

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 696

PRINTER NO. 793

AMOUNT

See Fiscal Impact

FUND

General Fund

DATE INTRODUCED

May 19, 2021

PRIME SPONSOR

Senator Laughlin

DESCRIPTION

Senate Bill 696 amends the Breach of Personal Information Notification Act (Act 94 of 2005) as follows:

- Adds to the definition of “personal information,” medical information, health insurance information and username or email address, in combination with a password or security question and answer that would permit access to an online account.
- Defines “state agency contractor” as a person that has a contract with a state agency for goods or services and a third-party contractor to the contract.
- Requires a state agency, state agency contractor, county, school district or municipality to notify the subject of a breach of security within seven (7) business days following the discovery of a breach of security.
- Requires a state agency or state agency contractor to notify the Attorney General within three (3) business days following the discovery of a breach of security and a county, school district or municipality to notify the district attorney in the county where the breach occurred within three (3) business days following the discovery of a breach of security.
- Requires a state agency under the Governor’s jurisdiction to notify the Office of Administration within three (3) business days following the discovery of a breach of security.
- Requires a state agency that has an existing contract with a state agency contractor to use reasonable efforts to amend the contract to include provisions relating to the state agency contractor’s compliance with this act.
- Requires a state agency that enters into a contact with a state agency contractor to ensure that the contract includes provisions relating to the contractor’s compliance with this act.
- Allows notification with regard to a breach of security by providing electronic or other information directing the subject of the breach to change his or her password or take other steps to protect their online account.
- Requires state employees and state agency contractor employees to use encryption to protect the transmission of personal information.

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- Requires the Office of Administration to develop a policy to govern the proper storage of personal information to reduce the risk of future breaches of security.
- Provides that any person or entity subject to the federal Health Insurance Portability and Accountability Act of 1996 and the Health Information Technology for Economic and Clinical Health Act is deemed to be in compliance with this act.

The legislation is scheduled to take effect in 60 days.

FISCAL IMPACT:

The Office of Administration has indicated that the administrative provisions it has been delegated in Senate Bill 696 can be accomplished within its existing operating budget. For information purposes, the Office of Administration's general operating budget in the current fiscal year (FY 2020-21) is \$9,647,000.

The Department of General Services (DGS) has indicated that the provisions requiring state agencies to amend existing contracts to ensure compliance with the act may result in increased costs as it believes there may be some contractors and third-party contractors that will need to purchase encryption software to comply with the act. While the extent to which contractors and third-party contractors will need to purchase encryption software is not known, most businesses that maintain personal information utilize encryption as a best practice to mitigate risk.