

LFC Requester:	Gray, Brendon
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 02/06/2025 *Check all that apply:*
Bill Number: SB275 Original Correction
 Amendment Substitute

Sponsor: Anthony L. Thorton **Agency Name and Code:** NMSTO 39400
Short Title: STRATEGIC BITCOIN RESERVE ACT **Number:** _____
Person Writing: Chavez/Hanges **Phone:** 505-629-2919 **Email:** Christina.perea@sto.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
		Nonrecurring	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI	NFI	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

1. Legislative Intent & Purpose

- The bill acknowledges Bitcoin as a monetary tool “to protect against economic shocks and preserve purchasing power.”
- It aims to incorporate Bitcoin into New Mexico’s financial strategy.

2. Definitions

- Defines Bitcoin as a decentralized digital currency and a digital asset.
- Introduces terms like "digital asset," "exchange-traded product," "private key," “qualified custodian," and "secure custody solution."

3. State Investments in Bitcoin

- The State Treasurer and State Investment Council are authorized to invest in Bitcoin.
- The following state funds are eligible for Bitcoin investment:
 1. Land Grant Permanent Fund
 2. Severance Tax Permanent Fund
 3. Tobacco Settlement Permanent Fund
 4. Any other funds deemed appropriate by the Investment Council.
- Investment Limit: Bitcoin holdings “cannot exceed 5% of total amount of public funds in that fund.”

4. Bitcoin Storage & Custody

- Digital assets must be held in secure custody solutions, ensuring proper security measures.
- Bitcoin can be stored in three ways:
 1. Directly by the State Treasurer or State Investment Council.
 2. Through a qualified custodian (such as a state-chartered bank, regulated bank or trust company).
 3. As an exchange-traded product.
- The bill also allows **Bitcoin lending**, provided it does not increase financial risk to the state. (Section 4, D)

5. Digital Asset Transactions & General Fund Transfers

- If the state receives taxes or fees in Bitcoin or other digital assets, they must be transferred to the General Fund within 60 days and converted into U.S. dollars or Bitcoin.
- The State Treasurer will oversee conversion policies.

6. Retirement Fund Investments

- Public Employees Retirement Board and Educational Retirement Board are permitted to invest in Bitcoin through regulated exchange-traded products.

7. Effective Date

- If passed, this bill will take effect on July 1, 2025.

FISCAL IMPLICATIONS

Market Volatility: Bitcoin is known for extreme price fluctuations, which could lead to significant financial risk for the state.

Regulatory Uncertainty: Federal regulations on cryptocurrency continue to evolve, which could impact

the state's ability to hold and manage Bitcoin investments. We are not clear on what the requirements would be as it relates to audit standards and best practices.

The cost of infrastructure and training would have to be determined after further research.

SIGNIFICANT ISSUES

The General Fund's acceptance of bitcoin received as payment would not be appropriate given its volatility and the risk associated with its valuation. If the General Fund received bitcoin as payment it would need to be immediately sold for US currency, potentially losing value in the process. A sixty-day period could fluctuate dramatically and becomes more concerning when you move into a new fiscal year.

In Section 5 – “All taxes or fees paid to the state in bitcoin or any other digital asset shall be transferred to the general fund within sixty days of receipt, and the general fund shall reimburse with United States currency whatever fund from which the qualifying digital asset was transferred.” Within 60 days of receipt is a long time, the market value will no doubt change. Will the receipt of bitcoin by the General Fund and reimbursement with US currency at the market price of when the bitcoin was actually received by the General Fund, and not the price that it was originally paid if it's 60 days later?

“All digital assets in the general fund that are not bitcoin shall be converted to United States currency or bitcoin pursuant to rules promulgated by the state treasurer.” Does this mean that digital assets other than bitcoin are allowed to be received by the State Treasurer as payment? What are the rules? The State Treasurer is not currently set up to receive, hold, sell bitcoin or other digital assets.

As an investment in the pension funds and SIC, bitcoin can be viewed as a peer performing asset, but for the General Fund as a form of payment, it is a “bit” of a stretch. Maybe, over time, bitcoin becomes a more usable asset for payment and perhaps this is why it is being added now. It poses some challenges and risks for the State Treasury at this time and will require research and training as well as software.

PERFORMANCE IMPLICATIONS

Bitcoin is a volatile asset. It has a place in funds that are designed to take risk. For NM SIC, ERB and PERA, it is my understanding that they already can invest in bitcoin as an asset to stay competitive vs. peers. In other words, bitcoin is already permissible, and at more than 5%. This bill would limit that percentage. The General Fund, however, is not designed to take risk but to keep cash receipts invested, until they are needed for payment for State activity.

ADMINISTRATIVE IMPLICATIONS

Security Concerns: Ensuring proper custody and protection of digital assets is critical to prevent cyber threats.

Research will need to be done but this sounds like a cost in software to adjust.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill conflicts with the investments allowed by 6.10.10, investment of public funds. The statute would need to be amended to reflect bitcoin as an eligible asset under the State Treasurer section.

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

Cost, audit requirements, statutory changes

This legislation will be stronger parameters on what SIC, PERA, and ERB can currently do with bitcoin.

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS