

**Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 24-1175.01 Caroline Martin x5902

SENATE BILL 24-214

SENATE SPONSORSHIP

Hansen,

HOUSE SPONSORSHIP

Amabile and McCormick,

Senate Committees

Transportation & Energy
Appropriations

House Committees

A BILL FOR AN ACT

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

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

Section 1 of the bill creates the office of sustainability in the department of personnel (department). The office of sustainability is required to work with state agencies and institutions of higher education to implement environmentally sustainable practices. The powers, duties, and functions of the office of sustainability include:

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.*

- Providing leadership to and requiring accountability from state agencies regarding ongoing sustainability initiatives;
- Developing baseline metrics and goals for reduction of negative environmental impacts and tracking state agencies' performance in achieving the goals;
- Tracking the amount of money the state saves as a result of implementing sustainable practices;
- Seeking and applying for federal funding and other grant opportunities that would support sustainable practices within state agencies;
- Assisting state agencies in implementing sustainable procurement methods and introducing options for environmentally preferable products or services to state agencies;
- Assisting state agencies in installing energy-efficient equipment and fixtures;
- Assisting state agencies in meeting building performance standards such as those administered by the Colorado energy office;
- Coordinating and assisting in planning and constructing state agencies' electric vehicle charging infrastructure and ensuring utilization of such infrastructure;
- Instituting water reduction initiatives, including but not limited to the installation of water-conserving fixtures and plants on state property;
- Assisting state agencies in transitioning from gas-powered to electric equipment;
- Implementing statewide waste diversion practices to increase state agencies' recycling rates;
- Developing commuting opportunities for state employees that reduce greenhouse gas emissions and other pollution;
- Assisting state agencies in developing training programs to educate state employees on sustainable practices; and
- Conducting other activities as directed by the general assembly or the governor.

The bill creates the state agency sustainability revolving fund (revolving fund) and directs the state treasurer to transfer \$540,230 from the general fund to the revolving fund. The bill specifies that the office of sustainability may use the money in the revolving fund for the purposes of operating the office and replacing the state's gas- and diesel-powered equipment located in ozone nonattainment areas as designated by the U.S. environmental protection agency.

In addition, the bill requires the office of sustainability to review and coordinate state agencies' applications for elective pay funding available under the federal "Inflation Reduction Act of 2022" (act), and

to work with the office of the state controller to coordinate central submissions of elective pay applications by advising and assisting state agencies in submitting and centrally filing those applications and by providing technical assistance to state agencies on elective pay.

The bill also creates the inflation reduction act elective pay cash fund (cash fund), which consists of money received by the department pursuant to the elective pay provisions of the act, all of which must be deposited into the cash fund to be used for the purposes of the office.

Section 2 specifies that the office of sustainability is a type 2 entity under the administrative organization act.

Section 3 makes several clarifications regarding the geothermal energy grant program (grant program), including specifying that:

- The grant program applies to both heating-only and combined heating and cooling systems;
- At least 25% of the grant money must be awarded to eligible entities from or projects in low-income, disproportionately impacted, or just transition communities; and
- The Colorado energy office may utilize grant program money to support education, outreach, and engagement with the general public and relevant stakeholders to facilitate the growth of the geothermal sector and awareness of relevant state programs in Colorado.

Section 4 extends the deadline for the energy code board to develop a model low energy and carbon code and specifies that the model low energy and carbon code can include appendices and resources to the international energy conservation code.

Section 5 decreases the amount of money the Colorado energy office can issue in grants 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 by \$125,000 and increases the amount the treasurer is required to transfer into the energy fund to \$275,000.

Section 6 clarifies that, for purposes of the industrial clean energy tax credit, an industrial study includes a pre-front-end or front-end engineering design study that meets or exceeds the standards established by the Colorado energy office or any other industrial studies as outlined in program standards, and that an owner includes a project developer. **Section 6** also increases the amount of the credit that can be claimed to \$8 million, and specifies that an owner that claims the industrial clean energy tax credit cannot, for the same greenhouse gas emission reduction improvements, claim the enterprise zone investment tax credit or receive grant money under the industrial and manufacturing operations clean air grant program.

Section 7 clarifies several definitions related to the tax credit for

expenditures made in connection with a geothermal energy project and adds several definitions. **Section 7** also adds tribal governments as eligible taxpayers pursuant to the tax credit.

Section 8 adds tribal governments as qualified entities pursuant to the geothermal electricity generation production tax credit, and requires the Colorado energy office to annually review and evaluate the effectiveness of the tax credit.

Section 9 clarifies the definition of "air-source heat pump system" pursuant to the heat pump technology and thermal energy network tax credit and allows the Colorado energy office to review and modify more credit amounts and create certificate maximums related to the heat pump technology and thermal energy network tax credit.

Section 10 clarifies that certain provisions related to the clean hydrogen tax credit are subject to rules adopted by the public utilities commission.

Section 11 advances the deadline by which the treasurer must repay all administrative costs to the industrial and manufacturing operations clean air grant program cash fund, the geothermal energy grant fund, the community access to electric bicycles cash fund, and the electrifying school buses grant program cash fund to June 30, 2024.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** part 23 to article
3 30 of title 24 as follows:

4 **PART 23**

5 **OFFICE OF SUSTAINABILITY**

6 **24-30-2301. Legislative declaration.** THE GENERAL ASSEMBLY
7 HEREBY FINDS AND DECLARES THAT:

8 (1) THE STATE SHOULD BE A LEADER IN SUSTAINABILITY AND
9 SHOULD OFFER SUSTAINABLE PRACTICES TO STATE AGENCIES AS A CORE
10 ADMINISTRATIVE SERVICE;

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

14 (3) ENSURING STATE COMPLIANCE WITH ENVIRONMENTAL

1 MANDATES IS CRITICAL TO THE FUTURE OF OUR STATE AND OUR NATION;

2 (4) SUSTAINABLE STATE AGENCY OPERATIONS CONSERVE WATER
3 AND OFFSET THE ESTIMATED FUTURE WATER NEEDS OF UP TO SEVEN
4 HUNDRED FORTY THOUSAND ADDITIONAL ACRE FEET AS OUTLINED IN THE
5 2023 COLORADO WATER PLAN ADOPTED BY THE COLORADO WATER
6 CONSERVATION BOARD; AND

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

11 **24- 30- 2302. Definitions.** AS USED IN THIS PART 23, UNLESS THE
12 CONTEXT OTHERWISE REQUIRES:

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

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

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

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

27 **24-30-2303. Office of sustainability - creation - duties.** (1) THE

1 OFFICE OF SUSTAINABILITY IS HEREBY CREATED IN THE DEPARTMENT. THE
2 OFFICE IS A **TYPE 2** ENTITY, AS DEFINED IN SECTION 24-1-105, AND
3 EXERCISES ITS POWERS AND PERFORMS ITS DUTIES AND FUNCTIONS UNDER
4 THE DEPARTMENT. THE OFFICE SHALL WORK WITH STATE AGENCIES AND
5 STATE INSTITUTIONS OF HIGHER EDUCATION TO IMPLEMENT SUSTAINABLE
6 PRACTICES.

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

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

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

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

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

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

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

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

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

4 (i) INSTITUTING WATER REDUCTION INITIATIVES, INCLUDING BUT
5 NOT LIMITED TO THE INSTALLATION OF WATER-CONSERVING FIXTURES AND
6 PLANTS ON STATE PROPERTY;

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

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

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

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

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

19 **24-30-2304. Revolving fund - definition.** (1) THE STATE AGENCY
20 SUSTAINABILITY REVOLVING FUND, REFERRED TO IN THIS SECTION AS THE
21 "FUND", IS CREATED IN THE STATE TREASURY. THE FUND CONSISTS OF
22 MONEY TRANSFERRED TO THE FUND PURSUANT TO SUBSECTION (2) OF THIS
23 SECTION AND ANY OTHER MONEY THAT THE GENERAL ASSEMBLY MAY
24 APPROPRIATE OR TRANSFER TO THE FUND.

25 (2) ON JULY 1, 2024, AND ON JULY 1 EACH YEAR THEREAFTER, THE
26 STATE TREASURER SHALL TRANSFER FOUR HUNDRED THOUSAND DOLLARS
27 FROM THE GENERAL FUND TO THE FUND. THE OFFICE OF SUSTAINABILITY

1 SHALL ALLOCATE THE MONEY IN THE FUND TO ASSIST IN REPLACING THE
2 STATE'S GAS AND DIESEL-POWERED EQUIPMENT THAT IS LOCATED IN
3 OZONE NONATTAINMENT AREAS AS DESIGNATED BY THE U.S.
4 ENVIRONMENTAL PROTECTION AGENCY WITH EQUIVALENT ELECTRIC
5 EQUIPMENT, AND TO OPERATE THE OFFICE OF SUSTAINABILITY IN
6 ACCORDANCE WITH THIS PART 23. ==

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

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

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

19 **24-30-2305. Inflation reduction act elective pay - central**
20 **submission of applications - cash fund - definition.** (1) IN ADDITION TO
21 THE POWERS, DUTIES, AND FUNCTIONS OF THE OFFICE SPECIFIED IN
22 SECTION 24-30-2303, THE OFFICE SHALL REVIEW AND COORDINATE STATE
23 AGENCIES' APPLICATIONS FOR ELECTIVE PAY FUNDING AVAILABLE UNDER
24 THE FEDERAL "INFLATION REDUCTION ACT OF 2022", PUB.L. 117-169, 136
25 STAT. 1818 (2022), AND WORK WITH THE OFFICE OF THE STATE
26 CONTROLLER TO COORDINATE CENTRAL SUBMISSIONS OF ELECTIVE PAY
27 APPLICATIONS. THE OFFICE SHALL ADVISE AND PROVIDE TECHNICAL

1 ASSISTANCE TO STATE AGENCIES ON ALL ASPECTS OF ELECTIVE PAY TO THE
2 EXTENT FEASIBLE.

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

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

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

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

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

25 **24-1-128. Department of personnel - creation.** (9) THE OFFICE
26 OF SUSTAINABILITY IS CREATED IN SECTION 24-30-2303. THE OFFICE IS A
27 **TYPE 2** ENTITY, AS DEFINED IN SECTION 24-1-105, AND EXERCISES ITS

1 POWERS AND PERFORMS ITS DUTIES AND FUNCTIONS UNDER THE
2 DEPARTMENT OF PERSONNEL.

3 **SECTION 3.** In Colorado Revised Statutes, 24-38.5-116, **amend**
4 **(6)(b)(II)** as follows:

5 **24-38.5-116. Industrial and manufacturing operations clean**
6 **air grant program - creation - eligibility - fund created - gifts, grants,**
7 **or donations - transfer - legislative declaration - definitions -**
8 **reporting - repeal.** (6) (b) (II) For state fiscal years 2023-24 and
9 2024-25, the office and, subject to annual appropriation, the department
10 of revenue may expend money from the fund for the administration and
11 implementation of the industrial clean energy tax credit created in section
12 39-22-551 and the tax credit for sustainable aviation fuel production
13 facility created in section 39-22-556. The office shall keep an accounting
14 of all money expended from the fund pursuant to this subsection (6)(b)(II)
15 for purposes of calculating the repayment of the administrative costs
16 required by section 39-29-108 (2)(c)(H) SECTION 24-38.5-120 (3).

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

20 **24-38.5-118. Geothermal energy grant program - creation -**
21 **procedures - fund - report - definitions - legislative declaration -**
22 **repeal.** (3) **Creation of grant program.** There is hereby created within
23 the office the geothermal energy grant program to provide grants to
24 building owners, developers, local governments, geothermal installers,
25 contractors, communities, gas or electric service public utilities, or other
26 entities approved by the office for:

27 (b) The installation of geothermal equipment for use as the

1 primary ~~heating or~~ HEATING-ONLY OR COMBINED HEATING AND cooling
2 systems in new construction or to retrofit existing buildings; or

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

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

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

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

25 (I) Up to one hundred thousand dollars per project to conduct a
26 scoping study to determine if a community thermal system would help
27 lower greenhouse gas emissions and provide a reasonable-cost approach

1 to PRIMARY HEATING-ONLY OR COMBINED heating and cooling a group of
2 buildings;

3 (7) Fund. (d) For state fiscal years 2023-24 and 2024-25, the
4 office and, subject to annual appropriation, the department of revenue
5 may expend money in the fund for the administration and implementation
6 of the tax credit for expenditures made in connection with a geothermal
7 energy project created in section 39-22-552, the geothermal electricity
8 generation production tax credit created in section 39-22-553, and the
9 heat pump technology and thermal energy network tax credit created in
10 section 39-22-554. The office shall keep an accounting of all money
11 expended from the fund pursuant to this subsection (7)(d) for purposes of
12 calculating the repayment of the administrative costs required by section
13 39-29-108 (2)(c)(H) SECTION 24-38.5-120 (3).

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

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

25 ~~(H) Up to eighty percent of the total money in the fund may be~~
26 ~~awarded as single-structure geothermal grants, and one-fourth of the grant~~
27 ~~money awarded under this subsection (8)(b)(H) must be awarded to~~

1 ~~eligible entities from or projects in low-income, disproportionately~~
2 ~~impacted, or just transition communities, as those communities are~~
3 ~~defined by the office; and~~

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

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

7 (B) ~~Medical campuses;~~

8 (C) ~~Residential campuses;~~

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

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

11 (d) THE OFFICE MAY USE GRANT PROGRAM MONEY TO SUPPORT
12 EDUCATION, OUTREACH, AND ENGAGEMENT WITH THE GENERAL PUBLIC
13 AND RELEVANT STAKEHOLDERS TO FACILITATE THE GROWTH OF THE
14 GEOTHERMAL SECTOR IN COLORADO.

15 **SECTION 5. In Colorado Revised Statutes, 24-38.5-120, amend**
16 **(3) and (4) as follows:**

17 **24-38.5-120. Decarbonization tax credits administration cash**
18 **fund - definitions - repeal.** (3) (a) Subject to annual appropriation by the
19 general assembly, for state fiscal years 2023-24 through 2034-35, the
20 office and the department may expend money from the fund for direct and
21 indirect costs associated with the implementation and administration of
22 the decarbonization tax credits.

23 (b) (I) MONEY IN THE FUND MAY ALSO BE USED TO REPAY
24 ADMINISTRATIVE COSTS TO THE RESPECTIVE CASH FUNDS. THE STATE
25 TREASURER SHALL TRANSFER MONEY FROM THE FUND IN THE AMOUNT
26 ATTRIBUTABLE TO ADMINISTRATIVE COSTS TO THE RESPECTIVE CASH
27 FUNDS SO THAT ALL ADMINISTRATIVE COSTS ARE REPAYED TO THE

1 RESPECTIVE CASH FUNDS ON OR BEFORE JUNE 29, 2024.

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

4 (A) "ADMINISTRATIVE COSTS" MEANS THE AMOUNT OF MONEY
5 EXPENDED FROM THE RESPECTIVE CASH FUNDS BY THE OFFICE AND THE
6 DEPARTMENT FOR THE ADMINISTRATION AND IMPLEMENTATION OF
7 CERTAIN INCOME TAX CREDITS, AS PROVIDED FOR IN SECTIONS
8 24-38.5-116 (6)(b)(II), 24-38.5-118 (7)(d), 24-38.5-506 (2)(b), AND OF
9 THE TEMPORARY SPECIFIC OWNERSHIP TAX RATE REDUCTION FOR
10 ELECTRIC MEDIUM-DUTY AND HEAVY-DUTY TRUCKS THAT ARE PART OF A
11 FLEET AS PROVIDED FOR IN SECTION 25-7-1405(2)(b).

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

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

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

27 **24-38.5-401. Energy code board - appointment - creation -**

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

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

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

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

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

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

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

15 **SECTION 7.** In Colorado Revised Statutes, 24-38.5-403, **amend**
16 (3)(a)(I) and (3)(c) as follows:

17 **24-38.5-403. Energy code training - energy code adoption -**
18 **grant writing assistance.** (3) (a) Within three days after June 2, 2022,
19 the state treasurer shall transfer three million dollars from the general
20 fund to the energy fund created in section 24-38.5-102.4. The Colorado
21 energy office shall expend the money transferred by the general assembly
22 pursuant to this subsection (3)(a) for the purposes of:

23 (I) Issuing grants, not to exceed a total of ~~two million~~ ONE
24 MILLION EIGHT HUNDRED SEVENTY-FIVE THOUSAND dollars, to local
25 governments to support their adoption and enforcement of the 2021
26 international energy conservation code, an electric ready and solar ready
27 code, and a low energy and carbon code and to cover the direct and

1 indirect costs associated with issuing these grants; and

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

9 **SECTION 8.** In Colorado Revised Statutes, 24-38.5-506, amend
10 (2)(b) as follows:

11 **24-38.5-506. Community access to electric bicycles cash fund**
12 **- creation - gifts, grants, or donations - transfer.** (2) (b) For state fiscal
13 years 2023-24 and 2024-25, the office and, subject to annual
14 appropriation, the department of revenue may expend money in the fund
15 for the administration and implementation of the electric bicycle tax
16 credit created in section 39-22-555. The office shall keep an accounting
17 of all money expended from the fund pursuant to this subsection (2)(b)
18 for purposes of calculating the repayment of the administrative costs
19 required by section 39-29-108(2)(c)(H) SECTION 24-38.5-120 (3).

20 **SECTION 9.** In Colorado Revised Statutes, 25-7-1405, amend
21 (2)(b) as follows:

22 **25-7-1405. Electrifying school buses grant program cash fund**
23 **- creation - gifts, grants, and donations - transfer.** (2) (b) For state
24 fiscal years 2023-24 and 2024-25, and subject to annual appropriation, the
25 Colorado energy office, created in section 24-38.5-101, and the
26 department of revenue may expend money from the fund for the
27 administration and implementation of the innovative motor vehicles and

1 innovative trucks tax credits created in sections 39-22-516.7 and
2 39-22-516.8 and for the specific ownership tax rate reduction for electric
3 medium-duty and heavy-duty trucks that are part of a fleet as set forth in
4 section 42-3-107(1)(a)(IV). The office shall keep an accounting of all
5 money expended from the fund pursuant to this subsection (2)(b) for
6 purposes of calculating the repayment of the administrative costs required
7 by section 39-29-108(2)(c)(H) SECTION 24-38.5-120 (3).

8 **SECTION 10.** In Colorado Revised Statutes, 39-22-551, **amend**
9 (2)(e) introductory portion, (2)(i), (2)(j), (3)(a)(II), and (3)(c) as follows:

10 **39-22-551. Industrial clean energy tax credit - tax preference**
11 **performance statement - definitions - report - repeal. (2) Definitions.**

12 As used in this section, unless the context otherwise requires:

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

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

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

27 (3) **Availability of credit and amount.** (a) For income tax years

1 commencing on or after January 1, 2024, but prior to January 1, 2033,
2 there shall be allowed a credit with respect to the income taxes imposed
3 pursuant to this article 22 to the owner of a qualified industrial facility in
4 an amount equal to:

5 (II) The applicable percentage of the capital costs paid by the
6 owner, not including the cost for design, and approved by the office for
7 certified greenhouse gas emissions reduction improvements that are
8 placed in service during the tax year in which the credit is claimed; except
9 that the credit must be claimed in an amount that is not less than
10 seventy-five thousand dollars and does not exceed ~~five~~ EIGHT million
11 dollars.

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

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

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

22 **SECTION 11.** In Colorado Revised Statutes, 39-22-552, **amend**
23 (1)(a), (2)(e), (2)(f) introductory portion, (2)(f)(VIII), and (2)(f)(IX); and
24 add (2)(f)(X), (2)(f.5), (2)(h), (2)(i), and (2)(j) as follows:

25 **39-22-552. Tax credit for expenditures made in connection**
26 **with a geothermal energy project - tax preference performance**
27 **statement - definitions - repeal.** (1) (a) In accordance with section

1 39-21-304(1), which requires each bill that creates a new tax expenditure
2 to include a tax preference performance statement as part of a statutory
3 legislative declaration, the general assembly finds and declares that the
4 purpose of the tax credit provided in this section is to induce certain
5 designated behavior by taxpayers and to provide a reduction in income
6 tax liability for certain businesses or individuals by providing a financial
7 incentive for the development of THERMAL ENERGY NETWORKS, electricity
8 generation from geothermal sources.

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

11

==

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

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

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

21 (III) A TRIBAL GOVERNMENT.

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

27 (VIII) Coproduction of geothermal ~~energy~~; or ENERGY INCLUDING

1 FOR INDUSTRIAL USES OR THERMAL ENERGY NETWORKS;

2 (IX) Power generation equipment; OR

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

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

10 == ==

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

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

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

22 == =====

23 **SECTION 12.** In Colorado Revised Statutes, 39-22-553, **amend**
24 (2)(c) and (3); and **add** (2)(d) and (3.5) as follows:

25 **39-22-553. Geothermal electricity generation production tax**
26 **credit - tax preference performance statement - definitions - repeal.**

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

1 requires:

2 (c) "Qualified entity" means ~~a person engaged in a trade or~~
3 ~~business that is subject to tax pursuant to this article 22 or a person or~~
4 ~~political subdivision of this state that is exempt from tax pursuant to~~
5 ~~section 39-22-112 (1), either of which produces electricity derived from~~
6 ~~geothermal energy for sale or for the person's or political subdivision's~~
7 ~~own use~~ ANY OF THE FOLLOWING PEOPLE OR ENTITIES THAT PRODUCE

8 ELECTRICITY DERIVED FROM GEOTHERMAL ENERGY FOR SALE OR USE:

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

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

13 (III) A TRIBAL GOVERNMENT.

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

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

27 (3.5) THE OFFICE SHALL ANNUALLY REVIEW AND EVALUATE THE

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

7
8 **SECTION 13.** In Colorado Revised Statutes, 39-22-557, **amend**
9 (2)(d) and (3)(c)(I) as follows:

10 **39-22-557. Clean hydrogen tax credit - qualified uses - tax**
11 **preference performance statement - definitions - legislative**
12 **declaration - repeal.** (2) As used in this section, unless the context
13 otherwise requires:

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

20 (3) (c) (I) For income tax years commencing on and after January
21 1, 2024, but before January 1, 2026, and not before the public utilities
22 commission adopts rules pursuant to ~~section 40-2-138 (3)(a)(I)~~, SECTION
23 40-2-138 (3)(a)(II), the office shall not issue a tax credit certificate to a
24 taxpayer indicating eligibility for a tax credit for an amount exceeding
25 one million dollars in a tax year.

26 **SECTION 14.** In Colorado Revised Statutes, 39-29-108, repeal
27 (2)(e)(II), (2)(e)(III)(A), and (2)(e)(III)(C) as follows:

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

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

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

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

22 **SECTION 15.** ~~In Colorado Revised Statutes, 40-3.2-108, amend~~
23 ~~(10) introductory portion as follows:~~

24 **40-3.2-108. Clean heat targets - legislative declaration -**
25 **definitions - plans - rules - reports.** ~~(10) No later than December 1,~~
26 ~~2024, DECEMBER 1, 2025, the commission, in consultation with the~~
27 ~~division, shall determine mass-based greenhouse gas emission reduction~~

1 targets for clean heat plans for 2035. In establishing these targets, the
2 commission shall:

3 **SECTION 16. Appropriation - adjustments to 2024 long bill.**

4 (1) To implement this act, cash funds appropriations from various
5 sources of cash funds made in the annual general appropriation act for the
6 2024-25 state fiscal year to the department of revenue are decreased as
7 follows:

8 **Executive Director's Office, Administration and Support**

9 Personal services \$424,001

10 Operating expenses \$64,770

11 **Taxation Business Group, Administration**

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

13 **Taxation Business Group, Taxation Services**

14 Personal services \$470,940

15 Operating expenses \$36,925

16 Document management \$7,590

17 (2) To implement this act, cash funds appropriations from the
18 decarbonization tax credits administration cash fund created in section
19 24-38.5-120 (2), C.R.S., made in the annual general appropriation act for
20 the 2024-25 state fiscal year to the department of revenue are increased
21 as follows:

22 **Executive Director's Office, Administration and Support**

23 Personal services \$424,001

24 Operating expenses \$64,770

25 **Taxation Business Group, Administration**

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

27 **Taxation Business Group, Taxation Services**

1	<u>Personal services</u>	<u>\$470,940</u>
2	<u>Operating expenses</u>	<u>\$36,925</u>
3	<u>Document management</u>	<u>\$7,590</u>

4 **SECTION 17. Appropriation.** For the 2024-25 state fiscal year,
5 \$958,596 is appropriated to the office of the governor for use by the
6 Colorado energy office. This appropriation is from the decarbonization
7 tax credits administration cash fund created in section 24-38.5-120 (2),
8 C.R.S., and is based on an assumption that the office will require an
9 additional 3.1 FTE. To implement this act, the office may use this
10 appropriation for program administration.

11 **SECTION 18. Safety clause.** The general assembly finds,
12 determines, and declares that this act is necessary for the immediate
13 preservation of the public peace, health, or safety or for appropriations for
14 the support and maintenance of the departments of the state and state
15 institutions.