

State Bitcoin Reserve as a Fiscal Hedge

Rhode Island Bitcoin Policy Initiative | March 2026

This paper examines the rationale, mechanics, and risk-reward profile of state-level Bitcoin reserves, with specific analysis for Rhode Island's fiscal position and the growing national movement toward strategic digital asset holdings.

~200K BTC

U.S. Federal Reserve

\$108K+

BTC Price (Mar 2026)

HB 302

NH Reserve Law

20+ States

Reserve Bills Filed

1. THE CASE FOR A STATE RESERVE

State governments hold cash reserves and investment portfolios to fund operations, pensions, and rainy day funds. These holdings are typically denominated in U.S. dollars or dollar-denominated assets (Treasury bonds, money market funds). While safe, these holdings lose purchasing power during inflationary periods. Since 2020, the U.S. dollar has lost approximately **20% of its purchasing power** as measured by CPI.

Bitcoin, with its mathematically fixed supply of 21 million coins, serves as a potential hedge against monetary debasement. Over every 4-year period in Bitcoin's history, it has appreciated in dollar terms. Major institutions including BlackRock, Fidelity, and state pension funds now hold Bitcoin as part of diversified portfolios.

2. CURRENT LANDSCAPE

The movement toward state Bitcoin reserves has accelerated rapidly:

- Federal level:** Executive Order (March 6, 2025) established a U.S. Strategic Bitcoin Reserve holding approximately 200,000 BTC. The BITCOIN Act (S.954) proposes purchasing 1 million BTC over five years.
- New Hampshire:** HB 302, signed into law in 2025, authorizes the State Treasurer to invest up to 10% of certain state funds in digital assets and precious metals, making it the first state Strategic Bitcoin Reserve law.
- 20+ states** have filed Bitcoin reserve bills in 2025-2026 legislative sessions, including Texas, Pennsylvania, Ohio, and Oklahoma.

3. RISK-REWARD ANALYSIS

Scenario	Allocation	Potential 5-Year Outcome
Conservative	1% of reserves	+\$5M to -\$2M (limited risk)
Moderate	3% of reserves	+\$20M to -\$8M (meaningful upside)
Aggressive	5% of reserves	+\$40M to -\$15M (significant upside)

Even a conservative 1% allocation provides meaningful asymmetric upside: the maximum loss is bounded at the allocation amount, while the potential gain is multiples of that figure given Bitcoin's historical appreciation trajectory.

4. IMPLEMENTATION FRAMEWORK

- **Custody:** Institutional-grade custodians (Coinbase Custody, Fidelity Digital Assets, BitGo) provide insured, regulated storage with multi-signature security.
- **Acquisition:** Dollar-cost averaging over 12-24 months reduces timing risk and price volatility.
- **Governance:** Investment committee oversight with clear mandate, reporting requirements, and risk limits.
- **Transparency:** Bitcoin's public blockchain enables real-time verification of holdings, unlike traditional assets that require periodic audits.
- **Hold period:** Minimum 4-year hold period aligns with Bitcoin's market cycles and reduces the impact of short-term volatility.

5. RHODE ISLAND CONTEXT

Rhode Island's Employees' Retirement System manages approximately \$10 billion in assets. The state's general fund reserves and rainy day fund hold additional hundreds of millions. Even a modest 1% allocation to Bitcoin from uncommitted reserves would represent a meaningful fiscal innovation while keeping risk exposure minimal.

The Study Commission proposed in H.7956/S.2198 should include state reserve strategy in its research agenda, with specific analysis of how New Hampshire's HB 302 framework could be adapted for Rhode Island.

SOURCES

- ¹ White House, Executive Order on Digital Assets, March 6, 2025
- ² New Hampshire General Court, HB 302 (Enrolled), 2025
- ³ Bitcoin Policy Institute, "State Bitcoin Reserve Legislation Tracker," 2026
- ⁴ Rhode Island Treasury, Annual Report, 2025
- ⁵ CPI-U Data, Bureau of Labor Statistics, 2020-2026