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Honorable Renee Unterman, Chairman
Senate Health and Human Services Committee
State Capitol, Room 121-E
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
Senate Bill 292 Substitute
(LC 21 1745S)

Dear Chairman Unterman:

This bill would require Temporary Assistance for Needy Families (TANF) applicants to undergo drug testing as a condition for receiving benefits. Those testing positive for controlled substances would be ineligible to receive TANF benefits for specified time periods. The state Department of Human Services (DHS) would be required to develop applicable regulations. The bill stipulates that, where possible and practicable, a (saliva) swab test be used in lieu of a urinalysis to test for the presence of drugs. Further, the bill precludes from such testing any person whom the department determines is significantly hindered due to a physical or mental handicap or developmental disability or any person enrolled in certain Medicaid programs serving the frail elderly and disabled. Dependent children under the age of 18 would also be exempt; however, parents of TANF dependents would be subject to such testing as well as protective payees, who are designated adults receiving TANF benefits on behalf of TANF dependents.

Those TANF applicants who have current Medicaid coverage would pay no more than a \$17 drug screening application fee. Regarding such applicants, the bill specifies that Medicaid benefits would subsidize the cost of such drug testing. Applicants who do not have Medicaid coverage would be responsible for paying the full cost of the drug test. However, unlike applicants who have Medicaid

coverage, applicants without Medicaid coverage whose test results are negative would receive reimbursement in the form of an increase in their initial TANF benefit that equals the amount they paid for the drug testing.

To implement this bill, it is estimated that there would be: 1) an annual cost of approximately \$161,500 to administer the drug testing function; 2) estimated revenue of \$228,000 in fees collected from the drug screening application fee (this assumes a \$17 application fee); and 3) an estimated reduction in TANF benefit expenditures of approximately \$37,000 annually, based upon the extent to which applicants may test positive for drugs and, consequently, be ineligible to receive TANF benefits. Resultantly, the fiscal impact of the bill could range from a net cost of approximately \$84,500 to a positive budget impact of about \$103,000 annually, as explained below.

The overall annual cost of administering the drug testing function is estimated to total \$161,500. The drug testing portion of these annual costs is estimated to total about \$69,500 using the saliva swab method. This is based upon DHS information, showing that there are approximately 19,200 new applicants for TANF each year who meet current TANF eligibility requirements and that an estimated 816 of these applicants will likely test positive for substance abuse and, consequently, not be eligible for reimbursement of their respective drug test cost (explained more fully in later paragraphs). Of the remaining 18,384 applicants with negative test results, an estimated 4,964 (27%) would not have Medicaid coverage and the state would be required to reimburse them for the full cost of their respective drug test. The remaining estimated 13,420 (73%) applicants with negative drug test results would have Medicaid coverage that, according to the bill, would subsidize the cost of their drug test and they would be required to pay the drug screening application fee. The DHS expects to collect an estimated \$228,000 annually through these fees (assuming this fee is \$17).

It should be noted that these figures are based upon the bill's presumption that Medicaid benefits would subsidize the cost of all drug tests for applicants who have Medicaid coverage. However, while drug tests are a covered Medicaid procedure, there may be a resulting cost to the state if these are done via a required application process as stipulated through this bill. If such tests are not deemed medically necessary, the state may be unable to utilize Medicaid benefits. Consequently, the state may be liable for the costs, which could total an additional \$188,000. This is based upon an estimated 13,420 TANF applicants annually who would have Medicaid coverage and obtain a drug test through the saliva swab method at \$14 each.

The remaining \$92,000 estimated cost of administering the drug testing function is for additional DHS personnel. The DHS expects that one additional position would be needed to coordinate the overall drug testing function and another position would be needed to process drug testing reimbursements to applicants who test negative.

Annually, the offsetting reduction in TANF benefit expenditures, based upon the drug testing function preventing applicants with positive drug test results from receiving TANF benefits, is estimated to total about \$37,000. This figure is based upon 25% (4,800) of the total 19,200 new TANF applicants each year, as this percentage represents TANF households headed by a parental adult. In such households, the average portion of TANF benefits that would be cut when the parental adult tests positive was estimated by DHS at \$45 per month. In the remaining 75% (14,400) of

TANF applicant cases, DHS indicated that non-parental adult protective payees are heading the households and no TANF benefits are paid to them; consequently, no such TANF benefits would be cut if these non-parental adults tested positive for substance abuse. To arrive at the estimated \$37,000 reduction of benefits that may occur, only 17% (816) of the above 4,800 parental adult figure is used, as this percentage represents the proportion of adults in Georgia (in the 18-25 age category) who used illicit drugs, according to a 2007 model-based study by the federal Department of Health and Human Services.

Respectfully,

/s/ Russell W. Hinton
State Auditor

/s/ Debbie Dlugolenski Alford, Director
Office of Planning and Budget

RWH/DDA/cl/bb