**Bitcoin Policy Institute**

# Bitcoin Policy Institute
## State-Level Strategic Bitcoin Reserve Toolkit

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# ABOUT THE AUTHORS

**Zack Shapiro is the Head of Policy at the Bitcoin Policy Institute,** and is the Executive Director of the Peer-to-Peer Rights Fund. He also serves as the Managing Partner at Rains LLP where he leads the law practice and advises Bitcoin-focused startups and investors. Zack is a graduate of Williams College and Yale Law School, and started his legal career clerking in the federal courts for the S.D.N.Y. and the 2nd Circuit, and at Davis Polk & Wardwell.

**Zack Cohen is the Growth and Development Associate at the Bitcoin Policy Institute,** where he leads the organization's digital media program and strategic media partnerships. Since joining BPI in 2023, he has contributed across various departments, including government affairs, research, operations, and development. Zack is currently pursuing a Bachelor's degree at Washington University in St. Louis, double majoring in philosophy and economics. His academic interests include privacy, the intersection of state and money, and geoeconomics. His senior thesis explores privacy regulation, with a focus on stablecoins and other monetary networks.

# ABOUT THE BITCOIN POLICY INSTITUTE

The Bitcoin Policy Institute (BPI) is a non-partisan, non-profit think tank. It is dedicated to educating policymakers and the public on Bitcoin and disruptive digital technologies, providing research-based insights to inform sound policy in the United States.

The BPI team comprises experts in economics, law, philosophy, energy, and environmental science, working together to explore the impacts of new technology on existing US public policy interests. The views expressed in this publication do not necessarily reflect the views of all Bitcoin Policy Institute management or its affiliated scholars.

# POLICY BRIEF

# BITCOIN POLICY INSTITUTE:
## State-Level Strategic Bitcoin Reserve Toolkit

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# Contributing Companies

Hoseki provides proof-of-asset infrastructure for Bitcoin, enabling users to securely verify and share their Bitcoin holdings with institutions like lenders or financial service providers.

Battery is an innovative and inclusive financing platform built on bitcoin. Battery harnesses the energy of bitcoin and blends it with real-world assets to power novel financing solutions.

Onramp is a Bitcoin-focused financial services platform that provides multi-institution custody, portfolio management, and financial tools for investors, advisors, and institutions.

FalconX is the largest digital asset prime brokerage powering the world's leading institutions.

AnchorWatch is a Bitcoin-native insurance company that provides regulated custody solutions and commercial insurance for Bitcoin.

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# SECTION 1. FINDINGS

The Legislature finds and declares that:

(a) MONETARY SOVEREIGNTY AND FISCAL RESILIENCE: The State of _____ recognizes that Bitcoin represents a paradigm shift in monetary technology that offers states an opportunity to diversify treasury holdings, hedge against currency debasement, and enhance long-term fiscal stability. As a decentralized, bearer asset with a mathematically fixed supply cap of twenty-one million units, Bitcoin provides characteristics unavailable in traditional reserve assets subject to counterparty risk and monetary policy manipulation.

(b) INSTITUTIONAL ADOPTION AND MARKET MATURATION: Bitcoin has achieved institutional legitimacy through adoption by publicly traded corporations, regulated financial institutions, sovereign wealth funds, and nation-states. The approval of Bitcoin exchange-traded products by the United States Securities and Exchange Commission, coupled with regulatory clarity from the Commodity Futures Trading Commission recognizing Bitcoin as a commodity, establishes a mature regulatory framework supporting institutional custody and investment.

(c) PORTFOLIO DIVERSIFICATION AND RISK MANAGEMENT: Academic research and empirical analysis demonstrate that Bitcoin exhibits low correlation with traditional asset classes, including equities, bonds, and commodities, providing meaningful diversification benefits to institutional portfolios. The asset's performance characteristics over multiple market cycles indicate potential for enhanced risk-adjusted returns when incorporated into diversified investment strategies.

(d) TECHNOLOGICAL INFRASTRUCTURE AND SECURITY: The Bitcoin network represents the most secure and robust distributed computing system ever deployed, protected by cryptographic proof-of-work consensus mechanisms and validated by a global network of independent nodes. This technological infrastructure provides unparalleled settlement finality and resistance to censorship, manipulation, or systemic failure compared to traditional financial systems dependent on centralized intermediaries.

(e) ENERGY UTILIZATION AND ENVIRONMENTAL BENEFITS: Bitcoin mining operations present unique opportunities for states to monetize stranded energy resources, reduce methane emissions through flare gas capture, and stabilize renewable energy grids by providing responsive load balancing. The ability to convert otherwise wasted energy into economic value while supporting environmental remediation aligns with state interests in sustainable resource management.

(f) ECONOMIC DEVELOPMENT AND COMPETITIVE ADVANTAGE: States that proactively embrace Bitcoin infrastructure and investment positioning establish competitive advantages in attracting digital asset businesses, financial technology companies, and blockchain developers. Early adoption of Bitcoin treasury strategies signals technological leadership and creates opportunities for enhanced tax revenue through business attraction and retention.

(g) CONSTITUTIONAL AUTHORITY AND FIDUCIARY RESPONSIBILITY: State treasurers and investment officials possess constitutional and statutory authority to invest public funds in assets that serve the public interest and preserve purchasing power for future generations. Bitcoin's characteristics as digital property with demonstrable store-of-value properties support its inclusion within state investment portfolios as a prudent exercise of fiduciary responsibility.

(h) PROTECTION OF PRIVATE PROPERTY RIGHTS: The establishment of state-level Bitcoin reserves affirms and protects fundamental property rights in digital assets while demonstrating governmental commitment to technological innovation and financial sovereignty. State investment in Bitcoin validates the legitimacy of private Bitcoin ownership and strengthens legal precedents protecting individual property rights in digital assets.

# SECTION 2. DEFINITIONS

As used in this Act, the following terms shall have the meanings ascribed herein:

(a) BITCOIN: The term "Bitcoin" means the decentralized digital asset that: (1) operates on a peer-to-peer, open-source network secured by a proof-of-work consensus mechanism; (2) maintains a fixed maximum supply of twenty-one million (21,000,000) units enforced by mathematical protocol and verified by a distributed network of independent validating nodes; (3) enables peer-to-peer value transfer without reliance on trusted third parties, central authorities, or intermediary financial institutions; (4) records all transactions on a transparent, publicly accessible, and cryptographically immutable distributed ledger known as the Bitcoin blockchain; and (5) functions as a bearer asset permitting individuals and institutions to maintain direct custody of holdings through private cryptographic key management.

(b) COLD STORAGE: The term "cold storage" means a method of storing private cryptographic keys required to control and transact Bitcoin that: (1) maintains a demonstrable nexus to secure physical infrastructure protected from unauthorized access; (2) remains completely isolated from internet connectivity and network-accessible computing environments; (3) utilizes institutional-grade

hardware security modules, air-gapped computing systems, or functionally equivalent cryptographic storage devices; (4) implements multi-layered physical security protocols including but not limited to biometric access controls, surveillance monitoring, and intrusion detection systems.

(c) STRATEGIC BITCOIN RESERVE: The term "Strategic Bitcoin Reserve" means the comprehensive framework established pursuant to Section 3 of this Act for the secure custody, management, and governance of Bitcoin holdings acquired by the State through authorized procurement methods.

(d) QUALIFIED CUSTODIAN: The term "qualified custodian" means an entity authorized to hold, safeguard, and administer Bitcoin on behalf of the State that: (1) operates as a federally chartered bank, state-chartered trust company, special purpose depository institution, or similarly regulated financial institution; (2) maintains appropriate federal and state regulatory licenses, registrations, and supervisory oversight; (3) demonstrates institutional-grade custody capabilities through third-party security audits, regulatory examinations, and operational track records; (4) provides comprehensive insurance coverage for digital asset holdings meeting standards established by the State Treasurer; (5) submits to ongoing regulatory compliance monitoring and reporting requirements specified by applicable state agencies.

(e) MULTI-INSTITUTION CUSTODY: The term "multi-institution custody" or "MIC" means a custody architecture that: (1) distributes control over Bitcoin holdings across multiple independent entities through native Bitcoin multisignature transactions or functionally equivalent cryptographic schemes; (2) prevents any single institution, individual, or entity from exercising unilateral control over state Bitcoin reserves; (3) requires cryptographic authorization from a predetermined quorum of independent keyholders to execute transactions or access reserve holdings.

f) AIRDROP: The term "airdrop" means a gratuitous distribution of digital assets to holders of Bitcoin addresses executed in a broad, equitable, and non-discretionary manner based on snapshot-in-time blockchain state without requiring affirmative action by recipients.

(g) FORK: The term "fork" means a modification to the Bitcoin network protocol that results in: (1) permanent divergence from the original blockchain consensus rules; (2) creation of a separate distributed ledger and associated digital asset; (3) preservation of transaction history up to the point of protocol divergence; (4) potential distribution of new digital assets to holders of Bitcoin at the time of the fork event.

(h) EXCHANGE-TRADED PRODUCT: The term "exchange-traded product" or "ETP" means any financial instrument that: (1) receives approval from the United States Securities and Exchange Commission, Commodity Futures Trading Commission, or other applicable federal regulatory authority; (2) trades on exchanges subject to federal or state regulatory oversight; (3) derives investment value from underlying Bitcoin holdings, Bitcoin futures contracts, or Bitcoin-related financial instruments; (4) provides institutional investors with regulated exposure to Bitcoin price movements through traditional securities markets.

(i) BITCOIN PURCHASE PROGRAM: The term "Bitcoin purchase program" refers to the comprehensive procurement framework established pursuant to Section 4 of this Act governing the acquisition of Bitcoin for deposit into the Strategic Bitcoin Reserve.

# SECTION 3. ESTABLISHMENT OF STRATEGIC BITCOIN RESERVE

## Subsection A. Reserve Creation and Administration

(a) ESTABLISHMENT OF RESERVE: The State Treasurer shall establish, maintain, and administer a Strategic Bitcoin Reserve to serve as the primary repository for all Bitcoin holdings acquired by the State pursuant to this Act or other applicable law.

(b) CUSTODY INFRASTRUCTURE: The Strategic Bitcoin Reserve shall consist of a geographically distributed network of secure Bitcoin storage facilities located within the State and operated according to institutional-grade security protocols designed to ensure the integrity, accessibility, and long-term preservation of state Bitcoin holdings.

(c) ADMINISTRATIVE AUTHORITY: The State Treasurer, in coordination with relevant state agencies, shall implement comprehensive policies, procedures, and operational frameworks necessary to: (1) safeguard Bitcoin holdings against theft, loss, or unauthorized access; (2) maintain accurate accounting and reporting of all reserve assets; (3) ensure compliance with applicable federal and state legal requirements; (4) coordinate with legislative oversight bodies and external auditors; (5) establish disaster recovery and business continuity protocols.

## Subsection B. Key Generation and Security Standards

(a) CRYPTOGRAPHIC KEY REQUIREMENTS: All private keys associated with Strategic Bitcoin Reserve holdings shall be: (1) generated using cryptographically secure random number generation meeting or exceeding industry best practices; (2) created and stored exclusively within offline, air-gapped hardware security modules or equivalent institutional-grade cryptographic appliances; (3) protected by multi-factor authentication, biometric access controls, and comprehensive physical security measures; (4) subject to formal key rotation policies reviewed and updated annually by the State Treasurer or designated authority.

(b) GEOGRAPHIC DISTRIBUTION REQUIREMENTS: Cryptographic keys and associated hardware security infrastructure shall be: (1) distributed across physically and jurisdictionally distinct geographic locations within the State; (2) positioned to ensure that natural disasters, infrastructure failures, or security incidents affecting any single location cannot compromise the integrity or accessibility of reserve holdings; (3) maintained in facilities meeting or exceeding commercial data center security standards with appropriate environmental controls, power backup systems, and intrusion detection capabilities.

## Subsection C. Asset Protection and Operational Restrictions

(a) COLD STORAGE MANDATE: All Bitcoin held within the Strategic Bitcoin Reserve shall remain in cold storage except during the execution of authorized transactions approved through the Multi-Institution Custody governance framework.

(b) PROHIBITED ACTIVITIES: Bitcoin held within the Strategic Bitcoin Reserve shall not be: (1) lent to third parties or used as collateral for borrowing arrangements; (2) subjected to rehypothecation, securities lending, or similar financial arrangements; (3) staked, delegated, or committed to blockchain validation or governance mechanisms; (4) traded, swapped, or converted to other digital assets except as specifically authorized by law; (5) leveraged through derivatives, margin transactions, or synthetic financial instruments.

(c) MINIMUM HOLDING PERIOD: Bitcoin acquired for the Strategic Bitcoin Reserve shall be held for a minimum period of twenty (20) years from the date of acquisition, during which time no disposition of reserve assets shall be permitted except as authorized by specific legislative action.

## Subsection D. Multi-Institution Custody Framework

(a) CUSTODY ARCHITECTURE REQUIREMENTS: The Strategic Bitcoin Reserve shall implement a Multi-Institution Custody framework that: (1) utilizes native Bitcoin multisignature transactions, multi-party computation protocols, or functionally equivalent cryptographic distribution mechanisms; (2) distributes signing authority across a minimum of three (3) and maximum of seven (7) independent institutional entities; (3) establishes quorum thresholds requiring authorization from no fewer than sixty percent (60%) of designated keyholders for any transaction execution; (4) ensures that no single institution, custodian, or individual maintains unilateral control over state Bitcoin reserves.

(b) QUORUM COMPOSITION AND GOVERNANCE: Multi-Institution Custody quorum participants shall be selected from among the following categories: (1) the State Treasurer or designated state agency representatives; (2) federally or state-regulated commercial custodians meeting qualification standards established by the State Treasurer; (3) independent audit institutions, comptrollers, or

fiduciary service providers; (4) academic institutions or nonprofit organizations with demonstrated expertise in cryptographic security and digital asset management; (5) other governmental entities or quasi-governmental organizations as determined appropriate by the State Treasurer.

(c) INSTITUTIONAL INTERNAL CONTROLS: Each institution participating in the Multi-Institution Custody framework shall: (1) implement internal control systems preventing any single employee or agent from independently accessing or utilizing institutional signing keys; (2) establish cryptographic key sharding, multi-person authorization protocols, or equivalent internal separation of duties mechanisms; (3) maintain detailed audit trails documenting all key access, transaction authorization, and custody-related activities; (4) submit to periodic third-party security assessments and compliance audits as directed by the State Treasurer.

(d) KEYHOLDER QUALIFICATION AND TRAINING: All state-designated individual key-holders shall (i) undergo comprehensive background checks prior to assignment; (ii) complete formal training in secure key-management protocols; and (iii) participate in annual refresher training certified by the State Treasurer.

(e) INTRA-INSTITUTION GEOGRAPHIC SEGREGATION: Where a single custodian controls multiple signing keys, each key must be stored in physically distinct facilities located in separate disaster-risk zones to prevent correlated loss.

(f) QUORUM FLEXIBILITY: The composition of quorum participants may be amended with administrative approval, provided the quorum threshold and institutional independence requirements are preserved and Reserve access is never interrupted.

## Subsection E. Insurance and Risk Management

(a) COMPREHENSIVE INSURANCE COVERAGE: The State Treasurer shall ensure that Strategic Bitcoin Reserve holdings are protected by insurance policies covering: (1) theft, robbery, burglary, or other criminal acts targeting reserve assets; (2) fraud, embezzlement, or misconduct by keyholders, custodians, or service providers; (3) cyberattacks, hacking attempts, or technological failures affecting custody systems; (4) custodian insolvency, bankruptcy, or operational failure; (5) errors and omissions by service providers or operational personnel.

(b) INSURANCE POLICY REQUIREMENTS: Insurance coverage for Strategic Bitcoin Reserve holdings shall: (1) name the State as the primary beneficiary and insured party; (2) be underwritten by insurance carriers authorized to conduct business within the State and maintaining financial strength ratings of A- or higher from recognized rating agencies; (3) provide coverage equal to or greater than seventy-five percent (75%) of the reserve's United States dollar equivalent value calculated using thirty-

day rolling average market prices; (4) be reviewed and renewed annually with coverage adjustments reflecting changes in reserve value and market conditions.

## Subsection F. Fork and Airdrop Management

(a) ACQUISITION AND CUSTODY OF DERIVED ASSETS: The State Treasurer shall establish protocols to ensure that digital assets resulting from Bitcoin blockchain forks or airdrops are: (1) identified and catalogued within sixty (60) days of occurrence; (2) securely acquired and transferred to Strategic Bitcoin Reserve custody systems; (3) maintained in cold storage under the same security protocols applicable to primary Bitcoin holdings; (4) subjected to comprehensive reporting and audit requirements.

(b) MINIMUM HOLDING REQUIREMENTS: All digital assets derived from forks or airdrops shall be held within the Strategic Bitcoin Reserve for a minimum period of five (5) years from the date of acquisition, during which time no disposition shall be permitted.

(c) POST-HOLDING PERIOD EVALUATION: Following the expiration of the minimum holding period, the State Treasurer shall: (1) assess the market capitalization, trading volume, and technological viability of all fork-derived assets; (2) retain the asset with the highest market capitalization and demonstrated utility; (3) dispose of remaining assets through public auction or other transparent market mechanisms; (4) deposit proceeds from asset disposition into the State General Fund unless otherwise directed by law.

# SECTION 4. BITCOIN PURCHASE PROGRAM

## Subsection A. Mandatory Operating Fund Allocation

(a) ANNUAL ALLOCATION REQUIREMENT: Beginning with the fiscal year following enactment of this Act, the State shall allocate no less than three percent (3%) of the prior fiscal year's average daily balance in the General Operating Fund for the purchase of Bitcoin to be deposited in the Strategic Bitcoin Reserve.

(b) ELIGIBLE FUND SOURCES: Bitcoin acquisition funds may be derived from: (1) unexpended, unencumbered, or uncommitted balances in the General Operating Fund; (2) surplus funds in the Budget Stabilization Reserve Fund not required for immediate fiscal obligations; (3) other state liquidity accounts not subject to statutory earmarks or contractual restrictions; (4) investment earnings from state treasury operations exceeding budgeted projections.

(c) ALLOCATION METHODOLOGY: The State Treasurer shall calculate the required allocation based on the arithmetic mean of daily balances in eligible accounts during the preceding fiscal year, with adjustments for extraordinary receipts or expenditures that do not reflect normal operational cash flows.

## Subsection B. Institutional Investment Review

(a) COMPREHENSIVE PORTFOLIO ASSESSMENT: All state-affiliated investment managers overseeing public pension systems, permanent funds, endowments, and other long-term capital pools shall conduct formal reviews of existing Bitcoin exposure through direct holdings or proxy investments.

(b) REVIEW REQUIREMENTS: Portfolio assessments shall evaluate: (1) current direct and indirect Bitcoin exposure through exchange-traded products, futures contracts, or equity securities; (2) opportunities to enhance portfolio performance through strategic Bitcoin allocation; (3) risk-adjusted return potential and correlation benefits relative to existing asset classes; (4) implementation mechanisms consistent with fiduciary duties and investment mandates; (5) custody, operational, and regulatory considerations affecting Bitcoin investment.

(c) REPORTING AND IMPLEMENTATION: Investment managers shall submit written reports to the State Legislature within six (6) months of enactment documenting review findings and recommended actions for Bitcoin integration within existing investment frameworks.

## Subsection C. Municipal BitBond Authorization

(a) ISSUANCE AUTHORITY: The State Treasurer, in coordination with the State Bond Commission and subject to applicable statutory debt limitations, is authorized to issue tax-exempt municipal bonds designated as Municipal BitBonds with proceeds allocated to both traditional public expenditures and Bitcoin acquisition.

(b) BOND STRUCTURE AND ALLOCATION: Municipal BitBonds may include: (1) Bitcoin acquisition tranches comprising up to twenty percent (20%) of total bond proceeds unless modified by legislative action; (2) traditional infrastructure investments including transportation, utilities, broadband, educational facilities, and other public purposes; (3) transparent allocation schedules disclosed to investors and rating agencies during the bond issuance process.

(c) ISSUANCE REQUIREMENTS: Municipal BitBond offerings shall: (1) comply with federal tax-exemption requirements and securities regulations; (2) include comprehensive disclosure of Bitcoin investment strategies, risk factors, and custody arrangements; (3) receive approval from bond counsel regarding legal structure and tax implications; (4) incorporate investor protections and performance reporting mechanisms.

## Subsection D. Seized Asset Utilization

(a) ALLOCATION AUTHORITY: The State Treasurer is authorized to direct proceeds from lawfully seized or forfeited assets toward Bitcoin acquisition for the Strategic Bitcoin Reserve.

(b) ELIGIBLE ASSET SOURCES: Funds available for Bitcoin purchase include: (1) monetary assets seized through criminal or civil forfeiture proceedings; (2) proceeds from liquidation of forfeited non-monetary assets including real estate, vehicles, and personal property; (3) funds received through federal equitable sharing programs; (4) penalties, fines, and settlements received by state agencies in enforcement actions.

(c) ALLOCATION LIMITATIONS: Bitcoin purchases from seized assets shall not exceed twenty percent (20%) of total annual forfeiture proceeds without specific legislative authorization.

## Subsection E. Cryptocurrency Revenue Conversion

(a) MANDATORY CONVERSION REQUIREMENT: The State Treasurer shall convert all cryptocurrency received as tax payments, fees, fines, penalties, licenses, permits, donations, or grants into Bitcoin for deposit in the Strategic Bitcoin Reserve.

(b) CONVERSION PROTOCOLS: Cryptocurrency conversion shall be executed through: (1) licensed and regulated digital asset exchanges or over-the-counter trading platforms; (2) competitive quotation processes ensuring market-rate conversion; (3) transparent pricing mechanisms with comprehensive audit trails; (4) standardized procedures minimizing slippage and market impact.

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(c) TIMING REQUIREMENTS: Cryptocurrency conversions shall be completed within seventy-two (72) hours of receipt unless market conditions or operational constraints require alternative timing approved by the State Treasurer.

## Subsection F. Competitive Procurement Standards

(a) QUOTATION REQUIREMENTS: All Bitcoin acquisitions exceeding fifty thousand dollars ($50,000) in value shall be executed through competitive quotation processes soliciting price quotes from no fewer than three (3) independent, regulated Bitcoin liquidity providers.

(b) VENDOR QUALIFICATION STANDARDS: Approved Bitcoin vendors shall: (1) maintain registration as Money Services Businesses with the Financial Crimes Enforcement Network or equivalent federal regulatory status; (2) demonstrate institutional-grade trading capabilities and custody infrastructure; (3) provide comprehensive insurance coverage for client assets; (4) submit to ongoing compliance monitoring and reporting requirements; (5) maintain clean regulatory records without material enforcement actions or compliance violations.

(c) EXECUTION AND DOCUMENTATION: Bitcoin purchase transactions shall: (1) utilize time-weighted average pricing mechanisms to ensure market-rate execution; (2) be documented with timestamped records of all quotes received and final execution prices; (3) be reported to designated legislative oversight committees within thirty (30) days; (4) be subject to annual third-party audits and compliance reviews.

(d) COUNTERPARTY PROHIBITIONS: No counterparty may be used if it is under active enforcement action, subject to a cease-and-desist order, within five (5) years of a fraud judgment or bankruptcy, or unwilling to submit to State jurisdiction and disclosure obligations.

(e) FOREIGN VENUE RESTRICTION: Primary Bitcoin acquisitions shall be executed exclusively through U.S.-regulated venues; the use of foreign-based or non-regulated exchanges is prohibited.

(f) EXECUTION MECHANICS: All acquisitions shall utilize a sealed-bid Request-for-Quote process under a Guaranteed Time-Weighted Average Price (TWAP) framework. Individual liquidity providers shall not execute more than ten percent (10 %) of daily Bitcoin trading volume in any single trading day; emergency acquisitions may not exceed twenty percent (20 %) of daily volume.

# SECTION 5. REPORTING AND TRANSPARENCY

## Subsection A. Cryptographic Proof of Reserves

(a) PUBLIC VERIFICATION REQUIREMENT: All Bitcoin held within the Strategic Bitcoin Reserve shall be subject to continuous cryptographic Proof of Reserves verification accessible to the public.

(b) TECHNICAL STANDARDS: Proof of Reserves attestations shall include: (1) cryptographic signatures demonstrating control over all reserve Bitcoin addresses; (2) complete listing of on-chain addresses and associated balances; (3) real-time updates reflecting changes in reserve holdings; (4) independent verification mechanisms allowing public confirmation of reserve integrity.

(c) PUBLICATION AND ACCESS: Proof of Reserves data shall be published on official state websites, a third party website, archived permanently for public inspection, and updated within one (1) hour of any material change in reserve holdings.

(d) SELF-CUSTODY DISCLOSURE: If the State elects to self-custody any portion of the Reserve, it shall publish (i) multisignature wallet policies; (ii) internal access-control and key-management procedures; and (iii) the official titles or roles of all key-holders.

## Subsection B. Comprehensive Biennial Reporting

(a) REPORT CONTENTS: The State Treasurer shall prepare biennial reports including: (1) total Bitcoin holdings and United States dollar equivalent values; (2) detailed acquisition history and cost basis information; (3) custody arrangements and security incident reports; (4) performance analysis and portfolio impact assessment; (5) compliance with all statutory requirements and operational protocols; (6) recommendations for program modifications or improvements.

(b) PUBLICATION REQUIREMENTS: Biennial reports shall be electronically published on official state websites and distributed to all legislative members by December 31st of each even-numbered year.

# SECTION 6. ECONOMIC DEVELOPMENT INITIATIVES

## Subsection A. Bitcoin Tax-Advantaged Zones

(a) ZONE DESIGNATION AUTHORITY: The State Department of Economic Development, in coordination with the Department of Revenue, shall establish Bitcoin Tax-Advantaged Zones in areas demonstrating economic development potential and suitable infrastructure for digital asset businesses.

(b) TAX INCENTIVES: Qualified businesses and individuals operating within designated zones shall be eligible for: (1) state capital gains tax exemptions for Bitcoin held longer than twelve (12) months; (2) corporate income tax reductions of up to fifty percent (50%) for qualifying Bitcoin-related businesses; (3) sales tax exemptions for Bitcoin mining equipment and infrastructure purchases; (4) payroll tax credits for businesses employing state residents in Bitcoin-related activities.

(c) QUALIFICATION REQUIREMENTS: Zone participants must: (1) derive at least sixty percent (60%) of annual revenue from eligible Bitcoin activities; (2) maintain transparent financial records subject to annual state review; (3) comply with all applicable state and federal regulations; (4) demonstrate positive economic impact through job creation and tax revenue generation.

(d) RELOCATION GRANTS AND PAYROLL REBATES: Qualified businesses relocating to a Zone and employing in-State residents shall be eligible for State-funded relocation grants and payroll-tax rebates.

(e) ZONE ADVISORY BOARD: Each Zone shall establish an Advisory Board comprising local business leaders, Bitcoin industry representatives, municipal officials, and public members with digital-asset expertise. The Board shall publish an annual impact report.

## Subsection B. Environmental Benefits Through Bitcoin Mining

(a) EMISSIONS REDUCTION MANDATE: State agencies shall identify opportunities to utilize Bitcoin mining for: (1) monetizing stranded energy resources including flared natural gas and orphaned wells; (2) stabilizing renewable energy grids through responsive load balancing; (3) reducing greenhouse gas emissions through methane capture and utilization; (4) supporting environmental remediation of legacy energy infrastructure.

(b) PUBLIC-PRIVATE PARTNERSHIPS: The State may enter into agreements with qualified miners to: (1) develop Bitcoin mining operations on public lands or utilizing public energy resources; (2) share mining proceeds with the Strategic Bitcoin Reserve; (3) implement environmental monitoring and emissions reduction technologies; (4) provide expedited permitting and regulatory approval for qualifying projects.

(c) NET-GHG REDUCTION TEST: Every State-affiliated mining site shall demonstrate a measurable net reduction in greenhouse-gas emissions relative to baseline operations as a condition of continued operation.

(d) CONSERVATION FUND CONTRIBUTION: Not less than five percent (5 %) of gross mining proceeds shall be deposited into a dedicated State Conservation and Emissions Remediation Fund.

# SECTION 7. PROTECTION OF PRIVATE PROPERTY RIGHTS

(a) PROHIBITION ON CONFISCATION: Nothing in this Act shall be construed to authorize the seizure, confiscation, or impairment of lawfully acquired Bitcoin holdings of any person, business, or organization.

(b) AFFIRMATION OF SELF-CUSTODY RIGHTS: This Act affirms and protects the fundamental right of individuals to maintain direct control over Bitcoin and other digital assets through private key self-custody as an essential component of financial sovereignty and personal liberty in the digital age.

(c) LEGAL PROTECTION: The State recognizes Bitcoin as legitimate digital property entitled to full protection under applicable property rights laws and constitutional provisions.

# SECTION 8. EFFECTIVE DATE AND IMPLEMENTATION

## Subsection A. Effective Date and Immediate Requirements

(a) STATUTORY EFFECTIVENESS: This Act shall take effect on the first day of the month following ninety (90) days after enactment, providing sufficient time for the State Treasurer and relevant agencies to complete initial preparatory activities required for program implementation.

(b) IMMEDIATE PREPARATORY ACTIVITIES: Following enactment and prior to the effective date, the State Treasurer shall undertake the following preparatory measures:

Conduct comprehensive market analysis of qualified custodians, Bitcoin procurement vendors, and insurance providers meeting the standards established by this Act

Develop detailed operational procedures and internal controls governing all aspects of Strategic Bitcoin Reserve operations

Establish contractual frameworks with Multi-Institution Custody participants and service providers

Implement necessary information technology infrastructure to support custody operations, reporting requirements, and public transparency mechanisms

Coordinate with relevant state agencies to ensure regulatory compliance and operational alignment

## Subsection B. Implementation Timeline and Operational Milestones

(a) CUSTODY FRAMEWORK ESTABLISHMENT: Within sixty (60) days of the effective date, the State Treasurer shall complete the establishment of the Multi-Institution Custody framework, including execution of all necessary agreements with qualified custodians and verification of cryptographic key generation and distribution procedures.

(b) INITIAL BITCOIN ACQUISITION: The State Treasurer shall execute the first Bitcoin purchase for deposit into the Strategic Bitcoin Reserve within ninety (90) days of the effective date, utilizing competitive procurement procedures established under Section 4 of this Act.

(c) FULL OPERATIONAL CAPACITY: All components of the Strategic Bitcoin Reserve program, including custody operations, reporting systems, insurance coverage, and governance mechanisms, shall achieve full operational status within one hundred twenty (120) days of the effective date.

(d) INITIAL PUBLIC REPORTING: The State Treasurer shall publish the first Proof of Reserves attestation and comprehensive program status report within one hundred fifty (150) days of the effective date, establishing the foundation for ongoing transparency and public accountability requirements.

## Subsection C. Transition and Integration Provisions

(a) EXISTING DIGITAL ASSET CONSOLIDATION: Any Bitcoin or other digital assets currently held by state agencies, investment funds, or other governmental entities within the State shall be identified, catalogued, and transferred to Strategic Bitcoin Reserve custody within one hundred eighty (180) days of the effective date, ensuring unified management and enhanced security for all state digital asset holdings.

(b) LEGACY CONTRACT MODIFICATION: Existing contracts, agreements, or arrangements involving Bitcoin or digital assets that conflict with the requirements of this Act shall be reviewed and modified to achieve compliance within twelve (12) months of the effective date, or terminated if modification is not feasible while protecting the State's interests.

(c) INITIAL FUNDING CALCULATIONS: For the first fiscal year following the effective date, the mandatory allocation requirement under Section 4, Subsection A may be calculated based on available financial data and pro-rated to reflect partial year implementation, with full compliance required for subsequent fiscal years.

## Subsection D. Regulatory and Administrative Coordination

(a) FEDERAL REGULATORY ENGAGEMENT: The State Treasurer shall coordinate with appropriate federal regulatory agencies, including the Internal Revenue Service, Securities and Exchange Commission, and Commodity Futures Trading Commission, to ensure compliance with applicable federal requirements and obtain necessary guidance for state-level Bitcoin reserve operations.

(b) INTERSTATE COORDINATION INITIATION: The State Treasurer is authorized to begin coordination with other states implementing or considering similar Bitcoin reserve programs to establish cooperative frameworks and share best practices for program implementation and ongoing operations.

(c) LEGISLATIVE NOTIFICATION: The State Treasurer shall provide written notification to legislative leadership within thirty (30) days of the effective date confirming implementation progress and identifying any obstacles or modifications necessary for successful program operation.

### Subsection E. Emergency Implementation Authority

(a) EXPEDITED PROCEDURES: If extraordinary market conditions or operational circumstances arise during implementation, the State Treasurer may implement expedited procedures for custody establishment, vendor selection, or Bitcoin acquisition, provided that such expedited procedures maintain the security and transparency standards required by this Act.

(b) INTERIM REPORTING: During the implementation period, the State Treasurer shall provide monthly progress reports to designated legislative committees detailing implementation milestones achieved, obstacles encountered, and corrective actions taken to ensure successful program launch.

# SECTION 9. OVERSIGHT AND GOVERNANCE

### Subsection A. Strategic Bitcoin Reserve Advisory Committee

(a) COMMITTEE ESTABLISHMENT: The State Treasurer shall establish a Strategic Bitcoin Reserve Advisory Committee to provide ongoing guidance on reserve operations, risk management, and strategic planning initiatives.

(b) COMMITTEE COMPOSITION: The Advisory Committee shall consist of seven (7) members appointed as follows:

The State Treasurer or designated representative, serving as chairperson

One member appointed by the Governor with demonstrated expertise in digital asset custody and security

One member appointed by the Speaker of the House with background in financial risk management

One member appointed by the Senate President with experience in institutional investment management

One member representing the state's largest public pension system

One member from the academic community with specialization in blockchain technology or cryptographic systems

One member representing the state's banking or financial services industry

(c) COMMITTEE RESPONSIBILITIES: The Advisory Committee shall:

Review and recommend modifications to custody protocols and security standards

Evaluate potential changes to acquisition strategies and portfolio management approaches

Assess emerging risks and opportunities in the digital asset ecosystem

Provide input on regulatory compliance and legal developments affecting reserve operations

Review biennial reports and recommend improvements to transparency and reporting mechanisms

(d) MEETING REQUIREMENTS: The Advisory Committee shall convene no less than quarterly and maintain public records of all proceedings, recommendations, and votes taken during official meetings.

## Subsection B. Legislative Oversight Mechanisms

(a) ANNUAL LEGISLATIVE BRIEFINGS: The State Treasurer shall provide annual briefings to designated legislative committees covering reserve performance, operational developments, and strategic initiatives.

(b) AUDIT AUTHORITY: The legislative audit division or equivalent oversight body shall conduct comprehensive audits of Strategic Bitcoin Reserve operations no less than once every three years, with authority to examine all aspects of custody, procurement, and risk management practices.

(c) EMERGENCY REPORTING: The State Treasurer shall immediately notify legislative leadership of any security incidents, custody breaches, or operational failures affecting reserve assets or operations.

# SECTION 10. INTERGOVERNMENTAL COOPERATION

## Subsection A. Interstate Coordination Framework

(a) INTERSTATE COMPACTS: The State is authorized to enter into interstate compacts or cooperative agreements with other states implementing strategic Bitcoin reserves to:

Share best practices for custody and security protocols

Coordinate procurement activities to achieve favorable pricing

Develop standardized reporting and transparency mechanisms

Establish mutual assistance frameworks for emergency situations

(b) FEDERAL COORDINATION: State agencies shall coordinate with federal authorities to ensure compliance with applicable federal regulations while preserving state sovereignty over reserve operations and investment decisions.

## Subsection B. Municipal and Local Government Integration

(a) LOCAL GOVERNMENT PARTICIPATION: Counties, municipalities, and other local governmental entities within the State are encouraged to establish complementary Bitcoin reserve programs consistent with the framework established by this Act.

(b) TECHNICAL ASSISTANCE: The State Treasurer shall provide technical assistance, guidance, and shared services to local governments seeking to implement Bitcoin treasury strategies or investment programs.

# SECTION 11. EMERGENCY PROVISIONS AND CONTINGENCY PLANNING

## Subsection A. Emergency Access Protocols

(a) DISASTER RECOVERY PROCEDURES: The State Treasurer shall maintain comprehensive disaster recovery and business continuity plans ensuring reserve accessibility during natural disasters, infrastructure failures, or other emergency situations.

(b) EMERGENCY SPENDING AUTHORITY: In declared state emergencies, the Governor may authorize limited disposition of Strategic Bitcoin Reserve assets for critical public expenditures, subject to legislative ratification within sixty (60) days of any emergency transaction.

(c) WRITTEN DISASTER-RECOVERY PLAN: Every qualified custodian shall maintain a written disaster-recovery and business-continuity plan on file with the State Treasurer and update it annually.

(d) ANNUAL TABLETOP OR LIVE EXERCISE: The State Treasurer shall coordinate an annual simulated disaster-recovery exercise with all custodians and key-holders and shall publish an after-action report within thirty (30) days of completion.

## Subsection B. Cybersecurity Incident Response

(a) INCIDENT RESPONSE FRAMEWORK: The State Treasurer shall establish formal cybersecurity incident response procedures addressing potential threats to reserve custody systems, including coordination with state and federal cybersecurity authorities.

(b) BREACH NOTIFICATION REQUIREMENTS: Any suspected or confirmed security incident affecting Strategic Bitcoin Reserve systems shall be reported to legislative leadership, the Governor's office, and appropriate regulatory authorities within twenty-four (24) hours of discovery.

# SECTION 12. COMPLIANCE AND ENFORCEMENT

## Subsection A. Regulatory Compliance Framework

(a) FEDERAL COMPLIANCE: All Strategic Bitcoin Reserve operations shall comply with applicable federal laws, including anti-money laundering requirements, sanctions compliance, and securities regulations.

(b) STATE REGULATORY ALIGNMENT: The State Treasurer shall coordinate with relevant state regulatory agencies to ensure reserve operations align with existing financial regulations and public investment standards.

## Subsection B. Enforcement Mechanisms

(a) CIVIL PENALTIES: Violations of this Act by custodians, service providers, or other third parties shall be subject to civil penalties not exceeding one hundred thousand dollars ($100,000) per violation.

(b) CONTRACT REMEDIES: All contracts relating to Strategic Bitcoin Reserve operations shall include specific performance clauses and monetary damages provisions protecting state interests.

# SECTION 13. AMENDMENT AND MODIFICATION PROCEDURES

## Subsection A. Legislative Amendment Authority

(a) STATUTORY MODIFICATIONS: This Act may be amended only through standard legislative processes, with any material changes to custody requirements, holding periods, or acquisition mandates requiring supermajority approval.

(b) REGULATORY UPDATES: The State Treasurer is authorized to update operational procedures and technical standards through administrative rulemaking, provided such updates do not conflict with statutory requirements.

## Subsection B. Sunset Review Provisions

(a) PROGRAM EVALUATION: The Strategic Bitcoin Reserve program shall be subject to comprehensive legislative review every ten (10) years to assess program effectiveness, costs, and continued public benefit.

(b) CONTINUATION AUTHORITY: Absent specific legislative action to terminate or modify the program, the Strategic Bitcoin Reserve shall continue operations in accordance with existing statutory requirements.

# SECTION 14. SAVINGS AND SEVERABILITY

## Subsection A. Existing Law Preservation

(a) COMPLEMENTARY AUTHORITY: This Act supplements and does not replace existing state investment authorities, treasury management powers, or fiduciary responsibilities established under other provisions of state law.

(b) CONFLICT RESOLUTION: In cases of conflict between this Act and other state laws, the provisions of this Act shall control with respect to Strategic Bitcoin Reserve operations and related activities.

## Subsection B. Severability Clause

(a) PROVISION INDEPENDENCE: If any provision of this Act or its application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of the Act that can be given effect without the invalid provision or application.

(b) LEGISLATIVE INTENT: The Legislature declares that it would have passed this Act and each section, subsection, subdivision, sentence, clause, phrase or word thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases or words might be declared invalid.

# SECTION 15. TECHNICAL DEFINITIONS AND CLARIFICATIONS

## Subsection A. Additional Technical Terms

(a) HASH RATE: The term "hash rate" means the computational power dedicated to securing the Bitcoin network through proof-of-work mining operations, measured in hashes per second.

(b) BLOCKCHAIN REORGANIZATION: The term "blockchain reorganization" means a change in the Bitcoin blockchain where a competing chain becomes the longest valid chain, potentially affecting transaction finality.

(c) MEMPOOL: The term "mempool" means the collection of unconfirmed Bitcoin transactions awaiting inclusion in a blockchain block.

## Subsection B. Operational Clarifications

(a) TRANSACTION FINALITY: For purposes of this Act, Bitcoin transactions shall be considered final after six (6) blockchain confirmations unless exceptional circumstances require alternative finality standards.

(b) VALUATION METHODOLOGY: Bitcoin holdings shall be valued using volume-weighted average prices from recognized digital asset data providers over rolling thirty (30) day periods for official reporting purposes.

# SECTION 16. EFFECTIVE DATE AND TRANSITION PROVISIONS

## Subsection A. Implementation Timeline

(a) IMMEDIATE EFFECTIVENESS: This Act shall take effect immediately upon signature by the Governor, with initial implementation activities commencing within thirty (30) days.

(b) OPERATIONAL MILESTONES: The State Treasurer shall achieve the following implementation milestones:

Establishment of custody framework within ninety (90) days

First Bitcoin acquisition within one hundred twenty (120) days

Full operational capacity within one hundred eighty (180) days

Initial public reporting within two hundred ten (210) days

## Subsection B. Transition Provisions

(a) EXISTING DIGITAL ASSET HOLDINGS: Any Bitcoin or other digital assets currently held by state agencies or investment funds shall be transferred to Strategic Bitcoin Reserve custody within one hundred eighty (180) days of this Act's effective date.

(b) GRANDFATHER PROVISIONS: Existing contracts or arrangements involving Bitcoin or digital assets that conflict with this Act's requirements shall be modified to achieve compliance within twelve (12) months or terminated if modification is not feasible.

(c) INITIAL FUNDING: For the first fiscal year following enactment, the required allocation under Section 4(A) may be calculated based on available data and adjusted in subsequent years as full operational experience is achieved.

This model legislation provides a comprehensive framework for establishing state-level Strategic Bitcoin Reserves while ensuring appropriate oversight, risk management, and public accountability. States adopting this framework should modify specific provisions to align with their constitutional requirements, existing statutory structures, and local policy preferences.

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