

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: C5HB 65(L&C)
 (H) Publish Date: 4/24/07

Revision Date/Time (Note if correction): _____ Dept. Affected: All
 Title Security breaches -- Identity theft RDU _____
 Component _____
 Sponsor Rep. Coghill
 Requester House Labor and Commerce Committee Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	***	***	***	***	***	***

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	***	***	***	***	***	***

Estimate of any current year (FY2007) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation establishes a number of requirements and penalties relating to the protection and disclosure of personal information, such as social security numbers.

The bill, if enacted in its current form, could result in the imposition of extremely large financial penalties on the State of Alaska. Article 4 of the bill, relating to social security numbers, would allow individuals to sue the State of Alaska for damages of \$5,000 or actual damages, whichever is greater, in the event of a security breach resulting in disclosure of social security numbers.

Although the State is pursuing all prudent and practical security measures to protect (continued)

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BILL NO. CSHB 65(L&C)

ANALYSIS CONTINUATION

personal information, it is possible that despite these security measures, a security breach could occur that would result in disclosure of over 500,000 records containing individual social security numbers. Under this scenario, an attorney could file a class action lawsuit against the State seeking damages of **\$2.5 billion** or more (500,000 records multiplied by damages of \$5,000 per individual). Even if the State settled such a case for 10 cents on the dollar, the cost to the State would still be \$250 million.

A number of State agencies are required, in order to provide necessary services to Alaskans, to maintain databases containing personal information on hundreds of thousands of Alaskans. In some cases, these databases contain historical information that includes personal information on millions of people. Agencies that are required to maintain databases on large numbers of Alaskans include the Division of Motor Vehicles, the Division of Elections, the Permanent Fund Division, the Department of Health and Social Services, the Department of Public Safety, and the Department of Labor and Workforce Development.

The legislation would also require notification of affected individuals in the event of a security breach resulting in disclosure of personal information. Under a scenario in which the State was required to notify 500,000 individuals by mail, the cost would be over \$100,000 for postage at bulk rates, plus any overtime and/or contractual assistance required to determine the affected individuals and locate current addresses.

While notification of individuals affected by disclosure of personal information is an appropriate practice, certain requirements of the bill, such as written notice (versus e-mail where possible), may increase the cost of such notification.