Using TANF for Child Care:  
A Technical Guide

If you have further questions please contact:  
Rachel Schumacher  
(202) 328-5164/rschumacher@clasp.org  
Mark Greenberg  
(202) 328-5132/mhgreen@clasp.org  
Center for Law and Social Policy  
1616 P St., NW Suite 150  
Washington, DC 20036
TANF for Child Care: Options

- Transfer
  - Up to 30% to CCDF
  - Up to 10% to SSBG
  - Total transfer may not exceed 30% TANF

- Spend TANF directly on child care

- Spend required state TANF MOE on child care

- May do more than one option
Key Transfer Rules

- To CCDF
  - Subject to CCDF rules
  - May be used for general purposes or with specific intent by agency agreement
  - State may transfer back to TANF within the year or subsequent year

- To SSBG
  - Subject to SSBG rules
  - Services for families under 200% FPL
  - Child care services must meet state rules
Purposes of TANF

- (1) provide assistance to needy families so that the children may be cared for in their homes or in the homes of relatives;
- (2) end the dependency of needy parents on government benefits by promoting job preparation, work, and marriage;
- (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- (4) encourage the formation and maintenance of two-parent families.
Spending TANF Directly

- Must be “reasonably calculated” to accomplish TANF purpose
  - Helping needy parents go to work or work preparation, clearly fits a TANF purpose
  - Otherwise, important to be sure it is reasonably calculated to accomplish a TANF purpose
- “Needy families” may be receiving welfare, left welfare, or never received welfare
  - State must set income-based standard; no asset test required
  - May set different standards for multiple services
- Important to determine whether spending falls within definition of “assistance” OR “nonassistance” ....
Assistance: Family Implications

- Time counts against federal 60-month limit
- Part of caseload for TANF participation requirements
- May be subject to child support cooperation requirements
  - If assistance “paid to the family” (e.g. cash advance or reimbursement), subject to child support assignment rules.
- Subject to TANF family-data collection requirements
When is Care “Assistance”?

- Child care is **nonassistance** for **employed** persons, even when for nonwork activities, e.g., education/training.

- Child care is **assistance** for **nonemployed** unless it is a **nonrecurrent short term benefit** (e.g. during job search)
  - designed to deal with a specific crisis situation or episode of need;
  - not intended to meet recurrent or ongoing needs; **and**
  - will not extend beyond four months.
When Does Assistance Matter?

- If family is receiving other TANF assistance:
  - No significance for time limits, work requirements, child support cooperation or data collection, since family already receiving TANF assistance
  - Could matter for child support if assistance is “paid to the family,” i.e., paid in cash or cash-like payments.

- If family is not receiving other TANF assistance (e.g., child care for education/training or protective services for nonemployed):
  - Family will become part of caseload, subject to time limits, work participation requirements, child support assignment, family data collection requirements
Administration: TANF Agency May Contract w/CCDF Agency

- If TANF and CCDF funds are **commingled**, then both TANF and CCDF rules apply to all child care services funded with commingled funds, e.g., CCDF health and safety standards, TANF “assistance” rules.

- If TANF funds **segregated** from CCDF funds and used for particular activity or services for a particular population:
  - TANF rules apply only to benefits or activities supported by the TANF funds;
  - CCDF rules apply to benefits or activities supported by the CCDF funds.
Transfer or Spend: Both Choices Available?

- Has state already done maximum transfer?
- Are funds current-year or carryover?
  - For prior-year unobligated TANF funds - can’t transfer
  - State could use prior-year funds for assistance, freeing up current year funds for transfer
- Is the specific activity an allowable use of both CCDF and TANF?
  - Quality expenditures more clearly permissible under CCDF
  - TANF may be used for child care for older children; parents in activities for which child care services not permitted under CCDF
If So, Is One Preferable?

- Transferred funds subject to all CCDF rules. e.g.:
  - 4% must be used for quality expenditures
  - State health and safety requirements must be met
  - Administrative caps and definitions

- Does transfer to CCDF promote a more seamless state subsidy system?

- Is additional year to spend under CCDF helpful?

- Does intended purpose fall within definition of assistance? Is that a problem?
Potential TANF Uses  

- Counsel **needy** parents about selecting child care
- Provide full-day, full-year services to **needy** families by expanding or extending hours of Head Start or pre-k
- Increase subsidy levels, esp. for infant and toddler care, for **needy** families
- Increase payment rates during non-traditional hours to expand availability of such care
- Expand staff recruitment to increase supply of special needs, sick child, rural and non-traditional hours care for **needy** families
- Fund after-school and summer activities for youth while their **needy** parents work
Early Education Initiatives

- Clearly permissible for needy families
- “Early education” may be different from child care, may not fall within definition of assistance – no HHS guidance yet
- Agency can contract with Head Start centers for more full-day, full-year services or infant and toddler care
Services for School Age

- Allowable use of TANF funds
  - If considered “child care”, services will be nonassistance for employed, assistance for nonemployed
  - If assistance, then limited to needy families
  - If services are provided under Purpose 3, and are considered “youth development” or “pregnancy prevention” (not child care) then the needy standard may not apply
MOE: Why Does It Matter?

- Must maintain 80% 1994 spending; 75% if meeting work participation requirements
- Since state spending on child care can count toward TANF and CCDF MOE, adds to argument for more state dollars for child care
- As cash declines, states are looking for dollars to count (watch: can count pre-existing child care accounts)
- MOE funded programs may need to meet TANF data requirements (waiver possible)
MOE: Specifics

- State may count its maximum CCDF MOE amount toward TANF MOE too
- Additional state child care dollars may count for TANF MOE
  - State may not claim same $ for CCDF match
  - Must meet “new spending test”
- Must spend on eligible families
  - Needy families with children
  - State may define “needy” for each service
MOE: “New Spending” Test

- Applies if program existed in 1995
- Look to whether expenditures in program would have been authorized and allowable under AFDC, JOBS, Emergency Assistance, IV-A Child Care
  - If previously authorized and allowable, all current expenditures for eligible families countable
  - If not previously authorized and allowable, only count current expenditures for eligible families above total FY 95 spending
### Deadlines for Using TANF

<table>
<thead>
<tr>
<th>These funds...</th>
<th>Must be OBLIGATED by the end of...</th>
<th>And, must be LIQUIDATED by the end of...</th>
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</thead>
<tbody>
<tr>
<td>Transfer to CCDF in FY01</td>
<td>FY02</td>
<td>FY03</td>
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<tr>
<td>Transfer to SSBG in FY01</td>
<td>FY02</td>
<td>FY02</td>
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<tr>
<td>FY01 TANF “Nonassistance”</td>
<td>FY01</td>
<td>FY02</td>
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<tr>
<td>FY01 TANF “Assistance”</td>
<td>No limit</td>
<td>No limit</td>
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Use of TANF for Child Care

- More states are relying on TANF
  - 44 states in 1999; 49 in 2000
- States use of TANF for child care has grown
  - $3B in 1999; $3.5B in 2000
- The majority of states transfer to CCDF
  - 41 states transferred $2.4B in 1999
  - 44 states transferred $2B in 2000
- More states are opting to spend TANF directly on child care
  - 19 state spent $604M in 1999
  - 34 states spent $1.5B in 2000
Steps to Learning/Accessing TANF

- At what level are TANF decisions made?
  - Governor; legislature; administration; county

- How is TANF being spent now?
  - Review ACF-196 forms; get help from a friend in the legislature or the administration

- Are funds unobligated? If so, are they current year or previous year?
  - Current year TANF funds may be transferred or spent directly; previous year may be spent on “assistance” (which could free up current)
Steps to Learning/Accessing TANF
(continued)

- Are funds reported “obligated” in reserve?
  - Some are concerned that large reserves may convince Congress that TANF should be cut in 2002

- How important is TANF to your state system?
  - A key piece of the 2002 debate will revolve around whether there is enough funding dedicated to child care, and the relationship between TANF and CCDF
Key Terms in Federal Funding

- Obligated: Legally committed to certain use
- Liquidated: Spent
- Unliquidated: Obligated but not spent
  - e.g. state has contracted for service not yet provided; state has not processed payment
- Maintenance of Effort (MOE): State must maintain certain spending level to qualify
- TANF: Temporary Assistance to Needy Families - welfare block grants to states
Resources

- CLASP analysis of TANF regs available at http://www.clasp.org/finalregs.PDF
- TANF for School Age: *Tapping TANF for Youth*, CLASP analysis available at http://www.clasp.org/pubs/jobseducation/TANFYouth1.PDF
- 50 State Reports on TANF and Child Care policies: State Policy Documentation Project at http://www.spdp.org

At CLASP: Rachel Schumacher, rschumacher@clasp.org
Mark Greenberg, mhgreen@clasp.org

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