

Second Regular Session  
Seventy-third General Assembly  
STATE OF COLORADO

**REENGROSSED**

*This Version Includes All Amendments  
Adopted in the House of Introduction*

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,**

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**Senate Committees**

Finance  
Appropriations

**House Committees**

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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, IF DEEMED FEASIBLE AND IN THE BEST**  
105           **INTEREST OF THE STATE BY THE STATE TREASURER AFTER A**  
106           **REQUIRED STUDY IS COMPLETED, AUTHORIZING THE USE OF**  
107           **SECURITY TOKEN OFFERINGS FOR SUCH FINANCING, AND**  
108           **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*

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

<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 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:*

2           **SECTION 1.** In Colorado Revised Statutes, 24-36-121, **amend**  
3 (3)(a)(I) introductory portion and (5) introductory portion; and **add**  
4 (5)(d.5) as follows:

5           **24-36-121. Authority to manage state public financing - state**  
6 **public financing cash fund - rules - legislative declaration -**  
7 **definitions.** (3) As used in this section, unless the context otherwise

1 requires:

2 (a) (I) "Financial obligation" means any financial contract, note,  
3 warrant, check, bond, certificate, instrument, debenture, SECURITY TOKEN  
4 OFFERING, AS DEFINED IN SECTION 24-36-121.5 (2)(c), or other security,  
5 the principal amount of which is one million dollars or more, that is  
6 authorized to be issued or entered into by the state acting by and through  
7 a state agency under the laws of this state, that is fully or partially secured  
8 by any state revenues, and that is directly or indirectly related to the state's  
9 credit rating. "Financial obligation" includes, but is not limited to:

10 (5) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (5)(d.5) OF  
11 THIS SECTION, no later than ninety days after May 24, 2012, the state  
12 treasurer shall promulgate by rule, in accordance with article 4 of this title  
13 TITLE 24, a state public financing policy, and, in so doing, shall  
14 collaborate with various experts, including but not limited to the state  
15 controller, the office of state planning and budgeting, bond counsel, and  
16 the attorney general. The state treasurer shall present the state public  
17 financing policy to the capital development committee at the earliest  
18 meeting of the capital development committee at which time is available  
19 in the meeting schedule after the policy is finalized and shall provide a  
20 copy of the final state public financing policy to the joint budget  
21 committee. The state treasurer shall notify the capital development  
22 committee and the joint budget committee, in writing, of any substantive  
23 changes that are subsequently made to the state public financing policy.  
24 For purposes of this subsection (5), the attorney general is the legal  
25 advisor to the state treasurer. The state public financing policy ~~shall~~ MUST  
26 include, but ~~shall~~ IS not ~~be~~ limited to, the following components:

27 (d.5) NO LATER THAN JUNE 1, 2023, THE CRITERIA FOR THE

1 ISSUANCE OR INCURRENCE OF ANY SECURITY TOKEN OFFERING  
2 AUTHORIZED BY SECTION 24-36-121.5 (4);

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

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

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

21 (B) ENTERING INTO ANNUALLY RENEWABLE FINANCED PURCHASE  
22 OF AN ASSET OR CERTIFICATE OF PARTICIPATION AGREEMENTS, WHICH  
23 GRANT PURCHASERS OF CERTIFICATES OF PARTICIPATION THE RIGHT TO  
24 RECEIVE LEASE PAYMENTS, FOR THE PURPOSE OF FINANCING THE  
25 CONSTRUCTION, IMPROVEMENT, OR ACQUISITION OF CAPITAL ASSETS;

26 (III) CERTIFICATES OF PARTICIPATION ISSUED IN CONNECTION WITH  
27 A FINANCED PURCHASE OF AN ASSET OR CERTIFICATE OF PARTICIPATION

1 AGREEMENT EVIDENCE PROPORTIONATE INTERESTS IN THE BASE RENTALS  
2 PAID BY THE STATE PURSUANT TO THE AGREEMENT; AND

3 (IV) THE USE OF FINANCED PURCHASE OF AN ASSET OR  
4 CERTIFICATE OF PARTICIPATION AGREEMENTS BY THE STATE FOR CAPITAL  
5 FINANCING MAY LIMIT THE UNIVERSE OF INVESTORS THAT CAN INVEST IN  
6 THE STATE AND ASSIST IN FINANCING STATE CAPITAL PROJECTS AND MAY  
7 INCREASE THE STATE'S CAPITAL FINANCING COSTS.

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

9 (I) THE EMERGENCE OF DECENTRALIZED, SECURE BLOCKCHAIN  
10 TECHNOLOGY ALLOWS SECURITY TOKEN OFFERINGS TO BE USED FOR  
11 CAPITAL FINANCING;

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

17 (III) IF THE STATE USES THIS NEW AND INNOVATIVE METHOD OF  
18 CAPITAL FINANCING, THE STATE COULD SUBSTANTIALLY REDUCE ITS  
19 CAPITAL FINANCING COSTS BY:

20 (A) ALLOWING A MUCH BROADER RANGE OF INVESTORS,  
21 INCLUDING ORDINARY INDIVIDUALS, TO INVEST IN UNDERLYING FINANCIAL  
22 ASSETS SUCH AS CERTIFICATES OF PARTICIPATION ISSUED IN CONNECTION  
23 WITH FINANCED PURCHASE OF AN ASSET OR CERTIFICATE OF  
24 PARTICIPATION AGREEMENTS BY PURCHASING SECURITY TOKENS THAT  
25 EVIDENCE THEIR INVESTMENTS, THEREBY INCREASING INVESTOR DEMAND  
26 FOR THE UNDERLYING FINANCIAL ASSETS AND REDUCING THE RATE OF  
27 INTEREST THAT THE STATE MUST PAY TO INVESTORS; AND

1 (B) REDUCING THE STATE'S DEPENDENCE ON COMMERCIAL BANKS,  
2 INSTITUTIONAL INVESTORS, MUTUAL FUNDS, AND PENSION FUNDS WHEN  
3 OBTAINING CAPITAL FINANCING AND THE HIGH UNDERWRITING FEES,  
4 INTEREST, AND OTHER TRANSACTIONAL COSTS THAT RESULT FROM THAT  
5 DEPENDENCE;

6 (IV) IN ADDITION TO REDUCING COSTS, THE STATE'S USE OF  
7 SECURITY TOKEN OFFERINGS FOR CAPITAL FINANCING WILL ALLOW  
8 ORDINARY COLORADANS, WHO AS TAXPAYERS COLLECTIVELY OWN  
9 STATE-OWNED CAPITAL ASSETS, TO ALSO SHARE IN THE OWNERSHIP OF  
10 LEASED STATE CAPITAL ASSETS UNTIL THE STATE HAS PAID ALL OF ITS  
11 LEASE OBLIGATIONS AND OBTAINED OWNERSHIP OF THE ASSETS; AND

12 (V) BECAUSE THE STATE HAS NOT PREVIOUSLY USED SECURITY  
13 TOKEN OFFERINGS FOR CAPITAL FINANCING AND THE STATE TREASURER  
14 HAS SUBSTANTIAL EXPERIENCE AND INSTITUTIONAL EXPERTISE IN CAPITAL  
15 FINANCING AND PROVIDES CENTRALIZED CAPITAL FINANCING  
16 MANAGEMENT ON BEHALF OF MANY STATE AGENCIES, IT IS NECESSARY  
17 AND APPROPRIATE TO:

18 (A) REQUIRE THE STATE TREASURER TO STUDY THE FEASIBILITY  
19 OF USING SECURITY TOKEN OFFERINGS FOR STATE CAPITAL FINANCING;  
20 AND

21 (B) AUTHORIZE THE STATE TREASURER TO USE SECURITY TOKEN  
22 OFFERINGS IF THE STATE TREASURER DETERMINES SUCH USE TO BE IN THE  
23 BEST INTEREST OF THE STATE.

24 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE  
25 REQUIRES:

26 (a) "BLOCKCHAIN TECHNOLOGY" MEANS A MATHEMATICALLY  
27 SECURED, CHRONOLOGICAL, DECENTRALIZED, DISTRIBUTED, AND DIGITAL

1 LEDGER OR DATABASE THAT CONSISTS OF RECORDS OF TRANSACTIONS  
2 THAT CANNOT BE ALTERED RETROACTIVELY.

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

7 (c) "SECURITY TOKEN OFFERING" MEANS A CAPITAL FINANCING  
8 METHOD IN WHICH SECURITY TOKENS REPRESENTING FRACTIONAL  
9 INTERESTS IN A FINANCIAL ASSET ARE SOLD TO INVESTORS IN LIEU OF  
10 SELLING THE ACTUAL FINANCIAL ASSET TO INVESTORS.

11 (3) THE STATE TREASURER SHALL STUDY THE FEASIBILITY OF  
12 USING SECURITY TOKEN OFFERINGS FOR STATE CAPITAL FINANCING AND  
13 DETERMINE THE EXTENT TO WHICH THE USE OF SECURITY TOKEN  
14 OFFERINGS OF STATE CAPITAL FINANCING WOULD BE IN THE BEST INTEREST  
15 OF THE STATE. THE STATE TREASURER SHALL COMPLETE THE STUDY AND  
16 REPORT THE STUDY FINDINGS TO THE HOUSE OF REPRESENTATIVES  
17 FINANCE COMMITTEE AND THE SENATE FINANCE COMMITTEE, OR THEIR  
18 SUCCESSOR COMMITTEES, AND TO THE JOINT BUDGET COMMITTEE BY  
19 MARCH 1, 2023. THE STATE TREASURER SHALL ALSO POST THE STUDY  
20 FINDINGS ON THE DEPARTMENT OF THE TREASURY'S WEBSITE.

21 (4) IF THE STATE TREASURER DETERMINES, AFTER COMPLETING  
22 AND REPORTING THE FINDINGS OF THE STUDY REQUIRED BY SUBSECTION  
23 (3) OF THIS SECTION, THAT THE USE OF SECURITY TOKEN OFFERINGS FOR  
24 STATE CAPITAL FINANCING IS FEASIBLE AND IN THE BEST INTEREST OF THE  
25 STATE, THE STATE TREASURER MAY USE SECURITY TOKEN OFFERINGS FOR  
26 ANY STATE CAPITAL FINANCING MANAGED BY THE STATE TREASURER  
27 PURSUANT TO SECTION 24-36-121.

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

3           **24-82-1302. Definitions.** As used in this part 13, unless the  
4 context otherwise requires:

5           (3) "Eligible state facility" means any financially unencumbered  
6 ~~building, structure, or facility that is owned by the state, including a~~  
7 STATE-OWNED ASSET, INCLUDING, WITHOUT LIMITATION, ANY building,  
8 structure, ~~or~~ facility, OR LAND determined to be eligible by a governing  
9 board of a state institution of higher education, ~~and~~ BUT does not include  
10 any ASSET, building, structure, ~~or~~ facility, OR LAND that is part of the state  
11 emergency reserve for any state fiscal year as designated in the annual  
12 general appropriation act.

13           **SECTION 4. Appropriation.** (1) For the 2022-23 state fiscal  
14 year, \$389,285 is appropriated to the department of the treasury. This  
15 appropriation is from the general fund. To implement this act, the  
16 department may use this appropriation as follows:

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

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

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

27           **SECTION 5. Act subject to petition - effective date.** This act

1 takes effect at 12:01 a.m. on the day following the expiration of the  
2 ninety-day period after final adjournment of the general assembly; except  
3 that, if a referendum petition is filed pursuant to section 1 (3) of article V  
4 of the state constitution against this act or an item, section, or part of this  
5 act within such period, then the act, item, section, or part will not take  
6 effect unless approved by the people at the general election to be held in  
7 November 2022 and, in such case, will take effect on the date of the  
8 official declaration of the vote thereon by the governor.