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BILL ANALYSIS

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Senate Bill 141 (as enrolled)
Sponsor: Senator Leon Stille
Senate Committee: Families, Mental Health and Human Services
House Committee: Family and Children Services

PUBLIC ACT 26 of 1999

Date Completed: 4-26-00

RATIONALE

Temporary Assistance for Needy Families (TANF) is a Federally funded program that provides cash and other forms of assistance to families in need of financial aid (e.g., TANF provides for some child care and transportation services in addition to cash assistance). Food stamps are Federally funded certificates that needy people may receive to help purchase grocery items. Some states have imposed fingerprinting requirements on assistance recipients, since it can be quite easy in today's high-tech environment to create false identities through the use of counterfeit identification cards, including false driver's licenses and multiple Social Security numbers. This can be costly to taxpayers and recipients alike. According to a December 1997 report from the Illinois Department of Human Services, in 1993 Congress estimated the national cost of welfare identification schemes at \$25 billion annually. To ensure the financial integrity of Michigan's administration of the TANF and food stamp programs, and to prevent fraud on the part of recipients of assistance under those programs, some people believe that recipients in this State should be required to provide a computer-scanned image of their fingerprint to be eligible for cash assistance or food stamp benefits.

CONTENT

The bill amended the Social Welfare Act to require that, not later than October 1, 2001, the Family Independence Agency (FIA) implement an automated finger imaging system designed to prevent a person from receiving cash assistance, food stamps, or both under more than one name. Finger imaging obtained pursuant to the bill may be used only to reduce fraud in obtaining public benefits or assistance under the Act.

Beginning with the effective date of the establishment and implementation of the finger imaging system, a person applying for cash

assistance, food stamp benefits, or both must provide the FIA with an automated finger image or images as a condition of eligibility. The FIA must establish a system that, at a minimum, includes the following:

- Confidentiality of the automated finger image records taken pursuant to the Act.
- A system for administrative appeal of a matter relating to the taking or verification of an individual's automated finger image.
- A requirement to exempt children from providing a finger image unless there is a reasonable suspicion that the family group is committing fraud. ("Family group" means a family and all those people living with a family who apply for or receive cash assistance and/or food stamps.)
- A requirement to exempt individuals from whom the technology is unable to obtain an accurate finger image.
- A requirement to exempt nursing home patients from the bill's requirement.
- Authority to exempt certain other population groups from providing the automated finger image, including homebound recipients.

The FIA must remove a person's finger image from its file if he or she has not received benefits or assistance from the FIA within the previous 12 months.

The bill allows the FIA to negotiate and enter into a compact or regional agreement with another State department, the Federal government, an agency of the Federal government, or an agency of another state for the purpose of implementing and administering the finger imaging provisions as long as the compact or reciprocal agreement is not inconsistent with the bill's limitations on use of and access to the finger images.

The bill requires the FIA to conduct semi-annual security reviews to monitor the automated finger

imaging system. The reviews must ensure all of the following:

- All records maintained as part of the system are accurate and complete.
- Effective software and hardware designs have been instituted with security features to prevent unauthorized access to records.
- Access to record information is restricted to authorized personnel.
- The system uses system and operational programs that will prohibit inquiry, record updates, or destruction of records from a terminal other than automated finger imaging system terminals that are designated to permit inquiry, record updates, or destruction of records.
- System and operational programs are used to detect and report all unauthorized attempts to penetrate an automated finger imaging system, program, or file.

Beginning December 31 of the first year the automated finger imaging system has been fully implemented, the FIA must compile and report annually to the Senate and House committees having jurisdiction over FIA matters the following information concerning the operation of the automated finger imaging system:

- An analysis of the costs and savings of the system, including administrative costs, operation costs, and actual savings due to confirmed fraud and fraud deterrence.
- The number of individuals who have applied for assistance under more than one name.
- The number of individuals refusing to provide a finger image and the reasons for the refusal.
- A detailed summary of the results of the reviews required by the bill.

Except as necessary to carry out a compact or agreement under the bill, or unless otherwise required by law, the FIA may not sell, transfer, or release information identifying an individual named in the automated finger imaging system record to a third person, including another State department or agency.

The bill prohibits a person from disclosing information from the automated finger imaging system record in a manner that is not authorized by law or rule. A violation of that prohibition is a misdemeanor, punishable by up to 93 days' imprisonment, a maximum fine of \$500, or both.

At the time an individual applies for cash assistance and/or food stamps, the FIA must inform him or her of all of the following:

- The requirement to allow the FIA to take a finger image from the individual.
- The fact that the finger image may be compared to the finger images of other benefit recipients to prevent duplicate participation.
- The fact that the FIA is prohibited by law from using the finger image for a different purpose.

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ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The food stamp and TANF cash assistance programs are essential to providing for the health and welfare of some of Michigan's poorest citizens, and need to be run as efficiently and cost-effectively as possible in order to do the greatest good for a vulnerable population. It stands to reason, then, that the State should do all it can to ensure that eligible recipients are awarded the cash assistance and food stamp benefits they need and that no one is able to receive more aid than that to which he or she is entitled.

By requiring finger imaging, the bill will enable the State to apprehend recipients who "double-dip" by collecting assistance under dual or multiple identities. Moreover, the bill should deter people from fraudulently applying for assistance in the first place, since an applicant will know that his or her finger image may be checked against other recipients' finger images. Indeed, each of the states that has enacted similar legislation reportedly experienced a decrease in applications for assistance. This approach has been successfully

undertaken in several other states, mostly those with larger populations. This is an idea whose time has come in Michigan's continuing welfare reform efforts.

Response: There is little, if any, evidence that receiving assistance under multiple identities is a problem in Michigan. According to the FIA, 92% of the fraud that is committed by assistance recipients is in the area of underreporting of assets. In addition, although welfare assistance application rates have fallen in states that have implemented finger imaging requirements, it is unclear what effect the requirement has had on the welfare population. Caseloads have dropped significantly in Michigan, too, without a finger imaging requirement. The decreases are more likely due to the strong economy and welfare reforms such as work, community service, and/or education requirements. Furthermore, if a recipient must work in order to collect public assistance, he or she is not likely to attempt to apply for benefits twice.

Supporting Argument

The State should use the best available technology to manage public assistance caseloads effectively and efficiently. A program of computerized finger imaging will be fairly easy to establish and implement, using the technology that has been developed to authenticate the identity of individuals on a routine basis even for everyday activities. According to the FIA's testimony before the Senate Committee on Families, Mental Health and Human Services, some corporations use finger imaging scans for their employees' computer access and, in some states, grocery stores use the technology for check-cashing authorization. A computerized scan of a person's fingerprint is a trusted universal identifier and fraud fighter. In addition, a study of a finger imaging pilot project in Illinois suggested that the development of a statewide finger image data base could provide a platform for using the technology in other welfare-related areas, such as ensuring benefit delivery and verifying Medicaid eligibility. Also, as more states begin to use finger imaging technology, the system could be used to identify and fight interstate multiple case fraud and to monitor the five-year Federal limit on receiving TANF cash assistance.

Supporting Argument

Despite the system's initial start-up costs and continuing operational costs, the bill should save the State money that may be used for other public assistance purposes. One estimate, according to testimony before the Senate Committee, suggested that a \$1.8 million to \$2 million investment (half of which could possibly be recouped from Federal funds) could save the State anywhere from \$10 million to \$30 million. The State of Arizona, with a considerably smaller population than Michigan, reportedly estimates annual savings of around \$2

million due to the finger imaging requirement. Michigan could use the money saved from this program to enhance daycare and transportation funding and fight other barriers that prevent needy families from escaping welfare.

Response: Cost-saving estimates are speculative. There is no evidence of a widespread problem with multiple case fraud in Michigan and claims that reduced caseloads reflect savings due to implementation of finger imaging requirements are dubious. Other factors likely have far greater influence on reducing the number of public assistance recipients.

Opposing Argument

Singling out public assistance recipients for a fingerprint requirement places an additional stigma on a population that is already vulnerable, and implies that they are to be suspected of fraudulent actions.

Response: There should be no stigma or suggestion of suspicion attached to the legislation. In every one of the 12 states that has enacted a finger imaging requirement, a vast majority of the recipients reportedly favor this safeguard of the limited funds available for the assistance programs. Other groups of people, such as military personnel and some other Federal employees, are required to be fingerprinted. As stated above, stores in some states even require finger image scanning for check-cashing authorization.

Opposing Argument

The bill goes too far. Given the unknown factors involved in Michigan--the existence or scope of the problem of multiple case fraud, the expense of implementing the program, the uncertainty that there will be any net saving, and other possible uses of the data base--Michigan should adopt a limited pilot program if it is to use finger imaging at all.

Response: A pilot project would be ineffective in battling double-dipping in public assistance benefits because a fraudulent recipient could simply apply for benefits in a county outside of the pilot project area. The study of the Illinois pilot project suggests that a finger imaging program's full potential cannot be realized until it is implemented statewide. The study states: "To pursue expansion on less than a statewide basis is wasteful of staff and financial resources...". Also, according to the bill, the FIA finger imaging data base may be used only to reduce fraud in obtaining benefits.

Opposing Argument

There has been some concern expressed over requiring vulnerable populations, such as senior

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citizens and children, to be fingerprinted like common criminals when there is no reasonable suspicion of welfare fraud or abuse on their part.

Response: The bill includes requirements that the finger imaging system developed and used by the FIA exempt children from having to provide a finger image, unless there is reasonable suspicion that the child's family is committing fraud. The bill also requires that the system exempt patients placed in nursing home care and individuals from whom an automated finger system was unable to obtain an accurate finger image. In addition, the FIA may exempt certain other groups, such as homebound assistance recipients, from the finger imaging requirement.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill will have an indeterminate fiscal impact on State government. A review of other states suggests that the Arizona pilot project may be appropriate to compare with Michigan's system needs. The Arizona pilot project was run in one state district or region. The contract for system start-up and six months of services was approximately \$700,000 for a pilot project. Contract services included a public information campaign, employee training, development of guidelines, policies and procedures, pilot project evaluation and state-wide expansion to all 88 local offices. A final contract cost for the state-wide system includes an estimated volume of 600,000 fingerprint image transactions (including two print images per transaction) for a fixed annual fee of approximately \$921,000, and approximately 30 cents for each transaction over the original volume for a period of five years. The total five-year contract cost is approximately \$4.4 million.

It is difficult to assess if there will be costs associated with the additional administration activities for security reviews and reporting requirements. There might be some savings because of caseload reduction attributed to implementation of the finger imaging system, but they could be offset to some degree by the additional administrative costs.

Fiscal Analyst: C. Cole