

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

**REREVISED**

*This Version Includes All Amendments  
Adopted in the Second House*

LLS NO. 22-0279.01 Jason Gelender x4330

**SENATE BILL 22-025**

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**SENATE SPONSORSHIP**

**Hansen,** Donovan, Lee, Rankin

**HOUSE SPONSORSHIP**

**Bird and McCluskie,** Bernett, Lindsay, Snyder, Valdez D.

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**Senate Committees**

Finance  
Appropriations

**House Committees**

Finance  
Appropriations

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**A BILL FOR AN ACT**

101      **CONCERNING STATE CAPITAL FINANCING MANAGED BY THE STATE**  
102              **TREASURER, AND, IN CONNECTION THEREWITH, EXPANDING THE**  
103              **TYPES OF COLLATERAL THAT CAN BE USED TO SECURE SUCH**  
104              **FINANCING AND MAKING AN APPROPRIATION.**

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**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>.)*

In the capital financing context:

- A security token is a digital, liquid contract made verifiable and secure through the use of blockchain technology that

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

HOUSE  
3rd Reading Unamended  
May 10, 2022

HOUSE  
Amended 2nd Reading  
May 5, 2022

SENATE  
3rd Reading Unamended  
March 14, 2022

SENATE  
Amended 2nd Reading  
March 11, 2022

- establishes its holder's right to a fraction of a financial asset such as a stock, bond, or certificate of participation; and
- A security token offering is a capital financing method in which security tokens representing fractional interests in a financial asset are sold to investors in lieu of selling the actual financial asset to investors.

**Section 2** of the bill requires the state treasurer to study the feasibility of using security token offerings for state capital financing and determine the extent to which the use of security token offerings of state capital financing would be in the best interest of the state. The state treasurer is required to complete the study and report the study findings to the finance committees and joint budget committee of the general assembly by March 1, 2023, and to post the study findings on the department of the treasury's website. If the state treasurer determines that the use of security token offerings for state capital financing is feasible and in the best interest of the state, the state treasurer may use security token offerings for any state capital financing managed by the state treasurer.

**Section 1** amends the definition of "financial obligation" used in the statute that governs state capital financing managed by the state treasurer to include security token offerings and requires the state public financing policy to include criteria for the issuance or incurrence of any authorized security token offering.

**Section 3** broadens the definition of "eligible state facility" used for purposes of identifying the types of state-owned assets that may be used as collateral for state capital financing used to finance capital construction and transportation projects.

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

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3 **SECTION 1.** In Colorado Revised Statutes, 24-36-121, **amend**

4 (7)(b) as follows:

5 **24-36-121. Authority to manage state public financing - state**

6 **public financing cash fund - rules - legislative declaration -**

7 **definitions.** (7) (b) To the extent permitted by bond counsel, the ~~moneys~~

8 MONEY in the state public financing cash fund shall be used to reimburse

9 the state treasurer for verifiable costs incurred in performing or

10 overseeing the state's primary issuance compliance and post-issuance

1 compliance responsibilities over the term of a financial obligation,  
2 including complying with or monitoring compliance with the  
3 requirements of the internal revenue code, making public disclosures or  
4 continuing disclosure undertakings required pursuant to federal securities  
5 laws or ensuring that such disclosures are made, and performing or  
6 coordinating requirements in connection with the financial obligation.  
7 THE STATE TREASURER MAY ALSO EXPEND UP TO ONE HUNDRED  
8 TWENTY-FIVE THOUSAND DOLLARS FROM THE STATE PUBLIC FINANCING  
9 CASH FUND TO FUND THE COMPLETION OF THE STUDY OF THE FEASIBILITY  
10 OF USING SECURITY TOKEN OFFERINGS FOR STATE CAPITAL FINANCING  
11 REQUIRED BY SECTION 24-36-121.5 (3).

12 SECTION 2. In Colorado Revised Statutes, add 24-36-121.5 as  
13 follows:

14 24-36-121.5. Use of security tokens for state capital financing  
15 - feasibility study - authorization of use - legislative declaration -  
16 definitions. (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND  
17 DECLARES THAT:

18 (I) SECTION 3 OF ARTICLE XI OF THE STATE CONSTITUTION  
19 PROHIBITS THE STATE FROM ISSUING GENERAL OBLIGATION DEBT, AND  
20 SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION GENERALLY  
21 REQUIRES THE STATE TO OBTAIN VOTER APPROVAL IN ADVANCE BEFORE  
22 INCURRING ANY MULTIPLE-FISCAL YEAR DIRECT OR INDIRECT DISTRICT  
23 DEBT OR OTHER FINANCIAL OBLIGATION WHATSOEVER;

24 (II) DUE TO THESE LIMITATIONS, THE STATE TYPICALLY ENGAGES  
25 IN CAPITAL FINANCING BY:

26 (A) ISSUING SHORT-TERM TAX OR REVENUE ANTICIPATION NOTES,  
27 WHICH THE STATE MUST REPAY WITHIN THE SAME STATE FISCAL YEAR IN

1 WHICH THEY ARE ISSUED FOR THE PURPOSE OF SMOOTHING GENERAL FUND  
2 CASH FLOW; AND

3 (B) ENTERING INTO ANNUALLY RENEWABLE FINANCED PURCHASE  
4 OF AN ASSET OR CERTIFICATE OF PARTICIPATION AGREEMENTS, WHICH  
5 GRANT PURCHASERS OF CERTIFICATES OF PARTICIPATION THE RIGHT TO  
6 RECEIVE LEASE PAYMENTS, FOR THE PURPOSE OF FINANCING THE  
7 CONSTRUCTION, IMPROVEMENT, OR ACQUISITION OF CAPITAL ASSETS;

8 (III) CERTIFICATES OF PARTICIPATION ISSUED IN CONNECTION WITH  
9 A FINANCED PURCHASE OF AN ASSET OR CERTIFICATE OF PARTICIPATION  
10 AGREEMENT EVIDENCE PROPORTIONATE INTERESTS IN THE BASE RENTALS  
11 PAID BY THE STATE PURSUANT TO THE AGREEMENT; AND

12 (IV) THE USE OF FINANCED PURCHASE OF AN ASSET OR  
13 CERTIFICATE OF PARTICIPATION AGREEMENTS BY THE STATE FOR CAPITAL  
14 FINANCING MAY LIMIT THE UNIVERSE OF INVESTORS THAT CAN INVEST IN  
15 THE STATE AND ASSIST IN FINANCING STATE CAPITAL PROJECTS AND MAY  
16 INCREASE THE STATE'S CAPITAL FINANCING COSTS.

17 (b) THE GENERAL ASSEMBLY FURTHER FINDS AND DECLARES THAT:

18 (I) THE EMERGENCE OF DECENTRALIZED, SECURE BLOCKCHAIN  
19 TECHNOLOGY ALLOWS SECURITY TOKEN OFFERINGS TO BE USED FOR  
20 CAPITAL FINANCING;

21 (II) A SECURITY TOKEN OFFERING IS A CAPITAL FINANCING  
22 METHOD IN WHICH SECURITY TOKENS, WHICH ARE DIGITAL, LIQUID  
23 CONTRACTS MADE VERIFIABLE AND SECURE THROUGH THE USE OF  
24 BLOCKCHAIN TECHNOLOGY THAT ESTABLISH A TOKEN OWNER'S RIGHT TO  
25 A FRACTION OF A FINANCIAL ASSET, ARE SOLD TO INVESTORS;

26 (III) IF THE GENERAL ASSEMBLY, AFTER A STUDY BY THE STATE  
27 TREASURER OF THE FEASIBILITY OF USING SECURITY TOKEN OFFERINGS FOR

1 STATE CAPITAL FINANCING, AUTHORIZES THE STATE TO USE THIS NEW AND  
2 INNOVATIVE METHOD OF CAPITAL FINANCING, THE STATE COULD  
3 SUBSTANTIALLY REDUCE ITS CAPITAL FINANCING COSTS BY:

4 (A) ALLOWING A MUCH BROADER RANGE OF INVESTORS,  
5 INCLUDING ORDINARY INDIVIDUALS, TO INVEST IN UNDERLYING FINANCIAL  
6 ASSETS SUCH AS CERTIFICATES OF PARTICIPATION ISSUED IN CONNECTION  
7 WITH FINANCED PURCHASE OF AN ASSET OR CERTIFICATE OF  
8 PARTICIPATION AGREEMENTS BY PURCHASING SECURITY TOKENS THAT  
9 EVIDENCE THEIR INVESTMENTS, THEREBY INCREASING INVESTOR DEMAND  
10 FOR THE UNDERLYING FINANCIAL ASSETS AND REDUCING THE RATE OF  
11 INTEREST THAT THE STATE MUST PAY TO INVESTORS; AND

12 (B) REDUCING THE STATE'S DEPENDENCE ON COMMERCIAL BANKS,  
13 INSTITUTIONAL INVESTORS, MUTUAL FUNDS, AND PENSION FUNDS WHEN  
14 OBTAINING CAPITAL FINANCING AND THE HIGH UNDERWRITING FEES,  
15 INTEREST, AND OTHER TRANSACTIONAL COSTS THAT RESULT FROM THAT  
16 DEPENDENCE;

17 (IV) IN ADDITION TO REDUCING COSTS, IF AUTHORIZED BY THE  
18 GENERAL ASSEMBLY, THE STATE'S USE OF SECURITY TOKEN OFFERINGS FOR  
19 CAPITAL FINANCING WILL ALLOW ORDINARY COLORADANS, WHO AS  
20 TAXPAYERS COLLECTIVELY OWN STATE-OWNED CAPITAL ASSETS, TO ALSO  
21 SHARE IN THE OWNERSHIP OF LEASED STATE CAPITAL ASSETS UNTIL THE  
22 STATE HAS PAID ALL OF ITS LEASE OBLIGATIONS AND OBTAINED  
23 OWNERSHIP OF THE ASSETS; AND

24 (V) BECAUSE THE STATE HAS NOT PREVIOUSLY USED SECURITY  
25 TOKEN OFFERINGS FOR CAPITAL FINANCING AND THE STATE TREASURER  
26 HAS SUBSTANTIAL EXPERIENCE AND INSTITUTIONAL EXPERTISE IN CAPITAL  
27 FINANCING AND PROVIDES CENTRALIZED CAPITAL FINANCING

1 MANAGEMENT ON BEHALF OF MANY STATE AGENCIES, IT IS NECESSARY  
2 AND APPROPRIATE TO:

3 (A) REQUIRE THE STATE TREASURER TO STUDY THE FEASIBILITY  
4 OF USING SECURITY TOKEN OFFERINGS FOR STATE CAPITAL FINANCING;  
5 AND

6 (B) AUTHORIZE THE STATE TREASURER TO RECOMMEND TO THE  
7 GENERAL ASSEMBLY THAT THE GENERAL ASSEMBLY ENACT LEGISLATION  
8 TO AUTHORIZE THE USE OF SECURITY TOKEN OFFERINGS FOR STATE  
9 CAPITAL FINANCING IF, AFTER COMPLETING THE FEASIBILITY STUDY, THE  
10 STATE TREASURER DETERMINES SUCH USE TO BE IN THE BEST INTEREST OF  
11 THE STATE.

12 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
13 REQUIRES:

14 (a) "BLOCKCHAIN TECHNOLOGY" MEANS A MATHEMATICALLY  
15 SECURED, CHRONOLOGICAL, DECENTRALIZED, DISTRIBUTED, AND DIGITAL  
16 LEDGER OR DATABASE THAT CONSISTS OF RECORDS OF TRANSACTIONS  
17 THAT CANNOT BE ALTERED RETROACTIVELY.

18 (b) "SECURITY TOKEN" MEANS A DIGITAL, LIQUID CONTRACT MADE  
19 VERIFIABLE AND SECURE THROUGH THE USE OF BLOCKCHAIN TECHNOLOGY  
20 THAT ESTABLISHES ITS OWNER'S RIGHT TO A FRACTION OF A FINANCIAL  
21 ASSET SUCH AS A STOCK, BOND, OR CERTIFICATE OF PARTICIPATION.

22 (c) "SECURITY TOKEN OFFERING" MEANS A CAPITAL FINANCING  
23 METHOD IN WHICH SECURITY TOKENS REPRESENTING FRACTIONAL  
24 INTERESTS IN A FINANCIAL ASSET ARE SOLD TO INVESTORS IN LIEU OF  
25 SELLING THE ACTUAL FINANCIAL ASSET TO INVESTORS.

26 (3) THE STATE TREASURER SHALL STUDY THE FEASIBILITY OF  
27 USING SECURITY TOKEN OFFERINGS FOR STATE CAPITAL FINANCING AND

1 DETERMINE THE EXTENT TO WHICH THE USE OF SECURITY TOKEN  
2 OFFERINGS OF STATE CAPITAL FINANCING WOULD BE IN THE BEST INTEREST  
3 OF THE STATE. THE STATE TREASURER SHALL COMPLETE THE STUDY AND  
4 REPORT THE STUDY FINDINGS TO THE HOUSE OF REPRESENTATIVES  
5 FINANCE COMMITTEE AND THE SENATE FINANCE COMMITTEE, OR THEIR  
6 SUCCESSOR COMMITTEES, AND TO THE JOINT BUDGET COMMITTEE BY  
7 MARCH 1, 2023. IF THE STATE TREASURER DETERMINES, AFTER  
8 COMPLETING THE FEASIBILITY STUDY, THAT THE USE OF SECURITY TOKENS  
9 FOR STATE CAPITAL FINANCING IS IN THE BEST INTEREST OF THE STATE,  
10 THE STATE TREASURER MAY RECOMMEND AS PART OF THE REPORT THAT  
11 THE GENERAL ASSEMBLY ENACT LEGISLATION TO AUTHORIZE SUCH USE.  
12 THE STATE TREASURER SHALL ALSO POST THE STUDY FINDINGS ON THE  
13 DEPARTMENT OF THE TREASURY'S WEBSITE.

14  
15 **SECTION 3.** In Colorado Revised Statutes, 24-82-1302, **amend**  
16 (3) as follows:

17 **24-82-1302. Definitions.** As used in this part 13, unless the  
18 context otherwise requires:

19 (3) "Eligible state facility" means any financially unencumbered  
20 ~~building, structure, or facility that is owned by the state, including a~~  
21 STATE-OWNED ASSET, INCLUDING, WITHOUT LIMITATION, ANY building,  
22 structure, ~~or~~ facility, OR LAND determined to be eligible by a governing  
23 board of a state institution of higher education, ~~and~~ BUT does not include  
24 any ASSET, building, structure, ~~or~~ facility, OR LAND that is part of the state  
25 emergency reserve for any state fiscal year as designated in the annual  
26 general appropriation act.

27 **SECTION 4. Appropriation.** (1) For the 2022-23 state fiscal

1 year, \$100,000 is appropriated to the department of the treasury. This  
2 appropriation is from the general fund. To implement this act, the  
3 department may use this appropriation as follows:

4 (a) \$70,000 for use by the administration division for operating  
5 expenses; and

6 (b) \$30,000 for the purchase of legal services.

7 (2) For the 2022-23 state fiscal year, \$30,000 is appropriated to  
8 the department of law. This appropriation is from reappropriated funds  
9 received from the department of the treasury under subsection (1)(b) of  
10 this section and is based on an assumption that the department of law will  
11 require an additional 0.2 FTE. To implement this act, the department of  
12 law may use this appropriation to provide legal services for the  
13 department of the treasury.

14 **SECTION 5. Act subject to petition - effective date.** This act  
15 takes effect at 12:01 a.m. on the day following the expiration of the  
16 ninety-day period after final adjournment of the general assembly; except  
17 that, if a referendum petition is filed pursuant to section 1 (3) of article V  
18 of the state constitution against this act or an item, section, or part of this  
19 act within such period, then the act, item, section, or part will not take  
20 effect unless approved by the people at the general election to be held in  
21 November 2022 and, in such case, will take effect on the date of the  
22 official declaration of the vote thereon by the governor.