

HOUSE BILL REPORT

HB 1729

As Reported by House Committee On:
Community & Economic Development

Title: An act relating to establishing the Washington blockchain work group.

Brief Description: Establishing the Washington blockchain work group.

Sponsors: Representatives Senn, Paul, Ryu and Leavitt.

Brief History:

Committee Activity:

Community & Economic Development: 1/18/22, 1/21/22 [DPS].

Brief Summary of Substitute Bill

- Establishes the Washington blockchain work group (work group) for the purpose of examining various potential applications of and policies for blockchain technology.
- Requires the work group to submit a report to the Governor and the Legislature by December 1, 2023.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Ryu, Chair; Paul, Vice Chair; Boehnke, Ranking Minority Member; Corry, Donaghy, Frame, Jacobsen, Johnson, J., Rule, Sutherland and Taylor.

Minority Report: Do not pass. Signed by 2 members: Representatives Chase, Assistant Ranking Minority Member; Kraft.

Staff: Emily Poole (786-7106).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Background:

Legislation was enacted in 2019 providing that an electronic record may not be denied legal effect because it is generated or stored using distributed ledger technology. Distributed ledger technology means any distributed ledger protocol and supporting infrastructure, including blockchain, that uses a distributed, decentralized, shared, and replicated ledger. Blockchain means a cryptographically secured, chronological, and decentralized consensus ledger or consensus database maintained via Internet, peer-to-peer network, or other similar interaction.

Summary of Substitute Bill:

The Washington blockchain work group (work group) is established. The purpose of the work group is to examine various potential applications of and policies for blockchain technology to help attract and support employees and new businesses.

The work group is composed of one Senator from each of the two largest caucuses of the Senate, one Representative from each of the two largest caucuses of The House of Representatives, the Director of the Department of Commerce or the Director's designee, and other industry experts and members from associations, including:

- individuals representing trade associations for Washington-based technology, financial services companies, title insurance companies, health care companies, agriculture, and property and casualty insurance companies;
- individuals representing associations for county government officials and public utility districts;
- an individual representing a consumer advocacy organization;
- individuals representing a large company and a small company with experience working with blockchain applications;
- individuals representing the Washington State Labor Council working in the fields impacted by blockchain technology;
- individuals representing advocacy organizations that represent individuals or protected classes of communities historically impacted by bias in technology-based systems;
- a cybersecurity expert; and
- individuals from the Cascadia Blockchain Council and a higher education institution.

The State Auditor, the Secretary of State, and the directors of the following state agencies, or their designees, are specified as ex officio members of the work group: the Department of Financial Institutions, Washington Technology Solutions, the Department of Agriculture, the Office of the Insurance Commissioner, the Department of Ecology, the Department of Revenue, and the Health Care Authority.

In addition, individuals representing other sectors may be invited to participate in the work

group in an advisory capacity. Individuals participating in an advisory capacity are not members of the work group.

The work group shall hold its first meeting by December 1, 2022. A public comment period must be provided at every work group meeting.

The work group is required to submit a report to the Governor and the Legislature by December 1, 2023, on recommended policies that will facilitate the development of blockchain applications and the sector overall, grow the related workforce, evaluate environmental advantages and concerns, make Washington a favorable place to do business, address racial equity considerations, and improve the lives of Washington residents.

Substitute Bill Compared to Original Bill:

The substitute bill makes the following changes to the original bill:

- removes the Lieutenant Governor as a member of the work group and adds the Director of the Department of Commerce, or the Director's designee;
- adds the following as members of the work group:
 - two individuals representing the Washington State Labor Council working in the fields impacted by blockchain technology or its application; and
 - two individuals representing advocacy organizations that represent individuals or protected classes of communities historically impacted by surveillance technologies and bias in technology-based systems.
- removes the Director of the Department of Commerce as an ex officio member of the work group;
- adds the following, or their designees, as ex officio members:
 - the State Auditor;
 - the Secretary of State;
 - the Director of the Department of Revenue; and
 - the Director of the Health Care Authority.
- specifies that certain members of the work group may be designated by the Director of the Department of Commerce, instead of the Lieutenant Governor;
- specifies that staff support will be provided by the Department of Commerce, instead of the Office of the Lieutenant Governor;
- changes the deadline for the inaugural meeting from August 1, 2022 to December 1, 2022;
- specifies that the work group may create subcommittees; and
- adds "address racial equity considerations" to the topics for recommended policies to be included in the work group's report.

Appropriation: None.

Fiscal Note: Requested on January 11, 2022.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Blockchain is a transformative technology, already being used across many sectors. This bill will help harvest the advantages of blockchain technology. This work group is an important step to growing Washington's blockchain sector. Washington should be the global hub for blockchain technologies, and Washington has the engineering talent. Creating uniform blockchain policies allows the state to act in coordination with other states. This bill will improve coordination between disparate groups, such as regulators and innovators, to develop the blockchain sector in Washington and identify use cases that would be beneficial to the state. The work group will help support innovative businesses that provide better paying jobs. Blockchain is good for diversity, economic opportunity, and transparency. The work group should include a labor group that has experience building and maintaining digital infrastructure. Labor groups should have input in the work group, because changes in business practices change employee involvement. Washington should introduce laws that allow innovations in currency. Cryptocurrencies use a lot of energy to sustain their product, so Washington should build an environmentally responsible blockchain sector. Data centers hosting data in Washington have assets that other states do not, such as a nearby vibrant tech sector.

(Opposed) None.

(Other) The Office of the Lieutenant Governor does not currently have the capacity to take on the work of staffing this work group.

Persons Testifying: (In support) Representative Tana Senn, prime sponsor; Molly Jones, Washington Technology Industry Association; Arry Yu, Cascadia Blockchain Council; Carlos Tapang, Rock Stable Token Inc; Lynne Robinson, City of Bellevue; Joe Honan, Yunity Global; Matthew Hepner, International Brotherhood of Electrical Workers and Certified Electrical Workers of Washington; and Sybill Hyppolite, Washington State Labor Council, and American Federation of Labor and Congress of Industrial Organizations.

(Other) David Bremer, Office of the Lieutenant Governor; and Brian Hatfield, Office of Secretary of State.

Persons Signed In To Testify But Not Testifying: None.