FIRST FIVE YEARS FUND

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The Honorable Xavier Becerra
Secretary
U.S. Department of Health and Human Services
330 C Street, S.W., Washington, D.C. 20201

(RIN) 0970–AC99

Re: Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program

To Secretary Becerra,

These comments are submitted on behalf of the First Five Years Fund (FFYF) in response to the Strengthening Temporary Assistance for Needy Families (TANF) as a Safety Net and Work Program Notice of proposed rulemaking (NPRM). FFYF appreciates this opportunity to provide comments on issues that relate to our core mission: ensuring all children from birth through age five have equitable access to affordable, comprehensive, high-quality early care and education (ECE) to support their healthy development and help them achieve their full potential in school and life. The NPRM proposes important changes to TANF that will increase access to critical supports for children and families in need. FFYF commends the Administration for Children and Families (ACF) for ongoing efforts to increase access to quality child care programs.

Working parents rely on child care to do their jobs, but the high cost of child care is simply untenable for many families. According to Child Care Aware of America, the national average price of child care in 2022 was $10,853 per year, which on average represents 10% of a two-income family's earnings and 22% of a single parent's earnings. The reality is much more dire for families with low incomes. And even when a family is eligible for child care assistance, most are unable to access it. In almost all states, the Child Care and Development Block Grant (CCDBG)—the main federal program that helps working families access child care—reaches less than 15% of eligible children. This pervasive lack of access to affordable, quality child care impacts the economic mobility of our nation's families.

TANF plays a critical role in supporting low-income working parents' access to child care. Currently, states can transfer up to 30% of their TANF funds to the Child Care and Development Fund (CCDF), which encompasses CCDBG. Separately, they can also spend TANF funds directly on child care. This proposed rule makes overdue changes to TANF to ensure that funds are better directed to families truly in need and that they are used for TANF's intended purposes. While guardrails are needed to ensure states are using TANF funds appropriately, it is important that ACF strike a careful balance between ensuring that TANF funds serve their intended purpose and allowing states the flexibility to design programs that meet their unique needs.

The proposed rule reiterates that spending TANF funds on child care that "support[s] work for needy families" directly accomplishes TANF's second purpose to: "end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage." We strongly support establishing clear criteria for what qualifies as allowable uses of funds for TANF as this should encourage states to planfully and systematically direct more TANF funds to child care as this use clearly passes the proposed "reasonable person" test.

As explained in the proposed rule, there are real benefits to transferring funds to CCDF. To qualify as a state CCDF program, there are quality and health/safety standards that must be met. While the immediate benefit of child care is as a workforce support for parents, quality programs are proven to have a range of longer-term benefits for children and families. A strong early learning program can improve children's health and development, set them up to succeed in kindergarten, connect parents to valuable supports, and have demonstrated benefits well into adulthood. These positive long-term outcomes align with all four of TANF's stated purposes. Transferring funds to CCDF gives more children from low-income families access to programs that meet CCDF standards. CCDF-supported programs are also subject to reporting requirements that improve tracking and accountability to ensure subsidies are reaching the children who need them. According to [FY2021 data](), on average states only transferred approximately 4.5% of their total TANF funding to CCDF– and even when examined individually, states do not come close to reaching the 30% allowable transfer.[1] FFYF supports encouraging states to transfer more funds to CCDF without limiting the flexibility allowed under current law.

While acknowledging the benefits of transferring funds to CCDF, directly spending funds on child care allows states to maximize their use of TANF to meet state-specific needs. Many states strongly value this flexibility and utilize both "direct spend" as well as CCDF transfer to support families in accessing child care. As evident in the July 2023 Notice of Proposed Rulemaking, Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF), substantial changes are needed to improve access to CCDF in many states. The unfortunate reality is that parents experiencing poverty may not be able to access a CCDF-supported program that meets their needs for a variety of reasons, such as long waiting lists, limited programs in their areas accepting subsidies, lack of programs open during the hours that align with their work schedules, and more. Several states choose to exclusively use direct spend rather than transfer to CCDF, and others utilize a combination of both funding sources. "Direct spend" does not necessarily equate to low-quality child care. Many states have strong infrastructures to support quality outside of federal regulations. What's most important is that state administrators understand the risks that can be associated with funding child care that is not regulated to meet critical health and safety criteria, as well as the tracking and accountability issues that may come with direct spend on child care. States require the flexibility to grow and contract their subsidy system in response to present needs. With that said, states should also establish guardrails around the use of direct spend dollars to help ensure that all children are in safe early learning environments. These guardrails should include uniform reporting and publicly available data related to how this funding is spent, among others.

We support the goals of the proposed rule to better focus the use of TANF funds on meaningfully supporting families most in need. We also support its overall goal to reduce administrative burden and provide clarity to states, program administrators, and participating families. Child care is one of families' primary expenses and lack of access to affordable child care is a primary barrier to finding and maintaining employment, and ultimately getting families out of poverty. Decades of research show that access to quality early learning programs has immediate and long-term benefits for children and their families. The child care sector has faced tremendous challenges in recent years, and states benefit from having the flexibility to support child care with TANF dollars through both transfers to CCDF and direct spend. The proposed

[1] First Five Years Fund, "Total Federal TANF & State MOE Expenditures for Child Care & Early Learning in FY2021"

changes establish important parameters around how TANF dollars are used to ensure that the program is fulfilling its original purpose and set children and families on a path for success.

Sincerely,

Sarah Rittling
Executive Director
First Five Years Fund