Bipartisan Policy Center

Montana

The Intersection of TANF and Child Care

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

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 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 through an array of supports and services. It also serves as our country's second largest public source of child care funding. 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 funding that provides child care subsidies to low-income families under that program. These funds must comply with minimum health and safety standards set by law under CCDF. In fiscal year 2019, 26 states transferred a total of $1.3 billion of their federal TANF funds to CCDF.[1]

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. In FY2019, 35 states and the District of Columbia spent a total of $1.4 billion of their federal TANF allocation on direct child care services.

3. **State MOE Direct Spending.** States may count spending on child care as contributions to their TANF Maintenance of Effort (MOE) requirements. Additionally, up to $888 million of state expenditures used to meet separate CCDF MOE requirements may count towards the state's TANF MOE.[2] 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 $14.7 billion in MOE contributions.[3] After excluding the funds that may concurrently count for both CCDF and TANF MOE, states spent about $1.4 billion of a total $13.8 billion in MOE funds on direct child care services.

TANF CHILD CARE SPENDING IN MONTANA

In fiscal year 2019, Montana reported **$9,277,135** – or **17%** – of its total **$53,309,514** in TANF funding was allocated to child care services.[4] The chart below shows how much TANF funding, from both state and federal sources, the state spent on child care services between FY2015 – FY2019.

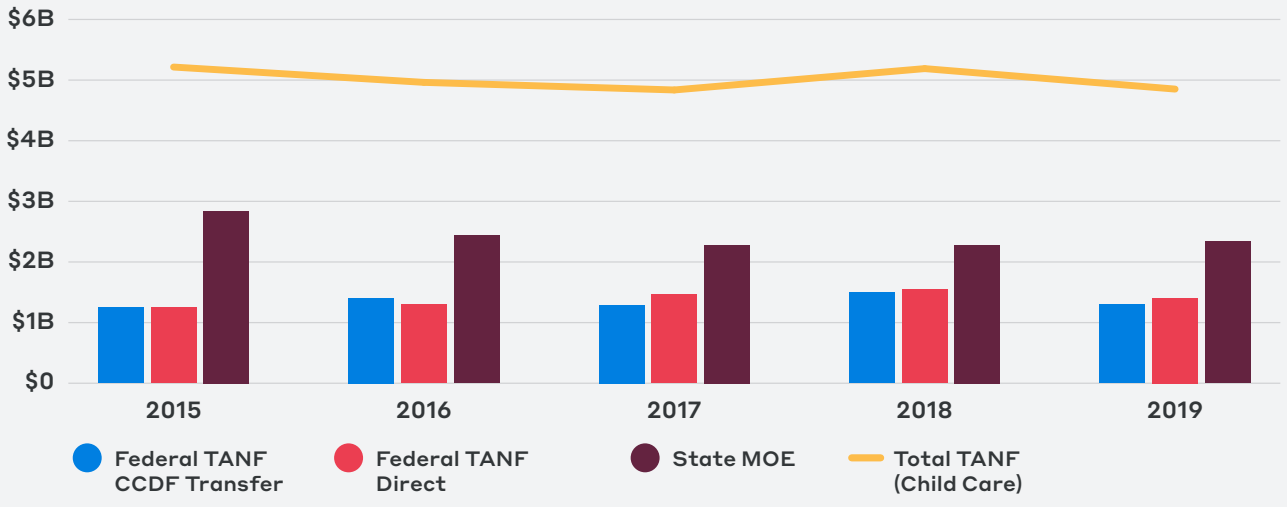
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Federal Transfers to CCDF	$8,700,000	$8,700,000	$8,700,000	$7,340,000	$7,340,000
Federal Direct Spending	$336,878	$436,056	$481,287	$755,783	$623,145
State MOE Spending	$1,313,990	$1,313,990	$1,313,990	$1,313,990	$1,313,990
Total TANF Spending on Child Care	$10,350,868	$10,450,046	$10,495,277	$9,409,773	$9,277,135

NATIONAL SPENDING 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 within each category has shifted, as seen on the graph below.

The ability for states to transfer TANF funds to the CCDF program is crucial for promoting the high-quality environments children need to build a healthy foundation for life and for helping families access the stable child care arrangement they need to find and maintain employment.

5-Year National TANF Spending Trends on Child Care



Between 2000 and 2019:

- **Annual transfers from TANF to CCDF decreased by over $1 billion**
- **The percent of all TANF child care spending that is transferred dropped from 40% to 25%**
- **The number of states transferring funds dropped from 46 to 26.**

Unfortunately, over time, states have decreasingly relied on this funding mechanism to support child care access and affordability for low-income families through TANF and have instead favored direct spending of TANF funds on child care assistance.

In FY2019, 56% of the TANF dollars reported for child care nationwide—$2.8 billion of the total $5 billion— were obligated for direct services and not subject to the health and safety standards enforced by CCDF intended to promote the high-quality environments children need to thrive.

This misalignment of policies 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. This practice also 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 under CCDF, potentially putting both their health and safety at risk.

Recommendations for State TANF Spending

States should transfer any TANF funding they allocate for child care services to CCDF, and increase overall transfer amounts, to ensure all public spending on child care is subject to minimum health and safety requirements established by Congress. In Montana, the percent of TANF funds spent on child care that were transferred to CCDF in FY19—and therefore compliant with CCDF standards—was 79%.

1. Table A.1.: Federal TANF and State MOE Expenditures Summary by ACF-196 Spending Category, FY 2019, Transferred to CCDF Discretionary. https://www.acf.hhs.gov/sites/default/files/ofa/tanf_financial_data_fy_2019_91020.pdf
2. Section 263.3, available at: https://www.govinfo.gov/content/pkg/CFR-2013-title45-vol2/pdf/CFR-2013-title45-vol2-part263.pdf
3. Table C.2: State MOE Expenditures In FY 2019, Child Care (Assistance and Non-Assistance) https://www.acf.hhs.gov/sites/default/files/ofa/tanf_financial_data_fy_2019_91020.pdf
4. 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