



TANF AND CHILD CARE IN 2018

Michigan

Child care and welfare reform have long been linked by legislation. The Child Care and Development Fund (CCDF) that exists today evolved from the welfare system that existed prior to 1996 and consists of both funds from the Child Care and Development Block Grant (CCDBG) and Temporary Assistance for Needy Families (TANF).¹ As part of the CCDF, states also receive:

- **Guaranteed mandatory funds** – This portion of mandatory funds are given to a state based on the child care funding received prior to 1996. It is a set amount and does not increase with inflation.
- **Federal matching funds** – These are the remaining mandatory funds, distributed based on the state's share of children under age 13. To qualify for federal matching funds, the states must spend at least the amount equal to their state funds spent prior to 1996. This is called a maintenance of effort (MOE). To access all federal matching funds, states must also match the federal share at a rate set by HHS.

Congress gave the states two other options for using TANF funds for child care. They can transfer up to 30 percent of their TANF funds to CCDF and/or provide child care support directly from state programs managing TANF cash assistance funds.

The chart below shows federal and state funds spent by Michigan between 10/1/17 and 9/30/18.

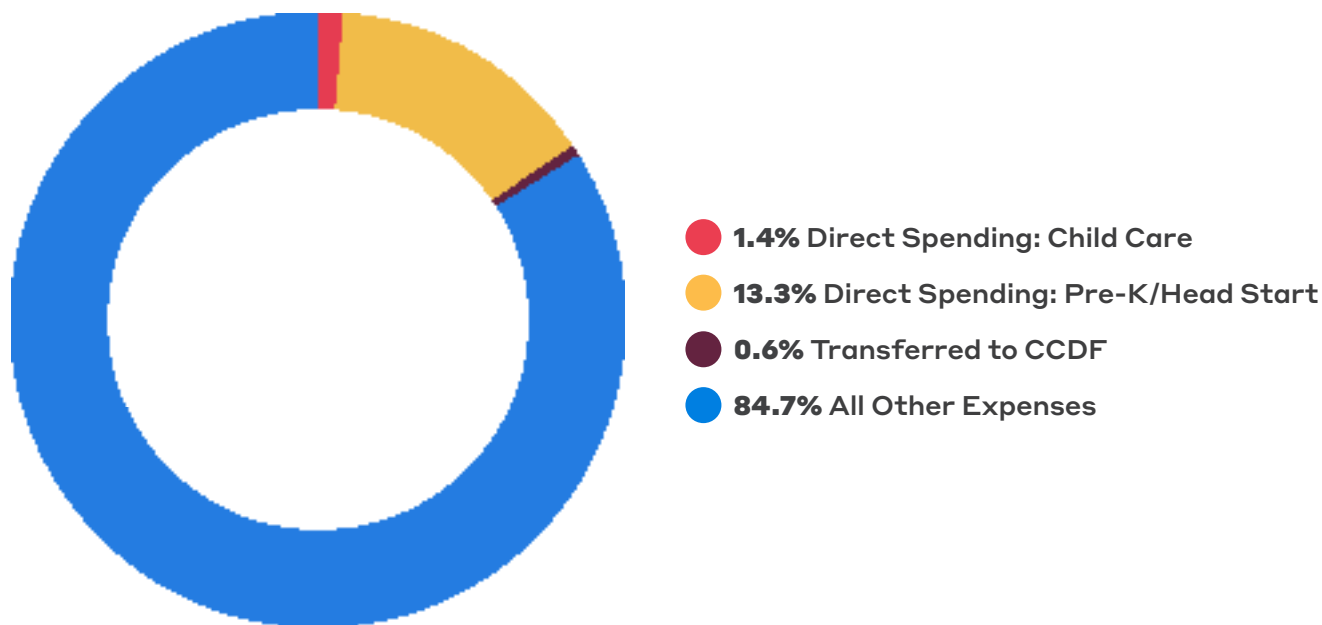
Summary of Federal and State Child Care Funds, FY2018

Category	Federal Expenditures	State Expenditures	Total by Category
CCDF Funding Streams ²			
CCDF Mandatory	\$32,081,922	N/A	\$32,081,922
CCDF Matching	\$48,724,167	\$26,490,663	\$75,214,830
CCDBG Discretionary	\$111,955,815	N/A	\$111,955,815
State MOE	N/A	\$24,411,364	\$24,411,364
Total, CCDF Funds	\$192,761,904	\$50,902,027	\$243,663,931
TANF Funds ³			
TANF Transferred to CCDF	\$8,300,000	N/A	\$8,300,000
TANF Spent Directly on Child Care	\$0	\$19,529,091	\$19,529,091
TANF Spent Directly on Pre-K/Head Start	\$0	\$187,156,948	\$187,156,948
Total, TANF Funds	\$8,300,000	\$206,686,039	\$214,986,039

Note: Discretionary total was calculated by subtracting CCDF transfer from total discretionary state expenditures within TANF come from state MOE funds.

In FY18, Michigan spent 15.3% of its combined state and federal TANF funds on child care activities. Of that amount, it directly spent 1.5% of its TANF funds on child care and 13.3% on Pre-K and Head Start. In Michigan, TANF transfer to CCDF accounted for 0.6% of combined state and federal TANF funds.

Distribution of TANF Funding by Category in FY18, Michigan⁴



This report uses the TANF definitions of early care and education which are as follows:

- **Child Care (Assistance and Non-Assistance)** – child care expenditures for families that need child care to work, participate in work activities (such as job search, community service, education, or training), or for respite purposes. Includes child care provided to families who receive child care during a temporary period of unemployment. Does not include funds transferred to the CCDF or the SSBG programs.
- **Pre-Kindergarten/Head Start** – pre-kindergarten or kindergarten education programs (allowable if they do not meet the definition of a “general state expense”), expansion of Head Start programs, or other school readiness programs.

Endnotes

- 1 The term “Child Care and Development Fund” is not established by statute, rather the term was coined in regulation by HHS. Funds that are added to discretionary CCDBG funds include state “maintenance of effort” and matching funds, and mandatory funds authorized under Section 418 of the Social Security Act.
- 2 Office of Child Care. “CCDF Expenditures Overview for GY 2018 as of 9/30/2018.” June 2020. Retrieved from <https://www.acf.hhs.gov/occ/resource/ccdf-expenditures-for-gy-2018-as-of-9-30-2018>.
- 3 Office of Family Assistance. “TANF Financial Data – FY 2018.” September 2019. Retrieved from <https://www.acf.hhs.gov/ofa/resource/tanf-financial-data-fy-2018>.
- 4 Ibid.