Research Brief: Literature Review of Child Benefit Programs

Washington Child Benefits Feasibility Study

March 2025

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Submitted to

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Contract Number

24-1223

Suggested citation

Abbott, M., Wippick, H., Nuñez, S., Burns, A., Heryadi, K., Morrison, E., and Torres, S. (2025). *Research Brief: Literature Review of Child Benefit Programs.* Washington State Department of Children, Youth, and Families. Arlington, VA: MEF Associates.

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.

The Department of Children, Youth, Families (DCYF) contracted with MEF Associates (MEF) to conduct this study. As the first part of the study, we conducted a review of the existing literature on each of the four policy areas, including peer-reviewed research, journalism, and governmental and programmatic websites. 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 rest of the study, which analyzed the feasibility of the four policy options outlined by the Washington legislature to inform future policy priorities and decision making.

This research brief provides a high-level summary of the Literature Review, organized into four sections, one for each set of policies. 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 full literature review, please contact DCYF Office of Innovation, Alignment, & Accountability: (OIAA@dcyf.wa.gov) and MEF Project Director: Michele Abbott (michele.abbott@mefassociates.com).

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.