

1-1 By: Schwertner, Parker S.B. No. 21
 1-2 (In the Senate - Filed February 12, 2025;
 1-3 February 13, 2025, read first time and referred to Committee on
 1-4 Business & Commerce; March 4, 2025, reported adversely, with
 1-5 favorable Committee Substitute by the following vote: Yeas 10,
 1-6 Nays 0; March 4, 2025, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18			X	
1-19	X			

1-20 COMMITTEE SUBSTITUTE FOR S.B. No. 21 By: Campbell

1-21 A BILL TO BE ENTITLED
 1-22 AN ACT

1-23 relating to the establishment and administration of the Texas
 1-24 Strategic Bitcoin Reserve for the purpose of investing in
 1-25 cryptocurrency and the investment authority of the comptroller of
 1-26 public accounts over the reserve and certain other state funds.

1-27 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-28 SECTION 1. This Act may be cited as the Texas Strategic
 1-29 Bitcoin Reserve and Investment Act.

1-30 SECTION 2. Chapter 403, Government Code, is amended by
 1-31 adding Subchapter V to read as follows:

1-32 SUBCHAPTER V. TEXAS STRATEGIC BITCOIN RESERVE

1-33 Sec. 403.701. DEFINITIONS. In this subchapter:

1-34 (1) "Airdrop" means a gratuitous distribution of
 1-35 cryptocurrency to persons who hold cryptocurrency, generally made
 1-36 in a broad, equitable, and nondiscretionary manner.

1-37 (2) "Bitcoin" means a type of decentralized
 1-38 cryptocurrency created by a peer-to-peer network that operates
 1-39 independently of any central authority or bank.

1-40 (3) "Cold storage" means a method of storing private
 1-41 keys required to engage in transactions involving cryptocurrency
 1-42 that:

- 1-43 (A) has a nexus to a secure physical location;
- 1-44 (B) is protected from unauthorized access; and
- 1-45 (C) is isolated from any Internet network
 1-46 connections.

1-47 (4) "Cryptocurrency" means a type of virtual currency
 1-48 that utilizes cryptography to secure transactions that are
 1-49 digitally recorded on a distributed ledger, such as a blockchain.

1-50 (5) "Fork" means a change to the consensus mechanism
 1-51 of a distributed ledger that creates a separate ledger, which may
 1-52 result in a new cryptocurrency that shares a common transaction
 1-53 history with the previous cryptocurrency up to the point of the
 1-54 change.

1-55 (6) "Qualified custodian" means a state or federally
 1-56 chartered financial institution or other entity regulated by this
 1-57 state that has custody of a virtual currency.

1-58 (7) "Reserve" means the Texas Strategic Bitcoin
 1-59 Reserve established under this subchapter.

1-60 (8) "Virtual currency" has the meaning assigned by

2-1 Section 12.001, Business & Commerce Code.

2-2 Sec. 403.702. LEGISLATIVE FINDINGS; PURPOSE. The
 2-3 legislature finds that:

2-4 (1) bitcoin and other cryptocurrencies are assets with
 2-5 strategic potential for enhancing this state's financial
 2-6 resilience;

2-7 (2) bitcoin and other cryptocurrencies can serve as a
 2-8 hedge against inflation and economic volatility; and

2-9 (3) the establishment of a strategic bitcoin reserve
 2-10 serves the public purpose of providing enhanced financial security
 2-11 to residents of this state.

2-12 Sec. 403.703. ESTABLISHMENT AND ADMINISTRATION OF RESERVE.

2-13 (a) The Texas Strategic Bitcoin Reserve is established as a special
 2-14 fund outside the state treasury. The comptroller has custody of and
 2-15 shall administer and manage the reserve. The reserve consists of:

2-16 (1) money transferred or deposited to the credit of
 2-17 the reserve by legislative appropriation;

2-18 (2) revenue that the legislature by general law
 2-19 dedicates for deposit to the credit of the reserve;

2-20 (3) subject to Section 403.704, bitcoin and other
 2-21 cryptocurrency purchased using money in or received by the reserve,
 2-22 including any cryptocurrency:

2-23 (A) derived from the fork of a distributed
 2-24 ledger; or

2-25 (B) distributed pursuant to an airdrop to the
 2-26 state's cryptocurrency addresses; and

2-27 (4) investment earnings and interest or rewards earned
 2-28 on assets in the reserve.

2-29 (b) In its administration and management of the reserve, the
 2-30 comptroller may acquire, exchange, sell, supervise, manage, or
 2-31 retain any kind of investment that a prudent investor exercising
 2-32 reasonable care, skill, and caution would acquire, exchange, sell,
 2-33 supervise, manage, or retain in light of the purposes, terms,
 2-34 distribution requirements, and other circumstances then prevailing
 2-35 for the reserve, taking into consideration the investment of all
 2-36 the assets of the reserve rather than a single investment.

2-37 (c) The legislature may appropriate funds for deposit to the
 2-38 credit of the reserve for the purposes of:

2-39 (1) investing in bitcoin or other cryptocurrency; and

2-40 (2) administering and managing the reserve.

2-41 (d) The comptroller may spend bitcoin or other
 2-42 cryptocurrency in the reserve or use the net proceeds from the sale
 2-43 of bitcoin or other cryptocurrency in the reserve to pay the
 2-44 reasonable costs associated with administering and managing the
 2-45 reserve.

2-46 (e) Money in the reserve may be invested with the state
 2-47 treasury pool.

2-48 (f) Except as provided by Section 403.706, the comptroller
 2-49 may not transfer money in the reserve to the state treasury unless
 2-50 authorized by the legislature in the General Appropriations Act or
 2-51 another law.

2-52 Sec. 403.704. MARKET CAPITALIZATION REQUIREMENT. Bitcoin
 2-53 or other cryptocurrency purchased using money in the reserve must
 2-54 have an average market capitalization of at least \$500 billion over
 2-55 the most recent 12-month period.

2-56 Sec. 403.705. THIRD-PARTY CONTRACTS; AUDITS. (a) The
 2-57 comptroller may contract with one or more third-party entities for
 2-58 the administration or management of the reserve, including
 2-59 contracting with a qualified custodian who employs secure custodial
 2-60 technologies, including cold storage.

2-61 (b) The comptroller may contract with a certified public
 2-62 accountant to perform an independent audit of the reserve.

2-63 Sec. 403.706. TEMPORARY TRANSFER FOR CASH MANAGEMENT. (a)
 2-64 The comptroller may liquidate the reserve's assets and temporarily
 2-65 transfer money from the reserve to the state treasury if necessary
 2-66 for the purposes described by Section 403.092.

2-67 (b) The comptroller shall, as soon as practicable after the
 2-68 date of a transfer under Subsection (a), return the transferred
 2-69 money to the reserve along with the interest, if any, earned on the

3-1 money while held in the state treasury.
 3-2 Sec. 403.707. TEXAS STRATEGIC BITCOIN RESERVE ADVISORY
 3-3 COMMITTEE. (a) In this section, "committee" means the Texas
 3-4 Strategic Bitcoin Reserve advisory committee.
 3-5 (b) The committee is composed of the following five members:
 3-6 (1) the comptroller;
 3-7 (2) one member of the comptroller's investment
 3-8 advisory board established under Section 404.028, appointed by the
 3-9 comptroller; and
 3-10 (3) three members with expertise in cryptocurrency
 3-11 investments, appointed by the comptroller.
 3-12 (c) The committee shall advise the comptroller regarding
 3-13 the administration and management of the reserve, including:
 3-14 (1) recommendations for valuing assets in the reserve;
 3-15 and
 3-16 (2) the establishment of prudent investment policies
 3-17 relating to the investment objectives of and asset allocation in
 3-18 the reserve.
 3-19 (d) A member of the committee is not entitled to receive
 3-20 compensation for service on the committee or reimbursement for
 3-21 expenses incurred in the performance of official duties as a member
 3-22 of the committee.
 3-23 (e) Members of the committee appointed by the comptroller
 3-24 serve at the will of the comptroller.
 3-25 (f) Chapter 2110 does not apply to the committee.
 3-26 Sec. 403.708. BIENNIAL REPORT. Not later than December 31
 3-27 of each even-numbered year, the comptroller shall publish on the
 3-28 comptroller's Internet website and submit to the legislature a
 3-29 report that includes:
 3-30 (1) the amount of bitcoin and other cryptocurrency
 3-31 held in the reserve on the last day of the preceding state fiscal
 3-32 biennium;
 3-33 (2) an estimate of the monetary value of the bitcoin
 3-34 and other cryptocurrency held in the reserve on the last day of the
 3-35 preceding state fiscal biennium;
 3-36 (3) the changes, if any, in the amount and estimated
 3-37 monetary value of bitcoin and other cryptocurrency in the reserve
 3-38 during the period the cryptocurrency has been held in the reserve,
 3-39 disaggregated by cryptocurrency type; and
 3-40 (4) a description of the actions taken by the
 3-41 comptroller to administer and manage the reserve during the
 3-42 preceding state fiscal biennium.
 3-43 Sec. 403.709. RULES. The comptroller may adopt rules as
 3-44 necessary to administer this subchapter.
 3-45 SECTION 3. Section 2256.004(a), Government Code, is amended
 3-46 to read as follows:
 3-47 (a) This subchapter does not apply to:
 3-48 (1) a public retirement system as defined by Section
 3-49 802.001;
 3-50 (2) state funds invested by the comptroller [~~as~~
 3-51 authorized by Section 404.024];
 3-52 (3) an institution of higher education having total
 3-53 endowments of at least \$150 million in book value on September 1,
 3-54 2017;
 3-55 (4) funds invested by the Veterans' Land Board as
 3-56 authorized by Chapter 161, 162, or 164, Natural Resources Code;
 3-57 (5) registry funds deposited with the county or
 3-58 district clerk under Chapter 117, Local Government Code; or
 3-59 (6) a deferred compensation plan that qualifies under
 3-60 either Section 401(k) or 457 of the Internal Revenue Code of 1986
 3-61 (26 U.S.C. Section 1 et seq.), as amended.
 3-62 SECTION 4. As soon as possible after the effective date of
 3-63 this Act, the comptroller of public accounts shall:
 3-64 (1) adopt rules as necessary to implement this Act;
 3-65 and
 3-66 (2) appoint members to the Texas Strategic Bitcoin
 3-67 Reserve advisory committee as required by Section 403.707,
 3-68 Government Code, as added by this Act.
 3-69 SECTION 5. This Act takes effect immediately if it receives

4-1 a vote of two-thirds of all the members elected to each house, as
4-2 provided by Section 39, Article III, Texas Constitution. If this
4-3 Act does not receive the vote necessary for immediate effect, this
4-4 Act takes effect September 1, 2025.

4-5

* * * * *