

REPORT TO THE LEGISLATURE

**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES PROGRAM
MAINTENANCE OF EFFORT AND WORK PARTICIPATION RATE
THIRD QUARTER OF CALENDAR YEAR 2016**

Chapter 36, Laws of 2016

March 1, 2017

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Temporary Assistance for Needy Families Program Maintenance of Effort and Work Participation Rate Report: Third Quarter Calendar Year 2016 (Fourth Quarter *Federal Fiscal Year* 2016)

Executive Summary

The 2017 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 fund¹ maintenance of effort, participation targets, and future reportable federal participation rate requirements.

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.

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. Should the State meet its WPR target the year prior, the requirement is reduced to 75% of the 1994 amount. However, the State will not be officially notified by ACF as to having met the WPR prior to the annual calculation being prepared. 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](#):

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

| FFY 2015 MAINTENANCE OF EFFORT (MOE) EXPENDITURES for FFY 2016 TARGETS | |
|---|----------------------|
| DSHS – Budgets | \$51,612,123 |
| CCDF Double Count | \$70,926,409 |
| Department of Labor and Industries (L&I) – Medical Assistance Fund | \$112,679,191 |
| Office of Public School Instruction (OSPI) – Learning Assistance Program | \$120,627,233 |
| Office of Public School Instruction (OSPI) – Full-Day Kindergarten | \$68,132,073 |
| Office of Public School Instruction (OSPI) – K-3 Poverty Funding | \$32,930,086 |
| Washington Student Achievement Council (WSAC) – State Needs Grant, College Bound Scholarships | \$63,698,238 |
| Department of Early Learning (DEL) – ECEAP, ECLIPSE, Home Visiting, Needs Based Grant | \$51,685,205 |
| Department of Corrections (DOC) – CD Treatment | \$2,448,191 |
| Washington Telephone Assistance Program (WTAP) | \$0 |
| Children's Kinship | \$530,492 |
| Commerce Housing Programs | \$13,535,080 |
| Tribal Food Pantry | \$34,227 |
| Second Harvest | \$861,275 |
| Northwest Harvest | \$16,637,241 |
| TOTAL | \$606,337,064 |

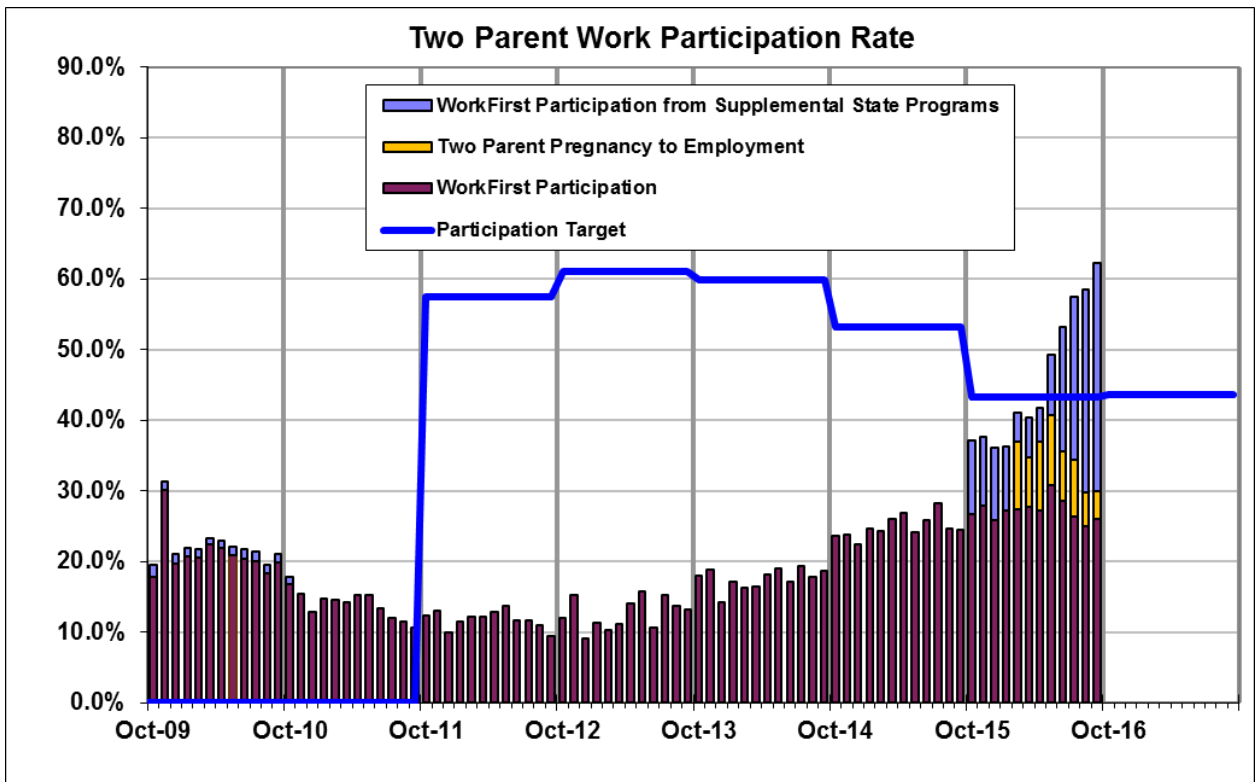
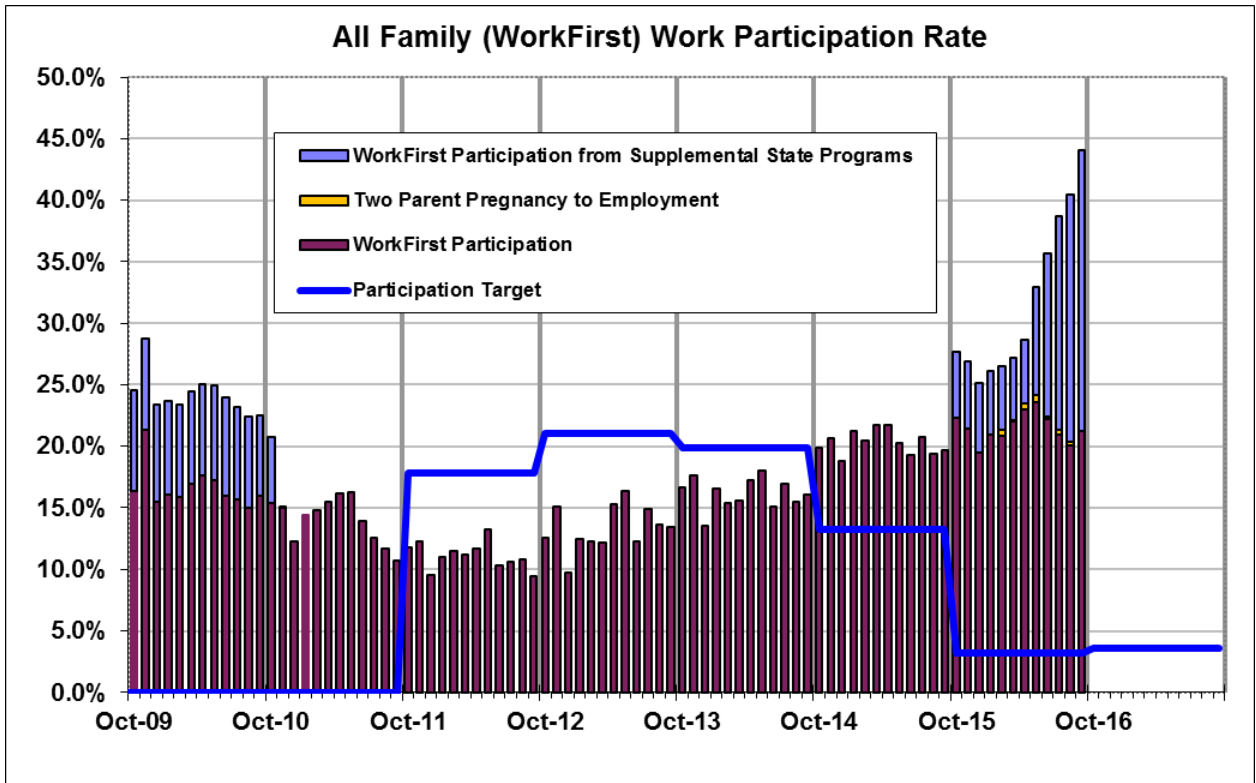
III. Countable Maintenance of Effort and Excess Maintenance of Effort, by Source, for Current Federal Fiscal Year

| FFY 2016 MAINTENANCE OF EFFORT (MOE) EXPENDITURES for FFY 2017 TARGETS | | Variance from FFY2015 |
|---|----------------------|----------------------------------|
| DSHS – Budgets | \$94,953,406 | \$43,341,283 |
| CCDF Double Count | \$62,411,855 | (\$8,514,554) |
| Department of Labor and Industries (L&I) – Medical Assistance Fund | \$117,732,376 | \$5,053,185 |
| Office of Public School Instruction (OSPI) – Learning Assistance Program | \$116,938,289 | (\$3,688,944) |
| Office of Public School Instruction (OSPI) – Full-Day Kindergarten | \$0 | (\$68,132,073) |
| Office of Public School Instruction (OSPI) – K-3 Poverty Funding | \$40,892,775 | \$7,962,689 |
| Washington Student Achievement Council (WSAC) – State Needs Grant, College Bound Scholarships | \$53,821,532 | (\$9,876,706) |
| Department of Early Learning (DEL) – ECEAP, ECLIPSE, Home Visiting, Needs Based Grant | \$63,056,936 | \$11,371,731 |
| Department of Corrections (DOC) – CD Treatment | \$142,382 | (\$2,305,809) |
| Washington Telephone Assistance Program (WTAP) | \$0 | \$0 |
| Children's Kinship | \$1,490,780 | \$960,288 |
| Commerce Housing Programs | \$16,897,801 | \$3,362,721 |
| Tribal Food Pantry | \$330,509 | \$296,282 |
| Second Harvest | \$1,474,219 | \$612,944 |
| Northwest Harvest | \$30,978,152 | \$14,340,911 |
| TOTAL | \$601,121,012 | (\$5,216,052) |

IV. Status of Reportable Federal Participation Rate Requirements

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

Source: WorkFirst Performance Chartbook as of September 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

Since the last report, the agency successfully filed its FFY2016 ACF-204 TANF MOE report. During fourth quarter review sessions between the Division of Finance and Financial Recovery, the Research and Data Analysis Division, and the Community Service Division, several expenditures were reviewed and discounted to account for potential TANF MOE eligibility errors, in accordance with recommendations from the State Auditor’s Office. The TANF MOE group also received notice the OSPI K-3 Supplemental Funding was eligible to be claimed for FFY2016, as it was not generally available¹. However this source *is* expected to be generally available for FFY2017 (no longer serve a population predominately below 400% FPL), making it ineligible for the FFY 2017 MOE claim. The DOC Chemical Dependency program was defunded, so it will not be available for the FFY2017 MOE claim. The TANF MOE group is currently visiting each TANF MOE partner to determine program eligibility and estimated expenditures for FFY2017. The TANF MOE group intends to have a firm MOE projection on new MOE sources in the next report to the legislature.

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 2017 MAINTENANCE OF EFFORT (MOE) ESTIMATES for FFY 2018 TARGETS | |
|---|----------------------|
| DSHS – Budgets | \$126,821,000 |
| CCDF Double Count | \$38,707,605 |
| Department of Labor and Industries (L&I) – Medical Assistance Fund | \$112,434,419 |
| Office of Public School Instruction (OSPI) – Learning Assistance Program | \$116,938,289 |
| Office of Public School Instruction (OSPI) – Full-Day Kindergarten | \$ 0 ^a |
| Office of Public School Instruction (OSPI) – K-3 Supplemental Funding | \$ 0 ^a |
| Washington Student Achievement Council (WSAC) – State Needs Grant | \$53,513,057 |
| Washington Student Achievement Council (WSAC) – College Bound Scholarships | \$308,475 |
| Department of Early Learning (DEL) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant | \$63,056,936 |
| Department of Corrections (DOC) – CD Treatment | \$0 ^b |
| Commerce Housing Programs | \$16,897,801 |
| Children’s Administration – Kinship Emergent Relative Placement | \$1,590,780 |
| Department of Agriculture – Tribal Food Pantries | \$330,509 |
| Northwest Harvest | \$30,978,152 |
| Second Harvest of Inland Northwest | \$1,474,219 |
| Annual Total | \$563,051,242 |

a - lost due benefit becoming generally available to the public

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

¹ [45 CFR 263.4\(a\)\(2\)](#) states, “Educational expenditures count [when]... They are not generally available to other residents of the State without cost and without regard to their income.”

| Projected FFY 2018 MAINTENANCE OF EFFORT (MOE) ESTIMATES for FFY 2019 TARGETS | |
|---|----------------------|
| DSHS – Budgets | \$95,107,471 |
| CCDF Double Count | \$38,707,605 |
| Department of Labor and Industries (L&I) – Medical Assistance Fund | \$112,434,419 |
| Office of Public School Instruction (OSPI) – Learning Assistance Program | \$116,938,289 |
| Office of Public School Instruction (OSPI) – Full-Day Kindergarten | \$ 0 ^a |
| Office of Public School Instruction (OSPI) – K-3 Supplemental Funding | \$ 0 ^a |
| Washington Student Achievement Council (WSAC) – State Needs Grant | \$53,513,057 |
| Washington Student Achievement Council (WSAC) – College Bound Scholarships | \$308,475 |
| Department of Early Learning (DEL) – ECEAP, Home Visiting, Eclipse, Seasonal Child Care, Barrier Reduction, Needs Based Grant | \$63,056,936 |
| Department of Corrections (DOC) – CD Treatment | \$0 ^b |
| Commerce Housing Programs | \$16,897,801 |
| Children’s Administration – Kinship Emergent Relative Placement | \$1,590,780 |
| Department of Agriculture – Tribal Food Pantries | \$330,509 |
| Northwest Harvest | \$30,978,152 |
| Second Harvest of Inland Northwest | \$1,474,219 |
| Annual Total | \$531,337,713 |

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

b - lost due to lack of funding for this activity

| Projections of Target and Achieved WPR | | | | |
|---|--------------------------|----------------------------|--------------------------|----------------------------|
| Report Year | All Family Target | All Family Achieved | Two Parent Target | Two Parent Achieved |
| 2016 | 3.2% | 32.4% | 43.2% | 46.4% |
| 2017 | 3.6% | 46.4% | 43.6% | 66.4% |
| 2018 | 24.1% | 46.4% | 64.1% | 66.4% |