

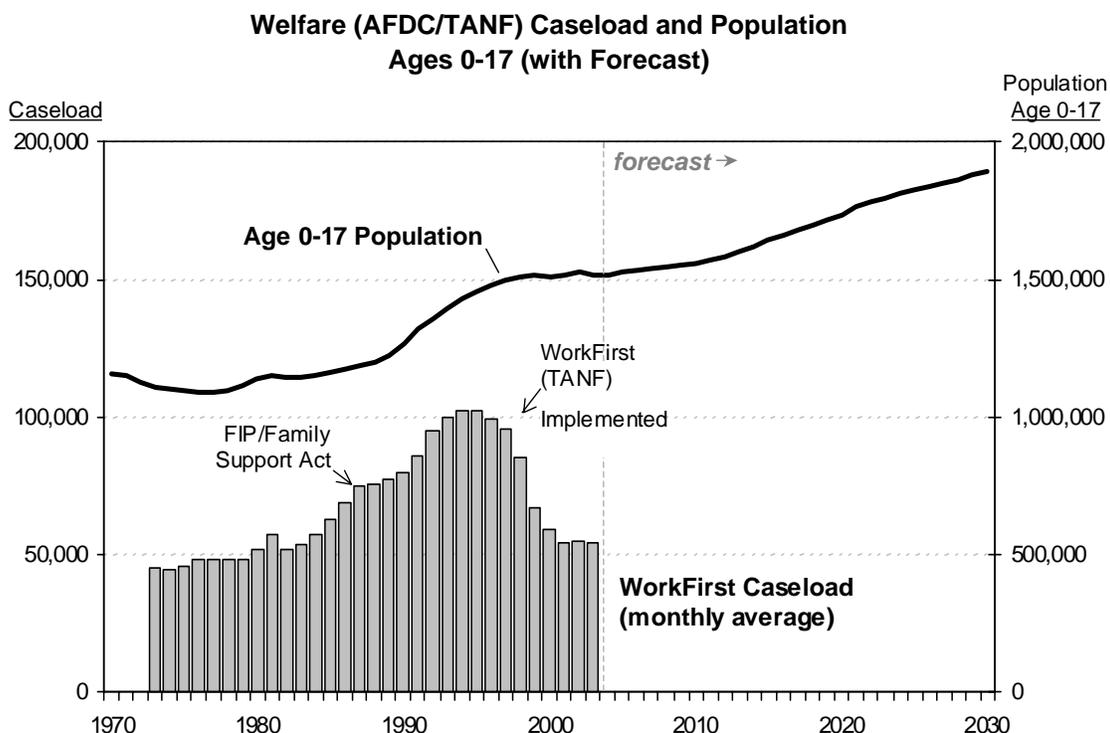
In 1996, Congress approved the nation's first major welfare reform initiative since 1935. The law gave states annual block grants to fund welfare services, and flexibility to create and operate their own welfare reform approach. Washington created WorkFirst, our state's version of welfare reform, in 1997.

Results

Here are the key results since the enactment of welfare reform in Washington State:

- More than 146,000 families have left welfare and stayed off.
- From 1997 to mid-2004, the number of families on welfare in Washington dropped 42 percent, from nearly 97,000 to about 55,000.
- Less than 2.3 percent of Washington's population receives welfare benefits—the lowest level in more than 30 years.
- The poverty rate for single parents with children dropped 21 percent between 1989 and 1999, while the overall poverty rate dropped 3 percent.
- The birth rate among women on welfare dropped by nearly 30 percent, from 60 births per 1,000 in 1994 to 42 per 1,000 in 2000, while the birth rate for women in the same age group, but not on welfare, was unchanged.
- State spending on welfare grants was cut by more than 40 percent, going from \$477 million in 1998 to \$276 million for this fiscal year.
- Funds available to help working families pay for child care have nearly tripled, now totaling more than \$281 million annually. Child care help is available to all low-income, working parents – a family of three earning up to about \$2,600 per month.
- Washington's two-year colleges have transformed job training for welfare recipients and opened up new training opportunities to low-income workers. Free tuition is available, as is subsidized child care during class time.
- Washington was the first state in the nation to provide the hardest-to-employ welfare recipients with paid work and training that prepares them for unsubsidized employment. Community Jobs is still the largest transitional jobs effort in the country—11,000 parents have been served since 1998.

The graph below shows what has happened to welfare caseloads over the last 30 years.



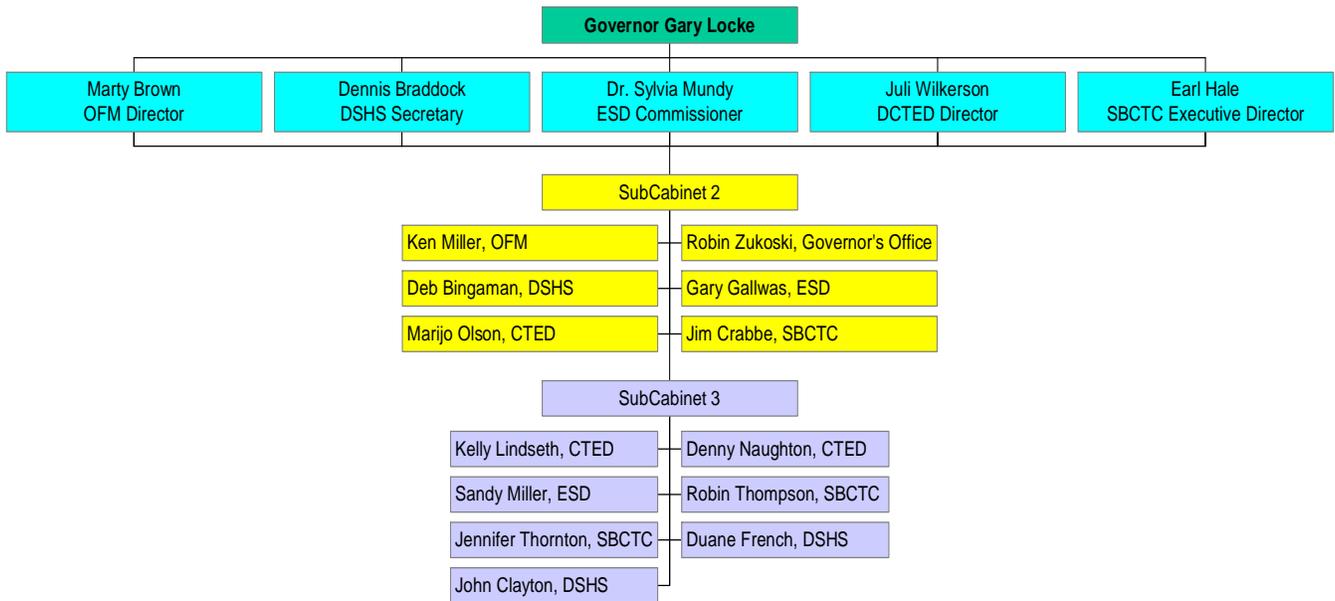
Organization

WorkFirst is overseen by a SubCabinet comprised of the directors of the Department of Social and Health Services (DSHS), Employment Security Department, Department of Community, Trade and Economic Development, the State Board for Community and Technical Colleges, and chaired by the Director of the Office of Financial Management (OFM). The SubCabinet makes recommendations to the Governor on major policy and budget issues.

A working group of Deputy/Assistant Directors from the four agencies (SubCabinet 2) meets regularly to consider policy and budget questions as well as operational issues that cross agency lines. It makes decisions on routine policy matters and makes recommendations to the SubCabinet. The head of the WorkFirst Performance Team within OFM chairs this group.

A third working group (SubCabinet 3) is comprised of line operational managers from the four agencies and deals with operational questions.

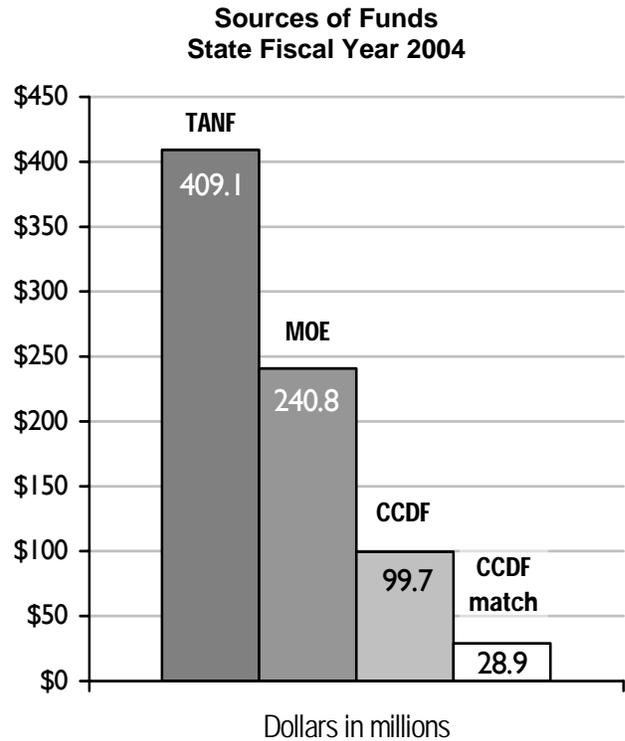
Current Organizational Chart



Budget – Source of Funds

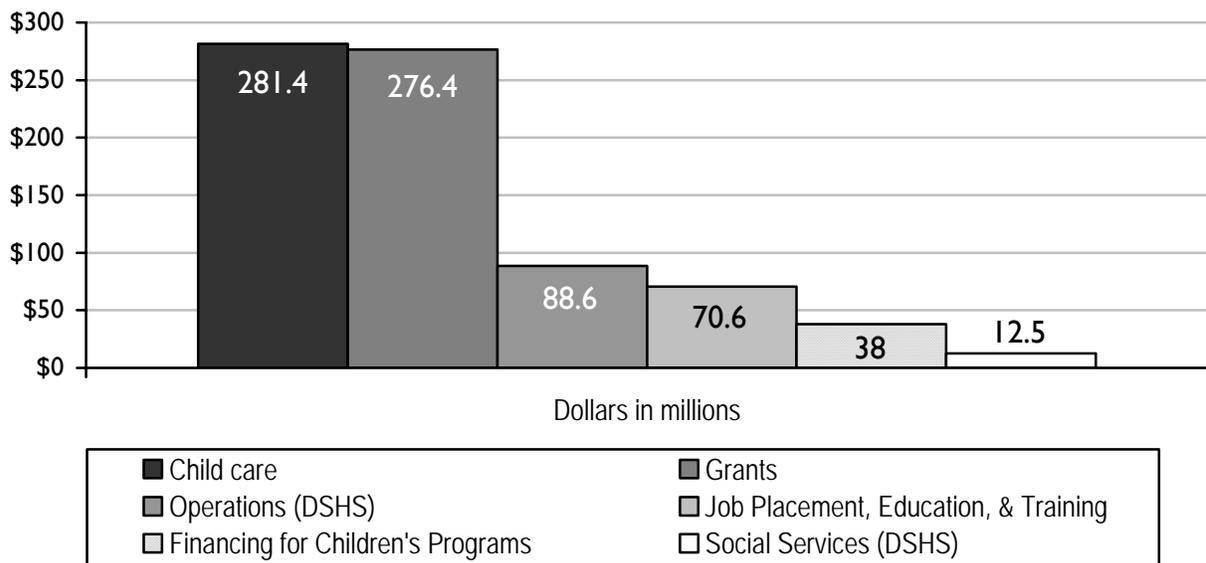
WorkFirst-Sources of Funds

- Federal Temporary Assistance for Needy Families (TANF) – a block grant from the federal government. The amount has remained unchanged since 1997 and is proposed to stay unchanged for another five years under both TANF reauthorization proposals now alive.
- Federal Child Care & Development Fund (CCDF) – a federal block grant for child care with some strings attached. Some increase is likely with the reauthorization of TANF.
- State Maintenance of Effort (MOE) – State General Fund revenues currently at 75 percent of actual state expenditures from 1995. So, the state’s contribution is 25 percent less than it was 10 years ago.
- Child Care & Development Fund (CCDF) match – State General Fund revenues required to match available federal child care funds.



Budget – Major Categories of Expenditure

**Major Categories of Expenditure
State Fiscal Year 2004**



Major categories of expenditure

- **Child care** - The Working Connections Child Care program provides child care subsidies for families whose incomes are at or below 200 percent of the federal poverty level – or \$2,611 per month for a family of three – while the parents are working, looking for work or enrolled in an approved training program.
- **Grants** - Cash grants are available for very low-income families with very few assets, pregnant women with no other children and certain children under 18. The monthly grant for a parent with two children is \$546.
- **Operations (DSHS)** - Based on a random moment-in-time sampling of work activities done by DSHS Community Services Division staff, a cost allocation is attached to WorkFirst-related activities. Those activities include eligibility determination, benefit issuance, case management and monitoring, and social services. WorkFirst-related activities comprise approximately 33 percent of all Community Services staff time.
- **Job placement, education and training** - An intensive job search workshop and 12-week job search, conducted by Employment Security staff, helps TANF parents who are either returning to work or entering the workforce for the first time. Also, WorkFirst participants and other working parents with incomes under 175 percent of the federal poverty level – monthly income under \$2,285 for a family of three – may be eligible for customized training to meet the needs of employers with specific hiring needs. Other Basic Skills and Job Skills Training courses offered to low-income parents include limited English, limited basic skills and “soft skills.”
- **Financing for children’s programs** – The Legislature replaced state General Fund dollars used for child welfare services with TANF funding in the DSHS Children’s Administration.
- **Social services** - Social services includes counseling and related activities to help parents deal with domestic violence, alcohol and substance abuse, limited English proficiency and other issues.

MAJOR ISSUE: NO. 1

Issue Limited Resource Threatens Welfare Reform Success

Urgency Revenue limitations present challenges in continuing the success of welfare reform in Washington State. The combination of the federal TANF block grant, federal Child Care block grant, and the minimum federally required state General Fund (Maintenance of Effort) is insufficient to fund the current cash assistance caseload, the growing child care caseload, and the necessary employment and training supports to help families move from welfare to self-sufficiency.

Background At the outset of welfare reform, cash assistance caseloads declined dramatically and provided savings that were reinvested in services and child care, which grew dramatically. The Legislature also redirected a portion of those savings to reduce state General Fund requirements in other portions of the budget.

Since the recession began, cash assistance caseloads have leveled off, reducing the funds available for reinvestment. Child care caseloads also dropped, which allowed the “welfare box” to stay in balance.

Child care and other costs now are rising again, threatening the funding balance. Congress has not reauthorized the TANF program, although bills have been introduced to do so. The current administration wants to increase the work requirements, which would increase costs, particularly for child care.

Controversy The “welfare box” always has been controversial with the Legislature because legislators do not have the authority to direct expenditures within the box, which is controlled by the Governor.

If the program is redesigned to stay within current revenue, the changes likely will be controversial. Possible changes include reducing eligibility for child care, terminating from TANF families who do not comply with the rules (“full family sanction”) or reducing employment and training supports.

Key Players State level – WorkFirst SubCabinet: OFM, DSHS, Employment Security Department, Department of Community, Trade and Economic Development, and the State Board for Community and Technical Colleges. National level – Congress and the U.S. Department of Health and Human Services

Status The WorkFirst SubCabinet continues to monitor the welfare box expenditures closely and make adjustments to the program as necessary to stay within the budget. Congress may act to reauthorize the program and change its requirements, although that is unlikely to occur in this session of Congress. The current extension of the TANF program expires March 31, 2005.

The current estimate of the budgetary problem for the upcoming biennium is approximately \$20 to \$30 million per year.

Websites <http://www.workfirst.wa.gov/index.htm>

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MAJOR ISSUE: NO. 2

Issue **Executive vs. Legislative Control of Welfare Reform and the Budget that Supports It**

Urgency It is likely that legislators will seek to assert control over decisions on how funds in the “welfare box” are spent. Since 1997, the Governor has maintained the prerogative of allocating the funds in the welfare box with only informal involvement by legislators.

Background The federal and state laws governing welfare reform specify few requirements, so major decisions are driven by rule and funding allocations. In 1997, when the original welfare reform legislation was enacted, an agreement was reached between the Governor and legislative leadership that allowed the Governor to allocate the budget for welfare reform in ways that best accomplish the purposes of the new law. This agreement created the so-called “welfare box.” Since then the Governor has been able to make policy changes with only the informal involvement of the Legislature. For example, the Governor was able to redeploy hundreds of millions of dollars in caseload savings to create subsidies that help working parents pay for child care without requesting legislative authorization. Similarly, as the initial surpluses under welfare reform were drawn down, the Governor was able to reduce and redesign the program to operate within changing financial limits.

Controversy That agreement is likely to be challenged in the upcoming legislative session. A number of members, especially among House Democrats, have indicated that the Legislature should re-establish its traditional control over these spending decisions.

Key Players WorkFirst SubCabinet, Speaker Chopp, Reps. Kagi and Sommers

Status Pending the start of next legislative session

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MAJOR ISSUE: NO. 3

Issue **Helping Low-Income Workers Obtain Better Jobs and Get Ahead**

Urgency It is likely that legislative proposals will be offered to change the systems and financing designed to help low-income workers, including parents leaving welfare, get better jobs and get ahead.

Background WorkFirst has succeeded in moving large numbers of families from welfare to work. It has not succeeded in helping low-income parents move up the career ladder. There is no consensus on the approach most likely to lead to that success, but there may be legislative proposals that demand significant, controversial changes in existing state and local government systems.

One proposal suggests drastically reducing the current system of “job search,” as administered by the Employment Security Department, and reallocating resources to support more job readiness training. Another, which is the subject of an interim study, would place the local community college in the center of all welfare-related job placement and job training. A third approach currently being discussed would expand the responsibilities of the WorkSource Centers and/or Community Colleges so adults looking for work could concurrently get access to benefits designed to help struggling families succeed in the workplace (e.g. child care subsidies).

Controversy If proposals are enacted to simply undo “job search” and reallocate savings, then it is unlikely that the rate of placements from welfare to work can be maintained and likely that caseloads will increase. If either of the demonstration approaches were suggested for statewide application, local Workforce Development Boards, community colleges and state agencies currently operating WorkFirst services would raise concerns about the effects of change on their current operations. However, if no change is made, there is no reason to expect any greater success in helping low-income parents secure better, higher-paying jobs.

Key Players WorkFirst SubCabinet, local WorkForce Development Boards, Speaker Chopp, Reps. Kagi, Kenney and others

Status Alternative models for delivering services are being designed. The Employment Security Department and DSHS have collaborated on a plan to integrate more offices and functions.

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