



Bipartisan Policy Center

# The Intersection of TANF and Child Care

## National Overview

Child care plays an essential role in ensuring parents can work, children can learn, and the economy can thrive. However, millions of American families struggle to find quality, affordable child care that fits their needs and preferences. The federal Temporary Assistance for Needy Families (TANF) program helps low-income families achieve economic security. TANF serves as the country's second largest public source of child care dollars. In fiscal year 2019, states contributed over \$5 billion of their \$31 billion in total TANF funds to help families access and afford child care. States may use TANF funding for child care services in three ways:

1. **Transfers to CCDF.** States may transfer up to 30% of their federal TANF funds to the Child Care and Development Fund (CCDF) to increase the amount of funding that provides child care subsidies to low-income families under that program. These funds must comply with the minimum health and safety standards required by law under CCDF.
2. **Federal Direct Spending.** States may allocate any amount of their federal TANF funds directly on child care services, including on Pre-K and Head Start. Importantly, expenditures in this category are not subject to the minimum health and safety standards required under CCDF.
3. **State MOE Direct Spending.** States may count spending on child care as contributions to their TANF Maintenance of Effort requirements. Additionally, up to \$888 million of state expenditures used to meet separate CCDF MOE requirements may count towards the state's TANF MOE.

In FY 2019, more than half (56%) of the TANF funds spent on child care nationwide—\$2.8 billion of the total \$5 billion—were obligated for direct services not subject to the minimum health and safety standards required under CCDF. This practice leaves a subset of children receiving TANF child care assistance in programs whose quality may not align with federal and state health and safety standards required under CCDF, potentially putting both their health and safety at risk.

In 2019, in aggregate, states spent more than **\$5 billion** of the total \$31 billion in TANF funding on child care, a decrease from 2018, when states spent over **\$5.3 billion** in total.

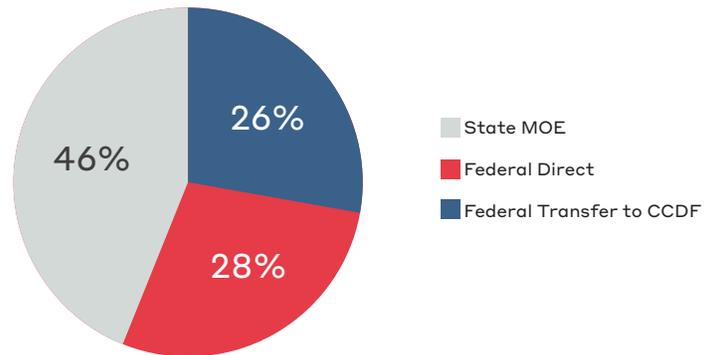
## 2019 TANF SPENDING

- 1. Transfers to CCDF.** In FY 2019, 26 states transferred a total of \$1.3 billion in federal TANF funds to CCDF, a decrease from 2018, when \$1.5 billion was transferred. This transfer represents a 15% increase to the \$8.19 billion in funding authorized to the CCDF program during FY 19, for a total of \$9.49 billion in funding available through CCDF.
- 2. Federal Direct Spending.** In FY 2019, 35 states and the District of Columbia spent a total of \$1.4 billion of their federal TANF allocation on direct child care services outside of the CCDF requirements, a decrease from 2018, when states spent over \$1.5 billion.
- 3. State MOE Spending.** In FY 2019, 44 states and the District of Columbia reported an aggregate of \$2.3 billion was spent on child care services that counted toward their collective \$14.7 billion in MOE contributions. After excluding the CCDF MOE funds states may concurrently count for their TANF MOE, states spent about \$1.4 billion of an updated total \$13.8 billion in MOE funds on direct child care services in FY 2019.

Total CCDF Authorization Including TANF Transfers, 2019



TANF Child Care Spending, 2019



## LONG TERM TRENDS

Over the last five years, total TANF spending on child care has decreased almost 6%, and the way states are spending on child care has shifted. A slight increase in TANF transfers to CCDF from 2015 to 2019 disguises long-term concerning trends: Since 2000, annual transfers to CCDF have decreased by over \$1 billion, and the percentage of all TANF child care spending that is transferred dropped to 25% from 40%.

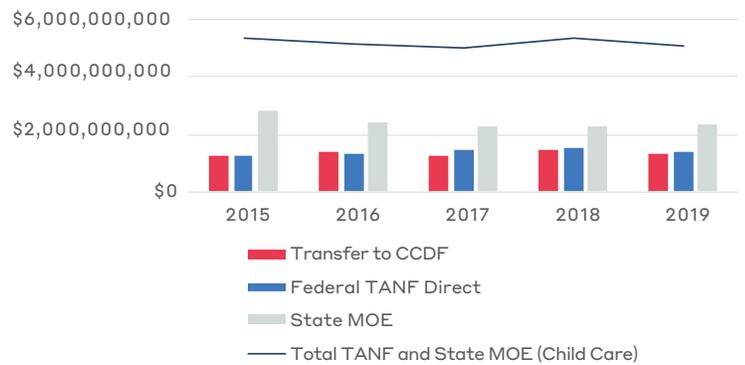
Over time, these realities mean states are increasingly side-stepping the minimum health and safety regulations under CCDF by transferring a smaller proportion of their TANF funds to CCDF, and in some cases, transferring nothing at all.

Despite Congress increasing funding to CCDF by 63% between 2000 and 2017, the decline in transfers muted their impact: total funding for CCDF when including TANF transfers increased 19% during the same time.

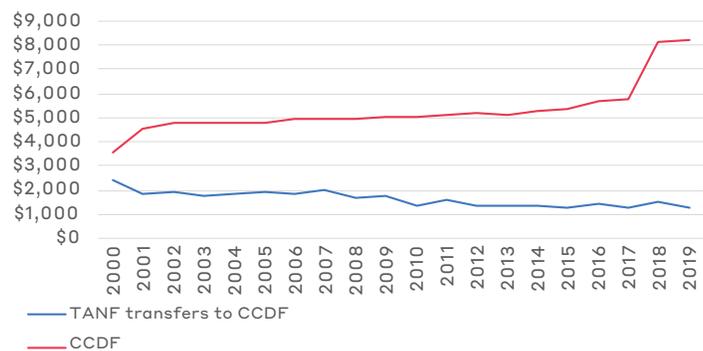
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This misalignment of requirements and data collection contributes to an already bifurcated child care system, with conflicting requirements, program rules, and standards of quality, both at the federal and state level, as opposed to the seamless system envisioned when TANF was established.

5-Year TANF Spending Trends on Child Care



CCDF Funding and TANF Transfers in Millions of Dollars



### Recommendations to Congress

Congress must work to address the outdated TANF requirements to promote the health and wellbeing of children and families and ensure investments in child care are realized to their fullest extent:

1. Require all TANF child care spending to be transferred to CCDF, and increase transfer limits, to ensure all spending is subject to minimum health and safety requirements
2. Increase funding for CCDF to truly meet the needs of working families and reduce the reliance on TANF as a contributor to the child care system

TANF and MOE Spending and Transfers by Activity, FY 2019, available here: <https://www.acf.hhs.gov/ofa/resource/tanf-and-moe-spending-and-transfers-by-activity-fy-2019-contains-national-state-pie-charts>

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FY 2019 CCDF Allocations (Based on Appropriations), available here: <https://www.acf.hhs.gov/occ/resource/fy-2019-ccdf-allocations-based-on-appropriations>