

The Intersection of TANF and Child Care

NATIONAL OVERVIEW — FISCAL YEAR 2021

The Temporary Assistance for Needy Families block grant is a lifeline for low-income families on their path to economic self-sufficiency. It is one of our country's largest public funding sources for child care and early learning. In fiscal year 2021, in aggregate, **states reported \$7.8 billion out of \$30 billion in total TANF expenditures (25.8%) was spent on child care and early learning.**¹

Between transfers to CCDBG, federal direct spending, and state MOE spending,
1 out of every 4
TANF dollars support child care and early learning for low-income families.

States may use TANF funding for child care and early learning services in three ways:

1. Transfers to CCDBG

States may transfer up to 30% of their federal TANF funds to the Child Care and Development Block Grant to increase child care subsidies to low-income families.² Note: CCDBG funds must comply with minimum health and safety standards.

2. Federal Direct Spending

States may allocate any amount of their federal TANF funds directly to child care and early learning services.

3. State Maintenance of Effort (MOE) Spending

States may count spending on child care as contributions to their TANF MOE requirements.^{3,4}

Safety is consistently ranked highest among factors important to parents selecting child care.^{5,6} Under current regulations, only TANF funds transferred to CCDBG are guaranteed to meet minimum health and safety standards.

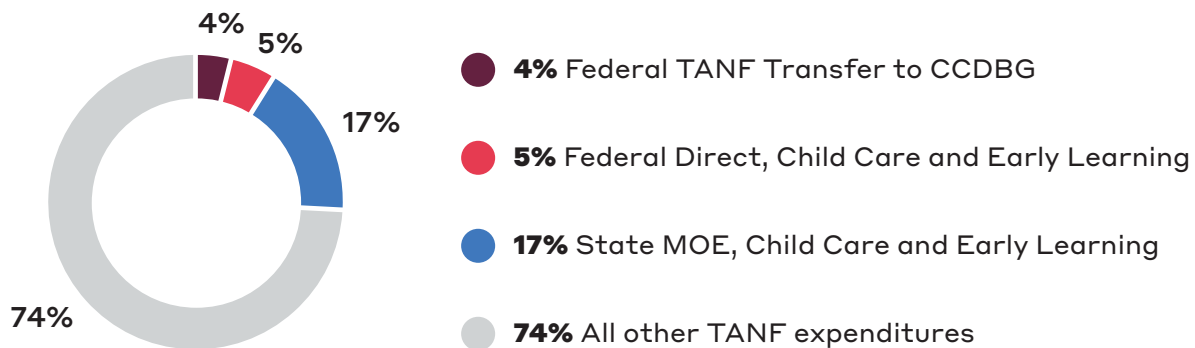
In FY2021, 85% of the TANF dollars spent on child care and early learning nationwide—\$6.7 of the total \$7.8 billion— were obligated for direct services and not necessarily subject to CCDBG health and safety standards.⁷ This practice leaves a subset of children receiving TANF child care assistance in programs whose quality may not align with federal and state health and safety standards required under CCDBG, potentially putting both their health and safety at risk.

2021 TANF SPENDING

In fiscal year 2021:

- 25 states transferred a total of **\$1.16 billion** of their federal TANF funds to CCDBG. No state met the CCDBG transfer limit of 30%.
- 47 states and DC spent a total of **\$1.43 billion** of their federal TANF allocation directly on child care and early learning services.
- 47 states and DC reported an aggregate of **\$5.25 billion**, or one-third of all TANF MOE funds, spent on child care and early learning services.

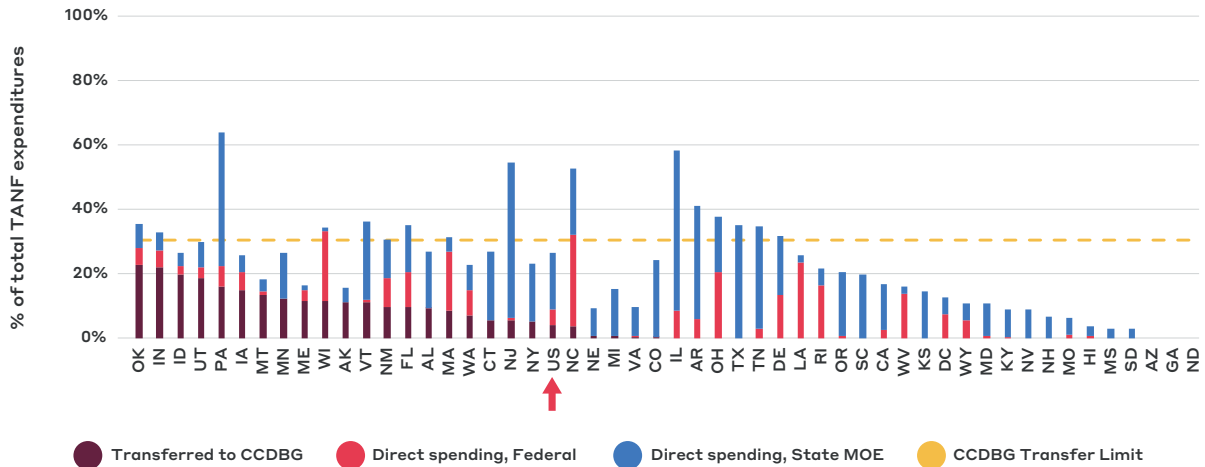
Distribution of TANF Spending by Category in FY21, United States



TANF EXPENDITURES ACROSS STATES

The decision by states to transfer TANF funds to CCDBG is crucial for promoting the high-quality environments children need to build a healthy foundation for life and for helping families access stable child care arrangements they can trust to support workforce participation. **In FY2021, no state met the CCDBG transfer limit of 30% and 26 states transferred zero dollars.**⁸

TANF Expenditures on Child Care & Early Learning by state, FY2021



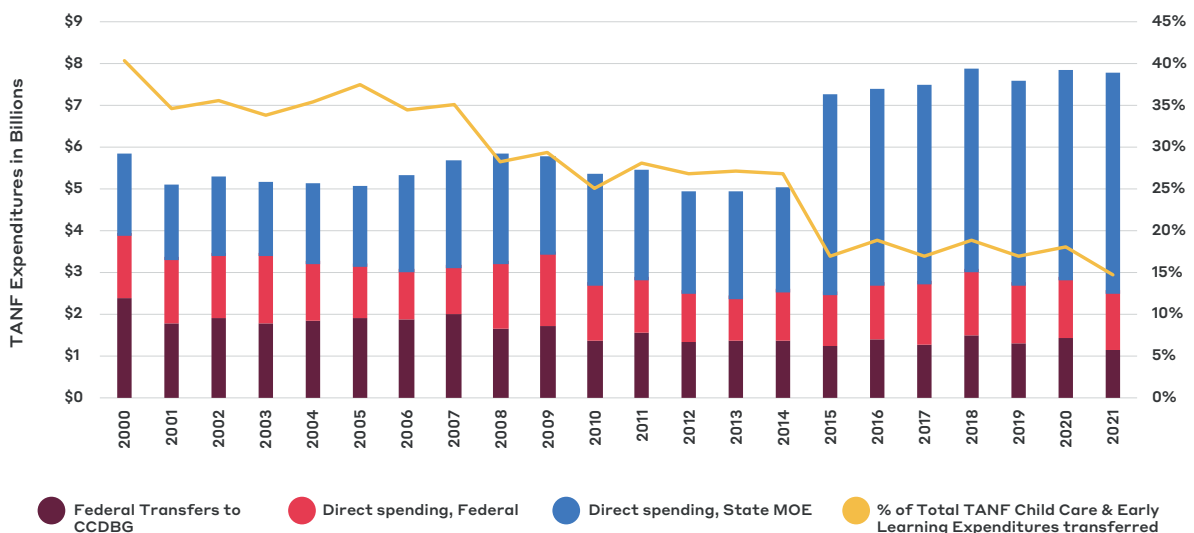
LONG TERM TRENDS

The percentage of TANF funds transferred to CCDBG has declined over the last 20 years. States have shifted their allocation of TANF funds for child care and early learning to favor direct spending, particularly through increases to MOE spending.

Between 2000 and 2021:

- Annual transfer amounts from TANF to CCDBG decreased by half from \$2.4 billion to less than \$1.2 billion.
- The percentage of TANF spending on child care and early learning that was transferred to CCDBG dropped from 41% to 15%.
- The number of states transferring funds to CCDBG dropped from 46 to 25.

Trends in TANF Spending on Child Care and Early Learning, 2000-2021



RECOMMENDATIONS FOR CONGRESS

Congress must address the outdated TANF requirements to promote the health and wellbeing of children and families and maximize child care investments:

- Require all TANF direct spending (federal and state MOE) on child care to meet the same health, safety, and background check requirements applied to CCDBG spending.
- Increase mandatory federal child care funding and reduce the reliance on TANF as a contributor to the child care system.
- Direct the U.S. Department of Health and Human Services to clarify allowable expenditures and reporting requirements for state and local spending of any TANF child care dollars not transferred to CCDBG.

This report uses the term child care and early learning to refer to all services encompassed by the TANF definition of early care and education (ECE), which includes two components:

- **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 CCDBG or the Social Services Block Grant (SSBG).
- **Pre-K/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.

- 1 U.S. Dept. of Health and Human Services, Office of the Administration for Children and Families. “TANF Financial Data, FY 2021.” Accessed June 6, 2023, <https://www.acf.hhs.gov/ofa/data/tanf-financial-data-fy-2021>.
- 2 U.S. Library of Congress, Congressional Research Service, *Child Care Entitlement to States: An Overview*, (2022), <https://crsreports.congress.gov/product/pdf/IF/IF10511>.
- 3 Ibid.
- 4 “Part 263: Expenditures of State And Federal TANF Funds” *Code of Federal Regulations*, title 45 (2021): 154-160. <https://www.ecfr.gov/current/title-45/subtitle-B/chapter-II/part-263>.
- 5 Bipartisan Policy Center. (2021, February 24). “Are Parents’ Child Care Preferences Changing? Overview of BPC’s Parent Survey” <https://bipartisanpolicy.org/blog/are-parents-child-care-preferences-changing-overview-of-bpcs-parent-survey/>
- 6 Bipartisan Policy Center. (2022, August 8). “Survey Results: What Keeps Employed Parents out of the Child Care System?” <https://bipartisanpolicy.org/blog/survey-results-what-keeps-employed-parents-out-the-child-care-system/>
- 7 U.S. Dept. of Health and Human Services, Office of the Administration for Children and Families.
- 8 Ibid.

