



STATE OF ARIZONA  
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY  
GOVERNOR

EXECUTIVE OFFICE

April 11, 2018

The Honorable Michele Reagan  
Secretary of State  
1700 W. Washington, 7<sup>th</sup> Floor  
Phoenix, AZ 85007

Dear Secretary Reagan:

I am transmitting to you the following bills from the Fifty-third Legislature, 2<sup>nd</sup> Regular Session, which I signed on April 11, 2018:

HB 2006 minimum age; marriage (Ugenti-Rita)  
HB 2042 insurance coverage; telemedicine; urology (Carter)  
HB 2047 workers' compensation; employee definition; LLCs (Livingston)  
HB 2152 fingerprinting; joint powers authority (John)  
HB 2154 personal information; data security breaches (Shope)  
HB 2184 secretary of state; counties; rulemaking (Coleman)  
HB 2216 schools; dropout recovery programs; report (Leach)  
HB 2238 administrative decisions; review; scope (Farnsworth, E.)  
HB 2244 dangerous crimes; children; fictitious age (Farnsworth, E.)  
HB 2305 vehicle dealers; franchise regulations (Campbell)  
HB 2323 schools; inhalers; contracted nurses (Carter)  
HB 2342 off-highway vehicles; definition; user indicia (John)  
HB 2464 sale of eggs; expiration date (Norgaard)  
SB 1041 residency restrictions; sex offenders; victims (Kavanagh)  
SB 1281 street lighting improvement districts; consolidation (Kavanagh)  
SB 1355 border security trust fund; repeal (Griffin)  
SB 1382 TPT; online lodging marketplace; registration (Kavanagh)  
SB 1386 high-tech tax fraud (Farnsworth, D.)  
SB 1395 temporary custody without court order (Barto)  
SB 1421 environmental quality; amendments (Griffin)  
SB 1436 prohibition; criminal history; occupational regulation (Borges)  
SB 1465 sober living homes; certification (Brophy McGee)

Sincerely,

A handwritten signature in black ink that reads "Douglas A. Ducey". The signature is written in a cursive style with a large initial 'D' and a prominent flourish at the end.

Douglas A. Ducey  
Governor  
State of Arizona

cc: Senate Secretary  
Chief Clerk of the House of Representatives  
Arizona News Service

Senate Engrossed House Bill  
**FILED**

**MICHELE REAGAN**  
**SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-third Legislature  
Second Regular Session  
2018

**CHAPTER 177**  
**HOUSE BILL 2154**

AN ACT

AMENDING TITLE 18, CHAPTER 5, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 4; PROVIDING FOR TRANSFERRING AND RENUMBERING; AMENDING SECTION 18-552, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED; AMENDING SECTIONS 33-1701 AND 36-3802, ARIZONA REVISED STATUTES; REPEALING LAWS 2006, CHAPTER 232, SECTION 3, AS AMENDED BY LAWS 2016, CHAPTER 80, SECTION 31; RELATING TO DATA SECURITY BREACHES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 18, chapter 5, Arizona Revised Statutes, is  
3 amended by adding article 4, to read:

4 ARTICLE 4. DATA SECURITY BREACHES

5 18-551. Definitions

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

7 1. "BREACH" OR "SECURITY SYSTEM BREACH":

8 (a) MEANS AN UNAUTHORIZED ACQUISITION OF AND UNAUTHORIZED ACCESS  
9 THAT MATERIALLY COMPROMISES THE SECURITY OR CONFIDENTIALITY OF UNENCRYPTED  
10 AND UNREDACTED COMPUTERIZED PERSONAL INFORMATION MAINTAINED AS PART OF A  
11 DATABASE OF PERSONAL INFORMATION REGARDING MULTIPLE INDIVIDUALS.

12 (b) DOES NOT INCLUDE A GOOD FAITH ACQUISITION OF PERSONAL  
13 INFORMATION BY A PERSON'S EMPLOYEE OR AGENT FOR THE PURPOSES OF THE PERSON  
14 IF THE PERSONAL INFORMATION IS NOT USED FOR A PURPOSE UNRELATED TO THE  
15 PERSON AND IS NOT SUBJECT TO FURTHER UNAUTHORIZED DISCLOSURE.

16 2. "COURT" MEANS THE SUPREME COURT, THE COURT OF APPEALS, THE  
17 SUPERIOR COURT, A COURT THAT IS INFERIOR TO THE SUPERIOR COURT AND A  
18 JUSTICE COURT.

19 3. "ENCRYPT" MEANS TO USE A PROCESS TO TRANSFORM DATA INTO A FORM  
20 THAT RENDERS THE DATA UNREADABLE OR UNUSABLE WITHOUT USING A CONFIDENTIAL  
21 PROCESS OR KEY.

22 4. "INDIVIDUAL" MEANS A RESIDENT OF THIS STATE WHO HAS A PRINCIPAL  
23 MAILING ADDRESS IN THIS STATE AS REFLECTED IN THE RECORDS OF THE PERSON  
24 CONDUCTING BUSINESS IN THIS STATE AT THE TIME OF THE BREACH.

25 5. "NATIONWIDE CONSUMER REPORTING AGENCY":

26 (a) MEANS A CONSUMER REPORTING AGENCY THAT COMPILES AND MAINTAINS  
27 FILES ON CONSUMERS ON A NATIONWIDE BASIS AS DEFINED IN 15 UNITED STATES  
28 CODE SECTION 1681a(p).

29 (b) DOES NOT INCLUDE A NATIONWIDE SPECIALTY CONSUMER REPORTING  
30 AGENCY AS DEFINED IN 15 UNITED STATES CODE SECTION 1681a(x).

31 6. "PERSON":

32 (a) MEANS A NATURAL PERSON, CORPORATION, BUSINESS TRUST, ESTATE,  
33 TRUST, PARTNERSHIP, ASSOCIATION, JOINT VENTURE, GOVERNMENT OR GOVERNMENTAL  
34 SUBDIVISION OR AGENCY OR ANY OTHER LEGAL OR COMMERCIAL ENTITY.

35 (b) DOES NOT INCLUDE THE DEPARTMENT OF PUBLIC SAFETY, A COUNTY  
36 SHERIFF'S DEPARTMENT, A MUNICIPAL POLICE DEPARTMENT, A PROSECUTION AGENCY  
37 OR A COURT.

38 7. "PERSONAL INFORMATION":

39 (a) MEANS ANY OF THE FOLLOWING:

40 (i) AN INDIVIDUAL'S FIRST NAME OR FIRST INITIAL AND LAST NAME IN  
41 COMBINATION WITH ONE OR MORE SPECIFIED DATA ELEMENTS.

42 (ii) AN INDIVIDUAL'S USER NAME OR E-MAIL ADDRESS, IN COMBINATION  
43 WITH A PASSWORD OR SECURITY QUESTION AND ANSWER, THAT ALLOWS ACCESS TO AN  
44 ONLINE ACCOUNT.

1 (b) DOES NOT INCLUDE PUBLICLY AVAILABLE INFORMATION THAT IS  
2 LAWFULLY MADE AVAILABLE TO THE GENERAL PUBLIC FROM FEDERAL, STATE OR LOCAL  
3 GOVERNMENT RECORDS OR WIDELY DISTRIBUTED MEDIA.

4 8. "PROSECUTION AGENCY" MEANS THE ATTORNEY GENERAL, A COUNTY  
5 ATTORNEY OR A MUNICIPAL PROSECUTOR.

6 9. "REDACT" MEANS TO ALTER OR TRUNCATE A NUMBER SO THAT NOT MORE  
7 THAN THE LAST FOUR DIGITS ARE ACCESSIBLE AND AT LEAST TWO DIGITS HAVE BEEN  
8 REMOVED.

9 10. "SECURITY INCIDENT" MEANS AN EVENT THAT CREATES REASONABLE  
10 SUSPICION THAT A PERSON'S INFORMATION SYSTEMS OR COMPUTERIZED DATA MAY  
11 HAVE BEEN COMPROMISED OR THAT MEASURES PUT IN PLACE TO PROTECT THE  
12 PERSON'S INFORMATION SYSTEMS OR COMPUTERIZED DATA MAY HAVE FAILED.

13 11. "SPECIFIED DATA ELEMENT" MEANS ANY OF THE FOLLOWING:

14 (a) AN INDIVIDUAL'S SOCIAL SECURITY NUMBER.

15 (b) THE NUMBER ON AN INDIVIDUAL'S DRIVER LICENSE ISSUED PURSUANT TO  
16 SECTION 28-3166 OR NONOPERATING IDENTIFICATION LICENSE ISSUED PURSUANT TO  
17 SECTION 28-3165.

18 (c) A PRIVATE KEY THAT IS UNIQUE TO AN INDIVIDUAL AND THAT IS USED  
19 TO AUTHENTICATE OR SIGN AN ELECTRONIC RECORD.

20 (d) AN INDIVIDUAL'S FINANCIAL ACCOUNT NUMBER OR CREDIT OR DEBIT  
21 CARD NUMBER IN COMBINATION WITH ANY REQUIRED SECURITY CODE, ACCESS CODE OR  
22 PASSWORD THAT WOULD ALLOW ACCESS TO THE INDIVIDUAL'S FINANCIAL ACCOUNT.

23 (e) AN INDIVIDUAL'S HEALTH INSURANCE IDENTIFICATION NUMBER.

24 (f) INFORMATION ABOUT AN INDIVIDUAL'S MEDICAL OR MENTAL HEALTH  
25 TREATMENT OR DIAGNOSIS BY A HEALTH CARE PROFESSIONAL.

26 (g) AN INDIVIDUAL'S PASSPORT NUMBER.

27 (h) AN INDIVIDUAL'S TAXPAYER IDENTIFICATION NUMBER OR AN IDENTITY  
28 PROTECTION PERSONAL IDENTIFICATION NUMBER ISSUED BY THE UNITED STATES  
29 INTERNAL REVENUE SERVICE.

30 (i) UNIQUE BIOMETRIC DATA GENERATED FROM A MEASUREMENT OR ANALYSIS  
31 OF HUMAN BODY CHARACTERISTICS TO AUTHENTICATE AN INDIVIDUAL WHEN THE  
32 INDIVIDUAL ACCESSES AN ONLINE ACCOUNT.

33 Sec. 2. Section 18-545, Arizona Revised Statutes, is transferred  
34 and renumbered for placement in title 18, chapter 5, article 4, Arizona  
35 Revised Statutes, as section 18-552 and, as so renumbered, is amended to  
36 read:

37 18-552. Notification of security system breaches;  
38 requirements; enforcement; civil penalty;  
39 preemption; exceptions

40 A. ~~When~~ IF a person that conducts business in this state and that  
41 owns, MAINTAINS or licenses unencrypted AND UNREDACTED computerized ~~data~~  
42 ~~that includes~~ personal information becomes aware of ~~an~~ A SECURITY incident  
43 ~~of unauthorized acquisition and access to unencrypted or unredacted~~  
44 ~~computerized data that includes an individual's personal information, the~~

1 person shall conduct ~~a reasonable~~ AN investigation to promptly determine  
2 ~~if~~ WHETHER there has been a ~~breach of the~~ security system BREACH.

3 B. If the investigation results in a determination that there has  
4 been a ~~breach in the~~ security system BREACH, the person THAT OWNS OR  
5 LICENSES THE COMPUTERIZED DATA, WITHIN FORTY-FIVE DAYS AFTER THE  
6 DETERMINATION, shall:

7 1. Notify the individuals affected. ~~The notice shall be made in~~  
8 ~~the most expedient manner possible and without unreasonable delay~~ PURSUANT  
9 TO SUBSECTION E OF THIS SECTION AND subject to the needs of law  
10 enforcement as provided in subsection ~~C~~ D of this section ~~and any~~  
11 ~~measures necessary to determine the nature and scope of the breach, to~~  
12 ~~identify the individuals affected or to restore the reasonable integrity~~  
13 ~~of the data system.~~

14 2. IF THE BREACH REQUIRES NOTIFICATION OF MORE THAN ONE THOUSAND  
15 INDIVIDUALS, NOTIFY BOTH:

16 (a) THE THREE LARGEST NATIONWIDE CONSUMER REPORTING AGENCIES.

17 (b) THE ATTORNEY GENERAL, IN WRITING, IN A FORM PRESCRIBED BY RULE  
18 OR ORDER OF THE ATTORNEY GENERAL OR BY PROVIDING THE ATTORNEY GENERAL WITH  
19 A COPY OF THE NOTIFICATION PROVIDED PURSUANT TO PARAGRAPH 1 OF THIS  
20 SUBSECTION.

21 ~~B~~. C. A person that maintains unencrypted AND UNREDACTED  
22 computerized ~~data that includes~~ personal information that the person does  
23 not own OR LICENSE shall notify, AS SOON AS PRACTICABLE, THE OWNER OR  
24 LICENSEE OF THE INFORMATION ON DISCOVERING ANY SECURITY SYSTEM BREACH and  
25 cooperate with the owner or the licensee of the PERSONAL information ~~of~~  
26 ~~any breach of the security of the system following discovery of the breach~~  
27 ~~without unreasonable delay. Cooperation shall include, INCLUDING~~ sharing  
28 information relevant to the breach ~~of the security of the system~~ with the  
29 owner or licensee. ~~The person that owns or licenses the computerized data~~  
30 ~~shall provide notice to the individual pursuant to this section. The~~  
31 person that ~~maintained~~ MAINTAINS the data under an agreement with the  
32 owner or licensee is not required to provide ~~notice to the individual~~  
33 ~~pursuant to this section~~ THE NOTIFICATIONS REQUIRED BY SUBSECTION B OF  
34 THIS SECTION unless the agreement stipulates otherwise.

35 ~~C~~. D. The ~~notification~~ NOTIFICATIONS required by ~~subsection A~~  
36 SUBSECTION B of this section may be delayed if a law enforcement agency  
37 advises the person that the ~~notification~~ NOTIFICATIONS will impede a  
38 criminal investigation. ~~The person shall make the notification after the~~  
39 ~~law enforcement agency determines that it will not compromise the~~  
40 ~~investigation.~~ ON BEING INFORMED BY THE LAW ENFORCEMENT AGENCY THAT THE  
41 NOTIFICATIONS NO LONGER COMPROMISE THE INVESTIGATION, THE PERSON SHALL  
42 MAKE THE REQUIRED NOTIFICATIONS, AS APPLICABLE, WITHIN FORTY-FIVE DAYS.

43 ~~D~~. E. The ~~disclosure~~ NOTIFICATION required by subsection ~~A~~ B,  
44 PARAGRAPH 1 of this section SHALL INCLUDE AT LEAST THE FOLLOWING:

45 1. THE APPROXIMATE DATE OF THE BREACH.

1           2. A BRIEF DESCRIPTION OF THE PERSONAL INFORMATION INCLUDED IN THE  
2 BREACH.

3           3. THE TOLL-FREE NUMBERS AND ADDRESSES FOR THE THREE LARGEST  
4 NATIONWIDE CONSUMER REPORTING AGENCIES.

5           4. THE TOLL-FREE NUMBER, ADDRESS AND WEBSITE ADDRESS FOR THE  
6 FEDERAL TRADE COMMISSION OR ANY FEDERAL AGENCY THAT ASSISTS CONSUMERS WITH  
7 IDENTITY THEFT MATTERS.

8           F. THE NOTIFICATION REQUIRED BY SUBSECTION B, PARAGRAPH 1 OF THIS  
9 SECTION shall be provided by one of the following methods:

10           1. Written notice.

11           ~~2. Electronic notice if the person's primary method of~~  
12 ~~communication with the individual is by electronic means or is consistent~~  
13 ~~with the provisions regarding electronic records and signatures set forth~~  
14 ~~in the electronic signatures in global and national commerce act (P.L.~~  
15 ~~106-229; 114 Stat. 464; 15 United States Code section 7001).~~

16           2. AN E-MAIL NOTICE IF THE PERSON HAS E-MAIL ADDRESSES FOR THE  
17 INDIVIDUALS WHO ARE SUBJECT TO THE NOTICE.

18           3. Telephonic notice, IF TELEPHONIC CONTACT IS MADE DIRECTLY WITH  
19 THE AFFECTED INDIVIDUALS AND IS NOT THROUGH A PRERECORDED MESSAGE.

20           4. Substitute notice if the person demonstrates that the cost of  
21 providing notice pursuant to paragraph 1, 2 or 3 of this subsection would  
22 exceed fifty thousand dollars ~~or~~, that the affected class of subject  
23 individuals to be notified exceeds one hundred thousand ~~persons~~  
24 INDIVIDUALS, or THAT the person does not have sufficient contact  
25 information. Substitute notice ~~shall consist~~ CONSISTS of all of the  
26 following:

27           ~~(a) Electronic mail notice if the person has electronic mail~~  
28 ~~addresses for the individuals subject to the notice.~~

29           (a) A WRITTEN LETTER TO THE ATTORNEY GENERAL THAT DEMONSTRATES THE  
30 FACTS NECESSARY FOR SUBSTITUTE NOTICE.

31           (b) Conspicuous posting of the notice FOR AT LEAST FORTY-FIVE DAYS  
32 on the website of the person if the person maintains one.

33           ~~(c) Notification to major statewide media.~~

34           G. IF A BREACH INVOLVES PERSONAL INFORMATION AS PRESCRIBED IN  
35 SECTION 18-551, PARAGRAPH 7, SUBDIVISION (a), ITEM (ii) FOR AN ONLINE  
36 ACCOUNT AND DOES NOT INVOLVE PERSONAL INFORMATION AS DEFINED IN SECTION  
37 18-551, PARAGRAPH 7, SUBDIVISION (a), ITEM (i), THE PERSON MAY COMPLY WITH  
38 THIS SECTION BY PROVIDING THE NOTIFICATION IN AN ELECTRONIC OR OTHER FORM  
39 THAT DIRECTS THE INDIVIDUAL WHOSE PERSONAL INFORMATION HAS BEEN BREACHED  
40 TO PROMPTLY CHANGE THE INDIVIDUAL'S PASSWORD AND SECURITY QUESTION OR  
41 ANSWER, AS APPLICABLE, OR TO TAKE OTHER STEPS THAT ARE APPROPRIATE TO  
42 PROTECT THE ONLINE ACCOUNT WITH THE PERSON AND ALL OTHER ONLINE ACCOUNTS  
43 FOR WHICH THE INDIVIDUAL WHOSE PERSONAL INFORMATION HAS BEEN BREACHED USES  
44 THE SAME USER NAME AND E-MAIL ADDRESS AND PASSWORD OR SECURITY QUESTION OR  
45 ANSWER. IF THE BREACH OF PERSONAL INFORMATION AS PRESCRIBED IN SECTION

1 18-551, PARAGRAPH 7, SUBDIVISION (a), ITEM (ii) IS FOR LOGIN CREDENTIALS  
2 OF AN E-MAIL ACCOUNT FURNISHED BY THE PERSON, THE PERSON IS NOT REQUIRED  
3 TO COMPLY WITH THIS SECTION BY PROVIDING THE NOTIFICATION TO THAT E-MAIL  
4 ADDRESS, BUT MAY COMPLY WITH THIS SECTION BY PROVIDING NOTIFICATION BY  
5 ANOTHER METHOD DESCRIBED IN THIS SUBSECTION OR BY PROVIDING CLEAR AND  
6 CONSPICUOUS NOTIFICATION DELIVERED TO THE INDIVIDUAL ONLINE WHEN THE  
7 INDIVIDUAL IS CONNECTED TO THE ONLINE ACCOUNT FROM AN INTERNET PROTOCOL  
8 ADDRESS OR ONLINE LOCATION FROM WHICH THE PERSON KNOWS THE INDIVIDUAL  
9 CUSTOMARILY ACCESSES THE ACCOUNT. THE PERSON SATISFIES THE NOTIFICATION  
10 REQUIREMENT WITH REGARD TO THE INDIVIDUAL'S ACCOUNT WITH THE PERSON BY  
11 REQUIRING THE INDIVIDUAL TO RESET THE INDIVIDUAL'S PASSWORD OR SECURITY  
12 QUESTION AND ANSWER FOR THAT ACCOUNT, IF THE PERSON ALSO NOTIFIES THE  
13 INDIVIDUAL TO CHANGE THE SAME PASSWORD OR SECURITY QUESTION AND ANSWER FOR  
14 ALL OTHER ONLINE ACCOUNTS FOR WHICH THE INDIVIDUAL USES THE SAME USER NAME  
15 OR E-MAIL ADDRESS AND PASSWORD OR SECURITY QUESTION OR ANSWER.

16 ~~E.~~ H. A person ~~who~~ THAT maintains the person's own notification  
17 procedures as part of an information security policy for the treatment of  
18 personal information and ~~who~~ THAT is otherwise consistent with the  
19 requirements of this ~~section shall be~~ ARTICLE, INCLUDING THE  
20 FORTY-FIVE-DAY NOTIFICATION PERIOD REQUIRED BY SUBSECTION B OF THIS  
21 SECTION, IS deemed to be in compliance with the notification requirements  
22 of ~~this section~~ SUBSECTION B, PARAGRAPH 1 OF THIS SECTION if the person  
23 notifies subject individuals in accordance with the person's policies if a  
24 ~~breach of the~~ security system BREACH occurs.

25 ~~F.~~ I. A person that complies with the notification requirements or  
26 security SYSTEM breach procedures pursuant to the rules, regulations,  
27 procedures, guidance or guidelines established by the person's primary or  
28 functional federal regulator is deemed to be in compliance with THE  
29 REQUIREMENTS OF SUBSECTION B, PARAGRAPH 1 OF this section.

30 ~~G.~~ J. A person is not required to ~~disclose a breach of the~~  
31 ~~security of the system~~ MAKE THE NOTIFICATION REQUIRED BY SUBSECTION B OF  
32 THIS SECTION if the person, ~~or~~ AN INDEPENDENT THIRD-PARTY FORENSIC AUDITOR  
33 OR a law enforcement agency, ~~after a reasonable investigation,~~ determines  
34 AFTER A REASONABLE INVESTIGATION that a ~~breach of the security of the~~  
35 system BREACH has not ~~occurred~~ RESULTED IN or is not reasonably likely to  
36 ~~occur~~ RESULT IN SUBSTANTIAL ECONOMIC LOSS TO AFFECTED INDIVIDUALS.

37 ~~H.~~ This section may only be enforced by the attorney general. The  
38 ~~attorney general may bring an action to obtain actual damages for a wilful~~  
39 ~~and knowing violation of this section and a civil penalty not to exceed~~  
40 ~~ten thousand dollars per breach of the security of the system or series of~~  
41 ~~breaches of a similar nature that are discovered in a single~~  
42 ~~investigation.~~



1 K. EXCEPT FOR NOTIFICATIONS PROVIDED PURSUANT TO SUBSECTION F OF  
2 THIS SECTION, NOTIFICATIONS PROVIDED TO THE ATTORNEY GENERAL PURSUANT TO  
3 THIS SECTION ARE CONFIDENTIAL PURSUANT TO SECTION 44-1525 AND ARE EXEMPT  
4 FROM DISCLOSURE UNDER TITLE 39.

5 L. A KNOWING AND WILFUL VIOLATION OF THIS SECTION IS AN UNLAWFUL  
6 PRACTICE PURSUANT TO SECTION 44-1522, AND ONLY THE ATTORNEY GENERAL MAY  
7 ENFORCE SUCH A VIOLATION BY INVESTIGATING AND TAKING APPROPRIATE ACTION  
8 PURSUANT TO TITLE 44, CHAPTER 10, ARTICLE 7. THE ATTORNEY GENERAL MAY  
9 IMPOSE A CIVIL PENALTY FOR A VIOLATION OF THIS ARTICLE NOT TO EXCEED THE  
10 LESSER OF TEN THOUSAND DOLLARS PER AFFECTED INDIVIDUAL OR THE TOTAL AMOUNT  
11 OF ECONOMIC LOSS SUSTAINED BY AFFECTED INDIVIDUALS, BUT THE MAXIMUM CIVIL  
12 PENALTY FROM A BREACH OR SERIES OF RELATED BREACHES MAY NOT EXCEED FIVE  
13 HUNDRED THOUSAND DOLLARS. THIS SECTION DOES NOT PREVENT THE ATTORNEY  
14 GENERAL FROM RECOVERING RESTITUTION FOR AFFECTED INDIVIDUALS.

15 ~~†~~ M. The state legislature determines that security system breach  
16 notification is a matter of statewide concern. The power to regulate  
17 security SYSTEM breach notification is preempted by this state, and this  
18 ~~section shall supersede~~ ARTICLE SUPERSEDES and ~~preempt~~ PREEMPTS all  
19 municipal and county laws, charters, ordinances and rules relating to  
20 issues regulated by this ~~section~~ ARTICLE.

21 ~~†~~ N. This ~~section~~ ARTICLE does not apply to either of the  
22 following:

23 1. A person THAT IS subject to title V of the Gramm-Leach-Bliley  
24 act (P.L. 106-102; 113 Stat. 1338; 15 United States Code sections 6801  
25 through 6809).

26 2. A covered ~~entities and~~ ENTITY OR business associates as defined  
27 under regulations implementing the health insurance portability and  
28 accountability act of 1996, 45 Code of Federal Regulations section 160.103  
29 ~~(2003)~~ (2013) OR A CHARITABLE FUND-RAISING FOUNDATION OR NONPROFIT  
30 CORPORATION WHOSE PRIMARY PURPOSE IS TO SUPPORT A SPECIFIED COVERED  
31 ENTITY, IF THE CHARITABLE FUND-RAISING FOUNDATION OR NONPROFIT CORPORATION  
32 COMPLIES WITH ANY APPLICABLE PROVISION OF THE HEALTH INSURANCE PORTABILITY  
33 AND ACCOUNTABILITY ACT OF 1996 AND ITS IMPLEMENTING REGULATIONS.

34 ~~†~~ O. The department of public safety, a county sheriff's  
35 department, a municipal police department, a prosecution agency and a  
36 court shall create and maintain an information security policy that  
37 includes notification procedures for a ~~breach of the~~ security system  
38 BREACH of the department of public safety, the county sheriff's  
39 department, the municipal police department, the prosecuting agency or the  
40 court.

41 ~~L. For the purposes of this section:~~

42 1. ~~"Breach", "breach of the security of the system", "breach of the~~  
43 ~~security system" or "security breach" means an unauthorized acquisition of~~  
44 ~~and access to unencrypted or unredacted computerized data that materially~~  
45 ~~compromises the security or confidentiality of personal information~~

1 ~~maintained by a person as part of a database of personal information~~  
2 ~~regarding multiple individuals and that causes or is reasonably likely to~~  
3 ~~cause substantial economic loss to an individual. Good faith acquisition~~  
4 ~~of personal information by an employee or agent of the person for the~~  
5 ~~purposes of the person is not a breach of the security system if the~~  
6 ~~personal information is not used for a purpose unrelated to the person or~~  
7 ~~subject to further wilful unauthorized disclosure.~~

8 ~~2. "Court" means the supreme court, court of appeals, superior~~  
9 ~~court, courts inferior to the superior court and justice courts.~~

10 ~~3. "Encrypted" means use of an algorithmic process to transform~~  
11 ~~data into a form in which the data is rendered unreadable or unusable~~  
12 ~~without use of a confidential process or key.~~

13 ~~4. "Individual" means a person that is a resident of this state as~~  
14 ~~determined by a principal mailing address in this state as reflected in~~  
15 ~~the records of the person conducting business in this state at the time of~~  
16 ~~the breach.~~

17 ~~5. "Person" means a natural person, corporation, business trust,~~  
18 ~~estate, trust, partnership, association, joint venture, government,~~  
19 ~~governmental subdivision or agency or any other legal or commercial~~  
20 ~~entity. Person does not include the department of public safety, a county~~  
21 ~~sheriff's department, a municipal police department, a prosecution agency~~  
22 ~~or a court.~~

23 ~~6. "Personal information":~~

24 ~~(a) Means an individual's first name or first initial and last name~~  
25 ~~in combination with any one or more of the following data elements, when~~  
26 ~~the data element is not encrypted, redacted or secured by any other method~~  
27 ~~rendering the element unreadable or unusable:~~

28 ~~(i) The individual's social security number.~~

29 ~~(ii) The individual's number on a driver license issued pursuant to~~  
30 ~~section 28-3166 or number on a nonoperating identification license issued~~  
31 ~~pursuant to section 28-3165.~~

32 ~~(iii) The individual's financial account number or credit or debit~~  
33 ~~card number in combination with any required security code, access code or~~  
34 ~~password that would permit access to the individual's financial account.~~

35 ~~(b) Does not include publicly available information that is~~  
36 ~~lawfully made available to the general public from federal, state or local~~  
37 ~~government records or widely distributed media.~~

38 ~~7. "Prosecution agency" means the attorney general, any county~~  
39 ~~attorney or any municipal prosecutor.~~

40 ~~8. "Redact" means alter or truncate data such that no more than the~~  
41 ~~last four digits of a social security number, driver license number,~~  
42 ~~nonoperating identification license number, financial account number or~~  
43 ~~credit or debit card number is accessible as part of the personal~~  
44 ~~information.~~

1           Sec. 3. Section 33-1701, Arizona Revised Statutes, is amended to  
2 read:

3           33-1701. Definitions; exception

4           A. In this article, unless the context otherwise requires:

5           1. "Default" means the failure to perform on time any obligation or  
6 duty set forth in the rental agreement.

7           2. "Department" means the Arizona game and fish department in the  
8 case of motorized watercraft and the department of transportation in the  
9 case of all other vehicles.

10          3. "Electronic mail" means an electronic message or an executable  
11 program or computer file that contains an image of a message that is  
12 transmitted between two or more computers or electronic terminals and  
13 includes electronic messages that are transmitted within or between  
14 computer networks from which a confirmation of receipt is received.

15          4. "Last known address" means that postal address or electronic  
16 address provided by the occupant in the rental agreement or the postal  
17 address or electronic address provided by the occupant in a subsequent  
18 written notice of a change of address.

19          5. "Late fee" means a reasonable fee or charge that is assessed by  
20 the operator for the failure of the occupant to pay rent when due pursuant  
21 to section 33-1703, subsection D.

22          6. "Leased space" means the storage space or spaces at the  
23 self-service storage facility that are rented to an occupant pursuant to a  
24 rental agreement.

25          7. "Net proceeds" means the total proceeds received from the lien  
26 sale ~~less~~ MINUS the total amount of the lien.

27          8. "Occupant" means a person or the person's sublessee, successor  
28 or assign, ~~THAT IS~~ entitled to the use of the leased space at a  
29 self-service storage facility under a rental agreement, to the exclusion  
30 of others.

31          9. "Operator" means the owner, operator, lessor or sublessor of a  
32 self-service storage facility, an agent or any other person authorized to  
33 manage the facility.

34          10. "Personal information" has the same meaning prescribed in  
35 section ~~18-545~~ 18-551. ~~and includes passport information and medical or~~  
36 ~~legal records.~~

37          11. "Personal property" means movable property that is not affixed  
38 to land and includes ~~but is not limited to~~ goods, wares, merchandise,  
39 household items and furnishings and vehicles.

40          12. "Protected property" means personal property FOR WHICH the sale  
41 or disposal ~~of which~~ is regulated by state or federal law and that is one  
42 of the following:

43           (a) Documents, files or electronic data that contains personal  
44 information relating to clients, customers, patients or others in  
45 connection with the occupant's business.

1 (b) Alcoholic beverages.

2 (c) Pharmaceuticals other than those dispensed by a licensed  
3 pharmacy for the occupant's personal use.

4 (d) Firearms.

5 13. "Registered owner" means an owner of a vehicle as stated in the  
6 official records of the department.

7 14. "Rental agreement" means any written agreement provided to the  
8 occupant that establishes or modifies the terms, conditions or rules  
9 concerning the use and occupancy of leased space at a self-service storage  
10 facility.

11 15. "Self-service storage facility" means any real property used  
12 for renting or leasing storage spaces in which the occupants themselves  
13 customarily store and remove their own personal property on a self-service  
14 basis.

15 16. "Vehicle" means a motor vehicle, a trailer or a semitrailer as  
16 defined in section 28-101 and a motorized watercraft as defined in section  
17 5-301.

18 17. "Verified mail" means any method of mailing that is offered by  
19 the United States postal service and that provides evidence of mailing.

20 B. This article does not apply to a warehouseman unless the  
21 warehouseman issues a warehouse receipt, bill of lading or other document  
22 of title for the personal property stored.

23 Sec. 4. Section 36-3802, Arizona Revised Statutes, is amended to  
24 read:

25 36-3802. Individual rights

26 A. A health information organization must provide the following  
27 rights to individuals:

28 1. To opt out of participating in the health information  
29 organization pursuant to section 36-3803.

30 2. To request a copy of the individual's individually identifiable  
31 health information that is available through the health information  
32 organization. The health information organization may provide this right  
33 directly or may require health care providers participating in the health  
34 information organization to provide access to individuals. The copy may  
35 be provided electronically, if the individual requesting the copy consents  
36 to electronic delivery of the individually identifiable health  
37 information, and must be provided to the individual within thirty days  
38 after the individual's request. Charges for copies are governed by  
39 section 12-2295.

40 3. To request THE amendment of incorrect individually identifiable  
41 health information available through the health information organization.

42 4. To request a list of the persons who have accessed the  
43 individual's individually identifiable health information through the  
44 health information organization for a period of at least three years

1 before the individual's request. This list must be provided to the  
2 individual within thirty days after the individual's request.

3 5. To be notified, pursuant to section ~~18-545~~ 18-552 and 45 Code of  
4 Federal Regulations part 164, subpart D, of a breach at the health  
5 information organization that affects the individual's individually  
6 identifiable health information.

7 B. If an individual does not have the capacity to make health care  
8 decisions, the individual's health care decision maker may exercise all  
9 individual rights in this chapter on behalf of the individual.

10 Sec. 5. Repeal

11 Laws 2006, chapter 232, section 3, as amended by Laws 2016, chapter  
12 80, section 31, is repealed.

**APPROVED BY THE GOVERNOR APRIL 11, 2018**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 11, 2018**

Passed the House March 7, 20 16

Passed the Senate March 29, 20 18

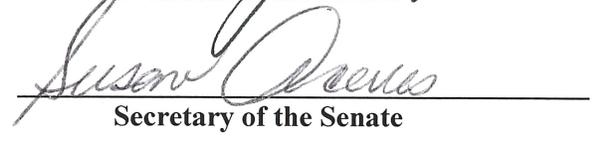
by the following vote: 56 Ayes,

by the following vote: 30 Ayes,

0 Nays, 4 Not Voting

0 Nays, 0 Not Voting

  
\_\_\_\_\_  
Speaker of the House  
 Pro Tempore  
  
\_\_\_\_\_  
Chief Clerk of the House

  
\_\_\_\_\_  
President of the Senate  
  
\_\_\_\_\_  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this  
\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.  
\_\_\_\_\_  
Secretary to the Governor

Approved this \_\_\_\_\_ day of  
\_\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.  
\_\_\_\_\_  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State  
this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.  
\_\_\_\_\_  
Secretary of State

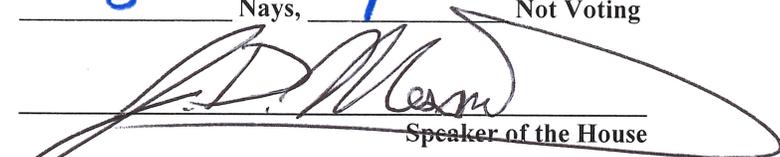
H.B. 2154

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

April 5, 2018,

by the following vote: 59 Ayes,

0 Nays, 1 Not Voting

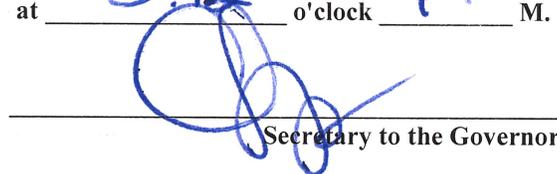
  
Speaker of the House  
  
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

5<sup>th</sup> day of April, 2018

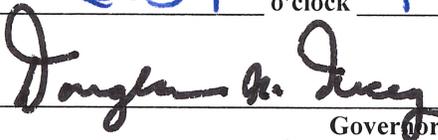
at 3:12 o'clock P. M.

  
Secretary to the Governor

Approved this 11<sup>th</sup> day of

April, 2018,

at 2:34 o'clock P. M.

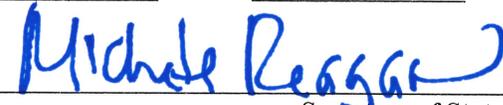
  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 11 day of April, 2018,

at 4:50 o'clock P. M.

  
Secretary of State

H.B. 2154