

**First Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO**

PREAMENDED

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

LLS NO. 25-0584.01 Jery Payne x2157

HOUSE BILL 25-1120

HOUSE SPONSORSHIP

Smith,

SENATE SPONSORSHIP

Roberts,

House Committees

Energy & Environment
Finance

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE CREATION OF AN ENTERPRISE TO IMPLEMENT A**
102 **LOAN PROGRAM IN ORDER TO REPLACE FAILING SEPTIC**
103 **SYSTEMS.**

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>.)

The bill creates the septic-system replacement enterprise (enterprise), which operates as a government-owned business imposing and collecting a fee charged on septic-system permits and using the fee revenue to provide loans to replace failing septic systems (loan program).

The enterprise is governed by a board that consists of 7 members

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.*

appointed by the governor as follows:

- One member who is a county commissioner in a county that has rural areas;
- One member who is a member of a county board of health in a county that has rural areas;
- One member who is a member of a governing body of a municipality that has septic systems;
- One member who represents the department of public health and environment (department);
- One member who represents the department of local affairs;
- One member who represents an association of counties within Colorado and who lives in a rural area; and
- One member who is a rural homeowner with a septic system.

Each member of the board serves at the pleasure of the governor. The term of appointment is 4 years, with some members having staggered terms. Members of the board serve without compensation but are entitled to receive reimbursement for actual and necessary expenses incurred in the performance of the members' duties on the board. The board will meet as necessary.

The enterprise will impose a fee on septic-system permits and administer the collection of the fee, and the enterprise may issue revenue bonds, buy and sell property, enter into contracts, sue or be sued, hire employees, set up an office, place liens on property, adopt rules, and take any action necessary to implement the bill.

Starting January 15, 2027, and by January 15 each year through 2029, the enterprise will submit a written report to the governor, the joint budget committee, the house of representatives transportation, housing, and local government committee, and the senate local government and housing committee. The report must include:

- An accounting of the number of loans made under the loan program, the total amount of the loans, the average amount of a loan, and the number of septic systems replaced as a result of the loan program;
- An evaluation of the loan program; and
- Any legislative recommendations for the loan program.

The enterprise will impose a septic-system enterprise fee on each permit to install or replace a septic system. The fee is:

- \$10 if the fee for the septic-system permit is less than \$500;
- \$50 if the fee for the septic-system permit is \$500 or more but less than \$1,000;
- \$100 if the fee for the septic-system permit is \$1,000 or more but less than \$1,400; and
- \$200 if the fee for the septic-system permit is \$1,400 or

more.

The enterprise must consult with and coordinate with the water quality control commission (commission) and local boards of health that issue septic-system permits. The division of administration within the department and the local government that issues the permit may retain up to 5% of the fee to cover administrative costs. When the fee revenue is projected to exceed the amount reasonably necessary to implement the loan program and administer the bill, the enterprise shall adjust the amount of the fee so that the revenue will equal the amount of money needed to reasonably administer the loan program. The commission may adopt rules to implement the division of administration's collection of the fee.

The fee will be used by the enterprise to establish the loan program, which makes interest-free or low-interest loans to low-income or low-credit-score households to replace failing septic systems.

The enterprise will contract with at least 2 community development financial institutions (financial institutions) to administer the loan program. Standards are set for a financial institution to qualify to administer the loan program. The financial institution must enter into a contract with the enterprise. The bill sets contract standards, including authorization for a financial institution to include an administration fee in an amount reasonably calculated to cover the costs to implement the contract.

A financial institution will use the money collected from the fee to make loans to eligible homeowners in low-income or low-credit-score households for the purpose of replacing septic systems. The financial institution may establish reasonable standards and procedures to make loans in compliance with the bill and the contract.

The enterprise or the department may seek, accept, and expend gifts, grants, or donations from private or public sources to fund the bill.

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

2 **SECTION 1.** In Colorado Revised Statutes, **add** part 39 to article
3 32 of title 24 as follows:

4 PART 39

5 SEPTIC-SYSTEM REPLACEMENT ENTERPRISE

6 AND LOAN PROGRAM

7 **24-32-3901. Short title.** THE SHORT TITLE OF THIS PART 39 IS THE
8 "COMMUNITY LOANS FOR ESSENTIAL ACCESS TO NEW SEPTIC SYSTEMS

1 ACT" OR THE "CLEAN SEPTIC SYSTEMS ACT".

2 **24-32-3902. Legislative declaration.** (1) THE GENERAL
3 ASSEMBLY FINDS THAT:

4 (a) MANY OF COLORADO'S RURAL RESIDENTS WITH LOW INCOMES
5 OR LOW CREDIT SCORES MAY NOT QUALIFY FOR FINANCING TO REPLACE
6 FAILING SEPTIC SYSTEMS;

7 (b) FAILING SEPTIC SYSTEMS MAY AFFECT THE DRINKING WATER
8 SUPPLY OF PROPERTY IN THE AREA, AND THESE WATER SUPPLY PROBLEMS
9 CAN AFFECT THE HABITABILITY AND VALUE OF HOMES IN THE AREA;

10 (c) A STATE-ESTABLISHED AND -ADMINISTERED REVOLVING LOAN
11 PROGRAM WOULD GIVE RESIDENTS WITH LOW INCOMES OR LOW CREDIT
12 SCORES THE ABILITY TO FINANCE THE REPLACEMENT OF THEIR SEPTIC
13 SYSTEMS;

14 (d) THESE REPLACEMENTS HELP ALL THE HOMEOWNERS IN THE
15 AREA WHO WOULD BE AFFECTED BY BOTH THE HABITABILITY PROBLEMS
16 AND THE CONSEQUENTIAL LOWERING OF PROPERTY VALUES; AND

17 (e) BY MAKING THE LOANS AUTHORIZED BY THIS PART 39, THE
18 SEPTIC-SYSTEM REPLACEMENT ENTERPRISE OPERATES AS A BUSINESS.

19 (2) THE GENERAL ASSEMBLY FURTHER FINDS THAT, AS LOANS ARE
20 MADE AND REPAYED AND AS EACH YEAR'S FEE REVENUES ADD MONEY TO
21 THE LOAN PROGRAM, THE CAPITAL IN THE LOAN PROGRAM WILL INCREASE
22 UNTIL IT IS ABLE TO CONSISTENTLY HELP LOW-INCOME HOUSEHOLDS
23 REPLACE FAILING SEPTIC SYSTEMS.

24 (3) THE GENERAL ASSEMBLY DECLARES THAT THE FEE COLLECTED
25 BY THE ENTERPRISE IS A FEE, NOT A TAX, BECAUSE THE FEE IS IMPOSED FOR
26 THE SPECIFIC PURPOSE OF ALLOWING THE ENTERPRISE TO DEFRAY THE
27 COSTS OF PROVIDING LOANS TO HOMEOWNERS WHO HAVE FAILING SEPTIC

1 SYSTEMS. THE FEE IS COLLECTED AT A RATE THAT IS REASONABLY
2 CALCULATED TO REFLECT THE HOMEOWNER BENEFITS, INCLUDING
3 MAINTAINING THE HABITABILITY OF THE HOME, MAINTAINING THE VALUE
4 OF THE HOME, AND GIVING THE PAYING HOMEOWNER, IF THE HOMEOWNER
5 HAS A LOW INCOME OR LOW CREDIT SCORE, AN OPTION TO REPLACE THE
6 HOMEOWNER'S SEPTIC SYSTEM WHEN IT BEGINS TO FAIL.

7 (4) THE GENERAL ASSEMBLY FURTHER DECLARES THAT:

8 (a) SO LONG AS THE ENTERPRISE QUALIFIES AS AN ENTERPRISE FOR
9 PURPOSES OF SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION, THE
10 REVENUE FROM THE FEE COLLECTED BY THE ENTERPRISE IS NOT STATE
11 REVENUES, AS DEFINED IN SECTION 24-77-103.6 (6)(c), AND DOES NOT
12 COUNT AGAINST EITHER THE STATE FISCAL YEAR SPENDING LIMIT IMPOSED
13 BY SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION OR THE EXCESS
14 STATE REVENUES CAP, AS DEFINED IN SECTION 24-77-103.6 (6)(b)(I)(G);
15 AND

16 (b) NO OTHER ENTERPRISE CREATED SIMULTANEOUSLY OR WITHIN
17 THE PRECEDING FIVE YEARS SERVES PRIMARILY THE SAME PURPOSE AS THE
18 ENTERPRISE, AND THE ENTERPRISE WILL GENERATE REVENUE FROM FEES
19 AND SURCHARGES OF LESS THAN ONE HUNDRED MILLION DOLLARS TOTAL
20 IN ITS FIRST FIVE FISCAL YEARS. ACCORDINGLY, THE CREATION OF THE
21 ENTERPRISE DOES NOT REQUIRE VOTER APPROVAL PURSUANT TO SECTION
22 24-77-108.

23 **24-32-3903. Definitions.** AS USED IN THIS PART 39, UNLESS THE
24 CONTEXT OTHERWISE REQUIRES:

25 (1) "ADMINISTRATOR" MEANS A COMMUNITY DEVELOPMENT
26 FINANCIAL INSTITUTION THAT HAS ENTERED INTO A CONTRACT WITH THE
27 ENTERPRISE TO OFFER LOANS UNDER THE LOAN PROGRAM.

1 (2) "BOARD" MEANS THE GOVERNING BOARD CREATED IN SECTION
2 24-32-3905.

3 (3) "COMMISSION" MEANS THE WATER QUALITY CONTROL
4 COMMISSION CREATED IN SECTION 25-8-201.

5 (4) "COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION" MEANS
6 AN ENTITY THAT HAS A PRIMARY PURPOSE OF PROVIDING FINANCIAL
7 PRODUCTS OR SERVICES TO LOW-INCOME COMMUNITIES IN ORDER TO
8 EXPAND FINANCIAL OPPORTUNITY OR SECURITY FOR RESIDENTS OR
9 BUSINESSES IN THE LOW-INCOME COMMUNITIES.

10 (5) "DEPARTMENT" MEANS THE DEPARTMENT OF LOCAL AFFAIRS.

11 (6) "DIVISION" MEANS THE DIVISION OF ADMINISTRATION WITHIN
12 THE DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT.

13 (7) "ENTERPRISE" MEANS THE SEPTIC-SYSTEM REPLACEMENT
14 ENTERPRISE CREATED IN SECTION 24-32-3904.

15 (8) "EXECUTIVE DIRECTOR" MEANS THE EXECUTIVE DIRECTOR OF
16 THE DEPARTMENT OR THE EXECUTIVE DIRECTOR'S DESIGNEE.

17 (9) "FUND" MEANS THE SEPTIC-SYSTEM REPLACEMENT LOAN
18 PROGRAM FUND CREATED IN SECTION 24-32-3909.

19 (10) "LOAN PROGRAM" MEANS THE SEPTIC-SYSTEM REPLACEMENT
20 LOAN PROGRAM CREATED IN SECTION 24-32-3908.

21 (11) "LOCAL BOARD OF HEALTH" MEANS A LOCAL, COUNTY,
22 MUNICIPAL, OR DISTRICT BOARD OF HEALTH THAT REGULATES SEPTIC
23 SYSTEMS UNDER ARTICLE 10 OF TITLE 25.

24 (12) "LOCAL GOVERNMENT" HAS THE MEANING SET FORTH IN
25 SECTION 24-32-102 (7).

26 (13) "LOW-INCOME OR LOW-CREDIT-SCORE HOUSEHOLD" MEANS
27 A HOUSEHOLD MEETING AT LEAST ONE OF THE FOLLOWING CRITERIA:

1 (a) A HOUSEHOLD INCOME THAT IS LESS THAN OR EQUAL TO TWO
2 HUNDRED PERCENT OF THE FEDERAL POVERTY GUIDELINE;

3 (b) A HOUSEHOLD INCOME THAT IS LESS THAN OR EQUAL TO
4 EIGHTY PERCENT OF MEDIAN INCOME FOR THE COUNTY; OR

5 (c) A HOUSEHOLD WHERE THE PRIMARY INCOME EARNERS HAVE A
6 MEAN CREDIT SCORE OF LESS THAN SIX HUNDRED FORTY.

7 (14) (a) "SEPTIC SYSTEM" MEANS AN ON-SITE WASTEWATER
8 TREATMENT SYSTEM THAT TREATS, NEUTRALIZES, STABILIZES, OR
9 DISPERSES SEWAGE GENERATED ON THE PROPERTY.

10 (b) "SEPTIC SYSTEM" EXCLUDES A SYSTEM THAT IS PART OF OR
11 CONNECTED TO A SEWAGE TREATMENT WORKS, AS DEFINED IN SECTION
12 25-10-103 (20).

13 **24-32-3904. Creation of enterprise.** (1) THE SEPTIC-SYSTEM
14 REPLACEMENT ENTERPRISE IS CREATED IN THE DEPARTMENT.

15 (2) THE ENTERPRISE IS A **TYPE 1** ENTITY, AS DEFINED IN SECTION
16 24-1-105, AND EXERCISES ITS POWERS AND PERFORMS ITS DUTIES AND
17 FUNCTIONS UNDER THE DEPARTMENT.

18 (3) THE ENTERPRISE IS AND OPERATES AS A GOVERNMENT-OWNED
19 BUSINESS FOR THE BUSINESS PURPOSE OF IMPOSING A FEE ON
20 SEPTIC-SYSTEM PERMITS, COLLECTING THE FEE CHARGED, AND USING THE
21 FEE REVENUE TO PROVIDE LOANS TO REPLACE FAILING SEPTIC SYSTEMS.

22 (4) THE ENTERPRISE CONSTITUTES AN ENTERPRISE FOR PURPOSES
23 OF SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION SO LONG AS IT
24 RETAINS THE AUTHORITY TO ISSUE REVENUE BONDS AND RECEIVES LESS
25 THAN TEN PERCENT OF ITS TOTAL REVENUES IN GRANTS FROM ALL
26 COLORADO STATE AND LOCAL GOVERNMENTS COMBINED. SO LONG AS IT
27 CONSTITUTES AN ENTERPRISE IN ACCORDANCE WITH THIS SUBSECTION (4),

1 THE ENTERPRISE IS NOT SUBJECT TO SECTION 20 OF ARTICLE X OF THE
2 STATE CONSTITUTION.

3 **24-32-3905. Enterprise governing board - membership -**
4 **meetings.** (1) (a) THE ENTERPRISE IS GOVERNED BY A BOARD THAT
5 CONSISTS OF SEVEN MEMBERS APPOINTED BY THE GOVERNOR AS FOLLOWS:

6 (I) ONE MEMBER WHO IS A COUNTY COMMISSIONER IN A COUNTY
7 THAT HAS RURAL AREAS;

8 (II) ONE MEMBER WHO IS A MEMBER OF A COUNTY BOARD OF
9 HEALTH IN A COUNTY THAT HAS RURAL AREAS;

10 (III) ONE MEMBER WHO IS A MEMBER OF A GOVERNING BODY OF A
11 MUNICIPALITY THAT HAS SEPTIC SYSTEMS;

12 (IV) ONE MEMBER WHO REPRESENTS THE DEPARTMENT OF PUBLIC
13 HEALTH AND ENVIRONMENT;

14 (V) ONE MEMBER WHO REPRESENTS THE DEPARTMENT;

15 (VI) ONE MEMBER WHO REPRESENTS AN ASSOCIATION OF
16 COUNTIES WITHIN COLORADO AND WHO LIVES IN A RURAL AREA; AND

17 (VII) ONE MEMBER WHO REPRESENTS A STATEWIDE ASSOCIATION
18 OF SPECIAL DISTRICTS AND SERVES AS A BOARD MEMBER OR MANAGER OF
19 A WATER AND SANITATION DISTRICT OR OF A SANITATION DISTRICT.

20 (b) THE GOVERNOR SHALL MAKE THE INITIAL APPOINTMENTS TO
21 THE BOARD NO LATER THAN OCTOBER 31, 2025.

22 (c) EACH MEMBER OF THE BOARD WHO IS APPOINTED UNDER THIS
23 SUBSECTION (1) SERVES AT THE PLEASURE OF THE GOVERNOR. THE TERM
24 OF APPOINTMENT IS FOUR YEARS; EXCEPT THAT THE INITIAL TERM OF EACH
25 MEMBER APPOINTED UNDER SUBSECTIONS (1)(a)(I) AND (1)(a)(III) OF THIS
26 SECTION IS TWO YEARS.

27 (2) MEMBERS OF THE BOARD SERVE WITHOUT COMPENSATION BUT

1 ARE ENTITLED TO RECEIVE REIMBURSEMENT FOR ACTUAL AND NECESSARY
2 EXPENSES INCURRED IN THE PERFORMANCE OF THE MEMBERS' DUTIES ON
3 THE BOARD.

4 (3) (a) THE EXECUTIVE DIRECTOR SHALL ORGANIZE AND CALL THE
5 FIRST MEETING OF THE BOARD BY DECEMBER 1, 2025.

6 (b) THE BOARD SHALL ELECT A CHAIR FROM AMONG THE BOARD'S
7 MEMBERS TO SERVE FOR A TERM NOT TO EXCEED TWO YEARS, AS
8 DETERMINED BY THE BOARD.

9 (c) THE BOARD SHALL MEET AS NECESSARY FOR THE BOARD TO
10 COMPLETE ITS DUTIES.

11 **24-32-3906. Powers and duties of the enterprise - rules -**
12 **reports - repeal.** (1) THE ENTERPRISE SHALL ADMINISTER THE
13 COLLECTION OF THE FEE IMPOSED UNDER SECTION 24-32-3907, AND THE
14 ENTERPRISE MAY:

15 (a) ISSUE REVENUE BONDS, PAYABLE FROM THE SEPTIC-SYSTEM
16 PERMIT FEE REVENUE, TO IMPLEMENT THIS PART 39;

17 (b) BUY AND SELL PROPERTY;

18 (c) ENTER INTO CONTRACTS;

19 (d) SUE OR BE SUED;

20 (e) HIRE EMPLOYEES;

21 (f) SET UP AN OFFICE;

22 (g) PLACE LIENS ON PROPERTY;

23 (h) ADOPT RULES AS NECESSARY TO IMPLEMENT THIS PART 39;

24 AND

25 (i) TAKE ANY ACTION NECESSARY TO IMPLEMENT THIS PART 39.

26 (2) THE ENTERPRISE SHALL IMPLEMENT THIS PART 39.

27 (3) (a) ON OR BEFORE JANUARY 15, 2027, AND ON OR BEFORE

1 JANUARY 15 EACH YEAR THEREAFTER, THE ENTERPRISE SHALL SUBMIT A
2 WRITTEN REPORT TO THE GOVERNOR, THE JOINT BUDGET COMMITTEE, THE
3 HOUSE OF REPRESENTATIVES TRANSPORTATION, HOUSING, AND LOCAL
4 GOVERNMENT COMMITTEE, AND THE SENATE LOCAL GOVERNMENT AND
5 HOUSING COMMITTEE, OR THEIR SUCCESSOR COMMITTEES. THE REPORT
6 MUST INCLUDE:

7 (I) AN ACCOUNTING OF THE NUMBER OF LOANS MADE UNDER THE
8 LOAN PROGRAM, THE TOTAL AMOUNT OF THE LOANS, THE AVERAGE
9 AMOUNT OF A LOAN, AND THE NUMBER OF SEPTIC SYSTEMS REPLACED AS
10 A RESULT OF THE LOAN PROGRAM;

11 (II) AN EVALUATION OF THE LOAN PROGRAM; AND

12 (III) ANY LEGISLATIVE RECOMMENDATIONS FOR THE LOAN
13 PROGRAM.

14 (b) THIS SUBSECTION (3) IS REPEALED, EFFECTIVE JULY 1, 2029.

15 **24-32-3907. Septic-system permit fee - collection for the**
16 **enterprise - memoranda of understanding with local governments -**

17 **rules - repeal.** (1) (a) IN FURTHERANCE OF THE ENTERPRISE'S BUSINESS
18 PURPOSES, THE ENTERPRISE SHALL IMPOSE A FEE ON EACH PERMIT THAT IS
19 ISSUED TO INSTALL OR REPLACE A SEPTIC SYSTEM, BUT NOT A PERMIT
20 ISSUED TO MODIFY, REPAIR, OR ALTER A SEPTIC SYSTEM. THE ENTERPRISE
21 FEE IS:

22 (I) TEN DOLLARS IF THE FEE FOR THE SEPTIC-SYSTEM PERMIT IS
23 LESS THAN FIVE HUNDRED DOLLARS;

24 (II) FIFTY DOLLARS IF THE FEE FOR THE SEPTIC-SYSTEM PERMIT IS
25 FIVE HUNDRED DOLLARS OR MORE BUT LESS THAN ONE THOUSAND
26 DOLLARS;

27 (III) ONE HUNDRED DOLLARS IF THE FEE FOR THE SEPTIC-SYSTEM

1 PERMIT IS ONE THOUSAND DOLLARS OR MORE BUT LESS THAN ONE
2 THOUSAND FOUR HUNDRED DOLLARS; AND

3 (IV) TWO HUNDRED DOLLARS IF THE FEE FOR THE SEPTIC-SYSTEM
4 PERMIT IS ONE THOUSAND FOUR HUNDRED DOLLARS OR MORE.

5 (b) TO IMPLEMENT THIS SECTION, THE DEPARTMENT SHALL
6 CONSULT WITH AND COORDINATE WITH THE COMMISSION AND THE LOCAL
7 BOARD OF HEALTH THAT ISSUES SEPTIC-SYSTEM PERMITS. THE
8 DEPARTMENT SHALL ENTER INTO A MEMORANDUM OF UNDERSTANDING
9 WITH EACH LOCAL BOARD OF HEALTH THAT ISSUES SEPTIC-SYSTEM
10 PERMITS TO COLLECT THE FEE. A LOCAL BOARD OF HEALTH SHALL NOT
11 REFUSE TO ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH THE
12 DEPARTMENT.

13 (c) EACH LOCAL GOVERNMENT AND THE DIVISION SHALL TRANSFER
14 THE FEE TO THE DEPARTMENT; EXCEPT THAT THE DIVISION OR THE LOCAL
15 GOVERNMENT THAT COLLECTS THE FEE MAY RETAIN UP TO FIVE PERCENT
16 OF THE FEE TO COVER ADMINISTRATIVE COSTS. THE STATE TREASURER
17 SHALL CREDIT THE FEE TO THE FUND.

18 (d) THE MONEY COLLECTED AND HELD BY THE DEPARTMENT, THE
19 DIVISION, OR A LOCAL GOVERNMENT PURSUANT TO THIS SUBSECTION (1):

20 (I) IS COLLECTED FOR THE ENTERPRISE;

21 (II) IS CUSTODIAL MONEY INTENDED FOR THE ENTERPRISE AND
22 HELD TEMPORARILY BY THE DEPARTMENT, THE DIVISION, OR A LOCAL
23 GOVERNMENT AND THE STATE TREASURER SOLELY FOR THE PURPOSE OF
24 CREDITING THE MONEY TO THE FUND; AND

25 (III) BASED ON THE ENTERPRISE'S STATUS AS AN ENTERPRISE, IS
26 NOT SUBJECT TO SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION
27 AT ANY TIME DURING ITS COLLECTION, TRANSMISSION, AND USE.

1 (2) WHEN THE FEE REVENUE IS PROJECTED TO EXCEED THE
2 AMOUNT REASONABLY NECESSARY TO IMPLEMENT THE LOAN PROGRAM
3 AND ADMINISTER THIS PART 39, THE ENTERPRISE SHALL ADJUST THE
4 AMOUNT OF THE FEE SO THAT THE REVENUE WILL EQUAL THE AMOUNT OF
5 MONEY NEEDED TO REASONABLY ADMINISTER THE LOAN PROGRAM. THE
6 ENTERPRISE SHALL NOTIFY THE COMMISSION AND EACH LOCAL BOARD OF
7 HEALTH FOR A LOCAL GOVERNMENT THAT COLLECTS THE FEE OF THE FEE
8 CHANGE.

9 (3) THE COMMISSION MAY ADOPT RULES TO IMPLEMENT THE
10 DIVISION'S COLLECTION OF THE FEE PURSUANT TO THIS SECTION.

11 (4)(a) THE ENTERPRISE, THE DIVISION, AND A LOCAL GOVERNMENT
12 THAT ISSUES SEPTIC-SYSTEM PERMITS SHALL TIMELY TAKE ANY ACTION
13 NECESSARY TO BEGIN COLLECTING THE FEE BY JULY 1, 2026.

14 (b) THIS SUBSECTION (4) IS REPEALED, EFFECTIVE JULY 1, 2028.

15 **24-32-3908. Septic-system replacement loan program -**
16 **contracts with administrators for implementation.** (1) THE
17 ENTERPRISE SHALL ESTABLISH A SEPTIC-SYSTEM REPLACEMENT LOAN
18 PROGRAM TO MAKE INTEREST-FREE OR LOW-INTEREST LOANS TO
19 LOW-INCOME OR LOW-CREDIT-SCORE HOUSEHOLDS TO REPLACE FAILING
20 SEPTIC SYSTEMS.

21 (2) (a) THE ENTERPRISE SHALL CONTRACT WITH AT LEAST TWO
22 COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS TO ADMINISTER THE
23 LOAN PROGRAM IN ACCORDANCE WITH THIS PART 39. TO QUALIFY TO
24 ADMINISTER THE LOAN PROGRAM, A COMMUNITY DEVELOPMENT
25 FINANCIAL INSTITUTION MUST:

- 26 (I) BE A NONPROFIT ORGANIZATION; AND
- 27 (II) DEMONSTRATE THE CAPACITY AND PROFICIENCY NECESSARY

1 TO ADMINISTER THE LOAN PROGRAM.

2 (b) THE ENTERPRISE SHALL:

3 (I) USE AN OPEN AND COMPETITIVE PROCESS TO SELECT EACH
4 ENTITY THAT ADMINISTERS THE LOAN PROGRAM;

5 (II) CONTRACT WITH EACH SELECTED ADMINISTRATOR TO PROVIDE
6 LOANS;

7 (III) ESTABLISH PERFORMANCE BENCHMARKS AND PERFORMANCE
8 REVIEWS FOR EACH ADMINISTRATOR; AND

9 (IV) ESTABLISH MINIMUM LOAN STANDARDS, INCLUDING
10 REQUIRING THAT THE LOANS BE MADE TO LOW-INCOME OR
11 LOW-CREDIT-SCORE HOUSEHOLDS AND SETTING THE MAXIMUM INCOME
12 REQUIREMENT FOR LOAN AMOUNTS.

13 (c) (I) TO PROVIDE LOANS UNDER THE LOAN PROGRAM, AN
14 ADMINISTRATOR MUST ENTER INTO A CONTRACT WITH THE ENTERPRISE.
15 THE CONTRACT MUST:

16 (A) SET FORTH THE CRITERIA FOR MAKING A LOAN IN ACCORDANCE
17 WITH THIS PART 39;

18 (B) CONTAIN THE PERFORMANCE BENCHMARKS ESTABLISHED
19 PURSUANT TO SUBSECTION (2)(b)(III) OF THIS SECTION;

20 (C) REQUIRE THE IMPLEMENTATION OF THE PERFORMANCE
21 REVIEWS ESTABLISHED PURSUANT TO SUBSECTION (2)(b)(III) OF THIS
22 SECTION;

23 (D) BE OF LIMITED DURATION, NOT TO EXCEED THREE YEARS; AND

24 (E) REQUIRE THE ADMINISTRATOR TO REPAY ALL LENDING
25 CAPITAL THAT IS NOT COMMITTED TO LOANS UNDER THE LOAN PROGRAM
26 AND ALL PRINCIPAL AND INTEREST THAT IS REPAYED BY BORROWERS UNDER
27 THE LOAN PROGRAM AT THE END OF THE CONTRACT PERIOD IF, IN THE

1 JUDGMENT OF THE ENTERPRISE, THE ADMINISTRATOR HAS NOT
2 SUCCESSFULLY PERFORMED THE CONTRACT.

3 (II) THE CONTRACT MAY INCLUDE AN ADMINISTRATION FEE
4 ESTABLISHED BY THE ADMINISTRATOR IN AN AMOUNT REASONABLY
5 CALCULATED TO COVER THE ADMINISTRATIVE COSTS OF THE
6 ADMINISTRATOR TO IMPLEMENT THE CONTRACT.

7 (3) (a) THE ENTERPRISE MAY USE MONEY FROM THE FUND TO
8 ESTABLISH AND ADMINISTER THE LOAN PROGRAM IN ACCORDANCE WITH
9 THIS SECTION.

10 (b) AN ADMINISTRATOR SHALL USE THE MONEY TO MAKE LOANS
11 TO ELIGIBLE HOMEOWNERS IN LOW-INCOME OR LOW-CREDIT-SCORE
12 HOUSEHOLDS FOR THE PURPOSE OF REPLACING SEPTIC SYSTEMS.

13 (4) AN ADMINISTRATOR MAY ESTABLISH REASONABLE STANDARDS
14 AND PROCEDURES TO MAKE LOANS IF EACH STANDARD AND PROCEDURE
15 COMPLIES WITH THIS PART 39 AND THE CONTRACT WITH THE ENTERPRISE.

16 **24-32-3909. Septic-system replacement loan program fund.**

17 (1) THE SEPTIC-SYSTEM REPLACEMENT LOAN PROGRAM FUND IS CREATED
18 IN THE STATE TREASURY. THE FUND CONSISTS OF THE FEES CREDITED TO
19 THE FUND PURSUANT TO SECTION 24-32-3907, ANY GIFTS, GRANTS, OR
20 DONATIONS MADE TO THE ENTERPRISE OR THE DEPARTMENT, OR ANY
21 MONEY THAT THE GENERAL ASSEMBLY APPROPRIATES OR TRANSFERS TO
22 THE FUND.

23 (2) THE STATE TREASURER SHALL CREDIT ALL INTEREST AND
24 INCOME DERIVED FROM THE DEPOSIT AND INVESTMENT OF MONEY IN THE
25 FUND TO THE FUND.

26 (3) MONEY IN THE FUND IS CONTINUOUSLY APPROPRIATED TO THE
27 ENTERPRISE TO IMPLEMENT THIS PART 39.

1 **24-32-3910. Gifts, grants, and donations.** THE ENTERPRISE OR
2 THE DEPARTMENT MAY SEEK, ACCEPT, AND EXPEND GIFTS, GRANTS, OR
3 DONATIONS FROM PRIVATE OR PUBLIC SOURCES FOR THE PURPOSES OF THIS
4 PART 39. THE STATE TREASURER SHALL CREDIT THE MONEY TO THE FUND.

5 **SECTION 2.** In Colorado Revised Statutes, 25-10-107, **add** (5)
6 as follows:

7 **25-10-107. Fees - rules - repeal.** (5) IN ADDITION TO THE FEES
8 ESTABLISHED IN THIS SECTION, EACH LOCAL BOARD OF HEALTH AND THE
9 DIVISION SHALL COORDINATE WITH THE SEPTIC-SYSTEM REPLACEMENT
10 ENTERPRISE, CREATED IN SECTION 24-32-3904, TO COLLECT THE FEE
11 ESTABLISHED IN SECTION 24-32-3907. THE COMMISSION MAY ADOPT
12 RULES NECESSARY TO IMPLEMENT SECTION 24-32-3907.

13 **SECTION 3. Act subject to petition - effective date.** This act
14 takes effect at 12:01 a.m. on the day following the expiration of the
15 ninety-day period after final adjournment of the general assembly; except
16 that, if a referendum petition is filed pursuant to section 1 (3) of article V
17 of the state constitution against this act or an item, section, or part of this
18 act within such period, then the act, item, section, or part will not take
19 effect unless approved by the people at the general election to be held in
20 November 2026 and, in such case, will take effect on the date of the
21 official declaration of the vote thereon by the governor.