

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

Revision 1

May 22, 2003

TO: Honorable Terry Keel, Chair, House Committee on Criminal Jurisprudence

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB405 by Hinojosa (Relating to the prevention of, prosecution of, and punishment of identity theft and to assistance to certain victims of identity theft; providing penalties.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB405, Committee Report 2nd House, Substituted: a negative impact of (\$502,440) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$502,440)
2005	\$0
2006	(\$1,581,336)
2007	(\$954,730)
2008	(\$954,730)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2003
2004	(\$502,440)	0.0
2005	\$0	0.0
2006	(\$1,581,336)	13.0
2007	(\$954,730)	13.0
2008	(\$954,730)	13.0

Fiscal Analysis

The bill would require the Department of Public Safety to establish an identity theft unit responsible for assisting and training local law enforcement agencies in investigating identity theft offenses. Law enforcement officers would be required to complete a training program on identity theft in order to obtain an intermediate proficiency certificate.

An identity theft offense could be prosecuted by the Office of Attorney General (OAG) or by the prosecuting attorney in the county in which the offense occurred or in a district court in Travis County. The OAG would be entitled to recover reasonable expenses incurred in obtaining injunctive relief, civil penalties, or both, including reasonable attorney's fees, court costs, and investigator costs.

Amounts collected by the OAG would be deposited into the General Revenue Fund and would be used only for investigating and prosecuting identity theft cases.

A state or local government entity would be prohibited from disclosing certain personal identity information except under certain circumstances and to other governmental entities. The OAG would be authorized to adopt rules to govern disclosure. Each state and local government entity would also be required to develop a privacy policy relating to records containing personal identity information.

The Department of Information Resources would be required to adopt rules prescribing minimum privacy standards with which an Internet site or portal maintained by or for a state or local governmental entity must comply.

The State Auditor's Office (SAO) would be required to establish auditing guidelines to ensure that state and local governmental entities over which the SAO has authority to audit do not routinely collect or retain personal identity information beyond meeting minimum necessities.

The bill would require the Secretary of State to re-image all Public Information Reports (PIR) and Uniform Commercial Code (UCC) records, which currently contain an individual's Social Security Number and which are part of the agency's online access system.

Methodology

The Department of Public Safety reports there were 14,357 victims of identity theft in Texas in calendar year 2002. The department anticipates they would be involved in approximately 6,720 cases in the first year under the provisions of the bill. To support the additional cases, 10 commissioned FTEs and 3 non-commissioned FTEs are included in the cost estimate with annual salaries and wages of \$642,552 and benefits of \$182,870. Associated operating costs total \$129,308 per year. First year start-up costs total \$626,606 and include computer equipment and software, communications equipment, vehicles, and other equipment.

The Secretary of State anticipates the cost to re-image the agency's online records containing Social Security Numbers to be \$502,440 in fiscal year 2004. This cost is based on an estimate of 50,000 man-hours needed to review and re-image 1 million UCC records and 600,000 PIR records.

Technology

The technology impact for FY 2004 totals \$68,486 which includes costs for computers, software and printers. For fiscal years 2005 through 2008 the cost is \$22,266 per year for license fees and technical support.

Local Government Impact

It is anticipated that expenses for training law enforcement officers regarding identity theft would be included in existing training budgets and therefore may be insignificant. However, costs to local government entities that maintain records that contain personal identity information may be significant. Local governments would have to establish separate systems of records for information that can or cannot be disclosed or to redact information from existing records. For automated record systems, generally, new programming costs would be incurred. There would be a cost of staff time to research records in manual systems or records that are archived in microfilm. County clerks have indicated these expenses would be significant. The cost would vary by county and depend upon the types of recordkeeping systems already in place.

Source Agencies: 405 Department of Public Safety, 302 Office of the Attorney General, 450 Savings and Loan Department, 451 Department of Banking, 466 Office of Consumer Credit Commissioner, 469 Credit Union Department, 307 Secretary of State

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