

HOUSE BILL REPORT

ESSB 5544

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: Senate Committee on Environment, Energy & Technology (originally sponsored by Senators Brown, Dozier, Frockt, Hasegawa, Mullet, Rolfes, Short, Wagoner, Wellman and Wilson, L.).

Brief History:

Committee Activity:

Community & Economic Development: 2/18/22, 2/22/22 [DPA].

**Brief Summary of Engrossed Substitute Bill
(As Amended By Committee)**

- 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: Do pass as amended. 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 1 member: Representative Kraft.

Minority Report: Without recommendation. Signed by 1 member: Representative Chase,

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.

Assistant Ranking Minority Member.

Staff: Emily Poole (786-7106).

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 Amended 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.

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, an individual representing a federally recognized tribe located in Washington, and other industry experts and members from associations, including:

- individuals representing trade associations for the technology sector, financial services companies, title insurance companies, health care companies, Washington-based agriculture, and property and casualty insurance companies;
- individuals representing associations for county government officials and for public utility districts in Washington;
- 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;
- an individual from the Cascadia Blockchain Council;
- an individual from a higher education institution; and
- individuals representing environmental advocacy organizations with expertise in energy policy and sustainability.

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. Staff support for the work group must be provided by the Department of Commerce. 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 potential uses and impacts of blockchain, including impacts on existing industries, utilities, demand for electricity, and demand for computer processing capacity, and recommended policies that will facilitate the development of blockchain applications in Washington, 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.

Amended Bill Compared to Engrossed Substitute Bill:

The amended bill makes the following changes:

- specifies that the purpose of the Washington blockchain work group (work group) is to examine various potential applications of and policies for blockchain technology to help attract and support employees and new businesses, and adds identity verification as a potential application;
- removes the Secretary of State and the directors of the Department of Financial Institutions, Washington Technology Solutions, the Department of Agriculture, and the Health Care Authority as members of the work group and adds them as ex officio members, along with the Insurance Commissioner, the Director of the Department of Ecology, the State Auditor, and the Director of the Department of Revenue;
- adds a cybersecurity expert and individuals representing the following organizations as members of the work group: The Cascadia Blockchain Council, a higher education institution, a consumer advocacy organization, a large company, a small company, the Washington State Labor Council, and advocacy organizations that represent individuals or protected classes of communities historically impacted by surveillance technologies and bias in technology-based systems;
- specifies that certain members must be designated by their organization or by the Director of the Department of Commerce;
- changes the date by when the inaugural meeting of the work group must occur;

- specifies that the work group's report must also include recommended policies to grow the blockchain-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; and
- specifies that the work group may create subcommittees.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended 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) This working group will bring together relevant stakeholders to identify potential policies to support blockchain technologies. This is a foundational and important step to building blockchain technologies in Washington. Washington has been at the forefront of innovation technology, but Washington is behind on the blockchain economy. This bill would help Washington keep up with other states. Work groups promote dialogue, education, and informed outcomes to support long term unity and economic growth. Blockchain is often associated with cryptocurrency, but blockchain has diverse applications. Blockchain can be used for supply chain management, recordkeeping, skills verification, and property records. Blockchain can be used for projects relating to carbon market investing and debt issuance. New generations of blockchain technologies allow for data to be verified publicly while also remaining private. Blockchain technologies provide opportunities for greater inclusion.

(Opposed) None.

(Other) Blockchain can be used to support sustainability, because it allows businesses and consumers to track the origins and contents of products through the supply chain. Blockchain allows data to be shared in a trusted manner that can be verified throughout the supply chain. For example, supply chains that produce fish and plastic goods are often global, so it can be hard to track data using one system. Blockchain provides a transparent supply chain. This bill should be amended to address racial equity and include labor representation.

Persons Testifying: (In support) Molly Jones, Washington Technology Industry Association; Arry Yu, Cascadia Blockchain Council; Paul Rapino, Global Blockchain Business Council; and Joe Honan, ULedger, Inc.

(Other) Todd Myers, Washington Policy Center; and Sybill Hyppolite, Washington State

Labor Council and American Federation of Labor.

Persons Signed In To Testify But Not Testifying: None.