

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 4017 - 2

81st Oregon Legislative Assembly – 2022 Regular Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Prepared by: Michael Graham
Reviewed by: John Borden, Ben Ruef
Date: February 9, 2022

Measure Description:

Requires business entity that collects, stores or transfers personal data of resident individual to register with Department of Consumer and Business Services as data broker.

Government Unit(s) Affected:

Department of Consumer and Business Services (DCBS), Oregon Judicial Department (OJD), Department of Justice (DOJ)

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

Department of Consumer and Business Services (DCBS)

	2021-23 Biennium	2023-25 Biennium
Other Funds		
Personal Services	137,668	362,283
Services and Supplies	34,849	52,760
TOTAL FISCAL IMPACT	\$172,517	\$415,043
Positions	2	2
FTE	0.73	2.00

Analysis:

House Bill 4017, as amended by the -2 amendments, requires a data broker, which is defined as a business entity that collects and sells or licenses brokered personal data to another person, to register annually with the Department of Consumer and Business Services (DCBS). The measure allows DCBS to utilize the Nationwide Multistate Licensing System (NMLS) as the platform for data broker registration. DCBS must make information submitted as part of a broker application available to the public on its website. The measure provides DCBS rulemaking authority to implement the program and to set fees in an amount sufficient to fund the costs of administrating the registration program. DCBS may impose a civil penalty, not to exceed \$500 per violation, against data brokers that do not submit an annual registration or comply with the measure. For continuing violations, DCBS may impose a civil penalty in the amount of \$500 for each day the violation continues, not to exceed \$10,000 in any calendar year. The measure takes effect on passage and becomes effect January 1, 2023.

Department of Consumer and Business Services

The measure is modeled after existing data broker registration programs in California and Vermont. Based on registration data from Vermont, the Department of Consumer and Business Services' (DCBS) Division of Financial Regulation (DFR) estimates approximately 165 entities will need to register as a data broker in Oregon.

There are significant implementation requirements for DFR to administer this new data broker registration program. DFR will need to develop a registration system, conduct rulemaking, engage in outreach and education develop and maintain a website of publicly available information about data brokers and modify its existing civil penalty platform (FIRE) to track any civil penalties imposed.

Because there are no funds allocated to DCBS to implement this new data broker registration program, DFR must utilize other funds (i.e., licensing-related fee revenues) to implement and administer this program. Thus, DCBS must first conduct a fee study to determine the registration fees required to fund program's administrative costs, after which fees will be set through the rulemaking process.

To handle the additional workload, DFR anticipates needing two permanent, full-time positions (0.73 FTE in 2021-23 and 2.00 FTE in 2023-25), which include a Program Analyst 2 to conduct education and outreach with data brokers and consumers and a Compliance Specialist 2 to establish and administer the program's registration requirements using the Nationwide Multistate Licensing System and Registry. The estimated fiscal impact to DFR, which includes one-time costs and ongoing program expenses, is \$172,517 Other Funds in 2021-23 and \$415,043 Other Funds in 2023-25.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to DCBS' budget. Upon further review, General Fund may be the preferred option to help cover program start-up costs.

Department of Justice and Oregon Judicial Department

The measure is anticipated to have a minimal fiscal impact on the Department of Justice and the Oregon Judicial Department.