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Crypto in the Capitol: States Take the Lead on Strategic Bitcoin Reserves

Blockchain and the Law on **July 23, 2025**

As the digital economy continues to evolve, the U.S. government and a handful of states are beginning to experiment with new strategies for financial resilience, including the creation of Strategic Bitcoin Reserves ("SBR"). An SBR is a financial policy tool where a government entity, such as a U.S. state, allocates a portion of assets to securely hold Bitcoin as a long-term store of value or hedge against economic risks like inflation. SBRs function similarly to traditional strategic reserves of assets like gold, as there is a finite supply of Bitcoin.[1] A government (or corporation or individual investor) might wish to add a non-sovereign asset like Bitcoin to their portfolio with the expectation that such assets will appreciate over time or at least maintain a relatively stable value. Recent SBR legislation passed in several states shows Bitcoin is increasingly being viewed as a long-term financial strategy rather than as a speculative asset. These laws also serve as a marketing strategy to position those states with SBRs as tech-friendly and pro-crypto – particularly in light of shifting priorities under the new administration.

Federal Strategic Bitcoin Reserves Proposals

On March 6, 2025, President Trump signed an executive order titled the “Establishment of the Strategic Bitcoin Reserve and United States Digital Asset Stockpile,” noting: “The United States Government currently holds a significant amount of BTC, but has not implemented a policy to maximize BTC’s strategic position as a unique store of value in the global financial system.” The order directs the U.S. Treasury Department to establish and manage a SBR to create long-term reserve holdings capitalized by Bitcoin previously forfeited in civil or criminal proceedings. This would mark a departure from the government’s prior policy of selling Bitcoin and digital assets forfeited in legal proceedings, typically through public auctions, and would represent a policy shift in embracing crypto assets. The order also directs Treasury to establish an office to manage the “United States Digital Asset Stockpile” that would consist of holdings of other cryptocurrency or digital assets obtained in forfeiture proceedings, subject to exceptions for digital assets returned to crime victims or used for law enforcement purposes.

Following the order, on March 11, 2025 Senator Cynthia Lummis (R-WY) introduced the BITCOIN Act of 2025, which would, among other things, codify the executive order and establish a federal SBR. The bill proposes a framework allowing the Treasury Department, using various methods, to acquire one million Bitcoin over a five-year period and place the assets in secure cold storage (akin to the country’s gold reserves) for a minimum 20-year holding period. Treasury would be required to make regular public reports about the reserve fund. The bill text also includes congressional findings recognizing Bitcoin as a useful diversification method and a hedge against economic uncertainty and monetary instability. While the bill remains in committee, its introduction signals that Congress and the White House are open to treating digital assets as a legitimate asset class worthy of public investment. With the passage of the GENIUS Act (S.1582), which establishes a regulatory framework for payment stablecoins, it’s possible more digital asset legislation like the SBR bill could advance in the coming term.

State Laws Enabling Strategic Bitcoin Reserves

Meanwhile, as the federal government begins work on its own SBR, several states were already in the process of developing legislation of their own to implement Bitcoin reserves. Some of these laws authorize the use of public funds while others are more modest in scope.

New Hampshire became the first state to pass an SBR law. HB 302 authorizes the state treasurer to invest up to 5% percent of the total amount of public funds in precious metals or digital assets that have a market cap of over $500 billion (Bitcoin is the only digital asset that currently meets this criterion). The state treasurer must maintain such assets securely,[2] whether through a state secure custody solution, a qualified custodian, or in the form of an exchange-traded product issued by a registered investment company. While the bill does not specifically mandate the creation of such reserve, it gives the state's treasurer discretion to invest in one.

Arizona passed HB 2749, which is not its first foray into legislation related to blockchain and digital assets.[3] HB 2749 updates the state's unclaimed property laws and creates the Bitcoin and Digital Assets Reserve Fund. This fund requires the state to hold unclaimed digital assets for three years before they can be sold, with any airdrops or staking rewards retained in their digital form and added to the reserve (the state treasurer, with approval of the state legislature, can deposit ten percent of digital assets held in the fund into the state's general fund). Under the law, digital assets are presumed abandoned three years after a written or electronic communication sent to the account owner is returned as undeliverable. However, this presumption ends immediately if the owner takes action regarding the digital asset, such as by conducting a transaction or electronically accessing the account.

In late June, Texas joined the SBR movement with the passage of SB 21. The law establishes a Texas SBR managed by the state comptroller as a special fund outside the state treasury. The law authorizes the state comptroller to allowed qualified third parties to manage the reserve and requires crypto purchases, with funds appropriated by the legislature or from reserve revenues, to be invested in digital assets that have an average market capitalization of at least $500 billion over the most recent two-year period.

Similar bills are pending in other state legislatures, including Massachusetts, Michigan, North Carolina and Ohio. If more states establish such funds, it will be interesting to see the effect on the price of Bitcoin as, presumably, more supply of the coin would be acquired and thereafter held in storage and would not generally be traded on exchanges.

Future Implications and Potential Risks

While states have taken different approaches to establishing SBRs, their adoption signals a growing willingness to investigate the potential for certain established digital currencies as to become recognized strategic asset classes for long-term investment of state funds. States pursuing these initiatives also hope that such laws might attract professionals and businesses seeking jurisdictions with more favorable crypto regulations. The success of these early adopters could also lead to innovation at the federal level as lawmakers observe these policies in practice.

Although the creation of SBRs at the state level mirrors what institutional and individual investors are doing with Bitcoin stockpiles or investments in similar ETF products, their adoption presents potential legal and regulatory risks. States must first ensure that they have the expertise and specialized secure infrastructure necessary to store their digital assets or otherwise contract with a qualified custodian to do so. Texas's SB 21, for example, requires cold storage, an offline method of custody. Moreover, the New Hampshire SBR law allows for investment in Bitcoin ETFs, negating the need to hold the underlying digital currency itself. Moreover, states with SBRs need to develop frameworks and processes for managing such investments with reasonable care and reporting, tracking, and disclosing reserve holdings to the public.

Additionally, bills like Arizona's HB 2749 raise procedural concerns similar to those associated with the forfeiture of any type of unclaimed assets, by allowing the state to repossess unclaimed digital assets after a period of time. Legal challenges could arise over asset seizure, and account owners in such states should maintain periodic vigilance over accounts to maintain an active presence.

Lastly, Bitcoin's price, having risen since the new administration took office, is not guaranteed to continue climbing and may experience future volatility. With Bitcoin reaching new highs in the past year, it's possible that states purchasing or acquiring Bitcoin at its peak could experience losses in the future or that Bitcoin could underperform as compared with traditional assets (of course, bitcoin and other digital assets acquired via forfeiture of criminal proceeds would sidestep this concern). A sudden drop in value could raise questions about the general responsibility of state officials to prudently manage public funds. Presumably, this latter concern explains why the aforementioned state bitcoin reserve laws are relatively modest in scope and limit state investments either to unclaimed funds or to Bitcoin itself, as opposed to other cryptocurrencies.

Laws in states like Arizona, Oregon, New Hampshire, and Texas signal a gradual step toward modernizing state treasuries and reflect the growing legitimacy of digital assets as an enduring asset class. However, with the momentum comes risks, including questions about secure custody, property concerns and general management responsibilities. As more states consider incorporating SBRs into their long-term financial strategies, the U.S. is attempting to position itself as a leader in global financial crypto policy.

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[1] Bitcoin will eventually reach its hard cap of 21 million BTC around the year 2040. Once this number is reached, no new bitcoins will be minted, absent an action by a consensus of network participants to agree on a code change, which is highly unlikely given that Bitcoin's fixed supply is central to its value proposition.

[2] “Secure custody solution” means a technological product or blended product and service which has all of the following characteristics: (1) The cryptographic private keys that secure digital assets are exclusively known by and accessible by the government entity; (2) The cryptographic private keys that secure digital assets are exclusively contained within an encrypted environment and accessible only via end-to-end encrypted channels; (3) The cryptographic private keys that secure digital assets are never contained by, accessible by, or controllable via a smartphone; (4) Any hardware that contains the cryptographic private keys that secure digital assets is maintained in at least 2 geographically diversified specially designated secure data centers; (5) The secure custody solution enforces a multi-party governance structure for authorizing transactions, enforces user access controls, and logs all user-initiated actions; (6) The provider of the secure custody solution has implemented a disaster recovery protocol that ensures customer access to assets in the event the provider becomes unavailable; (7) The secure custody solution undergoes regular code audits and penetration testing from audit firms.

[3] Note: A previous Arizona bill (SB 1373), which would have established a digital assets strategic reserve funded by monies appropriated by the state legislature, was vetoed by the governor in May 2025; another bill (SB 2324), which would have using confiscated digital asset funds from criminal cases for a state reserve fund, was vetoed by the governor in early July.