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Moving the Needle

Recent Progress and Diverse Policy Approaches to Address Child Poverty

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POLICY INSIGHTS CONFERENCE

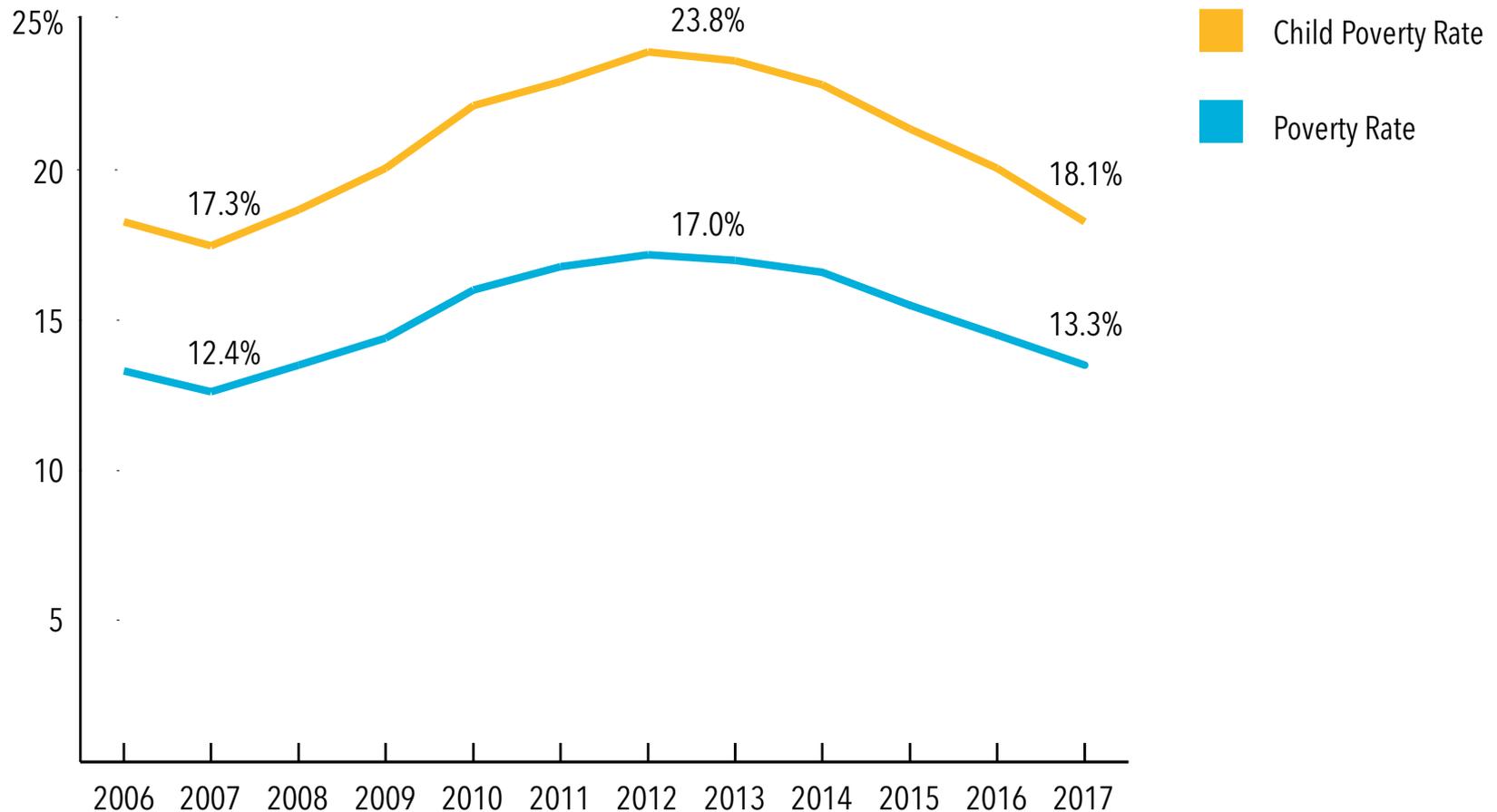
March 27, 2019

Child Poverty Is a Serious and Persistent Challenge in California.



California's Official Poverty Rate Continued to Decline in 2017, but Remains Above Its Pre-Recession Level

Percentage of Californians With Incomes Below the Official Federal Poverty Line

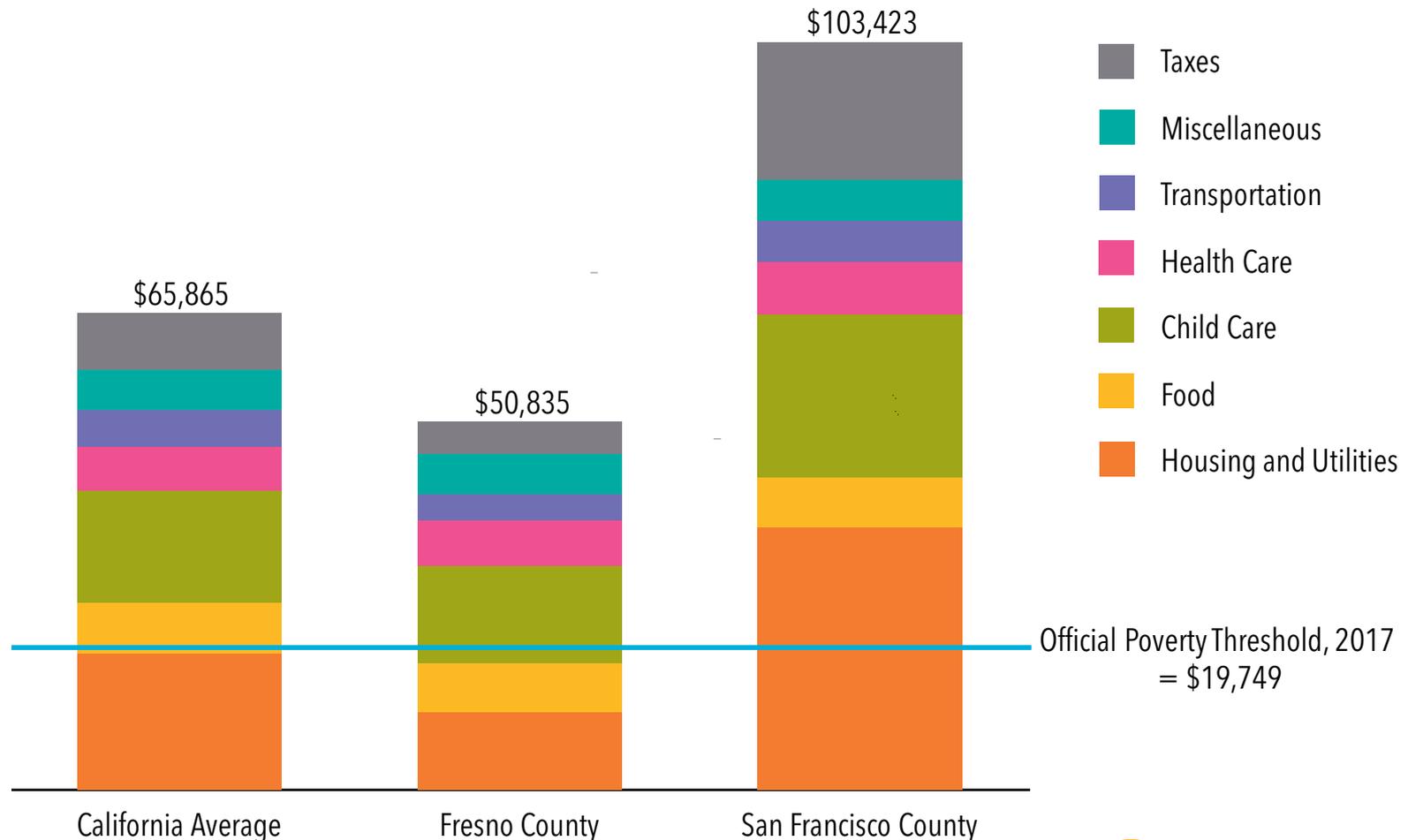


Source: US Census Bureau, American Community Survey



Official Poverty Thresholds Are Much Less Than the Basic Cost of Living for Families in California

Annual Basic Family Budget for a Single-Parent Family With Two Children, 2017

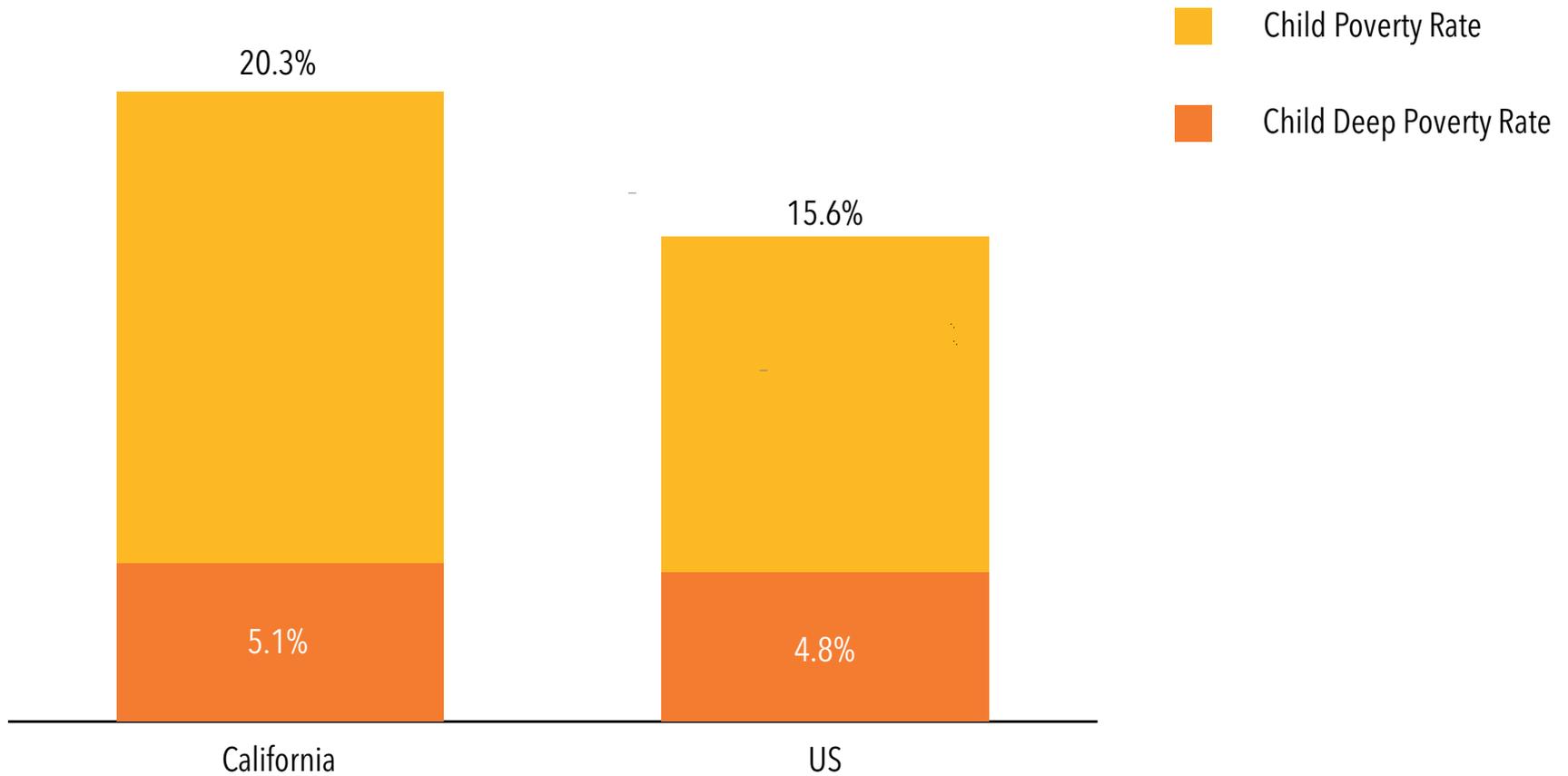


Note: Assumes one preschool-age and one school-age child and a single parent working full-time.
Source: Budget Center *Making Ends Meet* 2017 analysis and US Census Bureau



Under the Supplemental Poverty Measure, California's Child Poverty and Deep Poverty Rates Are Higher Than the US

Percentage of Children in Poverty and Deep Poverty Under the SPM, 2017

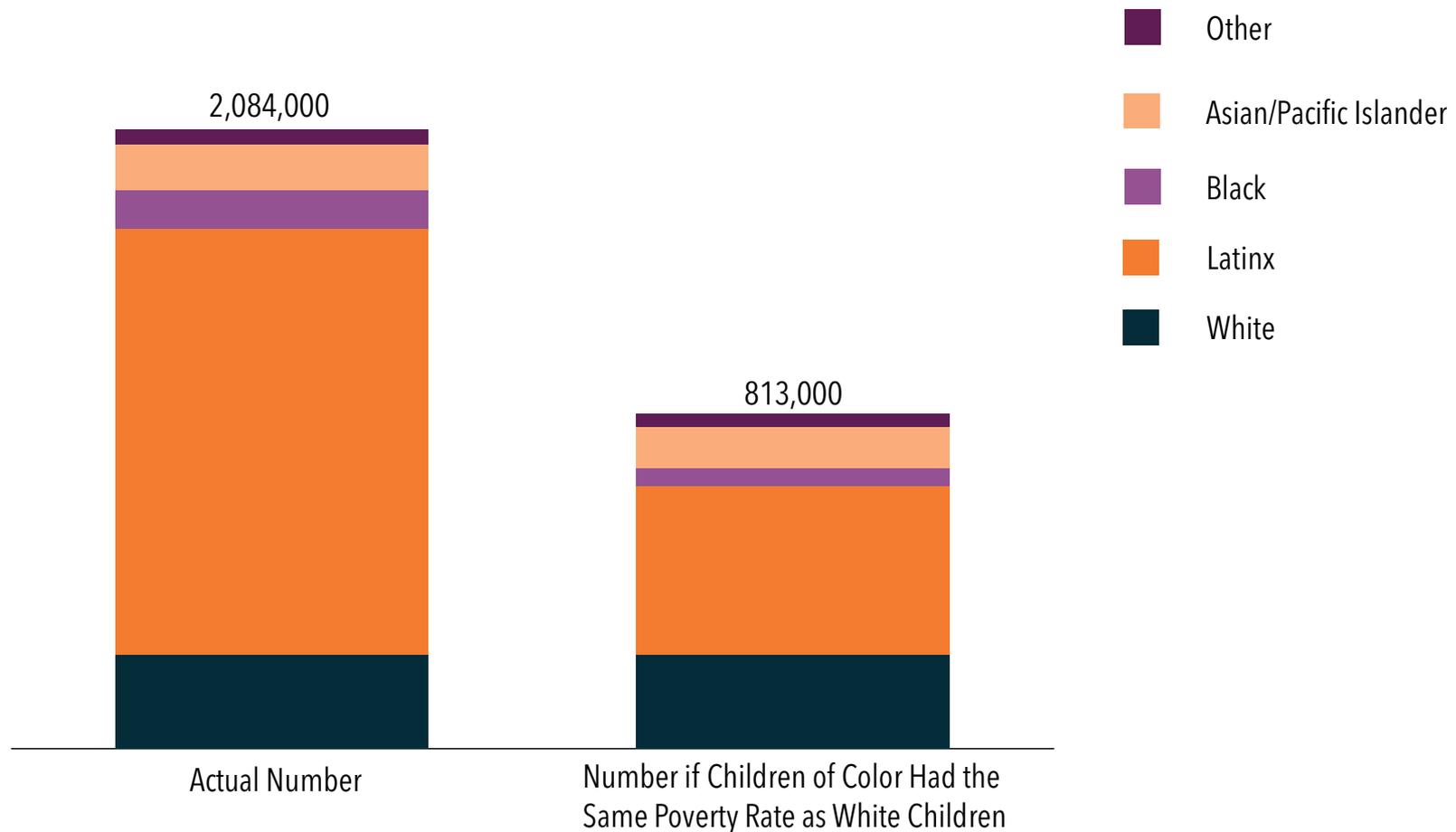


Note: Deep poverty is defined as family resources equal to less than half of the poverty threshold.
Source: Budget Center analysis of US Census Bureau, Current Population Survey microdata downloaded from IPUMS, University of Minnesota



If the Poverty Rate for Children of Color Were as Low as That for White Children, 957,000 Fewer Kids Would Be in Poverty

Number of California Children in Poverty, 2013-2017



Note: Analysis is based on the Supplemental Poverty Measure. Racial and ethnic groups are mutually exclusive. Due to data limitations, children who were not identified as Asian/Pacific Islander, black, Latinx or white were grouped into an "other" category.

Source: Budget Center analysis of US Census Bureau, Current Population Survey data



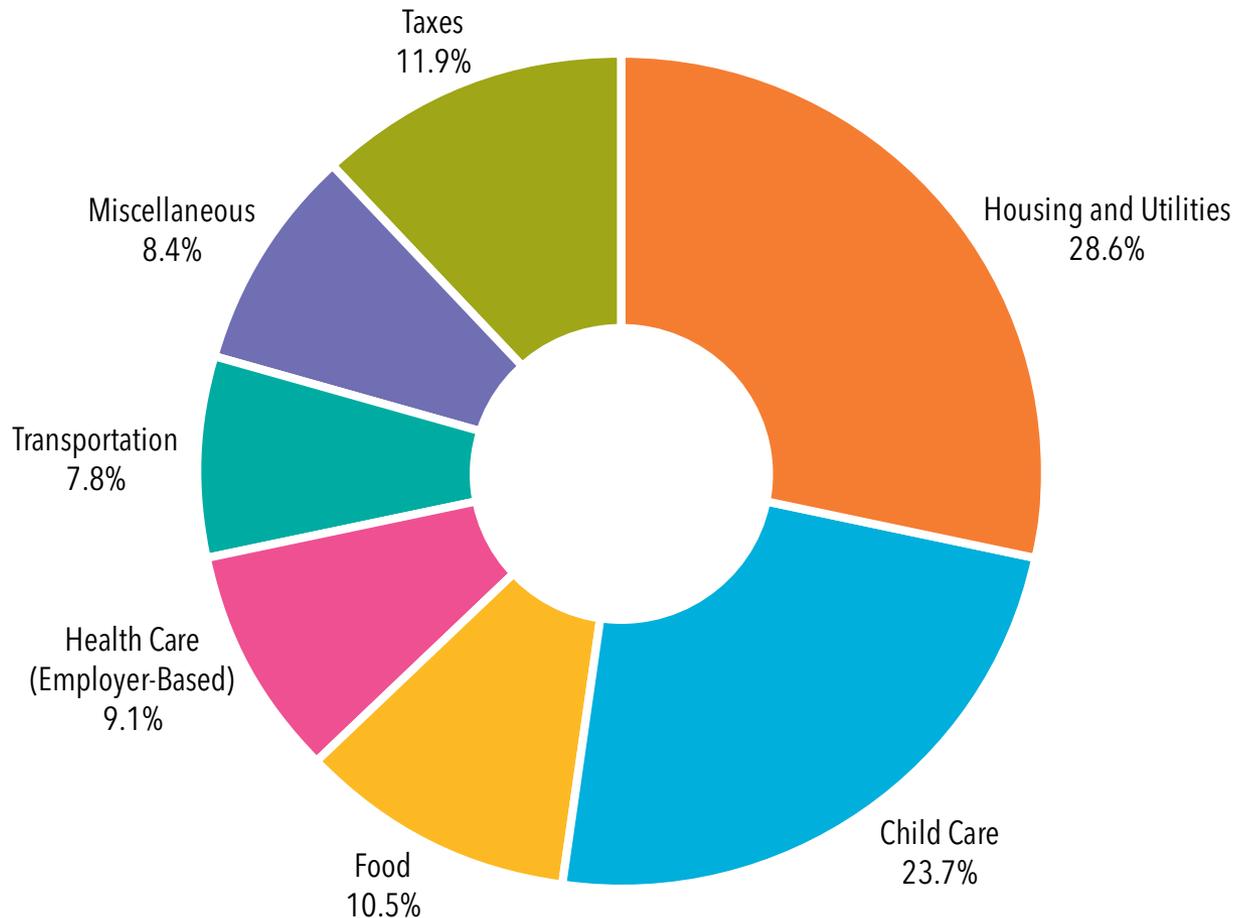
How Can Public Policies Address Child Poverty?

Policies across many issue areas – including early care and education, housing, health, and income security – can make a difference for children growing up in poverty.



More Than Half of the Average Single-Parent Family Budget in California Pays for Housing and Child Care

Statewide Average Annual Basic Family Budget for a Single-Parent Family = \$65,865



Note: Statewide average family budget calculated by averaging all county family budgets, weighted by county population.
Source: Budget Center *Making Ends Meet* 2017 analysis



Basic Policy Approaches to Address Child Poverty

- Increase families' incomes
- Reduce the costs families face to meet basic needs
- Build resilience in children to minimize the long-term consequences of growing up in poverty



Increasing Families' Incomes

Cash supports, tax credits, and work can all serve to increase incomes.



Boosting Low-Income Families' Incomes Can Improve Children's Life Chances

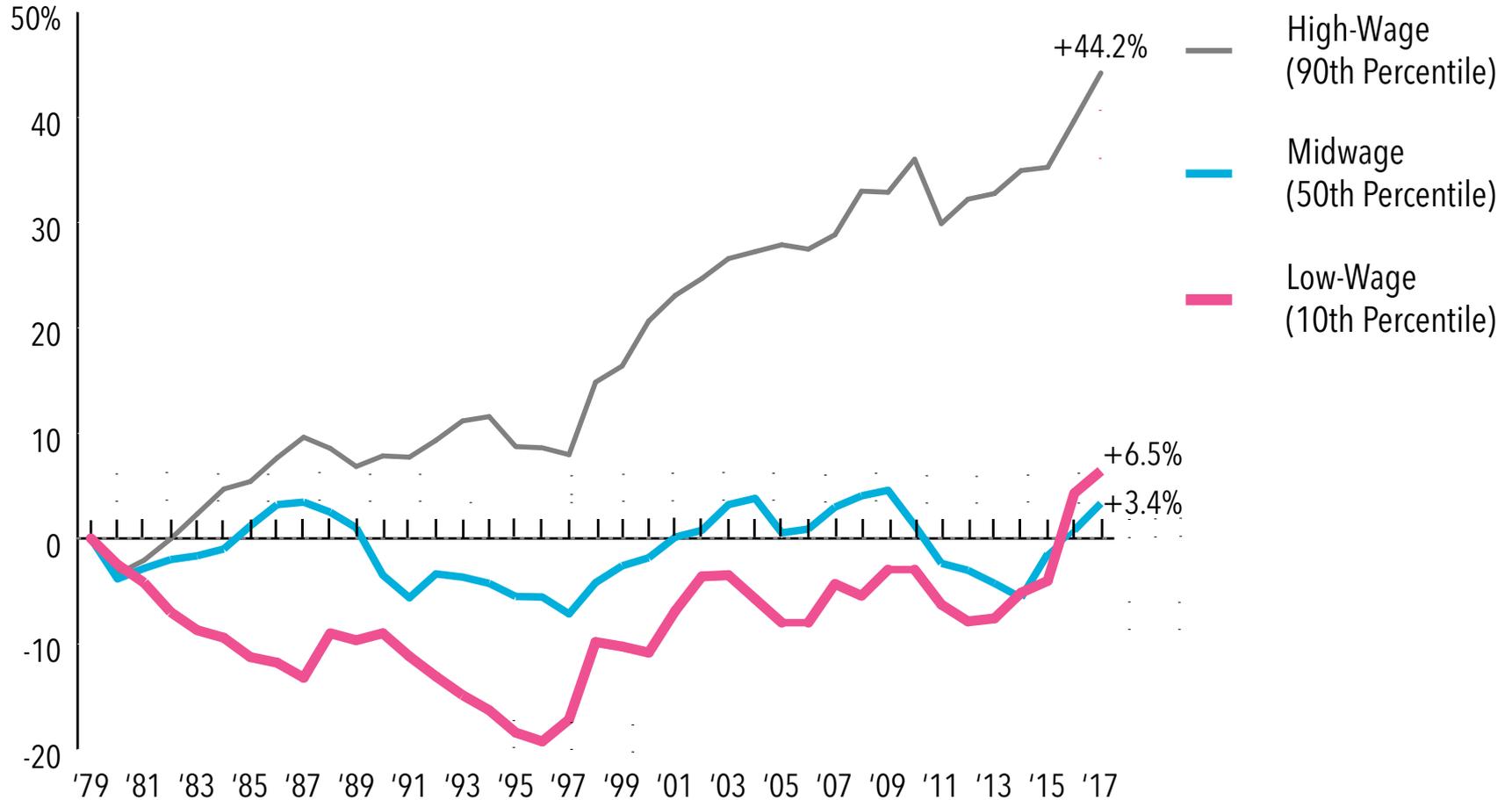


For each **\$3,000 a year** in added income that children in low-income families received before age 6...

...their **annual earnings** between ages 25 and 37 **increased by 17%**.

California's Low- and Midwage Workers Have Seen Only Modest Gains Since 1979

Percent Change in Inflation-Adjusted Hourly Wages for Workers Ages 18-64



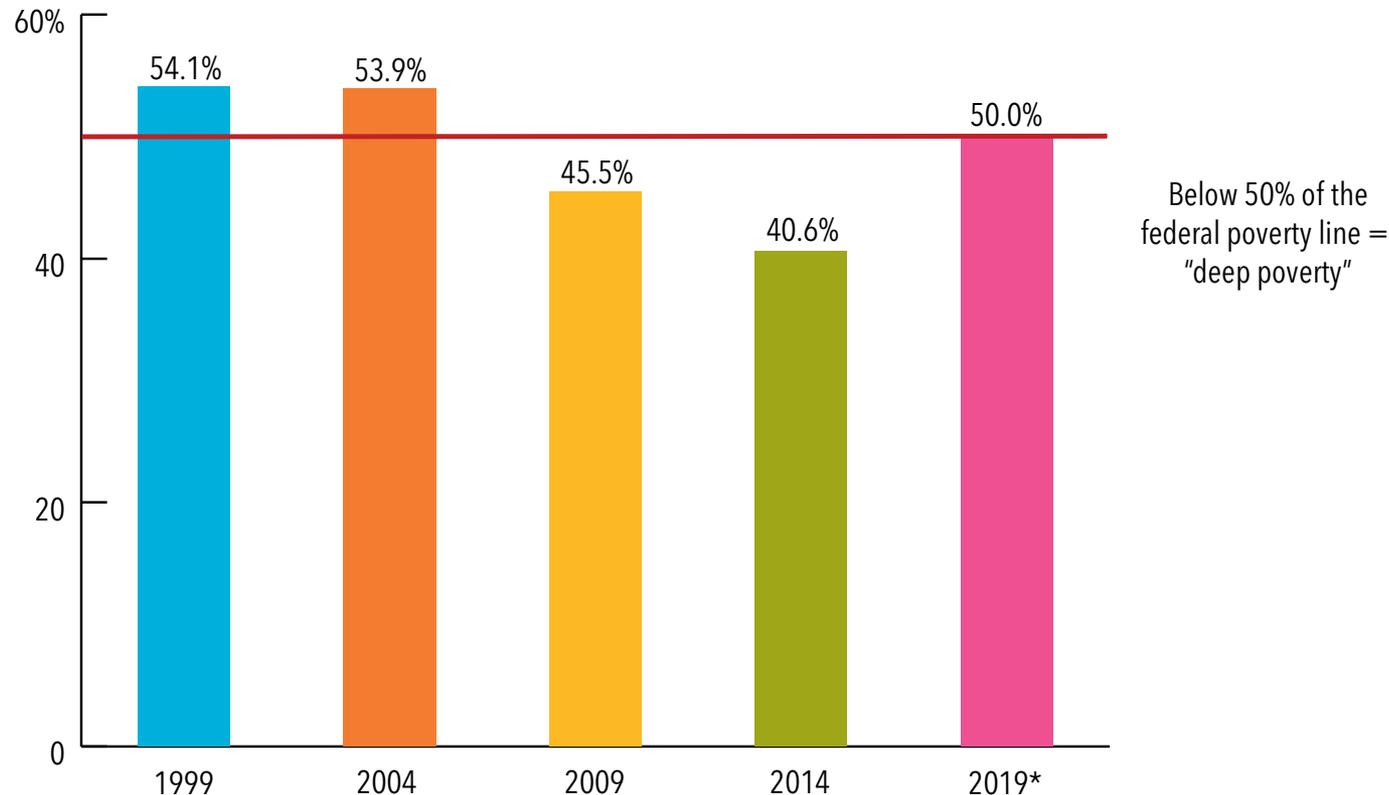
Note: Figures reflect 2017 dollars.

Source: Economic Policy Institute analysis of US Census Bureau, Current Population Survey data



The Governor Proposes Returning CalWORKs Grants to the Deep-Poverty Line for the First Time in Over a Decade

Monthly Maximum Grant for a Family of Three as a Percentage of the Federal Poverty Line



* Reflects the Governor's proposal to increase the maximum CalWORKs grant by 13.1%, effective October 1, 2019.

Note: Grants are for high-cost counties in October of each year.

Source: Budget Center analysis of Department of Finance, Department of Social Services, US Department of Health and Human Services, and US Social Security Administration data





**Income Limit
Linked to
Minimum Wage
& Self-Employed
Included**

**Childless Age
Limit
Extended &
Income Limit
Modestly
Raised**

2015

2016

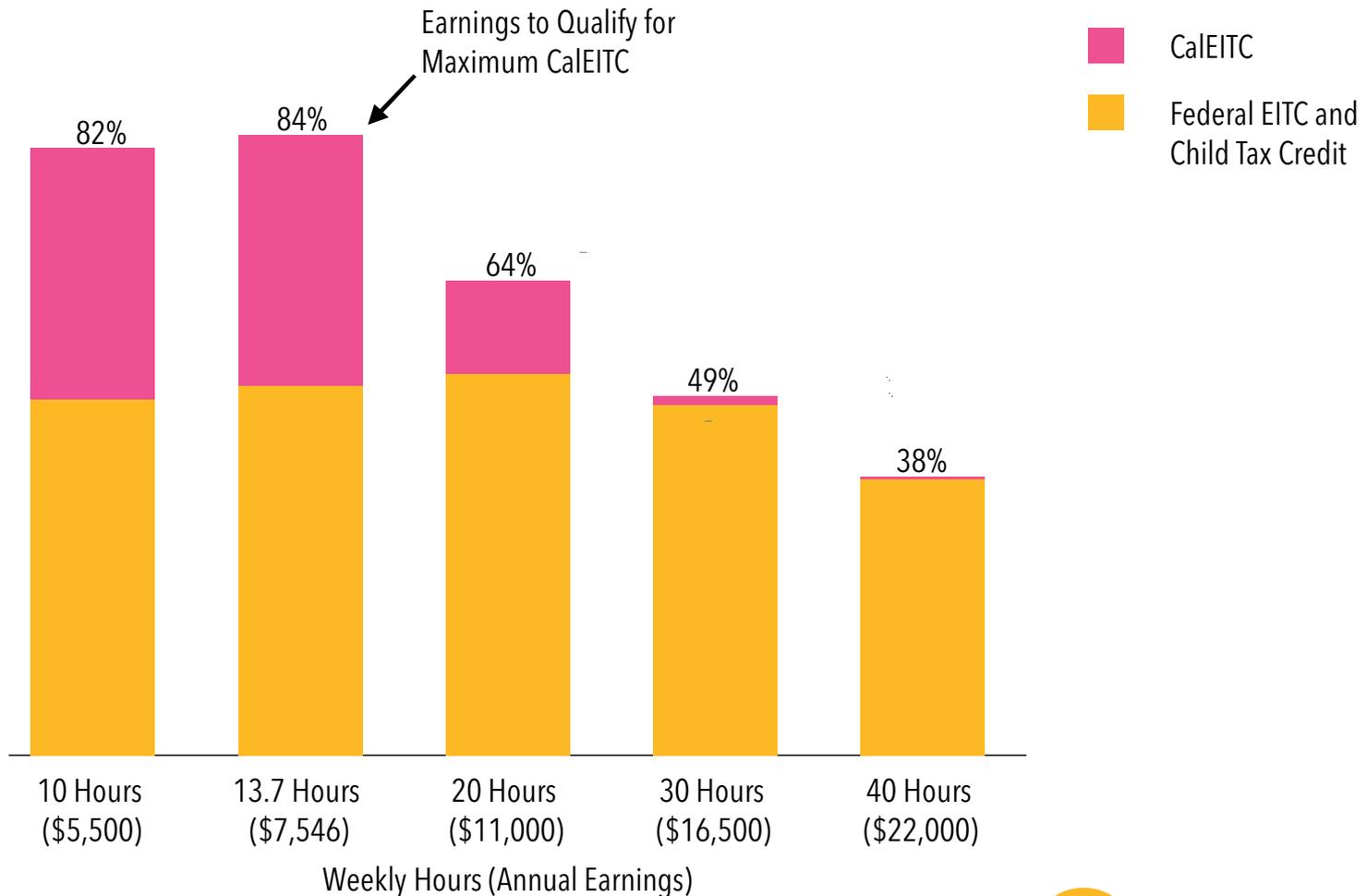
2017

2018



The CalEITC, Together With Federal Tax Credits, Significantly Boosts the Incomes of Families With Low Earnings From Work

Percent Increase in Income for Parents With Two Children, Tax Year 2018



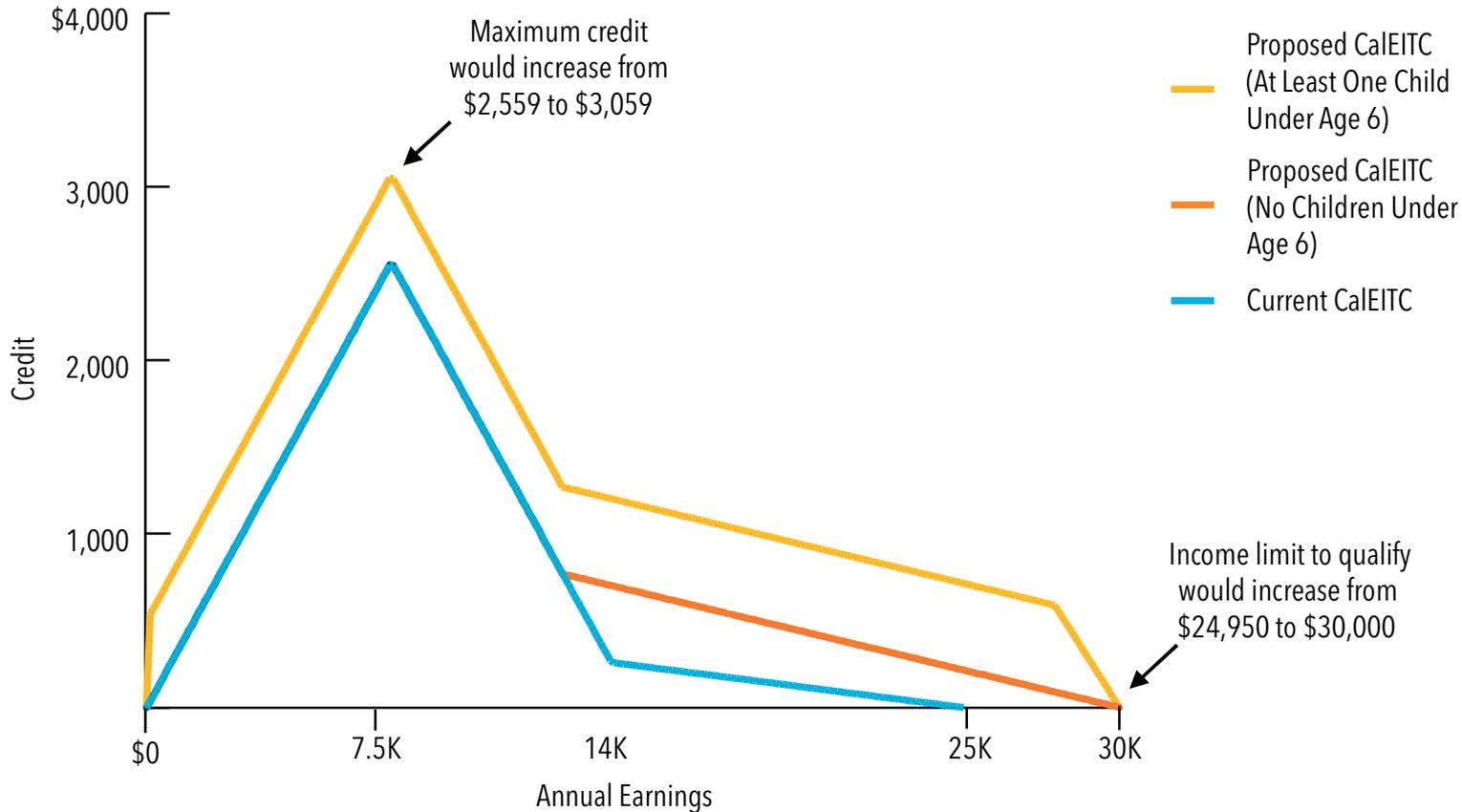
Note: Assumes an \$11 hourly wage and 50 weeks of work per year.

Source: Budget center analysis of Section 17052 of the California Revenue and Taxation Code and Section 32 of Title 26 of the Internal Revenue Code



The Governor Proposes to Significantly Expand the CalEITC

CalEITC for Parents With Two Qualifying Children, Tax Year 2018



Note: Under the proposal, the income limit would also increase to \$30,000 for other families with qualifying children as well as for tax filers without any qualifying children.
 Source: Budget Center analysis based on personal communication with Department of Finance



CalEITC Expansion and Strengthening Options to Consider

- Including immigrant families who file taxes with Individual Taxpayer Identification Numbers (ITINs)
- Modifying the credit to provide a child allowance for *all* low-income families, similar to expanding the definition of work to include caregivers with no paid employment
- Allowing tax filers to opt in to deferred monthly payments
- Expanding tax filers' access to free tax preparation services



Child Poverty Task Force Proposal for a Targeted State Child Tax Credit

- Credit would be designed to close the deep poverty gap for families with children.
- Deep poverty threshold would be based on the California Poverty Measure, to account for local differences in cost of living.
- Gap would be calculated after disregarding federal EITC, CalEITC, and a share of earnings (e.g. 25%), to preserve a work incentive.
- Implementation challenges would need to be addressed.



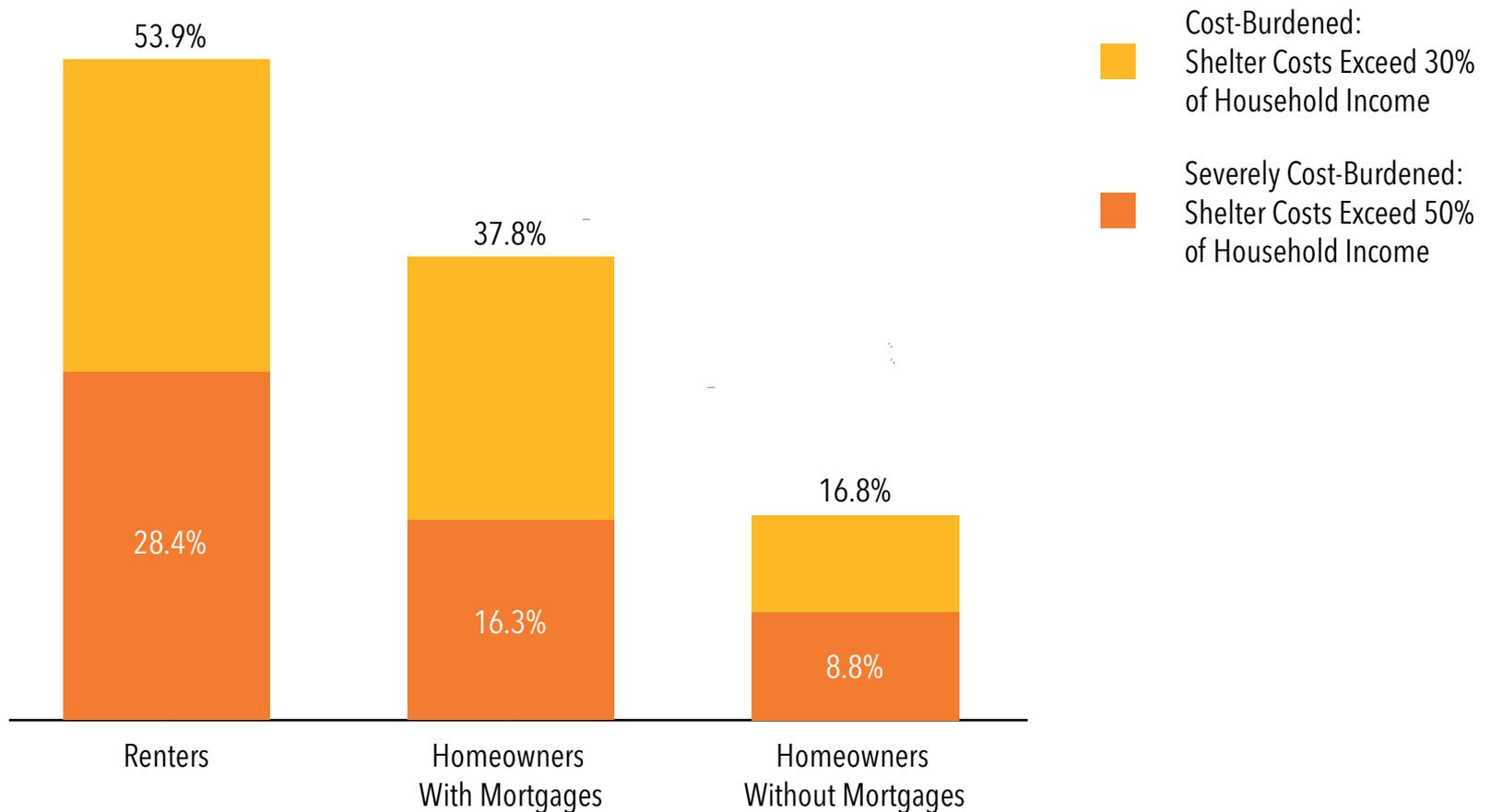
Reducing the Cost of Basic Needs

Housing and child care are the largest basic expenses for families with children.



More Than Half of California's Renters and Over a Third of Homeowners With Mortgages Have High Housing Costs

Percentage of Households With Housing Cost Burden or Severe Housing Cost Burden, 2017



Note: Definitions of housing cost burden are from the US Department of Housing and Urban Development.
Source: Budget Center analysis of US Census Bureau, American Community Survey data



Addressing Housing Affordability

- Housing is the largest basic expense for most families, and a key driver of California's high poverty rate.
- Housing instability and homelessness are linked to negative child outcomes.
- Long-term economic outcomes are linked to geography of residence.
- Affordable housing development, rent subsidies, and rent regulation can make housing more affordable, especially in high-opportunity locations.



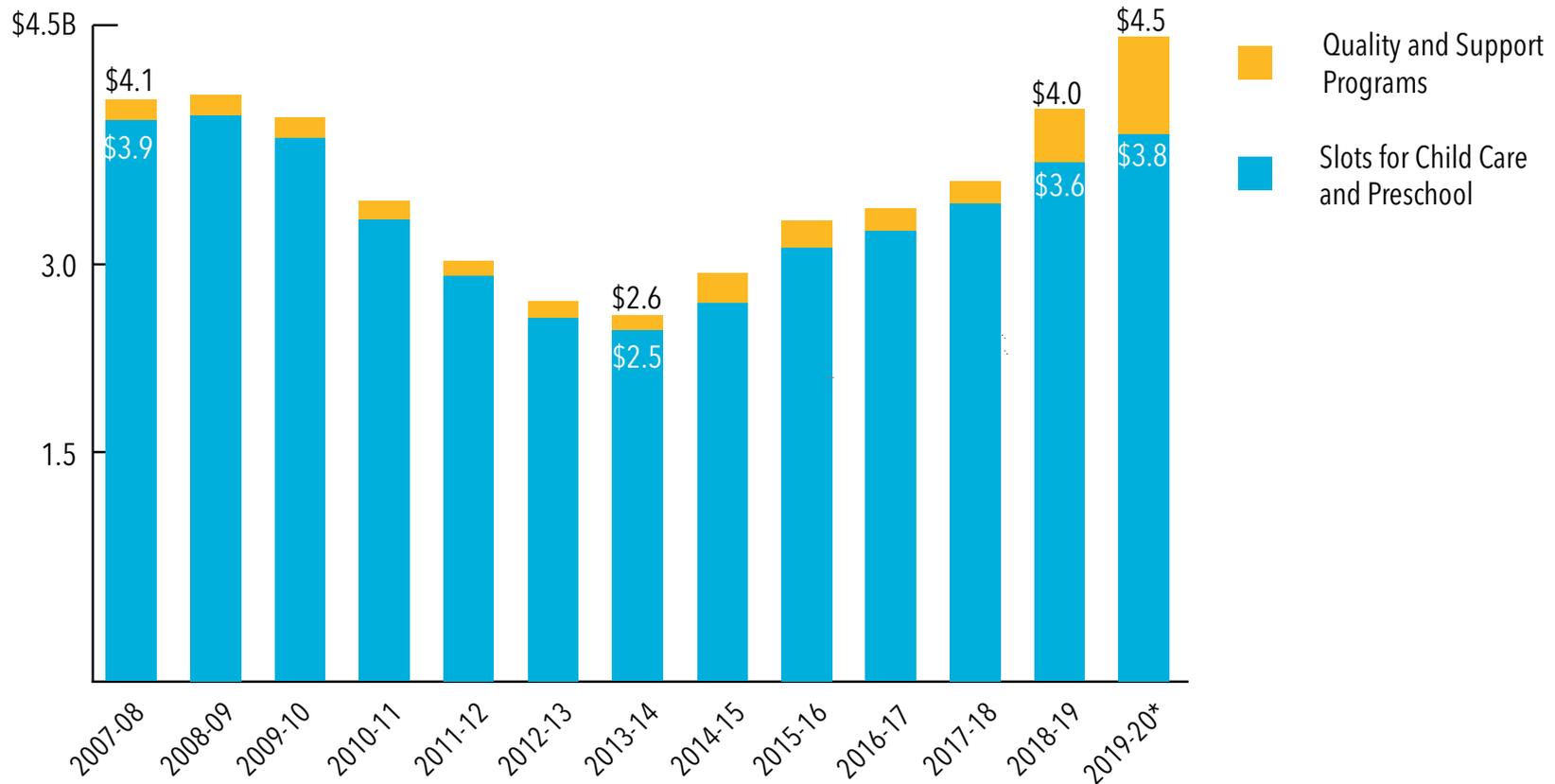
Increasing Access to Affordable Child Care

- Child care is second only to housing as the largest basic expense for many working families.
- Access to affordable child care allows parents to work, increasing family incomes.
- Quality preschool, in particular, is linked to positive long-term educational and economic outcomes for children growing up in poverty.



Proposed Funding for Child Care and Preschool Surpasses Pre-Recession Levels With Boost From One-Time Dollars

Funding for Subsidized Child Care and Preschool in California (Billions), Inflation-Adjusted



* Proposed.

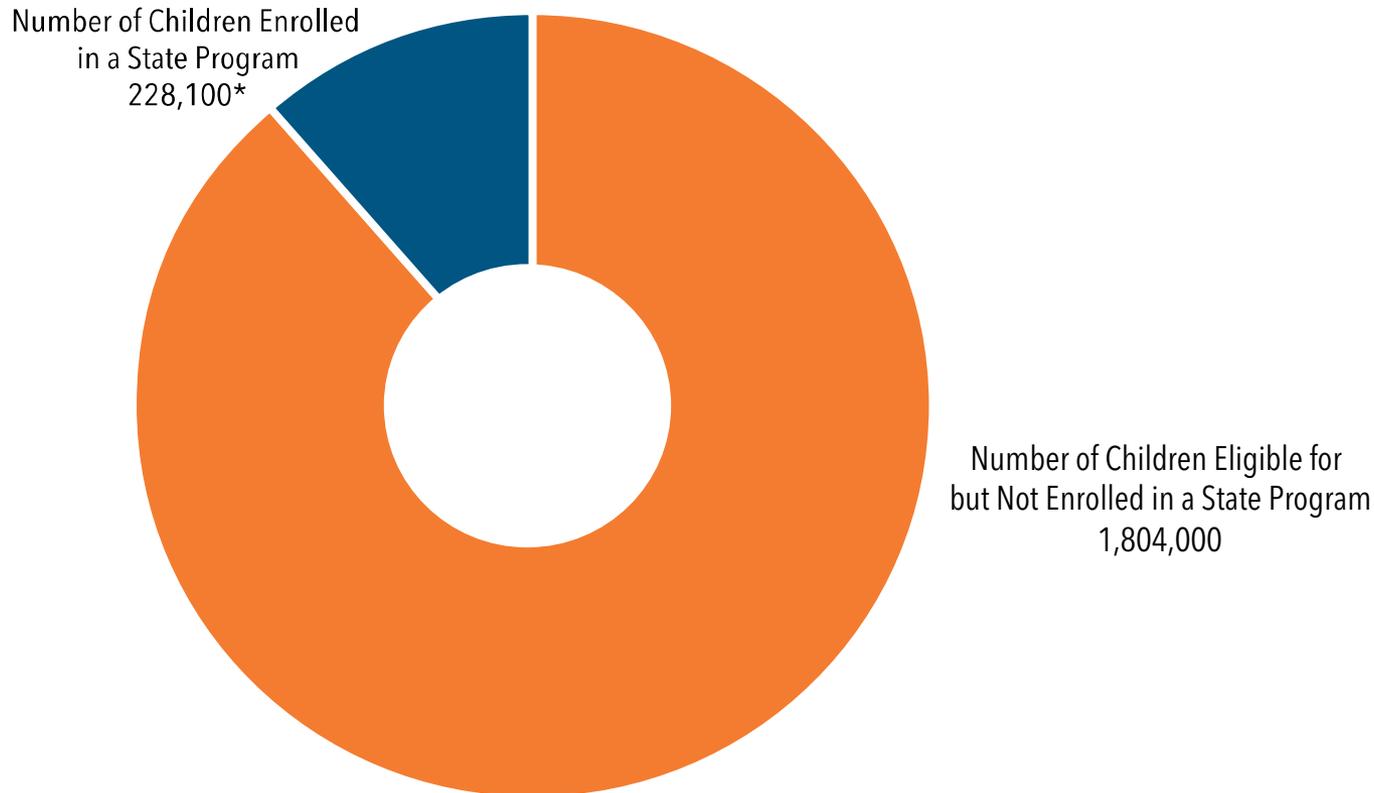
Note: Figures reflect the enacted budget each year except for 2008-09, which reflects the revised budget as of February 2009. Figures include federal and state funds for slots as well as for quality and support programs and are in 2019-20 dollars. Child care includes CalWORKs and non-CalWORKs programs. Preschool excludes Transitional Kindergarten.

Source: California Department of Education and Department of Finance



8 in 9 Children Eligible for Subsidized Child Care Did Not Receive Services From Full-Day, Full-Year Programs in 2017

Estimated Number of California Children Eligible for Subsidized Child Care = 2,032,000



* Enrollment is for children from birth through age 12 in October 2017, except for California Community College CalWORKs Stage Two, which reflects a Department of Finance estimate for the 2017-18 fiscal year. Includes children enrolled in the full-day California State Preschool Program (CSPP). Excludes children enrolled in the part-day CSPP or the Handicapped Child Care Program. Source: California Department of Education, Department of Finance, Department of Social Services, and Budget Center analysis of US Census Bureau, American Community Survey data



Building Resilience in Children in Poverty

Cash, housing, and early childhood education, along with strategies like home visiting, are all linked to improved long-term outcomes for children in poverty.



Home Visiting for Families Living in Poverty

- Research shows that home visiting is linked to improved outcomes in health and behavior for children growing up in poverty.
- Home visiting programs are also cost-effective in terms of public costs versus public benefits.



The Bottom Line

- Child poverty is a serious problem in California, but there are many effective state policy approaches to reduce child poverty and minimize its long-term effects.
- California has made significant recent investments to address child poverty, but more still needs to be done.







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