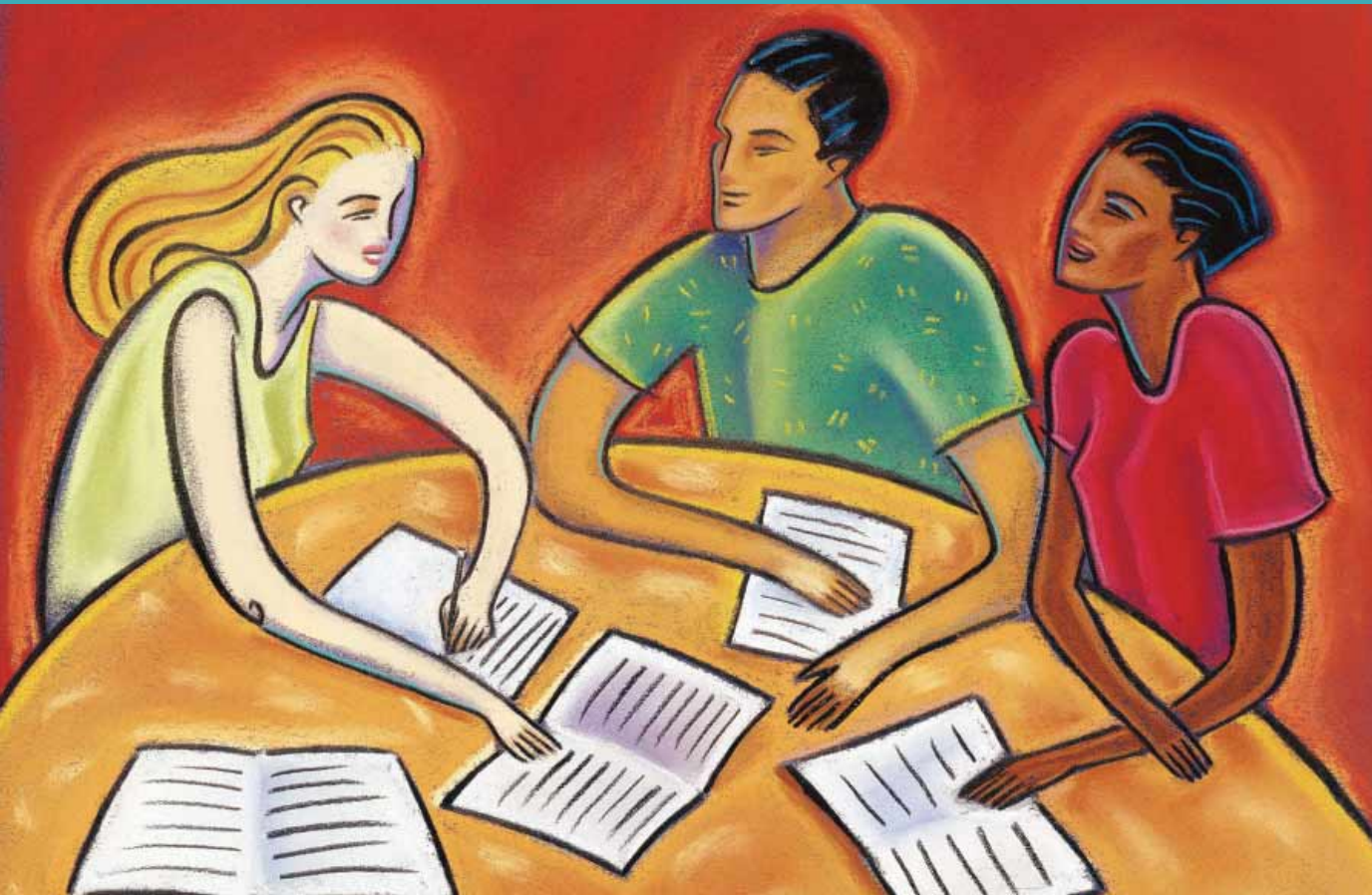


Using TANF to Finance Out-of-School Time Initiatives



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Introduction

Quality out-of-school time programs are important elements of an effective system of community supports and services for families and children. In recent years, researchers have documented the negative effects of leaving children unsupervised during afterschool hours and highlighted the importance of quality out-of-school time programs. The 1996 welfare reform legislation, which required more parents on welfare to transition to employment, added to the already significant demands for out-of-school time programs. The recent reauthorization of the Temporary Assistance for Needy Families (TANF) program increases the number of parents who states and localities may need to engage in work.¹ Using TANF dollars is one strategy to generate funding for maintaining, improving, and expanding out-of-school time initiatives.

The growing demand for out-of-school time programs to support the employment of low-income family members or their participation in TANF work activities makes this an opportune time for state and local decisionmakers to consider using TANF funds to support these programs. Working parents with serious concerns about how their children are being cared for during afterschool hours are much more likely to experience unplanned absences and frequent interruptions.² These types of disruptions can lead to job loss, particularly for low-income working parents such as those transitioning off TANF.

The 1996 welfare reform legislation afforded states considerable flexibility to use TANF dollars to fund supports and services for TANF recipients and other low-income families. Under TANF reauthorization provisions, states are given the same discretion.³ They can use this flexibility to address needs and gaps in out-of-school time programming, particularly for middle-school-age and high-school-age youth. Since the passage of welfare reform, states have pursued different options to assist families, with some states investing significant TANF resources in out-of-school time initiatives. In the current policy environment, the more rigorous work participation requirements of TANF reauthorization could lead states to redirect some TANF and state maintenance-of-effort (MOE) funding to core services such as work activities for TANF recipients. At the same time, stronger work requirements increase the need for child care and out-of-school time programs.



The need for work supports, along with state flexibility to allocate TANF funds, affords a valuable opportunity to “make the case” for using TANF dollars to support out-of-school time programming. Moreover, policymakers, program leaders, and intermediaries must be able to understand and assess the policy and financing options for using TANF or MOE funding on out-of-school time initiatives. TANF requirements and reauthorization provisions are complex, and gray areas remain in the regulations. This uncertainty is particularly true with respect to out-of-school time initiatives because of the different target populations, services, and purposes they encompass. This strategy brief presents general considerations for using TANF to finance out-of-school time initiatives, explores three strategies for using TANF funding and considerations for using each strategy, and provides examples of innovative state approaches.⁴

¹ In February 2006, the president signed into law the *Deficit Reduction Act of 2005*, which Congress passed, among other reasons, to reauthorize TANF—the block grant created by the 1996 welfare reform legislation.

² R. C. Barnett and K. C. Gareis, *Parental After-School Stress Project: Report of Findings* (Waltham, Mass.: Brandeis University, Community, Families & Work Program, April 2004), at <http://www.bcfwp.org/passreport.pdf>.

³ For more information on TANF reauthorization provisions, see National Governors Association, Center for Best Practices, *The Wait is Over, the Work Begins: Implementing the new TANF Legislation* (Washington, D.C.: National Governors Association, Center for Best Practices, June 2006), at <http://www.nga.org/Files/pdf/0606TANFLEGISLATION.PDF>.

⁴ This brief updates The Finance Project’s October 1999 strategy brief, *Using TANF to Finance Out-of-School Time and Community School Initiatives*, available at <http://www.financeproject.org/Publications/Brief2.pdf>.



Background and General Considerations

TANF funding includes both the federal block grant dollars allocated to states and the maintenance-of-effort dollars that states are required to spend each year in order to receive their full block grant amount. In addition to using TANF funds directly to support out-of-school time initiatives, states may transfer some federal TANF block grant monies to the Child Care and Development Fund (CCDF) and the Social Services Block Grant (SSBG). Therefore, out-of-school time programs could be directly supported with TANF or MOE funds or could be supported with funds transferred to CCDF or SSBG.⁵

During the past decade, states have used TANF funds to support out-of-school time programming in various ways. Most commonly, states use these funds for out-of-school time programs through a transfer to CCDF. The funds become part of the child care subsidy system that provides subsidies for eligible children up to age 13. Parents of school-age children use the subsidies to purchase out-of-school time care in a setting of their choice. In addition, states are using direct or transferred TANF dollars and MOE dollars to directly fund out-of-school time program startup, expansion, and ongoing operation.⁶

State decision-making on TANF allocation must take into account many factors. Of particular importance are considerations related to the purposes of TANF, TANF requirements, TANF eligibility levels, and the availability of TANF funds.

The Purposes of TANF

Generally, states can use TANF funds for services that are reasonably calculated to achieve four purposes:

1. **provide assistance to needy families so children can be cared for in their own homes or in the homes of relatives;**
2. **end the dependence of needy parents by promoting job preparation, work, and marriage;**
3. **prevent and reduce out-of-wedlock pregnancies; and**
4. **encourage the formation and maintenance of two-parent families.**

⁵ Although possible, it is unusual for states to support out-of-school time programs using TANF dollars transferred to the Social Services Block Grant. States have considerable flexibility in using SSBG funds, and a limited amount of TANF dollars can be transferred to SSBG. As a result, many states use funds transferred to SSBG for clients and services not covered under TANF or other social services programs. Additionally, federal TANF funds transferred to SSBG must be used only for programs and services for children and families whose income is below 200 percent of the federal poverty level.

⁶ Although states can use federal TANF funds to support allowable capacity-building efforts, these funds cannot be used for construction.

Using TANF funds for out-of-school time programs can be justified under the second purpose, when these programs provide supervision for children that enables needy parents to work or participate in job preparation activities, and under the third purpose, when these programs provide structured, productive activities for youth during out-of-school time that prevent high-risk behavior that can lead to out-of-wedlock pregnancies.

TANF Requirements

Although the TANF program allows states considerable flexibility in spending, numerous program requirements affect the use of these funds (see “Accessing TANF for Out-of-School Time Initiatives” on page 12). For example, recipients of TANF-funded supports and services are subject, in certain instances, to federal requirements concerning work participation, time-limited benefits, and child support cooperation. One concern that policymakers may have in using TANF dollars to fund out-of-school time programs is whether recipients of these services will be subject to such requirements. This issue is important not only because of its implications for recipients, but also because of its implications for out-of-school time programs and state agencies in terms of data tracking and reporting. Whether participants in out-of-school time programs funded with TANF dollars are subject to federal requirements depends mainly on whether the service is considered to be “assistance” as well as whether the service is supported by federal TANF dollars or MOE dollars and how that funding is structured.

Whether the Service Is Considered to Be “Assistance.” Federal requirements are applicable only to those recipients receiving “assistance,” according to TANF definitions.⁷ “Assistance” generally refers to benefits directed at basic needs (e.g., food, clothing, shelter, and utilities) as well as supportive services (e.g., child care and transportation) for families that are **not employed**.⁸ There is some uncertainty as to whether out-of-school time programs fall into the category of “assistance” for unemployed parents. According to current regulations and guidance, it is clear that child care for the unemployed is considered “assistance,” but it is not clear when an out-of-school time initiative must be considered child care. For example, if the primary purpose and function of an out-of-school time initiative is pregnancy prevention, it is likely that a state would not consider the program child care.

⁷ For more information on the definition of assistance, see Office of Family Assistance, Administration for Children and Families, U.S. Department of Health and Human Services, *Helping Families Achieve Self-Sufficiency: A Guide on Funding Services for Children and Families through the TANF Program* (Washington, D.C., 1999), at <http://www.acf.hhs.gov/programs/ofa/funds2.pdf>.

⁸ There are caveats and exceptions to this general definition of assistance, such as nonrecurrent short-term benefits provided to unemployed parents. “Assistance” is defined in 45 CFR § 260.31 of the TANF regulations.



Families are rarely subject to federal TANF requirements based only on their receipt of TANF-funded out-of-school time services. This is because out-of-school time programs need not be considered “assistance” for employed parents, and many unemployed parents with children in TANF-funded out-of-school time initiatives receive cash benefits or other forms of “assistance” and are subject to federal TANF requirements anyway.

Whether the Service Is Supported by Federal TANF Dollars or MOE Dollars and How That Funding Is Structured. States can choose to spend MOE dollars in the TANF program or in separate state programs. In general, MOE-funded assistance and services are limited to “eligible” families. “Eligible” families are families with a dependent child that meet the income and resource standards set out in the state TANF plan; these families do not have to be receiving TANF benefits. However, the 2005 *Deficit Reduction Act (DRA)*, which reauthorized TANF, adds a new provision that allows states to claim for MOE all qualified expenditures for non-assistance benefits and services provided to an individual or family, regardless of financial need or family composition, if the activity is reasonably calculated to accomplish TANF purpose three (prevention of out-of-wedlock pregnancies) or TANF purpose four (two-parent family formation).⁹



MOE dollars allocated to separate state programs are not subject to certain TANF requirements, including the federal five-year time limit on assistance. Prior to TANF reauthorization, states were not required to include families served in separate state programs in the calculation of the state’s work participation rate. The DRA includes a new provision requiring such families to be counted in the calculation of the work participation rate. Therefore, if MOE dollars are used to support out-of-school time programs in a

separate state program, certain federal requirements based on “assistance” categories do not apply. Beginning in fiscal 2007, however, work participation rate requirements will apply when a state provides MOE-funded assistance to a family in a separate state program. In addition, some states attach requirements similar to the federal requirements, such as time limits, to their MOE-funded separate state programs.

⁹ U.S. Department of Health and Human Services, Administration for Children and Families, “Reauthorization of the Temporary Assistance for Needy Families Program; Interim Final Rule,” 45 CFR Parts 261, et al. (29 June 2006), § 263.2 (a)(4)(ii).

TANF Eligibility Levels

An important consideration in using TANF to finance out-of-school time programs is each state’s definition of eligible families. Federal regulations clarify that states may establish different income and resource standards for different services. For example, a state could set one income and resource standard for cash assistance and a higher standard for other supportive services. Defining a higher eligibility level for supportive services, such as out-of-school time programs, makes it possible to subsidize out-of-school time care for a broader group of children using TANF funding.

The Availability of TANF Funds

A final consideration in using TANF to finance out-of-school time programs is the availability of TANF funds in any given year for supportive services and other kinds of programming. State and local priorities for using TANF funds are dynamic. TANF reauthorization, for example, could lead policymakers to direct more funds to supporting core work activities. Economic conditions also affect the availability of TANF funds for supports such as out-of-school time care. During economic downturns such as that of the early 2000s, TANF funds are less likely to be available for programs that do not provide core TANF services and activities. Additionally, while many states built up significant unexpended TANF balances in the early years of welfare reform, most states have since identified uses for these funds. Given the ebb and flow of TANF funding for supportive services, it is important to consider how TANF funds can be used along with other funding sources to finance and sustain out-of-school time programs. For more information on key funding sources that support out-of-school time programming, see “Overview of Temporary Assistance for Needy Families, the Child Care and Development Fund, and the 21st Century Community Learning Centers Program,” on page 8.





Overview of Temporary Assistance for Needy Families, the Child Care and Development Fund, and the 21st Century Community Learning Centers Program

	Temporary Assistance for Needy Families (TANF)	Child Care and Development Fund (CCDF)	21st Century Community Learning Centers Program (21CCLC)
PURPOSE	To provide assistance to needy families with children so they can be cared for in their own homes; reduce dependency by promoting job preparation, work, and marriage; reduce and prevent out-of-wedlock pregnancies; and encourage the formation of two-parent families. This program replaced the Aid to Families with Dependent Children (AFDC) program.	To help low-income families, families receiving public assistance, and families transitioning from public assistance obtain child care so they can work or attend training and education.	To establish or expand community learning centers that provide students with academic enrichment opportunities along with activities designed to complement their regular academic achievement.
FEDERAL AGENCY	Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance.	Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance.	Department of Education, Office of Elementary and Secondary Education.
FUNDING	<p>The Deficit Reduction Act of 2005 mandates \$16.5 billion each year for five years (fiscal 2006–2010).</p> <p>State Family Assistance Grants range from \$21.8 million to \$3.7 billion, and Tribal grants range from \$77,195 to \$31.2 million.</p> <p>The block grant has an annual cost-sharing requirement known as “maintenance of effort (MOE),” which requires states to spend a set percentage of state funds to help eligible families consistent with the purposes of the TANF program.</p>	<p>Fiscal 2006 appropriations law authorized \$2.062 billion in CCDF discretionary funds, including the following targeted funds:</p> <ul style="list-style-type: none"> ■ \$19 million for child care resource and referral and school-age child care activities; ■ \$268 million for quality improvement activities; and ■ almost \$10 million for department to use for child care research, demonstration, and evaluation activities. <p>In fiscal 2006, mandatory and matching funds under CCDF increased to \$2.917 billion; this funding stream was reauthorized in the Deficit Reduction Act of 2005.</p>	Congress appropriated \$981 million in fiscal 2006 for afterschool programs.

	Temporary Assistance for Needy Families (TANF)	Child Care and Development Fund (CCDF)	21st Century Community Learning Centers Program (21CCLC)
FLOW OF FUNDS	<p>Block grants are awarded to states by formula, based largely on their historical spending under AFDC.</p> <p>Funds flow to states in quarterly payments.</p> <p>States must periodically (every 2 or 3 years) renew their funding status by submitting a TANF plan.</p> <p>State agencies can allocate funds to localities and contracted service providers as outlined in the state’s TANF plan.</p>	<p>Mandatory, discretionary, and matching funds are awarded to states by formula, based on per-capita income and the number of children who are below age 5 and receive assistance through the National School Lunch Program.</p> <p>States must periodically (every 2 years) renew their CCDF plans.</p> <p>States subsidize the cost of child care through vouchers or certificates to families, or through contracts with providers.</p> <p>Providers are reimbursed based on attendance of eligible children.</p> <p>States set provider reimbursement rates.</p>	<p>Funds are awarded annually to state departments of education by formula, based on their share of Title I, Part A, funds.</p> <p>States conduct grant competitions to award funds to eligible local entities to start up or expand community learning centers.</p> <p>Eligible entities apply for funds and are evaluated against criteria set by the federal and state governments.</p> <p>Grantees are given a minimum grant award of \$50,000.</p>
USES OF FUNDS	<p>In general, the program provides financial assistance and supportive services to needy families.</p> <p>States decide what categories of needy families to help as well as set benefit levels, asset limits, and penalties.</p> <p>States can use monies not allocated for cash assistance to fund various work supports, including afterschool activities and child care.</p> <p>States can also transfer a limited portion of their grant funds to the Child Care and Development Fund and the Social Services Block Grant.</p>	<p>Parents may use subsidies to select any legally operating child care provider who meets state health and safety requirements.</p> <p>Certain amounts of funds must be used to invest in activities that improve care quality and accessibility, resource and referral services, or school-age child care activities.</p>	<p>Funds are used to implement activities and programs to provide opportunities for academic enrichment, including remedial education, arts and music education, entrepreneurial education, tutoring services and mentoring, recreation, drug and violence prevention, counseling, and character education as well as programs that promote parental involvement and family literacy.</p> <p>Services must be offered during nonschool hours or periods when school is not in session.</p>

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Overview of Temporary Assistance for Needy Families, the Child Care and Development Fund, and the 21st Century Community Learning Centers Program (continued)

	Temporary Assistance for Needy Families (TANF)	Child Care and Development Fund (CCDF)	21st Century Community Learning Centers Program (21CCLC)
ELIGIBLE PROVIDERS	State and local agencies can contract with different providers, including faith- and community-based organizations, to deliver services to needy families.	Providers must meet basic health and safety requirements set by states. These requirements must address the prevention and control of infectious diseases, including immunizations; building and physical premises safety; and minimum health and safety training. Center-based providers typically must be licensed by the state; some exceptions are made.	School districts and private organizations that will serve primarily students who attend high-poverty or low-performing schools can compete for funds. Grantees must provide academic enrichment activities to help students meet state and local academic achievement standards in core content areas, such as reading, math, and science.
ELIGIBLE RECIPIENTS OR SERVICES	In general, “assistance” may only be provided to a financially needy family that consists of, at a minimum, a child living with a caretaker relative, or consists of a pregnant woman. States establish the income and resource (if applicable) criteria for determining whether the family is financially needy. There are certain TANF requirements and restrictions that apply to the provision of “assistance” such as cooperation with child support officials and a five-year time limit on the receipt of federally funded assistance. Each state has the flexibility to determine the benefits it will provide, the eligibility criteria to receive benefits, and the methods for delivering benefits to its clientele.	Children eligible for services must: <ul style="list-style-type: none"> be below age 13, or below age 19 if physically or mentally incapable of caring for themselves, or under court supervision; and reside with a parent or parents who are working or attending a job training or education program; or receive, or need to receive, protective services. States can serve families whose income level does not exceed 85% of the state median income for a family of the same size. States can set lower eligibility levels. Families must contribute to the cost of care on a sliding-fee-scale basis. States may exempt families below the poverty level.	No individual eligibility requirements for children and families exist. Adult family members of students and prekindergarten children may also receive services, if offered. Programs can charge fees but may not prohibit any family from participating due to its financial situation.
PERIOD OF FUNDING	The funding period for grants to service providers varies by state and locality. Grants may be awarded on a multiyear, an annual, or a pay-for-performance basis.	Families must periodically recertify eligibility for subsidies; specific requirements vary by state.	Grants are made to centers for three to five years.

	Temporary Assistance for Needy Families (TANF)	Child Care and Development Fund (CCDF)	21st Century Community Learning Centers Program (21CCLC)
QUALITY, ADMINISTRATION, AND TECHNICAL ASSISTANCE ACTIVITIES	States can only use up to 15% of their grant on administrative costs.	States must spend a minimum of 4% of CCDF funds plus additional targeted funds on activities designed to improve the quality of child care. State lead agencies may spend up to 5% of CCDF funds on administrative activities. The U.S. Department of Health and Human Services may withhold one quarter of 1% of CCDF funds for the provision of technical assistance.	State education agencies can spend up to 5% of 21CCLC funds for state administrative activities. The U.S. Department of Education may reserve up to 1% of 21CCLC funds to carry out national activities. These funds are used to provide resources and assistance for improving program quality.
EVALUATION REQUIREMENTS	No specific evaluation requirements.	No specific evaluation requirements.	States must evaluate programs and activities using performance indicators and performance measures. Grantees must periodically evaluate their programs to assess progress toward achieving the goal of providing high-quality opportunities for academic achievement.

Sources:

Adapted from M. Jones, *CCDF and 21CCLC: State Efforts to Facilitate Coordination for Afterschool Programs* (Washington, D.C.: U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, October 2004), 7–8, at <http://www.nccic.org/afterschool/CCDF21CCLC.pdf>.

General Services Administration, *The Catalog of Federal Domestic Assistance* [accessed December 2006], at <http://12.46.245.173/cfda/cfda.html>.

U.S. Department of Health and Human Services, Administration for Children and Families, “Reauthorization of the Temporary Assistance for Needy Families Program; Interim Final Rule,” 45 CFR Parts 261, et al. (29 June 2006).

Child Care Bureau, U.S. Department of Health and Human Services, “Fiscal Year 2006 Federal Child Care and Related Appropriations,” at http://www.acf.hhs.gov/programs/ccb/ccdf/approp_2006.htm.

Office of Elementary and Secondary Education, U.S. Department of Education, “21st Century Community Learning Centers: Non-Regulatory Guidance” (Washington, D.C., February 2003).

U.S. Department of Health and Human Services, Administration for Children and Families, “Child Care and Development Fund; Final Rule,” 45 CFR Parts 98 and 99 (24 July 1998).



Accessing TANF For Out-of-School Time Initiatives

While the federal government provides the framework and guidance for TANF spending, state officials have the final say in allocating TANF dollars for out-of-school time initiatives or other purposes. In addition, some states grant counties considerable discretion in allocating TANF dollars. Out-of-school time program officials need to understand how TANF is administered and allocated in their state or county so they can be strategic in accessing this funding source. Following are a few suggestions.

Get to know the decisionmakers. Know which state or county agency administers TANF; in most states, it is the human services agency, but in some states, the workforce development agency administers TANF. Identify key officials within that agency and build relationships with them. Meet with these key officials and introduce them to your program, add them to your mailing list, and keep them informed of your program's developments and successes.

Be familiar with the state TANF plan. Each state is required to have a TANF plan that defines how the state plans to implement TANF in accordance with the federal regulations, lays out the requirements that states may impose on TANF receipt in addition to federal requirements, and sets out the state's income and resource standards for eligibility.* States are required to renew their plans periodically (every two or three years) in consultation with local governments and private-sector organizations; most current state plans run through fiscal 2007. States may submit amendments to their completed plans. For example, a state could amend the eligibility levels defined in its plan to include a higher income eligibility level for support services.

Find out how TANF funding allocations are made. States must allocate TANF funds, though the flexibility afforded state agencies to do so differs from state to state. For example, in some states, the state agency responsible for TANF is able to contract for services without additional legislative authority; in other states, additional legislative authority is needed. State officials administering TANF can provide information on how TANF dollars are allocated. Another source of information is local advocacy organizations focused on supports for low-income families.

Find out about current TANF spending. State-specific information on unspent TANF dollars, TANF transfers, and TANF spending on child care is available on the website of the federal Administration for Children and Families at www.acf.dhhs.gov/programs/ofs/data/. State and county administrators for TANF and the Child Care and Development Fund can provide additional information on whether and how TANF dollars are supporting out-of-school time programs.

Know how the child care payment system works. Because TANF dollars commonly support out-of-school time programs through the existing child care payment system, it is important to understand how this system works. All states subsidize child care with funding from the Child Care and Development Fund and other funding sources such as TANF. Each state sets its own eligibility and payment levels and designs its own system for paying care providers. Understanding the child care payment system will help out-of-school time programs access subsidies for eligible children and obtain state contracts. Information on CCDF state plans is available through the National Child Care Information Center at 800-616-2242 or www.nccic.org.

*Links to state plans are available on The Workforce Alliance's STEPS (State Training and Education Policies and Statistics) clearinghouse at http://www.workforcealliance.org/site/c.cijNK1PjJtH/b.1300111/k.99E2/State_Home_Pages.htm.

Source: The information is adapted from Prevent Child Abuse America, *Temporary Assistance for Needy Families and Healthy Families America: Accessing a New Funding Source* (Chicago, Ill.: Prevent Child Abuse America, 1999).





Financing Strategies

TANF dollars can support out-of-school time initiatives under the second and third purposes of TANF. These funds can also support out-of-school time initiatives through a transfer to CCDF.

Strategy 1: Fund Out-of-School Time Programs under the Second Purpose of TANF—To End the Dependence of Needy Parents by Promoting Job Preparation, Work, and Marriage

Out-of-school time programs can help end dependency among needy parents. Supervision for school-age children during nonschool hours enables their parents to participate in training, employment, and other work-related activities. State officials can allocate TANF and MOE funds to support out-of-school time programs as a work support for parents in different ways. For example, many states use TANF monies to fund child care subsidies in order to serve families on subsidy waiting lists, increase eligibility levels, and/or increase the amount of reimbursement that subsidies provide. These subsidies are generally provided to children below age 13 whose parents are employed. States also use TANF and MOE funds to provide direct support to out-of-school time initiatives for startup, expansion, and ongoing operation.





Supporting Out-of-School Time Programming for Children in Low- and Moderate-Income Working Families

Georgia is in its second year of using TANF and MOE dollars to fund afterschool and summer programming for children in low- and moderate-income working families. State officials appropriated \$10 million in TANF funds the first year and \$11 million the second year, along with several million in MOE funds each year—for a total of \$14 million per year. The Division of Family and Children Services (DFCS) within the Georgia Department of Human Resources administers these funds. The Georgia Alliance of Boys and Girls Clubs received approximately 40 percent of the funds through a direct contract; the monies were then distributed to boys and girls clubs statewide for out-of-school time programming. The remaining funds are made available to schools and community-based organizations through a competitive process. Awardees are eligible for annual renewal funds for three years. There is a match requirement that can be met by cash or in-kind resources.

The TANF funds support programming for youth ages 6 to 19 in low- and moderate-income working families, such as TANF-eligible families. Approximately 14,000 youth are served each year and more are served in the summer. In 2006, DFCS piloted a summer program with the Division of Mental Health, Developmental Disabilities and Addictive Diseases (MHDDAD) with the goal of integrating youth with serious emotional disturbances and/or co-occurring substance abuse disorders into mainstream summer programs. MHDDAD contributed some of its own funding to this effort.

For more information, contact Carmen Callaway, program manager for afterschool services, Division of Family and Children Services, Georgia Department of Human Resources, at cccalloway@dhr.state.ga.us.

Considerations in Using Strategy 1

- The second purpose of TANF specifies “needy” families as the target population. Consequently, out-of-school time programs and subsidies funded under the second purpose must serve children who meet the income and resource standards established in the state TANF plan.
- States can fund subsidies for school-age children directly with TANF dollars or with a transfer of TANF dollars to CCDF (See Strategy 3). Some states fund additional subsidies directly with TANF dollars after transferring the maximum 30 percent of TANF funds to CCDF. (Federal TANF dollars used directly for subsidies remain subject to federal TANF requirements.)
- An out-of-school time program funded with federal TANF dollars or state MOE dollars under the second purpose of TANF can be considered “assistance” for unemployed parents. If so, unemployed parents would be subject to federal requirements, such as those concerning work participation, child support, and time limits. If the out-of-school time program is funded with MOE dollars in a separate state program, however, certain federal requirements, such as time limits on assistance, would not apply. However, beginning in fiscal 2007, families receiving assistance in MOE-funded

separate state programs are included in the calculation of a state’s work participation rate. Some data reporting requirements may also apply.

- If an out-of-school time program is funded by other sources in addition to TANF, then the alternative funding sources can be used to pay for children who are not income-eligible under TANF or whose parents are unemployed.

Strategy 2: Fund Out-of-School Time Programs under the Third Purpose of TANF—To Prevent and Reduce Out-of-Wedlock Pregnancies

TANF dollars can be used to fund out-of-school time programs as a way to prevent and reduce out-of-wedlock pregnancies (see “Funding Afterschool Programs in New York” on page 18). Federal regulations and the U.S. Department of Health and Human Service’s *Helping Families Achieve Self-Sufficiency: A Guide on Funding Services for Children and Families through the TANF Program* emphasize that TANF dollars can support services that directly lead to, or are reasonably calculated to lead to, each of the four TANF purposes. Although the scope of services that the U.S. Department of Health and Human Services (HHS) interprets as “reasonably calculated” to achieve the third purpose of TANF is not fully defined, the available guidance suggests a broad view. Examples of activities that are reasonably calculated to accomplish the third TANF purpose include “abstinence programs, visiting nurse services, and programs and services for youth such as counseling, teen pregnancy prevention campaigns, and after-school programs that provide supervision when school is not in session.”¹⁰ In other words, various out-of-school time services can be linked to pregnancy prevention and funded under the third TANF purpose.

Many youth development programs, for example, can be considered pregnancy prevention strategies because they provide a structured environment, offer positive alternatives to high-risk behavior, and encourage healthy development, academic achievement, and skills enhancement.¹¹ Summer employment programs are one example, offering skill-building activities to youth during out-of-school time. TANF dollars have been an important source of funding for youth summer employment programs in several counties and cities (see “Using TANF to Support Summer Employment Programs in Philadelphia” on page 18). TANF funds can be used along with Workforce Investment Act funds or other funding sources to help support summer employment programs for youth.

¹⁰Office of Family Assistance, Administration for Children and Families, U.S. Department of Health and Human Services, *Helping Families Achieve Self-Sufficiency: A Guide on Funding Services for Children and Families through the TANF Program* (Washington, D.C., 1999), 9–10.

¹¹For more information, see M. Cohen, *The TANF Funding Stream: When and How Welfare Funds Can Support Reproductive Health or Teen Parent Initiatives* (Washington, D.C.: Center for Law and Social Policy, April 1999), at http://www.clasp.org/publications/tanf_funding_stream.pdf.



Funding Afterschool Programs in New York

Using TANF funds, New York State created the Advantage After School Program (AASP) to provide quality youth development programming for school-age children and youth during afterschool hours. TANF funds have been appropriated for the program since 2000 under the third purpose of TANF—out-of-wedlock pregnancy prevention. The current state fiscal year appropriation of \$27.5 million is used to contract with 193 providers statewide who offer afterschool programming at more than 250 sites. The Office of Youth Development within the New York State Office of Children and Family Services administers AASP. Funds are made available to not-for-profit and faith-based organizations through a competitive request for proposal process, and awardees are eligible for five years of funding. AASP initiatives, most of which are school-based, must offer educational, recreational, and cultural age-appropriate activities that integrate what happens in the school day. Program leaders must also involve children, youth, and families in the design and delivery of program activities. Some programs coordinate activities with 21st Century Community Learning Center programs so, for example, children in AASP can receive tutorial services.

For more information, visit the Office of Youth Development of the New York State Office of Children and Family Services at <http://www.ocfs.state.ny.us/main/Youth/>.

Using TANF to Support Summer Employment Programs in Philadelphia

Since 2000, state officials in Pennsylvania have allocated TANF dollars for youth development programming under the third purpose of TANF—pregnancy prevention. Annually, \$15 million in TANF funds are allocated to local workforce investment boards (WIBs) based on a local area's percentage of the state's TANF caseload. Philadelphia, with a large share of TANF recipients, receives a substantial amount of this funding. Funds support summer employment programs for youth ages 14 to 18; more than 3,000 youth are served each year. The funding also helps sustain several Youth Opportunity Centers, which are now known as E3—Education, Employment and Empowerment—Centers. TANF funds augment Workforce Investment Act (WIA) youth funds, which must support year-round programming, and enable local officials to continue providing enriching summer programs to the city's youth. Funds are made available to community-based providers through a competitive process very similar to that used to distribute WIA youth funds.

TANF reauthorization is having an impact on the use of TANF funds for youth programs. State officials are now directing WIBs to use their TANF funds to serve youth in households receiving TANF assistance. Previously, local officials could use funds to serve youth in low-income families not necessarily receiving TANF to help prevent future dependency. To support this change, state officials are connecting WIB and youth council staff to local TANF offices to facilitate identifying and targeting youth in TANF households.

For more information, visit the Philadelphia Youth Network at <http://www.pyninc.org/>.

Considerations in Using Strategy 2

- Services included in pregnancy prevention programs do not generally fall within the federal definition of “assistance” under TANF. In other words, regardless of employment status, federal requirements are not imposed on families solely as a result of receipt of the service.
- The third TANF purpose does not specify “needy” families as the target population. If federal TANF dollars are used to fund out-of-school time initiatives under the third purpose, the programs can serve higher-income families. Similarly, MOE funds used for non-assistance benefits and services intended to accomplish TANF purpose three are not limited to “eligible” families under a provision of the DRA.
- The scope of programs that can be “reasonably calculated” to reduce out-of-wedlock pregnancies is not fully defined. Federal guidance is not clear on whether a program has to explicitly include pregnancy prevention in its goals and what age range the program must serve.

Strategy 3: Transfer TANF Funds to CCDF to Support Out-of-School Time Initiatives

States are allowed to transfer up to 30 percent of their TANF funds to the Child Care and Development Fund (see “Providing Access to Affordable, Quality Out-of-School Time Care in Wisconsin” on page 21). CCDF is the largest federal child care subsidy program, funding both direct services and quality enhancements. Once TANF funds have been transferred to CCDF, they are treated as CCDF funds and are subject to CCDF requirements. These requirements include, for example, state health and safety standards, state licensing requirements, and state-designated reimbursement rates.¹² Generally, CCDF funds serve children up to age 13 years, and each state sets its own income eligibility levels, up to a federal maximum of 85 percent of the state's median income.

The *Deficit Reduction Act of 2005*, which reauthorized the TANF block grant, also extended the CCDF mandatory funding stream through fiscal 2010, increasing child care funding available to states by \$200 million per year, or a total of \$1 billion over five years.¹³ These funds require a state match to draw them down. Additional child care funding is important to states given the new child care demands likely to stem from the strengthened work participation requirements. State officials may need to increase their spending on child care for TANF recipients by, for example, directing more TANF dollars to child care directly or through a transfer to CCDF.¹⁴

¹²For more information, see S. Deich, with E. Bryant and E. Wright, *Using CCDF to Finance Out-of-School Time and Community School Initiatives* (Washington, D.C.:The Finance Project, August 2001), at <http://www.financeproject.org/Publications/Brief7.pdf>.

¹³CCDF mandatory and matching funds make up one of two funding streams under CCDF. Child Care Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, “TANF Reauthorization and Impact on Child Care,” *Child Care Bureau Issue Brief* (Washington, D.C., 2006).

¹⁴National Governors Association, Center for Best Practices, 2006.



In 2005, \$3.2 billion in TANF funds were used for child care, including funds transferred to CCDF and those spent directly on child care. States transferred \$1.9 billion in TANF funds to CCDF, a slight increase from 2004.¹⁵ TANF dollars transferred to CCDF increase the overall amount of funding available for a state's child care activities. Although states use CCDF funds for different activities, most of these monies fund subsidies for children up to age 13. TANF dollars transferred to CCDF enable states to provide subsidies to families on waiting lists, increase income eligibility levels to serve more families, and increase the subsidy payment level.

TANF funds transferred to CCDF can support out-of-school time capacity-building and quality enhancement efforts. CCDF funding includes a quality set-aside of at least 4 percent and targeted funds for out-of-school time and resource and referral activities. Both the quality set-aside and the targeted funds for out-of-school time can be used for efforts to improve the availability of quality child care. Examples of funding options under the quality set-aside and the targeted funds for out-of-school time include:

- providing grants and loans for startup, expansion, or enhancement of programs;
- funding partnership projects aimed at coordinating resources and leveraging private-sector investment; and
- funding technical assistance to help stakeholders develop, implement, and finance out-of-school time programs.



¹⁵H. Matthews and D. Ewen, *Child Care Assistance in 2005: State Cuts Continue* (Washington, D.C.: Center for Law and Social Policy, November 2006), 3–4, at <http://www.clasp.org/publications/childcareassistance2005.pdf>.

Providing Access to Affordable, Quality Out-of-School Time Care in Wisconsin

In Wisconsin, TANF funds support child care services and out-of-school time care directly and through the transfer of funds to CCDF. In fiscal 2005, Wisconsin transferred \$63 million in TANF funds to CCDF. The availability of TANF funds for the state's child care subsidy program enabled policymakers to establish eligibility for children up to age 13 in working families with incomes up to 200 percent of poverty; family income must be below 185 percent of poverty for initial eligibility. In addition, waiting lists for child care subsidies were eliminated in 1997.

CCDF dollars support several initiatives that address the quality of care, including professional development programs for child care workers, community child care grants to local government agencies to improve the supply and quality of care, and higher reimbursement rates for accredited facilities. These quality enhancement efforts target school-age care as well as early care. For example, the T.E.A.C.H. (Teacher Education and Compensation Helps) Early Childhood Wisconsin scholarships and R.E.W.A.R.D. (Rewarding Education with Wages and Respect for Dedication) Wisconsin stipends are available to school-age care providers who meet the eligibility criteria.

For more information, visit the website of the Wisconsin Department of Workforce Development's child care section at <http://www.dwd.state.wi.us/dws/programs/childcare/default.htm>.

Considerations in Using Strategy 3

- Subsidies provide an important source of funding for out-of-school time programs serving low-income children up to age 13. Program managers can access these funds by ensuring that eligible families served by their program have applied for subsidies and by targeting outreach activities to families with children eligible for subsidies who may not be participating in out-of-school time activities.
- Although TANF funds can be reserved for use in future years, TANF funds transferred to CCDF must be obligated by the end of the year following the transfer. However, opportunities to use reserved TANF funds for out-of-school time initiatives are limited, because reserved TANF funds can no longer be transferred and are restricted to funding services considered to be "assistance." At the same time, using reserved funds for "assistance" can free up current year funds for non-assistance services and programs.
- TANF funds transferred to CCDF are not subject to federal TANF work, reporting, and other requirements. In general, however, they are only available to serve children up to age 13, whereas TANF dollars can be used for services for children of any age. One option is for states to transfer TANF funds to CCDF to support out-of-school time programs for children up to age 13 and to use TANF dollars directly to pay for out-of-school time services for older children.



Partnering to Support Out-of-School Time Programs in Ohio

The TANF Student Intervention Demonstration Project is a joint initiative of the Ohio Departments of Education and of Job and Family Services to support out-of-school time and school readiness programming. Under this initiative, TANF funds are awarded to school districts for summer, after-school, and school readiness programs. County department of job and family services agencies administer the contracts. In the 2006–07 school year, the first year of the initiative, \$28.5 million in TANF funds were made available to local school districts statewide through a competitive request for proposal process; educational service centers, community schools, and certain joint vocational school districts also were eligible. Separate competitions were run for school-year and summer programs. Grantees can partner with community organizations.

The afterschool and school readiness enrichment programs under this demonstration project target elementary school, middle school, and high school youth who local school districts determine are eligible to receive free and reduced-price lunches and identify as underperforming in math, reading, science, or technology. Priority was given to serving youth in high-poverty schools and in low-performing school districts. The afterschool program is intended to provide students with broad services, such as counseling programs, music and recreation programs, and technology education programs designed to complement the regular academic program of participating school districts.

Although the current allocation of TANF dollars provides an important source of funding to school districts and their partners for out-of-school time programming, there is no guarantee of continuing TANF funding. In future years, these funds will be allocated for out-of-school time initiatives depending on their availability.

For more information, visit the Ohio Department of Education at <http://www.ode.state.oh.us>.

Lessons and Considerations in Using TANF to Finance Out-of-School Time Programs

The experiences of state and local initiative leaders in accessing TANF funds for out-of-school time programming suggest several important lessons and considerations for program leaders, intermediary organizations, and policymakers.

Communicate a strong case for using TANF funds for out-of-school time initiatives. Although TANF funds can be allocated for out-of-school time initiatives under two of the four purposes of TANF, the availability of funds for out-of-school time programs depends on state and local needs and priorities. TANF dollars are flexible and can fund multiple supportive services for children and families, creating substantial competition for these funds. Out-of-school time program leaders, intermediary organizations, and other stakeholders need to communicate a strong case for directing TANF funds to out-of-school time programs and show how such an investment makes effective use of TANF dollars in support of state and local TANF-related goals.

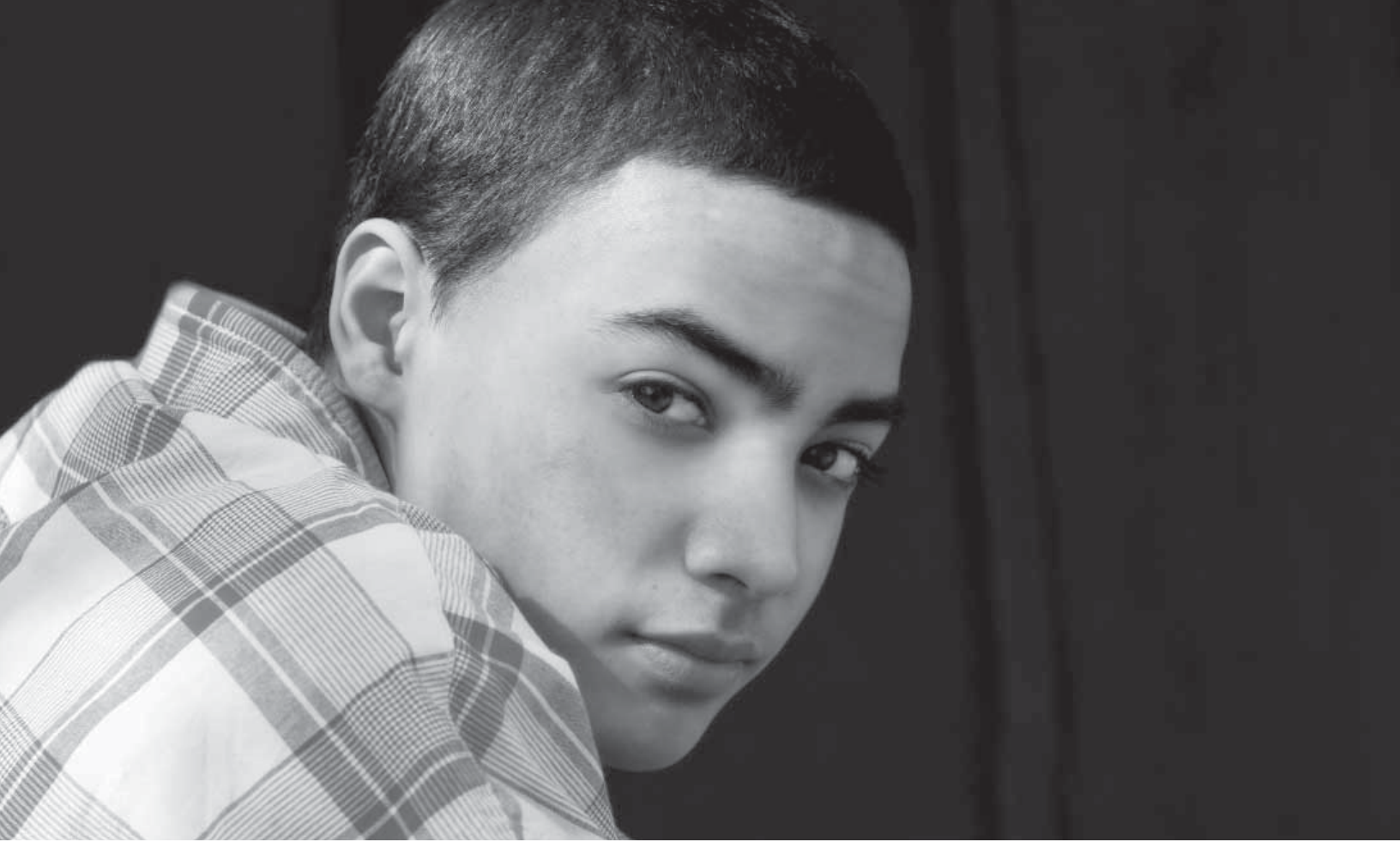
Build partnerships to expand funding opportunities. With regard to TANF funding and other federal funding sources, partnerships often open up new avenues of funding that might otherwise not have been available to individual organizations. For out-of-school time providers, building partnerships with, for example, community organizations, schools and school districts, the local agencies that administer TANF, and workforce investment boards, can create opportunities to access available TANF funds for out-of-school time programs or help build support for making TANF funds available for out-of-school time programs.

Understand the administrative and fiscal requirements associated with TANF funds. Program leaders need to understand and give careful consideration to the administrative and fiscal requirements that may be tied to TANF funding. They should also evaluate whether the financial benefits of accessing TANF funds outweigh the administrative costs and other costs. For example, if funds are intended to serve children in TANF-eligible families, then providers will likely need to verify income eligibility for participation in the TANF-funded program. This requirement can pose a substantial administrative burden. Contract management is another important issue to consider. If TANF funds are provided on a cost-reimbursement basis, then program leaders need to assess their program's capacity to handle this type of cash flow.

Take advantage of the flexibility of TANF funds. While TANF reauthorization has strengthened federal requirements in some areas, TANF dollars remain a flexible funding source that out-of-school time leaders can use strategically to address needs and gaps in the field. For example, TANF dollars can fund out-of-school time activities for youth above age 13 who are ineligible for CCDF-funded child care subsidies but still need access to enriching activities after school to help reduce their risk of future dependency. Flexibility also makes TANF a good funding source to coordinate with or wrap around other funding sources. TANF funds, for example, can augment WIA youth funds to finance summer programs for youth.

Provide support and technical assistance to out-of-school time providers. Intermediary organizations and policymakers can play an important role in facilitating access to TANF funds. Intermediary organizations can provide technical assistance to providers on the grant application process, fiscal management, and reporting requirements as well as on programming and quality enhancement. Policymakers can consider ways to reduce the administrative burdens on programs. Strategies include streamlining the application process, simplifying verification and reporting requirements, and providing a grant renewal option.

Recognize sustainability issues. Program leaders, intermediary organizations, and policymakers all need to keep in mind that TANF should not be considered a stable, long-term funding source for out-of-school time programming. Spending priorities and the availability of TANF funds can change from year to year. In light of this, it is important to consider how to use TANF funds wisely. For example, using some funds in ways that build program capacity and quality can make a lasting investment in the field. Policymakers and others should also look for ways to promote coordination with other funding programs, such as the 21st Century Community Learning Centers program and the WIA youth program.



Conclusion

The TANF block grant has important potential for funding out-of-school time initiatives. TANF dollars can be used flexibly to support programs addressing different target populations and purposes. Two of the four TANF purposes are closely linked to the goals of out-of-school time programs, so TANF funds can be used directly to support such programs. In addition, TANF provides for transfers to CCDF that can help build capacity, strengthen quality, and improve access to out-of-school time programs. Understanding TANF funding opportunities and complexities can help policymakers and program developers use this funding source most effectively to support out-of-school time initiatives.

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Organizations

American Youth Policy Forum

Visit <http://www.aypf.org/>

Center on Budget and Policy Priorities

Visit <http://www.cbpp.org/>

Center for Law and Social Policy

Visit <http://www.clasp.org/index.php>

The Finance Project

Visit <http://www.financeproject.org/>

National Child Care Information Center

The Afterschool Investments Project

Visit <http://www.nccic.org/afterschool/>

National Governors Association

Center for Best Practices

Visit <http://www.nga.org/portal/site/nga>

U.S. Department of Health and Human Services

Administration for Children and Families

Visit <http://www.acf.hhs.gov/>



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About The Finance Project

Helping leaders finance and sustain initiatives that lead to better futures for children, families, and communities.

The Finance Project is an independent nonprofit research, consulting, technical assistance, and training firm for public and private sector leaders nationwide. We specialize in helping leaders plan and implement financing and sustainability strategies for initiatives that benefit children, families, and communities. Through a broad array of products, tools, and services, we help leaders make smart investment decisions, develop sound financing strategies, and build solid partnerships. To learn more, visit www.financeproject.org.

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