



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

**Bill #** HB0200

**Title:** Require drug testing for all welfare recipients

**Primary Sponsor:** Pinocci, Randall

**Status:** As Introduced

- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$63,285	\$39,359	\$39,950	\$39,986
State Special Revenue	\$19,814	\$19,826	\$20,085	\$20,278
Federal Special Revenue	(\$277,450)	(\$298,648)	(\$290,905)	(\$283,959)
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	(\$277,450)	(\$298,648)	(\$290,905)	(\$283,959)
<b>Net Impact-General Fund Balance:</b>	<u>(\$63,285)</u>	<u>(\$39,359)</u>	<u>(\$39,950)</u>	<u>(\$39,986)</u>

**Description of fiscal impact:** HB 200 establishes drug screening and drug testing requirements for eligibility under the Temporary Assistance for Needy Families Program (TANF). The bill prohibits assistance in certain instances and allows a third party to receive a TANF benefit on behalf of a child whose parent is ineligible because of the drug screening and testing requirements. Addictive and Mental Disorders (AMDD) will incur expenses paid for with federal, state special, and general fund dollars to provide treatment services to TANF applicants who are required to participate in treatment for addiction to a controlled substance. Technology Services Division (TSD) would incur expenses as enhancements would be required to the Combined Healthcare Information and Montana Eligibility System (CHIMES) TANF system related to eligibility determination or disqualification for TANF benefits.

### FISCAL ANALYSIS

#### Assumptions:

1) Human and Community Services Division:

- a) All applicants applying for TANF shall complete, as part of the application process, a written questionnaire designed to accurately determine the likelihood of the applicant having a substance abuse disorder. There is an online drug screening survey used by Utah and Tennessee called the Substance Abuse Subtle Screening Inventory (SASSI) which is available from the SASSI Institute.
- b) The cost is \$4.50 per questionnaire. HCSD receives an average of 11,148 new TANF applications each year. Twenty percent are two parent households, requiring a total of 13,378 questionnaires ( $11,148 \times 120\% = 13,378$ ). The drug screening questionnaire will cost \$60,201 ( $\$4.50 \times 13,378 = \$60,201$ ) in the first year and increase by 1.5% each year.
- c) A Licensed Clinical Social Worker or Psychologist is required to purchase the questionnaires and will also be contracted to evaluate the results of the questionnaires at a cost of \$90,000 per year with 1.5% inflation in following years.
- d) The drug screening questionnaire takes approximately 15 minutes to administer requiring over 3,344 hours of staff time. The additional hours will require the equivalent of two additional Client Service Coordinators. (Salary and benefits of \$51,172 x 2 FTE or \$102,344 for FY 2016 and 2017). A 1.5% inflationary adjustment is applied in FY 2018 and FY 2019 for a cost of \$51,940 per FTE or \$103,880.
- e) A one-time only office-setup and computer purchase is needed in FY 2016, for a total of \$5,750 ( $\$1,600$  office set-up +  $\$1,275$  computer =  $\$2,875 \times 2 = \$5,750$ ).
- f) Annual SITSD and phone services for 2.00 FTE will cost \$2,836 ( $\$1,112$  SITSD +  $\$306$  phone =  $\$1,418 \times 2 = \$2,836$ ) in the first year and increase by 1.5% each year.
- g) Annual rent for 2.00 FTE will cost \$14,400 ( $\$3,600$  per year) for FY 2016-2019.
- h) It is estimated that 42% of the applications received each year will be eligible for TANF benefits ( $11,148 \times 42\% = 4,682$ ).
- i) The 4,682 applications will have 5,618 TANF eligible adults or caretaker relatives associated with the case ( $4,682 \times 120\% = 5,618$ ). Based on a 2011 survey conducted by the office of assistant secretary for planning and evaluation it is estimated that 10%, or 562 of those that complete the questionnaire will take the drug screening test. The cost of the drug test is \$28,100 at \$50 per test ( $\$50 \times 562 = \$28,100$ ) in the first year with 1.5% inflation in following years.
- j) These 562 people will need to produce evidence as to whether the controlled substance was lawful. The individual will need to complete and submit a medical release form for the collection of information from pharmacists or physicians. A contractor will be hired at a cost of \$90,000 to determine if the evidence supports the controlled substance being lawful. The contract will increase by 1.5% per year.
- k) Based on the survey referenced in assumption 1) i) it is estimated that five percent or 281 people, of the individuals completing the questionnaires will not take the drug test initially. Of these, one-half (140) will have their benefits reduced for a full year and one-half (141) will successfully reapply after 90 days and pass their drug test. Drug testing for 141 will cost \$7,050 ( $141 \times \$50 = \$7,050$ ) in the first year and increase by 1.5% each year.
- l) Reducing a family size by one eligible member will reduce the TANF benefit by \$105 per month for a total benefit savings of \$220,815 ( $140 \times \$105 \times 12 = \$176,400$ ) + ( $141 \times \$105 \times 3 = \$44,415$ ).
- m) Based on the 2013 National Survey on Drug Use and Health (NSDUH) sponsored by the *Substance Abuse and Mental Health Services Administration (SAMHSA) Summary of Findings*, 9.4% of the population is illicit drug users. This fiscal note assumes this percentage as the basis for abusers of controlled substances. Using this statistic, 528 of the 5,618 TANF eligible adults or caretaker relatives applying for benefits in a given year are drug users ( $5,618 \times 0.094 = 528$ ).
- n) All of the drug users will be referred for state approved treatment for use of controlled substances but only 11% or 58 individuals per year will seek treatment ( $528 \times 11\% = 58$ ).
- o) The 470 individuals ( $528 - 58 = 470$ ) per year not seeking treatment will not be provided financial assistance. Reducing a family size by one member will reduce the TANF benefit by an average of \$105 per month for a total benefit savings of \$592,200 ( $470 \times \$105 \times 12 = \$592,200$ ).

- p) Of the 58 individuals receiving treatment, 12 (20%) are part of a two parent household and the remaining 46 (80%) are single parent households.
  - q) The 46 single parents that seek treatment will place their children with a caretaker relative for the first 30 days of treatment. Assuming 1.5 children per parent and assuming one-half will require child care, there will be 35 children ( $46 \times 1.5 \times .5 = 35$ ) needing child care at a cost of \$874 per child or \$30,590 per year ( $\$874 \times 35 = \$30,590$ ).
  - r) From Assumptions l, o, and q, the total TANF Benefit savings of \$782,425 will be realized ( $\$220,815 + \$592,200 - \$30,590 = \$782,425$ ) and are 100% federally funded.
  - s) Operational costs are funded with 36.15% general fund, 4.45% state special revenue, and 59.4% federal funds.
- 2) Addictive and Mental Disorders Division
- a) As noted in the HCSD section above, 58 individuals will seek substance abuse treatment. All 58 individuals will be Medicaid eligible and Medicaid will pay for their treatment, if the service is Medicaid eligible. To meet requirements for substance use disorder treatment, an individual must be diagnosed with a substance use disorder. An assessment conducted by a licensed addiction counselor to diagnose a substance use disorder is conducted prior to admission to any type of substance use disorder treatment at a cost of \$280.89 per person. Based on the 58 individuals referred for treatment, the cost for the questionnaire would be \$16,292 annually funded through Medicaid.
  - b) HB 200 requires at least 30 days treatment through a provider. This fiscal note assumes that a 2% provider rate increase will occur annually.
  - c) Of the 58 individuals, 12 (or 20%), will agree to inpatient residential treatment for 90 days, of which half would be females with children, with the remainder being males. For the six female residents and their dependent children, the cost of residential treatment would be \$130 per day for room and board for a total cost of \$70,200 in FY2016 ( $\$130/\text{day} \times 90 \times 6$ ), \$71,604 in FY2017, \$73,036 in FY2018, \$74,497 in FY2019 federally funded. For the six male residents, the cost for 90 days of residential treatment would be \$39,420 in FY 2016 ( $\$73/\text{day} \times 90 \times 6$ ), \$40,208 in FY 2017, \$41,013 in FY 2018, and \$41,833 in FY 2019 federally funded. These costs will be funded with 100% federal funds.
  - d) Of the 58 individuals, 15 (or 30%) will undergo intensive outpatient therapy for 30 days. This would consist of intensive therapeutic care at \$35 per day for 30 days for a total cost of \$15,750 in FY 2016 ( $\$35 \times 30 \times 15$ ), \$16,065 in FY 2017, \$16,386 in FY 2018, and \$16,714 in FY 2019 Medicaid funding. These costs are funded with Medicaid funds at the FMAP rate of 65.32% in FY2016 and 64.99% in FY2017.
  - e) Approximately 31 individuals will go to outpatient therapy for 30 days. This would consist of outpatient treatment costing \$11 per day for 30 days for a total of \$10,230 in FY 2016 ( $\$11 \times 30 \times 31$ ), \$10,435 in FY 2017, \$10,643 in FY 2018, \$10,856 in FY 2019. These costs are funded with Medicaid funds at the FMAP rate of 65.32% in FY 2016 and 64.99% in FY 2017.
  - f) The total costs for substance use disorder treatment for 58 individuals would be \$151,892 in FY 2016, \$154,604 in FY 2017, \$157,370 in FY 2018, and \$160,191 in FY 2019. The federal portion of funding for treatment is \$137,232 in FY 2016, \$139,622 in FY 2017, \$142,203 in FY 2018, \$144,835 in FY 2019. The alcohol tax state special revenue funding will be \$14,660 in FY 2016, \$14,981 in FY 2017, \$15,167 in FY 2018, and \$15,356 in FY 2019.
  - g) Federal Medicaid reimbursement would be \$137,232 in FY 2016, \$139,622 in FY 2017, \$142,203 in FY 2018, and \$144,835 in FY 2019.
- 3) Director's Office
- a) Administrative rules would need to be updated as a result of this bill. It is estimated to be 26 pages of rules at a cost of \$50 per page for a one time only cost of \$1,300.
  - b) These are funded with 56.3% general fund, 4.4% state special revenue, and 39.3% federal funds.

4) Technology Services Division

- a) Programming changes would be necessary in the eligibility determination system, CHIMES TANF, to meet the requirements of this bill. It is estimated to take 360 hours for these programming changes to be completed at a cost \$125 per hour. Total one time only programming costs would be \$45,000.
- b) These costs are funded with 47% general fund and 53% federal funds.

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b>FTE</b>	2.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services	\$102,344	\$102,344	\$103,880	\$103,880
Operating Expenses	\$333,837	\$286,014	\$290,304	\$294,659
Benefits/Claims	(\$630,533)	(\$627,821)	(\$625,055)	(\$622,234)
<b>TOTAL Expenditures</b>	<u>(\$194,352)</u>	<u>(\$239,463)</u>	<u>(\$230,871)</u>	<u>(\$223,695)</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$63,285	\$39,359	\$39,950	\$39,986
State Special Revenue (02)	\$19,814	\$19,826	\$20,085	\$20,278
Federal Special Revenue (0)	(\$277,450)	(\$298,648)	(\$290,905)	(\$283,959)
<b>TOTAL Funding of Exp</b>	<u>(\$194,351)</u>	<u>(\$239,463)</u>	<u>(\$230,870)</u>	<u>(\$223,695)</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (0)	(\$277,450)	(\$298,649)	(\$290,905)	(\$283,959)
<b>TOTAL Revenues</b>	<u>(\$277,450)</u>	<u>(\$298,649)</u>	<u>(\$290,905)</u>	<u>(\$283,959)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$63,285)	(\$39,359)	(\$39,950)	(\$39,986)
State Special Revenue (02)	(\$19,814)	(\$19,826)	(\$20,085)	(\$20,278)
Federal Special Revenue (0)	\$0	\$0	\$0	\$0

**Technical Notes:**

1. An outside source such as Child & Family Services Division should be used to determine a protective payee if one is needed. No costs are included in the fiscal note for this service if needed.
2. The bill does not mention who would pay for travel for an applicant to be drug tested. If the Department must pay, the cost should be added to this fiscal note.
3. For purposes of the fiscal note, all single parents will have a relative who can care for their children while they are at treatment for 30 days. This may not be the case; if no one is available, the children will end up on foster care for that time period and additional costs could be incurred.
4. Individuals cannot be prevented from reapplying for benefits per federal law.

 Jan / 19 / 2015  
 Sponsor's Initials Date

 1/19/15  
 Budget Director's Initials Date