Blend and Spend: Do Temporary Assistance for Needy Families (TANF) Rules Allow Mississippi the Flexibility to Increase Access to Affordable Child Care?

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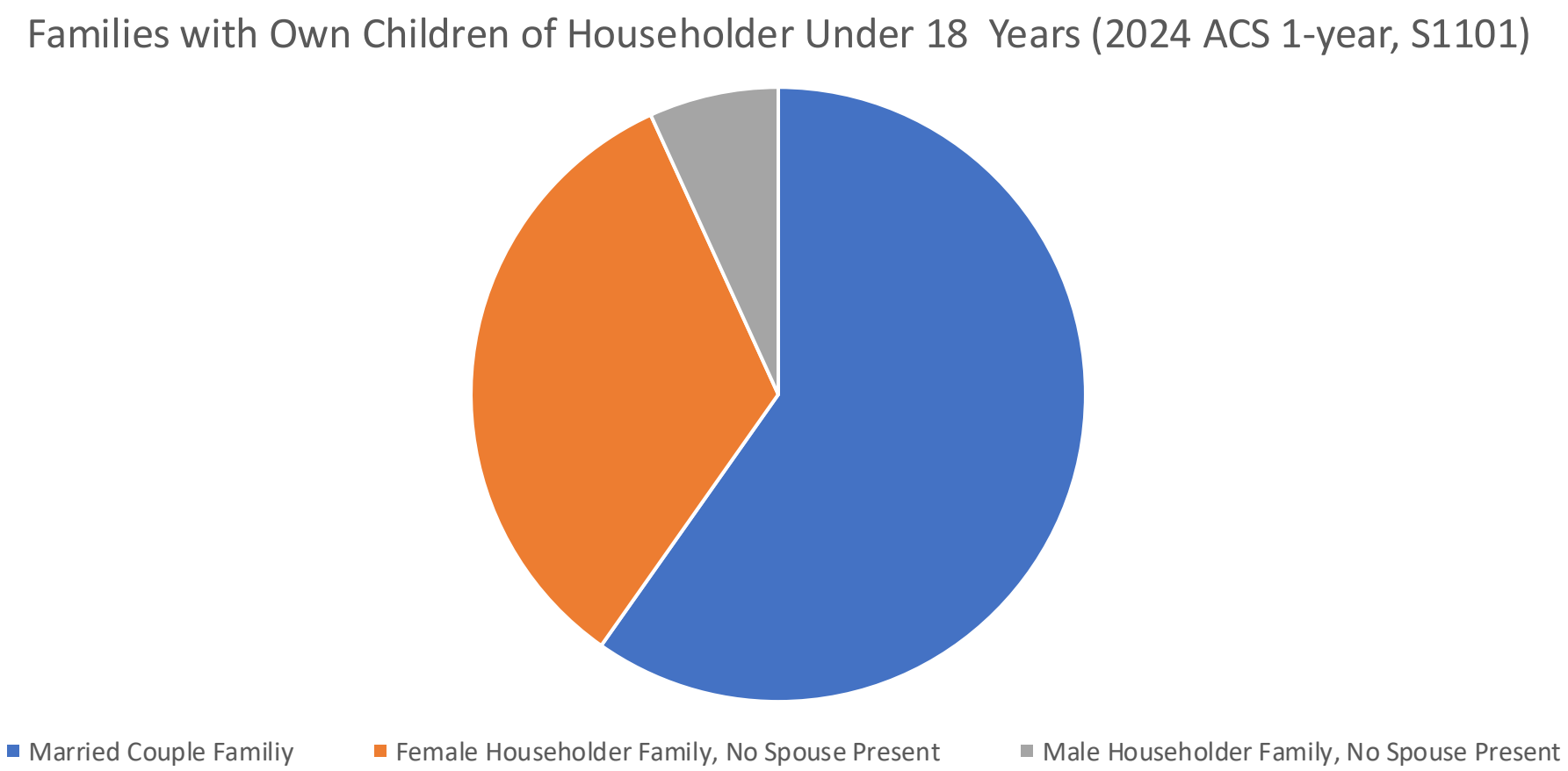
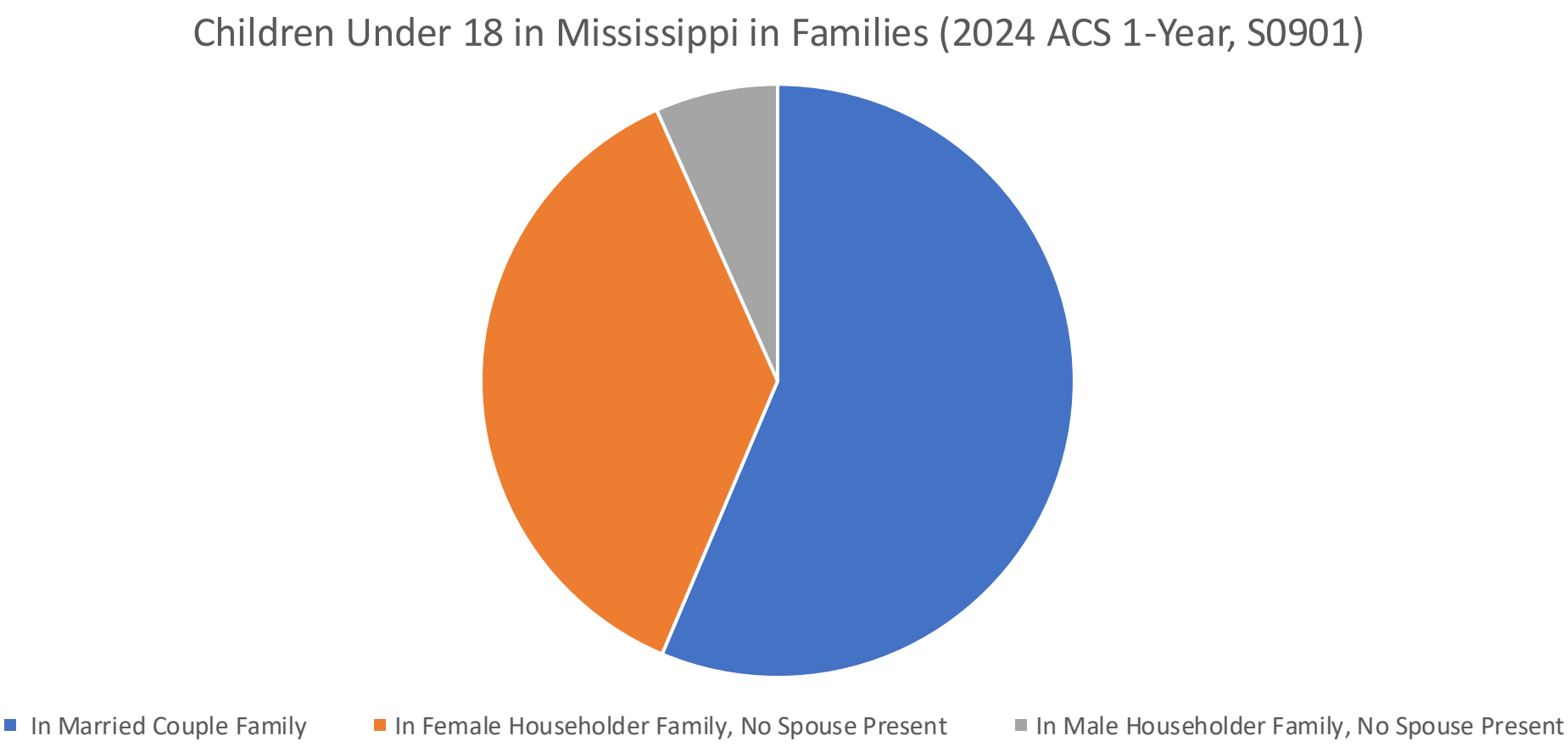
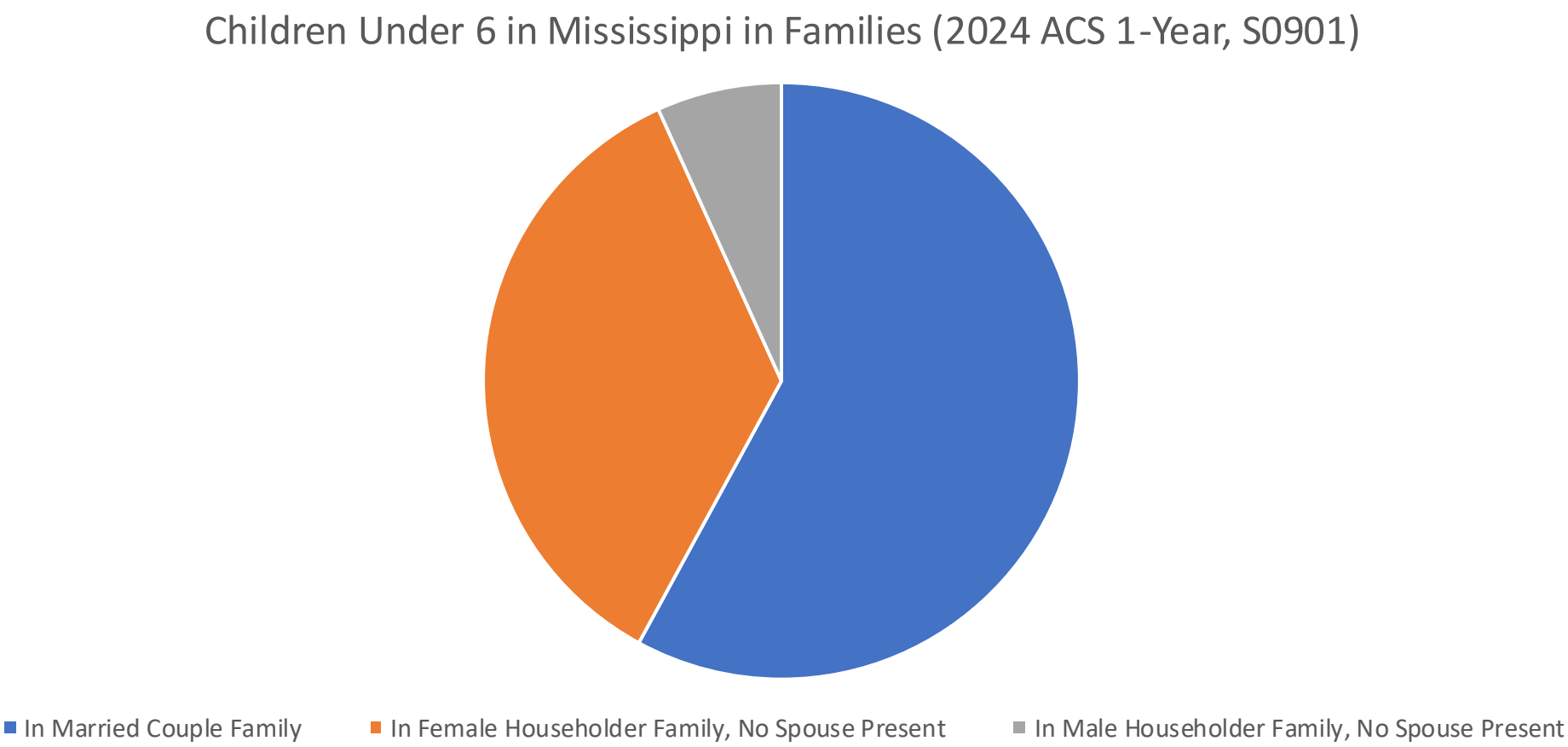
Families in Mississippi by Householder (head of the household)



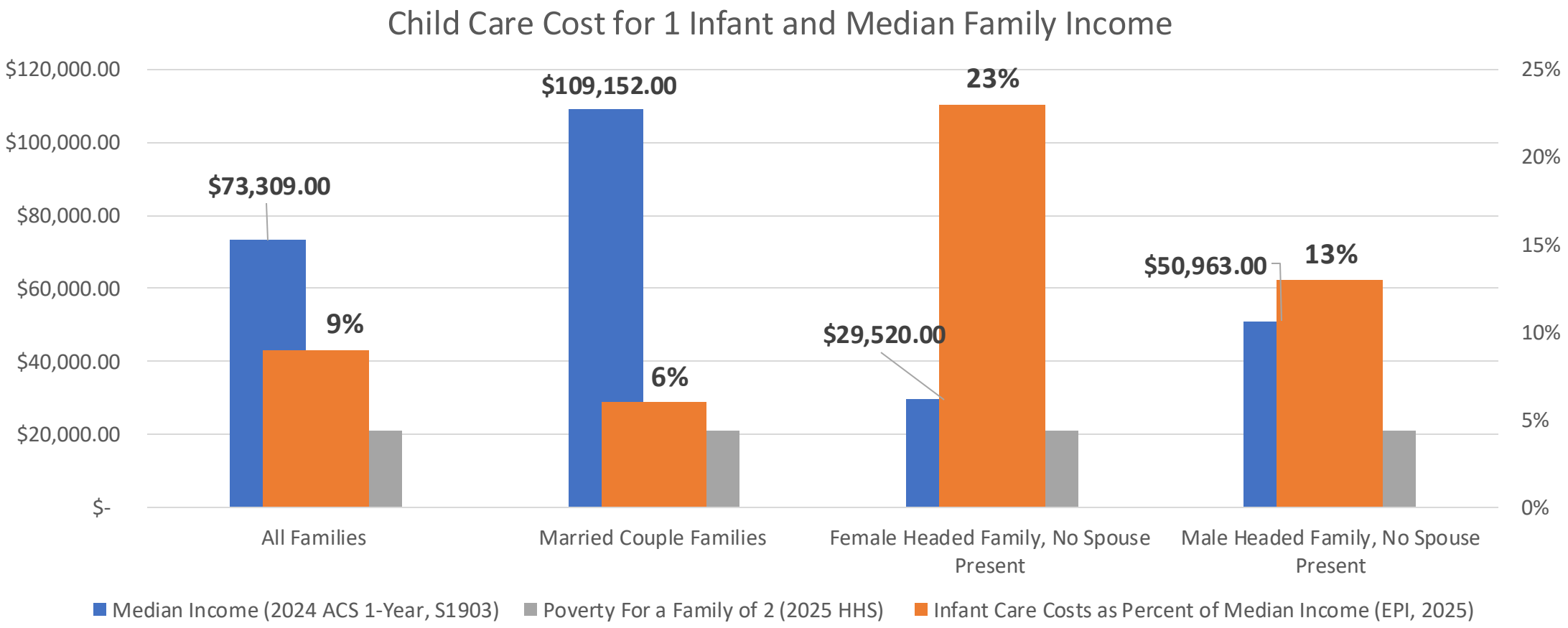
Children Under 18 by Family Type



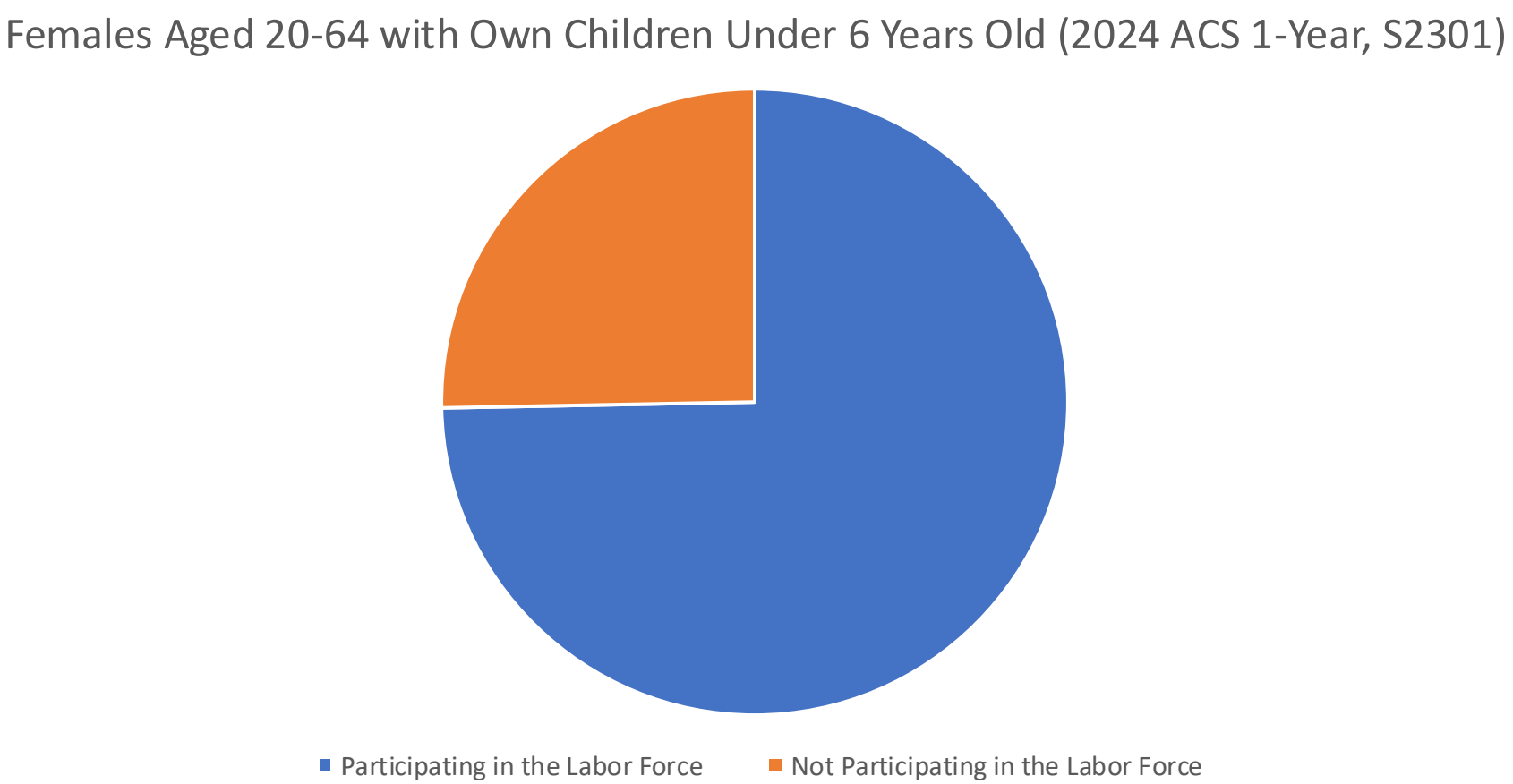
Children Under 6 By Family Type



Affordable child care is 7% of income, based on federal HHS guidance. Child care is least affordable for single female-headed families



Maternal Labor Force Participation in Mississippi



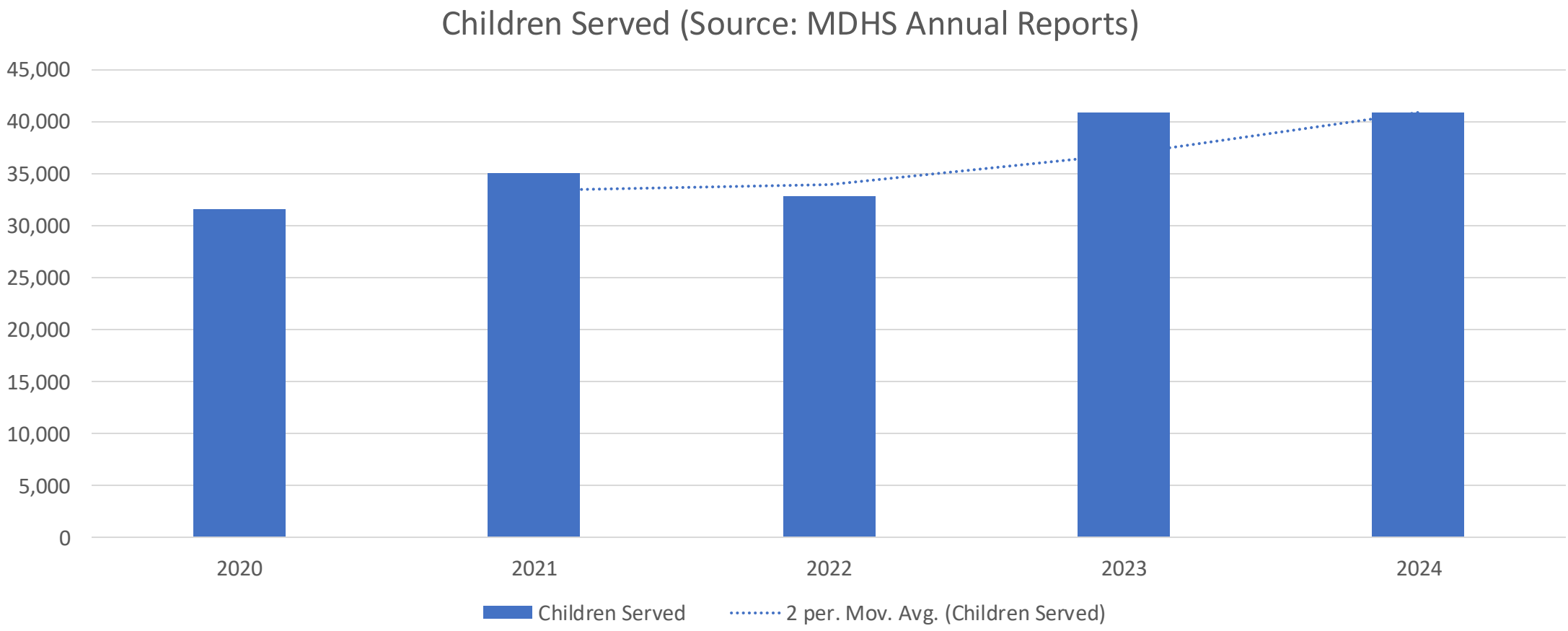
Why do we need more access to Affordable Child Care?

- Economic Benefits
  - Parents and single moms – a significant segment of the labor force – are better-supported and more economically secure
  - Labor Force Participation increase (positive relationship between increased child care subsidy spending and maternal labor force participation; Burgess, et al., 2016)
  - Tax revenue collected with increased employment and increased spending on child care
  - Employer benefits (reduced turnover and absences; fewer disruptions, higher productivity)
  - Education/Job Training Benefits (increased retention and completion/graduation)
  - More income spent on goods and services (more income for other expenses)
  - For every $1 invested, $3-$4 in costs savings (Karoly, 2016)
  - “Investing in high-quality child care and early learning programs can generate up to $7.30 per every dollar invested” (First Five Years Fund, 2024)
- Child Development Benefits
  - Young children gain access to Early Childhood Education through child care centers providing high-quality services
  - Alleviation of Resource Deprivation in families with young children
- Societal Benefits
  - Supports parents earning while young children are learning, making a two-generation impact
  - Helps lift families out of poverty

Mississippi's Child Care Payment Program

- The state's primary child care subsidy system
- Allows Parent Choice of Provider
- Covers child care costs on a sliding fee scale that sets a parent co-pay for families based on income and family size
- Full-day, full-time, full-year services (supports parents working and enrolled in education)
- Centers participate in mandatory quality improvement and are licensed or registered with the state
- Work and Education Requirement for parents
- Currently funded by and designed to be compliant with a block grant called the Child Care and Development Block Grant (CCDBG) and other federal funding streams that are blended and together referred to as the Child Care and Development Fund (CCDF), a state General Fund appropriation and a transfer of TANF funds.

Mississippi's Current Child Care Subsidy System: How Many are Served Right Now?



How Many Children are in Families Who Qualify?

- A 2021 Federal analysis shows:
  - An estimated 139,520 children are eligible for federal child care subsidies under state-defined rules
  - Range of Eligible Children is 107,950 – 171,080
  - Chien (2024), “Estimates of Child Care Subsidy Eligibility & Receipt for Fiscal Year 2021,” *United States Department of Health and Human Services, APSE*

How Can we Increase Access to Affordable Child Care in Mississippi?

- Due to a funding gap post-COVID funds, the state of Mississippi announced that at least 9,000 children will lose access to federal child care subsidies in 2025
- Child Care waiting list has increased by the thousands after April 2025, making clear there is a high demand for affordable child care among working parents
- Increasing revenue for child care is critical

What does Child Care Subsidy Revenue Look Like Right Now?

- CCDF
  - $138.2 million in federal CCDF funds (12% is spent on quality improvement as federally required)
  - 30% Transfer of Current year federal TANF Block Grant dollars - $25.9 million (maximum allowed for transfer but not child care direct spending)
  - State MOE: $1,715,430
  - State Share of Matching Funds: $5,986,482
- State General Fund Appropriation 2025
  - $15 million (serving up to 1,850 children on the waiting list)
- State reports a shortfall after temporary ARPA money was expended: $35-$50 million (estimate based on public comments and state appropriated funds)

TANF

- 4 Purposes of TANF:

1. Provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives;
2. End the dependence of needy parents on government benefits by **promoting job preparation, work**, and marriage;
3. Prevent and reduce the incidence of out-of-wedlock pregnancies;
4. Encourage the formation and maintenance of two-parent families;

- Child care is an allowable TANF activity or service as it supports job preparation and work
- Historically, a wide array of activities are undertaken by states under these broad purposes
- TANF funds are used by many states to expand access to affordable child care

Do TANF Rules Allow Expanding Access to Affordable Child Care?

HERE ARE TWO WAYS STATES CAN USE TANF MONEY FOR CHILD CARE ASSISTANCE:

TRANSFER UP TO 30% OF CURRENT-YEAR TANF FUNDS TO CCDF: MDHS IS ALREADY DOING THIS. THESE TRANSFERRED FUNDS BECOME CCDF DISCRETIONARY FUNDS.

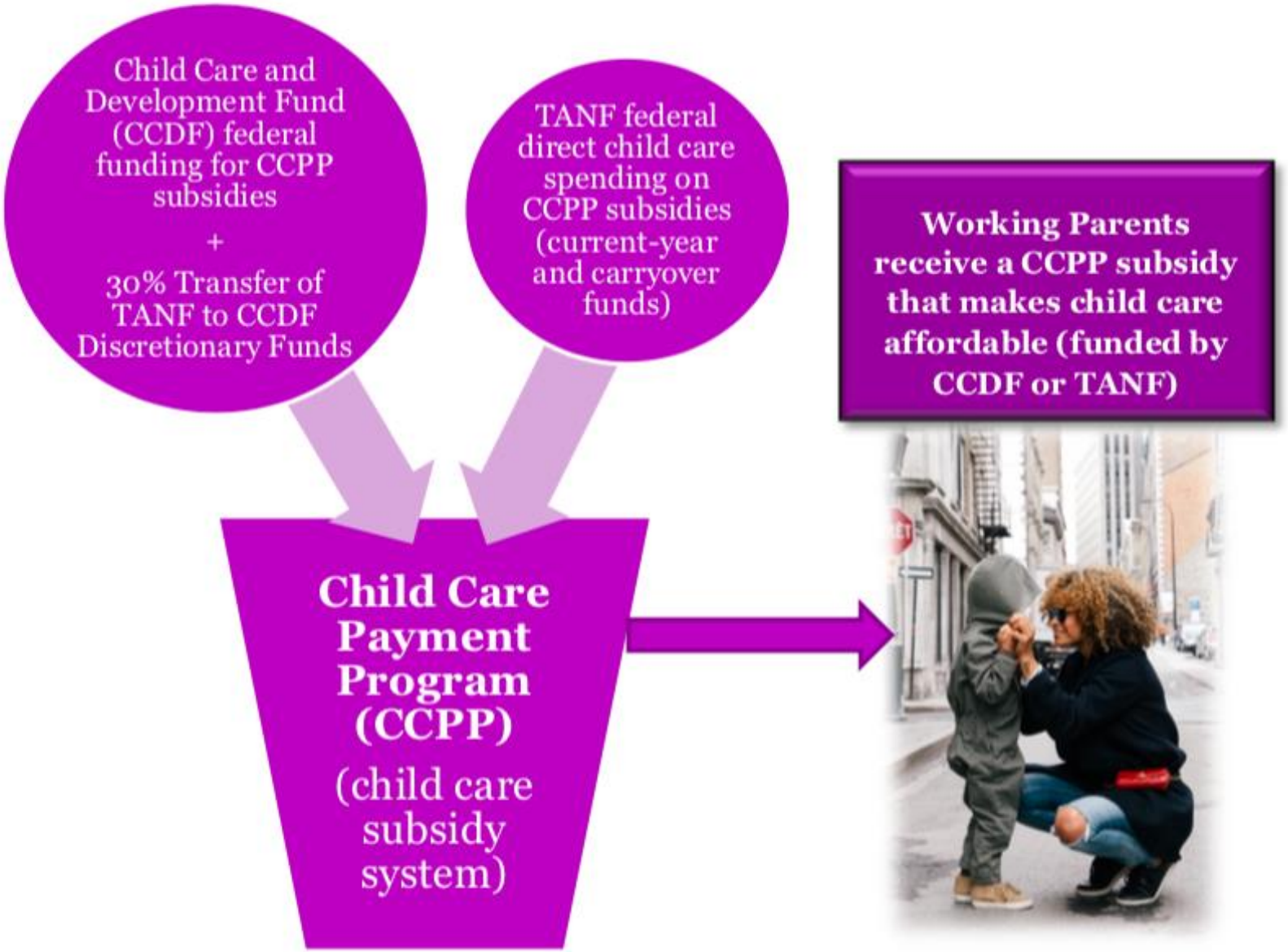
TANF DIRECT SPENDING: USE CURRENT-YEAR **AND** CARRYOVER TANF FUNDS FOR DIRECT CHILD CARE SPENDING UNDER THE "NON-ASSISTANCE" CATEGORY (CHILD CARE FOR EMPLOYED PARENTS AND THOSE IN JOB RETENTION OR ADVANCEMENT ACTIVITIES), ALIGNING WITH CURRENT CCPP ELIGIBILITY REQUIREMENTS AND SPENDING TANF FUNDS DIRECTLY ON CHILD CARE SUBSIDIES FOR FAMILIES QUALIFYING FOR CCPP. THESE SUBSIDIES CAN BE TREATED AS TANF-FUNDED CHILD CARE SUBSIDIES WITHOUT CHANGING THE EXPERIENCE OF WORKING PARENTS.

TANF Spending on Child Care (FY 2023)

Early Care and Education	$0	$0	$0	*0.0%*
Child Care (Assistance and Non-Assistance)	$0	$0	$0	*0.0%*
Pre-Kindergarten/Head Start	$0	$0	$0	*0.0%*

TOTAL EXPENDITURES	**$49,911,777**	**$21,724,308**	**$71,636,085**	***73.4%***
Transferred to CCDF Discretionary	$25,944,373		$25,944,373	*26.6%*
Transferred to SSBG	$0		$0	*0.0%*
Total Transfers	**$25,944,373**		**$25,944,373**	***26.6%***
TOTAL FUNDS USED	**$75,856,150**	**$21,724,308**	**$97,580,458**	***100.0%***
Federal Unliquidated Obligations	$0		$0	
Unobligated Balance	$156,589,491		$156,589,491	

Recommended Strategy for Using Federal TANF Funds for Child Care



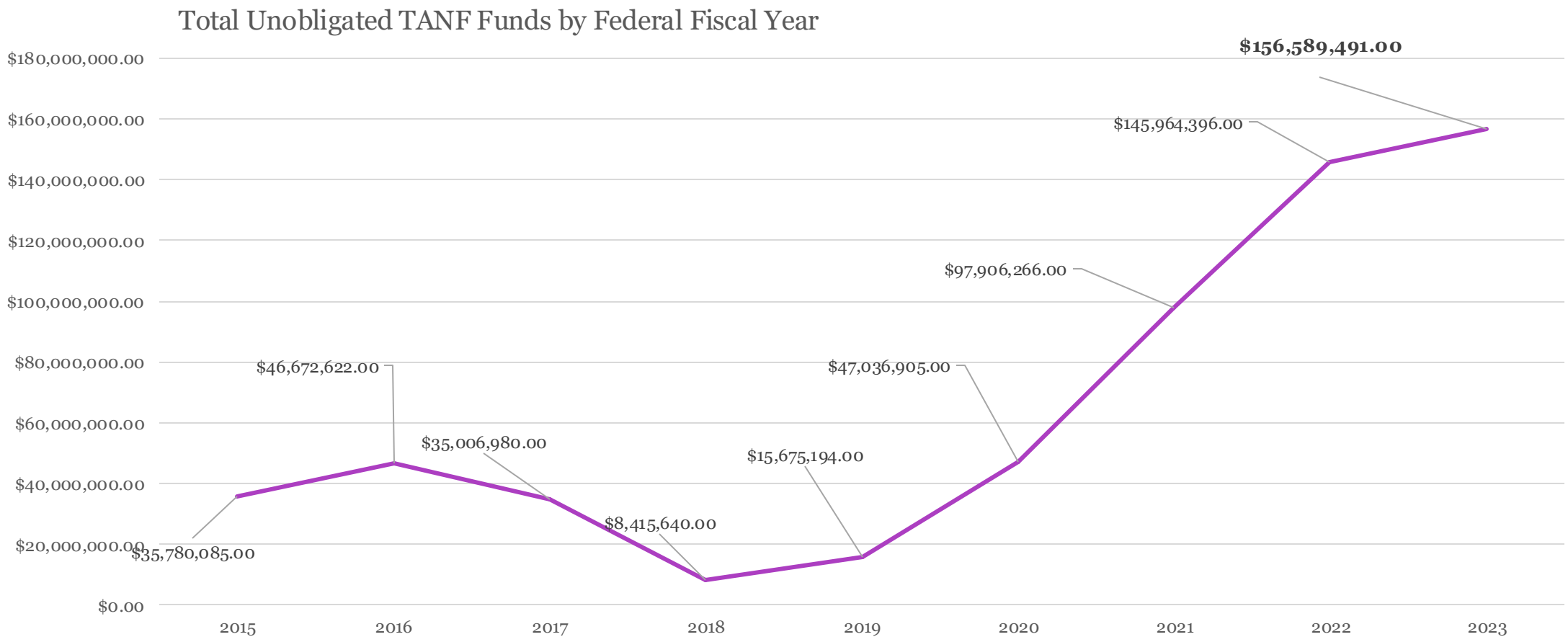
Blend and Spend: Direct TANF Spending

- Federally allowable
- Ohio's PFCC program serves as a good model for TANF and CCDF blended funding
- FY 2023, 16 states transferred TANF to CCDF and spent TANF funds directly on child care
- In 2025 Texas decided to commit $100 million in direct TANF spending (pulling from unexpended carryover TANF) on child care "scholarships" – what their Texas Workforce Commission calls their CCDF program

Can CCDF and TANF be aligned to fund more child care through the CCPP in Mississippi?

- TANF funds (current year and carryover) can be spent on “any allowable TANF activity or service”. Child Care is an allowable service.
- Child Care Assistance vs. Non-Assistance
  - State can spend TANF funds “directly” on child care for working parents that are eligible for the existing CCPP program if treating those parents as TANF participants receiving “non-financial” child care assistance through the state’s CCPP program
  - In this policy framework, a CCPP participant would also be considered a TANF participant receiving child care non-assistance direct services
- Income Eligibility for Non-Financial Assistance
  - Income Eligibility for the established CCPP program is 85% of state median income, or about 175-200% of the federal poverty level; Mississippi allows TANF spending on non-financial assistance for participants earning up to 350% of the Federal Poverty Level; Therefore, a family receiving CCPP would be considered “needy”
  - Current MDHS TANF-Funded Sub-Grants use this approach for providing TANF services to TANF “non-financial assistance” participants
- Internal Coordination and Federal Reporting
  - TANF Direct Spending Allocation to the division handling child care subsidy payments is conducted internally in states using this approach
  - Inter-departmental coordination of federal reporting requirements would be necessary; Expenditures on TANF direct “child care non-assistance” CCPP subsidies would be reported by the state agency as a federal TANF expenditure and participation would be reported to the federal TANF agency

Federal TANF Unobligated Fund Balance



MDHS TANF Workforce Support Sub-Grant Strategy

- In 2025, MDHS issued an RFP
- Child Care is 1 of 12 support services identified
- MDHS strategy for utilizing unexpended TANF funds is to offer sub-grants providing workforce support services to eligible entities serving eligible participants
- This may be an opportunity to connect parents and children to child care in communities where organizations are funded
- We are awaiting the rollout of this strategy and the announcement of sub-grantees
- A substantial portion of unexpended TANF funds are currently dedicated for this strategy

Federal Revenue to Continue Exploring

- TANF current-year and carryover funds that may be available at a later point for TANF direct child care non-assistance spending on CCPP vouchers
- Workforce Development Funding Streams that can also pay for child care as a work support for trainees

Questions

- Contact:
  - Matt Williams
  - Email: mwilliams@mschildcare.org
  - Website: www.mschildcare.org
  - Refer Single Moms for Career Action Planning, Case Management and Child Care Options to www.mschildcare.org/eesm