

ROBERT SPRAGUE

OHIO TREASURER

House Bill 18 – Cryptocurrency
House Technology and Innovation Committee
May 27th, 2025

Good morning, Chairman Claggett, Vice Chair Workman, Ranking Member Mohamed, and members of the House Technology and Innovation Committee. My name is Zach Prouty, and I serve as the Director of Policy and Legislative Affairs for the Ohio Treasurer's office. Thank you for providing me with the opportunity to give proponent testimony on House Bill 18, which would create the Ohio Strategic Reserve Fund, the Ohio Strategic Reserve Authority, and permit funds in the Reserve Fund to be invested in Bitcoin.

The Treasurer's office has been working with Representative Demetriou on a number of changes to H.B. 18, which are reflected in the substitute bill you see today. Rather than go through line by line and highlight the various changes, I think it is more valuable to explain the big picture goal of what we're trying to achieve with this legislation and the broader Bitcoin regulatory and investment landscape nationally.

Upon his inauguration, President Trump signed several executive orders including creating a "Strategic Bitcoin Reserve", creating a "Digital Asset Stockpile", and formation of the "Digital Assets Working Group" which will examine, among other things, the regulatory framework of Bitcoin and other digital assets. Congress is also contemplating several pieces of legislation that would codify these executive orders and permit direct purchasing of Bitcoin by the federal government. Several states have advanced similar legislation to H.B. 18 in recent weeks. Arizona, New Hampshire, and Texas have each enacted Bitcoin reserve bills, with legislation pending in about a dozen other state legislatures.

For this legislation specifically, I want to take a step back and explain the big picture of how cash is managed at the state level. The primary responsibility of the Ohio Treasurer's office is to serve as the banking and investment agent of the state, including investing local funds through our STAR Ohio program and state funds within the State Treasury. The State Treasury itself is, with few exceptions, the accumulated cash balance of every fund in the state. Each appropriation that is approved in the budget ties to a specific line item and fund, such as the General Revenue Fund or a Dedicated Purpose Fund. The accumulated cash balances of each of those 250+ funds are what makes up the Treasury. As of today, the Treasury is over \$25 billion in size. Those dollars are actively invested by Treasury staff in a multitude of fixed income securities, such as certificates of deposit, commercial paper, corporate bonds, and U.S. Treasury obligations.

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The General Assembly, LSC, and OBM classify appropriated state funds as GRF, Federal, DPF, etc. At the Treasurer's office, we classify the funds, the "cash" itself, differently. We look at it two ways, either as "active" or "interim" money. All of the revenues and expenditures of state government flow in and out of one bank account. "Active" is the cash balance of the Treasury's bank account and is available for immediate cash needs. Everything else is considered "interim", and is invested in a litany of instruments, maturing within one day or up to five years. All state funds are commingled and invested as one pool. This is an important point, because the concept of a "reserve" fund, savings account, or a "rainy day" fund exists to the General Assembly and others as the Budget Stabilization Fund. However, because the BSF is a state Treasury fund, the cash is thus classified as interim money, it is invested no differently than any other dollar of state funds. Because of this setup, the investment objectives of the Treasurer's office are simple: safety, liquidity, and earnings. Put another way, our goal is to have whatever cash OBM needs ready at a moment's notice, and to safekeep funds in the interim. These interim funds need to be readily available to fund the obligations of the state (liquidity). Due to the size of the Treasury, we must invest these funds (safety) to mitigate our risk to the greatest extent possible. Finally, the investment income that we generate (earnings) are, in the grand scheme of things, icing on the cake. Investment income is redistributed by OBM on a pro-rata basis to specific funds, according to law. For reference, over the last two fiscal years (FY 24&25) TOS will have generated over \$2 billion in investment income for the state.

Our goal with this legislation is to create a new classification of state investments with a slightly different goal: a "strategic reserve" fund that would be a long-term investment, with the intention of holding the assets longer than five years. This would align the investment side of the coin with the budgeting side, at least as far as state "savings" are concerned. In the future, an ideal asset allocation could be a smaller BSF fund balance to plug short-term cashflow needs of the state and a separate strategic reserve fund balance that is invested in a wider array of assets with the principal being untouched, very similar in concept to a sovereign wealth fund.

Before I close and take questions, I wanted to touch on two other pieces of this bill. The proposed Reserve Authority structure, and the proposed revenue streams.

The concept of an oversight board being created is something that is consistent with how the state already handles its finances. For instance, the Ohio Public Facilities Commission (all statewides plus OBM) oversees the issuance and repayment of all state G.O. debt. Our goal here was to create a small authority to advise on and oversee Reserve Fund investments. The Authority would be chaired by TOS. OBM would serve on the board to advise on cash flow needs, revenue projections into the strategic reserve fund, etc. AOS would ensure transparency

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and proper oversight. We also thought it pertinent to include two investment expert seats, as TOS staff would be investing into more than just traditional fixed income securities through the legislation. Having private sector investment expertise would be invaluable.

To a certain extent we are indifferent to the sources of revenue for the strategic reserve fund. However, it should be noted that some kind of consistent revenue stream must be identified to enable the fund to grow beyond just whatever investment earnings would flow back into the fund. Carving off investment earnings from other large state funds would be a great way to ensure some consistent cash flow while not tying up dollars that are otherwise appropriated in the budget. Another related option could be the General Assembly sweeping fiscal year surpluses into the reserve fund, as they have for the BSF many times in the past.

Thank you for allowing me to testify this morning, I am happy to answer any questions you may have.

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