT.

24-30-2303. Office of sustainability - creation - duties. (1) THE OFFICE OF SUSTAINABILITY IS HEREBY CREATED IN THE DEPARTMENT. THE OFFICE IS A **TYPE 2** ENTITY, AS DEFINED IN SECTION 24-1-105, AND EXERCISES ITS POWERS AND PERFORMS ITS DUTIES AND FUNCTIONS UNDER THE DEPARTMENT. THE OFFICE SHALL WORK WITH STATE AGENCIES TO IMPLEMENT SUSTAINABLE PRACTICES.

(2) THE POWERS, DUTIES, AND FUNCTIONS OF THE OFFICE INCLUDE:

(a) PROVIDING LEADERSHIP TO AND REQUIRING ACCOUNTABILITY FROM STATE AGENCIES REGARDING ONGOING SUSTAINABILITY INITIATIVES;

(b) DEVELOPING BASELINE METRICS AND GOALS FOR THE REDUCTION OF NEGATIVE ENVIRONMENTAL IMPACTS AND TRACKING STATE AGENCIES' PERFORMANCE TOWARD ACHIEVING THOSE GOALS;

(c) TRACKING THE AMOUNT OF MONEY THE STATE SAVES AS A RESULT OF IMPLEMENTING SUSTAINABLE PRACTICES;

(d) SEEKING AND APPLYING FOR FEDERAL FUNDING AND OTHER GRANT OPPORTUNITIES THAT WOULD SUPPORT STATE AGENCIES' SUSTAINABLE PRACTICES;

(e) ASSISTING STATE AGENCIES IN IMPLEMENTING SUSTAINABLE PROCUREMENT METHODS AND INTRODUCING OPTIONS FOR ENVIRONMENTALLY PREFERABLE PRODUCTS OR SERVICES TO STATE

AGENCIES;

(f) ASSISTING STATE AGENCIES IN INSTALLING ENERGY-EFFICIENT EQUIPMENT AND FIXTURES;

(g) ASSISTING STATE AGENCIES IN MEETING BUILDING PERFORMANCE STANDARDS SUCH AS THOSE ADMINISTERED BY THE COLORADO ENERGY OFFICE;

(h) COORDINATING AND ASSISTING IN PLANNING AND CONSTRUCTING STATE AGENCIES' ELECTRIC VEHICLE CHARGING INFRASTRUCTURE AND ENSURING UTILIZATION OF SUCH INFRASTRUCTURE;

(i) INSTITUTING WATER REDUCTION INITIATIVES FOR STATE AGENCIES, INCLUDING BUT NOT LIMITED TO:

(I) THE INSTALLATION OF WATER-CONSERVING FIXTURES AND WATER-WISE PLANTS ON STATE PROPERTY;

(II) THE CONVERSION OF NONNATIVE GRASSES TO XERISCAPE IN ACCORDANCE WITH THE PRINCIPLES OF WATER-WISE LANDSCAPING, WITH AN EMPHASIS ON NATIVE PLANTS, SET FORTH IN SECTION 37-60-135 (2)(1); AND

(III) THE REDUCTION OF NONFUNCTIONAL TURF AND ENCOURAGEMENT OF WATER-EFFICIENT SUSTAINABLE LANDSCAPING PRACTICES AT STATE FACILITIES;

(j) ASSISTING STATE AGENCIES IN TRANSITIONING FROM GAS-POWERED TO ELECTRIC EQUIPMENT;

(k) IMPLEMENTING STATEWIDE WASTE DIVERSION PRACTICES TO INCREASE STATE AGENCIES' RECYCLING RATES;

(l) DEVELOPING COMMUTING OPPORTUNITIES FOR STATE EMPLOYEES THAT REDUCE GREENHOUSE GAS EMISSIONS AND OTHER POLLUTION;

(m) ASSISTING STATE AGENCIES IN DEVELOPING TRAINING PROGRAMS TO EDUCATE STATE EMPLOYEES ON SUSTAINABLE PRACTICES; AND

(n) CONDUCTING OTHER ACTIVITIES AS DIRECTED BY THE GENERAL ASSEMBLY OR THE GOVERNOR.

24-30-2304. Revolving fund - definition. (1) THE STATE AGENCY SUSTAINABILITY REVOLVING FUND, REFERRED TO IN THIS SECTION AS THE "FUND", IS CREATED IN THE STATE TREASURY. THE FUND CONSISTS OF MONEY TRANSFERRED TO THE FUND PURSUANT TO SUBSECTION (2) OF THIS SECTION AND ANY OTHER MONEY THAT THE GENERAL ASSEMBLY MAY APPROPRIATE OR TRANSFER TO THE FUND.

(2) ON JULY 1, 2024, AND ON JULY 1 EACH YEAR THEREAFTER, THE STATE TREASURER SHALL TRANSFER FOUR HUNDRED THOUSAND DOLLARS FROM THE GENERAL FUND TO THE FUND. THE OFFICE SHALL ALLOCATE THE MONEY IN THE FUND TO ASSIST IN REPLACING THE STATE'S GAS AND DIESEL-POWERED EQUIPMENT THAT IS LOCATED IN OZONE NONATTAINMENT AREAS AS DESIGNATED BY THE U.S. ENVIRONMENTAL PROTECTION AGENCY WITH EQUIVALENT ELECTRIC EQUIPMENT, AND TO OPERATE THE OFFICE IN ACCORDANCE WITH THIS PART 23.

(3) THE STATE TREASURER SHALL CREDIT ALL INTEREST AND INCOME DERIVED FROM THE DEPOSIT AND INVESTMENT OF MONEY IN THE FUND TO THE FUND. ANY UNEXPENDED AND UNENCUMBERED MONEY REMAINING IN THE FUND AT THE END OF A FISCAL YEAR SHALL REMAIN IN THE FUND.

(4) MONEY IN THE FUND IS CONTINUOUSLY APPROPRIATED TO THE DEPARTMENT TO BE USED FOR THE PURPOSES SPECIFIED IN SUBSECTION (2) OF THIS SECTION.

(5) THE DEPARTMENT MAY SOLICIT, ACCEPT, AND EXPEND GIFTS, GRANTS, AND DONATIONS FOR THE PURPOSES OF THIS PART 23. THE DEPARTMENT SHALL CREDIT ANY GIFTS, GRANTS, AND DONATIONS TO THE FUND.

24-30-2305. Inflation reduction act elective pay - central submission of applications - cash fund - definition. (1) IN ADDITION TO THE POWERS, DUTIES, AND FUNCTIONS OF THE OFFICE SPECIFIED IN SECTION 24-30-2303, THE OFFICE SHALL REVIEW AND COORDINATE STATE AGENCIES' ELECTIVE PAY APPLICATIONS AND WORK WITH THE OFFICE OF THE STATE CONTROLLER TO COORDINATE CENTRAL SUBMISSIONS OF ELECTIVE PAY APPLICATIONS. THE OFFICE SHALL ADVISE AND PROVIDE TECHNICAL

ASSISTANCE TO STATE AGENCIES ON ALL ASPECTS OF ELECTIVE PAY TO THE EXTENT FEASIBLE. STATE AGENCIES SHALL SUBMIT ELECTIVE PAY APPLICATIONS DIRECTLY TO THE OFFICE OF THE STATE CONTROLLER.

(2) (a) THE INFLATION REDUCTION ACT ELECTIVE PAY CASH FUND, REFERRED TO IN THIS SECTION AS THE "CASH FUND", IS CREATED IN THE STATE TREASURY. THE CASH FUND CONSISTS OF MONEY RECEIVED BY THE STATE OR STATE AGENCIES PURSUANT TO THE ELECTIVE PAY PROVISIONS OF THE FEDERAL "INFLATION REDUCTION ACT OF 2022", PUB.L. 117-169, 136 STAT. 1818 (2022), ALL OF WHICH MUST BE DEPOSITED INTO THE CASH FUND, AND ANY OTHER MONEY THAT THE GENERAL ASSEMBLY MAY APPROPRIATE OR TRANSFER TO THE CASH FUND.

(b) THE STATE TREASURER SHALL CREDIT ALL INTEREST AND INCOME DERIVED FROM THE DEPOSIT AND INVESTMENT OF MONEY IN THE CASH FUND TO THE CASH FUND. ANY UNEXPENDED AND UNENCUMBERED MONEY REMAINING IN THE CASH FUND AT THE END OF A FISCAL YEAR SHALL REMAIN IN THE CASH FUND.

(c) MONEY IN THE CASH FUND IS CONTINUOUSLY APPROPRIATED TO THE DEPARTMENT TO BE USED FOR THE PURPOSES SPECIFIED IN THIS PART 23.

(3) THE DEPARTMENT MAY SOLICIT, ACCEPT, AND EXPEND GIFTS, GRANTS, AND DONATIONS FOR THE PURPOSES SPECIFIED IN THIS PART 23. THE DEPARTMENT SHALL CREDIT ANY GIFTS, GRANTS, AND DONATIONS TO THE CASH FUND.

SECTION 2. In Colorado Revised Statutes, 24-1-128, **add** (9) as follows:

24-1-128. Department of personnel - creation. (9) THE OFFICE OF SUSTAINABILITY IS CREATED IN SECTION 24-30-2303. THE OFFICE IS A **TYPE 2** ENTITY, AS DEFINED IN SECTION 24-1-105, AND EXERCISES ITS POWERS AND PERFORMS ITS DUTIES AND FUNCTIONS UNDER THE DEPARTMENT OF PERSONNEL.

SECTION 3. In Colorado Revised Statutes, **add** article 7.7 to title 6 as follows:

ARTICLE 7.7
Standards for Construction Projects

that Receive State Financial Assistance

6-7.7-101. Legislative declaration. (1) THE GENERAL ASSEMBLY FINDS THAT:

(a) APPLIANCES CERTIFIED BY THE ENERGY STAR PROGRAM MEET STRICT ENERGY EFFICIENCY AND PERFORMANCE GUIDELINES SET BY THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY AND THE UNITED STATES DEPARTMENT OF ENERGY AND CAN SAVE AN ESTIMATED TWENTY TO THIRTY PERCENT MORE ENERGY THAN APPLIANCES THAT ARE NOT CERTIFIED BY THE ENERGY STAR PROGRAM;

(b) NEW BUILDING CONSTRUCTION PROJECTS THAT USE TAXPAYER DOLLARS TO PURCHASE EQUIPMENT SHOULD ENSURE THAT THE EQUIPMENT HAS LOWER LIFETIME COSTS TO OPERATE AND MAINTAIN;

(c) MANY PROJECTS THAT RECEIVE STATE FINANCIAL ASSISTANCE AIM TO ASSIST VULNERABLE LOWER-INCOME HOUSEHOLDS, AND INSTALLING APPLIANCES CERTIFIED BY THE ENERGY STAR PROGRAM COULD LOWER THE COSTS OF THE ENERGY BILLS OF THESE HOUSEHOLDS OVER TIME; AND

(d) SAVING ENERGY IS CRUCIAL IN:

(I) AVOIDING THE MOST SERIOUS EFFECTS OF CLIMATE CHANGE AND PRESERVING COLORADO'S WAY OF LIFE, THE HEALTH OF COMMUNITIES, AND THE NATURAL ENVIRONMENT;

(II) ACHIEVING THE STATEWIDE GREENHOUSE GAS EMISSION REDUCTION GOALS; AND

(III) REDUCING COSTS FOR COLORADANS.

(2) THE GENERAL ASSEMBLY THEREFORE DETERMINES AND DECLARES THAT IT IS IN THE PUBLIC INTEREST OF THE HEALTH AND ENVIRONMENT OF THE STATE TO REQUIRE THAT NEW BUILDING CONSTRUCTION PROJECTS THAT RECEIVE STATE FINANCIAL ASSISTANCE USE COVERED ENERGY-CONSUMING PRODUCTS THAT ARE CERTIFIED BY THE ENERGY STAR PROGRAM.

6-7.7-102. Definitions. AS USED IN THIS ARTICLE 7.7, UNLESS THE

CONTEXT OTHERWISE REQUIRES:

(1) "COVERED ENERGY-CONSUMING PRODUCT" MEANS AN APPLIANCE, DEVICE, OR PIECE OF EQUIPMENT THAT IS:

(a) POWERED BY ELECTRICITY OR FUEL;

(b) DESIGNED TO PERFORM ONE OR MORE SPECIFIC TASKS INSIDE A RESIDENTIAL OR COMMERCIAL BUILDING, SUCH AS COOKING, WASHING, DRYING, HEATING, COOLING, PROVIDING DOMESTIC HOT WATER, PRINTING, OR DIGITAL ENTERTAINMENT; AND

(c) COVERED WITHIN THE SCOPE OF THE ENERGY STAR PROGRAM.

(2) "ENERGY STAR PROGRAM" MEANS THE FEDERAL PROGRAM AUTHORIZED BY 42 U.S.C. SEC. 6294a, AS AMENDED.

(3) "SOCIAL COST OF CARBON" MEANS THE SOCIAL COST OF CARBON DIOXIDE EMISSIONS DEVELOPED BY THE PUBLIC UTILITIES COMMISSION PURSUANT TO SECTION 40-3.2-106.

(4) "STATE FINANCIAL ASSISTANCE" MEANS ALLOCATIONS FROM THE GENERAL FUND OR OTHER LEGISLATIVE ALLOCATIONS, STATE TAXPAYER FUNDS, REBATES, GRANTS, OR LOANS PROVIDED OR ADMINISTERED BY THE STATE.

6-7.7-103. Energy-efficiency standards for certain building construction projects that receive state financial assistance - record retention requirements - waivers - exemptions - standardized resources - enforcement - civil penalties. (1) ON AND AFTER JANUARY 1, 2025, EXCEPT AS SET FORTH IN SUBSECTION (3) OR (4) OF THIS SECTION, RECIPIENTS OF STATE FINANCIAL ASSISTANCE FOR NEW BUILDING CONSTRUCTION PROJECTS THAT INCLUDE THE SPECIFICATION, PROVISION, OR PURCHASE OF COVERED ENERGY-CONSUMING PRODUCTS SHALL USE COVERED ENERGY-CONSUMING PRODUCTS CERTIFIED BY THE ENERGY STAR PROGRAM.

(2) ON AND AFTER JANUARY 1, 2025, A STATE AGENCY THAT PROVIDES OR ADMINISTERS STATE FINANCIAL ASSISTANCE FOR A NEW BUILDING CONSTRUCTION PROJECT SHALL:

(a) INCLUDE THE REQUIREMENTS OF SUBSECTION (1) OF THIS SECTION IN THE STATE AGENCY'S CRITERIA OR GUIDANCE FOR APPLYING FOR OR RECEIVING STATE FINANCIAL ASSISTANCE FOR NEW BUILDING CONSTRUCTION PROJECTS;

(b) REQUEST AN ATTESTATION SIGNED BY A RECIPIENT OF STATE FINANCIAL ASSISTANCE FOR NEW BUILDING CONSTRUCTION PROJECTS THAT DECLARES THAT:

(I) THE REQUIREMENTS OF SUBSECTION (1) OF THIS SECTION HAVE BEEN OR WILL BE FOLLOWED; OR

(II) THE RECIPIENT OF THE STATE FINANCIAL ASSISTANCE IS REQUESTING A WAIVER PURSUANT TO SUBSECTION (3) OF THIS SECTION; AND

(c) RESPOND TO WAIVER REQUESTS RECEIVED PURSUANT TO SUBSECTION (3) OF THIS SECTION.

(3) A STATE AGENCY THAT PROVIDES OR ADMINISTERS STATE FINANCIAL ASSISTANCE FOR NEW BUILDING CONSTRUCTION PROJECTS MAY ISSUE A STANDARDIZED WAIVER FROM THE REQUIREMENTS OF SUBSECTION (1) OF THIS SECTION FOR A NEW BUILDING CONSTRUCTION PROJECT IF THE RECIPIENT DEMONSTRATES, THROUGH EVIDENCE AND ATTESTATION FROM A LICENSED PROFESSIONAL ENGINEER OR DESIGN PROFESSIONAL, THAT:

(a) NO COVERED ENERGY-CONSUMING PRODUCT CERTIFIED BY THE ENERGY STAR PROGRAM AND THAT MEETS THE FUNCTIONAL REQUIREMENTS OF THE PROJECT IS REASONABLY AVAILABLE TO THE APPLICANT; OR

(b) TAKING ENERGY COST SAVINGS AND THE SOCIAL COST OF CARBON INTO ACCOUNT, NO COVERED ENERGY-CONSUMING PRODUCT CERTIFIED BY THE ENERGY STAR PROGRAM IS COST-EFFECTIVE OVER THE LIFE OF THE PRODUCT.

(4) THE FOLLOWING NEW BUILDING CONSTRUCTION PROJECTS ARE EXEMPT FROM THE REQUIREMENTS OF THIS SECTION:

(a) PROJECTS THAT HAVE PASSED THE DESIGN PHASE BEFORE JANUARY 1, 2025, AND WOULD REQUIRE SIGNIFICANT REDESIGN TO INCLUDE A COVERED ENERGY-CONSUMING PRODUCT CERTIFIED BY THE ENERGY STAR

PROGRAM; AND

(b) PROJECTS THAT HAVE RECEIVED A PERMIT FROM A LOCAL GOVERNMENT FOR THE USE OF A COVERED ENERGY-CONSUMING PRODUCT BEFORE JANUARY 1, 2025.

(5) IF THE ATTORNEY GENERAL, BY A PREPONDERANCE OF THE EVIDENCE, BELIEVES THAT A PERSON HAS VIOLATED OR CAUSED ANOTHER PERSON TO VIOLATE SUBSECTION (1) OF THIS SECTION, THE ATTORNEY GENERAL MAY BRING A CIVIL ACTION ON BEHALF OF THE STATE TO SEEK THE ASSESSMENT OF A CIVIL PENALTY OF UP TO THE TOTAL AMOUNT OF STATE FINANCIAL ASSISTANCE RECEIVED BY THE VIOLATOR ON OR AFTER JANUARY 1, 2025, WHICH AMOUNT MUST BE TRANSMITTED TO THE STATE TREASURER, WHO SHALL CREDIT THE AMOUNT TO THE ENERGY FUND CREATED IN SECTION 24-38.5-102.4 (1)(a)(I).

SECTION 4. In Colorado Revised Statutes, 6-7.5-105, **amend** (5)(j) as follows:

6-7.5-105. Standards - effective dates - repeal. (5) On and after January 1, 2026, a person shall not sell, offer to sell, lease, or offer to lease any of the following new products in Colorado unless the efficiency of the new product meets or exceeds the following efficiency standards, as applicable:

(j) (I) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5)(j)(II) OF THIS SECTION, residential windows, residential doors, and residential skylights included in the scope of the Energy Star program product specification for residential windows, doors, and skylights must satisfy the northern climate zone qualification criteria of that specification; except that residential windows and doors that are custom designed for a historically designated building and required in order to maintain the historic nature or character of such a building are not required to satisfy such criteria.

(II) THE EXECUTIVE DIRECTOR MAY CONSULT WITH THE COLORADO ENERGY OFFICE TO EVALUATE THE STANDARD SET FORTH IN SUBSECTION (5)(j)(I) OF THIS SECTION FOR RESIDENTIAL WINDOWS, RESIDENTIAL DOORS, AND RESIDENTIAL SKYLIGHTS. IF THE EXECUTIVE DIRECTOR DETERMINES THAT THE STANDARD CANNOT REASONABLY BE MET BY MANUFACTURERS OF RESIDENTIAL WINDOWS, RESIDENTIAL DOORS, AND RESIDENTIAL SKYLIGHTS,

THEN THE EXECUTIVE DIRECTOR SHALL SET AN ALTERNATIVE STANDARD WHICH MAY BE APPLIED INSTEAD OF THE STANDARD SET FORTH IN SUBSECTION (5)(j)(I) OF THIS SECTION AND THE EXECUTIVE DIRECTOR SHALL DISPLAY THE ALTERNATIVE STANDARD ON THE PUBLIC WEBSITE OF THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT NO LATER THAN JUNE 1, 2025. WHEN DECIDING WHETHER THE STANDARD SET FORTH IN SUBSECTION (5)(j)(I) OF THIS SECTION CAN REASONABLY BE MET, THE EXECUTIVE DIRECTOR SHALL TAKE INTO ACCOUNT THE FOLLOWING FACTORS:

(A) IMPACTS ON NET CONSUMER COSTS; AND

(B) SUPPLY CHAIN CONSTRAINTS.

SECTION 5. In Colorado Revised Statutes, 24-38.5-116, **amend** (6)(b)(II) as follows:

24-38.5-116. Industrial and manufacturing operations clean air grant program - creation - eligibility - fund created - gifts, grants, or donations - transfer - legislative declaration - definitions - reporting - repeal. (6) (b) (II) For state fiscal years 2023-24 and 2024-25, the office and, subject to annual appropriation, the department of revenue may expend money from the fund for the administration and implementation of the industrial clean energy tax credit created in section 39-22-551 and the tax credit for sustainable aviation fuel production facility created in section 39-22-556. The office shall keep an accounting of all money expended from the fund pursuant to this subsection (6)(b)(II) for purposes of calculating the repayment of the administrative costs required by ~~section 39-29-108 (2)(c)(H)~~ SECTION 24-38.5-120 (3).

SECTION 6. In Colorado Revised Statutes, 24-38.5-118, **amend** (3)(b), (4)(a) introductory portion, (4)(b)(I), (7)(d), and (8)(b); **repeal** (4)(a)(I); and **add** (8)(d) as follows:

24-38.5-118. Geothermal energy grant program - creation - procedures - fund - report - definitions - legislative declaration - repeal. (3) **Creation of grant program.** There is hereby created within the office the geothermal energy grant program to provide grants to building owners, developers, local governments, geothermal installers, contractors, communities, gas or electric service public utilities, or other entities approved by the office for:

(b) The installation of geothermal equipment for use as the primary ~~heating or~~ HEATING-ONLY OR COMBINED HEATING AND cooling systems in new construction or to retrofit existing buildings; or

(4) **Grants - limitations - qualifications.** The grant program consists of three types of grants:

(a) The single-structure geothermal grant, which is awarded to applicants that are constructing a new building or retrofitting an existing building, including a single-family or multifamily residence, and installing a geothermal system for use as the primary HEATING-ONLY OR COMBINED heating and cooling system for the building. A single-structure geothermal grant is subject to the following limitations and qualifications:

~~(I) A developer or geothermal installer is eligible for grants for the construction or retrofitting of no more than one hundred residential buildings;~~

(b) The community district heating grant, which is awarded to support ground-source, water-source, or multisource thermal systems that serve more than a single building. Applicants may apply for grants for a scoping study, a detailed design study, projects, or a combination of these options. Teams consisting of building owners, geothermal installers, public utilities, political subdivisions of Colorado, consultants, developers, or other entities approved by the office are eligible to submit a proposal for a scoping study or a detailed design study. To qualify for a grant for the project, an applicant must successfully complete a study and show proof of a viable project. A community district heating grant is subject to the following limitations and qualifications:

(I) Up to one hundred thousand dollars per project to conduct a scoping study to determine if a community thermal system would help lower greenhouse gas emissions and provide a reasonable-cost approach to PRIMARY HEATING-ONLY OR COMBINED heating and cooling a group of buildings;

(7) **Fund.** (d) For state fiscal years 2023-24 and 2024-25, the office and, subject to annual appropriation, the department of revenue may expend money in the fund for the administration and implementation of the tax credit for expenditures made in connection with a geothermal energy project

created in section 39-22-552, the geothermal electricity generation production tax credit created in section 39-22-553, and the heat pump technology and thermal energy network tax credit created in section 39-22-554. The office shall keep an accounting of all money expended from the fund pursuant to this subsection (7)(d) for purposes of calculating the repayment of the administrative costs required by ~~section 39-29-108 (2)(e)(H)~~ SECTION 24-38.5-120 (3).

~~(8) (b) The office shall award grants from the fund in accordance with the following parameters:~~ THE OFFICE SHALL AWARD AT LEAST TWENTY-FIVE PERCENT OF THE GRANT MONEY AWARDED FOR SINGLE-STRUCTURE GEOTHERMAL GRANTS TO ELIGIBLE ENTITIES FROM OR PROJECTS IN LOW-INCOME, DISPROPORTIONATELY IMPACTED, OR JUST TRANSITION COMMUNITIES.

~~(f) Up to forty percent of the total money in the fund may be awarded through grants to support the development of geothermal electricity generation and resource development, which may include hydrogen generation produced from geothermal energy;~~

~~(H) Up to eighty percent of the total money in the fund may be awarded as single-structure geothermal grants, and one-fourth of the grant money awarded under this subsection (8)(b)(H) must be awarded to eligible entities from or projects in low-income, disproportionately impacted, or just transition communities, as those communities are defined by the office; and~~

~~(HH) Up to twenty-five percent of the total money in the fund may be awarded as community district heating grants, which may include:~~

~~(A) Single-owner campuses;~~

~~(B) Medical campuses;~~

~~(C) Residential campuses;~~

~~(D) Multi-owner nodes; and~~

~~(E) Public or private college or university campuses.~~

(d) THE OFFICE MAY USE GRANT PROGRAM MONEY TO SUPPORT EDUCATION, OUTREACH, AND ENGAGEMENT WITH THE GENERAL PUBLIC AND

RELEVANT STAKEHOLDERS TO FACILITATE THE GROWTH OF THE GEOTHERMAL SECTOR IN COLORADO.

SECTION 7. In Colorado Revised Statutes, 24-38.5-120, **amend** (3) and (4) as follows:

24-38.5-120. Decarbonization tax credits administration cash fund - definitions - repeal. (3) (a) Subject to annual appropriation by the general assembly, for state fiscal years 2023-24 through 2034-35, the office and the department may expend money from the fund for direct and indirect costs associated with the implementation and administration of the decarbonization tax credits.

(b) (I) MONEY IN THE FUND MAY ALSO BE USED TO REPAY ADMINISTRATIVE COSTS TO THE RESPECTIVE CASH FUNDS. THE STATE TREASURER SHALL TRANSFER MONEY FROM THE FUND IN THE AMOUNT ATTRIBUTABLE TO ADMINISTRATIVE COSTS TO THE RESPECTIVE CASH FUNDS SO THAT ALL ADMINISTRATIVE COSTS ARE REPAYED TO THE RESPECTIVE CASH FUNDS ON OR BEFORE JUNE 29, 2024.

(II) AS USED IN THIS SUBSECTION (3)(b), UNLESS THE CONTEXT OTHERWISE REQUIRES:

(A) "ADMINISTRATIVE COSTS" MEANS THE AMOUNT OF MONEY EXPENDED FROM THE RESPECTIVE CASH FUNDS BY THE OFFICE AND THE DEPARTMENT FOR THE ADMINISTRATION AND IMPLEMENTATION OF CERTAIN INCOME TAX CREDITS, AS PROVIDED FOR IN SECTIONS 24-38.5-116 (6)(b)(II), 24-38.5-118 (7)(d), 24-38.5-506 (2)(b), AND OF THE TEMPORARY SPECIFIC OWNERSHIP TAX RATE REDUCTION FOR ELECTRIC MEDIUM-DUTY AND HEAVY-DUTY TRUCKS THAT ARE PART OF A FLEET AS PROVIDED FOR IN SECTION 25-7-1405(2)(b).

(B) "RESPECTIVE CASH FUNDS" MEANS THE INDUSTRIAL AND MANUFACTURING OPERATIONS CLEAN AIR GRANT PROGRAM CASH FUND CREATED IN SECTION 24-38.5-116 (6), THE GEOTHERMAL ENERGY GRANT FUND CREATED IN SECTION 24-38.5-118 (7), THE COMMUNITY ACCESS TO ELECTRIC BICYCLES CASH FUND CREATED IN SECTION 24-38.5-506, AND THE ELECTRIFYING SCHOOL BUSES GRANT PROGRAM CASH FUND CREATED IN SECTION 25-7-1405.

(4) The state treasurer shall transfer all unexpended and unencumbered money in the fund on June 30, 2024, June 30, 2025, and June 30, 2026, to the general fund; except that the balance of money remaining in the fund not including expended and encumbered money shall not be less than ~~one hundred thousand~~ THREE HUNDRED THOUSAND dollars.

SECTION 8. In Colorado Revised Statutes, 24-38.5-401, **amend** (6)(a), (6)(b)(I), (7), and (8)(b); and **repeal** (8)(c) as follows:

24-38.5-401. Energy code board - appointment - creation - duties - definitions - repeal. (6) (a) **Duty of the energy code board to adopt a model low energy and carbon code.** It is the duty of the energy code board to develop a model low energy and carbon code on or before ~~June 1, 2025~~ SEPTEMBER 1, 2025, for adoption by counties, municipalities, and state agencies.

(b) The model low energy and carbon code developed by the energy code board must apply to commercial and residential buildings and must:

(I) Include the more energy efficient of either the 2021 or 2024 international energy conservation code, except as the energy code board may modify those international energy conservation codes pursuant to subsection (7) of this section, including any appendices AND RESOURCES to the international energy conservation code that the energy code board deems appropriate;

(7) **Option to relax international energy conservation code appendices and resources.** The energy code board may as necessary relax the stringency of any requirements in the international energy conservation code, including appendices AND RESOURCES that it adopts as part of the model low energy and carbon code language it develops pursuant to ~~subsection (5)~~ SUBSECTION (6) of this section if it deems that doing so is appropriate, but the energy code board shall not increase the stringency of any requirements in the international energy conservation code including appendices AND RESOURCES that it adopts as part of the model low energy and carbon code language it develops pursuant to ~~subsection (5)~~ SUBSECTION (6) of this section.

(8)(b) If two-thirds of the energy code board fail, on or before April 1, 2023, to adopt any element of the model electric ready and solar ready

code required by subsection (5) of this section, the executive committee shall vote on that same element on or before May 15, 2023. If two-thirds of the energy code board fail, on or before ~~February 1, 2025~~ JUNE 1, 2025, to adopt an element of the model low energy and carbon required by subsection (6) of this section, the executive committee shall vote on that same element on or before ~~March 15, 2025~~ AUGUST 1, 2025.

~~(c) If the energy code board fails, on or before April 1, 2023, to adopt any element of the model electric ready and solar ready code required by subsection (5) of this section, the executive committee shall vote on that same element on or before May 15, 2023. If the energy code board fails, on or before February 1, 2025, to adopt an element of the model low energy and carbon code required by subsection (6) of this section, the executive committee shall vote on that same element on or before March 15, 2025.~~

SECTION 9. In Colorado Revised Statutes, 24-38.5-403, **amend** (3)(a)(I) and (3)(c) as follows:

24-38.5-403. Energy code training - energy code adoption - grant writing assistance. (3) (a) Within three days after June 2, 2022, the state treasurer shall transfer three million dollars from the general fund to the energy fund created in section 24-38.5-102.4. The Colorado energy office shall expend the money transferred by the general assembly pursuant to this subsection (3)(a) for the purposes of:

(I) Issuing grants, not to exceed a total of ~~two million~~ ONE MILLION EIGHT HUNDRED SEVENTY-FIVE THOUSAND dollars, to local governments to support their adoption and enforcement of the 2021 international energy conservation code, an electric ready and solar ready code, and a low energy and carbon code and to cover the direct and indirect costs associated with issuing these grants; and

(c) Within three days after June 2, 2022, the state treasurer shall transfer ~~one hundred and fifty thousand~~ TWO HUNDRED SEVENTY-FIVE THOUSAND dollars from the general fund to the energy fund created in section 24-38.5-102.4. The Colorado energy office shall expend the money transferred by the general assembly pursuant to this subsection (3)(c) for the costs associated with administering the energy code board established in section 24-38.5-401 (2).

SECTION 10. In Colorado Revised Statutes, 24-38.5-405, **amend** (3)(a) as follows:

24-38.5-405. High-efficiency electric heating and appliances grant program - creation - report - legislative declaration - repeal.

(3) Grantees may use the money received through the high-efficiency electric heating and appliances grant program for the following purposes:

(a) The purchase and installation of high-efficiency electric equipment for DRYING CLOTHES, space heating, water heating, or cooking in multiple residential or commercial buildings located in close proximity, OR FOR OTHER ELECTRIC EQUIPMENT AS DETERMINED BY THE COLORADO ENERGY OFFICE;

SECTION 11. In Colorado Revised Statutes, 24-38.5-506, **amend** (2)(b) as follows:

24-38.5-506. Community access to electric bicycles cash fund - creation - gifts, grants, or donations - transfer. (2) (b) For state fiscal years 2023-24 and 2024-25, the office and, subject to annual appropriation, the department of revenue may expend money in the fund for the administration and implementation of the electric bicycle tax credit created in section 39-22-555. The office shall keep an accounting of all money expended from the fund pursuant to this subsection (2)(b) for purposes of calculating the repayment of the administrative costs required by ~~section 39-29-108(2)(c)(H)~~ SECTION 24-38.5-120 (3).

SECTION 12. In Colorado Revised Statutes, 25-7-1405, **amend** (2)(b) as follows:

25-7-1405. Electrifying school buses grant program cash fund - creation - gifts, grants, and donations - transfer. (2) (b) For state fiscal years 2023-24 and 2024-25, and subject to annual appropriation, the Colorado energy office, created in section 24-38.5-101, and the department of revenue may expend money from the fund for the administration and implementation of the innovative motor vehicles and innovative trucks tax credits created in sections 39-22-516.7 and 39-22-516.8 and for the specific ownership tax rate reduction for electric medium-duty and heavy-duty trucks that are part of a fleet as set forth in section 42-3-107(1)(a)(IV). The office shall keep an accounting of all money expended from the fund

pursuant to this subsection (2)(b) for purposes of calculating the repayment of the administrative costs required by ~~section 39-29-108(2)(c)(H)~~ SECTION 24-38.5-120 (3).

SECTION 13. In Colorado Revised Statutes, **add** part 16 to article 7 of title 25 as follows:

PART 16
AFFORDABLE APPLIANCES FOR A HEALTHY COMMUNITY

25-7-1601. Legislative declaration. (1) THE GENERAL ASSEMBLY FINDS AND DETERMINES THAT:

(a) RISING TEMPERATURES ARE INCREASING THE DEMAND FOR AIR CONDITIONERS;

(b) COMMON TYPES OF AIR CONDITIONERS CAN ALSO PROVIDE WINTER HEATING IF THEY ARE CONFIGURED AS HEAT PUMPS, WHICH ARE A MORE ENVIRONMENTALLY FRIENDLY OPTION THAN OTHER TYPES OF HEATING, VENTILATION, AND AIR CONDITIONING SYSTEMS;

(c) THE "INFLATION REDUCTION ACT OF 2022", THE STATE, AND UTILITIES ARE OPENING UP OPPORTUNITIES TO MAKE THIS TECHNOLOGY LESS EXPENSIVE THAN COOLING-ONLY SYSTEMS; AND

(d) COLORADO SHOULD BE PREPARED TO TAKE ADVANTAGE OF NEW OPPORTUNITIES TO THE MAXIMUM EXTENT TO CREATE A MORE AFFORDABLE AND ENVIRONMENTALLY FRIENDLY HOUSING MARKET AND HEATING, VENTILATION, AND AIR CONDITIONING INDUSTRY.

(2) THE GENERAL ASSEMBLY, THEREFORE, DETERMINES AND DECLARES THAT IT IS IN THE PUBLIC INTEREST FOR THE HEALTH AND ENVIRONMENT OF THE STATE TO REQUIRE THAT THE COLORADO ENERGY OFFICE CONDUCT A STUDY OF THE TECHNICAL VIABILITY, ECONOMIC CONDITIONS, AND WORKFORCE READINESS OF STANDARDS FOR CONFIGURING NEW RESIDENTIAL AIR CONDITIONERS AS HEAT PUMPS.

25-7-1602. Definitions. AS USED IN THIS PART 16, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(1) "AIR CONDITIONER" MEANS AN ELECTRICALLY POWERED

MECHANICAL DEVICE THAT USES THE REFRIGERATION CYCLE TO COOL AN INTERIOR HABITABLE SPACE.

(2) "APPLICABLE AIR CONDITIONER" MEANS AN AIR CONDITIONER THAT IS:

- (a) NEW;
- (b) POWERED BY A SINGLE-PHASE CURRENT;
- (c) DESIGNED AND INTENDED FOR RESIDENTIAL USE;
- (d) DESIGNED AND INTENDED FOR PERMANENT INSTALLATION; AND
- (e) NOT DESIGNED OR INTENDED TO BE WINDOW MOUNTED.

(3) "HEAT PUMP" MEANS AN ELECTRICALLY POWERED MECHANICAL DEVICE THAT USES THE REFRIGERATION CYCLE TO TRANSFER THERMAL ENERGY FROM ONE LOCATION TO ANOTHER.

(4) "HVAC" MEANS A HEATING, VENTILATION, AND AIR CONDITIONING SYSTEM.

(5) "OFFICE" MEANS THE COLORADO ENERGY OFFICE CREATED IN SECTION 24-38.5-101 (1).

(6) "RESIDENTIAL" MEANS ONE- AND TWO-FAMILY DWELLINGS AND TOWNHOUSES, AS DEFINED IN THE MOST RECENT EDITION OF THE INTERNATIONAL RESIDENTIAL CODE.

25-7-1603. Colorado energy office - study - accelerated adoption of heat pump technology. (1) ON OR BEFORE AUGUST 1, 2024, THE OFFICE SHALL COMMENCE A STUDY WITH TARGETED STAKEHOLDER INPUT TO EXPLORE HOW TO ACCELERATE ADOPTION OF HEAT PUMP TECHNOLOGY IN COLORADO THROUGH A TECHNICAL STANDARD FOR APPLICABLE AIR CONDITIONERS.

(2) IN CONDUCTING THE STUDY, THE OFFICE SHALL:

- (a) FOCUS ON A STATEWIDE POINT-OF-SALE STANDARD ON NEW AND

REPLACEMENT AIR CONDITIONERS;

(b) CONSIDER EQUIPMENT PERFORMANCE IN DIFFERENT CLIMATE ZONES AND CONDITIONS;

(c) CONSULT WITH STAKEHOLDERS FROM MANUFACTURERS, DISTRIBUTORS, CONTRACTORS, HEAT PUMP EXPERTS, GREEN BUILDERS, ENVIRONMENTAL JUSTICE GROUPS, AND UTILITIES SERVING RETAIL CUSTOMERS;

(d) USE DATA AND FINDINGS FROM RECENT PUBLIC UTILITY PROCEEDINGS TO ACCELERATE DATA COLLECTION FOR THE STUDY;

(e) DETERMINE THE REQUIREMENTS FOR SUCCESSFUL IMPLEMENTATION OF A STATEWIDE POINT-OF-SALE STANDARD; AND

(f) MAKE RECOMMENDATIONS ON HOW THE STATE CAN ADDRESS ANY ASSOCIATED NEEDS OR GAPS BEFORE A STATEWIDE POINT-OF-SALE STANDARD TAKES EFFECT.

(3) IN CONDUCTING THE STUDY, THE OFFICE SHALL ASSESS AND DETERMINE:

(a) UP-FRONT COST GAPS AND ONGOING COSTS AND COST SAVINGS FOR RESIDENTIAL HOMES FROM IMPLEMENTATION OF A STATEWIDE POINT-OF-SALE STANDARD;

(b) WHETHER AND WHERE FEDERAL, STATE, LOCAL, AND UTILITY INCENTIVES CAN COVER ANY IDENTIFIED COST GAPS, AND MAKE RECOMMENDATIONS FOR WHAT, IF ANY, NEW INCENTIVES MAY BE NEEDED FOR INCOME-QUALIFIED HOUSEHOLDS;

(c) ANY TECHNICAL LIMITATIONS, AND POTENTIAL REMEDIES FOR THOSE LIMITATIONS, FOR A STATEWIDE POINT-OF-SALE STANDARD;

(d) SYSTEM CONFIGURATION OPTIONS FOR COLD-TEMPERATURE PERFORMANCE;

(e) NECESSARY CUSTOMER INFORMATION REGARDING COLD-TEMPERATURE PERFORMANCE;

(f) WHAT, IF ANY, EXCEPTIONS OR EXEMPTIONS MAY BE NECESSARY FOR A STATEWIDE POINT-OF-SALE STANDARD AND HOW SUCH EXCEPTIONS OR EXEMPTIONS COULD BE ADMINISTERED;

(g) POTENTIAL IMPROVEMENTS TO THE STATE INCOME TAX CREDIT CREATED IN SECTION 39-22-554;

(h) SUPPLY CHAIN STATUS;

(i) CONTRACTOR TRAINING NEEDS; AND

(j) QUALITY ASSURANCE MEASURES.

(4) THE OFFICE SHALL DELIVER THE STUDY RESULTS TO THE CHAIRS OF THE TRANSPORTATION AND ENERGY COMMITTEE OF THE SENATE AND THE ENERGY AND ENVIRONMENT COMMITTEE OF THE HOUSE OF REPRESENTATIVES, OR ANY SUCCESSOR COMMITTEES, ACCORDING TO THE FOLLOWING SCHEDULE:

(a) ON OR BEFORE JANUARY 1, 2025, THE OFFICE SHALL DELIVER A PROGRESS REPORT;

(b) ON OR BEFORE MARCH 1, 2025, THE OFFICE SHALL DELIVER INTERIM RESULTS AND LEGISLATIVE RECOMMENDATIONS; AND

(c) ON OR BEFORE JUNE 1, 2025, THE OFFICE SHALL DELIVER THE FINAL STUDY AND FINAL LEGISLATIVE RECOMMENDATIONS.

25-7-1604. Repeal of part. THIS PART 16 IS REPEALED, EFFECTIVE JULY 1, 2030.

SECTION 14. In Colorado Revised Statutes, 32-9-119.8, **amend** (3) as follows:

32-9-119.8. Provision of retail and commercial goods and services at district transfer facilities - residential and other uses at district transfer facilities permitted - definitions. (3) Any person obtaining the use of any portion of a transfer facility for the provision of retail or commercial goods or services or for the provision of residential uses or other uses shall ~~be required to~~ compensate the district by payment

of rent ~~at fair market value~~, or, at the discretion of the district, by the provision of services or capital improvements to facilities used in transit services, alone or in combination with rental payments. ~~such that the total benefit to the district is not less than the fair market rental value of the property used by the person.~~

SECTION 15. In Colorado Revised Statutes, 39-22-551, **amend** (2)(e) introductory portion, (2)(i), (2)(j), (3)(a)(II), and (3)(c) as follows:

39-22-551. Industrial clean energy tax credit - tax preference performance statement - definitions - report - repeal. (2) **Definitions.** As used in this section, unless the context otherwise requires:

(e) "Greenhouse gas emissions reduction improvements" means improvements that help to measurably reduce greenhouse gas emissions. "Greenhouse gas emissions reduction improvements" ~~also means~~ MAY INCLUDE one or more of the following equipment purchases, improvements, and retrofits:

(i) "Industrial study" means an energy and emissions audit, a feasibility study, A PRE-FRONT-END or a front-end engineering design study that meets or exceeds the standards established by the office, OR ANY OTHER INDUSTRIAL STUDIES AS OUTLINED IN PROGRAM STANDARDS ADOPTED BY THE OFFICE.

(j) "Owner" means a person OR DEVELOPER OF A PROJECT TO BE IMPLEMENTED AT A QUALIFIED INDUSTRIAL FACILITY subject to tax under this article 22 who applies for and claims the credit allowed by this section.

(3) **Availability of credit and amount.** (a) For income tax years commencing on or after January 1, 2024, but prior to January 1, 2033, there shall be allowed a credit with respect to the income taxes imposed pursuant to this article 22 to the owner of a qualified industrial facility in an amount equal to:

(II) The applicable percentage of the capital costs paid by the owner, not including the cost for design, and approved by the office for certified greenhouse gas emissions reduction improvements that are placed in service during the tax year in which the credit is claimed; except that the credit must be claimed in an amount that is not less than seventy-five thousand

dollars and does not exceed ~~five~~ EIGHT million dollars.

(c) An owner that claims the credit allowed by this section cannot, ~~claim the credit allowed by section 39-30-104 with respect to the greenhouse gas emissions reduction improvements or receive grant money under the industrial and manufacturing operations clean air grant program created in section 24-38.5-116 (3)(a)~~ FOR THE SAME GREENHOUSE GAS EMISSION REDUCTION IMPROVEMENTS:

(I) CLAIM THE CREDIT ALLOWED BY SECTION 39-30-104; OR

(II) RECEIVE GRANT MONEY UNDER THE INDUSTRIAL AND MANUFACTURING OPERATIONS CLEAN AIR GRANT PROGRAM CREATED IN SECTION 24-38.5-116 (3)(a).

SECTION 16. In Colorado Revised Statutes, 39-22-552, **amend** (1)(a), (2)(e), (2)(f) introductory portion, (2)(f)(VIII), and (2)(f)(IX); and **add** (2)(f)(X), (2)(f.5), (2)(h), (2)(i), and (2)(j) as follows:

39-22-552. Tax credit for expenditures made in connection with a geothermal energy project - tax preference performance statement - definitions - repeal. (1) (a) In accordance with section 39-21-304(1), which requires each bill that creates a new tax expenditure to include a tax preference performance statement as part of a statutory legislative declaration, the general assembly finds and declares that the purpose of the tax credit provided in this section is to induce certain designated behavior by taxpayers and to provide a reduction in income tax liability for certain businesses or individuals by providing a financial incentive for the development of THERMAL ENERGY NETWORKS, electricity generation from geothermal sources.

(2) **Definitions.** As used in this section, unless the context otherwise requires:

(e) "Eligible taxpayer" means ~~a person engaged in a trade or business that is subject to tax pursuant to this article 22, or a person or political subdivision of this state that is exempt from tax pursuant to section 39-22-112 (1), that makes a qualified expenditure~~ ANY OF THE FOLLOWING PEOPLE OR ENTITIES THAT MAKE A QUALIFIED EXPENDITURE:

(I) A PERSON ENGAGED IN A TRADE OR BUSINESS THAT IS SUBJECT TO TAX PURSUANT TO THIS ARTICLE 22;

(II) A PERSON OR POLITICAL SUBDIVISION OF THIS STATE THAT IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1); OR

(III) A TRIBAL GOVERNMENT.

(f) "Geothermal ~~energy~~ ELECTRICITY project" or "project" means a project in the state that is intended to evaluate and develop a geothermal resource for the purpose of electricity production, that meets the standards developed pursuant to subsection (5) of this section, and that involves any of the following:

(VIII) Coproduction of geothermal ~~energy~~; or ENERGY INCLUDING FOR INDUSTRIAL USES OR THERMAL ENERGY NETWORKS;

(IX) Power generation equipment; OR

(X) STUDIES TO IDENTIFY AND EXPLORE RESOURCES THAT MAY BE SUITABLE FOR GEOTHERMAL ELECTRICITY GENERATION AND MAY INCLUDE HYDROGEN GENERATION OR UTILIZATION OF DIRECT AIR CAPTURE TECHNOLOGY.

(f.5) "GEOHERMAL ENERGY PROJECT" MEANS A GEOTHERMAL ELECTRICITY PROJECT, THERMAL ENERGY NETWORK, OR A THERMAL ENERGY NETWORK STUDY.

(h) "THERMAL ENERGY NETWORK" HAS THE SAME MEANING AS SET FORTH IN SECTION 39-22-554 (2)(n).

(i) "THERMAL ENERGY NETWORK STUDY" MEANS AN ENERGY AND EMISSIONS SCOPING STUDY, A FEASIBILITY STUDY, AN INVESTMENT GRADE ENERGY AUDIT, A DETAILED ENGINEERING DESIGN, OR A COMBINATION OF THESE OPTIONS THAT MEETS OR EXCEEDS THE STANDARDS ESTABLISHED BY THE OFFICE.

(j) "TRIBAL GOVERNMENT" MEANS A FEDERALLY RECOGNIZED INDIAN TRIBE, INCLUDING ITS BUSINESS OPERATIONS AND WHOLLY-OWNED ENTITIES, WITH RESERVATION LANDS WITHIN THE STATE OF COLORADO OR

OPERATING WITHIN THE STATE.

SECTION 17. In Colorado Revised Statutes, 39-22-553, **amend** (2)(c) and (3); and **add** (2)(d) and (3.5) as follows:

39-22-553. Geothermal electricity generation production tax credit - tax preference performance statement - definitions - repeal.
(2) Definitions. As used in this section, unless the context otherwise requires:

~~(c) "Qualified entity" means a person engaged in a trade or business that is subject to tax pursuant to this article 22 or a person or political subdivision of this state that is exempt from tax pursuant to section 39-22-112 (1), either of which produces electricity derived from geothermal energy for sale or for the person's or political subdivision's own use~~ ANY OF THE FOLLOWING PEOPLE OR ENTITIES THAT PRODUCE ELECTRICITY DERIVED FROM GEOTHERMAL ENERGY FOR SALE OR USE:

(I) A PERSON ENGAGED IN A TRADE OR BUSINESS THAT IS SUBJECT TO TAX PURSUANT TO THIS ARTICLE 22;

(II) A PERSON OR POLITICAL SUBDIVISION OF THIS STATE THAT IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1); OR

(III) A TRIBAL GOVERNMENT.

(d) "TRIBAL GOVERNMENT" MEANS A FEDERALLY RECOGNIZED INDIAN TRIBE, INCLUDING ITS BUSINESS OPERATIONS AND WHOLLY-OWNED ENTITIES, WITH RESERVATION LANDS WITHIN THE STATE OF COLORADO OR OPERATING WITHIN THE STATE.

(3) For income tax years commencing on or after January 1, 2024, but before January 1, 2033, a qualified entity is allowed a credit against the income taxes imposed by this article 22 in an amount equal to three one-thousandths of a dollar per kilowatt hour of geothermal electricity that is produced by the qualified entity in the state in the tax year. In order to claim the credit, the qualified entity shall apply for and receive a tax credit certificate from the office pursuant to subsection (4) of this section. ~~except that the office may not issue a tax credit certificate to a qualified entity totaling more than one million dollars per income tax year.~~

(3.5) THE OFFICE SHALL ANNUALLY REVIEW AND EVALUATE THE EFFECTIVENESS OF THE TAX CREDIT AND MAY MODIFY THE AMOUNTS SET FORTH IN SUBSECTION (3) OF THIS SECTION. THE OFFICE SHALL MAINTAIN THE CURRENT APPLICABLE TAX CREDIT ON ITS WEBSITE AND SHALL PROVIDE THE APPLICABLE TAX CREDIT IN WRITING TO THE DEPARTMENT NO LATER THAN DECEMBER 31, 2024, AND EACH DECEMBER 31 THEREAFTER THROUGH DECEMBER 31, 2031.

SECTION 18. In Colorado Revised Statutes, 39-22-554, **amend** (2)(a)(I)(C), (2)(g)(I)(C), (2)(g)(I)(D), (2)(p)(I)(C), (2)(p)(I)(D), (2)(q)(I)(C), (2)(q)(I)(D), (3)(c)(I) introductory portion, (3)(d)(II), (3)(e), (5)(a)(II), (5)(a)(V), and (5)(d)(II)(A); **repeal** (2)(a)(I)(B), (2)(a)(III), (2)(g)(III), (2)(g)(IV), (2)(p)(III), (2)(q)(III), and (5)(a)(III); and **add** (2)(a)(I)(D), (2)(a)(I)(E), (2)(c.5), (2)(d.5), (2)(g)(I)(E), (2)(i.5), (2)(p)(I)(E), (2)(q)(I)(E), and (5)(a)(III.5) as follows:

39-22-554. Heat pump technology and thermal energy network tax credit - tax preference performance statement - definitions - repeal.

(2) **Definitions.** As used in this section, unless the context otherwise requires:

(a) (I) "Air-source heat pump system" means a system that:

(B) ~~Has a variable speed compressor; and~~

(C) Is listed in the Air-conditioning, Heating, and Refrigeration Institute directory of certified product performance as a matched system;

(D) CONFORMS TO ALL APPLICABLE MUNICIPAL, STATE, AND FEDERAL CODES, STANDARDS, REGULATIONS, AND CERTIFICATIONS; AND

(E) IS INSTALLED IN ACCORDANCE WITH THE MANUFACTURER'S SPECIFICATIONS.

(III) ~~"Air-source heat pump system" includes mechanical and electrical equipment central to the operation of an air-source heat pump, including an upgraded electrical panel if necessary.~~

(c.5) "COLD-CLIMATE HEAT PUMP" MEANS A TYPE OF AIR-SOURCE HEAT PUMP SYSTEM THAT:

(I) MEETS THE QUALIFICATION CRITERIA OF THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY'S ENERGY STAR PROGRAM'S COLD-CLIMATE HEAT PUMP DESIGNATION OR MEETS THE HIGHEST TIER OF THE CONSORTIUM FOR ENERGY EFFICIENCY'S NORTHERN AIR-SOURCE HEAT PUMP SPECIFICATIONS, NOT INCLUDING AN ADVANCED TIER;

(II) IS INSTALLED WITH CONTROLS THAT SET A CROSSOVER TEMPERATURE SPECIFIED BY GUIDELINES ESTABLISHED BY THE OFFICE PURSUANT TO SUBSECTION (7) OF THIS SECTION;

(III) CONFORMS TO ALL APPLICABLE MUNICIPAL, STATE, AND FEDERAL CODES, STANDARDS, REGULATIONS, AND CERTIFICATIONS;

(IV) IS INSTALLED IN ACCORDANCE WITH THE MANUFACTURER'S SPECIFICATIONS; AND

(V) IS LISTED IN THE AIR-CONDITIONING, HEATING, AND REFRIGERATION INSTITUTE DIRECTORY OF CERTIFIED PRODUCT PERFORMANCE AS A MATCHED SYSTEM.

(d.5) "CROSSOVER TEMPERATURE" MEANS THE POINT THAT A HEAT-PUMP-BASED HVAC SYSTEM SWITCHES EITHER PARTIALLY OR FULLY FROM THE HEAT PUMP TO A SUPPLEMENTARY HEATING SOURCE.

(g) (I) "Ground-source heat pump system" means a system that:

(C) Has blowers that are ~~variable speed~~, high-efficiency motors that meet or exceed efficiency levels listed in the National Electrical Manufacturers Association MG 1-1993 publication; ~~and~~

(D) Complies with all state and local drinking water guidelines and regulations and public water system requirements; AND

(E) IS INSTALLED IN ACCORDANCE WITH THE MANUFACTURER'S SPECIFICATIONS.

(III) ~~"Ground-source heat pump system" includes mechanical and electrical equipment central to the operation of a ground-source heat pump, including an upgraded electrical panel if necessary.~~

(IV) ~~"Ground-source heat pump system" may include a heat exchanger for water heating.~~

(i.5) "HEAT PUMP" MEANS AN ELECTRICALLY POWERED MECHANICAL DEVICE THAT USES THE REFRIGERATION CYCLE TO TRANSFER THERMAL ENERGY FROM ONE LOCATION TO ANOTHER.

(p) (I) "Variable refrigerant flow heat pump system" means a system that:

(C) Has blowers that are ~~variable speed~~; high-efficiency motors that meet or exceed efficiency levels listed in the National Electrical Manufacturers Association ~~MGI-1993~~ MG 1-1993 publication; ~~and~~

(D) Complies with all state and local drinking water guidelines and regulations and public water system and wastewater system requirements; AND

(E) IS INSTALLED IN ACCORDANCE WITH THE MANUFACTURER'S SPECIFICATIONS.

(III) ~~"Variable refrigerant flow system" includes mechanical and electrical equipment central to the operation of a variable refrigerant flow system.~~

(q) (I) "Water-source heat pump system" means a system that:

(C) Has blowers that are ~~variable speed~~; high-efficiency motors that meet or exceed efficiency levels listed in the National Electrical Manufacturers Association MG 1-1993 publication; ~~and~~

(D) Complies with all state and local drinking water guidelines and regulations and public water system and wastewater system requirements; AND

(E) IS INSTALLED IN ACCORDANCE WITH THE MANUFACTURER'S SPECIFICATIONS.

(III) ~~"Water-source heat pump system" includes mechanical and electrical equipment central to the operation of a water-source heat pump.~~

(3) (c) Subject to the modifications set forth in subsection (3)(d) of this section and the annual review required pursuant to subsection (3)(e) of this section and except as otherwise provided in subsection (3)(f) of this section, the amount of the credit allowed pursuant to this section is calculated as follows:

(I) For the installation of an air-source heat pump system or FOR a variable refrigerant flow heat PUMP system:

(d) Notwithstanding the amounts set forth in subsection (3)(c) of this section, the amount of the credit allowed by this section may be modified as follows:

(II) For a nonresidential building, the amount of the credit is the amount of the credit permitted pursuant to subsection (3)(c) of this section multiplied by the number of increments of four tons of heating capacity; ~~up to a maximum of one hundred tons;~~ and

(e) The office shall annually review and evaluate the effectiveness of the tax credits and may, FOR THE SUBSEQUENT TAX YEAR:

(I) Modify the amounts set forth in subsection (3)(c) of this section;
AND

(II) ESTABLISH, MODIFY, OR REMOVE LIMITS ON THE CREDITS CALCULATED PURSUANT TO SUBSECTION (3)(d) OF THIS SECTION.

(5) (a) The office shall create, and update at least annually, a list containing the names and contact information of eligible taxpayers. To become an eligible taxpayer, and be included on the list described in this subsection (5), a taxpayer shall demonstrate to the office that the taxpayer and any of its employees who will be installing heat pump technology or thermal energy networks:

(II) Are knowledgeable of AND AGREE TO FOLLOW the relevant system requirements set forth in subsections (2)(a), ~~(2)(c.5)~~, (2)(g), (2)(h), (2)(i), (2)(m), (2)(n), (2)(p), and (2)(q) of this section;

(III) ~~Will install heat pump technology and thermal energy networks in accordance with the national electric code and manufacturer's~~

specifications;

(III.5) HAVE RECEIVED TRAINING PURSUANT TO THE GUIDELINES ISSUED BY THE OFFICE PURSUANT TO SUBSECTION (7) OF THIS SECTION;

(V) Will meet any additional standards established by the office in its guidelines. ~~including, if applicable, the 2021 international energy conservation code.~~

(d) (II) (A) The office shall ~~annually~~ PERIODICALLY examine a sample of the eligible taxpayers on the list described in this subsection (5) to substantiate that the eligible taxpayers are meeting the office's standards and properly claiming the credit allowed by this section. Every eligible taxpayer shall produce the books and records described in subsection (5)(d)(I) of this section for examination at any time by the office.

SECTION 19. In Colorado Revised Statutes, 39-22-557, **amend** (2)(d) and (3)(c)(I) as follows:

39-22-557. Clean hydrogen tax credit - qualified uses - tax preference performance statement - definitions - legislative declaration - repeal. (2) As used in this section, unless the context otherwise requires:

(d) "Lifecycle greenhouse gas emissions rate" means lifecycle greenhouse gas emissions, as defined in 26 U.S.C. sec. 45V (c)(1)(A), as amended, measured in accordance with any applicable federal internal revenue service regulations or guidance, subject to the rules adopted by the public utilities commission pursuant to ~~section 40-2-138 (3)(a)(I)~~ SECTION 40-2-138 (3)(a)(II).

(3) (c) (I) For income tax years commencing on and after January 1, 2024, but before January 1, 2026, and not before the public utilities commission adopts rules pursuant to ~~section 40-2-138 (3)(a)(I)~~; SECTION 40-2-138 (3)(a)(II), the office shall not issue a tax credit certificate to a taxpayer indicating eligibility for a tax credit for an amount exceeding one million dollars in a tax year.

SECTION 20. In Colorado Revised Statutes, 39-29-108, **repeal** (2)(e)(II), (2)(e)(III)(A), and (2)(e)(III)(C) as follows:

39-29-108. Allocation of severance tax revenues - definitions - repeal. (2) (e) (II) ~~The state treasurer shall credit a portion of the discrete increased amount of severance tax for oil and gas production in the amount attributable to administrative costs to the respective cash funds so that all administrative costs are repaid to the respective cash funds on or before July 1, 2025.~~

(III) As used in this subsection (2)(e), unless the context otherwise requires:

(A) ~~"Administrative costs" means the amount of money expended from the respective cash funds by the Colorado energy office and the department of revenue for the administration and implementation of certain income tax credits and a temporary specific ownership tax rate reduction for electric medium-duty and heavy-duty trucks that are part of a fleet as provided for in sections 24-38.5-116 (6)(b)(II), 24-38.5-118 (7)(d), 24-38.5-506 (2)(a)(II), and 25-7-1405 (2)(b).~~

(C) ~~"Respective cash funds" means the industrial and manufacturing operations clean air grant program cash fund created in section 24-38.5-116 (6), the geothermal energy grant fund created in section 24-38.5-118 (7), the community access to electric bicycles cash fund created in section 24-38.5-506, or the electrifying school buses grant program cash fund created in section 25-7-1405.~~

SECTION 21. In Colorado Revised Statutes, 24-38.5-115, **amend** (2)(a) and (5)(f) as follows:

24-38.5-115. Sustainable rebuilding program - fund - creation - policies - report - definitions. (2) (a) The office shall, in consultation with the department of local affairs, establish the sustainable rebuilding program as a loan and grant program in accordance with the requirements of this section and the policies established by the office pursuant to subsection (4) of this section. The program may provide loans and grants from the fund to eligible homeowners and eligible businesses seeking assistance to rebuild high-efficiency homes and buildings after a disaster emergency declared by the governor pursuant to section 24-33.5-704 (4), WITH THE PROGRAM GIVING PRIORITY TO ELIGIBLE HOMEOWNERS AND ELIGIBLE BUSINESSES SEEKING ASSISTANCE TO REBUILD HIGH-EFFICIENCY HOMES AND BUILDINGS.

(5) Loans and grants received from the program may be used:

(f) For other similar uses as determined by the office, INCLUDING PROVIDING LOANS OR GRANTS PURSUANT TO SECTION 24-32-134 (5).

SECTION 22. In Colorado Revised Statutes, 40-3.2-108, **amend** (10) introductory portion as follows:

40-3.2-108. Clean heat targets - legislative declaration - definitions - plans - rules - reports. (10) No later than ~~December 1, 2024~~, DECEMBER 1, 2025, the commission, in consultation with the division, shall determine mass-based greenhouse gas emission reduction targets for clean heat plans for 2035. In establishing these targets, the commission shall:

SECTION 23. In Colorado Revised Statutes, **add** 40-3.2-110 as follows:

40-3.2-110. Requirements related to heat pumps - definitions.

(1) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE REQUIRES, "HEAT PUMP" MEANS AN ELECTRICALLY POWERED DEVICE THAT USES THE REFRIGERATION CYCLE TO TRANSFER THERMAL ENERGY FROM ONE LOCATION TO ANOTHER.

(2) ON OR BEFORE AUGUST 1, 2027, AN INVESTOR-OWNED UTILITY THAT PROVIDES ELECTRIC OR THERMAL ENERGY SHALL, WITHIN A GENERAL RATE CASE REQUEST, SUBMIT TO THE COMMISSION A PROPOSAL FOR A VOLUNTARY RATE OR RATES FOR ENERGY SUPPLIED TO RESIDENTIAL CUSTOMERS WHO UTILIZE A HEAT PUMP AS THEIR PRIMARY HEATING SOURCE, WHICH VOLUNTARY RATE OR RATES:

(a) MAY BE NEW RATES, NEW OR EXISTING RIDERS, OR INCORPORATED INTO AN EXISTING TIME-OF-USE RATE;

(b) IF COST-JUSTIFIED, ARE DESIGNED TO LOWER THE AVERAGE MONTHLY ENERGY BILL OF RESIDENTIAL CUSTOMERS WHO UTILIZE A HEAT PUMP AS THEIR PRIMARY HEATING SOURCE; AND

(c) AVOID CROSS-SUBSIDIES FROM OTHER CUSTOMERS.

SECTION 24. In Session Laws of Colorado 2023, section 4 of

chapter 219, **amend** (1) as follows:

Section 4. **Appropriation.** (1) For the 2023-24 state fiscal year, \$370,140 is appropriated to the department of higher education. This appropriation is from the oil and gas conservation and environmental response fund created in section 34-60-122 (5)(a), C.R.S., and is based on an assumption that the department will require an additional 3.0 FTE. To implement this act, the department may use this appropriation for the board of governors of the Colorado state university system for the biochar in oil and gas well plugging working advisory group. ANY MONEY APPROPRIATED IN THIS SECTION THAT IS NOT EXPENDED PRIOR TO JULY 1, 2024, IS FURTHER APPROPRIATED TO THE DEPARTMENT OF HIGHER EDUCATION FOR THE 2024-25 STATE FISCAL YEAR FOR THE SAME PURPOSE.

SECTION 25. Appropriation - adjustments to 2024 long bill.

(1) To implement this act, cash funds appropriations from various sources of cash funds made in the annual general appropriation act for the 2024-25 state fiscal year to the department of revenue are decreased as follows:

Executive Director's Office, Administration and Support

Personal services	\$424,001
Operating expenses	\$64,770

Taxation Business Group, Administration

Tax administration IT system (GenTax) support	\$765,934
---	-----------

Taxation Business Group, Taxation Services

Personal services	\$470,940
Operating expenses	\$36,925
Document management	\$7,590

(2) To implement this act, cash funds appropriations from the decarbonization tax credits administration cash fund created in section 24-38.5-120 (2), C.R.S., made in the annual general appropriation act for

the 2024-25 state fiscal year to the department of revenue are increased as follows:

Executive Director's Office, Administration and Support

Personal services \$424,001

Operating expenses \$64,770

Taxation Business Group, Administration

Tax administration IT system (GenTax) support \$765,934

Taxation Business Group, Taxation Services

Personal services \$470,940

Operating expenses \$36,925

Document management \$7,590

SECTION 26. Appropriation. For the 2024-25 state fiscal year, \$1,058,596 is appropriated to the office of the governor for use by the Colorado energy office. This appropriation consists of \$100,000 from the general fund and \$958,596 from the decarbonization tax credits administration cash fund created in section 24-38.5-120 (2), C.R.S., and is based on an assumption that the office will require an additional 3.1 FTE. To implement this act, the office may use this appropriation for program administration.

SECTION 27. Safety clause. The general assembly finds, determines, and declares that this act is necessary for the immediate

preservation of the public peace, health, or safety or for appropriations for the support and maintenance of the departments of the state and state institutions.

Steve Fenberg
PRESIDENT OF
THE SENATE

Julie McCluskie
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

Cindi L. Markwell
SECRETARY OF
THE SENATE

Robin Jones
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

APPROVED _____
(Date and Time)

Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO