

May 18, 2007

To: All Members, Assembly Committee on Appropriations

From:

**California Retailers Association
California Bankers Association
Association of California Insurance
Companies
Association of California Life and Health
Insurance Companies
American Electronics Association
American Resort Development Association
California Business Properties Association
California Financial Services Association
California Grocers Association**

**California Mortgage Bankers Association
California Restaurant Association
Direct Marketing Association
Information Technology Association of
America
Personal Insurance Federation of California
Acxiom
Experian
Internet Alliance
Reed Elsevier
TechNet**

RE: OPPOSITION TO Assembly Bill 779 (Jones)

The above businesses and associations strongly oppose AB 779 (Jones), which establishes onerous data management standards for business and government, and unnecessarily expands the disclosure requirements under California's data breach notification law.

AB 779 requires every business and governmental entity that accepts any form of payment (credit or debit card, check, or cash) to establish very high and possibly unattainable data retention and security standards that will result in extremely high compliance costs for government and businesses. These costs consist of up-front and on-going expenditures to develop and maintain the security procedures established in the bill.

AB 779 codifies elements of the Payment Card Industry (PCI) Data Security Standards, which were promulgated in September 2006, and have not been implemented by a majority of businesses. However, this bill applies newly created standards to business and government even though it may be unworkable. For example, the AB 779 prohibits sending "payment related data across any network unless the data is encrypted using strong cryptography and security protocols." This broad application means that businesses and government entities must encrypt customer payment information from within the same division or department. If a consumer pays their car registration fees with a debit card, DMV must encrypt that payment information before it can be transmitted to the DMV accounting department for processing. This process will bring

government and business efficiency to a halt because a limited amount of persons will have the authority to encrypt and unencrypt data within a business or government agency.

This bill places additional costs on business and government entities by requiring them to reimburse financial institutions for the costs of sending out breach notification letters and credit and debit card replacements. For example, if a college had its data security system breached, and it is reasonably believed that information relating to credit and debit cards have been accessed, the college will have to pay each financial institution for all costs associated with sending breach notification letters and card replacements for each individual that had their card information accessed by an unauthorized person. For government entities, it requires them to seek on-going budget increases from the legislature.

Furthermore, additional costs are incurred by requiring all businesses and government entities to maintain a toll-free telephone number that customers can call to inquire about the type of information that was the subject of a data breach. This creates an unnecessary expense for businesses and government. The original intent of the data breach notification letter was to inform customers about unauthorized access of their personal information. The additional cost of providing a toll-free number is unnecessary because current breach notification letters sufficiently inform consumers about data breaches.

Finally, this bill interjects government into an area where consenting businesses have contractual agreements and obligations. We do not believe that the state should interfere with these relationships.

For all of these reasons, we oppose AB 779 and urge that you **VOTE NO** on **AB 779** when it is heard in the Assembly Committee on Appropriations.

cc: Chuck Nichol, Consultant, Assembly Committee on Appropriations
Christopher Ryan, Consultant, Assembly Republican Fiscal Office