

Second Regular Session
Seventy-third General Assembly
STATE OF COLORADO

PREAMENDED

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

LLS NO. 22-0279.01 Jason Gelender x4330

SENATE BILL 22-025

SENATE SPONSORSHIP

Hansen, Donovan, Lee, Rankin

HOUSE SPONSORSHIP

Bird and McCluskie,

Senate Committees

Finance
Appropriations

House Committees

Finance
Appropriations

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.**

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.

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.

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

2

3 **SECTION 1.** In Colorado Revised Statutes, **add** 24-36-121.5 as
4 follows:

5 **24-36-121.5. Use of security tokens for state capital financing**
6 **- feasibility study - authorization of use - legislative declaration -**
7 **definitions.** (1) (a) THE GENERAL ASSEMBLY HEREBY FINDS AND
8 DECLARES THAT:

9 (I) SECTION 3 OF ARTICLE XI OF THE STATE CONSTITUTION
10 PROHIBITS THE STATE FROM ISSUING GENERAL OBLIGATION DEBT, AND

1 SECTION 20 OF ARTICLE X OF THE STATE CONSTITUTION GENERALLY
2 REQUIRES THE STATE TO OBTAIN VOTER APPROVAL IN ADVANCE BEFORE
3 INCURRING ANY MULTIPLE-FISCAL YEAR DIRECT OR INDIRECT DISTRICT
4 DEBT OR OTHER FINANCIAL OBLIGATION WHATSOEVER;

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

7 (A) ISSUING SHORT-TERM TAX OR REVENUE ANTICIPATION NOTES,
8 WHICH THE STATE MUST REPAY WITHIN THE SAME STATE FISCAL YEAR IN
9 WHICH THEY ARE ISSUED FOR THE PURPOSE OF SMOOTHING GENERAL FUND
10 CASH FLOW; AND

11 (B) ENTERING INTO ANNUALLY RENEWABLE FINANCED PURCHASE
12 OF AN ASSET OR CERTIFICATE OF PARTICIPATION AGREEMENTS, WHICH
13 GRANT PURCHASERS OF CERTIFICATES OF PARTICIPATION THE RIGHT TO
14 RECEIVE LEASE PAYMENTS, FOR THE PURPOSE OF FINANCING THE
15 CONSTRUCTION, IMPROVEMENT, OR ACQUISITION OF CAPITAL ASSETS;

16 (III) CERTIFICATES OF PARTICIPATION ISSUED IN CONNECTION WITH
17 A FINANCED PURCHASE OF AN ASSET OR CERTIFICATE OF PARTICIPATION
18 AGREEMENT EVIDENCE PROPORTIONATE INTERESTS IN THE BASE RENTALS
19 PAID BY THE STATE PURSUANT TO THE AGREEMENT; AND

20 (IV) THE USE OF FINANCED PURCHASE OF AN ASSET OR
21 CERTIFICATE OF PARTICIPATION AGREEMENTS BY THE STATE FOR CAPITAL
22 FINANCING MAY LIMIT THE UNIVERSE OF INVESTORS THAT CAN INVEST IN
23 THE STATE AND ASSIST IN FINANCING STATE CAPITAL PROJECTS AND MAY
24 INCREASE THE STATE'S CAPITAL FINANCING COSTS.

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

26 (I) THE EMERGENCE OF DECENTRALIZED, SECURE BLOCKCHAIN
27 TECHNOLOGY ALLOWS SECURITY TOKEN OFFERINGS TO BE USED FOR

1 CAPITAL FINANCING;

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

7 (III) IF THE GENERAL ASSEMBLY, AFTER A STUDY BY THE STATE
8 TREASURER OF THE FEASIBILITY OF USING SECURITY TOKEN OFFERINGS FOR
9 STATE CAPITAL FINANCING, AUTHORIZES THE STATE TO USE THIS NEW AND
10 INNOVATIVE METHOD OF CAPITAL FINANCING, THE STATE COULD
11 SUBSTANTIALLY REDUCE ITS CAPITAL FINANCING COSTS BY:

12 (A) ALLOWING A MUCH BROADER RANGE OF INVESTORS,
13 INCLUDING ORDINARY INDIVIDUALS, TO INVEST IN UNDERLYING FINANCIAL
14 ASSETS SUCH AS CERTIFICATES OF PARTICIPATION ISSUED IN CONNECTION
15 WITH FINANCED PURCHASE OF AN ASSET OR CERTIFICATE OF
16 PARTICIPATION AGREEMENTS BY PURCHASING SECURITY TOKENS THAT
17 EVIDENCE THEIR INVESTMENTS, THEREBY INCREASING INVESTOR DEMAND
18 FOR THE UNDERLYING FINANCIAL ASSETS AND REDUCING THE RATE OF
19 INTEREST THAT THE STATE MUST PAY TO INVESTORS; AND

20 (B) REDUCING THE STATE'S DEPENDENCE ON COMMERCIAL BANKS,
21 INSTITUTIONAL INVESTORS, MUTUAL FUNDS, AND PENSION FUNDS WHEN
22 OBTAINING CAPITAL FINANCING AND THE HIGH UNDERWRITING FEES,
23 INTEREST, AND OTHER TRANSACTIONAL COSTS THAT RESULT FROM THAT
24 DEPENDENCE;

25 (IV) IN ADDITION TO REDUCING COSTS, IF AUTHORIZED BY THE
26 GENERAL ASSEMBLY, THE STATE'S USE OF SECURITY TOKEN OFFERINGS FOR
27 CAPITAL FINANCING WILL ALLOW ORDINARY COLORADANS, WHO AS

1 TAXPAYERS COLLECTIVELY OWN STATE-OWNED CAPITAL ASSETS, TO ALSO
2 SHARE IN THE OWNERSHIP OF LEASED STATE CAPITAL ASSETS UNTIL THE
3 STATE HAS PAID ALL OF ITS LEASE OBLIGATIONS AND OBTAINED
4 OWNERSHIP OF THE ASSETS; AND

5 (V) BECAUSE THE STATE HAS NOT PREVIOUSLY USED SECURITY
6 TOKEN OFFERINGS FOR CAPITAL FINANCING AND THE STATE TREASURER
7 HAS SUBSTANTIAL EXPERIENCE AND INSTITUTIONAL EXPERTISE IN CAPITAL
8 FINANCING AND PROVIDES CENTRALIZED CAPITAL FINANCING
9 MANAGEMENT ON BEHALF OF MANY STATE AGENCIES, IT IS NECESSARY
10 AND APPROPRIATE TO:

11 (A) REQUIRE THE STATE TREASURER TO STUDY THE FEASIBILITY
12 OF USING SECURITY TOKEN OFFERINGS FOR STATE CAPITAL FINANCING;
13 AND

14 (B) AUTHORIZE THE STATE TREASURER TO RECOMMEND TO THE
15 GENERAL ASSEMBLY THAT THE GENERAL ASSEMBLY ENACT LEGISLATION
16 TO AUTHORIZE THE USE OF SECURITY TOKEN OFFERINGS FOR STATE
17 CAPITAL FINANCING IF, AFTER COMPLETING THE FEASIBILITY STUDY, THE
18 STATE TREASURER DETERMINES SUCH USE TO BE IN THE BEST INTEREST OF
19 THE STATE.

20 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
21 REQUIRES:

22 (a) "BLOCKCHAIN TECHNOLOGY" MEANS A MATHEMATICALLY
23 SECURED, CHRONOLOGICAL, DECENTRALIZED, DISTRIBUTED, AND DIGITAL
24 LEDGER OR DATABASE THAT CONSISTS OF RECORDS OF TRANSACTIONS
25 THAT CANNOT BE ALTERED RETROACTIVELY.

26 (b) "SECURITY TOKEN" MEANS A DIGITAL, LIQUID CONTRACT MADE
27 VERIFIABLE AND SECURE THROUGH THE USE OF BLOCKCHAIN TECHNOLOGY

1 THAT ESTABLISHES ITS OWNER'S RIGHT TO A FRACTION OF A FINANCIAL
2 ASSET SUCH AS A STOCK, BOND, OR CERTIFICATE OF PARTICIPATION.

3 (c) "SECURITY TOKEN OFFERING" MEANS A CAPITAL FINANCING
4 METHOD IN WHICH SECURITY TOKENS REPRESENTING FRACTIONAL
5 INTERESTS IN A FINANCIAL ASSET ARE SOLD TO INVESTORS IN LIEU OF
6 SELLING THE ACTUAL FINANCIAL ASSET TO INVESTORS.

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

22

23 **SECTION 2.** In Colorado Revised Statutes, 24-82-1302, **amend**
24 (3) as follows:

25 **24-82-1302. Definitions.** As used in this part 13, unless the
26 context otherwise requires:

27 (3) "Eligible state facility" means any financially unencumbered

1 ~~building, structure, or facility that is owned by the state, including a~~
2 STATE-OWNED ASSET, INCLUDING, WITHOUT LIMITATION, ANY building,
3 structure, ~~or~~ facility, OR LAND determined to be eligible by a governing
4 board of a state institution of higher education, ~~and~~ BUT does not include
5 any ASSET, building, structure, ~~or~~ facility, OR LAND that is part of the state
6 emergency reserve for any state fiscal year as designated in the annual
7 general appropriation act.

8 **SECTION 3. Appropriation.** (1) For the 2022-23 state fiscal
9 year, \$389,285 is appropriated to the department of the treasury. This
10 appropriation is from the general fund. To implement this act, the
11 department may use this appropriation as follows:

12 (a) \$340,000 for use by the administration division for operating
13 expenses; and

14 (b) \$49,285 for the purchase of legal services.

15 (2) For the 2022-23 state fiscal year, \$49,285 is appropriated to
16 the department of law. This appropriation is from reappropriated funds
17 received from the department of the Treasury under subsection (1)(b) of
18 this section and is based on an assumption that the department of law will
19 require an additional 0.3 FTE. To implement this act, the department of
20 law may use this appropriation to provide legal services for the
21 department of the treasury.

22 **SECTION 4. Act subject to petition - effective date.** This act
23 takes effect at 12:01 a.m. on the day following the expiration of the
24 ninety-day period after final adjournment of the general assembly; except
25 that, if a referendum petition is filed pursuant to section 1 (3) of article V
26 of the state constitution against this act or an item, section, or part of this
27 act within such period, then the act, item, section, or part will not take

1 effect unless approved by the people at the general election to be held in
2 November 2022 and, in such case, will take effect on the date of the
3 official declaration of the vote thereon by the governor.