

Fiscal Note

State of Alaska
2023 Legislative Session

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| Bill Version: | HB 86 |
| Fiscal Note Number: | 1 |
| (H) Publish Date: | 2/27/2023 |

Identifier: HB086-DCCED-DBS-02-16-23
 Title: MONEY TRANSMISSION; VIRTUAL CURRENCY
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: 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)

| | FY2024 Appropriation Requested | Included in Governor's FY2024 Request | Out-Year Cost Estimates | | | | |
|-------------------------------|--------------------------------------|--|-------------------------|----------------|----------------|----------------|----------------|
| | | | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| OPERATING EXPENDITURES | FY 2024 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| Personal Services | 373.6 | | 629.9 | 629.9 | 629.9 | 629.9 | 629.9 |
| Travel | 7.5 | | 12.5 | 12.5 | 12.5 | 12.5 | 12.5 |
| Services | 85.0 | | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 |
| Commodities | 30.0 | | 20.0 | | | | |
| Capital Outlay | | | | | | | |
| Grants & Benefits | | | | | | | |
| Miscellaneous | | | | | | | |
| Total Operating | 496.1 | 0.0 | 787.4 | 767.4 | 767.4 | 767.4 | 767.4 |

Fund Source (Operating Only)

| | | | | | | | |
|--------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1005 GF/Prgm (DGF) | 496.1 | | 787.4 | 767.4 | 767.4 | 767.4 | 767.4 |
| Total | 496.1 | 0.0 | 787.4 | 767.4 | 767.4 | 767.4 | 767.4 |

Positions

| | | | | | | | |
|-----------|-----|--|-----|--|--|--|--|
| Full-time | 3.0 | | 2.0 | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

Change in Revenues

| | | | | | | | |
|--------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1005 GF/Prgm (DGF) | 110.0 | | 787.4 | 767.4 | 767.4 | 767.4 | 767.4 |
| Total | 110.0 | 0.0 | 787.4 | 767.4 | 767.4 | 767.4 | 767.4 |

Estimated SUPPLEMENTAL (FY2023) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2024) 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? 06/30/24

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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|--------------|--|--------|---------------------|
| Prepared By: | Robert H. Schmidt, Director | Phone: | (907)269-5469 |
| Division: | Banking and Securities | Date: | 02/17/2023 08:52 AM |
| Approved By: | Hannah Lager, Administrative Services Director | Date: | 02/17/23 |
| Agency: | Commerce, Community, and Economic Development | | |

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION

Analysis

This legislation allows the Division of Banking and Securities to become current with a 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 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. Despite a turbulent year, virtual currency use by Alaskans in 2022 was 1,855% greater than 2019.

Adoption of this bill will clarify 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 per year 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 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 the 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: | \$373.6 in FY2024 for three positions: Financial Registration Examiner (range 14) Financial Examiner 1/2 flex (range 17/19) Financial Examiner 4 (range 23) |
| | \$629.9 in FY2025 for five positions total: The above three positions notes for FY2024 Financial Examiner 3 (range 21) Program Coordinator 1 (range 18) |
| 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: | \$10.0 in FY2024 for Department of Law regulations review \$75.0 in FY2024 for core services and allocated costs (\$25.0/position/year) \$125.0 in FY2025-FY2029 for core services and allocated costs (\$25.0/position/year) |
| Commodities: | \$30.0 in FY2024 for initial setup costs (\$10.0/position) \$20.0 in FY2025 for initial setup costs (\$10.0/position) |