Policy Solutions to Reduce Child Poverty

Washington Child Benefits Feasibility Study

March 2025

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Contract Number

24-1223

Suggested citation

Abbott, M., Wippick, H., Morrison, E., Heryadi, K., Burns, A, and Torres, S. (2025). *Policy Solutions to Reduce Child Poverty: Washington Child Benefits Feasibility Study*. Arlington, VA: MEF Associates.

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Acknowledgements

The authors thank Kate Stepleton at MEF Associates for her quality assurance throughout the study, as well as helpful review comments for this report. We thank Stephen Nuñez at the Roosevelt Institute for his early thought leadership and guidance on this project. We also thank Asaph Glosser and Caroline Brent-Chessum at MEF Associates for the helpful review comments and formatting for this report, respectively. We thank our clients, Stephanie Budrus and Sarah Veele at the Washington Department of Children, Youth and Families for valuable feedback and conversations that shaped the development of this report. Finally, we thank all the experts interviewed who contributed their time and knowledge to this report and the many other individuals—across agencies, organizations, and communities—for their commitment to anti-poverty efforts in Washington and whose efforts this work builds on.

Executive Summary

Key findings

- There is no single solution to reducing child poverty, but our analysis finds that a child allowance is the most likely policy to meaningfully reduce child poverty in Washington, either structured as a tax credit or as a basic income. Both would also reduce racial and ethnic disparities in child poverty and its consequences.
- A tax credit approach is our top ranked policy as we found it to be easier to implement, more likely to be politically feasible, and likely lower cost to administer than a basic income child allowance.
- Because of their large benefit amounts, both child allowance programs are substantially more costly than a universal baby box program or the status quo safety net, but the latter are unlikely to meaningfully reduce child poverty.

Background

As of 2023, one in eight Washington children lives in poverty. Racial and ethnic minority children are more likely to grow up in poverty in Washington compared to white children. There is overwhelming evidence that poverty in childhood negatively impacts children's near-term health and wellbeing and can cause harm that lasts into adulthood. Relatedly, investments in childhood economic security have substantial societal returns on investments. Children who have benefited from early investments in their wellbeing become adults with better health outcomes, higher educational attainment, increased workforce participation and productivity, and reduced benefits utilization. The evidence suggests that early investments pay dividends.

Policy Options to Reduce Child Poverty

Washington legislators and government officials have shown substantial commitment to reducing poverty in the state. The state legislature passed a proviso to conduct a feasibility analysis on policy options to reduce child poverty and produce recommendations on avenues of policy reform. It focuses specifically on reducing child poverty through approaches that align with the policy options put forth in the legislative proviso, listed below. We compare three policy options against the status quo to assess their feasibility and usefulness as an addition to the safety net.

Status Quo Safety Net	• Federally or state-funded programs relevant to addressing child poverty, including cash assistance (e.g., the EITC and TANF), food assistance (e.g., SNAP, WIC).
Tax Credit Child Allowance	• The tax credit child allowance is a lump sum benefit per child, distributed annually via the tax system, with no earnings requirement.
Basic Income Child Allowance	• The basic income child allowance is an unconditional and unrestricted per child benefit paid out multiple times per year.
Universal Baby Boxes	• The baby box is a box given to new parents that contains many infant care items, such as clothing, blankets, towels, bibs, diapers, toys, or nursing pads.

Methods

This study used a policy analysis framework to analyze the feasibility of the four policy options to reduce child poverty. Results are synthesized across a literature review; interviews with experts from relevant backgrounds working internationally, nationally, and within Washington; and a review of published program documents and Washington legislation. Policies were evaluated using criteria in Exhibit ES.1, which represent key facets in the likelihood of a given policy's adoption and success. We assessed each policy independently using these criteria, then comparatively ranked the policies according to how well they met the overall objective of reducing child poverty in Washington State.

Results

The table below shows the results of our policy analysis, with criteria scores and overall policy ranking.

Exhibit ES.1. Policy Matrix Scoring Alternatives by Evaluative Criteria

		Impact on Child Poverty	Implementation Feasibility	Political Feasibility	Effect on Equity	Cost
Status Quo	4TH	LOW	HIGH	HIGH	LOW	LOW
Tax Credit Child Allowance	1ST	HIGH	MEDIUM	MEDIUM	HIGH	HIGH
Basic Income Child Allowance	2ND	HIGH	MEDIUM-LOW	LOW	HIGH	HIGH
Universal Baby Boxes of Concrete Goods	3RD	MEDIUM	LOW	MEDIUM-HIGH	MEDIUM	MEDIUM

This study is the latest of many efforts aimed at reducing poverty in Washington and builds on prior initiatives. Despite substantial and ongoing efforts, child poverty remains a pressing issue. This report assesses the feasibility of several policy approaches to combat child poverty within Washington's unique context. We also present eight key recommendations based on our analysis, offering guiding principles that policymakers can apply when designing and evaluating future programs. We believe the analysis and recommendations in this report can be useful in considering anti-poverty policies beyond those explored in this report. It is our hope that the findings from this analysis lead to and inform a rigorous and ongoing debate in Washington's journey to reduce child poverty.

- Benefits should be as generous as possible and come with minimal use restrictions
- When targeting policies, focus on those who stand to benefit the most.
- Use a broad definition of poverty.
- Streamline benefits access by improving data systems, consolidating applications, and minimizing burdens.
- Reduce program benefits gradually to prevent sudden eligibility drop offs and avoid interactions with other benefits
- Engage both the communities most affected and policy experts in the design of new policies.
- Maximize flexibility when crafting legislation for new policies and ensure consistency of funding.
- Prioritize community outreach and invest in support services to ensure program success.

Washington Child Benefits Feasibility Study

The Washington Child Benefits Feasibility Study is an effort to explore and understand possible additions or reforms to child benefit policies in Washington State to better address child poverty. The state legislature's 2023-2025 Operating Budget set aside funding to conduct analyses to provide legislators with information and recommendations on fruitful avenues of policy reform and to identify areas where further research is warranted. The proviso language read:

> *The department must submit the studies to the governor and the legislature by June 30, 2025. The studies must analyze:*
>
> *a) The feasibility of implementing a universal child allowance and universal baby boxes;*
>
> *(b) The feasibility of a social wealth fund for Washington state; and,*
>
> *(c) The current cash and cash-equivalent benefits currently available for Washington state residents who are nonworkers.*

The Department of Children, Youth, Families (DCYF) contracted with MEF Associates (MEF) to conduct this study. This report is the culmination of our work from three interim reports: a literature review; interviews with experts from relevant backgrounds working internationally, nationally, and within Washington; and a review of published program documents and Washington legislation. The goals of this report are to:

- provide an overview of each child benefit policy and the key design features;
- evaluate each policy against defined policy criteria;
- analyze the relative feasibility of each policy; and
- provide recommendations to the governor and the legislature on viable approaches towards reducing child poverty within Washington.

This report synthesizes rigorous, externally conducted work as well as the findings from our expert interviews (full list of experts in Appendix A). The analysis draws on findings from these sources and presents recommendations relevant for Washington legislators, policymakers, advocates, and funders. It can also serve as a starting point for other states considering similar changes to their public benefits. Executive summaries of the prior work are in the Appendices, and the full reports are available upon request.[a]

- **Literature Review**: Appendix B. A review of peer-reviewed publications and grey literature on the policies, design variations, and evidence of their effectiveness.
- **Summary of Current and Innovative National and International Practices**: Appendix C. Summaries from experts of large-scale implementations of comparable programs operating in other states or countries that could serve as models for Washington.
- **Summary of Current Programs and Initiatives in Washington State**: Appendix D. Summaries of key players, programs, and initiatives, as well as relevant legislation in Washington related to the policies.

[a] To request a copy of the interim reports, please contact DCYF Office of Innovation, Alignment, & Accountability: (OIAA@dcyf.wa.gov) and MEF Project Director: Michele Abbott (michele.abbott@mefassociates.com).

Child Poverty and Early Investments

As of 2022, one in eight Washington children lives in poverty.[1] Racial and ethnic minority children are more likely to grow up in poverty in Washington compared to white children. As of 2023, eight percent of white children live in poverty, compared to 21 percent of American Indian or Alaska Native children, 10 percent of Asian and Pacific Islander children, 24 percent of Black children, and 19 percent of Latine[b] children.[1] Similarly, only five percent of white children live in extreme poverty, compared to 10 percent of Black children and eight percent of Latine children.[1] While Washington is not atypical within the United States in terms of child poverty, it has among the most regressive tax structures in the U.S. The lowest earning households pay the highest share of their income in taxes, while the wealthiest households pay the least.[2]

There is overwhelming evidence that poverty in childhood negatively impacts children. It affects their near-term health and wellbeing and has longstanding harms into adulthood.[3,4,5] It also appears to increase children's risk of child welfare involvement.[6] Nearly 85 percent of families investigated by Child Protective Services (CPS) for neglect allegations earn below 200 percent of the Federal Poverty Level (FPL).[7]

There are many public benefits governments can implement to reduce or eliminate child poverty. The focus of this report is on interventions that provide cash or concrete goods to parents directly. Exhibit 1 provides an overview of select U.S. federal programs that are discussed in this report. Most of these programs have been shown to be effective at reducing child poverty. Take, for example, the American Rescue Plan Act funded expansion of the federal child tax credit (ARPA CTC) in July 2021; this extra cash halved child poverty rates across the country and reduced families' material hardships and food insecurity while increasing their ability to pay utility bills.[8,9] These effects were somewhat stronger among Black families compared to Latine and White families.[1] The expanded ARPA CTC expired in December 2021, and poverty rates and the child

Key Terms

Universal policies provide benefits to all individuals, while **targeted policies** focus on specific groups based on metrics such as need, age, or inclusion in a vulnerable population group.

Refundable tax credits provide the taxpayer with money even if the credit exceeds the amount of taxes they owe, while **nonrefundable** credits can only reduce the tax liability to zero. Refundable credits are more generous for households with low or no income.

Unconditional benefits are provided to individuals or families without requirements to remain eligible. **Conditional** benefits require meeting specific criteria, such as income limits (**means-tested**) or employment (**work conditioned**).

Unrestricted cash means a person can use to spend the benefit however they choose.

Benefits can be provided as unrestricted **cash**, **near-cash** vouchers with a monetary value where spending is restricted to specific goods, or as **in-kind or concrete goods** where physical items like food or clothing are provided directly.

Programs with high **administrative burden** require recipients to spend significant time and effort completing paperwork, providing documentation, and meeting complex requirements, which can discourage participation.

A **cash transfer** refers to a benefit paid in cash directly to an individual or household.

Periodic means the cash payment is given on a recurring basis, usually monthly, as opposed to a one-time **lump sum** payment.

A **basic income** approach is a program that provides an unconditional and unrestricted cash transfer to individuals. This can be **universal**, when it is not targeted to a specific population, or **guaranteed**, when it is targeted to a specific population.

[b] Throughout, we use the term Latine to refer to Hispanic, Latino/a and Latinx communities as an effort towards inclusivity.

poverty rate doubled in turn.[8] Smaller scale pilots of unconditional cash transfer programs have also been found to reduce referrals for child neglect, physical abuse, and child mortality, leading to more household stability and increased parental or relative caregiving.[10]

Exhibit 1. Select Federal Programs Relevant to Reducing Child Poverty

Program	Description
Earned Income Tax Credit (EITC)	The EITC is a federal refundable tax credit for working individuals, couples, and families with low to moderate incomes. The tax credit is paid out in cash in a lump sum after filing federal income taxes and is the largest federal safety net program in terms of expenditure.
Supplemental Nutrition Assistance Program (SNAP)	SNAP is a near-cash benefits program that provides vouchers for food to individuals and families with low incomes. Washington's SNAP program is called Basic Food.
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	WIC is a near-cash benefits program that provides nutrition assistance to pregnant, postpartum, and breastfeeding individuals with low incomes and children ages 5 and under.
Temporary Assistance for Needy Families (TANF)	TANF is a work-conditioned cash benefits program for families with children experiencing poverty. TANF provides temporary, monthly cash to eligible families.
Tribal TANF	Tribal TANF programs are TANF programs operated by federally recognized Indian tribes for eligible tribal families.
Housing Choice Voucher	The Housing Choice Voucher program is a near-cash benefits program that provides rental assistance to individuals and families with low incomes.
American Rescue Plan Act Child Tax Credit (ARPA CTC)	In 2021, in response the COVID-19 pandemic, the federal government expanded the child tax credit under the American Rescue Plan Act. The credit was made fully refundable, the benefit amount was increased, and eligible taxpayers received monthly advance payments.

Investments in childhood also have substantial returns on investments. These children become adults with better health outcomes, higher educational attainment, increased workforce participation and productivity, and more.[11] The National Academies of Sciences, Engineering, and Medicine estimates that child poverty costs the U.S. between 800 billion and 1.1. trillion dollars annually.[12] Meanwhile, one recent study modeling the returns on investments of child allowances found that a $1,000 increase in household income generated $8,342 in social benefits, a nearly 10-fold return.[13] Other analyses on child poverty nationally find similar returns: that the country would save seven dollars in avoided costs for every dollar spent reducing childhood poverty.[14] Early investments in children offer such substantial returns because of their link to the children's contributions to the labor force as adults, and via prevented government spending on costs like housing, health care, arrests and incarceration, and more. The evidence taken together suggests that early investments pay dividends.

Poverty and Policy in Washington

Washington legislators and government officials have shown substantial interest in and commitment to reducing poverty in the state. Washington has a few state-wide coalitions that are not tied to a particular child benefits program but have been instrumental in coalition-building, research, advocacy, and equitable planning activities related to the reduction of poverty. However, Washington also has a regressive tax structure[15] and is facing budget constraints due to a revenue shortfall in the 2025 budget cycle.[16]

Current Initiatives Combating Poverty

In 2021, Washington's Poverty Reduction Work Group[17] developed a 10-year comprehensive plan for reducing poverty and inequality in Washington state.[18] Governor Jay Inslee's Legislative-Executive WorkFirst Poverty Reduction Oversight Task Force[19] also developed a "Five Year Plan to Reduce Intergenerational Poverty and Promote Self-Sufficiency," published in 2019.[20] These plans include efforts to expand benefits as well as to increase access to them among already eligible individuals and families by increasing the salience of available benefits and/or alleviating administrative burdens. In alignment with these plans, the Washington Health and Human Services Enterprise Coalition is developing modern, integrated data systems to streamline eligibility determination and support advanced functionality for health and human services program operations and service delivery.[21] For a fuller review of initiatives underway, see the "Summary of Current Programs and Initiatives in Washington State" produced under this proviso.[22]

The Guaranteed Basic Income Coalition is a group of advocates lobbying lawmakers to pass policies incorporating the ideals of guaranteed income. There are several basic income pilots underway in the state, including the state-funded GRIT 2.0,[23] The Nest,[24] and several other completed or newly initiated pilots. In 2022, the Department of Social and Health Services (DSHS) produced a feasibility study of implementing a basic income in Washington.[25] Bills to fund a pilot basic income program based on the recommendations from the study, called the Evergreen Basic Income Pilot, have been introduced for the past two legislative sessions.

Washington legislators have also shown commitment to expanding the existing safety net. One notable example is the newly established Working Families Tax Credit (WFTC), which provides tax credits to households based on their income and family size.[26] Other bills passed in the 2023-24 session include: increasing resource limits and extending time limits for TANF benefits (HB 1447, 2023-24); expansion of free school meal programs (HB 1238, 2023-24); and codifying Economic Security for All (EcSA), a workforce development program (HB 2230, 2023-24).

Regressive Tax System

A major barrier to establishing a more robust safety net in Washington is the state's regressive tax system. Without a state income tax, the state relies on property and excise taxes – such as the business and occupation tax and retail sales tax − to generate revenue. This presents two substantial obstacles for poverty reduction: it imposes a disproportionately high tax burden on families with low incomes, and it leaves the state without a key revenue stream to fund safety net programs. Today, low and middle income households pay up to six times more in state and local taxes as a share of their income than the top one percent of households.[27] The lack of an income tax, combined with reliance on sales tax, makes the state's revenue very sensitive to economic shocks and consumer spending patterns. Washington has recently passed two more progressive taxes in recent years: the Cap-and-Invest Program[c,28] in 2021 and the Capital Gains Tax [d,29] in 2023, though the overall tax structure remains regressive.

Budget Constraints

As of 2024, Washington is facing a major budget shortfall. This is due to (1) inflation-based increases in maintenance costs for current services and programming; and (2) lower than forecasted revenue given declining home sales and lagging collections for sales and capital gains taxes.[30] In 2008, the last time Washington faced a comparably substantial budget shortfall, lawmakers cut the operating budget by $10 billion.[31] This had longstanding negative impacts for the state including: increases in poverty, and especially deep poverty, disproportionately affecting Black families; increases in unemployment, particularly in rural areas; and increases in foreclosure rates, disproportionately affecting Latine and Black households.[32,33,34] The harm perpetuated by these massive budget cuts has persisted for years and acts as a cautionary tale for closing budget gaps by cutting critical social programs.

Constitutional Constraints

Washington's constitution contains a stipulation, called the prohibition on gifts of public funds, which precludes government entities from giving money, property, or credit to any individual "except for the necessary support of the poor and infirm." This has been commonly interpreted by the courts as poor *or* infirm.[35] The exception to this is when the funds are used to carry out a "fundamental purpose of the government." This is an important consideration when exploring any amendments or additions to the safety net, especially universal programs that would provide cash or property. Based on this limitation, we assumed that some of the policies in this analysis must involve targeting based on income levels, rather than the truly "universal" programs from the proviso. We detail these assumptions in later sections.

Exploring New Child Benefit Policies

This feasibility study is the latest of many related efforts aimed at reducing poverty in the state, building on prior initiatives. It focuses specifically on reducing child poverty through approaches that align with the policy options put forth in the legislative proviso. Below, we provide a brief summary of the policy solutions examined in this report. At the beginning of the results section for each policy, in "Working Policy Assumptions" we provide a detailed description of the policy design and assumptions we consider.

- **Status Quo Safety Net:** The proviso's language referred to the status quo as "current cash and cash-equivalent benefits available for Washington state nonworkers." We defined this as federally funded and/or state-expanded programs that are most centrally relevant to addressing the issue of child poverty. This includes cash assistance (e.g., the EITC and TANF), food assistance (e.g., SNAP, WIC, and school meals), as well as housing and utilities assistance

[c] The Cap-and-Invest program is a market-based program to reduce carbon pollution and greenhouse gas emissions to limits (caps) set in state law. Businesses must buy allowances equal to their covered greenhouse gas emissions or pay daily fines. Revenue generated from this tax is invested in critical climate and air quality projects throughout the state, prioritizing environmental justice.[28]

[d] The Capital Gains Tax is a modest excise tax on the 0.2 percent of Washingtonians with profits exceeding $250,000 from the sales of stocks, bonds, and other non-retirement assets. Tax revenues are used to increase funding for childcare, early learning, and other education services across the state.[29]

programs. We compare the other three policies to the status quo to assess their viability and usefulness as an addition to the safety net.

We separated the proviso's "universal child allowances" into two policy options: a tax credit child allowance and a basic income child allowance. Based on the gifts of public funds constraint, these policies must be targeted for families with low incomes. Therefore, the policies are no longer truly universal.

- **Tax Credit Child Allowance**: The tax credit child allowance is a one-time lump sum payment distributed annually via the tax system. This is the most common way that statewide child allowance programs are structured in the U.S. The EITC, federal child tax credits, and states' expanded child tax credits are all examples of these.
- **Basic Income Child Allowance**: The basic income child allowance is styled on guaranteed income pilot programs and provides smaller benefit amounts paid out multiple times per year.[e] Because it does not require tax filing, it circumvents a barrier for families with no or extremely low incomes. Social Security Retirement benefits are also structured like this, and some politicians have advocated for a federal child allowance administered by the Social Security Administration (SSA).[36] The Alaska Permanent Fund Dividend (APFD) is another example that is distributed annually. It is for all Alaskan residents, not just children, and is funded via the Alaska Permanent Fund, an example of a social wealth fund.[f]
- **Universal Baby Boxes**: A baby box is a box given to new parents, typically constructed out of cardboard, that contains many infant care items, such as clothing, blankets, towels, bibs, diapers, toys, or nursing pads. The boxes traditionally include a safe sleep component, where the box itself can be used as a crib. We only evaluated this policy as a one-time transfer of concrete goods related to infant care; we did not evaluate the safe sleep components.

There are several other relevant strategies to reduce child poverty and material hardship that are beyond the scope of this work. We did not review the feasibility of these, and our recommendations do not consider them as alternatives. They include:

- Policies addressing care for children (e.g., paid family leave, universal or subsidized childcare, or early childhood education)[g]
- Policies related to parenting support, education, or home visiting programs
- Policies addressing wealth-building and racialized wealth gaps (e.g., baby bonds)
- Health care benefits including pre- and post-natal care, and expanded eligibility for healthcare

[e] In general, we use basic income to mean a program that provides an unconditional and unrestricted cash transfer to individuals. This can be universal, when it is not targeted to a specific population, or guaranteed, when it is targeted to a specific population, as in most pilots.

[f] This policy is aligned with the intent of the proviso language requiring a feasibility analysis of a social wealth fund. As social wealth funds are a kind of funding mechanism, and not a child benefits policy, we instead considered a child benefit that is paid out through a similar mechanism. For more information on social wealth funds, see Appendices B and C where we summarize findings from the literature review and national and international interviews.

[g] In the 2023-2025 Operating Budget, the legislature passed a proviso calling for an implementation plan to expand Washington's mixed delivery child care system. This work, the [Early Care & Education Access and Living Wage Proviso](), is conducted by DCYF and can offer insights to policies related to child care.

Methodology

This study uses a policy analysis framework[37] to evaluate and assess the feasibility of maintaining the status quo and the three child benefits programs. We developed five criteria against which we scored each of the policy options. We then assessed the overall feasibility of each option and ranked them in relation to each other.

Feasibility Criteria

We used the following five criteria to evaluate each of the policy options in a structured and standardized way. Despite their presentation as distinct, these criteria are often interconnected, as are the associated findings.

Impact on Child Poverty. The extent the policy achieves favorable outcomes, particularly regarding child poverty, health, and wellbeing and the strength of the evidence.

Implementation Feasibility. The practicality of enacting the policy in terms of the administrative and resource requirements (e.g., staffing, partnerships, data systems) and operational barriers.

Political Feasibility. The policy's viability in the current political environment, considering the popularity or opposition of specific features, as well as framing and messaging that influences its achievability.

Effect on Equity. The extent to which populations are differentially affected by a policy and existing inequalities are improved. This includes varied experiences with eligibility, access, burden, and phase-outs as well as whether policies reduce disparities across racial, socioeconomic, or other demographic groups.

Cost Considerations. An assessment of the policy's financial implications, including upfront costs, maintenance costs for establishing and administering a policy, and the costs of benefit amounts and returns on investment and funding sources or structures.

Feasibility Ratings

The proviso language for the four policy options in this report—status quo safety net, a tax credit child allowance, a basic income child allowance, and a universal baby box program—was broad. To be able to evaluate and compare them, we defined assumptions outlining an illustrative design for each policy. We based these assumptions on models of similar policies outside of Washington, adapted them to focus on reducing child poverty, and tailored them to the Washington context. Different policy designs or assumptions could change or influence the way criteria were scored. As such, in the "Design Considerations" section of each policy and in the final discussion, we consider alternative policy designs and how they could change the feasibility.

For each policy solution, we reviewed the evidence generated by our prior reports and assigned a score for each criterion. These scores are relative and intended to facilitate comparison across the child benefits policies. Based on the scores, we then assigned an overall comparative ranking for each policy option. We weighed the criteria of impact and equity more heavily in forming this ranking. Since the goal is to reduce child poverty, policies that do not effectively address these issues are not useful, regardless of their feasibility or effect on other policy goals. Finally, we discuss the policy options relative to each other and provide recommendations. A full overview of our methodology for this analysis, as well as data collection and analysis efforts for the study's prior reports, is in Appendix A.

Policy Analysis Results

This section presents the results of our analysis of the policy options in the proviso, as well as the status quo safety net in the state. It assesses both the potential implications of the policy along with the feasibility. Exhibit 2 below summarizes the findings from this analysis. It underscores variation across the policies and the associated tradeoffs.

We ranked a tax credit child allowance as the most feasible policy for Washington to implement with the goal of reducing child poverty. A basic income child allowance is ranked as a close second. These policies both have high ratings for impact and equity. Child allowances have strong empirical evidence that they are effective at reducing child poverty and can reduce racial and ethnic disparities in poverty rates. A tax credit approach is our recommended policy as we find it to be easier to implement, more likely to be politically feasible, and likely lower cost to administer than a basic income child allowance. Both child allowance programs are substantially more costly than a universal baby box program or the status quo safety net, but the latter are both unlikely to reduce child poverty in Washington.

Exhibit 2. Policy Matrix Scoring Alternatives by Evaluative Criteria

Policy Alternative	Overall Ranking	Evaluative Criteria: Impact on Child Poverty	Implementation Feasibility	Political Feasibility	Effect on Equity	Cost
Status Quo	4TH	LOW	HIGH	HIGH	LOW	LOW
Tax Credit Child Allowance	1ST	HIGH	MEDIUM	MEDIUM	HIGH	HIGH
Basic Income Child Allowance	2ND	HIGH	MEDIUM-LOW	LOW	HIGH	HIGH
Universal Baby Boxes of Concrete Goods	3RD	MEDIUM	LOW	MEDIUM-HIGH	MEDIUM	MEDIUM

In the below sections, we provide detailed descriptions of each policy and rationale for our assessment. Each section includes:

- a detailed description of the policy, including assumptions made about the design parameters,
- a summary of the findings from the literature review and two rounds of expert engagement interviews informing the criteria scores, and
- alternative policy design considerations that could change or influence the scoring or ranking.

Status Quo Safety Net

Policy Alternative	Overall Ranking	Evaluative Criteria: Impact on Child Poverty	Implementation Feasibility	Political Feasibility	Effect on Equity	Cost
Status Quo	4TH	LOW	HIGH	HIGH	LOW	LOW

We define the status quo as the continuation of existing safety net programs without substantial changes. We reviewed an expanded landscape of cash and near-cash benefits in the "Summary of Current Programs and Initiatives in Washington State" produced under this proviso.[22] Here, we focus on state programs and state-administered federal programs that are relevant to addressing child poverty. This includes state-administered federal programs with cash or near-cash assistance (e.g., TANF and SNAP, which in Washington is called Basic Food).[h]

Washington is one of 31 states with a statewide version of an EITC, the WFTC, and the only one of these states without an income tax.[38] The WFTC, first available in 2023, provides an annual tax credit to working low- to moderate-income individuals with at least $1 in earnings. Adults must be aged 25-65 or have a dependent child. The WFTC credit amount increases with each child, up to three children. In Washington, only about half of eligible families received the WFTC in 2024 (up from about 40 percent in 2023).[39,40]

While Washington provides a set of different safety net programs, these programs are not robust enough to meet all families' basic needs and fragmented in eligibility requirements and delivery. The existing safety net programs are intended to move people out of poverty, but according to experts, they are designed in such a way that families continue to face substantial barriers to attaining self-sufficiency. To successfully combat child poverty, safety net programs must work together through referrals and data sharing. When residents fall through gaps due to fragmentation and disconnection of programs, they remain in poverty. We explore these concerns in more depth when analyzing the criteria below.

Impact on Child Poverty: Low

The status quo safety net is rated "low" in terms of its impact on child poverty relative to the other policy options. National evidence shows that while programs like SNAP, TANF, and the EITC have anti-poverty effects and contribute to positive health outcomes,[41] there are still major areas of unmet need, and child poverty persists. Relative to the other policy options we consider, maintaining the status quo safety would have the least effect on child poverty. Therefore, we rated it the lowest for impact on child poverty.

- **Child poverty:** National evidence shows that the current safety net reduces economic hardship and child poverty, but the poorest households are often excluded, and child poverty persists. The EITC, the largest federal work-conditioned cash benefit program in the U.S., reduces

[h] We do not include short-term earnings replacement insurance programs, disability programs, benefits policies that are not cash or near-cash assistance, or programs that don't serve an important role in supporting families with dependent children.

economic hardship and poverty in childhood. Nationally, it lifted more than 4 million children out of poverty in 2020.[42] However, the EITC is work-conditioned, so almost one in ten of the poorest households with children receive no benefits.[43] SNAP and other food assistance programs lifted about 1.6 million children out of poverty in 2020. TANF, which has had its cash assistance component dramatically reduced in the past 30 years, had a smaller effect, lifting about 150,000 children out of poverty.[9] The temporary ARPA CTC expansion in 2021 brought U.S. child poverty rates to a record low (5.2 percent). [9] However, when they were not renewed, the child poverty rate doubled from 2021 to 2022, both nationally and in Washington.[44]

- **Child health and wellbeing:** Researchers have also found that cash and near-cash benefits in the U.S. have positive effects on child health and wellbeing. Research finds women who participate in WIC give birth to healthier babies who are more likely to survive infancy,[45] and SNAP participation improves birth outcomes and other child health outcomes like risk of diabetes. [9,46] The EITC lowers incidence of low birth weight and increases general child health. [9,47]
- **Child long-term outcomes:** Research has shown that, nationally, cash and near-cash programs are associated with improved long-term outcomes for children. SNAP participation in childhood is associated with lower public benefits utilization, reductions in later-life poverty, mortality, and incarceration and increases in education completion, earnings, neighborhood quality, and home ownership.[48] Exposure to EITC in childhood also reduces adult poverty and improves self-reported health outcomes.[9]

Implementation Feasibility: High

Overall, the status quo safety net is rated “high” in terms of implementation feasibility compared to the other policies. Assuming funding for programs remains stable, both federally and within Washington, the infrastructure, staff, and partnerships needed to operate current safety net programs already exist. Despite this strength, implementation challenges still exist for many current safety net programs. Benefits such as TANF and SNAP remain stigmatized and have a high administrative burden for participants. Because of a lack of data sharing across agencies and with key implementation partners, families must navigate multiple complex systems.

- **Barriers**: Two key barriers to program participation among eligible individuals are the stigma associated with receiving benefits and the administrative burdens of application and enrollment processes. Stigma surrounding current means-tested benefits programs contributes to low uptake.[49] Stigma is exacerbated by the ways benefits programs are implemented, including negative interactions with case workers and long waiting times.[50]

  Means tested programs require large time commitments from applicants who have to gather documents providing proof of eligibility and correctly fill out paperwork. This is a barrier to individuals who may be eligible for a benefit but have difficulty proving that they qualify.[51] One survey found that 4 in 10 adults reported one or more enrollment difficulties with unemployment insurance, TANF, and SNAP, such as determining eligibility, providing documentation, and obtaining benefits.[52] Another study on WIC participants’ experiences found that managing appointments and dealing with necessary documentation was burdensome for mothers.[53]

Even when individuals qualify for benefits, they may still struggle or fail to access them. Families face administrative burden and gaps in coverage from onerous recertification processes and work requirements.[54,55] Experts noted that this administrative burden experienced by participants is especially salient for Washington's TANF and SNAP programs.

- **Partnerships**: The interconnected nature of many safety net programs requires strong communication with public and private partners for implementation to be most effective. Many experts noted that the complexities of these programs and the constraints administering agencies face in sharing data hinder implementation and thereby contribute to administrative burden and low uptake. For programs that refer their clients out to other services, like TANF, SNAP, and WIC, the lack of data sharing across services makes the referrals less effective. There are efforts in Washington to lessen some of these burdens. The Integrated Eligibility and Enrollment Modernization Program,[21] a new initiative, is creating an integrated portal where individuals can apply for and manage multiple benefits via streamlined applications. For the EITC, WFTC and other benefits that require filing taxes, free tax preparation partnerships are critical. Without these, many individuals end up paying for-profit tax preparation services, effectively reducing the amount of the benefits.

Political Feasibility: High

Overall, current safety net programs are rated "high" in terms of political feasibility within Washington, relative to the other policy options considered. It is likely far easier to garner political support for the maintenance of the current system of safety net programs than for implementing major shifts. Even so, Washington legislators have shown commitments to expanding the safety net, including with the initial funding the WFTC in 2023, and passing expansions to federal programs.[22] Voters also recently rejected an effort to repeal the capital gains tax which funds safety net programs.[56]

Notably, most of Washington's current safety net programs are targeted, work-conditioned, and prescriptive. Experts noted that these kinds of programs tend to be more politically popular than the other types of policies in the proviso, namely policies that are universal (rather than targeted), are unconditional, and provide cash.

- **Political Climate**: In general, Washington has a progressive political climate towards safety net benefits. Despite this, Washington has no income tax, severely limiting the revenue for government spending on social programs.[57] The anticipated budget shortfall in the 2025 legislative session also makes it less likely that Washington will fund major new policies. Most of the Washington safety net is composed of near-cash benefits like SNAP and WIC,[58] which are more politically popular than direct cash benefits like the two child allowance policies considered in this report. Programs that are conditioned, for example those requiring work, are also more popular than unconditional programs like all three of the alternative policies.[55] Broadly speaking, more restrictive policies that narrowly define target beneficiaries and what benefits can be used for tend to receive more bipartisan support than do unconditional benefits policies. Experts we spoke to shared the opinion that funding for anti-poverty programs should ideally come from the federal government. In absence of that, states can do a great deal, but revenue and funding streams quickly become a limiting factor.
- **Legality**: We did not identify any legal issues concerning the existing safety net.

- **Messaging**: The correct messaging can gain or lose political support in the legislature and from the public. One expert noted the disconnect, when working towards reducing child poverty, between the focus on children versus the whole family. Existing policies and programs tend to target children deemed vulnerable but do not consider the diversity of the households and families in which children live. The expert suggested if the state wants to make progress on reducing child poverty, it should focus on reducing family poverty through a multi-generational approach. When policies are framed this way, it allows for more robust strategies and targets the root causes of poverty.

Effect on Equity: Low

Overall, current safety net programs are rated "low" in terms of their effect on equity. Existing safety net programs are meant to lift people out of poverty, however experts we consulted argue that, due to their design, significant barriers to attaining financial stability remain. As described above, safety net programs have complicated eligibility restrictions and burdensome application and recertification requirements that exacerbate access issues. Current programs are certainly useful to families who receive benefits. However, Washington residents still fall through gaps in the safety net, and there are major disparities by race and ethnicity.

- **Target population**: Cash and near-cash benefits programs have different eligibility requirements, which leads to a patchwork system that is difficult to navigate. For example, TANF is the largest cash assistance benefits program available. There is also an assortment of smaller supplemental programs for select individuals who are ineligible for TANF. These include the Aged, Blind, or Disabled Cash Program for individuals unable to meet work requirements and Pregnant Women Assistance for pregnant women with low incomes who are otherwise excluded from TANF. [22] Likewise, undocumented immigrants are ineligible for TANF and SNAP programs, but the Refugee Cash Assistance program supports humanitarian immigrants, and legal immigrants are eligible for State Family Assistance and a supplemental state Food Assistance Program.

  In addition, work-conditioned programs exclude the poorest families. Because of the income requirement, the WFTC excluded 27 percent of low-income children. The phased-in design of the EITC and WFTC creates racial disparities. Around five percent of White families are too poor to receive benefits compared to 15 percent of Black families.[59]

- **Access**: Eligibility requirements can exacerbate disparities in uptake and access for certain populations. For example, the EITC application has burdensome requirements and verification processes for families with complex living arrangements (such as shared custody or children living with extended family members). This, paired with the higher prevalence of these family structures in households with Black children, results in significant racial inequities in the tax treatment of complex families.[60] In addition, experts noted that Social Security Number (SSN) requirements for programs reduce uptake among Latine populations. The WFTC does not require an SSN to apply, just an Individual Taxpayer Identification Number (ITIN). Additionally, providing equitable access to residents in rural areas is an ongoing challenge. Experts working on Tribal TANF discussed the barriers facing people living in remote locations, including lack of internet access, lack of awareness of benefits programs, and inability to use WIC benefits in local food stores.

- **Sanctions and time limits:** Federal TANF regulations allow states to sanction individuals or families receiving benefits for failing to comply with the rules of the program. Examples of sanctions include a 40 percent reduction in cash assistance after two months of non-compliance (with this reduction lasting for up to 10 months) or a termination of benefits after 12 months. Nationally, TANF sanctions are disproportionately applied to Black families.[61] Experts in Washington noted that these disparities play out in the state as well. TANF benefits are federally stipulated to be time limited (maximum of 60 months), although some exceptions are made for hardship extensions. In Washington, Black and American Indian and Alaska Native families were less likely, compared to non-Black families, to receive a TANF time limit extension. As a result, Black families only comprise 13 percent of all TANF clients, yet they represent 18 percent of time-limited closures.[62,63]

Cost: Low ($)

Overall, the cost of the status quo safety net is scored “low” relative to the other policy options. Current safety net programs are already designed, implementation is ongoing, and these programs have established funding streams. Thus, a continuation of the existing safety net would cost the least relative to the other policy options, which would be additions to the existing safety net. Since the status quo serves as the comparison for the other policy options, we did not expend effort outlining costs associated with existing cash and near-cash programs. However, funding sources and benefit amounts vary by program. To the extent that it is useful as a point of comparison, we have highlighted some details below. For each policy option, we explore costs associated with upfront program design and development, ongoing maintenance of implementation, and the cost or amount of the benefit that goes to recipients.

- **Upfront cost:** A continuation of the existing safety, which assumes no change to programs, would not require any upfront costs.
- **Maintenance cost**: Means-tested, work-conditioned programs require costly, ongoing administrative resources. Means-testing often requires large time commitments, both from administrators and from applicants, to gather verification, establish eligibility, and correctly fill out paperwork.[64] In 2022, Washington spent 6 percent of its total TANF spending on administration and systems, compared to 18 percent on basic assistance, 25 percent on child care and Pre-Kindergarten, 11 percent on work activities, and none on tax credits.[65] Similarly, in 2023, about 6 percent of the U.S. government’s SNAP spending went to state administrative costs.[66]
- **Cost of benefits**: Benefit amounts vary by program. For example, as of 2024 in Washington, a family of three with no income would receive a monthly TANF cash grant of $706,[67] and a monthly Basic Food benefit of $740.[68] WIC monthly benefits are valued at approximately $150 per month for a family of two.[69] Washington last increased the TANF cash benefit amount in 2021, but since 1996, the current amount still represents a 35 percent decrease in value when adjusted for inflation.[70] In 2024, a single tax filer with three or more children and an income below $59,899 could qualify for up to a maximum of $7,830 from the EITC and $1,290 from the WFTC.[71,72]

Design Considerations

In general, since we are considering the status quo safety net as a comparison for the other policy options, we do not consider alternative program designs or the effect they would have on the above criteria. However, there are a few interesting design components of the existing safety net that are worth noting as we analyze alternative policy options in the next sections:

- **Eligibility Targeting**. Eligibility requirements vary by benefit program and not only ensure that benefits are targeted to the population they were designed to support but also restrict the total program size.
  - **Work Conditioning**: While conditioning eligibility for a benefits program on employment can incentivize some low-income recipients to increase the amount they work, it can also exclude the poorest families and fail to drive meaningful progress on poverty reduction goals. Balancing benefit programs that target and support both low-income working and poor non-working families across the safety net is essential.
  - **Program Phase-outs:** Phase-outs reduce the amount of benefits as income from earnings or other sources increases. If income rises, recipients of benefits could face a very high marginal tax rate, potentially over 100%, meaning they might end up with less total income if they work more. This is known as a "benefit cliff," where earning a small amount more results in a sharp drop in total income across both work and benefits. Phase-outs can be gradual or abrupt. Gradual phase-outs that are coordinated across benefits programs are the most likely to prevent recipients hitting a benefits cliff.
- **Implementation framework**. The design and implementation of benefits programs influences their effectiveness and equity. During our analysis, two cross-cutting design features came up repeatedly: cross-program alignment and a common intake form.
  - **Safety Net Alignment**: The importance of alignment across benefits programs to create a cohesive and effective safety net for low-income residents, rather than a series of silo-ed programs where vulnerable individuals fall through the gaps, is critical. Alignment across programs requires cross-agency collaboration and careful attention to gaps and unintended consequences at the design stage of any new program or program revision. One expert recommended that one question decision-makers ask during the policy design phase is: How can we better structure policies to be more coordinated and meet unique needs of people they are meant to serve? This will lead toward a more coordinated package of policies and programs that support the stability of families and give them the foundation to be upwardly mobile.
  - **Common Intake Form**: A common intake form and other data sharing steps would support alignment across safety net programs. Such a form would substantially reduce the amount of administrative burden on applicants, eliminating repetitive questions. It would also reduce the number of conversations applicants need with case managers where they need to relive their personal circumstances like financial hardships, personal crises, or family struggles. Experts also noted that key functionality missing from human services systems is the ability to determine who is receiving which services. In other words, many individuals and families access multiple programs, and, while existing data systems report total program enrollment numbers, there is no detailed breakdown of overlapping program eligibility or receipt.

Tax Credit Child Allowance

Policy Alternative	Overall Ranking	Evaluative Criteria: Impact on Child Poverty	Implementation Feasibility	Political Feasibility	Effect on Equity	Cost
Child Allowance via Tax Code	1ST	HIGH	MEDIUM	MEDIUM	MEDIUM-HIGH	HIGH

State-administered tax credit child allowances are structured as expansions of the federal child tax credit. As of 2024, sixteen states offer their own child tax credits. The structure and design of the different child tax credits vary in funding, eligibility, cash amounts, longevity, and disbursement frequency. Key features that differ are whether the credits are universal or conditioned on income, whether they are refundable or nonrefundable, whether they are targeted by age, and how the credit changes based on household size. For a fuller review of state child tax credits, see the literature review produced under this proviso, "A Review of Universal Child Benefit Programs and the Current Landscape of Safety Net Programs."[73]

Massachusetts is the only state with a universal tax credit child allowance where the credit does not have an upper limit for income eligibility.[74] All other states have upper income limits where the credit amount is reduced or households become ineligible. Several states require households to have at least some income to qualify for the credit. Others use a phase-in structure similar to the EITC, where, to receive the credit, households must reach a certain income threshold, and, to receive the maximum credit, there is another, higher threshold.[73] Many states, including Illinois, New Jersey, and Vermont, target the credit such that only younger children are eligible. The ARPA-expanded child tax credit[75] and several international child allowance programs, including Canada,[76] and Japan[77], provide higher benefit amounts to the youngest children. States differ in whether and how the credits increase with household size, and some states, like California, offer a fixed credit amount per household. Others like Maryland and New Jersey offer a credit per child. [73] Still others calculate the benefit per child up to a set number of dependents, [73] similar to how the WFTC is structured such that benefits increase with household size up to three dependents. [73]

In considering a tax credit child allowance in Washington, we established the below assumptions. Later in this section, we discuss how changes in these assumptions about program design may affect the criteria ratings.

Working policy assumptions

- **Eligibility Targeting**: Given Washington's constitutional constraint on gifts of public funds, we understand that a tax credit child allowance needs to target households with low incomes. We assume the credit will follow the same income ceiling and phase out as the WFTC; however, there would be no minimum earnings requirement to receive the credit (the WFTC requires at least $1). The total benefit amount is calculated per child and there is no upper limit on number of children, given the proviso's emphasis on universality. We assume no restrictions on age; children aged 0 to 17 would be eligible. The credit could use the same Washington residence requirements as the WFTC.[72]
- **Participation Requirement**: The tax credit child allowance would be voluntary for households. Families would need to apply with the Department of Revenue using their federal tax returns, as with the WFTC.

- **Benefit Amount**: We assume a benefit of $3,000 per child, with no limit on how many children can qualify for the credit. This is comparable to the amount of the ARPA CTC expansion, which provided $3,600 credits to children under 6 and $3,000 per child up to age 17.[78] The credit would be fully refundable, meaning low-income households with little or nothing owed in taxes would receive the maximum credit amount.
- **Interaction with Other Benefits**: Experts we spoke to, including experts on the WFTC, suggested that a child allowance provided as a tax credit would not be considered as income, and therefore would not interact with recipients' eligibility for other public benefits programs (e.g. SNAP and TANF).
- **Implementation Framework**: As with the WFTC, the Department of Revenue would be the agency responsible for the administration of the tax credit child allowance. It could leverage the same community outreach infrastructure, using the community outreach grants process[79] to promote access and uptake of the credit.
- **Immigrant Inclusivity**: As with the WFTC, any individual with an ITIN issued by the Internal Revenue Service (IRS) would be eligible for the credit. They do not need to have an SSN. For individuals pursuing a green card, there are often concerns with receiving public benefits that can be considered against them in their applications. Given the current guidance on the Public Charge Ground of Inadmissibility,[80] receipt of this benefit would likely not be included, as other tax credits are not considered "cash assistance for income maintenance" under a public charge analysis.[81]

Impact on Child Poverty: High

We rated a tax credit child allowance as "high" for impact reducing child poverty. The ARPA CTC expansion, which had similar benefit amounts to the amount we assumed, had substantial positive impacts on child poverty and families' wellbeing. Child poverty rates nationwide and within Washington were halved while this credit was available.[59,82] There is less longitudinal evidence on the positive impact of the state tax credit expansions, as many of these were established recently. Tax credits are also a promising vehicle for providing cash benefits to families because they are not usually counted in determining eligibility for benefits under federal rules; they do not threaten recipients' eligibility for other benefits.

- **Child poverty**: With the ARPA CTC expansion, national child poverty rates dropped and families with low incomes had higher bank balances compared to before the expansion pre-pandemic.[83] The Black and Latine child poverty rates each decreased by 6.3 percent.[84] Based on reported spending data from other programs, providing benefits as lump sums may help families pay rent or pay down debts,[85] while monthly payments are more likely to be spent on immediate needs (e.g. food, clothing, childcare).[83] Experts noted that the net value of tax credits may be reduced if low-income families pay for tax filing assistance or turn to high-interest lenders for early access to the credits. Additionally, these credits have a lower uptake among the poorest populations, a concern explored further in the equity section.
- **Child health and wellbeing**: There is substantial evidence that tax credit child allowances improve child health and wellbeing, particularly in terms of food security and nutrition. The ARPA CTC payments were associated with a 26 percent reduction in food insufficiency for eligible families.[9] As a result of these added payments, families were able to consume more fruit, meat, and other protein.[86] Food pantry use decreased with the ARPA CTC expansion.[87]
- **Long-term outcomes and return on investment.** Since most state child tax credits are relatively new, there is limited long-term outcome data. However, a rigorous modeling study of the ARPA

CTC expansion projected increases in future adult earnings and tax payments among affected children, improved child health and longevity, and reduced public spending on healthcare, crime, and child protection.[88] As noted earlier, early investments yield significant returns, with some estimates indicating a return of up to seven or eightfold—every dollar invested results in savings of $7 to $8.[13,14]

Implementation Feasibility: Medium

Overall, a tax credit child allowance is rated as "medium" in terms of implementation feasibility relative to the other policies. A new tax credit could leverage much of the existing WFTC infrastructure, sidestepping many of the barriers to establishing a new program. However, ongoing challenges that the WFTC faces, such as awareness and uptake among the eligible population, would also apply to this tax credit child allowance. It would still require its own administrative resources like staff, agency partnerships, and community organization partnerships.

- **Barriers**: Limited awareness among eligible populations is a key barrier to implementing the WFTC and would similarly affect a tax credit child allowance. Like the WFTC, individuals would need to apply through the Washington Department of Revenue, requiring extensive outreach efforts to encourage tax filing as the means to apply for the benefit. The WFTC established Community Outreach Grants[79] to spread awareness and help families apply. Experts recommended that outreach grantees be offered training on the tax system and eligibility requirements before helping families navigate the complex tax system. One expert shared that, to implement the WFTC, they needed to modify the Department of Revenue's software platform to be able to administer the tax credit payments. External experts and experts on the WFTC both noted challenges in verifying residency in the state and making determinations when children are claimed by multiple filers. Experts administering the APFD shared that, for their dividend, if two people claim the same dependent child in the case of split residency or custody, administrators hold payment until there is a clarifying court document submitted.
- **Resources required:** Implementing a tax credit child allowance policy requires infrastructure to administer the credit, data validation processes to verify filers' eligibility, dedicated staff, and payment distribution systems (prepaid debit cards, etc.). Since there are no state income taxes, the Department of Revenue did not previously collect data on residency or income. To confirm eligibility for the WFTC, the Department of Revenue currently relies on applicants' federal tax returns, which they must submit with their applications.
- **Partnerships:** The Community Outreach Grantees, or comparable community partnerships, are critical to promote uptake of a tax credit, especially one that requires separate filing from the WFTC. Experts also noted the value of community action agencies running free filing assistance programs and suggested expanding these efforts. Additionally, experts suggested that data sharing partnerships across state agencies could streamline eligibility determinations, minimizing the number of separate benefits low-income families must apply for, like what the Washington Health and Human Services Enterprise Coalition is attempting. Specifically, DSHS and DCYF were cited as key partners who already collect information on income, family size, and other information needed to implement a tax credit child allowance. A bill allowing state agencies to verify eligibility with data from other federal and state agencies recently became law, so this may be on the horizon (HB 1895).

Political Feasibility: Medium

Overall, a child allowance through the tax code ranks as "medium" in terms of political feasibility. A federal safety net expert expressed that tax credit benefit programs attract more bipartisan support, and some advocates in Washington are enthusiastic about a statewide tax credit child allowance. The federal child tax credit has been expanded or increased by every president, Democrat or Republican, since it was established in 1997.[89] However, according to experts we spoke to and national polling data, universal programs and programs available to individuals who do not work are controversial, even if they are directed at children.[90] In-kind or near-cash benefits (e.g. SNAP, WIC, and voucher programs) are generally more popular.

- **Political Climate**: The WFTC brought together a diverse coalition of advocates, including legislators, advocacy groups, and community organizations, many of whom also support a state tax credit child allowance. However, according to an expert involved in this group, some members would prioritize efforts to expand WFTC eligibility to all adults over 18,[91] as it is currently limited to ages 25–65 and individuals with children. With the projected budget shortfall this year, any initiatives that will substantially increase spending, like any major safety net expansions, are likely to face opposition. Experts from states with child tax credits emphasized the importance of legislative champions and support from their governors in establishing a state child tax credit.[92]
- **Legality**: Most tax credits are refunds based on income tax payments. Since Washington does not have an income tax, the child allowance would function as a tax credit offsetting sales tax expenses, which is also how the WFTC operates.[93] To be successful, the policy would need to be both passed as legislation and funded in a sustainable way. The WFTC was passed but unfunded for nearly 15 years.[94] An expert on another state's child tax credit highlighted that the legislative framework creating the tax credit can protect against the risk of reductions or elimination in challenging budget periods or in adverse political climates. The expert recommended incorporating language to establish the credits as permanent or indefinite, with no sunset clause.
- **Messaging**: A Washington expert suggested that presenting evidence of the unique positive impacts of direct cash can improve political support. Experts from other states shared successful strategies, such as designing credits with straightforward eligibility and using messaging that emphasizes the financial challenges of raising children, along with compelling firsthand accounts from families who have benefited from direct cash supports.

Effect on Equity: High

Overall, a tax credit child allowance is rated as having a "high" effect on equity compared to the other policies. Substantial evidence shows that such cash tax credits reduce racial and ethnic disparities in poverty rates.[95] However, there are equity concerns in terms of the burden associated with applying separately for the credit. Likewise, because these policies are tied to the tax system, accessibility can be an issue for families with low incomes.

- **Target population:** A tax credit child allowance offers many of the same equity benefits as the WFTC, including extending the benefits to ITIN holders who are excluded from equivalent federal policies like the EITC and federal child tax credit. Additionally, both the WFTC and this tax credit child allowance include progressive designs, providing the largest benefit to households with the lowest incomes. This design of a tax credit child allowance would extend the impact on equity in important ways. First, it extends eligibility to households with the greatest need, those with $0 in income. These households are estimated to include 117,000 children, or over a quarter of low-income children in Washington as of 2021.[59] Second, the tax credit child allowance does not cap the number of eligible children per household, offering larger benefits to families with higher childrearing costs.
- **Access**: Tax credits often face challenges with accessibility and participation rates. Data from the IRS indicates that over a quarter of eligible Washington families do not apply for the EITC, since many households with very low or no income do not file federal taxes.[59] Because Washington lacks an income tax, both the WFTC and a tax credit child allowance would rely on federal tax returns for eligibility verification, making families who don't file federal taxes unable to apply for the credit. An expert on a child tax credit in another state echoed difficulties with outreach and low uptake among families with little or no income who do not file taxes regularly.

  After filing federal taxes, families would need to additionally submit an application for a tax credit child allowance (and the WFTC) with the Washington Department of Revenue. This presents another barrier. Many families may not apply due to a lack of awareness. Experts also noted that populations with low trust in government often do not apply because of apprehension about the amount and sensitivity of information requested on applications. There are several best practices to improve access, many of which the WFTC already implements. These include partnering with trusted community organizations to spread awareness and provide application support, and providing free tax filing assistance to eligible families, such as the IRS Volunteer Income Tax Assistance Program.[96] Despite these efforts, in the first two years operation, the WFTC reached just under half of eligible households.[39,40] Washington experts expect uptake to increase in future years of the credit, but issues of access are not uncommon for tax credit programs.
- **Other concerns:** Tax credit programs need to establish processes for determining who receives benefits when multiple people claim the same child. This issue was raised by federal experts on the EITC, state experts of child tax credits and other cash benefits, and WFTC experts. This has equity implications given that children from low-income and non-white households are more likely to experience complexity in their living arrangements, such as living with extended family members or blended families. [60]
- **Community engagement:** The WFTC's design and rollout offer valuable lessons for a tax credit child allowance. Key successes included the involvement of advocates and those with lived experience in poverty in the design process. This led to equity-focused improvements like removing the ID requirement—a obstacle for Indigenous, immigrant, homeless, and formerly incarcerated communities. [97] Additionally, the WFTC employed multilingual outreach staff and dedicated significant resources to outreach efforts.

Cost: High ($$$)

Overall, the tax credit child allowance is the second most expensive policy option in this report. Upfront costs to establish the benefit would be moderate, as much of the WFTC infrastructure could be leveraged. Ongoing maintenance costs would include annual outreach, verification, and distribution, but could also benefit from streamlined processes over time. Compared to many safety net programs, tax credits have lower administration costs. The largest driver of cost is the benefit amount, which must be of sufficient size to have a meaningful impact on poverty. Without an income tax, Washington lacks a key revenue stream for funding tax credits.

- **Upfront cost**: Experts on the WFTC noted that the design and development of the credit required significant effort and cost. However, they also mentioned that creating a new tax credit would be easier after having launched the WFTC, which was the first of its kind in the state.
- **Maintenance cost**: As an annual program, a tax credit child allowance would require substantial maintenance costs for outreach to eligible populations, processing applications, and distributing payments. Program administrators noted that these costs tend to decrease after the first year. Child tax credit administrators from other states shared that having accurate data on the number of the state's children by age and eligibility makes estimating future benefit costs relatively straightforward. Also, providing benefits as a one-time, lump sum payment costs less than providing more frequent payments, which require more administrative effort. Two state child tax credit experts estimated a 100:1 benefit to administration cost ratio, (i.e. for each $100 million in tax credit payments, the state spent $1 million on administration).
- **Cost of benefits**: Child tax credits are expensive policies to enact but have some of the highest anti-poverty effects.[98] The large benefit amount is the main driver of both the program's costs and the lynchpin of its anti-poverty impact. An expert from Minnesota, which currently has the most generous child tax credit, estimated the annual cost of their program to be about $400 million per year. To ensure the effects on child poverty persist over time, credits should be indexed to inflation. Experts recommended including this provision in the legislation establishing the credit. Otherwise, future increases may require new legislation.

Design Considerations

There are a range of options available to policymakers when designing a tax credit. Each has implications for effectiveness, costs, and feasibility. Below, we highlight a few key alternative program designs and discuss the implications.

- **Eligibility targeting**: Per the proviso's focus on universal benefits, we first assumed in our policy analysis that the credit be available to all children 0-17. Based on concerns from experts that a universal child allowance may run afoul of the constitution's limit on gifts of public funds absent demonstrated need, we assumed the policy would need to be limited to families with low incomes. If policymakers want to target this benefit to specific populations there are several key design decisions: targeting benefits by age, increasing the income threshold for the benefit, and conditioning the benefit on parent's employment.

- **Targeting by age**: Washington could consider targeting a tax credit child allowance to families with young children. Many states target these programs to children under 12 or under 6 years of age. This approach saves costs by narrowing the eligible population and directs benefits where they can have the most impact. Having children is major financial shock, and the youngest children are most likely to experience poverty.[99] At the same time, because of the importance of early childhood in laying the foundation for development, addressing poverty in the early years of a child's life may have the strongest long-term positive effects.[100] Targeting by age will reduce the program's overall anti-poverty impact by reaching fewer children, but it can still yield significant positive effects by focusing on a high-impact time period. Given the high cost of such programs, reducing expenses may be essential for political feasibility. Some child allowance programs, like Rx Kids,[101] highlight the importance of the prenatal period and begin providing benefits during pregnancy before children are born. While this approach may offer additional positive impacts, child tax credits are typically structured around claiming dependents, and accurately identifying a prenatal period may not be feasible through the tax system.
- **Increasing income thresholds:** Other experts recommended increasing the upper income threshold to include families who may not be eligible for other benefits due to their income levels, but who are still struggling to make ends meet. Most policies determine eligibility using the FPL, which many researchers argue is too low and fails to reflect economic insecurity, especially with regional cost-of-living differences. [102] In Washington, many families facing economic hardship fall above this threshold. The Self-Sufficiency Standard[i] ("the Standard") was developed to address these limitations and calculates the actual cost of basic needs based on region, family composition, and child ages. In 2023, while the FPL for a two-person household was $19,720, the Standard for one adult with one preschooler ranged from $50,740 to $97,445 in the state, highlighting the gap between official measures and real-world needs. The term "Asset Limited, Income Constrained, Employed" (ALICE) is often used to describe these families, and advocates and experts we consulted recommended designing benefits to include them. This would provide support to a broader range of Washington households but would also increase program size and cost.
- **Conditioning on work or income:** Many benefits, including child tax credits, are conditioned on work, requiring parents to have some income to qualify. Experts we consulted advised against this approach, as it would exclude the most vulnerable families—such as parents who are full time caregivers for their children with disabilities or single stay-at-home parents—and reduce the program's impact on child poverty.

- **Implementation Framework**: One consideration raised by experts was the tradeoff between building a new tax credit child allowance versus expanding the existing WFTC in ways that would target child poverty. Such changes to the WFTC would include eliminating the $1 income requirement, increasing or removing the cap on the number of dependents (currently limited to three), and raising the benefit amount for dependent children. Expanding the WFTC may be more feasible than creating a new credit as it leverages existing infrastructure. Such an approach could also promote access, avoiding potential applicant confusion around two credits with different names and eligibility criteria. It could be less politically feasible, however, as there are competing efforts to expand the WFTC by prioritizing different populations (young adults without children and seniors).[91] Given limited resources, it may be unlikely that the WFTC is

[i] For a broader discussion on alternative measures of poverty, see the report "Summary of Current Programs and Initiatives in Washington State" produced for this proviso.[22]

expanded to become more generous for families with children and young adults and seniors. Advocates seem to be divided in the prioritization of expanded benefits and efforts may be perceived as competing rather than complementary expansions of the safety net.

- **Benefit amount and frequency:** We assumed the benefit amounts to match the ARPA CTC as we have data on the impact it had on child poverty in the state from its introduction and expiration. This amount could be scaled up or down. There is no consensus in the research on the optimal level of benefits amounts, and states vary substantially in the generosity of their credits, with maximum credits ranging from $100 per child to $1,750 per child.[103] As of 2024, the ARPA CTC amounts were higher than any state's current child tax credits, which would make this assumed policy the most generous child tax credit nationally. Tax credits can be distributed as lump sum or monthly payments. One microsimulation projected that monthly child tax credit and EITC payments would reduce monthly poverty rates by eight points on average, while lump sum payments would only decrease poverty rates during tax season.[85] However, monthly payment schedules would increase administrative costs for implementation and could create challenges with benefit interactions. Multiple payments might be counted as income for eligibility determinations in safety net programs such as TANF. For immigrant families specifically, while tax credits are usually not considered in Public Charge determinations, [81] it is possible that delivering payments recurrently would change this designation.

Basic Income Child Allowance

Policy Alternative	Overall Ranking	Evaluative Criteria: Impact on Child Poverty	Implementation Feasibility	Political Feasibility	Effect on Equity	Cost
Basic Income Child Allowance	2ND	HIGH	MEDIUM-LOW	LOW	HIGH	HIGH

A basic income style child allowance is a monthly unconditional and unrestricted cash payment. This policy is modeled after the guaranteed income pilots listed in Exhibit 3. A basic income child allowance differs from the tax credit child allowance in that the benefits are disbursed monthly rather than as a lump sum, and implementation is not tied to the tax system. Because this policy is not implemented via the tax code, it would need to be set up as a new program, including establishment of the application system, enrollment process, and disbursement method. In addition, this means that the allowance will likely be counted as income for recipients and may impact their eligibility for other benefits programs. Further design assumptions are detailed below.

Currently, there are no statewide basic income style child allowance programs in the U.S., although several countries internationally have similar models (e.g. Canada[76] and Denmark[104]). To evaluate the basic income child allowance policy option, we used evidence from basic income pilots, or other initiatives providing cash benefits outside of the tax system. Exhibit 3 provides a summary of a selection of comparable basic income style programs we referenced or spoke to experts about.

Exhibit 3. Examples of basic income style programs

Program	Description
Evergreen Pilot	Proposed bill for a basic income pilot in WA that provides ~7,500 residents with a monthly cash transfer indexed on Fair Market Rent in their region (estimated $487 - $960) for two years. Pilot design details are drawn from the "Washington Basic Income Feasibility Study."
GRIT 2.0	A guaranteed income pilot in Tacoma, WA providing 175 "Asset Limited, Income Constrained while Employed" families $500 per month for a year.
The Nest	A guaranteed income program providing 150 Indigenous pregnant people $1,250 per month, from birth until their child's third birthday.
Rx Kids	A guaranteed income pilot leveraging state TANF funds to create a child allowance in the form of a non-recurrent short-term benefit. Rx Kids provides all pregnant moms in the city of Flint, MI with $1,500 during pregnancy and $500 per month during the baby's first year.
Baby's First Years	A guaranteed income study in four U.S. cities assessing the impact of poverty reduction on family life and child development. Providing 1,000 mothers with $333 per month for the first 52 months of their child's life.
APFD	An annual cash payment from the profits from the Alaska Permanent Fund, a state social wealth fund, capitalized through the sale of oil and natural gas. The benefit is paid once a year to all residents and the amount varies by year. See Appendix E for more information about the operation of the APF as a social wealth fund.
Economic Security for All (EcSA)	EcSA is an innovative workforce development program that provides a more human-centered approach to poverty reduction. While not a basic income program, EcSA includes the Career Accelerator Incentives Fund, which gives participants $1,000 per month in financial support payments for meaningful progress on their career plans.

In considering implementing a basic income style child allowance in Washington, we established the below assumptions. Later in this section, we discuss how changes in these assumptions may affect the criteria ratings.

Working policy assumptions

We used the following assumptions for a **basic income child allowance**:

- **Eligibility targeting**: As described in the tax credit child allowance section, we assume a child allowance for all dependent children under the age of 17 for heads of households residing in Washington. To comply with Washington's gift of public funds restriction, we assume households with incomes at or below 100 percent FPL are eligible, including households with no income. This is a similar income level to the tax credit child allowance and WFTC limit. It also matches the income cut-off for one target group presented in the "Washington State Basic Income Feasibility Study."[25]
- **Participation Requirement**: The assumed basic income child allowance would be voluntary for households. Families would need to apply and complete residency and income verification.
- **Benefit Amount and Frequency**: For this analysis, we assume a benefit of $250 per child per month. This matches the amount of the ARPA CTC expansion (for older children) and the annual amount assumed in the assumed tax credit child allowance, for ease of comparison. It is also similar to the benefit amount provided by the Baby's First Years pilot, which was $333 per child per month.[105] Allowance payments are unconditional and unrestricted.
- **Interaction with Other Benefits:** We assume no benefits waivers are provided, which means recipients' eligibility for other government benefits programs would likely be affected. This could cause a loss of benefits for some families and therefore discourage participation. While it is possible to obtain benefits waivers as a feature of a permanent, statewide basic income child allowance, given the level of effort and coordination across levels of government, we do not assume this to be likely.

- **Implementation Framework:** We assume this program would be implemented through a state agency (e.g. DSHS), a disbursement partner, and a network of community partners for outreach, enrollment, and benefits counseling. We direct readers to the DSHS "Washington State Basic Income Feasibility Study," which provides a very detailed and useful overview of how a basic income pilot could be designed and implemented in Washington; prescriptions in that report would also apply to a child allowance structured in this way.[25]
- **Immigrant Inclusivity:** We assume no restrictions on immigration status for eligibility for a basic income child allowance. However, for individuals pursuing a green card, there are often concerns with receiving public benefits that can be considered against them in their green card applications. In the current guidance on the Public Charge Ground of Inadmissibility, programs providing ongoing cash assistance for income maintenance (e.g. TANF) are considered in applications and thus more likely to trigger a public charge analysis.[81] Most basic income pilots are not affected by this because they are funded with philanthropic funds. This may be a larger issue for a state-funded basic income child allowance.

Impact on Child Poverty: High

Overall, we rated a basic income cash allowance as "high" in terms of impact and effectiveness on child poverty. There is strong evidence that links cash transfers to positive parent, child, family, and economic outcomes. Some programs demonstrating these outcomes are not technically child allowances (where the benefit amount is tied to the number of children in the household) but examining effects of other cash transfer programs is still worthwhile when discussing the expected impact of a child allowance.

- **Child poverty**. Social scientists generally argue that cash benefits are superior to near-cash or in-kind benefits because cash assistance is less restrictive for recipients.[58] This allows recipients to spend according to their specific needs and circumstances, where they need it most. In the first three years, mothers receiving the child allowance in Baby's First Years spent more money on child-specific goods and more time on child-specific early learning activities than the comparison group. They also reported lower rates of public benefit receipt, and fewer were residing in poverty.[106] A microsimulation found that if federal child tax credit and EITC payments were distributed monthly rather than in annual lump sums, monthly poverty rates would decrease by eight points, on average.[85] In addition, parents would rather receive recurring monthly payments. [83,107,] Further, evidence shows that, as family incomes decrease, preference for monthly payments increases. [83]
- **Child health and wellbeing**. Studies on child allowance programs have found associations between cash transfers and increased birth weight, decreased pre-term birth, and decreased child obesity.[108,109,110] Additionally, studies have found that cash transfers have led to higher consumption of fresh produce, meat and other proteins, and well-balanced meals. [83,111,] Child allowances have demonstrated strong reductions in food insufficiency.[85,112,]
- **Long-term outcomes and return on investment.** As reported in tax credit child allowance section, research shows that investing in child poverty reduction yields positive societal returns in the future.

Implementation Feasibility: Medium-Low

Overall, implementation feasibility of a basic income child allowance was scored "medium-low" in relation to the other policy options. Development and implementation of a new program will be more difficult than modifying or building from existing systems, such as the WFTC. Benefits integration and accessibility of program applications are key concerns. Program designers will need to invest heavily up front in the development of solid partnerships and clear roles and responsibilities.

- **Barriers:** Two implementation barriers include benefits interactions and accessibility of application systems. The primary barrier of a basic income style child allowance with monthly payments is that these benefits will likely be considered as income in recipients' eligibility designations for other benefits they may receive. The value of the child allowance is often not enough to offset the loss of these benefits. However, for some benefits this determination is tied to the frequency of the allowance payments—for example, SNAP does not count lump sum payments as income but does count regular payments as income. The "Washington Basic Income Feasibility Study" provides a detailed table of all benefits interaction concerns and offers three solutions:[25]

    1. (1) mitigate interactions by seeking waivers, which requires federal action for some programs,
    2. (2) protect program participants from negative impacts by creating a "hold harmless" fund to offset benefits losses, or
    3. (3) educate participants on benefits interactions by providing counseling so they can make informed enrollment decisions.

    The second set of barriers are related to program applications. The availability of accessible applications or entry points into programs are a key factor in whether the most vulnerable families receive benefits. For example, APFD experts spoke about streamlining the filing process by hosting the application in an online portal that would prepopulate answers based on previous year submissions and found that this reduced average time spent completing applications. However, the state continues to experience ongoing challenges with rural communities that do not have access to quality/affordable internet or have limited mail services. Experts from the GRIT team encountered difficulties in planning how much time and resources to allot on the participant eligibility verification phase.

- **Resources Required:** Implementing a basic income child allowance requires the design and development of a new program. This will include the determination of roles and responsibilities for all involved organizations and staff; identifying the infrastructure (or vendor) to support the program's application, eligibility verification, and disbursement of payments; and contracting with community organizations for outreach, recruitment, application support, and benefits counseling.

- **Partnerships:** There are three main types of partnerships that need to be developed. First, leadership and overall administration of the program may also involve partnership. The "Washington Basic Income Feasibility Report" recommended the development of a public-private collaboration between state and tribal governments and community organizations to administer a similar basic income pilot.[25] Second, the program will need a partner to disburse payments. Some existing vendors offer platforms that integrate the application, verification, payments, and any additional data collection requests (i.e. for evaluation purposes). Some vendors also offer multiple payment methods, such as direct deposit, prepaid debit cards, cash apps, or occasionally paper checks. Third, partnership with community-embedded organizations is necessary to ensure equitable program enrollment. These partners must be trusted by, and invested in, the communities they serve to develop positive and long-term relationships. Experts shared three types of potentially fruitful partners: public schools for recruitment of eligible families and as sources of accurate data about children (such as mailing addresses); the SSA for enrolling parents (i.e. when they are registering a newborn for a SSN); and Family Resource Centers for outreach.

Political Feasibility: Low

Overall, the political feasibility of the basic income child allowance was scored “low” in relation to the other policies we considered. The current political landscape in Washington is challenging, but recent progress has been made on advocating for the inclusion of cash in anti-poverty interventions. Bills establishing the Evergreen Basic Income pilot have been introduced, but failed to pass for the past two legislative sessions. Messaging should focus on gathering support around child poverty reduction and the economic mobility of families.

- **Political Climate**. The current political climate for basic income programs, both nationally and in Washington, is challenging. While cash transfers have gained interest and popularity since the pandemic, detractors remain. Experts said the biggest political challenge facing a basic income child allowance in Washington is funding. The program is expensive and the state faces a budget deficit. While there is growing support across the legislature, some argue that there are existing anti-poverty programs and those should be strengthened instead of funding a new program. Legislators will also need to consider funding trade-offs with family support policies outside the scope of this analysis, such as child care and housing affordability. On the other hand, there is bipartisan support for improving the lives of children and the economic stability of families.
- **Legality**. To be successful, a basic income child allowance would need to be passed as legislation. The only legal concern that we identified during our analysis was the state’s constitutional gifts of public funds restriction. Experts suggested this restriction requires a narrowing of the policy scope to target children in families needing state assistance.
- **Messaging**. Political messaging for a basic income child allowance should focus on supporting the wellbeing of children and the existing evidence that demonstrates the effectiveness of cash assistance for poverty reduction. The reduction of child poverty and improvement of family economic mobility are bipartisan policy goals, and a basic income child allowance targets support to the highest need families in Washington. There are many existing efforts in Washington to message the value of cash assistance, including the Guaranteed Basic Income Coalition. A successful messaging campaign for a basic income child allowance approach to child poverty reduction must take into account other existing programs and demonstrate how cash assistance is a necessary complement.

Effect on Equity: High

Overall, the basic income child allowance was scored "high" relative to the other policies in terms of the effects it would have on equity. Equitable rollout largely depends on implementation. Experts were eager to share about what works to improve access and benefit receipt: community partnerships, precise targeting and outreach strategies, and implementation flexibility to reduce barriers.

- **Target Population:** This assumed child allowance targets families at or below 100 percent of the FPL. While experts generally agreed that an anti-poverty program should focus on families with the lowest income, many highlighted the failure of existing benefits programs to support Asset-Limited, Income-Constrained, Employed families, who aren't eligible for benefits but are still struggling financially, and families transitioning off benefits.
- **Access:** Equitable access to a basic income child allowance is multi-faceted. Initially, awareness of the benefit and a reasonable application process are crucial. Equitable outreach requires partnering with community organizations that understand and are committed to their communities. Other important practices to promote equitable access include providing translation services, alternative application methods (i.e. paper), and offering benefits counseling. Experts from the APFD said that about 8 percent of filers still use paper applications. Experts emphasized that the more automated and universal the benefit (i.e. does not require tax filing or have a long list of eligibility criteria), the fewer barriers to access exist. A report on participant experiences with a cash assistance program underscores this.[113] Experts involved in guaranteed income pilots also discussed the importance of different payment mechanisms for unbanked or underbanked families, including debit cards.
- **Community Engagement:** As covered in the implementation section, partnering with community-embedded organizations will be critical for program success and ensuring equitable program implementation. Experts operating similar programs in other states noted that the importance of trusted intermediaries for messaging, awareness, and application support cannot be overstated. The Nest found that close collaboration with Tribal partners from day one was a particular success. Experts from the APFD noted that even with a mature and long-running program, they rely on partners at over 300 distribution sites to support annual applications, with a large focus on rural populations.

Cost: High ($$$)

Overall, the basic income child allowance is the most expensive policy option included in this report. A large portion of these costs are associated with upfront program design and development. Maintenance costs are more manageable than the initial costs, but still higher than a tax credit child allowance. This policy also includes a large benefit, which is a major driver of cost. The assumed benefit is on the lower end of many basic income programs but comparable to ARPA CTC extended benefit amount and equal to the assumed benefit amount of the tax credit child allowance benefit amount.

- **Upfront Cost:** The initial cost of designing and launching a new basic income style child allowance would be large. Creating a new program from scratch will require a long planning and design period, as well as development of necessary labor capacity, data systems, and community or vendor partnerships. In addition, the implementation cost for the first year of operations will be very high. First year operations will require extensive community outreach and engagement, as well as residency and income verification and benefits counseling for every enrollee. Assuming high program uptake the first year, this will require a larger investment of resources than it will in subsequent years, where enrollment efforts can be concentrated on newly eligible families or families whose statuses changed in the past year.

- **Maintenance Cost:** Annual maintenance costs will be lower after the first year of implementation, though this will depend on program design. There is not much publicly available data on basic income program operation costs. We reviewed existing reports and spoke to experts about the ratio of costs spent on cash (direct benefits) to costs spent on administrative activities. In Washington, the basic income feasibility study provided a range of estimated costs, from roughly 8:1 on the high end (i.e. for each $8 million spent on cash benefits, $1 million will be spent on administration), up to 17:1 on the low end.[25] An expert associated with the Rx Kids pilot in Michigan provided a very rough estimate for a 9:1 cash to administrative budget, which did not include evaluation costs. This is a large departure from the 100:1 rough estimate we received from two different state-level child tax credit programs (i.e. for each $100 million in tax credit payments, the state spent $1 million on administration). Experts speaking about the GRIT pilot shared challenges related to balancing operational budget across personnel, translation services, provision of wraparound services, and other administrative tasks. Experts from the APFD noted that how benefits are distributed can have a large impact on administrative costs. For example, they cited an internal study that found the administration costs to be about one cent per direct deposit compared to over $100 per paper check mailed.
- **Cost of Direct Benefits:** The assumptions we made for a basic income child allowance ($250 per child per month) are based on the ARPA CTC benefit amount for children between ages 6 and 17 (the credit was $300 per child per month for children under 6 years old). Benefit amounts of comparable programs vary substantially, ranging from $333 to $1,250 per month; see Exhibit 3 (above) for more detail. The Evergreen Basic Income Pilot proposed benefits that were indexed to fair market rent by geographic region.[j] The annual APFD benefit amount fluctuates each year based on the Fund's revenues (see Appendix E for more information).
- **Sustainability:** To be sustainable, any legislation enacting a basic income child allowance will need to plan for the long term, ensuring there is a consistent and sufficient funding stream to support the policy over time. Experts noted that programs funded using the states' discretionary budget are often the most likely to be reduced or cut altogether during times of austerity, as the state is now facing. In addition, APFD experts recommended that special care is taken to "future proof" the legislation, specifically in terms of language and references to technology that can quickly become outdated, so that new legislation does not need to be approved every time administrators need to update their practices.

[j] The feasibility study provided a range of total program cost estimates based on participant sample size (ranging from 5,000 to 10,000) and percent of fair market rent (ranging from 75 to 120 percent). Estimated monthly benefits ranged from $487 on the low end up to $960 on the high end.

Design Considerations

Many of the key policy design choices for a basic income child allowance are the same as those for a tax credit child allowance. They focus on how broad eligibility is, the amount of the benefits, and the structure of the benefit delivery. Therefore, many of the same considerations apply as those outlined above. Below, we highlight unique considerations for a child allowance structured as a basic income.

- **Eligibility targeting**: Many of the same considerations apply to eligibility targeting as apply to a tax credit child allowance.
  - **Targeting by age**: It would be more feasible for a basic income child allowance to begin delivering benefits prenatally and before the birth of a child, as in Rx Kids,[101] than for a tax credit child allowance. This would create additional implementation considerations, particularly in requiring systems for identifying expectant mothers, which is less well documented than birth data.
  - **Increasing income thresholds:** As noted in the discussion of design considerations for a tax credit child allowance, increasing the income thresholds for eligibility would increase access and expand the program's impact on poverty. Program costs would also increase.
  - **Conditioning on work or income:** As described in the previous section on a tax credit child allowance, it would be possible to condition receipt of a basic income child allowance on work or having any income. Tradeoffs associated with this design choice are described in the previous section.
  - **Looser income verification requirements:** The process for verifying income can be more or less onerous for applicants and program staff. Having looser requirements for income verification, such as allowing self-attestation to income, would greatly improve the equity and accessibility of the policy.
  - **Phasing out benefits:** Most guaranteed income pilots have a single eligibility cut-off based on income and household size rather than phasing out benefits as income levels increase. A permanent program aimed at reducing child poverty should address income fluctuations and prevent benefits cliffs. Incorporating a gradual phase-out of benefits, similar to the approach used in TANF, SNAP, or the WFTC, can promote upward mobility while ensuring individuals do not experience abrupt losses in support. This adjustment would enhance the program's effectiveness and equity.
- **Benefit amount and frequency.** We assumed the benefit amounts to match the ARPA CTC, as we have data on the impact it had on child poverty in the state from its introduction and expiration. This amount could be scaled up or down. More research is required to determine the optimal level of benefits amounts, and current guaranteed income pilots offer a wide range of monthly payments. There is also not yet evidence on whether lump sum or monthly payments are more effective at reducing poverty, but there are pros and cons to each. Lump sum payments reduce the probability that families are behind on rent, allow families to make capital investments (i.e. buy a car) or pay down debt, but do not reduce food insecurity. Monthly payments reduce food insecurity and improve subjective financial wellbeing, but do not reduce housing hardship.[83,85] For immigrant families specifically, ongoing cash assistance for income maintenance is more likely to trigger a Public Charge analysis and potentially a determination of inadmissibility for their green card applications. [81]

- **Benefits protection.** As in the previous section about a tax credit child allowance, we assumed there would be no benefits protection for a state-wide and permanent child allowance program for simplicity's sake. Attaining waivers requires coordination across levels of government and, in most cases, legislative change. Attaining waivers is certainly possible, but easier when it relates to benefits that the state or local government have authority over, such as TANF or housing choice vouchers. SNAP waivers have historically been more difficult and, in California's case, require the cash allowance program include some form of non-governmental funding.[114] Likewise, SSI waivers require a child allowance program to be wholly funded with public dollars.[25] If the state invests in attaining waivers, and the federal agencies comply, so that child allowance payments would not negatively impact eligibility for other benefits programs—or if the state earmarked additional funding to establish a hold harmless fund—this would have a substantial improvement on equity, protecting families experiencing the most hardship.

Universal Baby Boxes of Concrete Goods

Policy Alternative	Overall Ranking	Evaluative Criteria				
		Impact on Child Poverty	Implementation Feasibility	Political Feasibility	Effect on Equity	Cost
Universal Baby Boxes of Concrete Goods	3RD	MEDIUM	LOW	MEDIUM-HIGH	MEDIUM	MEDIUM

Baby box or concrete goods programs traditionally support new parents by providing a box (or other delivery mechanism) containing infant care items, such as clothing, blankets, towels, bibs, diapers, toys, books, formula, and nursing pads. Universal baby box programs originated in Finland in 1938 and are also currently being implemented in Scotland and Chile.[115,116,117,118] On average, in the United States, childcare, supplies, and other necessities can cost parents between $20,000 and $50,000 in the first year after their child's birth.[119] The U.S. Department of Agriculture, in a 2015 report on the costs of raising children, estimated that low-income households spend nearly 30 percent of their before-tax income on child-rearing expenses.[120] Washington families may face even higher financial burdens as the state has one of the highest sales tax rates in the country and, as of 2024, is one of 26 states that charge sales tax on diapers.[121] A baby box with some necessary infant care items could help offset a small portion on the early costs associated with care for a newborn.

In May 2023, the U.S. Department of Health and Human Services' (DHHS) rolled out the Newborn Supply Kit program pilot, a version of a baby box program without the safe sleep component. The kit contains $300 in retail value of infant care products, and is a partnership with Baby2Baby, a nonprofit providing concrete goods to children in poverty.[122]

There are currently no statewide programs universally providing baby boxes or concrete goods to parents in Washington. DCYF has several concrete goods initiatives though which they fund partner organizations to deliver goods (e.g. clothing, school supplies) to families in need. The staff at partner organizations implementing these concrete goods programs are often caseworkers, social workers, or home visitors. Family Resource Centers (FRCs) throughout the state offer these services to their clients. Diaper banks and grants related to the provision of free diapers also exist throughout the state. For detailed information on concrete goods programs within Washington, see the "Summary of Current Programs and Initiatives in Washington State" produced under this proviso.[22]

Working policy assumptions

- **Eligibility targeting**: We assumed that a universal baby box or concrete goods program would be delivered to all parents or guardians in the state following the birth of a child.
- **Participation Requirement**: The baby box program would be voluntary for households. Families would be notified and offered a box and would need to confirm acceptance.
- **Benefit Amount and Frequency**: The box is a one-time transfer of goods, and the value of the goods in the box is about $300 USD. The contents of the box are predetermined, and all families receive the same items.
- **Safe Sleep Component:** The original Finnish model includes a safe sleep component, including a cardboard box or other low-cost container, often lined with a mattress and fitted sheet, intended to be used as a safe place for infants to sleep. These encourage safe sleep practices by discouraging co-sleeping and seek to reduce sudden infant death syndrome (SIDS), which is the third leading cause of infant death in the U.S. and the second in Washington.[73] Despite the intentions of this effort, in 2022, the Consumer Product Safety Commission the "Infant Sleep Products Safety Standard" excluding baby boxes, thereby ending the legality of providing these as an safe sleep intervention.[123]
- **Inclusion of Educational Materials or Connection to Support Services:** Some of these initiatives also involve connecting families to additional social and material supports that can ease the burden faced by new parents, and providing educational materials to build skills on safe and positive parenting. We assume a program that only includes delivery of in-kind goods without additional educational materials or service connections.
- **Interaction with Other Benefits:** As an in-kind benefit of concrete goods, we do not anticipate baby boxes interacting with any other benefits.
- **Immigrant Inclusivity:** We assume no restrictions based on immigration status for a baby box program. We do not expect receipt of a baby box to be considered in immigration applications as other programs providing in-kind goods are not. [81]

Impact on Child Poverty: Medium

Overall, we find a universal baby box program would be "medium" in terms of impact and effectiveness at reducing child poverty. Relative to the other policy options we consider, we expect it to have the second smallest impact on child poverty. It does more to address child poverty than maintaining the status quo, but as a one-time, small dollar value intervention, it is unlikely to meaningfully reduce child poverty.

- **Child poverty:** There is limited rigorous data isolating the economic impact of baby boxes on child poverty. A descriptive follow up survey of parents receiving the DHHS Newborn Supply Kit found that 66 percent of parents who responded report less financial stress because of the kits.[124] Parents in Scottish and Welsh programs similarly report feeling like the boxes save them money. Experts on baby box programs emphasized that, while they may be appreciated by recipients, they are not the most effective way to support financially struggling parents. Experts in Washington administering concrete goods programs noted consistent demand for these services, expressing that they are an important lifeline for parents, but these programs have notable differences from a baby box. The resources families receive in the existing concrete goods programs are personalized based on a family's expressed need, and they are not necessarily a one-time provision. The items in a baby box may not be relevant to all families, therefore decreasing their effectiveness, particularly among wealthy families, families with older children, [125,126] and families for whom items are not culturally responsive.

- **Child health**: There was no research evaluating the impact solely of concrete goods in baby boxes on child health. Experts from universal baby box programs expressed that the impact their programs had on children's health outcomes is likely due to the safe sleep intervention combined with encouraging engagement in the countries' strong prenatal care systems. According to the existing evidence, this is likely to be true: most baby box programs that improved child health included safe sleep and required prenatal care.[127,128,129] Experts concluded that they would not expect similar impacts in a baby box program without a safe sleeping space or connection to a robust prenatal care system.
- **Other:** Baby box programs offer a few advantages beyond their primary purpose of child poverty reduction. Parents often value and appreciate baby boxes, which can foster trust and positive perceptions of government programs.[122, 130] Experts noted that their popularity among families makes baby boxes an effective tool for encouraging uptake of support services such as prenatal care and home visiting programs. Additionally, they can help reduce parental stress, improving parents' mental health and overall wellbeing and supporting better parenting.[122]

Implementation Feasibility: Low

Implementing a baby box program across Washington would require many design considerations and require substantial resources, so feasibility was scored as "low." Challenges include identifying what items to include, how to store and deliver boxes, and how to identify and reach families.

- **Barriers**: Most comparable near-cash programs (e.g. WIC, SNAP) provide vouchers for purchasing pre-approved goods.[131] Baby boxes involve providing concrete goods directly, which presents new implementation challenges. Experts noted that baby box programs require infrastructure for purchasing, storing and assembling kits, and delivering them to families, and this can present a major challenge. Washington would need to determine whether to operate the program through a government agency or to outsource. Most programs we interviewed experts about outsourced this work via partnerships or contractors. This is a major consideration, as one expert shared that their program lost support from healthcare workers due to the burden put on hospitals to store, assemble, and distribute boxes. If outsourcing, Washington would need to decide whom to partner with (e.g. hospitals, nonprofits like family resource centers or food banks), and whether to mail boxes directly or provide them to parents in person.
- **Resources required:** Baby boxes require a list of expectant or new parents in the state as well as address data, if boxes are shipped directly to parents. The list must be updated frequently so boxes can be provided soon after the birth of a child. If boxes are provided in person, for example at the hospital at the time of birth, processes need to be established for identifying and delivering boxes to parents who do not have hospital births. Processes would also need to be developed for identifying where to send the box for families where the birthing parent does not have custody and families who moved or are experiencing homelessness. Systems would need to be developed for families who did not receive boxes to request them, as well as systems for

validating these requests. Finally, the contents of the boxes need to be established, as well as where to procure these items.

- **Partnerships**: Washington could leverage data from partners likely to be informed about new births. This data could include hospital prenatal and birth records, state agency birth record and child support data, and Apple Health birth data. Ensuring all families (including those choosing home births, those who do not receive prenatal care, etc.) have access will require additional efforts. Experts noted the importance of engaging key parties like parents and pediatricians in designing the content of the boxes. Those we interviewed felt it would be important for state leaders to establish an advisory group of these key parties to inform the design and implementation of the program. Experts also shared that commercial partnerships are important for purchasing the contents at wholesale or reduced prices.

Political Feasibility: Medium-High

Overall, experts agreed that baby boxes are well-liked and politically popular programs. Some critics highlight the unnecessary use of funds in a universal programs of providing boxes to parents who don't need the additional support.

- **Climate**: Experts agreed baby boxes are not politically controversial, especially compared to other public benefits programs. Experts on universal baby box programs felt that, unlike with most benefits programs, the universal nature of the baby boxes makes them less controversial than targeted programs. One expert suggested this is because these programs are not viewed as safety net or poverty alleviating programs, but rather as cultural appreciation for families. By benefiting all families, they gain widespread recognition and support. Additionally, as noted elsewhere, programs providing in-kind goods are generally more politically popular than cash benefits, partly because providing tangible items that can only be used to support children alleviates concerns about resources being used for other purposes. They are also popular among legislators since they generate public approval of and trust in government. However, other experts noted that some consider universal baby box programs an unnecessary use of government funds, as these programs provide resources to parents who may not need them. In evaluations of baby box programs, wealthier parents noted how they didn't necessarily need the boxes, even though they thought it was a nice gift.[125,126]
- **Legality**: As described above, providing cardboard boxes as a low-cost safe sleep intervention is not currently legal within the U.S. Furthermore, since the program is assumed to be universal, care should be paid to ensure it would not violate the constitutional constraint of the prohibition on gifts of public funds. Otherwise, there are no anticipated legal concerns with implementing a baby box program.
- **Messaging**: In countries with universal baby box programs, these have become expected public services. One expert referred to it as being a typical part of maternal care. In Finland, it is considered a representation of the country's egalitarian culture and national identity [115] and in Scotland it is seen as a way of supporting an equal start in life for all children.[130] Experts also encouraged framing the program as a way to help parents support their children's health and wellbeing from infancy.

Effect on Equity: Medium

Overall, a universal baby box program is rated as having a "medium" effect on equity. While there are considerations for ensuring equitable access and cultural relevance, these considerations are comparatively lower than for other policy options.

- **Target population:** A universal program would target all parents with a newborn. The program design would require careful consideration of certain populations to ensure equitable access to the boxes. These populations include parents who foster or adopt newborns, parents experiencing homelessness to whom mailing a box may be difficult, families where the birthing parent does not have custody of the newborn, and other complex family structures. There is some evidence that baby box programs have positive impacts related to reducing disparities related to child poverty. Black and Latina mothers were the most likely to report experiencing less stress after receiving the Newborn Supply Kit.[122]
- **Access**: The program would need to be designed and implemented with a focus on equitable access, especially for hard-to-reach populations. For instance, if families are identified at birth via hospitals, the program must also include strategies to reach families who do not deliver in hospital settings. Prior research on baby box programs in the U.S. highlights the importance of partnerships with trusted messengers, as some families with extremely low trust in government refused the boxes entirely. [122] Partnerships with other state agencies, nonprofits and family resource centers can support equitable rollout and improve access and uptake. We assumed that families be offered the box and would have to confirm in order to receive it (e.g. opt in). Opt-in programs generally have lower uptake rates and therefore smaller program sizes than do programs where recipients need to confirm *not* wanting to receive benefits (e.g. opt-out). This is discussed further in design considerations.
- **Other concerns**: Attention should be paid to the design of the content of the boxes to ensure they are culturally relevant and useful to most families. Experts noted the importance of engaging parents and encouraged the inclusion of culturally responsive items like multilingual children's books. If boxes contain educational material for parents, these should also culturally responsive and translated into multiple languages.

Cost: Medium ($$)

Overall, universal baby boxes are rated as "medium" in terms of cost. The benefit amount is the smallest of any of the policies other than maintaining the status quo. Additionally, unlike the two child allowance policies, which recur annually throughout childhood, baby boxes are a one-time benefit in infancy. The major costs associated with this policy are in the administration of the program. There are likely substantial upfront costs to develop the necessary infrastructure for the program and maintenance costs for managing the administration of the boxes.

- **Upfront cost**: Upfront costs will entail setting up systems for procuring, packaging, storing, and distributing the boxes, most likely done via a contractor. Funding will need to be allocated towards the initial design and development of the system to identify eligible families. There will also be capital costs associated with the design of the contents of the boxes, which can be amended as needed.

- **Maintenance cost**: Maintenance costs will include the recurring costs of administering the boxes. They will also include funding towards community partners to help ensure uptake of the boxes. Depending on the design of the program, implementing a baby box could result in increased uptake of other higher cost government services, for example more families applying for WIC, home visiting or enrolling in Medicaid.
- **Cost of benefits**: The cost of the benefits is much smaller than the two child allowances. A baby box is a one-time transfer rather than a recurring one, having a smaller value than either child allowance. Additionally, many baby box programs leverage corporate partnerships allowing them to acquire goods at below-market value.[122] Experts noted that the cost to governments and the value to parents fluctuate alongside market values. Facing budgetary restrictions, one international program had to adjust the items in the box. Changes to the content of the boxes can affect the effectiveness of the boxes; successful programs feature high quality and a larger quantity of items.
- **Sustainability**: In Wales, the government initially intended to roll out a universal baby box program after finding overwhelming support for the universality of the program.[132] However, due to budget shortfalls, the 2024-2025 draft Welsh budget made cuts to the program, replacing it with a targeted model to save resources and reach parents most in need.[133]

Design Considerations

Below are alternative designs to a baby box program that policymakers might consider and which could potentially affect our ratings.

- **Eligibility targeting:** Several changes to the universality of the baby box programs should be considered.
  - **Providing during pregnancy**: Some baby box programs are offered to families during pregnancy, before the child is born. This approach has challenges as data sources for identifying expectant mothers are less comprehensive than those tracking births. This would raise concerns about equity and access. Therefore, targeting expectant mothers for distribution would increase implementation costs relative to targeting parents immediately after the birth of a child.
  - **Targeting based on income:** Targeting baby boxes based on income could improve the program's return on investment by concentrating benefits where there is the most need and reducing overall costs. However, the implementation of income eligibility requirements would require additional administrative resources, and overly burdensome application processes could reduce participation. To minimize these challenges, targeting should be designed with a goal of minimal burden for both recipients and administrators.
  - **Opt-in versus opt-out:** We assumed the program would be opt-in, requiring parents to actively agree to receive a box. This approach minimizes wasted resources by providing the universal benefit only to families who confirm interest. It also creates an opportunity for families to review and update their mailing address if the boxes will be sent directly. However, as with any opt-in program, access and uptake are likely to be lower. To address this, parents could be given the option to request a box at a later date if they initially

declined or did not receive one. An opt-out version would reach more families but result in greater waste. Some families may receive unwanted boxes, and the state would need to use address data without confirmation from families, increasing the likelihood of deliveries to outdated addresses.

- **Benefit Amount and Frequency**: We modeled the value of benefits on international programs and the federal DHHS Newborn Supply Kit. A program could be designed with a larger benefit amount (i.e., containing more goods). As these programs lack flexibility for parents to tailor items to their specific needs, larger benefits may lead to substantial waste as parents receive items they do not need. Additionally, experts did not suggest increasing the size of the benefit as a means to improve the anti-poverty effects of the program. Instead, they suggested investing in other programs with more evidence of effectiveness to accomplish those aims.
- **Safe Sleep Component:** If policymakers are interested in the safe sleep component of baby box programs, boxes could include informational resources on safe sleep. Additionally, boxes could include a Consumer Product Safety Commission-approved safe sleep crib or product. Offering this universally would likely be cost-prohibitive and result in significant wasted resources as many families will have another preferred crib. A targeted design providing approved safe sleep places for populations with an elevated risk of SIDS would be a viable alternative.
- **Inclusion of Educational Materials or Connection to Support Services:** In both Finland and Scotland's models, expectant parents need to be receiving prenatal care in order to receive the box.[134] Both countries notably have more robust healthcare systems than the U.S., including universal healthcare covering prenatal care, and universal home visiting in Scotland.[135] A similar approach in Washington could provide baby boxes as an incentive to encourage attending a certain number of prenatal visits. This would be difficult to implement universally as it would require coordination across numerous public and private insurance companies. Limiting eligibility to Apple Health recipients is a more practical solution offered by one expert.

  Additionally, some baby box programs include educational materials, age-appropriate toys, and parenting guidance, which could offer added developmental benefits for children. While these programs would require higher upfront costs to develop, they would otherwise be similar in terms of ongoing implementation and may have benefits on promoting positive parenting practices and child development.

Discussion of Policy Tradeoffs

This report can support policymakers in making informed decisions about how to reduce child poverty when facing competing objectives and making difficult choices with limited funding. We evaluated the feasibility of four policy options outlined in the proviso and, below, we discuss tradeoffs that are relevant across a variety of anti-poverty programs.

A child allowance is the most likely policy to meaningfully reduce child poverty in Washington, whether structured as a tax credit or as a basic income. Both would also reduce racial and ethnic disparities in child poverty and its consequences.

There is no single solution to reducing child poverty, but research shows that child allowances are among the most effective and straightforward policies. Child allowances are central to many strategies for reducing child poverty, including the National Academies Roadmap to Reducing Child Poverty.[12] They also promote equity by reducing racial and ethnic disparities in child poverty.

The two most common approaches to child allowances are *to administer them through tax credits* and *to give them as recurring cash transfers*. Each has strengths and weaknesses, which we consider in the context of their feasibility in Washington.

- A *tax credit child allowance* would leverage existing WFTC infrastructure, would be cheaper to administer than a basic income child allowance, and would not cause recipients to lose eligibility for other benefits. However, it may have issues reaching families who could benefit the most, particularly those with low or no income who may not frequently file taxes.
- A *basic income child allowance* could have higher take up, particularly among families with low or no income who do not file taxes. However, it would require more resources to establish and maintain, and benefits might disqualify recipients from other programs, thus diminishing the intervention's power to lift children out of poverty. It is less politically feasible, as it requires developing entirely new program infrastructure.

Both options are expensive because of their large benefit amounts. The magnitude of the benefits drive their strong anti-poverty impact but make them less politically feasible, particularly during budget shortfalls.

The other options we considered, universal baby boxes and maintenance of the status quo, are far less likely to have a meaningful impact on child poverty. Baby boxes, as a one-time, small transfer, are unlikely to significantly reduce child poverty and are complex to administer. Maintaining the current safety net alone is insufficient to address child poverty in the state, as evidenced by the current, high child poverty rates.

Impact on Child Poverty Reduction & Effect on Equity

Of the policies we considered, cash-based child allowances, whether administered through a tax credit or a basic income style program, are likely to have the most substantial and direct impact on reducing child poverty. They also had the highest scores for effect on equity. Concrete goods programs can help families experiencing material hardship, but they are inflexible and relatively small in value and thus do not meaningfully influence poverty rates. Meanwhile, the status quo safety net includes a wide range of benefits programs that target different populations and different problems. In general, benefits programs such as TANF and SNAP do have a measurable impact on child poverty; however, the current system of benefits has left 12 percent[1] of Washington children living in poverty, with disproportionately high rates of child poverty for Black, Latine, and Native American households.

To our knowledge, there are no studies comparing the relative effectiveness of a child tax credit versus a basic income style child allowance. Likewise, we do not yet have definitive evidence on whether larger lump sum (e.g., annual) versus smaller incremental (e.g., monthly) cash transfers are more effective at reducing poverty or increasing financial stability. However, there are dimensions of each policy option that might make them more or less effective at reducing child poverty. Two key policy dimensions identified in our analysis that also affect equity were program accessibility and interactions with existing benefits programs.

- **Program Accessibility**. It is challenging to design and implement child allowance policies that effectively distribute benefits to those with the greatest need. Decisions at both the policy design stage and during implementation affect the degree to which states can equitably distribute these benefits.

  Tax credits require recipients to file taxes annually to receive the benefit, so there will always be challenges related to access and uptake. This is especially true in Washington; with no state income tax, recipients who would otherwise not file taxes must navigate the filing process to access the benefit. The state has invested considerable resources to improve access and uptake of the WFTC, including fostering partnerships with local organizations and community outreach specialists. The state has also prioritized increasing awareness and provision of filing support for historically marginalized and hard-to-reach populations. Still, the estimated WFTC uptake of eligible individuals was less than 50 percent in 2024 (up from about 40 percent in 2023).[39,40] Similar and ongoing efforts would be required for successful implementation of a new tax credit-based child allowance policy.

  For a basic income child allowance, initial program uptake and enrollment would be the primary challenges for ensuring eligible families receive the benefit. At the program entry point, parents' awareness of the program and ability to navigate the application are paramount. Equitable outreach requires partnering with community organizations that know, and are invested in, their communities. It also likely requires translation services, alternative application methods (i.e. paper), benefits counseling, and different payment mechanisms for unbanked or underbanked families. Just as with the tax credit child allowance, a strong and diverse partnership network is required to make the program a success.

- **Benefits Interactions.** Most families with low incomes rely on a complicated web of benefits and social supports. Often these programs have complex eligibility requirements tied to a families' assets, income, and social circumstances. A primary concern for cash transfer programs targeting child poverty is how they interact with recipients' eligibility for other benefits programs. Guaranteed income pilots in Washington and around the U.S. have responded to this challenge by (1) partnering with federal and local government agencies to establish waivers where possible, such that the cash payments do not count toward income calculations for other, specified programs; and (2) creating a "hold harmless" fund with separate resources to offset benefits losses for participants. While possible, these mitigation efforts are less feasible for a permanent and state-wide program, as they rely on cooperation across levels of government and additional legislation.[k] As such, policymakers must carefully consider what supports would be required to help recipients avoid this potentially harmful consequence of any new child benefits policy. Alternatively, a fully refundable tax credit child allowance would not be countable as income in other public assistance programs, so this policy option would avoid the issue of interaction with other benefits.

In comparison, the implications of benefits interactions are far less pronounced for the baby box policy option. In-kind goods, as opposed to cash assistance, are not valued or counted as income, avoiding any potential for benefits interactions. Additionally, baby boxes are a good mechanism for building rapport with and gaining the trust of families. Concrete goods programs targeted to new parents can be a means for encouraging participation in other social services individuals would benefit from but would not otherwise seek out. For example, making receipt of baby boxes contingent on attending prenatal visits or providing them to FRCs, food banks, and diaper banks are ways to encourage recipients to access other services.

Implementation Feasibility & Cost

The tax credit child allowance would likely be far more feasible to implement compared to a basic income child allowance. Though complicated at the outset, once designed and implemented, tax credit policies require far less ongoing implementation efforts than basic income allowances. The upfront costs—for designing the policies, building partnerships and signing contracts, investing in labor capacity, and building data system infrastructure—result in lower ongoing operating expenses. Ongoing maintenance is relatively straightforward and less expensive than other options, involving annual review and revision of tax documents or application forms, and annual data verification and disbursements. In addition, Washington has already spent considerable resources building and learning how to run the WFTC, which will decrease the barrier to entry on the implementation of a second, similarly designed credit.

In comparison, the design and development of a basic income child allowance would have extensive program design and setup costs, and its ongoing operation would remain costly and labor intensive. However, designers would not need to start from scratch. For example, the authors of the DSHS "Washington Basic Income Feasibility Report" have invested considerable effort in thinking through program design and produced recommendations and blueprints for a comparable program.[25] In addition, there are best practices and lessons learned from other cash transfer programs in the state, such as the EcSA Incentives program and the GRIT guaranteed income pilot, though neither of these programs focus explicitly on children or reducing child poverty.[l] Relying on these existing resources, however, does not negate the fact that a basic income child allowance would be a substantially more complex policy—both during the design phase and throughout ongoing implementation—requiring more nuanced decisions, verification requirements, disbursement mechanisms, partnerships, and so on. In addition, implementation complexity brings increased operational costs with it.

Of the policies considered, the status quo safety net, unsurprisingly, received the most favorable rankings among policy alternatives in terms of implementation feasibility and cost; it already exists. For universal baby boxes, delivering physical goods to families has implementation challenges that none of

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[k] For example, only the federal government can create benefit waivers for SNAP, and this has historically been difficult for guaranteed income pilots to gain support for. In California's case, the SNAP waiver requires that cash transfer programs include some form of non-governmental funding.[119] On the other hand, SSI waivers require a cash transfer programs to be wholly funded with public dollars. [25]

[l] More information on all these initiatives, including challenges, successes, recommendations are included in our Washington report [22] – see Appendix D for a summary.

the other policies have (such as purchasing, warehousing, inventory management, and identifying distribution points). This sets it apart from most other in-kind benefits programs which provide near-cash benefits, such as SNAP or WIC vouchers.

Political Feasibility & Cost

Any new, large-scale expansion of public benefits comes with challenges. This is true in any budgetary environment but is an especially acute consideration given the projected budget shortfalls anticipated in Washington's 2025 legislative session. However, our analysis can help legislators more effectively weigh the costs and benefits associated with the different policy options in the event there is the opportunity to make a substantial state-level investment in combating child poverty.

Differences in political feasibility between a tax credit child allowance and basic income child allowance are driven both by overall program cost as well as framing and messaging. We heard from experts that tax credits tend to be a more palatable method of providing benefits to constituents than cash assistance payments, such as TANF or even SNAP. The WFTC sets a precedent for a similar tax credit that scales benefit amount based on number of children. However, after the law authorizing the WFTC was passed, it took nearly 15 years of advocacy and sponsorship for the WFTC to be funded, and more recent attempts to expand the age range for eligibility have not yet been successful.

While Washington has not passed legislation for the Evergreen Basic Income Pilot, legislators have approved funding in support of the GRIT 2.0 guaranteed income pilot. Focusing on the reduction of child poverty and supporting the economic mobility of families with young children should enable legislators to make progress on garnering bipartisan support.

In short, there is no easy path towards a substantial reduction in child poverty absent meaningful new investment of funds. However, our systematic data collection and analysis does provide policymakers with a framework for how to consider a range of potential policy options.

Recommendations

Based on our analysis, we formed the following recommendations for Washington policymakers considering new policies to reduce child poverty.

1. **Benefits should be as generous as possible and come with minimal use restrictions.** We recommend that any expansion to the safety net includes generous benefit amounts. Benefits should have minimal restrictions on how they can be used.
   - We find that the size of the benefit is a main driver of child poverty reduction. Small tweaks to the safety net, or low value, one-off transfers are unlikely to shift child poverty levels.
   - Unrestricted benefits, including cash benefits, allow families to use benefits in ways that align with their needs and circumstances. This flexibility allows families to address important expenses—such as rent, utilities, transportation, or debt— that programs with spending restrictions might exclude. However, these expenses are crucial to alleviating child poverty and supporting families' overall wellbeing.
2. **When targeting policies, focus on those who stand to benefit the most.** Consider targeting benefits to children in the 0-5 age range or providing them with larger benefit amounts. Design

eligibility criteria to prioritize families with no income and do not condition benefits on parents being employed.

- Washington's constitutional restriction on gifts of public funds may limit the possibility of universal programs. Even beyond this constraint, targeting is often necessary to manage costs and ensure political feasibility.
- Birth to age five is a critical developmental period, and families are particularly likely to be in poverty when they have young children. There seem to be especially high returns on investments by reducing poverty among these children.
- Families with no income are often excluded from essential safety net programs. To effectively reduce child poverty, it is crucial to design programs that include the families who need support the most.

3. **Use a broad definition of poverty.** In defining eligibility based on income, consider using broader definitions of poverty, like the Self-Sufficiency Standard, which calculates the real cost of basic needs based on region, family composition, and ages of children.
   - Researchers and policy advocates argue that the federal poverty level is too low and fails to capture households' economic insecurity, particularly with regional cost-of-living differences. Many economically insecure families in Washington exceed the federal poverty level threshold. The Self-Sufficiency Standard may provide a more accurate definition of poverty.
   - Asset Limited, Income Constrained, Employed (ALICE) households earn over the FPL but fall short of meeting basic needs. They are ineligible for many safety net programs that could help them make ends meet.
4. **Streamline access to benefits by improving data systems, consolidating application processes, and minimizing administrative burdens on applicants.** Washington should enhance data sharing across state agencies to reduce redundancy and simplify eligibility determinations. Continue to prioritize and fund efforts such as a common intake form for all state-administered benefits, categorical eligibility (i.e. qualifying for one program automatically qualifies for others), or fully automating eligibility determinations to eliminate the need for applications all together. Ensure safeguards are in place to protect sensitive information.
   - Complex applications, such as tax forms, disproportionately burden under-resourced communities, leading to lower program participation and thereby reducing the anti-poverty effects. There are redundancies across state agencies collecting duplicative data about families to assess and validate their eligibility for programs. Many families are eligible for multiple benefits, creating administrative burden for both them and the state.
   - Washington is making progress with initiatives like legislation allowing the Working Families Tax Credit to use data from other state agencies for eligibility validation and the Washington Health and Human Services Enterprise Coalition's ongoing development of IT systems in support of integrated eligibility and enrollment. The state should continue to fund these critical efforts to maximize benefits access.
   - Streamlining data systems can save resources over time by reducing effort in collecting and validating eligibility data. Better data systems can also set the stage for cross-agency or cross-partner referrals. These investments can also save resources by reducing the need for

extensive outreach to inform individuals about available benefits, as eligibility determinations could be automated or significantly simplified.

5. **Reduce program benefits gradually to prevent sudden eligibility drop offs and avoid interactions with other benefits.** When setting upper income limits on eligibility, benefit amounts should phase out gradually to prevent hard drop offs. Design the benefits so receiving them does not interact with eligibility for other benefits.

   – Benefits without gradual phase outs create circumstances where even small increases in a family’s income can result in the loss of benefits and net resources. This can trap families in low wage jobs, as small increases in income are not enough to offset the value of the benefits they lose. ALICE households can be particularly affected by these benefits cliffs.

   – An unintended consequence of benefit programs is that the amount of one benefit can affect an individual's eligibility for other programs they receive. Methods to avoid these interactions include delivering benefits as tax credits, obtaining benefit waivers from the federal government, or providing in-kind concrete goods or direct payments made on behalf of the recipient.

6. **Engage both the communities most affected and policy experts in the design of new policies.**

   – Individuals with lived experience bring valuable insights that can help in designing programs that are more effective, accessible, and minimize unintended consequences. For example, the Working Families Tax Credit coalition highlighted how a seemingly simple application requirement, requiring applicants to provide government identification, can unintentionally exclude many applicants.

   – Policy experts can identify important systems-level considerations, such as how features of benefits might affect eligibility for other programs, or how receipt may be considered against applicants in their immigration applications.

7. **Maximize flexibility for program administrators when crafting legislation for new policies and ensure consistency of funding for new policy investments.** Write legislation that provides program administrators with flexibility in how they can determine and validate eligibility and deliver benefits. Avoid creating barriers that require new legislation for routine funding reauthorizations or operational updates.

   – Use flexible language to ensure programs remain adaptable over time. For example, requiring households to be notified by mail could exclude families without reliable mailing addresses, a common issue in underserved or transient populations. By using flexible language focused on the intent—i.e. ensuring families are contacted—without prescribing specific methods, programs can avoid unnecessary barriers and remain effective as context evolves.

   – Protect programs from budget cuts by avoiding reliance on discretionary funding and minimizing the need for frequent reauthorizations, which can stall programs in legislative conflicts.

   – Consider clauses indexing benefit amounts to inflation to preserve the intended anti-poverty effects without requiring repeated legislative intervention.

8. **Prioritize community outreach and invest in support services to ensure program success.** Invest in outreach efforts to build trust and ensure equitable access to programs. Connect

families to wraparound services and expand critical support systems that enhance program effectiveness.

- Community outreach teams and partnerships with community-embedded organizations are vital for reaching underserved populations, leveraging trust, and building relationships over time. Many populations, such as those facing custody or legal challenges, kinship families, and non-English-speaking communities, may distrust government and hesitate to share extensive personal information for applications. Targeted outreach from trusted sources is essential to address these concerns and ensure equitable participation.
- Unrestricted programs, like those considered in this report, are popular among recipients, build trust in government and encourage families to engage with other services. This can be a powerful on-ramp to engagement with other public services. Strengthen referral systems and ensure related programs are accessible to maximize this synergy.
- Expand key services that enhance the effectiveness of benefits. For example, for tax credit programs, increase support for free tax preparation services.

Conclusion

There are many smart and committed people—across agencies, organizations, and communities—working to reduce poverty in Washington. The Poverty Reduction Work Group's 10-year plan generated recommendations that have led to exciting new programs and initiatives. DSHS wrote a detailed and actionable report on how to implement a statewide basic income pilot, the Evergreen Trust. Policy advocates are championing an age range expansion for the Working Families Tax Credit. Guaranteed income pilots, such as GRIT 2.0 and the Nest, are underway. Meanwhile, modernization and increased data integration of IT systems is building a foundation to improve human services functioning across agencies and reduce the administrative burden of participants.

Despite these significant efforts, child poverty remains a pressing issue in Washington, affecting one in eight children. There are many strategies to combat child poverty. This report examines several policy approaches through the lens of Washington's unique context and constraints. Our report synthesizes the results from three interim reports—including an in-depth literature review and the systematic data collection and analysis of expert interviews—to assess the feasibility and viability of these policies to reduce child poverty. **Of the options we considered, a tax credit child allowance has the greatest potential to alleviate child poverty in Washington.**

More broadly, our analysis can be used as a tool to support the ability of policymakers to make better and more informed decisions when facing tough choices and competing objectives. Our discussion provides a framework that allows policymakers to review the evidence, confront inescapable trade-offs, and identify the most viable solution that maximizes the benefit to society. We also present key recommendations based on our analysis, offering general principles that policymakers can apply when evaluating and designing future programs. We believe the analysis and recommendations provided in this report can be used to consider anti-poverty policies beyond those explored in this report.

Washington legislators face budget constraints this year, but the research is clear that investments to combat child poverty are investments in the wellbeing of children and families today and the wellbeing of all of Washingtonians in the future. The results of this study do not expire after the next legislative session but rather add to and complement an ever-growing body of evidence. It is our hope that the findings from this analysis, and the policy trade-offs discussed (which are inherent in any policy choice), lead to and inform a rigorous and ongoing debate in Washington's journey to reduce child poverty. This report builds on past efforts, lessons learned, and publications developed by many experts and practitioners working towards a common goal; and it also provides a foundation and framework for future progress.

Appendix A: Study Methodology

Over the course of the Washington Child Benefits Feasibility Study, our team conducted a literature review, interviews with international, national, and state experts, and a rapid content analysis of interview transcripts. Below is an overview of our methodology.

Policy Analysis

This study uses a policy analysis framework to evaluate and assess the feasibility of maintaining the status quo and the three child benefits programs. We developed five criteria against which we scored each of the policy options. Each criterion represents a key facet in the likelihood of a given policy's adoption. We then assessed the overall feasibility of each option and ranked them in relation to each other.

Feasibility Criteria & Ratings

We used the five criteria to evaluate each of the policy options in a structured and standardized way: 1) impact on child poverty, 2) implementation feasibility, 3) political feasibility, 4) effect on equity, and 5) cost considerations. Despite their presentation as distinct, these criteria are often interconnected, as are the associated findings.

For each policy solution, we reviewed the evidence generated by our prior reports and assigned a score for each criterion. These scores are relative and intended to facilitate comparison across the child benefits policies. Based on the scores, we then assigned an overall comparative ranking for each policy option. We weighed the criteria of impact and equity more heavily in forming this ranking.

For more a complete description of the feasibility criteria and ratings, refer to the Methods section of the main report. The rest of this appendix provides methodological detail on the study's earlier data collection and analysis for three interim reports. Findings in this current report refer back to and build off of findings from the interim reports.

Literature Review

For each policy option, we conducted a scan of the literature, including peer reviewed articles and grey literature, including research reports, journalism, and governmental and programmatic websites. For each set of topics, we developed key search terms. For the status quo safety net we used: "income support", "near cash", "quasi-cash", as well as the names of specific benefits. For universal child allowances, we used "child tax credit" or "child allowance". For universal baby boxes, we used "baby box", "maternal package", or "newborn supply kit". For social wealth funds, we used "social wealth fund" or "sovereign wealth fund".

We compiled information on each policy area across five key criteria: a) the implementation of the policies, b) the operations including funding structures and cost, c) the political feasibility and barriers, d) the effectiveness or evidence of the outcomes, and e) the equity, including distributional reach or impact. Following general searches for each of the policy areas, targeted searches for information on the above criteria were conducted on an as-needed basis.

Expert Engagement Interviews

In addition to the literature review, we conducted interviews with international, national, and state experts with expertise in the four policy alternatives analyzed in this report. We spoke with a diverse array of experts from a wide range of backgrounds. Below is a summary of our selection and interview process along with an overview of the experts we engaged with throughout this study.

Selection of Experts

MEF conducted two rounds of expert engagement interviews. We began each round of interview recruitment with a short-list of priority experts identified through this study's literature review and recommendations from DCYF, then used snowball sampling techniques to adapt and expand this list based on what we heard. The recruitment process occurred in two phases, allowing us to include recommendations from other experts in subsequent interviews and to identify experts who could fill in the remaining gaps.

Throughout the study, we consulted with a diverse set of experts whose work considers populations that are historically underserved and underrepresented in policymaking. Experts included a broad array of policymakers, legislators, academics, practitioners, and researchers at think tanks and policy institutes. We broke these consultations into two rounds:

- **International and national experts**: We interviewed international and national experts, including researchers and staff working on pilots and initiatives from the US federal government, seven different states, and across England, Scotland, and Wales. We selected experts with a wide breadth of backgrounds, from researchers to program practitioners, who would be able to speak to different aspects of the criteria (e.g. researchers with an emphasis on program outcomes and practitioners with deep understanding of what it means to implement these policies).
- **Washington State experts**. The second round of interviews focused on Washington state initiatives. MEF collaborated with DCYF to identify a list of policies, programs, and initiatives in Washington State that were related to the study's policy areas. We then identified key players within each of the initiatives who could speak to the design, implementation, successes, and challenges. In addition, we expanded upon this list to include experts who were not connected to a particular initiative but could speak broadly to the policy context within Washington. This round included 20 interviews with 25 experts across Washington State, representing state agencies (including DSHS, DCYF, and the Department of Commerce (Commerce)), regional agencies (such as County Health and Community Services and Workforce Development Councils), researchers, legislators, policy analysts, and program implementors.

Further details about the experts we interviewed and their affiliations are provided in Exhibit A.1 and A.2 below.

Interviews

Interviews were semi-structured, 60-minute conversations conducted remotely via videoconferencing. We primarily conducted interviews with single experts, with a few interviews consisting of multiple staff from the same organization. Prior to each interview, members of the project team adapted an interview protocol to select the most relevant questions based on the expert's unique area of expertise. If experts agreed, the conversations were recorded, and automated transcriptions were generated by the videoconferencing platform for our later reference. Interviews were conducted by one lead researcher and one notetaker. During each interview, the notetaker typed detailed notes aligned with the five criteria.

National and International Experts

The study team conducted interviews with national and international experts on a wide array of programs that constitute (1) the federal safety net of current cash or cash-equivalent programs for nonworkers, (2) tax-based child allowances, (3) child allowances created via other mechanisms, and (4) baby box programs. Experts included policymakers, legislators, academics, practitioners, and researchers at think tanks and policy institutes.

Exhibit A.1. Overview of National and International Expert Engagement Interviews

Interviewee(s), Title	Organization	Program, Initiative, or Policy Topic
Dr. Katherine Michelmore, Professor of Public Policy	University of Michigan	EITC, CTC
Dr. Marianne Bitler, Professor of Economics	University of California, Davis	SNAP
Dr. LaDonna Pavetti, Senior Fellow	MEF Associates	TANF
Dr. Harry Zhang, Professor of Community and Environmental Health	Old Dominion University	WIC
Dr. Heather Hahn, Associate Vice President	Urban Institute	TANF, SNAP
Janet Ancel, Retired; Former Chair of the Ways & Means Committee	Vermont State Legislature	Vermont CTC
Paul Marquart, Commissioner	Minnesota Department of Revenue	Minnesota CTC
Janell Bentz, Senior Policy Advisor	Minnesota Department of Revenue	Minnesota CTC
Peter Chen, Senior Policy Analyst	New Jersey Policy Perspective	New Jersey CTC
Matt Bruenig, President	People's Policy Project	Social Wealth Funds
Genevieve Wojtusik, Director	APFD Division	APFD
Kimberly Lane, Eligibility Manager	APFD	APFD
Corey Bigelow, Division Operations	APFD	APFD
Dr. Randall Akee, Associate Professor of Public Policy and American Indian Studies	University of California, Los Angeles	Casino Cash Transfers
Dr. Mona Hanna-Attisha, Pediatrician and Professor of Public Health	Michigan State University	Rx Kids
Dr. David Pate, Associate Professor of Social Work	University of Wisconsin-Milwaukee	GROW pilot
Dr. Owens, President and CEO	Campaign for Working Families	GROW pilot
Dr. Helen Ball, Professor of Anthropology	Durham University	Baby boxes and infant sleep; England's baby box programs
Sioned Lewis, Director and Co-founder	Arad Research	Welsh Baby Bundles Pilot

Interviewee(s), Title	Organization	Program, Initiative, or Policy Topic
Anonymous, Administrator	Welsh Baby Bundle Initiative	Welsh Baby Bundle initiative
Anonymous, Member	Scottish Parliament	Scotland's Baby Box

Washington Experts

The study team conducted interviews with Washington experts on state-level programs related to (1) the existing safety net (i.e., cash or cash-equivalent programs for nonworkers), (2) family supports via the tax code (3) cash transfer programs implemented via non-tax code mechanisms, and (4) baby boxes and other concrete goods programs. Experts included policymakers, legislators, academics, practitioners, and researchers at think tanks and policy institutes.

Exhibit A.2. Overview of Washington Expert Engagement Interviews

Interviewee(s), Title	Organization	Program, Initiative, or Policy Topic
Babette Roberts, Senior Advisor	DSHS	Economic Justice Alliance/ Poverty Reduction Work Group
Lori Pfingst, Senior Director	DSHS	Economic Justice Alliance; Washington's social safety net
Marilyn Gisser, Prevention Specialist; Jenni Olmstead, Prevention Lead	DCYF	Strengthening Families Washington
Laurie Lippold, Director	University of Washington	Partners for Our Children
Tracy Yeung, Senior Policy Analyst	Washington State Budget and Policy Center	Guaranteed basic income; WFTC
Roberto Reyna, Director	United Indians of All Tribes Foundation	Washington's Native American community
Jennifer Romich, Director	West Coast Poverty Center	Washington's social safety net
Mary Papp, Manager	Quinault Indian Nation	Tribal TANF, Washington's Native American community
Amy Martinez, CEO	South Central Workforce	EcSA
John Traugott, Executive Director	Washington Workforce Association	EcSA
Genevieve Stokes, Director	Child Care Aware of Washington	Baby boxes
Erika Lautenbach, Director; Sarah Simpson, Supervisor	Whatcom County Health and Community Services	Healthy Children's Fund
Amber Salzer, Manager; Alaa Alshaibani, Prevention Analyst; Jesse Stigile, Manager	DCYF	Concrete Goods
Shelly Willis, Executive Director	Family Education and Support Services	Washington's social safety net; WFTC
Marisol Tapia Hopper, Director	Workforce Development Council, Seattle-King County	Guaranteed basic income
Venus Dean-Bullinger, Director	United Way of Pierce County	Growing Resilience in Tacoma (GRIT) guaranteed income pilot
Jim Bialick, Principal	Pine Lake Policy Group	The Nest guaranteed income pilot

Interviewee(s), Title	Organization	Program, Initiative, or Policy Topic
Whitney Klein, Program Coordinator; Katie Koontz, Program Coordinator	Department of Revenue	WFTC
Mia Gregerson, Representative	Washington House of Representatives	Washington's social safety net
Liz Berry, Representative	Washington House of Representatives	Guaranteed basic income

Rapid Content Analysis

We used rapid content analysis to identify and incorporate key themes and insights from experts' interviews that aligned with our evaluative criteria (Nevedal et al, 2021). This iterative approach to data collection, cleaning, and analysis also facilitated the snowball sampling approach to expert identification and recruitment.

A coding matrix was developed *a priori* based on the established policy analysis framework, including the evaluative criteria discussed above and the semi-structured interview protocols. For each interview, notetakers cleaned their notes, referencing the audio recording and transcript as needed, and completed a coding matrix within one business day of the interview. To ensure rigor and validity, the first four interviews (two per interviewer team) were double coded by both the notetaker and the lead interviewer. Afterwards, the two analysts met to discuss and resolve any discrepancies in their coding of the interview and to establish consensus for future interviews. The remaining interviews were coded by the notetaker and reviewed by the lead interviewer.

Appendix B. Research Brief: Literature Review

Background

Although the United States is the wealthiest nation in history, it has long been plagued by persistently high rates of child poverty relative to its peers. In Washington, nearly one in eight children live in poverty. These disparities are compounded by significant racial inequalities with Black and Hispanic children experiencing poverty rates of 17.8 percent and 19.5 percent respectively, compared to 7.2 percent for non-Hispanic white children. Across the state, 44 percent of Native American and 36 percent of Native Hawaiian and Pacific Islander households are experiencing income inadequacy.

There is overwhelming evidence that poverty in childhood has negative impacts on children across nearly every domain. This includes, but isn't limited to, children's brain development, birth weight, school readiness, and physical and mental health in childhood and throughout adulthood. Meanwhile, investments in childhood economic security have substantial societal returns on investments. Children who have benefited from early investments in their wellbeing become adults with better health outcomes, higher educational attainment, reduced benefits utilization, and increased workforce participation. Early intervention to alleviate poverty can save taxpayers billions annually.

There are many proposed policy methods to reduce child poverty and material hardship. The Washington Child Benefits Feasibility Study is an effort to explore and understand possible additions or reforms to child benefit policies in Washington state to better address child poverty. This study was launched in response to the passage of the 2023-2025 Operating Budget which set aside funding to conduct feasibility analyses and submit the studies to the governor and the legislature. The goals of the project were to provide legislators with information and recommendations on fruitful avenues of policy reform and identify areas where further research is warranted.

This study focused on four policy areas the Washington legislature is particularly interested in. The first two policies are targeted specifically towards child wellbeing: Universal Child Allowances and (universal) Baby Box programs. We also investigated two sets of policies that may target a broader population, including a review of the current landscape of cash or near-cash benefits for nonworkers and Social Wealth Funds.

As the first part of this study, per our study proviso, we conducted a Literature Review to gather an understanding of the existing literature on each of the four policy areas. We carried out a scan of the literature, including peer reviewed articles and grey literature, including research reports, journalism, and governmental and programmatic websites, and developed key search terms. We then compiled information on each policy area across five key criteria: a) the implementation of the policies, b) the operations including funding structures and cost, c) the political feasibility and barriers, d) the effectiveness or evidence of the outcomes, and e) the equity, including distributional reach or impact.

The Literature Review served as the foundation for the forthcoming products from the study. Taken together, the products provide a picture of the feasibility of implementing each of the four policy options outlined by the Washington legislature and can inform future policy priorities and decision making.

This brief provides a high-level summary of the Literature Review, organized into four sections, one for each set of policies.

Cash and Near Cash Benefits

Overview: Cash and near-cash benefits includes an array of direct cash assistance programs as well as vouchers that can be used like cash for a restricted set of expenditures.

Summary of Existing Programs

- The largest cash benefit program in the U.S is the Earned Income Tax Credit (EITC), which provides relief to working individuals and families with low to moderate incomes. Other cash benefit programs include Temporary Assistance to Needy Families (TANF) or State Family Assistance in Washington. These are work-conditioned programs that aid families with children experiencing poverty. In Washington state, the Pregnant Women Assistance program provides cash benefits to pregnant individuals in need.
- Near-cash benefit programs include the Supplemental Nutritional Assistance Program (SNAP) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which provides nutrition assistance to individuals and families with low incomes. Other near-cash benefits are vouchers, such as the Housing Choice Voucher or the Washington Housing and Essential Needs Referral program, providing rental assistance to individuals and families with low incomes. Additionally, families can receive support with childcare expenses through childcare subsidy programs like Washington's Working Connections Child Care and Seasonal Childcare.

Equity Considerations

- Time limits, low benefit levels, and severe sanctions disproportionately affect Black and Latine families, limiting their access to cash benefits.
- Work requirements deter many eligible families from applying.

Political Feasibility

- Cash and near-cash benefits have historically been politically controversial.
- Work-conditioned and restrictive programs are more politically feasible, though less effective.

Cost

- Work-conditioned cash benefits programs are more costly to run due to higher administrative costs.
- Universal programs can have higher total cost but lower per person cost than means-tested cash programs.

Impact

- Cash and near-cash benefits reduce material hardships, food insufficiency, and poverty, with many studies showing positive long-term effects when these programs are accessed in childhood.
- Generous, unrestricted, and universal benefits are linked to better family wellbeing and outcomes.

Recommendations from the literature

- Since benefits cliffs generate confusion for recipients, can lead to sudden unexpected loss of vital aid, and appear to punish benefit recipients for working, scholars suggest a gradual rather than sudden reduction in benefits as income increases.
- Because work requirements often lead to increased program exits without increasing employment, they can also lead to increased poverty and material hardship, in addition to creating an administrative burden for case workers who must track and enforce requirements.
- Advocates may recommend means-testing to allow greater aid to economically disadvantaged households. However, means-testing imposes costs on program recipients and administrators and may prevent economically disadvantaged households from accessing aid.

Conclusions

Cash and near-cash benefits in the U.S. aim to prevent deep poverty, mainly supporting the elderly, disabled, and families with dependent children, while offering limited help to "able-bodied adults without dependent children." While cash and near-cash benefits provide critical support, debate continues over how to best structure these programs and the consequences of design choices like means-testing and work conditioning.

Child Allowances

Overview: A child allowance is a social safety net program that provides eligible parents and guardians with unconditional cash to aid in childrearing.

Summary of Existing Programs

- In the U.S., child allowances are primarily provided through tax credits. The federal Child Tax Credit (CTC) offers up to $2,000 per child under age 17 for tax filers earning at least $2,500. Some states also offer their own CTCs, with varying benefit amounts, eligibility criteria, and funding structures.
- In 2021, the American Rescue Plan Act (ARPA) made the federal CTC 100 percent refundable, increased the maximum credit amount, and changed the disbursement to allow for monthly advance payments, causing a historic reduction in child poverty.
- Some politicians have proposed a universal child allowance administered by the Social Security Administration (SSA), providing an automatic benefit sent to families yearly without the need for applications or tax filings.

Equity Considerations

- Allowing families to use Individual Taxpayer Identification Numbers to file for the CTC expands eligibility to those without social security numbers.
- Progressive CTCs provide the highest benefits to families with low or no incomes.

Political Feasibility

- The expanded ARPA CTC expired due to political debate over its unconditional nature, costs, and funding mechanism, despite calls for permanency.
- Other federal child allowance proposals, such as an SSA-administered benefit, lacked political support.

Cost

- State child allowances are funded through various sources, including income taxes, oil and gas revenues, and combining public and private dollars.
- Proposed funding for a federal child allowance includes removing specific tax deductions and consolidating programs such as TANF and SNAP.

Impact

- Strong evidence links child allowances to improved family wellbeing and economic outcomes, including better child health and increased parental employment, earnings, and better physical and mental health.
- The expanded ARPA CTC reduced child poverty from 9.7 percent to a historic low of 5.2 percent. Due to expanded eligibility and targeted outreach, Black and Latine child poverty rates each decreased by 6.3 percentage points.

Recommendations from the literature

- The first five years of life are a crucial period for child development, so this age range is an effective way to target a child allowance program.
- Although families prefer monthly child allowance payments as opposed to lump sum payments, monthly payments require more effort to administer to all eligible families and the frequency of payments can negatively impact other benefits that families may be receiving.
- Tax credits can offer a “safe” way to provide a child allowance, as they are typically excluded from benefit means-tests.

Conclusions

Although child allowance programs are relatively common outside of the United States, they represent a marked shift in approach to safety net policies in the United States post Personal Responsibility and Work Opportunity Act (PRWORA). Families use child allowances for various needs, such as food, utilities, and childcare, which directly contribute to a positive household environment and healthy child development. Unlike other safety net programs, child allowances have no prescribed use, are not tied to work, and universal allowances are automatically sent to families each year without requiring an application or tax filing.

Baby Boxes

Overview: A baby box is a box given to new parents, typically constructed out of cardboard, containing infant care items, such as clothing, blankets, towels, bibs, diapers, toys, or nursing pads, as well as a mattress.

Summary of Existing Programs

- Finland and Scotland are the only countries with universal baby box programs. In 2021, the Finnish baby box contained 50 items valued at about $414 USD. Scotland's program provides similar supplies and educational resources.
- Wales rolled out a universal baby box pilot initiative in 2019, mirroring Scotland and Finland's programs.
- Some baby box programs are box only schemes focusing solely on safe sleep practices and reducing Sudden Infant Death Syndrome (SIDS), while some are supply-only schemes to meet parents' infant care needs.

Equity Considerations

- Universal baby boxes promote equity by reducing stigma around receiving benefits.
- Although baby boxes may not significantly reduce inequalities, parents value the perceived equality of a universal program.

Political Feasibility

- As of 2022, selling cardboard baby boxes for infant sleep is illegal in the U.S. due to safety concerns.
- Some argue baby boxes waste government resources on items that families won't or can't use.

Cost

- Targeted programs can save the government money, by providing resources to the neediest parents.
- Baby boxes may be funded by the government or through partnerships between for-profit companies, healthcare providers, or governments.

Impact

- Baby boxes provide small reductions in risk factors *for* and increases protective factors *against* SIDS, specifically for high-risk groups including Black, Indigenous, or low-income infants.
- Baby boxes increase awareness of and enrollment in government benefits and can encourage mothers to speak with healthcare providers about substance use, postpartum depression, and birth control. Baby boxes can also help increase trust and foster positive views of the government.
- Infant care products in baby boxes allow parents to save money and reduce financial stress.

Recommendations from the literature

- Governments should involve communities when designing baby boxes to ensure cultural relevance to families.
- Conditioning receipt of a baby box on speaking with a healthcare provider may be effective in ensuring that the educational information provided is impactful.
- Providing in-kind investments to families via baby boxes may be more useful to parents than cash vouchers in reducing stress related to knowing which items to purchase and the burden on parents to acquire these items.

Conclusions

Baby boxes can be a cost-effective tool to provide essential infant care supplies, resources, and information to new parents, while encouraging mothers to seek prenatal care and speak with their doctors and reducing financial stressors associated with newborns. However, their effectiveness depends on both the quality and quantity of items included in the box.

Social Wealth Funds

Overview: A social wealth fund (SWF) is not a benefits policy, but an investment vehicle that holds—and generates—public funds through a public entity to help finance public goods and services.

Summary of Existing Programs

- Between 2005 and 2012, more than 32 social wealth funds were established worldwide – many as a mechanism to promote fairness between generations by addressing wealth inequality and maintaining social benefits. In the United States, SWFs are primarily used to supplement funding for public education systems.
- Other purposes of United States SWFs include funding public safety programs (Alabama Trust Fund), stimulating economic growth (North Dakota Legacy Fund), promoting public health research (Oklahoma Tobacco Settlement Endowment Trust), growing capital for future generations, (New Mexico's State Investment Council), and funding a universal basic income (Alaska Permanent Fund).
- The Alaska Permanent Fund (APF) is the United States' most successful SWF with over $70 billion in assets. A portion of this return is reinvested into the fund for inflation-proofing, while the rest is paid out as dividends to Alaskans.

Equity Considerations

- While much has been written on the philosophy of SWFs, little has been studied on how to effectively design SWFs to advance equity.
- SWFs can promote intergenerational equity by storing and investing present capital for future generations.

Political Feasibility

- SWFs often require public vote for their formation and objectives.
- SWFs continue to face political controversy due to misuse of funds, political capture, or poor risk management.

Cost

- SWFs are significant financial investments, typically funded by profitable, established industries.
- Funding sources can include levies on capital, resource extraction, proceeds from civil and criminal fines, asset transfers, or fees from unclaimed property.

Impact

- Despite research gaps on SWFs, many studies highlight the impact of the APF on the wellbeing of Alaskan families, including reducing contact with Child Protective Services and increasing uptake of part-time work.
- Transparency and input from the public, adequate funding, and time for funds to appreciate are necessary for the success of SWF.

Recommendations from the literature

- Researchers recommend the creation of more publicly available data to study the impact of SWFs and a legal and institutional framework to help standardize accountability and operational integrity.
- To obtain political support, states should ensure the SWF provides benefits broadly, especially for SWFs funded by publicly owned assets. Ensuring SWFs meet pre-determined goals with community input and transparency are key to ensuring that a SWF is equitable.
- The creation of a legal and institutional framework could help with standardized accountability and operational integrity of SWFs.

Conclusions

SWFs can serve many purposes for local and state governments, such as reducing income and wealth inequality, maintaining or creating a source of funding for programming, preserving wealth for future generations while working towards intergenerational and distributional justice, providing public wealth management for assets, or creating a path for services/supports to be more accessible to families.

Appendix C. Research Brief: Summary of Current and Innovative National and International Practices

Background

Although the United States is the wealthiest nation in history, it has long been plagued by persistently high rates of child poverty relative to its peers. In Washington, nearly one in eight children live in poverty. These disparities are compounded by significant racial inequalities with Black and Hispanic children experiencing poverty rates of 17.8 percent and 19.5 percent respectively, compared to 7.2 percent for non-Hispanic white children. Across the state, 44 percent of Native American and 36 percent of Native Hawaiian and Pacific Islander households are experiencing income inadequacy.

There is overwhelming evidence that poverty in childhood has negative impacts on children across nearly every domain. This includes, but isn't limited to, children's brain development, birth weight, school readiness, and physical and mental health in childhood and throughout adulthood. Meanwhile, investments in childhood economic security have substantial societal returns on investments. Children who have benefited from early investments in their wellbeing become adults with better health outcomes, higher educational attainment, reduced benefits utilization, and increased workforce participation. Early intervention to alleviate poverty can save taxpayers billions annually.

There are many proposed policy methods to reduce child poverty and material hardship. The Washington Child Benefits Feasibility Study is an effort to explore and understand possible additions or reforms to child benefit policies in Washington state to better address child poverty. The study was launched in response to the passage of the 2023-2025 Operating Budget which set aside funding to conduct feasibility analyses and submit the studies to the governor and the legislature. The goals of the project were to provide legislators with information and recommendations on fruitful avenues of policy reform and identify areas where further research is warranted.

This study includes a scan of the current safety net of cash and near-cash benefits available for nonworkers and administered at the federal level (referred to as "federally-funded safety net programs" later in this brief). In addition, this report focuses on three alternative policies aimed at reducing child poverty, per our study proviso, that have been implemented nationally and internationally. The first two alternative policies examine different ways of structuring unconditional direct cash benefits provided to parents or guardians of children: (1) child allowances structured via the tax system and (2) child allowances structured via other mechanisms. The final policy alternative is universal baby boxes: boxes of infant-care supplies provided to new parents traditionally including an infant mattress and aiming to financially support families with meeting their baby's basic needs.

The study team carried out an expansive literature review and conducted two rounds of interviews with policy and programmatic experts on policies that address child poverty. This brief provides a high-level summary of our findings from the first round of interviews with national and international experts, including the implementation feasibility, equity considerations, political feasibility, cost, impact and effectiveness of each policy area.

Current Federally Funded Safety Net Programs

Overview: There are multiple cash and near-cash benefits that currently exist for non-workers at the federal level. This brief focuses on federal programs that are most relevant to addressing child poverty, as these represent the "status quo" of safety net policies in place. These programs include the Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), Supplemental Nutrition Assistance Program (SNAP), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and Temporary Assistance for Needy Families (TANF).

Implementation

- Application requirements for programs like WIC, TANF, and SNAP, along with confusing tax filing processes for benefits such as EITC and the CTC, cause **heavy administrative burdens** that **disincentivize uptake**, **increase stigma** around receiving the benefit, and **reduce the effectiveness** of the benefit**.**
- Annual lump sum benefits, like EITC and CTC, enable families to make larger purchases or pay off debts but can still leave families struggling to make ends meet throughout the year due to infrequent distribution. **Equivalent amounts distributed in more frequent installments (i.e. monthly) can counteract this concern.**

Equity Considerations

- **Work-conditioning excludes some of the most vulnerable families** who are unable to work due to health issues or caregiving needs.
- **Complex living arrangements complicate tax filing and eligibility for benefits**, creating equity issues given that these arrangements differ by income and race.

Political Feasibility

- Restrictive and conditioned programs are more politically feasible and popular than direct cash payments, despite being less effective.
- Near-cash programs like EITC and CTC are also favored due to their integration into the tax system and reliance on work requirements.

Cost

- States' flexibility in federal funding programs like TANF allows for important adaptation and innovative programs (i.e. RxKids in Michigan), but can also lead to misuse.
- Programs that target young children, such as WIC, have **larger returns on investments** by preventing higher medical costs in the long run.

Impact

- Both cash and near cash benefits, such as EITC and WIC, **can improve infant health outcomes**. The EITC and SNAP have also been found to **improve long-term outcomes for children.**
- **The use of subjective measures of wellbeing to assess program impacts can be challenging and contentious,** with difficulties in definition and reliability compared to objective measures like employment, and a lack of examples measuring outcomes for federal safety net programs.

Recommendations

- To increase access to benefits, resources and guidance must be provided in multiple languages.
- Consider categorical eligibility to reduce administrative burdens in applications and recertifications.
- Programs embedded in the tax system, like the CTC, can help reduce stigma for participants.

Conclusions

While there remain gaps in our knowledge base on how these programs impact families, the current landscape suggests that existing federally funded safety net programs can be restrictive and burdensome for vulnerable families to navigate. To have a more substantial impact on child poverty, stronger integration and coordination across programs and direct benefit delivery are recommended.

Child Allowances via Tax Credits

Overview: A child allowance is a social safety net program that provides eligible parents and guardians with unconditional cash to aid in childrearing. Enacting a child allowance through the tax code remains a viable way to get cash directly into households.

Implementation

- States such as New Jersey, Minnesota, and Vermont have fully refundable child tax credits (CTC) that provide great case studies as to how these programs can be administered. While each state varies in their benefit amounts, income eligibility, and phase out structures, the programs share certain core elements that provide a blueprint for how policymakers might design their own.
- Vermont and New Jersey modified their phase-out designs to reduce complexity, **avoiding stark benefit cliffs while ensuring easier implementation.** This highlights that simplicity is central to the design of a CTC.
- Disbursing payments as an annual lump sum reduces the burden of administering the program and **avoids interactions with family's eligibility for other benefits.**

Equity Considerations

- Low-income and immigrant families may be **left out of child allowances distributed through the tax code**, but targeted outreach, filing support, and changing requirements to an ITIN instead of SSN would help.
- CTCs should ideally span all of childhood, **but several states including NJ and VT limit these credits to children under 6.** These families are more likely to have low incomes, and younger children are more likely to experience poverty compared to older children.

Political Feasibility

- Having a champion for the CTC was the key to success for each state, **as well as building a coalition of support across government.**
- Messaging for the CTC will likely be state-specific given the local political climate. The focus on early childhood worked well for some states.
- States that pass legislation creating CTCs often **act quickly within windows of political and budgetary opportunity.**

Cost

- When CTCs are distributed via annual lump sums during tax season, administration costs are low; especially when administered through the state's tax code and no changes to distribution are needed.
- Across Vermont, New Jersey, and Minnesota, funding sources for the CTCs varied, including capitalizing on state revenue surplus or balancing the state budget.

Impact

- Across these three states, the CTC policies were implemented within the past two years and do not yet have evidence for long-term outcomes in relation to child poverty. However, there is ample evidence of the effectiveness of cash and child allowances more generally.

Recommendations

- While filing taxes remains a key barrier for CTC access, providing trusted filing support can help mitigate this barrier.
- Effective CTCs should require collaboration across agencies and legislature.
- In designing a CTC, be sure to plan for the future to ensure permanency in key design policies and funding consistency.

Conclusions

CTCs, designed well, can play a crucial role in addressing child poverty by providing cash directly to families once they file their state tax returns and claim the credit. The effectiveness of this credit lies in ensuring that the program is simple to administer and that families receive cash directly, which they can spend to meet their basic needs.

Child Allowances via Other Mechanisms

Overview: There are mechanisms for administering a child allowance other than the tax code. These include casino cash transfer programs, a dividend-paying social wealth fund (SWF), such as the Alaska Permanent Fund Dividend (APFD), and guaranteed income pilots that leverage funding through state TANF funds (RxKids in Michigan) or community block grant funding (GROW in Pennsylvania).

Implementation

- **Laws, charters, and regulations exist to ensure that distributional models meet their objectives**, but also pose **constraints to program designs** and cause **barriers to implementation**. such as limiting the amount families can receive. For example, current statutes limit the benefit amount families can receive and also limit *how* the APFD can send and receive information from recipients.
- A challenge for state-level cash benefits is that they are **taxable by the federal income tax code**. If cash transfers are considered taxable income, as would be the case for programs modeled after the APFD, then they are also counted as income in means-testing for other benefits, which could **negatively impact families' benefits eligibility**.

Equity Considerations

- **Partnerships** with other agencies, community organizations and extended filing timelines can help **improve participant access**.
- Identifying **target populations to improve equitable distribution** is important to consider in the early stages of program design.

Political Feasibility

- Political messaging centered on **supporting the wellbeing of children** works well.
- Elections, shifting politics, and competing agendas can **threaten the sustainability** of funding sources.

Cost

- SWFs, in particular, have **high administrative costs**, when it comes to staffing and other resources needed for implementation.
- **How benefits are distributed**, such as through direct deposit or mailed check, can greatly impact administrative costs.

Impact

- Direct cash to households has demonstrated **improvements to child wellbeing and child poverty** in programs such as casino cash transfers where the **poorest or lowest earning households receive the largest marginal gains**.
- These programs do not seem to decrease parents' participation in the labor market, but they *have* been shown to **decrease spending on drugs and alcohol**.

Recommendations

- Partnering with Public Schools can make initial program enrollment more accessible.
- Funding sources for the program will significantly impact what kinds of expenditures are acceptable.
- Reducing friction in program applications and entry points is important for vulnerable families to be able to access benefits.

Conclusions

Although programs are widely different across scale and targeted population, these programs and pilots provide useful insights on alternative policy mechanisms for addressing child poverty. More research is needed to assess the impacts of cash as an isolated benefit versus cash in combination with other programs to discern policy tradeoffs more accurately. The programs and pilots highlighted here are examples of initiatives that provide cash benefits to families with fewer administrative burdens compared to traditional safety net programs. However, they involve more complex design, political, and cost considerations that need adequate time and resources to address.

Baby Boxes

Overview: **Baby Box programs provide parents with a sturdy box filled with infant care items to help lessen the financial burden of having a newborn.** Note: It is currently illegal to sell previously available cardboard baby boxes as a safe place for infants to sleep in the United States, after a Consumer Product Safety Report was published in 2022.

Implementation

- Programs rely heavily on contractors for **sourcing, supplying, storing, and distributing the boxes.** These partnerships are crucial in handling tasks such as managing registration systems and operational services.
- Most programs **require mothers to meet with their health care provider before they receive the box** to incentivize uptake of pre-natal care and so that they can learn how to properly use the items in the box.

Equity Considerations

- Baby Box programs, like other government benefits, can be made **universal to minimize the stigma** associated with the program.
- Items included in the boxes should be **culturally and locally relevant** to families and their babies. Including parents and community orgs in the design of the box can help advance this consideration.

Political Feasibility

- Message the program as supporting families in their child's development and wellbeing.
- While baby box programs are generally **politically popular**, if you are seeking for the program to be funded by the government, **be prepared to make a stronger case.**
- Baby Boxes can **promote trust** between government and parents.

Cost

- Baby Box programs in the UK are often government funded through an annual recurring block grant. This mechanism, however, creates a **tight and finite financial window.**
- The cost to governments and the value to parents **fluctuate alongside market values** such as the items in the box and the market price of items.

Impact

- Baby Boxes are unlikely to have a substantial impact on child poverty but can **alleviate some financial stress** for parents and help to **level the playing field for families with a newborn.**
- Baby Boxes are associated with three primary impacts: **1) saving parents money on essential care items, 2) educating parents about infant health, and 3) providing general resources and information for new parents.** These impacts tend to be small and are contingent on the quality and quantity of the items included in the box and **the requirement to meet with a midwife or health care provider** prior to receiving the box.

Recommendations

- Consider shipping the boxes directly to individual residences to alleviate burdens in accessing the box.
- Despite the initial intention of baby boxes to be a safe place for infants to sleep, there is limited evidence that this is effective, and Baby Boxes are unlikely to directly reduce sleep-related infant deaths.
- Baby boxes should come with engaging and mandatory educational material for parents.

Conclusions

An ideal Baby Box program is universal, integrated into prenatal care, and connects parents to local resources that promote the health and wellbeing of their newborns. However, these programs are not a solution to child poverty. Instead, consider giving cash or vouchers directly to parents so they have the agency to choose the essential items they need.

Appendix D. Research Brief: Summary of Current Programs and Initiatives in Washington State

Background

Although the United States is the wealthiest nation in history, it has long been plagued by persistently high rates of child poverty relative to its peers. In Washington, nearly one in eight children live in poverty. These disparities are compounded by significant racial inequalities with Black and Hispanic children experiencing poverty rates of 17.8 percent and 19.5 percent respectively, compared to 7.2 percent for non-Hispanic white children. Across the state, 44 percent of Native American and 36 percent of Native Hawaiian and Pacific Islander households are experiencing income inadequacy.

There is overwhelming evidence that poverty in childhood has negative impacts on children across nearly every domain. This includes, but isn't limited to, children's brain development, birth weight, school readiness, and physical and mental health in childhood and throughout adulthood. Meanwhile, investments in childhood economic security have substantial societal returns on investments. Children who have benefited from early investments in their wellbeing become adults with better health outcomes, higher educational attainment, reduced benefits utilization, and increased workforce participation. Early intervention to alleviate poverty can save taxpayers billions annually.

In Washington, several state-wide initiatives are already underway in coalition-building, research, advocacy, and equitable planning activities related to the reduction of child poverty. Washington's Poverty Reduction Work Group (PRWG) developed a 10-year comprehensive plan for reducing poverty and inequality in Washington state. Governor Inslee's Legislative-Executive WorkFirst Poverty Reduction Oversight Task Force (LEWPRO Task Force) also developed a "Five Year Plan to Reduce Intergenerational Poverty and Promote Self-Sufficiency," published in 2019. These efforts come in addition to many legislative bills surrounding child poverty reduction.

The Washington Child Benefits Feasibility Study is an effort to explore and assess possible additions or reforms to child benefit policies in Washington State to better address child poverty. The state legislature's 2023-2025 Operating Budget set aside funding to conduct feasibility analyses to provide information and recommendations on fruitful avenues of policy reform and identify areas where further research is warranted. MEF Associates
(MEF) collaborated with the Department of Children, Youth, Families (DCYF) to compile a list of policies, programs, and initiatives within Washington related to the study's policy areas. We then identified experts and key players who could speak to the design, implementation, successes, and challenges of these initiatives.

This study includes a scan of the existing safety net of cash and near-cash benefits available for nonworkers, specifically those funded and/or administered at the state level. In addition, this report focuses on three alternative policies aimed at reducing child poverty, per our study proviso. The first two policy alternatives target existing programs that structure direct cash benefits in a way that could support parents or guardians of children: (1) family supports via the tax system, and (2) direct cash transfers via other mechanisms. The final policy alternative encompasses baby boxes and other concrete goods programs.

The study team carried out an expansive literature review and conducted two rounds of interviews with policy and programmatic experts on policies that address child poverty. This brief provides a high-level summary of our findings from the second round of interviews with Washington experts, including Washington policy context, the landscape of players, and relevant programs or initiatives under each policy area.

The Existing Safety Net

Overview: The existing safety net includes various cash and near-cash benefits available to non-workers or low-income individuals offered at the federal and state-level. Note: This brief focuses on a selection of programs that are most relevant to addressing child poverty. This does not include short-term earnings replacement insurance programs, disability programs, benefits policies that are not cash or near-cash assistance, or programs that don't serve a role in supporting families with dependent children.

Landscape of Programs

- Washington residents may access several cash assistance programs. Temporary Assistance for Needy Families (TANF) provides temporary, monthly cash to eligible families. Individuals that are ineligible for TANF may be eligible for State Family Assistance (SFA) or Tribal TANF. The Aged, Blind, or Disabled (ABD) Cash, Pregnant Women Assistance (PWA), and Refugee Cash Assistance (RCA) programs provide cash assistance to low-income individuals who are age 65 or older, blind, determined likely to meet Supplemental Security Income disability criteria, pregnant, or eligible refugees. Lastly, the Diversion Cash Assistance (DCA) program provides alternative assistance for families who have a short-term need and do not wish to receive TANF.
- Food assistance programs include Washington's Basic Food program, which covers both the federal Supplemental Nutrition Assistance Program (SNAP) and the Food Assistance Program (FAP), and the Food Distribution Program on Indian Reservations (FDPIR), which provides USDA foods to eligible households living on or near Indian reservations. Student meal supports include the National School Lunch Program (NSLP) and School Breakfast Program (SBP) and SUN Bucks, which intends to fill the food security gap in summer months.
- The Housing and Essential Needs (HEN) program provides limited rent and utility assistance, move-in costs, and transportation assistance for those unable to work at least 90 days due to physical and/or mental incapacity.
- Utility assistance programs include Additional Requirements for Emergent Needs (AREN), the Low-Income Energy Assistance Program (LIHEAP), the State Home Energy Assistance Program (SHEAP), and the Consolidated Emergency Assistance Program (CEAP). Local programs include the Utility Discount Program and the Energy Assistance Program, while utility companies may also offer additional assistance programs.

Successes

- In 2022, the legislature created the Diaper Related Payments (DRP) program to offset the costs of diapers and essential needs for early development.
- 2024 saw several expansions to TANF programming, including time-limit extensions and the TANF child support pass through program.
- Recent expansions to school meal programs include the federal Community Eligibility Provision, allowing schools to serve free meals to all students if at least 25% of the students are eligible for free meals, and Washington's House Bill 1238, which mandates that elementary schools provide free meals to all students if at least 40% of the students are eligible for free meals.

Challenges

- Washington's safety net falls short of meeting families' basic needs, as many families still face barriers to financial stability due to a high cost of living and difficulties accessing safety net programs.
- Fragmented program design and delivery, limited infrastructure for information sharing and a lack of collaboration among agencies are key challenges to the current safety net.
- The absence of a consistent tax system and revenue stream is a significant barrier to implementing policies that alleviate poverty.

Recommendations

- Policies and programs should focus on reducing child poverty through a multi-generational approach that target the root causes of poverty.
- Allowances for families complement existing benefits, ensuring long-term returns on investments and reducing the impact of the "benefit cliff".
- Programs should be federally funded due to limited state funding.

Family Supports via the Tax Code

Overview: Child allowances, such as the Earned Income Tax Credit (EITC), provide cash directly to families with children through the tax code. Washington, though lacking a child tax credit, recently established the Working Families Tax Credit (WFTC), a state version of the federal EITC, to support low-income families.

Landscape of Programs

- In 2023, Washington implemented the WFTC statewide which differs from the federal EITC in two ways: 1) eligible residents may file with an Individual Taxpayer Identification Number (ITIN), allowing those without an SSN, including my immigrant workers, to benefit, and 2) it does not have a phase-in rate, allowing all applicants with at least a dollar of income to benefit.
- The WFTC varies based on a household's number of qualifying children and income level. The maximum credit amount ranges from $315 to $1,255 and the minimum credit amount is never less than $50, as published in the DOR WFTC Eligibility Requirements.
- The WFTC is administered through the Department of Revenue (DOR) and funded by the Washington State legislature.

Successes

- The WFTC had a successful first year, with about 48% of eligible households claiming the credit.
- Washington residents found the WFTC application process straightforward and the outreach methods effective, learning about the WFTC through social media and community organizations.
- Strong and wide-ranging partnerships were a key factor in implementation success. Partnerships include the WFTC coalition, which is a community group including economic and racial justice organizations, labor unions, and direct service providers. The DOR also established a network of partners through the Community Outreach Grants, which includes 27 grantees. These partnerships helped the DOR develop an extensive advisory committee of community members and conduct outreach at community events. Collaborations with trusted organizations embedded in communities were imperative to increase uptake.
- Washington's success with the design and implementation of the WFTC demonstrates the state's potential to implement additional tax credits.

Challenges and Gaps

- A major challenge in implementing the WFTC was building trust and effectively reaching families who were unaware of the credit, lacked materials in their language, or didn't know they were eligible.
- Challenges in building the WFTC from scratch included hiring and training staff and establishing systems and processes for verification and administering taxes.
- The credit's name ("working") created confusion around eligibility requirements and discouraged some eligible families from applying.
- The amount of information required in the credit application led to mistrust in some communities, particularly among those with legal challenges, kinship families, and non-English speakers.

Recommendations

- Efforts are underway to extend the tax credit to childless workers ages 18 to 65 and increase the benefit amount. Some experts recommend providing recurring payments instead of lump sums.
- Experts recommend that the DOR WFTC team establish its own data system, promote data sharing across agencies, and simplify the application to improve implementation.
- Other experts recommend the DOR partner with community-based organizations serving Medicaid recipients, kinship families, and those recently released from jail to increase uptake.

Cash Transfer Initiatives

Overview: New and innovative cash transfer initiatives include any state or local initiatives and pilot programs with a cash transfer component for low-income families, such as local guaranteed income pilots as well as the Economic Security for All initiative.

Landscape of Programs

- The Economic Security for All (EcSA) Incentives program was developed to provide a more human-centered approach to poverty reduction. In its first iteration, $5.9 million was awarded to support the local development, implementation, and testing of innovative pilot models and to coordinate agencies, providers, and funding sources to streamline access to benefits and create a coordinated poverty reduction system. During the initial EcSA pilot phase, the Workforce Development Council of Seattle-King County launched a guaranteed income pilot program to provide $500 monthly payments for 10 months to 102 individuals affected by poverty.
- Washington has had several guaranteed income pilots, all of which tend to be small in participant coverage, place-based, and short-term. Growing Resilience in Tacoma (GRIT), is a guaranteed income initiative in Tacoma focused on improving the lives of "Asset Limited, Income Constrained while Employed" families. The Nest, the largest and longest guaranteed basic income program in the state, focuses on pregnant Indigenous women and their child's first 1,000 days of life. Other pilots included the King County Guaranteed Basic Income (GBI) pilot program, the Olympic Community Actions Program (OlyCAP), and the Lavender Rights Project.
- The Evergreen Basic Income Pilot, a proposed initiative to support 7,500 people statewide, will target priority populations facing barriers to safety net access. The pilot legislation is still being finalized for submission next legislative session with plans to scale down the pilot size, but drew heavily from the DSHS Basic Income Feasibility Study.

Successes

- In 2022, the Washington State Legislature set aside 200 million dollars to create the Community Reinvestment Fund (CRF). The CRF included 10 million dollars dedicated to the Career Accelerator Incentives Fund, which provided financial support payments of $1,000 per month to EcSA participants for meaningful progress made on their career plans.
- A report from one EcSA initiative found that payments paired with wraparound supports had the largest impact on recipients, especially those in deep poverty experiencing additional barriers and compounding issues.
- Due to the promising successes of EcSA programs, the state legislature passed a new law that codified EcSA and made it an ongoing program, which will promote its expansion and preservation.
- Partnerships and collaboration with tribal authorities were key to cash transfer initiative success in making sure the pilot indicators reflect how the resources were being used by the community.

Challenges and Gaps

- Although cash transfer programs are not designed to be punitive, participants risk losing TANF or other benefits if they receive extra cash, deterring them from enrolling or opting in these programs.
- Programs face challenges in communicating with target populations and building trust with the community, as well as designing payment mechanisms for those without bank accounts.
- Administrative challenges such as balancing funding for personnel, translation services, and wraparound services pose a barrier to implementing cash transfer pilots, which can be costly and difficult to fund.

Recommendations

- Public-private partnerships should be leveraged to fund cash transfer initiatives, and to support implementation to scale them up.
- Cash transfers during pregnancy, expanded child tax credits, and paid leave, combined with wraparound services, are most effective in reducing child poverty.
- Cash transfer initiatives must ensure benefits protection, enable self-attestation of eligibility to reduce bureaucracy and build trust, and offer flexible disbursement options.

Baby Boxes & Other Concrete Goods

Overview: A baby box is a box given to new parents, typically constructed out of cardboard, that contains many infant care items, such as clothing, blankets, towels, bibs, diapers, toys, or nursing pads. Other concrete goods programs for new parents aim to reduce the financial burden of childrearing by providing some of the items that are needed, such as diapers, school supplies, car seats, or direct payments to cover housing, transportation, or childcare costs.

Landscape of Programs

- While Washington lacks a universal statewide program offering baby boxes or concrete goods to parents, several programs provide concrete goods to families with young children.
- DCYF funds partner organizations to distribute concrete goods. This funding supports a variety of populations: families with child welfare involvement, contracted in-home service providers, and prevention programs. DCYF also provides items through child welfare services, allowing case workers to purchase necessities for clients. DYCF implements this concrete goods programming through their contracted combined in-home service (CIHS) providers.
- Local community-based organizations offer small scale concrete goods programs. Specifically, tribal organizations may provide culturally relevant items, such as children's books in native languages or drums.
- Family Resource Centers (FRCs), such as Family Education and Support Services (FESS), are critical to successfully implementing concrete goods programs, as they have low barriers to entry, are deeply connected to the communities they serve, and are responsive to community needs.
- Washington offers several diaper-related programs to ease the financial burden on parents, including diaper bank grants, the Diaper Distribution Demonstration and Research Pilot, and Diaper Related Payments, which increase TANF/SFA cash benefits to help cover diaper costs.

Successes

- Since the COVID-19 pandemic, concrete goods programs in Washington have seen a substantial increase in funding and interest due to their ability to build trust with families and increase families' participation in other programs.
- The Washington State Legislature appropriated $5 million to Commerce in fiscal year 2023 to strengthen FRC services and increase capacity statewide. Some of this funding has supported the establishment of the Washington Family Support Network for FRCs.

Challenges and Gaps

- DCYF concrete goods programs face several implementation challenges, such as not working directly with families, requiring providers to pay upfront and seek reimbursement, and struggling to manage application volumes. Post-pandemic, many community organizations essential to implementing concrete goods programs closed, reduced services, or stopped collaborating, presenting a challenge in referring families to services.
- Concrete goods programs struggle to find sufficient and sustainable funding streams.

Recommendations

- Concrete goods programs should be tailored to families' specific needs, but this creates an implementation challenge in meeting the diverse needs of all families.
- Concrete goods programs are most effective when distributed by trusted intermediaries, like community organizations, which help families access additional services and strengthen community ties. Experts recommend more strategic and effective communication and collaboration among organizations providing concrete goods to allow for better resource allocation and to braid funding.
- A concrete goods pilot program would be an effective way to generate evidence and lessons learned and determine how to be most responsive to families' needs.

Appendix E: Overview of Social Wealth Funds

The legislative proviso guiding this study included a mandate to conduct a “feasibility study of social wealth funds for Washington state.” After discussions with the client, we narrowed the scope to focus on Alaska’s use of a social wealth fund to pay its residents an annual cash dividend and included this program in our feasibility analysis of a basic income child allowance policy. However, we offer additional background and context on social wealth funds in this appendix, for further reference.

A social wealth fund (SWF) is an investment vehicle that holds and generates public funds through a public entity to help finance public goods and services.[1] Put another way, it is a mechanism to redistribute government funds to its citizens, most often when the government has substantial revenues related to the taxation of commercial enterprises. Because a SWF is an investment vehicle and not a benefits policy, this was not included in our main analysis. This appendix provides:

- An overview of SWFs along with design considerations and challenges.
- A case study of the Alaska Permanent Fund, the largest and longest running SWF in the U.S.
- A concluding summary of considerations for a SWF for Washington.

Introduction to SWFs

Researchers and policymakers often use the term “social wealth fund” interchangeably with many other terms, including: sovereign wealth fund, public wealth fund, stabilization fund, permanent wealth fund, urban land trust, or citizen wealth fund. We use the term “social wealth fund” to describe a publicly owned fund that uses its money and assets for social benefits such as providing a universal basic income (UBI) or investing in public school systems. Exhibit E.1 summarizes how a SWF would work if its primary purpose were to distribute a UBI directly to families.

Exhibit E.1: Operating a SWF for a UBI

A fund is first capitalized through various funding sources such as extraction revenue, taxes and fees, or asset transfers.

The fund will make investments into a diverse portfolio to earn dividends. Investment strategies are made by a managing board with guidance from an established charter or State Constitution.

The dividends are distributed in alignment with the objectives of the fund. Examples may include spending on public education or giving money directly to families through a UBI program.

Internationally, state and local governments have used SWFs for many purposes, including:

- Reducing income and wealth inequality.
- Maintaining or creating a source of funding for new or existing programs.
- Preserving wealth for future generations, working towards intergenerational justice.
- Providing public wealth management for assets such as land, infrastructure, or utilities.[2]

In the U.S., SWFs were similarly created with various social and financial objectives. We identified six state-based SWFs that fund social benefits, such as supplementing public education systems, investing in public health research and initiatives, and stimulating economic growth through investments in commerce and entrepreneurship. Exhibit E.2 below provides a summary of these funds, including their revenue distribution and current assets. This list is non-exhaustive, and we provide a full list of the country's operating SWFs and their management details in an interim report.[m]

Exhibit E.2: Examples of SWFs in the United States

Legal Name of Investment Vehicle	Assets as of 2023	Major Source of Funding	Examples of How Fund is Used
Alaska Permanent Fund Corporation Est. 1976	$77,381,000,000	Oil & Gas Revenues	Permanent Fund Dividend Program (UBI)
Idaho Endowment Fund Investment Board Est. 1969	$2,998,897,143	The sale of land, timber sales, land rentals, cottage site rentals, grazing rentals and mineral extraction from endowment lands.	When Idaho became a state, U.S Congress endowed certain lands to be used to generate income for educational and other important purposes.
Louisiana Education Quality Trust Fund Est. 1986	$1,502,650,000	Natural Gas Revenues	Educational enrichment programs
New Mexico State Investment Council Est. 1958	$43,142,349,957	Land and associated minerals and natural resources.	Manages the Land Grant Permanent Fund to provide a benefit to schools, early childcare, universities, and the Early Childhood Education & Care Fund.
North Dakota Legacy Fund Est. 2010	$8,998,684,836	Oil & Gas Revenues	Promote economic growth through commerce and entrepreneurship.
Oklahoma Tobacco Settlement Endowment Trust Est. 2001	$1,778,584,583	National Settlement from a Big Tobacco lawsuit (an annual payment from the tobacco industry as long as cigarettes are sold nationally).	Cancer & cardiovascular prevention- public health initiatives and research

Design Considerations & Challenges for Building a SWF

Historically, SWFs have struggled to ensure transparency and accountability. They often face controversy due to fund misuse, political capture, or poor risk management.[1] Researchers have

[m] To request a copy of the interim reports, please contact DCYF Office of Innovation, Alignment, & Accountability: (OIAA@dcyf.wa.gov) and MEF Project Director: Michele Abbott (michele.abbott@mefassociates.com).

identified strategies to avoid these issues, and below, we summarize these strategies along with key design considerations for building a SWF.

Funding & Risk Management

SWFs require a substantial initial financial investment to build a consistent revenue source. This investment can be funded through various methods, including lump sum contributions, fees, asset transfers, bonds, levies on capital, voluntary contributions, and leveraged purchases. Resource extraction, particularly in sectors like mining, timber, and oil, is the most common funding method, especially in economies with these industries. However, this approach is often seen as contradictory to the long-term philosophy of a SWF.[2] Creating a fund that is dependent on unsustainable practices that are harmful to the environment can be seen as reductive to communities, especially given the finite nature of these resources.[2] Asset transfers, such as public infrastructure, land, ports, or utilities, can also fund an SWF.[3] Economists emphasize the importance of managing these public assets for the long-term success of both SWFs and the broader economy.[4, 3, 5] Additionally, SWFs that concentrate their funds in a few sectors rather than prioritizing a diversified portfolio can risk impacting the health and longevity of a fund's investments.[1]

While there is no set standard for SWF seed amounts, one proposal for building a citizen wealth fund in the UK suggests allowing funds to grow for at least 10 years before making disbursements, particularly for UBI programs, to preserve the principal. This implies that a SWF may require a period of diverting funds from current expenditures to support future ones or by establishing a new revenue stream altogether.

Lastly, SWFs need liquidity. Liquidity refers to how easily an asset can be converted into cash, which is important for SWFs aiming to generate returns for public good. SWFs typically focus on long-term diversification, with cash generated recommended for this purpose rather than immediate spending.[3] For SWFs funded through asset transfers, this is especially relevant.[2] If an SWF is meant to fund public agencies or provide a UBI in the short term, a direct revenue stream, such as extractive royalties, is recommended.[2]

Oversight & Governance Structures

It is very important to establish SWFs' purpose, structure, and management from the outset to ensure long-term objectives and prevent short-term use of reserves. A clearly defined purpose establishes the SWF's administrative, operational, and financing model.[2] For example, if the goal is to fund a UBI or public schools, the SWF should adopt a fiduciary model (a framework that specifies the legal or ethical obligations to act in the best interest of others) focused on public benefit, not private interests.[6] This fiduciary model should also outline how earnings are dispersed and how funds are deposited into the fund itself.

Transparency is a necessary requirement for the success of a SWF and the managing board can be crucial in ensuring the transparency and credibility of a SWF.[7, 1, 6, 5] Managing boards usually set the investment policies of SWF and have a very narrow and focused goal of maximizing the financial earnings of the fund.[8] Experts recommend making intentional and equitable decisions in building a managing board, including community representation and social policy experts. SWFs should publicly disclose details on investment strategies, decision-making, and performance.[9] Common disclosures include annual reports, investment policies, audits, board minutes, and biographies of managing members. A charter outlining the SWF's objectives is also essential to ensure it meets community needs, considering the fund's unique limitations and risks.[2]

The Role of Politics

Politics is inextricably linked with SWFs. For many SWFs, their existence is predicated on the fact that the public voted both for their formation and on their objectives. One significant way that states can obtain public support is by ensuring that the SWF provides broad benefits rather than narrowly targeting a specific population. This is especially true for SWFs that derive their revenue from publicly owned assets and are meant to benefit as many people as possible.[2]

There remain considerable gaps in SWF research. While much has been written about the philosophy and objectives of SWF and how they can benefit the public good, there is little documentation on standards of practice within the SWF industry (likely due to extreme heterogeneity among existing SWFs), or how to effectively design SWF to advance equity. To fill this gap, researchers have argued for more publicly available data and methodologies to study the impact of SWF and have advocated for a legal and institutional framework to help standardized accountability and operational integrity.[10]

Case Study: The Alaska Permanent Fund

Alaska has the United States' longest running and largest SWF. The Alaska Permanent Fund Corporation (APFC) was established to manage the assets of the Alaska Permanent Fund (APF). Currently, the APFC has over $70 billion in assets, which are invested in a diversified portfolio of real estate, stocks, bonds, and other ventures. The APF was created by Alaskans in 1976 who voted to amend the state's constitution, whereby 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, revenue sharing payments and bonuses are placed into a fund to generate income that flows into the general fund.

The APF was given a specific goal to secure the economic futures for generations of Alaskans to come, to provide cash for the dividend program, and, since 2019, to fund a portion of the state's essential services. [11] The APFD program began paying dividends to Alaskan citizens in 1982. Additionally, when the Alaska Permanent Fund is operating normally, a portion of its investment return is reinvested into the fund for inflation-proofing purposes. The rest of the return is transferred to the Alaska Department of Revenue to pay out the dividend to Alaskans. In this way, the dividend is a distribution of earnings from an asset owned by each Alaskan. Experts have noted that this supports the political framing of receiving the dividend as a right and not a government assistance program. Dividend amounts paid to residents vary by year, as shown in Exhibit E.3. In 2024, every Alaskan was eligible to receive a $1,702 dividend.

Exhibit E.3: Summary of APFD Applications & Payments (2019-2023)

Year	State Population	Applications Received	Applications Paid	Dividend Amount per Alaskan	Total Disbursed Amount
2023	733,406	673,366	624,354	$1,312	$819,152,448
2022	733,583	665,764	625,912	$3,284	$2,055,495,008
2021	732,670	674,454	636,895	$1,114	$709,501,030

2020	728,903	673,371	630,937	$992	$625,889,504
2019	732,734	678,738	633,243	$1,606	$1,016,988,258

Source: https://pfd.alaska.gov/Division-Info/summary-of-dividend-applications-payments [12]

Ensuring that SWFs meet the pre-determined objective with stakeholder input and transparency is key to ensuring that a SWF is equitable. [4] Given that many SWFs are used to sustain annual or biennial funding for social programs such as public education or to provide UBI, designing an equitable SWF is crucial. Substantial research underscores the positive impact of the APFD on the wellbeing of Alaskans. Existing studies show that receiving the dividend was associated with a lower likelihood of Alaskan children being involved with CPS.[13] Additionally, it has been linked to an increase in part-time work participation, without affecting the state's overall employment rates.[14]

APFD Lessons Learned

- **Method of payment distribution drives administrative costs.** Experts shared how an internal study estimated that the Division was spending less than a penny for each direct deposit and over a hundred dollars for each paper check they mailed.
- **Accessible applications or entry points are necessary to ensure the most vulnerable families receive benefits**. Alaskans can use an online portal that prepopulates answers from the previous year, saving time. An automated system flags applications for further review, though most are eligible. Given that administrative staff lacks the capacity to follow up on everyone, it does not fact-check information on every single application unless there is a flag.
- **Laws, charters, and regulations should be written with enough flexibility to adapt to future contexts**. The APFC is unable to make any implementation changes without legislative approval. Because of this, it can be challenging to meet the diverse needs of an entire state while also adhering to the funds' statutes.
- **Partnerships with community organizations and extended filing timelines can help improve participant access**. Of the 600K filings each year, roughly 5-10 percent of applicants are paper filers who are not using the online portal. To reach these filers, the state relies on over 300 distribution sites to get paper applications in the hands of 45,000-50,000 Alaskans. The dividend has a 3-month filing period, with an extension for vulnerable groups like foster youth, estates, and disabled adults.
- **SWFs incur substantial administrative costs**. The biggest drivers of administrative costs included annual carryover of outstanding claims, development of staff capacity in implementing statues and regulations, and the number of applications that are flagged for review. New SWFs should invest in staff capacity at the outset of implementation, but expect high staff turnover.
- **Alaskans are given flexibility in how they want to receive their dividend**. Alaskans can receive their dividend as a direct deposit, check, or allocate their dividend to charities, education savings funds, or a raffle.

Considerations for a SWF in Washington

Implementing a SWF in Washington state would face significant feasibility challenges, particularly in identifying an initial financial investment and building the capacity required for successful operation.

Seed Funding

First, a substantial amount of seed funding would be needed to establish such a fund, and the source of this funding would have to be carefully considered, especially in the context of political considerations. Legislative support and budget decisions would significantly influence the fund's success. One expert said that one possible pathway for Washington to develop a SWF is through the creation of a wealth tax. Previous budget proposals have included a wealth tax—a 1 percent tax on an individual's wealth above $100 million—which experts estimate would generate $10.3 billion in revenue over four years. However, this and similar proposals do not seem to have much political support.

While not exactly SWFs, experts pointed us to other models—such as casino cash transfers or tax revenues from specific sales like marijuana that are earmarked for specific initiatives—as examples of comparable mechanisms by which States or tribes channel revenue into designated funds to support targeted public programs or direct cash support.

- Casino cash transfers provide cash payments derived from casino profits, administered by some tribal governments and provided to all members of a tribal nation. This policy has been implemented by several tribes, including, notably, the Eastern Band of Cherokee. The Indian Gaming Regulatory Act outlines different use cases for the different types of casino-revenue funds.
- Earmarking tax revenue from specific items such as marijuana sales to fund public services is a model adopted by a few states such as Colorado, where the state's wholesale tax revenue and retail excise tax revenue is dedicated to funding needy public-school facilities, education, health care, and human service programs.[15]
- In Washington, the Department of Commerce administers the Community Reinvestment Fund (CRF). In 2022, the legislature set aside 200 million dollars to create the CRF, designated to address racial, economic, and social disparities created by past drug laws and penalties that disproportionally harmed Black, Latine, and Native American communities. Ten million dollars of CRF was dedicated to the Career Accelerator Incentives Fund, which provides financial support payments of $1,000 per month in incentives to participants of the Economic Security for All workforce development program. These incentives aid participants in achieving employment providing a living wage.

Operational Capacity

Second, the capacity required to develop and manage a SWF would be a critical, but not insurmountable, challenge. A Washington SWF would need to develop a charter that outlines the fund's use, including benefit amount, eligibility requirements, investment plan, and the overall final budget. Policymakers would also need to set up a fiduciary model and managing board right from the start.

SWFs incur substantial administrative costs (as in financial and labor burdens). Experts from the APFD division specifically flagged how costly administrating a SWF can be. The department has experienced high staff turnover due to the pressures and workload involved. Thus, early investment in staffing and infrastructure will be pivotal to the success of any SWF.

A forthcoming report proposes that Washington create an Alaska-style SWF aimed at gradually reducing wealth inequality in the state. This report suggests that such a fund could be administered by the Department of Revenue and capitalized by wealth taxes or capture of natural resource rents.[16]

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