



**Department Overview**  
**2005 Legislature**

*Commissioner Wilson outline*

**Exhibit A**



### **Regulatory responsibility**

Our Mission is to ensure equitable commercial and financial transactions and reliable utility services. We regulate – in some form or fashion – more than 20 industries including insurance, building contractors, collection agencies, mortgage originators, securities, real estate, energy, and telecommunications.

We do this by:

- Investigating and resolving consumer complaints
- Advocating the public's interest before the Public Utilities Commission
- Administering various state programs including unclaimed property and the Petrofund
- Encouraging economic opportunities while working to improve our quality of life

### **Staff**

- We have a dedicated staff with a seasoned perspective
- 315 people - mostly in our St. Paul office, though we have a number of staff in the field (bank examiners, gas pump inspectors)

### **Budget**

- We collect about \$215 million each year from fees and other revenue sources and this year we will spend about \$160 million to carry out our mission.
  - Of these amounts, about \$100 million is deposited to the general fund and about \$28 million is a general fund appropriation
  - Revenue sources include: license fees, assessments on regulated industries, and federal funds

### **Administration**

Assistant Commissioner Mike Blacik

- With the department since 1971 (34 years)
- Worked in Weights and Measures, Energy, and now Administration

Administration includes:

- Information Technology - *Catherine Hennessey*
- Human Resources - *Julie Lindberg*
- Accounting and budget - *Mim Stohl* - hired her replacement - Dennis Munkwitz

## **Weights and Measures**

### *Carol Hockert - Director*

- at Weights and Measures since 1994
- Began as a metrologist and quality specialist
- Degree in Chemical Engineering from U of MN
- Vice President of Conference Management for National Conference of Standards Laboratories International

### ***National Conference of Standards Laboratories - International Workshop***

- Will be held in St. Paul in 2007
- 1,200 attendees, from 30 countries (Scientists, National Metrology Institute heads)

### ***What we do***

- Responsible for checking the accuracy of all commercial weighing and measuring equipment in Minnesota
- The division conducts more than 70,000 inspections each year - gas pumps, bulk fuel meters, grocery store scales, truck scales, railroad scales
- Annually inspects approximately 65,000 samples of packaged foods and agricultural commodities
- The Metrology Lab provides precision measurement and calibration services to 19 states, the USDA, and approximately 600 other businesses annually - "self funding"

### ***Challenges and emerging issues***

- Enforcement of below cost gas pricing
- Enforcement of biodiesel mandate
- Continued reduction in metrology services by other states - more work

### ***Accomplishments***

- developed bio-diesel test - national standard
- Increasing productivity with fewer staff
- Implementing a private program to ensure testing of LP meters
- FY 04
  - 58,387 gas pumps tested
  - 6,539 light capacity scales
  - 4,311 heavy capacity scales
  - >2,000 high volume meters (airports, terminals, etc.)
  - 98% compliance on petroleum quality tests

## **Petrofund**

*James Pearson - Director*

- Started with the department in December 1993
- Petrofund Executive Director since April 1999

The Petroleum Tank Release Cleanup Fund (Petrofund)

- Provides eligible applicants with funds to investigate, cleanup, and stop leaks from petroleum storage tanks

In Minnesota, petroleum storage tank owners and operators are eligible to apply for up to \$1 million of Petrofund reimbursement if they have incurred investigative or cleanup costs

- Eligible applicants include:
  - homeowners, school districts, government agencies, sovereign tribal nations, and petroleum retailers

### ***Reimbursements***

- As of December 2004, the Petrofund program has reimbursed over \$352 million to over 10,500 different applicants
- In FY 04
  - 1,575 - Applications Approved
  - \$14.6 million approved
  - Revenue from fee - \$25.3 million

### ***Challenges and emerging issues***

- The Petrofund program is statutorily scheduled to sunset in 2007

## **Unclaimed Property**

### ***Dennis Munkwitz - Financial Services Director***

- Joined the department 14 months ago
- Gained valuable statewide perspective at the Department of Finance - 9 years in accounting and budgeting divisions - 4 years as executive budget officer
- 6 years as an accountant at the Minnesota Historical Society
- prior to joining the state, worked in private industry management for 5 years
- will be new finance officer

### ***Unclaimed property***

- May include abandoned checking and savings accounts, uncashed payroll checks, or stocks and bonds.
- The only tangible property delivered to the state is safe deposit box contents
- The State of Minnesota holds all property until the rightful owner can be located
- A record \$50 million - owed to approximately 40,000 Minnesota residents and businesses - was turned over to the State of Minnesota in 2003
  - About \$17 million came from two life insurance companies - MetLife and John Hancock - that changed from mutual to stock companies
  - Thousands of policyholders or beneficiaries could not be located because, in many cases, they moved and did not notify the company
- In 2004, we answered 32,000 consumer phone calls and the unclaimed property page was one of the most visited sections on our web site.

### ***Returned to owners***

- In 2003, about \$14 million was claimed by 7,400 owners
- More than \$6.4 million has been claimed in the last six months
- Since 1969, about \$143 million has been returned to rightful owners

### ***Total***

- The Department of Commerce currently has over a million property records in its computer database
- The total value of all unclaimed property in Minnesota - is \$225 million

### ***Challenges and emerging issues***

- Each year, the Minnesota Department of Commerce is required to publish a list of unclaimed property owners.
  - We have changed our advertising - now in three phases - to even out claim processing workflow
  - More flexibility would help us return more to owners

## Licensing Division

Susan Bergh - Director of Licensing - has been with the department for 17 years

- The department issues more than 349,000 licenses to businesses and individuals operating in Minnesota
- Industries include:

Real Estate	37,599
• agents and companies	
Mortgage Originators	3,162
Building Contractors	14,585
Debt Collection	41,194
• agencies and collectors	
Insurance	
• agents	86,434
• agencies	7,297
• companies	1,635
Notaries	117,916

- Requirements are not all the same
  - Some require criminal background checks
  - Four require pre-license testing
  - Most require continuing education - courses must be approved by department

### **Accomplishments**

- Increasing the use of technology and e-commerce to better serve industries - and consumers
  - In the fall of 2003, on-line license renewals began
  - In FY2004, 28% of all licenses that could be renewed online were processed through the department's web site

	% renewed online	# online renewals	total renewals
Real Estate	36%	4,764	13,082
Appraiser	47%	710	1,529
Insurance	29%	7,849	27,236
Cosmetology	6%	427	7,549
Other licenses	0%	0	26,604
Total of online licenses	<b>28%</b>	13,750	49,396
Total of all licenses	17%	13,750	81,000

### **Challenges and emerging issues**

- Expand electronic/online functionality to better manage licensing process. The department is participating in the "Drive to Excellence" initiative that is focused on a system-wide licensing solution
- Various initiatives to expand licensing within regulated industries or other business categories

## Financial Examinations

### *Deputy Commissioner Kevin Murphy*

- Responsible for the examination and licensing programs for state-chartered financial institutions, insurance companies and consumer credit companies
- Appointed in June 1998 - selected by a bipartisan search committee
- 17 years with the FDIC
- 13 years as a private sector banking consultant

### *Jaki Gardner - Assistant Commissioner - Insurance/Actuarial*

- Responsible for financial solvency oversight of insurance companies doing business in Minnesota - since 1997
- Chief Examiner - Washington Department of Insurance - 4 years
- Assistant Chief Examiner - Illinois Department of Insurance - 7 years
- Jaki has been involved in insurance solvency regulation since 1973

### *Bill Horlitz - Assistant Commissioner - Banking*

- Manages on-site examinations and monitors the financial condition of Minnesota's state-chartered banks, credit unions, thrift companies and finance companies.
- Joined department in 2002 - selected by a committee of industry and department representatives
- Formerly with FDIC for 29 years - the last 18 years managing the field office in Rochester

### ***Regulatory responsibility***

- The Financial Examinations Division assures safe, sound, and solvent financial services in Minnesota
- Add confidence for consumers
- If a company becomes financially unstable, action is taken to provide a mechanism for a return to solvency
- Soundness and solvency of financial institutions helps to assure access to a broad range of financial products and services at competitive prices

### ***The Division encourages the growth of state-chartered institutions.***

- Growth fosters competition and ensures numerous choices for consumers and business
- 21 new state banks have been chartered in the last 4 years

### ***Banking in Minnesota***

	<b>Institutions</b>	<b>Offices</b>	<b>Deposits</b>
State Charter	354	794	\$24.7 billion
National Charter	126	812	\$66.38 billion

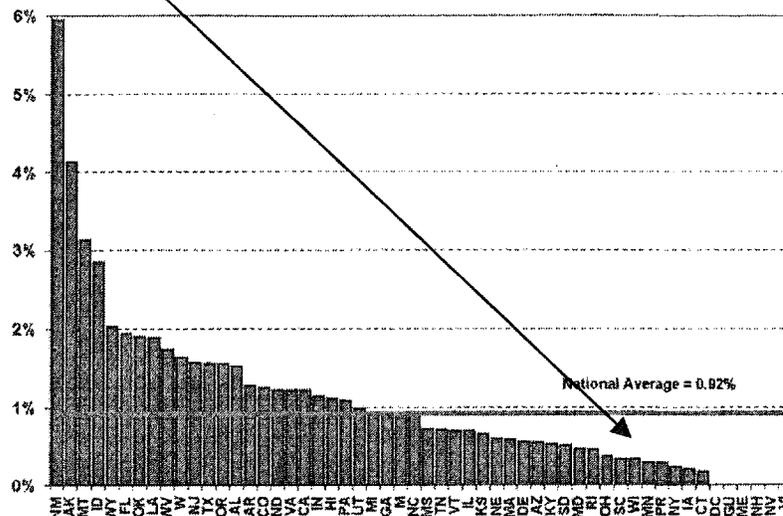
### ***Insurance touches every consumer in Minnesota...***

- About \$10.7 billion - premiums paid by Minnesota consumers and businesses
- About \$7.2 billion - claims paid to Minnesota consumers and businesses
- More than 222,000 direct and indirect insurance jobs in Minnesota
- The insurance companies pay about \$199 million per year in state premium taxes

### ***Minnesota has had very few financially impaired insurance companies***

- A.M. Best analyzed life and health insurers in the U.S. that had become insolvent or financially impaired since 1976
- Minnesota has an impairment frequency rate (0.3%) that is less than half the national average (impairments as a percentage of domiciled insurers)

**Average L/H Impairment Frequency by Domicile**  
1976 to 2002



## Market Assurance

### *Deputy Commissioner Patrick Nelson*

- appointed in January, 2003 to serve as Deputy Commissioner
- Previously served as Deputy Commissioner for the department's Insurance and Registration Division from 1991 to 1999

### *Gary LaVasseur - Director of Enforcement*

- 27 year veteran of Commerce Department - (Also served as securities investigator and deputy commissioner)
- 9 years as Patrol Officer and Investigator New Brighton Police Dept.
- Lead investigator on National School Fitness Foundation case (details next page)

## **Regulatory responsibility**

- The Investigations unit - 36 people
  - Investigates complaints to determine whether regulated businesses or individuals have violated laws or rules
  - Attempts to informally resolve disputes between consumers and industry
- The Registration and Policy Analysis unit - 16 people
  - Reviews insurance forms for compliance with Minnesota law
  - Reviews investment offerings
  - Reviews the financial condition of companies that self-insure
  - Licenses over 20,000 securities broker-dealers, agents, and investment advisors
- Insurance Fraud Investigation unit - (about 10 people)
  - Will investigate fraudulent claims against insurance companies
  - The 2002 law created a fraud prevention unit but it included no funding
  - Last year an assessment of \$400 to \$4,000 on each insurance company authorized to write business in the state - was approved
  - Now that it is law Minnesota joins 41 other states that are actively fighting a problem that adds more than \$5 billion to auto premiums each year
  - We are in the process of hiring a Chief and investigators
  - Expectations are high
- The department handles about 250,000 phone calls per year - 68,000 phone calls came from consumers...about 30,000 were about insurance matters...

### **In FY04:**

- We opened more than 9,400 investigations
- Took more than 600 enforcement actions - (3 per day)
- Imposed \$6.7 million in civil penalties
- Recovered more than \$4 million on behalf of Minnesota consumers

### ***Insurance company filing procedures have improved***

- Problem: 50 states - 50 laws - 50 different approval processes
  - altering marketing plans
  - market changes before it ever gets to market
  - consumers don't have benefit of best products
- Solution: single entry point for filing and approval of products
  - SERFF - System for Electronic Rate and Form Filing - is a good beginning
  - Nationally, almost 77,000 filings in 2003
  - In 2004 more than 138,000 filings nationally
  - 25% of filings in Minnesota are now SERFF - up from 12% the year before

P & C	2860 filings	590 SERFF Filings
L & H	3029 filings	778 SERFF Filings
FY04 Total	5889 filings	1360 SERFF Filings

### ***Accomplishments***

- National School Fitness Foundation investigation
  - March 2004 - the Department of Commerce began its investigation after receiving information from the Minnesota State Auditor and the Attorney General
  - April 2004 - based on securities law, the department issued an Order to Show Cause to NSFF. The department investigation found that NSFF, using a Ponzi scheme, sold a physical fitness program that included curriculum and equipment at highly inflated prices. Minnesota school districts paid or committed to pay \$7 million for more than 30 programs.
  - May 2004 - Based on the department's investigation, the U.S. Attorney sought a permanent injunction against NSFF. NSFF filed for bankruptcy.
  - July 2004 - NSFF and two of its executives were indicted on criminal fraud charges in federal court, one pled guilty. More than 600 schools in 20 states committed to pay \$77.5 million.
- UnumProvident settlement
  - Regarding claims handling and marketing of insurance policies sold to Minnesota consumers
  - Department of Commerce initiated an independent market conduct examination and then subsequently provided information and participated with a multi-state effort that eventually included all 50 states, District of Columbia, U.S. Department of Labor, and New York's Attorney General
  - Company was required to reassess certain claims going back as far as 1997 and to pay a \$560,000 civil penalty to Minnesota
- "Equity skimming" legislation
- Insurance Fraud Unit - funding mechanism and enabling legislation

### ***Challenges and emerging issues***

- Broker commissions - transparency
- No-fault auto insurance
- Health care
- Insurance – increasing competition from other states / countries

## **Energy and Telecom**

### *Deputy Commissioner Edward Garvey*

- Appointed in January, 2003 to serve as Deputy Commissioner for the Energy and Telecommunications Divisions
- Served as Commissioner on the Minnesota Public Utilities Commission for six years. For three of those years he served as Chair of the Commission
- Served as Director of the Minnesota Office of Environmental Assistance;
- Environmental and health care policy advisor to Senator Dave Durenburger;
- Practiced law; Gray, Plant and Mooty

### *Mike Bull - Strategic Planning Director for Energy and Telecommunications*

- Previously held nonpartisan analyst positions in the Minnesota House and Minnesota Senate
- Senior analyst & legislative liaison for the Minnesota Public Utilities Commission
- Utility policy analyst for the Office of the Minnesota Attorney General

### *Marya White - Manager, Energy Planning and Advocacy (EPA)*

- 6 years as Manager of EPA
- Also served as Gas Unit Supervisor at the department for 7 years
- 5 years as Rates&Tariff Supervisor for a Natural Gas Pipeline Co.
- 13 years as Tax, Property, Planning, and Forecast Accountant for utility company

### *Janet Streff - Manager, State Energy Office (SEO)*

- 5 years as Manager of SEO
- Has also served as Building Code Representative, Building Codes and Standards Division, Department of Administration
- 16 years in construction industry as commercial project manager

### *John Harvanko - Director, Low Income Heating and Energy Assistance Program*

- 4 years as Director of LIHEAP
- Was the State of Minnesota's Rapid Response Coordinator addressing mass layoffs and plant closings within the Dislocated Worker Program

### *Diane Wells - Special Assistant, Telecommunications*

- Provide policy guidance on telecommunications matters
- Oversee the policy positions taken in department filings
- Previously Public Utilities Rates Analyst and Acting Supervisor at the Minnesota Public Utilities Commission

## **Energy**

### ***Energy Planning and Advocacy***

- Advocate for the public interest in electric and natural gas matters before the Minnesota Public Utilities Commission, Federal Energy Regulatory Commission and other national and regional forums
- Analyze utilities' energy conservation improvement proposals
- Help lead the regional initiative to create a renewable energy tracking and trading program to facilitate Minnesota's Renewable Energy Objective
- Participate as the consumer advocate designee in the development and operation of the regional electric transmission operating entity that operates the electric power grid in Minnesota plus 26 other Midwest and Eastern States

### ***State Energy Office***

- Promotes renewable energy resources through consumer education, demonstrations and other activities
- Provides direct consumer education on energy conservation and renewable energy through the Minnesota Energy Information Center
- Administers the Energy Investment Loan Program, the Renewable Energy Production Incentive, the Solar Rebate Program and the federal State Energy Program
- Administers the U.S. Department of Energy Weatherization Assistance Program, providing energy conservation services to low-income households throughout Minnesota

### ***Low Income Heating and Energy Assistance Program (LIHEAP)***

- LIHEAP provides financial assistance to help Minnesota's low-income residents pay their energy bills

### ***The guiding principles of Minnesota's energy policy are:***

- Reliability
- Low cost
- Environmentally superior

### ***Renewable energy focus***

- Renewable energy, especially from wind, has been, is and will become an increasingly important and valued Minnesota energy resource
  - Currently, 11% of electricity Minnesotans use comes from renewable energy
  - At least 20% of Minnesota's electricity will come from renewable energy in 2015
  - This makes Minnesota one of the nation's renewable energy leaders
- Renewable energy provides:
  - Significant environmental benefits
  - Community-Based Energy Development (C-BED) that benefits our rural economies

### **Minnesota's energy prices**

- Average Price of Natural Gas Delivered to Residential Consumers  
*Minnesota ranks 38<sup>th</sup> in nation - 8.58 Dollars per Thousand Cubic Feet (2003)*
- State Electricity Price  
*Minnesota ranks 36<sup>th</sup> in nation - 5.84 cents per kilowatthour (2002)*  
*(1- most expensive, 50- least expensive)*

### **Accomplishments**

- Prairie Island legislation - the continuation of clean, reliable, low-priced energy for Minnesota
- Firming up the Renewable Energy Objective

### **Challenges and emerging issues**

- Our need for more energy
- Inadequate transmission infrastructure
- local power quality
- CIP Audit
- Wind study

## Telecom

### ***Regulatory responsibility***

- Advocate for the public interest in telecommunications matters before the Minnesota Public Utilities Commission
- Enforces state and federal laws and regulations with respect to:
  - 96 incumbent local telephone companies
  - 168 competitive local carriers
  - 390 companies offering long distance service
- Telephone Assistance Plan (TAP)
  - State program that must be offered by all local service providers
  - Provides a monthly discount for local telephone service for income qualified individuals - more than 52,000 Minnesota subscribers
  - Administered by Commerce and Public Utilities Commission
  - TAP fund balance is \$3.1 million (as of June 30, 2004)
- Telecommunications Access Minnesota (TAM)
  - Contracts with outside vendors for Telecommunications Relay Services (TRS) on behalf of Minnesota's telephone ratepayers
  - The Minnesota Relay allows a person using a specialized device (such as a Teletypewriter, voice carry-over phone, hearing carry-over phone, or captioned telephone), or an individual with a speech or mobility impairment, to communicate with a person using a standard telephone
  - The Minnesota Relay provides 24 hours per day, seven days per week telephone access to Minnesotans who are deaf, deaf-blind, hard-of-hearing, speech or mobility-impaired
  - TAM fund balance is \$5.5 million (as of June 30, 2004)

### ***Accomplishments***

- Pricing flexibility for incumbent telephone companies
- Development of a competitive telecommunications marketplace through adoption of pro-competitive policies

### ***Challenges and emerging issues***

- Marketplace is outpacing regulation
- 9-1-1, TAM, TAP funding

## **Summary**

### **Challenges and works in progress**

1. Continue to expand on-line capabilities
  - Licensing
  - Unclaimed property
  - More information so consumers can be better informed
2. Rationalize telecom regulation - it hasn't kept pace with technology or the marketplace
3. Have the Insurance Fraud Unit operational in the 1Q 2005

## We are making progress

1. We have reduced the space we lease by 25% - that means a savings of about \$400K per year
2. We have installed a new phone system to handle those 250,000 calls professionally...saving about \$100,000 per year
  - "voice over internet" phone system
  - From 450 phone lines to only 70 lines = same capacity
3. We are doing more on-line
  - 2003 averaging about 30,000 site visits/month - now - about 100,000
  - Licensing information and the ability to lookup the licensing status of an individual or company
  - Last year, we began processing license renewals on-line. Of the possible transactions, 28% were renewed online
  - This year, a new Internet based computer system will ensure that LIHEAP funds are distributed more efficiently through electronic funds transfer to energy vendors. The recently implemented eHEAT system is streamlining record keeping for local agencies and provide more staff time for customer service.
4. Staff reduced by 10%
  - \$1.5M less/year than 2 years ago even after spending \$600,000 for moves and upgrades like larger monitors and Windows XP
5. Working to ensure clean, reliable, and affordable energy for Minnesota
  - MERP - Metro Emissions Reduction Project
  - Prairie Island
  - Xcel service quality agreement - recently approved by the PUC
6. Expanding capability to electronically receive, store, and retrieve the thousands of documents we receive each year
  - Through 2004, we have converted and stored over 100,000 utility regulation documents - about 1.2 million pages
  - Will be available to the public via web access by the 2Q of 2005
    - Data privacy and trade secret protection
  - Electronic records system has expanded and now includes the PetroFund
  - Now in the testing phase to include the Licensing Division in 1Q 2005

Senators Reiter, Gerlach and Limmer introduced--  
S.F. No. 204: Referred to the Committee on Commerce.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14

A bill for an act

relating to commerce; prohibiting mandatory disclosure of a person's Social Security number as a condition of receiving a service or product; providing exceptions; proposing coding for new law in Minnesota Statutes, chapter 325E.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [325E.59] [PROHIBITION OF SOCIAL SECURITY NUMBER REQUESTS.]

No person doing business in the state may require a customer or consumer to provide a Social Security number as a condition of receiving a service or product, except for businesses engaged in providing banking, investment, insurance, student loan services, or health care claims services.

# Sheriff warns of identity theft

Identity theft involves thieves acquiring key pieces of someone's identifying information, such as name, address, date of birth, social security number and mother's maiden name, in order to impersonate them.

This information enables the identity thief to commit numerous forms of fraud which include, but are not limited to, taking over the victim's financial accounts, opening new bank accounts, purchasing cars, applying for loans, credit cards and securing Social Security benefits. Identity thieves have also used stolen identities to rent apartments and establish

services with local utility and telephone companies.

Those who are a victim of this crime in the cities of Arden Hills, Gem Lake, Little Canada, North Oaks, Shoreview, Vadnais Heights or White Bear Township should call the Ramsey County Sheriff's Office at 651-484-3366. Those who live in any other community should call their local police department. Those who are a victim of mail theft should also call the U.S. Postal Inspection Service Office at 651-293-3200.

## Here's what to do after experiencing identity theft:

- Call all creditors, by phone and in writing, to inform them of the theft and potential fraud. Alert your banks to flag your accounts and to contact you to confirm any unusual activity. It is also necessary to request a new PIN and password for your accounts.

- Call each of the three credit bureaus' fraud units to report the theft of your identity. Equifax is at 1-800-997-2493; Experian is at 1-800-397-3742; Trans Union is at 1-800-916-8800.

- Ask to have a fraud alert/victim impact state-

ment in your credit file. This alert requests that creditors contact you before opening any new accounts.

- Contact the Social Security Administration's fraud hotline at 1-800-680-7289.

- Keep a log of all contacts made and make copies of all documents.

Here is what to do to prevent identity theft:

- Promptly remove mail from your mailbox. Deposit outgoing mail in post office collection boxes and not in your mailbox. Consider getting a key-controlled mailbox container. Check with the U.S. Post Office for suggestions.

- Strangers seen removing mail from mailboxes or looking in mailboxes should be reported by calling 911.

- Buy a paper shredder and shred all pre-approved credit card applications, credit card receipt bills and other financial information before discarding them in the trash.

- Store extra checks, pieces of identification cards and extra credit cards in a locked safe.

- Personally empty your wallet of extra credit cards and identification cards. Do not carry Social Security or

Medicare cards, or any item that has your social security number on it, unless they need to be brought along for an appointment. The same goes for a passport or birth certificate.

- Do not store your PIN in your wallet.

- Never leave a checkbook or credit card out of your sight.

- On the telephone, never give out personal information to an unsolicited caller. Inform your children of this also.

- On the Internet, only use one credit card for all your online purchases.

- Never give out passwords or user identification information unless you know with whom you are dealing.

- Keep records of all your Internet transactions, and review your credit card statement for accuracy.

- While shopping, always be aware of your surroundings; never leave your wallet or purse unattended in a cart or on a counter.

- Insist that cashiers check identification cards.

- Never let anyone look over your shoulder while entering any PINs.

- Obtain an annual copy of your credit report for review.

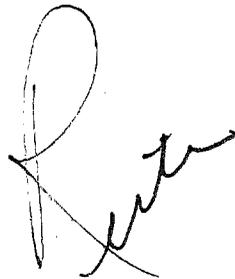


Exhibit B

Posted on Sun, Oct. 31, 2004

## Only the IRS can require your SSN

ROBERT K. HEADY



It's probably happened to you dozens of times.

You're doing business in a department store and the salesperson asks, "May I please have your Social Security number?" Or you're requested to provide the number when you apply for a job or fill out a form to buy insurance.

The average Joe or Jane goes along with the request because they think it's a legal requirement — that they'll somehow be denied, deprived or punished if they don't give out their SSN.

Not so. The only outfit that can force you to give out your number is the federal government, especially the Internal Revenue Service, which tracks income for tax purposes. Even then, there are restrictions on other federal and state government agencies under the Privacy Act of 1974.

In today's times, with every Social Security number connected to a zillion databases, you're asking for trouble when you provide your number to any Tom, Dick or Harry. The wrong guy can easily grab your identity, steal your money and run.

You must reveal your SSN to banks, brokerages and employers because the IRS requires it to tax your interest earnings and your pay. Just be aware that the prospective employer may use the number to check your credit record or criminal history.

You can tell private organizations, including utilities, to go fly a kite if they want your Social Security number. (Often they'll just settle for the last four digits of it.) Ditto your prospective landlord, because you know he'll use it to dig up your past. But if you refuse to give it, he might rent to someone else.

Biggest problem: Insurers, hospitals and doctors are also hot after your SSN, although no laws require that you give it to them. They simply think it's an easy way to tie your record to your employer's group plan. Your employer's personnel department usually (but wrongfully) assumes the hospital and other medics will need your number.

The problem in particular dogs seniors on Medicare, whose ID number on their card is the same as their Social Security number. If that's your situation, I suggest you make a copy of the Medicare card you carry, after you first cover up the number, and give out your SSN verbally.

Some states use Social Security numbers on driver's licenses, but will assign you a different number if you ask.

Finally, back to the store that bugged you for your Social Security number. Here's what to do, suggests one privacy expert:

1. Politely explain your position and request the store's cooperation.
2. Talk to someone higher up in the organization.
3. If necessary, threaten to complain to the local or state consumer affairs bureau.
4. Insist they show you the store's corporate policy requiring your SSN.
5. Ask why they need your SSN and suggest alternatives. What else would it take to satisfy them?

Bottom line: You don't want any more people prying into your private records than those who are already doing it. Next time a store clerk asks you for your Social Security number, just say "no."

Exhibit C

1 Senator <sup>Reiter</sup> moves to amend S.F. No. 204 as follows:

2 Page 1, line 13, delete everything after "in" and insert  
3 "activities financial in nature as described in United States  
4 Code, title 12, section 1843, paragraph (k), clause (4),"

5 Page 1, line 14, delete "or" and before the period, insert  
6 ", or businesses otherwise involved in taking applications for  
7 or extending credit"

## **SELECTED PROVISIONS FROM THE MINNESOTA GOVERNMENT DATA PRACTICES ACT, MINNESOTA STATUTES, CHAPTER 13**

### 13.355 Social Security numbers.

Subdivision 1. General. The Social Security numbers of individuals collected or maintained by a state agency, statewide system, or political subdivision are private data on individuals, except to the extent that access to the Social Security number is specifically authorized by law.

Subd. 2. County recorder or registrar of titles. Subdivision 1 does not apply to Social Security numbers that appear in documents or records filed or recorded with the county recorder or registrar of titles, other than documents filed under section 600.23.

### 13.04 Rights of subjects of data.

Subd. 2. Information required to be given individual. An individual asked to supply private or confidential data concerning the individual shall be informed of: (a) the purpose and intended use of the requested data within the collecting state agency, political subdivision, or statewide system; (b) whether the individual may refuse or is legally required to supply the requested data; (c) any known consequence arising from supplying or refusing to supply private or confidential data; and (d) the identity of other persons or entities authorized by state or federal law to receive the data. This requirement shall not apply when an individual is asked to supply investigative data, pursuant to section 13.82, subdivision 7, to a law enforcement officer.

### 13.05 Duties of responsible authority.

Subd. 5. Data protection. The responsible authority shall (1) establish procedures to assure that all data on individuals is accurate, complete, and current for the purposes for which it was collected; and (2) establish appropriate security safeguards for all records containing data on individuals.

## A SPECIAL NOTE ABOUT THE USE OF YOUR SOCIAL SECURITY NUMBER

In addition to the protections afforded by the Minnesota Government Data Practices Act, the federal Privacy Act of 1974 places restrictions on the collection and use of your Social Security account number (SSN) by government entities.

No federal, state or local government entity can lawfully deny you any right, benefit or privilege provided by law if you refuse to provide your SSN, **unless**

- (1) the disclosure is required by federal law; or
- (2) the collection of the SSN is for a tax, general public assistance, driver's license, or motor vehicle function.

When a federal, state or local government entity requests that you disclose your SSN, you must be told:

- (a) whether the disclosure is mandatory or voluntary;
- (b) the statutory or other authority used to request it; and
- (c) what uses will be made of it.

## SOCIAL SECURITY ACCOUNT NUMBERS

*This is an unofficial reproduction of portions of the federal Privacy Act of 1974 and portions of the United States Code that regulate the collection, storage and use of Social Security account numbers.*

The federal **Privacy Act of 1974**, Public Law 93-579, was approved December 31, 1974. The Privacy Act is codified at 5 United States Code section 552a. One section was not codified. It reads as follows:

### Section 7 of Public Law 93-579

- \* (a) (1) It shall be unlawful for any Federal, State or local government agency to deny to any individual any right, benefit, or privilege provided by law because of such individual's refusal to disclose his social security account number.
- (2) [T]he provisions of paragraph (1) of this subsection shall not apply with respect to –
  - (A) any disclosure which is required by Federal statute, or
  - (B) the disclosure of a social security number to any Federal, State, or local agency maintaining a system of records in existence and operating before January 1, 1975, if such disclosure was required under statute or regulation adopted prior to such date to verify the identity of an individual.
- ↓ (b) Any Federal, State, or local government agency which requests an individual to disclose his social security account number shall inform that individual whether that disclosure is mandatory or voluntary, by what statutory or other authority such number is solicited, and what uses will be made of it.

### General Requirements in 42 United States Code section 405 (c)(2)(C) *(excerpt)*

- \* (i) It is the policy of the United States that any State (or political subdivision thereof) may, in the administration of any tax, general public assistance, driver's license, or motor vehicle registration law within its jurisdiction, utilize the social security account numbers issued by the Commissioner of Social Security for the purpose of establishing the identification of individuals affected by such law, and may require any individual who is or appears to be so affected to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if he has more than one such number) issued to him by the Commissioner of Social Security.
- (ii) In the administration of any law involving the issuance of a birth certificate, each State shall require each parent to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account

number (or numbers, if the parent has more than one such number) issued to the parent unless the State (in accordance with regulations prescribed by the Commissioner of Social Security) finds good cause for not requiring the furnishing of such number. The State shall make numbers furnished under this subclause available to the Commissioner of Social Security and the agency administering the State's plan under part D of subchapter IV of this chapter in accordance with Federal or State law and regulation. Such numbers shall not be recorded on the birth certificate. A State shall not use any social security account number, obtained with respect to the issuance by the State of a birth certificate, for any purpose other than for the enforcement of child support orders in effect in the State, unless section 7(a) of the Privacy Act of 1974 does not prohibit the State from requiring the disclosure of such number, by reason of the State having adopted, before January 1, 1975, a statute or regulation requiring such disclosure.

(iii)(I) In the administration of section 9 of the Food Stamp Act of 1977 (7 U.S.C. 2018) involving the determination of the qualifications of applicants under such Act (7 U.S.C. 2011 et seq.), the Secretary of Agriculture may require each applicant retail store or wholesale food concern to furnish to the Secretary of Agriculture the social security account number of each individual who is an officer of the store or concern and, in the case of a privately owned applicant, furnish the social security account numbers of the owners of such applicant. No officer or employee of the Department of Agriculture shall have access to any such number for any purpose other than the establishment and maintenance of a list of the names and social security account numbers of such individuals for use in determining those applicants who have been previously sanctioned or convicted under section 12 or 15 of such Act (7 U.S.C. 2021 or 2024).

(II) The Secretary of Agriculture may share any information contained in any list referred to in subclause (I) with any other agency or instrumentality of the United States which otherwise has access to social security account numbers in accordance with this subsection or other applicable Federal law, except that the Secretary of Agriculture may share such information only to the extent that such Secretary determines such sharing would assist in verifying and matching such information against information maintained by such other agency or instrumentality. Any such information shared pursuant to this subclause may be used by such other agency or instrumentality only for the purpose of effective administration and enforcement of the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) or for the purpose of investigation of violations of other Federal laws or enforcement of such laws.

(III) The Secretary of Agriculture, and the head of any other agency or instrumentality referred to in this subclause, shall restrict, to the satisfaction of the Commissioner of Social Security, access to social security account numbers obtained pursuant to this clause only to officers and employees of the United States whose duties or responsibilities require access for the purposes described in subclause (II).

(IV) The Secretary of Agriculture, and the head of any agency or instrumentality with which information is shared pursuant to clause (FOOTNOTE 2) (II), shall provide such other safeguards as the Commissioner of Social Security determines to be necessary or appropriate to protect the confidentiality of the social security account numbers.

(FOOTNOTE 2) So in original. Probably should be "subclause".

(iv) In the administration of section 506 of the Federal Crop Insurance Act (7 U.S.C. 1506), the Federal Crop Insurance Corporation may require each policyholder and each reinsured company to furnish to the insurer or to the Corporation the social security account number of such policyholder, subject to the requirements of this clause. No officer or employee of the Federal Crop Insurance Corporation shall have access to any such number for any purpose other than the establishment of a system of records necessary for the effective administration of such Act (7 U.S.C. 1501 et seq.). The Manager of the Corporation may require each policyholder to provide to the Manager, at such times and in such manner as prescribed by the Manager, the social security account number of each individual that holds or acquires a substantial beneficial interest in the policyholder. For purposes of this clause, the term "substantial beneficial interest" means not less than 5 percent of all beneficial interest in the policyholder. The Secretary of Agriculture shall restrict, to the satisfaction of the Commissioner of Social Security, access to social security account numbers obtained pursuant to this clause only to officers and employees of the United States or authorized persons whose duties or responsibilities require access for the administration of the Federal Crop Insurance Act. The Secretary of Agriculture shall provide such other safeguards as the Commissioner of Social Security determines to be necessary or appropriate to protect the confidentiality of such social security account numbers. For purposes of this clause the term "authorized person" means an officer or employee of an insurer whom the Manager of the Corporation designates by rule, subject to appropriate safeguards including a prohibition against the release of such social security account number (other than to the Corporation) by such person.

(v) If and to the extent that any provision of Federal law heretofore enacted is inconsistent with the policy set forth in clause (i), such provision shall, on and after October 4, 1976, be null, void, and of no effect. If and to the extent that any such provision is inconsistent with the requirement set forth in clause (ii), such provision shall, on and after October 13, 1988, be null, void, and of no effect.

\* (vi) For purposes of clause (i) of this subparagraph, an agency of a State (or political subdivision thereof) charged with the administration of any general public assistance, driver's license, or motor vehicle registration law which did not use the social security account number for identification under a law or regulation adopted before January 1, 1975, may require an individual to disclose his or her social security number to such agency solely for the purpose of administering the laws referred to in clause (i) above and for the purpose of responding to requests for information from an agency administering a program funded under part A of subchapter IV of this chapter or an agency operating pursuant to the provisions of part D of such subchapter.

(vii) For purposes of this subparagraph, the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Marianas, and the Trust Territory of the Pacific Islands.

\* (viii)(I) Social security account numbers and related records that are obtained or maintained by authorized persons pursuant to any provision of law enacted on or after October 1, 1990,

shall be confidential, and no authorized person shall disclose any such social security account number or related record.

(II) Paragraphs (1), (2), and (3) of section 7213(a) of the Internal Revenue Code of 1986 shall apply with respect to the unauthorized willful disclosure to any person of social security account numbers and related records obtained or maintained by an authorized person pursuant to a provision of law enacted on or after October 1, 1990, in the same manner and to the same extent as such paragraphs apply with respect to unauthorized disclosures of return and return information described in such paragraphs. Paragraph (4) of section 7213(a) of such Code shall apply with respect to the willful offer of any item of material value in exchange for any such social security account number or related record in the same manner and to the same extent as such paragraph applies with respect to offers (in exchange for any return or return information) described in such paragraph.

(III) For purposes of this clause, the term "authorized person" means an officer or employee of the United States, an officer or employee of any State, political subdivision of a State, or agency of a State or political subdivision of a State, and any other person (or officer or employee thereof), who has or had access to social security account numbers or related records pursuant to any provision of law enacted on or after October 1, 1990. For purposes of this subclause, the term "officer or employee" includes a former officer or employee.

(IV) For purposes of this clause, the term "related record" means any record, list, or compilation that indicates, directly or indirectly, the identity of any individual with respect to whom a social security account number or a request for a social security account number is maintained pursuant to this clause.

**(NOTE:** Section 405 (c)(2)(C) continues with other specific provisions relating to Social Security account numbers.

Also, there are other provisions in federal law that address access to and use of Social Security account numbers.)