

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 22, 2007

1:37 p.m.

MEMBERS PRESENT

Senator Johnny Ellis, Chair
Senator Bettye Davis
Senator Lyman Hoffman

MEMBERS ABSENT

Senator Gary Stevens, Vice Chair
Senator Con Bunde

COMMITTEE CALENDAR

CS FOR HOUSE JOINT RESOLUTION NO. 8(L&C) am
Opposing the enactment by the Washington State Legislature of a bill proposing to impose a fee on the processing of shipping containers in the State of Washington because of the negative impact of the fee on the people and the economy of this state.

MOVED CSHJR 8(L&C) am OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 2

Opposing the enactment by the Washington State Legislature of a bill proposing to impose a fee on the processing of shipping containers in the State of Washington because of the negative impact of the fee on the people and the economy of this state.

SCHEDULED BUT NOT HEARD

BRIEFING: IDENTITY THEFT ISSUES

PREVIOUS COMMITTEE ACTION

BILL: HJR 8

SHORT TITLE: WASHINGTON CONTAINER FEE

SPONSOR(s): REPRESENTATIVE(s) THOMAS

02/07/07	(H)	READ THE FIRST TIME - REFERRALS
02/07/07	(H)	TRA, L&C
02/15/07	(H)	TRA AT 1:30 PM CAPITOL 17
02/15/07	(H)	Moved CSHJR 8(TRA) Out of Committee
02/15/07	(H)	MINUTE(TRA)
02/16/07	(H)	L&C AT 3:00 PM CAPITOL 17
02/16/07	(H)	<Bill Hearing Rescheduled to 02/19/07>

02/19/07 (H) TRA RPT CS(TRA) 5DP
02/19/07 (H) DP: DOOGAN, JOHNSON, KOHRING, SALMON,
NEUMAN
02/19/07 (H) L&C AT 3:00 PM CAPITOL 17
02/19/07 (H) Moved CSHJR 8(L&C) Out of Committee
02/19/07 (H) MINUTE(L&C)
02/21/07 (H) L&C RPT CS(L&C) 6DP
02/21/07 (H) DP: BUCH, GATTO, RAMRAS, NEUMAN,
LEDOUX, OLSON
02/21/07 (H) TRANSMITTED TO (S)
02/21/07 (H) VERSION: CSHJR 8(L&C) AM
02/21/07 (S) READ THE FIRST TIME - REFERRALS
02/21/07 (S) L&C
02/22/07 (S) L&C AT 1:30 PM BELTZ 211

WITNESS REGISTER

REPRESENTATIVE BILL THOMAS
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of HJR 8.

EVERETT BILLINGSLY
Linden Companies
POSITION STATEMENT: Supported HJR 8.

ED SNIFFEN, Assistant Attorney General
Civil Division
Department of Law
PO Box 110300
Juneau, AK 99811-0300
POSITION STATEMENT: Presented overview on state identity theft.

GAYLE HILDEBRAND
Consumer's Union
POSITION STATEMENT: Commented on identity theft issues.

PAT LUBY, Advocacy Director
AARP
POSITION STATEMENT: Commented on identity theft issues.

ANN SEACREST
AARP
POSITION STATEMENT: Commented on identity theft issues.

STEVE CLEARY, Executive Director
Alaska Public Interest Research Group (AKPIRG)

POSITION STATEMENT: Commented on identity theft issues.

ACTION NARRATIVE

CHAIR JOHNNY ELLIS called the Senate Labor and Commerce Standing Committee meeting to order at [1:37:00 PM](#). Present at the call to order were Senators Hoffman and Ellis. The chair said that Senator Davis would arrive momentarily and that the committee would not be taking up SJR 2.

CSHJR 8(L&C) AM WASHINGTON CONTAINER FEE

CHAIR ELLIS announced CSHJR 8(L&C) AM to be up for consideration.

REPRESENTATIVE BILL THOMAS, sponsor of HJR 8, related that the Washington legislature has introduced SB 5207 that proposes to levy a \$50 tax on 20 ft. vans and a \$100 tax on 40 ft. vans leaving from and going into Washington. This will represent a 10 percent increase in freight cost of shipping goods to Alaska - a \$40 million to \$50 million increase. He said that 97 percent of goods that come to Alaska come in container vans from Washington.

[1:40:53 PM](#)

SENATOR DAVIS arrived.

REPRESENTATIVE THOMAS said that the state of Washington is targeting Japanese and Chinese exports and Alaska freight is incidental. He hoped to get this resolution through the legislature in time to keep the bill from being passed in Washington. His district consists of primarily fishermen and its related processing facilities, so this would be a disproportionate increase for them. The cost of moving fuel to Interior Alaska would increase as well.

He related that Alaska can take credit for about 103,500 jobs in Washington and brings in about \$4 billion worth of products through its ports.

[1:43:28 PM](#)

EVERETT BILLINGSLY, Linden Companies, said he strongly supported HJR 8. Linden is also actively working with the Washington legislature to make sure this issue doesn't go anywhere. He said the goal of the tax was to get money to improve Washington infrastructure and to tax the large container lines bringing massive quantities of cargo in to the US from Asia. The impact

on Alaska was an unintended consequence. Alaskans have few alternatives to using Washington ports and because most containers return from Alaska empty, the tax will effectively double on a typical Alaska Marine Lines (AML) container. He said that last year Linden Transport and AML together moved approximately 124,000 20-foot containers between Alaska and Washington. This tax would have resulted in more than \$6.2 million in additional costs for shipping customers.

He also mentioned that the sponsor is coordinating this bill with another one in California and that Hawaii is also considering similar legislation. Last year it did pass the California legislature, but Governor Schwarzenegger vetoed it. He might not be able to do it again.

1:46:42 PM

CHAIR ELLIS closed the public hearing and pointed out a zero fiscal note and said that no one had come forward with any amendments.

1:47:22 PM

SENATOR DAVIS moved to pass CSHJR 8(L&C) am from committee with individual recommendations and zero fiscal note. There were no objections and it was so ordered.

BRIEFING: Identity Theft

CHAIR ELLIS announced that the committee would next take up the hearing on identify theft.

ED SNIFFEN, Assistant Attorney General, Civil Division, Department of Law (DOL), said his duties include the enforcement of Alaska consumer protection and anti-trust statutes. He related background on identity theft issues in Alaska and how his office deals with them. He said that ID theft is primarily prosecuted under criminal statutes and, if someone is caught, he is sent to the Criminal Division for prosecution. Unfortunately, while Alaska doesn't have many of those, it has a lot of Alaskans being preyed upon by thieves from outside the state. But it is difficult to go outside of our borders to catch and prosecute these situations. A lot of consumers are referred to the Federal Trade Commission (FTC), which is the federal authority with the primary responsibility for monitoring and prosecuting these things on a national level.

In Alaska, identity theft is the number one reported consumer fraud to the FTC in 2006. An alarming number of people were victims of identity theft and it will probably get worse.

MR. SNIFFEN suggested the state think about ways to make it easier for victims to undo the harm that has been done to them and make it more difficult for identify thieves to get a hold of the types of personal information they need to have to commit this crime. He related that Congress has been dealing with proposed national identity theft legislation, but it hasn't made a lot of progress. Other states have enacted legislation aimed at stopping the dissemination of personal information as well.

[1:51:35 PM](#)

MR. SNIFFEN acknowledged that a way to identify people is needed and that historically social security numbers have been used for that. Protecting those numbers would be a good start to cut down on identity theft, but another number would need to be used. He urged people to guard their personal information and to perhaps help victims by making it a little easier for them to repair their credit reports.

[1:52:40 PM](#)

MR. SNIFFEN offered to answer questions.

CHAIR ELLIS said he appreciated his commitment to consumer protection over the years and he knows that his department has been under-funded. He asked what he knew about a large identity theft ring around North Pole.

MR. SNIFFEN said he didn't know how that had turned out, but efforts are continuing to help those folks.

CHAIR ELLIS asked about the status of the federal legislation on this issue.

MR. SNIFFEN replied that he had worked on legislation for Senator Stevens, but he didn't know what happened to it. Congress might have a proposal within a couple of years.

[1:54:56 PM](#)

GAYLE HILDEBRAND, Consumer's Union, said the Union is a non-profit organization that publishes consumer reports. Its mission is to test, inform and protect and she is with the protect part of the organization. She wanted to share with them information about the scope and cost of identify theft and to talk about

three approaches in the legislation before them that will help to reduce it.

She said between 8.4 million and 10 million Americans become victimized by this crime every year; that's 16 - 19 new victims every minute. The federal government estimates the cost to business and consumers to be about \$52 billion a year; more recent industry studies indicate about \$49 billion a year. This doesn't take into account family stress and the social cost. Recent reports out of Oregon, Washington and Alberta, Canada, link identity theft to methamphetamine use.

One of the two main types of identity theft and one that is most difficult to discover is new account fraud, which accounts for about 30 percent of fraud. It takes about three times longer to discover and about twice as many hours for the consumer to fix it. New account fraud involves a real consumer's name, a real social security number, and a fake address with the thief's address. It is facilitated by a compromised social security number and a credit reporting system that will okay people as good credit risks based on essentially just the name and the social security number.

The other type of identity theft is existing account identity theft, sometimes called account takeover. This can range from a simple unauthorized charge on a person's credit card all the way up to a stolen debit card number and even draining of bank accounts.

[1:57:04 PM](#)

MS. HILDEBRAND said three approaches can help reduce these forms of identity theft. The first two are directed to the social security number and new account frauds. Once a social security number (SSN) has been stolen, 26 states make it harder to turn it into cash through a security freeze. This doesn't stop the stealing of the SSN, but it stops the issuance of new credit, new cell phone or whatever based on someone pretending to be you.

She emphasized that the SSN is financial front door for individuals, but the security freeze is a dead bolt. An individual can choose to put that extra security on his file and the credit bureau will give him a PIN or password to access it. The person uses that extra lock to use his own credit.

The second major area for reducing new account identity theft is to reduce the proliferation of SSNs in all records both private

and public. She said the measures before committees include reduction in the collection of SSNs and Alaska would be one of the first states to do that. It also has provisions that do many things they have been recommending to get the SSN out of the mailbox, out of the wallet, off the Internet, out of the marketplace for sale and out of the trash can.

In addition to reducing the collection and sale of SSNs, it's important when sensitive information is compromised, that the victim has a chance to find out about it. One thing they have learned is that no matter how careful you are about your own personal mail and records, your information can be stolen from someone else. Many of the measures include notice to constituents that there has been a breach. When a breach has been noticed, a constituent can do a few things to help protect himself. He can choose to place the freeze, he can choose to exercise federal rights that are not as strong as the freeze but are available now, he may choose to change his pins or account numbers depending on what was taken and he can choose to read his statements more carefully. The sooner identity theft is discovered, the better chance a person has of stamping it out with less time and less headache.

[2:00:39 PM](#)

CHAIR ELLIS clarified that there was no specific legislation relating to this issue now, but some would probably be forthcoming. He said he had heard of identity breaches from government sources as well as the private sector and asked if she had a sense what proportion that would be.

MS. HILDEBRAND replied that both are sources as well as universities, both public and private. The Privacy Rights Clearinghouse at privacyrights.org maintains a running list containing a summary of each of the breaches over the last two years. It has resulted in about 109 million records being compromised. The two largest were the Veterans Administration with 26 million records and the other was card systems consisting of 40 million credit and debit card numbers. The problem is coming from both government and private.

CHAIR ELLIS asked if she was recommending that legislation should be written addressing both facets.

MS. HILDEBRAND replied yes, particularly focusing on notice of breaches and standards for when an SSN can be asked for.

CHAIR ELLIS asked if any approaches sound good, but are dead ends.

MS. HILDEBRAND answered yes. When looking at the notice of breach issue, some folks don't want to require notice until it's known the breach caused harm. However, the problem with that approach is that in most cases when there is a breach in a timely fashion no one is going to know what the risk of harm is. It is a huge debate being waged in other states and Congress. She recommends when there isn't enough information about the breach to tell the consumer so he can make his own choice about what to do.

2:04:10 PM

CHAIR ELLIS said California passed an identity theft law with a provision in it that let a number of Alaskans know they had been the subject of identity theft from a private clearing house of information. That spurred interest in this issue.

PAT LUBY, Advocacy Director, AARP, added when an older victim suffers from identity theft, research indicates it not only causes psychological harm, but victims are prone to have a higher illness rate as well. It is one of their top concerns.

2:06:04 PM

ANN SEACREST, AARP, said identity theft is the fastest growing crime in the US. In October 2002, 36 percent of the respondents to an AARP survey said they were extremely concerned about identity theft as a form of consumer fraud. A survey from October 2006 indicated that the number has grown to a total of 77 percent - 47 percent saying the issue should be given top legislative priority and 30 percent saying it should be given a high priority.

She said that AARP has joined forces with the Division of Banking and Securities to do statewide campaigns called the Alaska Campaign for Safe and Wise Investing in 13 workshops. The first five have been well-attended and she often hears stories from people who never thought they would be a victim.

She said, "ID thieves are equal opportunity thieves." When it happens to an AARP member, it affects the entire family. The thieves target anyone who is vulnerable and once a person is on the "mooch list" that list is bought and sold between thieves.

CHAIR ELLIS commented that some of the saddest stories he hears are from senior citizens and folks who thought all they needed

was a shredder. "And that's not the case." He asked her to provide any information to the committee that would establish a record for the need of legislation.

[2:10:19 PM](#)

STEVE CLEARY, Executive Director, Alaska Public Interest Research Group (AKPIRG), said they are committed to teaching Alaskans how to be better consumers and how to protect their personal information. It is critical that it is followed up with strong consumer protection legislation, which he hoped would come out this session. Federal Trade Commission data indicates in 2005 Alaska was number one in fraud complaints. The good news on that front is that in 2006, Alaska went down to number five with about 500 fewer complaints. The sad news is that those people who did take the time to file with the FTC paid an average of \$3,847, which is up quite a bit from what was paid in 2005, which was more in the range of \$1,000. That's about \$3.5 million stolen from Alaska consumers as well as their time and emotion. Estimates indicate it takes a consumer anywhere from 40 - 175 hours "to get back their good name and their credit."

MR. CLEARY pointed out that increasingly a consumer's credit report reaches into many aspects of life including employment and insurance, as well as further credit and loan information.

[2:12:12 PM](#)

He related a story about a Juneau woman whose neighbors stole her identity that illustrated the grief identity theft can cause. He supported legislation addressing mandatory notification when a security breach happens and giving consumers the choice to freeze their credit report to protect them from further damage.

CHAIR ELLIS thanked him for his comments and said his intent today was to establish a record of the problem and the need of identity theft legislation. He adjourned the meeting at [2:14:07 PM](#).