Webinar: Reducing Childhood Poverty Through Income Supports

July 31, 2018

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Webinar: Solutions to Addressing Early Childhood Poverty in the U.S.

Moderator
• Cara Baldari, Senior Policy Director, Family Economics, First Focus

Presenters
• Joanna Ain, Senior Policy Manager, Prosperity Now and coauthor of *Helping Working Families Build Wealth at Tax Time*

• Andy Stettner, Senior Fellow, The Century Foundation and author of *Child Allowance: The Big Antipoverty Impact of a Small Amount of Cash*

• Andrew Hammond, Of Counsel and Kelsie Landers, Economic Justice VISTA, Sargent Shriver National Center on Poverty Law and coauthors of *Children Living in Poverty Need TANF Reform*
Helping Working Families Build Wealth at Tax Time

Joanna Ain, Senior Policy Manager
Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
Problem: Americans are facing a savings crisis.

Almost half of Americans don’t have $400 for emergencies.

40%

Almost 37% of American households are liquid asset poor, meaning they do not have the savings to subsist at the poverty level for three months in the absence of income. This is even more alarming when broken out by race:

**LIQUID ASSET POVERTY BY RACE**

- **28%** WHITE
- **61%** LATINO
- **57%** AFRICAN AMERICAN

*Source: Prosperity Now Scorecard, 2018.*
The EITC (Earned Income Tax Credit) is our nation’s most effective antipoverty tool.

- Tax filers receive a lump-sum payment at tax filing time.
- In 2017, 27 million tax filers claimed the EITC, receiving an average of $2,445.
- Tax filers use the EITC to save, pay down debts and invest in long-term assets.

But....

- EITC only comes once a year, and working families can be hit with financial emergencies at any time.
- On average, tax preparation can cost $273 and even higher for those filing for EITC.
The Refund to Rainy Day Savings Act (S.3221) uses tax time to support families in building emergency savings for later in the year.

- This proposal would allow:
  - Tax filers to defer 20% of their refund.
  - The creation of a pilot program to gauge the impact of matching funds with lower-income tax filers.
  - For language to expand the flexibility of the Assets for Independence (AFI).
Consider a family who is eligible for a $2500 Earned Income Tax Credit (EITC)...

At Tax Time

The family will receive $2000

(80% of the total)

...Six Months Later

They will receive a Deferred EITC of $750

($500 Deferred EITC + $250 Savings match)

The family will receive $2500

They may not have money for an EMERGENCY

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prosperitynow.org
VITA: The Volunteer Income Tax Assistance Program

2018 VOLUNTEER INCOME TAX ASSISTANCE PROGRAM

$15 MILLION IN VITA FEDERAL FUNDING

MATCHED BY LOCAL NONPROFITS

$646,020,074 EARNED INCOME TAX CREDIT (EITC) REFUNDS GENERATED

$97,395,432 CHILD TAX CREDIT (CTC) REFUNDS GENERATED

$1,851,273,110 TOTAL REFUNDS GENERATED

93% VITA ACCURACY RATE

PROSPERITY NOW
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To meet demand, VITA needs increased funding and permanent authorization.

- Even though VITA has been around for half a century, the VITA program has never been put into law. By officially authorizing VITA, sites would have more certainty that the program will continue and more support for funding.

- More funding is needed to meet demand. With increased funding, the VITA program can:
  - Hire more staff,
  - Add new sites,
  - Improve volunteer recruitment and
  - Increase outreach to low-income households.
Prosperity Now Advocacy Center
Take action today at https://prosperitynow.org/take-action

Here you can:

- Email a MOC
- Call a MOC
- Tweet at a MOC
- Schedule a Meeting
- Sign a petition
Questions?

Joanna Ain
Senior Policy Manager
jain@prosperitynow.org
@JoannaAliseAin
Child Allowances

Andrew Stettner, Century Foundation, Bernard L. Schwartz
Rediscovering Government Initiative, April 12, 2018
CASH - A little goes a long way

- Rigorous Research (EITC, Eastern Cherokees, Food Stamps)
- ~$3,000 per year ->
  - Decreased low birth weight
  - Increased test scores
  - Increased high school graduation
  - Less alcohol, drugs
  - Decreased crime
  - Increased earnings in adulthood
THE BIG IDEA - UNIVERSAL CHILD ALLOWANCES

Modest Monthly ($250-300/Child)
Cash Payments to Families with Children
Children's Allowances (CA) Would Lift Millions More Kids Out of Poverty than the Child Tax Credit (CTC)

<table>
<thead>
<tr>
<th>Assistance Per Child</th>
<th>Millions of Children Lifted Out of Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-TCJA CTC</td>
<td>1.7</td>
</tr>
<tr>
<td>$2,500 CA (&lt; 6)</td>
<td>3.2</td>
</tr>
<tr>
<td>$4,000 CA (&lt; 6)</td>
<td>4.1</td>
</tr>
<tr>
<td>$2,500 CA (All)</td>
<td>5.5</td>
</tr>
<tr>
<td>$4,000 CA &lt; 6 / $2,500 &gt; 6</td>
<td>7.4</td>
</tr>
<tr>
<td>$4,000 CA (All)</td>
<td>8.1</td>
</tr>
</tbody>
</table>

Poverty Before and After Child Allowances

<table>
<thead>
<tr>
<th>Poverty Category</th>
<th>Pre-reform Poverty Rate</th>
<th>Post-Reform Poverty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPM Poverty</td>
<td>16.1%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Deep Poverty</td>
<td>4.9%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Extreme Poverty (&lt;$2/day)</td>
<td>1.7%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Source: Columbia Center on Poverty and Social Policy
How cash allowances promote child development

- Parents use allowances to up spending on goods for their kids

- **Stress reduction:** Toxic stress causes lasting, genetic damage to organs

- **Leading poverty researchers** (Shaefer, Duncan, Edin, Garfinkel, Harris, Smeeding, Wimer and Yoshikawa) favor a universal, frequent allowance, adequate to meet the basic needs of children.
  - Supported by conservatives like Sam Hammond at the Niskanen Center
Major Proposals

- Tax Cuts and Jobs Act Enacted
  - Expanded refundable CTC from $1,000 to $1,400 (non-refundable to $2,000)
- Greenstein / Maag et al. Proposal (Published by Urban Institute)
  - Make $2,000 CTC refundable with more generous phase in
- American Family Act (S. 2018 Bennet/Brown) & Child Tax Credit Improvement Act (HR 821 DeLauro, Pelosi)
  - Establish a young child tax credit of $300 per month ($3,600 per year)
  - Over 6 $2,500 per year
  - Fully refundable
  - Paid monthly
Child Allowances and Work Requirements

- Reduce **cliff effects** of public benefits

- Make it easier for **parents to go back to work**:
  - Maternal **employment rates increased** in Canada after the benefit was enacted.

- Address **erratic earnings and expenses** of poor families
  - Counter dangerous proposals in Congress to increase work requirements to Food Stamps and Medicaid
July 30, 2018

Children Living in Poverty Need TANF Reform

*Reducing Childhood Poverty through Income Supports*

*Kelsie Landers and Andrew Hammond*

Sargent Shriver National Center on Poverty Law
The Sargent Shriver Center National Center on Poverty Law provides national leadership in advancing laws and policies that secure justice to improve the lives and opportunities of people living in poverty.
ADC to AFDC to TANF

- Aid to Dependent Children (ADC) Title IV of the Social Security Act of 1934. Originally federal grants to help states maintain cash assistance programs.

- Aid to Families with Dependent Children (AFDC) increased federal requirements. Number of people accessing the program increased in the late 1960s through the late 1980s.

- Congress replaced AFDC with Temporary Assistance to Needy Families when it passed and President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).
TANF Today

- Block grant has lost value
  - $16.5 billion each year since 1996. Its real value has fallen by one-third due to inflation.
- TANF is no longer responsive to need
- Extreme Poverty has increased
- Cash assistance has been replaced with in-kind aid
- State TANF programs have continued to diverge
Our work in Illinois: Passing the COIN Act

**Senate Bill 3115**
Creating Opportunities for Illinoisans in Need (COIN Act)

- Increased the TANF block grant from 23% FPL to 30%
- Removed TANF Regions
- Bi-partisan support
- Small families will receive around $100/month increase
- Larger families will receive between $150-200/month increase

Contact: Dan Lesser, danlesser@povertylaw.org
Federal Advocacy: TANF Reauthorization

- Joining Opportunity with Benefits and Services (JOBS) for Success Act

**PROS**
- Requires 25% of all TANF funds to go to “core activities”
- Improves targeting (200% FPL)

**CONS**
- No increase to block grant
- Eliminates Contingency Fund
- “Universal engagement” requirement

- Opportunity to include the Child Poverty Reduction Act (H.R. 3381)?

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**Only About Half of Federal and State TANF Dollars Went for Core Welfare Reform Activities in 2013**

- Basic assistance: 28%
- Work-related activities & supports: 8%
- Child care: 16%
- Administration & systems: 7%
- Refundable tax credits: 8%
- Other areas: 34%

Note: Total does not add to 100% due to rounding
Source: CBPP analysis of HHS 2013 TANF financial data

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