



Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number: LLS 22-0279 **Date:** August 23, 2022
Prime Sponsors: Sen. Hansen **Bill Status:** Signed into Law
Rep. Bird; McCluskie **Fiscal Analyst:** Matt Bishop | 303-866-4796
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Bill Topic: **SECURITY TOKEN OFFERINGS STATE CAPITAL FINANCING**

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires that a study be conducted on the use of security token offerings for financing state capital projects. It increases state expenditures in FY 2022-23.

Appropriation Summary: For FY 2022-23, the bill requires and includes an appropriation of \$100,000 to the Department of the Treasury. See State Appropriations section.

Fiscal Note Status: The fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under SB 22-025

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$100,000	-
	Cash Funds	\$125,000	-
	Total Expenditures	\$225,000	-
	Total FTE	0.2 FTE	-
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$15,000	-

Summary of Legislation

The bill directs the State Treasurer to conduct a study to determine the feasibility of using security token offerings to finance capital construction projects. Security tokens are defined in the bill as digital, liquid contracts made verifiable and secure using blockchain technology, and establish an owner’s right to a fraction of a financial asset, such as a stock, bond, or certificate of participation.

The State Treasurer must submit a report on the study’s findings to the legislature by March 1, 2023, and post the findings on the Department of the Treasury’s website. If the study concludes that using security token offerings is feasible and in the best interest of the state, the State Treasurer may recommend that the General Assembly enact legislation authorizing their use for capital financing.

Regarding capital financing, the bill also broadens the definition of “eligible state facility” to any state-owned asset, including land, and requires that the state public financing policy be modified to include criteria for issuance of any authorized security token offering.

State Expenditures

The bill increases state expenditures in Department of the Treasury by \$225,000 in FY 2022-23. These amounts are paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under SB 22-025

	FY 2022-23	FY 2023-24
Department of Treasury		
Experts	\$105,000	-
Consultant	\$90,000	-
Legal Services	\$30,000	-
FTE – Legal Services	0.2 FTE	-
Total Cost	\$225,000	-
Total FTE	0.2 FTE	-

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of the Treasury. The State Treasurer will hire a consultant to facilitate the study and prepare the final report, and unbiased subject matter experts will be contracted to advise the study. Costs are based on contracting costs for similar sized studies.

Legal services. The Department of the Treasury requires 300 hours of legal services to support the study in FY 2022-23. Legal services are provided by the Department of Law at a rate of \$98.57 per hour.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to the amount of General Fund held in reserve by the amount shown in Table 1, which will decrease the amount of General Fund available for other purposes.

Effective Date

The bill was signed into law by the Governor on June 7, 2022, and it took effect on August 9, 2022.

State Appropriations

For FY 2022-23, the bill requires and includes a General Fund appropriation of \$100,000 to the Department of the Treasury. Of this amount, \$30,000 is reappropriated to the Department of Law, and 0.2 FTE.

The remaining expenditures are paid from the State Public Financing Cash Fund, which is continuously appropriated to the Department of the Treasury.

State and Local Government Contacts

Law Treasury