

SENATE FINANCE COMMITTEE
March 20, 2024
9:03 a.m.

[9:03:24 AM](#)

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Rob Schmidt, Director, Division of Banking and Securities, Department of Commerce, Community and Economic Development; Tracy Reno, Chief of Examinations, Division of Banking and Securities, Department of Commerce, Community, and Economic Development; Dawn Hannasch, Division Operations Manager, Division of Banking and Securities, Department of Commerce, Community, and Economic Development; Senator Elvi Gray-Jackson, Sponsor; Charles Collins, Director, Division of Workers Compensation, Department of Labor and Workforce Development; Luma Diaz, Staff, Senator Elvi-Gray Jackson.

PRESENT VIA TELECONFERENCE

Lahka Peacock, Quyana Card, Nome; Adam Fleischer, Money Services Roundtable, Washington DC; Adam Atlas, Money Services Business Association, Maryland.

SUMMARY

SB 84 MONEY TRANSMISSION; VIRTUAL CURRENCY

SB 84 was HEARD and HELD in committee for further consideration.

SB 206 WORKERS' COMP. STAY-AT-WORK PROGRAM

SB 206 was HEARD and HELD in committee for further consideration.

#sb84

SENATE BILL NO. 84

"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."

9:03:32 AM

ROB SCHMIDT, DIRECTOR, DIVISION OF BANKING AND SECURITIES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, (DCCED) discussed the presentation, "Alaska Uniform Money Transmission and Modernization Act" (copy on file). He pointed to slide 2, "What does this bill do?":

- This bill is a generational update to financial laws to accommodate new technologies and ensure uniformity.
- This bill is based on the Uniform Money Transmission Modernization Act (Model Law), which was developed by state regulators, the Conference of State Bank Supervisors (CSBS), with input and participation from industry stakeholders.

- Reduces regulatory burden by streamlining licensing, renewal, and examinations.
- Protects Alaska consumers by conducting criminal background checks through the Nationwide Multistate Licensing System (NMLS).
- Broadens the definition of money transmission and defines virtual currency activities.
- Ensures DBS can coordinate with other states in all areas of regulation, licensing, and supervision to reduce regulatory burden on the industry and more effectively utilize regulator resources.

[9:05:02 AM](#)

Mr. Schmidt highlighted slide 3, "Background":

This legislation amends and modernizes the Alaska Uniform Money Services Act (AS 06.55) and adopts pertinent sections of the Uniform Money Transmission Modernization Act (Model Law).

- In 2008, money transmission was sending a wire transfer at your local grocery store or purchasing a money order or traveler's checks at the bank.
- This bill will modernize Alaska's money transmission laws to include cryptocurrency (aka "virtual currency," Bitcoin, Ethereum, DogeCoin).
- Effective January 1, 2023, DBS adopted regulations to include crypto in current law as an interim solution.
- As of January 31, 2024, eighteen states have enacted bills with all or parts of the Model Law. The Model Law is pending before ten legislatures.

Mr. Schmidt addressed slide 4, "Money Transmission Volume."

Mr. Schmidt displayed slide 5, "Alaska Money Transmission Transactions."

Mr. Schmidt highlighted slide 6, "Money Transmission Licensees."

[9:11:15 AM](#)

Mr. Schmidt discussed slide 7, "Money Transmission Volume - Virtual Currency."

Mr. Schmidt pointed to slide 8, "What types of transmissions happen in Alaska?"

Mr. Schmidt displayed slide 9, "Fee Modernization Examples -Ohio."

Mr. Schmidt addressed slide 10, "Fee Modernization Examples -Texas."

[9:16:10 AM](#)

Mr. Schmidt highlighted slide 12, "Fiscal Impact":

- Receipts in FY2013 were \$12.9 million. The FY2012 budget was \$3.58 million.
- Receipts in FY2023 were \$22.4 million. The FY2023 budget was \$4.32 million.

The fiscal note for this position includes five full-time positions with the passage of this bill: three in FY2025 and two in FY2026. The operating expenditures for DBS for the added personnel are estimated to be \$496,100 in FY2025 increasing to \$787,400 in FY2026. DBS anticipates revenue from a new volume based annual fee assessment, created by regulation, will cover all costs of supervision of the industry and additional staffing.

Mr. Schmidt highlighted slide 13, "Why is this bill important?"

This bill will:

- Protect Alaska consumers
- Reduce regulatory burden
- Adopt a Model Law that industry drafted with state regulators
- Prevent federal pre-emption by creating uniform statutes across the country
- Allow the division to have the ability to update fees and activities that require a license in regulation to keep up with technology and

innovation with this ever-evolving financial industry

In 2023, Alaskans sent or received over 25 million money transmission transactions worth \$4.5 billion most of them involving technology that did not exist when the current law was written.

Mr. Schmidt looked at slide 11, "Why regulate money transmission at all?":

- 55 states and U.S. territories regulate money transmission currently.
- Industry wants this bill adopted.
- No industry stakeholder or state regulator wants federal pre-emption.
- DBS is uniquely qualified to protect Alaskans.
- States have licensed and regulated transmitters of money for over 100 years.
- States have the expertise and examination infrastructure that the feds completely lack. States are able to pivot and react more quickly as events transpire.

[9:21:16 AM](#)

Co-Chair Stedman wondered why the average Alaska should care about the bill.

Mr. Schmidt replied that the cryptocurrency provisions of the bill specified that an account belonged to the account holder, and was not an asset of the company.

Senator Kiehl queried the things that were controlled through the bill.

Mr. Schmidt replied that the bill established uniformity across the states and allowed for innovation.

[9:25:18 AM](#)

Senator Kiehl queried the reason for fingerprinting.

Mr. Schmidt replied that there was an examination of the shareholders of the companies, because there could be a problem in the character of those operating the businesses.

Senator Kiehl wondered what was of significance that would have the state tell a company how to do its business.

Mr. Schmidt deferred to Ms. Reno.

[9:27:18 AM](#)

TRACY RENO, CHIEF OF EXAMINATIONS, DIVISION OF BANKING AND SECURITIES, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, stated that the intent was to examine the companies in order to provide licensees for appropriate financiers.

Senator Bishop wondered whether the crypto currency was FDIC insured.

Mr. Schmidt replied that it was not.

[9:30:13 AM](#)

Co-Chair Stedman queried whether the fee structure would be in statute or regulation.

Mr. Schmidt responded that there would be fee continuity.

Co-Chair Stedman wanted information about what was in statute versus regulation.

Mr. Schmidt deferred to Ms. Reno.

Ms. Reno explained that the department would establish the fees, so it would be in statute, but the department looked to regulation for details.

Co-Chair Stedman wondered whether this was a common practice in the department.

Mr. Reno replied that the banks and credit unions also had an assessment.

Mr. Schmidt furthered that the banks also had a tiered structure.

[9:35:09 AM](#)

Senator Wilson queried the rolldown costs to the user.

Mr. Schmidt replied that there will be no direct charge to the consumer.

Senator Wilson asked about entities that did not use traditional banking services.

Mr. Schmidt stated that any industry utilized the legislation.

Senator Wilson wondered whether there would be a negative or positive impact.

Mr. Schmidt replied that there would be a significant positive impact.

[9:39:32 AM](#)

Co-Chair Olson wondered how the protections would impact rural communities.

Mr. Schmidt believed that it would greatly benefit rural Alaskans.

Ms. Reno furthered that there would be greater examinations on the financial entities.

Senator Wilson asked about privacy, and whether the transactions would be private for Alaskans.

Mr. Schmidt responded that privacy was a top priority.

Ms. Reno explained there were various actions finance institutions must do to protect the privacy of account holders.

[9:45:30 AM](#)

Co-Chair Olson asked where Alaska fell in the level of protective technology as compared to other states.

Mr. Schmidt shared that Alaska lacked the tools as compared to other states.

Co-Chair Olson asked which tools the state was lacking.

Mr. Schmidt replied that the statutory tools were not there to ensure the safety of operations.

Senator Bishop asked about forensic examiners.

Mr. Schmidt replied that forensic examiners were a long standing subject of conversation in his division.

[9:49:00 AM](#)

DAWN HANNASCH, DIVISION OPERATIONS MANAGER, DIVISION OF BANKING AND SECURITIES, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, replied to a question from Senator Bishop.

Senator Bishop wondered whether there was access to a third party forensics examiner.

Mr. Schmidt replied that most states had a forensics examiner. He stated that the examinations were conducted on a multi-state basis.

Co-Chair Stedman surmised that the bill would be revenue neutral. He asked for more information about the process to find the people to fill the requested positions.

Mr. Schmidt replied that the division only had two vacancies, as a result of retirement and advancement. He was confident that the division could fill the vacancies.

[9:53:17 AM](#)

LAHKA PEACOCK, QUYANA CARD, NOME (via teleconference), explained the support of the bill.

[9:57:55 AM](#)

Co-Chair Olson wondered whether a regulation was required to ensure that rural Alaska had an easier time.

Mr. Peacock replied that there was a burden of time and technology, but he stressed that he wanted to provide the service in rural Alaska.

Co-Chair Olson asked for comment on the possible amendment for the bill.

Mr. Schmidt replied that the bill would provide a rapid and significant to Mr. Peacock's concerns.

Senator Kiehl wondered whether there were any added requirements for small businesses within the bill.

Mr. Schmidt replied in the negative.

Senator Kiehl noted the minimum net worth. He wondered whether a small operator would no longer have same minimum net worth requirements.

Mr. Schmidt replied that the bill was based on model law, so the minimum net worth requirement was not the right fit for Alaska and small businesses.

[10:03:19 AM](#)

ADAM FLEISCHER, MONEY SERVICES ROUNDTABLE, WASHINGTON DC (via teleconference), spoke in support of the bill.

[10:12:19 AM](#)

Co-Chair Olson queried the reasons for the additional fingerprint requirements.

Mr. Schmidt recalled that the bill had been amended to remove the fingerprint requirement to allow for fingerprint cards. He stressed that the intent was to participate in the nationwide fingerprint system.

Senator Bishop queried the location of the master fingerprint files.

Mr. Schmidt replied that they were provided to the Nationwide Multistate Licensee Service, which was run by the Conference of Statebank Supervisors. He did not know the fingerprint filing and destruction process.

[10:14:39 AM](#)

Senator Bishop wondered whether the group was under the Treasury Department.

Mr. Schmidt deferred to Ms. Reno.

Ms. Reno explained that the fingerprints were sent to the vendor, was sent to the licensing system, and then expired after three years.

Senator Bishop felt that the bill was duplicative.

Ms. Reno stressed that it was burdensome on the industry to have paper fingerprints processed in the system. She stressed that the electronic fingerprints needed to be processed through the FBI.

Senator Kiehl wondered whether there was independent access to the FBI records.

Ms. Reno replied in the affirmative.

Co-Chair Olson asked whether there was an added burden with the amendment.

[10:18:46 AM](#)

ADAM ATLAS, MONEY SERVICES BUSINESS ASSOCIATION, MARYLAND (via teleconference), spoke in support of the bill.

[10:22:37 AM](#)

Co-Chair Olson wondered whether the bill gave a more robust protection of the Alaskan financial consumer.

Mr. Schmidt replied in the affirmative.

SB 84 was HEARD and HELD in committee for further consideration.

#sb206

SENATE BILL NO. 206

"An Act relating to workers' compensation reemployment benefits; establishing a workers' compensation stay-at-work program; and providing for an effective date."

[10:22:39 AM](#)

SENATOR ELVI GRAY-JACKSON, SPONSOR, introduced the bill.

[10:29:48 AM](#)

CHARLES COLLINS, DIRECTOR, DIVISION OF WORKERS COMPENSATION, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, spoke on the bill.

[10:37:59 AM](#)

LUMA DIAZ, STAFF, SENATOR ELVI-GRAY JACKSON, discussed the Sectional Analysis (copy on file):

Section 1: Amends AS 23.30.005 (h) by adding a reference to new stay at work program under AS 23.30.043.

Section 2: Amends existing statute, AS 23.30.041 (b) by moving the annual reporting of reemployment benefits from May until October to match the other annual reports due. Includes each specific reporting criteria.

Section 3: Makes changes to AS 23.30.041 (c) adding thirty days to the time of required reemployment evaluations to allow for the medical stability of claimants. The amendment requires the Workers' Compensation Division to notify injured employees of rights under this section within 25 days of inability to return to the employee's employment at the time of injury, including the option of participation in the Stay At Work Program.

Section 4: Amends AS 23.30.041 (f) by adding that an employee is not eligible for reemployment benefits if a selection under AS 23.30.041(c) is not made. Or if an employee has completed a stay at work program previously or has been found non-cooperative in the stay at work process under AS 23.30.043(l).

Section 5: A new section (Sec. 23.30.043) is added to establish a stay at work benefits program.

A new position is added as a subject matter expert to oversee the program.

A rehabilitation specialist is assigned to develop a stay at work plan requiring participation and approval from the employee, employer, and attending physician and a timeline for submission of plan.

Costs are the responsibility of the employer and shall not exceed \$3,000. The maximum time frame is two years.

Noncooperation is defined.

Participation is voluntary. The employee may pursue reemployment benefits under AS 23.30.041 as an

alternative if the employer chooses not to participate. An appeal process is outlined.

Section 6: Amends existing statute AS 23.30.100 (a) by adjusting the timeframe by 15 days for notification of a work-related injury or death.

Section 7: Amends AS 23.30.105 (a) by adding a reference to a new stay at work program established under AS 23.30.043

Section 8: Sets an effective date.

[10:41:15 AM](#)

Senator Wilson wondered whether the participation was voluntary for the participant or the employer.

Ms. Diaz replied that it was for both.

Co-Chair Olson wondered whether the rehabilitation specialists were licensed, and whether their availability was difficult to find.

Senator Gray-Jackson deferred to Mr. Collins.

Mr. Collins replied that there was already engagement with the rehabilitation specialists, which were within a private industry in the state. He stated that there were about sixteen or seventeen rehabilitation specialists in the state. He explained the credentials required to become a rehabilitation specialist.

Co-Chair Olson discussed the following day's meeting.

SB 206 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[10:43:33 AM](#)

The meeting was adjourned at 10:43 a.m.