

STATE OF KANSAS

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January 23, 2026

Testimony for SB352 - Unclaimed property; relating to digital assets; creating the bitcoin and digital assets reserve fund; providing definitions, procedures and requirements for abandoned digital assets

Honorable Senator Brenda Dietrich - Financial Institutions and Insurance:

According to Angelo Douglas who wrote an article for CGAA on January 30, 2025 there is an estimated \$1 trillion dollars in unclaimed digital assets. This is a result of lost or forgotten wallets, abandoned exchanges, abandoned digital accounts, and unclaimed rewards. While the exact amount of unclaimed cryptocurrency in Kansas is difficult to determine, one thing is clear: there's a lot of money out there waiting to be claimed. In 2024, Coinbase turned over \$270 million in "dormant" accounts to Wyoming.

Our current Kansas laws are not keeping up with technology and are designed for physical assets NOT digital assets.

Recently California and other states have updated their unclaimed property law to include digital assets, requiring companies to notify owners of dormant accounts and report them to the state after 3 years of inactivity. SB352 would do this.

This bill creates a new framework for managing abandoned digital assets and establishes a Bitcoin and Digital Assets Reserve Fund in the state treasury. The bill amends Kansas' unclaimed property laws to explicitly recognize digital assets, including cryptocurrencies and virtual currencies, and to establish a framework for their custody, management, and potential sale.

If passed, the legislation would place oversight of the reserve with the Kansas State Treasurer.

Under this bill, unclaimed digital assets, like Bitcoin (BTC), would be transferred to the state after three years of inactivity following undeliverable written or electronic communication to the owner.

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To be clear, ‘unclaimed digital asset’ would apply only to custodial digital assets held by a legally defined “holder,” such as exchanges, banks, trust companies, or other licensed custodians, not to self-custodied wallets.

The three-year abandonment clock begins only after written or electronic communication to the owner is returned as undeliverable, and it stops immediately if the owner shows any sign of activity, including logging in or accessing another account with the same custodian.

Unlike many traditional forms of unclaimed property, the bill allows these assets to be delivered and held in their native digital form, rather than being immediately liquidated.

The legislation also permits the state’s designated qualified custodian to stake digital assets and receive airdrops, subject to direction from the treasurer.

Any staking rewards or airdropped assets generated after three years would be transferred into the BTC and Digital Assets Reserve Fund, creating a mechanism for the state to accumulate digital assets over time.

In a notable provision, the bill prohibits BTC from being deposited into the state’s general fund. We would be creating a strategic reserve for our state.

Kansas would retain Bitcoin as part of its reserve, while directing 10% of deposits of non-bitcoin digital assets into the general fund, contingent on legislative appropriations. This legislation creates the structure for BTC as a long-term reserve asset rather than a short-term revenue source.

The bill also lays out how the state would handle the sale of digital assets. Cryptocurrencies that trade on established exchanges would have to be sold at market prices, while assets without active exchange listings could be sold using other commercially reasonable methods. The goal of this is to minimize market disruption while adding clearer guardrails around how state-held digital assets are managed.

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Why does our state need a Bitcoin/Crypto strategic reserve?

- Hedge against inflation and fiat currency devaluation — Bitcoin’s fixed supply and historical performance position it as a potential protection against inflation, currency weakening, or excessive money printing at federal/state levels. States see it as a way to preserve purchasing power over long periods.
- Portfolio diversification — Adding Bitcoin to state reserves, alongside traditional assets like bonds, stocks, or precious metals, reduces reliance on any single asset class or fiat system, potentially lowering overall risk in volatile economic conditions.
- Potential for significant long-term appreciation and wealth generation — If Bitcoin continues its historical upward trend, the reserve could generate substantial returns for the state treasury, rainy day funds, or public benefits. These benefits might include funding infrastructure, education, or debt reduction.
- First-mover or competitive advantage — States that establish reserves early, position themselves ahead in the “reserve race,” attracting crypto-related businesses, talent, mining operations, and investment. This can boost economic development, innovation, and job creation in blockchain/digital asset sectors. Simply put, early adopters could capture gains as adoption grows.
- Enhanced financial sovereignty and resilience — Holding a decentralized, borderless asset like Bitcoin reduces dependence on traditional banking systems or federal monetary policy. It provides a strategic asset that can be transferred globally with low friction and audited transparently on the blockchain.
- Signals forward thinking and innovation — Adopting Bitcoin signals forward-thinking governance, legitimacy for cryptocurrencies, and alignment with emerging digital financial trends. This can enhance the state’s reputation among tech/crypto communities and encourage broader adoption.
- Transparency and auditability — Bitcoin’s public blockchain allows real-time, verifiable auditing of holdings—potentially more transparent than some traditional reserve assets.

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Because we will use unclaimed digital assets, there would be no cost to the state to purchase the crypto currency. Therefore, it's seen as a low-risk, opportunistic way to build exposure to digital assets without direct spending state funds to acquire bitcoin and other digital assets.

Passing and implementing SB352 would position Kansas alongside 30 other states who have already passed similar legislation or who are considering legislation. This also mirrors the federal government plans.

I strongly urge the committee to move this legislation forward for the sake of our state and future generations.

Sincerely,

A handwritten signature in black ink that reads "Craig Bowser".

Craig Bowser