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FIA PROGRAMS: FINGER IMAGING OF APPLICANTS

Senate Bill 141 (Substitute H-6) First Analysis (4-21-99)

Sponsor: Sen. Leon Stille
**Senate Committee: Families, Mental
Health and Human Services**
**House Committee: Family and
Children Services**

THE APPARENT PROBLEM:

Welfare recipients typically receive cash assistance from programs such as Temporary Assistance for Needy Families (TANF), a federally funded program that provides assistance to families in need of financial aid. They may also receive food stamps, which are federally funded certificates that help purchase grocery items. Reportedly, 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 even 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 its cash assistance and food stamp programs, and to prevent fraud on the part of recipients of assistance under those programs, some people feel that recipients in this state also should be required to provide a computer-scanned image of their fingerprint to be eligible for assistance.

THE CONTENT OF THE BILL:

The bill would amend the Social Welfare Act to require that, no later than October 1, 2001, the Family Independence Agency (FIA) would be required to establish an automated finger imaging system designed to prevent a person from receiving food stamps, cash assistance, or both, under more than one name. Finger imaging obtained pursuant to the bill could be used only for the purpose of reducing fraud in obtaining public benefits or assistance under the act.

Automated Finger Image System. Beginning with the effective date of the establishment and implementation of the finger imaging system, a person applying for cash assistance, food stamps, or both, would have to provide the FIA with an automated finger image or images as a condition of eligibility. The system, would have to be established so that, at a minimum, the following protections were provided to recipients:

- Confidentiality of automated finger image records.
- 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 having to provide automated finger images unless there was a reasonable suspicion that the family group was committing fraud.
- A requirement to exempt individuals from whom the automated finger image technology was unable to obtain an accurate finger image.

In addition, the FIA would have the authority to exempt certain population groups (including, but not limited to, senior citizens, children, homebound recipients, or nursing home patients) from providing the automated finger image. The FIA would have to remove a person's finger image from its file if he or she had not received benefits or assistance from the FIA within the previous three years.

Compacts/Regional Agreements. The FIA could negotiate and enter into a compact or regional agreement with another state department, the federal

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government, an agency of the federal government, or an agency of another state, for the purpose of implementing and administering the proposed finger imaging provisions as long as the compact or reciprocal agreement was not inconsistent with the bill's limitations on use of and access to the finger images.

Security Reviews. The FIA would have to conduct semi-annual security reviews to monitor the automated finger imaging system to ensure that all of the following occurred:

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

Annual Report. Beginning on December 31st of the first year the system had been fully implemented, the FIA would have to compile and report annually to the Senate and House committees having jurisdiction over FIA matters the following information concerning the operation of the proposed automated finger imaging system:

- An analysis of the costs and savings of the system including, but not limited to, administrative costs, operation costs, and actual savings due to confirmed fraud and fraud deterrence.
- The number of individuals who had 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.

Department Rules and Obligations. Except as necessary to carry out a compact or agreement, the FIA would be prohibited from selling, transferring, or releasing information identifying a person named in a system record to a third person, including another state department or agency. In addition, disclosing information from the system record in an unauthorized manner would be prohibited, and a violation of this would be a misdemeanor, punishable by imprisonment for up to 93 days, a fine of up to \$500, or both.

The FIA would also be required, under the bill, to provide the following information to each individual at the time an application for food stamps or assistance was filed: the requirement that the FIA could take a finger image from the person; that the image could be compared to those of other benefit recipients to prevent duplicate participation; and that the FIA was prohibited by law from using the finger image for a different purpose.

MCL 400.57a

FISCAL IMPLICATIONS:

According to the Senate Fiscal Agency (SFA), the bill would 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 statewide expansion to all 88 local offices. A final contract cost for the statewide 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. The SFA also estimates that it would be difficult to assess if there would be costs associated with the additional administration activities for security reviews and reporting requirements. There could 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. (2-11-99)

ARGUMENTS:

For:

The cash assistance and food stamp programs are essential to providing for the health and welfare of some of Michigan's poorest citizens, and they 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 assistance 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 would enable the state to apprehend recipients who "double-dipped" on their aid by collecting assistance under dual or multiple identities. Moreover, the bill could be expected to deter people from fraudulently applying for assistance in the first place, since an applicant would know that his or her finger image would be checked against other recipients. 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. If Michigan and Ohio -- which apparently also is considering finger imaging legislation -- adopted these requirements, approximately 80 percent of the nation's welfare recipients reportedly would be covered by finger imaging requirements. 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 percent of the fraud that is committed by assistance recipients is in the area of under-reporting 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 and education requirements. Furthermore, if a recipient must work or go to school

in order to collect public assistance, he or she is not likely to attempt to apply for benefits twice.

For:

The state should use the best available technology to manage public assistance caseloads effectively and efficiently. A program of computerized finger imaging should 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. Reportedly, 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 funds.

For:

Despite the system's initial start-up costs and continuing operational costs, the bill could save the state money that could be used for other public assistance purposes. 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 day care 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.

Against:

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

Being poor is not a crime. However, when fingerprinting is *required* in certain circumstances, then a fingerprint -- a personal, unique form of identification -- carries powerful associations of criminal behavior.

Response:

There should be no stigma or suggestion of suspicion attached to the proposal. 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 other federal employees, are required to be fingerprinted. As stated above, some states even require finger image scanning for check-cashing authorization.

Against:

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 would be any net saving, and other possible uses of the data base -- Michigan should adopt a limited pilot program if it were 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, the FIA finger imaging data base could be used only to determine assistance eligibility and reduce fraud in obtaining benefits.

Against:

Some have expressed concern at the prospect of seniors, especially those who are patients in nursing homes, being subjected to automated finger imaging procedures. Under the provisions of the bill, the FIA would have the authority to exempt certain population groups from having to provide automated finger imaging, and the department has assured the House Family and Children Services Committee that it does not plan to fingerprint nursing home residents. However, it would be wiser to write that policy into statute, so that public assistance recipients in nursing homes could not be fingerprinted in the future.

Against:

The Michigan County Social Services Association (MCSSA) suggests that the provisions of Senate Bill 141 sunset in two years. At that time, if an analysis of the system reveals that the expenses incurred in administering the automated finger imaging system do not justify the savings, then the system could be discontinued.

POSITIONS:

The Family Independence Agency (FIA) supports the bill. (4-20-99)

The Michigan League for Human Services (MLHS) opposes the bill. (4-20-99)

The Michigan Catholic Conference (MCC) opposes the bill. (4-20-99)

The Westside Mothers and Oakland Welfare Rights organization, representing Detroit and Oakland County, opposes the bill. (4-20-99)

The American Civil Liberties Union (ACLU) opposes the bill. (4-21-99)

The Center for Civil Justice opposes the bill. (4-21-99)

Analyst: R. Young

■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.