Research Brief: Innovative National and International Practices on Child Poverty

Washington Child Benefits Feasibility Study

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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.

As part of this study, we interviewed national and international experts working on programs and policies to reduce child poverty. This report covered current federally funded safety net programs as well as three alternative policies aimed at reducing child poverty 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 was 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. Interviews focused on the implementation feasibility, equity considerations, political feasibility, cost, impact and effectiveness of each policy area.

This research brief provides a high-level summary of our findings from expert interviews. The brief was originally published as an appendix to the study's final report, "Policy Solutions to Reduce Child Poverty." To request a copy of the Innovative National and International Practices report, please contact DCYF Office of Innovation, Alignment, & Accountability: (OIAA@dcyf.wa.gov) and MEF Project Director: Michele Abbott (michele.abbott@mefassociates.com).

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.