

**REPORT TO THE LEGISLATURE**

**WORKFIRST MAINTENANCE OF EFFORT AND WORK PARTICIPATION RATE  
FIRST QUARTER CALENDAR YEAR 2016**

Chapter 36, Laws of 2016

September 15, 2016

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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: First Quarter 2016

## 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 Oversight Task Force.

## Statutory Requirement

[Chapter 36, Laws of 2016](#) Section 207 (1)(g) 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; and
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.

<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.

## 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 \$273,125,888.

### 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 meets the requirements outlined in [45 CFR 261.31](#) by the number of TANF families that have a work eligible individual, minus certain families in sanction for refusal to participate or eligible for the 12-month Infant Exemption. 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 deduct one percentage point from the required All Family and Two-Parent participation rate requirement for each percentage point the TANF caseload from the prior Federal Fiscal Year (FY) decreased from the caseload in FY 2005. 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 take a virtual caseload reduction credit if they are investing state and third-party MOE in excess of the requirement. The minimum requirement is specified as 80% of the amount the state spent on assistance 1994. That amount is \$273,125,888, and remains constant in annual calculations. When the State meet its WPR target the prior year, the requirement is reduced to 75% of the 1994 amount. However, the HHS Administration for Children and Families does not officially notify the State as to having met the WPR prior to preparing the annual calculations. Therefore, the 80% figure is always referenced.

The number of virtual cases attributed to excess MOE, and therefore the number of percentage points the target rate is reduced, is computed based on: 1) the total amount claimed in excess of the 80% minimum, 2) the percentage of all funds spent on activities that meet the federal definition of "assistance", and 3) the number of clients served in those assistance activities. The amount spent per client on assistance is applied to a percentage of the amount in excess ascribed as assistance.

**D. Child Care Development Fund**

The following child care 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 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

<b>FFY 2014 MAINTENANCE OF EFFORT (MOE) EXPENDITURES for FFY 2015 TARGETS</b>	
DSHS – Budgets	\$83,835,072
CCDF Double Count	\$38,707,605
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$125,101,422
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$109,869,170
Office of Public School Instruction (OSPI) – Full-Day Kindergarten	\$64,437,851
Washington Student Achievement Council (WSAC) – State Needs Grant	\$62,740,926
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$286,619
Department of Early Learning (DEL) – ECEAP	\$38,900,000
Department of Corrections (DOC) – CD Treatment	\$2,136,575
Washington Telephone Assistance Program (WTAP)	\$461,797
Children's Kinship	\$172,618
Commerce Housing Programs	\$7,016,334
Northwest Harvest	\$18,031,302
<b>TOTAL</b>	<b>\$551,697,291</b>

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

(Including changes in countable Maintenance of Effort from previous year)

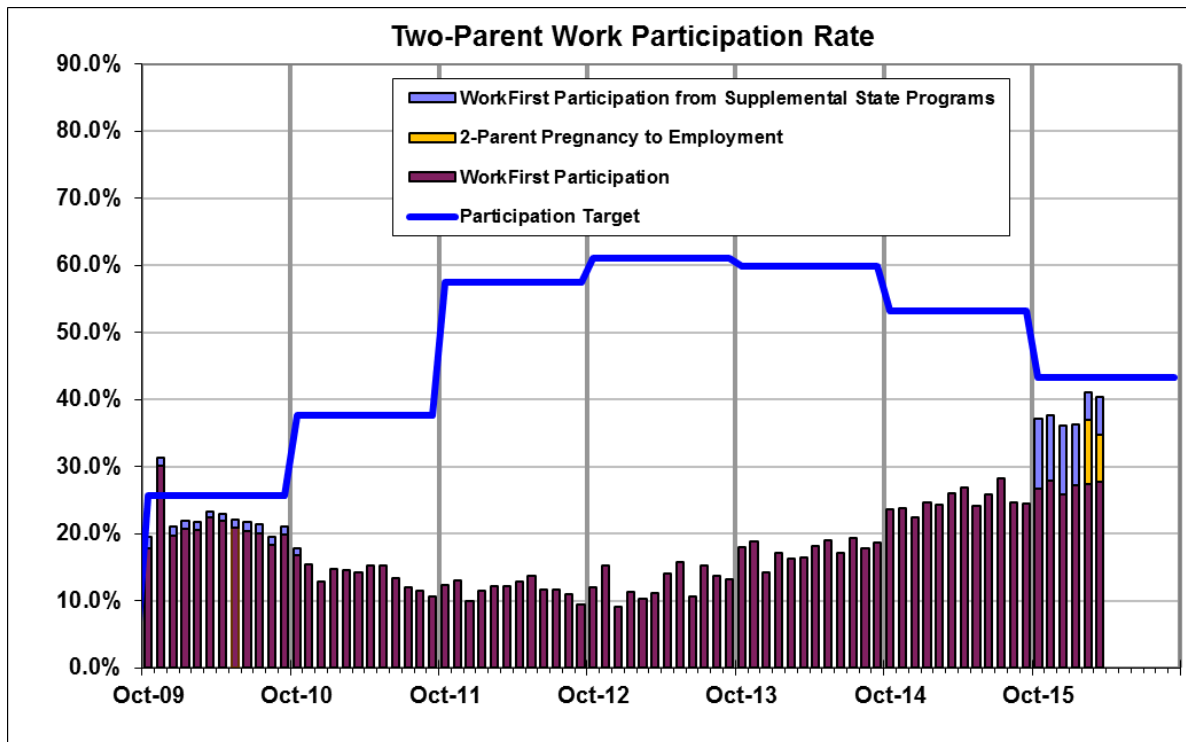
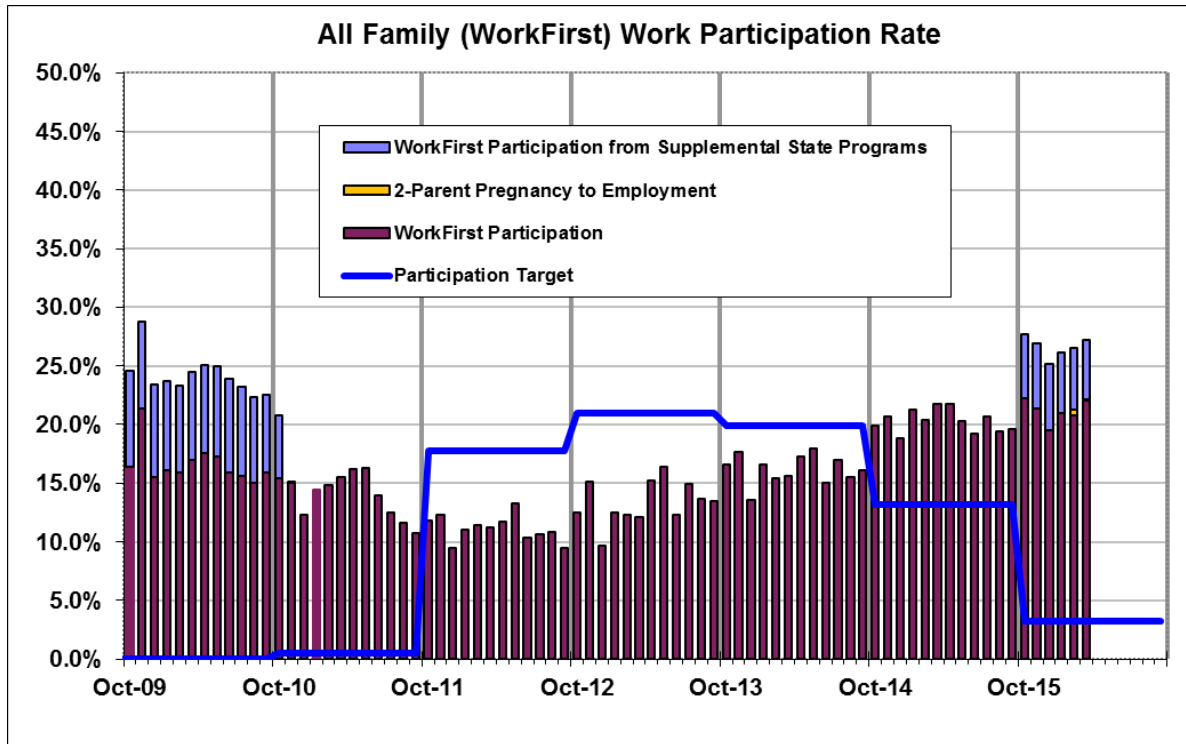
<b>FFY 2015 MAINTENANCE OF EFFORT (MOE) EXPENDITURES for FFY 2016 TARGETS</b>		<b>Variance from FFY 2014</b>
DSHS – Budgets	\$83,427,149	(\$407,923)
CCDF Double Count	\$38,707,605	\$0
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$112,679,191	(\$12,422,231)
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$120,627,233	\$10,758,063
Office of Public School Instruction (OSPI) – Full-Day Kindergarten	\$68,132,073	\$3,694,222
Washington Student Achievement Council (WSAC) – State Needs Grant	\$63,296,938	\$556,012
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$401,300	\$114,681
Department of Early Learning (DEL) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant	\$51,685,205	\$12,785,205
Department of Corrections (DOC) – CD Treatment	\$2,448,191	\$311,616
Washington Telephone Assistance Program (WTAP)	\$403,778	(\$58,019)
Children’s Administration – Kinship Emergent Relative Placement	\$530,492	\$357,874
Commerce Housing Programs	\$13,535,080	\$6,518,746
Northwest Harvest	\$16,637,241	(\$1,394,061)
Office of Public School Instruction (OSPI) – K-3 Supplemental Funding	\$32,930,086	\$32,930,086
Department of Agriculture – Tribal Food Pantries	\$34,227	\$34,227
Second Harvest of Inland Northwest	\$861,275	\$861,275
<b>TOTAL</b>	<b>\$606,337,064</b>	<b>\$54,639,773</b>



#### IV. Status of Reportable Federal Participation Rate Requirements

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

Source: WorkFirst Performance Chartbook as of March 2016



See section V. for information on Supplemental State Programs

## V. Potential New Sources of Maintenance of Effort and Progress Obtaining Additional Maintenance of Effort

After the prior report period (October 2015 to December 2015), DSHS lost two sources of MOE as follows:

1. Beginning February 2016, two-parent households in the WorkFirst Pregnancy to Employment pathway are a solely state-funded activity (non-MOE). The reason for doing so was to remove this sub-set of the Two Parent caseload from the WPR calculation. Parents in this pathway are exempted from participating in work activities by RCW 74.08A.270, but the federal exemption only applies to single parents. Therefore, the state extension negatively impacts the Two Parent achieved WPR. While this change reduces MOE by about \$5.1 million per year, it raises the achieved WPR by 7 to 9 points as shown in the Work Participation Rate graphs in Section IV.
2. On August 26, 2016, the Office of Financial Management reported their analysis of OSPI data indicated that the Full Day Kindergarten program had exceeded the 50% threshold; in other words, was generally available to the public. When this situation occurs, we cannot count the cost as MOE because the program is no longer considered to be serving a TANF population. This is a loss of \$68,132,073, as claimed last year. While this change was anticipated, it was not expected to occur until 2017. This amount of loss is expected to increase the WPR targets by 3.3 points.

However, during the second quarter of 2016, the Department began providing a Working Family Assistance benefit. While we will include the details and results on the MOE claim and WPR outcomes in the next quarterly report, we can affirm that this program will more than offset the loss of the Pregnancy to Employment pathway on the MOE claim. DSHS has yet to find an offset for the loss of Full Day Kindergarten but continues to search for additional MOE sources.

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

FFY 2016 MAINTENANCE OF EFFORT (MOE) EXPENDITURES for FFY 2017 TARGETS	
DSHS – Budgets	\$102,304,000
CCDF Double Count	\$38,707,605
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$112,679,191
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$129,369,795
Office of Public School Instruction (OSPI) – Full-Day Kindergarten	\$ 0 <sup>a</sup>
Office of Public School Instruction (OSPI) – K-3 Supplemental Funding	\$ 0 <sup>a</sup>
Washington Student Achievement Council (WSAC) – State Needs Grant	\$63,296,938
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$401,300

Department of Early Learning (DEL) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant	\$51,685,205
Department of Corrections (DOC) – CD Treatment	\$1,224,096 <sup>b</sup>
Commerce Housing Programs	\$13,535,079
Children’s Administration – Kinship Emergent Relative Placement	\$530,492
Department of Agriculture – Tribal Food Pantries	\$34,227
Northwest Harvest	\$16,637,241
Second Harvest of Inland Northwest	\$861,275
<b>Annual Total</b>	<b>\$531,266,444</b>

a - lost due to this benefit becoming generally available to the public

b - partial year due to loss of funding for this activity

<b>Projected FFY 2017 MAINTENANCE OF EFFORT (MOE) ESTIMATES for FFY 2018 TARGETS</b>	
DSHS – Budgets	\$126,821,000
CCDF Double Count	\$38,707,605
Department of Labor and Industries (L&I) – Medical Assistance Fund	\$112,680,000
Office of Public School Instruction (OSPI) – Learning Assistance Program	\$129,369,795
Office of Public School Instruction (OSPI) – Full-Day Kindergarten	\$ 0 <sup>a</sup>
Office of Public School Instruction (OSPI) – K-3 Supplemental Funding	\$ 0 <sup>a</sup>
Washington Student Achievement Council (WSAC) – State Needs Grant	\$63,296,938
Washington Student Achievement Council (WSAC) – College Bound Scholarships	\$401,300
Department of Early Learning (DEL) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant	\$51,685,205
Department of Corrections (DOC) – CD Treatment	\$ 0 <sup>b</sup>
Commerce Housing Programs	\$13,535,080
Children’s Administration – Kinship Emergent Relative Placement	\$530,492
Department of Agriculture – Tribal Food Pantries	\$34,227
Northwest Harvest	\$16,637,241
Second Harvest of Inland Northwest	\$861,275
<b>Total</b>	<b>\$554,560,158</b>

a - lost due to this benefit becoming generally available to the public

b - lost due to lack of funding for this activity

<b>Projections of Target and Estimated WPR</b>				
<b>Report Year</b>	<b>All Family Target</b>	<b>All Family Estimate</b>	<b>Two Parent Target</b>	<b>Two Parent Estimate</b>
2016	3.2%	39.0%	43.2%	48.5%
2017	11.6%	55.5%	51.6%	73.4%