

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 910 (Delegate Barve. *et al.*)

Appropriations

Public Assistance - Finger Imaging Identification Pilot Program - Study

This bill requires the Department of Human Resources (DHR) to conduct a study of finger imaging as a method of preventing fraudulent receipt of Family Investment Program and Food Stamp Program benefits. The study is to include an examination of the cost effectiveness of finger imaging programs in other states, the impact of finger imaging in comparison to other fraud prevention methods, and projected savings to Maryland. DHR is to report its findings by October 1, 1998 to the Senate Finance Committee and the House Appropriations Committee.

The bill takes effect July 1, 1998.

Fiscal Summary

State Effect: Expenditures increase by \$18,800 in FY 1999 only. Revenues would not be affected.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF/FF Exp.*	18,800	0	0	0	0
Net Effect	(\$18,800)	\$0	\$0	\$0	\$0

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds
*expenditures come from combined pool of general funds and federal block grant funds

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Background: An increasing number of states are using biometric identifying systems (fingerprinting) for welfare fraud prevention. Biometrics are used to identify each welfare applicant to determine if they are already in the system, thereby preventing a client from receiving duplicate benefits by using false identification. The fingerprint image of a client is read by a scanner and is recorded on an automated data base, where the information is matched against the fingerprints of persons receiving benefits.

The Legislative Auditor recommended in a May 1996 audit of DHR that the department conduct a comprehensive analysis to determine the cost/benefits of using an automated fingerprinting system to reduce welfare fraud. DHR created a welfare reform fraud prevention committee to review the latest welfare fraud prevention technologies and to conduct a cost benefit analysis using data from other states' biometrics experience. The cost analysis showed that finger imaging had the lowest return on investment of the fraud initiatives reviewed. The other initiatives included overpayments/recoupment investment, computer matching, expansion of front end fraud detection programs, and EBTS trafficking unit. The committee recommended that DHR first pursue the other options due to their lower cost and higher rates of return and that finger imaging be re-evaluated periodically.

State Expenditures: State expenditures could increase by an estimated \$18,818 in fiscal 1999. This estimate reflects the cost of hiring one contractual employee (Human Services Specialist) for three months to conduct the study. It includes salaries, fringe benefits, and ongoing operating expenses.

Salaries and Fringe Benefits	\$9,956
Travel	7,758
Other Operating Expenses	<u>1,104</u>
Total FY 1999 State Expenditures	\$18,818

State Family Investment Program expenditures are actually a total pool of State funds and federal block grant funds. The proposed fiscal 1999 budget includes \$165.8 million for cash assistance payments, of which \$90.5 million is federal block grant funds and \$75.3 million is general funds. With the block grant, however, it is not possible to reliably predict the federal/general fund split used for any particular activity.

Additional Comments: The experience in other states indicates that the finger imaging system's primary value lies in the deterrence effect, i.e., in preventing fraudulent receipt of family investment assistance. A September 1995 report by the U.S. General Accounting Office (GAO) indicated that states and municipalities have realized substantial cost savings in public assistance programs by requiring new applicants and existing clients to submit to electronic fingerprint imaging during the enrollment or redetermination process. A

fingerprint imaging pilot program initiated in 1991 in Los Angeles County, California realized cost savings of \$5.4 million as a result of terminating over 3,000 active cases and denying benefits to an additional 240 applicants who failed to comply with the fingerprinting requirements. In a 1995 report, Los Angeles County stated that through September 1996, estimated cumulative benefit savings of \$86 million significantly exceeded the estimated costs of \$20 million.

In New York State, 15% of all general assistance recipients initially failed to appear for digital imaging; of those, 70% have never submitted to finger imaging. The net case closing rate was 3.3%. In New Jersey, 12% failed to appear for digital imaging and in Connecticut, 27% failed to appear. Although some recipients returned to the assistance rolls in Connecticut, 13% appear to have permanently dropped from the rolls. It is difficult to accurately evaluate the full effect of these systems, since the number of individuals who might have applied for assistance had a finger imaging system not been in effect cannot be reliably measured.

Information Source(s): Department of Human Resources (Family Investment Administration, *Monthly Statistical Report* [November 1997]); Department of State Police; Department of Public Safety and Correctional Services (Data Services Division); Department of Legislative Services; State of Connecticut (Department of Social Services, *Digital Imaging Program Fact Sheet*); Connecticut Biometric Web Page www.dss.state.ct.us/digital.htm; *Biometrics in Human Services*, Volume 1, Issue 5 (September 1997); *Biometrics in Human Services*, Volume 1, Issue 6 (November 1997); Illinois Department of Human Services, *Evaluation Report: Biometric Identification Demonstrations* (December 1997); Arizona Department of Economic Security, *Arizona Fingerprinting Imaging Program* (February 1998); Texas Department of Human Services, *General Information about the Lone Star Imaging System* (March 1998)

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