Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 363 Senator Currie, et al.)
Finance Economic Matters

Electronic Transactions Protection Act

This bill establishes an Electronic Transaction Education, Advocacy, and Mediation Unit within the Office of the Attorney General.

Fiscal Summary

State Effect: General fund expenditures could increase by $455,300 in FY 2002, reflecting the bill's October 1, 2001 effective date. Out-year projections reflect annualization and inflation.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	$0	$0	$0	$0	$0
GF Expenditure	455,300	490,800	511,900	534,300	558,000
Net Effect	($455,300)	($490,800)	($511,900)	($534,300)	($558,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The Electronic Transaction Education, Advocacy, and Mediation Unit is charged with: (1) receiving complaints regarding the use or retention of personal information or unlawful conduct or practices in electronic transactions; (2) providing consumer information and advice about electronic transactions and privacy related laws; (3) referring complaints to the appropriate local, State, or federal agency; (4) developing information and education programs and materials; (5) identifying consumer problems and facilitating electronic commerce best practices for privacy protection; (6) promoting voluntary nonbinding arbitration and mediation of privacy-related electronic commerce disputes; (7) investigating and assisting in the prosecution of identity theft, other privacy related crimes, and unfair and deceptive trade practices in electronic commerce transactions; and (8) assisting and coordinating the training of local, State, and federal law enforcement agencies, as appropriate, in identity theft, other privacy related crimes, and unfair and deceptive trade practices in electronic commerce transactions.

Current Law: None applicable.

Background: At the federal level, the Children's Online Privacy Protection Act of 1998 requires the Federal Trade Commission (FTC) to adopt regulations for commercial website operators to follow in connection with the collection and use of personal information from children.

Companies that advertise that they will not sell their mailing lists to third parties may be subject to penalties under federal and State consumer protection laws if they do so. In a civil action, the FTC recently sued a failed online retailer seeking injunctive and declaratory relief to prevent the sale of confidential, personal customer information collected on the company's website in violation of the company's own privacy policy. The FTC alleged that the sale amounted to a violation of federal unfair or deceptive trade practices legislation. A settlement was negotiated that set conditions on the sale of the database. The conditions included a requirement that the list only be sold to a buyer in a similar market that agreed to abide by the original privacy pledge. Attorneys general from 35 states joined privacy advocates in opposing the settlement. The list was later sold to another corporation, which promised to destroy the list.

State Expenditures: General fund expenditures could increase by an estimated $455,300 in fiscal 2002, which accounts for the bill's October 1, 2001 effective date. This estimate reflects the cost of hiring one administrator, four forensic investigators, and one educational specialist to perform the consumer advocacy, educational, and investigatory requirements of the bill. It includes salaries, fringe benefits, required software, other one-time start-up costs, training, and other ongoing operating expenses.

Salaries and Fringe Benefits	$273,700
Required Software	80,000
Other Operating Expenses	101,600
Total FY 2002 State Expenditures	**$455,300**

Future year expenditures reflect: (1) full salaries with a 6.5% increase in fiscal 2003 and a 4.5% increase each year thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General, Department of Legislative Services

Fiscal Note History: First Reader – February 20, 2001
jm/cer

Analysis by: Ryan Wilson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510