

ALASKA LEGISLATURE COMPILED 1911
11911 SENATE LABOR & COMMERCE

**Good Afternoon, Chairman Meyer, Chairman Chenault,
members of the committee.**

**For the record, my name is Jane Alberts and I am staff to
Senator Bunde. Senator Bunde is not able to be here today so I
will go ahead with a short introduction of the bill and then I
would like to hand it over to DOT folks, Nona Wilson and
Pamela Lewis for questions. Also, Eddy Jean's**

**SB 142 is a Senate Labor and Commerce bill
introduced on behalf of DOT.**

**Currently there exist 2 conflicting statutes regarding ownership of land
for state airports.**

- **(AS 02.15.020)** One statute requires that the Department of Transportation and Public Facilities (DOT&PF) conforms to federal requirements if the state wishes to participate in federal grants. And in this case, that would be FAA funds.
- A newer statute, **(AS 14.08.151(b))** gives a regional school board the opportunity to receive title to lands used in relation to their schools.

These statutes conflict and this is the reason for this bill.

While the Alaska Legislature clearly intended to allow regional school boards the option of greater control of their facilities through acquisition of title, there is no record that the Legislature intended to do so at the cost of federal liability, significant loss of federal funding, that could result in a degraded state airport system.

For this reason, SB 142 sets out in statute that it would EXCLUDE airport lands from being acquired by REAA school boards.

In your packets you have a list of REAA schools currently on airport properties. This bill will not require that they be moved.

There have been some conflicts in the past that have required that DOT obtain legal counsel to defend/retain its title to its airport property.

SB 142 would end the legal entanglements and save DOT and school boards the cost of litigation in the future.

CS for SB 142 (L&C)

The CS changed the original SB 142 by removing the words "*other structures*" from the bill. This language was inadvertently inserted in drafting and did not convey the original intent of the bill, thus it was removed in committee.

MEMORANDUM

State of Alaska

Department of Transportation & Public Facilities

DATE: March 9, 2005
FILE: g pam word billstmt
TELEPHONE: (907)269-0724
SUBJECT: Statement for amending AS 14.08.151(b)

TO: The Honorable
Senator Bunde

FROM: Kip Knudson
Deputy Commissioner, Aviation

Senator Bunde, thank you for sponsoring this proposed legislation.

The reason the legislation is needed is basically for housekeeping measures because there are conflicting statutes regarding ownership of land for state airports. AS 02.15.020 compels DOT&PF to conform to federal requirements if the state wishes to participate in federal grants. A newer statute, AS 14.08.151(b) gives a regional school board the opportunity to receive title to land and buildings used in relation to regional educational attendance area schools.

While the Alaska Legislature clearly intended to allow regional school boards the option of greater control of their facilities through acquisition of title, there is no record that the Legislature intended to do so at the cost of federal liability, significant loss of federal funding, and a degraded state airport system.

The problem is that a few of these regional schools are located on state airport properties, sometimes in very close proximity to active runways and airport infrastructure. At various times, regional school boards have requested that DOT&PF convey full title of the airport land to the schools. This has caused confusion, staff time in both the Departments of Education and DOT&PF, as well as attorney costs, to defend DOT&PF's title to airport property.

DOT&PF, acting as a sponsor under federal law, makes extensive use of federal grant funding for airport construction and improvements. The Federal Aviation Administration imposes enforceable grant conditions on the recipients of federal funds. As a condition of acceptance, DOT&PF is required to expend federal grant funds in strict accordance with those federal conditions. FAA requires DOT&PF to certify assurances that it has "satisfactory property interest" in the airport to obtain these necessary federal grants. Under AS 14.08.151(b), a mandatory title transfer of airport property that is subject to FAA grant assurances would violate AS 02.15.020(c) and would breach federal grant agreements. This is because DOT&PF would be required to transfer title to property that the department has assured to the FAA that it would retain in state ownership *for airport purposes*, including the fiscal support of the airport.

There being no indication of legislative intent to compel the State of Alaska to breach FAA grant agreements in violation of AS 02.15.020(c), the best interpretation of AS 14.08.151 limits its application to non-airport lands.

The proposed amendment to AS 14.08.151 will benefit the public, the regional school boards, the Department of Education and DOT&PF by clarifying the intent of the conveyance language to exclude airport properties.

SB

145

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 3/16/05

FURTHER: Finance

DATE of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance and Commerce Committee considered SENATE BILL NO. 145

SB 145 LOANS FOR COMMERCIAL FISHING TENDERS

Senate Act authorizing the making of loans for upgrade of commercial fishing tender vessels and gear."

Committee recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Bettye Davis</i>	X			
<i>Dee Lee</i>	✓			
<i>Keith Perkins</i>	✓			
<i>Bel Stevens</i>	✓			
CHAIR: <i>Beard</i>	✓			

Southeast Alaska Fishermen's Alliance9369 North Douglas Highway
Juneau, AK 99801

Phone 907-588-6652

Fax 907-523-1168

E-mail: seafa@gci.net

April 2, 2005

House Resources Committee
Representative Jay Ramras, Co-chair
Representative Ralph Samuels, Co-chair
State Capitol Building
Juneau, AK 99801

RE: Support HB 230 - Loans for Commercial Tendamers

(SB 145)

Dear Representative Samuels and Ramras,

The Southeast Alaska Fishermen's Alliance (SEAFA) supports HB 230 that allows Alaskan tenders the ability to get loans from the Division of Investments if they meet all the requirements. Tenders are an important part of the commercial fishing industry. As the Alaskan fishing industry works to increase the quality of our fishery resources, it is important that the tenders we use in the fishery have the ability to also upgrade. Without this ability we create a weak link in the handling of our product in trying to increase the quality of our products. We consider it only fair that they are allowed access to funds to upgrade their operations.

Southeast Alaska Fishermen's Alliance (SEAFA) is a multi-gear non-profit membership fishing organization that represents our members involved in the salmon, crab, shrimp and longline fisheries of Southeast Alaska.

Respectfully,

A handwritten signature in black ink, appearing to read "Kathy H.", with a long horizontal line extending to the right.

Kathy Hansen
Executive Director

CC: Representative Thomas; Representative Elkins



Cordova District Fishermen United

P.O. Box 939

Cordova, Alaska 99574

(907) 424-3447 FAX (907) 424-3430

April 7, 2005

Senate Labor & Commerce
Senator Con Bunde, Chair
State Capitol Building

RE: Support SB 145 – Loan for Commercial Tenderman

Dear Senator Bunde

Cordova District Fishermen United (CDFU) supports SB 145 that allows qualifying Alaska tendermen the ability to obtain state loans from the Division of Investments.

Tenders are an important part of the commercial fishing industry and help to maintain high quality of our salmon from the fishing grounds to our processors. These loans will be available to existing tender owners that are Alaska residents. As the need to improve quality in Alaska's seafood product continues to rise, the ability for existing tender owners to obtain state loans for the purpose of upgrading their equipment & gear is critical.

Respectfully,

A handwritten signature in cursive script that reads "Diane Platt".

Diane Platt
Executive Director

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 145
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept Affected: Commerce
Title: Loans for Commercial Fishing Tenders RDU: Investments (122)
Component: Investments
Sponsor: Stedman
Requester: Senate Labor & Commerce Component No: 383

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1036)	0.0	0.0	0.0	0.0	0.0	0.0
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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	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would amend the Commercial Fishing Revolving Loan Fund (CFRLF) to allow the department to make loans for the upgrade of existing tender vessels and gear to improve the quality of Alaska seafood products. The total balances outstanding to a borrower on tender vessel upgrade loans may not exceed \$300,000. The department anticipates making approximately five tender upgrade loans each year totaling \$325,000.

No additional administrative costs would be required to accommodate this amendment to the CFRLF

Prepared by: Greg Winegar, Director Phone: (907) 465-2510
Division: Investments Date/Time: 4/2/05 12:30 PM
Approved by: Edgar Blatchford, Commissioner Date: 4/2/2005
Agency: Commerce, Community, and Economic Development

F/V Kupreanof

P.O. Box 9916
Sitka, Ak. 99809

907/747-5807 home/cell

To Whom it may Concern,

Reference: SB 145

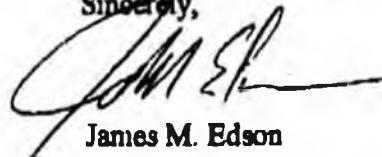
This is a letter of testimony in case I am out of town doing the Herring fishery here in Sitka when the bill comes up. This bill corrects an oversight in the Vessel Quality Improvement Program.

The State has grant and loan programs for processors and a loan program for fisherman however Tenders don't qualify for either. Tenders are where most of the refrigeration of product takes place. Tenders transport fish from the fishing grounds to the processors all over the state. Most Tenders these days are individually owned and operated, NOT company owned. I consider myself to be a normal tender. I own the boat and my wife and kids are the crew. I hire crewmembers as necessary when the kids are in school. We as Tender operators have suffered the same downtrend in the industry just like everyone else. Costs go up and income goes down. For me I consider it a "good year" if I can gross two thirds of what I did ten years ago.

This bill gives access to the Vessel Quality Improvement Program to Alaskans who own and operate tenders in the State of Alaska. Tenders are an integral part of the fishing industry. The ASMI saying "Keep it fresh, keep it cold, keep it moving".....We DO that! We need help to improve our refrigeration and product handling, too. I had to upgrade my refrigeration last spring after a breakdown. I was told by Arne Fugulvåg F/V Mitkof to use the program because he just had and it was an excellent program. When I tried to apply I was told I couldn't qualify because I was just a tender. Well, the Mitkof was a Tender, too. It didn't fish, it just tendered! The only difference was that Arne held a permit.

This bill corrects that. I don't know anyone who is opposed to it. It WILL help improve fish quality in the State of Alaska. Thank you.

Sincerely,



James M. Edson



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Senator Bert Stedman
Current Version: SB 145
Contact: Tim Barry, 465-3873

Fact Sheet for: Senate Bill 145

Short Title: LOANS FOR COMMERCIAL FISHING TENDERS

Summary:

- Amends the Alaska Commercial Fishing Act to make seafood quality improvement loans available to fish tenders.

Benefits:

- Creates the opportunity for another segment of the commercial fishing industry to join the effort to improve the quality of Alaskan seafood.
- Brings fairness to the loan program by making seafood quality improvement loans available to an important segment of the commercial fishing industry.

Background:

- Alaska's seafood industry always strives to improve the processing, handling and quality of its product. The state provides low interest loans under its Commercial Fishing Loan Act so fishermen can upgrade equipment that improves the overall quality of the seafood. SB 145 amends the loan program so owners of fish tenders can participate in the loan program. SB 145 is supported by the Alaska Tendermen's Association.

ALASKA STATE LEGISLATURE

SESSION

State Capitol, Rm 30
Juneau, Alaska 99801-1182
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(877) 463-3873 Toll Free
Senator_Bert_Stedman@legis.state.ak.us



INTERIM

50 Front Street
Ketchikan, AK 99901-6442
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Fax (907) 225-0713

SENATOR BERT K. STEDMAN

SPONSOR STATEMENT SB 145

Loans for Commercial Fishing Tenders

"An Act authorizing the making of loans for upgrade of commercial fishing tender vessels and gear."

Senate Bill 145 makes a small change in the Commercial Fishing Loan Act (AS 16.10.300 – 370) to allow Alaskan owners of fish tenders to be eligible for loans to improve the quality of our seafood products. Under the current law, the Division of Investments in the Department of Commerce, Community and Economic Development offers low interest loans to fishing permit holders to upgrade their equipment in order to improve the quality of the seafood product they are handling. Fish tenders, who buy fish on the fishing grounds from fishermen and transport the product to processing plants, are an important part of the seafood handling process. However, they are not defined as fishermen and are therefore not currently eligible for the product quality improvement loans. The state has taken some positive steps to emphasize quality improvement on fishing vessels and in processing plants, but has neglected this segment of the seafood production system. This bill will allow qualified Alaska resident tender owners to participate in the state's loan program to upgrade their equipment, encouraging another key component of the fishing industry to improve the way fish are handled and increasing the quality and value of Alaska's seafood. SB 145 is supported by the Alaska Independent Tendermen's Association.

Contact: Tim Barry, Aide to Senator Bert Stedman at (907) 465-3873

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

COPY

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 17, 2005

SUBJECT: Sectional Summary of SB 145, an Act authorizing the making of loans for the upgrade of commercial fishing tender vessels and gear (Work Order No. 24-LS0679\F)

TO: Senator Bert Stedman
Attn: Tim Barry

FROM: George Utermohle
Legislative Counsel

You have requested a sectional summary of SB 145, an Act authorizing the making of loans for the upgrade of commercial fishing tender vessels and gear.

As a preliminary matter, note that a sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill amends AS 16.10.310(a) to authorize the Department of Commerce, Community, and Economic Development to make commercial fishing loans to an individual for the upgrade of existing tender vessels and gear to improve the quality of Alaska seafood products, if the individual has been a state resident for a continuous period of two years immediately preceding the date of application for the loan.

Section 2 of the bill amends AS 16.10.320(d) to provide that the maximum amount of the outstanding balance of a loan made to an individual for upgrade of existing tender vessels and gear is \$300,000.

Section 3 of the bill amends AS 16.10.320(e) to provide that two or more qualified individuals may jointly obtain a commercial fishing loan for upgrade of existing tender vessels and gear. The maximum amount of the loan made to qualified individuals who jointly apply for the loan is equal to \$300,000 times the number of qualified applicants for the loan.

GU:jad
05-162.jad

Sectional Analysis

SB

147

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 3/18/05

FURTHER: Finance

Date of 5-Day Notice: _____
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: _____

Labor and Commerce Committee considered SENATE BILL NO. 147

SB 147 SPORT FISHING FACILITY REVENUE BONDS

"An Act providing for a sport fishing facility surcharge on sport fishing licenses; providing for the construction and renovation of state sport fishing facilities and for other projects beneficial to the sport fish resources of the state as a public enterprise; and authorizing the issuance of revenue bonds to finance those projects."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:

- Same Title
- New Title

SCS House Bill:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

NEW FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Betsy Davis</i>	✓			
<i>John Ellis</i>			/	
<i>Alph Deekin</i>	✓			
<i>Ben Stevens</i>	✓			
CHAIR: <i>P. Brundage</i>	✓			

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 147
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Sport Fishing Facility Revenue Bond RDU Revenue Programs & Services
 Component Treasury Management
 Sponsor Senator Seekins
 Requester Senate Labor and Commerce Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel	10.0					
Contractual	1,388.6					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		5,821.5	5,914.7	5,916.8	5,916.8	5,914.3
TOTAL OPERATING	1,398.6	5,821.5	5,914.7	5,916.8	5,916.8	5,914.3

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						
Fish and Game Fund		5,821.5	5,914.7	5,916.8	5,916.8	5,914.3
Revenue Bond proceeds	1,398.6	0.0				
TOTAL	1,398.6	5,821.5	5,914.7	5,916.8	5,916.8	5,914.3

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill creates and authorizes the Sport Fishing Facility Revenue Bond sale of up to \$69 million in revenue bonds to finance construction of fisheries projects that benefit sport fishers. This fiscal note and analysis contemplates 20-year level debt service and a 5.5% interest rate/true interest cost, a negotiated sale, and credit ratings in the A category. The financing could take place 60 to 90 days after authorization became effective.

Financing assumptions include debt service beginning in FY07, interest earnings on bond proceeds of \$1,561,000, a 5.5% interest rate/true interest cost, underwriting spread of \$483,000, bond insurance cost of \$405,621, and other costs of issuance of \$500,000. Up to \$6,000,000 of bond proceeds will be placed in a reserve to secure the bonds. This balance will be invested with annual earnings offsetting debt service and the principal balance used for the final payment on the bonds.

Prepared by: Deven Mitchell Phone 465-3750
 Division Treasury Division Date/Time 3/29/05 10:50 AM
 Approved by: Tom Boutin, Deputy Commissioner Date 3/29/2005
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: S.B. 147
 () Publish Date: _____

Revision Date/Time (Note if correction) _____ Dept. Affected: Fish and Game
 Title Sport Fishing Facility Revenue Bonds RDU Sport Fisheries
 Component Sport Fisheries
 Sponsor Senator Seekins
 Requester Senate Labor and Commerce Com. Component No. 464

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING						
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (1024)	1,553.4	6,213.5	6,213.5	6,213.5	6,213.5	6,213.5

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 (FY2005) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

POSITIONS	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation creates and authorizes the Sport Fishing Facility Revenue Bond sale for up to \$69 million in revenue bonds to finance the building of a new hatchery in Fairbanks, rebuilding of the Fort Richardson hatchery in Anchorage, and hatchery-related needs in Southeast Alaska.

Passage of this legislation will establish a framework that will allow ADF&G to (1) issue revenue bonds for the construction/enhancement of sport fish hatcheries; and (2) establish a new sport fishing facility surcharge.

(Continued on Page 2)

Prepared by: Tom Lawson, Director
 Division Division of Administrative Services
 Approved by: Wayne Regelin, Acting Commissioner
 Agency Alaska Department of Fish and Game

Phone 465-5999
 Date/Time 3/29/05 4:29 PM
 Date 3/29/2005

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. S.B. 147

ANALYSIS CONTINUATION

Upon passage of this legislation, the State of Alaska's State Bond Committee will issue revenue bonds on behalf of ADF&G's Division of Sport Fish. The Committee will issue up to \$69 million in revenue bonds to fund the construction/enhancement of the hatcheries. Bond proceeds will be used to pay for construction and also for costs of issuing bonds and providing an advance funded debt service reserve account. The annual debt service on the bond is shown in a separate fiscal note submitted by the Department of Revenue.

ADF&G has submitted a one-time CIP funding request that will allow the Division of Sport Fish to use bond funds for construction of a new hatchery in Fairbanks, rebuilding the Fort Richardson hatchery in Anchorage, and addressing additional hatchery-related needs in Southeast Alaska.

Sport fishing license surcharges established in the legislation have been structured so as to generate roughly \$6 million annually – the same amount required to pay debt service on the bond. These revenues will be used, in combination with federal funds, to pay back the bond debt issued by the State Bond Committee. The surcharge will be terminated by regulation when the ADF&G Commissioner determines that the surcharge is no longer necessary to fund sport fishery enhancement facilities or to repay revenue bonds issued for construction or renovation of sport fishery enhancement facilities. The department expects to implement the surcharges on January 1, 2006, which allows the department to collect 25 percent of the net surcharges in FY2006, but the full net amount in FY2007 and beyond.

License Category	# Sold CY 2003	Proposed Fee	Potential SF Revenue Increase
Resident Sport Fishing	115,197	\$8.50	\$979,175
Resident Sport Fishing/Hunting	44,153	\$8.50	\$375,301
Resident Fishing/Hunting/Trapping	6,068	\$8.50	\$51,578
Nonresident Military Sport Fishing	4,210	\$8.50	\$35,785
Nonresident Military Fishing/Small Game	254	\$8.50	\$2,159
Nonresident 1-day Sport Fishing	109,622	\$8.50	\$931,787
Nonresident 3-day Sport Fishing	52,933	\$15.00	\$793,995
Nonresident 7-day Sport Fishing	84,314	\$25.00	\$2,107,850
Nonresident 14-day Sport Fishing	23,491	\$30.00	\$704,730
Nonresident Annual Sport Fishing	12,403	\$45.00	\$558,135
Revenue Provided by Resident Anglers			\$1,406,053
Revenue Provided by Non-Resident Anglers			\$5,134,441
Potential Gross Revenue Generated			\$6,540,494
Adjust new revenues for vendor payments (-5%)			\$6,213,469

Sport Fishery Enhancement Surcharge Proposal

The Division of Sport Fish is seeking to sustain and enhance the opportunities and the social and economic benefits that recreational fisheries provide. Hatchery production is key to meeting these objectives. However, our hatchery facilities are aging and are unable to meet current or future demands. In order to rebuild and refurbish the state's hatchery infrastructure, and thereby ensure sport fishing opportunity, ADF&G is proposing a sport fishery enhancement surcharge on sport fishing licenses. Without the revenues generated by this surcharge, sport fishing opportunity will be in jeopardy.

Sport Fishing Opportunities are at Stake

With many of our wild stocks already fully utilized, hatcheries play an important role in Alaska by providing additional stocks for angling by sport fishermen.

Production from our hatcheries:

- Generates roughly \$45 million annually for Alaska's economy.
- Accounts for between 10-15% of all the angling effort in Alaska.
- Reduces pressure on our wild stocks, thereby adding to conservation for fully utilized stocks.

Hatchery operations are essential and must continue. Without an increase in revenues, we will be forced to reprioritize our expenditures in order to address our aging hatchery infrastructure. This reprioritization will result in reduced expenditures on other programs that are essential, such as our:

- Ability to monitor wild stocks and fisheries statewide.
⇒ Resulting in more conservative management and potential lost fishing opportunity.
- Ability to assess and restore damaged habitats statewide.
⇒ Resulting ultimately in reduced production and associated loss of sport fishing opportunity
- Ability to support management activities statewide.
⇒ Resulting in reduced public outreach.

Invest Now to Protect Current and Future Opportunities

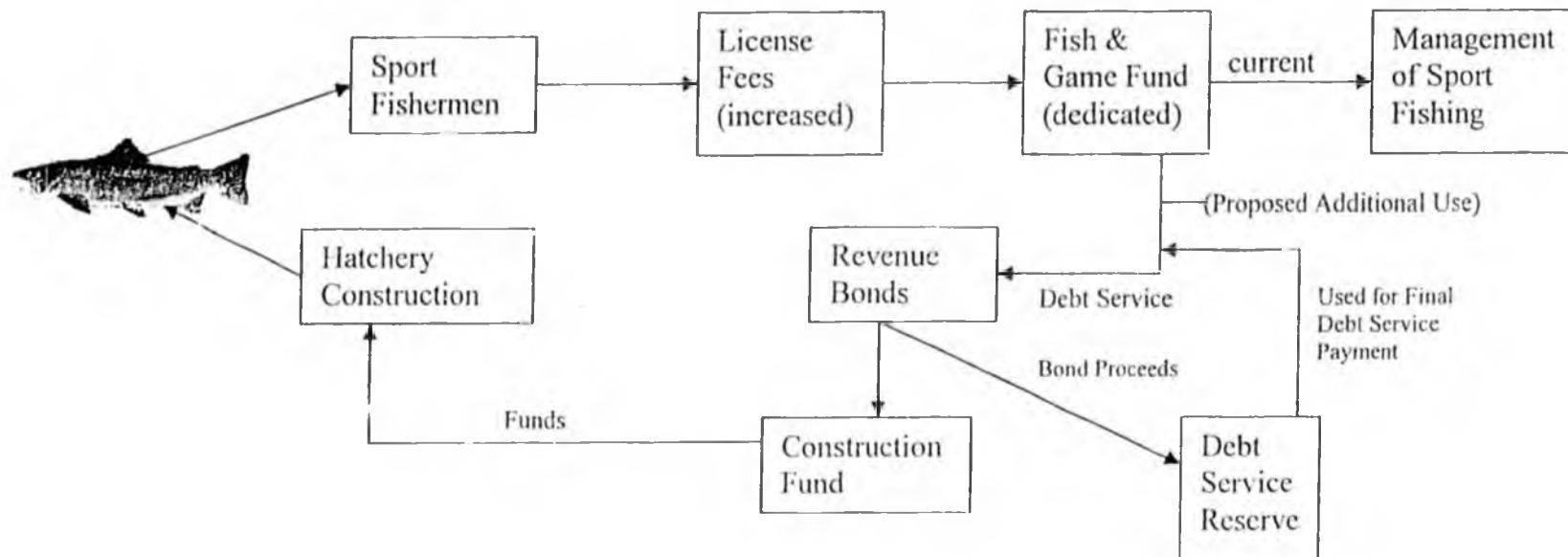
We estimate that we will need \$6 million in additional revenues annually to adequately address our aging hatchery infrastructure. To generate this revenue, we propose a modest surcharge on both non-resident and resident sport fishing license fees. These funds will be used to leverage other federal funds to meet the needs.

Failure to address this problem in a timely manner will demand increased expenditures to maintain aging facilities; increase pressure on wild stocks (many of which are fully allocated); and increase our need to monitor and assess wild stocks and associated fisheries.

Funding Construction with Revenue Bonds

As the Fish and Game Fund is dedicated per federal law, and the enhancement of fishing opportunity spurs license fee collection, the use of revenue bonds is an appropriate financing tool. The sport fish portion of the Fish and Game Fund is a discreet component that will be pledged to repayment of the bonds that will be used to fund construction. The direct benefactors of the fish raised at these hatcheries over the coming decades will be paying a portion of the hatcheries' cost through a surcharge on licensing fees.

SPORT FISH REVENUE BONDS



Sport Fishery Enhancement Surcharge Proposal

The Division of Sport Fish is seeking to sustain and enhance the opportunities and the social and economic benefits that recreational fisheries provide. Hatchery production is key to meeting these objectives. However, our hatchery facilities are aging and are unable to meet current and future demands. In order to rebuild and refurbish the state's hatchery infrastructure, and thereby ensure sport fishing opportunity, ADF&G is proposing a sport fishery enhancement surcharge on sport fishing licenses. Without the revenues generated by this surcharge, sport fishing opportunity will be in jeopardy.

We need \$6.0 million in additional revenues annually to adequately address our aging hatchery infrastructure. Revenues generated by the enhancement surcharge will be used to build a new hatchery in Fairbanks, rebuild the Fort Richardson hatchery in Anchorage, and address hatchery-related needs in Southeast Alaska. To generate this revenue, we propose a modest surcharge on both non-resident and resident sport fishing licenses. These funds will be used to leverage other federal funds to meet the needs.

Before an enhancement surcharge can be imposed on sport fishing license holders, the Alaska Legislature must first pass legislation establishing a surcharge and authorizing the Commissioner of the Alaska Department of Fish and Game (ADF&G) to implement the surcharge by regulation. Simultaneously, the Legislature must also pass legislation giving the Division of Sport Fish the authority to bond for the construction of new hatcheries. Revenues generated by the enhancement surcharge will be used in combination with federal funds for annual debt service on the bond. The surcharge will be terminated by regulation when the ADF&G Commissioner determines that the surcharge is no longer necessary to fund sport fishery enhancement facilities or to repay revenue bonds issued for construction or renovation of sport fishery enhancement facilities.

Enhancement Surcharge Rates Necessary to Meet Annual \$6.0M Bond Payment:

License Category	Number Sold in CY 2003	Proposed Fee	Potential SF Revenue Increase
Resident Sport Fishing	115,197	\$8.50	\$979,175
Resident Sport Fishing/Hunting	44,153	\$8.50	\$375,301
Resident Fishing/Hunting/Trapping	6,068	\$8.50	\$51,578
Nonresident Military Sport Fishing	4,210	\$8.50	\$35,785
Nonresident Military Fishing/Small Game	254	\$8.50	\$2,159
Nonresident 1-day Sport Fishing	109,622	\$8.50	\$931,787
Nonresident 3-day Sport Fishing	52,933	\$15.00	\$793,995
Nonresident 7-day Sport Fishing	84,314	\$25.00	\$2,107,850
Nonresident 14-day Sport Fishing	23,491	\$30.00	\$704,730
Nonresident Annual Sport Fishing	12,403	\$45.00	\$558,135
Revenue Provided by Resident Anglers			\$1,406,053
Revenue Provided by Non-Resident Anglers			\$5,134,441
Potential Revenue Generated			\$6,540,494
Adjust New Revenues for Vendor Payments (-5%)			\$6,213,469

Sport Fishery Enhancement Surcharge FAQ's

Why are hatcheries important?

The Alaska Department of Fish and Game (ADF&G) Division of Sport Fish currently owns and operates two hatcheries in Anchorage. These hatcheries produce sport fish that are stocked in creeks and lakes from Kodiak and Southcentral Alaska all the way up into Alaska's Interior. Production from these hatcheries contributes roughly \$45 million annually to Alaska's economy; accounts for between 10-15% of all the angling effort in Alaska; and reduces pressure on our wild stocks, thereby adding to conservation for fully utilized stocks.

Why does the State of Alaska need to build/refurbish its hatcheries?

The two existing hatcheries (one at Fort Richardson and one at Elmendorf Air Force Base) are over 30 years old and have deteriorated to the point where they can no longer meet current, let alone future projected production demand. Failure to address these infrastructure issues will result in significant loss of hatchery production, and as a result, sport fishing opportunity.

How does ADF&G's Division of Sport Fish propose to address this problem?

ADF&G proposes building a new hatchery in Fairbanks, rebuilding the Fort Richardson hatchery in Anchorage, and addressing additional hatchery-related needs in Southeast Alaska. The new hatcheries in Fairbanks and Anchorage will be designed to meet projected demand in Southcentral and Interior Alaska over the next 25 years.

How much will it cost and where will the money come from?

Various funding sources will be used to finance this package. ADF&G has already received some federal funds for the new hatchery in Fairbanks and anticipates additional federal funds in the future. In addition to the federal funding, ADF&G estimates that it will cost roughly \$63 million to build these new hatcheries and make hatchery-related improvements in Southeast Alaska. These funds will be generated by the issuance of revenue bonds.

Who will issue the revenue bonds?

The State of Alaska's State Bond Committee will issue revenue bonds on behalf of ADF&G's Division of Sport Fish. The Committee will issue up to \$69 million in revenue bonds to fund the construction of the hatcheries.

How come the revenue bond authorization is greater than the construction cost?

Bond proceeds will be used to pay for construction and also for costs of issuing bonds and providing an advance funded debt service reserve account. The debt service reserve account is a security feature found on nearly all revenue bonds whereby an amount equal to one year's worth of payments is deposited in a pledged account to ensure bond purchasers they would have at least a

one year window to seek remedy if a given revenue system failed. This money is then used to make the final payment on the bond issue.

How will the revenue bonds be paid back?

In order to meet the \$6 million annual debt payments on the bond, ADF&G proposes a new sport fish enhancement surcharge on sport fishing licenses. The proposed surcharge has been structured so that it will generate roughly \$6 million annually – the same amount required to pay debt service on the bond. These revenues will be used, in combination with federal funds, to pay back the bond debt.

Why won't these revenue bonds impact the State's credit?

These bonds will be limited obligations of the State with a pledge of the sport fish portion of the dedicated Fish and Game Fund. The only source of repayment for purchasers of these bonds will be the sport fish portion of the Fish and Game Fund, and no commitment or pledge of the State's General Fund will be made. This same type of bond is used by the State for the Alaska International Airports System (\$427.1 million outstanding) and by many municipalities for a variety of enterprise fund activity (\$513.8 million outstanding).

Is it worth the cost?

Production from the Division's hatchery program contributes roughly \$45 million annually to Alaska's economy. Over the life of this bond issue, this translates into roughly \$1 billion. When you compare the \$69 million cost to the \$1 billion return, this is a good deal.

How will ADF&G pay for the additional increase in operating costs?

ADF&G already spends \$1.9 million annually to fund the operation of our two sport fish hatcheries in Anchorage and estimates that it will cost an additional \$1 million annually to operate these new facilities. We will use available federal aid and surcharge fees to finance these additional costs.

How will different regions of Alaska benefit from this proposal?

This is a statewide proposal that is a win-win situation for everyone. Sport anglers in Southcentral and the Interior will benefit directly because they will have two new hatcheries designed to meet current and future demands tailored to meet their specific stocking needs.

ADF&G currently spends \$750,000 annually in Southeast to support private non-profit hatcheries that produce fish and provide sport fishing opportunities. ADF&G plans to spend \$200,000 annually for the next 20 years from the revenues generated by the enhancement surcharge to further expand sport fishing opportunities in Southeast – bringing our total annual expenditure to roughly \$1 million.

Residents from rural Alaska will also benefit. When anglers are fishing in stocked lakes and creeks, they are fishing on hatchery-produced fish. If the hatchery fish are no longer available or ceased to exist, then sport fishing pressure would shift to wild stocks, many of which are located in rural

areas. This could result in increased harvest and eventually more restrictive harvest limits. Subsistence fishermen are not required to purchase a sport fishing license.

How many of the hatchery fish will be harvested by commercial fishermen?

Our stocking program is designed to minimize commercial harvest. As a result, a very low percentage of the stocked fish are commercially harvested. In Cook Inlet, for example, sport and personal use fishermen caught 96% (53,600) of all kings harvested that were released from ADF&G hatcheries. Commercial fishermen caught 4% (2,153). The main reason the commercial harvest is so low is that the vast majority of adult kings have entered fresh water drainages by the time the major commercial fisheries begin, and are unavailable for harvest by this user group.

What impact will this surcharge have on charter operators or sport fish guides?

Imposing an enhancement surcharge on non-residents will not have a negative impact on Alaska's charter boat/sport fish guide industry. ADF&G has increased license and tag fees several times over the last two decades, and license/tag sales and guided sport fish efforts have continued to grow despite these increases. There is no correlation between changes in license/tag fees and the number of licenses/tags sold, or in the number of angler days of fishing effort with guides. Therefore, ADF&G is confident that this surcharge will not result in a significant decline in the number of licenses/tags sold or in the number of anglers that pay to fish with a guide.

Proposed Fairbanks Hatchery

Goal: To construct a hatchery in Fairbanks to meet the expected stocking needs of Interior Alaska beyond 2008.

Estimated capital cost: \$25 million. This will be paid for using a combination of federal and state funds. State funds will primarily support the hatchery production facilities (\$15 million) and will come from a bond repaid using the Fish and Game fund via a proposed license fee surcharge. The visitors/education and research center facilities (\$10 million) will come from federal funds.

Hatchery Design: State-of-the-art water re-circulation round tank design. Includes visitors/education and research center in an architecturally pleasing building.

Location: In Fairbanks on the Chena River adjacent to Pioneer Park.

Estimated production capacity:	Rainbow Trout	Catchable	200,000
		Fingerling	210,000
	Grayling	Catchable	40,000
		Fingerling	10,000
	Coho salmon	Fingerling	40,000
	Chinook salmon	Catchable	74,000
	Arctic Char	Catchable	48,000
		Sub-catchable	19,000
		Fingerling	<u>1,500</u>
			642,500

Timeline: Construction to be completed in 2007. First production in 2008.

Proposed Anchorage Hatcheries

Goal: To expand hatchery production facilities in Anchorage to meet the expected stocking needs of southcentral Alaska beyond 2008.

Estimated capital cost: \$45 million. This will be paid for using state funds that will come from a bond repaid using the Fish and Game Fund via a proposed license fee surcharge.

Hatchery Design: State-of-the-art water re-circulation round tank design.

Location: The hatchery will be located in Anchorage at the current Fort Richardson Hatchery location. A separate education/information/visitors center will be located at the existing Elmendorf Hatchery location.

Estimated production capacity:	Rainbow Trout	Catchable	290,000
		Fingerling	1,500,000
	Grayling	Catchable	37,500
		Fingerling	75,000
	Coho salmon	Fingerling	300,000
		Smolt	1,410,000
	Chinook salmon	Catchable	125,000
		Smolt	2,550,000
	Arctic Char	Catchable	40,000
		Fingerling	<u>75,500</u>
			6,413,000

Timeline: Construction to be completed in 2007. First production in 2008.

Proposed Southeast Alaska Hatchery Supplements

Goal: To expand recreational fishing opportunities in southeast Alaska by enhancing private non-profit hatchery production facilities.

Projects:

- Address deferred maintenance issues at the Crystal Lake Hatchery: Cost \$500,000
- Provide \$200,000 a year for the next 10 years for operational costs at the Crystal Lake Hatchery to offset the loss of Southeast Alaska Sustainable Salmon Fund money. This will allow the hatchery to maintain current king salmon stocking programs.
- Provide \$500,000 to Skagway to support increased king salmon production aimed at increasing king salmon fishing opportunities around Skagway.

Estimated cost: \$3.0 million. This will be paid for using state funds. State funds will come from a bond repaid using the Fish and Game fund via a proposed license fee increase. This will bring our total support to southeast Alaska hatchery program to about \$1 million annually.

Anchorage Area and Fairbanks Area Production Comparison - Present and Future with

Species	Production Stage	Size Grams	Anc. Area Current Production #s Fish (1)	Fbks Area Current Production #s Fish (1)	Anc. Area Proposed Increase #s Fish (2)	Fbks Area Proposed Increase #s Fish (2)	Anchorage Area Proposed Biomass Increase Kgs Fish (3)	Fairbanks Area Proposed Biomass Increase Kgs Fish (3)
Arctic Char	Catchable	120	40,000	24,000	40,000	48,000	4,800	5,780
	Fingerling	4	50,000		75,000	1,500	300	6
	Subcatchable	40		30,000		19,000		760
							0	0
Arctic Char Total			90,000	54,000	115,000	68,500	5,100	6,526
Chinook Salmon	Catchable	120	100,000	40,000	135,000	74,000	16,200	8,880
	Smolt	13	1,700,000		2,550,000		33,150	
Chinook Salmon Total			1,800,000	40,000	2,685,000	74,000	49,350	8,880
Coho Salmon	Fingerling	4	200,000	220,000	300,000	40,000	1,200	160
	Smolt	23	940,000		1,410,000		32,430	
Coho Salmon Total			1,140,000	220,000	1,710,000	40,000	33,630	160
Grayling	Catchable	120	25,000	25,000	37,500	40,000	4,500	4,800
	Fingerling	4	50,000	40,000	75,000	10,000	300	40
Grayling Total			75,000	65,000	112,500	50,000	4,800	4,840
Lake Trout	Catchable	120	0	0	0		0	
	Subcatchable	40	0	0	0		0	
Lake Trout Total			0	0	0		0	
Rainbow Trout							0	
	Catchable	120	200,000	100,000	290,000	200,000	34,800	24,000
	Fingerling	4	1,000,000	600,000	1,500,000	210,000	6,000	840
Rainbow Trout Total			1,200,000	700,000	1,790,000	410,000	40,800	24,840
Grand Total			4,305,000	1,079,000	6,412,500	642,500	133,680	45,246

Notes:

- (1) Current annual production goals by area, numbers of fish - best case but not achievable
- (2) Proposed annual production goals by area, numbers of fish - new facilities
- (3) Proposed annual production goals by area in kilograms (kgs x 2.2 = lbs) fish - new facilities
- (4) Current production goals by area in kilograms (kgs x 2.2 = lbs) fish - not presently achievable w/o heat
- (5) Proposed production goals by area in kilograms (kgs x 2.2 = lbs) fish - to show % increase
- (6) Current production goal statewide in kilograms (kgs x 2.2 = lbs) fish - showing % distribution
- (7) Proposed production goal statewide in kilograms (kgs x 2.2 = lbs) fish - showing % distribution

Current Biomass Goal	88,655 kgs (4)	Current Biomass Goal	22,534 kgs (4)
Anchorage Area		Fairbanks Area	
Increase Biomass to	133,680 kgs (5)	Increase Biomass to	45,246 kgs (5)
Percentage Increase	151%	Percentage Increase	201%

2004-08 Target Biomass Kgs (6)	111,189	2008 - Target Biomass Kgs (7)	178,926
% Anc.	80%	% Anc.	75%
% Fairbanks	20%	% Fairbanks	25%



Anchorage Daily News

Michael J. Sexton
President and Publisher

Patrick Dougherty
Senior Vice President & Editor

Steve Lindbeck
Associate Editor

Founded in 1946 by Norman C. Brown

Fulker A. Cowell, Publisher, 1943-1990
Gerard E. Gilly, Publisher, 1984-1993

Kathleen Fanning, Editor and Publisher, 1971-1983
Lawrence Fanning, Editor and Publisher, 1987-1993

OUR VIEW

A little more to hunt, fish

Higher fees are fair investment

The Alaska Department of Fish and Game figures it needs \$9 million more to build and improve fish hatcheries, manage wildlife, control predators, run shooting ranges and provide the public with information. Alaska and nonresident hunters and anglers are fair game to provide the millions — and so are nonconsumptive wildlife viewers.

The proposal would raise the price of a resident fishing license from \$15 to \$20, a hunting license from \$25 to \$50, a combined fishing and hunting license from \$39 to \$65. Non-residents would pay more for licenses and big-game tags, ponying up about three-fourths of the \$3.5 million the wildlife conservation division stands to gain with the increases.

Wildlife division spokesman Bruce Bartley points out that license fees haven't been raised since 1993. Without more money, the state would be forced to cut back on field work that provides the basis for management decisions, forcing a more conservative approach that could cut seasons and bag limits. Without more money, the division might have to curtail operations at indoor shooting ranges in Fairbanks and Juneau — ranges the Legislature told the division to operate

Even with the increases, the cost of hunting and fishing licenses in Alaska compares well with other Western states.

without funding to cover the costs.

"What you're going to see is a steady erosion of hunting opportunity," Mr. Bartley said, a reversal of the policy to increase hunting opportunity.

And while traditionally hunters and fishers have provided much of the funding for fish and game management, it's fair for wildlife photographers and viewers to contribute as well. Nonconsumptive users rightly claim a stake in wildlife decisions, so it's only fair they share in the expense. The question is how to collect their share.

Alaskans also should think hard about having nonresident hunters and fishers pick up more of the tab. Alaska's mystique and unrivaled opportunities are resources for which we should draw full value. Outside sportsmen and women who can afford the Alaska adventure can afford a little more to keep it available.

Nobody enjoys paying more for the right to hunt, fish and trap in Alaska. The protest at increased fees is particularly understandable in cash-poor parts of the Bush. But as Mr. Bartley points out, the department has no plans to change the \$5 low-income license that allows a bearer to hunt, fish and trap. Anyone who made less than \$8,200 the previous year or who has received public assistance within the last six months qualifies for that license.

For those who don't qualify, Mr. Bartley points out that even with the increases, Alaska still compares well with other Western states. A hunter who would pay \$50 in Alaska still has a shot at a better return on the license dollar in caribou and moose than a hunter who pays a little more than that to take one antelope and one deer in Wyoming. "For \$25, you can kill a lot of meat. ... Even if we double the price, we think it's still a bargain compared to other states."

The Legislature will decide on the hunting and fishing license fees. The only immediate alternative to increased fees would be an appropriation from the state's general fund. That's possible with a budget surplus, but as Mr. Bartley points out, oil price volatility takes fish and game management off a steady course, while license and tag fees and federal taxes provide a more predictable source of income and more consistent management.

"We're not saying this is the only way to do it," Mr. Bartley said. The Legislature may decide to revise the license and fee schedule, but this proposal is a fair start. Like everything else, the costs of the hunt and the cast are going up.

■ **BOTTOM LINE:** Hunters, fishermen and viewers should all bear increased costs of fish and game management.

Fairbanks Daily News-Miner

Worth the price

Wednesday, November 24, 2004 - Twenty-five bucks and a claim to Alaska residency will buy a local hunter a chance at one of the largest wild game species on the continent, the Alaska-Yukon moose.

Would it be a bargain at twice the price?

We think so.

It's been more than a decade since hunting, fishing and trapping license fees have seen an increase. License and tag fee sales, matched by federal funds, provide the fuel for the Alaska Department of Fish and Game. Its most recent annual budget figure is \$140 million.

Nonresident hunters would continue to shoulder the lion's share of the Fish and Game financial burden, with a nonresident hunting license twice the price of a resident license, but the proposed percentage increase for nonresidents seems to recognize that nonresident fees are already "up there."

It's best to take the fee increases in the context that the majority of our local Fish and Game budget comes from nonresident hunters and matching federal dollars.

Our resident hunters, fishers and trappers will see the largest percentage increases, but a combined license to hunt, fish and trap in our great state still will come in at the bargain price of \$100. If the hunter wishes to pursue only small game, the rate would be only \$75, because a new \$25 "small game" license will be made available. Rounding out the tally, resident sport-fishing licenses would increase from \$15 to \$20. Resident hunting licenses would double from \$25 to \$50 and resident trapping licenses would go from \$15 to \$30.

Other fees, such as drawing-permit application fees, state waterfowl stamps, Tier II application fees and registration permit stamps also will increase in price.

Hunters who travel to other states, and those who grew up or still have family elsewhere, can appreciate the relatively simple, and relatively inexpensive, licensing system in Alaska. Montana, for example, has a different fee and license to buy for each of its big-game species. If a hunter wanted the option to hunt the full variety of Montana game, the cost would be \$323. While Alaskans need separate tags for species such as moose and caribou, most fees are covered under that initial hunting license expense.

Alaska's fishing license fees are on par with other states, and perhaps a little on the higher side, but a direct pay-off from this increase appears to be the establishment of a fish hatchery in Fairbanks and perhaps a second in Anchorage. That makes an Alaska fishing license an easy sell at \$20 a pop. That much will buy you about 2 pounds of salmon (depending on the species and the cut) at the local market about now.

The fee increases would raise an additional \$3.5 million for the Division of Wildlife Conservation and \$5.5 million for the Division of Sport Fish.

Fish and Game will forward the license increase proposal to the Alaska Legislature when it convenes in January.

While the increase feels like a big one, we have gone 10 years without an increase in fees and we are asking no less of Fish and Game managers. The request appears to be a reasonable one.

ALASKA BOARD OF FISHERIES

A RESOLUTION IN SUPPORT OF INCREASING RESIDENT AND NONRESIDENT SPORT FISHING LICENSE FEES AND NONRESIDENT KING SALMON STAMP FEES IN ORDER TO PROTECT AND ENHANCE THE OPPORTUNITIES AND BENEFITS PROVIDED BY RECREATIONAL FISHERIES

#2004-233-FB

WHEREAS, the Alaska Board of Fisheries and Alaska Department of Fish and Game (ADF&G) recognize sport fishing as an important Alaskan tradition and pastime; and

WHEREAS, ADF&G's Division of Sport Fish wants to sustain and enhance the opportunities and benefits that recreational fisheries provide; and

WHEREAS, a key component of this effort is maintaining and enhancing our capabilities to meet our current and future needs through hatchery production; and

WHEREAS, production from our hatcheries generates roughly \$45 million annually for Alaska's economy; accounts for between 10-15% of all the angling effort in Alaska; and reduces pressure on our wild stocks, thereby adding to conservation for fully utilized stocks; and

WHEREAS, existing hatchery facilities are aging and are unable to meet either current or future demands; and

WHEREAS, hatchery operations are essential and must continue; and

WHEREAS, ADF&G needs \$5.3 million in additional revenues annually to adequately address this statewide problem; and

WHEREAS, ADF&G proposes an increase in resident and non-resident sport fishing license fees and non-resident king salmon stamp fees to generate this revenue; and

WHEREAS, revenues generated by the fee increase will be used to build a new hatchery in Fairbanks, refurbish and/or rebuild the hatcheries in Anchorage, and to fund hatchery production needs in Southeast Alaska; and

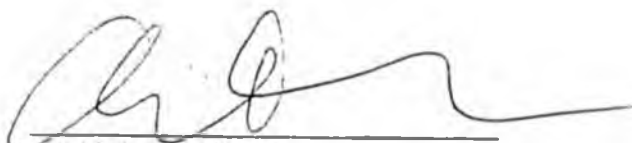
WHEREAS, without an increase in revenues, we will be forced to reduce expenditures on essential programs, such as our ability to monitor wild stocks and fisheries statewide; assess and restore damaged habitats statewide; and to support management activities statewide; and

WHEREAS, these reductions will result in more conservation management and potential lost fishing opportunity; and

WHEREAS, failure to address this problem in a timely manner will also demand increased expenditures to maintain aging facilities; increase pressure on wild stocks (many of which are fully allocated); and increase our need to monitor and assess wild stocks and associated fisheries.

THEREFORE BE IT RESOLVED that the Alaska Board of Fisheries supports an increase in resident and non-resident license fees and non-resident king salmon stamp fees to enhance the state's hatchery infrastructure and help ensure a bright future for sport fishing in Alaska.

ADOPTED this 17th day of November, 2004, in Anchorage, Alaska.



Art Nelson, Chair

JUNEAU DOUGLAS FISH AND GAME ADVISORY COMMITTEE

A RESOLUTION OF THE JUNEAU DOUGLAS FISH AND GAME ADVISORY COMMITTEE IN SUPPORT OF INCREASING RESIDENT AND NON-RESIDENT SPORT FISHING LICENSE FEES AND NON-RESIDENT KING SALMON STAMP FEES IN ORDER TO PROTECT AND ENHANCE THE OPPORTUNITIES AND BENEFITS PROVIDED BY RECREATIONAL FISHERIES

WHEREAS, the Juneau Douglas Fish and Game Advisory Committee and Alaska Department of Fish and Game (ADF&G) recognize sport fishing as an important Alaskan tradition and pastime; and

WHEREAS, ADF&G's Division of Sport Fish wants to sustain and enhance the opportunities and benefits that recreational fisheries provide; and

WHEREAS, a key component of this effort is maintaining and enhancing our capabilities to meet our current and future needs through hatchery production; and

WHEREAS, production from our hatcheries generates roughly \$45 million annually for Alaska's economy; accounts for between 10-15% of all the angling effort in Alaska; and reduces pressure on our wild stocks, thereby adding to conservation for fully utilized stocks; and

WHEREAS, existing hatchery facilities are aging and are unable to meet either current or future demands; and

WHEREAS, hatchery operations are essential and must continue; and

WHEREAS, ADF&G needs \$5.3 million in additional revenues annually to adequately address this statewide problem; and

WHEREAS, ADF&G proposes an increase in resident and non-resident sport fishing license fees and non-resident king salmon stamp fees to generate this revenue; and

WHEREAS, revenues generated by the fee increase will be used to build a new hatchery in Fairbanks, refurbish and/or rebuild the hatcheries in Anchorage, and to fund Sportfishing hatchery production needs in Southeast Alaska; and


WHEREAS, without an increase in revenues, we will be forced to reduce expenditures on essential programs, such as our ability to monitor wild stocks and fisheries statewide; assess and restore damaged habitats statewide; and to support management activities statewide; and

WHEREAS, these reductions will result in more conservative management and potential lost fishing opportunity; and

WHEREAS, failure to address this problem in a timely manner will also demand increased expenditures to maintain aging facilities; increase pressure on wild stocks (many of which are fully allocated); and increase our need to monitor and assess wild stocks and associated fisheries.

THEREFORE BE IT RESOLVED that the Juneau Douglas Fish and Game Advisory Committee supports an increase in resident and non-resident license fees and non-resident king salmon stamp fees to enhance the state's hatchery infrastructure and help ensure a bright future for sport fishing in Alaska.

PASSED AND ADOPTED by the Juneau Douglas Fish and Game Advisory Committee on this 16th day of December, 2004.



Kathy Hansen, Chair

CC: Board Support, Office of the Governor, ADFG, Rep Beth Kerttula, Rep. Bruce Weyhrauch, Sen. Kim Elton

RECEIVED
JAN 10 2005
SPORT FISH

Paxson ADVISORY COMMITTEE

A RESOLUTION OF THE Paxson ADVISORY COMMITTEE IN SUPPORT OF INCREASING RESIDENT AND NON-RESIDENT SPORT FISHING LICENSE FEES AND NON-RESIDENT KING SALMON STAMP FEES IN ORDER TO PROTECT AND ENHANCE THE OPPORTUNITIES AND BENEFITS PROVIDED BY RECREATIONAL FISHERIES

WHEREAS, the Paxson Advisory Committee and Alaska Department of Fish and Game (ADF&G) recognize sport fishing as an important Alaskan tradition and pastime; and

WHEREAS, ADF&G's Division of Sport Fish wants to sustain and enhance the opportunities and benefits that recreational fisheries provide; and

WHEREAS, a key component of this effort is maintaining and enhancing our capabilities to meet our current and future needs through hatchery production; and

WHEREAS, production from our hatcheries generates roughly \$45 million annually for Alaska's economy; accounts for between 10-15% of all the angling effort in Alaska; and reduces pressure on our wild stocks, thereby adding to conservation for fully utilized stocks; and

WHEREAS, existing hatchery facilities are aging and are unable to meet either current or future demands; and

WHEREAS, hatchery operations are essential and must continue; and

WHEREAS, ADF&G needs \$5.3 million in additional revenues annually to adequately address this statewide problem; and

WHEREAS, ADF&G proposes an increase in resident and non-resident sport fishing license fees and non-resident king salmon stamp fees to generate this revenue; and

WHEREAS, revenues generated by the fee increase will be used to build a new hatchery in Fairbanks, refurbish and/or rebuild the hatcheries in Anchorage, and to fund hatchery production needs in Southeast Alaska; and

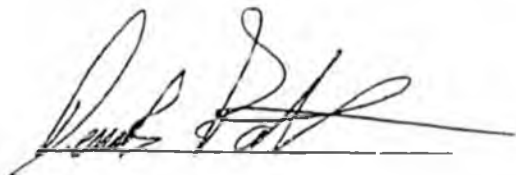
WHEREAS, without an increase in revenues, we will be forced to reduce expenditures on essential programs, such as our ability to monitor wild stocks and fisheries statewide; assess and restore damaged habitats statewide; and to support management activities statewide; and

WHEREAS, these reductions will result in more conservative management and potential lost fishing opportunities; and

WHEREAS, failure to address this problem in a timely manner will also demand increased expenditures to maintain aging facilities; increase pressure on wild stocks (many of which are fully allocated); and increase our need to monitor and assess wild stocks and associated fisheries.

THEREFORE BE IT RESOLVED that the Paxson Advisory Committee supports an increase in resident and non-resident license fees and non-resident king salmon stamp fees to enhance the state's hatchery infrastructure and help ensure a bright future for sport fishing in Alaska.

PASSED AND ADOPTED by the Paxson Advisory Committee on this 4 day of November, 2004.

A handwritten signature in black ink, appearing to be "Paul H.", written over a horizontal line.

RECEIVED

NOV 24 2004

COPPER BASIN ADVISORY COMMITTEE SPORT FISH

A RESOLUTION OF THE COPPER BASIN ADVISORY COMMITTEE IN SUPPORT OF INCREASING RESIDENT AND NON-RESIDENT SPORT FISHING LICENSE FEES AND NON-RESIDENT KING SALMON STAMP FEES IN ORDER TO PROTECT AND ENHANCE THE OPPORTUNITIES AND BENEFITS PROVIDED BY RECREATIONAL FISHERIES

WHEREAS, the Copper Basin Advisory Committee and Alaska Department of Fish and Game (ADF&G) recognize sport fishing as an important Alaskan tradition and pastime; and

WHEREAS, ADF&G's Division of Sport Fish wants to sustain and enhance the opportunities and benefits that recreational fisheries provide; and

WHEREAS, a key component of this effort is maintaining and enhancing our capabilities to meet our current and future needs through hatchery production; and

WHEREAS, production from our hatcheries generates roughly \$45 million annually for Alaska's economy; accounts for between 10-15% of all the angling effort in Alaska; and reduces pressure on our wild stocks, thereby adding to conservation for fully utilized stocks; and

WHEREAS, existing hatchery facilities are aging and are unable to meet either current or future demands; and

WHEREAS, hatchery operations are essential and must continue; and

WHEREAS, ADF&G needs \$5.3 million in additional revenues annually to adequately address this statewide problem; and

WHEREAS, ADF&G proposes an increase in resident and non-resident sport fishing license fees and non-resident king salmon stamp fees to generate this revenue; and

WHEREAS, revenues generated by the fee increase will be used to build a new hatchery in Fairbanks, refurbish and/or rebuild the hatcheries in Anchorage, and to fund hatchery production needs in Southeast Alaska; and

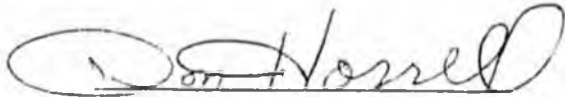
WHEREAS, without an increase in revenues, we will be forced to reduce expenditures on essential programs, such as our ability to monitor wild stocks and fisheries statewide; assess and restore damaged habitats statewide; and to support management activities statewide; and

WHEREAS, these reductions will result in more conservative management and potential lost fishing opportunity; and

WHEREAS, failure to address this problem in a timely manner will also demand increased expenditures to maintain aging facilities; increase pressure on wild stocks (many of which are fully allocated); and increase our need to monitor and assess wild stocks and associated fisheries.

THEREFORE BE IT RESOLVED that the Copper Basin Advisory Committee supports an increase in resident and non-resident license fees and non-resident king salmon stamp fees to enhance the state's hatchery infrastructure and help ensure a bright future for sport fishing in Alaska.

PASSED AND ADOPTED by the Copper Basin Advisory Committee on this 19th day of November, 2004.

A handwritten signature in cursive script, appearing to read "Don Horrell". The signature is written in dark ink and is positioned above the printed name.

Don Horrell - Chairman, Copper Basin Advisory Committee

STATE OF ALASKA

**Matanuska Valley
Fish & Game Advisory Committee**

Frank H Murkowski, Governor

Wayne Kubat, Chair
PO Box 874867
Wasilla, Alaska 99687
ph. & fax: 376-9568
email: args@mtaonline.net

February 2, 2005

Alaska Department of Fish and Game
Sportfish Division
333 Raspberry Road
Anchorage, Alaska 99518-1599
Attention - Kelly Hepler - Director of Sportfish

Director Hepler,

Dave Rutz, our area sport fish biologist, gave a presentation at our November 17, 2004 Advisory meeting concerning plans to increase the cost of resident and non-resident fishing licenses. The planned increases were about \$5.00 for resident licenses (from \$15.00 to \$20.00) and about \$10.00 for each of the five different classes of non-resident licenses. Dave mentioned that the increased funds would be used entirely for hatcheries and sportfish stocking programs.

A brief discussion followed, which reflected that our committee is supportive of the departments sportfish stocking efforts, and would support a fee increase to continue and improve those programs.

A motion was made to support the above mentioned increases, contingent upon their use for sportfish hatcheries and sportfish stocking programs. The motion also included a request to sunset the fee increases in the event that they didn't get used for their intended purpose.

This motion passed 12-0-0.

Sincerely,

Wayne Kubat, Chair

cc: Acting Commissioner of F&G Wayne Regelin, Senator Lyda Green, Senator Charlie Huggins, Representative Carl Gatto, Representative Vic Kohring, Representative Bill Stoltz, Representative Mark Neuman, Sherry Wright Boards Support

STATE OF ALASKA

Matanuska Valley Fish & Game Advisory Committee

Frank H Murkowski, Governor

Wayne Kubat, Chair
PO Box 874867
Wasilla, Alaska 99687
ph. & fax: 376-9568
email: args@mtaonline.net

February 2nd, 2005

NOW, THEREFORE BE IT RESOLVED that the MATANUSKA VALLEY FISH AND GAME Advisory Committee supports an increase in resident and non-resident hunting license and tag fees, but first we would like to see the following concerns addressed:

1. The serious ungulate declines that we are experiencing in much of Alaska, started about the time of the last license fee increase. Increased hunting and trapping fees in 1993, didn't improve game management or increase hunting and trapping opportunity. What will be done differently this time to assure that the people footing the bill - hunters and trappers - will benefit from the increased cost?
2. We oppose the use of state funds for all of the management plans that seem to be coming online in rural areas. The end result of most of these plans seem to end up with reduced opportunity by excluding non locals, and especially non - residents. Since the average non-resident hunter pays about 28 times the amount of the average resident hunter, excluding them further decreases our funds and only makes matters worse. State funds obtained from hunters should be used to increase opportunity, not reduce it for the benefit of a select few.
3. We think designated funding would work better than just increased license fees across the board. Charging a fee for big game harvest tickets that would provide enough revenue to conduct surveys and predator control programs for that species statewide, makes sense to us. We don't like hunter's moneys being spent on watchable wildlife programs, that often expand at the expense of hunting opportunity. Neither do we agree with funding for insignificant research projects when there isn't enough money to conduct big game surveys.
4. Another concern we have, is how much of Fish and Games budget goes to subsistence? We don't feel hunters should pay for subsistence expenses when most hunters are excluded from participation.
5. We want to thank the department for their efforts towards enacting and defending predator control programs to increase ungulate populations. While they may not be moving as fast as we would like, we do recognize that progress is being made.

Having addressed our concerns in writing above, and hoping for a good faith effort from the department to see that some of these concerns are at least recognized and looked into, The MATANUSKA/SUSITNA Advisory Committee PASSED AND ADOPTED THIS RESOLUTION on January 19th, 2005.

Wayne Kubat/Chairman
PO Box 874867
Wasilla, Alaska 99687
907-376-9568

cc: Acting Commissioner of F&G Wayne Regelin, Senate President Ben Stevens, Senator Lyda Green, Senator Charlie Huggins, Speaker of the House John Harris, Representative Carl Gatto, Representative Vic Kohring, Representative Bill Stoltz, Representative Mark Neuman, Sherry Wright
Boards Support

Serving the Alaska Board of Fisheries and Alaska Board of Game
Boards Support Section, 333 Raspberry Road, Anchorage, Alaska 99518-1599

STATE OF ALASKA

**Matanuska/Susitna Valley
Fish & Game Advisory Committee**

Frank H Murkowski, Governor

Wayne Kubat, Chair
PO Box 874867
Wasilla, Alaska 99687
ph. & fax: 376-9568
email: args@mtaonline.net

Alaska Department of Fish and Game
Sportfish Division
333 Raspberry Road
Anchorage, Alaska 99518-1599
Attention - Kelly Hepler - Director of Sportfish

Director Hepler,

Dave Rutz, our area sport fish biologist, gave a presentation at our November 17, 2004 Advisory meeting concerning plans to increase the cost of resident and non-resident fishing licenses. The planned increases were about \$5.00 for resident licenses (from \$15.00 to \$20.00) and about \$10.00 for each of the five different classes of non-resident licenses. Dave mentioned that the increased funds would be used entirely for hatcheries and sportfish stocking programs.

A brief discussion followed, which reflected that our committee is supportive of the departments sportfish stocking efforts, and would support a fee increase to continue and improve those programs.

A motion was made to support the above mentioned increases, contingent upon their use for hatcheries and sportfish stocking programs. The motion also included a request to sunset the fee increases in the event that they didn't get used for their intended purpose.

This motion passed 12-0-0.

Sincerely,

Wayne Kubat, Chair



Post Office Box 20761 • Juneau, Alaska 99802

Telephone: (907) 789-2399 • Fax: (907) 586-6020

Dr. Wayne Regelin
Acting Commissioner
Alaska Dept. of Fish & Game
Post Office Box 25526
Juneau, Alaska 99802-5526

January 21, 2005

Dear Dr. Regelin:

The Board of Directors of the Territorial Sportsmen appreciates the staff of the Department taking the time to attend our Board meeting and present the fiscal status of the Division of Wildlife Conservation. Particular emphasis was on the condition of the Fish and Game Fund.

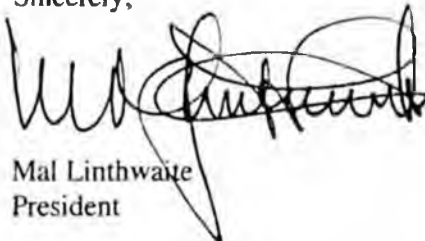
We are all aware of the background of the Fish and Game Fund, the requirement for the creation of the fund for federal matching and other fish and wildlife management purposes. Similarly, we are aware that the Fish and Game Fund is made up of license and other fees from resident and non-resident hunters and fishermen. Your presentation outlined clearly the status of the Fund and the fiscal crisis that is facing the Division. Most importantly, we are concerned that the fiscal situation will mean a diminishment of the services we have learned to expect from the Department.

In light of the critical funding situation and the need to maintain a quality management program, we are faced with looking for additional funding. At the last monthly meeting, the Board of Directors voted to support a hunting and sport fish license increase for both residents and non-residents. Although we did not address exactly how much of an increase we would support, we are willing to work with the Department and the legislature as this process progresses. We also think that the fees should be frozen for those 18 years and younger.

We do have one concern and caveat to propose, however. The Board expressed deep concerns about the abuse of the Fish and Game Fund and the questionable uses of these Funds. We can concur with license increases if some mechanism is developed to assure that the fish and wildlife consumptive users (i.e. the ones paying the bills) are assured of benefiting from the increases. We realize that this may be difficult to accomplish but once again, we are willing to participate in developing legislative direction that accomplishes this objective.

Again, we thank you and staff for providing our Board with the information we needed to make an informed decision.

Sincerely,



Mal Linthwaite
President

Cc: Governor Murkowski
Representative Weyhrauch
Representative Kertulla
Senator Elton

RECEIVED
JAN 21 2005
DEPT. OF FISH & GAME
COMMISSIONER'S OFFICE



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Senator Ralph Seekins

Current Version: SB 147

Contact: Brian Hove, 465-2327

Fact Sheet for: Senate Bill 147

Short Title: SPORT FISHING FACILITY REVENUE BONDS

Summary:

- Establishes a sport fishing facility surcharge to pay the principal and interest on up to \$69 million in revenue bonds to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing.
- Sets the amount of the license surcharge at: \$8.50 for a resident sport fishing license and other resident licenses with fishing as a component of a combined license, nonresident one-day sport fishing, nonresident military small game and sport fishing, and nonresident military sport fishing; \$15 for nonresident three-day sport fishing; \$25 for nonresident seven-day sport fishing; \$30 for nonresident 14-day sport fishing; and \$45 for nonresident annual sport fishing.
- Bonds do not constitute a general obligation of the state.

Benefits:

- Provides for the renovation and expansion of the Ft. Richardson and Elmendorf facilities to meet Southcentral needs.
- Provides for a new hatchery in Fairbanks to meet the demands of the interior region.
- Modern hatcheries can be expanded to meet expected demand for generations to come.

Background:

- Alaska has an ever-growing demand for fish stocks as more people want to fish. Resident populations are growing and tourist demand for recreational opportunity is increasing. At the same time, sport fish production is decreasing. Alaska's only sport fish hatcheries are located at Ft. Richardson and Elmendorf Air Force Base. Both are more than 30 years old and nearing the end of their useful life. Compounding the problem, biomass production will soon plummet. Hatcheries require warm water to enhance growth in baby fish. Waste heat from the Ft. Richardson and Elmendorf power plants has provided that energy for many years, but both power plants plan to shut down hot water production in October. As a result, biomass production will suffer simultaneously with increasing demand. In addition to the revenue enhancing measures proposed in the bill, federal funds have been procured to meet increased demand due to military expansion.

ALASKA STATE SENATE



Session:
State Capitol
Juneau, Alaska 99801-1182
(907) 465-2327
(907) 465-5241 Fax

Interim:
119 N. Cushman, Suite 201
Fairbanks, Alaska 99701
(907) 456-8161
Senator_Ralph_Seekins@legis.state.ak.us

Senator Ralph Seekins
District D

Senate Bill 147 Sponsor Statement

"An Act providing for a sport fishing facility surcharge on sport fishing licenses; providing for the construction and renovation of state sport fishing facilities and for other projects beneficial to the sport fish resources of the state as a public enterprise; and authorizing the issuance of revenue bonds to finance those projects."

Alaska has an ever-growing demand for fish stocks. More people want to fish. Resident populations are growing. Tourist demand for recreational opportunity is increasing. And, at the same time, sport fish production is decreasing. Alaska's only sport fish hatcheries are located at Ft. Richardson and Elmendorf A.F.B. Both are more than 30 years old and nearing the end of their useful life.

To make matters worse, biomass production will soon plummet. Hatcheries require warm water to enhance growth in baby fish. Waste heat from the Ft. Richardson and Elmendorf power plants has provided that energy for many years. Both power plants will be shutting down hot water production in October. As a result, biomass production will suffer greatly at the same time that demand is increasing.

We can fix this problem and plan for years to come. Senate Bill 147 provides for the renovation and expansion of the Ft. Richardson and Elmendorf facilities to meet south central needs. Furthermore, it will also provide for a new hatchery in Fairbanks to meet the demands of the interior regions.

It won't be cheap but it is affordable. Federal funds have been procured to meet increased demand due to military expansion. Other capital costs will be met by a simple revenue bond package. A modest "fishery enhancement fee" will be added to the price of a fishing license until the bonds are paid off. The combined price of a fishing license and the enhancement fee will still be a bargain - especially when a person can actually expect to catch fish.

Alternatively, we could do nothing. But doing nothing is not an acceptable option for it only leads to substantially reduced fish stocks in our lakes and streams. Our current fresh water hatcheries will be out of commission soon. With passage of Senate Bill 147 we can avoid disaster, satisfy current needs and provide modern facilities that can be expanded to meet expected demand for generations to come.

SB

148

April 13, 2005

Senator Con Bunde
Chairman, Senate Labor & Commerce Committee
State Capitol, Room 506
Juneau, AK 99801-1182

RE: AK SB 148, AK SB 149

Dear Senator Bunde:

I am writing to express opposition to AK SB 148 and SB 149.

ChoicePoint is a leading provider of insurance underwriting services and tools which help insurance companies rate insurance premiums, thus enabling them to charge consumers the lowest possible premium consistent with risk. Information contained in a consumer's credit file is a valuable component of many of the underwriting tools utilized by insurers.

ChoicePoint is a "reseller" as defined by Section 603 (u) of the federal Fair Credit Reporting Act, 15 U.S.C. 1681et seq., which defines a "reseller" as a consumer reporting agency that assembles and merges information contained in the database of another consumer reporting agency or multiple consumer reporting agencies concerning any consumer for purposes of furnishing such information to any third party, and does not maintain a database of the assembled or merged information from which new consumer reports are produced.

A security freeze on a consumer's credit report could virtually eliminate a consumer's ability to get point of sale insurance coverage, and would also provide a significant burden to the consumer's ability to rate shop with multiple insurers for the best coverage and price. Additionally, without access to sufficient consumer information to properly underwrite consumers, insurers could be forced to raise certain premiums, or ultimately determine to discontinue writing certain policies in Alaska.

Furthermore, new federal protections contained in the Fact Act amendments to the Fair Credit Reporting Act provide effective identity theft protections for consumers. The federal codification of "security alerts" and "tradeline blocking" provide consumers protection against unauthorized use of their credit reports without the drastic end result of a consumer "freezing" themselves from normal access to credit and commerce.

It is ChoicePoint's hope that you will reconsider the propriety of the proposed measures affecting permissible use of credit reports and information contained therein so that Alaska consumers will not be harmed by unintended consequences of "freezing" their credit reports.

We would welcome the opportunity to work with you on these issues. If you have any questions, please feel free to contact me. Thank you for your time and consideration of ChoicePoint's views.

Jon Burton
AVP, State Government Relations
ChoicePoint Inc.
1000 Alderman Drive
Alpharetta, GA 30005
Tel: 770-752-3383
Jon.Burton@ChoicePoint.com

9-1-03 2:12

Specific Comments on File Freezing:

Freezing a consumer's file will only inconvenience consumers by cutting off legitimate commerce, such as shopping refinancing rates or cheaper insurance rates online, things that consumers have perhaps not even contemplated. Consider the following examples of additional problems with a freeze that consumers and business would face.

- **Online Shopping.** Consumers find the Web an excellent tool for comparison-shopping. Consider the following consequences to all forms of online comparison shopping based on the following examples:
 - **Mortgage Shopping Online & File Freezes**
 - The bill requires that the consumer direct the consumer credit reporting agency in advance of the transaction to release the file, which has been "frozen" by the consumer. How will the consumer do this if they are shopping online for a loan via a multiple-lender shopping website? The very nature of e-Commerce suggests that consumers shop for loans by first using browsers to list potential sites on which they may wish to shop. Does the bill contemplate that the consumer will then proceed to the sites, determine which ones he/she truly want to use for a loan, then print out these home pages and then contact the consumer credit reporting agency to seek to have his/her file released?
 - **Automobile Shopping Online & File Freezes.** Similar to the mortgage loan shopping example, does the bill contemplate that consumers must first "pre-shop" online and then contact the consumer credit reporting agency to seek release of the file for those sites where the consumer is likely to do business?
- **Cellular Phone Customers & File Freezes.** Consumers apply in-person and on the Internet for cellular phone service. In either scenario, it is unlikely that consumers will know which services they intend to visit and thus, in advance, "unfreeze" their file.
- **New Online Checking Account/Banking Services Applicants & File Freezes.** Where consumers wish to open a new checking account they will have to know in advance which depository institutions they intend to visit online in order to unfreeze a consumer credit report which is often used for fraud prevention by the institution. Absent access to checking account fraud and traditional credit reporting databases, the depository institution may simply be unable to approve the opening of a new account. Consumers who make application via an ATM or the Internet will be affected, as well.
- **Insurance Applications & File Freezes.** Many types of insurance underwriting are tied with use of a consumer's credit report. Consumers who have "frozen" their files won't likely know in advance with whom they will apply for insurance and thus won't be able to "unfreeze" a file prior to shopping for better rates. This is true whether the consumer is shopping via an agent or the Internet.
- **Online Identity Authentication and Verification.** Internet fraud is of great concern to consumers and to industry. Properly identifying customers and reducing fraud is key to the success of electronic commerce. Today, properly identifying consumers is easily achieved through the use of consumer credit reporting products and electronic signature transactions. These identity verification products are consumer credit reports and are designed for a wide range of e-Commerce retailers and other companies, which have a need to verify the identity of consumers before completing a transaction or delivering a product. Consumers won't always even be aware in advance that a traditional online retail transaction may involve the use of identification products tied to consumer credit reporting agencies and thus won't know to "unfreeze" their file for Internet shopping in general.

- **Online Credit Card Transactions.** Today, an e-Commerce site has at least two concerns when they are completing a transaction. They want to ensure that the credit card account information is valid and they want to make sure that the person entering the credit card information is in fact the account holder. Credit reporting systems are the key supplier of what are often referred to as "out of wallet tests" to validate that the credit card account is being used by the account holder by requiring the consumer to respond to a series of questions about their financial transactions such as which mortgage lender holds their loan. By asking these questions, criminals are thwarted in their attempt to use stolen credit card account information. VISA just made a commitment to this "out of wallet" test in June of 2001.
- **File freeze appears to be hurting some mortgage applicants.** Fannie Mae, a major force in the mortgage process, has recently published a policy that:

Credit reports that are incomplete due to frozen credit are not acceptable for underwriting with Desktop Underwriter[®] (DU[™]) or for manually underwritten loans. Furthermore, nontraditional credit reports are not an acceptable alternative to incomplete credit reports due to frozen credit data.¹

This new policy could delay by days or weeks the decision process about whether a consumer's mortgage application is ultimately approved. This crucial delay is at best an inconvenience to consumers and at worst, it could cause them to lose their dream home.

In the bricks-and-mortar world of shopping, similar examples to those of e-Commerce can be drawn such as a consumer shopping at a series of auto dealers and not knowing in advance which lender will provide the financing. How will the consumer "unfreeze" a file when they won't know the name of the lender financing the car, the furniture or the home? The number of lawfully permitted and valued uses of consumer credit reports in combination with the range of media used to deliver these reports and the number of instances where the complexity of the decision is high due to the number of users involved renders this legislative proposal unworkable. To clarify further, unlike an ATM network, there is no single technology platform on which to administer a personal number or identifier. The proposal contemplates a web of systems of authorization (some requiring complex authorizations involving multiple parties) across a host of media (telephone, Internet, even mail?) and for a myriad of different industry sectors.

¹http://www.efanniemae.com/singlefamily/technolog_tools/information_providers/ca_credit.jhtml#underwriting (visited Feb. 7, 2003).



April 13, 2005

The Honorable Con Bunde, Chair
Senate Labor and Commerce Committee
Alaska State Capitol, Room 506
Juneau, AK 99801-1182

RE: SB 148 (Ellis)—Support

Dear Chair Bunde:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the Senate Labor and Commerce Committee to support SB 148, authored by your Committee member Senate Minority Leader Johnny Ellis.

As you know, earlier this year ChoicePoint admitted that it had lost personal information affecting 150,000 customers, including some Alaskans. Although the information was illegally stolen from the company, the company failed to notify their customers at the time they first discovered the information was taken last fall.

SB 148 will mandate that any company that has had its customer financial information stolen must notify those customers that they could be victimized.

SB 148 also requires the three companies that have credit information on all of us to offer security freeze protection. Security freeze protections allow the consumer to determine which companies will be allowed credit information which can be used for lines of credit. This will provide an effective tool to prevent false applications for credit because of stolen information/identity theft.

While your Committee is hearing this bill tomorrow, the United States Senate is conducting hearings on the millions of Americans who are victims of identity theft and the billions of dollars they have lost.

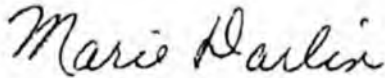
This issue needs to be addressed and SB 148 is one good way to help Alaskans.

We urge an "AYE" vote on SB 148.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,



Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 505
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Ralph Seekins
Senate President Ben Stevens
Senate Minority Leader Johnny Ellis
Senator Bettye Davis



Apr. 12, 2005

The Honorable Con Bunde
Chair, Senate Labor and Commerce Committee
Alaska Senate
State Capitol, Room 506
Juneau, AK 99801-1182

RE: S.B. 148/149 – Request for Amendments

Dear Chairman Bunde:

I write on behalf of the Information Technology Association of America (ITAA), representing over 400 companies in the information technology (IT) industry – the enablers of the information economy. Our members, located throughout the United States, range from the smallest IT start-ups to industry leaders in the custom software, services, systems integration, hardware, telecommunications, Internet, and computer consulting fields.

We share your commitment to addressing security breaches that harm people. Recently, ITAA announced a six-point strategy (enclosed) to enhance the privacy and security of consumer data. ITAA also called for all involved in assuring the privacy of consumer records, including government agencies, the financial services industry, data aggregators and other technology firms, to work together in implementing the strategy.

While we pursue our pro-active strategy to bring business and government together on solutions, we are also addressing the many state legislative proposals that have been advanced. Many, like S.B. 148 and S.B. 149, have sound foundations, but include some provisions that are harmful to electronic commerce and data storage, without commensurate benefits to consumers.

With respect, we would like to recommend the following changes to S.B. 148 and 149 in order to maintain their value, but eliminate the potential for harm.

I. Focus on Potentially Harmful Security Breach

First and foremost, it is important to focus on those security breaches which present real harm or the potential of harm to consumers. Because some, but certainly not all, incidents of security breach are important, it would be counterproductive to treat inconsequential breaches with the same weight as those which represent harm or potential harm to the consumer. There are even documented cases of "false alarms" where student pranksters claimed to have affected a breach, but were later found to be lying. Therefore, employing a mechanism to distinguish among important, inconsequential or even

fictional breaches is crucial to sustaining the public's respect for such notices. We recommend that S.B. 148 and 149 be amended to provide for such a mechanism.

Information Technology Association of America
1401 Wilson Blvd. - Suite 1100, Arlington, Virginia 22209-2318 ■ Phone: (703) 522-5055 Fax: (703) 525-2279

The Honorable Con Bunde
April 12, 2005
Page: 2

II. Clarification of "Information Security Policy" Safe Harbor

In order to avoid confusion, the meaning of "information security policy" needs clarification. Most companies and entities describe their security practices within their overall privacy policies. Therefore, the bills should be amended as follows:

"A person that maintains its own notification procedures as part of an information privacy or security policy for the treatment of personal information....."

III. Removal of "E-Sign" Requirement (opt-in) from ability to provide Electronic Notice

S.B. 148 and S.B. 149 allow for notice to be provided electronically "if the notice provided is consistent with the provisions regarding electronic records and signatures set forth in 15 U.S.C. Sec. 7001." While there is a current legal debate as to whether the scope of this E-Sign provision includes government transactions, it certainly covers private transactions, and as such, presents entities who wish to provide notice electronically with significant compliance hurdles.

For example, a government agency or private entity with 1 million email addresses could not use them to send electronic notice until it first determined whether doing so is "consistent" with the federal act. If the act does not apply at all, consistency will exist. If the act does apply, then the agency or entity could not send electronic notice of the security breach (or even make recorded telephone calls), until it *first* provided detailed disclosures about electronic notices generally and also obtained the consent of the consumer to receive electronic notices.

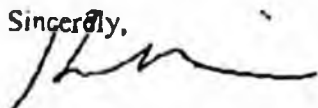
This not only delays notice of the security breach but effectively eliminates the ability of the agency or entity to send electronic notice at all. Absent the ability to send or use electronic notice, the agency/entity must send written notice, but it may not have regular mailing addresses and mailing costs can be prohibitive. Otherwise, the agency/entity could give "substitute notice," but that requires use of "major statewide media," which increases the likelihood of additional fraud by criminals or phishers posing to be representatives of the entity providing notice. Striking the "E-Sign" requirement will ensure that private communication is facilitated by the bills, not impeded.

IV. Removal of Private Right of Action

Given the abundance of frivolous civil litigation in the United States, we strongly recommend that this legislation feature an alternative enforcement mechanism to penalize those who recklessly disregard the requirements of this act and whose actions result in demonstrable harm to individuals. We request that the bill's provisions establishing a private right of action against security breaches be deleted.

Thank you for your time and attention to this critical issue.

Sincerely,



Harris N. Miller
President, ITAA



For Immediate Release
March 23, 2005

Contact: Bob Cohen, 703-284-5301, bcohen@itaa.org
Charlie Greenwald, 703-284-5305, cgreenwald@itaa.org

ITAA Calls for More Law Enforcement Resources, Inter-Industry Action to Fight Data Breaches

Arlington, VA, - The Information Technology Association of America (ITAA) today announced a six-point strategy to enhance the privacy and security of consumer data. ITAA also called for all involved in assuring the privacy of consumer records, including government agencies, the financial services industry, data aggregators and other technology firms, to work together in implementing the strategy.

ITAA's plan focuses on three areas: improving law enforcement powers and capabilities to focus on the lawbreakers; reducing the number of breaches; and notifying affected individuals in the event personal data are improperly disclosed or obtained.

"Consumers should not have to worry about their information getting into the hands of identity thieves and other criminals," said ITAA President Harris N. Miller. "People have a reasonable expectation that information they disclose on a credit application or for other purposes will be treated responsibly and that their right to privacy will be protected.

"More emphasis on law enforcement is a key element of this battle because the criminals involved must be identified, prosecuted and punished," Miller continued. "Industry must also step up to the plate. We call on all stakeholders to work together to address this growing problem in a manner that meets and even exceeds society's privacy and security expectations while preserving the efficiency and productivity of electronic records. Custodians of data, government and individuals all have a share of the responsibility in protecting personally identifiable information and other sensitive data and assuring its appropriate use."

The six points of the strategy include the following:

A reasonable and effective national breach notification law applicable to credit reporting agencies as well as other data custodians;

- Such a national law must meet several objectives: establish a clear definition of what constitutes a breach; specify means and methods of notification; identify the level of detailed information to be provided; describe special exceptions and conditions where notification is not provided (as in national security matters); take into account technological approaches to protect data, such as data encryption; assure that the financial risks of non-compliance outweigh the costs of compliance; and preempt state laws and eliminate state-to-state disparities.

A national law enforcement strategy that reinforces prosecutors' tools and increases penalties for individuals who engage in illegally obtaining consumer records, whether electronically or by other deceptive acts;

- A single national law enforcement agency should serve as the primary focus for combating identity theft. This will facilitate closer, systematic cooperation between law enforcement and the financial services and consumer data industries. The rapid exchange of information in real time concerning suspicious activity will help apprehend identity thieves. Similarly, consumers need a single point of contact for reporting incidents and clearing their records. The current patchwork of law enforcement response gives identity criminals extra time to commit their frauds and confuses consumers.

Stronger industry-law enforcement cooperation:

- A series of regional meetings between industry executives and federal, state and local law enforcement would also enhance cooperation between industry and law enforcement to prevent and react to identity theft incidents. Those meetings should be designed to culminate in a body of specific policy recommendations and best practices.

Additional resources for federal, state and local law enforcement to focus on identity thieves:

- Additional resources at all levels of law enforcement are necessary to support investigation of identity theft incidents as well as apprehension of suspects. This additional funding should also support training in identity theft investigations and cooperation with corporations or other industry entities.

Accelerated development and adoption by data aggregators of information security process and methods as well as new technology tools to foil perpetrators and catch offenders:

- A robust and meaningful information security policy is the first line of defense for any organization seeking to assure the confidentiality of electronic records. Promising technologies can improve the identity management process and thereby mitigate the risks of identity theft. Improvements in areas like authentication, credentialing, vetting and issuance must be explored to deter individuals considering identity theft, to block attempts in progress and to prevent breaches in the future. Preventative steps must recognize that identity theft is both an external and an internal threat. To the extent that breaches do occur, mechanisms must also be put in place to re-establish data integrity.

A coordinated inter-industry effort to establish a consensus set of best practices, policy standards, solutions and education:

- A national conference attended by high-level representatives of all industry stakeholders should be held to produce an agreement to develop and pursue a joint strategy to fight identity theft and associated breaches of private data.

The Information Technology Association of America (ITAA) provides global public policy, business networking, and national leadership to promote the continued rapid growth of the IT industry. ITAA consists of over 380 corporate members throughout the U.S. The Association plays the leading role in issues of IT industry concern including information security, taxes and finance policy, digital intellectual property protection, telecommunications competition, workforce and education, immigration, online privacy and consumer protection, government IT procurement, human resources and e-commerce policy. ITAA members range from the smallest IT start-ups to industry leaders in the Internet, software, IT services, ASP, digital content, systems integration, telecommunications, and enterprise solution fields. For more information visit www.itaa.org. ITAA is secretariat of the World Information Technology and Services Alliance, consisting of 65 IT trade associations around the world.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB148-LAW-C&FB-4-9-C
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: LAW
 Title: "An Act relating to breaches of security involving RDU CIVIL
personal information; and relating to credit report..." Component: Commercial & Fair Business
 Sponsor: Senator Ellis
 Requester: Senate Labor and Commerce Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

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	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This bill adds a chapter to AS 45 that imposes disclosure requirements on businesses that collect and store personal information if there is a security breach of the businesses' information system. In the event of a security breach, notice of the breach must be made to consumers by either written or electronic means, with some exceptions if the notice will cost more than \$250,000, or the number of affected consumers exceeds 500,000. Consumers can bring a court action for violations of this law to recover damages and injunctive relief.
 The bill also adds a section that allows consumers to place a security freeze on his or her credit report. When a security freeze is in place, a credit reporting agency may not release information from the consumer's credit report to third parties unless requested by the consumer. There are several exemptions for access required to correct technical information, and for some agencies like the child

Prepared by: Kathryn Daughhete, Director Phone: 465-3673
 Division: Administrative Services Division Date/Time: 4/9/05 2:44 PM
 Approved by: Kathryn Daughhete for David Marquez, Attorney General Date: 4/9/2005
 Agency: Department of Law

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. _____

ANALYSIS CONTINUATION

support enforcement agency, Department of Health and Social Services, and Department of Revenue. Court action can be brought by consumers to enforce this law. Remedies include injunctive relief, damages (including lost wages and pain and suffering), and punitive damages up to \$5000.

Violations of the provisions of this bill are not automatically violations of Alaska's Consumer Protection Act. Consumers will likely be left to their own enforcement efforts for violations of this Act except in the most egregious cases where the State may bring an action. Passage of this legislation will have no foreseeable fiscal impact on the Department of Law.



Alaska State Legislature

Official Business, State Capitol, Juneau, Alaska, 99801

Senator Johnny Ellis

SB 148: Personal Information Breach / Security Freeze

Sponsor Statement

In February ChoicePoint, Inc., a Georgia-based financial database company admitted personal information affecting almost 150,000 consumers had been stolen from its company. Recently the company admitted it knew of this breach since the fall and had delayed letting consumers, including 251 Alaskans, know about the breach until last month. SB 148 is based on two provisions in California law.

This bill requires that any business that collects this personal customer information as part of their business must notify consumers if the security of that information is compromised. California is currently the only state to mandate consumer notification and this bill is modeled after the California law.

Once an individual learns or believes their personal information has been compromised, that person should be able to block access to credit reports and credit scores. Blocking access to a credit report prevents an identity thief from fraudulently opening new lines of credit in his or her name.

The second section of the bill contains this "security freeze" provision. There are three companies in the country (Experian, Equifax and TransUnion) which act as consumer financial information clearinghouses, and that provide consumer data to banks, credit card, insurance, and other companies. The security freeze provision allows consumers to prevent the clearinghouses from sharing their information. The provision will allow a consumer to regulate who will receive a copy of their credit report. Under the security freeze provision the consumer is required to give the credit reporting agency an access code to release their report to a company wishing to extend a line of credit.

Many businesses like ChoicePoint make money by selling consumer information. They gather this information from public records such as motor vehicle records, home purchases, and criminal convictions. Alaskans value their privacy. Companies that profit from trading financial and personal information need to protect that information.

Sponsor Statement



Alaska State Legislature

Official Business, State Capitol, Juneau, Alaska, 99801

Senator Johnny Ellis

SECTIONAL ANALYSIS

SB 148 – Personal Information Breach / Security Freeze

Section 1 Establishes *Chapter 48 – Information Security* under AS 45.

Article 1. Breach of Security Involving Personal Information.

- **Sec. 45.48.010.** A business must notify Alaskans of any breach of security that compromises their personal information.
- **Sec. 45.48.020 – 45.48.060.** The business may notify people of a breach by email or written documentation. These disclosures may be delayed if it would compromise a Dept. of Law investigation. An exception is made for employees or agents of a business who view personal information if they do not use that information for purposes unrelated to the business.
- **Sec. 45.48.070.** A person has the right to civil legal action if any part of AS 45.48.010 - 45.48.090 is violated.
- **Sec. 48.45.090.** Definitions.

Article 2. Security Freeze.

- **Sec. 45.48.100.** A consumer may freeze part or all of their credit report information.
- **Sec. 45.48.110 – 45.48.120.** To place a security freeze a person must notify credit reporting agencies by certified mail. The reporting agency is then required to place the freeze within 5 days after receiving the request and send a written confirmation of the security freeze within 10 days. A personal identification number or password must accompany this written confirmation for the consumer to use when authorizing the release of their credit report.
- **Sec. 45.48.130.** Once a security freeze is in place a consumer may contact a credit reporting agency to release their credit information to a specific third party. The consumer must provide proper identification, the password or number provided under the previous section, and information to identify the party to allow access to. The reporting agency must comply with a consumer's request within 3 days. Once a security freeze is

in place, a credit reporting agency may not release a credit report without prior authorization.

- **Sec. 45.48.140 – 45.48.150.** If a consumer requests a security freeze, the credit reporting agency must disclose the process to the consumer. A credit reporting agency must remove a security freeze within 3 days if the consumer requests it.
- **Sec. 45.48.160.** Credit reporting agencies may not charge more than \$10 to place a security freeze or more than \$12 to allow access for a specific period of time.
- **Sec. 45.48.170 – 45.48.180.** A credit reporting agency may require additional information from the consumer only when needed to reasonably identify the consumer. During a security freeze a credit reporting agency may not change information in a consumer's file without sending confirmation to the consumer.
- **Sec. 45.48.190.** A person who suffers damages as a result of AS 45.48.100 – 45.48.290 may bring about a court action and recover damages. A person who knowingly violates these sections is also liable in a class action suit.
- **Sec. 45.48.270.** Certain reports are not covered by AS 45.48.100 – 45.48.290. These reports include:
 - Reports that contain only information about transactions between the consumer and the person making the report.
 - Reports that are internal communications within the organization that is making the report as long as the consumer is informed that this information may be communicated.
 - Reports of an authorization or approval of a specific extension of credit.
 - Reports that contain only information about a person's decision whether to extend credit if the person is informed where
 - Reports that contain only general information such as character, reputation, personal characteristics gained from personal interviews.
 - Reports that contain credit information to be used only for a commercial purpose.
- **Sec. 45.48.280.** Certain uses of credit reports are exempted from the provisions of AS 45.48.100 – 45.48.290. These include use by the Dept of Health and Social Services when investigating fraud, use by the Dept. of Revenue when investigating or collecting delinquent taxes, and use by a state or municipal agency that establishes and enforces child support obligations.
- **Sec. 45.48.290.** Definitions.

Article 3. General Provisions.

- **Sec. 45.48.300.** If any provision of AS 45.48 conflicts with federal law, the provision does not apply to the extent of the conflict.



ALASKA PUBLIC INTEREST RESEARCH GROUP

WWW.AKPIRG.ORG

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April 4th, 2005

AkPIRG Statement of Support for:**HB 226 / SB 148: Personal Information Breach / Security Freeze**

The Alaska Public Interest Research Group (AkPIRG), an Alaska membership organization dedicated to protecting consumers, urges quick passage of HB 226 / SB 148. These bills are an appropriate response to the ChoicePoint Inc. security breach that occurred in February. Consumers across the nation were alarmed to find out that nearly 150,000 people across the nation had their personal information stolen and were at high risk for identity theft. Yet only California had laws on the books that mandated ChoicePoint Inc. to notify those who fell victim.

The total included some 251 Alaskans. This bill will help better protect those individuals and all Alaskans if and when a similar security breach occurs in the future.

HB 226 / SB 148 are based on two provisions in California law.

First, the bills require that any business that collects this personal customer information as part of their business must notify consumers if the security of that information is compromised. This common sense step will make sure that companies like Choicepoint Inc. will disclose when consumers are at risk.

When a consumer's personal information has been compromised, that person should be able to block access to credit reports and credit scores. Blocking access to a credit report prevents an identity thief from fraudulently opening new lines of credit in his or her name, one of the many dangers of identity theft.

The second section of the bills contains this "security freeze" provision. The three credit reporting agencies - Experian, Equifax and TransUnion - act as consumer financial information clearinghouses. The security freeze provision allows consumers to prevent the clearinghouses from sharing their information. Without access to a consumer's credit report, an identity thief will not be able to open a new account. The provision will allow a consumer to regulate who will receive a copy of their credit report. The security freeze provision allows consumers to use an access code to release their report to a company wishing to extend a line of credit.

Any company that makes a profit from trading financial and personal information has the responsibility to protect that information. HB 226 / SB 148 have strong measures that the Alaska Legislature can enact to better protect consumers. We urge you to pass HB 226 / SB 148.

Sincerely,


Steve Cleary, AkPIRG Executive Director

adn.com

Anchorage Daily News

**Identity thieves may have hit Alaska****CHOICEPOINT: Information clearinghouse breach could have compromised privacy of 251.**By RICHARD RICHTMYER
Anchorage Daily News*(Published: February 24, 2005)*

Identity thieves who scammed information clearinghouse ChoicePoint Inc. may have obtained the personal information -- including names, addresses and Social Security numbers -- of 251 Alaskans.

The security breach, which ChoicePoint has known about since last fall but made public only this month, involves more than 145,000 consumers nationwide, the company said.

The scope of the fraud and the lapse in ChoicePoint's security underscore how vulnerable consumers are and highlight weaknesses in Alaska laws to protect against identity theft, said Steve Cleary, executive director of the Alaska Public Interest Research Group.

State lawmakers are considering toughening identity-theft penalties. Cleary's group is urging them to go even further to help Alaskans guard against being ripped off when their personal information falls into the wrong hands.

ChoicePoint is sending letters to all the affected consumers, notifying them they may be at risk. They should all be delivered within 10 days, said Chuck Jones, a spokesman for the Georgia-based company.

The company will offer affected consumers free credit reports and credit-monitoring service for a year, and it is setting up a single point of contact where they can place security alerts on their credit files maintained by all three major credit reporting companies: Experian, Trans-Union and Equifax, Jones said.

Identity theft occurs when someone steals your personal information, such as a Social Security number and date of birth, and uses it to commit fraud.

There has been one confirmed case of identity theft resulting from the incident, and Jones said investigators have determined that the suspects have tried to defraud at least 750 others. He would not say where they live, referring specific questions about the investigation to officials at the Los Angeles County Sheriff's Department, who did not return phone calls Wednesday.

ChoicePoint was formed in 1997 as a spin-off of Equifax. It makes money by selling information in its massive database of personal information to a wide range of businesses, including corporations conducting pre-employment background checks and insurance companies assessing the risk of potential clients.

The company discovered last fall that it had opened up portions of its database to scam artists in the Los Angeles area who were posing as legitimate businesses. ChoicePoint alerted the county sheriff's department, which began an investigation. It delayed notifying consumers at the request

of authorities, who didn't want to jeopardize their investigation, Jones said.

News of the security breach broke last week as some 35,000 Californians began receiving notification that their personal information might have been compromised. That is the only state that requires such notification, according to the U.S. Public Interest Research Group.

The company began notifying the rest of the affected consumers after the attorneys general of dozens of other states, including Alaska, jointly sent a letter to ChoicePoint's top lawyer demanding that the company notify potential victims in their states as well.

Jones said the company initially notified Californians only because it thought the fraud had been isolated to that state, not because of the state law requiring it to do so.

AkPIRG's Cleary didn't buy that argument. "It just doesn't seem plausible," he said.

State lawmakers this session already are considering a bill that would make identity theft in Alaska a felony rather than a misdemeanor offense.

AkPIRG is urging them to add two measures to that bill that would protect Alaskans against identity theft if a security breach similar to the one that happened at ChoicePoint happens again, Cleary said.

The group has submitted legislation, modeled on other state laws, to members of the House Judiciary Committee, which is working on the identity-theft bill.

It would require companies that keep personal information on file to notify consumers if it knows their information is at risk of being compromised, similar to the requirement in California's law. It also would allow consumers more control over who can access their credit reports, which the group said is similar to laws in California, Louisiana, Texas and Vermont.

Staff members for Rep. Tom Anderson, R-Anchorage and the bill's sponsor, and Judiciary Committee chairwoman Lesil McGuire, R-Anchorage, said they hadn't had a chance to review AkPIRG's proposal, which they received Wednesday morning, and couldn't comment on its merits.

Daily News reporter Richard Richtmyer can be reached at rrichtmyer@adn.com or 257-4344.

Identity crisis?

If you think you might be a victim of identity theft, the best way to check is to look at your credit report.

- A recent change in federal laws requires that each of the major credit reporting bureaus provide free of charge one credit report per year to any consumer who asks for it. They're available at www.annualcreditreport.com, or by phone, toll-free, at 1-877-322-8228.
- A quick review of your credit report will enable you to detect fraudulent credit-card accounts and loans taken out by identity thieves. If you find something amiss on any one of the three reports, contact the credit reporting bureau and place a security alert on your file. That will warn the bureaus to look for fraudulent credit applications submitted in your name and require lenders to contact you personally before extending any credit.

- Here are the toll-free numbers of the major credit reporting bureaus to call if you suspect you're an identity theft victim: Equifax: 1-800-525-6285 Experian: 1-888-397-3742 TransUnion: 1-800-680-7289
-

The article "[14 tips to avoid identity theft](#)" is by reformed con artist Frank W. Abagnale, subject of the movie "Catch Me If You Can."

This [Federal Trade Commission](#) page has more advice for consumers looking to avoid identity theft.

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March 9, 2005

LexisNexis Says Thieves May Have Taken Data on Consumers

By TOM ZELLER Jr.

In yet another apparent theft of consumers' personal data, the LexisNexis Group, a major compiler of legal and consumer information, said today that about 30,000 of its records - including names, addresses and Social Security numbers of individuals - may have fallen into the hands of thieves.

The announcement follows the recent disclosure several other cases of the loss or theft of consumer data. ChoicePoint, another leading data broker, said last month that it had inadvertently sold the records of more than 140,000 individuals to con artists. And Bank of America said more recently that backup computer tapes containing information on more than a million of its customers had been lost.

The Federal Bureau of Investigation and the Treasury Department are investigating the LexisNexis incident, people close to the inquiry said. The concern in such cases is that criminals can use the information to open credit card accounts in other people's names or engage in various other forms of so-called identity theft.

The LexisNexis breach is almost certain to accelerate calls from privacy advocates and state and federal officials for greater scrutiny of the companies that buy, store and sell consumer data. The issue will be taken up on Thursday in a hearing before the Senate Banking, Housing and Urban Affairs Committee, and next Tuesday at a similar hearing before the House Energy and Commerce Committee.

"I personally see no socially redeeming value in anyone having the right to give away and sell my personal information unless I approve it," the chairman of the House Energy and Commerce Committee, Representative Joe Barton, Republican of Texas, said today.

"Under current law these companies have a legal right to package it and do almost anything they want to do with it," Mr. Barton said. "I just think that's fundamentally wrong. And in the Internet age, it's dangerous."

Some other lawmakers expressed similar sentiments.

"We need to think proactively and treat these data troves with the same level of care and protection that we would any other valuables," Senator Patrick Leahy, Democrat of Vermont, wrote in an e-mail statement. On behalf of the Senate Judiciary Committee, Mr. Leahy is scheduled to testify before the Senate Banking Committee hearing this afternoon. "Our peace of mind, our economy and even our nation's security depend on it," he wrote. The Judiciary Committee also plans to conduct hearings on the issue soon.

As it is, the industry is governed by a hodgepodge of state and federal laws. Critics have argued that because those laws are often at odds and sufficiently ill-defined, the rules permit companies like ChoicePoint and LexisNexis to police themselves as they market consumer data to insurance agencies, background screeners, private detectives, law firms and even the federal government.

Some control is provided by the federal Gramm-Leach-Bliley Act of 1999, which governs the use of personal information maintained by financial institutions. And the Fair Credit Reporting Act of 1970, along with its 2003 amended version, the Fair and Accurate Credit Transactions Act, establishes rules for gaining access to and disseminating consumer reports.

But it has been a matter of debate over how those rules apply to vast information warehouses like ChoicePoint and LexisNexis, which provide a blend of both public and private information, only some of which is of interest to identity thieves. The information services industry has lobbied hard in the past to stall legislation that would put curbs on the kinds of information that can be peddled and to whom. But the succession of large-scale breaches, and the sheer number of consumers being affected by each new incident, will make it harder for the industry to resist some sort of legislative yoke.

"This is going to be hotly fought by people who are gathering and packaging this information," Mr. Barton said. "But I don't see why you have to have Social Security numbers available that are really extraneous to the product at hand."

Several new bills have been introduced in Congress to address the growing problem of consumer privacy, including three submitted in January by Senator Dianne Feinstein, Democrat of California. Mr. Barton has said that he and colleagues from both sides of the aisle have been discussing possible legislative approaches. Senator Charles E. Schumer, Democrat of New York, who chastised another data compiler, WestLaw, in February for making sensitive information like Social Security numbers to easily available, said he plans to introduce legislation next week.

"If we do nothing, identity theft is going to go through the roof," Mr. Schumer said today. "It really means we should get on the stick and do something here. We're in the wild west where companies can do anything they want."

LexisNexis and its parent company in London, the publishing and information services giant Reed Elsevier, said the recent breach involved databases acquired last July through the \$775 million purchase of Seisint, a Florida-based compiler of consumer background and asset information.

Seisint has two main products: Accurant, a service for locating people and determining their financial assets, and Securint, a background screening service. LexisNexis has been in the process of folding those Seisint databases into its fleet of legal, news and consumer data archives.

Exactly how thieves gained access to the Seisint databases remains murky. LexisNexis said that the breach was discovered as part of "an ongoing extensive review of the verification, authorization and security procedures and policies" and that it appeared to have occurred well after the Seisint acquisition. The company also said it has been asked by law enforcement officials investigating the matter not to reveal too many details of the crime.

But Kurt Sanford, the chief executive for corporate and federal markets at LexisNexis, which is based in Dayton, Ohio, emphasized that the company's own computer systems did not appear to have been broken into by hackers. Instead, Mr. Sanford said, it appeared that thieves were able to gain access to the log-in names and passwords used by what he described as a handful of legitimate subscribers to the Seisint databases.

Mr. Sanford would not comment on whether the passwords were somehow stolen by hackers breaking into those customers' computers or compromised by less technical means. But once they logged in, the thieves were able to sift through a trove of consumer data without being detected until the legitimate subscribers were billed for their monthly activity.

In early February, Mr. Sanford said, those customers notified LexisNexis of odd activity on their bills. The company took about two weeks to investigate the billing questions, Mr. Sanford said, and then notified law enforcement officials when it became clear that a breach had been made. Reed Elsevier disclosed the breach in a public announcement this morning in London.

The timing is of particular interest in the wake of the breach at ChoicePoint, which has been criticized for delaying notification of the 145,000 affected consumers for more than five months. In that case, the company learned that it had been fooled by thieves posing as legitimate subscribers to its service in late September of last

year. Law enforcement officials were notified, and they asked the company to delay a public announcement until Jan. 1. But ChoicePoint did not publicly disclose the breach until mid-February.

LexisNexis says it plans to begin sending letters to the 30,000 affected consumers in the next few days, similar to the notification process that ChoicePoint recently completed. More than one-third of the people whose data was compromised in the LexisNexis case appear to reside in California, according to a state-by-state breakdown provided by the company. Massachusetts, New York, Florida and Texas were also heavily hit.

All 30,000 consumers will be offered free credit monitoring for one year, according to Mr. Sanford. ChoicePoint made a similar gesture in notification letters that it mailed out in the wake of the security breach there.

But privacy advocates argue that such gestures are not commensurate with the damage such security breaches can bring to consumers' lives.

"Thieves will just put this stuff on the shelf until the heat is off," said Beth Givens, the director of the Privacy Rights Clearinghouse, a consumer advocacy group in San Diego. "They know that there is increased scrutiny of these individuals at this time, and if they read the newspapers, they know that ChoicePoint and Lexis have purchased credit monitoring for one year," Ms. Givens said.

"They need to tell these individuals that they need to be monitoring their credit for the rest of their lives."

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Law Requires ChoicePoint To Disclose Fraud

An identity-theft ring gained access to 145,000 consumer records held by ChoicePoint, which later notified consumers as required under California law SB-1386.

By Thomas Claburn, InformationWeek

Feb. 17, 2005

URL: <http://www.informationweek.com/story/showArticle.jhtml?articleID=60401882>

In its privacy statement, data-aggregation company ChoicePoint Inc. says that it is "dedicated to protecting the privacy of individuals," which includes "strict standards regarding the use and dissemination of personal information."

Yet such dedication is only exceeded by the determination of identity thieves who, by setting up some 50 fictitious businesses, duped the company into granting them access to 145,000 consumer-data profiles it maintains among its store of roughly 19 billion public records.

In Los Angeles County Superior Court last week, a Nigerian national who participated in the identity-theft scheme was sentenced to 16 months in state prison. ChoicePoint was alerted of the breach last October. But some 35,000 California consumers didn't realize they were potential victims until they received a letter about the breach from ChoicePoint last week, per California law.

Disclosure of the incident was required under California's SB-1386, which took effect July 1, 2003. According to the law, any state agency, person, or business that does business in California and owns or licenses electronic data that includes personal information, is required to disclose any data security breach to California residents whose unencrypted personal information may have been accessed by an unauthorized person.

While the extent of the fraud arising from the incident may not be known for months, ChoicePoint said it would send out 110,000 more notifications to individuals outside California.

"That's certainly good practice and most responsible companies are going to do that, if no other reason than of mitigating any damages that might result," says Kevin Lyles, partner in the privacy practice at law firm Jones Day. Lyles says another privacy-related law, the Health Insurance Portability and Accountability Act, requires organizations to mitigate any damages as a result of security breaches, and there are similar provisions in the Gramm-Leach-Bliley law.

Gail Hillebrand, senior attorney for Consumers Union, a nonprofit testing and information organization that publishes *Consumer Reports*, suggests such provisions aren't enough. "This is a reminder to all consumers how insecure our personal financial information is when it's held by someone else who makes their own decisions about how much to spend on security," she says. "It highlights the need for consumers to have additional rights to protect themselves, particularly the need for state security freeze laws."

A security freeze lets a consumer prevent people or businesses from accessing a credit reports for the purpose of granting credit. In turn, it prevents identity thieves from accessing a credit report.

Currently, Hillebrand says, freeze laws are being considered in 11 states: Colorado, Connecticut, Hawaii, Illinois, Indiana, Maine, Maryland, Massachusetts, Oregon, Utah, and Washington. California, Louisiana, Texas, and Vermont already have passed some form of freeze law.

Consumers Union is pushing for federal laws that would require all companies to inform customers nationwide of data breaches. "We think that will help consumers to protect themselves but also will create a business environment that encourages more investment in security," says Hillebrand. Massachusetts already has a disclosure provision similar to California's, and Illinois may be next.

Yet many oppose a legislative approach to the problem. California state Sen. Debra Bowen's effort last year to expand the data-breach notification requirement to cover disclosures of data in any form, not just electronic data, was voted down amid lobbying by business groups such as the California Chamber of Commerce and the American Electronics Association.

Quinn Jalli, director of privacy and Internet service provider relations at E-marketing company Digital Impact Inc., says that while data breaches often lead to calls for federal legislation, companies such as ChoicePoint already have a strong incentive to protect their data. "As we saw with spam, legislation is not going to solve the problem," Jalli says.

"This obviously means companies need to do a better job with their information security," Lyles says. "But having a law that says to do that doesn't really help. The problem is technology, and the ability of hackers is moving faster than some companies can move to keep information secure."

Laws don't dictate what companies need to do from a security standpoint, Lyles says. "Almost all the laws that I've seen just say you'll take reasonable security precautions," he explains. "It very well could be that ChoicePoint was using reasonable precautions and that wasn't good enough. The real key is what you do after it. And I think the lesson here for companies is if you have a breach you know about, whether you have a [disclosure] law in the state or not, you ought to let individuals know."

ChoicePoint could not be reached for comment regarding the data breach.

Last year, according to the Federal Trade Commission, consumers reported fraud losses of more than \$547 million. Internet-related fraud accounted for 53% of all reported fraud complaints. According to the Better Business Bureau, 9.3 million Americans were victims of identity-theft fraud in 2004.



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SB

149

SENATE COMMITTEE REPORT
First Committee of Referral

Date: 3/31/05

FURTHER: Judiciary

of 5-Day Notice: _____
 accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: _____

and Commerce Committee considered SPONSOR SUBSTITUTE FOR SENATE BILL NO. 149

SB 149 PERSONAL INFORMATION BREACH

act relating to breaches of security involving personal information, consumer report security freezes, inner credit monitoring, protection of social security numbers, disposal of records, factual declarations of offence after identity theft, furnishing consumer credit header information, and filing police reports regarding identity theft; and amending Rule 60, Alaska Rules of Civil Procedure."

Comments:

to be replaced with _____ CS _____ (_____)

to adopt previous _____ CS _____ (_____)

attached amendment(s)

to adopt Letter of Intent by _____ Committee

for further referral to _____ Committee

CS Senate Bill:

- Same Title
- New Title

SCS House Bill:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

W FISCAL NOTE(S):

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

Department	Date	Fiscal	Indet.	Zero	FN#

] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
<i>Betty Davis</i>	X			
<i>Chris Allen</i>	X			
<i>Joseph Veekins</i>	✓			
<i>Ben Stetson</i>	X			

AMENDMENT

*faxed to Terry
4-30*

OFFERED IN THE SENATE

BY SENATOR GUESS

TO: SSSB 149

1 Page 5, line 1:

2 Delete "or (2)"

3

4 Page 5, lines 1 - 2:

5 Delete "within three business days after receiving a request under (a)(3) of this
6 section"

7 Insert "immediately after receiving a request under (a)(2) or (3) of this section"

8

9 Page 5, lines 28 - 29:

10 Delete "within three business days after receiving the request"

11 Insert "immediately after receiving the request by telephone or electronic mail or
12 within three business days after receiving the request by certified mail"

13

14 Page 6, line 31, through page 7, line 1:

15 Delete "within three business days"

16 Insert "immediately"

17

18 Page 8, line 18 - 19:

19 Delete "not later than three business days after receiving your request"

20 Insert "immediately after receiving your request if you make the request by telephone
21 or electronic mail, or within three business days after receiving your request if you make the
22 request by certified mail"

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SSSB 149
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title: Protection of Personal Information RDU: Executive Admin and Dev (119)
 Component: Administrative Services
 Sponsor: Guess
 Requester: Labor & Commerce Component No: 1028

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	***	***	***	***	***	***

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1156 - Receipt Supported Services						
TOTAL	***	***	***	***	***	***

Estimate of any current year (FY2005) cost: 00
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SSSB 149 establishes requirements to deal with personal information on information systems if a breach of security should occur. This indeterminate fiscal note is submitted because financial impact to the department would occur only if and when a breach occurs. There are approximately 500,000 records in the department's automated systems that store personal information such as social security numbers, date of birth, etc. For example, there are approximately 126,000 professional licensing records, 175,000 business licensing records, 2,000 investment accounts, and more. Under this bill, all individuals in our information systems would need to be notified if a breach occurs. Additionally, business practices would be changed concerning collection, storage, and transmitting of personal information (relating to the use of SSNs). Significant costs may be generated by adding new security measures to our automated systems. Business practices relating to information collected, stored, and transmitted on paper will also be affected.

Prepared by: JoEllen Hanrahan, Director Phone: (907) 465-2505
 Division: Administrative Services Date/Time: 4/21/05 12:14 PM
 Approved by: Edgar Blatchford, Commissioner Date: 4/21/2005
 Agency: Commerce, Community, and Economic Development

April 13, 2005

Senator Con Bunde
Chairman, Senate Labor & Commerce Committee
State Capitol, Room 506
Juneau, AK 99801-1182

RE: AK SB 148, AK SB 149

Dear Senator Bunde:

I am writing to express opposition to AK SB 148 and SB 149.

ChoicePoint is a leading provider of insurance underwriting services and tools which help insurance companies rate insurance premiums, thus enabling them to charge consumers the lowest possible premium consistent with risk. Information contained in a consumer's credit file is a valuable component of many of the underwriting tools utilized by insurers.

ChoicePoint is a "reseller" as defined by Section 603 (u) of the federal Fair Credit Reporting Act, 15 U.S.C. 1681et seq., which defines a "reseller" as a consumer reporting agency that assembles and merges information contained in the database of another consumer reporting agency or multiple consumer reporting agencies concerning any consumer for purposes of furnishing such information to any third party, and does not maintain a database of the assembled or merged information from which new consumer reports are produced.

A security freeze on a consumer's credit report could virtually eliminate a consumer's ability to get point of sale insurance coverage, and would also provide a significant burden to the consumer's ability to rate shop with multiple insurers for the best coverage and price. Additionally, without access to sufficient consumer information to properly underwrite consumers, insurers could be forced to raise certain premiums, or ultimately determine to discontinue writing certain policies in Alaska.

Furthermore, new federal protections contained in the Fact Act amendments to the Fair Credit Reporting Act provide effective identity theft protections for consumers. The federal codification of "security alerts" and "tradeline blocking" provide consumers protection against unauthorized use of their credit reports without the drastic end result of a consumer "freezing" themselves from normal access to credit and commerce.

It is ChoicePoint's hope that you will reconsider the propriety of the proposed measures affecting permissible use of credit reports and information contained therein so that Alaska consumers will not be harmed by unintended consequences of "freezing" their credit reports.

We would welcome the opportunity to work with you on these issues. If you have any questions, please feel free to contact me. Thank you for your time and consideration of ChoicePoint's views.

Jon Burton
AVP, State Government Relations
ChoicePoint Inc.
1000 Alderman Drive
Alpharetta, GA 30005
Tel: 770-752-3383
Jon.Burton@ChoicePoint.com

Specific Comments on File Freezing:

Freezing a consumer's file will only inconvenience consumers by cutting off legitimate commerce, such as shopping refinancing rates or cheaper insurance rates online, things that consumers have perhaps not even contemplated. Consider the following examples of additional problems with a freeze that consumers and business would face.

- **Online Shopping.** Consumers find the Web an excellent tool for comparison-shopping. Consider the following consequences to all forms of online comparison shopping based on the following examples:
 - **Mortgage Shopping Online & File Freezes**
 - The bill requires that the consumer direct the consumer credit reporting agency in advance of the transaction to release the file, which has been "frozen" by the consumer. How will the consumer do this if they are shopping online for a loan via a multiple-lender shopping website? The very nature of e-Commerce suggests that consumers shop for loans by first using browsers to list potential sites on which they may wish to shop. Does the bill contemplate that the consumer will then proceed to the sites, determine which ones he/she truly want to use for a loan, then print out these home pages and then contact the consumer credit reporting agency to seek to have his/her file released?
 - **Automobile Shopping Online & File Freezes.** Similar to the mortgage loan shopping example, does the bill contemplate that consumers must first "pre-shop" online and then contact the consumer credit reporting agency to seek release of the file for those sites where the consumer is likely to do business?
 - **Cellular Phone Customers & File Freezes.** Consumers apply in-person and on the Internet for cellular phone service. In either scenario, it is unlikely that consumers will know which services they intend to visit and thus, in advance, "unfreeze" their file.
 - **New Online Checking Account/Banking Services Applicants & File Freezes.** Where consumers wish to open a new checking account they will have to know in advance which depository institutions they intend to visit online in order to unfreeze a consumer credit report which is often used for fraud prevention by the institution. Absent access to checking account fraud and traditional credit reporting databases, the depository institution may simply be unable to approve the opening of a new account. Consumers who make application via an ATM or the Internet will be affected, as well.
 - **Insurance Applications & File Freezes.** Many types of insurance underwriting are tied with use of a consumer's credit report. Consumers who have "frozen" their files won't likely know in advance with whom they will apply for insurance and thus won't be able to "unfreeze" a file prior to shopping for better rates. This is true whether the consumer is shopping via an agent or the Internet.
 - **Online Identity Authentication and Verification.** Internet fraud is of great concern to consumers and to industry. Properly identifying customers and reducing fraud is key to the success of electronic commerce. Today, properly identifying consumers is easily achieved through the use of consumer credit reporting products and electronic signature transactions. These identity verification products are consumer credit reports and are designed for a wide range of e-Commerce retailers and other companies, which have a need to verify the identity of consumers before completing a transaction or delivering a product. Consumers won't always even be aware in advance that a traditional online retail transaction may involve the use of identification products tied to consumer credit reporting agencies and thus won't know to "unfreeze" their file for Internet shopping in general.

- **Online Credit Card Transactions.** Today, an e-Commerce site has at least two concerns where they are completing a transaction. They want to ensure that the credit card account information is valid and they want to make sure that the person entering the credit card information is in fact the account holder. Credit reporting systems are the key supplier of what are often referred to as "out of wallet tests" to validate that the credit card account is being used by the account holder by requiring the consumer to respond to a series of questions about their financial transactions such as which mortgage lender holds their loan. By asking these questions, criminals are thwarted in their attempt to use stolen credit card account information. VISA just made a commitment to this "out of wallet" test in June of 2001.
- **File freeze appears to be hurting some mortgage applicants.** Fannie Mae, a major force in the mortgage process, has recently published a policy that:

Credit reports that are incomplete due to frozen credit are not acceptable for underwriting with Desktop Underwriter[®] (DUTM) or for manually underwritten loans. Furthermore, nontraditional credit reports are not an acceptable alternative to incomplete credit reports due to frozen credit data.¹

This new policy could delay by days or weeks the decision process about whether a consumer's mortgage application is ultimately approved. This crucial delay is at best an inconvenience to consumers and at worst, it could cause them to lose their dream home.

In the bricks-and-mortar world of shopping, similar examples to those of e-Commerce can be drawn such as a consumer shopping at a series of auto dealers and not knowing in advance which lender will provide the financing. How will the consumer "unfreeze" a file when they won't know the name of the lender financing the car, the furniture or the home? The number of lawfully permitted and valued uses of consumer credit reports in combination with the range of media used to deliver these reports and the number of instances where the complexity of the decision is high due to the number of users involved renders this legislative proposal unworkable. To clarify further, unlike an ATM network, there is no single technology platform on which to administer a personal number or identifier. The proposal contemplates a web of systems of authorization (some requiring complex authorizations involving multiple parties) across a host of media (telephone, Internet, even mail?) and for a myriad of different industry sectors.

¹http://www.efanniemae.com/singlefamily/technology_tools/information_providers/ca_credit.html#underwriting (visited Feb. 7, 2003).

IDENTITY THEFT IN ALASKA

Source: FTC's Consumer Sentinel Complaint Statistics and Trends for Alaska, for the periods January 1 - December 31, 2004, (pg. 17 of 66) & January 1 - December 31 2003 (pg. 17 of 66)
<http://www.consumer.gov/sentinel/pubs/Top10Fraud2004.pdf>

Fraud complaints from Alaska consumers:

- 1,143 in 2004
- 1,165 in 2003

Identity theft complaints from Alaska victims:

- 433 in 2004
- 231 in 2003

Ranking ID theft by category from Alaska victims in 2004 – Identity Theft Complaints from Alaska Victims = 433

Rank	Type	# of Victims	Percentage*
1	Credit card fraud	127	29%
2	Phone or utilities fraud	78	18%
3	Bank fraud**	59	14%
4	Gov't documents or benefits fraud	33	8%
5	Employment-related fraud	30	7%
6	Loan fraud	13	4%
	Other	129	30%
	Attempted ID theft	31	7%

* Percentages are based on 433 victims reporting from Alaska. Percentages add to more than 100 because approximately 17% of victims from Alaska reported experiencing more than one type of identity theft.

** Includes fraud involving checking and savings accounts and electronic fund transfers.

Ranking ID theft by category from Alaska victims in 2003 – Identity Theft Complaints from Alaska Victims = 231

Rank	Type	# of Victims	Percentage*
1	Credit card fraud	80	35%
2	Phone or utilities fraud	35	15%
3	Bank fraud**	32	14%
4	Employment-related fraud	23	10%
5	Gov't documents or benefits fraud	17	7%
6	Loan fraud	15	6%
	Other	64	28%
	Attempted ID theft	18	8%

* Percentages are based on 231 victims reporting from Alaska. Percentages add to more than 100 because approximately 17% of victims from Alaska reported experiencing more than one type of identity theft.

** Includes fraud involving checking and savings accounts and electronic fund transfers.

IDENTITY THEFT FACT SHEET

Source: FTC's NCPW 2005. Quiz - Identity Theft: When Fact Becomes Fiction

1. ID theft is the fastest growing white-collar crime in the U.S. 27 million Americans have been victims of the crime in the past five years, nearly 10 million people last year.
2. Identity thieves can get personal information from you by:
 - Stealing your wallet or purse
 - Stealing your mail
 - Rummaging through your trash, and
 - Using personal information they find on the Internet about you
 For additional information on how ID thieves can steal your identity, go to www.consumer.gov/idtheft/understanding_idt.html#2.
3. If you are getting rid of your computer, it is not enough to delete files using mouse and keyboard commands. Use a "wipe" utility program to overwrite the entire hard drive. This makes files unrecoverable.
4. ID thieves that obtain your personal information can: (1) call your credit card issuer and change the mailing address on your card; (b) open a new credit card account or bank account in your name; (c) file for bankruptcy under your name to avoid paying off debts they've incurred; and (d) counterfeit checks or drain your bank account.
5. Here are some ways for you to minimize your risk of becoming a victim of ID theft:
 - Don't give out personal information by email, Internet, phone or mail unless you initiated contact and you are certain you know who you are dealing with
 - Don't carry your social security card with you
 - Carry only the identification information and credit/debit cards that you actually need
 - Password protect your credit card, bank and phone accounts
 - For additional tips, go to: www.consumer.gov/idtheft/protect_againstidt.html#5.
6. If you are a victim of ID theft, place a fraud alert on your credit report. This will help prevent ID thieves from opening additional accounts in your name.
7. If you think someone has stolen your personal information or identification, do the following:
 - Immediately close all your credit card or bank accounts
 - Place a fraud alert with any one of the three national consumer reporting companies
 - Contact the Social Security Administration to get a new Social Security number
 - Alert issuing agencies for your driver's license and other identification documents
8. If you have high speed Internet connection, such as DSL or cable modem, get a firewall program to prevent uninvited guests from accessing your computer.
9. Signs you could be a victim of ID theft:
 - Fail to receive bills or other mail
 - Receive credit cards for which you did not apply
 - Are denied credit for no apparent reason
 - Get calls or letters from debt collectors or businesses about merchandise or services you didn't buy
10. Don't tape computer and website passwords to your computer. Safeguard these passwords. Also, when creating passwords, use a combination of letters (upper and lower case), numbers and symbols.



Publisher of Consumer Reports

Freeze Identity Thieves Out of Consumers' Credit Files:

Support State Credit Report Security Freeze Laws

Credit card companies, merchants, credit bureaus and other businesses do not adequately safeguard consumers' private financial information, making it relatively easy for thieves to steal this data and use it to take out new credit or to rack up charges on existing accounts. As a result, identity theft is one of the fastest growing financial crimes. Nearly 10 million Americans fall victim each year, and the Identity Theft Resource Center reports that victims spend an average of \$1,495 and 600 hours to restore their credit histories and their good names. Identity theft also costs U.S. businesses nearly \$48 billion annually.

Consumers need additional tools to help prevent identity theft before it happens. Many states are considering legislation that would allow people to lock identity thieves out of their credit files with a security freeze. With a security freeze in place, a consumer's credit report and credit score cannot be shared with any potential creditors unless the consumer decides to unlock the files by contacting the credit bureaus and providing a security code.

A security freeze can help prevent identity theft. Most businesses will not issue new credit or loans to an individual without first reviewing his or her credit report or credit score. If an individual's credit file is frozen and an imposter applies for credit in that individual's name, a creditor likely would deny the imposter's application, preventing an instance of identity theft. In addition, if a request for credit is made on a frozen account, then the credit bureau would be required to notify the consumer about the attempted fraud.

Under a state security freeze law, people who choose to freeze access to their credit report may temporarily lift the freeze for new loans and credit they apply for themselves. When a consumer initially activates the freeze, the credit bureau will issue a unique PIN to the consumer that can be used to "thaw" or lift the security freeze for a particular creditor. Credit bureaus must release the report within three business days of such a request, and are permitted and encouraged to develop faster methods of releasing credit reports on request of the consumer. In addition, existing creditors will continue to have access to an individual's credit report.

State security freeze laws would give consumers the right to decide for themselves whether or not to place a security freeze on their reports.

Frequently Asked Questions

How is a security freeze different from fraud alerts or blocking of information generated by a thief?

A security freeze is a mechanism to prevent identity theft. Only a security freeze allows the consumer to control who has access to his or her credit file. The federal Fair Credit Reporting Act allows identity theft victims to block the reporting of specific information in their credit reports that is the result of identity theft. But fraud blocking is a way to begin to undo damage after it has been done. Fraud blocking does not prevent identity theft. Fraud blocking does not prevent the release of a credit report; it only limits certain fraud-related information from being included in the report after the consumer discovers that information. Similarly, a fraud alert does not prevent a credit report from being issued. Under the federal Fair Credit Reporting Act, when a fraud alert is attached to a credit file, creditors must take additional steps to verify a credit applicant's identity before extending credit. The fraud alert, however, does not prevent the potential creditor from seeing the report, and it does not prevent the credit bureau from selling or sharing the credit report.

A security freeze grants each consumer the right to prevent the credit bureau from issuing his or her credit report for the purpose of issuing new credit. It freezes access to the report except for circumstances such as review of existing accounts, other limited purposes, or the express permission of the consumer.

Would anyone have access to a consumer's credit file if it is frozen?

Yes, these proposed state bills include a few necessary exemptions to the freeze. Security freezes would not apply to any person or entity with which consumers have existing accounts, nor to a limited number of other parties who may access the files for purposes not related to issuing credit, such as law enforcement agencies and certain governmental agencies that need them for investigations and other statutory responsibilities.

Do states have the right to enact security freeze legislation under federal law?

A state law establishing a security freeze right should not be preempted by the federal Fair Credit Reporting Act. No provision of federal law preempts the ability of a state to restrict when a credit reporting agency allows access to a credit report. Federal law addresses the contents of credit files, not who can see them. Federal law also requires credit bureaus, upon the request of a consumer to: (1) put a fraud alert into the consumer's file to warn potential users of the report that new credit should not be extended without first verifying the identity of the credit applicant, and (2) block the reporting of any information in a consumer's file that the consumer identifies as information resulting from an identity theft. States are preempted from imposing requirements regarding the same conduct required by certain specific provisions of federal law, such as these provisions. States are not preempted from other steps to prevent or mitigate identity theft. States should be free to enact security freeze legislation.

Which states already have security freezes?

California, Louisiana, Texas, and Vermont have security freeze laws, the Texas and Vermont statutes are limited to victims of identity theft. The California and Louisiana laws allow consumers who have not been victims of identity theft to control who gets access to their credit files for credit granting purposes.

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Anchorage Daily News

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Identity thieves may have hit Alaska**CHOICEPOINT: Information clearinghouse breach could have compromised privacy of 251.**By RICHARD RICHTMYER
Anchorage Daily News*(Published: February 24, 2005)*

Identity thieves who scammed information clearinghouse ChoicePoint Inc. may have obtained the personal information -- including names, addresses and Social Security numbers -- of 251 Alaskans.

The security breach, which ChoicePoint has known about since last fall but made public only this month, involves more than 145,000 consumers nationwide, the company said.

The scope of the fraud and the lapse in ChoicePoint's security underscore how vulnerable consumers are and highlight weaknesses in Alaska laws to protect against identity theft, said Steve Cleary, executive director of the Alaska Public Interest Research Group.

State lawmakers are considering toughening identity-theft penalties. Cleary's group is urging them to go even further to help Alaskans guard against being ripped off when their personal information falls into the wrong hands.

ChoicePoint is sending letters to all the affected consumers, notifying them they may be at risk. They should all be delivered within 10 days, said Chuck Jones, a spokesman for the Georgia-based company.

The company will offer affected consumers free credit reports and credit-monitoring service for a year, and it is setting up a single point of contact where they can place security alerts on their credit files maintained by all three major credit reporting companies: Experian, Trans-Union and Equifax, Jones said.

Identity theft occurs when someone steals your personal information, such as a Social Security number and date of birth, and uses it to commit fraud.

There has been one confirmed case of identity theft resulting from the incident, and Jones said investigators have determined that the suspects have tried to defraud at least 750 others. He would not say where they live, referring specific questions about the investigation to officials at the Los Angeles County Sheriff's Department, who did not return phone calls Wednesday.

ChoicePoint was formed in 1997 as a spin-off of Equifax. It makes money by selling information in its massive database of personal information to a wide range of businesses, including corporations conducting pre-employment background checks and insurance companies assessing the risk of potential clients.

The company discovered last fall that it had opened up portions of its database to scam artists in the Los Angeles area who were posing as legitimate businesses. ChoicePoint alerted the county sheriff's department, which began an investigation. It delayed notifying consumers at the request