

# *The CASE for CASH ALLOWANCES for CHILDREN during ECONOMIC CRISES*

*SNAP is Critical, but Leaves Out 21 Million Low-Income Children*

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The economic consequences of the ongoing COVID-19 (“novel coronavirus”) pandemic are likely to be particularly severe for low-income households (those in poverty or near-poverty). Even in a strong economy, households with children are at greater risk of living in poverty or experiencing material hardship. In times of economic distress or uncertainty, low-wage workers, unemployed adults, and families with children are especially vulnerable. Income supports from the Supplemental Nutrition Assistance Program (SNAP), often referred to as “food stamps,” Unemployment Insurance (UI), and Temporary Assistance for Needy Families (TANF) are meant to cushion the economic losses of households in the event of unemployment or earnings decline.

SNAP and UI provide attractive avenues for increasing aid to families, as they can be used to provide timely additional income support for families. In this brief, however, we emphasize that **as critical as SNAP, UI, and TANF benefits are, they do not reach the majority of households with children who are in poverty or near-poverty.**

Moreover, while SNAP provides critical assistance for children's nutrition, it cannot be used to cover the many other expenses that hit families particularly hard during times of economic instability.<sup>1</sup> **Cash allowances for children, in contrast, could reach all low-income families and cover a broader range of consumption necessities.**

## *Key Findings*

- Low-income children and their families are among the most vulnerable populations during economic crises, but the policies often employed to support families in moments of crisis—SNAP, TANF, and Unemployment Insurance—reach only a fraction of low-income children.
- SNAP benefits are critical to helping meet children's nutritional needs, and increases in SNAP benefits can be deployed efficiently and expeditiously. Yet SNAP leaves out the majority of low-income kids and SNAP benefits cannot be used to meet rent, pay bills, cover child care, or buy diapers, hand sanitizer, or other necessities.
- Unemployment Insurance (UI) and cash from Temporary Assistance for Needy Families (TANF) are also critical to helping meet children's needs, yet reach even smaller fractions of children in low-income families.
- Cash allowances for children through expanded refundability of the Child Tax Credit could reach all low-income children currently left out of SNAP, UI, and TANF, and may be particularly suited to helping families cover a broader range of unforeseen expenses compared to benefits from SNAP.
- A “lookback provision” allowing families to use their previous years' earnings to calculate their EITC and Child Tax Credit can prevent families from getting an economic aftershock when they file taxes next year.

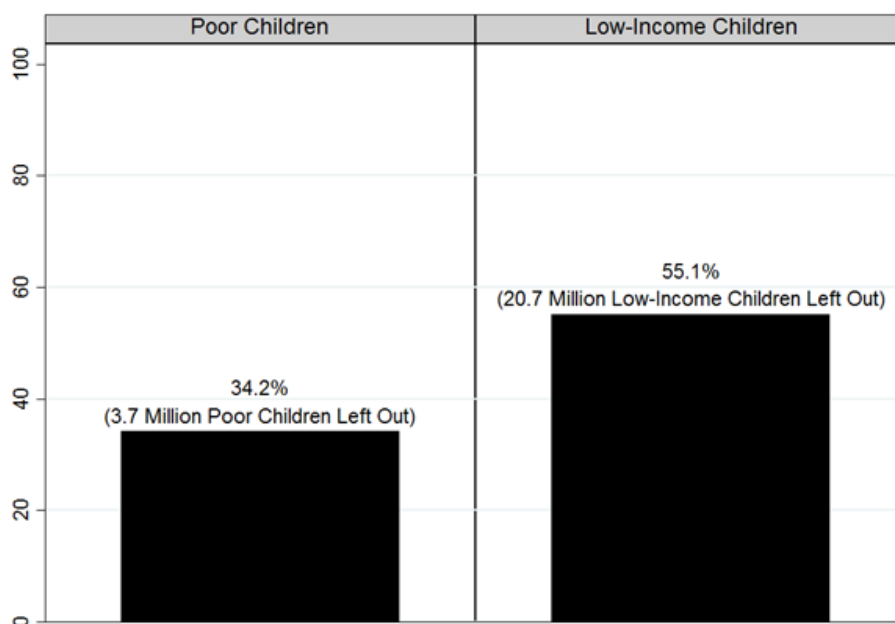
<sup>1</sup> Paid family leave and paid sick days are also critical, but are not designed to pick up additional expenses that may arise, e.g. child care and school closings.



## 21 Million Low-Income Families Lack Access to SNAP Benefits

SNAP benefits, or “food stamps,” provide monetary assistance to low-income households for the purchase of food items. Throughout the past decade, SNAP benefits have expanded to cover more low-income families and to provide higher benefit levels for recipients. However, many low-income families still lack access to SNAP. Figure 1 details the share of children in poverty or near-poverty who live in households that do not receive SNAP. Households with a resources-to-needs ratio of less than 100 percent are considered to be living in poverty, whereas households with a ratio of less than 200 percent are considered to be living in near-poverty (see Data Appendix for more details).

**Figure 1. Share of Children Living in Households that Do Not Receive SNAP Benefits**



Note: Poor children = SPM unit income below 100% of resources-to-needs threshold. Low-income children = SPM unit income below 200% of resources-to-needs threshold. Data from year 2016. See Data Appendix for more details.

Among children in poverty (those living in households with resources-to-needs below 100 percent), an estimated 34 percent do not receive SNAP benefits. Put differently, one in three children in poverty –roughly 3.7 million kids–lack access to SNAP benefits. Among children who live in households with incomes below 200 percent of the resources-to-needs ratio, an estimated 55 percent do not receive SNAP benefits. In other words, the majority of children in poverty or near-poverty do not receive SNAP benefits. An estimated 21 million children in near-poverty lack access to SNAP benefits.

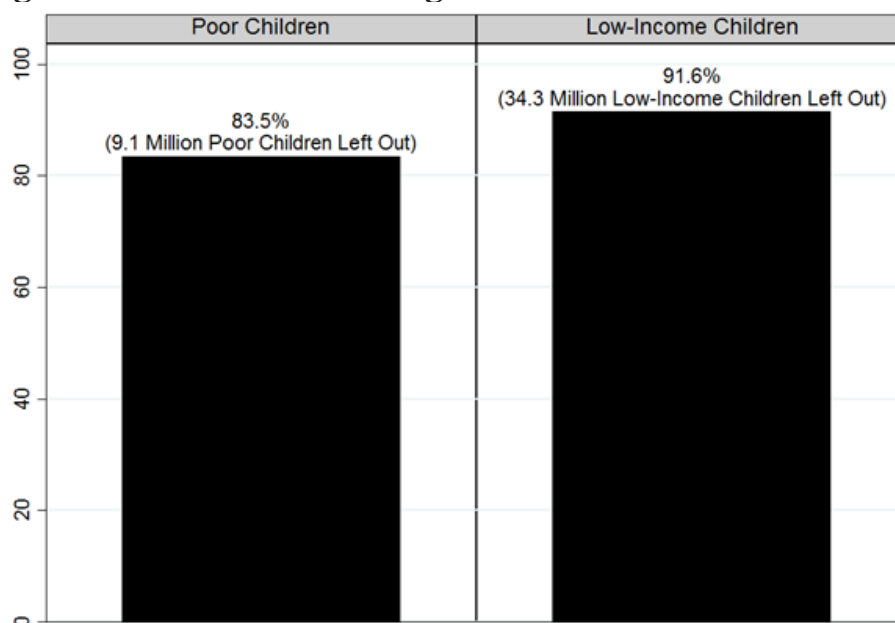
These patterns suggest that increasing SNAP benefit levels alone will not be sufficient to protect low-income families. Given that up to 80 percent of SNAP-eligible households participate in the program, closing the accessibility gap is important, but will still leave many low-income families (those not eligible for SNAP) without income support. Certain design features within SNAP, including income limits, barriers to access among the eligible, and immigrant exclusions, inhibit the program from covering all low-income children. Thus, efforts to expand income supports for low-income families should also focus on *expanding eligibility* for income support to ensure that all low-income families are covered.

Even if eligibility for and access to SNAP were to be significantly expanded, low-income families may still lack the resources to cover non-food necessities. Low-income families struggling to pay rent, purchase diapers, or cover other non-food needs cannot rely solely on SNAP benefits. Instead, the provision of cash to families with children would provide a more direct mechanism for enhancing the consumption power of low-income families.

### **Very Few Low-Income Families Receive Any Cash Support Through Unemployment Insurance or Temporary Assistance for Needy Families**

Though SNAP benefits fail to reach many low-income households with children, access to unemployment insurance (UI) or Temporary Assistance for Needy Families (TANF) is even scarcer. Figure 2 demonstrates that an estimated 84 percent of children in poverty (9.1 million children) do not receive cash assistance from TANF. An estimated 92 percent of children in near-poverty (34.3 million children) live in households that do not receive cash support from TANF. Put simply, TANF fails to reach most low-income families. Even in the Great Recession, TANF had only a [small countercyclical effect](#) in protecting the incomes of families in poverty.

**Figure 2. Share of Children Living in Households that Do Not Receive TANF Benefits**



Note: Poor children = SPM unit income below 100% of resources-to-needs threshold. Low-income children = SPM unit income below 200% of resources-to-needs threshold. Data from 2016. See Data Appendix for more details.

Meanwhile, very few low-income households receive cash support through UI. In 2016, 97 percent of children in poverty, and 96 percent of children in near-poverty, did not receive UI benefits. Of course, the low levels of UI receipt in 2016 reflect the fact that unemployment rates were low during this year, and most low-income parents were, in fact, employed. But the data suggest that even among poor households with an unemployed adult, receipt of UI benefits is low. The U.S. Bureau of Labor Statistics reports that [only 25 percent of unemployed adults](#) who worked in the prior year applied for UI benefits. Most unemployed individuals do not meet the eligibility criteria for UI benefits. Though eligibility criteria vary across the 50 states, general criteria include losing a job through no fault of one's own and earning a certain amount of money over a specified amount of time. Part-time and low-wage workers, including those in the so-called "gig economy," are less likely than full-time, higher-pay workers to qualify for UI benefits.

Again, the patterns of UI and TANF benefit receipt suggest that most low-income families currently lack access to cash-based income support. Proposals focused on increasing UI benefits or extending the duration of UI benefits may not be sufficient to cover the needs of low-income families. If households do not qualify for UI benefits due to inadequate earnings, then they will continue to miss out on income protections even if UI benefit levels or duration of receipt are expanded. As such, UI is simply not designed to meet the needs of families with children.

### **Providing Cash Assistance to Households with Children**

Expanding SNAP and UI benefits are important tools that the federal government can take to counteract the consequences of a potential economic downturn. However, these two programs, as well as TANF, while critical, still leave many low-income households without any income protection. If a low-income household does receive income support, is it more likely to be through SNAP, which is restricted to purchases on food items and thus offers less support for the consumption of non-food necessities. This is particularly true when the recipient family has very little cash income through market earnings or other cash-based income supports.

To ensure that all families with children are protected in the event of employment or earnings loss, and to ensure that all families can achieve their basic consumption needs, policymakers should consider providing cash to all families with children. The provision of cash to families with children would provide a more direct mechanism for enhancing the consumption power of all low-income families while providing the fungibility needed to meet the evolving conditions of this crisis. A [child allowance](#) or fully refundable Child Tax Credit could be one way to reach these children and their families. Critically, such a proposal must begin by including [the 1/3rd of families who earn too little to get the full Child Tax Credit](#), as they are the families that have the greatest needs. Such a design would send the greatest help to those families who need it the most and could be done retroactively to accelerate the distribution of the benefit.

A flat payment including children in the neediest families along the lines of [what passed Congress in January 2008](#) could also be employed alongside a Child Tax Credit expansion. In 2008, the stimulus checks provided a benefit for up to two children. [Most children are in larger families](#) (those with more than 2 children). As such, any stimulus check should be per capita. Otherwise, most children will receive smaller per person credits. After all, larger families face additional expenses. Policymakers could consider smaller credits for additional family members, but those decisions should be based on family size as opposed to age of recipient. Ideally, benefits should be paid monthly, as families face ongoing economic challenges. Policymakers will need to weigh this preferable policy design with the need to get the benefit up and running as soon as possible. One option is to write flexibility into the policy to call for regular delivery as soon as practicable.

In prior geographically-constrained disasters, starting with Hurricanes Katrina, Rita, and Wilma in 2005, Congress created a “[lookback provision](#)” allowing impacted families to opt to use their previous year’s earnings to calculate both their Earned Income Tax Credit and their Child Tax Credit.<sup>2</sup> When impacted families’ earnings go down, families can lose all or part of these vital tax credits the following year. A lookback provision has been routinely used in more recent disaster legislation. Given the likelihood that families across the country will see their earnings drop, policymakers should consider creating a lookback for impacted families. Providing cash to families with children is the most direct way to ensure that all low-income families can meet their basic needs in an economic crisis.

<sup>2</sup> There is an ongoing debate about the need for economic stimulus during the current outbreak. Our focus here is instead on helping vulnerable families meet their needs at this critical moment. Of course, to the extent fiscal stimulus may be needed, getting money into the hands of families who need it the most is the among the best ways to get money circulating in the economy.

### *Data Appendix*

Data come from the U.S. Current Population Survey's Annual Social and Economic Supplement (CPS ASEC). We use data from the year 2016, as this is the latest year for which TRIM3 adjustments for benefit underreporting are available. We apply a modified version of TRIM3 simulations from The Urban Institute to address concerns of benefit underreporting for the SNAP program. Recognizing the evidence that TRIM3 may over-impute SNAP benefits to lower-income households, our modified version of TRIM3 scales back TRIM3's estimates of SNAP coverage to meet the midpoint between the unadjusted CPS ASEC and the TRIM3-adjusted CPS ASEC. Thus, our coverage measures are higher than the unadjusted CPS ASEC, but lower than the TRIM3-adjusted CPS ASEC, and should be more in line with administrative records. We apply the Supplemental Poverty Measure (SPM) to assess poverty status and resources-to-needs ratios.

### *Related Research*

*Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit*, Columbia University Center on Poverty and Social Policy; Collyer, S., Harris, D., & Wimer, C. (2019)

*Doing More for Our Children: Modeling a Universal Child Allowance or More Generous Child Tax Credit*. New York: The Century Foundation; Collyer, S., Davis, A., Harris, D., Wiehe, M., & Wimer, C. (2019)

*A Universal Child Allowance: A Plan to Reduce Poverty and Income Instability among Children in the United States*. New York: Russell Sage Foundation; Shaefer, H.L., Collyer, S., Duncan, G., Edin, K., Garfinkel, I., Harris, D., Smeeding, T.M., Waldfogel, J., Wimer, C. & Yoshikawa, H. (2018)

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The Center on Poverty and Social Policy at the Columbia School of Social Work produces cutting-edge research to advance our understanding of poverty and the role of social policy in reducing poverty and promoting opportunity, economic security, and individual and family-wellbeing. The center's work focuses on poverty and social policy issues in New York City and the United States. For the latest policy briefs, go to [povertycenter.columbia.edu](http://povertycenter.columbia.edu). Follow us @cpsppoverty.