

DAVID Y. IGE  
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**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
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EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, AND  
TOURISM AND GOVERNMENT OPERATIONS  
ON  
SENATE BILL NO. 2696

**February 7, 2022**  
**3:30 p.m.**  
**Room 224 and Videoconference**

RELATING TO VIRTUAL CURRENCY

The Department of Budget and Finance (B&F) has serious concerns regarding this bill.

Senate Bill No. 2696 amends Chapter 36, HRS, to: 1) allow the Director of Finance (DOF) to authorize any State agency to enter into a virtual currency payment agreement with persons or virtual currency issuers to provide the acceptance of virtual currency as a means of payment; 2) require that each virtual currency payment agreement contains a provision for payments to be converted to U.S. dollars within 24 hours of receipt of payment; 3) allow any State agency that has entered into such an agreement to impose a transaction fee on virtual currency payments to cover the costs of the transactions incurred by the State agency; 4) require the DOF to adopt rules pursuant to Chapter 91, HRS, to implement the authorization of virtual currency payment agreements; and 5) provide definitions for clarity.

B&F notes that it does not appear appropriate to begin accepting virtual currency payments in lieu of U.S. dollars at this time. Regulatory issues surrounding virtual currencies have not been resolved at the federal or State level, and it is uncertain what implementation issues may arise from adopting the acceptance of virtual currency payments. There also does not appear to be any other state governments that currently accept virtual currency payments since Ohio suspended its program in 2019.

B&F defers to the Department of Commerce and Consumer Affairs regarding regulatory issues of virtual currencies and the Department of Accounting and General Services regarding implementation of acceptance of virtual currency payments.

Thank you for your consideration of our comments.

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
DIRECTOR OF TAXATION

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**DEPARTMENT OF TAXATION**  
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To: The Honorable Glenn Wakai, Chair;  
The Honorable Bennette E. Misalucha, Vice Chair;  
and Members of the Senate Committee on Energy, Economic Development and  
Tourism

The Honorable Sharon Moriwaki, Chair;  
The Honorable Donovan M. Dela Cruz, Vice Chair;  
and Members of the Senate Committee on Government Operations

From: Isaac W. Choy, Director  
Department of Taxation

Date: Monday, February 7, 2022  
Time: 3:30 P.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 2696, Relating to Virtual Currency**

The Department of Taxation (Department) strongly opposes S.B. 2696 and offers the following comments for your consideration.

S.B. 2696 allows the Director of Finance to authorize any state agency to enter into virtual currency payment agreements with persons or virtual currency issuers to provide the acceptance of convertible virtual currency as a means of payment. The measure also allows any State agency that enters into a virtual currency payment agreement with a person or virtual currency issuer as authorized by the Director of Finance to accept convertible virtual currency. S.B. 2696 is effective upon approval.

The Department notes that it is responsible for collecting tax revenue for the State. In fiscal year 2021, the Department collected \$8.17 billion. The Department believes that it is inappropriate to collect tax revenue in any form, other than the United States dollar due to the inherent volatility of holding the tax revenue in other forms. Although it may seem appealing to accept cryptocurrency because of the potential increase value, the State must also consider the potential decrease in value. If the State does not have enough cash on hand to satisfy its obligations during a period of depreciation, it may be forced to sell the cryptocurrency and recognize the loss just to satisfy its current obligations. This will result in a chain reaction budget deficit.

The only conceivable way to reduce this risk would be to sell the cryptocurrency as soon as it is received as payment, but this would defeat the purpose of allowing cryptocurrency payments in the first place.

The Department also notes that when real or personal property is used to satisfy an outstanding tax liability, the property must first be sold with the net proceeds applied to the liability. This is the opposite of what is being proposed by this measure as the State does not bear the risk in regard to the value of the property.

For the foregoing reasons, the Department is opposed to this measure to the extent that it allows for the collection of State tax revenue in the form of cryptocurrency.

Thank you for the opportunity to testify on this measure.

Presentation to The  
The Committee On Government Operations  
The Committee on Energy, Economic Development, and Tourism  
Monday, February 7, 2022, 3:10 PM  
State Capitol Conference Room 224 & Videoconference

**Testimony on SB 2696 With Comments**

TO: The Honorable Sharon Y. Moriwaki, Chair of GVO  
The Honorable Glenn Wakai, Chair of EET  
The Honorable Donovan Dela Cruz, Vice Chair of GVO  
The Honorable Bennette E. Misalucha, Vice Chair of EET  
Members of the Committees

My name is Neal K. Okabayashi, Executive Director of the Hawaii Bankers Association (HBA). HBA represents seven Hawai'i banks and three banks from the continent with branches in Hawai'i.

HBA offers comments on the potential risks to the State posed by accepting virtual currency, which is not legal tender of the United States, to pay and satisfy debts of the State.

Virtual currency is a highly volatile currency which value changes from minute to minute. For example, on February 5, 2022, the value of bitcoin opened at \$41,853, with the highest price of the day at \$41,853, and the lowest price at \$41,080, and a closing price of \$41,701. On October 22, 2021, the opening price for the day was \$62,238, and the highest price at \$63,715, the lowest price was at \$60,123, and the closing price was \$60,672. All price numbers are rounded numbers. Thus, the value received will depend on the timing of the sale of the virtual currency that day. These numbers are provided to show the volatility of the price that may be received by the State.

The debtor will still owe the State a balance of the unpaid amount but the question is whether the debtor will be able to pay that amount in legal tender.

It may be more prudent for the debtor to bear the risk of the volatility of the price of bitcoin and then transmit the legal tender to the State in payment of the debt.

It seems that Coinbase, one of the largest cryptocurrency exchanges does not limit the number of trades in a day but limits the value of each trade. Thus, receipts of tax payments in April may require numerous trades in a day, thereby raising the risks to the State.

Thank you for the opportunity to submit this testimony with comments on SB 2696. Please let us know if we can provide further information.

Neal K. Okabayashi  
524-5161





Written Statement of  
**Len Higashi**  
Acting Executive Director  
Hawaii Technology Development Corporation  
before the  
**SENATE COMMITTEE ON ENERGY, ECONOMIC  
DEVELOPMENT, AND TOURISM**  
and the  
**COMMITTEE ON GOVERNMENT OPERATIONS**

Monday, February 7, 2022  
3:30 p.m.  
Videoconference

In consideration of  
**SB2696**  
**RELATING TO VIRTUAL CURRENCY.**

Chairs Wakai and Moriwaki, Vice Chairs Misalucha and Dela Cruz, and Members of the Committees.

The Hawai'i Technology Development Corporation (HTDC) **offers comments on SB2696** that allows the Director of Finance to authorize any state agency to enter into virtual currency payment agreements with persons or virtual currency issuers to provide the acceptance of convertible virtual currency as a means of payment and allows any state agency that enters into a virtual currency payment agreement with a person or virtual currency issuer as authorized by the Director of Finance to accept convertible virtual currency.

HTDC supports initiatives aimed at accelerating the adoption of new technologies. HTDC has partnered with the DCCA Division of Financial Institutions on a 2-year pilot project for digital currency which ends June 30, 2022. A summary chart of the data collected can be found on our website at <https://www.htdc.org/digital-currency-innovation-lab/>.

HTDC appreciates the intent of this measure to pilot projects that demonstrate the potential benefits of virtual currencies to our community and provides Hawai'i the opportunity to take a leadership role at the national level as one of the first states to offer such a program. HTDC defers to the Department on the implementation of this measure. HTDC comments that enabling legislation is required this session for virtual currency transactions to continue in Hawai'i.

Thank you for the opportunity to offer these comments.

# RYAN KAWAILANI OZAWA

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@hawaii A row of social media icons including Instagram, Twitter, YouTube, LinkedIn, Facebook, and others.

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February 2, 2022

Aloha, Senator Glenn Wakai, Chair; Senator Bennette E. Misalucha, Vice Chair; members of the Committee On Energy, Economic Development, And Tourism; and Senator Sharon Y. Moriwaki, Chair; Senator Donovan M. Dela Cruz, Vice Chair; and members of the Committee On Government Operations:

I am writing to express my **support** of SB2696 relating to virtual currency.

I am currently engaged as a Community Engagement Consultant with the state's Digital Currency Innovation Lab (DCIL), but this testimony represents solely my opinion as a Hawaii resident and lifelong technologist.

I believe the crypto, digital currency, and blockchain space will be as transformative to communities and technologies as the advent of the Internet nearly 30 years ago. Hawaii's current regulatory regime is needlessly restrictive, and is a major barrier that prevents Hawaii residents and businesses from taking advantage of opportunities that are widely available in every other state.

In 2018, Ohio became the first state in the nation to accept cryptocurrency officially for tax payments. Later that year, Seminole County, Fla., began accepting bitcoin for some payments at the municipal level.

This year, the state of Florida is considering three additional programs, including allowing businesses to pay state feeds in cryptocurrency. Thirty-two other states (including Hawaii) and Puerto Rico have pending legislation in their 2021 legislative session, according to the National Conference of State Legislatures.

SB2696, while ambitious, would catapult Hawaii from the back of the line to near the front of the pack in accommodating this game-changing technology.

Mahalo for your consideration.



Ryan Kawailani Ozawa



Statement of  
Katie Jackson  
**Hawaii Blockchain Advocate**  
before the  
**Senate Committee on Energy, Economic Development, and Tourism**

Monday, February 7, 2022  
3:30 PM  
State Capitol, Conference Room 224 & Videoconference

In consideration of  
**SB2696**  
**RELATING TO VIRTUAL CURRENCY**

Chair Wakai, Vice Chair Misalucha, and Members of the Committee on Energy, Economic Development, and Tourism.

I **support** SB2696 that allows the Director of Finance to authorize any state agency to enter into virtual currency payment agreements with persons or virtual currency issuers to provide the acceptance of convertible virtual currency as a means of payment. Allows any state agency that enters into a virtual currency payment agreement with a person or virtual currency issuer as authorized by the Director of Finance to accept convertible virtual currency.

**As a longtime Oahu resident and blockchain advocate who collaborates with the national State Blockchain Associations**, I know the incredible future that cryptocurrency and blockchain technology allows and do not want the state of Hawaii to miss out. Simply put, **this bill would allow an exciting new world** that creates a new digital economy - also known as Web3.0 or Blockchain Distributed Ledger Technology (DLT) - **to thrive in Hawaii**.

**Blockchain technology allows Connected computers to reach agreement over shared data.** Similar to how the internet revolutionized information and created immense value, the rise of blockchain technology and the items that are transferred on the protocol has the same potential to revolution value and how it is transferred.

What the internet did for information, the blockchain and crypto technologies are doing for value. Eventually anything of value that can be transferred on a digital ledger — currency, art, music, identities, and eventually physical backed assets like mortgages, titles, and commodities will one day live in the new digital ecosystem.

**By adopting this bill, Hawaii will place itself at the forefront of the wave of innovation that is coming.**

**Additionally, a growing number of athletes, Mayors (New York's Mayor Adams) and other celebrities are publicly being paid in Crypto.** Hawaii should adopt the same policies and apply the same laws other states have on the books.

Thank you for the opportunity to offer these comments.

**SB-2696**

Submitted on: 2/6/2022 9:09:17 PM

Testimony for GVO on 2/7/2022 3:30:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Glenn Pablo	Individual	Support	No

Comments:

Dear Chair and Committee Members,

**I support** SB2696 which allows the Director of Finance to authorize any state agency to enter into virtual currency payment agreements with persons or virtual currency issuers to provide the acceptance of convertible virtual currency as a means of payment. Allows any state agency that enters into a virtual currency payment agreement with a person or virtual currency issuer as authorized by the Director of Finance to accept convertible virtual currency.

In the Crypto Market there are virtual currencies which peg themselves to the US Dollar 1:1 ratio.

*To quote CoinMarketCap:*

“USD Coin (known by its ticker USDC) is a stablecoin that is pegged to the U.S. dollar on a 1:1 basis. Every unit of this cryptocurrency in circulation is backed up by \$1 that is held in reserve, in a mix of cash and short-term U.S. Treasury bonds. The Centre consortium, which is behind this asset, says USDC is issued by regulated financial institutions.”<sup>1</sup>

*To quote Centre’s website:*

“Centre’s technology for fiat-backed stablecoins brings stability to crypto. The initial implementation is USD Coin (USDC), available as an Ethereum ERC-20, Algorand ASA, Avalanche ERC-20, Hedera SDK, Solana SPL, Stellar asset, and TRON TRC-20, and creating possibilities in payments, lending, investing, trading and trade finance — and the ecosystem will grow as other fiat currency tokens are added.

Centre stablecoins are issued by regulated and licensed financial institutions that maintain full reserves of the equivalent fiat currency. Issuers are required to regularly report their USD reserve holdings, and Grant Thornton LLP issues reports on those holdings every month.”<sup>2</sup>

Unlike other volatile virtual currencies, Stablecoins are virtual currencies which try to tackle price fluctuations by tying the value of cryptocurrencies to other more stable assets. Such as precious metals, commodities, Fiat money (USD, EUR, AUD, CAD,etc), or other collateral investments.

From my perspective, I would not use volatile virtual currencies like Bitcoin, Etheruem, Litecoin or Dogecoin to pay for a service or debt. Due to the minute to minute price changes of the market. Instead, I would use a Stablecoin virtual currency such as USD Coin, Gemini Dollar (GUSD), or another virtual currency that matches the USD and is backed by US dollar reserves.

There are mobile apps that allow for people to pay each other & businesses with various virtual currencies. The Flexa Network incorporates existing cashier register technology to scan a mobile virtual currency payment app such as Gemini Pay & SPEDN<sup>3</sup> to pay for goods and services. By passing this bill, it will allow for another mode of payment available for Hawaii Residents, utilizing blockchain technology. (Cash, Check, Debit/Credit & USD Coin).

Thank you for your time.

Glenn Pablo  
Oahu Resident

#### References

1. <https://coinmarketcap.com/currencies/usd-coin/>
2. <https://www.centre.io/usdc>
3. <https://flexa.network/apps/>

**SB-2696**

Submitted on: 2/6/2022 3:43:56 PM

Testimony for GVO on 2/7/2022 3:30:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Gerard Silva	Individual	Oppose	No

Comments:

NO Virtual Currency. This is just another way of Stealing money from the people.

Stop this Crap NOW!!