



Mississippi Low-Income
Childcare Initiative

Preventing the Looming Child Care Subsidy Crisis in Mississippi: Investing Federal Temporary Assistance for Needy Families (TANF) Funds in Child Care Assistance for Working Families

February 2025

In a November 2024 joint hearing of the Mississippi State Senate Labor Force Participation Study Group and the Study Group on Women, Families and Children, the Mississippi Economic Council (MEC) and AccelerateMS testified that the lack of affordable child care is one of the biggest impediments employers experience in hiring workers right now.ⁱ Access to affordable child care subsidies is an important strategy proven to increase workforce participation and employment.ⁱⁱ

Mississippi currently has a child care subsidy program that offsets the cost of child care for low- to moderate-income working parents. It is called the Child Care Payment Program (CCPP) and it is operated by the Mississippi Department of Human Services (MDHS).ⁱⁱⁱ CCPP is currently funded with federal Child Care and Development Fund (CCDF) dollars, but MDHS reports that due to inadequate federal funds in CCDF for FY 2025, as many as 9,000 Mississippi children may lose access to child care at a time when employers need more, not less, child care for working families.^{iv}

At the same time, Mississippi has accrued a large unspent balance of federal TANF dollars.^v This policy brief offers a federally allowable strategy for using unspent TANF funds to prevent reducing CCPP child care services and, perhaps, to serve additional families so more parents can enter the workforce. We will also look at an example to illustrate how this strategy has been allowably and successfully implemented in other states.

Mississippi policymakers should view the CCPP subsidy system as a delivery mechanism for affordable child care. The state should invest additional funds in CCPP child care subsidies for working parents. Whether these child care subsidies are funded by CCDF, TANF or another allowable source, the experience for Mississippi's working families applying for and receiving child care subsidies need not change.

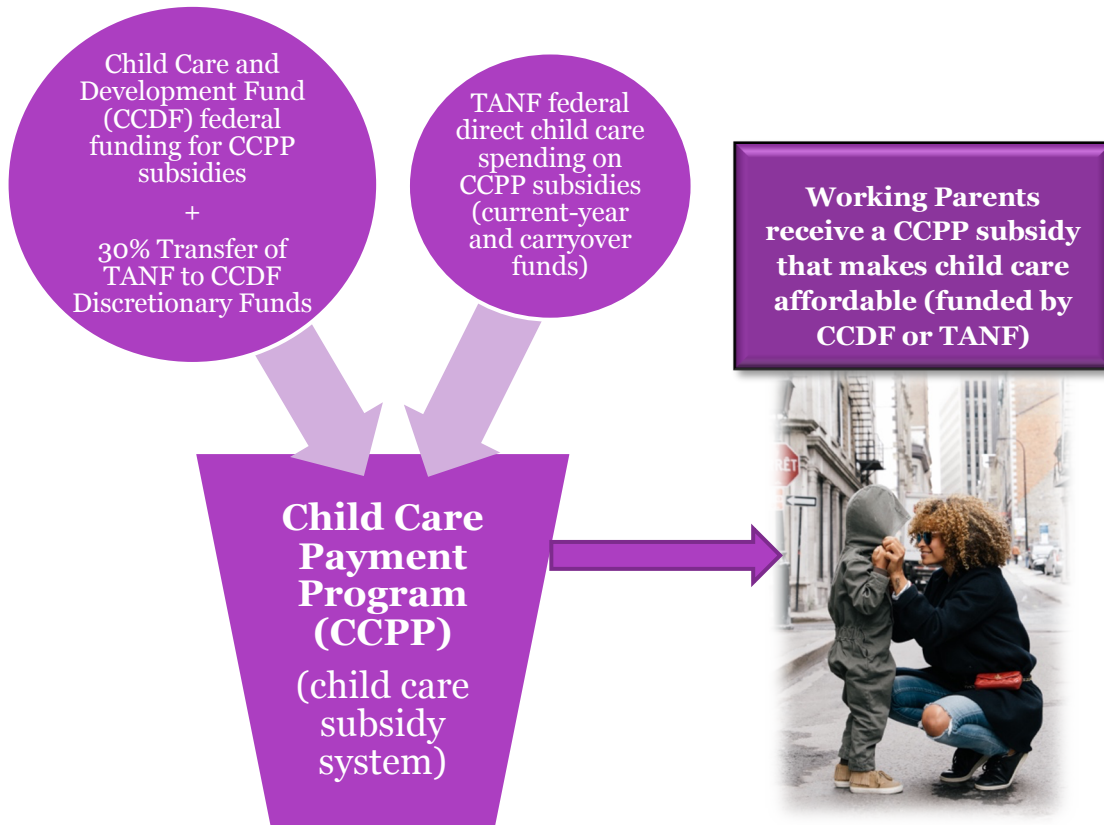
By adopting a new funding strategy to use federal TANF funds for subsidies delivered through the state's well-established CCPP, Mississippi can maximize the benefit of federal TANF funds and prevent a projected service reduction in FY 2025. Spending available federal TANF funds on subsidies represents an investment in the state's economy because access to child care improves labor force participation.

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.

Recommended Strategy for Using Federal TANF Funds for Child Care



The Ohio Child Care Subsidy Funding Model: Combining TANF Direct Child Care Spending and CCDF Funding

Ohio is a useful example for Mississippi policymakers to consider as it demonstrates a model that allowably combines federal TANF direct spending on child care, federal CCDF funds and state revenue to fund a child care subsidy system.^{vi} In this model, the state's subsidy system – while designed to be compliant with CCDF – is not confined to CCDF as the only funding source.

Ohio's Public Funded Child Care program (PFCC) is like Mississippi's CCPP. Both refer to statewide child care subsidy programs for families who meet income and other requirements. Ohio's program is funded by a combination of federal and state sources. In 2024, Ohio's child care subsidy program received \$1.1 billion in funding, comprised of 54% federal CCDF block grant funds, 21.8% federal TANF block grant funds and 24.1% state General Revenue Fund (GRF) allocations.^{vii}

The Ohio state agency that administers the child care subsidy program receives a portion of the state's TANF block grant to fund child care subsidies through the state's PFCC for families up to 200% of the poverty level.^{viii} Federal CCDF funds, federal TANF funds, state CCDF and TANF MOE funds, and state general revenue funds are used in simultaneous combination to fund Ohio's child care subsidy system. The state uses different buckets of funds to pay for child care subsidies based on the income of recipients. But the main takeaway is this: Ohio spends TANF funds directly on child care subsidies – the same child care subsidies that may also be funded by CCDF or other state funds – for parents participating in their PFCC program.

Ohio's Use of Previous Year's TANF Unobligated funds on Direct Child Care Assistance

Ohio experienced a substantial TANF funding build-up in recent years, as has Mississippi.^{ix} The state chose to spend these previous year funds on its child care subsidy program. According to Policy Matters Ohio, "The TANF underspend – which includes the previous year's unused Block Grant funds that have accrued over time and not yet been spent or set aside for a dedicated purpose – are being used toward the state's childcare spending."^x

Ohio, along with other states, wisely chose to invest these TANF funds in subsidies given the huge need for affordable child care among working parents, leveraging flexibility in TANF to increase the reach of its child care subsidy system.

Mississippi's looming reduction of up to 9,000 children served by its CCPP subsidy system and the state's announced shortfall of at least \$47 million in additional funds to maintain current service levels across the state could be prevented or greatly mitigated by strategically investing TANF funds in child care subsidies.^{xi}

States Doing Both: Transferring TANF to CCDF and Spending TANF Funds Directly on Child Care

During Fiscal Year 2023, 16 states opted to use both a transfer of TANF to CCDF and to spend federal TANF funds directly on child care assistance. As stated above, states are allowed to transfer up to 30% of TANF to CCDF. Mississippi is already doing this.

States are **also allowed** to spend an unlimited amount of current or prior-year TANF funds directly on child care in addition to the 30% transfer option.^{xii} States have flexibility in their definition and criteria for this TANF direct-funded child care. A state can, for example, use these TANF direct funds to supplement the state's CCDF subsidy program in addition to utilizing the allowable 30% transfer. States have flexibility under federal TANF rules in how they can spend funds directly on child care for working parents in addition to the allowable transfer from TANF to CCDF.

Addressing Allowability of TANF Spending on Child Care

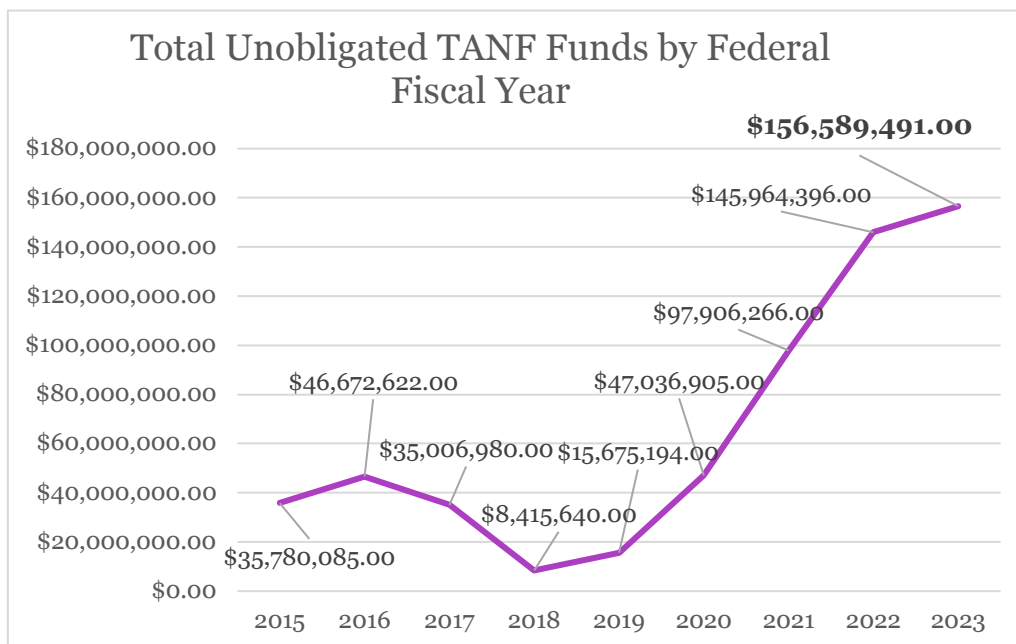
Numerous state examples illustrate the allowability to simultaneously utilize multiple TANF funding options for child care and should allay Mississippi policymakers' concerns over allowability of combining TANF direct-spending and the TANF transfer to CCDF. Additionally, Mississippi is already authorizing the use of federal TANF funds for direct child care assistance provided through sub-grants in which sub-grantees are allowed to use federal TANF funds to pay for child care assistance as designed by their programs, whether that is a payment directly to a provider on behalf of a parent (as the CCPP subsidy system works) or another form of payment for child care assistance.^{xiii}

The U.S. Department of Health and Human Services (HHS) permits states to spend an unlimited amount of TANF funds directly on child care as either "assistance" or "non-assistance."^{xiv} Treating TANF-funded child care subsidies as TANF "non-assistance" (meaning, the recipient is employed and may not be receiving TANF Basic Cash Assistance) allows Mississippi to align TANF-funded child care eligibility with CCPP's existing criteria, ensuring seamless access for families without imposing additional administrative burdens on the MDHS.

Mississippi's current CCPP serves families earning up to 85% of the state median income (approximately \$47,579 annually for a family of three). TANF-funded child care subsidies can adopt CCPP application and eligibility rules while remaining compliant with Mississippi's TANF State Plan, which sets income thresholds for families eligible to receive non-financial assistance services at or below 350% of the federal poverty level.^{xv} TANF-funded CCPP subsidies can use income criteria already required by CCPP and aligned with federal CCDF requirements. MDHS can ensure seamless integration of TANF and CCDF funding streams to maintain consistent programmatic requirements for child care subsidies. Internal processes can be established to allocate and track TANF and CCDF expenditures on subsidies efficiently and accurately.

Leveraging Carryover TANF Funds to Address Child Care Gap

Federal rules and guidance have clarified that states are able to use unobligated TANF carryover funds for any allowable TANF activity, including child care.^{xvi} Mississippi can utilize these funds to address immediate and long-term child care needs. Current federal guidance allows TANF grantees to use carry-over funds for any allowable TANF benefit, service, or activity, and not just on activities that meet the definition of “assistance”. This flexibility would include direct spending on child care for income-eligible parents who are employed and receiving child care subsidies funded as TANF “non-financial assistance”.^{xvii}



Unobligated federal carryover TANF funds have increased sharply since 2020. Data from 2023 shows the highest unobligated balance: **\$156,589,491** (more than 4x the balance in 2019). Notable declines in the unobligated balance are evident in 2018 when unobligated TANF funds were at a low point (\$8,415,640). Recent surges in unobligated TANF funds from 2020 to 2023 increased the flexible, unused funds by \$109,552,586.

Conclusion

Mississippi’s significant reserve of unspent TANF funds presents a transformative opportunity to address the state’s looming child care subsidy crisis. By adopting a dual strategy of transferring TANF funds to CCDF and directly funding additional child care subsidies through the CCPP using TANF funds, MDHS can sustain access to affordable child care for thousands of families and create opportunities to expand access in the future. Leveraging these funds for child care strategically aligns

with TANF’s purpose of promoting work and family stability, ensures the efficient use of federal resources, and addresses critical needs in Mississippi’s communities. Drawing inspiration from successful models in other states, Mississippi can take bold action to support hard-working families and lay the groundwork for long-term economic growth.

Endnotes

ⁱ Testimony provided by presenters at a joint hearing of the Senate Labor Force Participation Study Group and the Senate Study Group for Women, Families and Children on November 14, 2024. This is available at: <https://www.youtube.com/live/r9ui7EJTBrS?si=He1d-W7PV2yc3wBL>.

ⁱⁱ Kimberly Burgess, Nina Chien, Maria Enchautegui, “The Effects Of Child Care Subsidies On Maternal Labor Force Participation In The United States,” (2016) *Department of Health and Human Services, Office of the Assistance Secretary for Planning and Evaluation*. Available at: https://aspe.hhs.gov/sites/default/files/migrated_legacy_files//171051/EffectsCCSubsidiesMaternalLFPBrief.pdf.

ⁱⁱⁱ See, Mississippi Department of Human Services Division of Early Childhood Care and Development: <https://www.mdhs.ms.gov/eccd/>.

^{iv} Senate hearing testimony (2024).

^v TANF financial expenditure data is reported by states. Authors of this brief analyzed FY 2023 TANF Expenditures. Data is available here: <https://www.acf.hhs.gov/ofa/data/tanf-financial-data-fy-2023>.

^{vi} Kathryn Poe and Bailey Williams, “How Ohio (under)funds Childcare” (September 2024), *Policy Matters Ohio*. Report is available at: https://www.policymattersohio.org/research-policy/sustainable-communities/health-health-equity/how-ohio-underfunds-childcare#_ftn30.

^{vii} Ibid.

^{viii} Ibid

^{ix} Ibid.

^x Ibid.

^{xi} Senate hearing testimony (2024). The MDHS announced the estimated number of children at risk of losing child care and the estimated amount of funding needed to cover the gap during the November 14, 2024 hearing.

^{xii} See, *The Bipartisan Policy Center* (2023), https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2023/09/BPC_Fact-Sheet_TANF_National-Overview_final2023.pdf.

^{xiii} See Anna Wolfe, “If you count unspent millions, high denial rate and mysterious outcomes, the TANF scandal persists,” (October 16, 2024) *Mississippi Today*, for reporting on current MS TANF sub-grantees providing workforce development and child care services using TANF funds for program participants. The MDHS has released multiple RFPs for federal TANF-funded awards. Providing child care assistance or services to grantee program participants has been an allowable use of these grant awards.

^{xiv} The U.S. Department of Health and Human Services, Administration for Children and Families, “Categories and Definitions for TANF and MOE Funds,” (Accessed October 1, 2024),

https://www.acf.hhs.gov/sites/default/files/documents/ofa/categories_and_definitions_for_tanf_and_moe_funds.pdf.

^{xv} Please see, Mississippi TANF State Plan, pg. 4,

<https://www.sos.ms.gov/adminsearch/ACProposed/00026748b.pdf>. Income- and program-eligibility set by the TANF State Plan for recipients of non-financial assistance services is aligned with CCPP eligibility requirements. The current MDHS-set 85% of State Median Income cap for a family of 3 participating in the state’s CCPP program is \$47,579 annually. The 2024 poverty guidelines for a family of 3 under 100% poverty is \$25,820 annually. This means the state’s SMI limit for CCPP eligibility is approximately 184% of the current poverty level, well within the MDHS-set definition of income eligibility for TANF non-financial child care assistance under TANF Purpose 2 (at or below 350% of poverty).

^{xvi} See, [TANF-ACF-PI-2010-04 \(Use of Federal TANF Carry-Over funds for any allowable TANF benefit, service, or activity\)](#). Also access the guidance here: <https://www.acf.hhs.gov/ofa/policy-guidance/tanf-acf-pi-2010-04-use-federal-tanf-carry-over-funds-any-allowable-tanf>.

^{xvii} April 6, 2010 TANF Final Rule, 45 CFR Part 286, RIN 0970-AC40. Available at:

<https://www.acf.hhs.gov/sites/default/files/documents/ofa/finalfulecof.pdf>.