

HOUSE BILL REPORT

SSB 6065

As Reported by House Committee On:
Innovation, Technology & Economic Development

Title: An act relating to establishing the Washington blockchain work group.

Brief Description: Establishing the Washington blockchain work group.

Sponsors: Senate Committee on Environment, Energy & Technology (originally sponsored by Senators Brown, Hasegawa, Kuderer, Nguyen, Rolfes, Short, Wilson, L., Das and Wellman).

Brief History:

Committee Activity:

Innovation, Technology & Economic Development: 2/25/20, 2/26/20 [DPA].

**Brief Summary of Substitute Bill
(As Amended by Committee)**

- Establishes the Washington blockchain work group (work group) for the purpose of examining various potential applications of blockchain technology.
- Requires the work group to submit a report to the Governor and the Legislature on recommended policies to develop blockchain applications in Washington by December 1, 2021.

HOUSE COMMITTEE ON INNOVATION, TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended. Signed by 9 members: Representatives Hudgins, Chair; Kloba, Vice Chair; Smith, Ranking Minority Member; Boehnke, Assistant Ranking Minority Member; Entenman, Slatter, Tarleton, Van Werven and Wylie.

Staff: Kyle Raymond (786-7190).

Background:

Legislation was enacted in 2019 providing that an electronic record may not be denied legal effect because it is generated or stored using distributed ledger technology.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Distributed ledger technology means any distributed ledger protocol and supporting infrastructure, including blockchain, that uses a distributed, decentralized, shared, and replicated ledger.

Blockchain means a cryptographically secured, chronological, and decentralized consensus ledger or consensus database maintained via Internet, peer-to-peer network, or other similar interaction.

Summary of Amended Bill:

The Washington blockchain work group (work group) is established, subject to appropriation. The purpose of the work group is to examine various potential applications of blockchain technology, including computing, banking and other financial services, the real estate transaction process, health care, supply-chain management, higher education, and public recordkeeping.

The work group is composed of four legislative members, six members from state agencies, and eight members from associations.

The legislative work group members include: (1) one senator from each of the two largest caucuses of the Senate, appointed by the President of the Senate; and (2) one representative from each of the two largest caucuses of the House of Representatives, appointed by the Speaker of the House of Representatives.

The state agency work group members include the Director, or the Director's designee, of the departments of Commerce, Agriculture, Financial Institutions, and the Consolidated Technology Services Agency. The Secretary of State and the State Auditor, or the designee of the Secretary of State or the State Auditor, are also members of the blockchain work group.

In addition, the work group also includes certain individuals representing trade and other associations appointed by the Governor, including:

- a Washington-based technology trade association for the full cross section of the technology sector;
- a trade association for financial services companies that do business in Washington;
- a trade association for title insurance companies that do business in Washington;
- a trade association for health care companies that do business in Washington;
- a trade association for property and casualty insurance companies that do business in Washington;
- a trade association for Washington-based agriculture;
- an association for county government officials in Washington; and
- an association for public utility districts in Washington.

In addition, individuals representing other sectors may be invited by the chair, in consultation with the other appointed work group members, to participate in the work group in an advisory capacity. These invited representatives are not members of the work group and may

not participate in any work group vote. There is no limit on the number of invited individuals acting in an advisory capacity.

The work group is required to hold its first meeting by August 1, 2020. The work group must elect a chair from among its members by majority vote at the first meeting.

The chair of the work group is responsible for arranging subsequent meetings and developing meeting agendas. A public comment period must be provided at every work group meeting.

Staff support for the work group must be provided by the Office of the Secretary of State and the State Auditor's Office within existing resources, and the two agencies may enter into an interagency agreement to provide work group staff support.

The work group is required to submit a report on recommended policies that will facilitate the development of blockchain applications in Washington to the Governor and the Legislature by December 1, 2021.

The work group expires January 1, 2022.

Amended Bill Compared to Substitute Bill:

The amended bill makes the following changes to the substitute bill:

- adds the Secretary of State and the State Auditor, or the designee of the Secretary of State or the State Auditor, as members of the work group;
- removes the Senate confirmation requirement for Governor-appointed work group members;
- provides that staff support to the work group will be provided by the Office of the Secretary of State and the State Auditor's Office within existing resources, rather than the House of Representatives Office of Program Research and the Senate Committee Services; and
- allows the Office of the Secretary of State and the State Auditor's Office to enter into an interagency agreement to provide work group staff support.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 26, 2020.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Many sectors around the world are creating and adopting blockchain technology to dramatically improve the quality and delivery of services for people. Blockchain technology has a number of potential applications, to help better track product quality, manage supply chains, keep records and registrations, and track cargo. In addition,

blockchain provides people a clear, transparent, and permanent log of transactions. The most important aspect of blockchain technology is its capacity to revolutionize the universe of transactions, similar to the way the Internet revolutionized the universe of communications.

This bill is critical in bringing together private sector and public sector stakeholders to determine the correct next steps in supporting future regulations and attracting investment and jobs to the state.

Other states have taken action on blockchain technology, including Colorado, Illinois, and most recently Texas. Washington can and should do better than other states in advancing blockchain technology.

Emerging technologies have brought incredible growth to Washington over the last several decades. This growth has not impacted all of our citizens equitably. Blockchain technology could bring revolutionary change to how employers and educational institutions interact to screen and hire talent, eliminate bias, and increase diversity.

There is an acute need for better communication between industry members and for the Legislature to promote better policies to support this innovation. This bill would bring together representatives from various industry sectors, highlighting that blockchain isn't only about money. The mandatory public comment period for the work group in the bill creates engagement between the Legislature and the growing blockchain industry. The work group would also provide concrete policy recommendations to the Legislature for sensible and informed lawmaking. This working group is long overdue.

(Opposed) None.

(Other) The Office of the Secretary of State (SOS) should be included in the work group. It is critical that the SOS advance its understanding of both the promise and risks associated with blockchain technologies related to elections. The existing cybersecurity efforts of the SOS would be better informed by its inclusion on the work group, and the SOS would bring significant expertise to the work group related to cyber protection.

Persons Testifying: (In support) Senator Brown, prime sponsor; Arry Yu, Washington Technology Industries Association Cascadia Blockchain Council; Joseph Cutler, Perkins Coie; and Christopher Spanton, T-Mobile.

(Other) Jay Jennings, Office of the Secretary of State.

Persons Signed In To Testify But Not Testifying: None.