

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 2272 - HB 3099**

March 15, 2012

**SUMMARY OF BILL:** Requires the Department of Human Services (DHS) to develop a program of screening and subsequent suspicion-based substance abuse testing of applicants otherwise eligible for Temporary Assistance for Needy Families (TANF) benefits. Authorizes an applicant to notify the test administrator of any prescription or over-the-counter medication the applicant is taking. Requires each applicant to be tested to sign a written acknowledgment of the provisions above. Specifies that the cost of testing is the responsibility of the individual tested, unless the individual tests negative, in which case DHS will increase the amount of the TANF benefit for such individual by the amount paid for the drug testing. Requires DHS to provide notice that the drug test may be avoided if the individual chooses not to apply for TANF benefits. Requires that both parents in two-parent families and any teen parent not living with a parent, legal guardian, or other adult caretaker to comply with the drug testing requirement. Authorizes an individual who has tested positive to take one or more additional tests. Prohibits an individual who has tested positive from receiving benefits for one year, unless the individual completes a substance abuse treatment program, in which case such individual can reapply once after six months. Authorizes a parent to designate a protective payee to receive benefits on behalf of a child if the parent is deemed ineligible for TANF benefits as a result of failing the drug test.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$572,500/FY12-13  
\$419,900/FY13-14  
\$405,700/FY14-15 and Subsequent Years**

**Other Fiscal Impact – The total decrease in recurring state expenditures from benefit sanctions as a result of the new eligibility requirement is estimated to be \$1,039,600. These TANF funds not expended due to applicant sanctions can be utilized by DHS in administering the drug testing program. However, according to DHS, the Department is already at the cap of allowable administrative costs for TANF and any cost avoidance resulting from this bill would be used to serve TANF eligible clients, resulting in an equal increase in recurring state expenditures, for a net impact on TANF funds of zero.**

Assumptions:

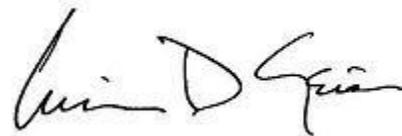
- All drug tests will be performed by licensed diagnostic companies approved by DHS.
- The cost of drug testing will be the responsibility of the individual tested, unless such individual tests negative. In that case, DHS will increase the amount of the TANF benefit for such individual by the amount paid by the individual for the test.
- DHS will require an additional position to manage and coordinate the activities of the statewide program. The position will require extensive knowledge of drug testing procedures and be responsible for consulting with staff on interpretation of test results. The recurring increase in state expenditures associated with this position will be \$74,709 for salary (\$54,600), benefits and insurance (\$14,089), and office supplies and connections (\$6,020). A one-time increase in state expenditures will be \$1,100 for wiring connections and equipment.
- Modifications of the current TANF eligibility system (ACCESS) will require 900 contracted hours for analysis, design and testing at a cost of \$79 per hour, for a total one-time increase in state expenditures of \$71,100 (900 x \$79). Maintenance on the current system will be performed for one year, resulting in an increase in one-time state expenditures of \$14,220 (\$71,100 x 20%) in FY13-14.
- Modifications of the TANF eligibility system (VIP), which will replace the current ACCESS system, will also require 900 contracted hours for analysis, design and testing at a cost of \$101 per hour, for a total one-time increase in state expenditures of \$90,900 (900 x \$101). A recurring increase in state expenditures for maintenance cost will be \$18,180 (\$90,900 x 20%) beginning in FY13-14.
- Because those individuals who are identified to be tested have an increased chance to cause disruptions, DHS requires security at larger county offices. Security is already provided for the large urban offices, so DHS estimates that 10 security guards will be needed to guard the most populous rural offices during regular business hours.
- According to DHS, the current contract rate for a security guard is \$10.63 per hour. This will result in a recurring increase in state expenditures of \$225,888 (10 guards x 8.5 hours per day x \$10.63 per hour x 250 business days).
- DHS will contract with a vendor to develop training to enable staff to consistently recognize a reasonable suspicion that the applicant engages in illegal use of illicit drugs. One-time state expenditures associated with the training will be \$25,000 with a recurring increase in state expenditures of \$7,500 for annual training beginning in FY13-14.
- According to DHS, the average monthly amount of benefits for an adult TANF client is approximately \$40.
- According to DHS, there are approximately 48,000 adult individual eligible for TANF benefits every year. It is estimated that 25 percent of them, or 12,000, will be drug tested annually. It is further estimated that 30 percent of the individuals tested, or 3,600, will test positive and that 25 percent of those, or 900, will be TANF child-only cases and will not lead to a sanction of benefits.
- It is estimated that a urine drug test will cost approximately \$8 per test.
- DHS will expend an additional \$67,200 in TANF funds for cost of drug testing reimbursement for those individuals that test negative (12,000 x 70% x \$8).
- The new eligibility requirement is expected to result in approximately 1,300 new appeals, with a 15 percent, or 195, success rate. DHS will be required to provide benefits

retroactive to the date of application for those individuals. The average length of time for an appeal is approximately 90 days, or 3 months of benefits. As a result, DHS will retroactively expend \$23,400 ( $195 \times \$40 \times 3$ ).

- It is estimated that one additional position will be required to conduct the hearings for these new appeals. The recurring increase in state expenditures associated with this position will be \$79,430 for salary (\$55,200), benefits and insurance (\$14,180) and office supplies and connections (\$10,050). A one-time increase in state expenditures will be \$4,400 for office furniture and equipment.
- Approximately 2,505 individuals ( $3,600 - 900 - 195$ ) will be subject to sanctions of one year in length. It is estimated that 80 percent of such individuals, or 2,004, will seek substance abuse treatment.
- Based on information presented in a 2007 study conducted by the University of Memphis, *Substance Abuse Treatment Effectiveness in Tennessee: 2005-2006 Statewide Treatment Outcomes Evaluation*, approximately 20 percent of individuals applying for drug treatment found an opening in a program to receive treatment. Approximately 75 percent of such individuals successfully completed the program.
- It is estimated that 301 individuals ( $2,004 \times 20\% \times 75\%$ ) will successfully complete a drug treatment program and will be able to reapply and receive benefits after six months from the date of the original application.
- The total six-month benefit sanctions for these individuals will be \$72,240 ( $301 \times \$40 \times 6$ ).
- The remaining 2,204 individuals ( $3,600 - 900 - 195 - 301$ ) will be sanctioned for a full year, for a total of \$1,057,920 ( $2,204 \times \$40 \times 12$ ).
- The total decrease in recurring state expenditures resulting from sanctions as a result of the new eligibility requirement will be \$1,039,560 ( $\$72,240 + \$1,057,920 - \$67,200 - \$23,400$ ).
- TANF funds not expended due to applicant sanctions can be utilized by DHS in administering the drug testing program. However, according to DHS, the Department is already at the cap of allowable administrative costs for TANF and any cost avoidance resulting from this bill would be used to serve TANF eligible clients.
- The total increase in state expenditures in FY12-13 will be \$572,527 ( $\$74,709 + \$1,100 + \$71,100 + \$90,900 + \$225,888 + \$25,000 + \$79,430 + \$4,400$ ).
- The total increase in state expenditures in FY13-14 will be \$419,927 ( $\$74,709 + \$14,220 + \$18,180 + \$225,888 + \$7,500 + \$79,430$ ).
- The total increase in state expenditures in FY14-15 and subsequent years will be \$405,707 ( $\$74,709 + \$18,180 + \$225,888 + \$7,500 + \$79,430$ ).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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