

REPORT TO THE LEGISLATURE

**WORKFIRST MAINTENANCE OF EFFORT AND WORK PARTICIPATION RATE
FOURTH QUARTER CALENDAR YEAR 2022**

Chapter 475, Laws of 2023

July 1, 2023

Economic Services Administration
Community Services Division
PO Box 45440
Olympia, WA 98504-5440
(360) 725-4888

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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

Fourth Quarter Calendar Year 2022

Data: Second Quarter, Federal Fiscal Year 2023

Executive Summary

The 2023 Washington State Legislature mandated that DSHS produce a report twice a year beginning July 1, 2023, to track maintenance of effort and participation rates for the Temporary Assistance for Needy Families (TANF) program.¹ This report is 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.

I. Statutory Requirement

[Chapter 475, Laws of 2023](#) Section 205(1) (h) requires this report to 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 fund² maintenance of effort, participation targets, and future reportable federal participation rate requirements; and
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.

¹ This report has been in existence since July 1, 2016, and submitted quarterly. In 2023, the report frequency was changed to twice a year: due on January 2nd and July 1st of each year.

²Contingency 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.

II. Overview of Federal Rules

When Congress created the TANF program through the Personal Responsibility and Work Opportunity Reconciliation Act 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 must generally 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 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 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 these pregnancies; or
- 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 exempt.

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 week³, provided the following conditions are met:

- At least 20 hours per week must involve participation in one or a combination 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 childcare 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 or a combination 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

³ Single parents with a child under age six in the household are only required to engage in 20 hours of 'core' activities per week.

- Providing childcare 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% less than its 2005 average monthly caseload, the state would receive 10 percentage points of caseload credit toward its WPR 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 childcare subsidy expenditures may be counted as TANF MOE, as noted in [45 CFR 263.3](#):

- 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
- Other childcare 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 MOE requirements 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 the state fell short.

F. Lingering Effects of the COVID-19 Pandemic on WPR

The reportable federal participation rate (achieved WPR) dropped off in April 2020 (see graphs in section IV). This decline is reflected in the achieved WPR for FFY 2021 and FFY 2022 rate (see section V) and was the result of policy changes made to support families through the COVID-19 pandemic. As the economic impacts of the pandemic have begun to ease and work requirements have resumed, the WPR has increased. However, since June of last year, the WPR has fallen slightly and is not yet up to pre-pandemic levels.

We believe this is due in large part to current DSHS staffing shortages, resulting in case managers with larger caseloads having less time to engage clients in WorkFirst activities and to a lesser degree, the large influx of immigrants who were initially not eligible to engage in work or certain work activities due to their federal immigration status. Recently, many of these newly arrived immigrants became eligible to engage in work activities, and thus we expect the impacts to WPR from immigrant families to be short-term.

III. Countable Maintenance of Effort and Excess Maintenance of Effort, by Source, for Previous Federal Fiscal Year (FFY 2022)

Washington state successfully met its WPR for FFY 2021. When a state meets its participation rates in the prior year, qualified state expenditures for the following year must equal at least 75% of historic state expenditures (FFY 1994 expenditures). Thus, for FFY 2022, Washington's requirement was:

FFY 1994 expenditures \$341,205,595 x 0.75 = \$255,904,196 required for FFY 2022.

FFY 2022 MAINTENANCE OF EFFORT (MOE) EXPENDITURES	
Source	2022
DSHS – Budgets	\$87,275,946
Working Connections Child Care	\$15,079,317
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$88,185,366
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$198,158,976
Office of Public School Instruction (OSPI) – LAP High Poverty	\$80,045,690
Office of Public School Instruction (OSPI) – Dropout Reengagement Program	\$14,205,301
Washington Student Achievement Council (WSAC) – Washington College Grant	\$59,419,572
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$137,635
Department of Children, Youth, & Families (DCYF) – Early Childhood Education and Assistance Program (ECEAP) (includes CCDF double count)	\$66,032,351
Department of Children, Youth, & Families (DCYF) – Home Visiting & Needs Based Grant	\$10,179,019
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$26,448,162
Department of Agriculture – Tribal Food Pantries	\$513,391
Second Harvest of Inland Northwest	\$807,778
Annual Total	\$646,488,504

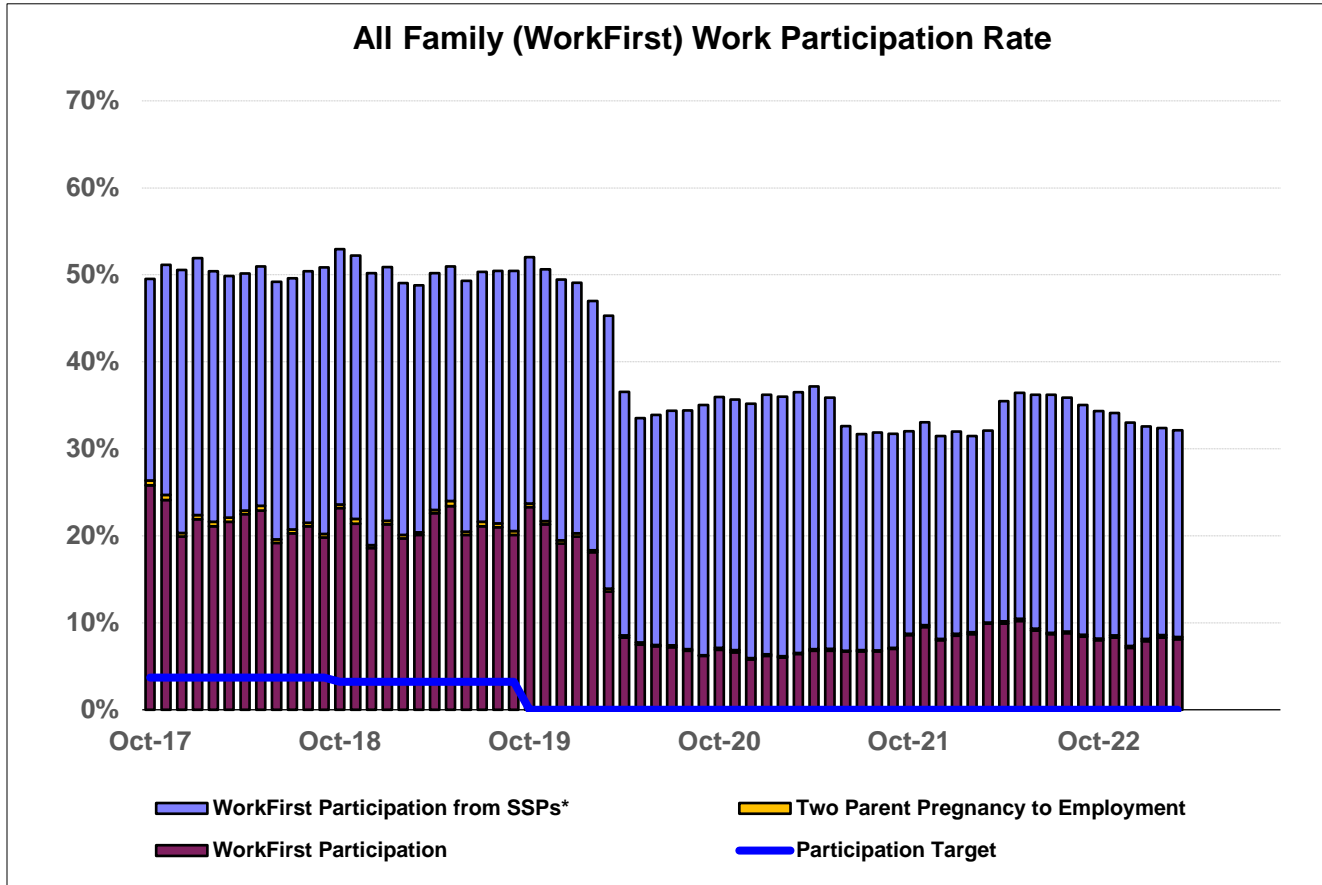
IV. Countable Maintenance of Effort and Excess Maintenance of Effort, by Source, for Current Federal Fiscal Year (FFY 2023)

Washington state successfully met its WPR for FFY 2022. When a state meets its participation rates in the prior year, qualified state expenditures for the following year must equal at least 75% of historic state expenditures (FFY 1994 expenditures). Thus, for FFY 2023, Washington’s requirement is:

FFY 1994 expenditures \$341,205,595 x 0.75 = \$255,904,196 required for FFY 2023.

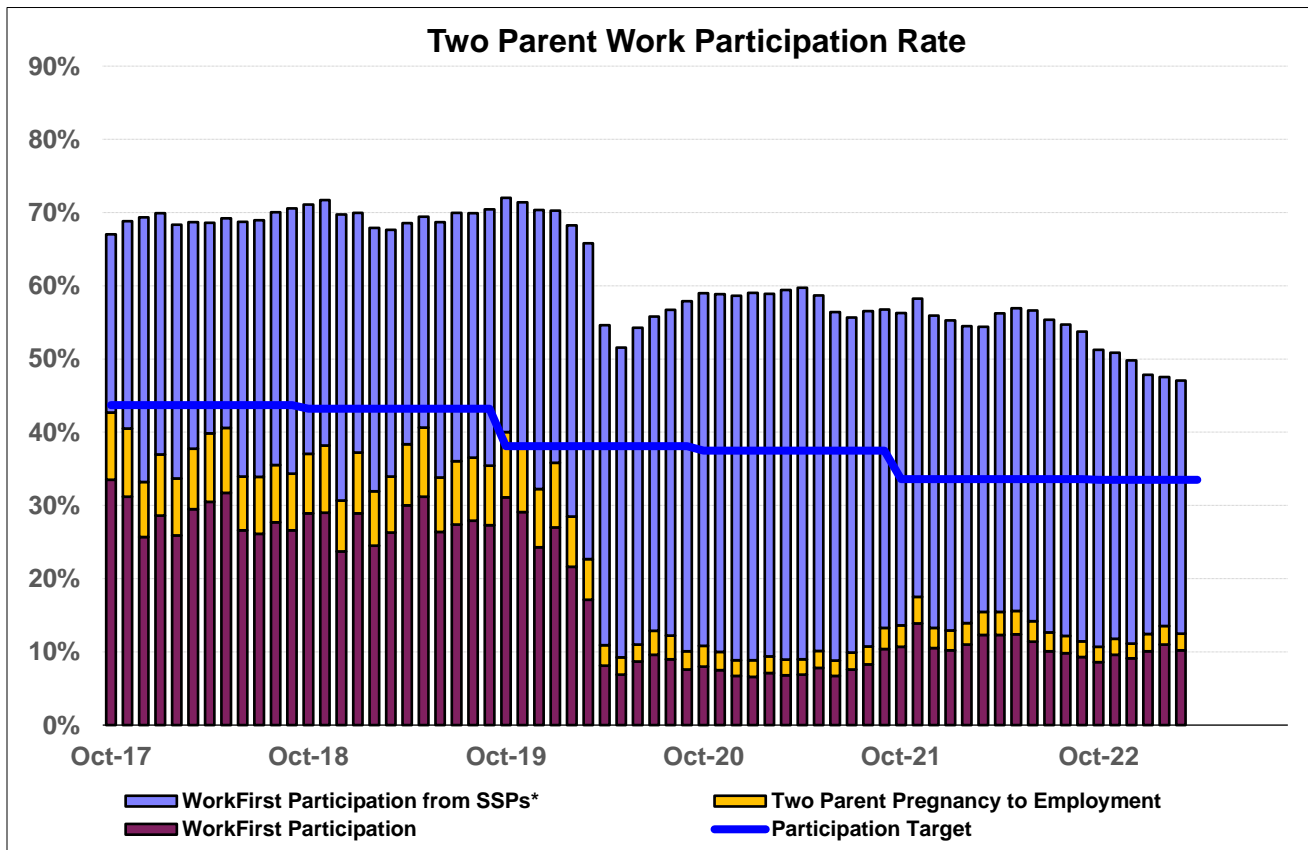
PROJECTED FFY 2023 MAINTENANCE OF EFFORT (MOE) EXPENDITURES		
Source	2022	Change from 2022
DSHS – Budgets	\$87,275,946	\$0
Working Connections Child Care	\$15,079,317	\$0
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$88,185,366	\$0
Office of Superintendent of Public Instruction (OSPI) – Learning Assistance Program	\$198,158,976	\$0
Office of Superintendent of Public Instruction (OSPI) – LAP High Poverty	\$80,045,690	\$0
Office of Superintendent of Public Instruction (OSPI) – Dropout Reengagement Program	\$14,205,301	\$0
Washington Student Achievement Council (WSAC) – State Needs Grant	\$59,419,572	\$0
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$137,635	\$0
Department of Children, Youth, & Families (DCYF) – Early Childhood Education and Assistance Program (ECEAP) (includes CCDF double count)	\$66,032,351	\$0
Department of Children, Youth, & Families (DCYF) – Home Visiting and Needs Based Grant	\$10,179,019	\$0
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$26,448,162	\$0
Department of Agriculture – Tribal Food Pantries	\$513,391	\$0
Second Harvest of Inland Northwest	\$807,778	\$0
Annual Total	\$646,488,504	

V. Status of Reportable Federal Participation Rate Requirements⁴



*Separate State Programs

⁴ Includes impact of excess MOE and caseload reduction on participation target. Sources: EMAPS and TARDIS



*Separate State Programs

VI. Maintenance of Effort – Progress and Potential New Sources

DSHS continues to seek potential new sources of MOE. No new sources have been secured since the last version of this report. However, DSHS is currently engaging the Department of Revenue regarding the Working Families Tax Credit (WFTC), as a potential MOE partner. Refundable tax credits such as the WFTC may qualify as state MOE expenditures.

The State Auditor’s Office reviewed the FFY 2021 MOE process between DSHS and external partners, and evaluated each MOE sources’ processes to ensure compliance with federal guidelines. DSHS has submitted the ACF-204 report (FFY 2022) to its federal grantor.

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

PROJECTED FFY 2024 MAINTENANCE OF EFFORT (MOE) EXPENDITURES	
DSHS – Budgets	\$87,275,946
Child Care (includes CCDF Double Count)	\$15,079,317
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$88,185,366

Office of Superintendent of Public Instruction (OSPI) – Learning Assistance Program	\$198,158,976*
Office of Superintendent of Public Instruction (OSPI) – LAP High Poverty	\$80,045,690*
Office of Superintendent of Public Instruction (OSPI) – Dropout Reengagement Program	\$14,205,301
Washington Student Achievement Council (WSAC) – State Needs Grant	\$59,419,572
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$137,635
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Department of Children, Youth, & Families (DCYF) – Home Visiting and Needs Based Grant	\$10,179,019
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$26,448,162
Department of Agriculture – Tribal Food Pantries	\$513,391
Second Harvest of Inland Northwest	\$807,778
Annual Total	\$646,488,504
*E2SHB 1238 (Chapter 379, Laws of 2023) will provide free breakfast and lunch to a select group of WA public school elementary school children. MOE expenditures in FFY 2024 will be impacted, but the exact fiscal impact is unknown.	

PROJECTED FFY 2025 MAINTENANCE OF EFFORT (MOE) EXPENDITURES	
DSHS – Budgets	\$87,275,946
Child Care (includes CCDF Double Count)	\$15,079,317
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$88,185,366
Office of Superintendent of Public Instruction (OSPI) – Learning Assistance Program	\$198,158,976*
Office of Superintendent of Public Instruction (OSPI) – LAP High Poverty	\$80,045,690*
Office of Superintendent of Public Instruction (OSPI) – Dropout Reengagement Program	\$14,205,301
Washington Student Achievement Council (WSAC) – State Needs Grant	\$59,419,572
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$137,635
Department of Children, Youth, & Families (DCYF) – Early Childhood Education and Assistance Program (ECEAP)	\$66,032,351
Department of Children, Youth, & Families (DCYF) – Home Visiting and Needs Based Grant	\$10,179,019
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$26,448,162

Department of Agriculture – Tribal Food Pantries	\$513,391
Second Harvest of Inland Northwest	\$807,778
Annual Total	\$646,488,504
*E2SHB 1238 (Chapter 379, Laws of 2023) will provide free breakfast and lunch to a select group of WA public school elementary school children. MOE expenditures in FFY 2025 will be impacted, but the exact fiscal impact is unknown.	

Target and Achieved WPR Projections

Report Year	All Family Target	All Family Achieved	Two Parent Target	Two Parent Achieved
2021	0.0%	34.7%	37.5%	58.1%
2022	0.0%*	33.9%	33.6%*	55.7%
2023	0.0%*	32.6%	33.5%*	48.6%

**projections by DSHS/ESA*

VIII. Proposed and Enacted Federal Law Changes Affecting Maintenance of Effort or Participation Rate

Federal Law Changes

In the recent debt ceiling negotiations, Congress passed the [Fiscal Responsibility Act \(FRA\)](#), making several changes to TANF that impact the caseload reduction credit, making it more challenging for Washington to meet the federal WPR. In the initial analysis of FRA, DSHS staff found that if mitigation strategies are pursued, clients should not see a significant change to services or engagement practices, and the state should be able to continue to meet federal WPR requirements. The majority of mitigation strategies being explored would require additional state budget investment in the TANF WorkFirst program.

DSHS staff are awaiting further guidance from ACF regarding program impact of FRA, including administrative rule. Once federal rule is available, DSHS will be able to more accurately evaluate program impact. FRA changes impacting WPR do not go into effect until FFY 2026 (October 1, 2025), which gives our state time to respond to these new requirements.

Prior to FRA, ACF had issued a federal Notice of Proposed Rulemaking (NPRM) (Regulation Identifier Number (RIN): [0970-AC97](#), Fall 2022). This notice speaks to amending allowable MOE uses for TANF, which could further negatively impact Washington’s ability to meet federal WPR requirements based on current practice. Draft rule has yet to be released for public comment. In light of the changes to TANF within the FRA, it is unclear if ACF will continue to pursue administrative rule changes this year.