

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

March 8, 2023

3:15 p.m.

MEMBERS PRESENT

Representative Jesse Sumner, Chair
Representative Justin Ruffridge, Vice Chair
Representative Mike Prax
Representative Dan Saddler
Representative Stanley Wright
Representative Ashley Carrick
Representative Zack Fields

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 86

"An Act relating to the business of money transmission; relating to money transmission licenses, licensure requirements, and registration through the Nationwide Multistate Licensing System and Registry; relating to the use of virtual currency for money transmission; relating to authorized delegates of a licensee; relating to acquisition of control of a license; relating to record retention and reporting requirements; authorizing the Department of Commerce, Community, and Economic Development to cooperate with other states in the regulation of money transmission; relating to permissible investments; relating to violations and enforcement of money transmission laws; relating to money transmission license exemptions; relating to payroll processing services; repealing currency exchange licenses; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 85

"An Act relating to professional licensing; relating to temporary licenses for some professions; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 86

SHORT TITLE: MONEY TRANSMISSION; VIRTUAL CURRENCY

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/27/23 (H) READ THE FIRST TIME - REFERRALS
02/27/23 (H) L&C, FIN
03/08/23 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 85

SHORT TITLE: PROFESSIONAL LICENSING; TEMP PERMITS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/27/23 (H) READ THE FIRST TIME - REFERRALS
02/27/23 (H) L&C, FIN
03/08/23 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

ROBERT SCHMIDT, Director
Division of Banking and Securities
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: On behalf of the sponsor, House Rules by request of the governor, introduced HB 86 and gave a PowerPoint presentation, titled "Alaska Uniform Money Transmission Modernization Act House Bill 86."

SYLVAN ROBB, Director
Division of Corporations, Business, and Professional Licensing
Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: On behalf of the sponsor, House Rules by request of the governor, introduced HB 85 and gave a PowerPoint presentation, titled "Universal Temporary Licensure."

ACTION NARRATIVE

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CHAIR JESSE SUMNER called the House Labor and Commerce Standing Committee meeting to order at 3:15 p.m. Representatives Carrick, Fields, Wright, Saddler, Ruffridge, and Sumner were present at the call to order. Representative Prax arrived as the meeting was in progress.

HB 86-MONEY TRANSMISSION; VIRTUAL CURRENCY

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CHAIR SUMNER announced that the first order of business would be HOUSE BILL NO. 86, "An Act relating to the business of money transmission; relating to money transmission licenses, licensure requirements, and registration through the Nationwide Multistate Licensing System and Registry; relating to the use of virtual currency for money transmission; relating to authorized delegates of a licensee; relating to acquisition of control of a license; relating to record retention and reporting requirements; authorizing the Department of Commerce, Community, and Economic Development to cooperate with other states in the regulation of money transmission; relating to permissible investments; relating to violations and enforcement of money transmission laws; relating to money transmission license exemptions; relating to payroll processing services; repealing currency exchange licenses; and providing for an effective date."

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ROBERT SCHMIDT, Director, Division of Banking and Securities, Department of Commerce, Community, and Economic Development, on behalf of the sponsor, House Rules by request of the governor, introduced HB 86 and gave a PowerPoint presentation, titled "Alaska Uniform Money Transmission Modernization Act House Bill 86" [hard copy included in committee packet]. On slide 2, he stated that HB 86 would modernize the Alaska Uniform Money Services Act. He gave a summary of the history of money transfers. He continued to slide 3 and slide 4 and stated that the 2008 act included money transmitters, currency exchanges, stored value cards, traveler's checks, and money orders. He gave the definition of virtual currency, also known as cryptocurrency, and explained how it has changed the way money is transferred.

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CHAIR SUMNER asked why cryptocurrency is not considered to be money, as it can be exchanged for goods and services.

MR. SCHMIDT answered that cryptocurrency is not backed by any government; a trait commonly used to determine the definition of money.

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MR. SCHMIDT continued with slide 4 through slide 6. He stated that to have a medium of exchange outside of the global banking system, cryptocurrencies were adopted in 2008 after the global financial crisis. He explained that only a limited number of Bitcoins can be "mined." He stated that there has been a 51 percent increase in licensed money transmitters since 2008, and the number of money transmission transactions has increased from approximately 10.5 million in 2019 to 31 million in 2022.

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REPRESENTATIVE SADDLER asked for a definition of "money transmission transaction."

MR. SCHMIDT answered that an example would be buying something from someone and using Venmo. In response to a follow-up question, he said that the same transaction using cash instead of Venmo would not be considered a money transmission transaction.

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MR. SCHMIDT, in response to Representative Wright, answered that if someone were to travel out of state and use Venmo, this transaction would be tracked by both states, as it involves people from both states.

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MR. SCHMIDT, in response to Representative Carrick, answered that the definition of "money transmitter" is an organization that sends money outside of the banking system. In response to a follow-up question, he stated that a service such as Zelle is not a money transmission service because it transfers directly from bank to bank.

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MR. SCHMIDT continued to slide 7 and stated that the number of cryptocurrency transactions in Alaska increased from approximately 84,000 in 2019 to a peak of over 3.2 million in 2021. In 2022, the number was over 1.9 million.

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REPRESENTATIVE SADDLER asked what a cryptocurrency transaction would look like.

MR. SCHMIDT answered that if two people agree to buy and sell something using Bitcoin instead of cash or a service, such as Venmo, this would be a cryptocurrency transaction. He added that some countries have weaker currencies than the U.S. and sending and receiving money outside this country may be preferable using cryptocurrencies rather than the local currency.

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MR. SCHMIDT continued slide 7 and stated that some people buy cryptocurrencies not to buy goods or services but treat it as a security where its value may increase over time. He continued to slide 8 and slide 9 and gave an overview of money transmission volume, including cryptocurrency. He stated that in 2021, money transmission to, from, and within Alaska reached a high of over 7.1 billion dollars. Just under 2 billion dollars of these transactions were made using cryptocurrency. He stated that the amount of money transferred using these services, not including the cryptocurrency transactions, is roughly equal to the amount of money being held in chartered banks within the state.

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MR. SCHMIDT, in response to Chair Sumner, stated that a breakdown of the specific cryptocurrencies used is not available.

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MR. SCHMIDT, in response to a request from Representative Saddler for definitions, explained that "peer to peer" would be buying something from a place such as Facebook Marketplace; a "money transfer instrument" would be something such as a traveler's cheque; and a "stored value card" is another name for a gift card for a place such as a restaurant.

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MR. SCHMIDT, in response to a question from Representative Fields concerning the biggest money transmitters, stated that he has been asked not to name these providers.

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MR. SCHMIDT continued to slide 10 and stated that there were three major cryptocurrency bankruptcies in 2022. Over 2,000 accounts owned by Alaskans, worth approximately \$19 million, were affected by the Voyager and Celsius bankruptcies, although no complaints were received by the Division of Banking and Securities.

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REPRESENTATIVE SADDLER asked if using cryptocurrencies as an investment is similar to other forms of currency speculation.

MR. SCHMIDT answered that cryptocurrencies work in much the same way, although the volatility of cryptocurrency is generally greater than normal currency.

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MR. SCHMIDT continued to slide 11 through slide 13 and stated that there is not yet reliable data available on how the FTX bankruptcy affected Alaskans. He stated that HB 86 contains a fiscal note which would add five additional staff members to keep pace with the increasing number of money transmission transactions. He stated that the revenue generated from the bill will likely cover the cost of the fiscal note. He stated that at the time of the original bill's passing, services, such as PayPal, were very new and cryptocurrency did not exist. He highlighted the need to update certain aspects of the original bill.

MR. SCHMIDT continued to slide 14 and stated that HB 86 would harmonize Alaska's laws with those of other states, allowing for better coordination on money transaction licensing, regulation, and supervision. In response to the recent cryptocurrency bankruptcies, he pointed out the provision in the bill which would provide that a buyer of a cryptocurrency, and not a holding service, owns the cryptocurrency.

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MR. SCHMIDT continued that the proposed bill would bring regulations in line with the FBI's requirements to have automated background checks. He suggested that the bill would strengthen the regulations regarding those delegated to do business on behalf of a money transmitting service. Guidelines

would be set for permissible investments for money transmitters and would allow the Division of Banking and Securities to set fees by regulation, rather than statute. He called HB 86 a model law created with input from the industry and other states.

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REPRESENTATIVE FIELDS asked if there were any differences between the proposed legislation and what has been passed in other states.

MR. SCHMIDT answered there would be some natural differences because of the variations in drafting standards between states. He added that he is unsure about any changes being made comprehensively, although for example some minor changes were made in Arizona.

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REPRESENTATIVE SADDLER asked for clarification on what transactions would be covered by the bill.

MR. SCHMIDT answered that transactions within, to, and from Alaska would be covered. In response to a follow-up question, he stated that fees are collected from licenses from banks, payday lenders, mortgage brokers, money transmitters, and others.

CHAIR SUMNER announced that HB 86 was held over.

HB 85-PROFESSIONAL LICENSING; TEMP PERMITS

[3:55:51 PM](#)

CHAIR SUMNER announced that the final order of business would be HOUSE BILL NO. 85, "An Act relating to professional licensing; relating to temporary licenses for some professions; and providing for an effective date."

[3:56:31 PM](#)

SYLVAN ROBB, Director, Division of Corporations, Business, and Professional Licensing, Department of Commerce, Community, and Economic Development, on behalf of the sponsor, House Rules by request of the governor, introduced HB 85 and gave a PowerPoint presentation, titled "Universal Temporary Licensure" [hard copy included in the committee packet]. On slide 2 and slide 3, she

gave a brief overview of universal temporary licensure (UTL) and what is needed to qualify for it. She explained that the proposed legislation would allow the department to issue temporary licenses with similar requirements to those in Alaska, and this would be to individuals with a license from another jurisdiction in the U.S. or Canada. If there are no requirements for a license in a jurisdiction and the person demonstrates the ability to meet Alaska's licensure requirements, or if the person has military service or training in the area of expertise, HB 85 would also allow the department to issue a temporary license. This individual still would need any relevant background checks and could not have received any disciplinary action related to the license.

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MS. ROBB continued to slide 4 and stated that temporary licenses would be valid for 180 days, with a possible 180-day extension at the discretion of the department. Temporary licenses would not be available for professions requiring Alaska-specific knowledge, such as marine pilots, big game guides, and occupations relating to engineering and architecture.

MS. ROBB continued to slide 5 and stated that temporary licensure would help people in the state to begin working faster and help reduce the workforce shortage. She advised that the number of professional licenses needed in the last 10 years has increased 64 percent. She said that the division has faced a workforce shortage which has increased the challenges regarding issuing licenses in a timely manner, although the number of vacancies in the division is decreasing. Per the proposed legislation, for professionals looking for permanent licensure, the division would issue a temporary license automatically to those who meet the basic qualifications, and instead of receiving two applications for this person seeking permanent licensure, the division would process only one application for this. She added that this would help the division's workload.

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MS. ROBB continued to slide 6 through slide 8 and gave an overview of how UTL would help, and she explained the difference between UTL and interstate licensure compacts. She stated that the Alaska State Medical Board and Alaska Board of Nursing have already made temporary licensure a part of the licensure process in Alaska. She said that the primary difference between UTL and compacts is UTL would require an individual to meet Alaska's

current requirements, while compacts would streamline Alaska's requirements with all other states in the compact. She stated that there are currently 18 states that have enacted temporary licensure legislation.

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REPRESENTATIVE SADDLER asked why there are many different licensing boards instead of having the division process all licenses.

MS. ROBB answered that the licensing boards help provide expertise to the division for each profession. The temporary licenses allow an individual to continue working while the permanent license is reviewed by the respective professional board. In response to a follow-up question, she said that the biggest time-saving element in the proposed legislation is that the division would no longer receive two different applications from every person.

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REPRESENTATIVE FIELDS commented that he prefers UTL to licensure compacts. He expressed the belief that this would encourage people to come to Alaska and not leave.

[HB 85 was held over.]

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:16 p.m.