

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: SB 83

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: McWaters, Jeffrey L.

3. Committee: Rehabilitation and Social Services

4. Title: VIEW; screening and assessment of public assistance recipients for use of illegal substances

5. Summary: The proposed legislation requires local departments of social services to screen each participant in the Virginia Initiative for Employment Not Welfare (VIEW) to determine whether probable cause exists to believe the participant is engaged in the use of illegal substances. The bill provides that when a screening indicates cause to believe a participant is using illegal substances, the local department of social services must require a formal substance abuse assessment of the participant, which may include drug testing. In cases in which drug testing is required, the participant shall pay the cost of such testing. Any person who fails or refuses to participate in a screening or assessment without good cause or who tests positive for the use of illegal substances shall be ineligible to receive TANF payments for a period of one year, unless he enters into and complies with the requirements of a drug treatment program; however, an individual has one opportunity during the subsequent 12-month period to comply with the screening, assessment, or treatment requirements and be reinstated to eligibility for TANF benefits.

6. Budget Amendment Necessary: Yes

7. Fiscal Impact Estimates: Preliminary

Expenditure Impact*:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2012	-	-	-
2013	\$206,384 59,850	-	General Fund Federal Funds
2014	(\$809,329) 59,850	-	General Fund Federal Funds
2015	(\$809,329) 59,850	-	General Fund Federal Funds
2016	(\$809,329) 59,850	-	General Fund Federal Funds
2017	(\$809,329) 59,850	-	General Fund Federal Funds
2018	(\$809,329) 59,850	-	General Fund Federal Funds

*Expenditure impact does not include a required local match of \$70,751 in the first year and \$41,406 in subsequent years.

- 8. Fiscal Implications:** It is estimated that the proposed legislation would introduce additional costs associated with providing substance abuse screenings, assessments, drug testing, and drug treatment of VIEW applicants and participants. The administrative effort required to process and screen applications will increase the local staff workload. For this analysis it is assumed that when applicants apply for TANF, it would be determined whether they are required to participate in VIEW, and they would then be screened for substance abuse. To assess the fiscal impact of this bill, the following was determined: workload associated with processing new applications as well as the on-going effort to screen program participants; the cost of drug testing; the cost of drug treatment; and the impact on the TANF program.

Assumptions:

- Forty-two percent of those receiving TANF will participate in VIEW. Based on data in the Virginia Independence Program Monthly Report for October 2011, there were 34,421 TANF cases, of which 14,457 (42 percent) were enrolled in VIEW.
- It will take 30 minutes to administer and review the screening for each applicant/participant.
- Ten percent of the individuals screened will be referred for formal assessment and/or drug testing. The number of applicants and recipients that would actually be referred for formal assessment is unknown, so a conservative approach of assuming ten percent was used.
- Fifty percent of those tested will test positive and will agree to enter into a drug treatment program.
- Per the Department of Behavioral Health and Developmental Services (DBHDS), the cost of a formal drug assessment/test is estimated at \$345. There could be an additional expense if there is a dispute over test results. Due to the level of expertise needed to collect, evaluate, and determine evidence of illegal drug use the department will contract with local Community Service Boards (CSB) or other professional vendors to perform the formal assessments, and the drug tests.
- The formal screening expenses (\$300) will be paid for by the Department of Social Services, while the drug test cost (\$45) will be borne by the participant.
- Drug treatment services will be covered by Medicaid for VIEW participants.
- Eighty percent of those opting for drug treatment to maintain their TANF benefits are assumed to already be receiving drug treatment services covered by Medicaid. As such, the cost of drug treatment for the remaining 20 percent is assumed to be an additional cost as a result of the bill.

When a person applies for TANF assistance, the individual must go through several steps to determine eligibility beginning with the submission of an application for benefits. If a person is determined eligible for TANF, then he or she is referred for VIEW participation unless ruled exempt from VIEW. The individual is then contacted by a local department of social services VIEW worker to come to the agency for the VIEW initial assessment which evaluates the person's job skills, abilities, education, and barriers to employment. Drug screening would take place at this initial assessment. The cost estimate for this bill using the above assumptions is summarized below. A detailed analysis of each component of the cost follows.

Summary of Costs

Cost Description	FY 13	FY 14
Staffing Costs	456,457	267,144
Drug Testing	387,300	170,700
Drug Treatment	119,700	119,700
TANF Assistance Payments	(626,472)	(1,265,616)
Total Costs	336,985	(708,072)
General Fund	206,384	(809,328)
Federal	59,850	59,850
Local	70,751	41,406
Total	336,985	(708,072)

Staffing Costs

There were 2,256 new applicants approved for TANF in October 2011. It is estimated that 948 of these (2,256 applicants x 42 percent) would participate in VIEW and thus be screened each month. At 30 minutes per screening, it will take 474 hours per month to screen new applicants, or 5,688 hours per year. In addition, the bill requires a one-time screening for all current VIEW participants. Based on the total number of VIEW participants in October 2011, 14,457 additional individuals would be screened the first year only. At 30 minutes per screening, it will take 7,228 hours to screen current participants. Total screening hours will be 12,916 the first year for VIEW participants and new applicants and 5,688 hours each year thereafter for new applicants.

Based on the above assumptions, the proposal would require local departments of social services to complete approximately 25,833 screenings (11,376 new applicant plus 14,457 existing participant) in the first year and 11,376 screenings each year thereafter. Using the average annual productive hours of 1,500 hours per worker, the equivalent of nine additional positions would be needed in the first year and four additional positions in subsequent years. All staff would be self-sufficiency specialists. Based on an average annual salary of \$43,448 for Self-Sufficiency Specialists, the total cost for additional staff is estimated at \$456,457 in the first year and \$267,144 each year thereafter. This includes annual operating costs of \$7,715 per full time worker for items such as supplies, telephone, rent, and personal computer costs as well as one-time cubicle costs of \$5,163 per full time worker in the first year. This includes a local match of \$70,751 the first year and \$41,407 each year thereafter.

Formal Screening and Drug Testing

It is assumed that there will also be a cost to the state for those individuals who require a formal substance abuse assessment, while the cost of associated drug tests would be borne by the participant.

The assumed assessment cost estimate of \$300 provided by the Department of Behavioral Health and Developmental Services is based on the formal assessment including a thorough clinical interview using a standardized assessment protocol by a substance abuse treatment

professional licensed by the Board of Counselors at the Department of Health Professions, as required by the bill. The professional would then need to document the interview and their subsequent findings. The information gleaned from the assessment would influence what specific drug tests are run. Clinical urine toxicology tests could range from \$25 up to \$100, depending on what specific drugs and how many drugs for which a urine sample is tested. An average cost of \$45 was provided. It should be noted that the cost estimates are impacted by the fact that TANF benefits are considered to be entitlements. It is assumed that the data gathered in the formal assessment and drug test would have to be treated as legal evidence and procedures followed that would meet standards for chain of evidentiary custody. Since SB 83 specifies that the participant cover the cost of any drug tests, it is assumed that about 50 percent of the positively screened population would choose not to continue with an assessment or subsequent drug test due to the financial cost.

Therefore, the assumption that ten percent or 2,583 the first year and 1,138 the second year of the total screened population would receive a formal assessment and drug test would be lowered (by 50 percent) to 1,291 in the first year and 569 in subsequent years. Based on a cost of \$300 per person, the total cost would be \$387,300 in FY 2013 and \$170,700 each year thereafter. Since the bill specifies that the participant will cover the costs of drug tests, it is assumed that these costs would not be supported with state dollars.

Drug Treatment

The potential number of VIEW participants that might use illegal drugs cannot be reasonably determined. The National Survey on Drug Use and Health (NSDUH) has reported that the overall rate of illicit drug use among persons age 12 or older in 2010 was 8.9 percent. Based on this, it can be assumed that 8.9 percent of VIEW participants would test positive. As such, it could be assumed that of the currently enrolled VIEW population (14,457), 1,287 participants ($14,457 \times .089$) could test positive. However, this number must be reduced to account for individuals who choose not to comply with the assessment and drug test provisions due to the participant cost. Therefore, it is assumed that 643 individuals would actually test positive and 322 of those agree to enter a drug treatment program and, therefore, remain eligible for assistance. Drug treatment services are currently covered by Medicaid for eligible participants. Medicaid is administered by the Department of Medical Assistance Services (DMAS). An additional Medicaid drug treatment expense would be incurred for those qualifying VIEW participants who opt for drug treatment services and are not currently receiving this service through Medicaid.

It is conservatively estimated that twenty percent of those opting for drug treatment to retain their TANF assistance payments are not currently receiving drug treatment services covered by Medicaid. Based on this, additional drug treatment costs would be incurred for 64 ($322 \times .20$) individuals. The Department of Medicaid Assistance Services (DMAS) analyzed claims data for FY 2011 to determine the annual costs to Medicaid of a drug treatment program for an individual. Using the average annual Medicaid drug treatment cost of \$1,319 per case, the additional program cost for those opting for drug treatment is estimated to be \$84,416 ($64 \times \$1,319$) annually. In addition, there would be a case management expense of \$391 a year for each participant entering a drug treatment program. Additional drug treatment case management expenses are estimated at \$25,024 ($64 \times \391) annually.

It is further assumed that ten percent of those who were previously deemed ineligible for TANF assistance payments as a result of testing positive for illegal drug use and failure to comply with a drug treatment program would subsequently comply with the drug treatment requirements to be reinstated in the TANF program. As such, additional drug treatment and case management costs would be incurred for six ($322 \times .20 \times .10$) individuals who opt to be reinstated in the TANF program at an estimated cost of \$10,260 ($6 \times (\$1,319 + \$391)$) annually.

The total estimated annual cost for drug treatment and case management is estimated to be \$119,700. Fifty percent of the drug treatment program costs are covered by federal Medicaid funds with the remaining 50 percent being covered by general fund dollars.

TANF Assistance Payments

Based on the above assumptions and estimates, 1,614 ($1,292 + 322$) individuals will choose not to participate in VIEW based on the provisions of this bill. Given the average increase in the TANF assistance payment for one additional person of \$66 per month or \$792 annually, it is estimated that expenditures for TANF benefits would decrease by \$1,278,288 ($1,614 \times 792$) annually for those who exit the VIEW program because of a failure to comply with the required drug assessment and drug testing. For purposes of this analysis, a gradual (50 percent) decrease in benefits is assumed in the first year. As such, TANF benefits would decrease by \$639,144 in the first year and \$1,278,288 each year thereafter.

As indicated above, it is assumed that ten percent of those who were previously deemed ineligible for TANF assistance payments as a result of testing positive for illegal drug use and failure to comply with a drug treatment program would subsequently comply with the drug treatment requirements and be reinstated in the TANF program. It is estimated that those reinstated would receive benefits for an average of six months annually. Benefits for those reinstated are estimated at \$12,672 each year. As such, TANF benefits are estimated to decrease by a net of \$626,472 in the first year, and \$1,265,616 each year thereafter.

The total fiscal impact of this bill is estimated at \$336,985 in FY 2013 and (\$708,072) in FY 2014 and each year thereafter. Of these amounts, general fund will be needed to increase by \$206,384 in FY 2013 and decrease by \$809,329 in each year thereafter. A local match of \$70,751 in the first year and \$41,407 in subsequent years is also assumed.

9. Specific Agency or Political Subdivisions Affected:

Department of Social Services

Department of Medical Assistance Services

Department of Behavioral Health and Developmental Services

Department of Health Professionals

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/30/12

Document: G:\2012 Fiscal Year\Efis\SB83.doc