

HOUSE FINANCE COMMITTEE

May 6, 2025

1:41 p.m.

1:41:36 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:41 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Andy Josephson, Co-Chair  
Representative Calvin Schrage, Co-Chair  
Representative Jamie Allard  
Representative Jeremy Bynum  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Nellie Unangiq Jimmie  
Representative DeLena Johnson  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Representative Zach Fields, Sponsor; Evan Anderson, Staff,  
Representative Fields; Brodie Anderson, Staff,  
Representative Neal Foster.

PRESENT VIA TELECONFERENCE

Robert Schmidt, Director, Division of Banking and Securities, Department of Commerce, Community and Economic Development; Kathy Tomasofsky, Executive Director, Money Services Business Association, New Jersey; Tracy Reno, Chief of Examinations, Division of Banking and Securities, Department of Commerce, Community and Economic Development.

SUMMARY

HB 99 MONEY TRANSMISSION; VIRTUAL CURRENCY

HB 99 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb99

HOUSE BILL NO. 99

"An Act relating to the business of money transmission; relating to licenses for money transmission, licensure requirements, and registration through a nationwide multistate licensing system; 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 exemptions to money transmission licensure requirements; relating to payroll processing services; relating to currency exchange licenses; amending Rules 79 and 82, Alaska Rules of Civil Procedure; and providing for an effective date."

[1:42:44 PM](#)

REPRESENTATIVE ZACH FIELDS, SPONSOR, introduced the bill.

Co-Chair Foster asked for more details on the bill.

EVAN ANDERSON, STAFF, REPRESENTATIVE FIELDS, provided a narrative of the sectional analysis (copy on file):

The proposed bill is not a simple repeal and reenactment of AS 06.55. Instead, it is a line-by-line overhaul of the Act carefully considering the Model Law and selectively adopting and revising the statutes. The bill repeals the currency exchange license and includes that activity in the definition of money transmission so only one license type will be required in AS 06.55 going forward.

Sections 1 through 6 are related to licensing. Adds a section of uncodified law explaining the purpose of

the bill and amends language related to licensing application and license renewal requirements. Adds criminal background check report requirements for individuals who are senior management and control the company. Allows the department to utilize the Nationwide Multi-State Licensing System (NMLS) for all aspects of licensing.

Section 7. Amends AS 06.55 to add new sections to Article 1A concerning virtual currency (VC) derived from the Model Law. Virtual Currency Business Activity replaces Currency Exchange Licenses as the heading for Article 1A. AS 06.55.150 - 06.55.170 provide the details of what is considered and what is not considered licensed activity for companies engaging in VC business activity.

Section 8. Repeals and reenacts AS 06.55.301 creating a requirement that a licensee adopt policies and procedures consistent with applicable state and federal law prior to using an authorized delegate and provides details stating that a licensee must enter into a contract with an authorized delegate with a list of provisions.

Section 9. Amends AS 06.55.302 concerning unauthorized activities and liability provisions that apply to persons engaging in MT on behalf of an unlicensed person.

Section 10. Amends AS 06.55.401 relating to supervision and the department's powers with respect to examination. It allows the department to accept examination reports from other states, the federal government, or an independent accounting firm. This section requires licensees to pay all costs associated with examinations, references confidentiality requirements, and eliminates the existing requirement to notify a licensee 45 days prior to an examination.

[1:46:27 PM](#)

Mr. Evan Anderson continued reading from the sectional analysis narrative:

Sections 11 - 14. Repeals and reenacts or amends subsections of AS 06.55.403 for consistency with the

Model Law. It requires quarterly reports of condition for a licensee's activities and their authorized delegates. It maintains existing requirements for immediate reporting knowledge of filing a bankruptcy petition, a proceeding to revoke or suspend a license in another state or country, bond cancellation and criminal charges. Allows the department to utilize the NMLS for reporting required by AS 06.55.403. Executive officer is replaced and repealed utilizing key individual, a term introduced by the Model Law which means "any individual ultimately responsible for establishing or directing policies and procedures of the licensee, including an executive officer, manager, or trustee."

Section 15. Repeals and reenacts AS 06.55.404 regarding acquisition of control of a MT licensee containing procedural and reporting requirements for the acquisition or transfer of control of licensees. It allows exceptions for acquisition of control and contains discretionary provisions for the department for ease and flexibility of administration and the utilization of the NMLS. It adds details for aggregation of interest of ownership for family members for consistency with the Model Law.

Sections 16 through 22. Amends language consistency with the Model Law. Increases the record keeping requirements of licensees from 3 years to 5 years. Removes the requirement that certain money laundering, record keeping, and suspicious transaction reporting requirements be filed with the Attorney General. Includes an amendment that provides guidance that is helpful regarding when a licensee or authorized delegate may disclose financial information provided to the licensee or authorized delegate by a customer.

Section 23. Adds a new subsection (f) to AS 06.55.407 stating when department records may be made public and what information is confidential.

Section 24. Amends AS 06.55 to add new sections to article 4 from the Model Law. Provides details when licensees are required to submit an annual audited financial statement to the department within 90 days after the end of the licensee's fiscal year. Grants the department discretion to enter into agreements

with other state and federal agencies to improve efficiencies and reduce regulatory burden and to adopt rules and regulations, and to recover its costs through imposition and collection of fees. Provides that in the event of an inconsistency between state and federal law, the federal law governs to the extent of the inconsistency.

[1:48:38 PM](#)

Mr. Evan Anderson continued reviewing the sectional analysis narrative:

Sections 25 - 29. Revises article 5 of AS 06.55 to rename and broaden its scope from Permissible Investments to Prudential Standards. Details the level of permissible investments required by a and provides details on what specific investments can be held by licensees due to risk concerns and adds language to protect beneficiaries of statutory trusts from actions by creditors of licensees. Provides details regarding Automated Clearing House (ACH), letters of credit, and security bonds. Expands net worth requirements from \$25,000 to a new net worth based on a tiered level of total assets held. Allows the department to exempt applicants or licensees from net worth requirements. Provides a requirement to maintain at all times a tangible net worth in tiers and that it must be demonstrated at initial application.

Section 30 through 36. Amends language for consistency with the Model Law regarding the suspension and revocation of a license by deleting unnecessary language and inserting new terms such as key individual and the replacement of transmission for services. Allows an authorized delegate to apply for relief from a suspension or revocation of a license.

Section 37. Amends AS 06.55.605 regarding civil penalties allowing the department to assess its costs and expenses for investigation. Raises the maximum civil penalty to \$10,000.

Section 38 and 39. Amends language for consistency with the Model Law conforming language such as deleting money services and inserting money transmission.

Sections 40 and 41. Amends subsections of AS 06.55.607 to remove citations to AS 06.55.201, which is repealed. The existing AS 06.55.201 contains the currency exchange license requirements and this license is being eliminated in the bill in favor of one license type including currency exchange as a money transmission activity.

Section 42. Amends AS 06.55.702(a) concerning hearings for consistency with the Model Law deleting money services and a citation to AS 06.55.702(b) which is repealed in the bill.

Section 43 and 44. Amends language for consistency with the Model Law revising licensing exclusions and renames the section to exemptions. It adds new exemption types and would allow the department to add additional exemptions if it is in the public interest creating consistency from state-to-state. It also adds the term federally insured depository financial institution for consistency with other statutes the division regulates under AS 06.60.990(9). Allows the department to require a person who claims an exemption to provide information and documentation demonstrating the claimed exemption.

[1:50:29 PM](#)

Mr. Evan Anderson continued reviewing the sectional analysis narrative:

Sections 45 through 48. Amends language regarding notices and receipts requiring licensees and authorized delegates to provide customers with notices of how to file a complaint and allows the department to establish the format and content required in the notices on the licensee's website or mobile application, the name and phone number of the department and a statement on how customers can contact the department with questions or complaints. Includes in-state determination of the location of a person requesting a transaction and provides a definition of receipt.

Sections 49 and 50. Provides details on timely transmission requiring licensees to forward money received for transmission in accordance with the

agreement between the licensee and sender unless the licensee determines there may be fraud involved or another crime. The licensee is required to respond to inquiries from the sender with the reason for the failure to forward money unless doing so violates a state or federal law. Provides information concerning refunds for consistency with the Model Law.

Sections 51 and 52. Amends language for consistency with the Model Law and states the department shall establish fee levels including an annual renewal fee based on a licensee's total volume of money transmission in the state.

Sections 53 through 61. Amends definitions found in AS 06.55.990 for consistency with the Model Law. Changes include the incorporation of the words in this state to ensure AS 06.55 protects Alaska consumers and insuring revisions are made to align the language of the Act with the model law. It also includes an exception for a loyalty reward card, amends the definition of control and renumbers the definitions.

Section 62. Amends AS 06.55.995 Short title to refer to the Act or Chapter as the Alaska Uniform Money Transmission Modernization Act instead of the Alaska Uniform Money Services Act.

Section 63. Amends AS 12.62.400(b) to read that an applicant under AS 06.55 may submit fingerprints to the registry.

Section 64. Repeals several sections in AS 06.55. AS 06.55.104 and AS 06.55.107 are repealed and reenacted in Article 5 concerning prudential standards. All statutes in Article 2 regarding currency exchange licenses are repealed as the activity was added to the definition of money transmission. AS 06.55.890 and AS 06.55.990 contains definitions that are no longer necessary.

Section 65 - 67. Amends by adding a new section for INDIRECT RULE AMENDMENT and transitional provisions amending uncodified law to avoid interference with existing contracts, to allow a transitional period for holders of existing money services licenses.

Section 68. Inserts transition regulations giving DCCED the authority to adopt regulations to implement this act.

Section 69. Adds a new section "CONDITIONAL EFFECT" to allow adoption of transitional regulations by DCCED.

Section 70. Provides for an immediate effective date for Section 68.

Section 71. Provides for an effective date of July 1, 2026.

[1:53:03 PM](#)

Co-Chair Foster recognized Representative Johnson and Representative Jimmie had joined the meeting. He moved to invited testimony.

ROBERT SCHMIDT, DIRECTOR, DIVISION OF BANKING AND SECURITIES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), addressed the bill with prepared remarks:

Members of the House Finance Committee, thank you for the opportunity to testify before you today about HB 99 on money transmission. This bill is a generational update to Alaska's financial services laws to accommodate new technologies, to attract innovative businesses to Alaska, protect Alaska consumers, and harmonize Alaska law with that of 30 other states.

Originally money transmission was going into a business like Western Union or Money Gram, giving them cash to send to a family member, and the business would send a telegram to a local office instructing that office to deliver the money. In the 1980's, stored value cards were introduced. You will see these at, for example, a Fred Meyer where you can buy a card labeled, for example, Visa, and you pay a cashier at Fred Meyer the amount of money to load onto the card. Stored value cards are also money transmission.

Alaska's current law is the Uniform Money Services Act. This Act was drafted in 2004, adopted by the Legislature in 2007, and took effect in 2008.

In the 21 years since the uniform act was written, there have been two key developments in money transmission. In 2008, the first beta version of the PayPal app was introduced for the Blackberry phone. Now smart phones are nearly universal. Every smart phone has either Apple Pay or Google Pay embedded in it. Both of these companies are among the largest money transmitters sending and receiving Alaskan's money. The second major development was in 2007, when a person using the pseudonym Satoshi Nakamoto theorized virtual currency, now commonly called cryptocurrency. This would be a representation of value that, unlike "normal" money, would exist only on digital ledgers and would not be backed or issued by any government or central bank.

Mobile payment applications and cryptocurrency now represent the majority of what money transmission is in Alaska. That is to say, these technologies did not exist when our current law was written.

HB 99 is a generational update to modernize Alaska's money transmission laws to address these technological innovations. HB 99 is based on the Money Transmission Modernization Act, which was written by the Conference of State Bank Supervisors with the money transmission industry. You will see there are numerous letters of support from money transmission trade groups and the Alaska Bankers Association. Over \$6.3 billion was sent in money transmission to, from, or within Alaska in 2024 by 173 licensed money transmitters.

What does HB 99 do? It harmonizes Alaska law with the thirty states that, to date, have adopted the Money Transmission Modernization Act. It creates a single set of rules for licensing, examination, and supervision. Because we still use the antiquated uniform act, Alaska is increasingly becoming a round peg in a nation of square holes. Having similar laws as other states keeps Alaska open for business and reduces burden on industry and the regulator. The bill allows full utilization of the online Nationwide Multistate Licensing System (NMLS). One example of efficiencies from fully using NMLS will be saving hundreds of hours of staff time on manual background checks. These will become automated under HB 99.

The bill will improve consumer protection. As one example, in 2022 during the "crypto winter" when FTX, Voyager, and Celsius all failed, Alaskans lost or had frozen millions of dollars of currency because the user agreement for these companies provided that users' cryptocurrency was, in the event of insolvency, an asset of the company and not the customer. This bill eliminates the ability of cryptocurrency exchanges to claim customer assets as an asset of the business in a bankruptcy.

[1:59:21 PM](#)

Mr. Schmidt continued providing prepared remarks:

HB 99 contains a fiscal note. The committee should know that, first, all funds in the fiscal note are DGF funds. Our division's receipts pay for our operations. The committee should also be aware that DBS has a budget of \$4.8 million dollars, and in FY 24 had receipts of \$22.5 million. Last year the Division of Banking and Securities made a nearly \$18 million contribution to the General Fund, and that amount will continue to grow. DBS receipts have increased every year for the last eight years and receipts have increased more than 30% over the last decade. However, our money transmission program area as it exists now does not generate sufficient revenue to cover the cost of supervision. The reason for this is, under the current uniform act, every licensee pays the same \$3,000 renewal fee, whether they transmit zero dollars in Alaska or over a billion dollars. Alaska currently has two, billion-dollar plus money transmitters, and the top ten money transmitters range from hundreds of millions of dollars to high tens of millions of dollars transmitted to, from, and within Alaska. Yet all of these companies pay the same \$3,000 as our thirty money transmitters who transmit zero dollars to, from, or within Alaska.

HB 99 allows the state to adopt "fee tiers" based on the total amount of money transmitted to, from, or within a state. The states that have adopted the Money Transmission Modernization Act have set tiers where there is a base fee, and then apply a formula based on the business's total volume of money transmitted to, from, or within the state. Current revenue under

existing law is about \$300,000. If Alaska utilizes, as one example, Texas's tiered fee model, that revenue will increase to almost \$1 million. That is to say, if HB 99 becomes law, there will be significant additional revenues that will exceed the fiscal impact of the bill. Please note, there will be no additional cost to Alaska's consumers. PayPal, Venmo, Cash App, Apple Pay, Google Pay, Robinhood, and Coinbase do not charge customers any more or less based on where they live. Stated another way, Alaskans pay no less than, for example, a Texan, despite having vastly lower fees on the business. The tiered fee model will be designed to cover the cost to regulate the money transmission industry in Alaska and be the right fit for small businesses and not a barrier to entry.

Finally, I would like to mention the recent opposition submitted by ADP Payroll Services. ADP was formerly licensed as a money transmitter in Alaska. It is no longer licensed as a money transmitter in Alaska. Rather, it operates under a trust company license issued by the federal government. ADP asserts that payroll processors should have to register as money transmitters.

This issue was raised when the Money Transmission Modernization Act was first introduced as a governor's bill in 2022. That bill received opposition from the Independent Payroll Processors Association. That organization argued that most payroll processors in Alaska were small, "mom and pop" local shops with few employees, if not a sole proprietorship. The division researched the issue and determined that there were 100 or more local payroll processors. Including those businesses as money transmitters would impose on these small local businesses the burden of annual license renewal fees, background checks, quarterly reporting, and, notably, having liquid assets ("cash in the bank") equal to the amount of their money transmission obligations.

[2:04:11 PM](#)

Mr. Schmidt continued providing prepared remarks:

The division also noted that it had never received a complaint about payroll processors and could find no

history of criminality involving an Alaska payroll processor. The division also noted that payroll processor's work is scrutinized by the employees being paid and by the employer who has payroll obligations regardless of who gives employees their wages. The division also noted indirect supervision by the IRS by virtue of payroll processors filing and submitting W-2's, 1099's, 941's, and other tax documentation. The division has also determined that, of the thirty states that have adopted the modernization act, fourteen have excluded payroll processors, and nine states' law is silent on money transmitters.

Based on all the foregoing, in 2022 the division recommended exempting payroll processors from the scope of the Money Transmission Modernization Act.

Three years have gone by since that effort and the bill has been introduced, without including payroll processors, two more times. In those three years, utilization of mobile payment applications and cryptocurrency continues to increase, and the existing law is becoming more of a relic as other states adopt the new law. The Division of Banking and Securities continues to recommend that payroll processors be exempted from HB 99.

Mr. Schmidt thanked the committee and was available for questions.

[2:06:09 PM](#)

Co-Chair Foster asked for an official review of the fiscal note.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, reviewed the new fiscal impact note from the Department of Commerce, Community and Economic Development (DCCED) allocated to Banking and Securities. He reported that the first page showed a cost of \$15,000 for a service fee for the Department of Law's (DOL) regulation review in FY 26. Beginning in FY 27, the cost increased to \$432,500 in personal services for three positions. In addition, \$12,000 was for out of state travel for training the positions; \$75,000 for statewide core services for the positions; and a \$36,000 commodity line for one-time equipment cost and set up. In FY 28, there would be an additional two

positions and travel for out of state training would increase to \$20,000, an increase to \$125,000 for statewide core services for the positions, and commodities would drop to \$10,000. In FY 26, the total cost was \$15,000, in FY 27 it increased to \$555, 000, and in FY 28 the full cost was \$899,300.

2:09:34 PM

Co-Chair Foster OPENED public testimony.

KATHY TOMASOFSKY, EXECUTIVE DIRECTOR, MONEY SERVICES BUSINESS ASSOCIATION, NEW JERSEY (via teleconference), testified in support of the bill. She read from a prepared statement:

The Money Services Business Association ("MSBA") is grateful to have the opportunity to write in support of HB 99, entitled "Money Transmission; Virtual Currency". The MSBA is one of the nation's largest trade associations focused on the non-bank money services industry. Its membership includes licensed money transmitters and their agents and/or authorized delegates, payment card issuers, and distributors, payment processors, international remittance companies, bill payment companies, mobile payment application providers, payment aggregators, virtual currency exchanges and administrators, money orders, eWallet providers and other similar money services providers that are engaged in payments. For additional information about our membership, please see: [www.msassociation.org](http://www.msassociation.org).

The MSBA worked alongside other industry representatives and State regulators to create the Uniform Money Transmission Modernization Act, also known as the Money Transmitter Model Law. HB 99 is key to implementing Money Transmitter Model Law. It will clarify the rules around licensing and regulation for money transmitters, which include companies that handle several trillion dollars annually and offer many of the most essential financial services. Specifically, HB 99's provisions create a national standard for customer protections, clarify and standardize definitions of regulated activity, and streamline a states' ability to license and examine money transmitters through the Nationwide Multistate

Licensing System. All these efforts will ensure customers are protected, and payments companies are regulated in the same manner across all jurisdictions.

Overall MSBA believes that HB99 will not only benefit customers by ensuring a consistent framework of robust protections but will also assist industry with greater clarity in operations and supervision. We appreciate your support of HB 99 and are happy to answer any questions you have may have.

[2:13:17 PM](#)

Representative Stapp asked about the regulatory, payroll, or processors aspects of the legislation. He wondered what issues she could provide information on. Ms. Tomasofsky replied that she may be able to help with all three depending on the detail. Representative Stapp asked about the purpose of the records compliance change from three to five years. Ms. Tomasofsky answered that as a matter of compromise some states had longer retention records and chose that timeframe. Representative Stapp asked if it was the industry standard nationwide. He asked whether it worked with Alaska's existing law. Ms. Tomasofsky deferred the Alaska question to Mr. Schmidt. Representative Stapp asked about payroll processing. He provided an example of a seafood processing plant with foreign workers where some worker's pay was remitted directly to their home country in crypto currency. He asked about the reason for exempting payroll processors. Ms. Tomasofsky replied that she would provide a response in writing because the answer was very technical. She repeated her understanding of the question. Representative Stapp wondered why they would exempt payroll processors when he could think of many reasons why an employer would pay foreign workers in crypto currency. Ms. Tomasofsky replied that payroll processing was exempted from the licensing and mainstream regulations of money transmission. When considering virtual currency there may be other regulations that supersede a simple payroll processor exemption.

[2:18:19 PM](#)

Representative Fields suggested Mr. Schmidt could answer the question. He related that the reason for the exemption was to provide a level playing field for both small and

large payroll processors and not make it more difficult for small processors when engaged in traditional processing.

Representative Stapp referenced a tiered fee structure in regulations. He asked how domestic versus international processors were being charged. Ms. Tomasofsky did not know the fee structure for NMLS. She deferred to Mr. Schmidt.

Co-Chair Foster wanted to hold off the questions for the division until they were finished with questions for Ms. Tomasofsky.

Representative Stapp asked what license individuals would be applying for. Ms. Tomasofsky answered that they were applying for a money transmission license on a company level license (not individuals) to transmit funds and to prove the funds were safeguarded and maintained a one to one relationship. There were also surety bonding requirements that protected the consumers' funds. Representative Stapp asked if employees of the companies also had to have licenses to perform the transactions on behalf of the company. Ms. Tomasofsky responded that a money transmission license was associated with the company. There were situations when a company had agents that conducted its business like a Western Union in a Walmart. Walmart was an agent of Western Union but would need a license as well.

[2:22:09 PM](#)

Representative Galvin understood there were 30 states that had joined in the model law. She remarked that some of the states with large populations did not adopt it including the cities of Seattle, Charlotte, New York City, and Philadelphia. Ms. Tomasofsky replied that California was involved in creating the model law and had implemented portions of the model law. She expounded that Florida had operated uniquely in the past and was the only state not using the NMLS system. The Conference of State banking Supervisors (CSBS) was working to try to obtain all states' adoption; it was a slow process. She furthered that New York and California both had strong protections in the virtual currency area and the model law was a secondary priority for those states. She could not speak to Pennsylvania. She indicated that the bill was a bipartisan and different states had different priorities and often it was difficult to find a sponsor.

[2:25:24 PM](#)

Representative Galvin asked for specific information regarding Portland, Oregon's and Seattle, Washington's reason for not adopting the model law. Ms. Tomasofsky answered that Washington planned to introduce a bill and had adopted parts of the model law. She could not speak to Oregon. Representative Galvin noted that Nebraska had legislation pending. She wondered whether the bill was identical to Alaska's and if Alaska was lining up with the model law. Ms. Tomasofsky answered that overall, Alaska was lining up with the model law and noted that the state had already embraced the uniform law, which meant the state was little ahead of other states. She disclosed that the uniform law was the basis for the model law. She revealed that many states failed to adopt the uniform law and therefore fully repealed prior laws and replaced the law versus amending specific sections. She listed a few states that adopted the bill. She expected more states to adopt the law in the upcoming year now that the elections were over. Representative Galvin indicated that the tiers were not outlined in the bill and granted DCCED the authority to establish them. She wondered what other states were doing regarding moving from a \$3,000 flat fee to a tiered system.

[2:29:11 PM](#)

Ms. Tomasofsky replied that she could not answer the question and offered to provide the answer. Representative Galvin understood that Ms. Tomasofsky was not familiar with how states charged entities. Ms. Tomasofsky answered in the affirmative.

Representative Allard asked about the testifier's expertise and for verification that the testifier was in support of the bill. Ms. Tomasofsky answered in the affirmative. Representative Allard was concerned regarding the consumer protection, anti-money laundering, terrorism, regulation burden, high risk of penalties, and size versus cost. She added that crypto was an issue and the cost of compliance. She wondered if that was the reason other states did not want to adopt the model law. Ms. Tomasofsky rephrased her question. She deduced that due to the anti-money lending requirements the crypto companies did not want to be involved in the money transmission licensing. Representative Allard clarified that the disinterest was due to lack of strong consumer protection, the regulatory

burden, and the cost of compliance. She ascertained that there were some security issues with the enhanced reporting, record keeping, and increased data collection. She asked if her statement was accurate.

[2:32:10 PM](#)

Ms. Tomasofsky answered in the negative. She explained that crypto companies were currently licensed at the state level and registered money transmitter companies. Crypto companies had to abide by consumer protection and anti-money laundering regulations in order to conduct business. The consumer protection regulations required them to hold in reserve the amount of money the consumer wanted to transmit. The transactions were tracked to ensure compliance. Most states already regulated crypto albeit some in their own way.

Representative Allard indicated that Ms. Tomasofsky did not answer her question. She communicated her concerns to the committee about the bill concerning the anti-money laundering and terrorism protections that could be infiltrated in this type of program and created security issues. The enhanced reporting, record keeping, and increased data collection were reasons why crypto companies did not want to be involved in the legislation. Ms. Tomasofsky did not see how licensing crypto increased anti-money laundering and terrorism. She deferred the answer to Mr. Schmidt.

Representative Allard asserted that she did not want more information and that it was very partisan testimony.

Co-Chair Foster asked if there were any closing remarks.

Ms. Tomasofsky thanked the committee for its time. She urged the committee to pass the bill.

Co-Chair Foster CLOSED public testimony.

[2:36:27 PM](#)

Representative Tomaszewski asked about the changes in the fiscal note versus the prior fiscal note.

Mr. Evan Anderson addressed the changes in the fiscal note. He stated that the Labor and Commerce Committee had made

three changes to the bill that subsequently altered the fiscal note. He noted the Summary of Changes included in the members bill packets. He explained that the first change harmonized proposed money service business civil penalties with mortgage civil penalties in existing AS 06.60.420. and was an existing penalty. The change increased the penalty from \$1,000 to \$10,000. He turned to the largest of other changes that pushed the effective date out from January to July 1, 2026, to give the Department of Commerce, Community and Economic Development (DCCED) the ability to accommodate regulation drafting, a public comment period, and a renewal period for licensees.

Co-Chair Foster asked his staff to add remarks.

Mr. Brodie Anderson replied that the previous fiscal note was no longer pertinent. There was only one active note.

Representative Tomaszewski cited that in the previous fiscal note there were more costs for FY 26 [\$570,000] and the new fiscal note only had \$15,000 for FY 26. He asked if the delayed date deferred the costs to FY 27. Mr. Brodie Anderson answered in the affirmative. He furthered that the delayed effective date decreased costs so the only expenses for FY 26 would be the regulatory costs to enact the bill.

Representative Bynum cited the fiscal note and read some excerpts from the analysis: "The bill will reduce regulatory burden and bring uniformity across states for core licensing and examination processes." He favored the actions stated by DCCED. He also read, "The changes allow the division to coordinate more effectively with other states and leverage resources to reduce regulatory burden on licensees." He pointed to the fiscal note analysis stating the need for additional positions. He wondered why there was a need for added positions if HB 99 and the new system was streamlined and created efficiencies.

[2:42:03 PM](#)

Representative Fields responded there had been much growth in money transmission and Alaska was behind. He agreed that the new system was more efficient and would increase revenues. However, current statutes were "woefully out of date" at present with respect to where technology was at. In addition, there may be money laundering or fraud that the department could address if the statutes were updated.

He deferred to Mr. Schmidt for further answer. Mr. Schmidt responded that DCCED had 4 staff responsible for examining 600 institutions. He expounded that the legislation added positions to increase overview of all the entities. He pointed to the mortgage industry where the division only examined 2 percent of licensed mortgage lenders per year. It was not uncommon for a lender to never be subject to examination. In 2020, all of the money transmissions amounted to \$2.8 million. In four years, the number had more than doubled from 90 licensees to 273 in the current year. He commented that the bill increased efficiencies. However, the additional positions reflected the growth in the industry. Representative Bynum cited section 53 and summarized that the department shall establish fee levels so that the total amount of fees collected for licenses equals the department's actual total regulatory costs. He inquired whether the approximate fee would require raising fees necessary to implement the program or would it cause a delay in fee increases.

[Secretary note: The provision is included in Section 51 of CS HB 88 (L&C)]

Mr. Schmidt responded affirmatively. He offered that the department would establish fees to cover the cost of administration. The delayed enactment allowed DCCED to have the regulations and renewal fees in place when the bill took effect.

[2:45:36 PM](#)

Representative Johnson asked if the bill was impacted by HB 113 [HB 113 - TAX EXEMPTION: SMALL BUSINESS]. Representative Fields answered in the negative.

Mr. Schmidt was not familiar with HB 113.

Representative Johnson asked how the bill would be impacted by HB 113. Representative Fields replied that HB 113 would not be impacted by the bill due to different subject matter and separate areas of policy. Representative Johnson mentioned Amazon sales versus was trying to understand selling a transmission. Representative Fields answered that the bill did not affect Amazon, which related to sales and the bill related to money transmission.

Mr. Schmidt added that the customer did not pay a sales tax on goods when they used a money transmission. He was unable to provide an expanded answer.

Representative Johnson asked if a money transmitter could pay a sales tax on money transmissions. Representative Fields responded that the state could tax money transmissions, but the bill did not. She wondered what problem the bill was trying to solve. She deduced that the industry bill was standardizing money transmissions across banking institutions and there were things the federal government could regulate country wide and other issues were left up to the state. She guessed HB 99 was an industry bill that mostly helped the industry via standardization. Representative Fields answered that multiple parties had different interests in the bill. He expanded that standardization helped the industry however, it was a governor's bill in the previous year and the department made a good case that modernized statutes would fight crime and protect consumers from fraud. He had agreed to carry the bill for the administration because of fraud targeting elders, fraud through crypto currency and other forms of transmission, and particularly in stored value cards. He commented that the bill provided the Division of Banking and Securities (DBS) more oversight regarding money laundering. He relayed that his interest was protecting elders and public safety and the industry benefited by creating a level playing field.

[2:51:40 PM](#)

Representative Johnson concern was as things moved to more digital buying, there was still an information gap. She believed there was opportunity and Alaska could be a leader in regulating financial instruments, but standardization meant Alaska would function like "everyone else." She worried the state could lose opportunities due to "fear" around cryptocurrencies. She wondered whether the state could look at regulation with a "fresher perspective." She pondered whether there was a way to capture additional revenue from the money transmission market. Representative Fields answered that the bill would more than pay for itself in orders of magnitude as a result of the updated fee structure and adequate staff to administer the program. He mentioned the added revenue in the millions of dollars. Representative Johnson referenced the updated fiscal note and the added positions. She noted that one position was a

range 14, which was not a lot of money and wondered what the vacancy rate was for staff with lower ranges. She listed the other ranges and thought that it looked like a minimal amount and that a range 14 was inadequate and not a living wage. She cited the fiscal note analysis that stated, "...this bill results in approximately \$500,000 to \$1,000,000 in new revenue for the State." She did not think the bill provided new revenue if it was designed to cover costs. She asked if she was correct. Representative Fields deferred to Mr. Schmidt for answers. He reminded the committee that he did not introduce the bill for revenue generation but for increased public safety. He observed that DCCED and specifically DBS did a good job of retaining staff and the staff performed well.

[2:57:13 PM](#)

Mr. Schmidt asked for a breakdown of Representative Johnson's questions.

Representative Johnson referenced the positions' range 14, range 17, range 19, and range 23. She wondered what the division's vacancy rate was and if the ranges were adequate to fill the positions. Mr. Schmidt responded that when he became the division director in 2021, there was a 30 percent vacancy rate. He reported that by 2023 it was the first division in state government to be fully staffed and was awarded the Alaska Journal of Commerce award for best workplace in Alaska in the small employer division. He added that currently, the division had two vacancies out of 27 positions. The division's licensing staff was fully staffed by the same employees since 2021. The higher range staff were financial examiners and had college degrees or financial backgrounds who ensured compliance.

[2:59:21 PM](#)

Representative Johnson asked if he believed that the levels of pay were fine and that the positions would be filled. Mr. Schmidt responded that he did not have an opinion on the adequacy of the pay of state employees. Representative Johnson asked who determined the ranges. Mr. Schmidt answered that DCCED's operations manager prepared the fiscal note and could answer in more detail.

Representative Johnson advised that the state should pay people enough to "take care of the vacancy rate." She asked

if there was any other way to generate revenue with the bill. Representative Fields reiterated that he had not looked at the bill as a revenue generator as much as for regulatory and law enforcement functionality. He deferred to Mr. Schmidt to answer regarding increasing revenue.

3:01:34 PM

Mr. Schmidt answered that one of the first and most frustrating things he became aware of was that a company that moved \$1 billion of Alaskans' money paid the same renewal fee as a money transmitter in Nome, Alaska. He declared that "it made no sense." He elaborated that no private business would price its services in the same way. The bill would pay for itself by allowing an appropriate fee based on how much money was moved. The division's fee revenue was roughly \$300,000 and would increase to \$800,000 to over \$1 million. The division lost money on regulating money transmission due to the antiquated statutes. The legislation would cover the cost of the program area, if adopted. He reiterated that the division had a \$4.8 million budget and last year it had receipts of \$22.5 million and contributed \$17.7 million to the general fund (GF) in the prior year, which was up from a decade ago. However, the specific program area did not pay for itself and most of the division's revenue came from securities; the division issued massive volumes of security registrations at roughly \$75.00 each. He emphasized that every year the bill did not pass meant they were stuck with the old statutes and fees that did not cover the cost of operations. Representative Johnson asked about payroll processing. She thought it should be included. Mr. Schmidt replied that after he had written his prepared remarks, he had been informed that an amendment was being contemplated that may include payroll processors with a carveout for small processors. He believed the bill posed an undue regulatory burden on very small bookkeeping and payroll shops. He offered that every provider would need enough money on hand to cover money transmission obligations and he was concerned that it was an onerous requirement for small businesses in Alaska.

3:06:58 PM

Representative Johnson asked if there was a level that should be considered to include larger payroll processors. Mr. Schmidt replied affirmatively. He noted that ADP was a very large nationwide payroll processor company and brought

the issue to the forefront. The company published an ADP unemployment report due to its awareness of unemployment in the country. He was uncertain of where he would draw a line but was certain there was a point where regulation of payroll processors was not an excessive burden.

Representative Galvin deemed that the bill would have received more opinion from other entities and chambers of commerce. She requested comment. Representative Fields answered that the Alaska Banker's Association supported the bill and was the primary affected industry and Ms. Tomasofsky represented the money transmitters. Representative Galvin asked if there were any other penalties besides those listed in the bill for fraud and money laundering. Representative Fields deferred to Mr. Schmidt.

Mr. Schmidt answered that when the division uncovered crimes it tried to prosecute the lawbreakers. He delineated that Title 6 contained blanket criminal provisions for all of its programs like banking, mortgage lending, money transmission, etc. The division routinely relied on First Degree Felony Theft in its criminal investigations. Representative Galvin asked if he felt Title 6 statutes were sufficient and did not need modernization for the bill. Mr. Schmidt replied that the daily penalties were enhanced, but the current penalties were sufficient. He reported that currently, the division enforcement section was extremely busy investigating fraud and scams from a few thousand to millions of dollars. He elaborated that the fraud happened most frequently on the elderly and mostly involved crypto currency. He could not share the "strides" the division was engaged in but assured the committee it was protecting Alaskans every day.

[3:11:58 PM](#)

Representative Galvin asked about the tiered costs structure. She asked how it came about. Representative Fields answered that it was suggested by the department and deferred to Mr. Schmidt.

Mr. Evan Anderson interjected that the division had shared a draft model plan regarding the bill and recommended the tiered fee system ranging from \$3,000 to \$30,000. However, the language in the bill was flexible so that as transmission volumes increased the fees could increase.

Mr. Schmidt answered that the division particularly looked at the formulas Ohio and Texas employed and used it as a reference point while it determined the program's costs. The fees would ultimately cover the costs to administer the program.

Representative Stapp looked at Section 37 of the bill pertaining to civil penalties. He asked what the conditional impact was pertaining to the section. Representative Fields deferred to Mr. Schmidt. Representative Stapp referred to Section 69 of the Sectional Analysis (copy on file) and read: "Adds a new section "CONDITIONAL EFFECT" to allow adoption of transitional regulations by DCCED." He asked for an explanation of the section and noted the sectional left out much of the section.

Mr. Evan Anderson replied that he believed the change had been made in the House Labor and Commerce Committee at the request of the department.

Representative Stapp pointed out that Section 69 contained conditional language that required the legislature to have a two-thirds vote on the bill to allow Section 37 and Section 65 become law. He turned to page 55, line 14 of the bill and read: "Conditional Effect. AS 06.55.605, as amended by sec. 37 of this Act, takes effect only if sec. 65 of this Act receives the two-thirds majority vote of each house required by art. IV, sec. 15, Constitution of the State of Alaska." He asked what would happen to the bill if the two-thirds majority vote was not received. Representative Fields replied that it was a question for Legislative Legal Services, and he would follow up. Representative Stapp cited Section 65 of the bill and believed that it was a "key" provision in the bill by requiring a two-thirds vote threshold. He assumed that the exclusion in the sectional analysis was an oversight. Representative Fields noted that the bill passed the Senate unanimously. He would follow up. Representative Stapp did not understand why the definitions were so prescriptive. He pointed to Section 57, page 49, line 2 deleting estates and trusts from statute and replacing it with partnerships, liabilities, stock corporation, and corporate entities identified by the department. He asked why trusts and estates were deleted. Representative Fields answered that the language did not eliminate trusts. Representative Stapp noted that the words "an estate, a trust, and a partnership

were bracketed. Representative Fields pointed to the word "trust" on line 3 that was not bracketed. He deduced that trusts were not eliminated.

3:19:01 PM

Representative Stapp referenced Section 58, page 49, line 11 and read: "a United States military installation that is located in a foreign country..." He interpreted that applied to a "cop in Iraq." He wondered how Alaska could codify something in statute that allowed jurisdiction in a foreign country. Representative Fields deferred to Mr. Schmidt.

Mr. Schmidt deferred to a colleague.

TRACY RENO, CHIEF OF EXAMINATIONS, DIVISION OF BANKING AND SECURITIES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), replied that the division had worked with the entities involved in crafting the model law. Therefore, the changes made throughout the bill were part of the modernization act to ensure uniformity. She delineated that if a multi-state enforcement action was necessary against a national company all participants had the same language in law to carry out the law enforcement.

Representative Stapp read from page 49 and stated it made no sense to him. He read as follows: "state" means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, a United States military installation that is located in a foreign country, or a territory or insular possession subject to the jurisdiction of the United States..." He thought that it seemed "very weird to" specify a U.S. military installation in a foreign country. He wondered how the law could apply on a base in a foreign country. Ms. Reno answered that she would follow up with a response after consulting the drafters of the model law.

Representative Fields interjected and cited AS 06.55.990(22) and read: "state" means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or a territory or insular possession subject to the jurisdiction of the United States..." He deduced that a military installation might be considered an insular possession subject to the jurisdiction of the U.S. He was uncertain why it was included in the bill. Representative Stapp thought the language was strange.

Representative Fields deduced that there was a benefit to protecting Alaskans that were stationed overseas.

[3:23:06 PM](#)

Representative Stapp pointed to page 49, line 22, subsection (B) and read: "(B) does not mean a payment instrument or a closed-loop stored value, or a stored value not sold to the public but issued and distributed as part of a loyalty, rewards, or promotional program..." He inquired if gold was referenced as a closed loop stored value. Representative Fields answered that it pertained to a points program on the amount of money spent in a store; a loyalty program. Representative Stapp asked for the definition of closed loop stored value. Representative Fields responded that a closed loop meant an item was not being sold in the marketplace.

[3:24:27 PM](#)

Representative Allard was concerned because it felt like it was an industry bill that was using government to push their agenda. She was concerned about the portion related to crypto. She reiterated that the security provisions actually had the potential to expose individuals' information. She asked Representative Fields to speak to her concern and how the bill impacted cryptocurrency. She asserted that the crypto industry was not in favor of the legislation. Representative Fields responded that he did not view HB 99 as an industry bill. He thought the department made a compelling argument about why the statutes needed to be updated. He voiced that he had not seen any criticism of the bill by the crypto industry. He deferred to Mr. Schmidt to describe how the bill enhanced Alaskans' security in the money transmission market.

Mr. Schmidt answered that if one wanted to encourage the financing of terrorism or money laundering the best way to do so was to not regulate money transmission. Conversely, the way to discourage those crimes was to allow financial examiners to audit records, data, and compliance. He emphasized that the bill modernized and improved the regulatory abilities. He addressed the comment that the bill appeared to be an industry bill. He explained that the statement was inaccurate. The division worked closely with the Conference of State Bank Supervisors (CSBS) and routinely relied on the expertise of other state

regulators. He related that his equivalent division in New York state had over 1,000 employees and Alaska had 27. The bill had passed diverse states including Massachusetts, Texas, Illinois, and Indiana. In addition, the very large state that had not adopted the model law developed their own laws because they had the resources to develop statutes. Those states wanted to draft their own laws reflecting their own priorities. He stressed that with a staff of 27 he could not draft an equivalent bill. He asserted that HB 99 was not an industry bill. He furthered that as part of his job, he was working to get jailtime for financial criminals caught "doing bad things to Alaskans." He was not here to "caudle anyone." He stated that if someone wanted to be a bad actor in the crypto space, they did not get licensed in the U.S. He informed the committee that the companies that were licensed in the U.S. had the best compliance and were very responsive. He had tried to get scammed Alaskans their money from cryptocurrency exchanges from outside of the U.S. and it was difficult. He averred that HB 99 was a bill that would protect consumers and harmonize regulations. He shared that he sent his examination team out to PayPal, who were onsite for weeks examining records, yet they were using the toolkit from 2004 and not the modern tools others were utilizing. He emphasized that antiquated statutes were not benefitting Alaskans.

[3:30:53 PM](#)

Representative Allard maintained that she did not appreciate being "mansplained" [colloquial expression] to. She reiterated that members of the crypto industry were antagonistic to the bill because of the security issues. She stated that none of her questions were answered.

Representative Fields relayed that the Alaska Public Interest Research Group and the Consumer Confederation of America reviewed the bill and had a modest amendment suggestion. He emphasized that he did not just take industry's word or the department's word on the bill. He indicated that he engaged national consumer protection experts to review the bill.

Co-Chair Josephson referenced Section 37 that was referred to in Section 65 mentioned by Representative Stapp. He explained that Constitutional law mandated that a two-thirds votes of both chambers was necessary to change Court

Administration rules. He determined that if the two-thirds vote was not attainable the fine could still be increased. He informed the committee that in a regular criminal court, the prosecutors' fees would not be included in the penalty and without the vote the penalties would also not be included in the bill. However, the bill would remain viable.

Representative Fields thanked the committee for hearing the bill.

HB 99 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following day.

#  
ADJOURNMENT

[3:33:31 PM](#)

The meeting was adjourned at 3:33 p.m.