

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 28, 2007

3:06 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Carl Gatto
Representative Gabrielle LeDoux
Representative Jay Ramras
Representative Robert L. "Bob" Buch
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 155

"An Act extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date."

- MOVED HB 155 OUT OF COMMITTEE

HOUSE BILL NO. 65

"An Act relating to breaches of security involving personal information, credit report and credit score security freezes, consumer credit monitoring, credit accuracy, protection of social security numbers, care of records, disposal of records, identity theft, furnishing consumer credit header information, credit cards, and debit cards, and to the jurisdiction of the office of administrative hearings; amending Rule 60, Alaska Rules of Civil Procedure; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 155

SHORT TITLE: EXTEND ALCOHOLIC BEVERAGE CONTROL BOARD

SPONSOR(s): LABOR & COMMERCE

02/26/07	(H)	READ THE FIRST TIME - REFERRALS
02/26/07	(H)	L&C, FIN

03/16/07 (H) L&C AT 3:00 PM CAPITOL 17
03/16/07 (H) -- MEETING CANCELED --
03/28/07 (H) L&C AT 3:00 PM CAPITOL 17

BILL: HB 65

SHORT TITLE: PERSONAL INFORMATION & CONSUMER CREDIT
SPONSOR(S): REPRESENTATIVE(S) COGHILL, GARA

01/16/07 (H) PREFILE RELEASED 1/5/07
01/16/07 (H) READ THE FIRST TIME - REFERRALS
01/16/07 (H) L&C, JUD, FIN
01/31/07 (H) L&C AT 3:00 PM CAPITOL 17
01/31/07 (H) <Bill Hearing Canceled>
03/28/07 (H) L&C AT 3:00 PM CAPITOL 17

WITNESS REGISTER

DOUGLAS "DOUG" B. GRIFFIN, Director
Alcoholic Beverage Control Board
Department of Public Safety
Anchorage, Alaska
POSITION STATEMENT: Presented HB 155.

GARY SUPERMAN, President
Kenai Peninsula CHARR
Nikiski, Alaska
POSITION STATEMENT: Testified during hearing on HB 155.

ANDY LUNDQUIST, Owner
Tony's Bar & Liquor Store
Kodiak, Alaska
POSITION STATEMENT: Testified in support of HB 155.

LOUSE STUTES, President
Kodiak CHARR
POSITION STATEMENT: Testified in support of HB 155.

DARWIN A. BIWER, JR., Owner
Darwin's Theory
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 155.

BOB KLEIN, Chairman
Government Affairs Committee
Alaska CHARR
POSITION STATEMENT: Testified in support of HB 155.

DALE FOX, President & Chief Executive Officer (CEO)
Alaska CHARR
Anchorage, Alaska
POSITION STATEMENT: Testified during hearing on HB 155.

TED ANDERSON, JR., Owner
Mug Shot Saloon;
Tailgaters Sports Bar and Grill
Wasilla, Alaska
POSITION STATEMENT: Testified in support of HB 155.

JIM FLATLEY
Wasilla, Alaska
POSITION STATEMENT: Testified in support of HB 155.

BILL BUBBEL, Owner
The Pump House Restaurant and Saloon
Fairbanks, Alaska
POSITION STATEMENT: Testified in support of HB 155.

REPRESENTATIVE JOHN COGHILL
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented HB 65.

SENATOR GENE THERRIAULT
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Answered questions and offered background
information on HB 65.

KENTON BRINE
Property Casualty Insurers Association of America (PCI)
Olympia, Washington
POSITION STATEMENT: Testified during hearing on HB 65

MICHELLE JUN, Staff Attorney
Consumers Union
San Francisco, California
POSITION STATEMENT: Testified during hearing on HB 65.

STEVE CLEARY, Executive Director
Alaska Public Interest Research Group (AkPIRG)
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 65.

PAT LUBY, Advocacy Director

AARP Alaska

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 65.

ACTION NARRATIVE

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:06:00 PM. Representatives Neuman, Gatto, Gardner, and Olson were present at the call to order. Representatives Buch, Ramras, and LeDoux arrived as the meeting was in progress.

HB 155-EXTEND ALCOHOLIC BEVERAGE CONTROL BOARD

3:06:14 PM

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 155, "An Act extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date."

3:06:38 PM

DOUGLAS "DOUG" B. GRIFFIN, Director, Alcoholic Beverage Control Board ("ABC Board"), Department of Public Safety (DPS), began by expressing appreciation for the committee's willingness to sponsor the board extension legislation. He requested that the bill be "kept clean" as it moves through the legislative process. He then gave a brief history of the ABC Board, which regulates the sale and manufacture of alcoholic beverages in the state. He said that there are close to 1,830 licenses, and around 1,200 licensees. The ABC Board is responsible for licensing and enforcement. He explained that in 2003, the ABC Board was moved from the Department of Revenue (DOR) to the DPS by an executive order from the Governor, noting that while the legislature may override such an order, it chose not to do so. He stated that the ABC Board is comprised of five members, two of which are from the industry, and meets approximately six times per year to discuss license issues, as well as other issues regarding alcoholic beverage law. He noted that a recent report by the Division of Legislative Audit ("the Division") titled "Alaska Division of Legislative Audit, Summary Of: A Sunset Review of the Department of Public Safety, Alcoholic Beverage Control Board, August 31, 2006" shows that improvements are needed, adding that the ABC Board is currently working on these. He then detailed several areas that the ABC Board is

currently focusing on, which include an improved database, as well as improved minutes and product procedures.

3:10:04 PM

REPRESENTATIVE GARDNER asked for more detail regarding the concerns raised by the Division.

MR. GRIFFIN replied that the most recent report by the Division shows that the ABC Board has substantially complied with all recommendations from the prior audit. The first recommendation was for the ABC Board to strengthen its controls, such as its record keeping process and database security. He explained that the database system will be very secure, and may be moved to the DPS, so that the system administrator is not a part of the ABC Board staff. He then detailed the recommendations regarding the permitting functions. He explained that currently, single investigators in Juneau and Fairbanks complete each step involved in issuing catering permits. The Division feels that that this should be changed. He stated that the ABC Board refunds municipal license fees to local governments that enforce state, federal, and local liquor laws. The Division noted errors in refunds, and suggested a more in-depth application process and criteria, in order to better judge whether local police departments are enforcing liquor laws. The ABC Board is working with the administration in order to come up with a more involved process.

MR. GRIFFIN then discussed the second recommendation made by the Division, which involves the development and implementation of an overall plan for enforcement activities. He stated that the ABC Board has instituted a plan which will provide a more systematic approach to scheduling inspections and compliance checks. The third recommendation, he said, suggests that the ABC Board be more precise with public notice requirements for meetings, along with statutory and regulatory changes. Additionally, procedures should be established to ensure that the meeting records are complete and accurate. The fourth recommendation would remove the voting ability of the director. He explained that under certain circumstances, the director may be required to vote, which raises some concerns with the Division, and said "I understand where the [Division of Legislative Audit] was coming from. It is a philosophical question. I don't fault their reasoning. They make some very legitimate points regarding that."

3:16:42 PM

REPRESENTATIVE GARDNER, referring to the Division's report conclusions, asked whether Mr. Griffin agrees that the current wholesale license fee structure "has a regressive effect and puts low-volume wholesalers at a competitive disadvantage."

MR. GRIFFIN replied that this is a policy issue, adding that this "may be worthwhile" for the legislature or the ABC Board to review. The aforementioned fee structure is based on statute. He commented that legislative audits may bring issues to the surface that should be reviewed. He agreed that this is a legitimate point.

[3:18:04 PM](#)

REPRESENTATIVE GATTO asked what kind of problem the ABC Board is having in regard to fee collection.

MR. GRIFFIN replied that part of the problem was a clerical error, which was remedied. The other part of the problem is due to the fee structure. He explained that because of the current fee structure, the increased volume is not necessarily reflected in an increased collection of fees.

REPRESENTATIVE GATTO questioned the increase in alcohol sales.

MR. GRIFFIN surmised that this is due to an increase in the number of visitors to Alaska, in addition to population increases. He stated that the biggest concern is that much of the alcohol is sold illegally, to underage individuals, or to individuals who have an alcohol dependency problem. He pointed out that an estimated 20 percent of alcohol sold nationwide is consumed by individuals who are underage. He stated that his response is based partly on statistics, although some is personal speculation.

[3:21:54 PM](#)

REPRESENTATIVE BUCH in regard to the aforementioned wholesaler license fee structure, inquired as to whether Mr. Griffin has any suggestions on how to address these concerns.

MR. GRIFFIN replied that the ABC Board has not addressed this issue. He shared his belief that the concerns regarding the wholesale fee structure are legitimate, and that individuals in the alcohol industry feel the previous alcohol tax increase was adequate. However, he stated that considering an increase in

the wholesale fees "is certainly not out-of-bounds," and would be a legitimate consideration, based on the auditors' comments.

REPRESENTATIVE BUCH shared his hope that the ABC Board would have a plan, or would consider this and report back to the legislature.

MR. GRIFFIN replied that the ABC Board does not currently have a plan for this. He pointed out that the fees have not been increased since 1983, and reiterated that this is a legitimate consideration. He stated that while he does not currently have a plan, he would work on developing one if this was requested.

REPRESENTATIVE BUCH said that he would work with Chair Olson regarding this issue.

[3:24:54 PM](#)

REPRESENTATIVE NEUMAN shared a concern regarding a golf course in his district. He explained that the owners of the golf course are unable to sell alcohol on the golf course during special events, although federal agencies are allowed to do so. The owners of the golf course feel this is an unfair labor practice. He inquired as to Mr. Griffin's opinion of this situation.

MR. GRIFFIN replied that when the golf course license was revised in 1998, the legislature made a conscious decision to limit alcohol sales to beer and wine. He stated that military golf courses are not regulated by the ABC Board, and do sell alcohol other than beer and wine. A change in statute would be required to allow the sale of alcohol on a golf course. He commented that there are many ways this might be done, including allowing a "special events" permit. He expressed concern that if alcohol was sold on the golf course, it would then become a licensed premise, and underage individuals may be present. He shared his understanding that this was taken into consideration when the golf course license was revised to allow beer and wine to be served. He agreed that the state regulated golf courses are "at a disadvantage" due to what is allowed on military base golf courses.

[3:28:43 PM](#)

REPRESENTATIVE NEUMAN then offered his understanding that the sale of beer and wine is allowed on the golf course, and asked if this is correct.

MR. GRIFFIN replied yes, adding that food must also be available. The food may be available on a roving cart, or at a food stand. In response to additional questions, he explained that this is allowed with a golf course license, although there are other requirements, such as the length of the course. He reiterated that the sale of alcohol is limited to beer and wine, and stated that a catering license may be obtained for sale of other types of alcohol during a special event, such as a wedding or a golf tournament. However, the sale of additional types of alcohol would be confined to an "alcoholic beverage tent," and would not be allowed on the course, thus creating a more controlled environment.

[3:33:10 PM](#)

GARY SUPERMAN, President, Kenai Peninsula CHARR, expressed concern that the ABC Board is currently located within the DPS, while all other licenses are regulated in the Department of Commerce, Community, & Economic Development (DCCED). He stated that the alcoholic beverage industry is a "pretty substantial part" of the travel industry in Alaska, and agreed that much of the industry growth has been due to growth in the travel industry. He opined that DCCED is pro-business, while DPS is not. He stated that CHARR feels that the ABC Board should be returned to DCCED, or to the Department of Revenue (DOR), where it was previously located.

CHAIR OLSON shared his understanding that a separate bill may come before the committee to address this issue.

MR. SUPERMAN said that he is not aware of such a bill.

CHAIR OLSON stated that while the location of the board is an issue, it is not the issue currently before the committee. He pointed out that the issue currently being considered is the extension of the ABC Board, and requested that testimony be limited to this subject.

[3:38:02 PM](#)

ANDY LUNDQUIST, Owner, Tony's Bar & Liquor Store, stated that he is in support of extending the ABC Board. He also expressed his hope that the concerns regarding the department under which the ABC Board is regulated will be addressed.

REPRESENTATIVE LEDOUX thanked Mr. Lundquist for his testimony.

[3:39:21 PM](#)

LOUISE STUTES, President, Kodiak CHARR, stated that she is in support of extending the ABC Board. She also expressed concern with the current location of the ABC Board.

REPRESENTATIVE LEDOUX inquired as to whether Ms. Stutes would be in support of extending the ABC Board, regardless of whether the departmental issue is addressed.

MS. STUTES replied yes, adding that the ABC Board provides a service that the industry "can't afford to be without."

[3:40:57 PM](#)

DARWIN A. BIWER, JR., Owner, Darwin's Theory, stated that he is in support of extending the ABC Board. He also agrees with the previous speakers regarding the location of the ABC Board, and offered details relating to this.

[3:42:56 PM](#)

BOB KLEIN, Chairman, Government Affairs Committee, Alaska CHARR, said that he spent 12 years on the ABC Board. He stated that he is in support of the extension, and agreed with previous testimony regarding the location of the ABC Board.

[3:44:46 PM](#)

DALE FOX, President and Chief Executive Officer (CEO), Alaska CHARR, stated that in general, the industry is in support of extending the ABC Board. However, there is "huge frustration" with the move to DPS. He said "At the appropriate time, we'd love to share with you some of the horror stories of an agency that looks for ways to bust people, rather than looks for ways to work with an industry." He stated that the food and beverage industry is important, and is responsible for a significant amount of visitor revenue to the state. In regard to taxes, he said that Alaska has "some of the highest excise taxes in the nation."

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REPRESENTATIVE RAMRAS noted that he is a member of CHARR. He commented that CHARR was not present during discussions on HB 75, which relates to driver's licenses and alcohol and drug

awareness and safety testing, and expressed frustration with CHARR's attempts to move the ABC Board from DPS to DOR. He stated that he is in support of extending the ABC Board, and said "The idea is for CHARR to get behind more stringent compliance, and to do a better job within the guidelines that government sets out, and not just to look for an easier agency to be the steward under." He expressed disappointment with CHARR.

[3:48:14 PM](#)

REPRESENTATIVE GATTO, in regard to underage drinking, questioned whether CHARR has been involved in any activities that are directed towards reducing underage drinking.

MR. FOX replied that CHARR is a leader in alcohol awareness and education in Alaska. In regard to underage drinking, he stated that 65 percent of alcohol consumed by underage individuals is taken from home, while only 7 percent comes from bars, restaurants, or liquor stores. He stated that 7 percent is too high, and CHARR does everything it can to ensure that alcohol is "enjoyed by those who legally and responsibly use it." He said that CHARR has taken a proactive stance on this issue for many years.

REPRESENTATIVE GATTO asked whether CHARR has any school programs to educate youth on the effects of alcohol. He opined that CHARR would be instrumental in leading the effort to educate youth on the harmful effects of alcohol.

MR. FOX replied that CHARR has a number of programs working to address these issues, such as "Teen Talk," which assists parents in discussing alcohol with children. Some programs are taken into the schools, however, schools are not always interested in the alcohol industry coming to the school. He said "Where we're welcome, we've brought programs."

[3:54:50 PM](#)

TED ANDERSON, JR., Owner, Mug Shot Saloon and Tailgaters Sports Bar and Grill, stated that he has been in the industry for approximately 27 years. He expressed support for extending the ABC Board.

[3:55:44 PM](#)

JIM FLATLEY stated that he is in support of extending the ABC Board, adding that he is pleased to see the board working out its problems. He would also like the concerns regarding where the ABC Board is regulated to be addressed.

[3:56:35 PM](#)

BILL BUBBEL, Owner, The Pump House Restaurant and Saloon, stated that he has been in the food and beverage industry for 30 years. He is in support of extending the ABC Board. He commented that the ABC Board has enforcement powers similar to Department of Environmental Conservation (DEC), although these two entities are completely different. He stated that Fairbanks has one ABC Board officer that is in the same office as the state troopers. He explained that in order to meet with this individual, an appointment must be made. He opined that the ABC Board has forgotten that it is an administrative board, and is now "basically a police inquisition." He would like to see this change. He expressed concern with the intimidation and method associated with inspections, which was not an issue previously.

[4:00:01 PM](#)

MR. BUBBEL, in response to comments from Representative Ramras, stated that food service operations in Fairbanks work hard to protect licenses.

REPRESENTATIVE RAMRAS stated that in Anchorage, the ABC Board office is located on the DPS campus. He described the ABC Board's Fairbanks office, and recommended that the Director consider finding a more accessible location. He also expressed frustration with "stings" done by the ABC Board.

[4:04:12 PM](#)

REPRESENTATIVE NEUMAN inquired as to how Mr. Griffin intends to address the concerns raised by Mr. Bubbel.

MR. GRIFFIN shared his understanding that the Fairbanks office was previously moved to a more accessible location. He agreed that it can be difficult to meet with Mr. Richard Finney, who is the only field investigator there. The ABC Board is a small organization, and does its best with the resources available. He said that the concerns regarding accessibility will be addressed, adding that this is an ongoing challenge.

REPRESENTATIVE NEUMAN asked if this is the first time this concern has been raised.

MR. GRIFFIN replied no. He stated that the office was moved in response to a prior complaint. He agreed that it can be difficult to meet with Mr. Finney when he is out in the field, adding that the ABC Board has attempted to be responsive to this issue.

REPRESENTATIVE NEUMAN commented that the legislature often hears of problems with various boards, to which the board response is that it "will fix the problem." However, when the board extension is before the legislature again, the same concerns remain. He stated that this seems to be a recurring theme, and expressed hope that the accessibility concern would be addressed.

[4:08:25 PM](#)

REPRESENTATIVE RAMRAS expressed respect for Mr. Griffin and shared his belief that overall, the ABC Board is an extraordinary agency. He stated that at one time, the ABC Board functioned in a "very complimentary fashion" with the licensees across the state. While he feels the ABC Board should stay under DPS, he stated that the mission of the board should be to work with licensees, and to recognize that the majority of licensees across the state are law-abiding operators with well-trained staff. He shared his belief that the predator in underage drinking is the minor, not the licensee. He encouraged the ABC Board to recommend changes to the legislature to modify the penalties in "sting" operations. He also encouraged the ABC Board to review its mission, and said "You have strayed far, far away from the relationship that I [previously] enjoyed as a licensee." He opined that this is the reason behind CHARR's request that the ABC Board be returned to DOR or DCCED, adding that he feels DPS is the appropriate department for the ABC Board. He commented that the director has shown "exemplary" leadership, and shared his hope that the necessary changes will be made in order to maintain a constructive and positive relationship with licensees while still accomplishing the broader mission, as it relates to underage drinking.

[4:15:11 PM](#)

REPRESENTATIVE NEUMAN moved to report HB 155 out of committee with individual recommendations and the accompanying fiscal

notes. There being no objection, HB 155 was reported from the House Labor and Commerce Standing Committee.

The committee took an at-ease from 4:15 PM to 4:17 PM.

HB 65-PERSONAL INFORMATION & CONSUMER CREDIT

4:17:48 PM

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 65, "An Act relating to breaches of security involving personal information, credit report and credit score security freezes, consumer credit monitoring, credit accuracy, protection of social security numbers, care of records, disposal of records, identity theft, furnishing consumer credit header information, credit cards, and debit cards, and to the jurisdiction of the office of administrative hearings; amending Rule 60, Alaska Rules of Civil Procedure; and providing for an effective date."

4:18:02 PM

REPRESENTATIVE JOHN COGHILL, Alaska State Legislature, joint prime sponsor, began by explaining that a similar bill was introduced during the previous legislative session. He stated that when personal information is used, whether for-profit or for credit scoring purposes, it should be kept secure. He opined that the rules in Alaska "need to change with the times," adding that the various agencies involved would explain any concerns. He stated that HB 65 addresses when personal information is used, as well as identity theft and the consumer's right to freeze credit. He said that if social security numbers are going to be used, this should be properly protected. He requested that the committee not consider amendments at this time.

REPRESENTATIVE NEUMAN questioned how HB 65 will correspond with the ethics issues that the legislature is currently working on.

REPRESENTATIVE COGHILL replied that both of these deal with the issue of public trust. With regard to legislators, he stated that Title 24 deals with legislative reporting requirements, which he opined are "justifiable." He explained that HB 65 applies to personal information that is used for credit purposes. He said "I think you're talking about two ... different realms. One of them is going to be about your personal credit history, and one of them is going to be about

your disclosure of personal income." He stated that HB 65 creates safeguards for the transfer of personal information.

REPRESENTATIVE NEUMAN shared his belief that these two issues overlap. He pointed out that legislators are required to provide the names and addresses of individuals that they work with, and questioned how this information is going to be protected.

REPRESENTATIVE COGHILL replied that these two issues may overlap, and requested that any areas be pointed out to him as the bill is discussed. He stated that he is open to discussion; however, at this point he does not know which areas overlap.

[4:28:14 PM](#)

REPRESENTATIVE LEDOUX questioned whether HB 65 has any impact on other public records that include personal information, such as workers' compensation records or voters registration lists.

REPRESENTATIVE COGHILL offered his understanding that there are certain public records within the various departments that would become more secure. However, public lists, such as the voters' registration list, would most likely not be affected. He pointed out that a person's name and address are public record, and most phone numbers are published. He opined that when it comes to information such as social security numbers and credit card numbers, which are sensitive to personal economic well-being, this information should be protected. In regard to workers' compensation information, he noted that this issue is being addressed by a different piece of legislation. He stated that HB 65 addresses process protection issues with regard to social security and credit information.

REPRESENTATIVE GARDNER asked whether this would affect how businesses are required to dispose of an applicant's personal information.

REPRESENTATIVE COGHILL shared his understanding that credit card information must be disposed of in a certain way, although he does not know how specific the disposal section is. He stated that he would be interested to hear more from the Department of Law (DOL) regarding this issue.

REPRESENTATIVE GARDNER questioned whether HB 65 applies to all businesses, or only those that deal with data collection services.

REPRESENTATIVE COGHILL replied that certain areas of the bill do apply to all businesses, while other areas apply to those that specifically deal in data collection and distribution. He stated that these businesses are needed, and the intention is to ensure that the "firewalls are very secure." He commented that the electronic transfer of information is common, and stated that barriers need to be in place. He said that insurance companies and banks require this type of information, and pointed out that most of these businesses are regulated under the Gramm-Leach-Bliley Act and the Fair Credit Reporting Act. He said that states are responsible for implementing the rules set forth by these acts, and HB 65 does this.

[4:33:30 PM](#)

REPRESENTATIVE GARDNER inquired as to the differences between HB 65, and the bill that was introduced during the previous legislative session.

REPRESENTATIVE COGHILL explained that HB 65 contains the language that passed the House of Representatives. He stated that any proposed amendments would first be denied, until the various industries have proven that the amendments are necessary.

REPRESENTATIVE GARDNER, referring to the fiscal note, pointed out that HB 65, "if enacted in its current form, could result in the imposition of extremely large financial penalties for the state of Alaska," in the event of a security breach.

REPRESENTATIVE COGHILL agreed that this is correct, and explained that this is considering the worst case scenario. He stated that the standard should be determined, in order to determine what the consequences of a security breach should be. He commented that it may be costly for the responsible party to notify individuals of a security breach. He said that if a company has good security measures that are "demonstrably secure," he is unsure that the company would be held responsible, adding that if there is a security breach due to a lack of security, the company should be held responsible for this. He stated that while he is open to hearing how the state intends to follow through on this, he is "very unsympathetic."

REPRESENTATIVE GATTO asked whether the state would be held liable for an incorrect media representation that referenced statements made by a legislator on the public record.

REPRESENTATIVE COGHILL replied that this is outside the scope of HB 65, and clarified that this bill only applies to personal information such as credit and social security information. He stated that the legislature is exempt from slander laws, adding that legislators are "public targets." In response to an additional question, he reiterated that a person's name would not be protected.

[4:43:03 PM](#)

SENATOR GENE THERRIAULT, Alaska State Legislature, explained that he began working on consumer protection legislation in 2005. Senator Gretchen Guess and Senator Johnny Ellis had introduced similar legislation, and during the interim, the three collaborated on a new piece of legislation, which was introduced in 2006. He explained that due to the debate on gas pipeline issues during the 2006 legislative session, Senator Guess did most of the technical work, and worked with the stakeholders involved. While she was not able to incorporate all concerns and suggestions for alternative language, he opined that the parties affected by the bill were "fairly comfortable" that they had been treated fairly. He agreed that amendments would be denied until adequate explanation is given, and said "I have told representatives of different industry segments ... that ... I want to understand what their concerns with the printed words on the page are. I want to understand what their suggested change is, and I want to understand the reasoning." If the concern is legitimate, a "fix" will be crafted. He expressed hope that the changes would not create loopholes or remove an entire section from the bill, and shared his understanding that industry representatives are willing to engage in this discussion.

SENATOR THERRIAULT, in response to an earlier question from Representative Gardner regarding personal employment paperwork, stated that this paperwork is most likely going to contain the individual's social security number and date of birth. He explained that the bill requires that this information be thoroughly disposed of, so that this information cannot be accessed by others. Referring to Page 5, lines 15-16, he stated that this would include a business owner who takes job applications or retains personal information for payroll taxes. It is suggested that this information be kept in a locked file drawer, and if purged, this information should be shredded or burned completely. He then referred to a Dateline NBC program titled "To Catch an ID Thief," and stated that it was startling

to see how quickly large bills can be run up, once the personal information is obtained. He commented that Alaska needs to have protection for this information.

[4:49:36 PM](#)

SENATOR THERRIAULT went on to say that HB 65 is patterned after numerous other states. There are also sections that are "cutting edge," and he opined that these sections may be more objectionable to companies in the data brokerage business.

[Chair Olson turned the gavel over to Vice-Chair Neuman]

[4:50:46 PM](#)

KENTON BRINE, Property Casualty Insurers Association of America (PCI), stated that while PCI is not opposed to HB 65, it does have concerns regarding the sections relating to the credit score security freeze. He said that amendatory language has been submitted to Representative Coghill and Senator Therriault, and expressed hope that the committee would consider amending the bill to allow insurers and other non-lending related businesses to view credit reports that have been frozen. He explained that credit freeze laws began to be enacted in 2003, and the first 6 states did not include specific exemptions. However, in the past year, 20 more states have enacted legislation that allows insurers and businesses that are looking at credit reports for other purposes to have access to frozen credit reports. The PCI believes this makes it easier for employers to complete the job application process, as well as obtaining accurate insurance rate quotes. He stated that PCI is open to working with the House Labor and Commerce Standing Committee to possibly include this language.

[Vice-Chair Neuman returned the gavel to Chair Olson]

[4:53:27 PM](#)

MICHELLE JUN, Staff Attorney, Consumers Union, stated that Consumers Union has worked with Representative Coghill and Senator Therriault, and is in support of HB 65. She said that Consumers Union is "delighted" that the sponsors will remain firm with any amendments that are proposed. In regard to insurance exemptions, she expressed hope that any exemptions are limited to underwriting purposes.

[4:54:38 PM](#)

STEVE CLEARY, Executive Director, Alaska Public Interest Research Group (AkPIRG), stated that AkPIRG is in support of HB 65, and expressed appreciation for the work done by the sponsors. He went on to say that it is time for Alaska to pass identity theft protection. Referring to a security breach in February of 2005, he pointed out that according to the Privacy Rights Clearinghouse, over 100 million data records of US residents have been exposed due to security breaches since this occurred. The Federal Trade Commission (FTC) has data on identity theft and fraud. In 2005, he said, Alaskans were number one for fraud complaints with the FTC, adding that it cost the average complainant over \$1,000. In 2006, Alaskans were number 5, although the price paid per complainant went up to almost \$4,000. He stated that identity theft costs consumers and businesses "an incredible amount of money each year." He pointed out the increasing complexity and speed of the technological society, and said that as this increases, so will the complexity of identity thieves. He shared a story regarding a state employee who had her identity stolen while on maternity leave. This resulted in difficulty reestablishing personal identity, in addition to establishing her child's identity. He stated that consumers spend an average of 175 hours trying to reestablish identity. He pointed out that 25 states currently have laws that allow consumers to restrict access to their credit report, which AkPIRG feels is one of the most important aspects of HB 65. Additionally, 34 states require notification of a security breach, which he opined is essential to ensure that consumers' identity is not stolen. He said that while AkPIRG teaches consumers how to protect against identity theft, the state needs to put common sense protections in place to ensure that identity thieves do not have the upper hand. In regard to the certified mail requirement in order to lift the security freeze, he said that generally, states do not have this requirement, although some states do require certified mail to place the freeze. He shared his understanding that Alaska would be unique in this requirement, and expressed concern that this might deter some consumers from taking this step. He reiterated that AkPIRG is in support of HB 65, and would like to see consumers better protected from identity theft in Alaska.

[4:59:30 PM](#)

PAT LUBY, Advocacy Director, AARP Alaska, stated that AARP is in strong support of HB 65. He said that suggestions based on other states would be sent to Representative Coghill and Senator Therriault; however, AARP Alaska will stay in support of the

bill regardless of whether these suggestions are adopted. In regard to the seriousness of identity theft, he stated that individuals who are victims of identity theft have a higher mortality rate than those that are not. In response to Representative Gatto, he stated that he is unsure of the mortality rate of identity thieves.

[5:01:02 PM](#)

CHAIR OLSON indicated that HB 65 would be held over.

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:01 PM.