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(Capriglione)

S.B. No. 21

Substitute the following for S.B. No. 21:

By: Capriglione

C.S.S.B. No. 21

A BILL TO BE ENTITLED

AN ACT

relating to the establishment and administration of the Texas Strategic Bitcoin Reserve for the purpose of investing in cryptocurrency and the investment authority of the comptroller of public accounts over the reserve and certain other state funds.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. This Act may be cited as the Texas Strategic Bitcoin Reserve and Investment Act.

SECTION 2. Chapter 403, Government Code, is amended by adding Subchapter V to read as follows:

SUBCHAPTER V. TEXAS STRATEGIC BITCOIN RESERVE

Sec. 403.701. DEFINITIONS. In this subchapter:

(1) "Airdrop" means a gratuitous distribution of cryptocurrency to persons who hold cryptocurrency, generally made in a broad, equitable, and nondiscretionary manner.

(2) "Bitcoin" means a type of decentralized cryptocurrency created by a peer-to-peer network that operates independently of any central authority or bank.

(3) "Cold storage" means a method of storing private keys required to engage in transactions involving cryptocurrency that:

(A) has a nexus to a secure physical location;

(B) is protected from unauthorized access; and

(C) is isolated from any Internet network

1 connections.

2 (4) "Cryptocurrency" means a type of virtual currency
3 that utilizes cryptography to secure transactions that are
4 digitally recorded on a distributed ledger, such as a blockchain.

5 (5) "Fork" means a change to the consensus mechanism
6 of a distributed ledger that creates a separate ledger, which may
7 result in a new cryptocurrency that shares a common transaction
8 history with the previous cryptocurrency up to the point of the
9 change.

10 (6) "Qualified custodian" means a state or federally
11 chartered financial institution or other entity regulated by this
12 state that has custody of a virtual currency.

13 (7) "Reserve" means the Texas Strategic Bitcoin
14 Reserve established under this subchapter.

15 (8) "Virtual currency" has the meaning assigned by
16 Section 12.001, Business & Commerce Code.

17 Sec. 403.702. LEGISLATIVE FINDINGS; PURPOSE. The
18 legislature finds that:

19 (1) bitcoin and other cryptocurrencies are assets with
20 strategic potential for enhancing this state's financial
21 resilience;

22 (2) bitcoin and other cryptocurrencies can serve as a
23 hedge against inflation and economic volatility; and

24 (3) the establishment of a strategic bitcoin reserve
25 serves the public purpose of providing enhanced financial security
26 to residents of this state.

27 Sec. 403.703. ESTABLISHMENT AND ADMINISTRATION OF RESERVE.

1 (a) The Texas Strategic Bitcoin Reserve is established as a special
2 fund outside the state treasury. The comptroller has custody of and
3 shall administer and manage the reserve. The reserve consists of:

4 (1) money transferred or deposited to the credit of
5 the reserve by legislative appropriation;

6 (2) revenue that the legislature by general law
7 dedicates for deposit to the credit of the reserve;

8 (3) subject to Section 403.704, bitcoin and other
9 cryptocurrency purchased using money in or received by the reserve,
10 including any cryptocurrency:

11 (A) derived from the fork of a distributed
12 ledger; or

13 (B) distributed pursuant to an airdrop to the
14 state's cryptocurrency addresses;

15 (4) investment earnings and interest or rewards earned
16 on assets in the reserve; and

17 (5) gifts, grants, and other donations to the reserve.

18 (b) In its administration and management of the reserve, the
19 comptroller may acquire, exchange, sell, supervise, manage, or
20 retain any kind of investment that a prudent investor exercising
21 reasonable care, skill, and caution would acquire, exchange, sell,
22 supervise, manage, or retain in light of the purposes, terms,
23 distribution requirements, and other circumstances then prevailing
24 for the reserve, taking into consideration the investment of all
25 the assets of the reserve rather than a single investment.

26 (c) The legislature may appropriate funds for deposit to the
27 credit of the reserve for the purposes of:

1 (1) investing in bitcoin or other cryptocurrency; and

2 (2) administering and managing the reserve.

3 (d) The comptroller may spend bitcoin or other
4 cryptocurrency in the reserve or use the net proceeds from the sale
5 of bitcoin or other cryptocurrency in the reserve to pay the
6 reasonable costs associated with administering and managing the
7 reserve.

8 (e) Money in the reserve may be invested with the state
9 treasury pool.

10 (f) Except as provided by Section 403.707, the comptroller
11 may not transfer money in the reserve to the state treasury unless
12 authorized by the legislature in the General Appropriations Act or
13 another law.

14 Sec. 403.704. MARKET CAPITALIZATION REQUIREMENT. Bitcoin
15 or other cryptocurrency purchased using money in the reserve must
16 have an average market capitalization of at least \$500 billion over
17 the most recent 12-month period.

18 Sec. 403.705. THIRD-PARTY CONTRACTS AND PERMISSIBLE
19 TRANSACTIONS; AUDITS. (a) The comptroller may contract with one or
20 more third-party entities for the administration or management of
21 the reserve, including contracting with:

22 (1) a qualified custodian who employs secure custodial
23 technologies, including cold storage; and

24 (2) a qualified liquidity provider to facilitate the
25 purchase and management of assets in the reserve.

26 (b) For purposes of Subsection (a)(2), "qualified liquidity
27 provider" means an entity that:

1 (1) is licensed or regulated under applicable federal
2 or state law;

3 (2) maintains audited financial statements prepared
4 by a regulated auditor;

5 (3) has at least five years of experience trading in
6 the digital assets industry;

7 (4) maintains an office and has a registered principal
8 in this state; and

9 (5) has certified in a method prescribed by the
10 comptroller that the provider meets the requirements of
11 Subdivisions (1)-(4).

12 (c) If the comptroller determines it is in the best interest
13 of the reserve, the comptroller may:

14 (1) use derivatives;

15 (2) engage in the staking of qualifying digital assets
16 in the reserve, only if:

17 (A) the state treasury retains legal ownership of
18 the digital asset; and

19 (B) the staking is conducted using a third-party
20 solution; and

21 (3) loan digital assets in the reserve acquired as an
22 investment.

23 (d) The comptroller may contract with a certified public
24 accountant to perform an independent audit of the reserve.

25 Sec. 403.706. VOLUNTARY DONATION OF BITCOIN OR OTHER
26 CRYPTOCURRENCY TO RESERVE. (a) Subject to applicable law,
27 including Section 403.704, the comptroller may accept a gift,

1 grant, or other donation of bitcoin or other cryptocurrency to the
2 reserve only from a person domiciled in this state.

3 (b) A donor may not limit or direct the investment or use of
4 bitcoin or other cryptocurrency donated to the reserve.

5 (c) The comptroller may require information from a person
6 who donates or offers to make a donation to the reserve and may
7 reject or return a donation made to the reserve for any reason. The
8 comptroller shall, subject to applicable law, return a donation
9 rejected after it is deposited to the reserve, net of any costs
10 related to the donation incurred by the comptroller during the
11 period the donation was in the reserve.

12 (d) The comptroller may issue a certificate of
13 acknowledgment to a donor that donates bitcoin or other
14 cryptocurrency to the reserve if the donor requests the
15 certificate.

16 (e) The comptroller may establish a recognition program to
17 publicly honor a donor who makes significant contributions of
18 bitcoin or other cryptocurrency to the reserve.

19 Sec. 403.707. TEMPORARY TRANSFER FOR CASH MANAGEMENT. (a)
20 The comptroller may liquidate the reserve's assets and temporarily
21 transfer money from the reserve to the state treasury if necessary
22 for the purposes described by Section [403.092](#).

23 (b) The comptroller shall, as soon as practicable after the
24 date of a transfer under Subsection (a), return the transferred
25 money to the reserve along with the interest, if any, earned on the
26 money while held in the state treasury.

27 Sec. 403.708. TEXAS STRATEGIC BITCOIN RESERVE ADVISORY

1 COMMITTEE. (a) In this section, "committee" means the Texas
2 Strategic Bitcoin Reserve advisory committee.

3 (b) The committee is composed of the following five members:

4 (1) the comptroller;

5 (2) one member of the comptroller's investment
6 advisory board established under Section 404.028, appointed by the
7 comptroller; and

8 (3) three members with expertise in cryptocurrency
9 investments, appointed by the comptroller.

10 (c) The committee shall advise the comptroller regarding
11 the administration and management of the reserve, including:

12 (1) recommendations for valuing assets in the reserve;
13 and

14 (2) the establishment of prudent investment policies
15 relating to the investment objectives of and asset allocation in
16 the reserve.

17 (d) A member of the committee is not entitled to receive
18 compensation for service on the committee or reimbursement for
19 expenses incurred in the performance of official duties as a member
20 of the committee.

21 (e) Members of the committee appointed by the comptroller
22 serve at the will of the comptroller.

23 (f) Chapter 2110 does not apply to the committee.

24 Sec. 403.709. BIENNIAL REPORT. Not later than December 31
25 of each even-numbered year, the comptroller shall publish on the
26 comptroller's Internet website and submit to the legislature a
27 report that includes:

1 (1) the amount of bitcoin and other cryptocurrency
2 held in the reserve on the last day of the preceding state fiscal
3 biennium;

4 (2) an estimate of the monetary value of the bitcoin
5 and other cryptocurrency held in the reserve on the last day of the
6 preceding state fiscal biennium;

7 (3) the changes, if any, in the amount and estimated
8 monetary value of bitcoin and other cryptocurrency in the reserve
9 during the period the cryptocurrency has been held in the reserve,
10 disaggregated by cryptocurrency type; and

11 (4) a description of the actions taken by the
12 comptroller to administer and manage the reserve during the
13 preceding state fiscal biennium.

14 Sec. 403.710. RULES. The comptroller may adopt rules as
15 necessary to administer this subchapter.

16 SECTION 3. Section 2256.004(a), Government Code, is amended
17 to read as follows:

18 (a) This subchapter does not apply to:

19 (1) a public retirement system as defined by Section
20 802.001;

21 (2) state funds invested by the comptroller [~~as~~
22 ~~authorized by Section 404.024~~];

23 (3) an institution of higher education having total
24 endowments of at least \$150 million in book value on September 1,
25 2017;

26 (4) funds invested by the Veterans' Land Board as
27 authorized by Chapter 161, 162, or 164, Natural Resources Code;

1 (5) registry funds deposited with the county or
2 district clerk under Chapter 117, Local Government Code; or

3 (6) a deferred compensation plan that qualifies under
4 either Section 401(k) or 457 of the Internal Revenue Code of 1986
5 (26 U.S.C. Section 1 et seq.), as amended.

6 SECTION 4. As soon as possible after the effective date of
7 this Act, the comptroller of public accounts shall:

8 (1) adopt rules as necessary to implement this Act;
9 and

10 (2) appoint members to the Texas Strategic Bitcoin
11 Reserve advisory committee as required by Section 403.708,
12 Government Code, as added by this Act.

13 SECTION 5. This Act takes effect immediately if it receives
14 a vote of two-thirds of all the members elected to each house, as
15 provided by Section 39, Article III, Texas Constitution. If this
16 Act does not receive the vote necessary for immediate effect, this
17 Act takes effect September 1, 2025.