

Colorado Legislative Council Staff Fiscal Note
STATE and STATUTORY PUBLIC ENTITY
REVISED FISCAL IMPACT

(replaces fiscal note dated February 18, 2014)

Drafting Number: LLS 14-0615	Date: March 6, 2014
Prime Sponsor(s): Rep. Conti	Bill Status: House SVMA
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SHORT TITLE: COMPROMISED PERSONAL OR FINANCIAL IDENTIFYING INFO

Fiscal Impact Summary	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	Potential increase. See State Expenditures section	
FTE Position Change		
Appropriation Required: See State Appropriations section.		

Summary of Legislation

This revised fiscal note is based on updated information provided by the Office of Information Technology. The bill requires state government entities to provide credit monitoring services for one year in the event that personal or financial identifying information is compromised in a deliberate security breach incident. State entities must also create procedures to notify and communicate with each person impacted or potentially impacted by the security breach. The bill provides related definitions.

Under the bill, the Chief Information Officer for the Governor's Office of Information Technology (OIT) must promulgate rules to implement these new requirements. Each executive branch department of the state must adopt OIT's rules. A state entity that is not an executive branch department must either adopt the OIT rules or promulgate their own rules or procedures to comply with the requirements of the bill.

Background

State entities were canvassed in order to determine the number of potential individuals each state entity maintains personal identifying information for. Table 1 shows the preliminary results of this research.

Table 1. Potential Number of Individuals State Entities Maintain Personal or Financial Identifying Information	
State Entity	Number of Potential Individuals
Corrections	6,000
Judicial	4,500,000
Higher Education	2,600,000
Labor and Employment	7,000,000
Law	82,700
Human Services	6,429,000*
Health Care Policy and Financing	2,300,000
Personnel and Administration	26,000**
PERA	1,000,000
Office of the Public Defender	781,539
Revenue	7,000,000
Secretary of State	5,500,000

* This total includes duplicate records where a person may be served by more than one program. An unduplicated breakdown is not available as of the writing of this fiscal note.

** This figure for the Department of Personnel and Administration does not include past employees the department may still have information for.

This list of state entities does not encompass all potential personal identifying information for which state entities have access. These estimates are provided to give a sense of the amount of information that state entities maintain in their databases. This fiscal note acknowledges that the likelihood that personal or financial identifying information for many individuals are maintained separately by multiple state entities.

The OIT was surveyed to determine the costs of the most recent potential security breach the state experienced in December 2013. The OIT reported that 18,979 letters were mailed to individuals who may have been impacted and the cost was roughly \$0.15 per letter for a total cost of \$2,847. OIT staff time was also required, but this workload increase was absorbed within existing appropriations.

State Expenditures

The bill requires that any state entity experiencing a security breach must provide one year of identity theft protection services to all individuals who may have been impacted. On average, a one year contract with an identity theft protection company costs \$110 per individual. If a security breach occurs, it will be the responsibility of the state entity to pay for this protection. The potential size of any security breach is unknown at this time and this fiscal note is unable to estimate the cost of a future security breach. The state may also have costs if it decides to carry insurance coverage against a potential security breach. To the extent that security breaches occur in the future, it is assumed the costs will be addressed through the annual budget process.

The OIT will be required to promulgate additional rules and standards related to information technology security for state entities. This will likely increase workload for the OIT; however, cost estimates cannot be determined at this time. State agencies must also adopt the OIT standards, which may also affect costs.

Statutory Public Entity Impact

The Colorado Public Employees' Retirement System (PERA) maintains over eight decades of data from past and present members. The PERA estimates that they maintain personal identifying information for over 1 million individuals and that the annual cost of having insurance in order to finance any potential security breach would be approximately \$515,000. This rise in annual costs to the PERA may result in an increase in future contribution rates set by the General Assembly.

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State Appropriations

Appropriations may be required beginning in FY 2014-15, but the specific amounts are unknown at this time. Further detail will be provided in a revised fiscal note if it becomes available. Recent research on security breaches found that the average number of breached records per security incident was 23,647.¹ Given the estimate of \$110 for one year of identity theft protection per individual, an average security breach may cost approximately \$2.6 million.

State and Local Government Contacts

All Departments PERA

¹The Ponemon Institute. May 2013. *The 2013 Cost of Data Breach Study: Global Analysis*. https://www4.symantec.com/mktginfo/whitepaper/053013_GL_NA_WP_Ponemon-2013-Cost-of-a-Data-Breach-Report_daiNA_cta72382.pdf