



Crypto 101: A Webinar Series for Public Finance Officers

Session 2 – Cryptocurrency and Public Finance: Opportunities and Challenges

Thursday, November 20

Moderated by NAST's Sr. V.P. Rachael Eubanks
State Treasurer of Michigan



Speaker and corporate affiliate member:

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- Trevor Rutar- CEO of Kraken Financial (Wyoming SPDI Bank)

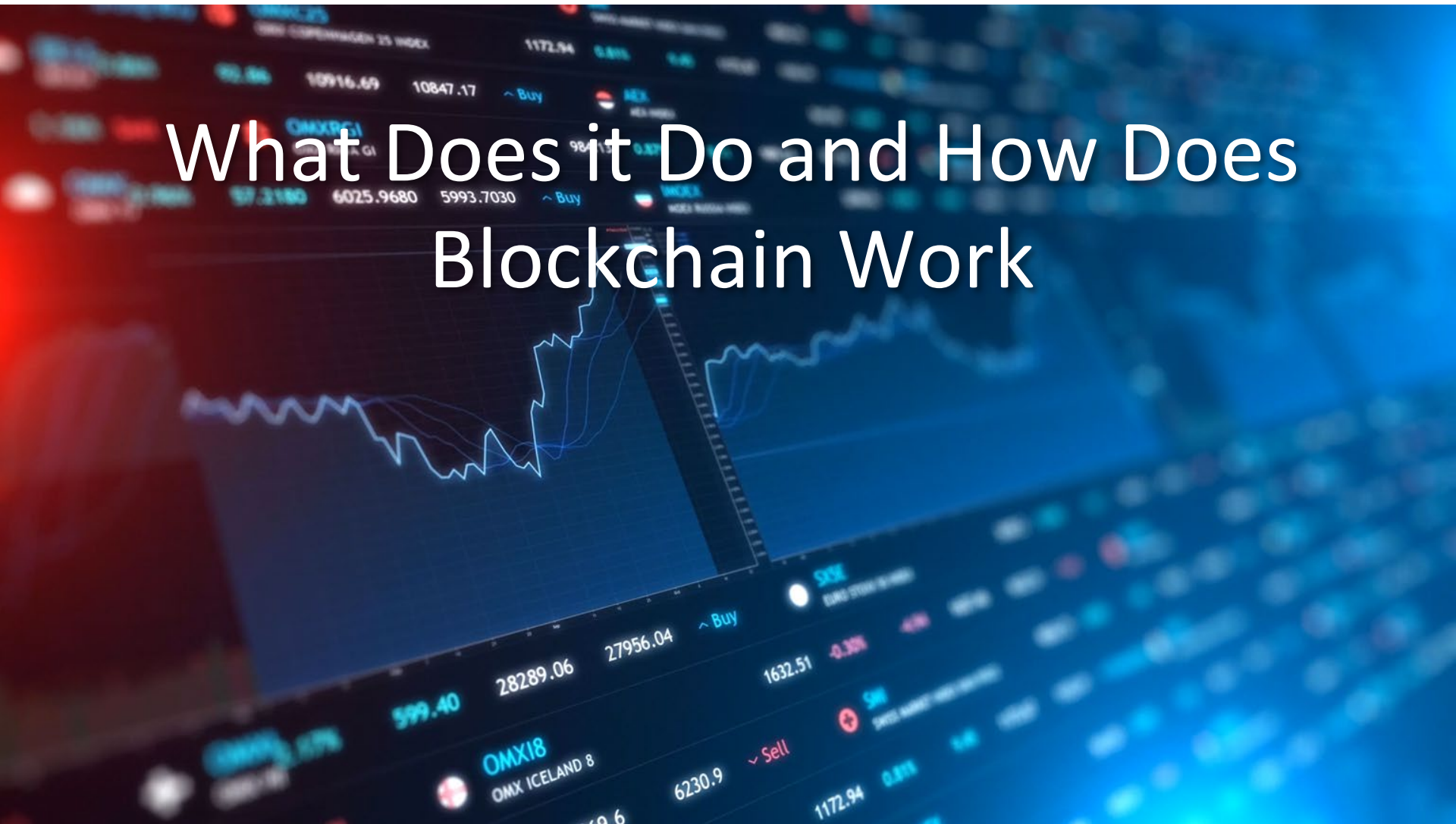


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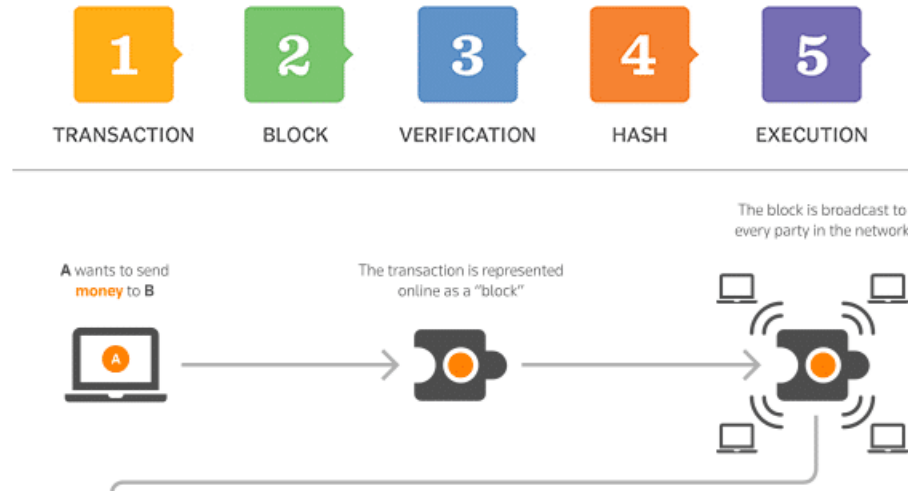
Webinar 2

Cryptocurrency and Public
Finance: Opportunities and
Challenges

What Does it Do and How Does Blockchain Work



How Blockchain Works



What is Blockchain

- Blocks store digital records of transactions securely. Each new block connects to the previous one, creating an unchangeable chain that ensures data integrity and transparency.
- Can be used for different types of data, not just virtual money.

What Are Digital Assets?



Digital
representations of
value stored on a
blockchain.

Used for payments,
applications,
ownership rights, art
access to events and
more .



Major Categories of Digital Assets



Virtual Currencies (Bitcoin):
Decentralized digital currency: store of
value, digital gold



Digital Commodities: Ethereum and
Solana supporting decentralized apps
(dApps). Usually related to a specific
blockchain



Digital Securities: Stocks and Bonds
which are recorded on the blockchain



Stablecoins: USDC, Tether. Backed by
dollars for stable digital payments
used by states and banks

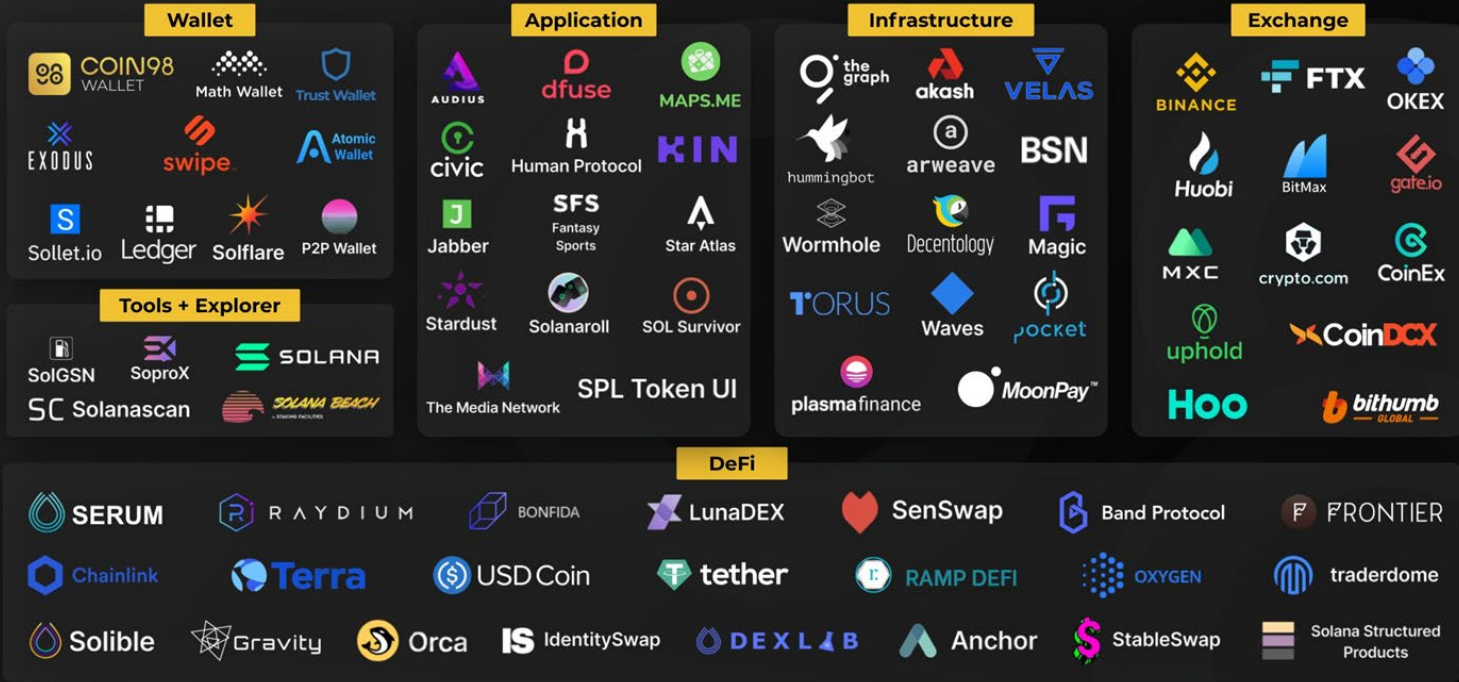
Dollars, Gold and Bitcoin

Bitcoin (Virtual Currency)

- What it is:** A decentralized digital currency operating without banks or governments.
- Use Cases:** Digital gold (store of value), international transactions, peer-to-peer payments.
- Why it Matters:** Offers financial freedom, reduces transaction costs, provides inflation resistance

Traits of Money	Gold	Fiat (US Dollar)	Crypto (Bitcoin)
Fungible (<i>Interchangeable</i>)	High	High	High
Non-Consumable	High	High	High
Portability	Moderate	High	High
Durable	High	Moderate	High
Highly Divisible	Moderate	Moderate	High
Secure (<i>Cannot be counterfeited</i>)	Moderate	Moderate	High
Easily Transactable	Low	High	High
Scarce (<i>Predictable Supply</i>)	Moderate	Low	High
Sovereign (<i>Government Issued</i>)	Low	High	Low
Decentralized	Low	Low	High
Smart (<i>Programmable</i>)	Low	Low	High

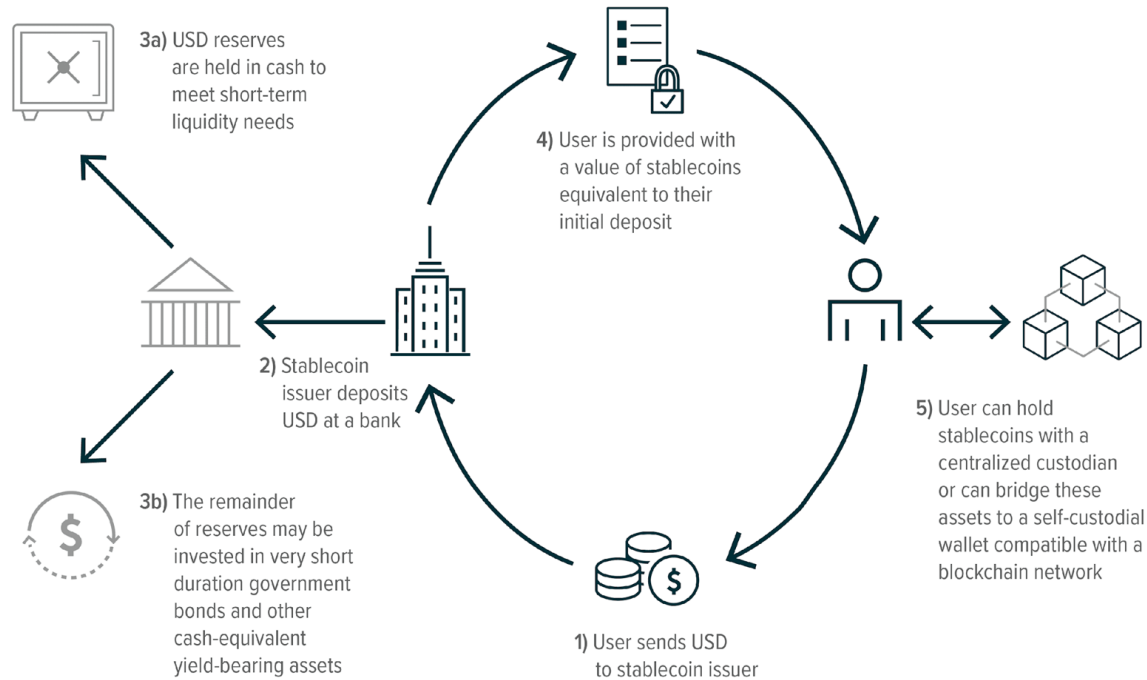
SOLANA ECOSYSTEM



Digital Commodities

- **Digital Commodities (Ethereum, Solana)**
- **What they are:** Platforms that enable decentralized applications (dApps) and smart contracts.
- **Use Cases:** Financial services (DeFi), digital identity management, gaming, and digital collectibles (NFTs).

STABLECOIN FLOW



Stablecoins

What they are: Digital currencies tied directly to stable assets like the U.S. dollar.

Use Cases: Secure, fast, and cost-effective digital payments by governments, banks, businesses, and individuals.

What Are Digital Wallets and Keys?

- Digital Wallets are similar to physical wallets.
- Rather than keeping your money (cash) in your bank, you carry it in your physical wallet to spend peer to peer.
- Digital Wallets are where institutions (like Kraken) and individuals store their digital currency.
- The digital assets can only be moved if an institution or individual has a “private key” which opens the wallet.

3 Major Kinds of Wallets



- Wallets in “Cold Storage”. Wallets which contain the private key and are not connected to the internet
- A “hardware” hot wallet. A physical device, like a thumb drive, which is connected to the internet and allows the user to move digital asset
- Software hot wallet. An app on a computer or phone which allows the user to interact with their digital assets.

How Are States Interacting With Digital Assets Today?

1

1. Accepting Payment

2

2. Investing as part of a broader portfolio or specific reserve fund

3

3. Holding and returning unclaimed property as digital assets

4

4. Issuing stablecoins

States Accepting Crypto Payment

Some states and cities let residents pay with crypto,

but in every live program the government receives dollars, not crypto.

Crypto is routed through a third-party processor (PayPal, BitPay, or a similar provider) that instantly converts to USD before funds hit state accounts.

States Could begin accepting payment in stablecoins since they wouldn't have any risk of change of value.

States with Payment Programs



Colorado – State taxes

Allows payment of state taxes and some fees in crypto via the state's online portal.

Uses PayPal's "Crypto" checkout; PayPal converts Bitcoin, Ether, etc. into USD at checkout and remits dollars to Colorado.



Utah – Authorized tax payments

2022 law authorizes the state to accept tax payments in cryptocurrency through approved payment processors.

Same core model: processor handles wallets and conversion, state books only show dollars.



Louisiana – Wildlife & Fisheries pilot

In 2024, the Louisiana Department of Wildlife & Fisheries ran a pilot letting people pay certain license/permit fees with crypto (via a mobile "BeadPay" app). Payments were made in Bitcoin immediately converted to USD.



Results:
Limited uptake from residents since most residents purchasing crypto did so for an investment, not to give it to the state government.



But provided proof that states could make such an arrangement work with crypto firms.



Why States Are Considering Investments in Digital Assets



State reserves and investment portfolios suffered from high inflation, and low bond returns. This left funding gaps.

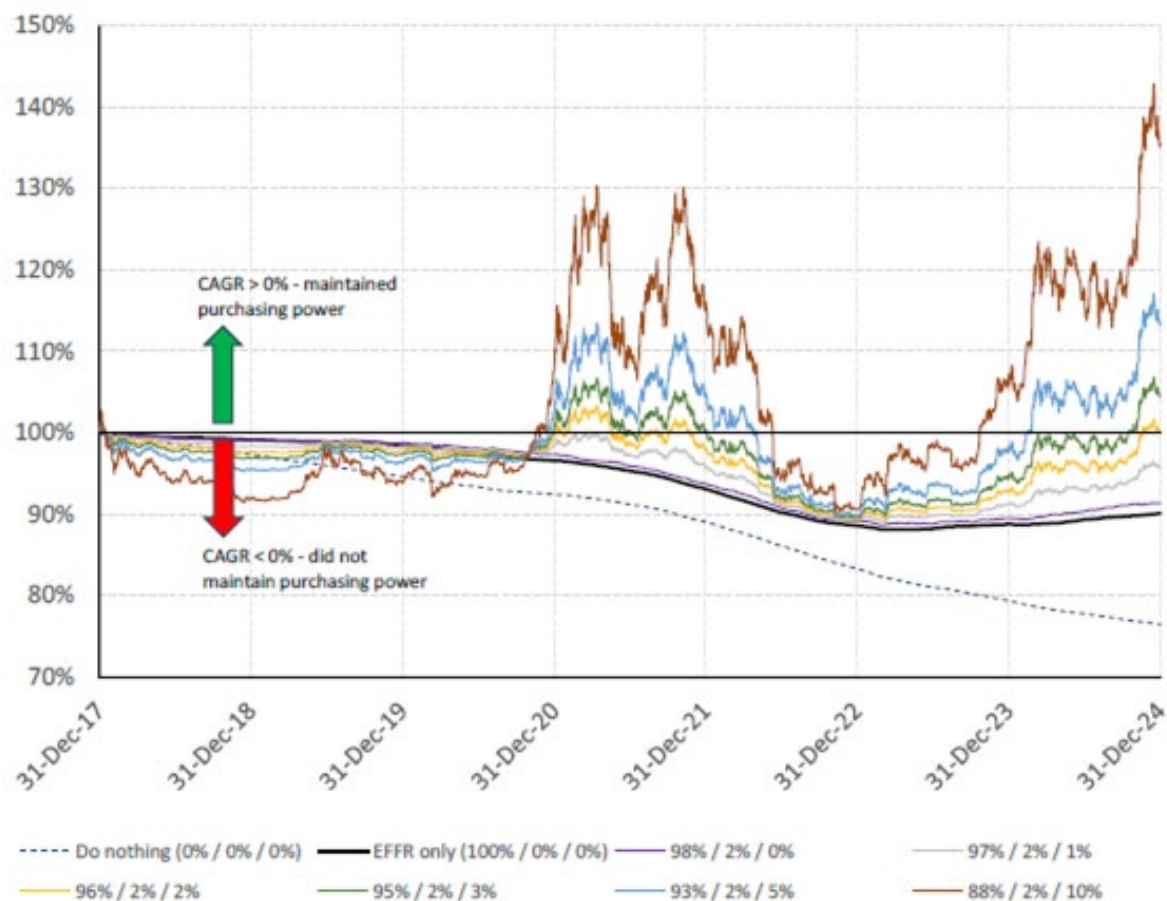


Alternative assets are more considered to fill the gap including precious metals and digital assets.



A recent paper looks at bond returns, gold and digital assets since 2019.

Treasury Bonds-Gold-Bitcoin



States Which have Invested in digital assets

New Hampshire – HB 302 lets the treasurer invest up to 5% of certain public funds in digital assets with \$500B market cap or greater, which currently means Bitcoin.

Arizona – New law creates a Bitcoin and Digital Assets Reserve Fund for unclaimed digital assets, held in native form for 3 years; staking/airdrop earnings feed the fund, and up to 10% can be moved to the general fund with legislative approval.

Texas – SB 21 establishes the Texas Strategic Bitcoin Reserve, a special fund managed by the comptroller to hold Bitcoin in cold storage as a long-term state asset. Allocated 10 million to start the fund. Currently in the process of selecting a custodian.

Indirect Exposure



Wisconsin – State of Wisconsin Investment Board bought and later exited a stake of 6M+ shares of BlackRock's IBIT (\approx \$300M+) as one of the first state pensions in spot Bitcoin ETFs.



Michigan – State of Michigan Retirement System now holds about 300,000 shares of ARK's Bitcoin ETF (ARKB) (\sim \$11M). They also have exposure to the Ethereum ETF



States can gain exposure to digital asset investment either through holding the digital assets directly (needing a qualified custodian like Kraken to hold the digital assets or through spot ETFs for limited, indirect exposure.

Unclaimed Digital Assets

Why this matters

States have not updated their laws to address digital asset ownership like they have with other types of property.

Historically, many states required holders to liquidate crypto to cash before remitting unclaimed property, so owners lost any later upside

Arizona – Bitcoin & Digital Assets Reserve Fund (HB 2749)

Sets a 3-year dormancy period for digital assets under unclaimed property.

Holders must deliver the digital asset in its native form to the Department or a qualified custodian; the state holds the coins for at least three (3) years before sale, with staking rewards/airdrops flowing into a Bitcoin & Digital Assets Reserve Fund.

California –SB 822

Adds digital financial assets to Unclaimed Property with a 3-year dormancy period and clear “act of ownership” rules.

Requires holders with private keys to transfer the exact digital asset to the Controller’s designated crypto custodian; the state must preserve assets in native form, and conversion to fiat is tightly limited and delayed.

State-Backed Stablecoins: Wyoming & North Dakota

Wyoming – Frontier Stable Token

Issued by the Wyoming Stable Token Commission as the first fully reserved state stablecoin in the U.S.

- Backed 102% by cash and short-duration U.S. Treasuries held in trust.
- Live on multiple public chains (Ethereum, Avalanche, Solana, others) and available to the general public.
- State has already piloted real-time contractor payments, cutting 45-day payment cycles down to seconds.

North Dakota – Roughrider Coin

- Issued by the Bank of North Dakota in partnership with Fiserv; launching on Fiserv's digital asset platform in 2026.
- Fully backed 1:1 by U.S. dollars held at BND.
- Phase 1 is wholesale-only: ND banks and credit unions use it for interbank settlement and merchant payment rails that are "always on," with consumer use cases considered later.

Stabletokens issued for two reasons

1. Generate return for taxpayers in excess of bonds (Wyoming)
2. Facilitate faster payments with state owned bank (North Dakota)

Contact Information



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Join us for the remaining webinars



Session 3 – Managing Risk: What Public Officials Need to Watch

From volatility to cybersecurity, crypto carries unique risks. This session gives finance officers the tools to recognize red flags, safeguard public resources, and evaluate proposals with confidence.

Thursday, December 4 at 1 pm ET/ 12 noon CT/ 11 am MT/ 10 am PT.

Session 4 – The Road Ahead: Future Trends and Public Sector Preparedness

Look ahead at stablecoins, central bank digital currencies, and other emerging trends. We'll discuss what these developments could mean for treasuries, public funds, and citizen services.

Thursday, December 11 at 1 pm ET/ 12 noon CT/ 11 am MT/ 10 am PT.

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