

# Fiscal Note

State of Alaska  
2022 Legislative Session

|                     |           |
|---------------------|-----------|
| Bill Version:       | SB 238    |
| Fiscal Note Number: | 1         |
| (S) Publish Date:   | 3/25/2022 |

Identifier: LL0312-3-DCCED-DBS-03-18-22  
Title: MONEY TRANSMISSION; VIRTUAL CURRENCY  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Rules by Request of the Governor

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Banking and Securities  
Allocation: Banking and Securities  
OMB Component Number: 2808

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

|                        | FY2023<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2023<br>Request | Out-Year Cost Estimates |              |              |              |              |
|------------------------|--------------------------------------|------------------------------------------------|-------------------------|--------------|--------------|--------------|--------------|
| OPERATING EXPENDITURES | FY 2023                              | FY 2023                                        | FY 2024                 | FY 2025      | FY 2026      | FY 2027      | FY 2028      |
| Personal Services      | 309.0                                |                                                | 432.8                   | 519.6        | 519.6        | 519.6        | 519.6        |
| Travel                 | 7.5                                  |                                                | 10.0                    | 12.5         | 12.5         | 12.5         | 12.5         |
| Services               | 55.0                                 |                                                | 60.0                    | 75.0         | 75.0         | 75.0         | 75.0         |
| Commodities            | 30.0                                 |                                                | 10.0                    | 10.0         |              |              |              |
| Capital Outlay         |                                      |                                                |                         |              |              |              |              |
| Grants & Benefits      |                                      |                                                |                         |              |              |              |              |
| Miscellaneous          |                                      |                                                |                         |              |              |              |              |
| <b>Total Operating</b> | <b>401.5</b>                         | <b>0.0</b>                                     | <b>512.8</b>            | <b>617.1</b> | <b>607.1</b> | <b>607.1</b> | <b>607.1</b> |

## Fund Source (Operating Only)

|                    |              |            |              |              |              |              |              |
|--------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1005 GF/Prgm (DGF) | 401.5        |            | 512.8        | 617.1        | 607.1        | 607.1        | 607.1        |
| <b>Total</b>       | <b>401.5</b> | <b>0.0</b> | <b>512.8</b> | <b>617.1</b> | <b>607.1</b> | <b>607.1</b> | <b>607.1</b> |

## Positions

|           |     |  |     |     |     |     |     |
|-----------|-----|--|-----|-----|-----|-----|-----|
| Full-time | 3.0 |  | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Part-time |     |  |     |     |     |     |     |
| Temporary |     |  |     |     |     |     |     |

## Change in Revenues

|                    |              |            |              |              |              |              |              |
|--------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1005 GF/Prgm (DGF) | 110.0        |            | 512.8        | 617.1        | 607.1        | 607.1        | 607.1        |
| <b>Total</b>       | <b>110.0</b> | <b>0.0</b> | <b>512.8</b> | <b>617.1</b> | <b>607.1</b> | <b>607.1</b> | <b>607.1</b> |

Estimated SUPPLEMENTAL (FY2022) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2023) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No  
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 01/02/23

## Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By: Robert H. Schmidt, Director  
Division: Banking and Securities  
Approved By: Micaela Fowler, Administrative Services Director  
Agency: Department of Commerce, Community, and Economic Development

Phone: (907)269-5469  
Date: 03/16/2022 01:00 PM  
Date: 03/18/22

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2022 LEGISLATIVE SESSION

## Analysis

This legislation allows the Division of Banking and Securities to become current with the rapidly changing money services industry, including virtual currency/cryptocurrency. It modernizes AS 06.55, Alaska Uniform Money Services Act, by adopting pertinent sections of a Uniform Money Transmission Modernization Act, a model law drafted and developed by the Conference of State Bank Supervisors (CSBS) and industry representatives. The bill will reduce regulatory burden and bring uniformity across states for core licensing and examination processes. Further, it will clarify the division's authority to regulate virtual currencies. The total volume of virtual currency transmissions exceeded \$2.3 billion for calendar year 2021 as reported by current licensees. Virtual currency transmission in Alaska has grown 6,782% since 2019.

This bill clarifies licensure requirements for companies conducting financial services activities in Alaska, particularly in the financial technology space such as online transmission of virtual currencies and payroll processing via stored value cards. The bill expands and clarifies business activities exempt from licensure and supervision by the division. The bill incorporates language that allows the division to fully utilize the Nationwide Multistate Licensing System (NMLS) online registry including the system's criminal background checks. The changes allow the division to coordinate more effectively with other states and leverage resources to reduce regulatory burden on licensees.

New program receipt revenue is estimated to be a minimum of \$110.0 for 35 new license applications. It is difficult to anticipate the number of new applications and annual renewal fees, and resulting revenue, for future years. However, the division expects to adopt an assessment fee model through new regulations that would ensure actual costs of regulation would be covered through annual program receipts. Costs in excess of revenue in FY2024 will be supported from existing program receipt collections.

The division will require additional staff and support costs to respond to the growth in money services activities, the complexity of new business models, and use of third-party partnerships. The positions will allow the division to implement the new law, incorporate changes in the operation of the NMLS, develop proficiency in the examination of electronic systems, and assessment of cybersecurity measures in a high-risk environment.

|                    |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Personal Services: | <p>\$309.0 in FY2023 for three positions: Financial Registration Examiner (range 14), Financial Examiner 1/2 flex (range 17/19), Financial Examiner 3 (range 21)</p> <p>\$432.8 in FY2024 for four positions total: those added in FY2023, as well as Financial Examiner 3 (range 21)</p> <p>\$519.6 in FY2024-FY2028 for five positions total: those added in FY2023 and FY2024, as well as Financial Registration Examiner (range 14)</p> |
| Travel:            | \$2.5 in travel costs per position in each fiscal year to travel to out-of-state trainings necessary to implement and comply with this Act                                                                                                                                                                                                                                                                                                  |
| Services:          | <p>\$10.0 in FY2023 for Department of Law regulations review</p> <p>\$45.0 in FY2023 for core services and allocated costs (\$15.0/position/year)</p> <p>\$60.0 in FY2024 for core services and allocated costs (\$15.0/position/year)</p> <p>\$75.0 in FY2025-FY2028 for core services and allocated costs (\$15.0/position/year)</p>                                                                                                      |
| Commodities:       | <p>\$30.0 in FY2024 for initial setup costs (\$10.0/position)</p> <p>\$10.0 in FY2025 for initial setup costs (\$10.0/position)</p> <p>\$10.0 in FY2025 for initial setup costs (\$10.0/position)</p>                                                                                                                                                                                                                                       |