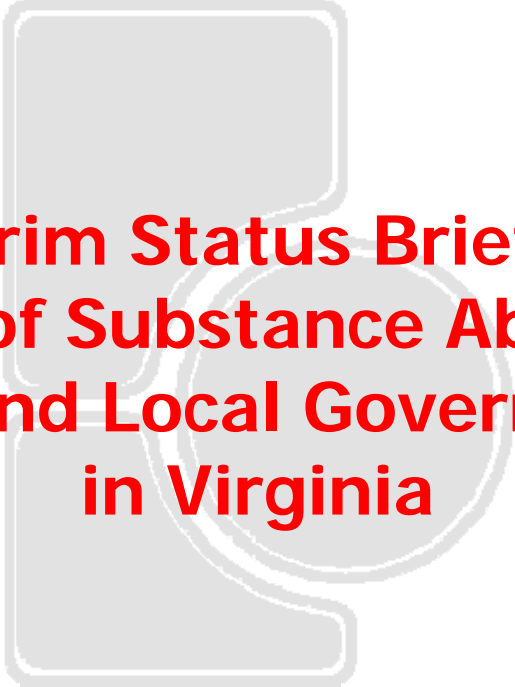

Joint Legislative Audit and Review Commission



**Interim Status Briefing:
Costs of Substance Abuse to
State and Local Governments
in Virginia**

Commission Briefing

December 10, 2007



Study Mandate: HJR 683, SJR 395 (2007)

- JLARC directed to
 - Study impact of substance abuse on State and local budgets
 - Determine savings from enhanced substance abuse services
 - Recommend funding initiatives to provide needed services

- HJR 683 focuses on offender population and SJR 395 considers all Virginians

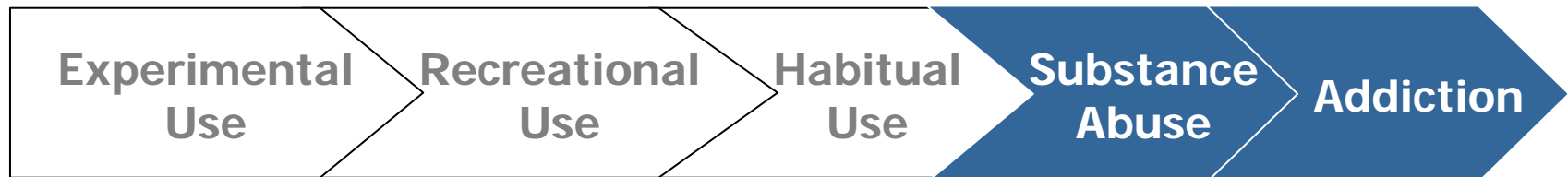
In This Presentation

- Framework and Methods
- Preliminary Estimate of the Costs of Substance Abuse
- Project Status and Timeline



Fiscal Estimate Focuses on Effects of Substance Abuse and Addiction

- Excludes impact of substance use



- Substance abuse and addiction
 - Affects 9% of Virginians
 - Involves repeated use in hazardous situations despite adverse consequences
 - Has physical and social effects

Estimate Includes Only Fiscal Impact on State and Local Governments

- Estimate excludes
 - Federal funding
 - Costs to individuals, private employers, and insurance companies
- Total cost of substance abuse to society far greater than fiscal impact on State and local governments

Estimate Based on Established Approach and Assumptions

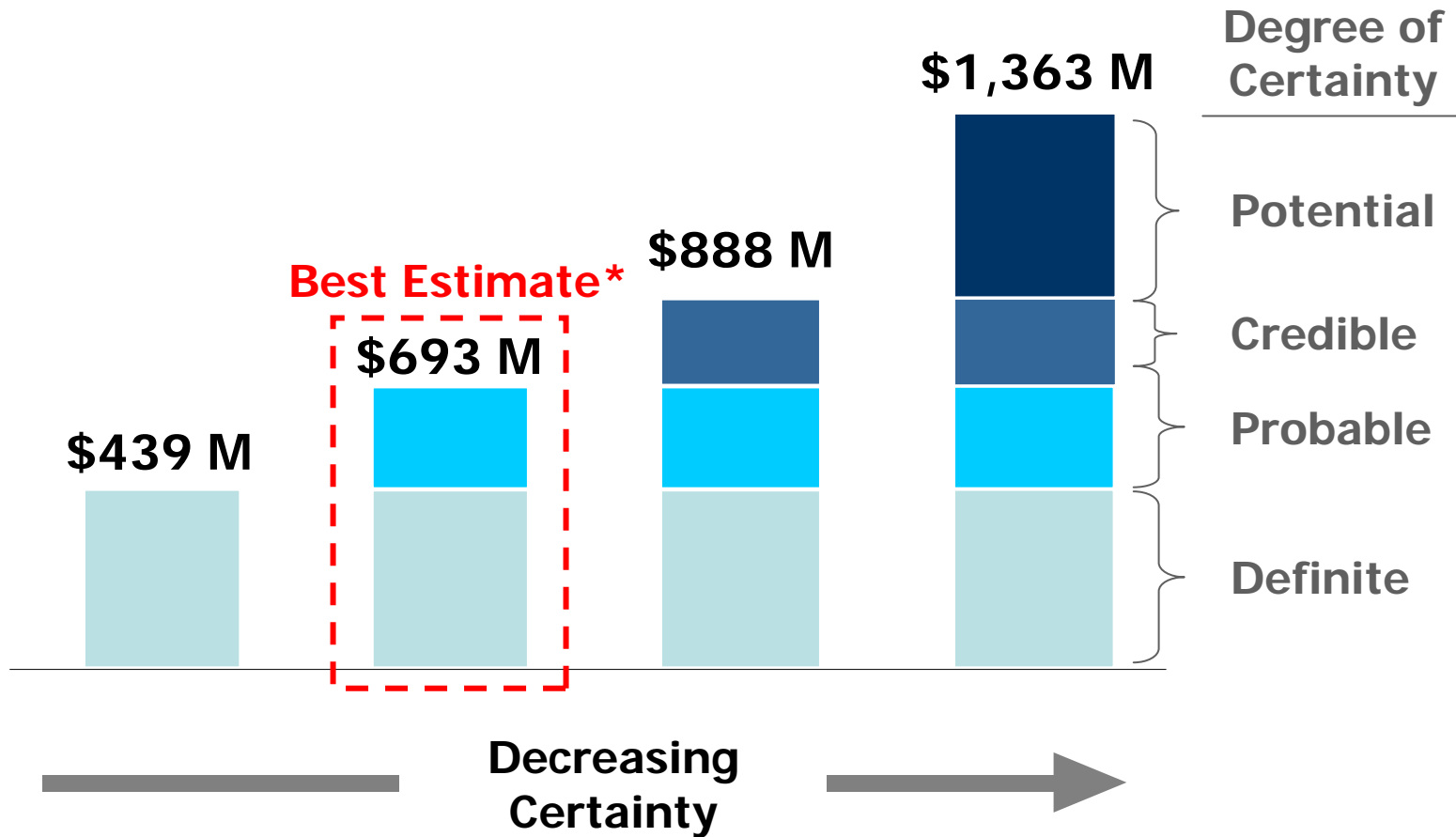
- Reviewed all reputable national and state studies
- Relied heavily on approach developed by the National Institute on Drug Abuse (NIDA)
 - Basis for most prior studies estimating costs of substance abuse
- Examined assumptions for credibility and robustness
 - Some prior studies used speculative data

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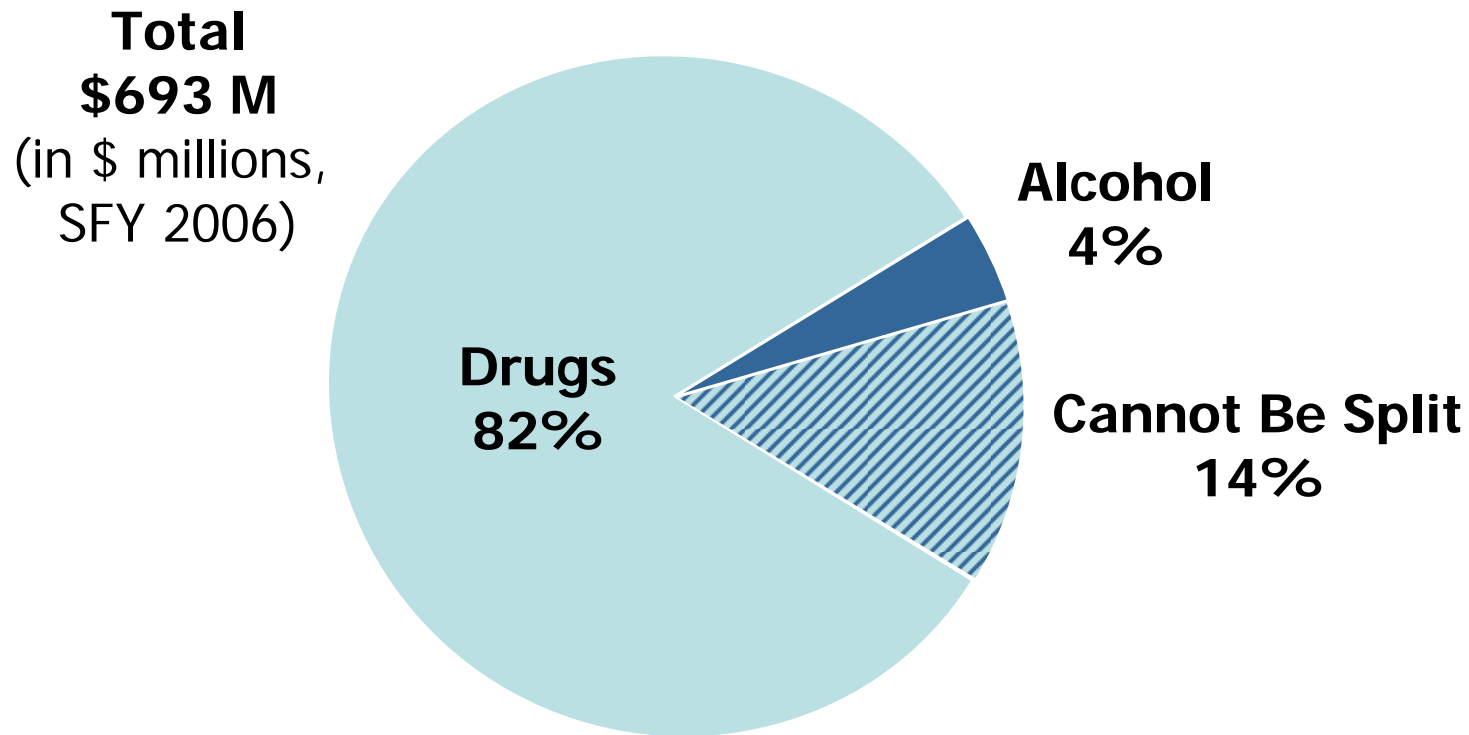
Estimated Impact of Substance Abuse on State and Local Budgets Varies Based on Degree of Certainty



* Preliminary estimate, SFY 2006, in \$ millions

Source: Analysis of data from criminal justice agencies, DMHMRSAS, DMAS, and other State agencies.

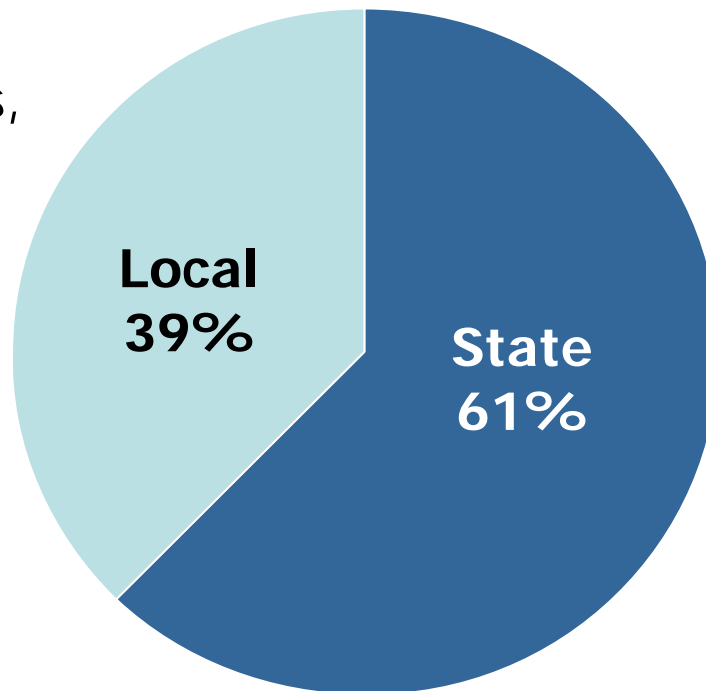
Drug Abuse Imposes Greatest Costs Upon State and Local Governments



Source: Analysis of data from criminal justice agencies, DMHMRSAS, DMAS, and other State agencies.

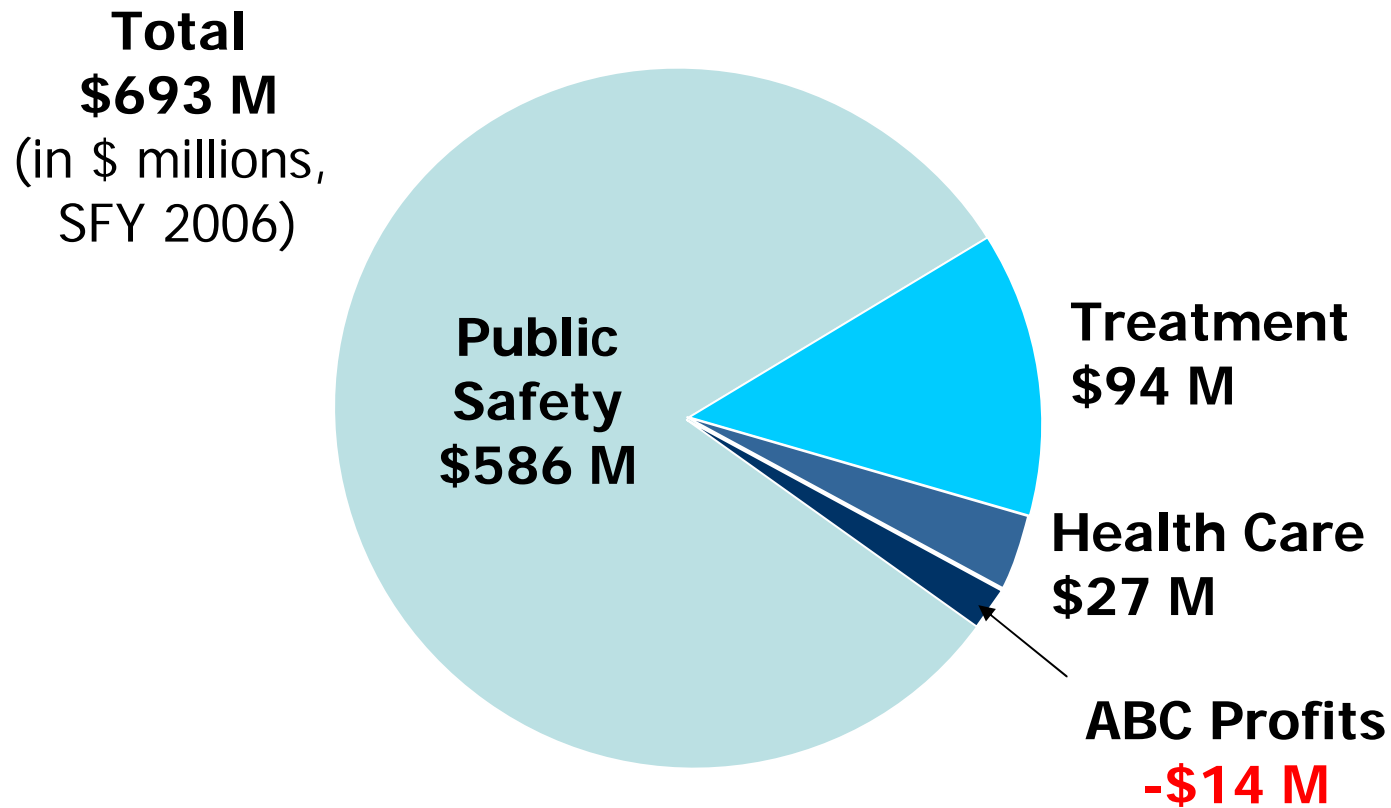
State Absorbs Greatest Share of Substance Abuse Costs

Total
\$693 M
(in \$ millions,
SFY 2006)



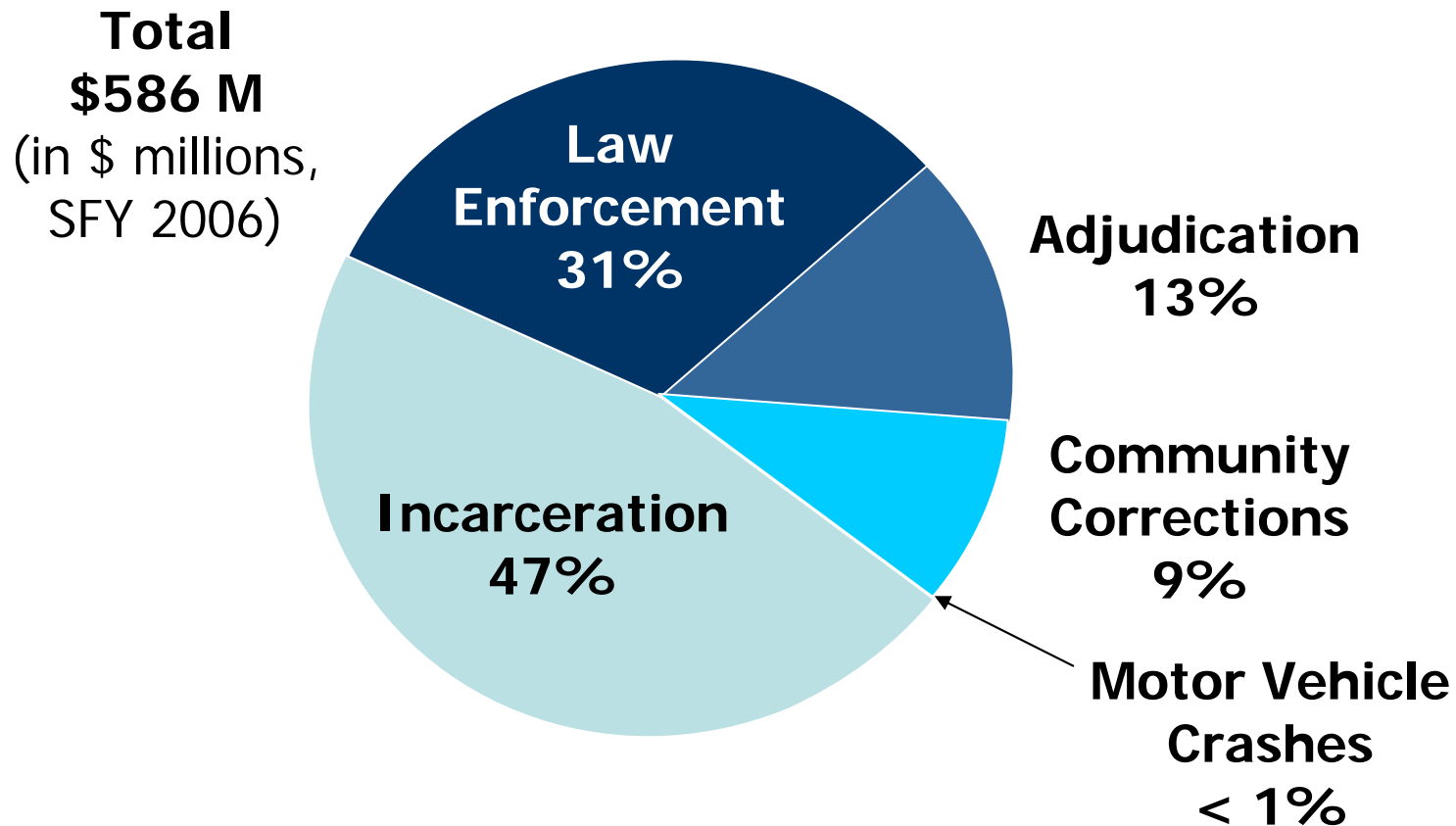
Source: Analysis of data from criminal justice agencies, DMHMRSAS, DMAS, and other State agencies.

Substance Abuse Impacts Multiple State and Local Government Systems



Source: Analysis of data from criminal justice agencies, DMHMRSAS, DMAS, and other State agencies.

Incarceration Accounts for Nearly 1/2 of Public Safety Costs Attributable to Substance Abuse



Source: Analysis of data from DOC, DJJ, DCJS, APA, State Police, Compensation Board, and Supreme Court of Virginia.

Most Substance Abuse Treatment Spending Incurred in CSBs

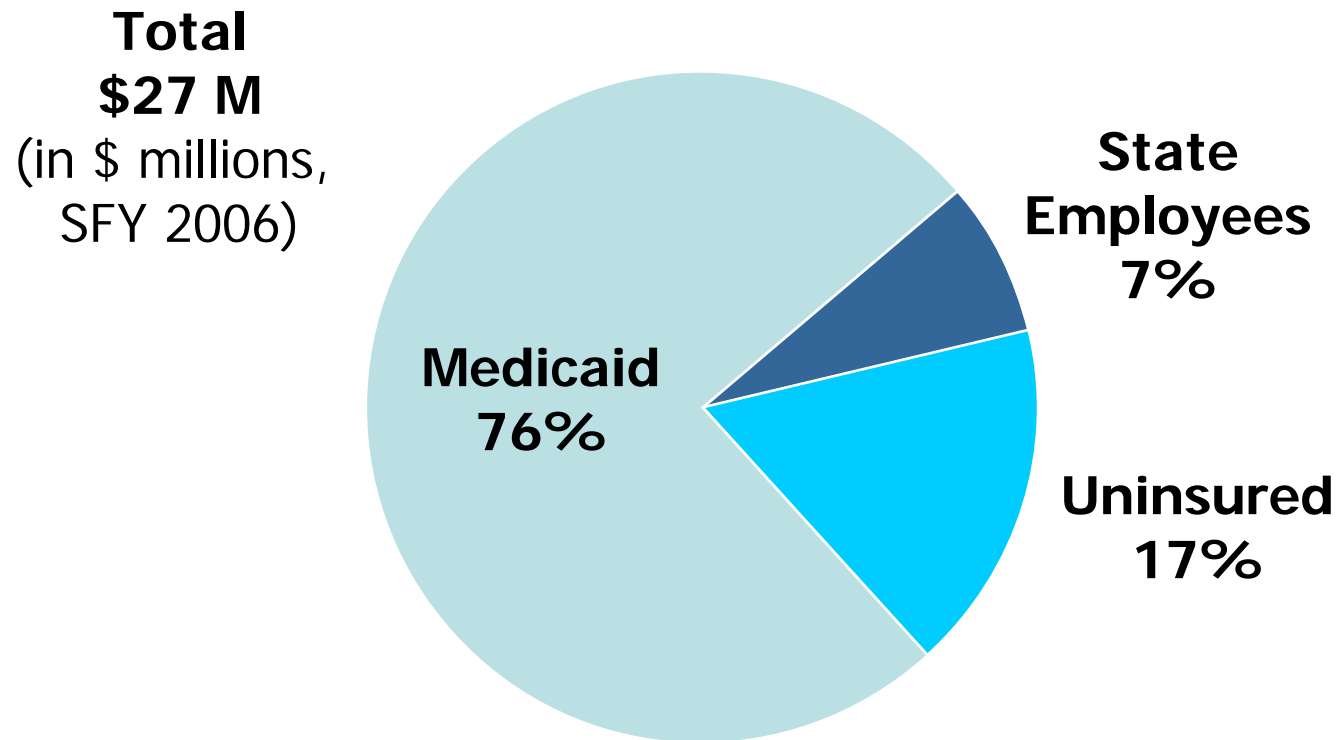
State and Local Funds	Total Cost (SFY 2006, \$ millions)
Community Services Boards (CSB)	\$81.6 M
Adult Corrections	\$8.5 M
Juvenile Justice	\$2.0 M
Local Probation	\$0.8 M
State Employees	\$0.7 M
Medicaid	\$0.4 M
TOTAL	\$94.0 M

Federal Funds

\$38.4 M

Source: Analysis of data from DMHMRSAS, DOC, DJJ, DCJS, Supreme Court of Virginia, Anthem, and DMAS.

Diseases and Injuries Attributable to Substance Abuse Burden Public Health Care System



Source: Analysis of data from DMAS, Anthem, and Virginia Health Information (VHI).

ABC Profits Mitigate Some Costs of Substance Abuse in Virginia

- Total ABC profits = \$115 M in SFY 2006
- Approximately 12% of Virginia drinkers abuse alcohol
- At minimum, 12% of ABC profits (\$14 M) generated by alcohol abusers

Source: Analysis of data from ABC and the Centers for Disease Control and Prevention (CDC).

“Credible” Effects of Substance Abuse Are Certain But Cannot Be Accurately Quantified

- Alcohol abuse linked to violent crimes
- Patients with secondary diagnoses of substance abuse stay in hospital longer
- Substance abuse contributes to foster care placements and cases of child abuse & neglect

Certain Cost of Substance Abuse to State and Local Governments Cannot Be Quantified at All

- Lack of data precludes calculating fiscal impact of
 - Co-occurrence of substance abuse and mental illness
 - Domestic violence
 - Risky sexual behaviors
 - Teenage pregnancies
 - Homelessness

Substance Abuse Imposes Additional Costs Upon Virginia Families

- Lost earnings
- Breakdown of families
- Impact of premature deaths on family members
- Poor school performance
- Debts and bankruptcy

Substance Abuse Increases Employers' Cost of Doing Business

- Workforce shortages due to failed drug screens
- Staff turnover
- Reduced productivity

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Research Activities

- ☑ Visited local experts from 4 agencies in 10 regions
- Survey providers
- Examine other states' delivery systems
- Analyze cost-effectiveness of existing substance abuse services in Virginia
 - ☑ Received data from 10+ State agencies
- Develop recommendations to minimize fiscal impact of substance abuse

Study Schedule

- JLARC interim briefing - December 2007
- Final JLARC briefing and report - June 2008

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Copies of these slides are available on our website
and on the table by the door.

