

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The Temporary Assistance for Needy Families (TANF) program was created in 1996 to replace Aid to Families with Dependent Children (AFDC), which provided cash assistance to low-income families with children beginning in 1935. TANF provides grants to states to design and operate programs that support low-income families, including through increased access to child care and early education opportunities, which helps parents participate in the workforce. TANF plays an important role in supporting low-income working parents' access to child care.

OVERVIEW OF TANF

While states have great flexibility in how they decide to spend their block grant funds, they must do so consistent with the purposes of the law. These purposes include:

- “Providing assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;”
- “Ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;”
- “Preventing and reducing the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies;” and
- “Encouraging the formation and maintenance of two-parent families.”

Providing child care services aligns with the purposes of TANF.

To qualify for federal funding and avoid financial penalties, states are required to allocate a portion of their own funds, referred to as “maintenance of effort” (MOE) spending.

AT A GLANCE

CREATED:

1996

WHO THIS PROGRAM SERVES:

TANF assistance must be provided to “needy” families with children, however, there is no federal definition of “needy”. Each state determines financial needs for its TANF program. Most states have established income eligibility limits significantly lower than the federal poverty line.

TANF AND CHILD CARE:

For many families with young children, access to affordable child care is key to finding and maintaining employment, and ultimately getting 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. Unfortunately, the high cost and limited availability of child care continue to be key barriers to families.

Recognizing the importance of child care and early education, 48 states and the District of Columbia spend some amount of TANF funding on early learning and care programs. 26%, or nearly \$8.1 billion, of TANF spending and transfers went to child care and early education programs in FY 2022.

Across the U.S. in FY 2022¹:

- 3% of TANF funds (\$976 million) were transferred to the Child Care and Development Fund (CCDF).
- 12% of TANF funds (\$3.87 billion) were directly spent on child care.
- 10% of TANF funds (\$3.25 billion) were spent on Pre-Kindergarten/Head Start.

TANF FUNDS FOR CHILD CARE AND EARLY LEARNING

Under current law, a state has the flexibility to utilize TANF funds to supplement, not supplant, support for low-income families through increased access to child care and early education opportunities.

Transfer to the Child Care and Development Fund (CCDF)

States can transfer up to 30 percent of their TANF funds to CCDF, which encompasses the Child Care and Development Block Grant (CCDBG). 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 [FY2022 data](#), on average states only transferred approximately 3% of their total TANF funding, or \$976 million, to CCDF.² Even when examined individually, states do not come close to reaching the 30% allowable transfer. In FY22, 25 states did not transfer any funding to CCDF, however, many of these states used TANF funding to support ‘direct spend’ child care initiatives and/or Pre-Kindergarten/Head Start.

Pre-Kindergarten/Head Start

In [FY2022](#), 10% of TANF funds, or \$3.2 billion, were spent on on Pre-Kindergarten or Kindergarten education programs, expansion of Head Start programs, or other school readiness programs.³

Direct Spend

States can also spend TANF funds directly on child care, known as “direct spend.” Many states strongly value flexibility to utilize both direct spend as well as CCDF transfer to support families in accessing child care. “Direct spend” expenditures are not subject to the minimum health and safety standards required under CCDF. However, it 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. It is difficult to track how direct spend dollars are used and therefore there is little accountability. States require the flexibility to grow and contract their subsidy system in response to present needs.

According to [FY2022 data](#), 12% of TANF funds, or \$3.87 billion, were directly spent on child care.⁴ Nine states chose to exclusively use direct spend rather than transfer to CCDF, and others utilize a combination of both funding sources.

[Click here to see how your state leveraged TANF funds to support child care and early learning programs.](#)⁵

References:

1. Administration for Children and Families, “[TANF and MOE Spending and Transfers by Activity, FY 2022](#)”

2,3,4,5. First Five Years Fund, “[Total Federal TANF & State MOE Expenditures for Child Care & Early Learning in FY2022](#)”

