ECONOMIC SERVICES ADMINISTRATION

Emergent Need (AREN) Increase

2015-17 BIENNIAL BUDGET

Transforming Lives

Reduction Option	FY16	FY17	15-17
FTE	0.0	0.0	0.0
GF-State	($863,000)	($863,000)	($1,726,000)
Total	**($863,000)**	**($863,000)**	**($1,726,000)**

REDUCTION OPTION SUMMARY

As required by 2015-17 Biennial Budget Instructions, the Economic Services Administration (ESA) is submitting the following reduction option that would change the maximum amount for receipt of Additional Requirements for Emergent Need (AREN) from an annual $750 limit to a lifetime $750 limit. By implementing this reduction, fewer families will be provided emergent benefits to avoid homelessness or utility shut-off.

REDUCTION OPTION DETAIL

Temporary Assistance for Needy Families (TANF) and State Family Assistance (SFA) families occasionally experience an emergent situation that can result in their eviction or the shut-off of utilities. The AREN program provides a cash payment to a vendor (in addition to the TANF or SFA cash grant made to the family) to meet the emergent housing or utility need. In February 2012, the department implemented a $750 lifetime limit on the receipt of these benefits. Prior to that, benefits could be authorized multiple times in the recipient's lifetime, but the cumulative total could not exceed $750 in a 12-month period. Effective May 1, 2014, based on funding provided by the legislature for this purpose, the department returned to a 12-month AREN limit. This proposal would reduce spending by reverting to the lifetime limit.

This proposal would likely result in more families becoming homeless resulting in toxic stress for children which may have lasting effects on their development. Toxic stress in childhood has also been shown to negatively impact adult health and well-being, educational attainment, employability, and increased involvement with the criminal justice system. Utility shut-offs leave families without basic necessities such as lighting, water, and heat. Homelessness and lack of basic necessities may also impact the adult's ability to continue activities related to seeking and finding employment, which also may cause toxic stress on children. Homelessness impacts multiple service systems. An increase in homeless families due to the decrease in AREN benefits would see costs shifted to other service areas to address homelessness. These offsetting costs may exceed the cost of funding AREN at current levels. Community vitality and community economic stability are also impacted by homelessness, with potential additional costs to be considered in this area.

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It was estimated that the AREN program would experience a 50 percent increase in utilization by shifting from a lifetime to an annual limit. The annual increased cost to implement this change was estimated to be $863,000 per year. Reverting to a lifetime limit would save an estimated $1,726,000 in the 2015-17 Biennium.

This reduction will decrease the amount of GF-State available to meet the federal Maintenance of Effort (MOE) requirement for the TANF program. This will increase the reliance on qualifying GF-State spending in other state agencies in order to ensure the MOE spending requirement is met. Failure to meet the MOE spending requirement results in a penalty to the state. This penalty is a reduction to the federal TANF block grant equal to the amount of the MOE underspend. The loss of federal funds due to penalty must be replaced with GF-State spending. GF-State spending required to replace a penalty does not count toward meeting the MOE requirement.

This proposal would not require a statutory change.

STAKEHOLDER IMPACT

The advocate community will not support this proposal.

Debbie Davis (360) 725-0682 September 17, 2014