



## Fiscal Estimate Narratives

DWD 5/5/2015

LRB Number	15-2263/1	Introduction Number	AB-0192	Estimate Type	Original
<b>Description</b> Requiring certain unemployment insurance claimants to submit to drug tests, eligibility for unemployment insurance benefits following a drug test, granting rule-making authority, and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

The provisions in 2015 AB 192 are distinct from those in 2015 AB 21 and this estimate should not be used as a basis for comparison given the difference between the two proposals.

2015 AB 192 would require the Department of Workforce Development (DWD) to require claimants who apply for regular Unemployment Insurance (UI) benefits under certain conditions to submit to a test for controlled substances. DWD would have to determine, when a claimant applies for regular UI benefits, whether the claimant is an individual for whom suitable work is only available in an occupation described in the federal regulations governing drug testing for UI claimants or in certain occupations as determined by a decennial survey or is employed in an occupation which includes one of several categories that the department must promulgate by administrative rule.

A claimant meeting these requirements must complete a screening to determine whether DWD believes with reasonable suspicion that the claimant has engaged in the unlawful use of controlled substances. If the screening indicates such a reasonable suspicion, DWD must require the claimant to submit to a drug test.

Finally, DWD would be authorized to accept voluntarily-submitted drug test results from employers that conduct pre-employment testing. A claimant who either tests positive for one or more controlled substances or refuses such a drug test would be presumed to have failed to accept suitable work when offered, absent a rebuttable presumption defined within administrative rules that would be promulgated by DWD.

#### One-time Costs

The one-time cost to implement 2015 AB 192 is estimated at \$2,862,300.

IT costs: One-time IT changes needed to various systems are estimated at 14,600 hours or \$1,211,800.

Administrative costs: Administrative costs, which encompasses costs for training, project management, systems requirements gathering and testing, communications, web and forms updates, meetings, and development of databases and reports is estimated at 30% of the one-time IT cost or \$363,540.

Vendor Procurement: Procurement of various services, including drug screening, drug testing, and treatment, is estimated at 270 hours or \$18,054.

Policy Development/Rule Promulgation: Significant policy development and rule promulgation will be required. This is estimated to be 760 hours or \$38,050.

Employer Occupational Survey: The estimated one-time cost to develop the survey and to conduct the initial survey is \$1,230,800, including:

One-time IT changes are estimated at \$281,400.

One-time administrative costs are estimated at \$84,400.

Conducting and analyzing the initial iteration of the survey will cost \$865,000.

#### Annual Costs

Total estimated ongoing costs are \$1,059,700 annually.

It is assumed that the claimant must be otherwise eligible for UI benefits prior to screening for controlled substances and potential drug testing. In 2014, 189,000 unique claimants qualified for at least one week of UI benefits.

**Screening Costs:** This legislation includes several mechanisms by which an occupation can be included in the list of occupations that regularly conduct drug testing, including proposed federal regulations currently under promulgation by the U.S. Department of Labor; a decennial survey whereby an occupation must be included if 50% or more of the employers surveyed indicate that drug testing is required as a condition of employment, is conducted on a random basis, or is conducted upon reasonable suspicion of use of a controlled substance; or on a list of occupations to be promulgated by administrative rule including employers in certain statutorily-defined categories.

Based on the categories included in the bill, DWD has determined that up to 85% or 160,650 claimants could fall into one of the occupations that require drug testing as a condition of employment and thus be screened for reasonable suspicion of use of one or more controlled substances. Based on data collected from other states, DWD has calculated the cost for screening is \$2 for each claimant screened or approximately \$321,000 annually.

**Drug Testing:** Using data from other states that have screened and tested benefit recipients, DWD has made a preliminary estimate that roughly 2.5%, or just over 4,000 claimants who have been screened for reasonable suspicion of use of controlled substances would then be required to take a drug test based on the results of the screening. DWD has also estimated that that 7.2%, or about 300, claimants required to complete a drug test will refuse to do so. This leaves a total of up to 3,742 people required to take the test. Based on an estimated cost of \$40 per drug test, the projected cost of drug testing is up to \$149,300 annually.

**Treatment:** Based on the experience in other states, of the 3,742 claimants required to complete a drug test, 8.49% or 318 claimants would test positive. Out of those who test positive, it is assumed that 50% of those who test positive would elect to enroll in substance abuse treatment. Based on a cost of approximately \$2,700 per individual for treatment, the treatment costs are \$429,300 GPR annually.

**Staffing costs:** The annual staffing costs are estimated at .75 FTE and \$68,600 annually.

**Printing and mailing costs:** The average annual costs for printing and mailing are estimated at \$5,000 annually.

**Survey Costs:** DWD estimates that the employer survey will cost approximately \$865,000 every ten years, or \$86,500 annually.

**Voluntary Submission of Pre-Employment Drug Screening:** DWD is not currently able to estimate the number of individuals whose test results would be furnished to the department and as such, we are unable to determine the total cost for this provision.

#### Savings to the UI Trust Fund

Based on the average claimant duration of 15.3 weeks and the average weekly benefit amount of \$258.30, each claimant who either fails a drug test and does not seek DWD-approved treatment or refuses a drug test would save the UI trust fund approximately \$3,950. Multiplied by 459 claimants, this would result in a gross UI trust fund savings of up to \$1,813,050 annually. Claimants who elect to receive treatment could continue to receive benefits while in treatment, though the benefits would be charged to the balancing account, not individual employer accounts.

DWD estimates that any reduction in benefits paid out will result in approximately a one-third reduction in UI tax revenue and benefits paid to claimants while they are receiving treatment are paid to the balancing account and not to an individual employer's account, which reduces tax revenue by an additional \$194,380. The total net savings to the UI trust fund is approximately \$1,020,363 annually.

Savings to the UI trust fund result in savings to employer accounts and the balancing account, which has the effect of decreasing UI tax contributions from employers. Under federal law, these savings can only be used for the payment of benefits and cannot be used to administer any part of this legislation.

## Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Requiring certain unemployment insurance claimants to submit to drug tests, eligibility for unemployment insurance benefits following a drug test, granting rule-making authority, and making an appropriation	
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  The estimated total one-time cost is \$2,862,300.	
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>
	Increased Costs      Decreased Costs
<b>A. State Costs by Category</b>	
State Operations - Salaries and Fringes	\$68,600
(FTE Position Changes)	(0.8 FTE)
State Operations - Other Costs	991,100
Local Assistance	
Aids to Individuals or Organizations	
<b>TOTAL State Costs by Category</b>	<b>\$1,059,700</b>
<b>B. State Costs by Source of Funds</b>	
GPR	1,059,700
FED	
PRO/PRS	
SEG/SEG-S	
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>	
	Increased Rev
	Decreased Rev
GPR Taxes	\$
GPR Earned	
FED	
PRO/PRS	
SEG/SEG-S	
<b>TOTAL State Revenues</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>	
	<u>State</u>
	<u>Local</u>
NET CHANGE IN COSTS	\$1,059,700
NET CHANGE IN REVENUE	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>
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	<b>Date</b>
	5/5/2015