

BILL ANALYSIS

Senate Research Center

S.B. 21
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Bitcoin, referred to as "digital gold" by the United States Treasury, has become a recognized asset in the financial markets. Besides exchange holdings and individual holdings, multiple publicly listed SEC-regulated Bitcoin ETFs are now traded on U.S. stock exchanges. Like gold, which has long served as a financial safeguard, Bitcoin offers unique advantages in the digital era due to its limited supply and decentralized nature, making it a critical asset for the future.

S.B. 21 creates the Texas Strategic Bitcoin Reserve as a special fund managed by the Comptroller of Public Accounts. S.B. 21 authorizes the comptroller to acquire, exchange, sell, manage, and retain investments of bitcoin and other cryptocurrency with a market capitalization of at least \$500 billion. Additionally, the comptroller is authorized to contract with qualified providers to assist in the administration and management of the reserve, including a custodian to assist in the safeguarding of assets. This bill also creates a Strategic Bitcoin Reserve Advisory Committee to provide guidance and recommendations for administering the reserve, and requires a biennial report detailing the reserve be submitted to the legislature and published online for public access.

S.B. 21 allows Texas to diversify its investment approach and participate competitively in the evolving digital economy. By adopting its own Bitcoin reserve, Texas can establish itself as the early leader and model for leveraging the benefits of this emerging asset.

S.B. 21 amends current law 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.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Comptroller of Public Accounts of the State of Texas in SECTION 2 (Section 403.709, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Authorizes this Act to be cited as the Texas Strategic Bitcoin Reserve and Investment Act.

SECTION 2. Amends Chapter 403, Government Code, by adding Subchapter V, as follows:

SUBCHAPTER V. TEXAS STRATEGIC BITCOIN RESERVE

Sec. 403.701. DEFINITIONS. Defines "airdrop," "bitcoin," "cold storage," "cryptocurrency," "fork," "qualified custodian," "reserve," and "virtual currency."

Sec. 403.702. LEGISLATIVE FINDINGS; PURPOSE. Provides that the legislature finds that bitcoin and other cryptocurrencies are assets with strategic potential for enhancing this state's financial resilience, bitcoin and other cryptocurrencies can serve as a hedge against inflation and economic volatility, and the establishment of a strategic bitcoin reserve serves the public purpose of providing enhanced financial security to residents of this state.

Sec. 403.703. ESTABLISHMENT AND ADMINISTRATION OF RESERVE. (a) Provides that the Texas Strategic Bitcoin Reserve (reserve) is established as a special fund outside the state treasury. Provides that the Comptroller of Public Accounts of the State of Texas (comptroller) has custody of and is required to administer and manage the reserve. Provides that the reserve consists of:

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

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

(3) subject to Section 403.704, bitcoin and other cryptocurrency purchased using money in or received by the reserve, including any cryptocurrency derived from the fork of a distributed ledger or distributed pursuant to an airdrop to the state's cryptocurrency addresses; and

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

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

(c) Authorizes the legislature to appropriate funds for deposit to the credit of the reserve for the purposes of investing in bitcoin or other cryptocurrency and administering and managing the reserve.

(d) Authorizes the comptroller to spend bitcoin or other cryptocurrency in the reserve or use the net proceeds from the sale of bitcoin or other cryptocurrency in the reserve to pay the reasonable costs associated with administering and managing the reserve.

(e) Authorizes money in the reserve to be invested with the state treasury pool.

(f) Prohibits the comptroller, except as provided by Section 403.707, from transferring money in the reserve to the state treasury unless authorized by the legislature in the General Appropriations Act or another law.

Sec. 403.704. MARKET CAPITALIZATION REQUIREMENT. Requires that bitcoin or other cryptocurrency purchased using money in the reserve have an average market capitalization of at least \$500 billion over the most recent 24-month period.

Sec. 403.705. THIRD-PARTY CONTRACTS AND PERMISSIBLE TRANSACTIONS; AUDITS. (a) Authorizes the comptroller to contract with one or more third-party entities for the administration or management of the reserve, including contracting with a qualified custodian who employs secure custodial technologies, including cold storage, and a qualified liquidity provider to facilitate the purchase and management of assets in the reserve.

(b) Defines "quality liquidity provider."

(c) Authorizes the comptroller, if the comptroller determines it is in the best interest of the reserve, to use derivatives.

(d) Authorizes the comptroller to contract with a certified public accountant to perform an independent audit of the reserve.

Sec. 403.706. TEMPORARY TRANSFER FOR CASH MANAGEMENT. (a) Authorizes the comptroller to liquidate the reserve's assets and temporarily transfer money from the reserve to the state treasury if necessary for the purposes described by Section 403.092 (Temporary Transfer of Surplus and Other Cash).

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

Sec. 403.707. TEXAS STRATEGIC BITCOIN RESERVE ADVISORY COMMITTEE. (a) Defines "committee."

(b) Provides that the reserve advisory committee (committee) is composed of the following five members: the comptroller; one member of the comptroller's investment advisory board established under Section 404.028 (Investment Advisory Board), appointed by the comptroller; and three members with expertise in cryptocurrency investments, appointed by the comptroller.

(c) Requires the committee to advise the comptroller regarding the administration and management of the reserve, including recommendations for valuing assets in the reserve and the establishment of prudent investment policies relating to the investment objectives of and asset allocation in the reserve.

(d) Provides that a member of the committee is not entitled to receive compensation for service on the committee or reimbursement for expenses incurred in the performance of official duties as a member of the committee.

(e) Provides that members of the committee appointed by the comptroller serve at the will of the comptroller.

(f) Provides that Chapter 2110 (State Agency Advisory Committees) does not apply to the committee.

Sec. 403.708. BIENNIAL REPORT. Requires the comptroller, not later than December 31 of each even-numbered year, to publish on the comptroller's Internet website and submit to the legislature a report that includes:

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

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

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

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

Sec. 403.709. RULES. Authorizes the comptroller to adopt rules as necessary to administer this subchapter.

SECTION 3. Amends Section 2256.004(a), Government Code, to provide that Subchapter A (Authorized Investments for Governmental Entities), Chapter 2256 (Public Funds Investment), does not apply to certain entities, funds, and monies, including state funds invested by the

comptroller, rather than state funds invested as authorized by Section 404.024 (Authorized Investments).

SECTION 4. Requires the comptroller, as soon as possible after the effective date of this Act, to adopt rules as necessary to implement this Act and appoint members to the committee as required by Section 403.708, Government Code, as added by this Act.

SECTION 5. Effective date: upon passage or September 1, 2025.