



# **The Move to the Mainstream Continues: California Lawmaker Wants to Use Blockchain to Combat Unemployment Fraud**

Insights

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Just a few short years ago, the use of blockchain technology in the workplace seemed like nothing more than an interesting theoretical discussion – but now a California lawmaker wants to deploy it to fight against unemployment fraud. Regardless of whether this legislative proposal becomes law, it's yet another example of the many varied ways in which blockchain tech can be used, and yet another sign that it's entering the mainstream conversation.

## **The Specifics of the California Proposal**

Numerous states have proposed legislation seeking to explore the use of blockchain technology, including in the employment sphere. As of the end of last year, 33 states and Puerto Rico had enacted legislation or had pending legislation addressing the use of blockchain technology and/or cryptocurrency. Many states and territories, including Arizona, New York, North Dakota, Penn, Maine, and Puerto Rico, already have proposed legislation regarding a blockchain and cryptocurrency study committee.

As to be expected given its role as one of the main states typically at the forefront of new legal issues, California has now entered the fray as well. It recently established an “Office of Digital Innovation” within the Government Operations Agency. This Office’s stated mission is to deliver better government services to the people of California through technology and design, including by collaborating with state entities to transform government services.

Assemblyman Jordan Cunningham, representing a district on the Central Coast, recently introduced legislation ([AB 2781](#)) that would require the Office to study the feasibility and appropriateness of the utilization of blockchain technology for purposes of identity verification and fraud prevention in the state’s unemployment insurance system. The bill would also require any findings to be reported to the Legislature.

Notably, the bill defines “blockchain” to mean a mathematically secured, chronological, and decentralized ledger or database.

## **What’s Next?**

Last week, the bill was referred to the Assembly's Privacy and Consumer Protection Committee, which reviews a wide range of technology-related issues. It remains to be seen whether AB 2781 will move forward beyond that. Assemblymember Cunningham is a Republican, and his party has introduced several dozen measures in recent years aimed at combatting well-publicized incidents of fraud involving California's unemployment insurance crisis during the COVID-19 pandemic. Many of these Republican-authored measures have failed to advance in the Democrat-dominated Legislature.

Regardless of the outcome of this specific proposal, it is significant because it creates another potential avenue for the mainstream adoption of blockchain technology – this time through the use by state agencies.

In addition, the potential use of this technology by state agencies has other interesting application. If California is considering the use of blockchain technology to address unemployment fraud, could other agencies follow suit? For example, could we see the use of blockchain tech by state agencies to verify wage payments or examine the validity of employment contracts or arbitration agreements?

## **Conclusion**

California (and Silicon Valley in particular) prides itself as being on the cutting edge when it comes to technology and innovation. It seems likely that if the use of blockchain technology by state agencies is going to start anywhere, it's going to start in California. This will be a development to watch, and both employers and businesses would do well to monitor this development, as we know what starts in California often sets the trend and spreads elsewhere.

If you have any questions, please contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our [Cryptocurrency and Blockchain Practice Group](#).

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