



Increasing the Ability to Transfer TANF to CCDF Is Not the Answer to Unmet Child Care Needs

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By Rachel Schumacher

A key question in the emerging debate on reauthorization of the Temporary Assistance for Needy Families (TANF) and Child Care and Development Fund (CCDF) block grants is whether additional federal child care funding is needed. The Administration's proposal and budget would freeze both TANF and CCDF at fiscal year (FY) 2002 funding levels. At the same time, the Administration has proposed significant increases in work requirements for families receiving TANF assistance. Even before the Administration's proposals, there was a need to expand federal child care funding to increase assistance to low-income working families and to provide new resources to improve child care quality.

On April 10th, Rep. Wally Herger, Chairman of the Subcommittee on Human Resources of the House Ways and Means Committee, introduced the Personal Responsibility, Work, and Family Promotion Act of 2002, H.R. 4090. The legislation would provide no increase in TANF or CCDF funding, but it includes a provision to increase the amount of funding that states could transfer from TANF to CCDF from 30 to 50 percent. This proposal will not be useful in addressing the unmet need for child care assistance among many eligible working families or the potential demand for child care that would occur if substantial work program changes were implemented because:

States are not currently limited in the amount of TANF funds they can redirect to child care because they can spend TANF directly for child care without any limitation. Therefore, increasing transferability does not make more child care funds available to states. Under current law, whether or not a state transfers TANF funds to CCDF, the state is free to spend an unlimited amount of TANF funds on child care. States have made use of this option, with direct expenditures of TANF funds on child care rising steadily over the past five years to \$1.7 billion in FY 2001, according to preliminary data.¹

It is unlikely that states will have more TANF funds freed up for use for child care over the next five years under this plan because the funding level will be frozen, TANF caseloads are rising, and a significant amount of additional funding would be necessary to pay for the non-child care costs of the proposed welfare work provisions. In 2001, about 20 percent of TANF funds that were transferred or spent were redirected to child care.² At the same time, Treasury data show that state TANF spending in FY 2001 was \$18.6 billion, for the first time spending more than the annual state block grants of \$16.5 billion, and representing a \$3 billion increase over FY 2000 outlays.³ Accordingly, it is hard to see how states could increase commitment of TANF funds to child care unless other TANF costs were falling. But, 37 states reported increased TANF caseloads between March and December of 2001.⁴ And, the work provisions of the Administration's reauthorization proposal would involve significant additional TANF and child care costs — CLASP estimates that, over five years, states would face about \$7.9 billion

in additional child care costs and \$7.2 billion in additional TANF work-related costs.⁵ So, even if the law allowed states to transfer 100 percent of TANF funds to child care, it would most likely not result in additional child care resources becoming available to states.

Although states have made significant use of TANF funds for child care, there is considerable concern that state child care subsidy programs have become dependent on TANF funds, and that more stable dedicated child care funding would be preferable. In 15 states in FY 2000, TANF represented as much or more of the state's child care budget than did federal CCDF funds. In interviews conducted in 2001, CLASP asked state administrators to comment on what they viewed as the key issues in using TANF funds for child care. Many said that state commitment of TANF dollars to child care can vary on a year-to-year basis, and, along with uncertainty about future federal TANF funding levels, this can make it difficult to conduct long-run planning of state child care policy.⁶

State use of TANF for child care declined between FY 2000 and FY 2001, indicating that states may already have reached the limit for the amount of TANF that may be easily redirected to child care purposes. An analysis of preliminary fiscal data for FY 2001 found a decline in TANF transferred to CCDF from \$2.3 billion in FY 2000 to \$1.8 billion in FY 2001 (with the FY 2001 figure representing about 10 percent of the reported TANF award).⁷ The majority of states did not transfer the maximum amount possible to CCDF; only two did so in FY 2001. Although direct expenditures of TANF for child care did rise between FY 2000 and FY 2001 (from \$1.5 to \$1.7 billion), the increase was not enough to offset the transfer decline.

In summary, allowing increased transferability from TANF to CCDF will not increase the amount of funding available to states to use for child care assistance for low-income families, and it may actually contribute to further destabilization of state child care subsidy programs. CLASP recommends that a more appropriate means of increasing the amount of child care funding would be to increase mandatory CCDF funding levels significantly to address the current unmet needs of many low-income working families, to improve the quality of child care, and to cover any potential child care costs associated with proposed changes to the welfare work requirements without reducing the amount of child care resources currently available.

¹ Zoe Neuberger, *TANF Spending in Federal Fiscal Year 2001* (Washington, DC: Center on Budget and Policy Priorities, March 25, 2002). <http://www.cbpp.org/3-21-01tanf.htm>.

² CLASP preliminary calculations using ACF-196 fiscal data submitted by states for FY 2001 to the Center on Budget and Policy Priorities.

³ Zoe Neuberger, *TANF Spending in Federal Fiscal Year 2001* (Washington, DC: Center on Budget and Policy Priorities, March 25, 2002). <http://www.cbpp.org/3-21-01tanf.htm>. Note the \$16.5 billion is the basic grant, not including Supplemental Grants or bonus funds. If including the supplemental funds for certain states, the amount of the FY 2001 awarded funds is \$16.8 billion.

⁴ Elise Richer, Vani Sankarapandian, and Mark Greenberg, *Impact of Recession and September 11 Seen on Welfare Caseloads: Caseloads Up In Most States Between September and December 2001* (Washington, DC: CLASP, 2002). http://www.clasp.org/pubs/TANF/Final_2001_Q4_Caseload_discussion.htm

⁵ Mark Greenberg, Elise Richer, Jennifer Mezey, Steve Savner, and Rachel Schumacher. *At What Price? A Cost Analysis of the Administration's Temporary Assistance for Needy Families (TANF) Work Participation Proposal* (Washington, DC: CLASP, April 10, 2002). http://www.clasp.org/pubs/TANF/At_What_Price_analysis.pdf.

⁶ Rachel Schumacher, Mark Greenberg, and Janelen Duffy. *The Impact of TANF Funding on State Child Care Subsidy Programs* (Washington, DC: CLASP, 2001).

⁷ CLASP preliminary calculations using ACF-196 fiscal data submitted by states for FY 2001 to the Center on Budget and Policy Priorities. Reported TANF award includes basic TANF grants, Supplemental Grants to certain states, and FY 2001 bonuses.