



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 904 (as introduced 1-24-12)  
Sponsor: Senator Joe Hune  
Committee: Families, Seniors and Human Services

Date Completed: 6-25-12

## **CONTENT**

**The bill would amend the Social Welfare Act to do the following:**

- Require the Department of Human Services (DHS) to develop and administer suspicion-based substance abuse testing.**
- Require the DHS to mandate that an applicant for, or recipient of public assistance submit to a drug test if the caseworker had reasonable suspicion of substance abuse.**
- Allow an applicant or recipient who tested positive for substance abuse to reapply for public assistance, after a period of ineligibility, and require a negative test to receive public assistance after that period.**

"Public assistance" would mean the Family Independence Program (FIP), State Family Assistance, State Disability Assistance (SDA), Food Assistance Program (FAP), or Child Development and Care Program (CDC).

### Suspicion-Based Testing

The DHS would have to develop and administer suspicion-based substance abuse testing by doing all of the following:

- Developing and administering a substance abuse survey that would have to be used upon initial application for applicants and at annual redetermination for recipients.
- Screening an applicant or recipient for suspicion of substance abuse using an empirically validated substance abuse screening tool in a one-on-one contact.
- Gathering additional information about the applicant or recipient, including requiring a substance abuse test.
- Determining the level of substance abuse treatment services needed for the applicant or recipient and making the appropriate referral for treatment.

The DHS would have to require an applicant for, or a recipient of public assistance to submit to substance abuse testing if the caseworker had a reasonable suspicion regarding substance abuse relating to that applicant or recipient.

### Eligibility for Public Assistance

If an applicant or recipient tested negative for substance abuse and met all other conditions of eligibility for public assistance, he or she could receive public assistance. If the applicant or recipient tested positive for substance abuse, he or she would be ineligible to receive public assistance as described below.

If the applicant or recipient could document that he or she was participating in or had completed treatment, he or she would be ineligible for public assistance but could reapply after 180 days. If the applicant or recipient could not document participation in or completion of treatment, he or she would be ineligible for public assistance but could reapply after 364 days. In either case, the applicant or recipient would have to test negative for substance abuse in order to receive public assistance.

Proposed MCL 400.10d

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would result in additional costs and savings to the State, the extent of which would depend on the bill's implementation. The approximate costs to implement the bill could be as much as \$6.8 million Gross with maximum possible savings that could range between \$123.9 million Gross and \$247.9 million Gross (between \$3.3 million GF/GP and \$6.8 million GF/GP). These potential savings are an outside estimate, however, and approximately 97% of any potential savings would be in Federal funding. It is also possible that the GF/GP expenditures would exceed the GF/GP savings.

This analysis assumes that \$90 per person is a reasonable estimate of the costs to implement substance abuse screening and testing. These costs include both the drug test itself and administrative overhead. In October 2011, the U.S. Department of Health and Human Services (HHS) released a report that reviewed the estimated total costs of drug testing welfare recipients in 12 states.<sup>1</sup> The estimates varied significantly, ranging from \$92,487 to \$20.0 million. The variance was due, in part, to the types of assistance programs that were included, differences in caseload numbers, and the different types of expenses that were included in the assumptions. A pilot program in Florida in the early 2000s estimated a cost of \$30 for each drug test and a cost of \$90 per test once staff costs and other program costs were added. More recently, an article published in 2005 from the Society for Human Resources Management reported that "testing an applicant or employee ranges from \$25 to \$44 for urinalysis... [while] hair follicle testing costs \$75 to \$150 per test", supporting the estimated cost of the drug test in the Florida pilot program.

The actual costs to implement the bill would vary depending on departmental policies and other unknown factors. Expenses would include the purchase and proper administration of an empirically validated substance abuse screening tool, including the costs of training staff and time spent administering the tool in a one-on-one meeting. Modifying computer programs to include drug testing in eligibility is also a likely expense. It is also probable that the number of cases that would come before the Michigan Administrative Hearing System to contest the removal from assistance would increase. Other indeterminate costs include the annual redetermination surveys and treatment referrals for clients found to be substance abusers.

Some of the more substantial drivers in terms of both costs and savings are unknown factors, as these would be determined by departmental policy. First, the responsibility of paying for the cost of the test could rest with either the client or the State. The costs of the drug test itself are a significant portion of the ongoing program costs, comprising approximately 30% of the expenses. Second, the definition of substance abuse is open to interpretation in terms of whether alcohol would be included and how the DHS would define "abuse". As alcohol abuse is more common than drug abuse, the percentage of clients who would be affected by the bill would depend upon this interpretation. Third, the substance abuse tests could be either carried out by a contracted service or handled in-house by the DHS.

---

<sup>1</sup> *Office of the Assistant Secretary for Planning (ASPE), U.S. Department of Human Services, "Drug Testing Welfare Recipients: Recent Proposals and Continuing Controversies", October 2011.*

This analysis assumes that 7.5% of clients – or 75,596 cases – would be screened, take a drug test, and be removed from assistance. This is a maximum estimate, however, as the actual number and percentage of clients who would be correctly identified as substance abusers through a screening tool and also test positive in a drug test would likely be much lower. While various real-life factors would affect this estimate, it serves to provide a starting point from which to gauge potential savings. The 2011 HHS report noted that most estimates have found that between 5% and 10% of welfare recipients have substance abuse problems. Similarly, a random drug test of welfare recipients in the State of Michigan in 1997 found that 8% of clients tested positive. These rates included only illicit drugs, however, and not alcohol abuse. The report from HHS also noted that "drug tests detect recent drug use, but provide no information about frequency of use, impairment, or treatment needs". For example, if a client is abusing a "hard" drug such as cocaine, a urinalysis could detect usage only within the past two days. Similarly, a urinalysis would detect alcohol use only within several hours. In other words, a habitual but not daily user could go undetected, skewing the projected percentage of clients who would be removed from assistance. Additionally, the number of "false positives", or nonabusers who were required to take a test, is not known.

Based on the \$90-per-person estimate, the costs to screen and test 75,596 clients would be approximately \$6.8 million. The DHS could pay for these costs with GF/GP and possibly Federal Temporary Assistance for Needy Families funding.

Table 1 compares the maximum potential GF/GP savings that could be realized by implementing a substance abuse test for FIP, SDA, CDC, and FAP clients. The amount of GF/GP savings is based on FY 2011-12 year-to-date average caseloads and costs and assumes the removal of 7.5% of cases from assistance, which is the maximum percentage of clients who would be affected. The table includes calculations for the removal of clients for the duration of six months and 12 months.

**Table 1  
Maximum Potential GF/GP Savings by Public Assistance Program**

Assistance Program	FY12 YTD Av caseload	7.5% Av caseload	FY12 YTD Av monthly cost	Potential Gross Savings at 6 months	Savings per Individual at 6 months	Potential Gross Savings at 12 months	Savings per Individual at 12 months	% of Program Funded by GF/GP	Potential GF/GP Savings
<b>FIP</b>	59,803	3,060 Adults	\$405	\$7.4 million	\$2,430	\$14.9 million	\$4,860	20%	\$1.5 million to \$3.0 million
<b>SDA</b>	8,882	666	\$262	\$1.0 million	\$1,572	\$2.1 million	\$3,144	100%	\$1.0 million to \$2.1 million
<b>CDC</b>	28,042	2,103	\$259	\$3.3 million	\$1,554	\$6.5 million	\$3,108	25%	\$825,000 to \$1.7 million
<b>FAP</b>	930,225	69,767	\$268	\$112.2 million	\$1,608	\$224.4 million	\$3,216	0%	\$0
<b>TOTAL</b>	<b>1,026,952</b>	<b>75,596</b>	---	<b>\$123.9 million</b>	---	<b>\$247.9 million</b>	---	---	<b>\$3.3 million to \$6.8 million</b>

The actual costs and savings of implementing the bill would depend on several unknown factors. Therefore, the estimates in this analysis are based on a few key assumptions with the understanding that these factors would vary with the departmental policies and the accuracy of the substance abuse screening tool and drug test.

The bill would have no fiscal impact on local units of government.

Fiscal Analyst: Frances Carley

S1112\904sa.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.