

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: SB204

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

2. Patron: Favola

3. Committee: Rehabilitation and Social Services

4. Title: Eligibility for TANF; drug-related felonies.

5. Summary: Provides that a person who is otherwise eligible to receive Temporary Assistance for Needy Families (TANF) shall not be denied assistance solely because he has been convicted of a first-time felony offense of possession of a controlled substance, provided that he complies with all obligations imposed by the court and the Department of Social Services, is actively engaged in or has completed a substance abuse treatment program, and participates in drug screenings. The bill provides that a person who fails or refuses to participate in periodic drug testing or who tests positive for the use of illegal substances shall be ineligible to receive TANF benefits for a period of 12 months; however, such person is given one opportunity during the 12-month period to comply with the testing requirement and be reinstated to eligibility for TANF benefits.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates:

7a. Expenditure Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|------------------|
| 2018 | - | - | - |
| 2019 | \$223,750 | - | Nongeneral funds |
| 2020 | \$412,750 | - | Nongeneral funds |
| 2021 | \$412,750 | - | See Item 8 |
| 2022 | \$412,750 | - | See Item 8 |
| 2023 | \$412,750 | - | See Item 8 |
| 2024 | \$412,750 | - | See Item 8 |

8. Fiscal Implications: This bill expands the service population for TANF to include applicants previously ineligible due to possession of a controlled substance felony conviction. In FY 2017, 467 individuals were deemed ineligible for TANF due to felony drug convictions. Adding these individuals to the TANF population will increase the TANF program's cost by approximately \$223,750 the first year and \$412,750 each year thereafter.

To assess the fiscal impact of this bill, the following costs were considered: the administrative cost of drug screening applicants; the cost of drug testing applicants; and the impact on TANF benefits.

Administrative Impact: This bill would require local workers to determine and monitor client compliance by performing periodic drug screenings. It is assumed that these drug screenings would be performed annually and would take local department staff 15 minutes to complete each screening. Based on this, the legislation would require 117 (467 x .25 hours) additional work hours each year. The administrative time and cost associated with providing the screenings would be minimal and could be absorbed by the department. A screening start-up kit, which includes a screening user guide, manual, scoring key and 25 questionnaires, is required for each locality at a cost of \$135, creating a one-time first year expense of \$16,200 (\$135 x 120 localities).

Drug Testing Impact: In addition, it is assumed that there will be a cost to the state for those individuals who require a drug test. It is also assumed that ten percent or 47 (467 x 10 percent) of the applicants screened will be referred for drug testing. 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 \$50 is assumed. It should be noted that the cost estimates are impacted by the fact that TANF benefits are considered to be entitlements. It is also assumed that the data gathered in the drug test would have to be treated as legal evidence and procedures followed that would meet standards for chain of evidentiary custody. If 47 newly eligible individuals underwent drug testing at a cost of \$50 per person, there would be an additional minimal cost of \$2,350 annually.

Benefits Impact: It is not known how many individuals would test positive for illegal drug use. Based on their drug screening results and prior history with illegal substances, it is assumed that 50 percent or 24 (50 percent x 47) of those referred for drug testing would test positive for illegal drug use or fail to take the drug test. It is further assumed that 50 percent or 12 (50 percent x 24) of those testing positive or failing to take the drug test would subsequently agree to comply with the legislation and remain eligible for assistance. The remaining 50 percent or 12 of those applicants testing positive would drop out of the program. The average increase in the TANF assistance payment is \$75 per month for an additional person. Therefore, the net increase in TANF benefits for this newly eligible population would be \$409,500 [(467-12) x 12 x \$75]. A gradual increase in the caseload is assumed in the first year at a cost of \$204,750. Of the twelve that dropped out the TANF program, it is also assumed that ten percent or approximately one individual would subsequently comply with the legislation and be reinstated in the TANF program. It is estimated that the individual reinstated would receive benefits for an average of six months in the first year. Benefits for the individual reinstated are estimated at \$450 in the first year and \$900 each year thereafter.

This fiscal impact estimate assumes that most of the individuals being added to the TANF caseload currently have active cases for their children and are participating in Virginia Initiative for Employment not Welfare (VIEW); however, their needs have been omitted from

the grant because of their drug possession conviction. As a result, there will be minimal costs associated with increased child care.

Availability of Nongeneral Funds: Based on the introduced budget, the TANF block grant is expected to have balances in FY 2019 and FY 2020 that are sufficient to cover the cost of this legislation. While a TANF surplus may be available in future years, this balance cannot be assumed. Moreover, it should be noted that this statement estimates the fiscal impact of this bill versus the introduced budget; it does not account for other legislative proposals that impact TANF funds.

9. Specific Agency or Political Subdivisions Affected: Department of Social Services, local departments of social services

10. Technical Amendment Necessary: No.

11. Other Comments: None.