

WRITTEN TESTIMONY IN SUPPORT OF HB 1056

Establishing a Gold- and Silver-Backed Digital Currency as Legal Tender in Texas

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MARCH 26, 2025

INTRODUCTION

Chairman King, members of the Texas House Committee on State Affairs, I am Chuck DeVore, and on behalf of the Texas Public Policy Foundation I urge support of HB 1056 by Rep. Dorazio.

Over the years, I've had the privilege of serving as a California State Assemblyman, a U.S. Army intelligence officer, and an aerospace executive—experiences that have shaped my perspective on the urgent need for state-level action in an era of long-term federal neglect of civil defense.

Today, I submit this testimony in strong support of HB 1056, a visionary bill that would establish a gold- and silver-backed digital fractional currency as legal tender in Texas, authorized under the U.S. Constitution.

I would normally be present to deliver this testimony in person, but I am at Arlington National Cemetery today where I am with my wife interring the remains of my father-in-law, a Navy Seabee who served in France during World War II and later served more than 30 years in the U.S. Navy Reserve.

In September 2023, I published a white paper titled "Texas Defense" with the Texas Public Policy Foundation, outlining three critical civil defense measures to protect the Lone Star State from mounting national and global risks:

1. Securing the electric grid,
2. Stockpiling vital medicines, and
3. Creating a state-based precious metal-backed digital currency.

HB 1056 directly addresses the third pillar of this strategy, offering a practical, constitutionally grounded solution to safeguard Texans' financial stability in an increasingly uncertain world. The federal government has abdicated its responsibilities for civil defense and fiscal stewardship—evidenced by a national debt so burdensome that interest payments now exceed defense spending and by a second downgrade of U.S. credit in history. It falls to Texas, as a sovereign state, to step into this breach.

This testimony will demonstrate that HB 1056 is not only a lawful exercise of Texas' authority but a necessary one, providing financial resilience, economic opportunity, and a bulwark against threats to our monetary system. I will outline the bill's constitutional foundation, its role in mitigating financial vulnerabilities, its practical implementation, and address concerns raised by the Independent Bankers Association of Texas. My hope is that you will see HB 1056 as a bold step forward for Texas—and a model for the nation.

CONSTITUTIONAL AUTHORITY AND HISTORICAL PRECEDENT

HB 1056 rests on a bedrock of constitutional legitimacy. Article I, Section 10 of the U.S. Constitution states plainly: "No State shall... coin Money; emit Bills of Credit; [or] make any Thing but gold and silver Coin a Tender in Payment of Debts." While the federal government has assumed broad monetary powers, this clause preserves a distinct role for states to designate gold and silver as legal tender—a right Texas now seeks to exercise with modern innovation. The Founders included this provision for a reason: they had witnessed the perils of fiat currency during the Revolutionary War, when states like Rhode Island printed paper money that rapidly lost value, sowing economic chaos. By contrast, gold and silver offered intrinsic worth, a check against inflation and governmental overreach.

This historical context resonates today. The federal government's fiscal irresponsibility—borrowing so excessively that interest costs outstrip defense expenditures, as I noted in "Texas Defense"—threatens the dollar's stability. That credit rating firms downgraded our debt in 2023 for only the second time in our nation's history underscores this vulnerability. Meanwhile, global adversaries exploit financial warfare, from counterfeiting in past conflicts to cyberattacks today. Texas cannot rely on Washington to shield its citizens from these risks. HB 1056 reclaims the state's constitutional prerogative, adapting the Founders' wisdom to the digital age by creating a fractional currency backed by gold and silver specie held at the state's bullion depository in Leander.

This isn't a nostalgic throwback but a forward-looking assertion of state sovereignty. The Texas Bullion Depository, wisely established in 2015, already provides a secure foundation for this system. By designating this currency as legal tender, HB 1056 ensures Texans can use it without the IRS treating each transaction as a taxable commodity exchange—a practical advantage rooted in constitutional clarity. Texas has the authority and the duty to act, and HB 1056 is the vehicle to do so.

MITIGATING FINANCIAL SYSTEM THREATS

In "Texas Defense," I identified three existential vulnerabilities facing Texas: 1) threats to the electric grid, 2) the supply of medicines, and 3) the financial system. HB 1056 tackles the latter, addressing risks that could disrupt commerce and imperil livelihoods. Modern financial systems face dual dangers: electronic attacks—whether through malware, internet outages, or targeted hacks—and macroeconomic instability, such as dollar devaluation or hyperinflation driven by federal deficit spending. My white paper cited historical examples of currency warfare, from British counterfeiting of Continental dollars to Axis and Allied efforts in World War II, illustrating how adversaries target money to destabilize economies. Today's threats are more sophisticated, with Chinese malware operations like "Volt Typhoon" poised to cripple critical infrastructure, including banking networks.

A gold- and silver-backed digital currency offers a hedge against these perils. Precious metals have proven their resilience across centuries, retaining value when fiat currencies falter. In an emergency—say, a cyberattack takes down the internet or a solar storm like the 1859 Carrington event fries the grid—Texans with this currency would be more likely to be able to transact, bypassing a paralyzed banking system. The fractional nature of the currency, representing troy ounces of gold or silver held in the pooled depository account, makes it practical for everyday use, while its digital form ensures speed and transferability as well as the convenience of not having to carry physical gold and silver.

This aligns with a broader civil defense vision. Just as I urged stockpiling transformers to repair the grid and medicines to bridge supply chain gaps, a state-backed currency provides redundancy against financial chaos. Imagine a scenario from “Texas Defense”: China invades Taiwan, cuts off trade, and launches cyberattacks on U.S. infrastructure. Federal systems falter, but Texas, with HB 1056 in place, has a functioning alternative—ensuring fuel, food, and services keep flowing. This isn’t speculation; it is preparedness, rooted in the risk analysis I presented in my white paper, where high-impact, probable threats demand preventative or mitigating actions.

Moreover, the currency counters inflation—a growing specter as the federal government monetizes its debt. Gold and silver’s stability offers Texans a safe harbor, a lesson from history we ignore at our peril. HB 1056 isn’t just a financial tool; it’s a civil defense imperative, securing liberty and prosperity when national systems fail.

PRACTICAL IMPLEMENTATION AND ECONOMIC BENEFITS

HB 1056 is not a theoretical exercise; it’s a workable plan. The bill empowers the Texas Comptroller to issue gold and silver specie and a digital currency representing fractional troy ounces, held in a pooled depository account managed by a trustee. Texans can acquire this currency by purchasing it (with the Comptroller buying corresponding bullion) or transferring existing depository-held precious metals into the account. They can redeem it for U.S. dollars or physical specie, with values tied to real-time market prices published by the depository. The system’s electronic transferability ensures ease of use, while rules against fraud and illicit transactions safeguard its integrity.

This isn’t uncharted territory—the Texas Bullion Depository already stores precious metals securely, and digital currencies like Bitcoin demonstrate the viability of electronic exchange. HB 1056 builds on these foundations, adding legal tender status to eliminate tax friction. Unlike commodities, where every sale triggers IRS reporting, this currency’s use in payment of debts is tax-free, a boon for adoption.

Economically, HB 1056 positions Texas as a leader. Its appeal extends beyond our borders—Americans nationwide, wary of inflation and dollar weakness, will invest, channeling capital into Texas. International interest could follow, given gold’s global stature. This influx strengthens our economy, from depository operations to vendor contracts, with the bill wisely prioritizing Texas-based firms. Job creation and innovation will flourish as local companies rise to meet demand.

The bill’s flexibility enhances its practicality. The Comptroller can contract with private vendors, ensuring efficiency, and establish fees to cover costs, with net proceeds bolstering the general revenue fund. Redemption options—cash or bullion—cater to diverse needs, while the pooled account’s transparency builds trust. HB 1056 isn’t just feasible; it’s a catalyst for growth, proving Texas can innovate where Washington stagnates.

ADDRESSING BANKING CONCERNS

The Independent Bankers Association of Texas (IBAT) has voiced worries that HB 1056 might reduce bank capital as Texans convert deposits into digital bullion, threatening liquidity. I respect their perspective—banks are vital to our economy—but this concern is overstated and overlooks opportunities the bill creates. Here’s why:

First, liquidity fears are mitigated by current policy. Since March 2020, the Federal Reserve has set reserve requirements to zero, a stance unchanged as of today. Banks face no mandated cash reserves, giving them ample flexibility to adapt to asset shifts without distress.

Second, the currency could be recognized as a reserve asset. Congress or the Federal Reserve could rule that digital bullion, as legal tender, counts toward bank reserves, just like vault cash or deposits at Federal Reserve banks. Banks could hold it for customers and list it as an asset, integrating it into their balance sheets without loss.

Third, demand won't be Texas-only. Americans beyond our state—indeed, globally—will seek this stable asset, driving external funds into Texas banks rather than draining local deposits. Historical trends with gold and cryptocurrencies show adoption grows without gutting traditional banking.

Fourth, the scale of conversion will likely be modest. Most Texans will retain bank accounts for daily needs, using the bullion-backed currency as a supplement.

Finally, banks should seize this as an opportunity. Gold and silver are safe assets, diversifying holdings against inflation and volatility—risks I highlighted in “Texas Defense.” By offering custody, trading, or lending services tied to the currency, banks can attract clients and generate fees, turning a perceived threat into a competitive edge.

Rather than a rival, HB 1056 is a partner for Texas banks, enhancing resilience and opening new revenue streams. IBAT's concerns are understandable but surmountable through adaptation and collaboration.

CONCLUSION

HB 1056 is a constitutional triumph, a practical shield against financial threats, and an economic boon for Texas. It reasserts our state's authority under Article I, Section 10, harnessing gold and silver's enduring value in a digital form that meets modern needs. It mitigates risks—cyberattacks, inflation, systemic collapse—that the federal government has failed to address, aligning with the call in “Texas Defense” for grid security, medicine stockpiles, and financial redundancy. Its implementation is sound, its benefits tangible, and its challenges, like banking concerns, readily resolved.

I urge passage of HB 1056, not just for Texas but as a beacon for other states. In an age of chronic federal inaction, the Lone Star State can lead, proving that liberty, resilience, and innovation thrive here. This bill completes a trifecta of preparedness, ensuring Texans weather any storm—be it war, disaster, or economic turmoil. Let's act now, before the crises arrive at our doorstep. Thank you for your consideration. If passed, the Act goes into effect on September 1, 2025.

REFERENCES

DeVore, C. (2023). *Texas Defense*. Texas Public Policy Foundation. <https://www.texaspolicy.com/wp-content/uploads/2023/09/2023-09-TexasDefense-ChuckDeVore.pdf>

