

## House Bill 712

Celia Hagert, Senior Policy Analyst

Mr. Chairman and members of the Committee, I am here representing the Center for Public Policy Priorities—a non-partisan, non-profit policy research organization seeking sound solutions to the challenges faced by low- and moderate-income Texans. Thank you for the opportunity to testify before you today in favor of House Bill 712. My testimony will focus on two areas: studies that have been done in Texas and in other states that question the need for and cost-effectiveness of finger imaging as a fraud deterrent in the Food Stamp Program, and other more cost-effective methods used by DHS to address this kind of fraud.

### Finger imaging studies

Several studies have been conducted that support the claim that finger imaging is not a cost-effective deterrent to fraud, including one by USDA.

- **Texas:** A study conducted by UT's Center for the Study of Human Resources in 1997 found that finger imaging in Texas produced little real savings and did nothing to deter fraud.
- **California:** In January of this year, California's auditor found that the state never established an initial need for its finger imaging system and therefore cannot justify the tens of millions of dollars spent on its implementation and annual operation. Because the state, like Texas, based its cost-savings assumptions on a pilot project rather than a statewide survey, the auditors argue that the state cannot prove that finger imaging is cost-effective. In addition, the auditors found no evidence that finger imaging had a deterrent effect upon applicants intending to commit fraud. California's auditors also found that the system had serious drawbacks, including 1) a high number of administrative errors, 2) low numbers of fraud detection, 3) a potential deterrent effect on immigrant populations, and 4) the red tape involved in going through the fingerprint imaging system. As a result of California's audit, USDA is withholding its share of funding for the state's finger imaging program.
- **New York:** A 1997 audit of the finger imaging program in New York State found that the requirement had no significant impact on fraud reduction, casting doubts on New York's then \$40 million contract with Sagem-Morpho, Inc., the same contractor who provides finger imaging services for the state of Texas. This study argued that other welfare changes had made finger imaging largely superfluous from the outset. In an experiment using control groups, finger imaging made no difference in the dropout or approval rates of welfare recipients, regardless of whether they were told in advance that their fingerprints would be checked.
- **USDA:** A 1999 report by the United States Agriculture Department on biometric systems nationwide stated that assessing the ability of finger imaging to reduce fraud is difficult because the amount of fraud caused by duplicate participation in welfare programs is unknown. In addition, it is difficult to determine whether a drop in caseload after the introduction of finger imaging can be interpreted unambiguously as reduction of fraud. USDA found that in the most carefully controlled estimate of non-compliance among existing clients, finger-imaging reduced participation by

approximately 1.3%. However, this estimate reflects both reduced fraud and deterrence of eligible individuals and households. The author of this study now says he would revise that estimate downward, based on the findings of New York's audit.

### **What other states are doing: Only 5 finger image, down from 8 in 1999**

- According to the USDA study done in 1999, 8 states were using some form of finger imaging or other biometric identification system to identify duplicate participation. In 2002, only 5 states use finger imaging as a method for detecting duplicate participation. (AZ, CT, NY, TX, CA)
- New Jersey, Massachusetts, and Michigan all have dropped their finger imaging programs. Illinois did a pilot project and found that finger imaging was not cost-effective. Maryland did a feasibility study and found that computer matching was the best way to address duplicate participation. Maryland's study also addressed the potential deterrent effect finger imaging can have on eligible applicants.

### **Other ways Texas can catch duplicate participation**

- In Texas, anti-fraud efforts were vastly improved with the move to the Lone Star Card in 1996—the electronic debit card system for issuing benefits called Electronic Benefits Transfer (EBT). By virtually eliminating the trafficking of Food Stamp benefits, EBT also eliminated the incentive to “double dip” in order to profit illegally from participating in the program.
- Every Food Stamp recipient is required to have a social security number. When DHS receives an application for Food Stamps, it automatically matches the SSN given by the applicant to its SAVERR system to make sure that person is not already receiving benefits. In addition, DHS does a monthly match with the Social Security Administration to make sure that a person has not applied for Food Stamps using a fake SSN. Thus, even in the absence of finger imaging, DHS has cost-effective and reliable measures in place to catch duplicate participation.

### **A few other points**

- The \$6 to 11 million in savings estimated by DHS as a result of finger imaging are expressed in terms of “cost avoidance”—that is, they represent the result of deterring persons with fraudulent intentions from applying for benefits. They are not true “cost savings”—that is, recouped benefits that Texas could actually reinvest to pay for the cost of finger imaging.
- Given the stigma already associated with receipt of Food Stamp benefits, the value placed on privacy, and the distaste for excessive government interference in one's personal life, it is likely that many people—even those desperately in need of assistance—view the loss of dignity associated with being finger printed as a higher price to pay than the loss of the Food Stamp benefit.
- It is equally likely that the requirement simply represents one step too many in the already long, and often demeaning process of getting certified for Food Stamps. In a state where only one-third of the eligible population is receiving benefits, the state dollars allocated to finger imaging would be better spent on informing low-income Texans about Food Stamps and helping eligible families to navigate the Food Stamp enrollment process.