

REPORT TO THE LEGISLATURE

**WORKFIRST MAINTENANCE OF EFFORT AND WORK PARTICIPATION RATE
FOURTH QUARTER CALENDAR YEAR 2018**

Chapter 415, Laws of 2019

July 1, 2019

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STATE OF WASHINGTON

DEPARTMENT OF SOCIAL AND HEALTH SERVICES

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**WorkFirst Maintenance of Effort and Work Participation Rate Report:
Fourth Quarter Calendar Year 2018
Data: Second Quarter, Federal Fiscal Year 2019**

Executive Summary

The 2016 Washington State Legislature mandated that DSHS produce a report each calendar quarter, beginning July 1, 2016, tracking 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 415, Laws of 2019](#) 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 fund¹ maintenance of effort, participation targets, and future reportable federal participation rate requirements; and

¹Contingency 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 temporary assistance for needy families program, and the department's plan to comply with these changes.

I. Overview of Federal Rules

When Congress created the Temporary Assistance for Needy Families (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 percent of the general fund state amount spent on AFDC-related programs in Federal Fiscal Year (FFY) 1994, which may be reduced to 75 percent if the state had met its WPR targets the year prior. Since 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 as MOE funds expended in addition to the amount spent by the state in direct support of the TANF (WorkFirst) program. 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

Work Participation Rate (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 have 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 percent ([45 CFR 261.31](#)) and a Two-Parent participation rate of 90 percent ([45 CFR 261.32](#)) to meet WPR requirements. However, the 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 percent to 40 percent ([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.

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 the Federal Fiscal Year (FFY) 2017. When a state meets its participation rates, qualified State expenditures must equal at least 75 percent of historic State expenditures (FFY 1994 Expenditures are used). Thus, for Federal Fiscal Year 2018, Washington's requirement is as follows:

FFY1994 expenditures \$341,205,595 x 0.75 = \$255,904,196 required for FFY2018.

FFY 2018 MAINTENANCE OF EFFORT (MOE) EXPENDITURES	
Source	2018
DSHS – Budgets	\$97,266,494
Child Care (includes CCDF Double Count)	\$40,543,030
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$111,220,056
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$169,126,736
Office of Public School Instruction (OSPI) – K-3 Supplemental Funding	\$0 ^a
Office of Public School Instruction (OSPI) – LAP High Poverty	\$65,672,834 ^b
Washington Student Achievement Council (WSAC) – State Needs Grant	\$45,663,054
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$325,383
Department of Children, Youth, & Families (DCYF) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant	\$44,222,732
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$22,307,392
Department of Commerce (COM) - Weatherization	\$267,688
Children's Administration – Kinship Emergent Relative Placement	\$2,334,551
Department of Agriculture – Tribal Food Pantries	\$513,391
Northwest Harvest	\$20,270,481
Second Harvest of Inland Northwest	\$1,030,220
Annual Total	\$620,764,042
a = Source Eliminated (generally available) b = Source Added (new for respective ffy)	

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 the Federal Fiscal Year (FFY) 2018. When a state meets its participation rates, qualified State expenditures must equal at least 75 percent of historic State expenditures (FFY 1994 Expenditures are used). Thus, for Federal Fiscal Year 2019, Washington's requirement is as follows:

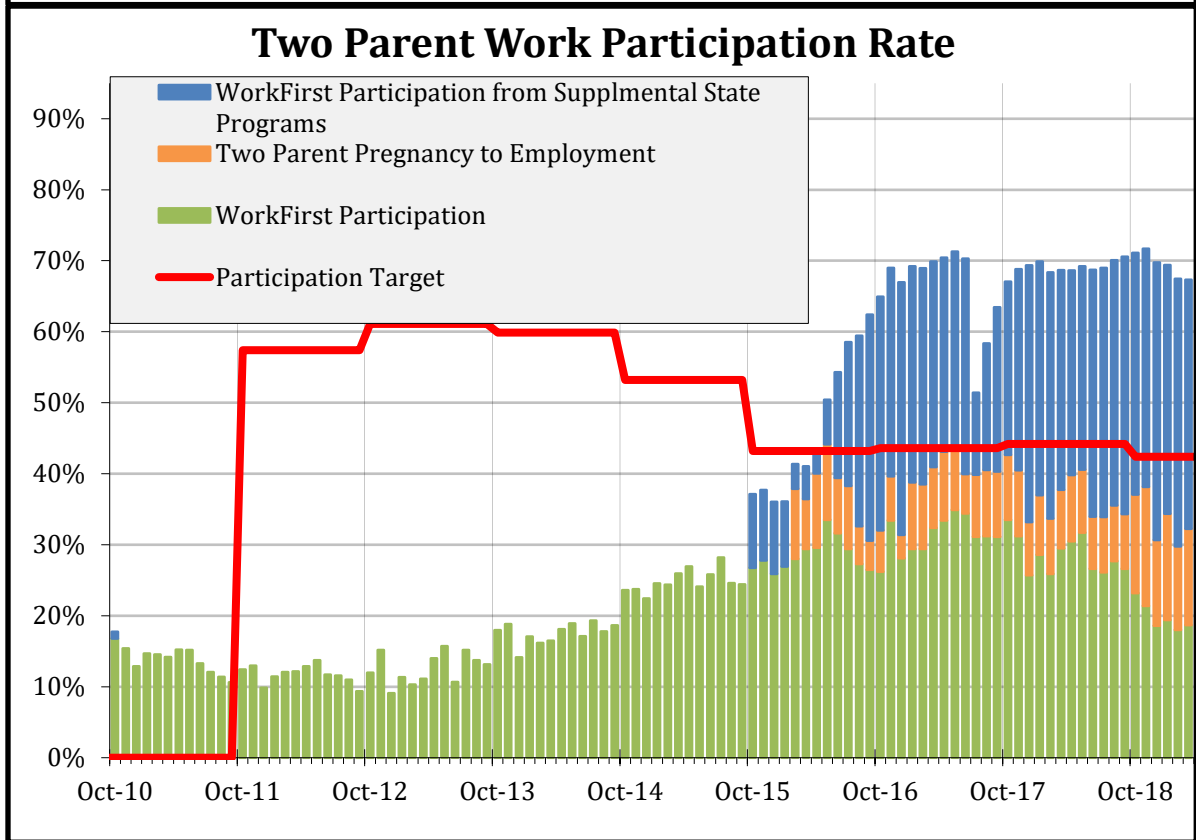
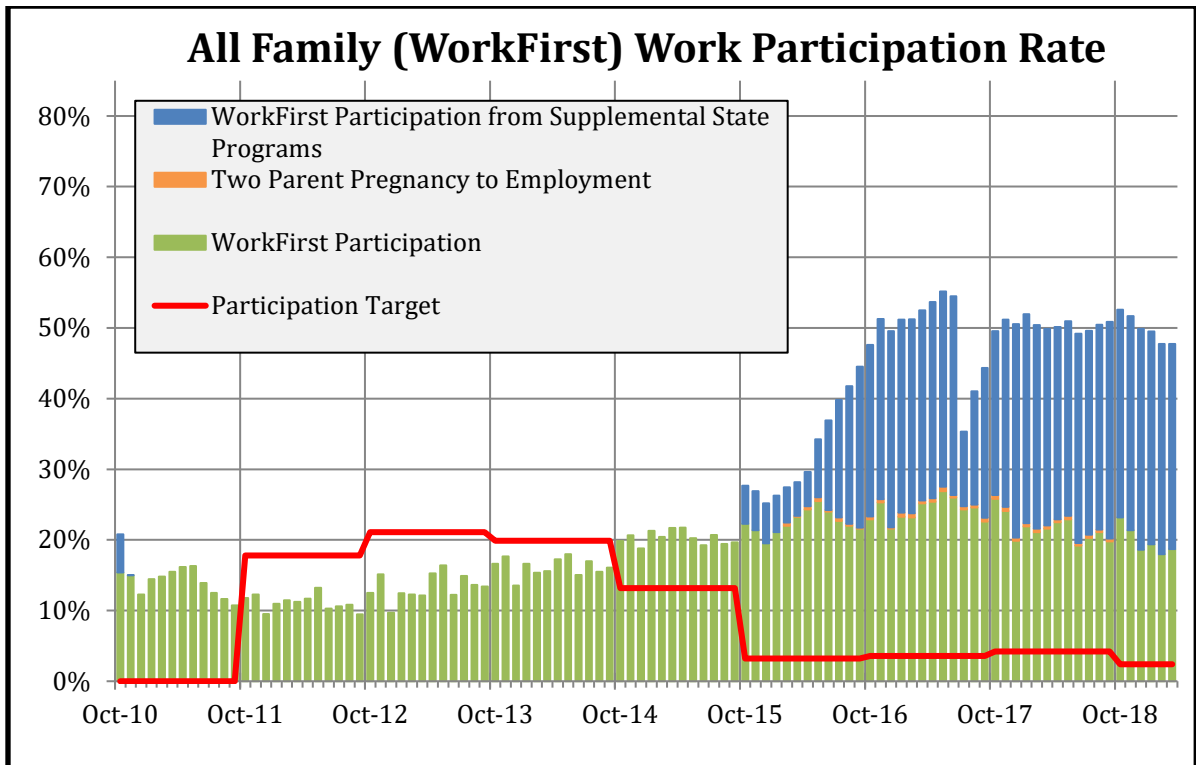
FFY1994 expenditures \$341,205,595 x 0.75 = \$255,904,196 required for FFY2019.

FFY 2019 MAINTENANCE OF EFFORT (MOE) EXPENDITURES		
Source	2019	2019 Change from 2018
DSHS – Budgets	\$97,266,494	\$0
Child Care (includes CCDF Double Count)	\$40,543,030	\$0
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$111,220,056	\$0
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$169,126,736	\$0
Office of Public School Instruction (OSPI) – LAP High Poverty	\$65,672,834	\$0
Washington Student Achievement Council (WSAC) – State Needs Grant	\$45,663,054	\$0
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$325,383	\$0
Department of Children, Youth, & Families (DCYF) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant	\$25,000,000	(\$19,222,732)
Department of Commerce (COM) - Housing Programs, Emergency Rental Assistance	\$22,307,392	\$0
Department of Commerce (COM) - Weatherization	\$267,688	\$0
Children's Administration – Kinship Emergent Relative Placement	\$2,334,551	\$0
Department of Agriculture – Tribal Food Pantries	\$513,391	\$0
Northwest Harvest	\$20,270,481	\$0
Second Harvest of Inland Northwest	\$1,030,220	\$0
Annual Total	\$601,541,310	(\$19,222,732)

IV. Status of Reportable Federal Participation Rate Requirements

(Including impact of excess Maintenance of Effort on participation targets)

Source: WorkFirst Performance Chartbook, March 2019



See section V. for information on Supplemental State Programs

V. Maintenance of Effort – Progress and Potential New Sources

Since the last update, the TANF MOE Team finalized the FFY2018 report to its federal grantor, the ACF-204 report. The 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 has ensured the 2018 MOE claim reflects the most accurate, reliable, and verifiable expenditures, and will use the 2018 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

Projected FFY 2020 MAINTENANCE OF EFFORT (MOE) EXPENDITURES	
DSHS – Budgets	\$76,900,018
Child Care (including CCDF double count)	\$38,707,605
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$101,020,598
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$169,126,736
Office of Public School Instruction (OSPI) – LAP High Poverty	\$65,672,834
Washington Student Achievement Council (WSAC) – Washington College Grant	\$55,000,000 ^{a b}
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$325,383
Department of Youth Children & Families (DCYF) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant	\$25,000,000
Department of Commerce (COM) - Housing Programs	\$22,307,393
Department of Commerce (COM) – Weatherization	\$267,688
Children’s Administration – Kinship Emergent Relative Placement	\$2,334,551
Department of Agriculture – Tribal Food Pantries	\$498,040
Northwest Harvest	\$25,382,374
Second Harvest of Inland Northwest	\$1,067,740
DSHS – LEP Pathways	\$2,500,000 ^b
Annual Total	\$586,110,960
a = Funding Amount Projected b = Source Added (new for respective ffy)	

Projected FFY 2021 MAINTENANCE OF EFFORT (MOE) EXPENDITURES	
DSHS – Budgets	\$76,900,018
Child Care (including CCDF double count)	\$38,707,605
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$101,020,598
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$169,126,736
Office of Public School Instruction (OSPI) – LAP High Poverty	\$65,672,834
Washington Student Achievement Council (WSAC) – College Promise Grant	\$65,000,000 ^{a b}
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$325,383
Department of Youth Children & Families (DCYF) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant	\$25,000,000
Department of Commerce (COM) - Housing Programs	\$22,307,393
Department of Commerce (COM) – Weatherization	\$267,688
Children’s Administration – Kinship Emergent Relative Placement	\$2,334,551
Department of Agriculture – Tribal Food Pantries	\$498,040
Northwest Harvest	\$25,382,374
Second Harvest of Inland Northwest	\$1,067,740
DSHS – LEP Pathways	\$2,500,000
Annual Total	\$596,110,960
a = Funding Amount Projected b = Source Added (new for respective ffy)	

Projections of Target and Achieved WPR				
Report Year	All Family Target	All Family Achieved	Two Parent Target	Two Parent Achieved
2019	4.2%	49.8%	44.2%	69.5%
2020	2.4%	45%*	42.4%	65%*

*projections

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

Enacted Federal Law Changes:

H.R. 430: TANF Extension Act of 2019

H.R. 430 Consolidated Appropriations Act renewed funding for the TANF program by the following directive:

“Activities authorized by part A of title IV and section 1108(b) of the Social Security Act shall continue through June 30, 2019, in the manner authorized for fiscal year 2018, and out of any money in the Treasury of the United States not otherwise appropriated, there are hereby appropriated such sums as may be necessary for such purpose.”

No changes are required by the Department to comply with this legislation.

Proposed Federal Law Changes:

H.R. 648: Consolidated Appropriations Act, 2019

H.R. 648 Consolidated Appropriations Act proposes renewed funding for the TANF program by the following directive:

“Section 403(a)(1) of the Social Security Act (42 U.S.C. 603(a)(1)) is amended in each of subparagraphs (A) and (C) by striking 2017 and 2018 and inserting 2019 and 2020.”

No changes would be required by the Department to comply with this proposed legislation.