

HB0230S03 compared with HB0230S01

~~{Omitted text}~~ shows text that was in HB0230S01 but was omitted in HB0230S03
inserted text shows text that was not in HB0230S01 but was inserted into HB0230S03

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1 **Blockchain and Digital Innovation Amendments**
2025 GENERAL SESSION
STATE OF UTAH
Chief Sponsor: Jordan D. Teuscher
Senate Sponsor: Kirk A. Cullimore

2
3 **LONG TITLE**

4 **General Description:**

5 This bill creates authority for the state treasurer to invest public funds in certain digital
6 assets.

7 **Highlighted Provisions:**

8 This bill:

- 9 ▶ defines terms;
- 10 ▶ ~~{ authorizes the state treasurer to invest certain public funds in qualifying digital assets; }~~
- 11 ▶ ~~{ establishes requirements for }~~ prohibits state and local governmental entities from restricting the
acceptance or custody ~~{ and management }~~ of digital assets;
- 12 ▶ establishes the right to operate nodes, develop software, transfer digital assets, and
participate in staking on blockchain protocols;
- 12 ▶ creates ~~{ regulatory }~~ exemptions from money transmitter licensing requirements for ~~{ stablecoin~~
investments; and } certain blockchain and digital asset activities;
- 13 ▶ ~~{ authorizes the state treasurer to engage in staking and lending of digital assets under~~
specified conditions. }

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- 16 ▶ restricts the ability of political subdivisions to impose sound limitations or zoning
restrictions on digital asset mining businesses in industrial zones; and
- 18 ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

20 None

Other Special Clauses:

22 None

ENACTS:

25 **7-28-101** , Utah Code Annotated 1953 , Utah Code Annotated 1953

26 **7-28-102** , Utah Code Annotated 1953 , Utah Code Annotated 1953

27 **7-28-103** , Utah Code Annotated 1953 , Utah Code Annotated 1953

28 **7-28-104** , Utah Code Annotated 1953 , Utah Code Annotated 1953

29 **10-9a-541** , Utah Code Annotated 1953 , Utah Code Annotated 1953

30 **17-27a-536 , Utah Code Annotated 1953 , Utah Code Annotated 1953**

28 ~~67-4-20 , Utah Code Annotated 1953 , Utah Code Annotated 1953~~

AMENDS:

21 ~~51-7-2 , as last amended by Laws of Utah 2024, Chapters 418, 492 and 510 , as last amended~~
~~by Laws of Utah 2024, Chapters 418, 492 and 510~~

32 *Be it enacted by the Legislature of the state of Utah:*

33 Section 1. Section 1 is enacted to read:

7-28-101. Definitions.

34 As used in this chapter:

34 (1) "Blockchain protocol" means any executable software deployed to enable the transfer of data and
electronic records through a distributed network of nodes, including an additional standardized set
of rules that uses a previously existing blockchain as a base.

37 (2) "Digital asset" means:

38 (a) virtual currency;

39 (b) cryptocurrency;

40 (c) natively electronic assets, including:

41 (i) stablecoins; and

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- 42 (ii) non-fungible tokens; or
43 (d) other digital-only assets that confer economic, proprietary, or access rights or powers.
44 (3) "Hardware wallet" means a physical device that:
45 (a) is not continuously connected to the Internet;
46 (b) allows an individual to secure and transfer digital assets; and
47 (c) enables the owner of digital assets to retain independent control over the digital assets.

51 Section 2. Section 2 is enacted to read:

52 **7-28-102. Permitted uses of digital assets.**

A state or local governmental entity may not prohibit, restrict, or impair a person's ability to:

- 53 (1) accept digital assets as a method of payment for legal goods and services; or
54 (2) take custody of digital assets using:
55 (a) a self-hosted wallet; or
56 (b) a hardware wallet.

59 Section 3. Section 3 is enacted to read:

60 **7-28-103. Access to blockchain protocols and transfer of digital assets.**

A person may:

- 60 (1) operate a node for the purpose of:
61 (a) connecting to a blockchain protocol; and
62 (b) participating in the blockchain protocol's operations;
63 (2) develop software on a blockchain protocol;
64 (3) transfer digital assets to another individual or business utilizing a blockchain protocol; or
65 (4) participate in staking on a blockchain protocol.

68 Section 4. Section 4 is enacted to read:

69 **7-28-104. Exemption from money transmission license.**

The following activities do not require an individual or business to obtain a money transmitter license under Title 7, Chapter 25, Money Transmitter Act:

- 70 (1) operating one or more nodes on a blockchain protocol;
71 (2) developing software on a blockchain protocol; or
72 (3) operating a business or decentralized protocol that:
73 (a) effectuates the exchange of one digital asset for another digital asset; and

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74 (b) does not exchange digital assets for legal tender or bank deposits.

77 Section 5. Section 5 is enacted to read:

78 **10-9a-541. Digital asset mining -- Zoning restrictions.**

77 (1) As used in this section:

78 (a) "Digital asset" means the same as that term is defined in Section 7-28-101.

79 (b) "Digital asset mining" means using computer hardware and software specifically designed or
utilized for validating data and securing a blockchain network.

81 (c) "Digital asset mining business" means a group of computers working at a single site that:

83 (i) consumes more than one megawatt of energy on an average annual basis; and

84 (ii) operates for the purpose of generating blockchain tokens by securing a blockchain network.

86 (2) A political subdivision of the state may not enact an ordinance, resolution, or rule that:

87 ~~{(a) {for digital asset mining businesses located in areas zoned for industrial use:} }~~

88 ~~{(i) {places specific limits on sound decibels generated from a digital asset mining business; or} }~~

90 ~~{(ii)}~~ (a) for digital asset mining businesses located in areas zoned for industrial use, imposes sound
restrictions ~~{other than}~~ on digital asset mining businesses that are more stringent than the
generally applicable limits set for industrial-zoned areas; or

92 (b) prevents a digital asset mining business from operating in an area zoned for industrial use if the
digital asset mining business meets other requirements for industrial use.

95 Section 6. Section 6 is enacted to read:

96 **17-27a-536. Digital asset mining -- Zoning restrictions.**

97 (1) As used in this section:

98 (a) "Digital asset" means the same as that term is defined in Section 7-28-101.

99 (b) "Digital asset mining" means using computer hardware and software specifically designed or
utilized for validating data and securing a blockchain network.

101 (c) "Digital asset mining business" means a group of computers working at a single site that:

103 (i) consumes more than one megawatt of energy on an average annual basis; and

104 (ii) operates for the purpose of generating blockchain tokens by securing a blockchain network.

106 (2) A political subdivision of the state may not enact an ordinance, resolution, or rule that:

107 (a) for digital asset mining businesses located in areas zoned for industrial use, imposes sound
restrictions on digital asset mining businesses that are more stringent than the generally applicable
limits set for industrial-zoned areas; or

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110 (b) prevents a digital asset mining business from operating in an area zoned for industrial use if the
111 digital asset mining business meets other requirements for industrial use.

95 {Section 6. Section 51-7-2 is amended to read: }

96 **51-7-2. Exemptions from chapter.**

97 (1) Except as provided in Subsection (2), the following funds are exempt from this chapter:

98 (a) funds invested in accordance with the participating employees' designation or direction pursuant to a
public employees' deferred compensation plan established and operated in compliance with Section
457 of the Internal Revenue Code of 1986, as amended;

102 (b) funds of the Utah State Retirement Board;

103 (c) funds of the Utah Housing Corporation;

104 (d) endowment funds of higher education institutions, including funds of the Higher Education Student
Success Endowment, created in Section 53B-7-802;

106 (e) permanent and other land grant trust funds established pursuant to the Utah Enabling Act and the
Utah Constitution;

108 (f) the State Post-Retirement Benefits Trust Fund;

109 (g) the funds of the Utah Educational Savings Plan;

110 (h) funds of the permanent state trust fund created by and operated under Utah
111 Constitution, Article XXII, Section 4;

112 (i) the funds in the Navajo Trust Fund;

113 (j) the funds in the Radioactive Waste Perpetual Care and Maintenance Account;

114 (k) the funds in the Employers' Reinsurance Fund;

115 (l) the funds in the Uninsured Employers' Fund;

116 (m) the Utah State Developmental Center Long-Term Sustainability Fund, created in Section
26B-1-331;

118 (n) the funds in the Risk Management Fund created in Section 63A-4-201;

119 (o) the Utah fund of funds created in Section 63N-6-401;

120 (p) the funds deposited into the Utah Homes Investment Program from the Transportation Infrastructure
General Fund Support Subfund created in Section 72-2-134;[-and]

123 (q) subject to Subsection 67-4-19(2), the portion of the funds in the following accounts invested by the
state treasurer in precious metals:

125 (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;

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- 126 (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
- 127 (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
- 128 (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in Section 63J-1-315;[-]
- 130 (r) subject to Subsection 67-4-20(2), the portion of the funds in the following accounts invested by the state treasurer in qualifying digital assets:
- 132 (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;
- 133 (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
- 134 (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
- 135 (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in Section 63J-1-315.
- 137 (2) Except for the funds of the Utah State Retirement Board and the Utah Educational Savings Plan, the funds described in Subsection (1) are not exempt from Subsections 51-7-14(2) and (3).
- 140 (3) Notwithstanding Title 52, Chapter 4, Open and Public Meetings Act, a public body that administers a fund described in Subsection (1) may hold a closed meeting to discuss the sale or purchase of identifiable securities, investment funds, or investment contracts.
- 143 (4) A paper, electronic, or other depiction or record of information relating to investment activities of a fund described in Subsection (1) is not subject to Title 63G, Chapter 2, Government Records Access and Management Act.

146 Section 7. Section 7 is enacted to read:

147 **67-4-20. Investments of public funds in digital assets by state treasurer -- Digital asset investment study and report to Legislature.**

149 (1) As used in this section:

- 150 (a) "Digital asset" means virtual currency, cryptocurrencies, natively electronic assets, including stablecoins and non-fungible tokens, and other digital-only assets that confer economic, proprietary, or access rights or powers.
- 153 (b) "Qualified custodian" means an entity that manages digital assets and is:
- 154 (i) a federal or state-chartered bank;
- 155 (ii) a trust company;
- 156 (iii) a special purpose depository institution;
- 157 (iv) a federal or state-chartered credit union; or
- 158 (v) a company regulated by the state.
- 159 (c) "Qualifying digital asset" means:

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- 160 (i) a digital asset with a market capitalization of over \$500 billion averaged over the previous 12
161 months; or
- 162 (ii) a stablecoin.
- 163 (d) "Secure custody solution" means a technological product or blended product and service that:
- 164 (i) maintains cryptographic private keys that secure digital assets exclusively known by and accessible
165 by the government entity;
- 166 (ii) contains cryptographic private keys exclusively within an encrypted environment accessible only
167 via end-to-end encrypted channels;
- 168 (iii) does not allow cryptographic private keys to be accessible by or controllable via a smartphone;
- 169 (iv) maintains hardware containing cryptographic private keys in at least two geographically diversified
170 specially designated secure data centers;
- 171 (v) enforces a multi-party governance structure for authorizing transactions, user access controls, and
172 logs all user-initiated actions;
- 173 (vi) implements a disaster recovery protocol ensuring customer access to assets if the provider becomes
174 unavailable; and
- 175 (vii) undergoes regular code audits and penetration testing from audit firms with prompt remedy of
176 identified vulnerabilities.
- 177 (e) "Stablecoin" means a digital asset that:
- 178 (i) is issued by a corporation;
- 179 (ii) is backed by dollars or high-quality liquid assets;
- 180 (iii) is redeemable on demand by the holder at par for United States dollars; and
- 181 (iv) has received appropriate regulatory approval from:
- 182 (A) the United States of America; or
- 183 (B) a state of the United States of America.
- 184 (2)
- 185 (a) For the following accounts, in addition to other authorized investments, the state treasurer may
186 invest a portion of public funds in qualifying digital assets:
- 187 (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;
- 188 (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
- 189 (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
- 190
- 191

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(iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in Section 63J-1-315.

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(b)

(i) The amount of public funds that the state treasurer may invest under Subsection (2)(a) may not, at the time the investment is made, exceed 5% of the total amount of public funds in that account.

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(ii) The requirements of Subsections 51-7-14(2) and (3) apply to the state treasurer's investments under Subsection (2)(a).

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(3) The state treasurer shall hold digital assets acquired under this section:

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(a) directly through the use of a secure custody solution;

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(b) through a qualified custodian on behalf of the state; or

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(c) in the form of an exchange traded product issued by a registered investment company.

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(4) The state treasurer may engage in staking of qualifying digital assets if:

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(a) the treasurer's office retains legal ownership of the digital asset; and

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(b) the staking is conducted using a third-party solution.

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(5) The state treasurer may loan qualifying digital assets if:

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(a) the loan does not increase the financial risk to the state; and

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(b) the loan complies with rules established by the treasurer.

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Section 7. **Effective date.**

Effective Date.

This bill takes effect on May 7, 2025.

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