

# County of Santa Cruz

## BOARD OF SUPERVISORS

701 OCEAN STREET, SUITE 500, SANTA CRUZ, CA 95060-4069

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AGENDA: 2/27/01

February 16, 2001

BOARD OF SUPERVISORS  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060

RE: REQUESTS FROM SECOND HARVEST FOOD BANK FOR  
SUPPORT FOR CHANGES IN FOOD STAMP ELIGIBILITY

Dear Members of the Board:

Attached is a letter from Paul Bellerjeau, President, and Willy Elliott-McCrea, Executive Director, on behalf of the Second Harvest Food Bank requesting that our Board take a series of actions to encourage changes at the State level to ensure that Food Stamp benefits are accessible to those in need. Specifically, Second Harvest is asking that our Board take three actions:

1. Request that our County's legislative delegation support the passage of Assembly Bill 144, which would exempt the value of motor vehicles needed for employment, education and training from resource limits for Food Stamps and CalWORKS program eligibility.
2. Request that the Governor raise the Standard Utility Allowance in California by 26.4%, which in turn would provide low income seniors, children and working parents who receive Food Stamps an additional \$15 a month in food stamp benefits.
3. Ask Speaker pro Tern Fred Keeley to request an audit of the Statewide Finger Imaging System by the Joint Legislative Audit Committee.

February 16, 2001  
Page 2

The letter from Second Harvest provides background information and sound rationale in support of each of the requests noted above, and I believe their requests are worthy of Board support. The Board has heard on numerous occasions about the problems that are encountered by persons transitioning from welfare to work that result from having the value of a car, often a critical component in getting and keeping a job, included in the funding formula used in determining eligibility. Changing the Auto Resource Rule and the Standard Utility Allowance will mean that those in need will be able to access increased food stamp benefits while still maintaining a car for the purposes of work, education and training.

In addition, while the goals of detecting and deterring fraud are certainly ones which we would not dispute, no new cases of Food Stamp fraud in Santa Cruz County have been referred to the Special Investigations Unit as a result of the new Statewide Finger Imaging System in June, 2000. The Statewide Finger Imaging System (SFIS) is a requirement for receiving public assistance under the Food Stamps and CalWORKS programs. Eligible adults in Food Stamps households and all eligible and child caretaker adults in CalWORKS households are subject to the SFIS requirement. The entire household will be ineligible for assistance if all required adults do not comply. In addition, all General Assistance recipients are also required to comply with SFIS. Unfortunately, the requirements of this new program have resulted in an extraordinary amount of staff time spent setting up appointments for finger and photo imaging and still further time completing imaging and reviewing the results of the reports generated by this system. Therefore, given the significant staff costs associated with this program and the fact that no new cases have been detected as a result of this process, it seems reasonable that an audit of this system by the Joint Legislative Audit Committee be undertaken.

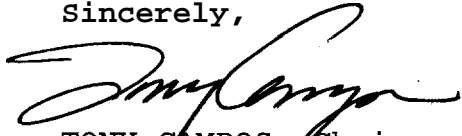
Accordingly, I recommend that the Board take the following actions:

1. Adopt the attached resolution supporting the passage of Assembly Bill 144 and direct the Chairman to convey the Board's support to our legislative delegation.
2. Direct the Chairman to write to the Governor urging that he raise the Standard Utility Allowance by 26.4 percent, and further direct the Chairman to ask our legislative delegation for their support on behalf of this request.

February 16, 2001  
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3. Direct the Chairman to write to Speaker pro Tern Fred Keeley requesting that an audit be undertaken of the Statewide Finger Imaging System by the Joint Legislative Audit Committee.

Sincerely,



TONY CAMPOS, Chairman  
Board of Supervisors

TC:ted  
Attachments

cc: Second Harvest Food Bank  
Cecilia Espinola, Human Resources Agency Administrator

2375A6

BEFORE THE BOARD OF SUPERVISORS  
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO.

On the motion of Supervisor  
duly seconded by Supervisor  
the following resolution is adopted

RESOLUTION SUPPORTING THE PASSAGE OF ASSEMBLY BILL 144

WHEREAS, Assembly Bill 144 has been introduced into the California State Assembly by Assembly Member Cedillo; and

WHEREAS, existing law provides for the California Work Opportunity and Responsibility to Kids (CalWORKS) program, and other social services programs, under which each county provides cash assistance and other benefits to qualified low-income families and individuals; and

WHEREAS, the Santa Cruz County Board of Supervisors has heard on numerous occasions about the problems that are encountered by persons transitioning from welfare to work that result from having the value of a car, often a critical component in getting and keeping a job, included in the funding formula used in determining eligibility for various assistance programs; and

WHEREAS, AB 144 would add an exemption for the full value of one motor vehicle, the full value of any motor vehicles used for employment, education or training, and up to \$10,000 of the value of each additional motor vehicle to resource exemptions applicable to the CalWORKS program; and

WHEREAS, increasing the amounts of income and resources that will not be considered in determining CalWORKS recipient eligibility will be of significant benefit to persons eligible for the CalWORKS program; and

WHEREAS, AB 144 would also exempt the value of motor vehicles needed for employment, education and training from resource limits for Food Stamp eligibility; and

WHEREAS, passage of Assembly Bill 144 would be of benefit to the citizens of Santa Cruz County and the residents of the State of California.

NOW, THEREFORE, BE IT RESOLVED that the Santa Cruz County Board of Supervisors hereby supports the passage of Assembly Bill 144.

RESOLUTION SUPPORTING THE PASSAGE OF ASSEMBLY BILL 144  
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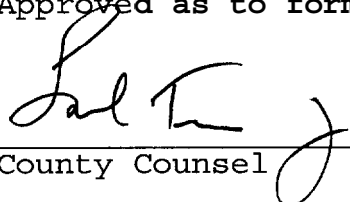
PASSED AND ADOPTED by the Board of Supervisors of the County  
of Santa Cruz, State of California, this \_\_\_\_\_ day-of  
\_\_\_\_\_, 2001, by the following vote:

AYES: SUPERVISORS  
NOES: SUPERVISORS  
ABSENT: SUPERVISORS

\_\_\_\_\_  
MARDI WORMHOUDT, Chair  
Board of Supervisors

ATTEST: \_\_\_\_\_  
Clerk of said Board

Approved as to form:

 2/20/01  
\_\_\_\_\_  
County Counsel

DISTRIBUTION: Governor Gray Davis  
Senator Bruce McPherson  
Assembly Member Fred Keeley  
Assembly Member Simon Salinas  
Second Harvest Food Bank  
Human Resources Agency  
County Counsel

2375A6

February 13, 2001

Board of Supervisors  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060



RE: Statewide Policy Actions Needed for Food Stamp Program

Dear Members of the Board,

The Second Harvest Board of Directors voted unanimously to enlist your support in a critical task to help end hunger and alleviate malnutrition in the communities we all serve.

As Second Harvest Food Hotline begins its new Food Stamp Outreach contract with Human Resources Agency to help turn around the local food stamp participation usage decline of **40%**, it becomes increasingly clear that several statewide policy actions will enhance program accessibility. Vestigial legislative and administrative barriers must be addressed to ensure that the Food Stamp Program better serves the growing ranks of working poor and completes its transformation from a welfare program to a work-support and nutrition program,

### **Change Auto Resource Rule.**

#### ***Background.***

- Recently Assembly Member Gilbert Cedillo introduced **AB 144** to the state assembly. This legislation will exempt the value of motor vehicles needed for employment, education and training from resource limits for Food Stamp and **CalWORKS** program eligibility.
- California's car value limit for food stamp recipients has been increased by just 3% since 1977. In that time the Consumer Price Index for cars has tripled.
- Thirty-nine (39) Governors from all over the country, both Democratic and Republican, have removed the auto-limit entirely or exempted one car.
- More food stamp applicants than ever are working, 53% hold jobs, but are still eligible for food stamps as they try to move up from the bottom rungs of their career ladders. They need their cars to work, but they need food stamps to eat.

#### ***Action Needed.***

- Please support AB 144 and request that the Santa Cruz County Legislative Delegation actively support AB 144 as co-authors and leaders to get this critical legislation passed and signed. (See attached editorials for San Jose Mercury and Fresno Bee, analysis by California Food Policy Advocates and Assembly Bill 144.)

### **Increase Standard Utility Allowance (SUA).**

#### ***Background.***

- Skyrocketing natural gas prices and rolling blackouts have **left** many Californians in a desperate search for solutions. In this crisis it is important to remember that skyrocketing energy costs are a disaster for low-income residents. How will families who are already struggling to pay rent and put food on the table absorb higher energy costs?

- One small but significant step the governor and the State Department of Social Services can take is to adjust the Standard Utility Allowance (SUA), which is used in calculating benefits for the Food Stamp Program.
- California Food Policy Advocates has asked the Governor to raise the SUA in California by 26.4%, which would give many low-income seniors, children and working parents who get food stamps an additional \$15 a month in food stamp benefits. Unfortunately, the Governor has indicated he will only support an increase of less than 10%, or a benefit increase of approximately \$5/month.
- This simple administrative change would have no General Fund costs and could be immediately and easily implemented.

***Action Needed,***

Your urgent request to the Governor, and to our state legislative representatives to also petition the Governor, to make this administrative rule change would ease the impact of the energy crisis on low-income residents.

**Audit Statewide Finger Imaging System (SFIS).**

***Background.***

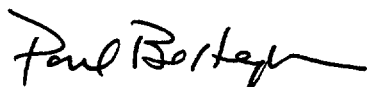
- Limited time and resources are being diverted for the new Statewide Finger Imaging System, which appears to be ineffective and a serious barrier to outreach and out stationing efforts.
- It is our understanding that the state will spend \$90 million between 1999-2003 on the Statewide Finger Tmaging System. (See attached 1/30/01 Letter from County of Santa Clara Board of Supervisors, policy analysis and New York Times editorial.)

***Action Needed.***

Please write to Speaker Pro Tern Fred Keeley requesting proposed audit of the Statewide Finger Imaging System by the Joint Legislative Audit Committee that he chairs. An audit can answer the many questions that exist concerning the Statewide Finger Imaging System.

We believe these three statewide policy actions will significantly help alleviate malnutrition and reduce hunger for thousands of local children, seniors, disabled and working poor in need of food assistance. We ask your support in passage of AB 144, in advocacy for an increased Standard Utility Allowance (SUA), and in advocacy for an Audit of Statewide Finger Imaging System (SFIS). Thank you for your ongoing compassion and partnership.

Sincerely



Paul Bellerjeau, President  
Second Harvest Board of Directors



Willy Elliott-McCrea  
Executive Director

Cc: Cecilia Espinola, Human Resources Agency

# Opinion

PRESIDENTIAL ELECTION ■ FOOD STAMPS □

## The keys to ending hunger

To stay off welfare, poor families must have a car to get to their jobs, and yet that car might take food off the table

**Y**OU'VE heard it said many times: "Give a man a fish and you feed him for a day; teach a man to fish, and you feed him for the rest of his life."

In California, a reliable car is the fishing rod in the parable. It is the means to get to a job or to school; it is the link to independence. And yet, a reliable car is precisely what **you can't** have if you need a helping hand in feeding your family,

Under state law, a family with a car valued at more than \$4,650 is disqualified from food stamps as well as welfare assistance. Never mind if your family car is an **8-year-old** van, and the landlord has just doubled your rent, you just lost your job or you're trying to make **ends** meet with a minimum-wage job. If you want help with mouths to feed, either sell your car or trade it for a **clunker**.

Why **\$4,650**? That's the figure that the federal government set in **1984**. It hasn't been updated to account for **inflation**, even though car prices have nearly tripled. The rule was puni-

tive when it was adopted, as a crackdown on phantom "welfare queens" driving around in Cadillac **Sevilles**. Today, the policy is not only outdated but **draconian**.

Recognizing that a **half-decent** car is critical to holding down a job, most states either have said car ownership is irrelevant in determining welfare **eligibility** or have raised the allowable value above \$4,650. Many states have done the same for food stamp eligibility.

California has done neither. This year, an attempt to raise the permissible **value** of a car for welfare applicants ran into **resistance** from Republicans and a veto threat by **Gov. Gray Davis**. There's been no effort to modify the limit for food stamp applicability, even though the food stamp program, **unlike**



**Under state law, a family with a car valued at more than \$4,650 is disqualified from food stamps as well as welfare assistance.**

Even then, only half of those who qualify for food stamps nationally apply for them. One reason is scant recruitment efforts by the **government**, although, in this regard, Santa Clara County's outreach may be an exception. But

welfare, is totally a federal expense.

Since 1996, the number of food stamp recipients in California has dropped more than 40 percent, to 1.8 million people, due in part to welfare reform and a booming economy.

But even amid prosperity, nearly one in six California families — the working poor (those who earn less than 130 percent of the federal poverty levels) — is eligible for food stamps. And federal eligibility guidelines don't take into account the high cost of living in the Bay Area, where rents stretch thin many family budgets.

punitive rules, like the one on the value of a car, and an unfriendly applications process also discourage recipients.

In compliance with a federal law, Santa Clara and other counties started fingerprinting food stamp recipients this year, beginning with new applicants. The intent is to detect fraud — to prevent a family from registering in two counties.

But the likely larger effect will be to **humiliate** or scare away many who are eligible, **particularly immigrants** who will fear — without cause, but who can blame them? — that the prints will be turned over to the Immigration and Naturalization Service or used against them in other ways.

Thanksgiving is the time when individuals **donate** food and money for the hungry; food banks and soup kitchens overflow with turkeys and dressing. Such acts of **personal generosity** are a holiday blessing but they don't answer the needs of the hungry for the other 51 weeks of the year.

Food stamps are crucial for many **working poor**. The value of the family car shouldn't **determine** who gets food and who goes hungry: ...

**Editorial**  
The opinion  
of the  
Mercury News



# The Fresno Bee

FRIDAY  
NOVEMBER 24, 2000

CENTRAL CALIFORNIA'S LEADING NEWSPAPER FOR 78 YEARS

www.fresnobee.com

## Driving while hungry

Car limit denies food stamps to far too many needy families.

California's roaring economy has put many employable people back to work, but it hasn't necessarily put a bounty of food on all workers' tables.

Californians who apply to the state for federally funded food stamps are increasingly employed — 53% hold jobs — yet despite their earned income they are still poor enough to qualify for food stamps. But many food stamp applicants are running up against a shortsighted state regulation that pits hunger against the need to own a reliable car to get to work.

Food stamp applicants who own a car that has a "blue book" value of more than \$4,650 — a 1988 Honda Accord, for example — are ineligible for the benefit, which provides about \$70 of food per person each month. Last year the U.S. Department of Agriculture, which administers the program (states

set eligibility requirements within certain guidelines), urged California to loosen its car ownership **standard**, and with good reason.

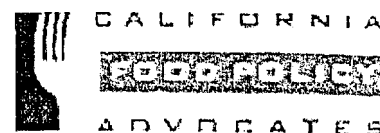
California's car value limit for food stamp recipients has been increased by just 3% since 1977. In that time the Consumer Price Index for cars has tripled. If it were adjusted for inflation, the current car value limit would have increased by now to \$12,867.

The California Legislature is one of only a handful of legislatures nationwide that hasn't taken advantage of federal permission to raise car value limits, or do away with them altogether.

The policy most hurts working families in rural areas who need reliable transportation to get to work. In a cruel irony, there is one **surefire** way food stamp applicants can be exempted from the vehicle value limit: if they live out of their cars.

But legislators should surely agree that both a functioning car and a modest apartment are basic necessities for most working people. Having both doesn't automatically mean they are too well-off for food stamps.

## 2001 State Legislative Agenda



- ▶ Make Food Stamps Work for Working Families
- ▶ Allow *Hungry Californians to Own Reliable Cars*

Contact: George Manalo-LeClair at 415.777.4422 ext. 103 or [george@cfpa.net](mailto:george@cfpa.net)

### ▶ Issue

California has one of the highest rates of hunger in the country. Although the Food Stamp Program can help, eligibility is based on several factors including car ownership. Owning a dependable car with a "Blue Book" value over \$4,650 forces some low-income people into a difficult choice: Give up the car needed to get to work or go hungry. There are a number of options the state legislature can take to address this problem and to allow hungry Californians to own reliable transportation and make the welfare-to-work transition work.

### ▶ Need

California is home to many working families who are hungry and own cars, especially in rural areas. Census data show that poor rural households are more likely to own cars than poor urban households. But since the auto-resource limit is so low in California, few people can receive help and still own a car. Currently, only 26% of food stamp recipients own cars. Still, the number of food stamp recipients who have earnings from work has almost tripled since 1993. Obviously, some families are finding ways of getting to work without a car, but many more families could be making the transition from welfare to work if they were allowed to own cars and get assistance. Recent research has found that whether a family has a reliable car is an important factor in determining the success of its effort to make the transition from welfare to work.

States have been given several options to raise the auto-resource limit for food stamps. Since California has recently been given the flexibility to set the food stamp auto-rule to be the same as our welfare (CalWORKs) rule, the simplest and most equitable option is to remove the auto-resource test for CalWORKs recipients. Most other states will take advantage of this opportunity because their state welfare car limits are significantly higher than the food stamp limit. In fact, 39 Governors from all over the country, both Democrat and Republican, have removed the auto-limit entirely or exempted one car.

### ▶ Request

Allow Food Stamp Recipients to Own Reliable Transportation By Raising the CalWORKs Auto limit  
*"his request would seize the new opportunity to link food stamp and CalWORKs car limits. Since food stamp benefits are federally funded, an increase in the food stamp caseload as result of a change in the auto-resource rule would have little fiscal impact. Costs would be generated by the change in the CalWORKs auto limit as it would increase participation in CalWORKs, and these costs are shared by the state and the federal government."*

### ▶ History

Since 1977 the auto resource limit for the food stamp program has been increased by only 3%, while the Consumer Price Index for cars has tripled. To correct for the real value of an automobile comparable to the \$4,500 limit set in 1977, the current limit would need to be \$12,867.

### ▶ Outcomes

By allowing food stamp recipient to own a reliable car, the state can:

- Reduce hunger
- Lower the state's costly food stamp error rate, since 5% of the errors are caused by the asset test
- Reduce the administrative hassles associated with verifying the value of a car.
- Give folks the one of the keys to success: transportation to a job.

24

### ▶ Quote

From Barbra, owner of a 1996 Dodge Stratus and in need of a car and food assistance: "I've got two little mouths to feed. I can't take the risk of losing the one thing that can help me do that." LA Weekly

## CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL****No. 144**Introduced by Assembly Member **Cedillo**

January 25, 2001

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An act to amend Section 11155 of, and to add Section 1890 1.8 to, the Welfare and Institutions Code; relating to human services.

## LEGISLATIVE COUNSEL'S DIGEST

AB 144, as introduced, Cedillo. Public social services: eligibility: vehicles.

Existing law provides for the California Work Opportunity and Responsibility to Kids (CalWORKs) program and other social services programs, under which each county provides cash assistance and other benefits to qualified low-income families and individuals.

This bill would add to resource exemptions applicable to the CalWORKs program an exemption for the full value of one motor vehicle, the full value of any motor vehicles used for employment, education, or training, and up to \$10,000 of the value of each additional motor vehicle.

By increasing amounts of income and resources that will not be considered in determining CalWORKs recipient eligibility, the bill would increase the class of persons eligible for the CalWORKs program, and so would impose a state-mandated local program.

Existing law continuously appropriates moneys from the General Fund to defray a portion of county costs under the CalWORKs program.

This bill would, instead, provide that the continuous appropriation would not be made for the purpose of funding the resource exemption.

Existing federal law provides for the Food Stamp Program, under which food stamps are distributed to eligible households. Under

AB 144

— 2 —

existing state law, food stamps allocated to California are distributed by each county.

This bill would, subject to the receipt of any necessary federal approvals, apply rules governing the resource value of motor vehicles under the CalWORKs program to the Food Stamp Program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows.*

1 SECTION 1. Section 11155 of the Welfare and Institutions  
2 Code is amended to read:

3 11155. (a) Notwithstanding the provisions of Section 11257,  
4 in addition to the personal property or resources permitted by other  
5 provisions of this part, and to the extent permitted by federal law,  
6 an applicant or recipient for aid under this chapter, including an  
7 applicant or recipient under Chapter 2 (commencing with Section  
8 11200) may retain countable resources in an amount equal to the  
9 amount permitted under federal law for qualification for food  
10 qualification for food stamps. ~~The~~

11 (b) *In addition to exemptions under subdivision (a), the*  
12 *following shall be exempt from consideration as a resource:*

13 (1) *The full value of one motor vehicle.*

14 (2) *The full value of any motor vehicles used for employment,*  
15 *education, or training.*

16 (3) *Up to ten thousand dollars (\$10,000) in fair market value*  
17 *for each motor vehicle not otherwise exempt.*

1 (c) *The* county shall determine the value of personal property  
2 and automobiles in conformance with methods established under  
3 the Food Stamp Program.

4 (d) *No appropriation pursuant to Section 15200 shall be made*  
5 *for the purpose of funding the resource exemptions provided for in*  
6 *subdivision (b).*

7 SEC. 2. Section 18901.8 is added to the Welfare and  
8 Institutions Code, to read:

9 1890 1.8. (a) For the purpose of eligibility under this chapter,  
10 the rules governing the resource value of motor vehicles shall be  
11 the same as those applied in the CalWORKs program, pursuant to  
12 Section 11155.

13 (b) The department shall seek any federal approvals necessary  
14 to implement subdivision (a).

15 (c) If any federal approvals are necessary to implement  
16 subdivision (a), that subdivision shall be implemented only upon  
17 the execution of a declaration by the director, which shall be  
18 retained by the director, stating that any federal approvals  
19 necessary to implement subdivision (a) have been obtained.

20 SEC. 3. Notwithstanding Section 17610 of the Government  
21 Code, if the Commission on State Mandates determines that this  
22 act contains costs mandated by the state, reimbursement to local  
23 agencies and school districts for those costs shall be made pursuant  
24 to Part 7 (commencing with Section 17500) of Division 4 of Title  
25 2 of the Government Code. If the statewide cost of the claim for  
26 reimbursement does not exceed one million dollars (\$ 1,000,000),  
27 reimbursement shall be made from the State Mandates Claims  
28 Fund.



**BOARD OF SUPERVISORS  
COUNTY OF SANTA CLARA**  
COUNTY GOVERNMENT CENTER, EAST WING  
70 WEST HEDDING STREET, SAN JOSE, CALIFORNIA 95110 / (408) 299.2323  
FAX LINE (408) 298-8460 <http://claraweb.co.santa-clara.us>

**JAMES T. BEALL, JR**

CHAIRPERSON  
SUPERVISOR FOURTH DISTRICT

**January 30, 2001**

**The Honorable Fred Keeley  
Chair, Joint Legislative Audit Committee  
California State Assembly  
P.O. Box 942849  
Sacramento, CA 94249**

**RE: AUDIT OF STATEWIDE FINGER IMAGING SYSTEM (SFIS)**

**Dear Assembly Member Keeley:**

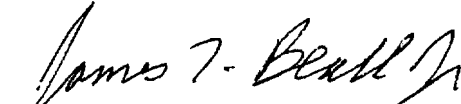
**The Santa Clara County Board of Supervisors urges your support of an audit of the Statewide Finger Imaging System (SFIS). Over the past year, Food stamp caseloads have plummeted approximately 14% in our community. Consequently, our concern remains high for low-wage workers who discontinue CalWORKs assistance and, at the same time, inadvertently discontinue Food stamps.**

**In response to this decline in caseloads, our County has taken several steps to ensure that hungry people access the resources they need. We have assigned two bilingual eligibility workers to coordinate the collection of Food stamp applications at Second Harvest Food Bank's food distribution sites. Additionally, in partnership with community providers of "safety net" assistance, we have initiated a countywide Food Outreach Campaign, which will increase public awareness about all types of food resources in our County.**

**These positive steps have taken substantial staff energy and resources. At the same time, Chapter 206, Statutes of 1996 requires that the County focus staff time and resources to obtain and process finger and photo images. While we are supportive of anti-fraud measures, which maintain program integrity, the SFIS program is designed specifically to detect and deter multiple aid fraud, which accounts for less than one percent of the fraud investigations underway in the County.**

**It is our understanding that the State will spend \$90 million between 1999-2003 on SFIS. We believe that given the substantial investment of staff time and funding, an audit is an appropriate step to assess the efficacy and necessity of SFIS. For these reasons, we urge your support of a SFIS audit.**

**Sincerely,**

A handwritten signature in black ink, appearing to read "James T. Beall".

**James T. Beall, Chairperson  
Board of Supervisors**

c: Board of Supervisors  
Santa Clara County Legislative Delegation  
George Manalo-Leclair, California Food Policy Advocates  
Michael Rattigan, Legislative Representative

## 2001 State Legislative Agenda

### ► Benefit or Barrier? Examine the Cost-Effectiveness of Finger Imaging Requirements for Food Assistance

Contact: George Manalo-LeClair at 415.777.4422 ext. 103 or [george@cfpa.net](mailto:george@cfpa.net)

#### ► Issue

As of August 1, 2000 all adult members of food stamp households are required to provide a finger image and photo image in order to get food stamp benefits. The stated purpose of the finger imaging requirement is to reduce multiple aid fraud, those cases where someone may get food stamps under different names or in different counties. In other states, its effectiveness has been brought into question. The New York Times recently obtained a suppressed New York state study which found that there is little evidence that finger imaging deters fraud and that savings from finger imaging were exaggerated.

The experience in New York prompts questions here in California: Are the benefits of finger imaging, namely fraud reduction, real? Is the finger-imaging program cost-effective compared to other fraud reduction methods used in the majority of other states? Anti-hunger advocates have already identified a number of adverse impacts from finger imaging, such as the addition of stigma, the intimidation of immigrants, the addition of complexity to an already lengthy and complex program, and limitations it places on the mobility of county caseworkers. An audit of finger imaging in California is needed to determine if the benefits of finger imaging outweigh these negative impacts.

#### ► Need

California has one of the highest rates of hunger and food insecurity in the country. Yet the primary program to alleviate hunger in California is underutilized. Based on U.S. Department of Agriculture estimates roughly 1.8 million Californians are eligible for food stamps but do not receive them. Many reasons for non-participation have been identified, including application hassles and stigma. Concern among anti-hunger advocates is that finger imaging exacerbates these existing problems and further limits the ability to reach these hungry, eligible non-participants.

There is a need and federal requirement for multiple-aid fraud detection in the Food Stamp Program. But advocates wonder if methods used in other states, namely social security matches, better fit the size and scope of California's problem of multiple-aid fraud in the Food Stamp Program. The most recent figures from the Department of Social Services are for the month of August 2000, when finger-imaging was finalized state-wide. During that month only 85 cases of multiple aid fraud were identified for investigation (no figures on whether it was found or not). Since the system in California costs over \$90 million dollars, it would appear that there might be a more cost-effective approach to combating fraud.

#### ► Request

**External Audit Of the State-wide Finger Imaging System**

**\$200,000**

*The Joint Legislative Audit Committee shall examine the effectiveness/cost-effectiveness of the Statewide Finger Imaging System (SFIS)*

#### ► History

In 1996, the legislature passed and Governor Pete Wilson signed SB 1780 creating the finger imaging requirement. Though the legislation was passed in 1996, it was not until late 1999 that the state was able to finalize plans for statewide implementation of the finger imaging system. Because of contracting issues, a contract was not issued until September 1999. The program cost just under \$25 million to implement in FY 1999-2000, and over 4 years will cost \$90 million (1999-2003).

#### ► Outcomes

By auditing finger imaging in California, the state can:

- 24 Conclude if the taxpayers' money is being spent effectively.
- Develop better projections on savings.
- Conclude if the benefits of finger imaging outweigh the negative impacts on hunger in California.

#### ► Quote

"... there is little evidence that so-called finger imaging -intended to deter would be double-dippers using fake identity papers - has had any significant impact in preventing fraud." New York Times 8/30/00



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# Experts Cast Doubt on Worth of New York Plan to Fingerprint for Medicaid

*Anti-Fraud Plan Is Criticized but Politically Popular*

By NINA BERNSTEIN

When electronic fingerprinting was introduced five years ago, it caught the imagination of politicians who saw it as the ultimate high-tech weapon to fight welfare fraud.

New York was among the first states to try the new technology, and as it proclaimed success against welfare cheats, other states followed. Now New York is extending its requirement for the electronic fingerprinting of welfare recipients to people applying for Medicaid.

Yet there is little evidence that so-called finger imaging -- intended to deter would-be double-dippers using fake identity papers -- has had any significant impact in preventing fraud. In fact, a study by the state three years ago found that other welfare changes had made finger imaging largely superfluous from the outset. But the state has refused to make that \$658,000 study public, and now calls it outdated and flawed.

"We think the finger imaging program is an effective method of fraud deterrence," said Robert Doar, executive deputy commissioner for the Office of Temporary and Disability Assistance, "and along with a whole other range of things related to welfare reform, has contributed to making the welfare program in New York significantly more credible."

But last week, Paul J. Sticha, an expert who recently reviewed such programs nationally for the federal government, said the study was highly relevant. 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.

Had the report been made public, Mr. Sticha said, other states that adopted such programs might have reconsidered.

The New York expansion of finger imaging into Medicaid comes as the biometric identification industry is lobbying hard around the country to bridge the gap between public acceptance of such systems to curb welfare fraud, and public resistance to more general applications, like requiring fingerprint images for cashing a check, getting a driver's license or filling a prescription.

Besides New York, seven states -- California, Connecticut, New Jersey, Texas, Arizona, Massachusetts and Illinois -- use such systems for some or all welfare recipients, and eight more are considering them.

But most of those states have rejected finger imaging for Medicaid patients, since their own health officials say it would do little to curb Medicaid fraud, which is committed mainly by doctors. The officials also say it could work to discourage enrollment by the uninsured.

"Those of us who are concerned about fraud and abuse in the Medicaid program recognize that the major problems are not in beneficiary enrollment, but rather, durable medical equipment that isn't delivered, or home health services that don't show up," said Timothy M. Westmoreland, chief Medicaid official for the federal government.

"I would be concerned about any policy that had the effect of steering eligible people away from Medicaid."

A federal official said the Health Care Financing Administration would investigate whether a finger imaging requirement was legal for Medicaid, adding, "Some verification is appropriate, and other activities that suggest verification are intimidation of eligible people."

New York is now expanding its \$40 million contract with a French defense contractor to require the finger imaging of about 440,000 adults who qualify for Medicaid. (Most of the 2.7 million Medicaid patients in New York would be exempted.)

John Signor, a spokesman for the state's Department of Health, said the move would save money by "precluding people from accessing health benefits in different locations under multiple identities," and might be especially useful against illegal prescription drug sales.

The program will use the finger imaging equipment and computer system already being used to screen food stamp and cash recipients at welfare offices, and the state will pay extra fees to cover fingerprints from Medicaid applicants. State records show that officials are seeking approval to pay \$9.9 million more to the French contractor, **Sagem Morpho Inc.**, and to extend its contract another year to June 2, 2002.

Mr. Doar credited finger imaging with the dropping of more than 38,223 people from public aid since it began in 1995 at a savings of \$297 million, most of it in the first two years.

Researchers in New York City and the 12 original counties found that before **finger** imaging started, the rolls were already **dropping** sharply.

The study concludes: "If a state or locality already has an aggressive anti-fraud program, finger-imaging may have relatively little impact, especially if multiple case fraud is not a major problem compared to other types of welfare fraud."

The study was shelved. But a 1998 audit of welfare fraud programs by H. Carl McCall, the state comptroller, found that savings claimed by New York City were overstated, and asked what had happened to the evaluation. The Pataki administration would not release it, saying there was no legislative mandate to do so.

David J. Heins, director of the New Jersey Division of Family Development, says overstated claims of savings have put pressure on other states to follow suit.

Under the state's welfare-to-work rules, however, it is hard for a recipient to remain on the rolls at all, let alone under multiple identities, he said.

But at this point, even if the program were only to break even, he and other administrators say they need finger imaging. "We're trying to instill something here," he said: "a public confidence."