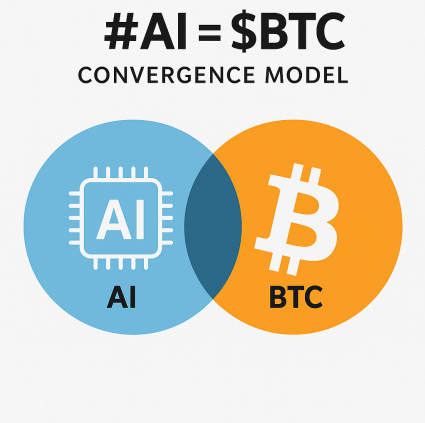

Protocol 402: South Carolina's Path to Monetized Public Infrastructure

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Revision Note for V.05.02

Version Update (V.05.02): This version incorporates revisions to ensure all terms defined in Appendix I are explicitly used within the report. The following terms have been added to relevant sections: Digital Currency, Digital Financial Instruments, Emerging Financial Technologies, Trust Infrastructure, Consensus Mechanism, Utility Tokens, Governance Tokens, Digital Payment Infrastructure, Decentralized Finance (DeFi), and Digital Governance Platforms. These changes enhance clarity and consistency, aligning the report's narrative with the glossary for presentation at the Southeast Cybersecurity Summit and submission to the General Assembly in January 2026.

Revision Notes for V.06

Version Update (V.06): This version builds on V.05.02 by incorporating new legislative and policy frameworks to strengthen South Carolina's digital capital transformation strategy, ensuring alignment with the state's vision for innovation, transparency, and economic inclusion. The following updates have been made:

1. Version and Metadata Updates:
    - Updated the document version to V.06, reflecting revisions on May 14, 2025, and May 16, 2025.
2. New Appendices:
    - Appendix VIII: South Carolina AI and Blockchain Innovation Act: Added a new legislative draft to establish a regulatory sandbox, provide economic incentives, support semiconductor development, define AI personhood and liability, and ensure privacy protections. This Act complements the SCDAO Act (Appendix VII) by broadening the framework's legislative support for AI and blockchain innovation, aligning with Sections IV (Industry Verticals) and VIII (SCETA's Advocacy).
    - Appendix IX: South Carolina Citizens' Digital Bill of Rights: Introduced a bill of rights affirming citizens' rights to transparency in governance, digital privacy, economic freedom, ethical AI, and digital inclusion. This appendix reinforces the framework's commitment to equity and transparency (Sections III, VII, IX) and supports the Declaration of Digital Independence (Section IX).
    - Appendix X: White Paper - Part 1: Reforming Fiscal Governance in South Carolina: Added a white paper detailing the implementation of a permissioned digital ledger for South Carolina's financial systems, with SCETA as a strategic advisor. This white paper supports the fiscal modernization strategies in Section VII and addresses the $1.8 billion misallocation scandal referenced throughout the document (e.g., Sections II, VII).
3. Content Updates:
    - Section VIII: Added subsection E to introduce the SCDAO Act as a critical piece of legislation for 2026, aligning with SCETA's advocacy role and the projected timeline in Appendix II.
    - Appendix I: Added a DAO definition, refined to align with the SCDAO Act's legal context (Appendix VII). Additional definitions from the SCDAO Act (e.g., Smart Contract, Blockchain, Member-managed DAO, Algorithmically managed DAO) are missing and should be incorporated for consistency.

Revision Notes for V.07

Major Revisions Summary: V.07 vs. V.06

Title Page

- Updated formatting and corrected subtitle for consistency with SCETA's formal policy rollout.
- Title presentation now matches cross-platform branding and illustration metadata.

Executive Summary

- Clarified the stakes for fiscal modernization in South Carolina.
- Incorporated broader language framing digital capital and AI-enabled service delivery.
- Refined the positioning of SCETA as both a strategic and civic leader—not just a policy advocate.

Section IV: Industry Verticals & Horizontal Innovation Model

- Protocol 402 added as the monetization layer across shared infrastructure.
- Bullet-pointed use cases introduced (DMV APIs, accountable access, payment enforcement).
- Clarified that 402 is a reserved HTTP status, not yet standardized.
- Horizontal Innovation Model infographic updated: spelling corrections, neural network background, refined layout.

Section VI: Stablecoin Integration & Digital Revenue Strategy

- Expanded discussion of stablecoin adoption as a public-sector monetization tool.
- Referenced 402 as an enabling layer for access control via stablecoin payments.

Section VII: Fiscal Modernization Framework

- Aligned narrative with Protocol 402 and tokenized payments for revenue enforcement.
- Highlighted automated transparency through programmable systems.

Section IX: The South Carolina Declaration of Digital Independence

1. Strengthened civic framing of the declaration as a doctrine, not just policy.
2. Encouraged voluntary pledge adoption by lawmakers and digital citizens.

Appendix I: Definitions

- Added definition of Protocol 402 as a monetization and enforcement mechanism.
- Added definition of Digital Capital as programmable value in modern digital infrastructure.

Appendix IX-B: Lawmaker Pledge

- Introduced a new appendix with the Digital Independence Pledge.
- Included formal allegiance to South Carolina's digital transformation framework.

General Language and Formatting Enhancements

- Standardized capitalization (e.g., SCETA, Protocol 402, Digital Capital).
- Applied editorial refinements to section headers, footnotes, and graphic captions

Innovation Economy Act (May 18, 2025):

- Enhances the Act's focus on semiconductor innovation by strengthening the Qualified Chip List framework. Key updates include: designating a Managing Entity to oversee the list; introducing incentives like tax, R&D, and energy credits to encourage participation; ensuring early access to chips for South Carolina companies to reduce wait times; and tracking economic impacts such as job creation and revenue growth.
- The Advisory Council plays a central role in updating the list, with a public process for stakeholder input. New definitions clarify terms like "Early Access" and "Economic Impact," while cross-references to the Regulatory Sandbox, economic incentives, and implementation framework ensure a cohesive approach. These changes align with South Carolina's goal of becoming a cost-effective hub for chip-related innovation, driving geometric revenue growth, increasing property values, and retaining adjacent industries like AI development and advanced manufacturing.
- This Act balances innovation with responsibility, positioning South Carolina to lead in emerging technologies while safeguarding its economic and constitutional interests.

Version 0.7.01 – June 17, 2025 Section Added: Pending SCETA Board Approval

SECTION VII – Protocol 402 Impact on Cybersecurity and Public Infrastructure
Summary of Changes:
This revision introduces a dedicated section analyzing the cybersecurity and public service delivery implications of Protocol 402, expanding upon its role beyond infrastructure monetization. The section formalizes cybersecurity as a foundational pillar of sovereign digital governance, detailing its integration into South Carolina's Horizontal Innovation Model and use across identity systems, fiscal controls, and AI-powered services.

Key Additions:
• Five strategic cybersecurity enhancements, including identity security, distributed ledgers, AI defense systems, and workforce development.
• Four real-world use cases, demonstrating Protocol 402's operational impact on DMV services, state budgeting, education-to-workforce pathways, and local government resilience.
• Emphasizes value-for-access and permissioned digital infrastructure as defining features of South Carolina's innovation model under the #AI = $BTC framework.

Purpose of Addition:
To ensure cybersecurity is positioned not merely as a technical safeguard but as an economic enabler and governance standard for modern digital public infrastructure. This section bridges the technical foundation of Protocol 402 with its real-world implications for public trust, resilience, and state sovereignty in the digital age.

SOUTH CAROLINA EMERGING TECH

Section

SOUTH CAROLINA EMERGING TECH

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SOUTH CAROLINA EMERGING TECH

I. Executive Summary

South Carolina stands at a defining crossroads. As digital capital markets, artificial intelligence, and blockchain technologies reshape the global economy, the question is no longer whether this transformation will happen, but who will lead it.

> *"For stablecoins and other digital assets to thrive globally, the world needs American leadership."– Treasury Secretary Scott Bessent (https://x.com/SecScottBessent/status/1920551341531017606)*

In 2019, South Carolina had the opportunity to be the first state to advance a state-backed stablecoin through the proposed PalmettoCoin™ initiative, which could have generated up to $1 billion annually in revenue through transaction efficiencies and interest income. While that opportunity was not fully realized, the concept remains viable today. Now, with the stablecoin industry maturing, a global market cap exceeding $150 billion in 2025, and federal policy stalled due to partisan debates over initiatives like the Digital Freedom Act—South Carolina has a renewed chance to lead. By preparing now, adopting the policy framework proposed by the South Carolina Emerging Tech Association (SCETA), and publicly declaring its intent to become a leader in America's digital capital economy, South Carolina can seize this moment.

This report presents a bold vision and detailed roadmap for South Carolina to modernize its financial systems, strengthen fiscal transparency, and unlock new economic opportunities for its citizens. Centered around the formula **#AI=$BTC**, this strategy positions South Carolina to:

- Transition legacy financial systems into modern digital capital markets.
- Create new revenue streams without raising taxes, potentially generating significant economic impact through stablecoin adoption and tokenized assets.
- Improve fiscal accountability through permissioned ledger systems, such as a pilot initiative for capital project expenditures.
- Lead the nation in financial inclusion and digital economic development, ensuring rural and underserved communities benefit from digital transformation.
- With the General Assembly reconvening in January 2026, the time to act is now. South Carolina can take meaningful steps toward economic leadership by launching pilot initiatives, forming public-private partnerships, and signaling to

the world that it intends to lead in the era of digital capital and transparency in governamce.

II. Introduction & Strategic Vision

The #AI=$BTC framework represents a transformative vision for the future of economic and governance systems.

Inspired by Einstein's $E=MC^2$, this symbolic formula equates Artificial Intelligence (AI), as the decision-making platform, with Bitcoin and related virtual currencies as the foundation of trust and value exchange. Together, they form digital capital, a powerful, yet often overlooked, force driving the 21st-century digital economy.

At its core, #AI=$BTC is a blueprint for integrating two revolutionary technologies to achieve unprecedented levels of efficiency, transparency, and economic opportunity:

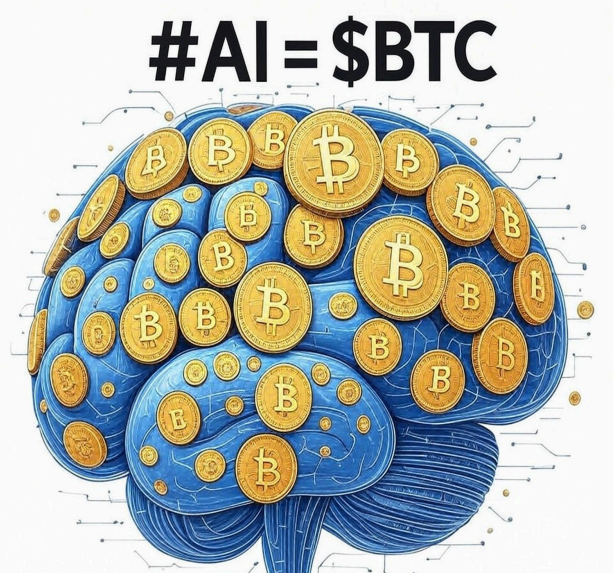


Image 1: "Intelligence Meets Value: A brain composed of circuits and Bitcoin, symbolizing the convergence of AI and BTC in creating digital capital for economic and governance transformation."

- **Artificial Intelligence (AI)**: AI serves as the intelligence layer, enabling data-driven decision-making, predictive analytics, and automation. In South Carolina, AI can optimize everything from energy infrastructure (e.g., through Sovereign AI data centers) to fiscal oversight (e.g., real-time auditing of state expenditures).

- **Bitcoin and Digital Capital**: Bitcoin, often referred to as "digital gold," provides a decentralized store of value, while digital capital—encompassing stablecoins, tokenized assets, and other blockchain-based instruments—offers a secure, transparent mechanism for value exchange. South Carolina's early exploration of the PalmettoCoin™ in 2019 and its recent investments in Bitcoin mining infrastructure exemplify this potential. ***#AI=$BTC: Where intelligence meets value.***

Digital capital is the linchpin of this framework. As defined in Appendix I, digital capital includes Bitcoin, stablecoins, and tokenized assets that serve as foundational

components of digital economies. In South Carolina, digital capital can unlock new revenue streams—potentially up to $1 billion annually, as estimated for the PalmettoCoin™ initiative, a state-backed digital currency designed to modernize payments—while fostering financial inclusion for rural and underserved communities. For example, stablecoins like the proposed PalmettoCoin™ can reduce transaction costs for merchants and provide low-cost financial services to unbanked populations, as outlined in the PalmettoPay™ system, a digital payment infrastructure leveraging blockchain technology for speed and transparency (Appendix III).

The **#AI=$BTC** framework is not just a theoretical construct; it is a practical strategy for South Carolina to lead in the digital age. By leveraging AI to process and analyze data, and blockchain to ensure transparency and trust, South Carolina can modernize its financial systems, enhance fiscal accountability, and position itself as a global model for digital economic leadership. This report builds on SCETA's long-standing advocacy for blockchain and AI, as chronicled in Appendix II, from the 2019 PalmettoCoin™ proposal to the SC Senate's recent vote in favor of the Financial Freedom Act (S.163) in 2025, culminating in this comprehensive policy framework.

South Carolina's history of innovation, combined with the urgent need for fiscal transparency following the $1.8 billion misallocation scandal (detailed in SCETA's white paper, *Reforming Fiscal Governance in South Carolina see Appendix X*) makes this framework both timely and necessary. As the state prepares for the General Assembly's reconvening in January 2026, the **#AI=$BTC** framework offers a clear path forward: integrating intelligence and value to create a future-ready economy and governance system.

III. Bridging Political Values with Economic Necessity: A Nonpartisan Path Forward

The rapid evolution of digital capital markets, artificial intelligence, and blockchain technologies has sparked a national debate over their role in America's economic future. As outlined in the Executive Summary, federal policy remains stalled due to partisan divides. This is exemplified by Republicans advocating for innovation through initiatives like President Trump's Strategic Bitcoin Reserve, and Democrats prioritizing stability with concerns over fraud, as voiced by Senator Elizabeth Warren). This polarization, however, presents an opportunity for South Carolina to lead by bridging political values with economic necessity, forging a nonpartisan path forward.

The Political Divide and South Carolina's Opportunity

On one side, proponents of digital capital, often aligned with Republican values of economic freedom and innovation, see technologies like Bitcoin and stablecoins as

tools to empower individuals, reduce reliance on centralized financial systems, and drive economic growth. On the other side, advocates for regulation, often aligned with Democratic values of stability and consumer protection, emphasize the need for oversight to prevent fraud, ensure equitable access, and mitigate systemic risks. South Carolina, with its history of bipartisan support for emerging technologies (Appendix II: SCETA Proof-of-Work Chronology), can bridge this divide by demonstrating that digital capital can deliver both innovation and accountability.

A Nonpartisan Path Forward

South Carolina can lead by adopting a balanced approach that addresses both sets of values:

- **Innovation through Responsible Frameworks**: By supporting open-source AI and stablecoin adoption (Sections VI and VIII), South Carolina can foster innovation while ensuring transparency through permissioned ledgers and AI-driven oversight (Section VII). Regulatory sandboxes, as proposed in Section IV, provide a controlled environment to test these technologies, balancing innovation with stability.

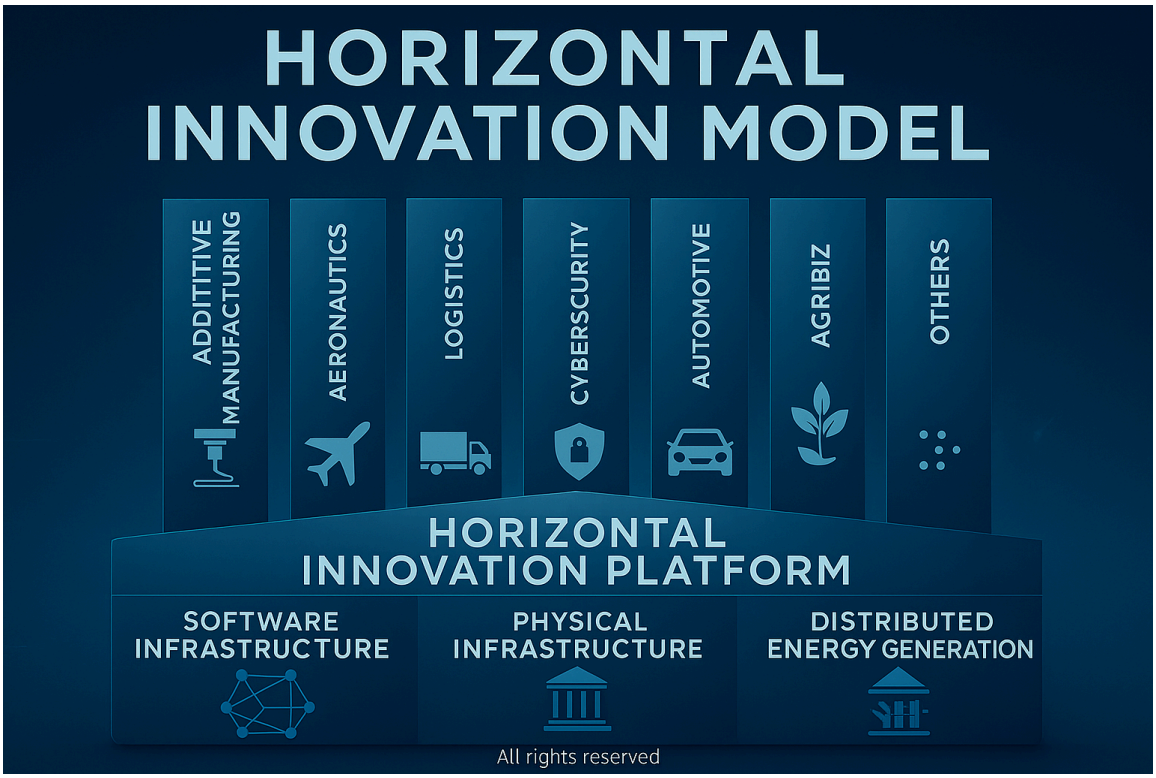
- **Economic Necessity for All**: The economic case for digital capital (Section V) highlights its potential to create jobs (+37,000 projected), attract investment ($3.5 billion), and expand financial inclusion for underserved communities (Section VI). These benefits transcend partisan lines, offering economic resilience and opportunity for all South Carolinians.

- **Transparency and Trust:** SCETA's advocacy for blockchain-based transparency pilots and a Digital Fiscal Governance Task Force (Sections VII and VIII) ensures accountability, addressing concerns about fraud while empowering citizens through Digital Governance DAOs (Section VII).

Building on SCETA's Legacy

South Carolina, with its history of bipartisan support for emerging financial technologies such as blockchain and AI (Appendix II: SCETA Proof-of-Work Chronology), can bridge this divide by demonstrating that digital capital can deliver both innovation and accountability. By organizing innovation forums that bring together diverse stakeholders (Section VIII), SCETA can foster dialogue, build consensus, and ensure South Carolina's digital transformation benefits all citizens, regardless of political affiliation.

This nonpartisan path forward sets the stage for the economic and governance strategies that follow, ensuring South Carolina leads with a unified vision that balances innovation, stability, and equity in the digital age. A projected migration path for Digital Capital in South Carolina will guide this transition, starting with stablecoin adoption (Section VI), advancing through tokenized state reserves and citizen-governed DAOs (Section VII), and culminating in legislative frameworks like the **SCDAO Act** (Section VIII), and the **South Carolina AI and Blockchain Innovation Act** (Appendix XIII) fostering a robust digital economy that benefits all South Carolinians.



Title: Horizontal Innovation Model without Protocol 402 enhancement.

Image 2: This illustration depicts the Horizontal Innovation Model as a foundational base of SCETA's innovation model to integrate Carolina's economic verticals through shared digital infrastructure.

IV. Protocol 402, Industry Verticals & Horizontal Innovation

South Carolina's economic future is rooted in the strength of its existing industry verticals. For decades, the SC Department of Commerce has organized its growth strategy around core sectors—advanced manufacturing, agribusiness, aerospace, logistics, life sciences, automotive, technology and others. These vertical pillars remain the foundation of the state's economic development strategy

SOUTH CAROLINA EMERGING TECH

Clarification on Protocol 402's Status

Although widely cited as a promising tool for monetizing digital services, Protocol 402 remains officially reserved within the HTTP specification. Originally introduced in HTTP/1.1 (RFC 2068, 1997) and still listed as "Payment Required" but unused in the latest RFC 9110 (2022), Protocol 402 has never been standardized or formally implemented by the Internet Engineering Task Force (IETF).

Several industry partners have proposed their own implementations to operationalize the concept—such as digital identity verification, access-controlled APIs, and micropayment rails—but no proposal has yet been accepted by the standards body. This report acknowledges that any full-scale integration into hardware, firmware, or enterprise software will require IETF review and formal approval. South Carolina's proposed Digital Fiscal Governance Task Force can move forward with experimental pilot implementations, helping shape best practices and contributing to the broader effort to develop implementation standards worthy of IETF inclusion.

SCETA's Horizontal Innovation Model was designed to interconnect these sectors by building on technology as a shared foundation of digital infrastructure and energy. That horizontal layer includes:

1. Digital Identity & Credentialing Systems
2. Permissioned Distributed Ledger Infrastructure
3. Tokenized Payment Channels
4. AI-Augmented Public Services
5. Energy-Aware Compute & Data Infrastructure

This platform enables scalable, interoperable public–private services that cut across industry lines—delivering efficiency, security, and verifiability.

Protocol 402 as the Monetization Layer

Protocol 402 strengthens the Horizontal Innovation Model by adding a secure payment layer to South Carolina's shared digital infrastructure. Originally left open in the internet's HTTP standard as "Payment Required," this long-unused Protocol 402 can now be applied to support value-for-access systems across public services, APIs, and permissioned data.

Key policy takeaways:

- What it does: Protocol 402 enables small, automatic payments for digital services—turning access into a transparent exchange of value.

- Why it matters: It moves public infrastructure away from "free but costly" digital services toward self-sustaining systems that generate revenue based on use.

- How it works: Users or organizations request access to a digital service (like a data lookup or form submission), confirm their identity, and authorize a token-based or small-dollar payment.

- Real-world example:
  South Carolina's DMV could use Protocol 402 to:

    - Let approved third parties (e.g., insurers, car dealers) access real-time vehicle or license data.

    - Charge a small fee per verified lookup (e.g., $0.05 to $0.25).

    - Require digital identity verification for each access request.

    - Log every transaction to ensure transparency and auditability.

- Policy benefit: Agencies gain a new tool to manage access, protect data, and fund ongoing innovation—without raising taxes or requiring legislative appropriations.

- Long-term value: Protocol 402 turns government APIs, digital forms, and services into programmable public infrastructure that adapts to demand and pays for itself.

Evolution, Not Replacement

This approach does not replace South Carolina's vertical economic strategy—it modernizes it. By embedding monetization and payment rails directly into the cross-sector infrastructure, SCETA's updated model strengthens the competitiveness of each vertical pillar.

- Advanced manufacturing firms can monetize telemetry or licensing data using 402-gated APIs.

- Agribusiness operators can access validated water, land, or weather data through microtransactions.

- Education and healthcare providers can issue credentials, records, or access with integrated digital capital.

The accompanying illustration depicts this enhanced horizontal model with Protocol 402 overlaid as the value interface. It reflects a monetization capability built directly on South Carolina's traditional growth pillars.

Economic Development Applications

1. Enable developers to build 402-compatible front ends for state and local government services.
2. Pilot data monetization portals using existing public records (land, licensing, procurement).
3. Support private-sector innovation by offering test access to 402-enabled state APIs.

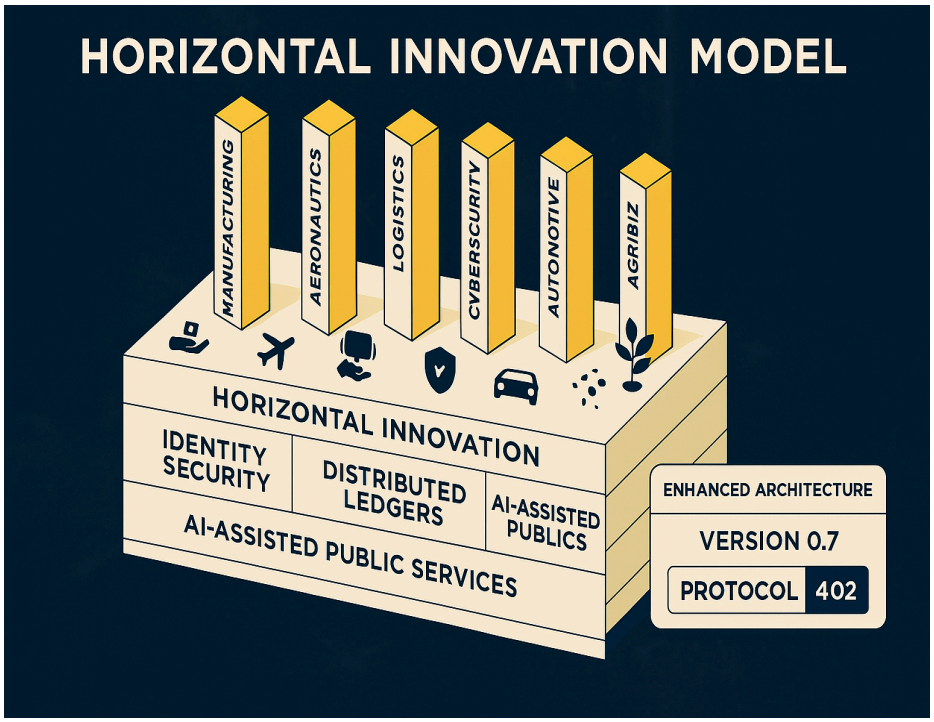


Image 3: Version 0.7 illustrates the enhanced architecture integrating Protocol 402. The model rearranges five horizontal components—identity security, distributed ledgers, tokenized payment channels, AI-assisted public services, and energy-aware compute infrastructure—into a singular framework serving South Carolina's traditional growth pillars. With digital systems pilots, Protocol 402 enables each layer to support modernized service delivery and public-sector revenue generation.

Legislative and Strategic Alignment
The revised horizontal model aligns directly with South Carolina's existing economic development framework. Rather than working around the Commerce Department's vertical strategy, it works through it—empowering each sector to scale digital services, create jobs, and generate sustainable digital capital.

- Integrates with sandbox authorities under S.163 as foundational legislation and basis for SC Innovation Act
- Supports SCETA-backed education, credentialing, and workforce readiness programs.
- Positions South Carolina as the first state to operationalize Protocol 402 at a policy and infrastructure level.

Conclusion to Section IV

Protocol 402 turns digital access into a governed market—where infrastructure becomes monetizable and public services can scale responsibly. It enhances the original Horizontal Innovation Model with a missing piece: value.

South Carolina now has the opportunity to lead—not just in transparency, but in economic architecture.

V. The Economic Case for Digital Capital

Digital capital represents more than a technological breakthrough, it is the foundational substrate of the modern economic system. Whether realized as Bitcoin, tokenized credits, stable digital instruments, or AI-priced services, digital capital enables permissioned, transparent value exchange with minimal overhead and maximal verifiability.

South Carolina's opportunity lies in recognizing this shift early and adapting its fiscal infrastructure accordingly.

Protocol 402 operationalizes digital capital by establishing a programmable, permissioned exchange layer across government systems. When integrated into digital services, it enables users to initiate transactions, verify access, and settle payment using tokenized instruments, including Bitcoin, under tightly governed conditions.

Whereas traditional systems are limited to closed financial networks or paper-based verification, Protocol 402 paired with digital capital enables real-time accountability, automation of value exchange, and monetization of underutilized public infrastructure.

Key Advantages of Digital Capital in Public Systems

1. Auditability: Every transaction—whether credentialed access or service usage—is recorded immutably on a permissioned ledger.
2. Cost Efficiency: Smart contracts, programmable wallets, and machine-readable credentials reduce bureaucratic overhead.
3. Public Trust: With 402-enabled payment rails, users pay directly for services they receive, creating a transparent exchange model.
4. Economic Development: Entire micro-economies can form around public-sector APIs, digital utilities, and state-minted service tokens.

Bitcoin's Strategic Role

Bitcoin serves as the most tested and decentralized form of digital capital and can function as a reserve layer for infrastructure monetization. Its scarcity, global acceptance, and protocol stability make it a viable long-term store of value for states seeking economic independence and energy-based assets.

South Carolina's legislation (H.4356) has already laid the groundwork for a strategic reserve of digital assets. With the addition of Protocol 402, these assets can now be directly linked to monetized services and accountability-driven spending.

Conclusion to Section V:

Digital capital is no longer theoretical, it is now administrable. Through the convergence of Protocol 402 and permissioned blockchain infrastructure, South Carolina has the opportunity to create an economic model that is transparent, resilient, and revenue-generating by design.

VI. Stablecoins and PalmettoCoin™: The Strategic On-Ramp to Digital Capital

As South Carolina charts its path toward fiscal modernization and leadership in the digital economy, stablecoins represent the most immediate and actionable entry point into this new financial landscape. With low volatility and value pegged to the U.S. dollar, stablecoins provide the ideal bridge between legacy financial systems and emerging blockchain technologies. They also serve as the technical and policy-compatible foundation for deploying Protocol 402, an HTTP standard enabling verified, monetized access to digital services and infrastructure.

Position in the Digital Capital Adoption Curve

Stablecoins occupy the earliest phase in the transition to a digital capital system. Their appeal lies in simplicity and control:

- Low Barrier to Entry: Stablecoins offer an accessible, low-risk introduction to digital financial systems by maintaining a 1:1 peg with fiat currencies.

- Bridging Traditional and Digital Finance: They serve as a trust mechanism between conventional financial institutions and decentralized platforms, enabling faster payments and settlements with fewer intermediaries.

- Prototype for State-Led Blockchain Integration: Within the #AI=$BTC framework, stablecoins provide the first opportunity to introduce blockchain-based value exchange into state operations without requiring a full overhaul of legacy systems. When paired with Protocol 402, stablecoin transactions become traceable, auditable, and aligned with public accountability goals.

The Case for Revisiting the PalmettoCoin™ Initiative

In 2019, SCETA introduced the PalmettoCoin™ concept, a proposed state-backed, permissioned stablecoin aimed at modernizing South Carolina's payment systems and reducing reliance on costly financial intermediaries. Though not advanced at the time due to "too much, too soon" concerns, the original proposal outlined how a digital payment system could improve public service efficiency, support economic inclusion, and generate new forms of recurring state revenue.

Today, with the emergence of Protocol 402 and a maturing global stablecoin market (over $246 billion as of June 2025), the state has a renewed opportunity to lead. Appendix III details how PalmettoCoin™ could be implemented to support public payments, generate interest income, and reduce transaction costs—potentially creating up to $1 billion annually in captured value.

How PalmettoCoin™ Would Work with Protocol 402

PalmettoCoin™ would be a permissioned, dollar-pegged token issued by the state or its authorized agents. Citizens could use it to:

- Pay for licenses, permits, and certified records
- Receive benefits, vouchers, or reimbursements
- Access monetized services through 402-enabled government websites and APIs
- Transact directly with public sector vendors or small businesses in supported economic development zones

Protocol 402 acts as the monetization layer verifying access, initiating payment, and logging transactions across digital interfaces.

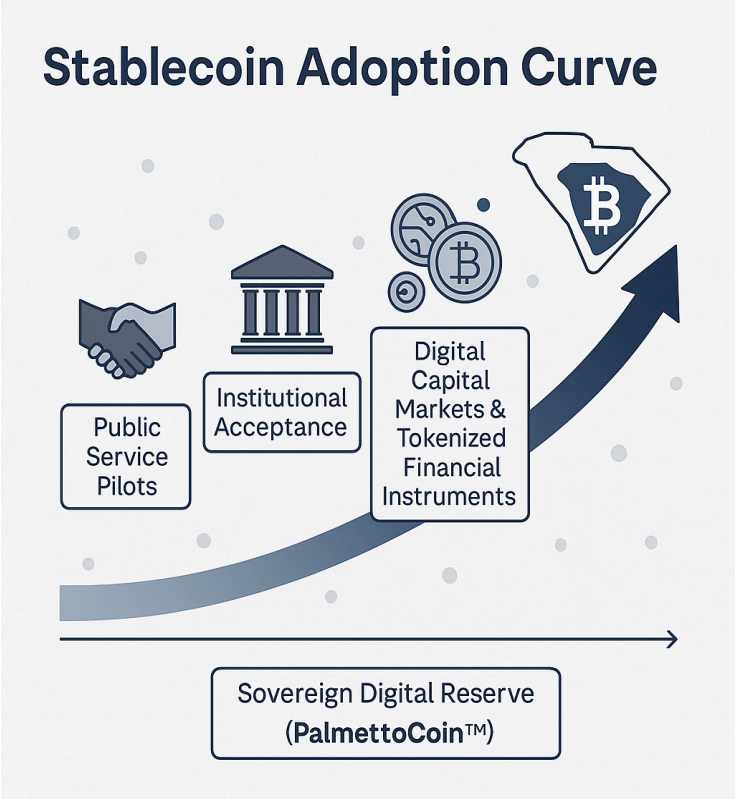


Image 4: A visual timeline showing the stablecoin adoption curve: from early public-service pilots, to broad institutional acceptance, culminating in maturity through digital capital markets and sovereign reserves such as PalmettoCoin™.

Policy Advantages

- Sovereign Control: PalmettoCoin™ would operate within a state-governed perimeter, ensuring stability and avoiding dependence on third-party platforms.
- Transparency by Design: Each use of PalmettoCoin™ through Protocol 402 would be traceable, permissioned, and auditable under public rules.
- Financial Inclusion: Underserved communities could transact securely using mobile wallets or state-backed digital identity credentials.
- Revenue Generation: The state captures transaction fees currently absorbed by private processors and redirects them toward public infrastructure or services.

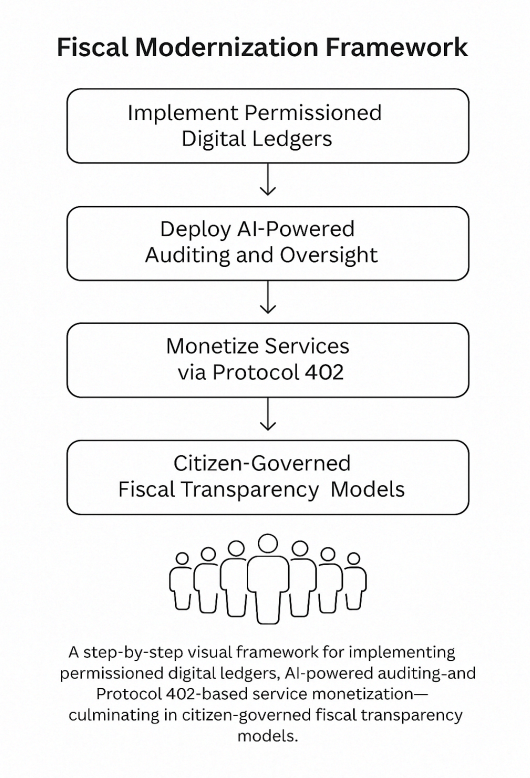
Pilot Program Opportunities

To demonstrate feasibility before the General Assembly reconvenes in January 2026, SCETA recommends:

- A PalmettoCoin™ pilot in partnership with the South Carolina Department of Commerce, the State Treasurer, and the Attorney General's Office;

- Deploying PalmettoCoin™ based payments for small business service transactions in targeted counties;

- Launching a 402-compatible payment portal to test integration of digital vouchers with existing databases (licensing, business registration, education reimbursement), and;



- Educating lawmakers and the public through technical workshops and field demonstrations

The Stablecoin Adoption Curve
As described in Section II and illustrated in the "Stablecoin Adoption Curve" in Section VI, this policy evolution follows three phases:

1. Introduction: Build trust using dollar-pegged tokens and limited-use cases
2. Adoption: Broaden stablecoin applications across government services, driven by public engagement
3. Maturity: Establish a digital capital reserve ecosystem, including Bitcoin reserves (H.4356), digital asset sandboxes (Appendix XIII), and sovereign fiscal controls.

Image 5: "Fiscal Modernization Framework: A step-by-step process for implementing permissioned digital ledgers, leading to a transparent, citizen-governed fiscal model.

Conclusion to Section VI:
PalmettoCoin™ and Protocol 402 together offer South Carolina a uniquely sovereign, transparent, and accountable digital payment system. With Congress stalled and global adoption accelerating, the time to act is now. Stablecoins provide a conservative yet transformational foundation for public-sector innovation if deployed with care, clarity, and leadership. South Carolina's legacy of innovation demands nothing less.

VII. Protocol 402 Impact on Cybersecurity and Public Infrastructure

Version 0.7 of the #AI = $BTC report represents a transformative leap in South Carolina's cybersecurity strategy. Rather than treating cybersecurity as a siloed technical concern, it embeds it into the core architecture of economic, governmental, and digital infrastructure modernization. Below is a summary of the key impacts:

1. Horizontal Innovation Model Integration

- Cybersecurity is formalized as a critical industry vertical.
- The Horizontal Innovation Model integrates 'Identity Security' and 'AI-Assisted Public Services' as foundational digital infrastructure.
- Cybersecurity is proactively built into system design.

2. Protocol 402 as a Cybersecurity Enabler

- Protocol 402 enables accountable, tokenized access to digital public services.
- Protects APIs, fiscal software, and permissioned data from unauthorized use.
- Enhances traceability and auditability of access.

3. Public Sector Cyber Risk Mitigation

- Replaces legacy software with distributed ledgers and secure digital identity systems.
- Addresses vulnerabilities exposed by the Ledger Crisis.
- Increases transparency and reduces systemic risk in government financial infrastructure.

4. AI-Powered Cyber Defense for Public Services

- Deploys AI for real-time monitoring, anomaly detection, and automated threat response.
- Builds resilience using open-source AI to avoid vendor lock-in.
- Supports zero-trust, continuously adaptive systems.

5. Cybersecurity Workforce Development

- Promotes new micro-credentialing and digital certifications for cybersecurity roles.
- Aligns workforce pathways with AI, blockchain, and zero-trust architectures.
- Supports economic development and national cyber resilience.

Strategic Implication

Version 0.7 redefines cybersecurity as a pillar of sovereign digital governance, not just IT support. This aligns South Carolina's economic leadership with national security and public trust—setting a new standard for digital statecraft.

VII.B Cybersecurity Use Cases with Protocol 402

The following examples illustrate how Version .07.01 of the #AI=$BTC framework enhances cybersecurity in real-world settings across South Carolina's public sector and economy:

Use Case 1: DMV API Security with Protocol 402

Scenario: South Carolina's DMV offers online license renewals, vehicle registration, and identity verification APIs.
Problem: These APIs are often targets for misuse, scraping, or fraud when open-access tokens are compromised.
Solution:

- Protocol 402 applied to DMV APIs
- Citizens authenticate using tokenized digital IDs
- Premium services handled through tokenized payments
- All access attempts logged on a permissioned ledger

Use Case 2: AI + Cybersecurity in State Budget Systems

Scenario: South Carolina's legacy budget software fails to detect misallocations or unauthorized access—contributing to the Ledger Crisis.
Problem: No real-time anomaly detection or ledger change validation.
Solution:

- AI scans financial transactions for anomalies
- Changes require multi-party authorization via distributed ledger
- Fraud detection models preemptively flag suspicious activity

Use Case 3: K–12 Cyber Credentialing for Digital Economy

Scenario: South Carolina high school students lack access to cybersecurity or blockchain career tracks.
Problem: Traditional education doesn't align with digital workforce needs.
Solution:

- Micro-credentialing in blockchain security and AI risk assessment
- Digital certificates tied to internships or apprenticeships
- Career pathways embedded in statewide infrastructure modernization

Use Case 4: Local Government Access to Cybersecurity-as-a-Service

Scenario: A rural municipality lacks budget and talent to maintain secure systems.
Problem: Increases exposure to ransomware and data loss.
Solution:

- Shared cybersecurity-as-a-service model across municipalities

- Centralized identity and threat-monitoring platform
- Pay-as-you-go value-for-access model enabled by Protocol 402

VIII. Fiscal Modernization and Transparency in Governance

The foundation of economic leadership is responsible, transparent governance. South Carolina's recent financial management challenges, highlighted by the Ledger Crisis, a $1.8 billion misallocation that exposed systemic inefficiencies in legacy financial software systems, have underscored the urgent need for modernization. These outdated systems cannot deliver the accountability, efficiency, or transparency demanded by modern fiscal operations.

To restore public trust and ensure long-term fiscal resilience, South Carolina must lead the way in adopting advanced governance technologies, including permissioned digital ledgers, real-time financial auditing systems, and tokenized state reserve strategies. These reforms, rooted in the #AI=$BTC framework, combine AI-driven intelligence with blockchain-based trust to create a future-ready governance model.

Protocol 402 introduces a missing enforcement layer—enabling monetized, verified access to government services while providing real-time transactional auditability across digital infrastructure.

Key Fiscal Modernization Strategies

1. Adopt Permissioned Ledger Systems for Financial Transparency
    - Implement state-managed, blockchain-based ledgers to create immutable, auditable records of all public expenditures and financial transactions.
    - Provide real-time public access to government spending data, eliminating information silos and restoring confidence in state financial operations.
    - Use Protocol 402 to log and verify digital service payments directly on permissioned infrastructure.
2. Launch Real-Time Auditing and AI-Powered Oversight
    - Deploy AI systems capable of continuously monitoring financial activity, detecting anomalies, and preventing fraud before it impacts taxpayers.

- Empower independent oversight bodies with advanced analytics to provide faster, more accurate fiscal reporting.

3. Develop Tokenized State Reserves

    - Introduce a digital capital management system for state surplus funds, leveraging tokenized financial instruments to improve liquidity, generate passive revenue (potentially $50 million annually, based on similar models), and reduce dependence on volatile investment markets.
    - Leverage SCETA-backed platforms to pilot 402-enabled monetization of reserve-backed infrastructure services.

4. Prepare for Citizen-Governed Fiscal Transparency Models

    - Position South Carolina to become the first state in the nation to launch a Digital Governance DAO, allowing citizens to participate directly in fiscal decision-making and budgetary review processes using governance tokens to grant voting rights.
    - Align this strategy with SCETA's proposed SCDAO Act (Section VIII) and the South Carolina Citizens' Digital Bill of Rights (Appendix IX, Article IV).
    - Develop incentive systems that reward civic engagement and promote public participation in governance.

Public Trust Through Permissioned Infrastructure

Protocol 402 and blockchain-backed identity systems enable government services to be priced, paid for, and audited in real time—without the opacity of traditional accounting workflows. Each transaction, whether it's license issuance, tax payment, or credential validation, can now leave a public, immutable receipt trail.

This creates a fiscal model where accountability is not just encouraged—it is enforced by code.

Conclusion to Section VIII:

By adopting these technologies, South Carolina can eliminate outdated fiscal practices and establish itself as a global model for transparent governance. With the General Assembly reconvening in January 2026, these strategies will ensure the state is prepared to lead in fiscal innovation. The fusion of permissioned ledgers, AI-based oversight, and Protocol 402 enforcement transforms fiscal management into a digitally verifiable system—where public trust is earned through visibility, not assumptions.

This transformation will not only strengthen South Carolina's financial future but also reaffirm the public's trust in its elected leaders and institutions.

Image 6: With the introduction of H.4326—the Strategic Digital Assets Reserve Act—South Carolina signals its commitment to a new era of financial resilience, transparency, and digital asset leadership. Filed with vision and resolve, the bill marks a turning point in the state's economic future.

XI. SCETA's Leadership Role & Next Steps

The South Carolina Emerging Tech Association (SCETA) has established itself as the state's leading voice for responsible innovation, economic modernization, and digital governance policy. As the only organization actively advancing legislative policy, private-sector partnerships, and citizen education around digital capital, SCETA is uniquely positioned to guide South Carolina through this next phase of economic transformation. SCETA's track record—such as the 2022 launch of a Bitcoin mining facility in Spartanburg that created 50 high-tech jobs (Appendix II)—demonstrates its ability to drive impactful change.

A. Policy Development and Advocacy

- Continue advancing the principles outlined in #AI=$BTC through targeted legislative engagement and coalition building, preparing for the General Assembly's reconvening in January 2026.

- Support the passage of regulatory frameworks for open-source AI, blockchain integration, and stablecoin adoption, building on Section VI's PalmettoCoin™ initiative.

- Advocate for the statewide integration of Protocol 402 as a monetization and transparency layer for digital government services, beginning with pilot authorizations in at least two agencies.

- Support the creation of a Digital Fiscal Governance Task Force and the launch of 402-gated pilot programs to deliver verified, accountable government services, aligned with Section VII's fiscal reform agenda.

B. Economic Development Leadership

- Facilitate strategic partnerships between public agencies and private industry to accelerate the deployment of AI, blockchain, and financial innovation solutions, potentially attracting $500 million in new investment (as modeled in Section V's SC Competes projections).

- Organize innovation forums and leadership summits to promote South Carolina's leadership in digital capital and fiscal governance modernization, preparing for

the 2026 General Assembly.

- Work closely with the South Carolina Department of Commerce to align distributed energy initiatives with digital infrastructure development, as proposed in Section IV.

- Develop a statewide inventory of prospective Sovereign AI and Bitcoin mining sites in partnership with regional generation companies, electric cooperatives, and economic development organizations. This inventory should identify both greenfield and legacy manufacturing sites with proximity to existing or decommissioned substation infrastructure, leveraging underutilized energy assets to accelerate site readiness for strategic energy investments aligned with South Carolina's innovation economy.

- Explore monetization strategies for digital infrastructure via Protocol 402 integrations, enabling private and public-sector participants to generate recurring service revenue from 402-enabled access layers.

C. Public Engagement and Education

- Launch a statewide education campaign to raise awareness about the benefits of digital capital, blockchain governance, and fiscal transparency, preparing citizens for the 2026 General Assembly's legislative agenda.

- Develop accessible online resources and workshops for citizens, lawmakers, and business leaders to engage in the digital economy, fostering widespread adoption.

- Establish SCETA's Public Transparency Portal to provide real-time updates on policy initiatives, economic data, and public accountability metrics, integrating 402-based service interfaces and laying the groundwork for the Digital Governance DAO proposed in Section VII.

D. Preparing for the Comprehensive Final Report (Version .08)

- Integrate updated SC Competes economic impact data and finalized fiscal projections into the next version of this report, building on Section V's projections, in preparation for the 2026 General Assembly.

- Lead the drafting of the final, comprehensive policy framework that will formally position South Carolina as a national leader in digital governance and economic innovation.

- Ensure that the final report provides clear legislative language, implementation roadmaps, and defined success metrics for South Carolina's digital capital transition, setting the stage for legislative action in 2026.

- Include a technical appendix focused exclusively on Protocol 402 implementation models for state agencies, benefits portals, and education-based credentialing systems.

E. Critical Legislation: South Carolina Decentralized Autonomous Organization (SCDAO) Act

As a cornerstone of SCETA's legislative advocacy for 2026, the proposed South Carolina Decentralized Autonomous Organization (SCDAO) Act (Appendix VII) will establish a legal framework for DAOs in South Carolina, enabling their formation as limited liability companies (LLCs) governed by smart contracts on a blockchain.

This Act will provide regulatory clarity, foster blockchain innovation, and support economic development by recognizing DAOs as legitimate entities with the capacity to sue and be sued, while limiting member liability except in cases of fraud or willful misconduct.

The SCDAO Act will directly support the Digital Governance DAO proposed in Section VII, ensuring that citizen-governed fiscal transparency models can be legally implemented, as affirmed by the South Carolina Citizens' Digital Bill of Rights (Appendix IX, Article IV), which guarantees citizens' right to participate in digital governance. It also aligns with the "DAO-Based Foundations" vertical in Section IV and supports monetized governance access via Protocol 402.

By advocating for this Act, SCETA aims to position South Carolina as the first state to fully integrate DAOs into its economic and governance systems—setting a national precedent for digital capital innovation.

X. Conclusion: South Carolina's Declaration of Digital Independence

The world is moving forward, with or without American leadership. South Carolina now has a renewed opportunity to become a model for responsible innovation, fiscal transparency, and digital economic leadership, competing with nations like Singapore, Malta, and El Salvador that have already embraced digital capital (Appendix II).

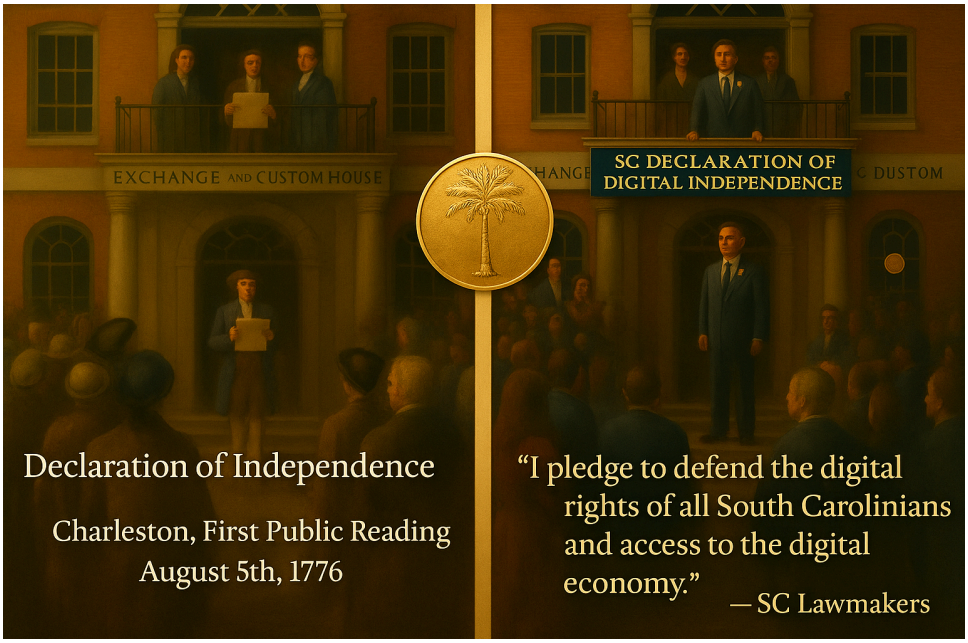
Through the leadership of SCETA and the policy framework outlined in this report, South Carolina can fully embrace the era of digital capital and transparency in governance, potentially unlocking $4.5 billion in economic value through stablecoin adoption and digital infrastructure investments (Sections V and VI).

But what separates South Carolina is not just economic ambition—it is the principle of self-governance through transparency.

With the integration of Protocol 402, South Carolina becomes the first U.S. state to implement a digital monetization layer for public infrastructure, where every citizen interaction with government can be verified, priced, and audited in real time.

The time to lead is now. South Carolina must launch pilot projects, such as blockchain transparency initiatives and PalmettoCoin™ powered services, by mid-2025 to prepare for the 2026 General Assembly (Section VIII).

This is more than a roadmap. It is a declaration that fiscal sovereignty, technological dignity, and citizen trust must be hard-coded into our institutions.



Caption: "SC Declaration of Digital Independence" – A symbolic depiction of South Carolina's transformation into a sovereign digital capital state, secured by the PalmettoCoin™, *a state backed stablecoin, powered by Protocol 402, and governed by citizen-first transparency.*

This is South Carolina's Declaration of Digital Independence, supported by the South Carolina Citizens' Digital Bill of Rights (Appendix IX), which affirms the rights of all South Carolinians to participate in and benefit from this digital transformation—ensuring a future grounded in liberty, transparency, and technological dignity.

Let this stand as a permanent page in the state's legislative history—a visual, economic, and ethical framework for digital freedom.

Appendix I: Definitions of Key Terms

#AI=$BTC (AI=BTC}: A strategic framework representing the convergence of Artificial Intelligence (AI) as the decision-making platform and Bitcoin/Digital Capital as the foundation of trust and value exchange in modern economic systems. For example, AI can optimize Bitcoin transactions for efficiency, while blockchain ensures their transparency and security.

General Terms (High-Level, Policy-Friendly)

Digital Capital: High-level term referring to digital financial assets, including Bitcoin, stablecoins, tokenized assets, and other blockchain-based instruments that represent value and serve as foundational components of digital economies. Example: South Carolina's Bitcoin mining facilities generate digital capital for economic growth.

Digital Assets: Any form of financial or economic value represented in digital form, including cryptocurrencies, stablecoins, tokenized securities, and utility tokens.

Digital Currency: A form of currency that exists purely in digital form, often issued through blockchain-based platforms.

Digital Financial Instruments: Financial products issued or managed through digital platforms, including stablecoins, tokenized bonds, and digital currencies.

Tokenized Assets: Real-world or financial assets represented digitally on a blockchain to enable easier transfer, increased liquidity, and enhanced transparency.

Emerging Financial Technologies: Innovative digital platforms and technologies that transform financial services, including AI-driven analytics, blockchain, and tokenized economic models.

Blockchain and Ledger Technology Terms

Permissioned Ledger: A blockchain or distributed ledger system where access is restricted to approved participants, providing controlled environments for governance and financial systems.

Public Blockchain (Open Ledger Network): A decentralized, publicly accessible blockchain where anyone can participate in validation and transactions (e.g., Bitcoin, Ethereum).

Immutable Ledger: A digital ledger where records cannot be altered or deleted, ensuring transparency and accountability.

Trust Infrastructure: The blockchain-based technological framework that ensures transparency, immutability, and verifiability of transactions and records in digital governance.

Consensus Mechanism: The method used within blockchain systems to validate and agree upon transaction records (e.g., Proof of Work, as used in Bitcoin mining, which South Carolina leverages for energy infrastructure).

Cryptocurrency and Token Terms

Bitcoin (BTC): A decentralized digital asset often referred to as a store of value or "digital gold," foundational to the concept of digital capital.

Stablecoins: Digital assets pegged to stable reserve assets such as the U.S. dollar, providing low-volatility instruments for payments and financial transactions. Example: The proposed PalmettoCoin™, a state-backed stablecoin for financial inclusion.

Utility Tokens: Digital tokens providing access to a specific platform or service, often used within decentralized networks.

Governance Tokens: Tokens that grant holders voting rights within decentralized autonomous organizations (DAOs).

Policy and Governance Framing Terms

Financial Digital Transformation: The modernization of financial systems through the adoption of digital technologies, including blockchain and AI.

Tokenized State Reserves: Government-managed reserves represented as digital assets on a permissioned blockchain for transparency and efficiency.

Digital Payment Infrastructure: Modern financial transaction systems utilizing blockchain technology to reduce costs and increase speed and transparency.

Decentralized Finance (DeFi): A financial ecosystem built on blockchain technologies that operates without centralized intermediaries. (Use cautiously in policy contexts; may require clarification.)

Digital Governance Platforms: Technology platforms enabling transparent, accountable government services through blockchain and AI tools. Example: A blockchain-based voting system for citizen engagement in fiscal decision-making. *Example: A blockchain-based voting system for citizen engagement in fiscal decision-making.*

Decentralized Autonomous Organization (DAO): A blockchain-based organization, recognized as a limited liability company (LLC) under South Carolina law per the SCDAO Act (Appendix VII), whose governance is primarily maintained through smart contracts deployed on a blockchain or distributed ledger technology. DAOs enable decentralized decision-making and operations without centralized intermediaries, often using governance tokens to grant voting rights to participants, facilitating transparent and community-driven governance. Governance models include member-managed DAOs, where decision-making is executed through direct member participation and voting, and algorithmically managed DAOs, where governance is primarily conducted by smart contracts with minimal human involvement, provided a fallback mechanism exists for intervention in cases of system failure or vulnerability.

- **Member-managed DAO:** A DAO in which governance and decision-making are executed through direct member participation and voting.

- **Algorithmically managed DAO:** A DAO where governance is primarily conducted by smart contracts with minimal or no direct human involvement, provided that a fallback mechanism exists for human intervention in cases of system failure or vulnerability.

Sovereign AI: Artificial Intelligence systems developed and controlled by state governments or trusted institutions to ensure public accountability and ethical standards, such as alignment with public values and data privacy.

Regulatory Sandboxes: Controlled environments where emerging technologies can be tested under regulatory oversight, fostering innovation while managing risks.

Protocol 402: An internet protocol status code originally reserved as “Payment Required” under the HTTP standard, now reimagined as a monetization and accountability layer for digital infrastructure. Protocol 402 enables real-time, token-based value-for-access exchanges across APIs, public services, and permissioned data systems. It establishes accountable access, where identity verification, service logging, and micro-payments are enforced through digital protocols. South Carolina’s innovation model uses Protocol 402 to convert digital interactions into auditable, self-funding public infrastructure.

Appendix II: SCETA Proof-of-Work Chronology

Phase I: Foundations & Grassroots Beginnings (2018–2020)

2018

- At a McNair Institute event, Dennis Fassuliotis connects with Gordon Jones, Spencer Whetstone, and others.
- Inspired by early blockchain adopters and influencers (e.g., Rob Viglione), the team co-founds PalmettoChain.com.
- Begins advocating for blockchain legislation modeled on Wyoming's efforts.

2019

- April 1: With Reps. Alan Clemmons and Garry Smith, and Sen. Tom Davis, South Carolina's first omnibus blockchain bill is filed.
- May: Dennis Fassuliotis attends MIT Bitcoin Summit and meets Joseph Taussig (Taussig Capital. Their collaboration introduces the idea of The PalmettoPay™ digital payment rail, proposing a state-backed stablecoin iddued through the community banks in the state (PalmettoCoin™).
- Meetings held with SC State Treasurer Curtis Loftis & staff
- Secretary Robert Hitt & staff —proposal deemed ahead of its time due to regulatory and technological readiness concerns.
- October: First informal blockchain legislative hearing held with help from Senators Davis and Cromer.

2020

- The groundwork is laid for formalizing SCETA as a dedicated policy and advocacy organization.
- State officials begin referencing blockchain solutions in public remarks, signaling growing awareness.

Phase II: Organizational Development & Policy Expansion (2020–2021)

- SC Blockchain, Inc. is established to explore commercial and policy solutions.
- South Carolina's first virtual blockchain summit, Resilient2020, is hosted, attracting over 500 policymakers, technologists, and advocates.
- SCETA is formally established as a 501(c)(6) association, focusing on policy leadership, economic development, and public education.
- Partnerships initiated with national blockchain policy organizations (e.g., Blockchain Association) and key industry influencers like Tyler Lindholm (Wyoming).

Phase III: Proof-of-Work and Global Expansion (2021–2023)

- Launch of Bitcoin literacy campaigns and outreach to South Carolinians through workshops, meetups and online resources.
- Legislative engagement expands with bipartisan support for emerging tech policies, including bills refiled by Rep. Stewart Jones.
- Fact-finding missions to El Salvador, the first Bitcoin-legal-tender economy, result in partnerships with local merchants and government officials.
- Ribbon-cutting for a new Bitcoin mining facility in Spartanburg, creating 50 high-tech jobs and attracting $35 million in investment.
- SCETA-led events covered by major media outlets, including Bitcoin Magazine ("Drive Bitcoin Right Through South Carolina") and the Post & Courier ("Fix the Money, Fix the Problem").

Phase IV: Economic Diplomacy & Strategic Realignment (2023–Present)

2023

- Strengthening international partnerships, including formal engagements with El Salvador (e.g., whiskey trade agreement, tourism initiatives) and other early-adopter nations.
- Launch of the Bitcoin Mining Consortium to promote responsible digital infrastructure and energy solutions, identifying 10 prospective mining sites.
- Expansion of legislative partnerships focusing on AI policy, stablecoin development, and fiscal modernization initiatives.

2024

- July 1, 2024 Branding South Carolina as a Technology State
- Lead authorship and advocacy of key legislative measures, including the H.3454 (UCC) Modernizing UCC

2025:

- **S225** - AI Resolution filed
- **S163** - Financial Freedom Act: supported in committee and during floor votes. SCETA creates messaging platform that could be disruptive for campaign messaging. Initial proof concept successful. Pilot programming expanding to national advocacy and GENIUS Act as first trial.

- **H4256** - Draft and file Strategic Reserve Bill of SC
- Launched CryptoMonday CHS
- **H3751** - Supports No State Capital Gains on Crypto.
- **#AI=$BTC** South Carolina's comprehensive digital capital transformation framework.

2026 (Projected)

- **Legislation that must be filed - SC Decentralized Autonomous Agent (DAO) Act**
- General Assembly reconvenes to act on SCETA's legislative recommendations, advancing South Carolina's digital transformation agenda.

Appendix III: PalmettoCoin™

TAUSSIG CAPITAL LTD. **Confidential – Not for Public Release**

The Palmetto Coin – A Case for a Statewide Payment System

Where We Are

Both houses of the South Carolina legislature have introduced bills to encourage blockchain technology within the state. As such, South Carolina could realize significantly increased commerce, employment, income taxes, and non-tax state revenues if it adopts this legislation ahead of other states.

The blockchain and cryptocurrency ecosystems are moving at warp speed. In the last six months, ICE (the parent of the New York Stock Exchange), Fidelity, FedEx, IBM, and JP Morgan have made significant announcements about entering the business. According to Linkedin, there are an average of 13,000 job vacancies in the industries, paying 10% to 20% above comparable Silicon Valley compensation.

To illustrate this velocity, by the end of 2016, ICOs had only raised $2 billion. By the end of 2018, they had raised $22 billion and now have a market cap in excess of $180 billion. Investments in non-ICO blockchain projects probably dwarf ICOs.

Where We Can Go

If South Carolina adopts its proposed legislation this session and has it go into effect May 1st, 2019, instead of January 1st, 2020, a case can be made that the State would stand to gain a significant increase in commerce, high quality employment ***and up to $1 billion of annual revenues for the state.*** However, an eight month delay from May 1st to January 1st, 2020 will likely mean that private enterprise and other states will steal significant opportunities that could have belonged to South Carolina (as an example: eight months of delay would have meant $7 billion of ICOs and $30 billion of market cap in 2017/18).

One blockchain project that could significantly benefit South Carolina would be a payment system, via mobile phones and other devices, that utilizes a state issued stable coin (the "Palmetto Coin"), provided that competing stable coins did not beat the state of South Carolina to the market.

A stable coin is simply a $1 digital token issued against a $1 dollar bank deposit and can be readily converted back to a bank deposit on demand. This token can digitally pay for goods and services instead of using credit/debit cards, checks, or ACH transfers. It is not legal tender. It is a payment rail similar to Paypal.

Why We Should Go There

The benefits are instantaneous transactions that greatly reduce frictional costs, errors, and fraud while producing more robust records for statistics gathering and tax collection. Stable coins are currently used to instantly settle billions of dollars of cryptocurrency trading every day instead waiting 5 to 7 business days to convert bank deposits to crypto and crypto to bank deposits as a means of settlement.

The Market

Of the 45 known stable coins, all are offered by private companies. Unfortunately, there is some doubt that certain stable coins are really backed by equal amounts of deposits (particularly Tether, the largest at more than $2 billion). As such, several banks have toyed with the idea of bank issued stable coins under the premise that users would have more confidence in a bank issued stable coin with a dollar of deposits backing every token as opposed to one issued by a private issuer.

However, JP Morgan recently announced that it would issue stable coins and most of the other banks immediately abandoned their projects, since they did not feel that they could compete with JP Morgan when confidence in the issuer is a consideration.

If users would have more confidence in the integrity of a bank issued stable coin in comparison to one issued by a private company, it would stand to reason that users would have more confidence in a state issued stable coin over one issued by a bank. Currently, no state or nation issues a stable coin, but the Marshall Islands plans to do so, Switzerland is considering it, and two other U.S. states are also considering it, so the first mover advantage for South Carolina could be considerable.

Palmetto Coin Economics

Simply substituting the Palmetto Coin for credit and debit card transactions in South Carolina could save merchants more than $1 billion in fees (on roughly $51 billion of transactions within the state). Since roughly 80% of these fees go to out of state processors, card brands, and banks, this alone could generate $40 million in additional income taxes for South Carolina.

In addition, the state could also earn interest income on the deposits backing each stable coin. The magnitude of this is very difficult to estimate, because each stable coin would be used many times a year. Roughly 5% of current stable coins are redeemed monthly, but newly issued coins exceed those that are redeemed, so the stable coin universe is constantly expanding.

One other consideration for introducing the Palmetto Coin before another stable coin enters the state is to create a network effect so that the second stable coin (or third) to enter the market will have great difficulty in displacing the first one. This is the key to Facebook's success.

Assuming that each stable coin turned ten times a year, the number of stable coins would be 5.1 billion if they simply substituted for the current level of card transactions. However, it is arguable that stable coins could also substitute for all transactions. According to the Department of Employment and Workforce, South Carolina's GDP is roughly $220 billion. In this case, at a turnover rate of 10x, the potential for all commerce within the state would be 22 billion stable coins.

Using the Fed Rate of 2.5% and 10x turnover, the potential interest income for the state of South Carolina would be $550 million in addition to the $40 million in income taxes from merchants. At 20x turnover, the potential is $275 million, and at 5x turnover, it would be more than $1 billion a year just on South Carolina commerce. If the Palmetto Coin were adopted in Georgia and North Carolina before another coin was, the potential interest income based on state GDP would be four times greater.

The single biggest threat to this potential largess is delaying the effectiveness of the legislation by eight months until January 1st, 2020, and that another stable coin enters the state's commercial ecosystem ahead of the introduction of the Palmetto Coin. The other stable coin might establish itself rapidly enough to create a network effect that could block the Palmetto Coin from realizing its potential if it were introduced afterwards.

Fortunately, JP Morgan Chase does not have branches in South Carolina, so its stable coin is less likely to be a threat. However, if Bank of America, BB&T, SunTrust, TD, or Wells Fargo introduced one before South Carolina did, the network effect for South Carolina that could withstand a competitive effort from these big banks would be severely diminished or lost altogether.

There is no downside for accelerating the effective date of the legislation, because the state has the power to deny any project, but the downside for delay might mean one of the big banks based out of state will launch a stable coin first, not only shutting the state out of a revenue stream, but also the banks that are headquartered in South Carolina, which have been losing market share to out of state banks for years.

Appendix IV: Impact of DEI Restrictions on South Carolina Technology and Broadband Projects

South Carolina's Economic Future: Turning Canceled DEI Grants into Real Opportunity: A New Vision for transparency in governance and Economic Growth*

As South Carolina cancels outdated Diversity, Equity, and Inclusion (DEI) grant programs, a critical question remains: How do we address economic challenges in our poorest communities and workforce gaps without relying on identity-based policies? The answer lies in innovation-driven, fiscally responsible solutions that restore dignity through economic opportunity—not division.

Introducing the #AI=$BTC Policy Framework

This comprehensive strategy provides a roadmap for modernizing South Carolina's financial infrastructure, expanding workforce opportunities, and revitalizing underserved communities—without increasing taxes or government bureaucracy.

Immediate Solutions Include:

- Redirecting canceled DEI funding to public-private partnerships that drive real
- economic growth.
- Launching a statewide inventory of underutilized industrial sites in our most
- economically distressed regions.
- Providing workforce retraining programs focused on AI, blockchain, and financial
- technology skills.
- Addressing critical healthcare infrastructure shortages in at least seven counties without major medical facilities.

Why This Matters Now

With the General Assembly set to reconvene in January 2026, South Carolina has a narrow window to lead. By preparing now and launching these initiatives, the state can send a clear message to both investors and citizens: South Carolina is ready to lead America's next economic revolution.

Appendix V: Source Documents and Reference Materials

Primary SCETA Policy Documents

- #AI=$BTC Overview V.01
- SC 15 Pain Points (Internal Memorandum)
- Reforming Fiscal Governance in South Carolina – V.01 (“A Transparent, Accountable Future Through Permissioned Digital Ledgers”)
- Comprehensive Policy Initiative Outline

Official Government Documents and Frameworks

- South Carolina Digital Equity Plan (April 2024) – SC Office of Regulatory Staff
- 2024 Annual Accountability Report – SC Department of Administration
- Winthrop University Bachelor of Science in Artificial Intelligence Program Proposal – SC Commission on Higher Education
- SC Broadband Equity, Access, and Deployment (BEAD) Five-Year Action Plan – SC Office of Regulatory Staff
- MS in Information Technology Program Proposal – SC Commission on Higher Education
- National and International Frameworks
- NIST AI Risk Management Framework (AI RMF 1.0) – Cited selectively for governance and AI risk management best practices.
- Institute for Progress (IFP) AI Action Plan – Recommendations on regulatory sandboxes, public-private partnerships, and AI leadership.
- AIBTC Documentation Framework – Decentralized Autonomous Organization (DAO) models and digital governance strategies.
- SC Competes Initiative Data
- Job creation, investment growth, and industry expansion projections based on SC Competes economic cluster data and public reporting.

Methodology footnote:

Data projections are based on publicly reported SC Commerce project announcements, incentive program participation, and economic development agreements. Methodology includes performance-based projections of job creation and capital investment, supported by incentive program compliance and economic impact modeling.

Appendix VI: Pending Legislation

Summary of Findings on Key Bills for Digital Transformation

Introduction

This appendix summarizes five South Carolina bills from the 126th General Assembly (2025-2026), focusing on their purpose, legislative status, and relevance to the #AI=$BTC V.04 – South Carolina's Digital Capital Transformation Framework report. As of 11:55 PM EDT on Sunday, May 11, 2025, these bills reflect the state's efforts to modernize financial systems, foster AI innovation, and promote digital capital adoption, aligning with the report's vision for economic leadership and transparency in governance.

Bill Summaries

H3454 - Modernize UCC: This bill aims to update the Uniform Commercial Code for digital transactions, referred to the Judiciary Committee with no further action as of May 12, 2025.

S225 - AI Resolution: A resolution supporting open-source AI, in early committee review, with potential for ethical AI development but uncertain legislative progress.

S163 - Financial Freedom Act: Passed the Senate, now in House committee, regulating cryptocurrency use and supporting digital capital adoption.

H4256 - Strategic Reserve Bill of SC: Early stage, allowing Bitcoin investment for fiscal strategy, with no reported progress.

H3751 - No State Capital Gains on Crypto: In committee, aims to exempt digital asset income on taxes, with no further action reported.

Relevance to #AI=$BTC Framework

These bills align with the report's goals of modernizing financial systems, fostering AI innovation, and promoting digital capital, supporting South Carolina's leadership by 2026.

Detailed Analysis of South Carolina Bills for Digital Transformation

Introduction and Content

This analysis examines five bills from the South Carolina General Assembly, 126th Session (2025-2026), focusing on their subject matter, legislative progress, and relevance to the #**AI=$BTC V.07 – South Carolina's Digital Capital Transformation Framework report.** These bills—H3454 (Modernize UCC), S225 (AI Resolution), S163 (Financial Freedom Act), H4256 (Strategic Reserve Bill of SC), and H3751 (No State Capital Gains on Crypto)—are pivotal for understanding South Carolina's strategic positioning in digital assets and AI, particularly in the context of economic leadership and transparency in governance. As of 12:00 AM EDT on Monday, May 12, 2025, these bills reflect the state's efforts to modernize financial systems, foster AI innovation, and promote digital capital adoption, aligning with the report's vision for a future-ready economy.

Bill Details and Analysis

H3454 - Modernize UCC

- Bill Number: H. 3454
- Sponsor: Rep. Caskey
- Introduced: January 14, 2025

Status: Referred to the Committee on Judiciary; no further actions reported as of May 12, 2025.

Purpose: Research suggests H3454 aims to amend various sections of the South Carolina Code of Laws under Title 36 (Commercial Code) to modernize the Uniform Commercial Code (UCC) for electronic commerce. Key updates include:

- New definitions such as "electronic," "controllable electronic record," and "qualifying purchaser" to accommodate digital transactions, crucial for blockchain and digital asset management.
- Provisions for hybrid transactions, hybrid leases, and controllable electronic records, updating rules for negotiable instruments, payment orders, and security interests.
- Adds new chapters, such as Chapter 12 for controllable electronic records and Chapter 12A for transitional provisions for UCC amendments (2022), ensuring legal frameworks support digital capital adoption.

Legislative History: Prefiled on December 5, 2024, introduced and read first time on January 14, 2025 (House Journal-page 206), referred to Judiciary Committee. A scrivener's error was corrected on February 5, 2025, but no committee reports or further actions noted, indicating it remains in early stages.
Relevance to #AI=$BTC Framework: It seems likely this bill supports the framework's goal of modernizing financial systems (Section 6: Stablecoins) by enabling blockchain-based transactions and digital asset management. It aligns with the report's emphasis on digital capital (Section 5) by facilitating tokenized assets and electronic records, crucial for integrating AI and Bitcoin in economic transactions, as outlined in Section 4's Horizontal Innovation Model.
I**mplications**: Its early stage suggests potential for future impact, but progress is uncertain. It could enhance legal frameworks for digital capital adoption, supporting SCETA's advocacy (Section 8) for 2026 legislative action.

S225 - AI Resolution

- Bill Number: S. 225
- Sponsor: Senator Leber
- Introduced: January 15, 2025

Status: Referred to the Committee on Labor, Commerce and Industry; no further actions reported as of May 12, 2025.
Purpose: The evidence leans toward S225 expressing support for the development of open-source, decentralized AI in South Carolina, opposing censorship or bias. Key provisions include:

- Advocating for open-source AI models to ensure transparency and prevent bias, contrasting with closed-source models (e.g., Google, OpenAI), aligning with the report's ethical AI focus (Section 2).
- Encouraging partnerships with institutions like the University of South Carolina and Clemson University for ethical AI research, supporting workforce development (Section 4).
- Proposing state incentives to attract AI businesses, creating a competitive environment, tying to economic growth strategies (Section 5).
- Supporting technology-neutral regulations to address harmful practices without stifling innovation, resonating with Section 3's nonpartisan approach.

- Opposing federal overreach that could limit state innovation, complementing the report's leadership narrative (Executive Summary).
- Acknowledging risks of AI misuse by nefarious actors (e.g., foreign adversaries like China), calling for collaboration with SCETA to promote open-source AI and prevent monopolistic tendencies.

Legislative History: Introduced and read first time on January 15, 2025 (Senate Journal-page 103), referred to Labor, Commerce and Industry Committee. Last updated January 15, 2025, at 1:30 PM, with no committee reports or further actions, suggesting early stages and uncertainty.

Relevance to #AI=$BTC Framework: S225 supports the AI=BTC framework (Section 2) by emphasizing AI as a decision-making platform and open-source models for transparency. It complements the report's focus on ethical AI governance (Section 7) and workforce development (Section 4), aligning with Section 3's nonpartisan approach to balancing innovation and stability.

Implications: Its early stage indicates potential for future impact, but legislative progress is uncertain. It could position South Carolina as a leader in AI, supporting SCETA's advocacy (Section 8) and the 2026 General Assembly timeline (Section 9).

S163 - Financial Freedom Act

- Bill Number: S. 163
- Sponsors: Senators Verdin and Leber
- Introduced: January 14, 2025

Status: Passed the Senate with amendments on May 1, 2025 (Ayes-38, Nays-1, Senate Journal-page 23); sent to the House on May 6, 2025; currently in the House Committee on Labor, Commerce and Industry as of May 12, 2025, showing advanced progress.

Purpose: Research suggests S163 establishes regulations for cryptocurrency in South Carolina, adding Chapter 47 to Title 34. Key provisions include:

- Prohibiting state or local governments from accepting or requiring central bank digital currency (CBDC) payments or participating in CBDC tests, aligning with digital capital trust (Section 5).
- Allowing individuals and businesses to use digital assets for transactions, maintain self-custody with hardware wallets, and ensuring no disparate

tax treatment compared to U.S. legal tender, supporting financial inclusion (Section 4).

- Preventing disparate zoning restrictions on digital asset mining in industrial areas, requiring mining businesses to operate without stressing the electrical grid and report power usage to the Public Service Commission, tying to distributed energy (Section 4).
- Exempting digital asset mining, node operations, and certain exchanges from money transmitter licensing, clarifying staking services are not securities, enhancing economic growth (Section 5).
- Allowing the Attorney General to prosecute fraudulent digital asset mining or staking claims, ensuring transparency (Section 7).

Legislative History: Introduced January 14, 2025 (Senate Journal-page 103), referred to Banking and Insurance Committee, reported favorably with amendments on March 4, 2025 (Senate Journal-page 16), passed second reading on May 1, 2025, and third reading on May 5, 2025, sent to House on May 6, 2025 (House Journal-page 233), referred to Labor, Commerce and Industry Committee, last updated May 6, 2025, at 4:00 PM.

Relevance to #AI=$BTC Framework: The evidence leans toward S163 enabling digital capital adoption (Section 5) by supporting cryptocurrency use and mining, aligning with governance reforms (Section 7) for transparency. Its Senate passage is a key milestone in the South Carolina Leadership Timeline (Section 8), reinforcing fiscal modernization (Section 6).

Implications: Advanced progress suggests potential for House passage, enhancing South Carolina's digital leadership by 2026, supporting SCETA's advocacy (Section 8).

H4256 - Strategic Reserve Bill of SC

- Bill Number: H. 4256
- Sponsor: Rep. Pace
- Introduced: March 27, 2025

Status: Referred to the Committee on Ways and Means; no further actions reported as of May 12, 2025, indicating early stages and uncertainty.

Purpose: H4256 establishes the Strategic Digital Assets Reserve, allowing the State Treasurer to invest in digital assets like Bitcoin to hedge against inflation and diversify funds. Key provisions include:

- Permits investment of unexpended state funds, up to 10% of total funds, with a cap of one million Bitcoins, supporting digital capital as a store of value (Section 5).
- Requires secure storage (e.g., cold storage, qualified custodians) and prohibits lending digital assets, ensuring trust infrastructure (Appendix I).
- Mandates biennial reporting of holdings, publishing public addresses for transparency while keeping private keys confidential, aligning with fiscal transparency (Section 7).
- Allows donations of digital assets from residents and requires annual independent audits, enhancing accountability (Section 7).

Legislative History: Introduced and read first time on March 27, 2025 (House Journal-page 16), referred to Ways and Means Committee. Last updated March 27, 2025, at 11:16 AM, with no committee reports, suggesting early stages.

H3751 - No Tax on Crypto Trading

Bill Number: H. 3751 removes capital gains tax for individuals and businesses using cryptocurrencies.

Sponsor: Rep. Bamberg, White, Kilmartin, Beach, Pace, Gilreath, Cromer, Oremus, Huff, and Magnuson,

Introduced: January 16, 2025

Status: Referred to the Ways and Means Committee, no committee reports, second readings, or further actions noted as of May 12, 2025.

Purpose: H3751 aims to boost economic growth by removing state capital gains taxes on digital asset income, effective post-2024.

- aligns with the report's emphasis on incentivizing digital capital adoption, as outlined in Section 5 (The Economic Case for Digital Capital),
- highlights digital assets like Bitcoin and stablecoins as catalysts for investment and industry expansion. By
- excludes digital asset income from gross income, H3751
- reduces financial barriers for individuals and businesses, fostering financial inclusion (Section 4) and supporting the Horizontal Innovation Model's economic development strategies (Section 4).

Legislative History: Introduced January 15, 2025, read first time, same day, with additional sponsors added the following day (House Journal-page 55). Uncertainty

about its passage, with potential for future committee review or amendments, but no progress has been reported, indicating it may face delays or competing priorities.
Relevance to #AI=$BTC Framework: Supports the **#AI=$BTC** framework by fostering digital capital adoption, a key component of the framework's vision (Section 2). By removing tax barriers, it encourages investment in digital assets like Bitcoin, aligning with the report's store of value and economic growth roles (Section 5). It also supports financial inclusion for underserved communities (Section 4), addressing economic disparities highlighted in the Horizontal Innovation Model.
Implications: Potential for future impact, but passage is uncertain, offering SCETA opportunities for advocacy (Section 8) to align with the 2026 General Assembly timeline (Section 9). Alignment with other bills (e.g., S163, H4256) creates a cohesive digital transformation strategy, but delays may hinder progress, requiring SCETA's leadership to push for committee action.

Comparative Analysis
Compared to S163, which has advanced (passed Senate), H3751 is less progressed, reflecting the complexity of tax policy versus regulatory frameworks. H4256, also in early stages, focuses on Bitcoin reserves, complementing H3751's economic incentives. The report's focus on nonpartisan paths (Section 3) suggests H3751 could bridge political divides by offering economic benefits, but its fiscal impact remains a point of contention.

Conclusion
H3751 aims to boost digital asset adoption by excluding income from state taxes, aligning with South Carolina's digital leadership goals. Its early stage and potential revenue impact highlight uncertainty, but SCETA's advocacy could advance it by 2026, supporting the report's vision for economic growth and financial inclusion.

Appendix VII: South Carolina Decentralized Autonomous Organization (SCDAO) Act

Section 1: Title

This Act shall be known and may be cited as the “South Carolina Decentralized Autonomous Organization Act.”

Section 2: Purpose

The purpose of this Act is to provide for the legal recognition of decentralized autonomous organizations (DAOs) in the State of South Carolina, defining their structure, governance, and legal standing while fostering blockchain innovation, regulatory clarity, and economic development.

Section 3: Definitions

As used in this Act:

1. “Decentralized Autonomous Organization” (DAO) Decentralized Autonomous Organization” (DAO) means a blockchain-based organization, recognized as a limited liability company (LLC) under South Carolina law, whose governance is primarily maintained through smart contracts deployed on a blockchain or other distributed ledger technology. DAOs enable decentralized decision-making and operations without centralized intermediaries, often using governance tokens to grant voting rights to participants, facilitating transparent and community-driven governance. Governance models include member-managed DAOs, where decision-making is executed through direct member participation and voting, and algorithmically managed DAOs, where governance is primarily conducted by smart contracts with minimal human involvement, provided a fallback mechanism exists for intervention in cases of system failure or vulnerability.

2. “Smart contract” means an automated transaction executed on a blockchain-based system that facilitates, verifies, or enforces contract terms without intermediary involvement.

3. “Blockchain” means a decentralized, distributed ledger technology that securely records transactions in a verifiable and immutable manner.

4. “Member-managed DAO” means a DAO in which governance and decision-making are executed through direct member participation and voting.

5. “Algorithmically managed DAO” means a DAO where governance is primarily conducted by smart contracts with minimal or no direct human involvement, provided that a fallback mechanism exists for human intervention in cases of system failure or vulnerability.

6. “Articles of Organization” means the initial formation document required to establish a DAO under South Carolina law.

7. “Operating Agreement” means the agreement that governs the internal affairs of a DAO, including member rights, governance, and operational procedures.

Section 4: Legal Formation and Recognition

1. A DAO may be formed in South Carolina by filing Articles of Organization with the Secretary of State, specifying that the organization is a DAO and electing either member-managed or algorithmically managed governance.

2. A DAO shall have the same rights, privileges, duties, and obligations as a traditional LLC, except where inconsistent with this Act.

3. The name of a DAO must include the designation “DAO,” “LAO” (Limited Autonomous Organization), or “LLC” to distinguish it from other business entities.

Section 5: Operating Agreement and Governance

1. A DAO shall adopt an Operating Agreement specifying:

- The DAO’s governance structure (member-managed or algorithmically managed).
- The rights and duties of members, including voting mechanisms.
- The role and functionality of smart contracts in decision-making, including a method for upgrading or amending as necessary to allow for adaptability as blockchain technology evolves.
- Procedures for amending smart contracts and governance rules.
- A protocol for handling technical failures, including potential manual overrides where necessary to protect DAO assets and members.

2. A DAO shall be governed by its Operating Agreement and the applicable provisions of this Act. In cases of conflict, the provisions of this Act shall prevail.

Section 6: Liability and Legal Standing

1. Members of a DAO shall not be personally liable for the debts, obligations, or liabilities of the DAO except in cases of fraud, knowing violations of law, or willful misconduct.

2. Members who exert significant control over DAO decisions beyond smart contract execution may be subject to traditional fiduciary duties under corporate governance principles.

3. A DAO shall have the capacity to sue and be sued in its own name.

Section 7: Dissolution

1. A DAO may be dissolved voluntarily through the procedures outlined in its Operating Agreement, which must include provisions for handling smart contract assets and obligations.

2. The Secretary of State may dissolve a DAO for failure to comply with reporting requirements, failure to maintain smart contract functionality, or other material breaches of this Act.

Section 8: Annual Reporting and Compliance

1. A DAO shall file an annual report with the Secretary of State, including:

- Confirmation of its continued operations.
- Any material updates to its governance structure or smart contracts.
- Information regarding major security incidents, if applicable.

2. Failure to file an annual report may result in administrative dissolution.

3. A DAO must maintain a registered agent within South Carolina for service of process and compliance notifications.

Section 9: Legal, Taxation, and Regulatory Considerations

- Any issuance of DAO tokens may be subject to applicable federal securities and commodities laws.

- Any issuance of DAO tokens must maintain compliance with all applicable state and federal laws, including but not limited to anti-money laundering (AML) and know-your-customer (KYC) requirements where applicable.

Section 10: Miscellaneous Provisions

1. The courts of South Carolina shall have jurisdiction over DAOs formed under this Act.

2. Nothing in this Act shall be construed to limit the application of securities, taxation, or other regulatory laws to DAOs.

3. If any provision of this Act is found invalid or unenforceable, the remaining provisions shall remain in effect.

Section 11: Effective Date

This Act shall take effect upon approval by the Governor.

Appendix VIII. South Carolina AI and Blockchain Innovation Act

Revised May 18, 2025 - Model Legislation: Enhanced SECTION 6. Strategic Semiconductor Development)

Summary

The South Carolina AI and Blockchain Innovation Act establishes a forward-thinking regulatory framework to position South Carolina as a leader in artificial intelligence (AI), blockchain, and semiconductor innovation, while ensuring ethical governance, consumer protection, and state sovereignty. Enacted to foster a robust innovation economy, the Act promotes entrepreneurship, attracts investment, and drives economic growth through strategic initiatives and incentives.

Key Provisions:

- Regulatory Sandbox: Provides a supervised environment for AI and blockchain startups to test innovations with temporary regulatory exemptions, including expedited participation for semiconductor companies contributing to strategic goals.

- Economic Incentives: Offers tax exemptions, R&D grants, property tax credits, and energy credits for businesses investing in AI, blockchain, and semiconductor technologies, with tailored packages to encourage participation in managing critical semiconductor supply chains.

- Strategic Semiconductor Development: Establishes a Qualified Chip List to prioritize critical technologies, managed by a designated entity with oversight from the South Carolina AI and Blockchain Advisory Council. The Act incentivizes early access to chips for South Carolina companies, reducing waitlist periods and fostering competition, while positioning the state as a cost-effective hub for chip acquisition and deployment.

- AI Personhood & Liability: Clarifies that AI cannot hold legal rights, with liability assigned to developers, deployers, or profiteers of AI systems.

- Advisory Council: A nine-member council provides policy guidance, updates the Qualified Chip List, ensures ethical AI deployment, and reviews federal policies for compatibility with state sovereignty.

- Intellectual Property Rules: Requires meaningful human contribution for AI-generated works to qualify for legal protection.

- State Sovereignty: Asserts South Carolina's authority over AI and blockchain regulations, with mechanisms to challenge federal overreach.

- Privacy Protections: Implements safeguards against AI-driven mass surveillance to protect data privacy rights.

SOUTH CAROLINA EMERGING TECH

Preamble

The South Carolina AI and Blockchain Innovation Act establishes a regulatory framework to foster AI, blockchain, and cryptocurrency innovation while ensuring ethical governance and consumer protection.

Key provisions include:

- Regulatory Sandbox: A supervised environment allowing AI and blockchain startups to operate with temporary regulatory exemptions.
- Economic Incentives: Tax breaks and infrastructure support for businesses investing in AI, blockchain, and open-source technologies.
- Strategic Semiconductor Development: Incentives and initiatives to attract semiconductor manufacturing and research, including the creation of a Qualified Chip List to guide state support and align with federal efforts like the CHIPS Act.
- AI Personhood & Liability: AI cannot hold legal rights, and liability falls on those who develop, deploy, or profit from AI systems.
- Advisory Council: A council providing policy guidance, preventing regulatory capture, and ensuring ethical AI deployment.
- Intellectual Property Rules: AI-generated works require meaningful human contribution to qualify for legal protection.
- State Sovereignty: South Carolina asserts control over AI and blockchain regulations, resisting undue federal interference.
- Privacy Protections: Safeguards against AI-driven mass surveillance to uphold data privacy rights.This Act positions South Carolina as a leader in emerging technologies, balancing innovation with responsibility.

SECTION 1. Short Title

This act is known and may be cited as the “South Carolina AI and Blockchain Innovation Act.”

SECTION 2. Legislative Findings and Purpose

The General Assembly finds that fostering a robust innovation economy is vital to the welfare of the State. Advances in artificial intelligence (AI), blockchain, and related technologies present significant opportunities for economic development, job creation, and public benefit.

This Act is intended to:

1. Promote innovation and entrepreneurship by establishing a regulatory sandbox framework;

2. Incentivize investment in decentralized infrastructure and emerging technology;

3. Create a legal and ethical foundation for AI development and deployment;

4. Define the boundaries of liability and personhood in relation to AI systems;

5. Establish clear rules for intellectual property and authorship for AI-assisted works;

6. Prevent regulatory capture and monopolization of essential technologies;

7. Encourage public sector transparency and citizen protections through open infrastructure;

8. Align with national objectives for AI leadership under Executive Orders 13859 and 14179 without compromising state sovereignty.

SECTION 3. Definitions

As used in this Act:

• "Artificial Intelligence" or "AI" means machine-based systems that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments.

• "Blockchain" means a decentralized ledger system using cryptographic and distributed ledger technologies to record transactions.

• "Digital Asset" means a representation of economic, proprietary, or access rights stored and transferred electronically using blockchain technology.

• "Open-source" means software or hardware released under a license that permits users to view, use, modify, and distribute the source or design.

• "Regulatory Sandbox" means a controlled testing environment that provides temporary regulatory relief for participants under regulatory supervision.

• "Advisory Council" means the South Carolina AI and Blockchain Advisory Council established by this Act.

• "Qualified Chip List" means a prioritized list of semiconductors or components aligned with national security, economic development, and supply chain priorities.

• "Controllable Electronic Record" means a record stored in an electronic medium that can be subjected to exclusive control by one person, consistent with the definition in the South Carolina Uniform Commercial Code.

• "Digital Asset Security Interest" means a security interest in a controllable electronic record as recognized under Article 9 of the UCC.

• “Managing Entity” means a public, private, or public-private partnership designated by the Department of Commerce to oversee the creation, maintenance, and updating of the Qualified Chip List, ensuring alignment with state and federal priorities and facilitating access to critical semiconductor technologies for South Carolina-based companies.

• “Early Access” means the prioritized availability of semiconductors on the Qualified Chip List to South Carolina-based companies, enabling them to acquire and deploy such technologies ahead of competitors in other regions, typically within a reduced timeframe compared to standard industry waitlist periods.

• “Waitlist Period” means the duration of time between the announcement or release of a new semiconductor or chip on the Qualified Chip List and its availability for acquisition by a company, often influenced by supply chain constraints, production capacity, or distribution priorities.

• “Adjacent Industries” means sectors or businesses that directly benefit from or support the semiconductor supply chain and AI innovation ecosystem, including but not limited to artificial intelligence development, data center operations, advanced manufacturing, and related research and development activities.

• “Cost-Effective Location” means a geographic area, such as South Carolina, where the combination of economic incentives, regulatory support, and access to critical technologies makes it financially advantageous for companies to acquire, deploy, or develop semiconductor and AI technologies compared to other regions.

• “Economic Impact” means the measurable effects of the Qualified Chip List and related initiatives on South Carolina’s economy, including but not limited to job creation, revenue growth for the state, increases in property values, and the attraction or retention of businesses in adjacent industries.

SECTION 4. Regulatory Sandbox

The Department of Commerce shall administer the South Carolina AI and Blockchain Regulatory Sandbox Program to facilitate innovation.

Eligibility: Applicants must demonstrate that:

1. The product or service uses AI or blockchain technology;

2. There is a clear potential benefit to consumers or the economy;

3. The sandbox participation plan includes risk disclosures and mitigation strategies.Duration: The regulatory relief period shall not exceed 24 months unless extended by written approval of the Department.Oversight: Participants must:

• Submit quarterly progress reports;

- Notify the Department of any material changes;

- Cooperate with inspections and record requests.The Department shall coordinate with the AI Center of Excellence for any sandbox projects involving state systems or public data.The Department may also collaborate with other states to create a multistate sandbox framework.Projects within the Regulatory Sandbox that involve digital assets or financial technologies must be developed in consultation with the State Treasurer's Office to ensure alignment with state financial policies and risk management practices.Expedited Participation: The Department may offer expedited entry into the Regulatory Sandbox for companies that meet criteria established under SECTION 6, including those on the Qualified Chip List that commit to supplying South Carolina entities within 12 months of a chip's release, to support the state's strategic semiconductor development goals.

SECTION 5. Economic Incentives

Eligible businesses engaged in qualified AI or blockchain activities, including those involved in strategic semiconductor development as outlined in SECTION 6, may receive:

- Income tax exemptions for séances five years;

- Property and sales tax credits for infrastructure investments;

- Grants for R&D in open-source or decentralized systems, including semiconductor technologies on the Qualified Chip List;

- Energy credits for sustainable operations, particularly for entities managing the Qualified Chip List or operating data centers supporting semiconductor supply chains.Incentives related to AI technologies used in government systems must be reviewed by the AI Center of Excellence to ensure alignment with state standards.Any entity leveraging tokenized assets must disclose relevant digital asset security interests as defined by the Uniform Commercial Code.The State Treasurer's Office shall be consulted on the structure and disbursement of financial incentives related to fintech applications and semiconductor initiatives to ensure compliance with investment and liquidity policies.

SECTION 6. Strategic Semiconductor Development

The Department of Commerce shall develop an incentive program to recruit semiconductor manufacturers to South Carolina.

To qualify, a business must:

- Invest at least $5 million;

- Create 25 or more jobs in the state.The Department of Commerce shall:

- Create and publish a "Qualified Chip List" identifying critical technologies aligned with state and federal priorities, with such alignment reviewed annually by the Advisory Council for

compatibility with state sovereignty, as outlined in SECTION 7, to be managed by a designated entity under the oversight of the Department.

• Designate an entity to manage the Qualified Chip List, which may be eligible for economic incentives as outlined in SECTION 5, including but not limited to:

    • Tax credits on income or property taxes for up to five years;

    • Research and development credits for activities related to the evaluation and updating of the Qualified Chip List;

    • Energy credits for the use of sustainable energy in chip-related operations or data centers supporting the management of the list.

• Develop a package of incentive options tailored to different types of entities (e.g., startups, established companies, or public-private partnerships) to encourage participation in the management of the Qualified Chip List.

• The South Carolina AI and Blockchain Advisory Council, as established in SECTION 8, shall provide recommendations for updates to the Qualified Chip List at least annually, ensuring the list reflects the latest advancements in AI, semiconductor technologies, and strategic priorities such as national security, power electronics, and sovereign data integrity.

• Establish a public process for stakeholders, including industry experts and academic institutions, to submit proposals for additions or removals from the Qualified Chip List, with final decisions made in consultation with the Advisory Council.

• Prioritize technologies on the Qualified Chip List that advance national security, power electronics, or sovereign data integrity, with a focus on ensuring early access to these chips for South Carolina-based companies.

• Develop a program to incentivize entities managing the Qualified Chip List to establish operations in South Carolina, ensuring that chip supply chains are localized and accessible to state businesses, thereby reducing wait times for advanced chips and fostering competition among local companies.

• Encourage entities managing the Qualified Chip List to prioritize South Carolina-based companies in the distribution of chips, reducing the waitlist period for access to new semiconductors and ensuring that local businesses can deploy cutting-edge technologies ahead of competitors in other regions.

• Offer additional incentives, such as expedited regulatory sandbox participation as defined in SECTION 4, or enhanced tax credits, to companies on the Qualified Chip List that commit to supplying South Carolina entities within 12 months of a chip's release.

• Structure incentives tied to the Qualified Chip List to position South Carolina as the most cost-effective location for acquiring and deploying advanced semiconductors, encouraging

adjacent industries (e.g., AI development, data centers, and manufacturing) to establish or expand operations in the state.

• Partner with the AI Center of Excellence to identify and support complementary industries that can benefit from the Qualified Chip List, ensuring a holistic innovation ecosystem that retains economic activity within South Carolina.

• Collaborate with the Department of Revenue to track and report on the economic impact of the Qualified Chip List, including job creation, revenue growth, and increases in property values attributable to the localization of chip supply chains, as part of the implementation framework outlined in SECTION 9.Clarification: Semiconductor projects aligned with the CHIPS Act will be prioritized for federal-state coordination.

SECTION 7. State Sovereignty and Federal Preemption

Subsection A – Constitutional Guardrails

South Carolina reaffirms its constitutional authority to regulate emerging technologies to protect the rights and liberties of its citizens, including data privacy, property rights, and freedom from unwarranted AI surveillance, as affirmed by the South Carolina Citizens' Digital Bill of Rights (Appendix IX, Articles II, V, and IX).

Subsection B – Legal Standing

The Attorney General may initiate or join legal actions challenging federal policies or executive directives that infringe on the state's sovereign rights or violate the South Carolina Constitution.

Subsection C – Advisory Council Review

The Advisory Council shall conduct an annual review of federal AI and blockchain policies, including federal semiconductor initiatives related to the alignment of the Qualified Chip List with federal priorities as described in SECTION 6, and issue findings regarding their compatibility with state law and constitutional protections.

SECTION 8. Advisory Council

The South Carolina AI and Blockchain Advisory Council shall consist of nine members, including experts from academia, industry, and public service. The State Treasurer or their designated representative shall be a standing member of the Advisory Council.

Duties:

• Advise on regulatory sandbox performance;

• Publish AI ethics guidelines and blockchain integrity standards, ensuring alignment with the ethical AI principles outlined in the South Carolina Citizens' Digital Bill of Rights (Appendix IX, Article V);

- Review intellectual property and liability rules;
- Coordinate with the AI Center of Excellence and review UCC digital asset frameworks for compatibility;
- Provide recommendations for updates to the Qualified Chip List, as outlined in SECTION 6, and participate in a public process for stakeholder input to ensure the list aligns with state and federal priorities;
- Issue annual reports on federal conflicts and constitutional risks.

SECTION 9. Implementation and Effective Date

Lead Agency:

The Department of Commerce shall oversee implementation in coordination with the Department of Revenue, Office of the Attorney General, the AI Center of Excellence, and the State Treasurer's Office. This includes collaboration on tracking the economic impact of the Qualified Chip List and supporting adjacent industries, as outlined in SECTION 6.

Rulemaking Authority:

The Department shall promulgate rules within 12 months of enactment, including rules for the management of the Qualified Chip List, the designation of the Managing Entity, and the implementation of incentives tied to early access and cost-effectiveness, as described in SECTION 6.

Federal Alignment:

The Department may seek funding and technical support from federal agencies implementing Executive Orders 13859 and 14179.

Effective Date:

This act takes effect upon approval by the Governor.

SOUTH CAROLINA EMERGING TECH

APPENDIX IX. SOUTH CAROLINA CITIZENS' DIGITAL BILL OF RIGHTS

Complementing the Declaration of Digital Independence

PREAMBLE

We, the citizens of South Carolina, in pursuit of a transparent, accountable, and opportunity-rich future, affirm the following rights to safeguard liberty, economic freedom, and technological dignity in the age of artificial intelligence, digital capital, and blockchain governance.

Article I – Right to transparency in governance and Public Accountability

- Every citizen has the right to real-time transparency in all state and local financial operations.
- All expenditures, contracts, and budgetary items shall be published on permissioned digital ledgers accessible to the public.
- Citizens shall have the right to participate in blockchain-based public forums and feedback loops on public spending, procurement, and capital projects.

Article II – Right to Digital Privacy and Data Sovereignty

- No state entity may collect, share, or monetize personal data without explicit, informed, and revocable consent.
- South Carolinians have the right to access, correct, and delete personal data held by government systems.
- Citizens shall have the right to opt out of non-essential surveillance, tracking, or biometric profiling, and to use privacy-preserving technologies in public services.

Article III – Right to Economic Freedom and Digital Capital Access

- Citizens shall have the right to acquire, use, hold, and exchange digital assets—including Bitcoin, stablecoins, and tokenized property—free from undue interference.
- State and local governments may not impose discriminatory regulations on self-custody, digital wallets, or decentralized financial services.

- Citizens shall have the right to benefit from tokenized public infrastructure and state-sponsored digital financial instruments such as the PalmettoCoin™.

Article IV – Right to Participate in Digital Governance

- Citizens shall have the right to propose, review, and vote on select fiscal matters using governance tokens or other digital platforms authorized by law.

- The state shall pilot citizen-governed DAOs to oversee transparency in budgeting and project delivery, with rights to audit smart contracts and vote on key metrics.

Article V – Right to Ethical and Accountable AI

- No AI system deployed by the state shall infringe upon civil liberties, engage in discriminatory behavior, or operate without human oversight.

- All AI models used in government must be open-source or transparently documented, with auditability and fairness testing conducted by independent review panels.

- Citizens have the right to redress decisions made by automated systems that affect employment, credit, benefits, or legal standing.

Article VI – Right to Financial Transparency and Protection from Malfeasance

- All state-controlled funds, including digital reserves, must undergo annual independent audits with results published on public ledgers.

- Fiscal mismanagement or unauthorized off-ledger accounts shall trigger immediate public notification and review by an independent digital governance body.

Article VII – Right to Universal Digital Infrastructure and Inclusion

- Every South Carolinian has the right to access high-speed internet, public compute resources (e.g., Sovereign AI centers), and digital literacy education.

- The state shall prioritize innovation hubs and training programs in underserved areas to ensure equal participation in the digital economy.

- Public-private partnerships may not exclude citizens based on socioeconomic status or digital access capability.

Article VIII – Right to Secure Digital Identity and Self-Sovereign Authentication

- Citizens have the right to own and control their digital identity, including state-issued credentials and biometric markers.
- The use of decentralized identifiers (DIDs) and verifiable credentials shall be supported and interoperable across state platforms.
- No state agency shall deny services solely on the basis of digital identity refusal or lack of participation in non-essential authentication systems.

Article IX – Right to Consent in Algorithmic Profiling and Automated Decision-Making

- All uses of AI for risk scoring, profiling, or behavior prediction must be disclosed, including the source of training data, algorithm logic, and intended outcome.
- Citizens may opt out of non-essential algorithmic evaluations and must be notified when AI plays a role in decision-making related to government services or interactions.

CONCLUSION

This Digital Bill of Rights declares that South Carolina's technological future belongs to its citizens. We commit to digital liberty, economic sovereignty, and technological integrity. No citizen shall be excluded from the digital economy, and no technology shall override the dignity of human agency.

Reference

This Bill of Rights is informed by the policy vision outlined in Senate Resolution 225 (2025), which affirms South Carolina's commitment to open-source, ethical, and decentralized Artificial Intelligence systems in the public interest.

See: S.225 – South Carolina General Assembly 2025–2026

APPENDIX IX B: Lawmaker Digital Independence Pledge & Allegiance Statement

Lawmaker Pledge

> ***To Uphold South Carolina's Declaration of Digital Independence and the South Carolina Citizens' Digital Bill of Rights***

WHEREAS, South Carolina faces a generational opportunity to lead the nation in digital governance, economic modernization, and fiscal transparency;

WHEREAS, the convergence of Artificial Intelligence, Digital Capital, and blockchain technologies offers new tools to empower citizens, strengthen democratic accountability, and unlock economic growth;

WHEREAS, the South Carolina Citizens' Digital Bill of Rights affirms that transparency, data privacy, economic freedom, and ethical innovation are foundational rights in the digital age;

WHEREAS, the South Carolina Emerging Tech Association (SCETA), through the #AI=$BTC policy framework, has established a clear roadmap for responsible innovation and citizen engagement;

I, THE UNDERSIGNED, as a member of the South Carolina General Assembly or a duly elected official of this state, do solemnly pledge the following:

- I pledge to defend the digital rights of all South Carolinians, including their rights to transparency, privacy, secure digital identity, and access to the digital economy.

- I pledge to support legislation that upholds and advances the principles outlined in the South Carolina Citizens' Digital Bill of Rights and the Declaration of Digital Independence.
- I pledge to advocate for open-source, ethical, and auditable AI systems in public governance, ensuring accountability and public trust.
- I pledge to protect economic freedom and digital capital access, including the right of citizens to own, use, and transact with digital assets, such as Bitcoin and stablecoins.
- I pledge to work toward a modernized, permissioned fiscal infrastructure, including the use of blockchain for public accountability, digital payment systems, and citizen-governed budgetary platforms.
- I pledge to foster inclusive innovation and economic opportunity, ensuring that rural and underserved communities are full participants in South Carolina's digital future.
- I pledge to uphold these principles without regard to political affiliation, recognizing that South Carolina's leadership in digital governance is a nonpartisan mission that serves all citizens.

Signed this ___ day of _____, 2025

in the spirit of liberty, transparency, and digital self-determination.

Signature: _____

Name (Printed): _____

Title/Office: _____

District: _____

SOUTH CAROLINA EMERGING TECH

Pledge of Allegiance to South Carolina's Declaration of Digital Independence

I pledge allegiance to the citizens of South Carolina, to uphold their digital rights and protect their freedoms in this new era of technological sovereignty.

I pledge to defend the values of transparency, personal privacy, economic freedom, and open innovation.

I will safeguard our right to self-determination in the digital economy, support the responsible use of artificial intelligence and digital capital, and ensure that the power of emerging technologies remains a tool of the people—not a weapon of control.

In affirmation of South Carolina's Declaration of Digital Independence, I commit to building a future rooted in liberty, truth, and decentralized trust.

Appendix X: White Paper - Part 1 *Reforming Fiscal Governance in South Carolina*

- **Implementation of a Permissioned Digital Ledger for South Carolina Financial Systems**
- **Modernizing South Carolina's Financial Infrastructure**
- **Deploying a Permissioned Digital Ledger with SCETA as Strategic Advisor**

Executive Summary

South Carolina's financial management infrastructure is at a critical juncture. A recently discovered $1.8 billion accounting discrepancy revealed significant vulnerabilities in the state's financial reporting systems. The current architecture is fragmented, inefficient, and outdated. This white paper proposes a comprehensive modernization strategy through the deployment of a permissioned digital ledger system. The South Carolina Emerging Technology Association (SCETA) is uniquely positioned to lead the advisory and oversight roles, ensuring continuity, accountability, and compliance throughout the implementation.

The project envisions a multi-year, phased transition from legacy systems to a blockchain-based solution that emphasizes immutability, transparency, and public trust. With SCETA's leadership, South Carolina will not only rectify existing weaknesses but will also position itself as a national leader in digital public finance transformation.

1. Understanding the Problem

South Carolina's financial infrastructure suffers from a lack of integration across its numerous government departments. Each department operates semi-autonomously with its own financial systems, leading to fragmented data and limited visibility into statewide financial operations. This decentralization contributed directly to the $1.8 billion reporting error, which highlighted both the inadequacy of the current systems and the urgent need for reform.

The legacy systems in place were never designed for modern transparency or integration. Most are decades old and are incompatible with current data security, auditability, and real-time reporting requirements. These systems hinder the ability of lawmakers, auditors, and the public to validate government transactions or hold officials accountable.

2. Proposed Solution: A Permissioned Digital Ledger

The proposed solution is a permissioned digital ledger system. Unlike public blockchains, permissioned ledgers restrict data entry to authorized individuals while allowing broad read-only access for auditing and validation purposes. This ensures both data integrity and accessibility.

Transactions within this ledger are:

- Immutable: Once recorded, they cannot be altered, thus preventing retroactive changes or manipulation.
- Cryptographically Verified: Each transaction is verified through consensus and secured using state-of-the-art encryption.
- Fully Auditable: The system supports comprehensive audit trails, which include timestamps, transaction authorship, and change histories.

This architecture enables real-time financial oversight, better budgeting accuracy, and faster reconciliation cycles across all state agencies.

3. SCETA's Role: The Bridge Between Government and Technology

SCETA is a non-profit 501(c)(6) organization with deep roots in South Carolina's tech ecosystem. Formed in 2018 as PalmettoChain, SCETA has evolved into the state's foremost advocate for emerging technologies, particularly blockchain and digital finance solutions.

SCETA's function in this project is not as a vendor, but as an expert advisory entity. This distinction is critical. SCETA brings:

- Deep Domain Expertise: Its members include "gray beards"—seasoned professionals with decades of experience in government systems, blockchain architecture, cybersecurity, and ERP integration.
- Policy Translation: SCETA translates legislative and regulatory mandates into technical specifications, ensuring systems are designed to meet public sector compliance from the start.
- Oversight and Quality Control: SCETA verifies that contractor deliverables meet both technical standards and policy objectives.
- Continuity: As political administrations change, SCETA provides institutional memory and project continuity.

4. Implementation Plan

The modernization effort is structured into a detailed seven-phase implementation plan spanning three to five years. Each phase includes specific deliverables and timelines, with SCETA providing oversight and validation at each step.

- Phase 1: Planning & Platform Selection (Months 1–3)
    - SCETA conducts stakeholder workshops and helps select the appropriate ledger technology.
    - Integration contractors audit current systems and identify technical needs.
- Phase 2: Architecture Design (Months 3–6)
    - SCETA advises on identity management, consensus models, and smart contract logic.
    - Detailed architectural designs are completed and reviewed.
- Phase 3: Prototype Development (Months 6–8)
    - A working prototype is built to validate assumptions and test smart contracts.
    - SCETA reviews compliance and security configurations.
- Phase 4: System Integration (Months 8–12)
    - Middleware is developed to link legacy systems with the new ledger.
    - Performance and security testing is conducted.
- Phase 5: Parallel Operation (Months 13–24)
    - Legacy systems and the new ledger operate side-by-side.
    - Real-world discrepancies are identified and resolved.
- Phase 6: Final Rollout (Months 25–30)
    - The ledger becomes the official system of record.
    - Legacy systems are decommissioned.
- Phase 7: Enhancements (Years 4–5)
    - Advanced features like analytics, dashboards, and AI-driven audit tools are added.

5. Technical Architecture

The system architecture includes:

- Core Ledger Layer: Hosts peer nodes and the ordering service for transaction sequencing.
- Smart Contract Layer: Contains business logic for approvals, workflows, and audit trails.
- Application Layer: Web interfaces and APIs for data entry, reporting, and integration.
- Audit & Public Interface: Allows external parties to verify records and monitor activity.
- External Integration Layer: Connects existing ERP platforms like SCEIS to the ledger.

This layered architecture ensures both robust security and seamless functionality across departments.

6. Training and Support

Training and support are crucial to adoption and sustainability. The training plan includes:

- End-User Training: Departmental finance officers and auditors learn how to enter and review transactions.
- Administrator Training: IT and security personnel are trained on ledger maintenance and compliance protocols.
- Audit and Oversight Training: Legislative and executive users are taught how to extract and interpret data.

Support infrastructure includes a three-tier helpdesk model led by the state's Division of Technology Operations (DTO), with SCETA continuing to provide policy and compliance support post-deployment.

7. Staffing and Expertise

The staffing plan ensures a collaborative approach:

- SCETA Advisors: Provide continuous oversight, architectural input, and compliance validation.

- Integration Contractors: Handle development, testing, and deployment.
- DTO Personnel: Transition into permanent operations roles during Phase 6 and 7.

This staffing model ensures institutional knowledge is retained, while technical expertise is embedded into the state workforce.

8. Cost Proposal

Estimated cost: $98,000 to $720,000, depending on scope and optional enhancements.

Breakdown:

- Planning & Design: $15,000–$50,000
- Development: $40,000–$300,000
- Infrastructure & Security: $20,000–$175,000
- Training & Support: $18,000–$120,000
- Enhancements: $5,000–$50,000

Payments are milestone-based, ensuring progress accountability and fiscal discipline.

9. Certifications and Qualifications

Because permissioned ledgers are on the technological frontier, no formal certification bodies yet govern this space. However, any selected development and integration contractors have leading industry certifications such as:

- CISSP (security)
- CBP (blockchain)
- PMP and ITIL (project management)
- AWS, Azure, Kubernetes (cloud platforms)

This expertise ensures the system is built to modern technical and operational standards.

10. Conclusion

This project represents a bold step forward for South Carolina. By implementing a permissioned digital ledger, the state will ensure that every taxpayer dollar is tracked, verifiable, and transparently governed. SCETA's leadership is central to the project's success, serving as the trusted intermediary between state agencies and technical teams.

The result: fewer errors, lower risk, and greater public confidence in how the state manages its finances. With SCETA guiding the process, South Carolina is poised to become a national model for financial modernization and digital accountability.

Appendix XI: Technical Background and Policy Path for Protocol 402

HTTP status code 402 Payment Required (Protocol 402) was introduced in the original HTTP specification HTTP/1.1, defined in RFC 2068 (1997) and later updated in RFC 2616 (1999). The key elements in those RFCs related to this paper are:

- Status code 402 was defined as a reserved status code for future use.
- It has never been standardized with a specific implementation or widely adopted.
- It remains in the HTTP specification but is not actively used in practice.

As of the latest HTTP specification (HTTP/1.1 updated in RFC 7231 and rolled into RFC 9110, 2022), status code 402 is still marked as reserved.

Some vendors and service providers in the digital asset space have proposed possible implementations of Protocol 402, but none of them have been accepted by the standards body that controls updates to the HTTP protocol: the Internet Engineering Task Force (IETF).

The Digital Fiscal Governance Task Force (DFG Task Force) should engage with IETF and the vendors/service providers who are attempting to make Protocol 402 a fully implemented functionality in the HTTP protocol standard. IETF acceptance and approval of implementation for Protocol 402 is required so hardware, software, and firmware vendors will include a standardized implementation of Protocol 402 in future products and services.

The DFG Task Force should move forward with implementations of Protocol 402 in pilot projects to test competing architectures and designs, and validate the most capable options for review by IETF. The goal is to work out all technical issues during the pilot process and streamline the review and approval process.

Ideally, Protocol 402 should provide a core set of required functionalities for digital payments and offer extensions or options that allow individual service providers the ability to deliver enhanced products and services unique to their own digital ecosystems.

South Carolina has the opportunity to lead this standardization process by piloting transparent, auditable, and extensible implementations that could define how Protocol 402 functions globally.

Appendix XII: Media - Illustration Placeholders & Section Placement Guide

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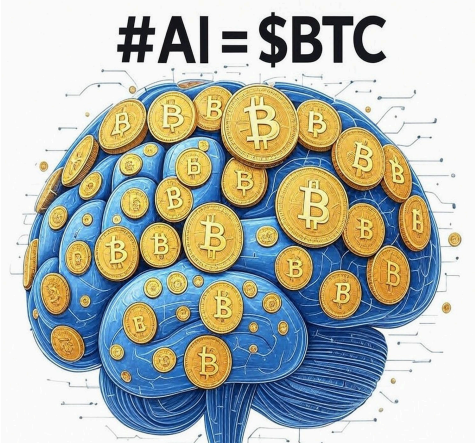
Image 1:

Title: “Intelligence Meets Value”

Placement: Preface or Opening Page (before Executive Summary)

Caption:

A brain composed of circuits and Bitcoin, symbolizing the convergence of AI and BTC in creating digital capital for economic and governance transformation.



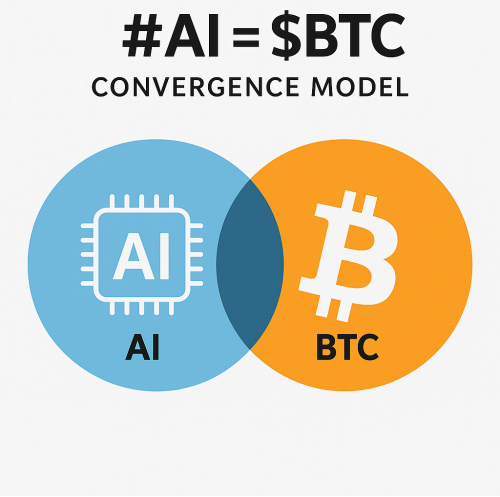


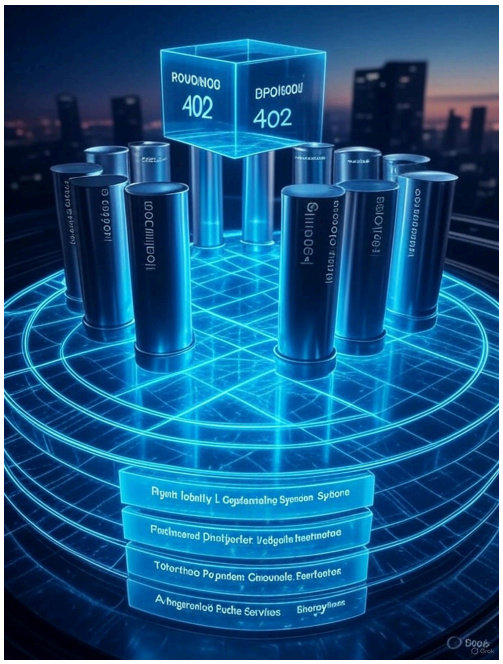
Image 2:

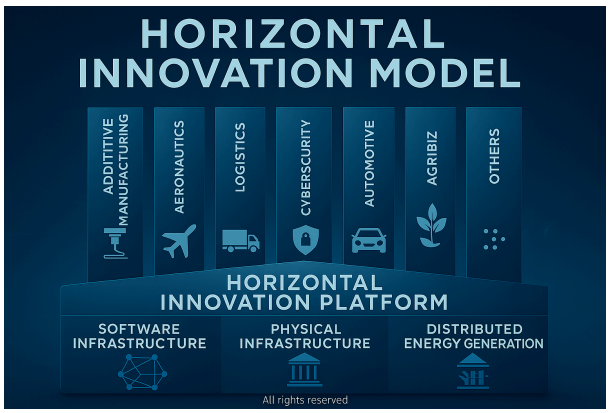
Title: Horizontal Innovation Model Enhanced by Protocol 402

Placement: Section IV – Protocol 402, Industry Verticals & Horizontal Innovation

Caption:

This illustration depicts the Horizontal Innovation Model as a foundational base of SCETA's innovation model to integrate South Carolina's economic verticals through shared digital infrastructure. Version 0.7 illustrates the enhanced architecture integrating Protocol 402. The model rearranges five horizontal components—identity security, distributed ledgers, tokenized payment channels, AI-assisted public services, and energy-aware compute infrastructure—into a singular framework serving South Carolina's traditional growth pillars. With digital systems pilots, Protocol 402 enables each layer to support modernized service delivery and public-sector revenue generation.





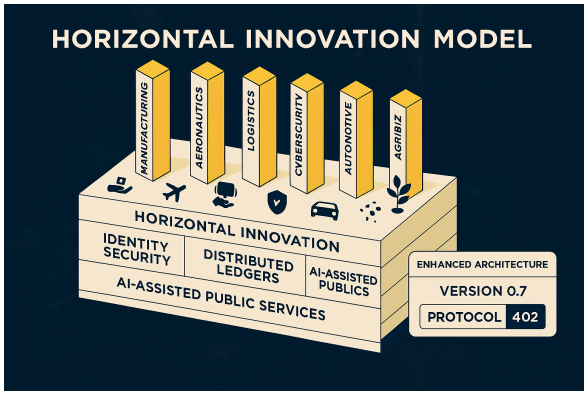
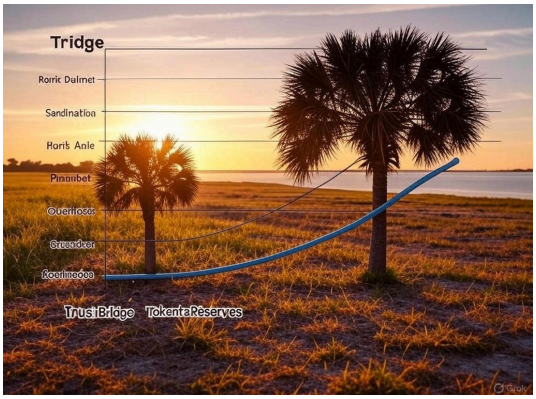


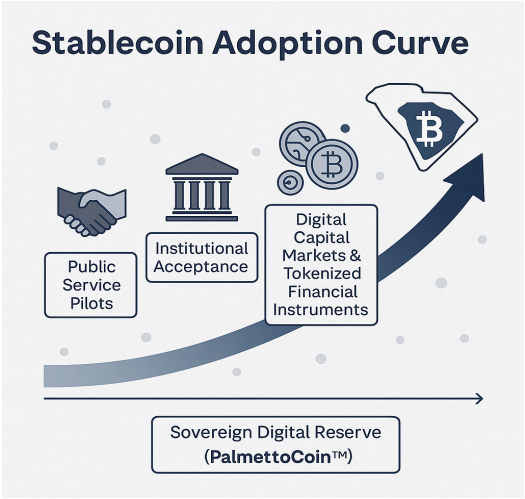
Image 3:

Title: Stablecoin Adoption Curve

Placement: Section VI – Stablecoins and PalmettoCoin™: The Strategic On-Ramp to Digital Capital

Caption: A visual timeline showing the stablecoin adoption curve: from early public-service pilots, to broad institutional acceptance, culminating in maturity through digital capital markets and sovereign reserves such as PalmettoCoin™.





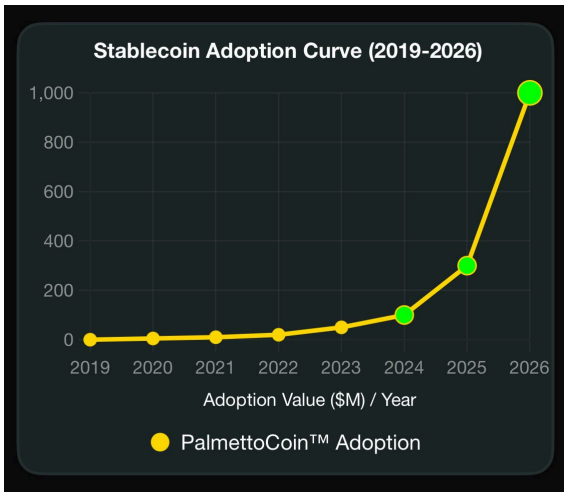


Image 4:

Title: Fiscal Modernization Framework

Placement: Section VII – Fiscal Modernization and transparency in governance

Caption:

A step-by-step visual framework for implementing permissioned digital ledgers, AI-powered auditing, and Protocol 402-based service monetization—culminating in citizen-governed fiscal transparency models.

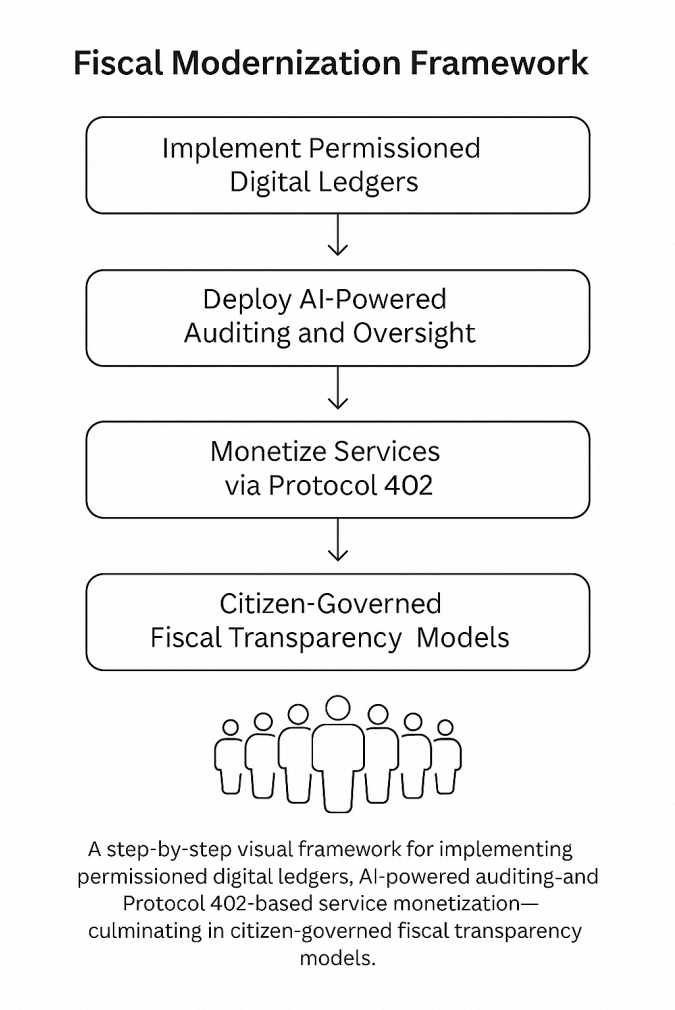
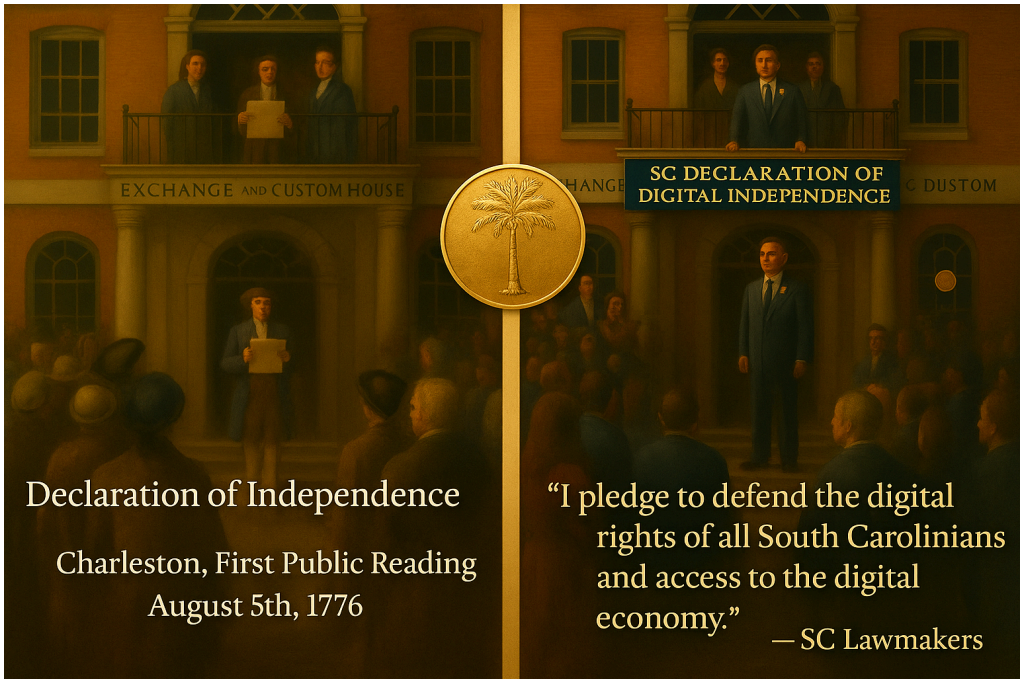


Image 5:

Title: SC Declaration of Digital Independence

Placement: Section IX – Conclusion

Caption: A symbolic depiction of South Carolina's transformation into a sovereign digital capital state, secured by Bitcoin, powered by Protocol 402, and governed by citizen-first transparency.



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