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SFA

BILL ANALYSIS

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Senate Bill 141 (as introduced 1-27-99)
Sponsor: Senator Leon Stille
Committee: Families, Mental Health and Human Services

Date Completed: 2-3-99

CONTENT

The bill would amend the Social Welfare Act to require that, not later than July 1, 2000, the Family Independence Agency (FIA) implement an automated finger imaging system designed to prevent a person from receiving "temporary aid to needy families" (TANF) and food stamps under more than one name. Finger imaging obtained pursuant to the bill could be used only to determine eligibility and reduce fraud in obtaining public benefits or assistance under the Social Welfare Act.

Beginning with the effective date of the establishment and implementation of the finger imaging system, a person applying for TANF or food stamp benefits would have to provide the FIA with an automated finger image or images as a condition of eligibility. (Note: The TANF program is actually "temporary assistance for needy families".) The FIA would have to promulgate rules under the Administrative Procedures Act to establish the system. The rules, at a minimum, would have to include the following:

- Confidentiality of the automated finger image records taken pursuant to the Social Welfare Act.
- A system for administrative appeal of a matter relating to the taking or verification of an individual's automated finger image.
- 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.

The FIA could negotiate and enter into a compact or regional agreement with the Federal 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.

The FIA would have to conduct semi-annual security reviews to monitor the automated finger imaging system. The reviews would have 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 were 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 permit inquiry, record updates, or destroy records.

- System and operational programs were used to detect and report all unauthorized attempts to penetrate an automated finger imaging system, program, or file.

Beginning December 31, 2001, 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.

MCL 400.57a

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government. A review of other states that have implemented a state-wide or a pilot project finger imaging system 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 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.

Fiscal Analyst: C. Cole

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.