

Washington State Department of Social and Health Services

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Lives

## REPORT TO THE LEGISLATURE

### WORKFIRST MAINTENANCE OF EFFORT AND WORK PARTICIPATION RATE FIRST QUARTER CALENDAR YEAR 2022

Chapter 297, Laws of 2022

October 1, 2022

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STATE OF WASHINGTON

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES**

Economic Services Administration ■ Community Services Division ■ P.O. Box 45470 ■ Olympia, Washington 98504-5470

## **WorkFirst Maintenance of Effort and Work Participation Rate Report First Quarter Calendar Year 2022**

**Data: Third Quarter, Federal Fiscal Year 2022**

### **Executive Summary**

The 2016 Washington State Legislature mandated that DSHS produce a report each calendar quarter, beginning July 1, 2016, to track maintenance of effort and participation rates for the Temporary Assistance for Needy Families (TANF) program. This report shall be provided to the Office of Financial Management, appropriate policy and fiscal committees of the state legislature, and the Legislative-Executive WorkFirst Poverty Reduction Oversight Task Force.

### **Statutory Requirement**

[Chapter 297, Laws of 2022](#) Section 205(1) (h) requires the report on maintenance of effort and work participation rate tracking for TANF include the following details:

1. An overview of federal rules related to maintenance of effort, excess maintenance of effort, participation rates for TANF, and the child care development fund as it pertains to maintenance of effort and participation rates;
2. Countable maintenance of effort and excess maintenance of effort, by source, provided for the previous federal fiscal year;
3. Countable maintenance of effort and excess maintenance of effort, by source, for the current fiscal year, including changes in countable maintenance of effort from the previous year;
4. The status of reportable federal participation rate requirements, including any impact of excess maintenance of effort on participation targets;
5. Potential new sources of maintenance of effort and progress to obtain additional maintenance of effort;
6. A two-year projection for meeting federal block grant and contingency fund<sup>1</sup> maintenance of effort, participation targets, and future reportable federal participation rate requirements; and

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<sup>1</sup>Contingency Funds for State Welfare Programs are additional Federal funds available to States, at their request, when unfavorable economic conditions exist. They are considered provisional payments, according to section 403(b) (3) (A) of the Social Security Act. Unfavorable economic conditions are determined based on calculations using a State's unemployment rate, or calculations using a State's SNAP caseload

7. Proposed and enacted federal law changes affecting maintenance of effort or the participation rate, what impact these changes have on Washington's TANF program, and the department's plan to comply with these changes.

## I. Overview of Federal Rules

When Congress created the TANF program through the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, states were required to meet “maintenance of effort” (MOE) and federal Work Participation Rate (WPR) requirements to receive the full federal TANF block grant and avoid penalties. The most recent changes in federal legislative requirements were made via the Deficit Reduction Act of 2005.

### A. Maintenance of Effort

Federal regulations applying to state MOE requirements are outlined in [45 CFR 263.1 through 263.9](#). States generally must spend at least 80% of the general fund state amount spent on Aid to Families with Dependent Children (AFDC) related programs in Federal Fiscal Year (FFY) 1994, which may be reduced to 75% if the state had met its WPR targets the year prior. Since the federal Administration of Children and Families (ACF) does not announce the results for any given period until years later, all planning uses the higher 80% threshold of \$272,964,476.

### B. Excess Maintenance of Effort

Federal regulations outlined in [45 CFR 260.20](#) and [45 CFR 263.2](#) allow states to count funds expended in addition to the amount spent in direct support of the TANF (WorkFirst) program as MOE. Referred to as “third-party” spending, this may include spending by: 1) other state agencies (e.g. Office of the Superintendent of Public Instruction), 2) local governments, and 3) private and non-profit charitable organizations. To be eligible as excess MOE, this third-party spending must be directed toward a TANF-eligible population and advance one of these primary purposes of the TANF program:

- Providing assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- Ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Preventing and reducing the incidence of out of wedlock pregnancies and establishing annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- Encouraging the formation and maintenance of two parent families.

### C. TANF Participation Rates

WPR requirements are outlined in [45 CFR 261.20 through 261.25](#). States must meet both the All Family (50%) and Two-Parent (90%) participation targets to avoid penalties.

The All Family WPR is calculated by dividing the total number of TANF families with a work-eligible individual who has successfully met the requirements outlined in [45 CFR 261.31](#) (numerator = x), by the total number of TANF families subject to work requirements, minus certain families in sanction for refusal to participate or eligible for the 12-month Infant Exemption [denominator = y –(a+b)]. A visual representation of this equation is as follows:

X = All families with a work-eligible individual who are satisfying their work requirements.  
Y = All families with a work-eligible individual (those who are satisfying their requirements as well as those not meeting requirements) minus those sanctioned or exempted.

WPR rate = X/Y

A family is considered engaged in work for the purposes of the All Family participation rate if a work-eligible individual in the family participates in a work activity at least 30 hours per week, provided the following conditions are met:

- At least 20 hours per week must involve participation in one of the following ‘core’ activities:
  - Unsubsidized employment;
  - Subsidized private-sector employment;
  - Work Experience;
  - On-the-job training;
  - Job search or job readiness assistance;
  - Community service programs;
  - Vocational education training; and
  - Providing child care services to an individual participating in a community service program.
- The remaining 10 hours per week (‘non-core’) may involve the above noted activities or the following:
  - Job skills training directly related to employment;
  - Education directly related to employment; and
  - Satisfactory attendance at high school or a high school equivalency program.

The Two-Parent WPR is calculated by dividing the total number of TANF families with two work-eligible parents that meet the work activity requirements outlined in [45 CFR 261.32](#) by the number of TANF households that have two work eligible parents, minus certain families in sanction for refusal to participate. Two Parent households are not eligible for the federal Infant Exemption exclusion mentioned above. A family with two work-eligible parents counts as engaged in work activities for the purposes of the Two-Parent participation rate if the parents in the family are participating in work activities for a combined average of at least 35 hours per week and the following conditions are met:

- At least 30 hours per week must involve participation in one of the following ‘core’ activities:
  - Unsubsidized employment;

- Subsidized private-sector employment;
  - Work Experience;
  - On-the-job training;
  - Job search or job readiness assistance;
  - Community service programs;
  - Vocational education training; and
  - Providing child care services to an individual participating in a community service program.
- The remaining 5 hours per week ('non-core') may involve the above noted activities or the following:
    - Job skills training directly related to employment;
    - Education directly related to employment; and
    - Satisfactory attendance at high school or a high school equivalency program.

### ***Calculating Work Participation Rate Requirements***

In general, states must maintain an All Family participation rate of 50% ([45 CFR 261.31](#)) and a Two-Parent participation rate of 90% ([45 CFR 261.32](#)) to meet WPR requirements. However, actual WPR targets that the state must meet vary based upon multiple factors.

The caseload reduction credit detailed in [45 CFR 261.40 through 261.44](#) allows states to reduce their target work participation rates based on the number of percentage points by which the size of the state's caseload has fallen since 2005 for reasons other than changes in eligibility rules. Health and Human Services (HHS) calculates the state's caseload reduction credit for each year by comparing the average monthly number of families receiving assistance funded by federal TANF or state MOE funds of the prior fiscal year with the state's average monthly caseload for 2005. For example, if the state's 2011 average caseload is 10 percent less than its 2005 average monthly caseload, the state would receive 10 percentage points of caseload credit toward its work participation rate for 2012, lowering the rate it must meet for All Families from 50% to 40% ([CBPP, Changes in TANF Work Requirements, 2013](#)). States may not include caseload reductions associated with changes in federal law or changes the state made to its eligibility criteria compared to the criteria used in 2005.

[45 CFR 261.43](#) also permits states to further reduce its target requirements if they are investing state and third-party MOE in excess of grant and contingency fund matching requirements. This amount is known as "excess MOE." The number of cases with assistance-related expenditures from "excess MOE" may be subtracted from the total caseload for the FFY. For example, if \$45,000,000 is determined to be "excess MOE" from assistance-related expenditures, and the average expenditure per case is \$4,500, the current FFY caseload can be reduced by  $\$45,000,000 / \$4,500 = 10,000$  cases. This reduction provides what is termed the "adjusted caseload," which is used during caseload comparisons when calculating the caseload reduction credit reference above. Below is a formula that further explains the caseload reduction credit formula:

- Step 1: Total MOE - Total Required MOE = Excess MOE
- Step 2: Excess MOE Assistance Cases / Expenditure Per Case = Cases Funded by Excess MOE
- Step 3: Actual FFY Caseload – Assistance Cases Funded by Excess MOE = Adjusted Final Caseload
- Step 4: Adjusted Final Caseload is compared to FFY 2005 Caseload to determine percent of caseload decrease = Caseload Reduction Credit

#### **D. Child Care Development Fund**

The following child care subsidy expenditures may be counted as TANF MOE, as noted in [45 CFR 263.3](#):

1. State funds used to meet the requirements of the Child Care Development Fund (CCDF) up to the amount the state must expend for quality CCDF matching funds. These dollars can be double-counted as both CCDF match and TANF MOE; and
2. Other child care expenditures that have not been used as matching funds or MOE for any other federal child care.

#### **E. MOE Penalties**

Consequences for failure to meet the MOE requirement, as outlined in [45 CFR 263.8](#), include a dollar-for-dollar reduction in the TANF block grant the subsequent year and the requirement to expend additional state funds equal to the amount by which the state fell short.

#### **F. Effects of COVID-19 on MOE and WPR**

- TANF MOE spending remained strong in FFY2021, as it has throughout the pandemic. While some expenditures, such as L&I, were negatively impacted by the pandemic, other expenditures were higher in response to the pandemic.
- The reportable federal participation rate (achieved WPR) began to decline in April 2020 (see graphs in section IV). This decline is reflected in the achieved WPR for FFY2021 and projected FFY2022 rate (see section V). This decline is the result of policy changes made to support families through the pandemic:
  - Effective March 16, 2020, all WorkFirst participants were temporarily exempt from required participation, but could participate voluntarily. Participation requirements resumed in September 2021 with a three-month phase-in period for case management staff to reach out to connect with parents, get up to date on their current family situation, and work with them to develop a plan for participation in WorkFirst activities that meets their current goals and needs.
  - Effective March 16, 2020, DSHS also temporarily suspended associated WorkFirst non-compliance sanction and termination penalties. Sanction policy changed July

2021 to reflect new legislation (SHB [2441](#)). With the resumption of participation requirements in fall 2021, those who fail to comply without good cause face sanctions, though based on this legislation there is now a longer timeline for reengaging before grant reduction or termination.

- Effective April 1, 2020, DSHS expanded the TANF 60-month Time Limit Extension to support families experiencing hardships due to the COVID-19 emergency. This policy will continue through June 2023.

The impact of the temporary suspension of participation requirements, and the lingering pandemic with its impacts on physical and mental health, child care availability, and caregiving responsibilities, are expected to continue to impact participation rates through FFY2022, with participation gradually increasing toward pre-pandemic levels.



## II. Countable Maintenance of Effort and Excess Maintenance of Effort, by Source, for Previous Federal Fiscal Year

The State of Washington successfully met its Work Participation Rates for FFY 2020 and 2021. When a state meets its participation rates, qualified State expenditures must equal at least 75% of historic State expenditures (FFY 1994 expenditures are used). Thus, for FFY 2021, Washington's requirement is as follows:

FFY1994 expenditures \$341,205,595 x 0.75 = \$255,904,196 required for FFY2021.

<b>FFY 2021 MAINTENANCE OF EFFORT (MOE) EXPENDITURES</b>	
<b>Source</b>	<b>2021</b>
DSHS – Budgets	\$54,147,736
Working Connections Child Care	\$15,358,384
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$91,388,621
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$220,216,600
Office of Public School Instruction (OSPI) – LAP High Poverty	\$86,553,612
Office of Public School Instruction (OSPI) – Dropout Reengagement Program	\$13,599,906
Washington Student Achievement Council (WSAC) – State Needs Grant	\$64,801,833
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$268,771
Department of Children, Youth, & Families (DCYF) – Early Childhood Education and Assistance Program (ECEAP) (includes CCDF double count)	\$63,677,584
Department of Children, Youth, & Families (DCYF) – Home Visiting, Eclipse, Needs Based Grant	\$10,154,843
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$18,619,621
Department of Agriculture – Tribal Food Pantries	\$502,906
Northwest Harvest	\$26,656,013
Second Harvest of Inland Northwest	\$763,319
<b>Annual Total</b>	<b>\$666,709,749</b>

### III. Countable Maintenance of Effort and Excess Maintenance of Effort, by Source, for Current Federal Fiscal Year

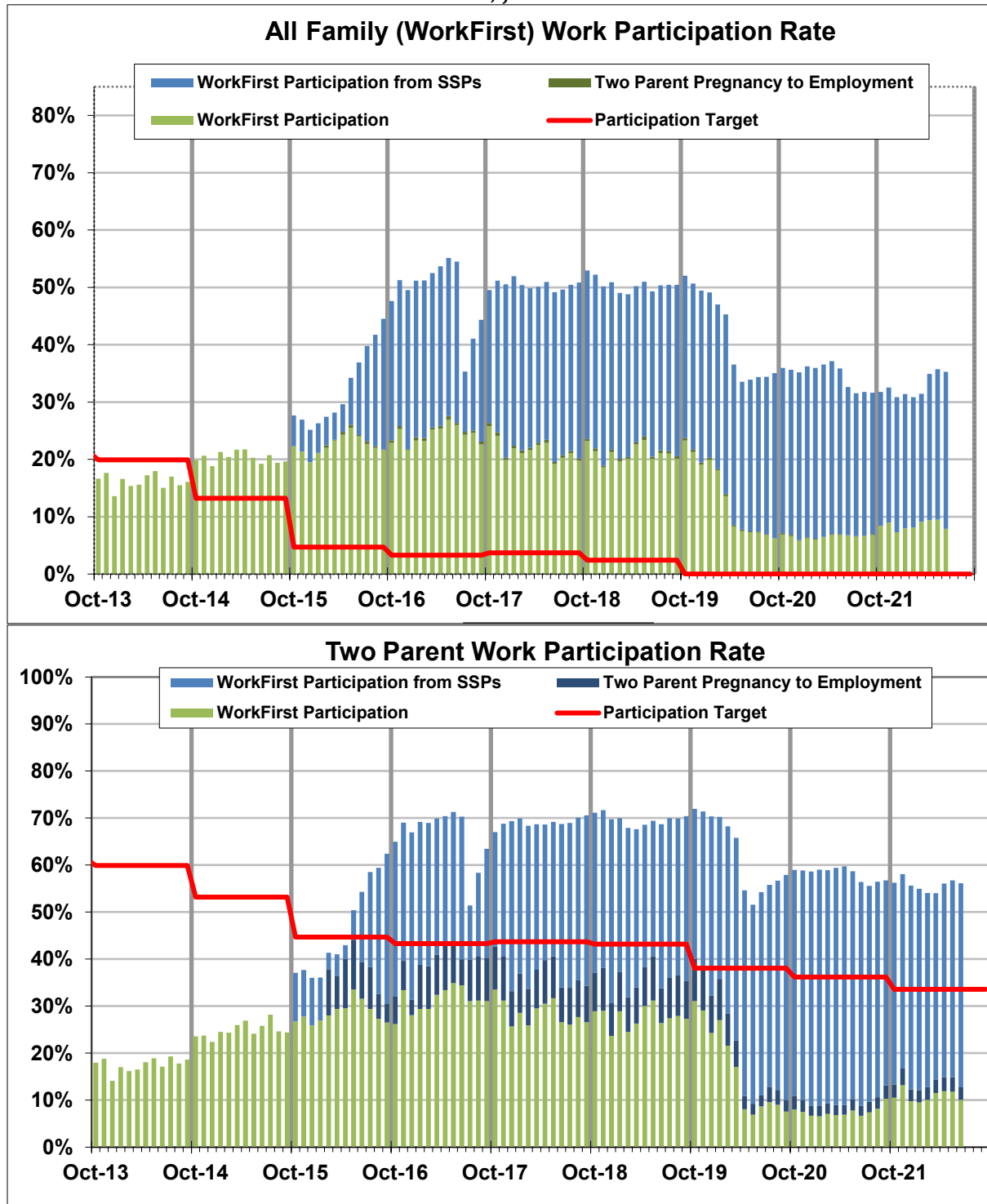
The State of Washington successfully met its Work Participation Rates for FFY 2021. When a state meets its participation rates, qualified State expenditures must equal at least 75% of historic State expenditures (FFY 1994 Expenditures are used). Thus, for FFY 2022, Washington's requirement is as follows:

FFY1994 expenditures \$341,205,595 x 0.75 = \$255,904,196 required for FFY2022.

<b>PROJECTED FFY 2022 MAINTENANCE OF EFFORT (MOE) EXPENDITURES</b>		
<b>Source</b>	<b>2022</b>	<b>2022 change from 2021</b>
DSHS – Budgets	\$19,147,736	\$35,000,000 <sup>a</sup>
Working Connections Child Care	\$15,358,384	\$0
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$91,388,621	\$0
Office of Superintendent of Public Instruction (OSPI) – Learning Assistance Program	\$220,216,600	\$0
Office of Superintendent of Public Instruction (OSPI) – LAP High Poverty	\$86,553,612	\$0
Office of Superintendent of Public Instruction (OSPI) – Dropout Reengagement Program	\$13,599,906	\$0
Washington Student Achievement Council (WSAC) – State Needs Grant	\$64,801,833	\$0
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$268,771	\$0
Department of Children, Youth, & Families (DCYF) – Early Childhood Education and Assistance Program (ECEAP) (includes CCDF double count)	\$63,677,584	\$0
Department of Children, Youth, & Families (DCYF) – Home Visiting, Eclipse, Needs Based Grant	\$10,154,843	\$0
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$18,619,621	\$0
Department of Agriculture – Tribal Food Pantries	\$502,906	\$0
Northwest Harvest	\$26,656,013	\$0
Second Harvest of Inland Northwest	\$763,319	\$0
<b>Annual Total</b>	<b>\$631,709,749</b>	<b>\$35,000,000</b>
a = 2022 Supplemental Budget swap of \$35,000,000 to WCCC. It is anticipated most, if not all, of this will be offset by changes to other MOE expenditures.		

## IV. Status of Reportable Federal Participation Rate Requirements

(Including impact of excess Maintenance of Effort and caseload reduction on participation targets)  
 Source: WorkFirst Performance Chart Book, June 2022



See section V. for information on Supplemental State Programs  
 See section I.F for information on the impacts of COVID-19

## V. Maintenance of Effort – Progress and Potential New Sources

Since the last update, the TANF MOE Team has prepared the FFY2021 report to its federal grantor, the ACF-204 report. The FFY 2020 MOE process between DSHS and external partners has been reviewed by the State Auditor’s Office, and each MOE sources’ processes were evaluated to ensure compliance with federal guidelines. The TANF MOE Team is reviewing the 2021 MOE claim to ensure it reflects the most accurate, reliable, and verifiable expenditures, and will use the 2021 claim as a standard for future work.

Two-year Projection for Meeting Federal Block Grant and Contingency Fund Maintenance of Effort, Participation Targets, and Future Reportable Federal Participation Rate Requirements

<b>PROJECTED FFY 2023 MAINTENANCE OF EFFORT (MOE) EXPENDITURES</b>	
DSHS – Budgets	\$54,000,000
Child Care (includes CCDF Double Count)	\$15,000,000
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$100,000,000 <sup>a</sup>
Office of Superintendent of Public Instruction (OSPI) – Learning Assistance Program	\$220,000,000
Office of Superintendent of Public Instruction (OSPI) – LAP High Poverty	\$86,000,000
Office of Superintendent of Public Instruction (OSPI) – Dropout Reengagement Program	\$14,000,000
Washington Student Achievement Council (WSAC) – State Needs Grant	\$64,000,000
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$200,000
Department of Children, Youth, & Families (DCYF) – Early Childhood Education and Assistance Program (ECEAP)	\$63,000,000
Department of Children, Youth, & Families (DCYF) – Home Visiting, Eclipse, Needs Based Grant	\$10,000,000
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$18,000,000
Department of Agriculture – Tribal Food Pantries	\$500,000
Northwest Harvest	\$32,000,000 <sup>a</sup>
Second Harvest of Inland Northwest	\$1,000,000 <sup>a</sup>
<b>Annual Total</b>	<b>\$677,700,000<sup>b</sup></b>
a = assumes 100% return to pre-COVID expenditure levels b = budget reductions in these areas could change estimates	

<b>PROJECTED FFY 2024 MAINTENANCE OF EFFORT (MOE) EXPENDITURES</b>	
DSHS – Budgets	\$54,000,000
Child Care (includes CCDF Double Count)	\$15,000,000
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$100,000,000 <sup>a</sup>
Office of Superintendent of Public Instruction (OSPI) – Learning Assistance Program	\$220,000,000
Office of Superintendent of Public Instruction (OSPI) – LAP High Poverty	\$86,000,000
Office of Superintendent of Public Instruction (OSPI) – Dropout Reengagement Program	\$14,000,000
Washington Student Achievement Council (WSAC) – State Needs Grant	\$64,000,000
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$200,000
Department of Children, Youth, & Families (DCYF) – Early Childhood Education and Assistance Program (ECEAP)	\$63,000,000
Department of Children, Youth, & Families (DCYF) – Home Visiting, Eclipse, Needs Based Grant	\$10,000,000
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$18,000,000
Department of Agriculture – Tribal Food Pantries	\$500,000
Northwest Harvest	\$32,000,000 <sup>a</sup>
Second Harvest of Inland Northwest	\$1,000,000 <sup>a</sup>
<b>Annual Total</b>	<b>\$677,700,000<sup>b</sup></b>
a = assumes 100% return to pre-COVID expenditure levels b = budget reductions in these areas could change estimates	

<b>Projections of Target and Achieved WPR</b>				
<b>Report Year</b>	<b>All Family Target</b>	<b>All Family Achieved</b>	<b>Two Parent Target</b>	<b>Two Parent Achieved</b>
<b>2021</b>	0.0%	34.5%	36.2%	58.1%
<b>2022</b>	0.0%*	34.5%**	33.6%*	56.2%**

\*projections \*\*actuals for October-July

## **VI. Proposed and Enacted Federal Law Changes Affecting Maintenance of Effort or Participation Rate**

### ***Proposed Federal Law Changes:***

Nothing new at this time.

### ***Federal Instruction Regarding COVID-19 Pandemic:***

**IM-ACF-OA-2020-01 ACF grant flexibilities in conducting human services activities related to or affected by COVID-19**

**TANF-ACF-PI-2020-01 OFA TANF Program Instruction published 3/24/2020**

Program Instruction Purpose: To summarize the flexibilities in the TANF program to respond to the COVID-19 pandemic.

It contained the following statement:

*“While ACF has no authority to waive the work participation rate requirement itself, it does have authority to grant relief from the resulting penalty in the face of natural disasters and other calamities. ACF will exercise this authority to the maximum extent possible”.*

**TANF-ACF-PI-2020-02 OFA TANF Program Instruction published 7/22/2020**

Program Instruction Purpose: Questions and answers about Tribal TANF and the COVID-19 pandemic.

No additional federal instruction has been provided regarding future flexibilities or intentions regarding the federal requirements as a result of the COVID-19 pandemic.