

## **REPORT TO THE LEGISLATURE**

# **WorkFirst Maintenance of Effort and Work Participation Rate**

As required by the Operating Budget (Chapter 424, Laws of 2025)

January 2, 2026

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## EXECUTIVE SUMMARY

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The 2023 Washington State Legislature mandates that the Department of Social and Health Services (DSHS) produce a report to track maintenance of effort and participation rates for the Temporary Assistance for Needy Families (TANF) program.<sup>1</sup> This report is provided to the Office of Financial Management, appropriate policy and fiscal committees of the legislature, and the Legislative-Executive WorkFirst Poverty Reduction Oversight Task Force (LEWPRO).

## STATUTORY REQUIREMENT

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Engrossed Substitute Senate Bill 5167 ([Chapter 424, Laws of 2025](#)) Section 205(1)(h) requires this report to include the following:

- 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.
- Countable maintenance of effort and excess maintenance of effort, by source, provided for the previous federal fiscal year.
- 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.
- The status of reportable federal participation rate requirements, including any impact of excess maintenance of effort on participation targets.
- Potential new sources of maintenance of effort and progress to obtain additional maintenance of effort.
- A two-year projection for meeting federal block grant and contingency fund<sup>2</sup> maintenance of effort, participation targets, and future reportable federal participation rate requirements.
- 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.

## OVERVIEW OF FEDERAL RULES

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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. Additionally, Congress passed changes to TANF (June 2023), via the Fiscal Responsibility Act (FRA). While this legislation does not alter what qualifies as MOE, it does affect other administrative tools that Washington uses to positively impact WPR.

Beginning in FFY 2026, Washington’s WPR will be impacted by two elements of the FRA:

- The recalibration of the caseload reduction credit.
- A required minimum benefit payment threshold of \$35 for programs like Washington’s Working Families Support (WFS) program.

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

<sup>2</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.

Prior to the FRA, the most recent and substantial changes to federal TANF requirements passed almost two decades ago in 2005 as part of the Deficit Reduction Act.

## Maintenance of Effort

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

## 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 and WorkFirst program as MOE. Referred to as “third-party” spending, this may include spending by:

- Other state agencies (e.g. Office of the Superintendent of Public Instruction).
- Local governments.
- 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 the 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.
- Encouraging the formation and maintenance of two parent families.

## 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 (Y), minus certain families in sanction for refusal to participate (a) or eligible for the 12-month infant exemption or other allowable exemptions (b) [denominator = Y – (a+b)]. A visual representation of this equation is as follows:

*X = All families with a work-eligible individual who are satisfying work requirements*

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

*All Family WPR = X/Y*

A family is considered engaged in work for the purposes of the All Family WPR if a work-eligible individual participates in a work activity at least 30 hours per week<sup>3</sup>, 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.
  - Providing child care services for the child of 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 related to employment.
  - Education directly related to employment.
  - 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 who successfully met the 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 WPR if the parents in the family are participating in work activities for a combined average of at least 35 hours per week<sup>4</sup> 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.
  - Providing child care services for an individual participating in a community service program.
  
- The remaining five hours per week ('non-core') may involve the above noted activities or the following:
  - Job skills training related to employment.

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

<sup>4</sup> Washington state funds child care for two-parent households.

- Education directly related to employment.
- Satisfactory attendance at high school or a high school equivalency program.

## Calculating Work Participation Rate

In general, states must maintain a minimum All Family WPR of 50% ([45 CFR 261.31](#)) and a Two-Parent WPR of 90% ([45 CFR 261.32](#)). 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](#) and amended by the FRA, allows states to reduce their WPR targets based on the number of percentage points by which the size of the state’s caseload has fallen since 2015 for reasons other than changes in eligibility rules. Prior to FRA implementation on October 1, 2026, the caseload base year was 2005. 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 FFY with the state’s average monthly caseload in 2015. For example, if the state’s 2025 average caseload is 10% less than its 2015 average monthly caseload, the state would receive 10 percentage points of caseload credit toward its WPR targets for 2026, 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 prior to 2015.

[45 CFR 261.43](#) also permits states to further reduce its target requirements if it is investing state and third-party MOE in excess of grant and contingency fund matching requirements (“excess MOE” discussed above). 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 referenced 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 2015 to determine percent of caseload decrease = Caseload Reduction Credit.

## Child Care Development Fund

The following child care subsidy expenditures may be counted as TANF MOE, per [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.

- Other child care expenditures that have not been used as matching funds or MOE for any other federal child care.

## 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.

## Caseload Impacts on WPR

Washington's margin between its WPR targets and achieved rates began to narrow in April 2020. This was the result of the COVID-19 pandemic and subsequent policy changes Washington state made to support families during the public health crisis. Even though the economic impacts of the pandemic have eased and work requirements resumed, this margin is still narrower than pre-pandemic levels. This is for a number of reasons, including:

- Current caseload level paired with current DSHS staffing levels, resulting in case managers with larger caseloads having less time to provide case management support per participant.
- More families facing destabilizing barriers such as housing instability, homelessness, and substance use disorder, which impacts their ability to engage initially in work or work activities.
- The increase of immigrant families to the caseload, who may not initially be eligible to engage in work or certain work activities due to their federal immigration status.

## COUNTABLE MOE AND EXCESS MOE, BY SOURCE FOR PREVIOUS FFY (2024)

Washington state successfully met its WPR for FFY 2023. For FFY 2024, its MOE requirement was:

*FFY 1994 expenditures \$341,205,595<sup>5</sup> x 0.75 = \$255,904,196 required for FFY 2024*

### FFY 2024 MOE EXPENDITURES

Source	2024
DSHS – Budgets	\$170,975,567
Working Connections Child Care	\$40,777,679
Department of Labor and Industries – Medical Assistance Fund	\$98,771,080
Office of Public School Instruction – Learning Assistance Program	\$259,933,204
Office of Public School Instruction – Learning Assistance Program, High Poverty	\$99,483,227
Office of Public School Instruction – Dropout Reengagement Program	\$25,155,902
Washington Student Achievement Council – Washington College Grant	\$64,075,277
Washington Student Achievement Council – College Bound Scholarships	\$170,523
Department of Children, Youth, & Families – Early Childhood Education and Assistance Program (includes CCDF double count)	\$93,562,492
Department of Children, Youth, & Families – Home Visiting & Needs Based Grant	\$1,500,000
Department of Commerce - Housing Programs, Emergency Rental Assistance	\$73,431,559
Department of Agriculture – Tribal Food Pantries	\$543,088
Northwest Harvest	\$16,159,214
Second Harvest of Inland Northwest	\$1,162,111
Department of Revenue – Working Families Tax Credit	\$83,714,067
DSHS – Child Support Pass Through	\$1,844,529
<b>Annual Total</b>	<b>\$1,031,259,519</b>

<sup>5</sup> 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).

## COUNTABLE MOE AND EXCESS MOE, BY SOURCE FOR CURRENT FFY (2025)

Washington state successfully met its WPR for FFY 2024. For FFY 2025, its MOE requirement is:

*FFY 1994 expenditures \$341,205,595<sup>6</sup> x 0.75 = \$255,904,196 required for FFY 2025*

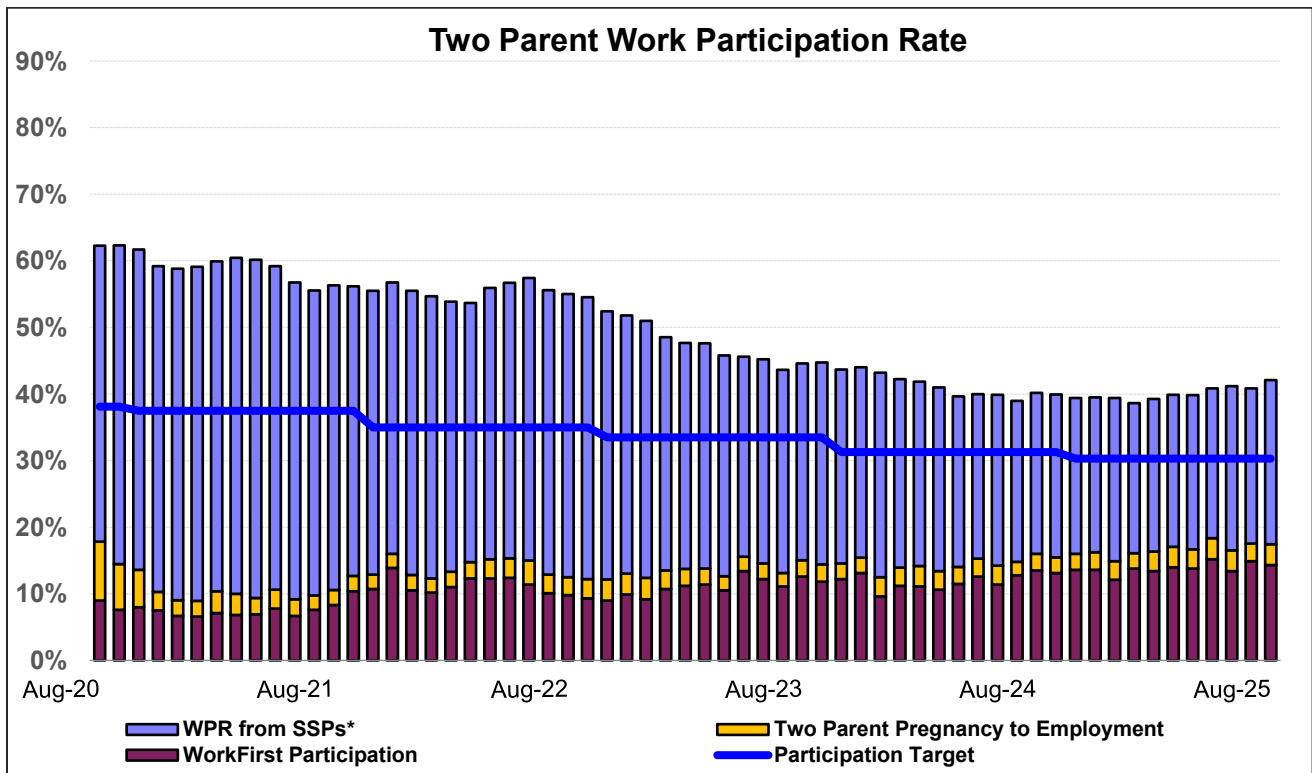
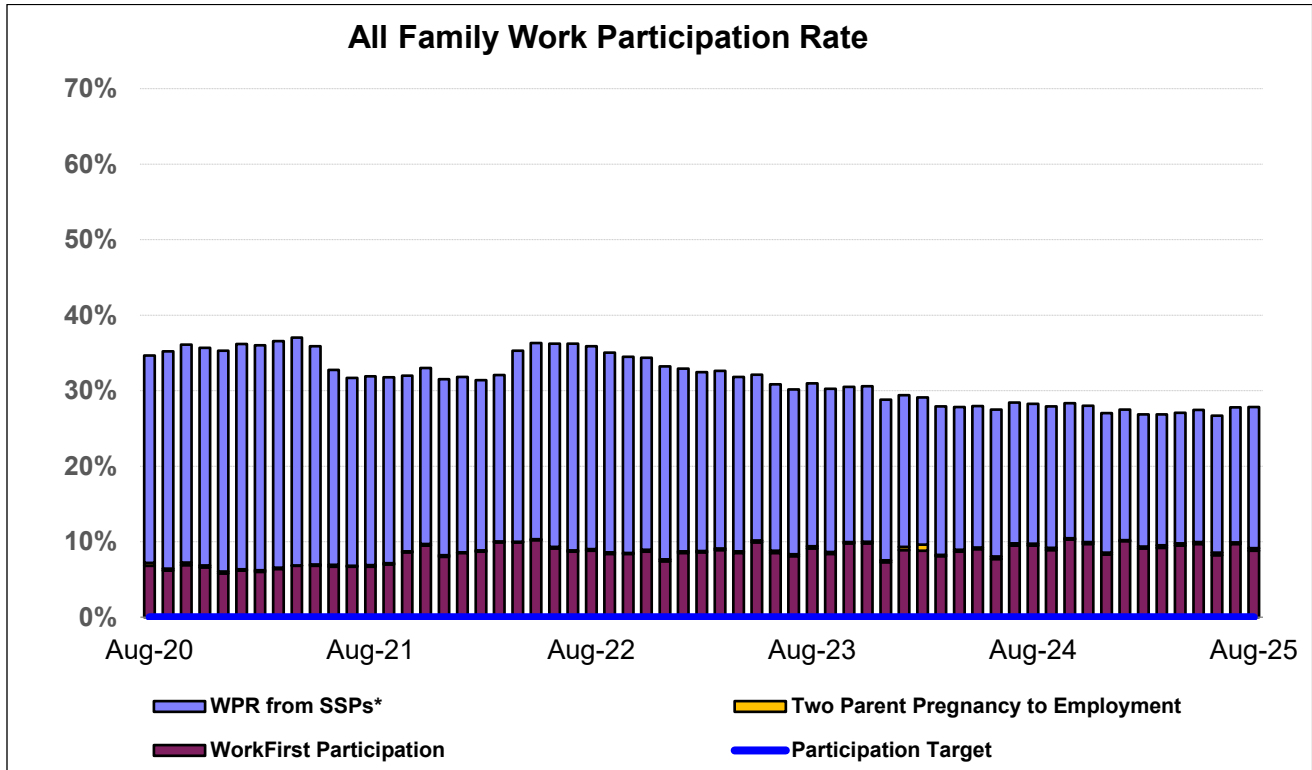
### PROJECTED FFY 2025 MOE EXPENDITURES

Source	2025	Change from 2024
DSHS – Budgets	\$170,975,567	\$0
Working Connections Child Care	\$40,777,679	\$0
Department of Labor and Industries – Medical Assistance Fund	\$98,771,080	\$0
Office of Superintendent of Public Instruction – Learning Assistance Program	\$259,933,204	\$0
Office of Superintendent of Public Instruction – Learning Assistance Program, High Poverty	\$99,483,227	\$0
Office of Superintendent of Public Instruction – Dropout Reengagement Program	\$25,155,902	\$0
Washington Student Achievement Council – State Needs Grant	\$64,075,277	\$0
Washington Student Achievement Council – College Bound Scholarships	\$170,523	\$0
Department of Children, Youth, & Families – Early Childhood Education and Assistance Program (includes CCDF double count)	\$93,562,492	\$0
Department of Children, Youth, & Families – Home Visiting and Needs Based Grant	\$1,500,000	\$0
Department of Commerce - Housing Programs, Emergency Rental Assistance	<i>To be determined</i>	<i>To be determined</i>
Department of Agriculture – Tribal Food Pantries	\$543,088	\$0
Second Harvest of Inland Northwest	\$1,162,111	\$0
Northwest Harvest Foodbank	\$16,159,214	\$0
Department of Revenue – Working Families Tax Credit	>\$83,714,067	<i>To be determined</i>
DSHS - Child Support Pass Through	\$1,844,529	\$0
<b>Annual Total</b>	<b>&gt; 957,827,960<sup>7</sup></b>	<i>Yet to be determined</i>

<sup>6</sup> 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).

<sup>7</sup> MOE expenditures for FFY 2025 will not be finalized until December 2025, so projections above are approximate estimates based on information known now. Actual expenditures may be impacted by recent state budget reductions as well as federal cuts in spending.

# STATUS OF REPORTABLE FEDERAL WORK PARTICIPATION RATE<sup>8</sup>



\*Separate State Programs

<sup>8</sup> Includes impact of excess MOE and caseload reduction on participation target. Sources: EMAPS and TARDIS

## MOE: PROGRESS AND NEW SOURCES

For FFY 2024, the Working Families Tax Credit was secured as a source of MOE. At that time, DSHS also began counting state funds that support the pass-through of child support payments to TANF families<sup>9</sup> as another source of MOE. The state share of child support pass-through will increase effective July 1, 2029, when all child support will pass through to TANF families and will not count as income (impacting FFY 2030).<sup>10</sup> The State Auditor’s Office reviewed and found no exceptions with the FFY 2024 MOE process between DSHS and external partners, and that DSHS was in compliance with federal MOE guidelines.

## TWO-YEAR PROJECTION: MEETING FEDERAL BLOCK GRANT AND CONTINGENCY FUND MOE

### PROJECTED FFY 2026 and 2027 MOE EXPENDITURES

Source	2026 Amount	2027 Amount
DSHS – Budgets	\$170,975,567	\$170,975,567
Child Care (includes CCDF Double Count)	\$40,777,679	\$40,777,679
Department of Labor and Industries – Medical Assistance Fund	\$98,771,080	\$98,771,080
Office of Superintendent of Public Instruction – Learning Assistance Program	<i>To be determined</i> <sup>11</sup>	<i>To be determined</i> <sup>11</sup>
Office of Superintendent of Public Instruction – Learning Assistance Program, High Poverty	<i>To be determined</i> <sup>11</sup>	<i>To be determined</i> <sup>11</sup>
Office of Superintendent of Public Instruction – Dropout Reengagement Program	<i>To be determined</i> <sup>11</sup>	<i>To be determined</i> <sup>11</sup>
Washington Student Achievement Council – State Needs Grant	\$64,075,277	\$64,075,277
Washington Student Achievement Council – College Bound Scholarships	\$170,523	\$170,523
Department of Children, Youth, & Families – Early Childhood Education and Assistance Program	\$93,562,492	<i>To be determined</i>
Department of Children, Youth, & Families – Home Visiting and Needs Based Grant	\$1,500,000	\$1,500,000
Department of Commerce - Housing Programs, Emergency Rental Assistance	<i>To be determined</i>	<i>To be determined</i>
Department of Agriculture – Tribal Food Pantries	\$543,088	\$543,088
Second Harvest of Inland Northwest	\$1,162,111	\$1,162,111
Northwest Harvest Foodbank	\$16,159,214	\$16,159,214
Department of Revenue – Working Families Tax Credit	>\$83,714,067	>\$83,714,067
DSHS - Child Support Pass Through	\$1,844,529	\$1,844,529
<b>Annual Total</b>	<b>&gt;\$573,255,627</b> <sup>12</sup>	<b>&gt;\$479,693,135</b>

<sup>9</sup> DSHS disregards child support payments from family income [per [Second Substitute Senate Bill 5144 \(Chapter 349, Laws of 2020\)](#)].

<sup>10</sup> See [Engrossed Substitute House Bill 1652](#) (Chapter 174, Laws 2024) and [Engrossed House Bill 2039](#) (Chapter 402, Laws 2025).

<sup>11</sup> E2SHB 1238 (Chapter 379, Laws of 2023) provides free breakfast/lunch to certain public elementary school children. MOE expenditures in FFY 2026 & 2027 may be impacted.

<sup>12</sup> Projections for OSPI and Commerce are particularly uncertain due to longer term federal budget impacts. In FFY 2026, early childhood could also be impacted, positively or negatively, depending how federal supports for pre-k, and child care are impacted by Congressional budget negotiations.

## TWO YEAR PROJECTION: WPR TARGETS AND ACHIEVED RATES

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Report Year	All Family Target	All Family Achieved	Two Parent Target	Two Parent Achieved
2022	0.0%	33.9%	35.0%	55.7%
2023	0.0%	32.3%	36.2%	47.3%
2024	0.0%	28.7%	33.6%	43.1%
2025	0.0%*	27.2%	30.3%*	40.6%

\*Projections by DSHS Economic Services Administration

The All Family and Two Parent targets are positively impacted by Washington's excess MOE. The 2025 WPR projections are based on approximately \$1,031,259,519 of MOE.

## PROPOSED AND ENACTED FEDERAL CHANGES AFFECTING MOE AND WPR

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In 2023, Congress passed the [FRA](#) making several changes to TANF that impact the caseload reduction credit, including the recalibration of the base year from 2005 to 2015. This credit allows a state to reduce its required WPR targets. The greater the drop in caseload between the base year and the current fiscal year, the higher the credit and the lower the WPR targets. From a WPR compliance perspective, Washington state is negatively impacted by the base year recalibration to 2015 because the caseload was considerably higher in 2005 than 2015. This change makes it more challenging for Washington to meet federal WPR targets. FRA's other negative impact to Washington's achieved WPR is the new \$35 minimum for small payments to working parents included in a state's WPR. Beginning on October 1, 2025, Washington is no longer able to include Working Families Support benefit recipients and State Food Assistance Program (FAP) recipients who receive small payments in the WPR calculation.

Another area of flux for MOE is the changing federal budget landscape, which impacts the flow of federal money to Washington state. As the state receives less federal funding, Washington legislators may choose to shift state funds to cover budget shortfalls. If this occurs, dollars used to pay for programs that count towards MOE, may be repurposed to fill holes left by federal budget cuts and consequently not be available for MOE.

Considering the unknown changes that may come from the federal budget and other executive branch directives, and the known FRA changes, Washington state is at high risk of missing the two-parent WPR in FFY 2026. To mitigate this issue in future years, options that could be implemented at the beginning of FFY 2027:

- Solely state fund the entire two-parent caseload. This would completely eliminate the requirement to meet a Two Parent WPR target.
- Increase the Working Family Support benefit to \$35, which allows this program to once again contribute toward Washington's achieved All Families WPR, beginning in FFY 2027.

DSHS is also actively collaborating on efforts to improve program engagement which, long term, may also positively impact Washington's achieved WPR along with outcomes for families.