

CALIFORNIA LIFTING CHILDREN AND FAMILIES OUT OF POVERTY TASK FORCE

The Lifting Children and Families Out of Poverty Task Force Report

Recommended Strategies to Address Deep Child Poverty and Child Poverty in California

NOVEMBER 2018

TRANSMITTAL LETTER

November 15, 2018

Dear Governor Brown, Governor-Elect Newsom and Members of the California Legislature:

We present the attached report from the Lifting Children and Family Out of Poverty Task Force, with a great sense of both urgency and hope. The Task Force was established by Chapter 415, Statutes of 2017 (Assembly Bill 1520, 2017, Burke). AB 1520 called for the development of comprehensive strategies aimed at addressing deep child poverty and reducing child poverty in California and established the Task Force to accomplish this task. The Task Force further defined its goals as *ending deep child poverty as soon as possible* and reducing overall child poverty *by 50 percent*. The Task Force identified priority recommendations as those that: (1) directly and immediately reduce deep child poverty, (2) have a foundational immediate and longer-term impact on disrupting the cycle of poverty, and (3) have very substantial evidence in support of them or are innovative programs that have shown substantial promise.

The Task Force includes stakeholders who focus on family and child well-being, from pre-natal care to adulthood, including representatives from the state agencies responsible for health and human services, workforce, education, and housing, local governments, justice agencies, and state and local community organizations that work with and advocate for children and families. This report reflects months of work by the Task Force and its highly regarded researchers and contributors.

In developing the comprehensive recommendations the Task Force specifically followed, and strongly agreed with, the legislative directive to “ build on the substantial foundation and progress that has been made in helping low-income Californians and addressing child poverty in the state, such as increases to the minimum wage, the elimination of the maximum family grant rule in the California Work Opportunity and Responsibility to Kids (CalWORKs) program, housing and utility support programs, school nutrition programs, the local control funding formula (LCFF) for K–12 education, state programs under the federal Workforce Innovation and Opportunity Act (WIOA), expansion of health care, investments in child development, the California Earned Income Tax Credit (CalEITC), and outreach and assistance with the federal earned income tax credit.”

In addition, earlier this year the Legislature and Brown Administration took a substantial step in addressing deep child poverty in California by increasing CalWORKs grants, stating their intent to increase the grants to bring CalWORKs participants to at least 50 percent of the federal poverty line over the next three years, and to initiate a home visiting program for first-time

parents in CalWORKs. The Task Force built on that action to recommend the implementation roadmap that includes necessary measures to bring children out of abject poverty and foundational investments in early healthcare, early childhood care and education, and related services.

The Task Force recognized that while the existing safety net has prevented the number of Californians in poverty from becoming much higher, to substantially reduce California's highest in the nation levels of child and family poverty requires further very substantial comprehensive, coordinated steps.

In order to provide a road map for implementation of the necessary steps to substantially reduce child poverty, the recommendations are presented with suggested investments for Fiscal Years 2019-2029. Based on the best available research, data and lived experience, they are meant to provide a road map for consideration and refinement as part of the legislative process. In considering these new investments California will need to weigh its ability to sustain current programs and respond to economic uncertainties. Although the case has been made in this report for the long-term economic as well as human and societal benefits of these investments, the initial years implementing this roadmap may require increased revenues or reductions to other areas of the budget. The recommended ramp up of the investments is designed to provide time for that planning.

When implemented, these recommendations will end deep child and family poverty in California. California will become the first state in America to have done so and will provide a model for the country.

We thank you in advance for your consideration of this report and collaboration to achieve our shared goals.

Sincerely,



WILL LIGHTBOURNE



CONWAY COLLIS

Co-Chairs of the Task Force

Executive Summary

California has the highest number of children and highest percentage of children living in poverty of any state in the nation.¹ In order to help address additional strategies, in 2017 the California legislature passed Assembly Bill 1520 (Chapter 415, Statutes of 2016) directing the California Department of Social Services to convene The Lifting Children and Families Out of Poverty Task Force to recommend comprehensive strategies to achieve the reduction of “deep poverty” (families with income below half of the federal poverty level) among children and reduce the overall child poverty rate in the state. In carrying out the Legislative directive, the Task Force established the goals of ending deep child poverty as soon as possible and reducing overall child poverty by 50 percent.

The Task Force includes stakeholders who focus on family and child well-being from birth to adulthood including state and local community organizations that work with and advocate for children and families, local government, justice agencies, and representatives from among the state agencies responsible for health and human services, workforce, education, and housing programs. The Task Force is supported by researchers with subject-matter expertise from the Goldman School of Public Policy, University of California, Berkeley, and Stanford Center on Poverty and Inequality. From December 2017 through October 2018, the Task Force convened regularly to hear presentations that included extensive data from experts, input from community members, and to discuss policy challenges and potential solutions. Task Force members convened subcommittees to formulate recommendations in key policy areas and shared these recommendations with the full Task Force for approval. The Task Force also developed corresponding benchmarks for measuring implementation progress.

As the Task Force determined how to meet its charge, it recognized that both immediate needs like family stabilization and more foundational multi-generational approaches for long-term impacts require developing strategies that consider multiple concurrent needs. Families need housing, food, and clothing to become stable, and then health care, education, child care, skills and economic opportunities to escape poverty and become economically mobile and independent. Providing only one, or even several, of these things, will not eliminate deep poverty or sustain a reduction.

The Task Force’s specific approach involved the development of changes within seven major policy areas, as displayed in Appendix D. For each category the Task Force considered a mix of recommendations—some of which have immediate impacts on deep child poverty and can be achieved in a relative short time frame, and others designed to produce “foundational changes.” The foundational recommendations surround and support the immediate-impact recommendations, and have been shown to disrupt the intergenerational cycles of poverty. Many of the proposals exhibit both types of characteristics—for example, recent studies provide evidence that, in addition to addressing the immediate need of food and housing stability, increases in cash and near-cash subsidies have a lasting positive effect on the future development

¹ Laird, Jennifer, et al. "Poor State, Rich State: Understanding the Variability of Poverty Rates across US States." *Sociological Science* 5 (2018): 628-652.

of children, families, and the economy in terms of improved school performance, graduation rates, and adult earnings. Similarly, child care subsidies result in an immediate improvement in financial circumstances of low-income households, and have been shown to have strong positive effects on future cognitive development and outcomes of young children receiving quality care.

It is important to note that the recommendations are coordinated with one another to ensure that each one is properly targeted and leveraged. As an example, the targeted low-income tax credit is designed to eliminate deep poverty in a focused and cost-effective manner. In this regard, the size of the credit takes into account family resources from private earnings and public benefits. This design ensures that the credit is specifically targeted to families facing deep poverty. At the same time, the credit includes provisions (such as partial income-disregards) that support parents' on-going efforts to work more hours and improve family income. The recommendations are also built on and assume the continuation of fundamental investments in programs already made by the Governor and Legislature to address family and child poverty in California.

The recommendations were developed in recognition of the unique challenges facing low-income families with children in impacted population groups and geographic areas. To help address these issues the Task Force included place-based recommendations, such as funding for creation of 20 new Promise Neighborhoods. It included recommendations for children involved in the child welfare system and those experiencing homelessness. The child care recommendations recognize the needs of families working during non-traditional evening and overnight hours. Finally, the targeted low-income credit is based on the California poverty measure, which recognizes differences in housing costs throughout the state.

Within each policy area, the Task Force divided its recommendations into two categories. "Priority recommendations" are those which will directly reduce deep child poverty in a relatively short time frame or have a proven foundational impact on disrupting the cycle of poverty by improving upward mobility and increasing positive adult outcomes for children living in poverty. "Comprehensive recommendations" are those that would also be instrumental to improving the lives of low-income children and breaking the cycle of poverty.

The Priority Recommendations, Target Populations, and Costs section of this report provides cost estimates and related information for each of the Task Force's priority recommendations. In recognition of the large budget impact that would occur if the recommendations were implemented concurrently, the Task Force developed a recommended phase-in for its proposals. The recommended phase-in prioritizes services to families with children in deep poverty, and within this group, targets families with very young children and special populations such as children in foster care or children experiencing homelessness. It also recognizes the vital role of health care to the well-being of families, by immediately expanding full scope Medi-Cal coverage to all adults with children up to 138 percent of the federal poverty level.

In addition to reducing the impact on the budget, a phase-in of the recommendations combined plan recognizes the practical barriers to implementing major expansions to services in a short time frame. This is particularly true for the expansions in child care, home visiting, and

employment training, which will require providers to add many new workers and related infrastructure to accommodate additional participants.

Under the phase in, the priority recommendations would cost \$1.4 billion in 2019-20, \$3.5 billion in 2020-21, and \$5.6 billion in 2021-22. These figures include a new targeted child tax credit for very low income families that incorporates rental housing subsidies; a phase in of the \$1.2 billion increase in CalWORKs grants, which is included in intent language to the 2017-18 budget; expanded access to child care and early childhood education; and voluntary home visiting and expanded Medi-Cal coverage for all adults with children up to 138 percent of the federal poverty level. When fully and successfully implemented they are calculated to end deep child poverty in California.

The longer-term estimates (shown below in the section titled “Priority Recommendations, Target Populations, and Costs” with additional annual detail in Appendix E) are based on current need and levels of poverty and do not include offsetting savings that will occur in the short, intermediate, and long term as the positive impacts of the interventions take hold. Nor do they include the positive impacts on adult earnings as today’s children grow up and become more successful adults. It is estimated that the combination of these factors will result in future benefits to state and local governments of more than \$12 billion annually.

II. Priority Recommendations, Target Populations, and Costs

Recommendation	Target Population and Type of Impact	State Costs During Phase-In (Millions of Constant 2018 Dollars)			Fully Phased-In Costs
		2019-20	2020-21	2021-22	
Social Safety Net					
Expand CalEITC by raising credit for those with limited earnings.	Primarily families in poverty and deep poverty. Immediate impact.	40	80	120	160
Establish a targeted child tax credit (TCTC) for families in deep poverty (distributed monthly).	Families in deep poverty. Immediate impact.	290	550	1,260	2,400
Increase CalWORKs grant amounts to end deep poverty within CalWORKs.	Primary impact on families in deep poverty. Immediate impact.	150 ^a	750 ^a	1,200 ^a	1,200 ^a
Early Childhood					
Raise parental leave wage replacement rates to 100% for low-income workers. Initially fund with balance in FPL fund.	Primary impact on children and families in poverty and deep poverty. Also would impact those at risk of poverty. Immediate impact.	b	b	b	b
Guarantee access to child care for low-income families; add 30,000 slots in 2019-20, and 15,000 per year thereafter.	Children and families in poverty and deep poverty. Foundational impact.	500	850	1,200	5,000 ^c

⁴⁰ Wimer, Christopher, Marybeth Mattingly, Sara Kimberlin, Caroline Danielson, and Sarah Bohn. (2015). Poverty and Deep Poverty in California. Stanford, CA: Stanford Center on Poverty and Inequality. Retrieved from: https://inequality.stanford.edu/sites/default/files/CPM_Brief_Poverty-Deep-Poverty_0.pdf.

Recommendation	Target Population and Type of Impact	State Costs During Phase-In (Millions of Constant 2018 Dollars)			Fully Phased-In Costs
		2019-20	2020-21	2021-22	
Establish a tiered reimbursement structure to incentivize, reward and retain higher levels of workforce competencies necessary to expand access and achieve positive outcomes.	Children and families in poverty and deep poverty. Foundational impact.	d	d	d	d
Support workforce training and improvement.	Children and families in poverty and deep poverty. Foundational impact.	d	d	d	d
Housing and Homelessness					
Protection and landlord incentives for families using Section 8 and other rent vouchers.	Individuals and families in poverty, deep poverty, and those at risk of poverty. Immediate impact.	7	15	15	15
Fund shallow rental subsidies (flat dollar subsidies based on unit size) for families with children in deep poverty (using the California Poverty Measure). Subsidies could be time-limited or ongoing.	Children and families in poverty and deep poverty.	e	e	e	e
Implement (1) rent stabilization and (2) a set of housing supply provisions in localities falling short of their low-income housing goals and/or experiencing rent increases in excess of inflation.	Provisions would apply to varying degrees to most families, but primary focus would be on families in poverty, deep poverty, or at risk of poverty. Immediate impact.	1	1	1	1
Health Care					
Expand Medi-Cal coverage to all adults with dependent children, up to 138% of the FPL regardless of immigration status.	Children and families in poverty and deep poverty, as well as those at risk of poverty. Immediate impact.	270	825	1,250	1,600
Develop state funding mechanism to fund nonprofit federally qualified health centers.	Primarily children and families in poverty and deep poverty. Foundational impact.	30	30	30	30

Recommendation	Target Population and Type of Impact	State Costs During Phase-In (Millions of Constant 2018 Dollars)			Fully Phased-In Costs
		2019-20	2020-21	2021-22	
Education, Workforce, and Training					
Fund supportive services for low-income workforce and education program participants.	Primarily adults and families in deep poverty. Immediate impact.	25	50	50	50
Ensure that the education funds allocated to serve children in poverty, foster youth and/or English Language Learners in the Local Control Funding Formula are expended on these subgroups. This must be paired with expected outcomes for educational institutions to improve the educational attainment of children living in poverty. In addition, the Legislature should reassess whether the current formula is adequate to meet the needs of students.	Children/families in poverty and deep poverty. Foundational impact.	Depends on future actions	Depends on future actions	Depends on future actions	Depends on future actions
Prioritize parents living in poverty for workforce and training programs.	Focus on families with children in deep poverty. Foundational impact.	25	75	125	250
Special Populations					
Encourage all local governments to waive outstanding juvenile court fees and fines.	Primarily children and families in poverty and deep poverty but would impact others without regard to poverty status. Immediate impact.	0	0	0	0
Create stronger statutory safeguards to protect low-income children and families from being referred to the juvenile court, prosecuted, and fined for truancy.	Primarily children in poverty and deep poverty. Foundational impact.	0	2	5	5
Expand the Childcare Bridge Program to meet the needs of children in foster care.	Children in poverty and deep poverty. Foundational impact.	11	34	45	85
Ensure adequate and appropriate housing for Transition Age Youth (TAY) and non-minor dependents.	Youth in poverty and deep poverty. Foundational impact.	7	21	35	70
Examine strategies and opportunities to increase contact visiting between children and their parents at local jails that give children the opportunity to touch and hug their parents.	Primarily children and families in poverty and deep poverty, but would impact others without regard to poverty status. Foundational impact.	1	2	0	0

Recommendation	Target Population and Type of Impact	State Costs During Phase-In (Millions of Constant 2018 Dollars)			Fully Phased-In Costs
		2019-20	2020-21	2021-22	
School stability for youth that have right to remain in their school of origin.	Children in poverty and deep poverty. Foundational impact.	2	5	20	60
Coordinated Services					
Improve data collection, applications, and database systems.	Children and families in poverty and deep poverty. Immediate impact.	2	3	f	f
Expand voluntary evidence-based home visiting for families in deep poverty.	Children with families in deep poverty. Foundational impact.	60	150	200	1,500
Create 20 new Promise Neighborhoods.	Focus on children and families in poverty and deep poverty but would have positive impacts on other children and families in the designated neighborhoods, without regard to poverty status. Foundational impact.	15	30	45	\$100
Strengthen integration and coordination of key state agencies to ease data sharing among tax, vital records, education, human services, public safety, and health organizations.	Primarily children and families in poverty and deep poverty, but also would impact those at risk of poverty but not in poverty.	2	3	f	f
Total, Priority Recommendations:		\$1,436	\$3,475	\$5,603	\$12,526
Comprehensive Recommendations:^g		\$203	\$572	\$883	\$1,458
Grand Total, Priority and Comprehensive Recommendations:		\$1,639	\$4,047	\$6,486	\$13,984

^a CalWORKs grant increases are consistent with 2017 budget intent language (AB 1811).

^b Costs in initial years associated with higher wage replacement, which are estimated to be about \$300 annually, are assumed to be covered by the balance in the SDI fund. Under existing law, once the excess balance is drawn down, annual costs would be covered by a modest increase in the SDI rate on employee wages. However, the Legislature could also choose to cover the costs with General Fund appropriations.

^c Child care costs after 11 years and 195,000 slots created. Full costs would depend on participation rates, particularly for parents of infants and toddlers, but could eventually be several billions of dollars more.

^d Total costs for tiered reimbursements, training, and related quality improvements unknown. About 20% of the costs included in the guaranteed access estimate are for initial payments toward these goals.

^e In the course of its work, the task force developed a proposed shallow rent subsidy for all families in deep poverty. That recommendation is not included in the final report with cost estimates, because the objective of such a shallow rent subsidy would be achieved through enactment of the monthly TCTC. If a low claiming rate or monthly distribution mechanism proves to be an insurmountable problem, the shallow rental subsidy is a viable (though less cost-efficient) alternative.

^f Included are initial costs for planning and coordinating. Excluded are future costs for IT, which are unknown but could be significant.

^g Not broken out in this table but included in Appendix D, Exhibit D.2.

III. Future Economic Benefits and Fiscal Savings of Task Force Recommendations

While there is a strong moral obligation to address childhood poverty, reductions in poverty will also have substantial long-term benefits for the economy. Many longitudinal panel studies have found that children living in poverty, and especially in deep poverty, are less likely to achieve important adult milestones than those who have never been exposed to poverty in their childhood years. A panel study published by the Urban Institute in 2015 found that 93 percent of children brought up in households that were never poor received high school diplomas, compared to 83 percent of children in households experiencing intermittent poverty, and just 64 percent in persistently-poor households.⁴¹ Similarly, 70 percent of those who never experienced poverty were consistently employed between ages 25 and 30, versus 64 percent in intermittently poor households and just 35 percent in persistently poor households.

Poverty has major consequences for the economic health of California. The persistent effect of childhood poverty on adult outcomes has negative effects on the overall economy. An analysis published by the Urban Institute in 2007 found that childhood poverty costs the U.S. economy about 4 percent per year in lost economic productivity associated with poorer health and costs of crime.⁴² For California, this would translate into economic losses of over \$100 billion annually.

Poverty also impacts the public sector. The economic losses associated with childhood poverty obviously have negative consequences for individuals in terms of lost income and lower standards of living. However, they also have significant impacts on the public sector. State and local governments spend approximately \$75 billion annually on health, social services, and justice programs that are impacted to varying degrees by poverty in the state. The degree to which poverty is addressed has a major impact on the long-term, organizational capacity, caseloads, and costs of these programs.

Task Force recommendations will improve near-term and long-term outcomes. In addition to the direct beneficial impacts on children and their families today, there is a vast body of evidence suggesting that its recommendations will result in better economic and fiscal outcomes in the future. Note that these recommendations assume and are based upon the continuation of investments made by the legislature and current administration to address overall family and child poverty in California.

Some of these effects unfold soon, starting at birth. The case for home-visiting programs, for example, is backed by a large body of randomized controlled trials and other high-quality research that demonstrates their effectiveness. The health benefits of home visiting are especially clear, with a strong pattern of reduced risk of low birthweight or pre-term births, reduced child

⁴¹ Caroline Ratcliffe, "Child Poverty and Adult Success." Urban Institute's Low-Income Working Families Project, September 2015.

⁴² Harry Holzer, "The Economic Costs of Child Poverty." Testimony before the U.S. House Committee on Ways and Means. Published by the Urban Institute, January 2007.

maltreatment, reduced emergency medical care, fewer diagnoses of attention deficit hyperactivity disorder, and reduced use of alcohol and drugs. Likewise, there are clear health benefits for participating mothers, including improved prenatal health.⁴³ The research evidence on cognitive development and school readiness is also compelling. The children participating in home-visiting programs are more attentive, regulate their behavior better, develop better language skills, have higher test scores, and have lower rates of juvenile arrest.⁴⁴

The positive effects of coordinated services build over time. Recent research indicates that cash support programs result in improvements in educational attainment, graduation rates, and college enrollment—improvements that are highly correlated with higher adult earnings.⁴⁵ Programs focusing on services rather than income support have also been found to have major positive long-term educational and economic outcomes. A meta-analysis of long-term effects of preschool shows that participation is associated with an increase of 1.46 (for state-funded preschool) to 1.68 (for model programs like the Perry Preschool Program) times the odds of graduating from high school.⁴⁶ At the same time, increasing access to child care also removes barriers to work for parents, supporting families to increase their incomes through employment (and work-linked tax credits) to obtain the long-term benefits associated with increases in family income, as described above. Thus subsidized child care provides dual long-term benefits to children.

Improvements in educational attainment are of particular importance.⁴⁷ Calculations in U.S. Census Bureau, American Community Survey data for California for 2012 show that adults ages 30 to 40 without a high school degree were 6.19 times as likely to be poor as college graduates, high school graduates were 3.46 times as likely to be poor as college graduates, and individuals

⁴³ Eckenrode, J., B. Canzel, C. Henderson, E. Smith, D. Olds, J. Powers, R. Cole, H. Kitzman, and K. Sidora. 2000. "Preventing child abuse and neglect with a program of nurse home visitation." *Journal of the American Medical Association* 284(11), 1385-1391; Eckenrode, J., M. Campa, D.W. Luckey, C.R. Henderson, R. Cole, H. Kitzman, E. Anson, K. Sidora-Arcoleo, J. Powers, and D. Olds. 2010. "Long-term effects of prenatal and infancy nurse home visitation on the life course of youths: 19-year follow-up of a randomized trial." *Archives of Pediatrics & Adolescent Medicine*, 164(1), 9-15; Miller, T., D. Olds, M. Knudtson, D. Luckey, J. Bondy, A. Stevenson. 2011. "Return on investment: Nurse and paraprofessional home visitation, Denver." <https://www.ncjrs.gov/pdffiles1/ojdp/grants/233277.pdf>.

⁴⁴ Washington State Institute for Public Policy. 2014. "Benefit-cost results: Nurse Family Partnership for low-income families." <http://www.wsipp.wa.gov/BenefitCost/Program/35>; Eckenrode, J., B. Canzel, C. Henderson, E. Smith, D. Olds, J. Powers, R. Cole, H. Kitzman, and K. Sidora. 2000. "Preventing child abuse and neglect with a program of nurse home visitation." *JAMA*, 284(11), 1385-1391; Eckenrode, J., M. Campa, D.W. Luckey, C. R, Henderson, R. Cole, H. Kitzman, E. Anson, K. Sidora-Arcoleo, J. Powers, and D. Olds. (2010). Long-term effects of prenatal and infancy nurse home visitation on the life course of youths: 19-year follow-up of a randomized trial. *Archives of Pediatrics & Adolescent Medicine*, 164(1), 9-15; Miller, T., D. Olds, M. Knudtson, D. Luckey, J. Bondy, and A. Stevenson. 2011. "Return on investment: Nurse and paraprofessional home visitation, Denver." <https://www.ncjrs.gov/pdffiles1/ojdp/grants/233277.pdf>.

⁴⁵ See, for example, Duncan, G., K. Ziol-Guest, and A. Kalil. (2010). "Early-childhood poverty and adult attainment, behavior, and health." *Child Development*, 81(1): 306-325.

⁴⁶ Washington State Institute for Public Policy (WSIPP) (2014e). Benefit-cost results: Model early childhood education programs. Retrieved from <http://www.wsipp.wa.gov/BenefitCost/Program/271>.

⁴⁷ Pamela A. Morris, Lisa A. Gennetian, and Greg J. Duncan, "Effects of Welfare and Employment Policies on Young Children: New Findings on Policy Experiments Conducted in the Early 1990s," *Social Policy Report*, vol. 19, no. 2 (2005), pp. 3-17, <http://www.srcd.org/sites/default/files/documents/spr19-2.pdf>.

with some college were 2.33 times as likely to be poor as college graduates. Furthermore, data from the U.S. Bureau of Labor Statistics for 2017 show that individuals with less than a high school degree had median weekly earnings of only \$520, while those with a high school degree had earnings of \$712, those with some college but no degree had earnings of \$774, those with an associate's degree had earnings of \$836, and those with a bachelor's degree had earnings of \$1,173.⁴⁸

The combined impacts of the Task Force recommendations will be substantial. When there is full take-up of the targeted child tax credit, the deep poverty rate for California's children—currently 4.8 percent—will drop to zero and California will become the first state to completely eliminate deep poverty among children. By budgeting substantial funds for disseminating information about the new targeted child tax credit, it should be possible to drive down the deep poverty rate swiftly.

The second-generation effects of the Task Force recommendations will also be sizable. Because cash and near-cash investments in low-income families improve the labor force outcomes of children growing up in these families, they do not just eliminate deep poverty in the first generation but also reduce it substantially in the second generation. Model simulations by the Stanford Center on Poverty and Inequality reveal that the Task Force's recommendations for cash and near-cash payments (for example, targeted child tax credit, CalWORKs grant increases, expansion of the EITC, increase in CalFresh grants) will reduce by 46 percent the number of children born into deep poverty who then end up in deep poverty as adults.⁴⁹ This means that far

⁴⁸ Elka Torpey, "Measuring the value of education," *Career Outlook*, U.S. Bureau of Labor Statistics, April 2018. <https://www.bls.gov/careeroutlook/2018/data-on-display/education-pays.htm>

⁴⁹ This simulation is based on families with children 0-4 years old appearing in the 2016 American Community Survey (ACS). It is assumed for the purpose of the simulation that all of these children remained alive and in California through early adulthood. The intergenerational mobility copula in Chetty et al. (2014) is then used to convert the income of the child's family of origin into an expected family income and poverty status for the child when she or he is an adult. The destination percentiles in this copula are mapped onto income levels using the income distribution for 30-39 year olds in the 2016 ACS. The resulting calculation provides an estimate of future income and poverty levels under the assumption that current anti-poverty programs remain unchanged. Because it is not possible to know the child's future county of residence, marital status, or family size, all estimates of future poverty levels are based on the median CPM poverty threshold for 30-39 year olds in California (again using the 2016 ACS). The objective of the simulation is of course to compare the preceding estimate of income under current arrangements to an estimate of income that is expected when the child's parents are provided the cash and near-cash benefits recommended by the task force (that is, the Targeted Child Tax Credit, the CalWORKs reforms, the EITC reforms, and the CalFresh reform). In carrying out this next step, our estimates of the total value of benefits for each family were approximate, given that (a) eligibility conditions could not always be represented exactly, and (b) there is a complicating disjuncture between the "tax unit" (which is the basis of tax filing) and the "poverty unit" (which is the basis of poverty calculations). After these estimates of additional program income (for the family of origin) were secured, the additional expected income of the child (when approximately 35 years old) was calculated by applying the program payoff multiplier estimated by Duncan et al. (2010). For some of our calculations, we also included an additional income payoff to children exposed to preschool, using the estimates in Tables 4 and 6 of Heckman et al. (2009). The foregoing calculations are of course based on many assumptions. Although most of these are apparent from the description provided above, some of the less obvious complications are that (a) the Chetty et al. (2014) matrix was applied to all sources of family income (whereas the data used to estimate the Chetty et al. (2014) matrix did not include all program income), (b) the Duncan et al. (2010) multiplier was used to estimate the payoff to near-cash as well as cash benefits (even though it may be more appropriately applied to cash benefits alone), (c) the multiplier was applied to income levels that may be in excess of the levels to which they properly apply (given the caveats laid out in Duncan et al. (2010)), and (d) the payoff to preschool was assumed to be additive (after taking into account the income calculated under the Duncan et al. (2010) multiplier).

less cash and near-cash payments will be needed to eliminate deep poverty within that second generation. It is in this very important sense that first-generation cash and near-cash payments have an enduring and foundational effect.

These proposals will also increase the future adult income of children in California. According to the same simulations, a child born into poverty who then experiences the full complement of cash and near-cash proposals (for a full 18 years) can expect, as an adult, an extra annual income of \$10,833. This implies that a total expenditure of approximately \$35,965 in cash and near-cash programs over the first 18 years of that child's life is parlayed into an additional lifetime income of approximately \$435,320.

The foregoing estimates pertain to the cash and near-cash part of our proposals. Regarding non-cash supports, in 2015 the Center estimated the impacts of expansions in home visiting, child care and preschool, employment training, and other programs currently recommended by the Task Force. The estimates were based on statistical relationships that have been found in the literature between participation in these individual programs and various near-term benchmarks (such as parental income, test scores, juvenile arrests, and high school graduation rates), which in turn are considered good predictors of long-term poverty outcomes, such as educational attainment and adult earnings. The combined impacts of these programs ranged from a one-sixth to one-third reduction in future adult poverty (with the difference related to differing impacts found in the literature related to the future impacts of pre-school programs). The impacts would be significantly greater when the cash and near-cash supports are layered in and the synergistic effects of a coordinated, focused, and continuous set of services are considered.

Reductions in poverty of this magnitude would have major positive economic and fiscal impacts. A larger, better educated, better trained, and healthier workforce translates into more productivity, more jobs, and a stronger economy. Using the Urban Institute estimates of lost economic output due to poverty today (discussed above), even a one-third reduction in poverty implies potential economic gains of tens of billions of dollars annually to the economy. The Center's simulation of the future adult earnings effects of cash and near-cash programs, discussed above, implies a similarly large payoff in terms of income expansion. The corresponding increase in state and local tax revenues would be in the low billions of dollars per year.

Regarding future fiscal impacts, factors other than childhood poverty obviously have impacts on state and local health, social service, and justice programs. For example, many adults that had experienced no childhood poverty end up in the criminal justice system, or enroll in public assistance programs due to such factors as failing health, disabilities, or extended job losses from recessions. However, even allowing for the influences of these other factors, a major reduction in the child poverty rate will almost certainly translate into a substantial decline in spending on social and justice related programs in the future. Using conservative assumptions

See Chetty, Raj, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez. 2014. "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States." *The Quarterly Journal of Economics* 129: 4, pp. 1553-1623; Duncan, Greg J., Kathleen M. Ziol-Guest, and Ariel Kalil. 2010. *Child Development* 81:1, pp. 306-325; Heckman, James, Seong Hyeok Moon, Rodrigo Pinto, Peter Savelyev, and Adam Yavitz. 2009. "A Reanalysis of the High/Scope Perry Preschool Program." University of Chicago Working Paper.

about the relationship between poverty rates and caseloads in these programs, a one-third reduction in poverty would produce caseload related savings exceeding \$10 billion per year.

In summary, the future savings in health, social service, and justice programs, in combination with the positive economic and tax impacts discussed above would result in a total benefit to state and local governments exceeding \$12 billion per year.