Children's Defense Fund

ENDING CHILD POVERTY NOW

CDF MISSION STATEMENT

The Children's Defense Fund Leave No Child Behind® mission is to ensure every child a *Healthy Start*, a *Head Start*, a *Fair Start*, a *Safe Start* and a *Moral Start* in life and successful passage to adulthood with the help of caring families and communities.

CDF provides a strong, effective and independent voice for all the children of America who cannot vote, lobby or speak for themselves. We pay particular attention to the needs of poor children, children of color and those with disabilities. CDF educates the nation about the needs of children and encourages preventive investments before they get sick, drop out of school, get into trouble or suffer family breakdown.

CDF began in 1973 and is a private, nonprofit organization supported by individual donations, foundation, corporate and government grants.

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FOREWORD

A Call to End Child Poverty Now

America is going to hell if we don't use her vast resources to end poverty and make it possible for all of God's children to have the basic necessities of life. — Martin Luther King Jr.

They have become great and rich
they have grown fat and sleek. . . .
they judge not with justice
the cause of their fatherless . . .
and they do not defend the rights of the needy. — Jeremiah 5:27–28

Once to every man and nation comes the moment to decide,
In the strife of Truth with Falsehood for the good or evil side;
Some great Cause, God's New Messiah, offering each the bloom or blight,
Parts the goats upon the left hand, and the sheep upon the right,
And the choice goes by forever 'twixt that darkness and that light. — James Russell Lowell

It is a national moral disgrace that there are 14.7 million poor children and 6.5 million extremely poor children in the United States of America — the world's largest economy. It is also unnecessary, costly and the greatest threat to our future national, economic and military security.

The 14.7 million poor children in our nation exceeds the populations of 12 U.S. states combined: Alaska, Hawaii, Idaho, Maine, Montana, New Hampshire, North Dakota, Rhode Island, South Dakota, Vermont, West Virginia, and Wyoming and is greater than the combined populations of the countries of Sweden and Costa Rica. Our nearly 6.5 million extremely poor children (living below half the poverty line) exceeds the combined populations of Delaware, Montana, New Hampshire, Rhode Island, South Dakota, Vermont and Wyoming and is greater than the populations of Denmark or Finland.

The younger children are the poorer they are during their years of greatest brain development. Every other American baby is non-White and 1 in 2 Black babies is poor, 150 years after slavery was legally abolished.

America's poor children did not ask to be born; did not choose their parents, country, state, neighborhood, race, color, or faith. In fact if they had been born in 33 other industrialized countries they would be less likely to be poor. Among these 35 countries, America ranks 34th in relative child poverty — ahead only of Romania whose economy is 99 percent smaller than ours.

The United Kingdom, which, if it were an American state, would rank just above Mississippi in per capita GDP according to the Washington Post, committed to and succeeded in cutting its child poverty rate by half in 10 years. It is about values and political will. Sadly, politics too often trumps good policy and moral decency and responsibility to the next generation and the nation's future. It is way past time for a critical mass of Americans to confront the hypocrisy of America's pretension to be a fair playing field while almost 15 million children languish in poverty.

This report calls for an end to child poverty in the richest nation on earth with a 60 percent reduction immediately. It shows solutions to ending child poverty in our nation already exist. For the first time this report shows how, by expanding investments in existing policies and programs that work, we can shrink overall child poverty 60 percent, Black child poverty 72 percent, and improve economic circumstances for 97 percent of poor children at a cost of $77.2 billion a year. These policies could be pursued immediately, improving the lives and futures of millions of children and eventually saving taxpayers hundreds of billions of dollars annually.

Child poverty is too expensive to continue. Every year the lost productivity and extra health and crime costs for adults who grew up poor add up to $500 billion — six times more than the $77 billion investment we propose to reduce child poverty by 60 percent. MIT Nobel Laureate economist and 2014 Presidential Medal of Freedom recipient Dr. Robert Solow in his foreword to a 1994 CDF report *Wasting America's Future* presciently wrote: "For many years Americans have allowed child poverty levels to remain astonishingly high … far higher than one would think a rich and ethical society would tolerate. The justification, when one is offered at all, has often been that action is expensive: 'We have more will than wallet.' I suspect that in fact our wallets exceed our will, but in any event this concern for the drain on our resources completely misses the other side of the equation: Inaction has its costs too … As an economist I believe that good things are worth paying for; and that even if curing children's poverty were expensive, it would be hard to think of a better use in the world for money. If society cares about children, it should be willing to spend money on them."

Not only does child poverty cost far more than eliminating it would, we have so many better choices that reflect more just values as well as economic savings. We believe that food, shelter, quality early childhood investments to get every child ready for school and an equitable education for all children should take precedence over massive welfare for the rich and blatantly excessive spending for military weapons that do not work. We cannot let our leaders spend $400 billion, without offsets, to make permanent tax breaks to wealthy corporations and others and then say we cannot afford to ensure every child is housed and fed.

Here are just a few ways we could fund the $77 billion — 2 percent of our national budget — to make a huge down payment on ending preventable, costly and immoral child poverty in our wealthy nation:

- Closing tax loopholes that let U.S. corporations avoid $90 billion in federal income taxes each year by shifting profits to subsidiaries in tax havens.

  or

- Eliminating tax breaks for the wealthy by taxing capital gains and dividends at the same rates as wages, saving more than $84 billion a year.

  or

- Closing 23 tax loopholes in former House Ways and Means Chairman Dave Camp's Tax Reform Act of 2014 which would free up an average of $79.3 billion a year.

  or

- Decreasing 14 percent of the nation's FY2015 $578 billion military budget. The U.S. has less than 5 percent of the world's population but 37 percent of the world's military expenditures.

  or

- Scrapping the F-35 fighter jet program which is several years behind schedule and 68 percent over budget and still not producing fully functional planes. For the $1.5 trillion projected costs of this program, the nation could reduce child poverty by 60 percent for 19 years.

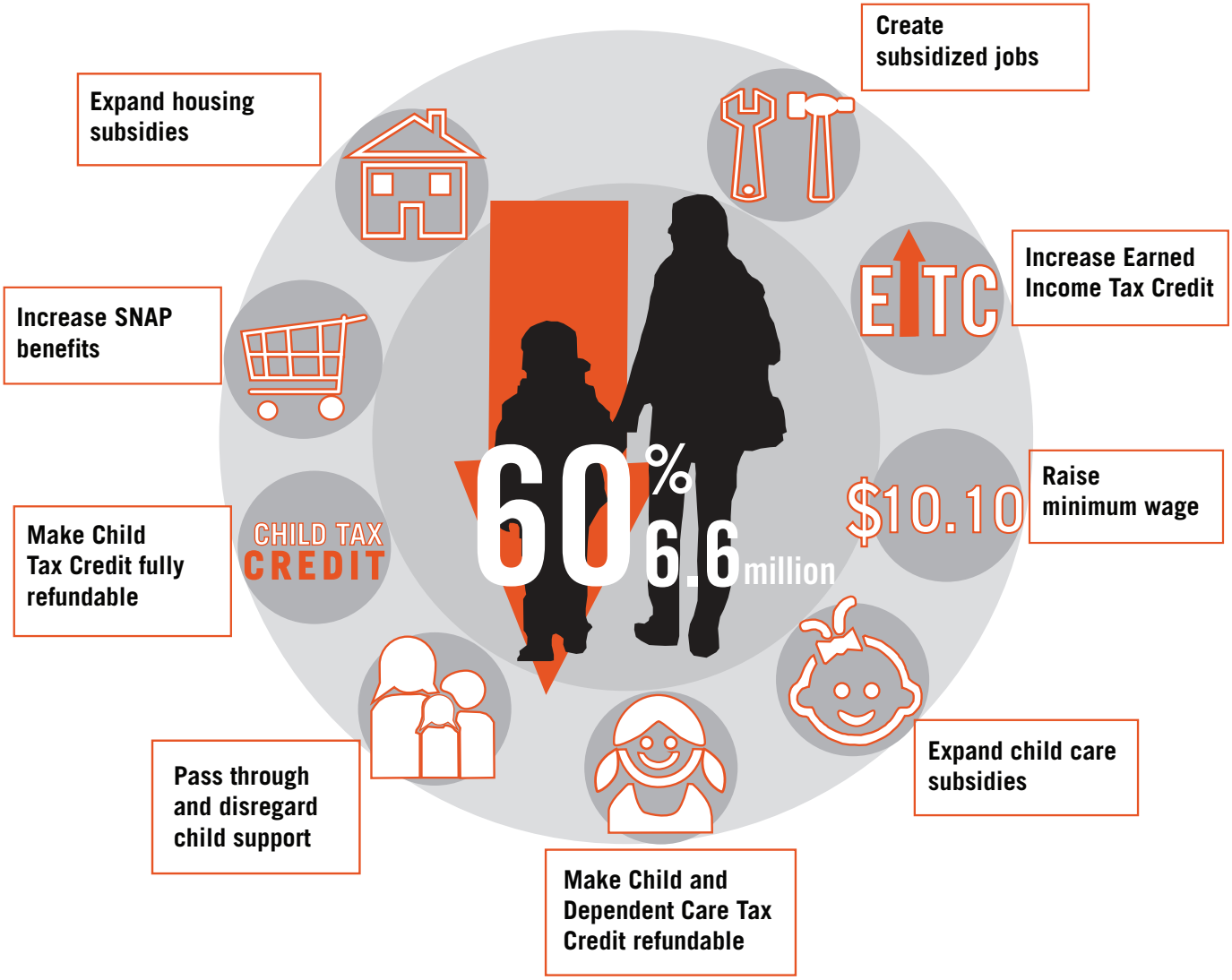
If we love America and love our children we must all stand against the excessive greed that tramples millions of our children entrusted to our care. America's Declaration of Independence says, "We hold these truths to be self-evident, that all men are created equal, and are endowed by their creator with certain inalienable rights." After more than two centuries, it is time to make those truths evident in the lives of all poor children and to close our intolerable national hypocrisy gap and show the world whether democratic capitalism is an oxymoron or can work. A nation that does not stand for its children does not stand for anything and will not stand tall in the 21st century world or before God.

Marian Wright Edelman

A few months before declaring for the Presidency, Robert Kennedy pauses to talk with a migrant farm worker's child on the banks of a dry river in California's Central Valley. (Credit: © 1968 George Ballis/Take Stock)

Dr. Martin Luther King Jr. visiting poor families in Greenwood, Mississippi in July 1964. (Credit: © AP Photo/Jim Bourdier)

HOW TO REDUCE CHILD POVERTY BY 60 PERCENT



OVERVIEW

For the first time, this report shows that by investing an additional 2 percent of the federal budget into existing programs and policies that increase employment, make work pay, and ensure children's basic needs are met, the nation could reduce child poverty by 60 percent and lift 6.6 million children out of poverty.

The United States has the second highest child poverty rate among 35 industrialized countries despite having the largest economy in the world. A child in the United States has a 1 in 5 chance of being poor and the younger she is the poorer she is likely to be. A child of color, who will be in the majority of U.S. children in 2020, is more than twice as likely to be poor as a White child. This is unacceptable and unnecessary. Growing up poor has lifelong negative consequences, decreasing the likelihood of graduating from high school and increasing the likelihood of becoming a poor adult, suffering from poor health, and becoming involved in the criminal justice system. These impacts cost the nation at least half a trillion dollars a year in lost productivity and increased health and crime costs. Letting a fifth of our children grow up poor prevents them from having equal opportunities to succeed in life and robs the nation of their future contributions.

The U.S. can end child poverty by investing more in programs and policies that work. Substantial progress in reducing child poverty has been made over the past 50 years, despite worsening income inequality and increased unemployment and low-wage work. Child poverty dropped over a third from 1967 to 2012 when income from in-kind benefits like nutrition and housing assistance and tax credits are counted. Without these federal safety net programs child poverty would have been 68 percent higher in 2013, and 8.2 million additional children would have been poor. Despite this progress, 12.2 million children were poor in 2013 even after taking into account federal safety net programs because good jobs are still too scarce and safety net programs are stretched far too thin.

Recognizing the harms child poverty causes and building on progress already made in reducing child poverty, the Children's Defense Fund contracted with the Urban Institute to estimate the impact on child poverty if the nation invested more in proven poverty reduction strategies. Focusing on policies and programs that improve families' current economic well-being, CDF targeted changes in nine existing programs and policies that help make work pay, increase employment, and meet children's basic needs.

Using the Supplemental Poverty Measure (SPM) that best accounts for the impact of government benefits and tax policy, and 2010 data, the most recent available when research began, the Urban Institute found that these changes would:

- Reduce child poverty 60 percent — lifting 6.6 million children, 0.5 million of them extremely poor, above the poverty line.
- Improve the economic circumstances of another 4 million poor children, although not enough to lift them above the poverty line.
- Reduce child poverty among children under 3 by 64 percent.
- Reduce poverty among Black children, who suffer the highest child poverty rates, 72 percent.
- Reduce poverty among single-parent households 64 percent.
- Reduce poverty among children in non-metropolitan areas 68 percent.

In all, 97 percent of poor children would experience improvements in their family's economic circumstances.

Policy Improvements To Reduce Child Poverty By 60 Percent

Increasing employment and making work pay more for adults with children

- Increase the Earned Income Tax Credit for lower-income families with children.
- Increase the minimum wage from $7.25 to $10.10.
- Create subsidized jobs for unemployed and underemployed individuals ages 16-64 in families with children.
- Make child care subsidies available to all eligible families below 150 percent of poverty.
- Make the Child and Dependent Care Tax Credit refundable with a higher reimbursement rate.

Ensuring children's basic needs are met

- Base SNAP benefits on USDA's Low-Cost Food Plan for families with children.
- Make the Child Tax Credit fully refundable.
- Make housing vouchers available to all households with children below 150 percent of poverty for whom fair market rent exceeds 50 percent of their income.
- Require child support to be fully passed through to TANF families, fully disregarded for TANF benefits, and partially disregarded for SNAP benefits.

Reducing child poverty 60 percent with these improvements was estimated to cost $77.2 billion in 2010, only 2 percent of U.S. government spending that year, 0.5 percent of the 2010 U.S. gross domestic product (GDP), and 15 percent of the estimated $500 billion the nation spends every year for the costs of children growing up poor. By reducing child poverty now the nation would reduce these children's chances of becoming poor adults and reduce child poverty in the next generation.

Our nation can easily afford it. There are multiple ways to increase investments in children without increasing the deficit, from reducing military spending — the U.S. accounts for less than 5 percent of the world's population but 37 percent of the world's military spending — to closing tax breaks and loopholes that cost the nation hundreds of billions while fueling the nation's alarming income and wealth gaps (see tradeoff details on p. 31).

The Urban Institute's analysis for CDF is clear: by investing more in existing programs the U.S. could substantially decrease child poverty immediately. Shrinking child poverty by 60 percent and improving economic circumstances for 97 percent of poor children would improve the life chances of millions of children, bring child poverty in the U.S. in line with rates in other high-income countries, and help prevent poverty in the future. As the wealthy and powerful nation we are, it is way past time we commit to ensuring all children's basic needs are met. This report shows for the first time that solutions to child poverty in our rich nation already exist if we are willing to invest in them. Let's create that public will and take action for our children — they cannot wait.

Baby Tristan

One-year-old Tristan lived in a Detroit homeless shelter with his mother Ashante Dickens. Since childhood, his 21-year-old mother has had a clear goal: "I want to be an elementary school teacher. That's my passion." She got good grades in school, and did well enough in high school to be allowed to take a few early enrollment classes at a nearby college in early childhood education. She was on the road to realizing her dream when a family problem changed her course. After Tristan was born, they moved to a transitional living shelter for mothers and children. Ashante began receiving cash assistance and benefits from the Supplemental Nutrition Assistance Program (SNAP). As soon as Tristan was a few months old she went back to work. "I don't think anybody wants to be on assistance. My motivation is to work harder so I don't need it." Temporary Assistance for Needy Families (TANF) gave her a voucher for day care; otherwise she would have ended up making very little. Programs like TANF, SNAP, and others that provide a stable place to live are lifelines for Tristan and Ashante and millions of others.

Pennies and Dimes

The Nailors are better off than many. They live in a house with a yard in a small town in Middle America — the sort of place that might have been featured in a Norman Rockwell painting. Beneath the veneer of the middle class image, the family struggles. In 2011, Amanda, 4, and Emily, 3, wore hand-me-downs and played with secondhand toys. Their father, John Nailor, owned a computer repair business in Evart, Michigan but made less than $22,314 a year, the poverty level for a family of four in 2011. The family was on a budget so tight that by the end of the month they were down to dimes and pennies. They didn't have cable television. They never went out. "If it weren't for food stamps and the income tax credit, I don't know where we'd be," he said. "We would be lost."

CHAPTER 1

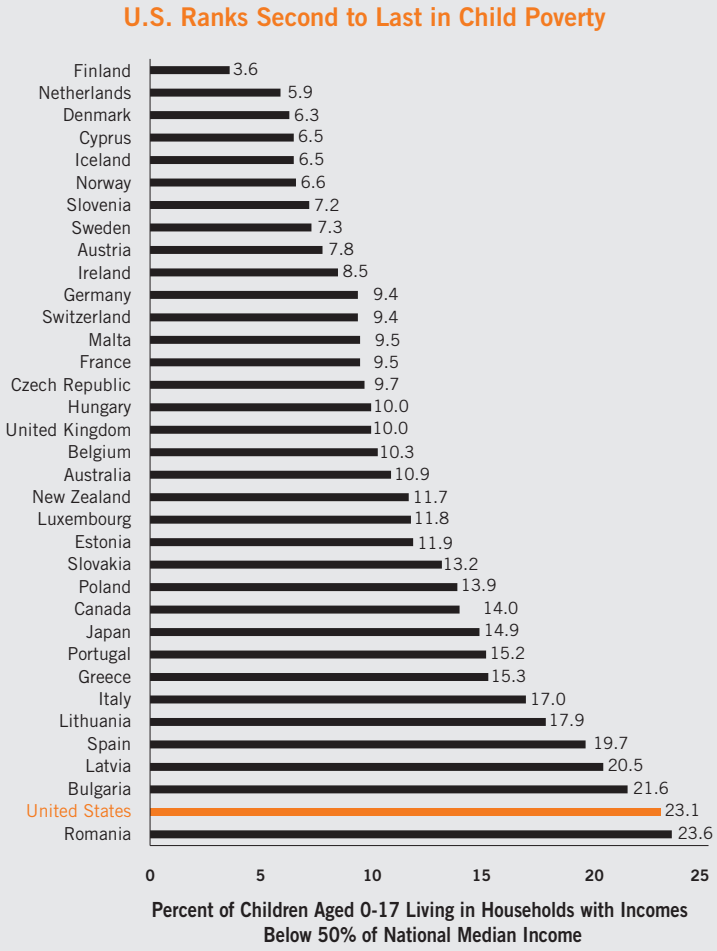
POVERTY HURTS CHILDREN AND OUR NATION'S FUTURE

Child poverty destroys dreams and opportunities.

Nearly 15 million children in America lived below the official poverty level — $23,834 for a family of four — in 2013, based only on cash income. Over 40 percent of these children lived in extreme poverty, at less than half the poverty level. The youngest children were most likely to be poor, with more than 1 in 5 children under age 5 living in poverty during the years of rapid brain development.

America's child poverty rate is one of the highest among industrialized nations.

The United States, with the world's largest economy, has the shameful distinction of having the second highest relative child poverty rate among 35 industrialized nations.[1] With a rate more than six times higher than in Finland, the country with the lowest child poverty rate, the U.S. beat out only Romania, while lagging behind the rest of Europe, Australia, Canada, Japan, and New Zealand. Many countries with fewer resources have lower poverty rates, including the U.K., New Zealand, the Czech Republic and Hungary, a clear indication the U.S. could do much more to reduce child poverty.



Child poverty robs children of their future. Reducing child poverty would yield incalculable benefits for millions of children and the country as a whole.

Child poverty creates gaps in cognitive skills in babies.

Poor parents have fewer financial resources and often experience more stress, and as a result their young children are less likely to be read to, spend less time talking to adults, and hear many fewer words each week than children from more affluent families.[2] One study found that by age 4, high-income children had heard 30 million more words than poor children.[3] Poor preschoolers are also less likely to be able to recognize letters, count to 20, or write their first names.[4] Income-related gaps in cognitive skills can be observed in babies as early as 9 months old and often widen with age.[5] These disparities create an early disadvantage that is often hard to overcome.

Childhood toxic stress can negatively impact brain functioning for life.

When children experience strong, frequent, or prolonged adversity — such as physical or emotional abuse, chronic hunger and neglect, caregiver substance abuse or mental illness, exposure to violence, or the accumulated burdens of family poverty — the stressful environment can become toxic. If this so-called "toxic stress" continues and is not mitigated by adequate adult support it can literally rewire children's brains, disrupting their social competence and ability to succeed in school and in life and increasing the likelihood of low educational achievement, unstable employment, adult poverty, and involvement in the criminal justice system.[6]

No Food, No Water, No Light

"I remember not eating sometimes. I mean, the only time that we actually had food is when we went to my grandmother's," Carmen Griffith says bluntly. Her parents divorced when she was five, and her school teacher mother descended into alcoholism and depression. After one drunken episode when Carmen's mother was arrested for breaking and entering, she lost her teaching job. Although she got sober and worked hard to turn her life around, the tough economic times got worse. Carmen and her younger sister had to go to grandma's house to take baths, because there was no running water at their house. Sometimes there was no electricity. The family has struggled to eat and keep a roof overhead. Carmen never gave up and knows education will open doors for her future, and is pursuing her dream of becoming a child psychiatrist so she can help children struggling to overcome severe challenges, just as she has had to do.

Child hunger jeopardizes children's health and ability to learn.

Poor children are more likely to experience hunger. In 2013, more than 45 percent of poor children lived in homes where not everyone had enough food.[7] Food insecurity is associated with lower reading and math scores, greater physical and mental health problems, higher incidence of emotional and behavioral problems, and a greater chance of obesity.[8]

Poor children experience worse health outcomes.

Poor children are less likely to have access to affordable quality health coverage. Nearly 1 in 6 poor children lacks health insurance compared to about 1 in 12 non-poor children.[9] Children in poor families are five times as likely to be in fair or poor health as children in non-poor families.[10] They have more severe health problems than higher-income children, and fare worse than higher-income children with the same problems. For example, a poor child with asthma is more likely to be reported in poor health, spend more days in bed, and have more hospital episodes than a high-income child with asthma.

Traumatic experiences in childhood — often called adverse childhood experiences — also impact health throughout life. The more adverse experiences in childhood, the greater the likelihood of health problems in adulthood including heart disease, diabetes, substance abuse, and depression.[11]

Poor children are less likely to graduate from high school.

Poor children are less likely to enter school ready to learn and to graduate from high school than their non-poor peers. One study found children who were poor for half their childhood were nearly 90 percent more likely to enter their 20s without completing high school than those who had never been poor.[12] And the younger the children were when they experienced poverty, the worse the impacts. Poor infants and toddlers — from birth to age 2 — were nearly 30 percent less likely to complete high school than children who first experienced poverty later in childhood.

Child poverty fuels the intergenerational cycle of poverty.

In one study, people who experienced poverty at any point during childhood were more than three times as likely to be poor at age 30 as those who were never poor as children.[13] The longer a child was poor, the greater the risk of adult poverty.

Child poverty has substantial economic costs.

Costs of Child Poverty	
Lost Productivity	$170 billion
Increased Crime	$170 billion
Worse Health	$160 billion
	$500 billion

According to one study, the lost productivity and extra health and crime costs stemming from child poverty add up to roughly half a trillion dollars a year, or 3.8 percent of GDP.[14] Another study found eliminating child poverty between the prenatal years and age 5 would increase lifetime earnings between $53,000 and $100,000 per child, for a total lifetime benefit of $20 to $36 billion for all babies born in a given year.[15] And we can never measure the countless innovations and discoveries that did not occur because children's potentials were stunted by poverty.

It doesn't have to be this way. **Child poverty *can* be reduced**.

Child poverty is not immutable. Poverty rates change with the economy and changes in government policies. Child poverty, based just on earnings and cash benefits, declined 49 percent during the economic expansion of the 1960s and 29 percent during the economic boom of the late 1990s, but *grew* 59 percent from 1969 to 1983 as the economy faltered.[16]

The U.S. has made substantial progress in reducing poverty over the past 50 years despite worsening inequality and increased unemployment. Child poverty dropped over a third between 1967 and 2012 when income from tax credits and in-kind benefits like nutrition assistance are counted.[17] This is all the more remarkable given that unemployment and income inequality more than doubled during this period.

The United Kingdom provides a modern example of how a concerted effort to reduce child poverty can succeed, even during economic recession.[18] In 1999, Prime Minister Tony Blair's government committed to ending child poverty (see text box on p.14). Through a multi-pronged approach, the British government under Blair and his successor Gordon Brown managed to reduce child poverty by more than half over 10 years, and reductions persisted during the Great Recession. Many families with children benefited, but poorer children benefited most: Average incomes for families with children increased $3,200, and incomes for families in the bottom fifth of the income range increased $7,200.

The U.K.'s Three-Pronged Approach to Ending Child Poverty

1. Increased employment through a mostly voluntary welfare-to-work program, the first national minimum wage, and tax reductions and tax credits for workers and employers.
2. Increased incomes among families with children regardless of parental employment through increases in a universal child benefit and means-tested income supports for low-income families with children and through a new child tax credit.
3. Reduced the intergenerational transmission of poverty through investments in early childhood and primary and secondary education including improvements to maternal and paternal leave policies, the introduction of universal preschool for 3- and 4-year-olds, and expansions of child care assistance for working families.

Ending child poverty permanently first requires boosting resources of poor families with children.

A recent Washington Post article reported that if the U.K. suddenly decided to join the U.S. as a state, it would be the second-poorest state, as measured by GDP per capita, behind Alabama and just ahead of Mississippi.[19] If the U.K. can reduce child poverty, so can the U.S. In fact, given the U.S. has the world's largest economy and given the high costs the U.S. incurs from child poverty every year, the nation cannot afford *not to* end child poverty.

The quickest way to reduce child poverty is to improve the economic circumstances of poor children. This would alleviate child suffering and is a key step toward ending childhood poverty permanently, since growing up in poverty increases the likelihood of being poor as an adult and a parent.

Current income support and safety net programs and policies help millions of children every year. Child care assistance and the Earned Income Tax Credit (EITC) help parents work and boost the value of work. Programs like nutrition and housing assistance help ensure children eat and have a roof over their heads when jobs for their parents are scarce or do not pay enough.

1 IN 5 CHILDREN LIVES IN POVERTY

Safety net investments provide long-term benefits.

Not only do these programs help ensure children are fed and housed, federal safety net programs like the EITC and the Supplemental Nutrition Assistance Program (SNAP) are investments that improve children's long term outcomes. Children from families receiving income boosts from the EITC or similar programs have been found to have better birth outcomes, higher test scores, higher graduation rates and higher college attendance.[20] Such outcomes translate into increased economic security later in life. One study found children in low-income families that received an additional $3,000 dollars a year between the child's prenatal year and fifth birthday earned on average 17 percent more as adults than similar children whose families did not receive the added income.[21] Studies of the federal nutrition programs found needy children who received food assistance before age 5 were in better health as adults and were more likely to complete more schooling, earn more money, and not rely on safety net programs as adults.[22]

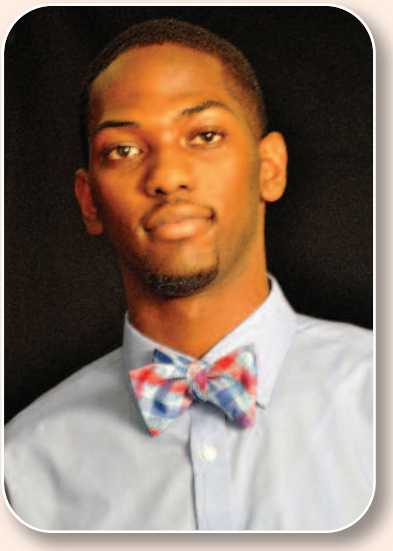
The nation could reduce child poverty now.

Despite evidence of both short- and long-term benefits, millions of poor children do not receive the assistance they need because of limited eligibility and benefits and lack of funding.

The Children's Defense Fund wanted to answer a basic question: "*How close could the nation get to ending poverty for today's children by simply investing more in approaches that work?*" To answer this question, CDF contracted with the Urban Institute, a leading nonpartisan research organization, to estimate the impact on child poverty of changes to nine existing federal programs and policies. The Urban Institute found the nation could reduce child poverty by a striking 60 percent by implementing these nine policy changes, demonstrating that the nation currently has the tools to significantly reduce child poverty. There can no longer be any excuse for our country not living up to its creed that all children should have the same opportunity to succeed.

Homeless in High School

In the summer of 2012, Craig Phillips was looking forward to his junior year at Boys and Girls High School in Brooklyn, New York. But after Craig tried to protect his mother from his father in a violent domestic confrontation, his father kicked them out of the house. Craig said, "Ever since that point, life has just never been the same." Craig, his mother and older brother ended up in a homeless shelter for his junior and senior years of high school. His mother continued to work as a habilitation aide for Cerebral Palsy of New York. His brother and Craig worked too. But their combined salaries were not sufficient to afford an apartment in the city of New York. Finally, Craig and his family were able to move into their own home, a state-subsidized apartment, in the spring of 2014. Craig beat the odds of homeless high school students by graduating from high school and entering his freshman year of college.



CHAPTER 2

HOW TO REDUCE CHILD POVERTY RIGHT NOW

To identify policy improvements that could reduce child poverty and alleviate its harmful impacts immediately the Children's Defense Fund started from two premises. The first is that the best anti-poverty strategy is to ensure parents and caregivers who are able to work can find jobs that pay enough to support a family. **CDF sought policy improvements that would increase employment and make work pay for adults with children**. The Earned Income Tax Credit (EITC), child care subsidies, and the Child and Dependent Care Tax Credit have all been shown to help increase employment. Increasing the reach and value of these benefits could help reduce child poverty. Similarly, increasing the availability of publicly funded jobs could reduce child poverty by providing jobs for parents who are hard to employ. However, a job does not necessarily guarantee a livable income; nearly 1 in 3 poor children lives in a family with an adult who works full-time year-round.[1] No family with a parent working full-time year-round should live in poverty. Increasing the value of the minimum wage would reduce child poverty by increasing income for families with minimum wage workers.

The second premise is that all of society benefits if children's basic needs are met when the economy contracts, disaster hits or parents lose their jobs. Children's chances of reaching successful, productive adulthood are strongly influenced by their experiences growing up. If children go hungry, suffer homelessness or experience prolonged stress from economic hardships, their opportunities in life will be diminished. **CDF identified policy improvements that would ensure children's basic needs are met when families fall on hard times.** In 2013 our nation's safety net programs and refundable tax credits lifted 8.2 million children from poverty,[2] but many children in need did not benefit. Housing subsidies only reach 1 in 4 needy families with children.[3] While the Supplemental Nutrition Assistance Program (SNAP) reaches a large percent of poor families, millions of children are hungry because benefits are not enough to ensure adequate nutrition. The Child Tax Credit is a valuable benefit for many families with children, but the poorest families benefit the least. Finally, child support payments collected by states don't always reach the children for whom they were intended. Increasing the reach and impact of these crucial programs would help reduce child poverty.

In seeking to strengthen the economic circumstances of poor children, CDF focused on improving existing policies and programs that work, rather than creating new programs. CDF sought to assist poor children but did not limit improvements to families below 100 percent of poverty for two reasons. First, CDF recognizes that families living a few thousand dollars above the poverty line still struggle to meet their children's needs. Second, many of the programs included in the analysis phase out benefits to families above poverty gradually to avoid disincentives to increase earnings.

After identifying policy improvements that could reduce child poverty, CDF contracted with the Urban Institute to model the effects of these changes on child poverty using the Supplemental Poverty Measure (SPM) and 2010 Census and administrative data, the most recent available when this project began (for more information see "How the Urban Institute Assessed Impacts of Policy Improvements" on p. 26). This chapter describes the policy improvements and the impact each would have had on child poverty in 2010 had it been in place for that year. The combined impact of implementing all the policy improvements at the same time is presented in Chapter 3.

It is important to note that the Urban Institute's analysis only assessed the changes to families' resources in 2010 if the policy changes had been in place for that one year. The analysis did not capture any of the longer term impacts of increased economic resources on children's educational and life outcomes and on child poverty in future generations.

Increasing employment and making work pay for adults with children

Earned Income Tax Credit increase

Why this Policy — The Earned Income Tax Credit (EITC) is one of the nation's most effective tools for reducing child poverty among working families. This refundable tax credit kept 3.2 million children out of poverty in 2013.[4] It is only available to those with earnings and it increases with higher earnings up to a maximum, providing an incentive to work and to work more hours. Expansion of the EITC has been shown to be the most important reason why employment among single mothers increased in the 1990s, more than the booming economy or welfare reform.[5]

Improvements — CDF asked the Urban Institute to model improving the EITC by increasing its value for the lowest-income families with children (see Appendix 1 for details). The analysis assumed a higher EITC made working worthwhile for some single parents who previously did not work.[6]

Child Poverty Impact — The Urban Institute's analysis found that these EITC improvements would reduce child poverty nearly 9 percent and lift 1 million children above poverty. Nearly half of the anti-poverty impact would come from 463,000 single parents starting to work, earning on average $11,761 more annually and receiving an EITC worth on average $4,699. The rest of the child poverty drop would come from 7.6 million families receiving a credit that was on average $990 larger.[7] The anti-poverty effect of the EITC expansion may even have been underestimated because the Urban Institute's model underestimated the number of families receiving the EITC by 26 percent compared to IRS data.[8]

Cost — The cost of these EITC improvements and associated secondary changes in other benefits and taxes in 2010 would be $8.2 billion.[9]

Expansions of SNAP and Refundable Tax Credits Kept 1.55 Million Children Out of Poverty

During the recession, Congress, as part of the American Recovery and Reinvestment Act (ARRA), increased the value of the maximum SNAP benefit 13.6 percent, and expanded the reach of the Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC) by lowering the CTC's refundability income limit from over $12,000 to $3,000, reducing the EITC marriage penalty, and increasing the EITC for families with three or more children.

The Urban Institute found these changes substantially decreased child poverty in 2010. Without the SNAP benefit boost, child SPM poverty would have been 7.6 percent higher, with 831,000 more children in poverty. Without the SNAP increase and the CTC and EITC changes, child poverty would have been 14.2 percent higher, and 1.55 million additional children would have been poor. Despite the fact that child poverty in 2013 was 11 percent higher than before the recession, Congress terminated the SNAP benefit increase in November 2013. **Unless Congress takes action, the changes to the CTC and the EITC will expire at the end of 2017.**

Dying on Minimum Wage

Maria Fernandes struggled to survive, working three minimum-wage jobs at three different Dunkin' Donuts shops. Five days a week she worked the afternoon shift in Newark, the overnight shift in Linden, and then weekends shifts in Harrison. She earned just over $8.25 an hour, New Jersey's minimum wage, but sometimes fell behind on the $550 monthly rent for her garden apartment. She dreamed of moving to Pennsylvania and sharing a life with her boyfriend Glen Carter. According to The New York Times, since her death from gas fumes while sleeping in her car between shifts in August 2014, Fernandes has become a symbol of the hardships facing the nation's army of low-wage workers.

Minimum wage increase

Why this Policy — A parent with two children working full time at the federal minimum wage of $7.25 an hour currently earns $4,700 below the poverty level. Nearly 70 percent of the 14.7 million poor children in America, according to the official poverty measure, live with an adult who works, and 30 percent live with an adult who works full-time year-round.[10] The current federal minimum wage is worth 24 percent less in inflation-adjusted terms than at its peak in 1968.[11] If it had grown at the same rate as productivity, the minimum wage would be $18.42 today.[12] The Congressional Budget Office (CBO) estimated in February 2014 that increasing the minimum wage to $10.10 by 2016 would lift 900,000 people above the official poverty threshold.[13]

Improvements — CDF asked the Urban Institute to model an increase in the federal minimum wage from $7.25 an hour to $10.10 for workers and an increase to 70 percent of that level ($7.07) for tipped workers, as proposed in the Harkin-Miller Fair Minimum Wage Act of 2013. The Urban Institute's model assumed employers would also raise wages for non-covered workers earning just under the original minimum wage and for workers just above the new minimum wage to maintain relative wages — so-called "spillover effects."[14] The Urban Institute conservatively assumed an increase in the minimum wage would lead to small job losses of the same magnitude assumed by the CBO.[15] Since the Urban Institute used 2010 data for the analysis, the new minimum wages were deflated from 2014 dollars to 2010 dollars, resulting in a wage of $9.30 for most workers and $6.51 for tipped workers.[16]

Child Poverty Impact — This minimum wage increase would reduce child poverty by 4 percent and move 400,000 children out of poverty. Children living with a full-time year-round worker would see an 8.1 percent poverty reduction. An estimated 11.4 million workers in families with children would see an average increase in earnings of $1,557, while 89,000 people would lose their jobs.[17] The impacts of the minimum wage on poverty were limited by the fact that 82 percent of the 27.6 million affected workers (with and without children) would be above the SPM poverty threshold and increased earnings would be partially offset by increased taxes and to a lesser extent by decreased benefits.[18]

Cost — The minimum wage increase was projected to *generate* revenue rather than cost governments, because families with higher wages owed more in taxes and were eligible for fewer benefits.[19] The total increase in new tax revenue and savings from decreased benefits would equal $15.2 billion.

Subsidized jobs program

Why this Policy — Publicly funded (or subsidized) jobs are effective for providing income and building skills among the unemployed and underemployed.[20] Subsidized jobs programs were most recently deployed during the 2008-2009 Great Recession through funding from the Temporary Assistance for Needy Families Emergency Fund. These programs were shown to benefit the long-term unemployed the most and increase employment and income even after participation ended.[21]

Improvements — CDF asked the Urban Institute to model a subsidized jobs program that would provide minimum-wage jobs to unemployed or underemployed individuals ages 16-64 in families with children for 30 weeks at a time, with a possibility of renewal after four weeks searching for unsubsidized employment.[22] Since not everyone offered a subsidized job would take one, we assumed that at most 25 percent of those who were unemployed would sign up.[23] Take-up rates were assumed to be lower for individuals at higher income levels, working in part-time jobs, and for students, early retirees, and people with disabilities. Funds were assumed to be available to provide child care subsidies to families who became eligible because of a subsidized job.

Child Poverty Impact — This subsidized jobs program would reduce child poverty by nearly 11 percent and lift 1.2 million children out of poverty. A total of 2.5 million people in families with children would work through the program and each would earn on average an additional $10,630 for the year, although some of the additional income would be offset by increased taxes and decreased government benefits.

One Step Forward, Two Steps Back

In Cincinnati, Ohio, Christopher Rogers, 13, sometimes used the $3 an hour he earned cutting grass and working on a candy truck to pay the phone and electric bills when money ran short. He and his mother, Ana Cohen, were occasional welfare recipients, with Ana going off welfare when she finds work and then back on again when the jobs end or the hours and pay don't add up to a livable income. "The way they have it now, the system is based on work but when there isn't any work, it doesn't work," Ana said.

For more than a year, she worked close to full time doing security at a CVS store. She was paid $11 an hour. When she was laid off, she received unemployment insurance. That lasted through March 2011. At that point, she had no income — just food stamps and subsidized housing — and was not able to find another job. This was when Christopher's earnings paid some of the bills. In 2011, Ana said that she had never "made enough money not to be on food stamps, and I've had to use welfare as a fall back. There's just not enough jobs that pay enough for me to get over that hump."

Cost — Providing 2.5 million new subsidized jobs would cost $22.9 billion after taking into account associated changes in benefits and taxes.

Child care subsidy expansion

Why this Policy — To work, parents need access to affordable high-quality child care. Center-based care for infants in 2013 cost more than in-state college tuition in 31 states and the District of Columbia.[24] To assist low-income families with child care costs, the federal government and states provide child care subsidies to some families with children under 13 through the Child Care and Development Fund (CCDF) and related government funding streams.[25] But because of limited funding, demand for subsidies far exceeds supply. In fiscal year 2009 only 18 percent of federally eligible children benefited from child care subsidies in an average month.[26]

Fewer than 1 in 5 eligible children benefited from child care subsidies in an average month in fiscal year 2009 due to funding restrictions.

Improvements — CDF asked the Urban Institute to model expanding the CCDF child care subsidy program to provide assistance to all needy poor and near-poor families. Although eligibility varies by state, to simplify the analysis CDF selected a uniform income limit of 150 percent of poverty. The use of 150 percent of poverty acknowledged that 100 percent of poverty, $23,850 for a family of four, is often far below what families and children need. Income limits in the 35 states with limits higher than 150 percent of poverty were assumed unchanged. In addition to expanding the availability of subsidies, the analysis assumed a small fraction of adults with children would start working because of increased availability of subsidies.[27] Not all eligible families would choose to use assistance, so only families paying child care expenses in 2010 were selected to begin receiving a subsidy.[28]

Child Poverty Impact — The child care subsidy expansion would reduce child poverty by 3 percent or 300,000 children. Three-quarters of that reduction would come from affordable child care helping 358,000 adults gain employment; child poverty in those families would be reduced by 11 percent. Overall, the number of families receiving the subsidy would nearly double from an average of 989,000 a month to 1,948,000.

Of note, the child poverty impact of this change was likely underestimated compared to the impact of housing and nutrition assistance because the Supplemental Poverty Measure only captures changes in families' out-of-pocket child care costs instead of the value of the subsidy. In addition, by limiting the subsidy expansion to families previously paying for care, the simulation may have underestimated the families who would use this subsidy if available.

Cost — This expansion and associated secondary changes in benefits and taxes would cost a total of $5.3 billion.

Child and Dependent Care Tax Credit expansion

Why this Policy — The Child and Dependent Care Tax Credit (CDCTC) is a nonrefundable tax credit that reimburses families for a portion of their child or dependent care expenses, thereby increasing families' economic resources and helping them work. In 2010, 6.7 million taxpayers received a total of $3.55 billion through the CDCTC.[29] Because the CDCTC is a nonrefundable credit, families with no tax liability — usually families with low earnings — cannot benefit from it. Furthermore, the credit only reimburses a maximum of 35 percent of child or dependent care costs. As a result, in 2010, families who made $20,000 or less received less than 1 percent of CDCTC benefits.[30]

Improvements — To increase the impact of this credit, CDF asked the Urban Institute to model two changes:

- Making the credit fully refundable to enable all families, regardless of tax liability, to benefit from it.
- Increasing the maximum percent of costs reimbursed from 35 to 50 percent for lower-income families (see Appendix 1 for details).

As with the child care subsidy expansion, the Urban Institute simulated that a small fraction of those who received a larger CDCTC would start working due to lower child care costs.[31]

Child Poverty Impact — These improvements would reduce child poverty by 1 percent, lifting 146,500 children out of poverty. More than half of the impact would result from 101,000 parents who would begin to work because of lower child care costs. The average credit would increase by $124. The anti-poverty impact of the CDCTC is likely limited by the fact that many poor families cannot afford to spend large amounts on child care.

Cost — These changes to the CDCTC and associated secondary changes in benefits and taxes would cost a total of $1.6 billion.

Ensuring children's basic needs are met when families fall on hard times

SNAP benefit increase

Why this Policy — The Supplemental Nutrition Assistance Program (SNAP) is a crucial safety net program for children. SNAP helped combat hunger among 20.5 million children in fiscal year 2012, over a quarter of all children in the nation, and kept 2.1 million children from poverty in 2013.[32] However, SNAP benefits average less than $1.40 per person per meal, which is inadequate for low-income families who often lack access to affordable nutritious food.[33] In 2013, 54 percent of families receiving SNAP were still food insecure, clear evidence that current SNAP benefits are insufficient to meet families' food needs.[34] During the recession, Congress recognized that SNAP benefits were too low for many and increased the value of the maximum benefit by 13.6 percent.[35] The impact was powerful: 831,000 children were kept out of poverty in 2010 as a result of this change (see box on p. 18). Congress terminated that increase in November 2013.

SNAP benefits average less than $1.40 per person per meal — not enough for low-income families who often lack access to affordable nutritious food.

Improvements — To increase the anti-poverty and anti-hunger impact of SNAP for families with children, CDF asked the Urban Institute to model SNAP benefits based on the U.S. Department of Agriculture's Low-Cost Food Plan, which is approximately 30 percent higher in value than the Thrifty Food Plan, on which benefits are currently based.[36]

Child Poverty Impact — Basing the SNAP benefit on the Low-Cost Food Plan would reduce child poverty by 16 percent, lifting 1.8 million children out of poverty. This change would affect the largest number of people: all of the existing 11.1 million SNAP families with children and an additional 1.5 million families with children who would begin participating because of the benefit increase, for a total of 12.6 million families. On average, households would receive an additional $722 each year.

Cost — The SNAP expansion would cost $23.2 billion.

Shoes Say It All

Shoes tell the story of the McKee family's descent into poverty. Those of Skyler, 10, and Zachery, 12, were falling apart in 2011. Their sister, then 14 years old, wore the varsity coach's shoes when she played on her school's volleyball team. Less visible was hunger. The children and their parents, Tonya and Ed McKee, of Dowagiac, Michigan, sometimes went without food after Ed lost his job in 2009 and the unemployment insurance ran out, before the family started receiving Supplemental Nutrition Assistance Program benefits. Skyler said he gave the birthday money he got at church to his mom for groceries "and I told her she didn't have to pay me back." Skyler confided that sometimes his stomach growled. "It's hard, not easy like it was before where we had money and could do stuff. Now we don't go anywhere … Sometimes we don't have food and we just don't eat."

Child Tax Credit expansion

Why this Policy — The partially refundable Child Tax Credit (CTC) provides families a $1,000 credit for each child under 17 to help families offset the costs of raising a child. It is an important tool for reducing child poverty, keeping 1.7 million children out of poverty in 2013.[37] However, the poorest families cannot receive the full amount of the credit because families have to earn more than $3,000 per year to qualify for a refund that is limited to only 15 percent of what they earn above $3,000. For example, a family with two children has to earn at least $16,333 to be eligible for the full $2,000 credit.[38] As a result, only 13 percent of the funds spent on the credit go to the lowest 20 percent of earners.[39]

Improvements — To increase the anti-poverty impact of the CTC, CDF asked the Urban Institute to model a fully refundable CTC so the poorest families could benefit from the full $1,000 credit for each qualifying child regardless of earned income.

Child Poverty Impact — Making the CTC fully refundable would reduce child poverty by nearly 12 percent and lift 1.3 million children out of poverty. A total of 4.4 million would start receiving a refund from the CTC. In all 8.2 million families would each receive on average $1,497 more for their CTC.

Cost — Making the Child Tax Credit fully refundable would cost $12.4 billion.

Housing subsidies expansion

Why this Policy — Housing is the single largest expense for most families and is growing increasingly out of reach. The number of homeless public school students was 85 percent higher in 2012-2013 than before the recession.[40] The number of families with worst-case housing needs increased from 6 million in 2007 to 8.5 million in 2011, including 3.2 million families with children.[41] Homelessness and housing instability can have detrimental consequences on children's emotional, cognitive and physical development, academic achievement and success as adults.[42] Federal rental assistance, including public housing and vouchers for private rentals, help approximately 5 million of the neediest low-income households afford a place to live.[43] Because of funding limitations only about 1 in 4 needy families with children receives assistance.[44]

Because of funding limitations only 1 in 4 eligible families with children receives housing assistance.

Improvements — CDF asked the Urban Institute to model an expansion of the housing voucher program to better meet the need among poor and near-poor families with children. The expansion was limited to families below 150 percent of the official poverty guidelines who were not already receiving housing assistance and for whom the fair market rent exceeded 50 percent of their income.[45] The analysis assumed 70 percent of eligible families would be able to use the vouchers based on challenges families face in finding housing within program time limits.[46]

Child Poverty Impact — This housing subsidy expansion would have the largest impact among the nine policy improvements, reducing child poverty by 20.8 percent and lifting 2.3 million children out of poverty. The number of households receiving a subsidy, worth an average of $9,435, would increase by 2.6 million, a 53 percent increase.

Cost — The cost of this expansion and associated secondary changes in other benefits would be $23.5 billion.

Child support pass-through increase and disregard

Why this Policy — Child support payments represent on average 40 percent of income for poor custodial families who receive them, and kept 740,000 children out of poverty in 2013.[47] For families who receive Temporary Assistance for Needy Families (TANF), the state collects child support from non-custodial parents and keeps most of the payments received to reimburse the cost of assistance. States have the option to pass through child support payments to the custodial parent and child and to disregard the child support payment when determining eligibility for TANF benefits and benefit value. A pass-through does not financially benefit a family unless it is also disregarded. As of July 2013, 22 states passed through and disregarded at least some of the child support collected.[48] The SNAP program does not include a disregard for child support income.

Improvements — CDF asked the Urban Institute to model a full pass-through of all child support collected on behalf of TANF families, along with a disregard of the child support income in the calculation of TANF benefits. In addition, up to $100 of child support collected per month per child was disregarded for SNAP eligibility and benefit calculations.

Child Poverty Impact — These changes would have the smallest impact of the nine policy changes because of the small number of families affected, reducing child poverty by less than 1 percent, or approximately 89,300 children. In aggregate TANF families would receive $477 million more in passed-through child support, $97 million more in TANF benefits from the TANF disregard, and $608 million more in SNAP benefits from the SNAP disregard.

Cost — The child support pass-through improvements and associated secondary changes in benefits would cost $1.1 billion.

Poverty 2.0

The Barrett girls, Anjerrica, 15, Daryanna, 10, and Jaeda, 7, would have gone hungry without food stamps, free school lunches, and a local food pantry in 2012. The Barretts' hard times resulted from the double whammy of disability and recession. Darryl and Jeanna Barrett are both college graduates who together earned about $60,000 a year. Having survived Hurricane Katrina, they bought a home in New Orleans, eager to help rebuild their city. According to Darryl, they were "on the road to the American dream."

Then he became disabled and Jeanna lost her job. Their income in 2012 — Darryl's Social Security disability and Jeanna's unemployment insurance — placed them just barely above the official poverty level for a family of five. In October 2011, Jeanna got what she called a "part-time part-time" job — working at a cell phone company two days a week, three hours a day at $8 an hour. And this she says was after filling out hundreds of applications, "Of all my applications, this was the only place that wanted to hire me."

How the Urban Institute Assessed Impacts of Policy Improvements

Child Poverty Measurement

Child poverty impacts were measured using the Supplemental Poverty Measure (SPM), an alternative poverty measure developed by the U.S. Census Bureau and the Bureau of Labor Statistics based on a broader range of income sources and costs than the official poverty measure. While the official poverty measure counts only earnings and *cash* benefits (such as social security and unemployment benefits), the SPM also counts *in-kind* benefits such as food, housing and energy assistance, and tax credits like the Earned Income Tax Credit (EITC) and the Child Tax Credit. It also deducts expenses such as taxes and child care, commuting and health care costs, and it takes into account variations in housing costs in different parts of the country.[49] As a result the SPM is a more comprehensive measure of poverty that accounts for the impact of the government anti-poverty programs and policies CDF wanted to measure (see Appendix 2 for details).

The only policy change not fully captured by the SPM is increased availability of child care subsidies. In contrast to housing subsidies and SNAP benefits, the SPM does not count the value of child care subsidies, but instead deducts families' out-of-pocket costs. Child poverty impacts measured by the SPM will therefore only be based on changes to families' out-of-pocket child care costs and will appear lower, relative to costs, than the impacts of housing subsidies and SNAP benefits.

Simulation Model

The Urban Institute modeled the impact of the nine policy changes using TRIM3, a validated microsimulation model of the tax and benefits programs affecting U.S. households. TRIM3, which models the U.S. non-institutionalized population based on U.S. Census and federal program and tax data, is a well-respected tool used for over 40 years to assess the operation of the U.S. safety net and to estimate the potential impacts of changes to safety net programs and policies.[50]

The analysis was based on data representing the U.S. in 2010, the most recent year available at the time the project began. While the economy has improved since 2010, the number of children below 100 percent of the official poverty threshold has decreased only 10 percent from 16.2 million in 2010 to 14.7 million in 2013.[51] All policies in place in 2010 were assumed to be in effect in the simulation, including the ARRA SNAP benefit increase and the improvements to the EITC and the CTC. The only provision that was excluded from the baseline was the temporary Making Work Pay tax credit, which was in place only in 2009 and 2010.[52]

Child SPM Poverty in 2010

Prior to the policy changes there were 10.9 million poor children in 2010 according to the Urban Institute's SPM calculations, resulting in a child poverty rate of 14.6 percent. This child SPM estimate is lower than the Census' SPM estimate of 18.2 percent because TRIM3 corrects for under-reporting of certain survey-reported resources, including receipt of SNAP, subsidized housing, Supplemental Security Income and TANF, and because TRIM3 uses a different methodology to impute taxes paid. Characteristics of poor children based on Urban Institute's model are presented in Appendix 2.

For more details about the Urban Institute's methods please refer to the Urban Institute's technical report on CDF's website.[53]

CHAPTER 3

COMBINED IMPACTS AND COSTS

Policy improvements selected by the Children's Defense Fund would reduce child poverty by 60 percent. Ninety-seven percent of poor children would benefit.

According to the Urban Institute's analysis, the nine policy improvements described in Chapter 2 together would reduce child poverty as measured by the Supplemental Poverty Measure (SPM) by 60.3 percent, lifting 6.6 million children out of poverty in 2010 (see Table 3.1). Among these 6.6 million children would be 540,000 extremely poor children, nearly one quarter of all extremely poor children. An additional 4 million poor children would see their family's economic resources increase, although not enough to lift them above the poverty line. In all, 10.6 million poor children, or 97 percent of all poor children, would experience increases in economic resources; only 305,000 poor children would not benefit.

Child poverty would decline substantially for children of all ages, races and ethnicities, and in all regions of the country. Although all groups would experience significant child poverty reductions, some would experience greater declines:

- 64 percent for children under 3, who are the most vulnerable to poverty's harmful effects.
- 72 percent for Black children, who have the highest child poverty rates; the Black-White child poverty gap would shrink by 30 percent.
- 64 percent for single-parent families with children.
- 68 percent for children in non-metropolitan areas.
- 63 percent for children in the Midwest.

TABLE 3.1 Children Who Would Benefit From Policy Changes

Family SPM poverty range prior to policy changes	Number who are lifted above poverty (millions)	Percent who are lifted above poverty	Total number with increases in resources (millions)	Percent with increases in resources	Average annual family resources pre-policy changes	Average increase in family resources
Less than 100% poverty	6.6	60%	10.6	97%	$18,983	$10,087
Less than 50%	0.5	24	2.0	97	6,933	11,407
From 50% to <100%	6.0	68	8.5	97	22,041	9,895
From 100% to <150%			16.0	90	33,433	5,512
From 150% to <200%			9.0	66	44,466	3,348
200% or higher			7.5	23	84,002	1,945
Among all children	**6.6**	**60%**	**43.3**	**58%**	**$41,109**	**$5,580**

Note: Number may not sum to totals because of rounding.

A total of 43.3 million children would benefit.

In addition to helping poor children, the policy changes would also improve the economic well-being of 32.7 million children above 100 percent of SPM poverty — half of them in families with incomes between 100 and 150 percent of poverty — but to a lesser extent than for children below poverty (see Table 3.1). Increases in family resources for poor children would average $10,087 a year compared to $1,945 for children at or above 200 percent of poverty. A total of 43.3 million children, 58 percent of all children in America, would see their family's economic resources increase as a result of these nine policy improvements.

Although the focus of the analysis was reducing child poverty, these policy changes would also reduce poverty among working-age adults by 26 percent and among the elderly by 4 percent. Overall, the proposed policy improvements would reduce poverty in the entire population by 31.5 percent. A net total of 3.1 million people in families with children would gain jobs from the combined impacts of new subsidized jobs and improvements to the Earned Income Tax Credit, child care subsidies, minimum wage, and the Child and Dependent Care Tax Credit.[1]

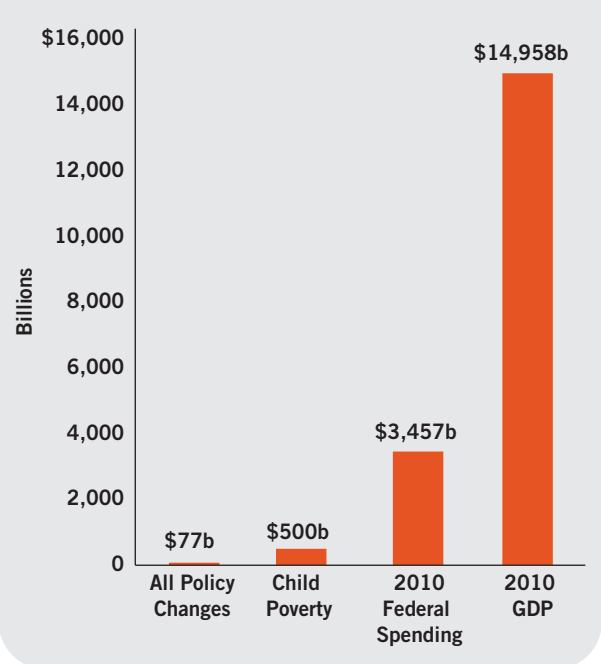
Although 4.3 million children would remain poor despite the policy changes, 93 percent of them would still be helped by one or more of the changes, including 902,000 children who would be lifted above 50 percent of poverty. Not surprisingly, those who would remain poor started out deeper in poverty: 38 percent were extremely poor compared to 8 percent of the children lifted above poverty. Legal status may also explain why some children would remain poor. Thirty percent of these children lived in households headed by an undocumented immigrant (although 89 percent of the children in these families were citizens) as compared to 14 percent of children who would be lifted above poverty. Many policies and programs included in this analysis restrict benefits to citizens and authorized immigrants who have been in the U.S. for a minimum of five years.

Lifting 60 percent of poor children out of poverty and increasing resources for a total of 43.3 million children in 2010 was estimated to cost federal and state governments $77.2 billion.[2]

Just over half of the $77.2 billion (54 percent) would go to families below 100 percent of SPM poverty, and 84 percent would go to families with incomes below 150 percent of poverty. Reducing child poverty by 60 percent would make an enormous difference in the lives and futures of those children and begin to reduce the estimated half a trillion dollars the U.S. spends every year for the lost productivity and extra health and criminal justice costs of adults who grew up poor.

The cost to reduce child poverty by 60 percent represents only 2 percent of the $3.5 trillion spent by the federal government in 2010 and only 0.5 percent of the country's gross domestic product (GDP) that year.[3] It is only 69 percent of the $112 billion the U.S. has spent on average every year since 2001 on the wars in Iraq and Afghanistan.[4] Our national security depends as much on a healthy, educated citizenry as it does on military strength. Furthermore this investment could be made without increasing the deficit by eliminating tax breaks for corporations and wealthy individuals or redirecting a small fraction of our military spending.

FIGURE 3.1 – Cost of Proposed Policy Changes Relative to Costs of Child Poverty, Federal Spending, and GDP



Tradeoffs: Paying to End Child Poverty

The Nation Can Easily Afford to Invest $77.2 Billion in Children

Any one of the following could pay for a 60 percent reduction in child poverty:

- Closing tax loopholes that allow U.S. corporations to dodge $90 billion in federal income taxes each year by shifting profits to subsidiaries in tax havens;[5]
  or
- Eliminating tax breaks for the wealthy by taxing capital gains and dividends at the same rates as wages, saving more than $84 billion a year;[6]
  or
- Closing 23 tax loopholes included in former House Ways and Means Chairman Dave Camp's Tax Reform Act of 2014, which would free up an average of $79.3 billion per year;[7]
  or
- Cutting only 14 percent of the nation's FY2015 $578 billion in military spending.[8] The U.S. houses less than 5 percent of the world's population but accounts for 37 percent of the world's military expenditures;
  or
- Scrapping the F-35 fighter jet program, already several years behind schedule and 68 percent over budget and still not producing fully functioning planes. For the $1.5 trillion projected cost of this program, the nation could reduce child poverty by 60 percent for 19 years.[9]

Alternatively the nation could:

Increase the value of SNAP benefits for families with children by 30 percent and reduce child poverty by 16 percent (cost = $23.2 billion).

by Eliminating tax breaks for corporate meals and entertainment (savings = $14 billion);[10]

Ensuring high-income households don't pay less in taxes than middle income families ($7 billion);[11] *and*

Closing the Gingrich-Edwards S-corporation loophole that allows professionals such as lawyers and doctors who work for themselves to avoid payroll taxes by characterizing much of their income as business profits rather than wages or salaries ($2.5 billion).[12]

Provide housing subsidies for poor and near-poor families with children, reducing child poverty by 21 percent (cost = $23.5 billion) and **provide subsidized jobs to unemployed or underemployed people in families with children**, reducing child poverty by 10.7 percent (cost = $22.9 billion).

by Making common sense reforms to corporate accounting tax rules (savings = $58 billion).[13]

Make the Child Tax Credit fully refundable and reduce child poverty by 12 percent (cost = $12.4 billion).	***by***	Returning estate and gift taxes to 2009 levels, (savings = $13.1 billion).[14]
Increase the value of the Earned Income Tax Credit and reduce child poverty by 9 percent (cost = $8.2 billion).	***by***	Closing tax loopholes that allow speculators who trade risky investments called derivatives to avoid, defer, or reduce taxes (savings = $2.9 billion);[15] Preventing tax-preferred retirement accounts, which were designed to help middle-class families save for retirement, from being used by the wealthy to shelter income from taxes (savings = $2.8 billion);[16] *and* Closing the corporate stock options tax loophole that allow companies to deduct stock options cashed in by an employee at the inflated current market value, rather than the original cost to the corporation (savings = $2.5 billion).[17]
Provide access to child care subsidies for poor and near-poor families and reduce child poverty by 3 percent (cost = $5.3 billion).	***by***	Closing the tax loophole that allows corporations to write-off unlimited amounts of compensation for corporate executives as long as it's "performance based" (savings = $5 billion)[18] *and* Eliminating tax giveaways for corporate jets (savings = $0.37 billion).[19]
Increase the value of the Child and Dependent Care Tax Credit and reduce child poverty by 1 percent (cost = $1.6 billion).	***by***	Closing the 'carried interest' tax break for hedge fund managers by requiring that their earnings be taxed as ordinary income rather than capital gains (savings = $1.7 billion).[20]
Pass through and disregard child support and reduce child poverty by 1 percent (cost = $1.1 billion).	***by***	Eliminating the mortgage interest deduction for vacation homes and yachts (savings = $1.5 billion).[21]

Reducing child poverty by 60 percent would require a combination of policy changes.

No single policy change on its own would reduce child poverty by more than 21 percent. Reaching 60 percent reduction in child poverty would require the combined impacts of multiple policy changes. Nonetheless, some single policy changes would have large impacts. The largest reduction in child poverty from a single policy change was seen with the expansion of housing subsidies, which would cut child poverty by 20.8 percent (see Table 3.2). Increasing the value of SNAP benefits would have the second largest impact, with a 16.2 percent reduction, and making the Child Tax Credit fully refundable would result in the third largest reduction (11.6 percent). Because in some cases the same child would be lifted above poverty by more than one policy improvement, the impact of all policy changes together would be slightly smaller than the sum of the impacts of the individual policy changes (60.3 vs. 77.3 percent).

61 percent of the children benefiting would be in families below 150 percent of poverty but 84 percent of the costs would go to these families.

TABLE 3.2 Impacts and Costs of Individual Policy Changes

	Percent change in SPM child poverty	Number of poor children lifted out of poverty (millions)	Net new federal and state government costs (billions)^	Percent of net new costs going to families below	
				100% of SPM	150% of SPM
Combined impact*	-60.3%	6.6m	$77.2b	54%	84%
Housing	-20.8	2.3	23.5	75	98
SNAP	-16.2	1.8	23.2	37	83
Child Tax Credit	-11.6	1.3	12.4	50	86
Subsidized jobs	-10.7	1.2	22.9	55	66
EITC	-8.8	1.0	8.2	37	78
Minimum wage	-4.0	0.4	-15.2	n/a	n/a
Child care subsidies	-3.1	0.3	5.3	35	77
CDCTC	-1.3	0.15	1.6	25	66
Child support	-0.8	0.09	1.1	30	72

*The combined impact is less than the sum of the impacts of the individual policy changes because in some cases the same child would be lifted above poverty by more than one policy improvement. Similarly the cost of the nine changes together is less than the sum of the costs of the individual changes.

^ This includes spending going to all children, including those not lifted above poverty and those already above poverty.

n/a: Not available because the minimum wage increase does not result in government costs.

EITC and minimum wage changes and the subsidized jobs program together reduce child poverty by nearly a quarter.

There is great interest across the political spectrum in policies that make work pay more, including pairing an increase in the minimum wage with an improved EITC since the two policies amplify and complement each other.[22] Increasing the minimum wage would boost the value of the EITC for low-income workers, and increasing the value of the EITC for lower-wage workers would increase incentives to work more. The anti-poverty impacts of subsidized jobs programs would also be amplified by minimum wage and EITC changes.

The Urban Institute examined the combined impacts of these three policy changes and found that the EITC and minimum wage increases together would decrease child poverty by 12.4 percent. Combining the EITC, minimum wage and the subsidized jobs program would reduce child poverty by 23.4 percent, at a cost of $18.5 billion (see Appendix Table A3.1 for details).

Impacts differ by race/ethnicity.

The policy improvements combined would result in a larger poverty reduction for Black children than for White and Hispanic children and children of other races. Child poverty for Black children would go from being 2.7 times as high as for White children to 1.9 times, a 30 percent decrease in the Black/White gap. Black children would experience the largest impacts with six of the nine individual policy improvements (see Appendix Table A3.2).

Impacts differ by age.

The youngest children would benefit most from the child poverty reductions. Currently this is the poorest age group and the group poverty hurts most, as the first few years of life are crucial for healthy brain development (see Appendix Table A3.3).

Impacts differ by urbanicity, region, and state.

The policy improvements together would reduce child poverty more in non-metropolitan than metropolitan areas, likely because of lower housing costs and therefore lower SPM poverty thresholds in non-metropolitan areas. Seven of the nine individual policy changes followed this pattern (see Appendix Table A3.4).

Child Poverty Reductions Differ by Race, Age, Urbanicity, and Region

Race			
White	Hispanic	Black	Other
-60%	-56%	-72%	-56%
Age			
≤2	3-5	6-12	13-17
-64%	-61%	-61%	-56%
Urbanicity			
	Non-Metro	Metro	
	-68%	-59%	
Region			
Midwest	South	Northeast	West
-63%	-61%	-61%	-58%

As a whole, the improvements also had slightly different impacts on child poverty in different regions of the country, with the largest reduction in the Midwest and the smallest in the West. These variations are likely due to lower housing costs, and therefore lower SPM thresholds, in the Midwest and South compared to the Northeast and West, although not all policy changes followed the same regional pattern (see Appendix Table A3.4).

In sum, while there were small differences based on race/ethnicity and geography, child poverty would fall by more than half in all subsets of children examined. Overall, these nine policy improvements would reduce child poverty by 60 percent, lifting 6.6 million children out of poverty and increase economic resources for a total of 43.3 million children, at a cost the nation can well afford.

Impacts of Policy Improvements in Select States

The Urban Institute was able to compute impacts of the policy improvements in California, Florida, New York, and Texas, which together are home to 36 percent of poor children based only on cash income. Although large reductions in child poverty would occur in all four, projected impacts were more than 20 percent higher in New York than in the three other states. All policy changes except those to the minimum wage, the Child and Dependent Care Tax Credit and child support would have the largest impact in New York (see Appendix Table A3.5). Increasing access to housing subsidies would have a particularly large impact in New York, reducing child poverty by nearly 40 percent. It would also have a large impact in California, with a 30 percent reduction. The larger impacts projected for New York may be partly a result of the state having a lower prevalence of undocumented immigrants — who may not be eligible for benefits — compared to the three other states (3.2 percent in New York vs. 4.5 percent in Florida, 6.7 percent in Texas, and 6.8 percent in California[23]).

	CA	FL	NY	TX
Number and percent of poor children prior to the policy changes	2.2 million 23.5%	0.8 million 20.2%	0.6 million 13.7%	1.2 million 17.4%
Child poverty reduction	-57.6%	-59.7%	-72.7%	-57.8%

CHAPTER 4

CONCLUSION AND RECOMMENDATIONS

The results are clear. For the first time, this report shows how child poverty in the United States could be substantially reduced. By making work pay more, supporting employment for those who can work, and expanding safety net supports to ensure children's basic needs are met, the nation could reduce child poverty by 60 percent — lifting 6.6 million children out of poverty immediately.

For the first time, this report shows how we could reduce child poverty in the United States by 60 percent.

Lifting 6.6 million children above poverty for a year and improving circumstances for 97 percent of poor children through the policy changes described in this report would cost $77.2 billion. That is just 2 percent of the $3.5 trillion spent by the federal government in 2010 and half of 1 percent of the country's 2010 gross domestic product, a cost our rich nation can well afford. This investment would eventually pay for itself since protecting children against the lifelong consequences of poverty would improve their life incomes and outcomes and reduce child poverty in future generations. The nation would benefit from a larger tax-paying and healthier workforce which would build a stronger economy and gradually reduce the half a trillion dollars our nation spends each year on child poverty.

The U.S. has long been an outlier among high-income countries for its high rates of child poverty. This report shows this is in no way inevitable. By investing more in protecting children from poverty the U.S. could rejoin the ranks of peer nations. Shrinking the U.S. relative child poverty rate by 60 percent would cut child poverty in the U.S. from 23.1 to 9.2 percent, placing the U.S. in line with countries like Germany and Switzerland.[1]

Most importantly, lifting 6.6 million children out of poverty would mean children like Christopher Rogers, pictured earlier, could focus on homework rather than on trying to make money to supplement their parents' income. Ensuring children don't go hungry in our rich nation would mean children like Skyler McKee wouldn't have to go without the food they need to be healthy and able to learn. Making sure children have a stable place to live would mean that children like Tristan would not be exposed to the toxic stress of growing up in a homeless shelter. Providing jobs and making work pay more would mean parents like Ana Cohen can do what they most want to do: earn enough through work to care for their children. Ultimately, protecting children from the harms of poverty means ensuring all children have an opportunity to reach their full potential.

Although essential, improving the economic circumstances of poor families with children is not enough. To reduce poverty long-term, children also need access to affordable comprehensive health care, affordable high-quality early development and learning opportunities, high-performing schools and colleges, families and neighborhoods free from violence, and economic opportunities as young adults. Ensuring today's children are protected from poverty is only part of the nation's obligation to its children. But as this report shows, it's a goal the nation can achieve right now with the right investments.

The nation has a choice. We can continue to let millions of children grow up in poverty, which destroys hope, robs children of their future and fuels an intergenerational cycle of poverty. Or we can make the smart and compassionate choice and ensure children are protected from poverty by investing more in programs and policies we already know work. We can let children's opportunities be determined by the circumstances of their birth or be true to our nation's bedrock principle that all children should have an equal opportunity to succeed.

The right choice is obvious. Our wealthy and powerful nation must commit to ensuring all children have the opportunity to reach their full potential. For the millions of children who are hungry or homeless or hopeless about their future we cannot afford to wait. The future of our children and our nation depends on it.

CDF therefore recommends the following improvements, which together could reduce child poverty by 60 percent and improve economic circumstances for 43.3 million children:

1. **Increase investments in housing assistance for poor families with children so all eligible families can afford a safe and stable place to raise their children.** In our analysis this expansion alone would reduce child poverty by 21 percent.
2. **Increase the value of SNAP benefits to cover a larger portion of the nutrition needs of children.** We found that increasing the value of SNAP benefits by 30 percent would decrease child poverty by 16 percent.
3. **Make the Child Tax Credit fully refundable.** Our analysis found this would reduce child poverty by 12 percent.
4. **Expand subsidized jobs programs for older teens and adults to meet the demand for jobs.** The best solution to poverty remains a job that pays enough to raise a family. We found that subsidized minimum-wage jobs would reduce child poverty by 11 percent, and by 29 percent among children living with adults who aren't currently working.
5. **Increase the value of the Earned Income Tax Credit.** Moderately increasing the value of the federal EITC for low-income workers with children would reduce child poverty by 9 percent. While CDF tested an expansion of the federal EITC, expansions of state and local EITCs would likely also help reduce child poverty.
6. **Raise the minimum wage to $10.10 or higher.** Raising the federal minimum wage to $10.10 decreased child poverty by 4 percent, and by 8 percent among children living with a full-time year-round worker. The minimum wage could be increased at the federal, state or local levels.
7. **Expand access to child care subsidies to all poor and near-poor families.** Such an expansion would reduce child poverty by 3 percent overall. Among families without working adults, it would reduce child poverty by 11 percent by making work possible.
8. **Make the Child and Dependent Care Tax Credit refundable and increase its value.** This change would reduce child poverty by 1 percent and enable 101,000 parents to work.
9. **Require a full pass-through and disregard of child support for TANF families, along with a $100 disregard for SNAP benefit calculation.** These changes would reduce child poverty just under 1 percent and help families fully benefit from child support intended to benefit their children.

What Advocates Can Do to Reduce Child Poverty in Their Communities

Spread the word. The evidence is here. We already know how to cut child poverty; we now need to strategically invest more in what is already working.

Educate policymakers at all levels of government about the importance of the changes listed in this chapter. Don't forget state and local officials. Many of these policies and programs have state and local counterparts or can be influenced at the state or local level. See Appendix Table A4 for information about your state's policies.

Don't let people tell you the country can't afford to end child poverty. Closing tax loopholes for the rich would pay for these improvements without raising the deficit. And our nation would begin to reduce the half a trillion dollar bill it pays each year for child poverty. Not only can we afford it, we can't afford *not* to do it.

APPENDICES

Appendix 1. Additional Details on Changes to the Earned Income Tax Credit and the Child and Dependent Care Tax Credit

Further details can also be found in the Urban Institute's technical report on CDF's website.

Earned Income Tax Credit

To increase the anti-poverty impact of the EITC, CDF increased the rate at which the credit phases in from a range of 34-45 percent (depending on the number of children) to a range of 68-79 percent. We also increased the maximum credit while keeping the rate at which the credit phases out the same (to keep marginal tax rates the same) for nearly all filer types. These changes increase the EITC for the lowest income families and somewhat lessen the marriage penalty. The figure below shows the changes for filers with one child and Table A1.2 shows the parameter changes for all filers.

While extending the EITC to childless adults would benefit children through higher child support payments among other ways, CDF did not model an increase in the EITC for childless adults because the TRIM3 model had no way to link childless adults to non-custodial children.

EITC Values for Filer with One Child

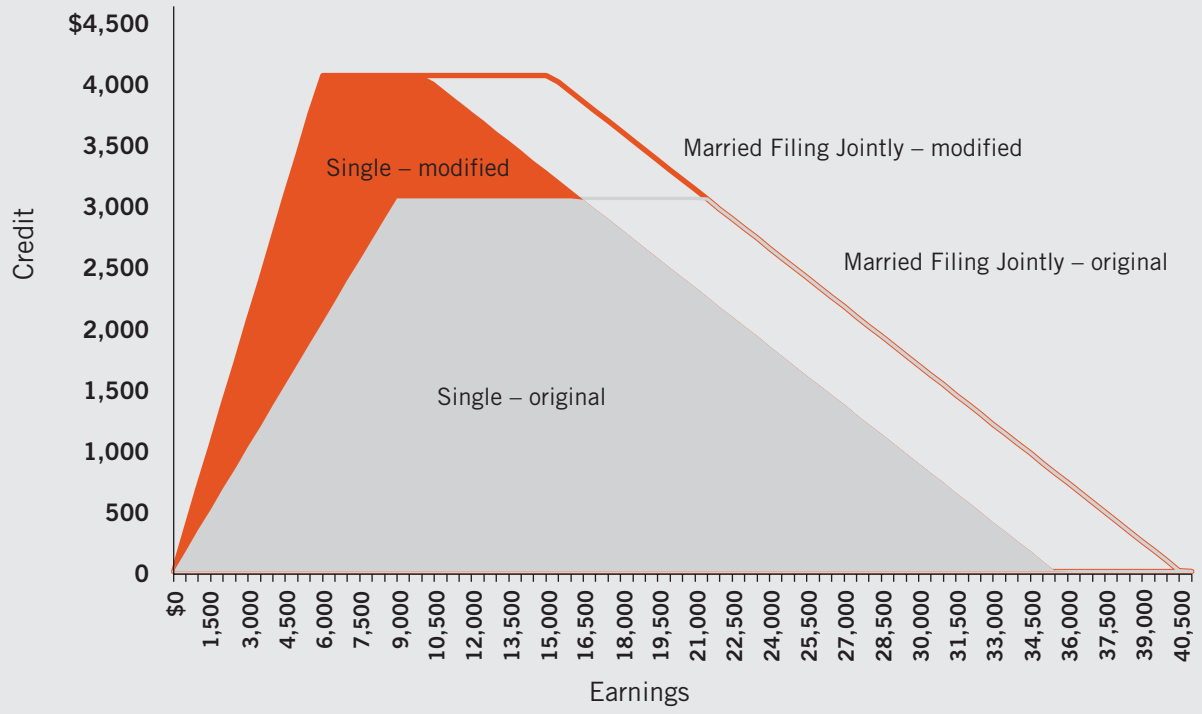


Table A1.2. Changes to EITC parameters											
Filing Status	No. of Children	Phase-In Rate		Plateau Begins		Max Credit		Plateau Ends		Phase-Out Rate	
		Actual	Model	Actual	Model	Actual	Model	Actual	Model	Actual	Model
Single	0	7.65%	7.65%	$5,980	$5,980	$457	$457	$7,480	$7,480	7.65%	7.65%
	1	34.00	68.00	8,970	5,965	3,050	4,056	16,450	10,155	15.98	15.98
	2	40.00	74.00	12,590	8,165	5,036	6,042	16,450	11,673	21.06	21.06
	3+	45.00	79.00	12,590	9,476	5,666	7,486	16,450	13,336	21.06	25.00
Joint	0	7.65	7.65	5,980	5,980	457	457	12,490	12,490	7.65	7.65
	1	34.00	68.00	8,970	5,965	3,050	4,056	21,460	15,162	15.98	15.98
	2	40.00	74.00	12,590	8,165	5,036	6,042	21,460	16,683	21.06	21.06
	3+	45.00	79.00	12,590	9,476	5,666	7,486	21,460	18,346	21.06	24.94

Child and Dependent Care Tax Credit Expansion

The following table shows the changes to the reimbursement schedule for the Child and Development Care Tax Credit that CDF asked the Urban Institute to model.

Table A1.3. Modeled Changes to CDCTC Reimbursement Schedule							
Actual 2010 Schedule				Simulated Schedule			
AGI			Rate	AGI			Rate
$0	—	$15,000	35%	$0	—	$25,000	50%
15,000	—	17,000	34				
17,000	—	19,000	33				
19,000	—	21,000	32				
21,000	—	23,000	31				
23,000	—	25,000	30				
25,000	—	27,000	29	25,000	—	27,000	47
27,000	—	29,000	28	27,000	—	29,000	44
29,000	—	31,000	27	29,000	—	31,000	41
31,000	—	33,000	26	31,000	—	33,000	38
33,000	—	35,000	25	33,000	—	35,000	35
35,000	—	37,000	24	35,000	—	37,000	32
37,000	—	39,000	23	37,000	—	39,000	29
39,000	—	41,000	22	39,000	—	41,000	26
41,000	—	43,000	21	41,000	—	43,000	23
43,000	—	No limit	20	43,000	—	No limit	20

The analysis did not change the earnings requirement or the limit on the amount of child or dependent care expenses that can be claimed: $3,000 of expenses paid per year for one qualifying individual or $6,000 for two or more qualifying individuals.

Appendix 2. Comparison of the Official and Supplemental Poverty Measures

The following table compares the official poverty measure and the Supplemental Poverty Measure (SPM) in terms of the family resources and expenses included, and how the poverty thresholds are calculated.

Table A2.1. Resource and Threshold Definitions in the Official and Supplemental Poverty Measures

Concepts	Official Poverty Definition	Supplemental Poverty Measure (SPM)
Resources	Cash Income, composed of: Wages, salaries, and self-employment income Interest, dividends, rent, trusts Social Security & Railroad Retirement Pensions Disability benefits Unemployment compensation Child support received Veterans benefits Educational assistance (grants) Supplemental Security Income Temporary Assistance for Needy Families Other cash public assistance	Cash Income — Same as components shown for "official" measure Plus Food Stamps/SNAP WIC School lunch Housing subsidies LIHEAP Federal EITC State EITC State tax credits Minus Payroll taxes Federal income taxes State income taxes Child care expenses Other work expenses Medical out-of-pocket expenses Child support paid
Thresholds	National thresholds vary by age (less than 65 and 65+) and number of children and adults and are based on the cost of food.	Thresholds vary by number of children and adults and by housing status (rents, owns with mortgage, or owns without mortgage), and are based on the cost of food, clothing, shelter, and utilities. Geographic adjustments are applied to the housing portion of the threshold.

Source: Linda Giannarelli, Kye Lippold, Sarah Minton, and Laura Wheaton. Jan. 2015. "Reducing Child Poverty in the US: Costs and Impacts of Policies Proposed by the Children's Defense Fund." Washington, DC: Urban Institute.

Table A2.2. Number and Percent of Children in SPM Poverty by Selected Characteristics, 2010 (TRIM3-adjusted data)

	SPM poverty rate	Number of poor children	Percent of poor children
All Children (under age 18)[1]	14.6%	10,924,000	
By Age			
<=2	16.8	2,112,000	19%
3-5	16.5	2,152,000	20
6-12	13.8	3,961,000	36
13-17	13.0	2,699,000	25
By Race/Ethnicity			
White	7.5	3,053,000	28
Black	20.3	2,128,000	19
Hispanic	28.1	4,937,000	45
Other races	13.0	805,000	7
By Family Composition[2]			
In families with any non-elderly or non-disabled adults	13.9	10,091,000	92
At least one adult is a FY-FT worker	6.6	3,702,000	34
No FY-FT adults, at least one adult is PY or PT	28.9	3,714,000	34
No working adults, all adults are students	57.3	316,000	3
No working adults, at least 1 non-student adult	65.4	2,359,000	22
In families with only elderly or disabled adults	38.2	690,000	6
In families without adults	52.0	143,000	1.3
By Metropolitan Status			
Metropolitan area	15.4	9,768,000	89
Non-metropolitan area	10.0	1,156,000	11
By Region			
Northeast	11.4	1,405,000	13
South	15.3	4,321,000	40
Midwest	10.9	1,731,000	16
West	18.9	3,467,000	32

1 All people under age 18 are considered to be children, even if married or living separately from parents.

2 Elderly adults are those aged 65 and over, and disabled adults are identified based on reason for not working and receipt of disability income. Full-time (FT) workers are defined as working 35 or more hours per week, and full-year (FY) workers work 50 or more weeks, while part-time (PT) and part-year (PY) workers are those working at least one week and one hour but not FT or not FY. Students are those who say they are not working because they are in school. A metropolitan area has a core urban area population of 50,000 or more and includes adjacent counties with a high degree of social and economic integration with the urban core.

Appendix 3. Detailed Child Poverty Impacts and Costs

Table A3.1 Combined Impacts and Costs of Changes to EITC, Minimum Wage and Subsidized Jobs

	Percent change in child SPM poverty	Percent change in extreme child SPM poverty	Federal and State Government Costs
EITC Increase	-8.8%	-10.3%	$8.2 billion
Minimum Wage Increase	-4.0	-4.9	-15.2
Subsidized Jobs	-10.7	-18.6	22.9
EITC + Minimum Wage	-12.4	-14.1	-8.4
EITC + Minimum Wage + Subsidized Jobs	-23.4	-30.1	18.5

Table A3.2. Reductions in Child SPM Poverty by Race

	Hispanic	White	Black	Other
All Policy Changes	-56.2%	-60.1%	-72.1%	-55.7%
Housing Subsidy Expansion	-22.5	-14.7	-24.9	-22.8
SNAP Increase	-12.7	-20.3	-19.5	-13.2
Child Tax Credit Increase	-8.9	-14.4	-15.8	-6.4
Subsidized Jobs	-8.8	-11.2	-14	-12.2
EITC Increase	-6.6	-9.1	-14.2	-6.4
Minimum Wage Increase	-5.0	-3.9	-2.5	-1.4
Child Care Subsidy Expansion	-2.4	-3.4	-4.8	-1.4
CDCTC Increase	-0.9	-1.6	-1.9	-1.6
Child Support Pass-Through Requirement	-0.5	-1.7	-0.6	-0.3

Table A3.3. Reductions in Child SPM Poverty by Age

	≤2	3-5	6-12	13-17	18-64	65+	All Ages
All Policy Changes	-63.8%	-60.7%	-61.2%	-56.1%	-25.6%	-4.0%	-31.5%
Housing Subsidy Expansion	-23.7	-21.1	-19.9	-19.7	-7.1	-0.7	-9.7
SNAP Increase	-16.2	-18.8	-16.5	-13.7	-5.8	-0.9	-7.7
Child Tax Credit Increase	-11.4	-13.5	-13.5	-7.4	-2.9	-0.6	-4.8
Subsidized Jobs	-10.8	-10.4	-9.9	-12.2	-4.6	-0.7	-5.6
EITC Increase	-9.9	-9.9	-8.2	-7.7	-3.4	-0.5	-4.3
Minimum Wage Increase	-5.1	-3.1	-4.0	-3.7	-4.7	-0.7	-4.0
Child Care Subsidy Expansion	-3.9	-3.7	-3.0	-2.0	-0.9	-0.1	-1.3
CDCTC Increase	-1.5	-2.4	-1.3	-0.4	-0.4	0.0	-0.6
Child Support Pass-Through Requirement	-0.6	-0.6	-0.9	-1.1	-0.2	0.0	-0.3

Table A3.4 Reductions in Child SPM Poverty by Urbanicity and Geographic Region

	Urbanicity		Region			
	Non-metro	Metro	Midwest	South	Northeast	West
All Policy Changes	-68.2%	-59.4%	-63.2%	-61.2%	-60.5%	-57.8%
Housing Subsidy Expansion	-16.4	-21.3	-13.7	-16.1	-27.0	-27.7
SNAP Increase	-27.9	-14.8	-20.6	-18.9	-15.0	-11.0
Child Tax Credit Increase	-23.2	-10.2	-18.4	-13.3	-9.9	-6.8
Subsidized Jobs	-13.1	-10.4	-11.9	-11.5	-10.4	-9.3
EITC Increase	-11.5	-8.4	-10.2	-10.2	-10.2	-5.7
Minimum Wage Increase	-3.7	-4.0	-6.2	-2.9	-2.5	-4.7
Child Care Subsidy Expansion	-3.7	-3.0	-4.7	-2.4	-3.6	-2.9
CDCTC Increase	-2.4	-1.2	-2.0	-1.7	-0.8	-0.7
Child Support Pass-Through Requirement	-2.0	-0.7	-0.8	-1.1	-0.7	-0.5

Table A3.5 Comparison of Child SPM Poverty Impacts at the National level and in New York, Florida, Texas, and California

	National	NY	FL	TX	CA
Baseline child poverty	10.9 million (14.6%)	0.6 million (13.7%)	0.8 million (20.2%)	1.2 million (17.4%)	2.2 million (23.5%)
All Policy Changes	-60.3%	-72.7%	-59.7%	-57.8%	-57.6%
Housing Subsidy Expansion	-20.8	-38.1	-19.2	-17.5	-30.5
SNAP Increase	-16.2	-15.7	-14.0	-13.0	-8.0
Child Tax Credit Increase	-11.6	-13.5	-6.4	-11.6	-4.9
Subsidized Jobs	-10.7	-11.1	-10.2	-8.9	-8.5
EITC Increase	-8.8	-14.5	-4.1	-13.0	-4.5
Minimum Wage Increase	-4.0	-2.6	-1.7	-2.9	-5.1
Child Care Subsidy Expansion	-3.1	-4.2	-2.4	-1.5	-3.3
CDCTC Increase	-1.3	-0.5	-1.6	-1.5	-0.4
Child Support Pass-Through Requirement	-0.8	-0.7	-1.8	-0.6	-0.2

Appendix 4. State Policies Related to Report Recommendations

State	Minimum Wage	EITC (% of federal credit)	Child Tax Credit	CDCTC (% of federal credit)	Child Care Subsidy Income Limit (% of FPL)	Child Support Passed Through and Disregarded
Alabama					128%	
Alaska	$7.75				274	$50
Arizona	8.05				163	
Arkansas	7.50			20% (r)	150	
California	9.00		≤$326/child	34-50%	213	$50
Colorado	8.23	10% (r)	≤30% of federal credit (r)	10-50% (r)	128-305	
Connecticut	9.15	30% (r)			219	$50
Delaware	7.75	20%		50%	197	$50+child. sup. suppl.
District of Columbia	9.50	40% (r)		32%	231	$150
Florida	8.05				148	
Georgia	5.15			30%	142	Unmet need
Hawaii	7.75			15-25%* (r)	238	
Idaho	7.25				128	
Illinois	8.25	10% (r)			183	$50
Indiana	7.25	9% (r)			125	
Iowa	7.25	15% (r)		30-75% (r)	143	
Kansas	7.25	17% (r)		Yes	183	
Kentucky	7.25			20%	94	
Louisiana		3.5% (r)		10-50% (r)	154	
Maine	7.50	5%		25-50% (r)	247	$50+unmet need
Maryland	8.00	25%/50% (pr)		≤32.5%	152	
Massachusetts	9.00	15% (r)			218	$50
Michigan	8.15	6% (r)			121	
Minnesota	8.00	25-45% (r)		≤100% (r)	174	All/none**
Mississippi					177	
Missouri	7.65				121	
Montana	8.05				145	
Nebraska	8.00	10% (r)		25-100% (r)	123	
Nevada	8.25				128	
New Hampshire	7.25				247	
New Jersey	8.38	20% (r)			197	$100
New Mexico	7.50	10% (r)		40%* (r)	197	$100
New York	8.75	30% (r)	≤$100/ch.+ $350 (r)	20-110% (r)	197	$100-$200
North Carolina	7.25		$100/child<17		213	
North Dakota	7.25				298	
Ohio	8.10	10%		≤100%	123	
Oklahoma	7.25	5% (r)	5% of federal credit	20%	177	
Oregon	9.25	8% (r)		≤30%	185	$50/child up to $200
Pennsylvania	7.25				197	$100-$200
Rhode Island	9.00	25% (pr)		25%	178	$50
South Carolina				7%*	148	Unmet need
South Dakota	8.50				180	
Tennessee					163	Unmet need
Texas	7.25				173-241	<=$75/none**
Utah	7.25				174	
Vermont	9.15	32% (r)		24-50% (r)	197	All/$50**
Virginia	7.25	20%		***	148-247	$100
Washington	9.47	(10% (r))			197	
West Virginia	8.00				145	$100-$200
Wisconsin	7.25	4%/11%/34% (r)			183	75% of CSP
Wyoming	5.15				185	

Minimum wage as of January 2015. For EITC (r) indicates a refundable credit; (pr) a partially refundable credit. Washington's EITC was approved in 2008 but has not yet been funded. Wisconsin EITC differs for 1, 2 or 3+ children. FPL=federal poverty level. *as a percent of expenses. *** Virginia does not have a state CDCTC but it does have a deduction for child care expenses equal to the amount on which the federal CDCTC is based. **Minnesota does not disregard any pass through amount; Vermont disregards only $50. Texas adds up to $75 to the TANF payment but does not consider this a pass through; none of it is disregarded. New York, Pennsylvania, and West Virginia pass through and disregard up to $100 for one child and $200 for more than 1 child. CSP=child support payment.

Endnotes

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CHAPTER 2

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[7] Technically this is based on tax units, however, tax units are similar enough to families that we use the term families throughout the report when discussing the impact of tax policy changes.

[8] A large share of the shortfall is attributable to the fact that TRIM3 does not model noncompliance with EITC rules. The Department of Treasury estimates that $15.3–$18.4 billion in EITC payments were issued improperly in 2010, representing a large share of the $22.3 billion TRIM3 shortfall. Other possible explanations are that the model does not allocate children within complex households so as to maximize tax benefits and does not capture the fact that some survey-reported earnings are non-taxable (thereby lowering earnings sufficiently for a tax unit to be eligible for the EITC).

[9] Cost estimates in this report are net costs (or revenues) to the federal and state governments based on changes in SSI, TANF, SNAP, UI, public/subsidized housing, LIHEAP, WIC, CCDF benefits paid to recipient and changes in tax liabilities and credits. The majority of costs are federal; however, state costs for UI, SSI, TANF, and CCDF are also included, as well as state tax liabilities and credits. Costs do not include any administrative costs and are in 2010 dollars.

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[14] Workers with wages as low as one dollar below the old minimum ($6.25) and as high as one dollar above the new minimum ($10.30) were assumed to receive proportional wage adjustments, with those closest to $7.25 and $9.30 receiving the largest adjustments.

[15] The probability of a worker losing her or his job was estimated to be six percent of the change in wages.

[16] This ensures that the earnings of a full-time, year-round minimum-wage worker are at approximately the same percentage of poverty in the 2010-based analysis as would be the case if the $10.10/$7.07 minimum wage was implemented in 2014.

[17] Among all workers (with and without children) 27.6 million would experience increases in earnings of $1,644 on average and 255,000 would lose their jobs.

[18] In aggregate, 31 percent of new earnings would be offset by increased taxes and 3 percent by decreased benefits.

[19] This estimate is based only on earnings, taxes and benefits changes for those who received a wage increase or lost their job as a result of the minimum wage increase. It does not include any cost/revenue changes resulting from secondary impacts of the minimum wage such as changes to business revenues that could impact corporate tax revenues.

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[22] For simplicity, the analysis assumed that all participants renewed after the 4 weeks searching for employment although that is unlikely to be the case. This resulted in a total of 48 weeks of subsidized employment for the year for those selected to participate in the program.

[23] This is higher than take-up rates seen for prior transitional and subsidized job programs, which ranged from seven to 15 percent. However, take-up rates in prior programs were constrained by limited funding. Further, given that the simulated program would be a national program that might be able to gain wide visibility, at take-up rate of 25 percent seems attainable.

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[27] A 10 percent decrease in the cost of child care was estimated to increase employment by 3 percent based on Blau, David. 2003. "Child Care Subsidy Programs." In *Means-Tested Transfer Programs in the United States*, Robert A. Moffitt, ed. Chicago: University of Chicago Press. http://www.nber.org/chapters/c10260; Ziliak, James, Charles Hokayem, and Bradley Hardy. 2008. "Child Care Subsidies and the Economic Well-Being of Recipient Families: A Survey and Implications for Kentucky." University of Kentucky Center for Poverty Research. http://www.ukcpr.org/Publications/ChildCareSubsidies.pdf. Families who began work were assigned jobs at minimum wage with hours based on the characteristics of jobs held by workers in SPM poverty in the 2010 baseline data.

[28] This could have led to an underestimate in the number of families who would actually avail themselves of a subsidy if it were available since some families currently using unpaid care might opt for paid care if a subsidy were available. To estimate the amount that families would pay for new subsidies (the family's co-payment) and the total value of the subsidy, families were assigned a type of child care based on family characteristics and were assumed to find care at the maximum rate paid by their state. Costs could therefore have been overestimated.

[29] Urban Institute and Brookings Institution Tax Policy Center. "Quick Facts: Child and Dependent Care Tax Credit (CDCTC)", http://www.taxpolicycenter.org/press/quickfacts_cdctc.cfm

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[35] Because households that receive less than the maximum benefit received the same fixed dollar increase, the increase to average benefits was larger in percentage terms and equal to approximately 20 percent, according to the Center of Budget and Policy Priorities (Stacy Dean and Dottie Rosenbaum, Aug 2013, "SNAP Benefits Will Be Cut for Neatly All Participants in November 2013", http://www.cbpp.org/cms/?fa=view&id=3899.)

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[40] National Center for Homeless Education. 2014. "Education for Homeless Children and Youth: Consolidated State Performance Report Data" http://center.serve.org/nche/downloads/data-comp-1011-1213.pdf.

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[44] *Ibid.*

[45] This differs in two ways from current housing voucher program policies. Under current policies, households are eligible if their income is less than or equal to half of the area median income (AMI). Since the AMI varies across the country, the income limit for the proposed expansion could be higher or lower than the regular program's income limit depending on the area of the country. In addition, the analysis included a rent burden test, requiring that the fair market rent exceed 50 percent of families' income, in order to target

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48 Huber, Erika, David Kassabian, and Elissa Cohen. Sept 2014. "Welfare Rules Databook: State TANF Policies as of July 2013." OPRE Report 2014-52. Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services. http://www.acf.hhs.gov/programs/opre/resource/welfare-rules-databook-state-tanf-policies-as-of-july-2013, Table IV.A.2. "Treatment of Child Support Income for Recipients, July 2013."

49 The geographic adjustments can have substantial impacts on the SPM thresholds. For example, the threshold for a four-person, two-child family that rents its home is $21,730 in Fort Wayne, Indiana and $30,925 in Los Angeles, California.

50 The maintenance of TRIM3 is funded by the Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (HHS/ASPE). HHS/ASPE holds the copyright. TRIM3 requires users to input assumptions and/or interpretations about economic behavior and the rules governing federal programs. Therefore, the conclusions drawn from the simulations are attributable only to the authors of the report.

51 U.S. Census Bureau, Current Population Survey, 2014 and 2013 Annual Social and Economic Supplements, Table POV01.

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CHAPTER 3

1 The minimum wage would lead to job losses.

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3 White House Office of Management and Budget, Historical Tables, Table 1.1 Summary of Receipts, Outlays, and Surpluses or Deficits: 1789-2019, http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/hist01z1.xls, accessed Sept 2, 2014; and U.S. GDP in 2010 = $14,958.3 billion, World Bank World Development Indicators http://data.worldbank.org/indicator/NY.GDP.MKTP.CD, accessed Sept 2, 2014.

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14 President's Budget FY2015, Tables of Revenue Estimates, http://www.treasury.gov/resource-center/tax-policy/Documents/General-Explanations-FY2015-Tables.pdf.

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CHAPTER 4

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APPENDIX 4

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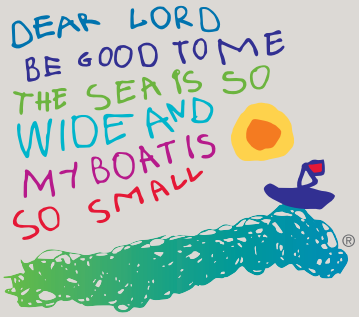

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