

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$43,818		\$42,318	
CASH FUNDS				
FEDERAL FUNDS	\$58,288		\$56,788	
OTHER FUNDS				
TOTAL FUNDS	\$102,106		\$99,106	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

Under this bill, the Department of Health and Human Services would be required to develop a program to screen applicants or recipients of the Aid to Dependent Children Program (ADC) for controlled substances not prescribed to him or her by a licensed health care provider. If the applicant or recipient tests positive, they would have to complete a substance abuse treatment program and a job skills program. The applicant or recipient who fails or refuses to complete either program would be ineligible for cash assistance for 12 months or until both programs are completed. The department may approve a protective payee for a parent or guardian who is ineligible for ADC due to the provisions in this bill. The department is required to refer applicants or recipients who have been declared ineligible for cash assistance to the Division of Behavioral Health for referral to a substance abuse treatment program. The bill has the emergency clause.

The average monthly number of recipients is 5,710. If 11% of current adult recipients are suspected of substance abuse, 628 would be tested at a cost of \$80 each. The drug test costs would be \$50,240 (\$12,560 GF and \$37,680 FF) annually. Only the adult member of the family would be ineligible at a savings of \$71 a month. ADC is paid 75% from TANF federal funds and 25% from General Funds. Assuming 4% or 25 of those tested are ineligible for one year, the savings would be \$21,300 (\$5,325 GF and \$15,975 FF) annually. No additional costs have been included for treatment services, as HHS is only required to refer the person to services.

An additional Program Specialist would be needed. The costs would be \$73,166 (\$36,583 GF and FF) in FY 18 and \$70,166 (\$35,083 GF and FF) FY 19.

The net cost to TANF funds is \$56,788. Annual expenditures from TANF funds exceeds the amount of revenue. Excess expenditures are drawdown from the TANF balance. An agreement on the ADC increase contained in LB 89 in the 2015 Legislative Session was to preserve the federal fund balance through FY 2025. Although the net drawdown is relatively small and the TANF balance would last until FY 2025, this bill would accelerate the drawdown of the balance. General Funds would be needed to replace federal funds.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 537	AM:	AGENCY/POLT. SUB: Department of Health and Human Services (DHHS)
REVIEWED BY: Elton Larson	DATE: 2/22/2017	PHONE: (402) 471-4173
COMMENTS: DHHS analysis and estimate of fiscal impact appear reasonable.		

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Karen Gatherer

Date Prepared:(4) 1-19-17

Phone: (5) 471-6351

	FY 2017-2018		FY 2018-2019	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$7,398		\$7,398	
CASH FUNDS				
FEDERAL FUNDS	\$107,663		\$107,663	
OTHER FUNDS				
TOTAL FUNDS	\$115,061		\$115,061	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 537 will require the Department to implement measures to screen applicants and recipients of the Aid to Dependent Children (ADC) program for use of a controlled substance, if there is reasonable cause to do so. A positive test causes loss of eligibility for up to 12 months. This would require a Program Specialist to develop the program and processes, administer the program, tracking the testing, as well as the steps clients take to regain eligibility.

It is unknown how many cases would be tested for "reasonable cause" or how many would request a second test, or be reimbursed for a negative test. States testing for "reasonable cause" generally use a substance abuse screening tool. Utah reports that between August 2014 and July 2015, they tested 10.89% of the cases they screened, and 3.91% of those cases tested positive. Nebraska's SFY2016 average ADC caseload is 5,710. The average cost of a drug test is \$80. If 10.89% of the caseload, 622 cases, were each tested once, the cost would be \$49,734 annually. If 3.91% of those tested positive, and the person who tested positive was removed from grant for 12 months at a \$69 monthly savings, the annual savings would be \$20,142. The net cost would be \$29,592 annually, at 75% FF, 25% GF, based on current spending levels.

The annual cost of the Program Specialist is \$85,469, at 100% FF.

LB 537 results in increased Aid to Dependent Children (ADC) spending financed out of the federal Temporary Assistance for Needy Families (TANF) block grant. Current and projected TANF expenditures exceed the annual block grant award, resulting in TANF financed programs not being sustainable with TANF funds. Increases in ADC will quicken the exhaustion of existing TANF balances, known as "rainy day funds," and will result in the need for increased General Fund appropriations to finance TANF programs.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2017-2018	2018-2019
		17-18	18-19	EXPENDITURES	EXPENDITURES
Program Specialist		1	1	\$46,376	\$46,376
Benefits.....				17,790	17,790
Operating.....				21,303	21,303
Travel.....					
Capital Outlay.....					
Aid.....				29,592	29,592
Capital Improvements.....					
TOTAL.....				\$115,061	\$115,061