

STORAGE NAME: h0709a.cfe

DATE: April 18, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
CHILDREN AND FAMILY EMPOWERMENT
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 709

RELATING TO: Public Assistance

SPONSOR(S): Representative Merchant

STATUTE(S) AFFECTED: sections 0414.391, 0414.392, F.S.

COMPANION BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) CHILDREN AND FAMILY EMPOWERMENT YEAS 5 NAYS 0
- (2) HEALTH AND HUMAN SERVICES APPROPRIATIONS
- (3)
- (4)
- (5)

I. SUMMARY:

The bill requires the Department of Children and Families, in conjunction with the Department of Labor and Employment Security, to develop and implement a statewide automated fingerprint imaging program. The program is a mandatory condition of eligibility for public assistance program applicants and recipients. The bill specifies that a plan for implementation of automated fingerprint imaging be prepared by the departments by April 1, 1998, and that program implementation begin with a pilot in one or more areas of the state by November 1, 1998. The pilot evaluation results are to be used to determine the method of statewide expansion.

The bill also specifies that the departments shall ensure that automated fingerprint imaging is only used to prevent fraud by adult and teen parent recipients of public assistance and that use of information obtained in the program be in compliance with state and federal disclosure requirements. The departments are directed to use savings derived from reducing fraud through the program to expand the program in other areas of the state. Additionally, the departments are directed to request any waivers necessary to implement the program within the limits of the bill.

Total expenditures are estimated at \$324,613 in 1997-98 and \$5.3 million in 1998-99.

II. SUBSTANTIVE RESEARCH:

PRESENT SITUATION:

The full extent of public assistance fraud is unknown. However investigations by the Division of Public Assistance Fraud and the Department of Children and Families result in significant savings for the state each year. During 1995-96, the Division of Public Assistance Fraud investigated cases of public assistance fraud that resulted 8,636 positive dispositions worth \$13,992,555. Of these 1,987 cases of public assistance program violations for \$4,461,584 were referred to State Attorneys for prosecution. Disqualification hearings resulted in savings of another \$4,470,910, while fraud prevention investigations resulted in another \$5,060,061 in savings.

Electronic Benefit Transfer (EBT) is under development as a method of controlling abuse of public assistance by limiting expenditures. However, the U.S. General Accounting Office has noted that

EBT alone has not effectively deterred fraud in the delivery of food stamp benefits. An EBT program without the enhanced security of biometric verification--an automated method to measure a physical characteristic or personal trait--raises a genuine concern about the potential for increased program costs and losses. GAO believes that fingerprint verification is the biometric option that offers the greater potential for reducing fraud in EBT systems. Although development of an EBT system with biometric safeguards would be more expensive, largely because of purchasing hardware and software, and would take longer to implement nationwide, such system enhancement is needed to ensure that the future system is practical and not beset by fraud.

Biometrics are automated methods of recognizing a person based on a physiological or behavioral characteristic. Examples of human traits used for biometric recognition include fingerprints, speech, face, retina, iris, handwritten signature, hand geometry, and wrist veins. Biometric recognition can be used in identification mode, where the biometric system identifies a person from the entire enrolled population by searching a database for a match. A system also can be used in verification mode, where the biometric system authenticates a person's claimed identity from his/her previously enrolled pattern.

Fraud in entitlement programs is estimated by the General Accounting Office at over \$10 billion per year. Pilot programs in several States have demonstrated dramatic savings by requiring biometric authentication when someone is applying for entitlement benefits. There are also significant applications for biometrics in the commercial sector. Some of the biggest potential applications include the use of biometrics for access to Automated Teller Machines (ATMs) or for use with credit or debit cards.

In July of 1991, Los Angeles County in California installed the first Automated Fingerprint Image Reporting and Match (AFIRM) system. AFIRM was needed to reduce fraudulent and duplicate welfare benefits. The fingerprints of new applicants for welfare benefits are checked against a central database of prior claimants. Within the first 6 months of use, the county saved \$5.4 million, and the savings have been growing ever since. The system has been so successful that San Francisco, Alameda County, and Contra Costa County have installed AFIRM and check new claimants' fingerprints against existing recipients in these locales. AFIRM is under development for statewide operation in California.

According to the Biometric Consortium, the Government Accounting Office has plans underway to disburse many of the Federal Government benefits (e.g., retirement, social security, welfare) electronically through ATMs and point-of-sale terminals. It is estimated that \$110 billion in Government benefits could be transferred onto and debited from access cards in this way. Initial plans are to implement fingerprint identification at the benefit enrollment phase. The success of the AFIRM program in Los Angeles County was the inspiration for the EBT plan.

A. EFFECT OF PROPOSED CHANGES:

The bill requires the Department of Children and Families, in conjunction with the Department of Labor and Employment Security, to develop and implement a statewide automated fingerprint imaging program as a mandatory condition of eligibility for public assistance program applicants and recipients. The bill specifies that a plan for implementation of automated fingerprint imaging be prepared by the departments by April 1, 1998, and that program implementation begin with a pilot in one or more areas of the state by November 1, 1998. The pilot evaluation results are to be used to determine the method of statewide expansion.

The bill also specifies that the departments shall ensure that automated fingerprint imaging is only used to prevent fraud by adult and teen parent recipients of public assistance and that use of information obtained in the program be in compliance with state and federal disclosure requirements. The departments are directed to use savings derived from reducing fraud through the program to expand the program in other areas of the state. Additionally, the departments are directed to request any waivers necessary to implement the program within the limits of the bill.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. *Does the bill create, increase or reduce, either directly or indirectly:*

i. *Any authority to make rules or adjudicate disputes?*

No.

ii. *Any new responsibilities, obligations or work for other governmental or private organizations or individuals?*

No.

iii. *Any entitlement to a government service or benefit?*

No.

b. *If an agency or program is eliminated or reduced:*

i. *What responsibilities, costs and powers are passed on to another program, agency, level or government, or private entity?*

Not applicable.

- ii. *What is the cost of such responsibility at the new level/agency?*

Not applicable.

- iii. *How is the new agency accountable to the people governed?*

Not applicable.

2. Lower Taxes:

- a. *Does the bill increase anyone's taxes?*

No.

- b. *Does the bill require or authorize an increase in any fees?*

No.

- c. *Does the bill reduce total taxes, both rates and revenues?*

No.

- d. *Does the bill reduce total fees, both rates and revenues?*

No.

- e. *Does the bill authorize any fee or tax increase by any local government?*

No.

3. Personal Responsibility:

- a. *Does the bill reduce or eliminate an entitlement to government services or subsidy?*

The bill provides a mechanism for reducing fraudulent receipt of a government subsidy.

- b. *Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?*

Not applicable.

4. Individual Freedom:

- a. *Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?*

No. The bill increases the scrutiny of recipients of public assistance.

- b. *Does the bill prohibit, or create new government interference with, any presently lawful activity?*

The bill increases the scrutiny of recipients of public assistance, most of whom will be conducting lawful activity.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- i. *Who evaluates the family's needs?*

Not applicable.

- ii. *Who makes the decisions?*

Not applicable.

- iii. *Are private alternatives permitted?*

Not applicable.

- iv. *Are families required to participate in a program?*

Adult and teen parent participants in the WAGES program are required to provide automated fingerprint images before receiving any benefits.

- v. *Are families penalized for not participating in a program?*

Families that do not participate would not be eligible for WAGES programs and benefits.

- b. *Does the bill directly affect the legal rights and obligations between family members?*

No.

- c. *If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:*

- i. *Parents and guardians?*

No.

- ii. *Services providers?*

No.

- iii. *Government employees/agencies?*

WAGES program requirements are administered by the Department of Children and Families and the Department of Labor and Employment Security.

D. SECTION-BY-SECTION RESEARCH:

Section 1 provides that:

- the Department of Children and Families in conjunction with the Department of Labor and Employment Security shall develop and implement a statewide program to prevent public assistance fraud by using a type of automated fingerprint imaging,
- an automated fingerprint imaging system is only to be used to prevent fraud,
- the Department of Children and Families in conjunction with the Department of Labor and Employment Security prepare by April 1998, an implementation plan for the program,
- that implementation of a pilot program shall begin in one or more areas of the state by November 1, 1998,
- that savings from the pilot program be used to expand the program into other areas of the state, and
- that the department request any federal waivers necessary to implement the program.

Section 2 creates section 414.392, Florida Statutes, to provide for applicant screening using an automated fingerprint image system.

Section 3 provides an implementing date of upon becoming law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

	Year 1	Year 2
Consultant services	\$125,000	\$125,000
Additional Equipment		\$714,000
Telecommunications	\$48,500	\$2,800
(some of this will be recurring in the form of fees)		
Computer Expense	\$32,000	
Workstation Upgrades	\$25,000	\$600,000
Total Non-recurring Effects	\$230,500	\$1.4 million

2. Recurring Effects:

Contract Provider Costs		\$2.7 million
Positions (phased in)	\$94,000	\$1.2 million
Total Recurring Effects	\$1.1 million	\$4.9 million

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

Total expenditures are estimated at \$324,000 in 1997-98 and \$5.3 million in 1998-99.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

2. Recurring Effects:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

3. Long Run Effects Other Than Normal Growth:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

None.

3. Effects on Competition, Private Enterprise and Employment Markets:

None.

STORAGE NAME: h0709a.cfe

DATE: April 18, 1997

PAGE 8

D. FISCAL COMMENTS:

An estimate of the fiscal need associated with implementation of an Automated Fingerprint Identification System (AFIS) for positive identification of individuals applying for and/or receiving public assistance benefits in the State of Florida is provided above. Appropriations would be required to support design, development and implementation of the system. The assumptions below were used by the Department of Children and Families in estimating these costs.

Assumptions:

- (1) Implementation of a system pilot in a large metropolitan area, such as Duval County, in November 1998.
- (2) Statewide roll out is assumed to occur on a gradual basis as individuals apply or are recertified for public assistance cash or food stamp benefits; no mass conversion requirements are included. All adult household members or minor heads of households are required to participate in the positive identification program.
- (3) Statewide roll out is assumed to begin in January 1999, if pilot area is successful.
- (4) An incremental per case per month pricing strategy for provider billing is used, based on an unduplicated point in time count of active cases, i.e., 558,955, over the anticipated contract term.
- (5) The fingerprint requirement is a ten-print (prints of all fingers are taken) with a one to many search via an overnight turnaround.
- (6) A color photo capture and storage feature is included; however, no on-line access to photo image is assumed.
- (7) Central facility supported by the provider is used for storage and processing.
- (8) Customer Help Desk support during the business week by the provider.
- (9) Equipment "add-ons" for 250 staff workstations statewide.
- (10) Upgrades for 250 workstations to Pentium computers required to support the equipment "add-ons."
- (11) Expert fingerprint analysis support by the provider.
- (12) No criminal history check is involved.
- (13) Training of staff with these responsibilities will be needed.
- (14) Consultant services for planning and evaluation of the pilot are included.
- (15) State central office staff (4 FTEs) will be needed for system design, development, and implementation. Ten positions will be needed for fingerprint image capture, obtaining digital photographs in addition to the current number of these positions.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

STORAGE NAME: h0709a.cfe

DATE: April 18, 1997

PAGE 10

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The bill was amended to clarify that automated fingerprint imaging is a component of the electronic benefits transfer program and to eliminate references to the Department of Labor and Employment Security having a role in developing and implementing the program.

VII. SIGNATURES:

COMMITTEE ON CHILDREN AND FAMILY EMPOWERMENT:

Prepared by:

Legislative Research Director:

Bob Cox

Bob Barrios