

HOUSE BILL NO. 4087

February 13, 2025, Introduced by Reps. Posthumus and Robinson and referred to Committee on Communications and Technology.

A bill to amend 1984 PA 431, entitled
"The management and budget act,"
by amending section 351 (MCL 18.1351) and by adding section 351a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 351. (1) ~~A~~**Subject to section 351a, a** countercyclical
2 budget and economic stabilization fund is created to assist in
3 stabilizing revenue and employment during periods of economic
4 recession and high unemployment.

5 (2) As used in this section and sections 352 to 359, "fund"
6 means the countercyclical budget and economic stabilization fund.

7 (3) As used in section 352, "current calendar year" means the

1 year that ends December 31 in which the determination of the
2 transfer into or out of the fund is being made.

3 Sec. 351a. (1) Subject to subsection (2), the state treasurer
4 may invest money from any of the following funds in cryptocurrency:

5 (a) The general fund.

6 (b) The countercyclical budget and economic stabilization fund
7 created under section 351.

8 (2) The state treasurer shall not invest greater than 10% of
9 the available funds in each fund described under subsection (1) in
10 cryptocurrency.

11 (3) The state treasurer shall transfer any taxes paid or fees
12 generated to this state in the form of cryptocurrency to the
13 general fund, and if the payment or fees generated in the form of
14 cryptocurrency were designated to a fund other than the general
15 fund, the state treasurer shall reimburse that fund from the
16 general fund in the form of money in the amount paid or fees
17 generated.

18 (4) Cryptocurrency held by this state in a fund described in
19 subsection (1) must be held directly by the state treasurer through
20 any of the following means:

21 (a) A secure custody solution.

22 (b) A qualified custodian.

23 (c) An exchange-traded product issued by a registered
24 investment company.

25 (5) If cryptocurrency can be loaned without increasing the
26 financial risk to this state, the state treasurer is permitted to
27 loan the cryptocurrency to yield further return to this state
28 through rules promulgated by the state treasurer under the
29 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to

1 24.328.

2 (6) As used in this section:

3 (a) "Cryptocurrency" means digital currency in which
4 encryption techniques are used to regulate the generation of units
5 of currency and verify the transfer of funds, and that operates
6 independently of a central bank.

7 (b) "Exchange-traded product (ETP)" means any financial
8 instrument that is approved by the United States Securities and
9 Exchange Commission or the United States Commodities Future Trading
10 Commission that is traded on a United States regulated exchange and
11 derives its value from an underlying pool of assets, including, but
12 not limited to, stocks, bonds, commodities, or indexes.

13 (c) "Private key" means a unique element of cryptographic data
14 used for signing transactions on a blockchain that is known to the
15 owner of the private key.

16 (d) "Qualified custodian" means either of the following:

17 (i) A federal or state-chartered bank, trust company, or
18 special purpose depository institution.

19 (ii) A company regulated by this state that keeps in custody
20 cryptocurrency for an approved exchange-traded product.

21 (e) "Secure custody solution" means a technological product or
22 blended product and service that has all the following
23 characteristics:

24 (i) Includes cryptographic private keys that secure
25 cryptocurrency that are exclusively known by and accessible to a
26 governmental entity.

27 (ii) Includes cryptographic private keys that secure
28 cryptocurrency exclusively contained within an encrypted
29 environment and accessible only via end-to-end encrypted channels.

1 (iii) Includes cryptographic private keys that secure
2 cryptocurrency that are never contained by, accessible by, or
3 controllable through a smartphone.

4 (iv) Ensures that any hardware that contains the cryptographic
5 private keys and that secures cryptocurrency is maintained in at
6 least 2 geographically diversified, specially designated secure
7 data centers.

8 (v) Enforces a multi-party governance structure for
9 authorizing transactions, enforces user access controls, and logs
10 all user-initiated actions.

11 (vi) Its provider has implemented a disaster recovery protocol
12 that ensures customer access to assets in the event the provider
13 becomes unavailable.

14 (vii) Undergoes regular code audits and penetration testing
15 from audit firms, and any identified vulnerabilities are promptly
16 remedied.