

Economic Services Administration

060 - PL - XT - MEETING FEDERAL TANF WORK RATE

Agency Submittal: 2015-17 Final 2017 Sup

Budget Period: 2015-17

SUMMARY

Washington faces an estimated \$67,884,000 penalty to the federal Temporary Assistance for Needy Families (TANF) Block Grant for not meeting the federal Work Participation Rate (WPR) between Federal Fiscal Years (FFY) 2012-2015. This reduction will hinder the efforts of our state's most needy families to reach and maintain self-sufficiency, unless steps are taken to reduce or eliminate the penalty. Washington's Working Family Support (WFS) program, a monthly ten dollar payment to eligible ESA clients that are not receiving TANF benefits, is a vital component to these efforts. The Economic Services Administration (ESA) requests \$3,512,000 GF-State and 3 FTE to continue providing WFS for Fiscal Year 2017 (FY17). This assistance program will increase the WPR while simultaneously assisting families to reach their self-sufficiency goals.

PROBLEM STATEMENT

Federal rules governing the administration of the TANF Block Grant reduce funding for states that fail to meet the federal WPR targets. To meet the federal WPR, states must have a set percentage of parents engaged in countable work-like activities for the required number of hours each month. Washington failed to meet the federally required WPR in FFY12 and FFY13, based on similar assumptions, it is expected that the State will not meet the WPR for FFY14 and FFY15. Federal rules allow states to reduce or eliminate penalties they incur if they meet WPR targets in subsequent years. In order to help increase Washington's WPR and meet federal targets, ESA implemented the WFS program on May 1, 2016.

ESA submitted a Corrective Compliance Plan (CCP) on September 23, 2016 to the Federal Health and Human Services' (HHS) Administration for Children and Families (ACF) to remedy the problems that led to the failure to meet the WPR. By entering into a CCP, Washington has the opportunity to eliminate or reduce the \$68 million faced in penalties if the WPR is maintained for a full federal fiscal year. Washington has implemented several strategies to ensure the WPR is met for FFY16, which includes the positive contribution of the WFS program. Without WFS, Washington may not meet the WPR, resulting in additional financial penalties beyond the \$68 million already being faced. The impacts of the WPR penalties would pose a severe disservice to Washington's citizens, compared to the relatively small investment of GF-State requested to fund the WFS in order to meet the WPR.



DSHS VISION

People are healthy • People are safe • People are supported • Taxpayer resources are guarded

DSHS MISSION

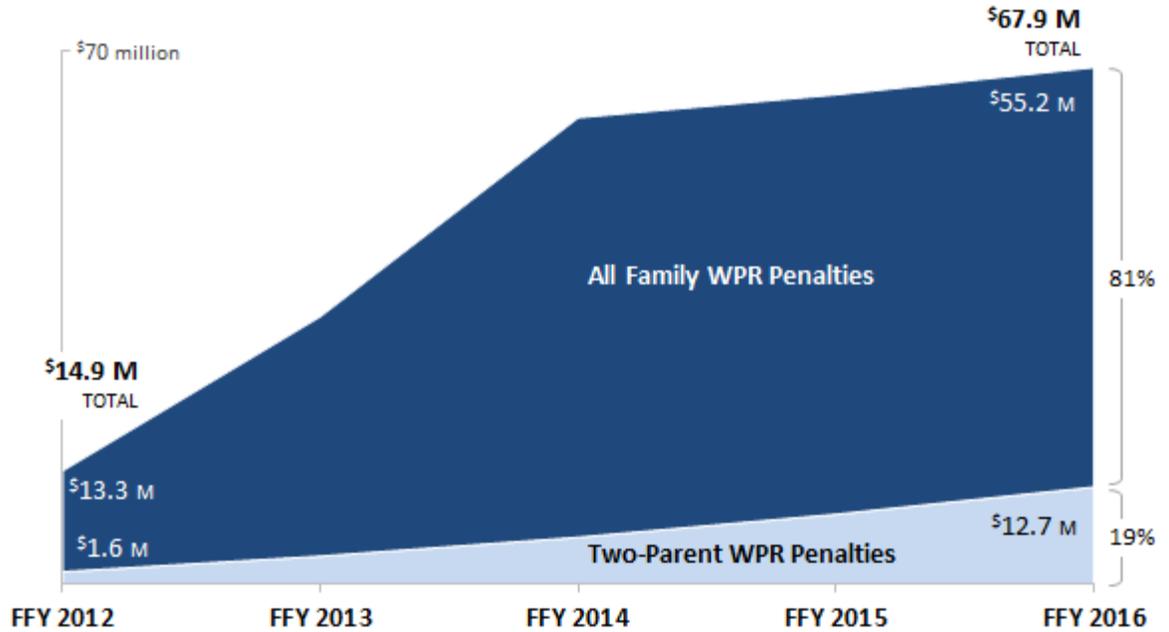
To transform lives

DSHS VALUES

Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service

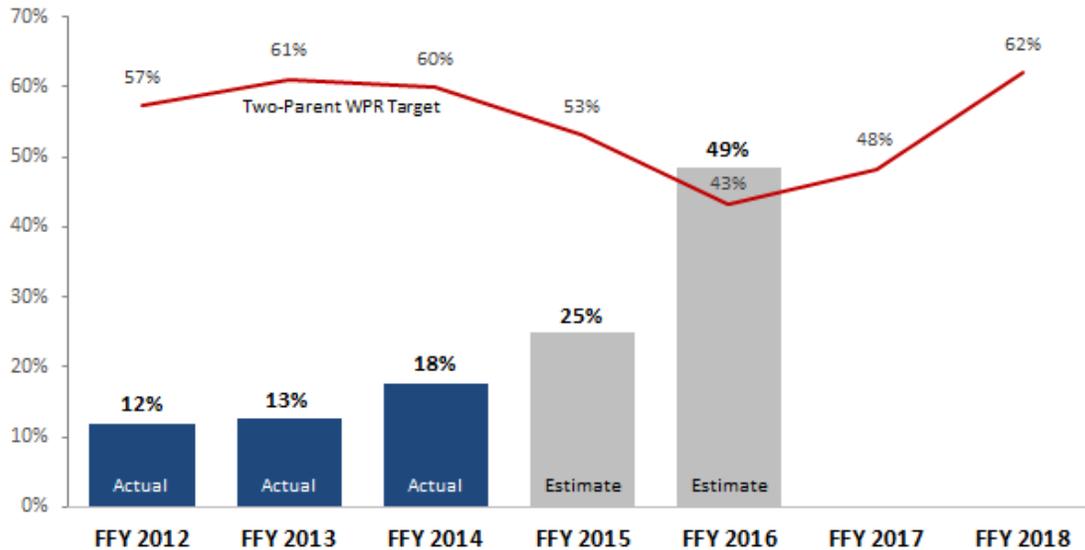
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Estimated Two-Parent and All Family WPR Penalties Now Total \$67.9 Million



SOURCE: ACF Notification Letters (2012 & 2013); DSHS, ESA, CSD (Research and estimates based on ACF formula - 2014 - 2017)

Implementation of Working Families Program Estimated to Surpass Two-Parent WPR Target for FFY 2015 and 2016

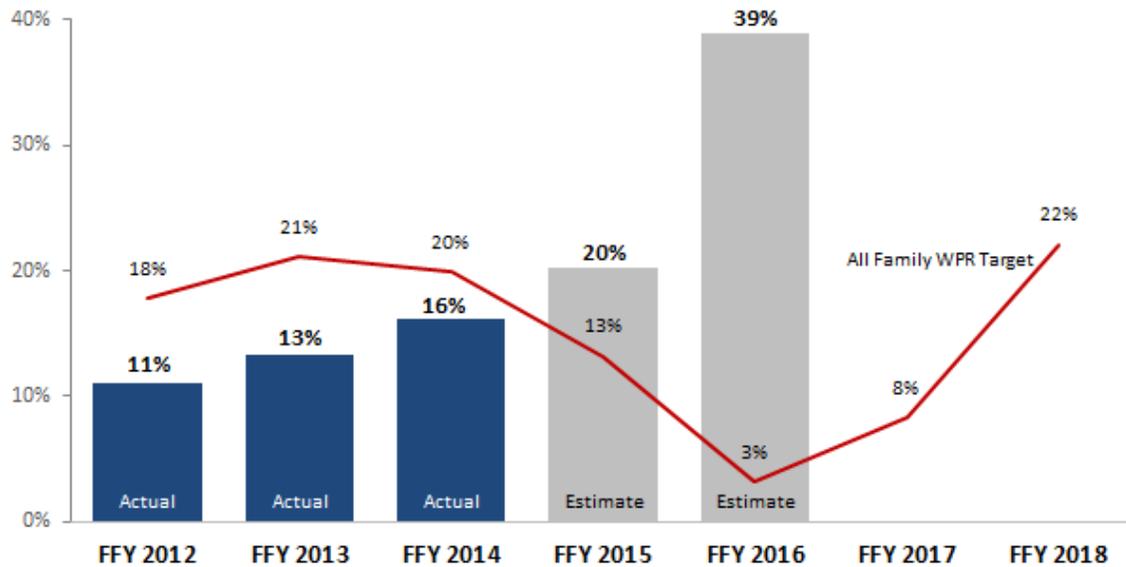


SOURCE: ACF Notification Letters (2012 & 2013 Target & Achieved are final); DSHS submitted ACF Report 202 (2014 - 2018 Targets); DSHS RDA data (2015 achieved); CSD estimates & research (2016 achieved & 2017-2018 Target estimates)

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One of the factors for the increase in the estimated achieved WPR noted in the charts above and below, is a result of implementation in May 2016 of the WFS program. Federal rules require Washington State to hit the targets for both Two-Parent and All-Family caseloads to avoid penalties. The Two-Parent WPR is at the greatest risk for not being reached without the requested funding.

Implementation of Working Families Program Estimated to Surpass All Family WPR Target for FFY 2015 and 2016



SOURCE: ACF Notification Letters (2012 & 2013 Target & Achieved are final); DSHS submitted ACF Report 202 (2014 - 2018 Targets); DSHS RDA data (2015 achieved); CSD estimates & research (2016 achieved & 2017-2018 Target estimates)

PROPOSED SOLUTION

ESA is requesting funding to continue the WFS program into FY17 (July 1, 2016-June 30, 2017) in order to meet the WPR target for the whole of FFY16 and FFY17. The WFS provides a small but significant boost to families on their journey to self-sufficiency. The program provides non-TANF families, who are working but remain under 200 percent Federal Poverty Level (FPL), with a \$10 monthly assistance benefit to purchase extra food items each month. At the same time, the state is able to count the recipients' employment hours towards the WPR.

Washington has drafted a Corrective Compliance Plan (CCP) to submit to Health and Human Services' (HHS) Administration for Children and Families (ACF) when required. By entering into a CCP, Washington has the opportunity to eliminate or reduce the \$68 million in penalties if the WPR is reached for a full FFY. Washington has implemented several strategies to ensure the WPR is met for FFY16, which includes the positive contribution of the WFS program. Without WFS, Washington may not meet the WPR, resulting in additional financial penalties beyond the \$68 million

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already being faced. The impacts of these penalties would pose a severe disservice to Washington's most needy families if penalties results in services being cut that help families reach self-sufficiency.

This request is a first step to the total solution of the WPR issue. ESA plans to implement a State-Only funded Two-Parent program beginning in October 2018. Creating a solely state funded program for all two parent households would allow Washington to exclude all two parent households from the count of two parent work eligible individuals.

ESA will be able to be able to fund the State-Only Two-Parent program within its current appropriation as long as there are no significant reductions to the ESA GF-State appropriation, including caseload decreases.

EXPECTED RESULTS

ESA expects to meet the FFY16 WPR target, if WFS is continued. That alone may eliminate over \$68 million in potential penalties to the federal TANF block grant Washington receives. In addition, by meeting the WPR target, Washington will avoid additional penalties and maintain the funding necessary to help build prosperous communities and continue supporting families in their effort to move to self-sufficiency.

Supporting families who are working but remain in poverty helps provide the stability they need to maintain employment and building the skills necessary to promote and move out of poverty. During each month of FY17, ESA estimates that 7,100 families will receive WFS benefits, resulting in an estimated increase of 17 percent for the two-parent WPR.

ESA also expects to transition to a State-Only Two-Parent program once the FFY16 and FFY17 WPR targets have been met by September 30, 2017.

STAKEHOLDER IMPACT

There is no known opposition.

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Program Contact: Edd Giger, (360) 725-4515

OTHER CONNECTIONS

Performance Outcomes/Important Connections

- 1. Does this DP provide essential support to one or more of the Governor's Results Washington priorities?**
Goal 4: Healthy and Safe Communities - Supported People - 3.1.a - Increase percentage who leave public assistance (TANF) due to increased income or at their request from 54 percent to 60 percent by 07-30-2017.
- 2. The decision package meets the following DSHS' strategic objectives:**
3.1: The percentage of people who leave TANF due to self-sufficiency or at their request will increase.
- 3. Identify other important connections or impacts below.**

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- a) Regional/County impacts? Yes. If the state is unable to meet the Work Participation Rate (WPR) and financial penalties are applied, there would be less funding available at the Regional/County level to serve families in deep poverty.
- b) Other local government impacts? Yes. If the state is unable to meet the WPR and financial penalties are applied, there would be less funding available to local governments to provide services and work activities to help families reach self-sufficiency.
- c) Tribal government impacts? No.
- d) Other state agency impacts? Yes. If the state is unable to meet the WPR and financial penalties are applied, there would be less funding available to partnering WorkFirst state agencies to offer work activities to families to help them reach self-sufficiency.
- e) Responds to specific task force, report, mandate or executive order? No.
- f) Does request contain a compensation change or require changes to a Collective Bargaining Agreement? No.
- g) Facility/workplace needs or impacts? No.
- h) Capital budget impacts? No.
- i) Is change required to existing statutes, rules or contracts? No.
- j) Is the request related to litigation? No.
- k) Is the request related to Puget Sound recovery? No.
- l) Other important connections? No.

4. Please provide a detailed discussion of connections/impacts identified above.

If less funding is provided to Washington through the TANF block grant due to penalties faced, there would be less funds that can be allocated to provide necessary services to families in poverty. Local communities would feel the effect due to receiving less funding to provide necessary services to help families reach self-sufficiency. In order to continue providing adequate services that are currently available, more state funds would be needed to fill in the gap caused by the federal penalty.

There are many factors that have played into ESA not meeting the WPR in the past. In 2014, only 10 states met the Two-Parent WPR, 18 did not, and the other 26 states fund their two-parent caseload without Federal dollars due to the unattainable WPR. ESA has taken many steps to correct the failed WPR, one of which includes the WFS program.

Alternatives/Consequences/Other

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5. What alternatives were explored by the agency, and why was this alternative chosen?

The agency has explored multiple alternatives, including some that have been implemented. WFS, combined with other implemented items, are necessary to help the state meet the WPR. Other alternatives to expand the state's opportunity to meet the WPR that were explored (and also implemented) include the following:

- State funded Pregnancy to Employment Pathway for two-parent households implemented February 2016
- Increased WorkFirst Partner monitoring implemented May 2016
- Increased Community Services Office WPR goal set by previous DSHS Secretary, Kevin Quigley implemented October 2015
- Technical Assistance Visits to 27 largest Community Services Offices implemented November 2013

The agency also considered offering support services to the existing WFS program recipients to ensure families not receiving TANF, but who are working with incomes under 200% of the Federal Poverty Level, had access to support services to help them maintain their employment. Support services can prevent a working family from cycling back onto TANF in the instance that they have a financial crisis that can be mitigated by support service assistance.

6. How has or can the agency address the issue or need within its current appropriation level?

The agency has been able to support WFS in its current capacity, as described in WAC 388-400-0010, between May 1, 2016 and June 30, 2016. The agency was able to move unspent TANF/WorkFirst funds from the Dept. of Commerce to cover the cost of the program during the stated timeframe. There are no known unspent funds to devote to WFS between July 1, 2016 and September 30, 2017.

7. Does this decision package include funding for any IT-related costs (hardware, software, services, cloud-based services, contracts or IT staff)?

- No**
 Yes (Include an IT Addendum)

Fiscal Detail**060 - PL - XT - Meeting Federal TANF Work Rate**

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
001-1 General Fund-State	0	3,512,000	1,174,000	0
Total Cost	0	3,512,000	1,174,000	0

Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
FTEs	0.0	3.0	1.0	0.0

Performance Measure Detail

		Incremental Changes			
Activity:		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Program: 060					
F120	CSD Field Support Services	0	0	0	0
F108	WorkFirst Employment and Training	0	0	0	0
No measures submitted for package					

Object Detail

		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
A	Salaries and Wages	0	112,000	13,000	0
B	Employee Benefits	0	47,000	5,000	0
E	Goods and Other Services	0	13,000	32,000	0
G	Travel	0	1,000	0	0
N	Grants, Benefits, and Client Services	0	3,331,000	1,123,000	0
P	Debt Service	0	1,000	0	0
TZ	Intra-agency Reimbursements	0	7,000	1,000	0
Total Objects		0	3,512,000	1,174,000	0

DSHS Source Detail**Overall Funding**

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
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Fund 001-1, General Fund-State**Sources Title**

GFS2	General Fund State TANF Moe	0	3,512,000	1,174,000	0
Total for Fund 001-1		0	3,512,000	1,174,000	0
Total Overall Funding		0	3,512,000	1,174,000	0

2017 Supplemental Budget

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	SFY 2017 (12 Months)	SFY 2018 (3 Months)	SFY 2019	2017-19 Biennial
	GFS	GFS	GFS	GFS
FTEs	3.0	1.0	-	0.5
Grants	3,331,000	1,123,000	-	1,123,000
WorkFirst Services	-	-	-	-
IT Costs *	-	30,000	-	30,000
Admin	181,000	21,000	-	21,000
Total	3,512,000	1,174,000	-	1,174,000

Objects	SFY 2017 (12 Months)	SFY 2018 (3 Months)	SFY 2019	2017-19 Biennial
A	112,000	13,000	-	13,000
B	47,000	5,000	-	5,000
E	13,000	32,000	-	32,000
G	1,000	-	-	-
N	3,331,000	1,123,000	-	1,123,000
P	1,000	-	-	-
TZ	7,000	1,000	-	1,000
Total	3,512,000	1,174,000	-	1,174,000