Is Drug Testing Temporary Assistance for Needy Families (TANF) *Applicants a Good Use of Government Funds?*

Tinsae Gebriel

In March of 2017, the Arkansas State Senate voted to make permanent its two-year pilot program to screen all eligible Temporary Assistance for Needy Families (TANF) applicants for drugs and test individuals suspected of using drugs. Proponents of the new law argue that it will deter drug use and save the state money through withheld benefits of otherwise qualified new applicants and those up for renewal that test positive and do not enter a treatment program. This paper examines the marginal cost and marginal benefit of drug testing TANF recipients to determine if it is financially valuable for the state of Arkansas.

 doi.org/10.4079/pp.v25i0.18352

BACKGROUND

The United States Congress created the Temporary Assistance for Needy Families (TANF) block grant through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The block grant allows states to operate individualized social welfare programs for needy families. The 1996 bill outlines four goals of the TANF program:

1. "Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives.
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.
3. Prevent and reduce the incidence of out of wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. Encourage the formation and maintenance of two parent families" (CBPP 2015).

To meet these goals, states provide low-income families with assistance in a variety of ways, including but not limited to, providing cash assistance, childcare, transportation, and job training (CBPP 2015). While receiving assistance, TANF recipients are required to work or actively look for employment, or face the risk of losing benefits (CBPP 2015).

In Arkansas, the Department of Workforce Services (DWS) manages the state's TANF program which consists of four initiatives: Transitional Employment Assistance (TEA), Work Pays, the Career Pathways Initiative, and the Community Investment Initiative. TEA and Work Pays provide monthly cash assistance to families with children under the age of 18 for up to 24 months (Arkansas Department of Workforce Services - TANF 2017). The requirements and application processes for Arkansas' TANF program are extensive. To be eligible for TANF, an applicant must be an Arkansas resident with a child under the age of 18, a US citizen or legal resident, and have low income. As of 2012, the maximum income for a single parent with two children to qualify for TANF is $278 (Falk 2014). All applicants, regardless of family size cannot have assets that exceed $3,000 (Arkansas Department of Workforce Services - SNAP AND TEA 2018). In addition to filling out an application, individuals must provide various supplementary documentation, including Social Security numbers and immunization records for each member of the household. They must also provide proof of residence, US citizenship or permanent residency status, income, assets, and verification of dependent children's ages and relationship to the applicant. The state then requires an in-person interview to determine final enrollment eligibility (Arkansas Department of Workforce Services TANF FAQs 2017).

Once enrolled, "able-bodied adult family members are required to participate in work activities, which are designed to lead to employment" (Arkansas Department of Workforce Services 2016, 3). The state has identified a list of activities that meet the employment requirement of TANF. They include unsubsidized or subsidized employment, direct work experience or on-the-job training, job skills or vocational training, and job search and readiness (3-4). The state also considers community service programs, education directly related to employment, satisfactory attendance at secondary school or equivalent, and providing child care services for a TANF participant enrolled in community service program as qualifying activities (5-6). Noncompliance with the work activity requirement can result in suspension, reduced cash assistance, or termination from the program (7-8).

CURRENT LEGISTLATION

Two years ago, Arkansas legislators passed the Drug Screening and Testing Act of 2015. The act authorized DWS to start a two-year pilot program that drug screens and tests TANF applicants residing in counties that border Mississippi, Missouri, Oklahoma, Tennessee, or other bordering states with similar programs[1]. Under the trial, new applicants and recipients up for renewal were "screened using an empirically validated drug screening tool" developed by DWS.[2] Based on the screening, if DWS suspected that an applicant was using drugs, that applicant was subjected to a urine-based five-panel drug test.[3] A refusal to take a drug test resulted in "lack of eligibility for program benefits for six months."[4] If an applicant tested positive for drugs and entered a drug treatment program, they were eligible to receive TANF benefits, but the cost of the drug test was deducted from their TANF payment. If an applicant tested positive but refused to enter a substance abuse treatment program, they were eligible to re-apply for TANF after six months and enroll in the program following a negative drug test. The cost of the initial positive test was deducted from the individual's benefits once they were successfully enrolled in the program. If an applicant tested negative, "the cost of administering the drug test [was] paid by the department."[5]

In March of 2017, the state passed Senate Bill 123 (91st General Assembly) which made the pilot program permanent and statewide, with a few minor modifications on how applicants are drug tested.[6] Instead of the urine-based drug test requirement in the pilot program, Senate Bill 123 establishes a five-panel drug test as the minimum threshold.[7] A five-panel drug test is the most common type of drug testing tool (used by both private employers and government agencies) and screens for five different controlled substances. Applicants will not be denied benefits if they test positive for a drug for which they have a valid prescription (State of Arkansas 2017).

WHY DRUG TEST TANF RECIPIENTS?

Drug use is a serious social and health problem in America that impacts both the individual user and the families and communities to which they belong. According to the 2015 and 2016 National Survey on Drug Use and Health, around 10.6 percent of American adults over the age of 18 report illicit drug use in the past month (SAMHSA 2016). Drug use

[1] An Act to Establish the Drug Screening and Testing Act of 2015, Senate Bill 600, 90th General Assembly. (2015).
[2] An Act to Establish the Drug Screening and Testing Act of 2015, Senate Bill 600, 90th General Assembly. (2015).
[3] An Act to Establish the Drug Screening and Testing Act of 2015, Senate Bill 600, 90th General Assembly. (2015).
[4] An Act to Establish the Drug Screening and Testing Act of 2015, Senate Bill 600, 90th General Assembly. (2015).
[5] An Act to Establish the Drug Screening and Testing Act of 2015, Senate Bill 600, 90th General Assembly. (2015).
[6] An Act to Update the Drug Screening and Testing Act of 2015, Senate Bill 123, 91th General Assembly. (2017).
[7] An Act to Update the Drug Screening and Testing Act of 2015, Senate Bill 123, 91th General Assembly. (2017).

in Arkansas is comparable to the national average. In the same survey, 9 percent of Arkansas adults over the age of 18 report using illicit drugs in the past month while 3.3 percent report using an illicit drug other than marijuana in the same period. Nationally, 3.5 percent of adults report recent drug use other than marijuana (SAMHSA 2016).

Economic theory of externalities tells us that we should care about others' drug use since it has impacts beyond those that directly impact the drug user. Costs to minor children of drug users from, neglect, emotional distress or lost tax revenue are examples of such spillover impacts. The last available national estimate of the economic cost of drug use from 2007 is $193 billion. This cost includes "the use of resources to address health and crime consequences as well as the loss of potential productivity from disability, premature death, and withdrawal from the legitimate workforce" (ONDCP 2014). These negative costs to society can influence and potentially justify policies like Arkansas Senate Bill 123 that aim to reduce drug consumption through penalties. If such policies achieve this goal, they should then reduce the negative social costs of drug use on others.

Arkansas Senate Bill 123 also addresses the individual costs associated with drug use. The negative impacts of drug use on the individual user contradict the state's goal for the TANF program. Arkansas' TANF benefits are designed to "help disadvantaged Arkansans transition from government assistance to self-sufficiency" (Arkansas Department of Workforce Services 2016). According to research from the Substance Abuse and Mental Health Services Administration (SAMHSA), drug use has negative impacts on the workforce, including "lost productivity, workplace accidents and injuries, employee absenteeism, low morale, and increased illness" (Bush and Lipari 2015). This research on the effects of drug use on employment is echoed by Michael French et. al. (2001), in a *Southern Economic Journal* article entitled, "Illicit Drug Use, Employment, and Labor Force Participation." The findings demonstrate that drug use has a negative effect on employment participation.

The National Conference of State Legislatures (2017) reports that "at least 15 states have passed legislation regarding drug testing or screening for public assistance applicants or recipients," which is proving to be a costly endeavor for some. For instance, in the neighboring state of Kansas in 2016, 24,536 individuals applied for TANF and 287 were tested for drugs. Among the group tested, 77 individuals returned positive results for drug use. The annual cost of administering the tests to 287 applicants, which included the "staff time, lab expenses, and other costs," was reported as $94,480.25 (Israel 2017). This represents about $1,227 per positive test result and is large relative to the average $429 per month that a family of three receives in benefits. Missouri, Oklahoma, and Tennessee have spent $7,006, $1,299, and $200 respectively per positive drug test result (Hall 2016). In 2016, Oklahoma spent around $668,000 to drug test TANF applicants (Israel 2017). Arkansas' 2016 data for the drug screening and testing pilot program shows that 3,040 individuals applied for TANF benefits over that year. Of the total applicant pool, 17 individuals were suspected of using drugs but only six agreed to a drug test. This cost Arkansas a total of $30,243 and only two individuals tested positive for drug use (Israel 2017). This represents around $15,000 per positive test result.[8]

[8] 11 of the 17 suspected applicants refused to take a drug test and therefore would have been ineligible for TANF benefits for up to six months, thus allowing Arkansas to capture some savings from withheld benefits.

ASSESSING TRADEOFFS

There are two aspects to the argument over drug-testing TANF recipients: one is economic and the other moral. This paper does not address the moral concerns of the policy, but rather examines if this policy is a valuable financial investment for the Arkansas state government. There are additional costs associated with this policy. However, this is a budgetary analysis and not a true cost benefit analysis that examines all social costs and benefits of drug testing TANF recipients. This section of the paper will examine whether the cost of drug testing a TANF applicant is worth the benefit the state receives by withholding TANF payments from a drug-using applicant.

To answer this question, one can compare the marginal cost of a five-panel drug test to the marginal benefit of withholding TANF payments to applicants who test positive for illegal drugs. Christopher Thomas and S. Charles Maurice note in their book, *Managerial Economics* (2008) that "no other tool in managerial economics is more powerful than the ability to attack problems by using the logic of marginal analysis". With marginal analysis, it is possible to determine if Senate Bill 123 is performing optimally for the state of Arkansas. Marginal analysis allows us to determine if the cost of one additional drug test is worth the savings from withholding one additional TANF cash payment. If the marginal cost of drug tests is less than the marginal benefit, then the funds required to administer this law would be a sound investment for the state. However, if the cost of drug testing and screening an additional TANF applicant is more than the benefit, then administering this law does not make financial sense. The marginal benefit is measured by the amount of money the state avoids paying to a drug-using TANF applicant. For this analysis, the cost of drug testing is defined as the monetary cost of administering a five-panel drug test per individual.[9]

Since Arkansas' permanent Drug Screening and Testing Act was enacted in March 2017, there is no data yet available on the cost the state has incurred in drug testing TANF applicants. To analyze the marginal cost and marginal benefit of the new law, this paper will use the cost of five-panel drug tests in the private market and the monthly TANF payout in Arkansas for a family of three. According to the Center on Budget and Policy Priorities, the monthly TANF benefit payout for Arkansas residents in 2017 is $204 for a family of three (Floyd 2017). For this analysis, the marginal benefit of drug testing applicants is calculated as the TANF benefits withheld from applicants who test positive for drug use.[10] The marginal cost is measured by the cost of a five-panel drug test, which varies by laboratory.[11] According to Any Time Analysis, a Texas based testing company, a five-panel lab based drug test costs $50 (Any Time Analysis 2018). The same test is $40 at Drug Test Services, a lab-based drug testing company in Nebraska (Drug Test Services 2018). For this analysis, we will use the average of the two

---

9 A five-panel drug test is the minimum requirement outlined by Senate Bill 123. DWS may choose to implement a more rigorous drug test.

10 This analysis assumes that every applicant who tests positive for drug use refuses to enter a substance abuse treatment program and therefore is denied benefits for six months.

11 It is important to note that benefits are withheld for six months only for applicants who test positive for drugs but refuse to enter a substance abuse treatment program. If these individuals reapply for TANF after the six-month period and pass a new drug test, the cost of the initial positive drug test is deducted from their TANF payout.[11] DWS only pays for drug tests with a negative result.

costs ($45). It is important to remember that the state DWS only pays for drug tests with a negative result. The cost of drug tests used in this analysis is significantly lower than the costs provided earlier in the paper from similar policies enacted in other states because it only includes the cost of the test and no other administrative and personnel costs associated with the policy. Essentially, $45 is the very lowest possible cost to Arkansas for enacting this drug testing policy. Additionally, this marginal cost does not capture additional costs associated with withholding benefits from recipients (e.g. increase in crime).

Among TANF applicants who test negative for drugs, Arkansas spends $45 per applicant, and for individuals who test positive for drug use, the state gains $204 from the withheld TANF benefits. As noted previously, in 2016, 17 TANF applicants were suspected of using drugs in Arkansas but only six agreed to be drug tested. Of the six, two tested positive for drug use. Using this data, there is a 67 percent probability applicants will test negative for drug use and a 33 percent probability that they will test positive.

The following table uses the information above to summarize the marginal benefit and marginal cost of drug testing TANF recipients.

	Marginal Cost to DWS	Marginal Benefit to DWS	Net Benefit to DWS
Negative Drug Test	-$45* (.67)	$0	- $30.15
Positive Drug Test	$0	$204*(.33)	$67.32
Total	——	——	$37.17

The net benefit of drug testing TANF applicants to DWS is $37.17 per applicant. Over the six-month period in which a positive testing applicant is denied TANF benefits, the state captures around $223 in savings from withheld benefits. Based on the conditions set forth in this analysis, the financial benefit of drug testing TANF applicants outweighs the costs of the drug tests. However, this analysis does not consider administrative and other costs associated with the policy.

It is important to note that the TANF payment amount varies by family size and structure. The marginal benefit of withholding TANF benefits can fluctuate since the amount an individual receives depends on how many people are in their household. Additionally, each adult over the age of 18 within a household applying for TANF that is suspected of drug use is tested, so it would cost the state double the amount to drug test two parent households than single parent households. From the state's perspective, administering drug tests could be more cost effective for some households than for others. If the marginal family TANF benefit withheld is less than the marginal cost of drug testing, then it is not economically optimal to drug test those applicants. However, from a legal standpoint, relying on family size

The marginal cost of a drug test on DWS for someone who tests positive is zero because the cost will be deducted from their TANF benefit once they retake the test and successfully enroll into the program.

to determine whether individuals suspected of drug use should be tested could be interpreted as discriminatory and unethical.

CONCLUSION

The social and individual costs associated with drug use do not in themselves make drug screening and drug testing TANF applicants valuable to Arkansas. Instead, the value is estimated through analysis of the marginal cost of administering drug tests to TANF applicants and the marginal benefit of withholding benefits from individuals who test positive for illicit drugs. This allows Arkansas officials to determine if Senate Bill 123 is an efficient use of resources. The findings show that there is a 67 percent chance that Arkansas will incur a marginal cost of $45 per drug tested applicant under this policy. This marginal cost estimate is likely lower than the actual cost since it does not include additional costs the state may incur in administering this policy (e.g. administrative costs, other costs associated with withholding TANF benefits from individuals, etc.). Overall, within the scope of this financial analysis, the state captures $223 in savings from withheld TANF payouts over a six-month period under this policy.

Aside from analyzing Arkansas' drug screening and testing policy for TANF recipients through the lens of optimizing government spending, it is crucial to examine the social implications of the policy. Singling out low-income people who receive public assistance through TANF can perpetuate long-standing stigma and suspicion of low-income people as prone to drug use. If the underlying notion is to ensure that anyone who receives government assistance does not engage in harmful behavior, why not create policies that drug screen and drug test other forms of public assistance programs? The Mortgage Interest Rate Deduction also qualifies as a government subsidy, although it benefits primarily higher-income individuals. Should recipients of this subsidy be subjected to drug testing? Future studies should examine the longstanding impact this bill takes on low-income people's motivation to apply for TANF and their overall morale with regard to receiving public assistance.

Additionally, policymakers should expand upon the scope of this analysis to perform a true cost benefit analysis that examines all costs and benefits associated with this policy and determine the overall social impact of the policy.

REFERENCES

An Act to Establish the Drug Screening and Testing Act of 2015, S.B. 600, 90th General Assembly (Arkansas 2015), ftp://www.arkleg.state.ar.us/acts/2015/Public/ACT1205.pdf.

An Act to Update the Drug Screening and Testing Act of 2015, S.B. 123, 91st General Assembly (Arkansas 2017), https://legiscan.com/AR/bill/SB123/2017.

Any Time Analysis. 2018. "Pricing." Accessed January 20, 2018. http://anytimeanalysis.com/ Pricing_Drug_Testing_Paternity_Testing_Alcohol_Testing.html.

Arkansas Department of Workforce Services. "SNAP AND TEA ASSISTANCE." Accessed March 28, 2018. https://www.dws.arkansas.gov/employers/arkansas-snap-and-tea-assistance/.

Arkansas Department of Workforce Services. "TANF Frequently Asked Questions." Accessed January 15, 2018. https://www.dws.arkansas.gov/temporary-assistance-for-needy-families/tanf-frequently-asked-questions/.

Arkansas Department of Workforce Services. "TANF (Temporary Assistance for Needy Families)." Accessed May 07, 2017. https://www.dws.arkansas.gov/temporary-assistance-for-needy-families/.

Arkansas Department of Workforce Services. "Temporary Assistance for Needy Families (TANF) Annual Report." December 28, 2016. Accessed December 04, 2017. https://www.dws.arkansas.gov/wp-content/uploads/2017/05/2016-TANF-Annual-Report.pdf.

Bush, Donna and Rachel Lipari. "Substance Use and Substance Use Disorder by Industry." Substance Abuse and Mental Health Services Administration. April 16, 2015. Accessed May 07, 2017. https://www.samhsa.gov/data/sites/default/files/report_1959/ShortReport-1959.html.

Center on Budget and Policy Priorities (CBPP). "Policy Basics: An Introduction to TANF." June 15, 2015. Accessed December 04, 2017. https://www.cbpp.org/research/policy-basics-an-introduction-to-tanf.

Drug Test Services. 2018. "Workplace Drug Testing." Accessed January 20, 2018. https://drugtestservices.net/workplace-testing.

Falk, Gene. "Temporary Assistance for Needy Families (TANF): Eligibility and Benefit Amounts in State TANF Cash Assistance Programs." July 22, 2014. Accessed March 6, 2018. https://fas.org/sgp/crs/misc/R43634.pdf.

Floyd, Ife. "TANF Cash Benefits Have Fallen by More than 20 Percent in Most States and Continue to Erode." Center on Budget and Policy Priorities, October 13, 2017. Accessed May 07, 2017. https://www.cbpp.org/research/family-income-support/tanf-cash-benefits-have-fallen-by-more-than-20-percent-in-most-states.

French, Michael T., M. Christopher Roebuck, and Pierre Kébreau Alexandre. "Illicit Drug Use, Employment, and Labor Force Participation." *Southern Economic Journal* 68, no. 2 (October 2001): 349-368. http://www.jstor.org/stable/1061598.

Hall, Randi. "Drug Testing and Public Assistance." Center for Law and Social Policy, October 2016. Accessed May 07, 2017. https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/2016.02.04-Drug-Testing-and-Public-Assistance-Brief-FINAL.pdf.

Israel, Josh. "States Spend Millions to Drug Test the Poor, Turn Up Few Positive Results." Think Progress, April 20, 2017. Accessed May 07, 2017. https://thinkprogress.org/states-spend-millions-to-drug-test-the-poor-turn-up-few-positive-results-81f826a4afb7/.

Mobile Health Management Services. "Five Panel Drug Test: Why Do a Five Panel Drug Screen and What Does it Test For?" Accessed May 07, 2017. http://www.mobilehealth.net/screening/ drug-screening/5-panel/.

National Conference of State Legislatures (NCSL). "Drug Testing for Welfare Recipients and Public Assistance." March 24, 2017. Accessed January 18, 2018. http://www.ncsl.org/research/human-services/drug-testing-and-public-assistance.aspx.

Office of National Drug Control Policy (ONDCP). "Consequences of Illicit Drug Use in America." April 2014. Accessed January 17, 2018. https://obamawhitehouse.archives.gov/sites/default/files/ondcp/Fact_Sheets/consequences_of_illicit_drug_use_-_fact_sheet_april_2014.pdf.

Substance Abuse and Mental Health Services Administration (SAMHSA). "2015-2016 National Survey on Drug Use and Health: Model-Based Prevalence Estimates (50 States and the District of Columbia)." SAMHSA Center for Behavioral Health Statistics and Quality, 2016. Accessed January 16, 2018. https://www.samhsa.gov/data/sites/default/files/NSDUHsaePercents2016/NSDUHsaePercents2016.pdf.

Thomas, Christopher R., and S. Charles Maurice. *Managerial Economics*. Boston: McGraw-Hill/Irwin, 2008.

TINSAE GEBRIEL is a second-year Master of Public Policy candidate at GW's Trachtenberg School and is concentrating in urban policy. She graduated from the University of Maryland, College Park with a BA in Criminology and Criminal Justice. She currently works at the U.S. Department of Justice, providing legal support to federal trial attorneys. Tinsae aims to use her degree to dismantle the many social barriers that disproportionately impact people of color in urban settings and to provide equitable policy solutions. In her free time, Tinsae enjoys spending time with friends, watching The Office, and volunteering at ONE DC, a local community organizing group.

ACKNOWLEDGEMENTS

The author would like to thank Managing Editor Brittany Harris and Associate Editor Matthew Pickering for their feedback, diligence, and patience throughout the editing process. She would also like to thank Professor Leah Brooks for her feedback and guidance. Lastly, the author would like to acknowledge Professor Stephanie Cellini for offering additional support and guidance on the paper.