

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3565-01
Bill No.: SB 1197
Subject: Social Services Department; Public Assistance; Drugs and Controlled Substances
Type: Original
Date: March 31, 2008

Bill Summary: This legislation requires drug screening and testing for TANF applicants.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown - Could Exceed \$21,244,951)	(Unknown - Could Exceed \$15,987,969)	(Unknown - Could Exceed \$16,467,608)
Total Estimated Net Effect on General Revenue Fund	(Unknown - Could Exceed \$21,244,951)	(Unknown - Could Exceed \$15,987,969)	(Unknown - Could Exceed \$16,467,608)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and costs of approximately Greater than \$100,000 in FY09, FY10 and FY11 would net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services** assume the proposal would have no fiscal impact on their agency.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Mental Health (DMH)** states the proposed legislation requires the Department of Social Services (DSS) to refer applicants who test positive for the use of a controlled substance to an appropriate substance abuse treatment program approved by the division of ADA. DMH assumes that it will treat the applicant or recipient and also pay for the services.

DMH is currently utilizing all current treatment capacity. A significant cost would be incurred if DMH were to be required to treat all referred applicants/recipients. The division of ADA does not know the number of TANF clients that will test positive for drugs nor the number of those that test positive that will present for treatment. Treatment costs per person in a Primary Recovery (General Revenue) program is \$1,070. Treatment costs per person in a CSTAR program is \$2,511 (\$964 General Revenue and \$1,547 Federal). If only an additional 100 persons were treated, it would cost between \$96,400 and \$107,000. Therefore, the fiscal impact is estimated as unknown to greater than \$100,000 for General Revenue and Federal Funds.

ASSUMPTION (continued)

Oversight notes that states can earn the federal medical assistance percentage (FMAP) on Medicaid program expenditures.

Officials from the **Office of the Attorney General (AGO)** state that this proposal makes changes to Temporary Assistance for Needy Families (TANF) eligibility. AGO assumes that costs may arise from this proposal because it represents the Department of Social Services in defending agency decisions. AGO assumes that because costs are dependant on the number of appeals that may arise, costs are unknown, but are assumed to be under \$100,000.

AGO also states that aside from the costs of making changes to the implementation of this program, AGO assumes that this proposal has the potential to be the subject of state and federal litigation. Potential costs for such defense are unknown.

Officials from the **Department of Social Services-Division of Legal Services** assume the proposal would have no fiscal impact on their agency.

Officials from the **Department of Social Services-Family Support Division (FSD)** assume the FSD would be responsible for conducting drug screening/testing for all applicants and recipients for Temporary Assistance for Needy Families (TANF) benefits. The FSD expects to procure a private vendor to administer its drug testing program. At a minimum, the contractor would provide the following services: collection of samples, testing, transmitting results, program evaluation, and retention of urine samples. Utilizing information from a current Department of Corrections contract, the average cost per drug test is \$75.

Since the guide lines for who is to be drug tested is not set, it is difficult to project an exact number. For example, it is difficult at this time to set the age minimum at which children would be tested. Therefore, the Division is providing a range of unknown up to the maximum.

In November 2007, there were 110,545 person receiving TANF benefits. All of these recipients would be required to submit to a one-time drug test. The one time cost for FSD to test all recipients would be $110,545 \times \$75 = \$8,290,875$.

The FSD is also responsible for testing all applicants. The FSD received an average of 5,749 applications from September, 2007 to November, 2007. Each application has an average of three (3) people. $5,749 \times 3 = 17,247$ applicants per month. The average monthly cost is: $17,247 \times \$75 = \$1,293,525$ or $\$15,522,300$ ($\$1,293,525 \times 12$) per year. FY 2009 would only have a 10 months cost of $\$12,930,076$.

ASSUMPTION (continued)

There would be FAMIS programming costs of \$24,000.

Existing FSD staff would be able to manage the increase in job duty as a result of this legislation.

Oversight assumes per phone conversation with DSS that a savings might be realized. The average TANF grant is \$292 for a family of three (a parent and two children). If the parent tested positive and was declared ineligible for TANF benefits the grant would decrease to \$234 and a \$58 savings would be realized. Based on the 7.9% statistic used by the DMH Oversight believes the DSS could have a saving of \$0 to \$6,078,168 ($\$58 \times 8,733 \times 12$).

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Savings - Department of Social Services</u>			
Reduced TANF Payments	\$0 to \$6,078,168	\$0 to \$6,078,168	\$0 to \$6,078,168
<u>Costs - Department of Mental Health</u>			
Program Cost	(Greater than \$100,000)	(Greater than \$100,000)	(Greater than \$100,000)
<u>Costs - Office of the Attorney General</u>			
Defending Agency Decisions	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Litigation Costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Total Costs - AGO</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Costs - Department of Social Services</u>			
Program Costs-One Time Costs	(Unknown up to \$8,290,875)	\$0	\$0
Program Costs-Continuing	(Unknown up to \$12,930,076)	(Unknown up to \$15,987,969)	(Unknown up to \$16,467,608)
FAMIS Programming Costs	<u>(\$24,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs - DSS</u>	<u>(Unknown up to \$21,244,951)</u>	<u>(Unknown up to \$15,987,969)</u>	<u>(Unknown up to \$16,467,608)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown - Could Exceed \$21,244,951)</u>	<u>(Unknown - Could Exceed \$15,987,969)</u>	<u>(Unknown - Could Exceed \$16,467,608)</u>

FEDERAL FUNDS

Income - Department of Mental Health
 Federal Assistance

Greater than \$100,000	Greater than \$100,000	Greater than \$100,000
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Costs - Department of Mental Health
 Program Costs

(Greater than \$100,000)	(Greater than \$100,000)	(Greater than \$100,000)
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**ESTIMATED NET EFFECT ON
 FEDERAL FUNDS**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government

FY 2009 (10 Mo.)	FY 2010	FY 2011
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This legislation requires the Department of Social Services to develop a program to screen and test applicants or recipients of temporary assistance for needy families (TANF) benefits who the Department has reasonable cause to believe, based on the screening, engages in illegal use of controlled substances. Any applicant or recipient who is found to have tested positive for the use of a controlled substance after an administrative hearing shall be declared ineligible for temporary assistance for needy families benefits for a period of three years from the date of the administrative hearing. The Department shall refer an applicant or recipient who tested positive for the use of a controlled substance under this act to an appropriate substance abuse treatment program approved by the Division of Alcohol and Drug Abuse within the Department of Mental Health. The Department shall promulgate rules to develop the screening and testing provisions of this section.

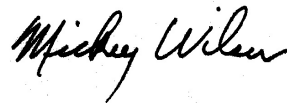
SEC:LR:OD (12/06)

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health
Department of Health and Senior Services
Department of Social Services
Office of the Secretary of State
Office of the Attorney General



Mickey Wilson, CPA
Director
March 31, 2008