

# SENATE BILL REPORT

## ESSB 5544

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As Amended by House, March 4, 2022

**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, Dozier, Frockt, Hasegawa, Mullet, Rolfes, Short, Wagoner, Wellman and Wilson, L.).

**Brief History:**

**Committee Activity:** Environment, Energy & Technology: 1/12/22, 2/01/22 [DPS].

**Floor Activity:** Passed Senate: 2/10/22, 48-0.

Passed House: 3/4/22, 94-4.

**Brief Summary of Engrossed First Substitute Bill**

- Establishes the Washington Blockchain Work Group (work group).
- Requires the work group to submit a report on potential uses and impacts of blockchain, including impacts on existing industries, utilities, demand for electricity, and demand for computer processing capacity, and recommended policies that facilitate the development of blockchain applications in Washington by December 1, 2023.

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### SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

**Majority Report:** That Substitute Senate Bill No. 5544 be substituted therefor, and the substitute bill do pass.

Signed by Senators Carlyle, Chair; Lovelett, Vice Chair; Short, Ranking Member; Brown, Das, Fortunato, Lias, Lovick, Nguyen, Schoesler, Sheldon, Stanford and Wellman.

**Staff:** Angela Kleis (786-7469)

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

**Background:** Under current Washington law, blockchain means a cryptographically secured, chronological, and decentralized consensus ledger or consensus database maintained via internet, peer-to-peer network, or other similar interaction.

There are various uses and applications of blockchain such as digital currency, online voting, medical records, insurance policies, property and real estate records, and supply chain tracking.

**Summary of Engrossed First Substitute Bill:** Subject to appropriations, the Washington Blockchain Work Group (work group) is established with the purpose of examining various potential applications for blockchain technology such as 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:

- one member from each of the two largest caucuses in the Senate and the House of Representatives;
- the Secretary of State, or the Secretary of State's designee;
- the director, or the director's designee, for the departments of Commerce, Agriculture, and Financial Institutions, the Health Care Authority, and the Consolidated Technology Services Agency; and
- individuals appointed by the Governor that represent a federally recognized tribe located in Washington and specified associations and organizations.

Individuals representing other sectors may be invited by the chair, in consultation with the other appointed members of the work group, to participate in an advisory capacity. Invited representatives are not members of the work group, may not vote, and are not subject to gubernatorial appointment. There is no limit on the number of invited individuals acting in an advisory capacity.

The work group shall hold its first meeting by August 1, 2022, and elect a chair from its members at that meeting. A public comment period must be provided at every work group meeting. Staff support for the work group must be provided by the Department of Commerce .

The work group must submit a report on potential uses and impacts of blockchain, including impacts on existing industries, utilities, demand for electricity, and demand for computer processing capacity, and recommended policies that will facilitate the development of blockchain applications in Washington to the Governor and the appropriate committees of the Legislature by December 1, 2023.

The work group dissolves January 1, 2024.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** Yes.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** *The committee recommended a different version of the bill than what was heard.* PRO: Blockchain-technology is being used in various innovative and privacy-preserving applications. Washington State needs to take advantage of those uses. Various governments are learning from work groups. This bill is an important step in facilitating and increasing the opportunity of growth in the technology sector, and promoting dialogue and informed policy decisions.

OTHER: We support the bill but our office currently lacks resources to provide staff support for the work group. We would like to provide input to the work group as an appointed member.

**Persons Testifying:** PRO: Senator Sharon Brown, Prime Sponsor; Molly Jones, Washington Technology Industry Association; Paul Rapino, Global Blockchain Business Council; Arry Yu, Cascadia Blockchain Council.

OTHER: Brian Hatfield, Office of Secretary of State; David Bremer, Office of the Lieutenant Governor.

**Persons Signed In To Testify But Not Testifying:** No one.

#### **EFFECT OF HOUSE AMENDMENT(S):**

- Specifies that the purpose of the work group is to examine various potential applications of and policies for blockchain technology to help attract and support employees and new businesses, and adds identity verification as a potential application.
- Removes the Secretary of State and the directors of the Department of Financial Institutions, Washington Technology Solutions, the Department of Agriculture, and the Health Care Authority as members of the work group and adds them as ex officio members, along with the Insurance Commissioner, the Director of the Department of Ecology, the State Auditor, and the Director of the Department of Revenue.
- Adds a cybersecurity expert, a privacy expert, and individuals representing the following organizations as members of the work group: The Cascadia Blockchain Council, a higher education institution, a consumer advocacy organization, a large company, a small company, the Washington State Labor Council, and advocacy organizations that represent individuals or protected classes of communities historically impacted by surveillance technologies and bias in technology-based systems.
- Specifies that certain members must be designated by their organization or by the Director of the Department of Commerce.

- Changes the date of the inaugural meeting of the work group to December 1, 2022, from August 1, 2022.
- Specifies that the work group's report must also include recommended policies to grow the blockchain-related workforce, evaluate environmental advantages and concerns, make Washington a favorable place to do business, address racial equity considerations, and improve the lives of Washington residents.
- Specifies that the work group may create subcommittees.
- Adds the Director of the Department of Licensing and the Director of the Office of Equity, or their designees, as ex officio members of the work group.
- Provides examples of protected classes of communities historically impacted by surveillance technologies and bias in technology-based systems.