



California Budget
& Policy Center

Addressing Child Poverty: Recent Progress and Policy Options

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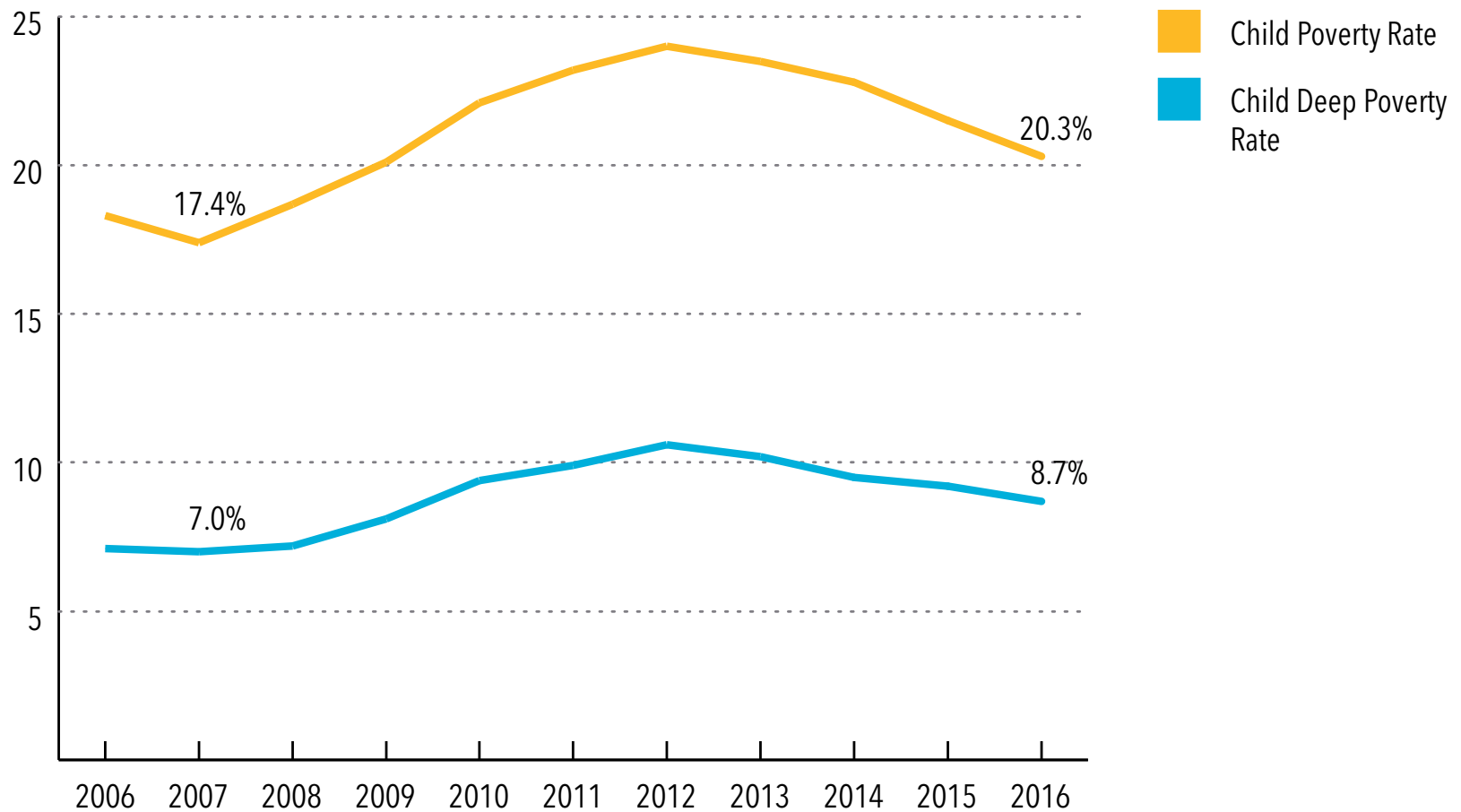
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Child Poverty Is a Serious and Persistent Challenge in California



Official Child Poverty and Deep Poverty Rates Have Declined, but Are Higher Than Before the Great Recession

Percentage of California Children in Official Poverty and Deep Poverty, 2006 to 2016

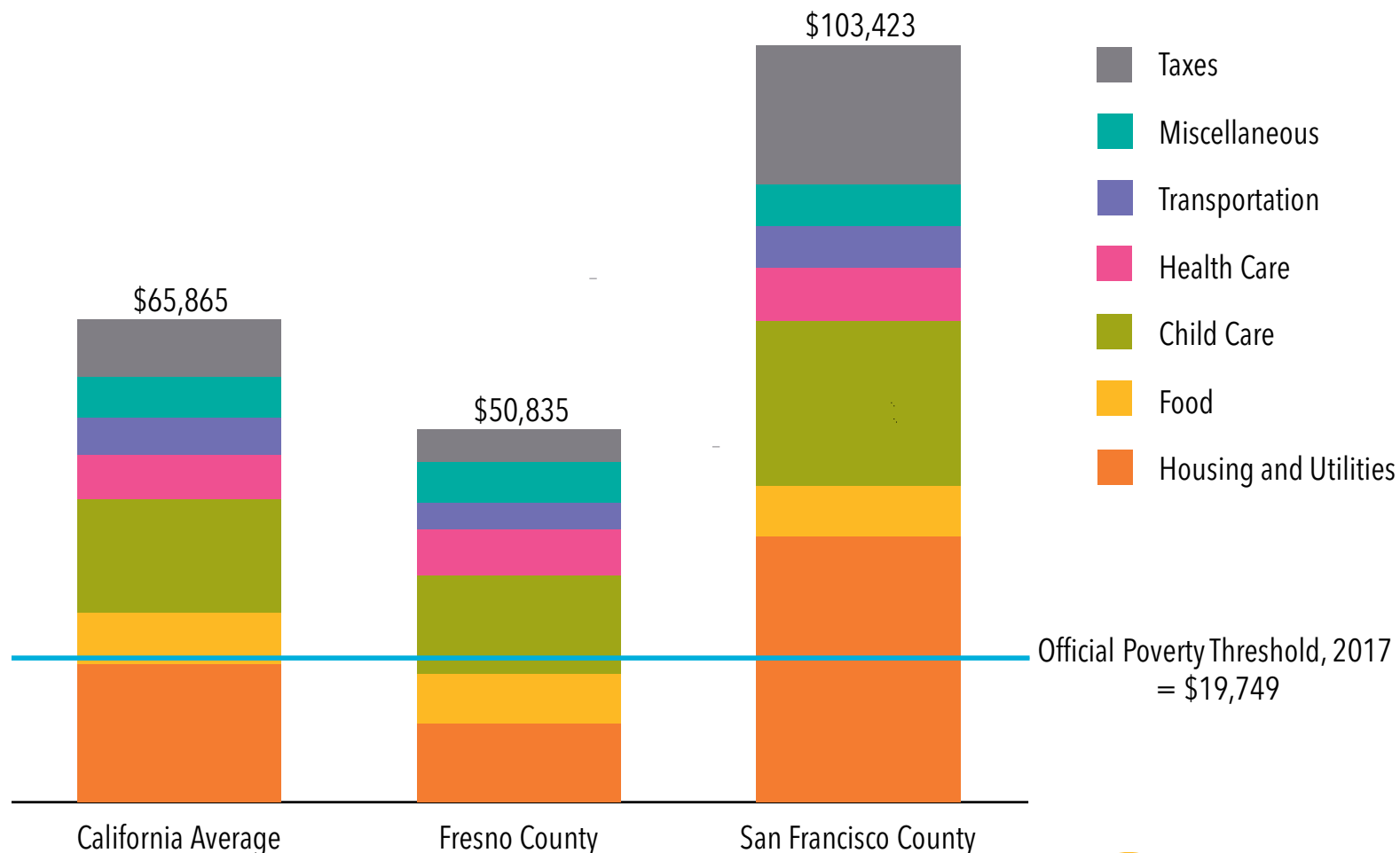


Note: Deep poverty is defined as family income equal to less than half of the poverty threshold. Official poverty rates calculated for the same year using different Census data sources may differ. Source: Budget Center analysis of US Census Bureau, American Community Survey microdata downloaded from IPUMS, University of Minnesota



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

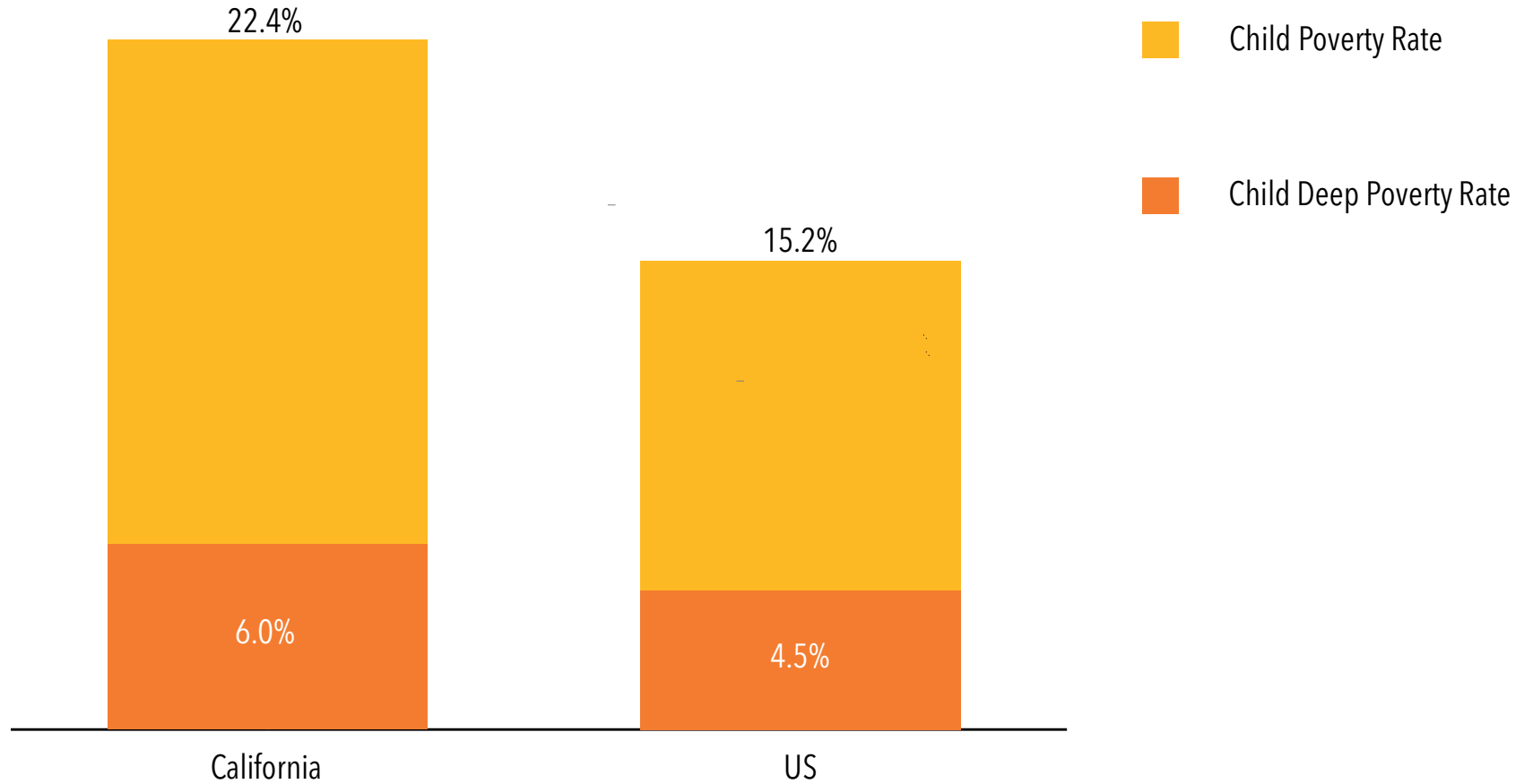


Note: Assumes one preschool-age and one school-age child and a single parent working full-time.
Source: Budget Center *Making Ends Meet* 2017 analysis and US Census Bureau



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, 2016



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

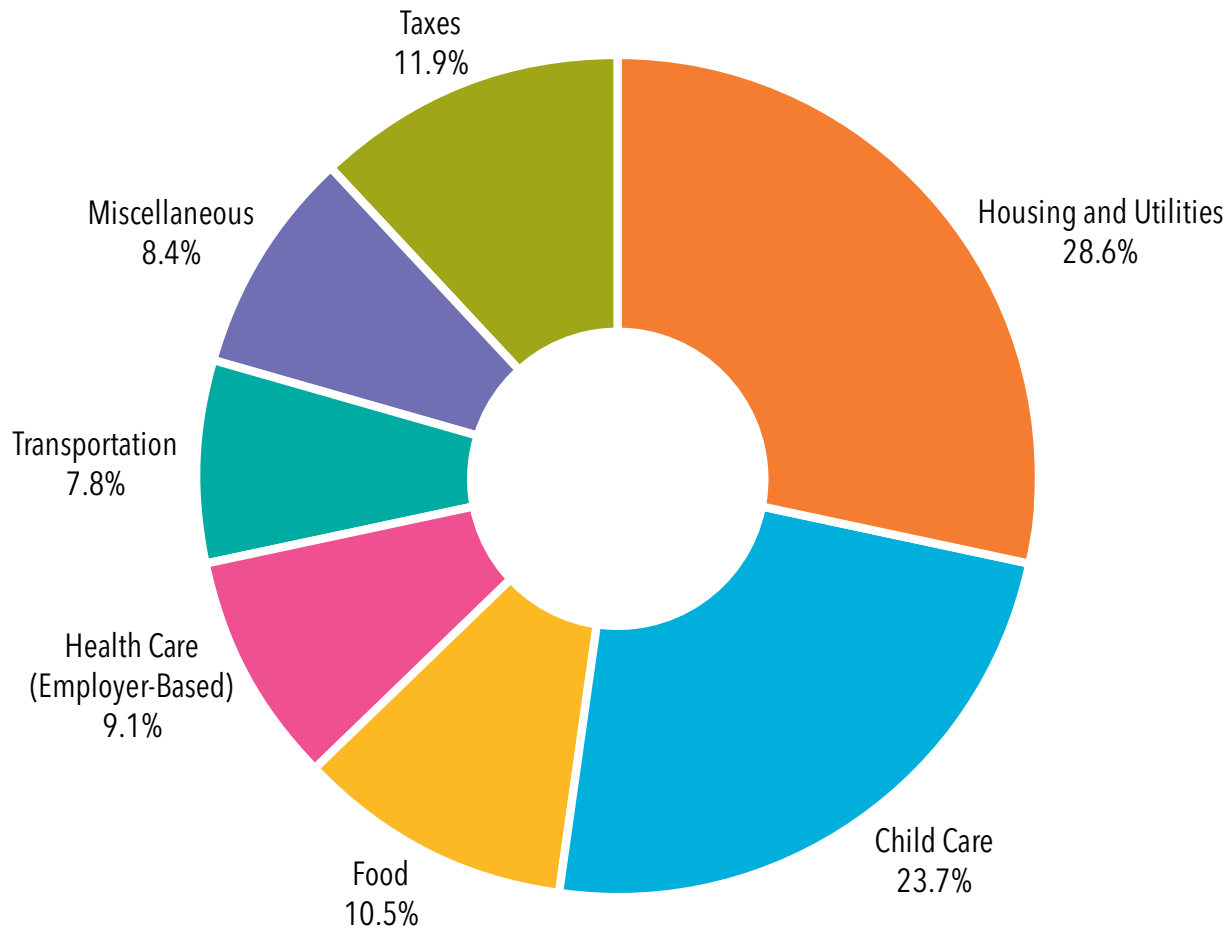


How Can Public Policies Address Child Poverty?



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

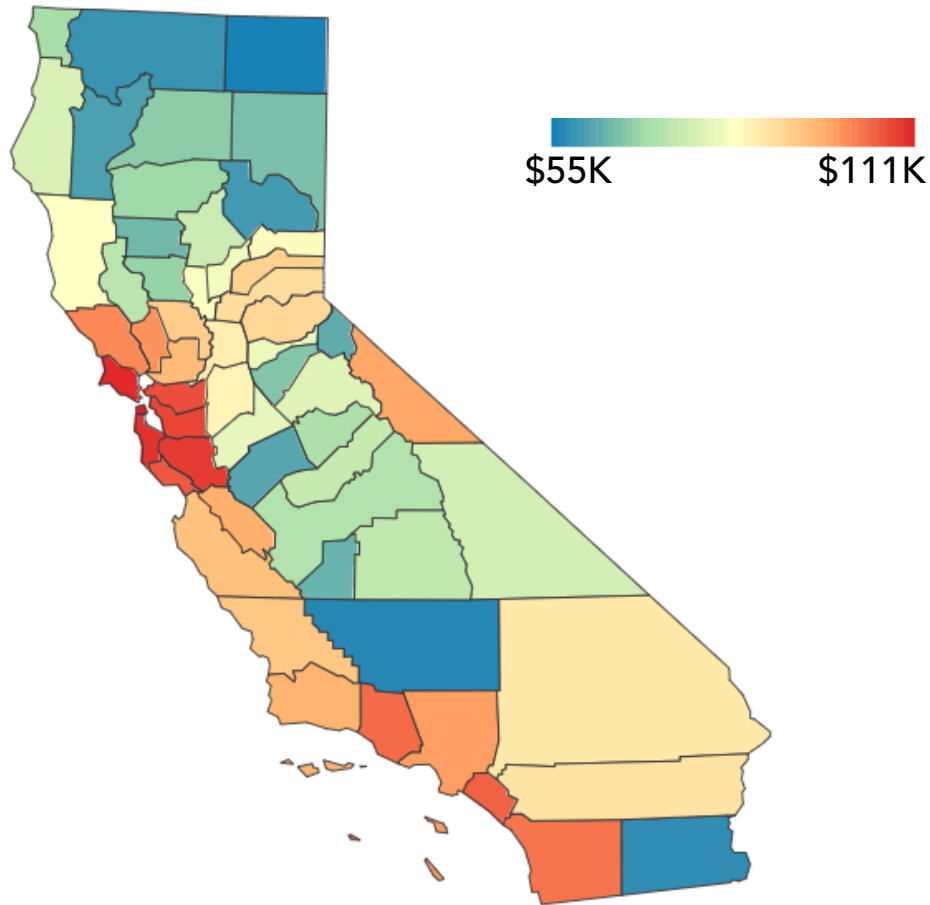


Note: Statewide average family budget calculated by averaging all county family budgets, weighted by county population.
Source: Budget Center *Making Ends Meet* 2017 analysis



The Basic Cost to Support a Family Varies Across California

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



Source: Budget Center *Making Ends Meet 2017* analysis



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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



Cash Is Very Effective in Addressing Poverty

- Immediate reduction in depth of poverty
- Flexibility to meet families' specific needs
- Research evidence shows long-term effects on children's educational, economic, and health outcomes



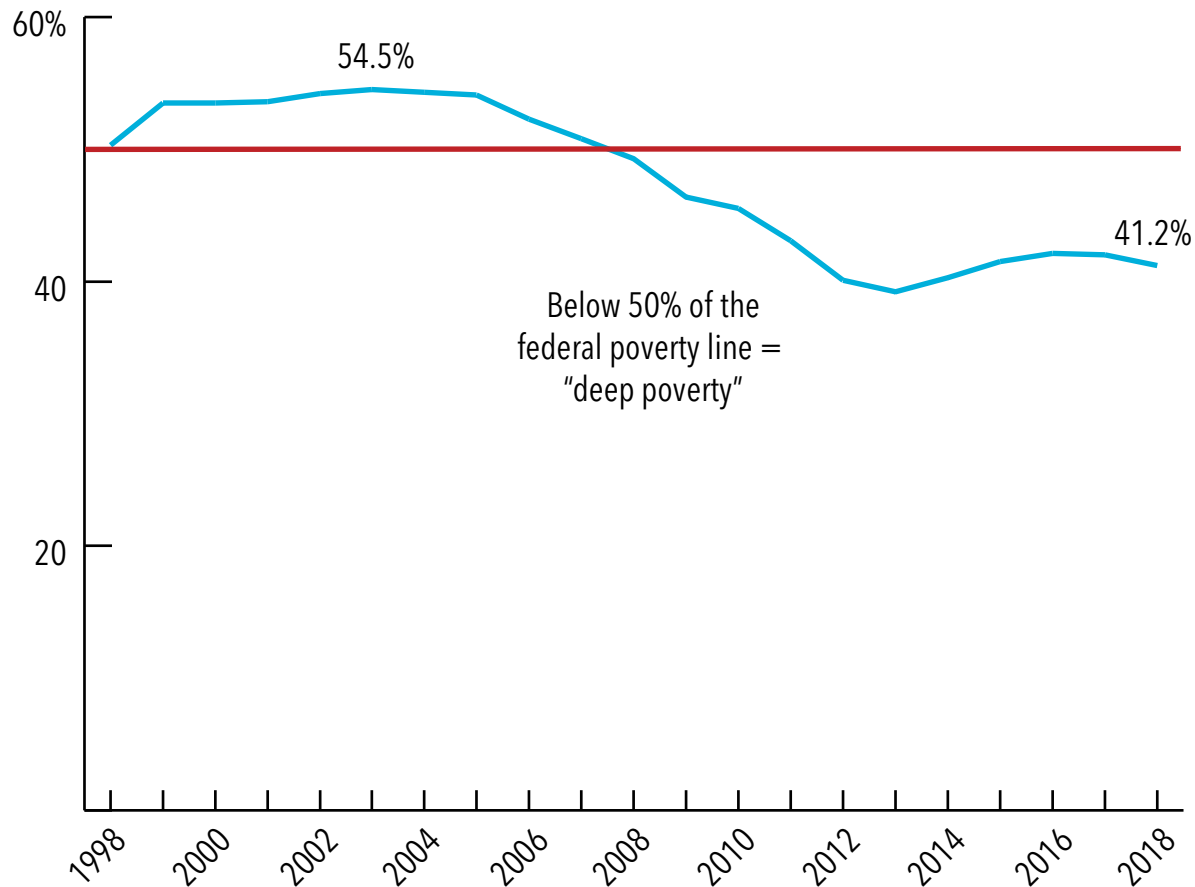
Increasing Families' Incomes

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



CalWORKs Grants Have Been Below the Deep-Poverty Line for Eleven Straight Years

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



Note: Grants are for high-cost counties.

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



2018-19 Budget Included Intent to End Deep Poverty in CalWORKs

- Intent language provides for increasing grants to equal 50% of the official poverty threshold for the family size plus one
- 10% grant increase funded beginning in April 2019
- Remaining increase required to meet intent would equal roughly 33% additional increase in grants for typical family sizes





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

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

2015

2016

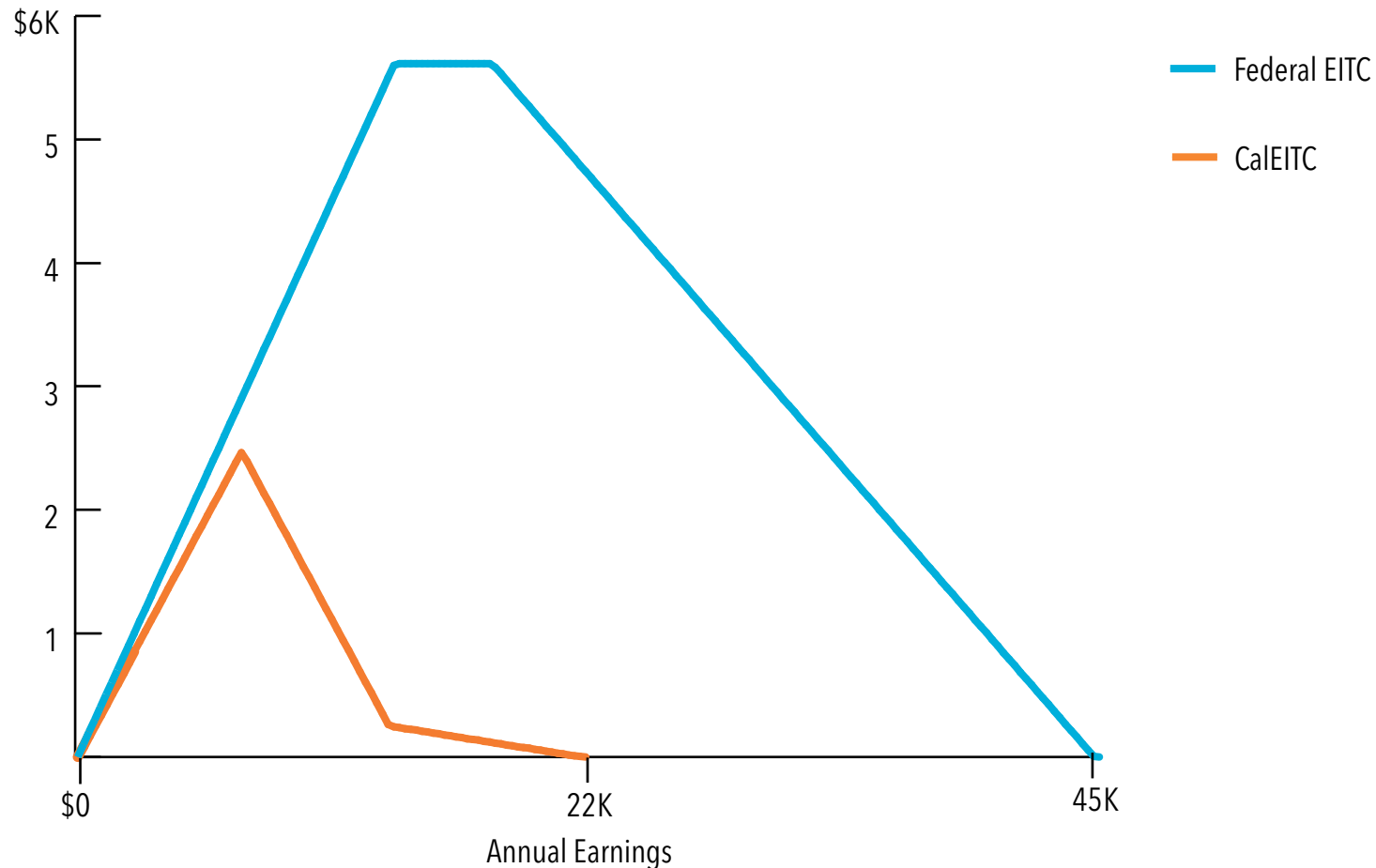
2017

2018



The CalEITC Provides an Additional Income Boost to Working Families and Individuals With Low Incomes

Federal & California Earned Income Tax Credits, Unmarried Parents With Two Children, 2017



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



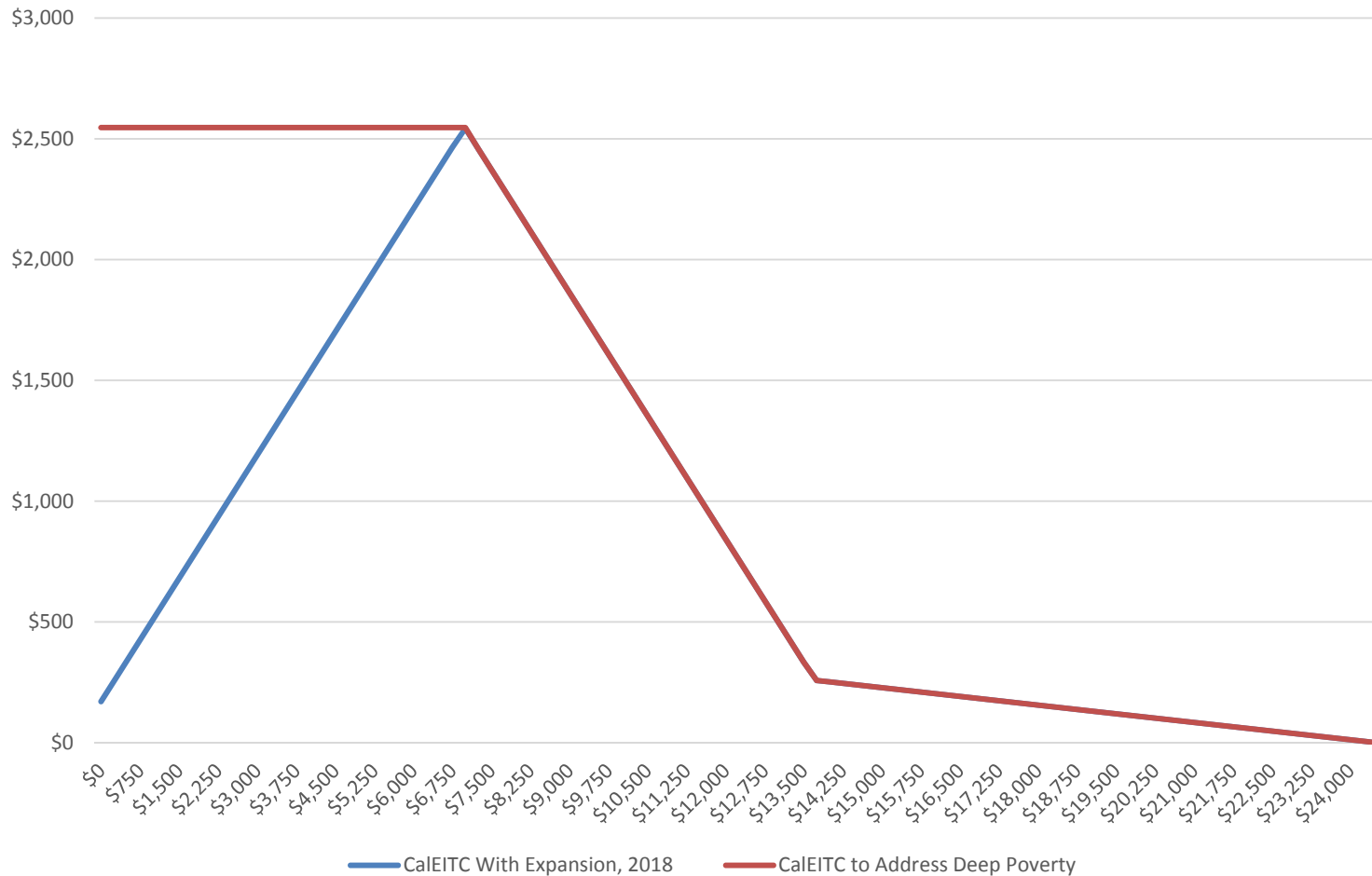
CalEITC Expansion and Strengthening Options to Consider

- Include immigrant families who file taxes with ITINs
- Permanently link to minimum wage salary
- Increase credits for lowest-earning families to address deep poverty
- Expand the definition of work to include caregivers with little or no paid employment
- Increase credits for families near minimum wage salary



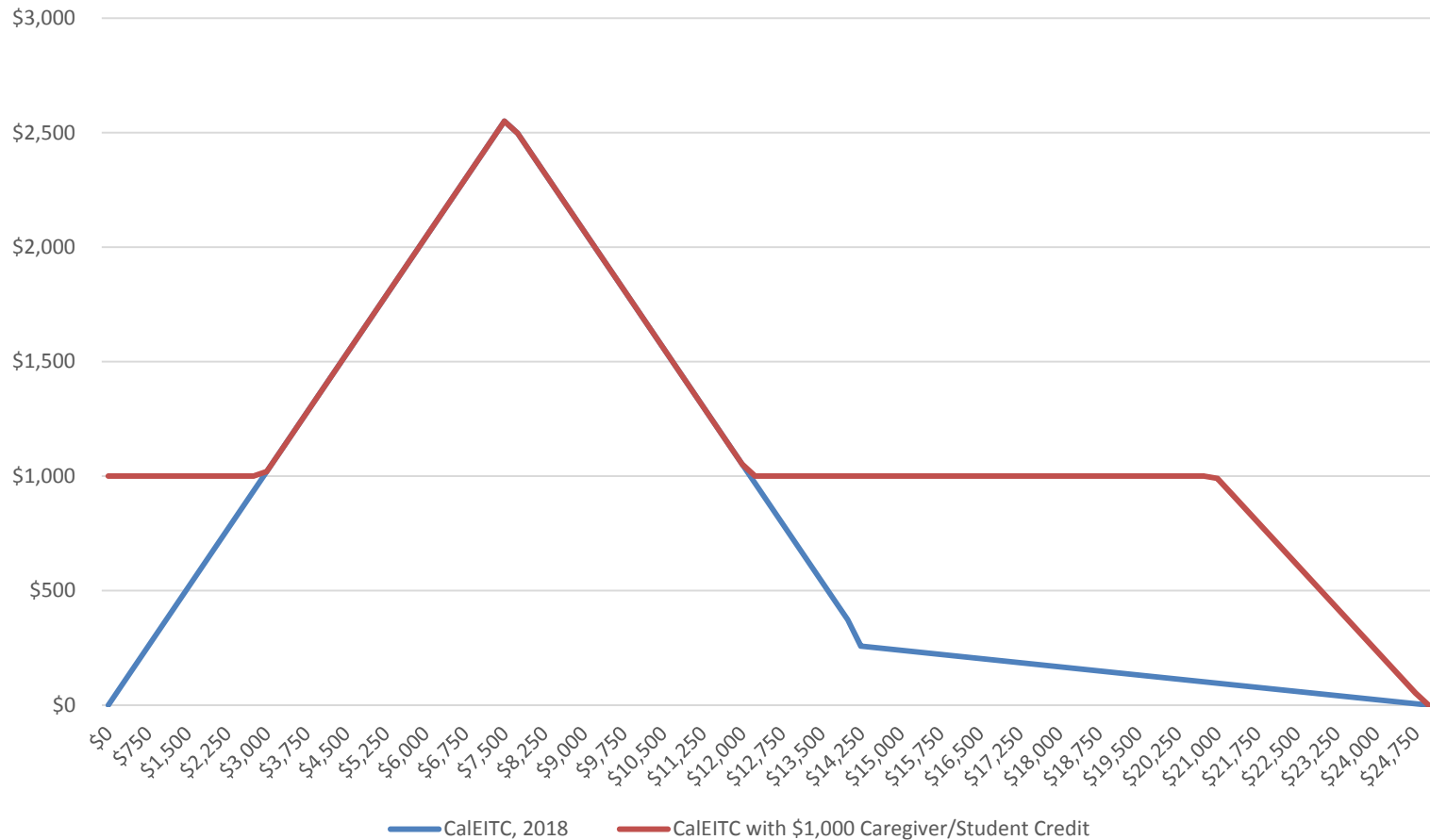
Increasing CalEITC Credits for Parents With the Lowest Earnings Addresses Deep Child Poverty

Workers With Two Qualifying Children by Annual Earnings, Tax Year 2018

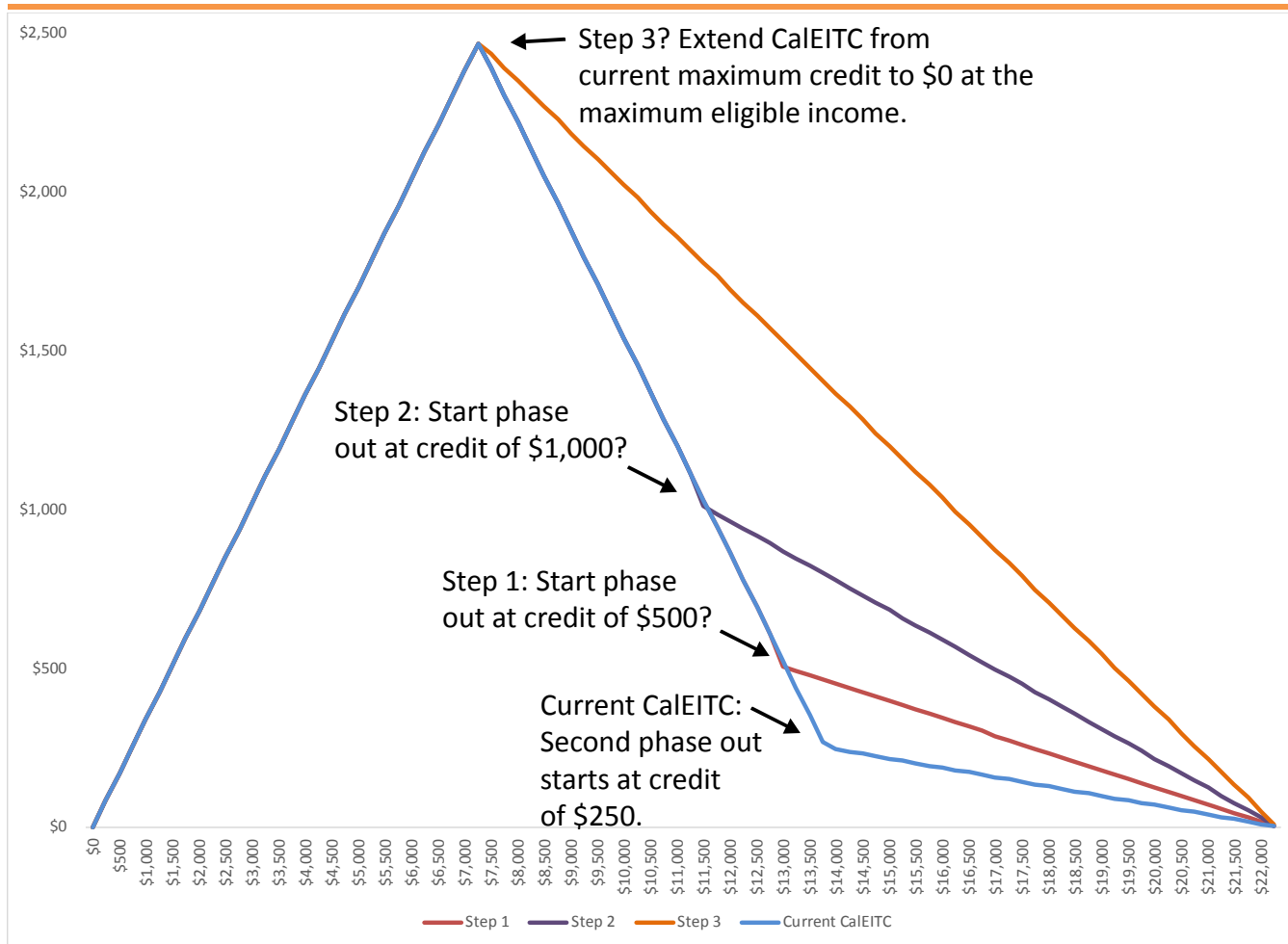


Recognize Unpaid Work by Providing a Flat CalEITC Credit to Caregivers

Workers With Two Qualifying Children by Annual Earnings, Tax Year 2018



Address the High Cost of Living by Increasing CalEITC for Earnings Near Minimum Wage

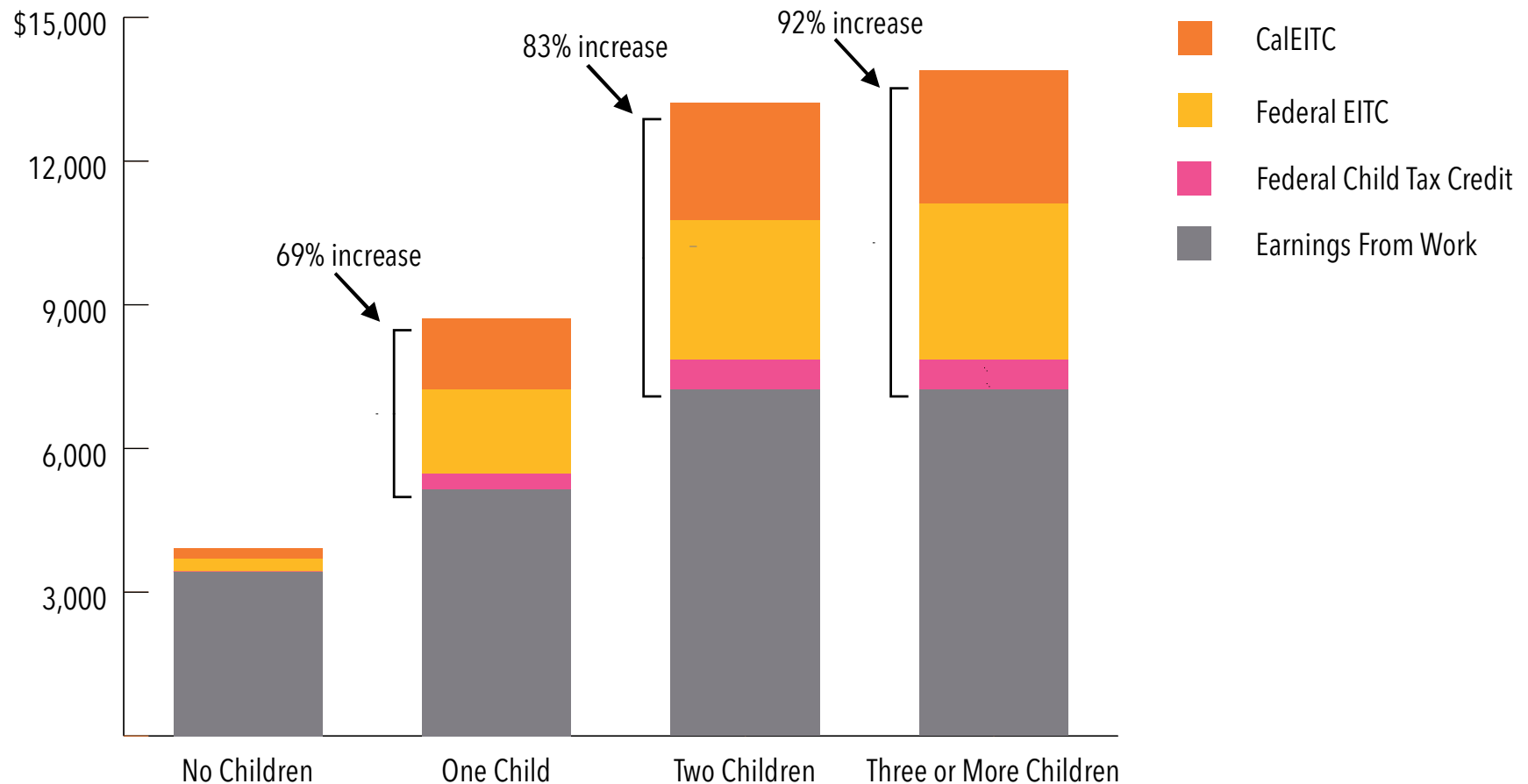


Note: Reflects CalEITC for a parent with two children in tax year 2017.



The CalEITC, Together With Federal Credits, Significantly Boosts the Incomes of Working Families With Children

Increase in Income From Tax Credits for Workers Qualifying for the Maximum CalEITC, 2017



Source: Budget Center analysis of the California and federal Earned Income Tax Credits (EITCs) and the federal Child Tax Credit



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



Is Universal Basic Income the Answer?

A basic income guarantee at the state level could be implemented through expansion of the CalEITC or other tax credits.



Considerations for Implementing a Basic Income at the State Level

- Targeting to lower-income households can make total cost more feasible and help families who struggle most
 - Phasing out at the income limit minimizes work disincentives
 - Structuring as a refundable tax credit means that new income does not lead to reduction in other means-tested supports
- This is the basic structure of a state EITC or targeted state Child Tax Credit



Reducing the Cost of Basic Needs

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



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
- Rent subsidies and affordable housing development can make housing more affordable, especially in high-opportunity locations

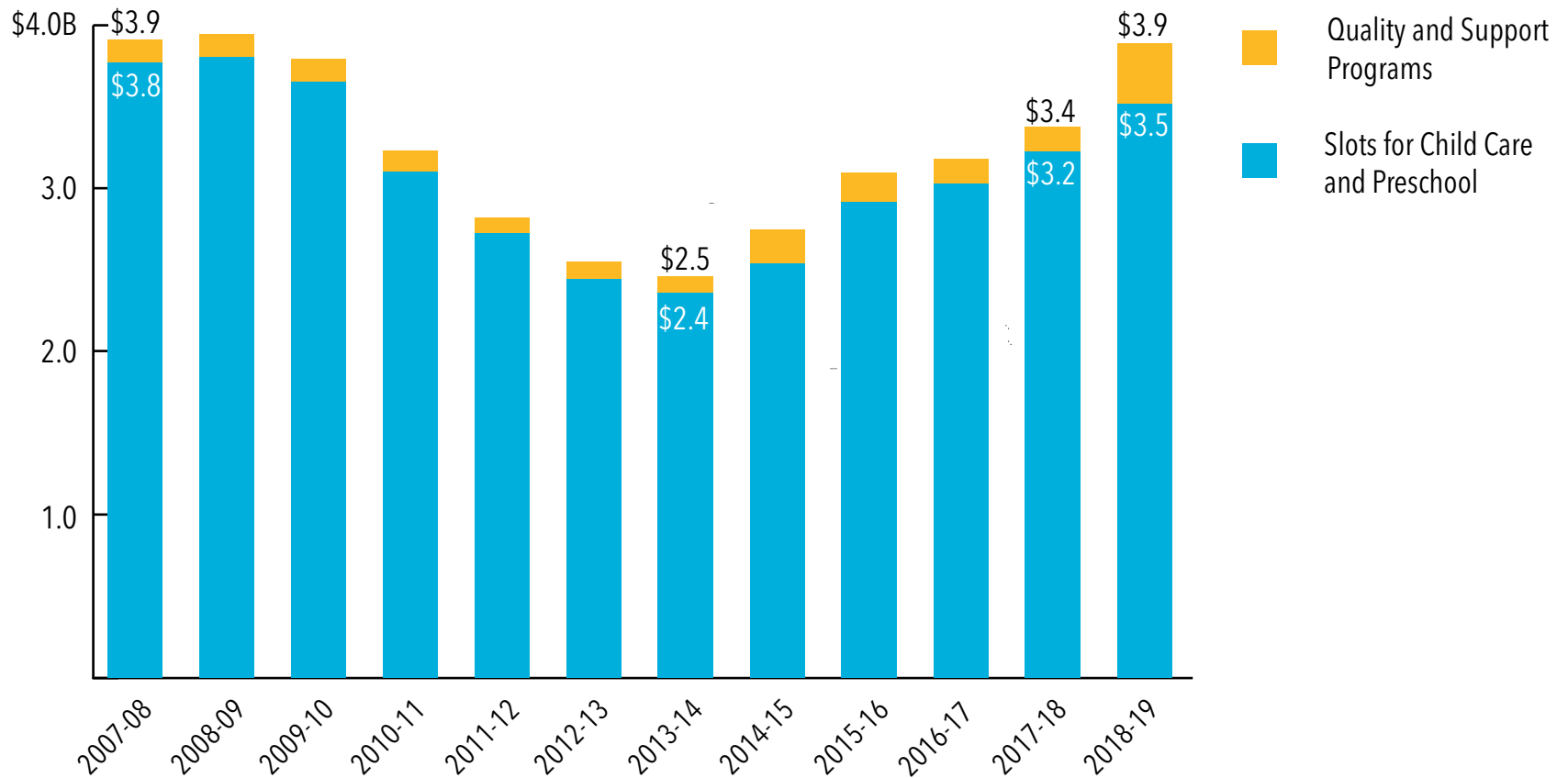


Increasing Access to Affordable Child Care

- 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



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



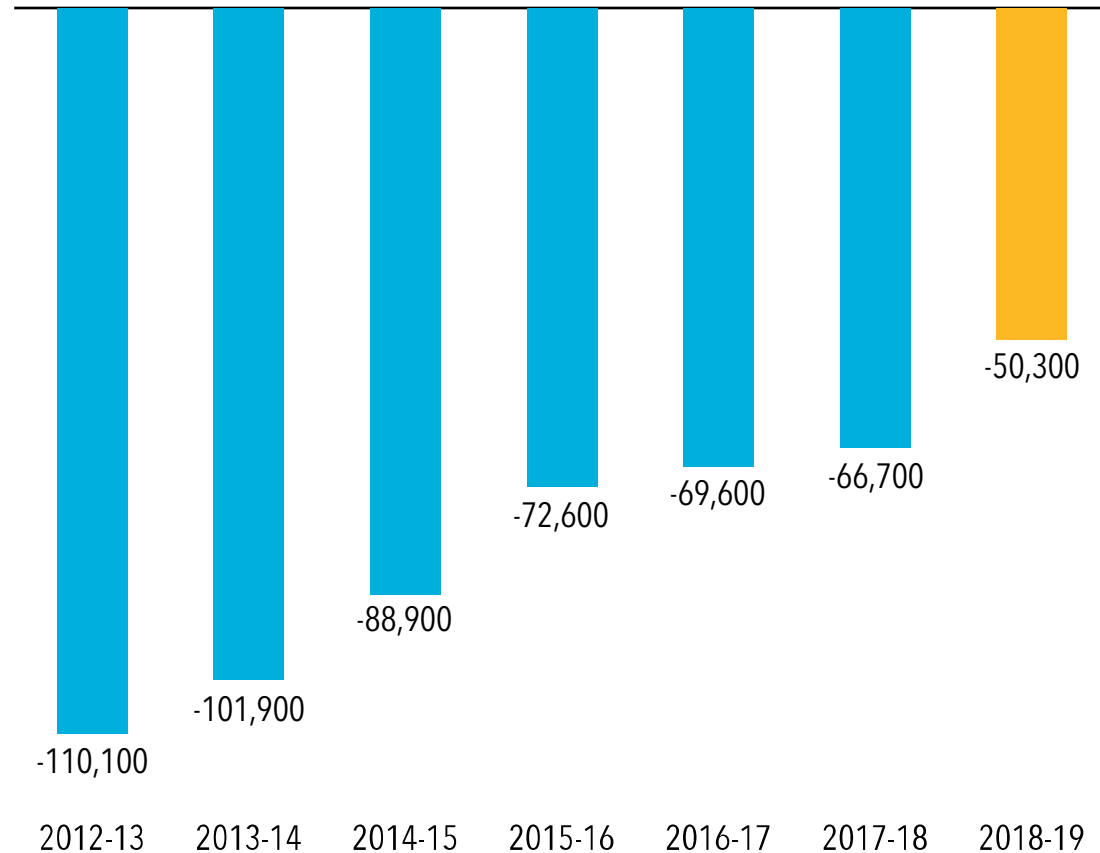
Note: Figures reflect the enacted budget each year except for 2008-09, which reflects the revised budget as of February 2009. Figures include federal and state funds for slots as well as for quality and support programs and are in 2018-19 dollars. Child care includes CalWORKs and non-CalWORKs programs. Preschool excludes Transitional Kindergarten.

Source: California Department of Education and Department of Finance



Even With Recent Increases, California Will Have 50,000 Fewer Child Care and Preschool Slots Than in 2007-08

Amount by Which Subsidized Child Care and Preschool Slots Are Below the 2007-08 Level



Note: Child care includes CalWORKs and non-CalWORKs programs and excludes Transitional Kindergarten. Slots include those funded with federal and/or state dollars.

Source: Budget Center analysis of Department of Finance and Legislative Analyst's Office 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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