POLICY BRIEF

TANF Funds Can Undo Utah's Cuts to Child Care New Applicant Income Limits

Utah must maximize its investment of Temporary Assistance for Needy Families (TANF) funds to help more working families who are struggling to afford child care. Utah's recent changes to its child care assistance program included cutting income eligibility for new applicants from 85% to 50% of the state median income (SMI), shutting out families who simply cannot afford child care on their own. Without spending new state dollars, Utah can cover the annual cost of reversing this change and continue helping families earning up to 85% SMI by: (1) transferring the full 30% of its TANF base grant to the Child Care and Development Fund (CCDF) and (2) investing at least $13 million each year in unspent TANF dollars to provide child care for TANF-eligible employed families.

KEY TERMS

TANF: Temporary Assistance for Needy Families

CCDF: Child Care and Development Fund

SSBG: Social Services Block Grant

SMI: State median income

FPL: Federal poverty level

DWS: Department of Workforce Services

TANF could put $35.65 million a year toward child care

Utah's total proposed TANF investment in child care, drawn from its two pots of TANF funding

POT 1: BASE GRANT
$22.65M
Transfer the full 30% of the base grant to CCDF

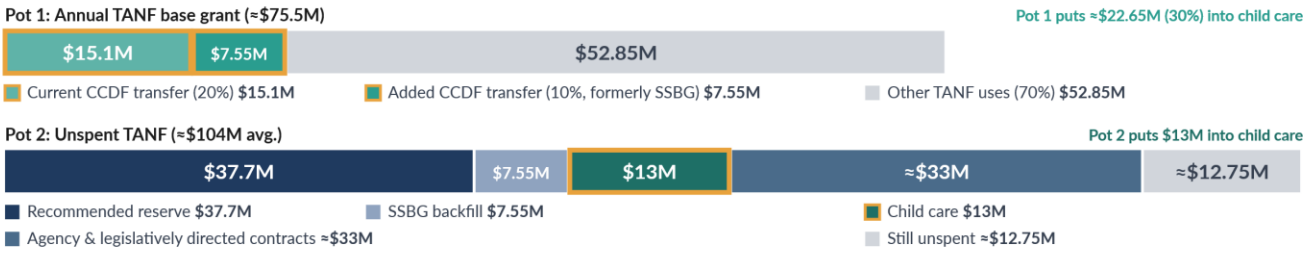
+

POT 2: UNSPENT TANF
$13M
Invest unspent TANF funds in child care

=

$35.65M
total for child care each year

Where the money comes from: two TANF pots

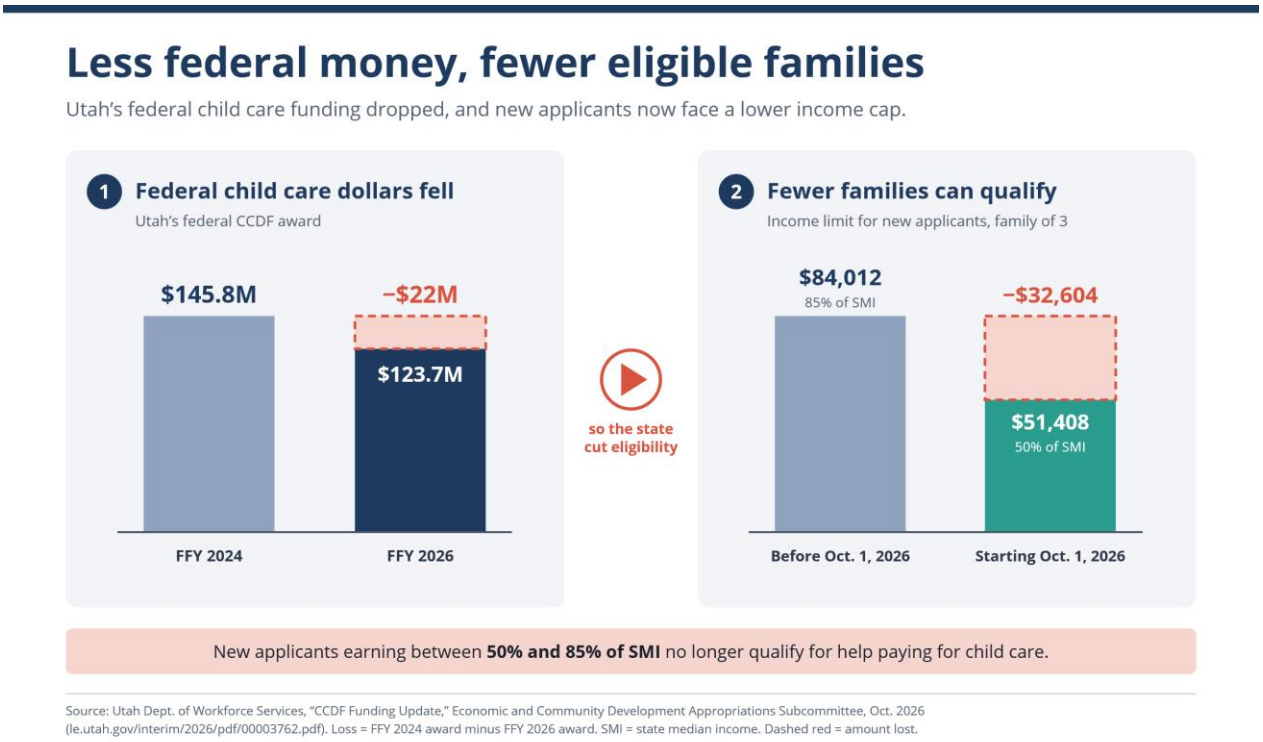


Within federal rules: up to 30% of the TANF base grant may be transferred to CCDF, where CCDF income limits (up to 85% of SMI) apply, and unspent TANF funds can provide child care to TANF-eligible employed families.

Sources: Utah DWS TANF base grant transfers (last year); 42 U.S.C. §604(d) (up to 30% may be transferred to CCDF and SSBG combined); Utah TANF Programs and Expenditures reports (2023–2026). Base grant implied by the 20% ≈ $15.1M CCDF transfer. Both bars drawn to the same scale.

Utah's Families Need TANF Funds to Undo Devastating Changes to the Child Care Assistance Program

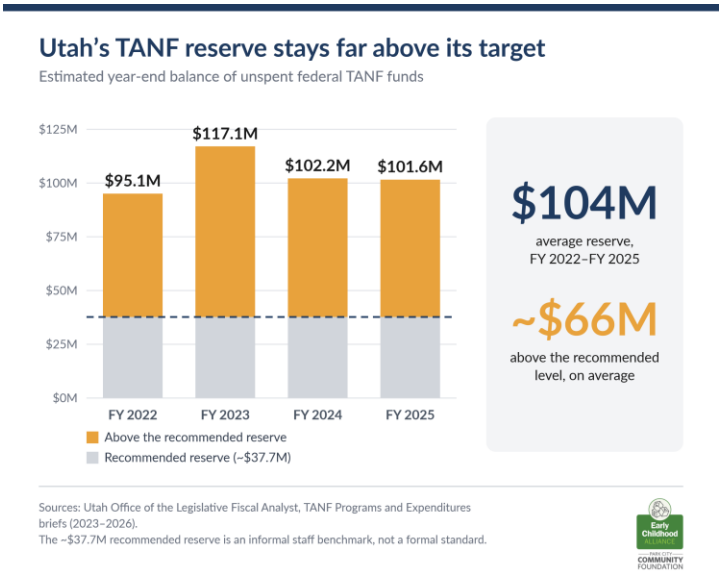
A significant investment of TANF funds would allow Utah to immediately reverse some of the devastating income-eligibility changes Utah recently implemented in its child care assistance program. One of these changes, for example, is that Utah has lowered the income limits for new applicants from 85% of SMI ($84,012/year for a 3-person household) to 50% SMI ($51,408/year for a 3-person household). Utah predicts that reducing the income limits of eligible families will save approximately $10.6 million per year in child care subsidies, a gap that TANF funds can fill.



TANF Funds Are Available

Over the past several years, while working families have struggled to afford child care, Utah has stockpiled unspent TANF federal funding. Based upon Utah's TANF Programs and Expenditures reports in 2026, 2025, 2024, and 2023, Utah has amassed an average of $104 million in unspent TANF funds and maintains an average balance of over $66 million more than its recommended reserve amount of $37.7 million. Stockpiling these funds was never the plan.

Once Utah identifies this year's amount of unspent TANF funds, it will first subtract funds already committed to prior multi-year contracts, which is likely around $33 million, and set aside the recommended reserve, which is $37.7 million. If there is any remainder, Utah should invest at least $13 million in child care and backfill the $7.55 million that was previously transferred to the Social Services Block Grant (SSBG).

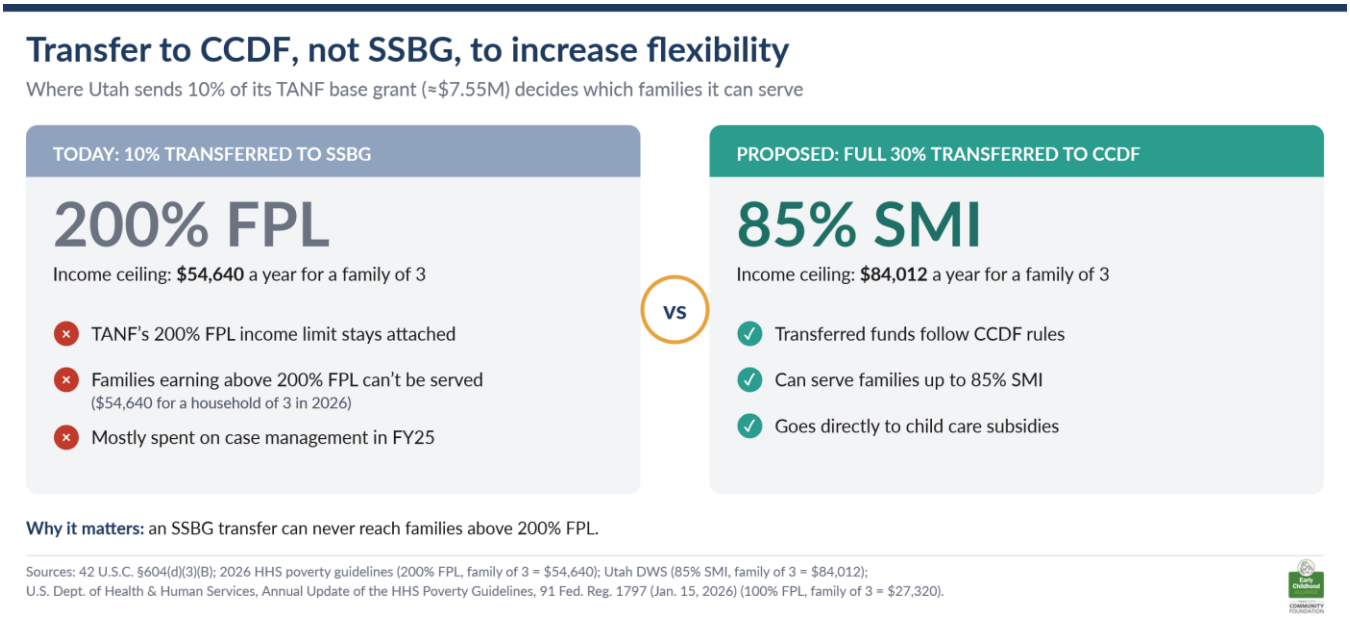


Utah Should Increase TANF Funds Transferred to CCDF

Last year, in its TANF base grant, Utah transferred 20% (≈ $15.1 million) to CCDF and 10% (≈ $7.55 million) to SSBG. Utah is allowed to transfer a total of up to 30% to CCDF, but any amount sent to SSBG counts against that same 30% limit. Increasing the CCDF transfer from 20% to 30% would allow an additional $7.55 million in base TANF funds to support child care subsidies, even for families earning up to 85% of SMI, since the TANF-transferred funds are treated as CCDF funds.

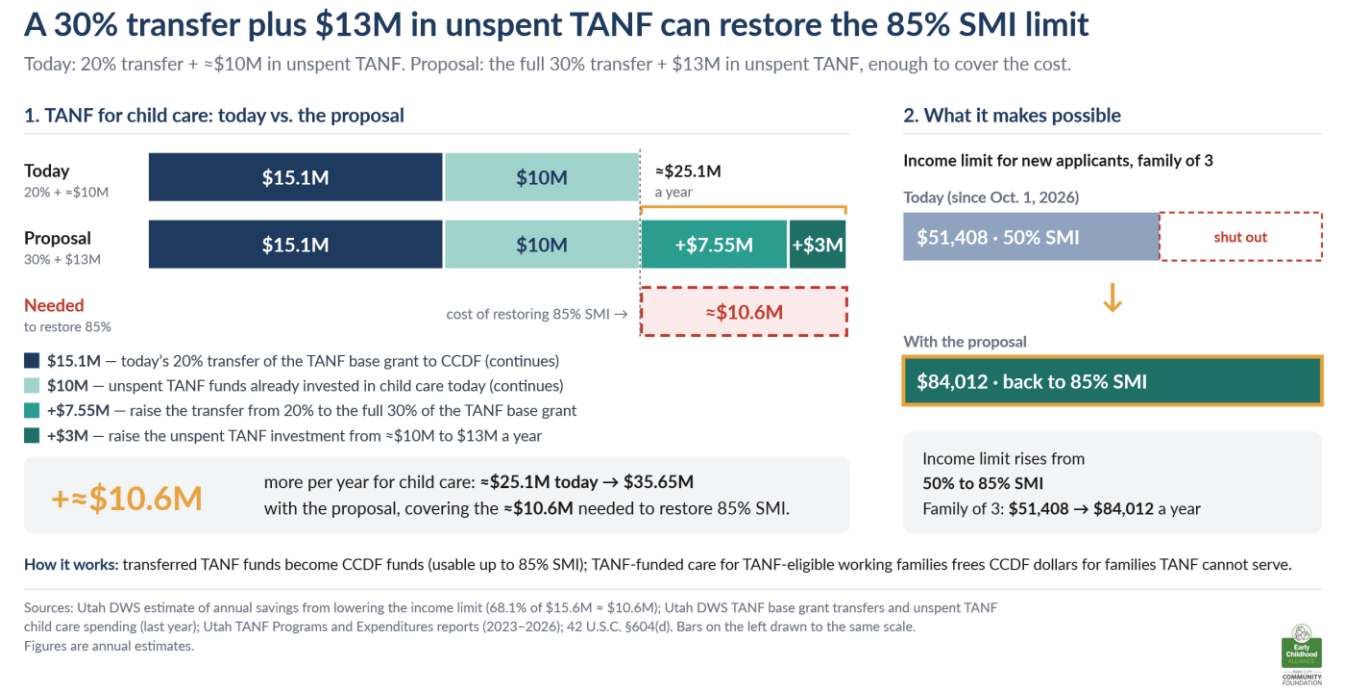
Unspent TANF funds could replenish the funds that had previously been transferred to SSBG to pay for any services provided that meet the TANF rules. Nationally, 20% of TANF funding is directed to child welfare activities. Examples of TANF-funded child welfare programs include: preservation activities to keep children in their own home or with relatives, kinship care, and reunification services. In FY25, Utah spent the majority of the TANF funds transferred to SSBG ($7,133,800) on case management.

Unlike the TANF transfer to CCDF, which takes on CCDF rules, TANF funds transferred to SSBG are more restricted since these funds "shall be used only for programs and services to children or their families whose income is less than 200 percent of the income official poverty line." 42 U.S.C. § 604(d)(3)(B). Because TANF funds transferred to SSBG are limited to families earning less than 200% Federal Poverty Level (FPL), unspent TANF reserve funds can pay for TANF-eligible programs that serve families under this income limit. In contrast, every dollar transferred to CCDF provides more flexibility since CCDF's higher income limits apply.



Utah Should Invest $13 Million in Child Care Using Unspent TANF Funds

Utah already invests unspent TANF funds in child care; it simply needs to invest more. In 2025, the Utah legislature granted the Department of Workforce Services (DWS) discretion to expend unspent TANF funds "for the provision of child care services for TANF-eligible families." Earlier this year, in addition to transferring 20% of its TANF base allocation to CCDF, DWS invested $9.6 million in additional unspent TANF funds to provide child care subsidies to TANF-eligible employed families in the first three quarters. Based upon this run rate, DWS could invest approximately $13 million per year in unspent TANF funding to help TANF-eligible employed families afford child care. Although the unspent TANF funds can only pay for TANF-eligible employed families, every TANF dollar spent on those families frees a CCDF dollar for families TANF cannot serve, which lets DWS raise the income limit back to 85% SMI.



Utah Families Need TANF Investments Now

Next Steps

1. **Transfer the full 30% of Utah's TANF base grant to CCDF.**
   Adds ≈ $7.55M for child care subsidies, usable for families earning up to 85% of SMI.
2. **Use unspent TANF funds to backfill the 10% previously transferred to SSBG.**
   Keeps ≈ $7.55M for Department of Health and Human Services programs that meet TANF rules, so existing services continue.
3. **Invest at least $13 million per year in unspent TANF funds.**
   Frees CCDF funds so DWS can restore the 85% SMI income limits.

The TANF program was created to help low-income families achieve economic stability by providing assistance to families with children, promoting job preparation and employment, supporting marriage and two-parent families, and reducing out-of-wedlock pregnancies. Child care assistance directly supports these goals. Instead of accumulating unspent TANF dollars, Utah must invest the maximum amount possible to support a critical industry made up mostly of locally owned and operated businesses, families with young children, and employers looking to recruit and retain their workforce. Specifically, Utah should (1) transfer the full 30% of its TANF base grant to CCDF, (2) invest unspent TANF funds to backfill the 10% previously transferred to the SSBG, and (3) invest $13 million per year in unspent TANF funds in child care for TANF-eligible employed families.