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Senate Bill 888 (as introduced 2-24-22)
Sponsor: Senator Jim Ananich
Committee: Economic and Small Business Development

Date Completed: 5-12-22

CONTENT

The bill would enact the "Blockchain and Cryptocurrency Commission Act" to create the "Blockchain and Cryptocurrency Commission" and to prescribe its membership and duties, including the investigation of blockchain and cryptocurrency to develop a master plan of recommendations for fostering an expansion of blockchain technology and the cryptocurrency industry in Michigan.

Membership

Specifically, the bill would create the Blockchain and Cryptocurrency Commission in the Department of Licensing and Regulatory Affairs (LARA). "Blockchain" would mean a mathematically secured, chronological, and decentralized ledger or database. "Cryptocurrency" would mean digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, and that operates independently of a central bank.

The Commission would have to consist of the following members:

- One individual who was appointed by the Speaker of the House of Representatives.
- One individual who was appointed by the Minority Leader of the House of Representatives.
- One individual who was appointed by the Senate Majority Leader.
- One individual who was appointed by the Senate Minority Leader.
- The Attorney General or his or her designee.
- The Directors of the Departments of Treasury and Technology, Management, and Budget, or their respective designees.
- One individual from a cryptocurrency company that was appointed by the Governor.
- One individual from a cryptocurrency exchange who was appointed by the Governor.
- One individual from a company with a business model that used block chain for noncryptocurrency transaction purposes who was appointed by the Governor.
- Two individuals from institutions of higher education in the State who were appointed by the Governor.
- One individual who was appointed by the chair of the House of Representatives Financial Services Committee.
- One individual who was appointed by the chair of the Senate Insurance and Banking Committee.
- One individual who was appointed by the chair of the House of Representatives Regulatory Reform Committee.
- One individual who was appointed by the chair of the Senate Regulatory Reform Committee.

The first members of the Commission would have to be appointed within 45 days after the bill's effective date. Commission members would serve two-year terms or until a successor was appointed. If a vacancy occurred on the Commission, it would have to be filled for the unexpired term in the same manner as the original appointment. The appointing official could remove a member of the Commission who he or she appointed for incompetence, dereliction of duty, malfeasance, misfeasance, or nonfeasance of office, or any other good cause.

The bill would require the Governor to call the first meeting of the Commission. At the first meeting, the Commission would have to elect a member as a chairperson and could elect other offices that it considered necessary or appropriate. The Commission would have to meet at least quarterly, or more frequently at the call of the chairperson or at the request of nine or more members.

A majority of the members of the Commission would constitute a quorum for transacting business. A vote in favor by nine of the members serving would be required for any Commission action. The Commission would have to comply with the Open Meetings Act and the Freedom of Information Act. A member of the Commission would not be entitled to compensation for service, but LARA could reimburse a member for actual and necessary expenses incurred while serving.

Duties

The Commission would have to do all the following:

- Investigate blockchain and cryptocurrency to develop a master plan of recommendations for fostering an expansion of blockchain technology and the cryptocurrency industry in the State.
- Take input from a broad range of stakeholders with a diverse range of interests affected by State policies governing emerging technologies, privacy, business finance, the courts, the legal community, and State and local government.
- Within one year after all appointments were made, submit a report to the Senate and House of Representatives that contained the result of the Commission's investigation and its master plan of recommendations to foster a positive blockchain and cryptocurrency economic environment, together with drafts of legislation needed to effect the recommendations.

In addition, the Commission would have to examine all the following:

- The feasibility, validity, risks, and admissibility, including privacy risks and benefits of using blockchain technology in State and local government and Michigan-based businesses.
- The need for modifications to the definition of blockchain in the bill and to other laws of the State to affect the appropriate deployment of blockchain technology.
- The impact of the proliferation of the cryptocurrency industry on State revenues and the need to restructure the State's tax framework, including the advisability of taking cryptocurrency transactions as part of the sales tax.
- The advisability of government agencies and relevant business enterprises, including, but not limited to, cannabis retail stores accepting payment in cryptocurrency.
- The feasibility of regulating the energy consumption associated with cryptocurrency.
- The best practices for enabling blockchain technology and cryptocurrency transactions to benefit the State, Michigan-based businesses, and residents of the State, including an examination of historical barriers to entry and participation in emerging technologies and markets for individuals underrepresented in these industries and markets.

- The State agencies best equipped to provide oversight of blockchain technology and the cryptocurrency industry.
- Any other related topic that the Commission chose to examine in relation to blockchain or cryptocurrency.

For government use, the Commission's examination would have to include consideration of government records and delivery of services, consideration of court proceedings, and consideration of statewide registries including for firearms, marijuana and opiates, and election nominating petitions, voter records, and election results. For businesses use, the Commission's examination would have to include consideration of the advisability of allowing corporate records to be maintained using blockchain technology, including any security requirements necessary to ensure the accuracy of the corporate records.

Legislative Analyst: Tyler P. VanHuysse

FISCAL IMPACT

The bill would not have a significant fiscal impact on State or local government. Under the bill, members of the Commission would not be compensated but could be reimbursed for actual and necessary expenses incurred as part of their service. The Department of Licensing and Regulatory Affairs would determine whether an expense was qualified and would issue the reimbursement. The actual and necessary expenses incurred by the Commission members cannot be estimated at this time. In addition to these reimbursements, the Commission could incur costs related to the research required under the bill. The bill does not designate a fund source either for reimbursements or for other potential expenses.

Fiscal Analyst: Elizabeth Raczkowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.