# Strengthening the American Family Today:
## An Analysis of Effective Anti-Poverty Policies

Applied Policy Project

Prepared by Benjamin Hadlock for the Institute for Family Studies

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# Disclaimer

The author conducted this study as part of the program of professional education at the Frank Batten School of Leadership and Public Policy, University of Virginia. This paper is submitted in partial fulfillment of the course requirements for the Master of Public Policy degree. The judgments and conclusions are solely those of the author and are not necessarily endorsed by the Batten School, by the University of Virginia, or by any other agency.

# Honor Code

On my honor, I have neither given nor received unauthorized aid on this assignments.

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# Glossary

Key Abbreviations

**EITC** – Earned Income Tax Credit

**CTC** – Child Tax Credit

**IRS** – Internal Revenue Service

**SNAP** – Supplemental Nutrition Assistance Program

**HHS** – Department of Health & Human Services

**OECD** – Organization for Economic co-operation and Development

**SSA** – Social Security Administration

**EFC** – Higher Education Financing Commission

**ED** – United States Department of Education

**SSI** – Supplemental Security Income

**UI** – Urban Institute

**NPV –** Net Present Value

Key Terms

**Net Present Value** – Value in today's dollars of future costs discounted to reflect interest

# Executive Summary

The family landscape in America has shifted dramatically over the past two decades. Marriage rates are at an all-time low, fertility trends are negative, cohabitation is rising, and the number of children growing up in two parent households is shrinking. There are several explanations for these changes, which include both cultural and economic factors. Today, those who are the least likely to marry or be raised in a two-parent household are low and low-middle income earners. As income inequality has expanded, so has marriage inequality.

My client, the Institute for Family Studies, is interested in how policy can help positively impact family life, marriage, and the well-being of children. My analysis seeks to identify how to maximally and efficiently improve the challenges that families face today. I begin with an overview of the current state of family life. I then focus on the costs, ramifications, and background of this issue in America. Following this, I propose three policy solutions that seek to eliminate disparities:

1. Child Allowance Plan –this policy would grant each family making under $200,000 with a cash credit for each child they are raising. These plans are popular in other developed nations and are gaining policy momentum in the United States.
2. Increasing the EITC –the EITC is already an effective anti-poverty program in the U.S. I look at how increasing the subsidy can positively impact poverty metrics.
3. Free College—free college plans have gained a significant amount of popularity in America. I examine the potential benefit such a proposal could have on impacting poverty.

I evaluate each of these across four criteria: cost-effectiveness, equity, political feasibility, and ability to implement. I find that the child-allowance plan is the best policy measured across these criteria of the three. A plan similar to the one I propose has the potential to improve child-poverty outcomes by nearly 50 percent—something that would benefit children, families, and society at large. Broadly, my analysis details how three common yet distinct welfare-related programs impact outcomes. Between cash-transfers, mean-tested, and educational programming, I find that cash-transfers are most effective. This is something that should be explored further in future research.

# Problem Definition

**Problem Statement:**

> Too many children in the U.S. grow up in poverty and are consequently less likely to choose to marry later in life.

Issues related to marriage and family structure have not always been at the forefront of policy professionals' decision-making criteria. Instead, domestic life is frequently thought of as a personal matter that is best left to cultural trends and individual choices. However, there is a significant amount of data that demonstrates a link between poverty likelihood and family structure—and the U.S. has dedicated a tremendous number of resources toward improving poverty statistics (NCSL, 2012). Family structure often is the strongest determining factor for class mobility, mental wellbeing, and the likelihood that a child grows up in poverty. In this background section, I will give an overview of current family and marriage trends in the U.S. and detail the various research addressing this link between family structure and child welfare as it relates to poverty statistics.

## Understanding the Problem

There are a few keys reasons why marriage patterns should concern policymakers. The first of these relates to family structure. Children born to married parents are much more likely to be raised in two-parent households (Livingston, 2018). There is also a strong correlation between recent declines in marriage and the percentage of children raised in single-parent households (Reeves et al., 2020). Though there has been a significant rise in cohabiting couples, research demonstrates why cohabitation is not as ideal for children as marriage. The 40 percent of children born with unmarried cohabitating parents average nearly triple the number of family transitions by age 12 as their peers who have married parents. These children are also 36 percentage points more likely to experience poverty than children who grow up with married parents (NCFMR, 2010). Finally, cohabitating couples are more likely to separate than married couples (Elhage, 2015).

The reason that family structure is so important is its tremendous impact on children's economic mobility. In the recently released “Where is the Land of Opportunity,” the authors explore the strongest predicting factors for mobility among lower-income children (Chetty et al., 2014). The two specific outcomes: absolute mobility and relative mobility, are distinguished throughout the analysis. Their findings indicate that family structure is the most predictive variable for later economic mobility of all the factors they examined. This was true for both relative and absolute mobility. Another interesting finding was that "children of married parents also have higher rates of upward mobility if they live in communities with fewer single parents.” This implies that

married communities are likely to increase the economic prospects of an underprivileged child. These conclusions are echoed in a Brookings study that also demonstrated a strong causal link between economic mobility and family structure (2020).

Finally, marriage and family structure are vitally important since they have a tremendous impact on poverty and income. Among millennials, those who marry before having any children are 60 percent less likely to be poor than those who have a child outside of marriage. Experts predict that this is both a cause and symptom of poverty; however, it is likely that by lowering childhood poverty (many children are born out of wedlock to teen parents), there will be a decrease in out-of-wedlock births (Sawhill, 1999). Children born into two-parent households are much more likely (30 percentage points) to avoid growing up in poverty (Rowe, 2020). Finally, it is well established that married couples have a substantial economic advantage over their single counterparts. When measured as an income-to-needs ratio, married couples have incomes four times greater than their needs, 60-110 percent higher than signal parents (Lerman, 2002). In short, married families are significantly better off, and their children are much less likely to experience poverty.

## Understanding Current Trends

The current trends in U.S. family life today are toward increasing single-parent households, an increase in cohabitating couples, and a decrease in marriage. The percentage of married adults has decreased from 72% in 1960 to 50% in 2016 (Parker et al., 2017). This shift is the consequence of two trends: higher divorce rates and fewer people deciding to marry. In 2018 the United States had record-low marriage rates, with 6.5 marriages occurring per 1,000 people (Lee, 2020). This number used to be twice this amount.

Consequently, fewer children are growing up in two-parent households. Their report suggests that declining marriage rates have caused a rise in single-parent families, despite increasing cohabitation trends. The total amount of children in the U.S. living with two parents today hovers around 70 percent. In this regard, the U.S. lags most other wealthy nations (Sutherland, 2015). A recent World Family Map report shows places the U.S. at 32$^{nd}$ regarding this, out of 41 countries examined for family structure. In Italy, 89 percent of children grow up in two-parent households, and 94 percent in Jordon. The overall rate in Europe is 80 percent. These statistics heighten the concern surrounding family structure and marriage decline in America.

It is increasingly apparent that the institution of marriage is becoming less accessible for low-income groups. Though the trend toward being unmarried is shared amongst all income groups, it is increasing faster for the bottom income quintile groups (Reeves et al., 2020). As of 2018, roughly 65 percent of those ages 33-44 from the middle-class were married, compared to only 38 percent from the bottom quintile. In 1980 these numbers were 84 percent and 60 percent, respectively. This trend is also having a disparate effect across racial groups. As a result,

Nonmarital births among blacks (71%) are nearly twice that of whites (29%) and significantly higher than Hispanics (53%) (Pew, 2016).

Additionally, the impact of nonmarital childbirth is disproportionately felt by women. As of 2017, only 16.1 percent of single-parent households were headed by fathers (ElHage, 2017). These statistics indicate that it is likely that improving an individual's income will enhance their chances of marriage, which my policy options seek to do. This widening disparity has created a two-caste society, with education and marriage being defining variables.

# Impact on Society

## Direct Costs

One primary direct cost associated with my problem statement is the expense of welfare spent predominantly on single parents. For instance, 37.1 percent of single-parent female-headed families did not have an income that rose above the poverty line, excluding welfare aid. This number was 6.8 percent for married families (Rector, 2014). The U.S. currently spends roughly $440 billion a welfare—an amount that would likely be reduced through an increase in marriage (U.I., 2017).

Both drug and alcohol abuse, as well as incarceration, are strongly correlated with poverty and produce other significant direct costs on society. Research has shown that children who grow up in single-parent households are more likely to engage in drug and alcohol use (Hermovich et al., 2009). Communities feel the cost of this. Drug presence is expected to increase crime, increase violence, and decrease reputation. For instance, in Los Angeles, 35% of methamphetamine users aged 18-25 were found to have committed a violent crime while under the influence (WHO, 2009). In Memphis, nearly 92% of instances of domestic abuse involve drugs and alcohol. These rates of violence necessitate tax dollars being directed toward policing. Furthermore, there are many medical costs, such as caring for patients in emergency rooms with drug-related illnesses. Often, these patients lack medical coverage and therefore rely on government healthcare welfare.

Finally, there are a host of well-documented direct costs associated with high school dropout—which is strongly correlated with poverty. First, as the Alliance for Excellent Education reports, the nation could save nearly $19 billion by increasing the high school male graduation rate by 5% (2013). This is because there would likely be fewer dropouts in taxpayer-funded prisons. Additionally, high school dropouts tend to be less healthy on average. Because of this, they require more Medicaid spending. By cutting the dropout rate in half, the country could save $7.3 billion in annual Medicaid spending. About half of these dropouts end up on other forms of public assistance as well, and a recent Northeast University estimate is that dropouts cost taxpayers, on average, $292,000 throughout their lives (Graduation Alliance, 2020).

### Opportunity Costs

The first opportunity cost related to high school dropout is lower wage averages over a lifetime. High school graduates earn significantly more than dropouts, and children in two-parent households are much more likely to graduate from high school. These students who drop out make, on average, $260,000 less over their lifetime (Graduation Alliance, 2020). While this is a significant opportunity cost to the individual, society also misses tax revenue generated from increased wages. Additionally, these individuals are more likely to suffer periods of unemployment where they miss out on all potential earnings and investments.

Another significant opportunity cost is greater periods of unemployment. Particularly for incarcerated individuals, the period of absentia from the workforce ensures that individuals are both not making a salary or gaining credentials so that they may be employable in higher-paying jobs. Another opportunity cost is the potential to disrupt a two-family structure. Additionally, these trends in opportunity cost continue for adolescence who become involved in drugs and alcohol. While these habits during youth may not be debilitating, they are strongly associated with abuse patterns later in life. This presents an opportunity cost regarding lifespan, as these individuals are more likely to suffer from a host of medical-related issues.

## Policy Context

### Governance

Several different government agencies have jurisdiction over family welfare and improvement. For this paper, I will be examining federal policy options that align with the interests of the Institute for Family Studies. Specifically, I will be looking at welfare options aimed at increasing work and providing support to families and children. The largest of these in terms of expense are the tax provisions such as the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). Though there are state-level EITCs, these merely serve as a substitute for the federal program that I evaluate (Urban Institute, 2011). The IRS distributes both credits as refundable tax credits to qualifying individuals and families. Another essential poverty-reduction program is the Supplemental Nutrition Assistance Program (SNAP) and Medicaid. The Federal Department of Agriculture oversees SNAP, yet state agencies administer this program. Medicaid is primarily administered by the Department of Health and Human Services (HHS), yet eligibility requirements also vary at the state level. Because there is no central governing body for many of these means-tested programs, reform will aim at each specific division and focus mainly on federal solutions.

EITC and CTC funding is dictated by congressional action. Over its time as policy, there have been numerous adjustments made to funding, cutoffs, and maximum amounts (Tax Policy Center). Any attempt to alter the federal EITC program will require congressional action. This is also the case for the CTC, which recently doubled its maximum credit (Tax Policy Center).

Though congress oversees setting thresholds and funding amounts, the IRS is the agency responsible for implementing any changes. They independently review EITC and CTC returns filed to identify errors or any misinformation (IRS). Despite this, an estimated 21 to 26 percent of claims are still paid in error. This is different from other welfare programs such as SNAP, which rely on the state agencies to administer the benefits and bear high administrative costs. In the case of my policies, all will require congressional action to change laws and funding.

There are a host of smaller child poverty-impacting programs that have a large effect in aggregate. For instance, the TANF program provides nearly $17 billion in funding in the form of grants to states and territories (Office of Family Assistance (OFA)). This funding is administered at the federal level by the OFA, while states remain in charge of administering the funds to the public and determining eligibility requirements. Similar in structure, unemployment insurance (UI) is administered at the federal level (by the U.S. Department of Labor), but each state oversees that distribution of funding and pay. While they face certain federal requirements, they are the main determiners of eligibility (Stone, 2014). Finally, both Social Security Insurance (SSI) and Social Security a (both important child-poverty preventing programs) are run by the Social Security Administration (SSA). This is a federal agency who oversees the trust, pays funds, and distributes funds. This does not vary at the state level for either Social Security or SSI.

## Comparative Analysis

Among wealthy developed nations, the U.S. separates itself by the significant amount of childhood poverty present. Of OECD countries, the United States has the highest relative rate of childhood poverty at 20 percent, whereas Norway and Germany are among the lowest at 5 and 8 percent, respectively (Smeeding et al., 2011). The U.S. ranks exceptionally high regarding single-mother poverty rates. There are many policy-relevant explanations for this; in Germany, very few single parents are unemployed. In Scandinavia, countries have robust child aid, childcare, and family leave policies. Child poverty also varies drastically based on age. While child poverty has fluctuated in other OECD countries, it has routinely remained lower than rates in the U.S. It is likely the modest increase observed in Nordic countries results from an increase in single parenthood.

The impacts of child poverty are drastic. The U.S. had the lowest average birth weights and the highest infant mortality among wealthy nations. This is attributed to poverty and high-income inequality. The U.S. also led all countries in childhood obesity metrics—which is strongly associated with poverty levels. The levels of poverty in the U.S. can be attributed to policy decisions. In 2010, the country spent 1 percent of GDP on family benefits and tax measures, compared to 4 percent in the U.K. and Ireland. The U.S. lags all OECD countries on cash transfers and expenditures, particularly among families with children younger than 6. Families in the OECD average receiving 10 percent of sole-parent family income from cash transfers,

whereas in the U.S. they average only .1 percent. Unsurprisingly, the data is clear: countries that spend more on children achieve better child poverty metrics (and two-parent household metrics).

## Cultural Trends

It is important to recognize that while there are distinct policy and economic factors impacting family life, there has also been a significant shift in culture that has precipitated these changes. This shift in cultural values was aptly summarized in the recently published article titled 'The Role of Culture in Declining Marriage Rates.' In this piece, sociologists Brad Wilcox and Nicholas Wolfinger argue that five primary cultural trends contribute to declining marriage rates (Wilcox et al., 2016). The first, "expressive individualism," refers to the growing belief that "personal desires trump social obligations." They credit this for rising expectations for marriage--something that leads to quicker divorce. The second factor is related to changes in attitudes toward sex and parenthood. Following the sexual revolution of the 1960s, there has been less stigma associated with nonmarital childbearing. Third, women's increasing participation in the labor force helped change their relationships' expectations, increasing relational mobility. Fourth, as more children grew up in single-parent households, they became accustomed to this arrangement and were more likely also to have an alternative family structure as an adult. Sociologist Andrew Cherlin terms the final trend as a cultural shift to a "capstone" marriage model (Cherlin, 2004). This means that men and women are less likely to see marriage as a foundation for adult life, through which all sexual intimacy and parenthood are to be experienced. Marriage became a 'capstone' –something men and women achieve only after establishing themselves economically and professionally.

## Best Practices

In the United States, the EITC is well regarded as an effective anti-poverty and pro-work program. In 2017 the program alone lifted about 3 million children out of poverty (CDC, 2020). This has kept more children out of poverty than any other tax credit program. The program's success is also associated with minimizing low birth weight in infants. A recent analysis showed that 23 states that had implemented state-level EITCs saw a reduction of low birth weight by 4 to 11 percent (Markowitz et al., 2017). The ETIC is also responsible for reducing the number of children living in severe poverty by 6.1 million (CBPP, 2019). As policy expert Hilary Hoynes writes, the EITC "may ultimately be judged one of the most successful labor market innovations in U.S. history."

Another successful innovation in reducing child poverty is the Child Tax Credit (CTC). In conjunction with EITC, the CTC is estimated to lift nearly 5 million children out of poverty in 2013. Furthermore, by encouraging work, this program has an additional anti-poverty effect not included in this estimate. A longitudinal study of signal mothers found that the CTC impacted both child behavior and child health outcomes—two critical measures of wellbeing (Rostad et al., 2019). In addition to these beneficial outcomes, both the ETIC and CTC receive relatively

strong bipartisan support within the U.S. due to their emphasis on welfare support and work encouragement.

One common best practice amongst OECD countries that is notably absent in the U.S. is child allowance plans. For example, Canada's current child benefit program grants up to 6,639 Canadian Dollars per year for eligible children under 6 and 5,602 for children ages 6-17 (Matthews, 23). It has been widely regarded as a success, and it is credited with a decline in child poverty in Canada from 11 to 9 percent. This program gives money to parents with no stipulation on how they spend it. This program is non-taxable and routinely adjusted for inflation, and its benefits focus heavily on the middle to low-income households while phasing out at incomes over $30,000. Included in this plan are a wide array of child support programs including free hockey lessons, among other things (Matthews, 2016). Scholars estimate that a similar program in the United States could reduce the number of children and reduce the number of children living in poverty by 50%.

The U.K. also implemented an aggressive anti-poverty program that under Tony Blair that sought to eliminate child poverty by 2020 (Matthews, 2016). Though the program is no longer in place, over its 10-year course, the U.K. invested significantly in children in three ways: early childhood education, tax cuts for working parents, and child allowances. By 2006, the average family was receiving a £1,500 allowance, with the poorest 20 percent receiving £3,400 (Mascarenhas, 2012). In addition to this allowance, all four-year-olds were granted free preschool, which increased Britain's preschool enrollment rate from one of the lowest in Europe to in-line with their neighboring countries. Maternity leave was extended to nine months, and government sponsored paternity leave was also enacted. Finally, the government established a national minimum wage equaling 45 percent of median British hourly earnings. The impact on child poverty was staggering. In 1999, at the time of reforms, 3.4 million children in Britain were in absolute poverty. By 2007-2008, this number had fallen to 1.7—a 50 percent decrease. Even using a relative measure, poverty had fallen by over 5 percentage points (2012). Over this period, child poverty in the U.S. increased by nearly 20 percent. This discrepancy indicates that the policies were strongly effective in the U.K. at reducing child poverty.

On a smaller scale, research indicates that there are profound positive impacts associated with giving families direct cash assistance. A study conducted on a North Carolina Cherokee tribe that distributed $4,000 annually to each adult in the community following the opening of a casino (Akee et al., 2010). By comparing the outcomes of these adults to those in comparable communities without the cash assistance, they found that the children of parents who received the income had an increase in school attendance and graduation and a decrease in criminal behavior and drug use (2010). Notably, researchers found that additional income early in a child's life was more strongly associated with positive outcomes later in life.

The U.S. also lags other OECD countries regarding early childhood education—a key metric for predicting poverty (Herman, 2013). Of 31 evaluated OCED counties, the U.S. ranks 26th for preschool participation for 4-year-olds, 24th for 3-year-olds, 15th in teach-to-child ratio, and 21st in total investment relative to country wealth (2013). While in the U.S. only 69 percent of 4-year-olds are enrolled in preschool, in Japan and the U.K, this number is nearly 99 percent. These nations also have stronger child poverty metrics than the U.S. Beyond the enrollment gap, American children also begin schooling at a later age. For instance, in Denmark, children begin public education from age 1. In Belgium it is at age 2 and a half, and nearly all other OECD countries begin by age 3. Furthermore, countries such as Denmark, Spain, Israel, and Germany all spend roughly twice as much (relative to GDP) on early childhood education. If the U.S. matched these spending levels, they would likely be able to enroll every 3 and 4-year-old in preschool. Other countries have shown a willingness to invest; in Sweden, they were able to increase their preschool enrollment ten-fold between 1970 and 2007 by providing schooling at little cost to parents. This is important, as early childhood education is strongly correlated with educational achievement later in life, as well as a reduction in costs associated with parenting children, such as hiring private childcare or paying for private schooling.

# Policy Alternatives and Evaluative Criteria

## Identifying Alternatives

*Policy Alternative #1: Child Allowance Plan*

This policy will give every qualifying U.S. child a monthly stipend of $415 dollar until age 6 ($4,980 annually), and a reduced $345 dollars per month ages 6-17 ($4,200 annually). The money will replace the current Child Tax Credit, which currently has a minimum income requirement and a $2,000 maximum benefit. The proposed child benefit plan would phase out at $50 for every $1,000 in income above $112,500 for single head of household filers and $150,000 for joint filers. The program would be administered through the Social Security Administration (SSA), which would help simplify payments. Every child with a Social Security Number will be eligible. The IRS would remain in charge of reconciling any overpayments on tax returns. To effectively administer the program, the SSA and IRS would need to establish a joint office in which the IRS could communicate eligibility to the SSA. The payments would be given in the form of direct deposits. The funding must be appropriated by Congress, and any discrepancy between allocated funding and the funding needed will be covered by the SSA. There will be an expectation that Congress will allocate additional funding to make up for the difference in the following year. This proposed change will extend until 2031.

*Policy Alternative #2: Expanding the EITC and expanding the Child Tax Credit (CTC).*

This alternative requires congressional action to increase EITC benefits and thresholds. The plan would raise the value of the EITC payment for all qualifying families with children by $1,000 beyond the current maximum. The resulting maximum payment will be $4,584, $6,290, and $7,660 for qualifying families depending on the number of children. Importantly—this will not increase the EITC benefits for single people. The phaseout and plateau rates will remain consistent with current income levels. The IRS will remain in charge of distributing EITC benefits based on prior earnings. It will still be given in the form of a tax return. The EITC will remain fully refundable. States who base their EITC funding as a percentage of federal funding will be responsible for paying for and adjusting their EITC structure. To help improve take-up, which currently sits around 80 percent, this proposal mandates that the IRS produce a public awareness campaign to notify families that may now qualify for the EITC as well as incentivize families who previously qualified to enroll. This proposed change will extend until 2031, with the values being increased according to inflation levels. Like the current EITC structure, non-citizen immigrants will not be eligible.

*Policy Alternative #3: Free College*

This alternative will give free tuition to all students at public 2 and 4-year colleges and universities as well as federally funded pre-K education. The funding will be appropriated by Congress and given to the U.S. Department of Education. The Department of Education will oversee distributing the funds to eligible schools. To effectively administer this plan, the proposal mandates the establishment of the Education Financing Commission (EFC) within the Department of Education that will be primarily responsible for the funds. The proposal also places a legal limit of 4 percent on annual tuition increases at public 2 and 4-year colleges and universities. The program will be a first-dollar program, meaning that other sources of funding such as Pell Grants will not be considered when granting tuition to students. The payments will not be made to students; they will be made to universities. Universities will oversee the administrative costs associated with their engagement with the EFC.

## Evaluative Criteria

*Criteria #1: Cost-effectiveness*

This criterion will judge each alternative based on how cost-effective it is. This will be presented as dollars spent per child year lifted out of poverty. Children are defined as person under 18. To generate a cost estimate, I rely on a range of data available from both the U.S. Census Bureau and the Congressional Budget Office. My 10-year cost estimate combines the current expected costs and then assume changes based on population and economic trajectory. I rely on a variety of established research and reports that examine the effect of proposals like my alternatives to generate a predicted outcome for each alternative. I then calculate the Net Present Value (NPV) of the status quo, which is the aggregate projected spending on major government programs that lift children out of poverty over the years of interest, 2022-2031. I then use a 3 percent discount

rate over this period to generate the NPV. For each alternative, I add and subtract from the status quo based on the NPV of the ten-year cost of my program. The becomes the numerator in my analysis.

Additionally, for each program I model the impact of the program on my outcome: child years lifted out of poverty for every year from 2022-2031. The sum of these outcomes over ten years becomes the denominator in my analysis. This yields a value of dollars spent per child year that would otherwise be in poverty. The most cost-effective plan spends the least money per child year lifted out of poverty.

*Criteria #2: Equity*

I will examine the equity criteria based on how equitable the proposed policy is. This will be defined as the amount of wealth transferred from the top three quintiles of income to the bottom two. I will rely on external data and estimates, as well as my own calculations, to determine this for each alternative.

*Criteria #3: Political Feasibility*

Feasibility will be determined based on how likely the policy could be passed into law. As I detailed throughout my alternatives, each of my proposals will require congressional action. To determine the feasibility of each proposal, I will examine the current positions held related to my alternatives by the relevant elected officials. This will include the position of the committee chairman who would oversee a bill related to my policy, the majority leader in the house and senate, representatives in the house and the senate, and the President.

*Criteria #4: Ability to Implement*

Ability to implement will be based on three factors. The first of these is the number of agencies required to enact the reform. Programs with the fewest number of agencies will score higher in terms of ability to implement. The second factor is the additional bureaucratic burden the program entails. If the proposal simply adds funding to a pre-existing program, it will score well along this criterion. The third factor is take-up difficulty. Programs that do not require additional administrative efforts to produce an effective take-up rate will score well in this regard.

## Evaluating Alternatives

To choose my policy recommendation, I evaluate each alternative according to my selected criteria. To compare each, I weight the criterion according to the values and priorities of my client. These are as follows: equity (40%), cost-effectiveness (35%), feasibility (15%), and ability to implement (10%). I then assign a score of 0, 1, 2, or 3, based on how each alternative compare to the others as well as the status quo.

## Evaluating for Cost-Effectiveness

**Status Quo:**
To estimate the current impact of U.S. spending on alleviating child poverty, I gather data from sources that report information on the impact of current programs on lifting children out of poverty. The most recent annual information I could identify that is available for all major programs was for the year 2019 and is briefly tabulated in Table 1.

Table 1: Children Lifted out of Poverty by Program

| Program | Children Lifted Out of Poverty in 2019 |
|---|---|
| EITC & CTC[1] | 5.50 million |
| Medicaid[2] | 3.87 million |
| Social Security, Unemployment Insurance, SSI[3] | 1.57 million |
| SNAP [4] | 1.50 million |

Summing these figures yields a 2019 estimate of 12.44 million children lifted out of poverty by existing government programs. I use this figure as a starting point for projecting status quo baseline future outcomes and costs. With regards to outcomes, I assume that the ratio of dollars spent to children lifted out of poverty will remain constant and be equal to the most recently available ratio (.0002564). Given this assumption, the projected number of children lifted out of poverty under the status quo policy in the future will be directly proportional to the status quo projected dollars spent.

To assess current costs and future growth in these costs, I start with a $408 billion figure for 2019 calculated by the Urban Institute (UI) in their annual Kids' Share report on federal government spending (Urban Institute, 2020). This aggregate figure is sourced from data provided by the Office of Management and Budget, *Budget of the United States Government Fiscal Year 2021* report. Within each program, the UI estimates the share of funding allocated to children for each program. All estimates include administrative costs. I next note that a recent consensus estimate of growth in this spending is $31 billion over a 10-year period (2020). I infer from this growth figure and the 2019 current spend figure the implied cumulative annual growth rate to assure this level of 10-year growth. I then increment predicted government spending on child poverty reduction efforts to grow at this rate up until 2031.

The derived predicted cost and outcome measures using these assumptions over the 2022 to 2031 period for the status quo baseline are collected in Table 2.

[1] Center on Budget and Policy Priorities
[2] Georgetown University Health Policy Institute
[3] National Women's Law Center
[4] United States Census Bureau

Table 2: 10-year Baseline Predictions Under Status Quo

Cost: Predicted Federal spending on child poverty reduction under status quo (in $ billions)
Outcome: Predicted children lifted out of poverty under status quo policies (in millions)

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost in $ billions | 416.45 | 419.27 | 422.09 | 424.91 | 427.73 | 430.54 | 433.36 | 436.18 | 439 | 442.1 |
| Children out of poverty in millions | 12.83 | 12.86 | 12.96 | 11.08 | 13.15 | 13.25 | 13.35 | 13.46 | 13.56 | 13.66 |

I calculate the net present value of these cost figures using an annual 3 percent discount rate. Summing the relevant terms yields **Baseline 10-year Status Quo NPV of costs = $3.655 trillion.** The sum of child-years lifted out of poverty over the 10-year period yields **Baseline 10-year Status Quo Children Lifted Out of Poverty = 130.18 million children-years.**

Dividing this NPV of cost estimate by the child-years lifted out of poverty estimate yields: **Baseline Status Quo Policy Cost-Effectiveness = $28,076 dollars per child-year.**

**Cost-Effectiveness of Policy Alternative #1: Child Allowance**

Since this policy entails eliminating the child tax credit (CTC) and adding a child allowance, I need to calculate the cost savings from the elimination and the added costs from the expansion. To do this, I start with CBO 10-year budget projections for the costs of all tax credits. I then infer the CTC savings by multiplying these aggregate costs by the recent historical average ratio of CTC costs to all tax credit costs. This historical figure using recent 2014-2019 data is 47.2 percent (Urban Institute, 2014-2020). The resulting implied CTC savings over the 2022-2031 period is collected in a table below.

To estimate the expected added costs from the new child allowance feature of this proposed policy, I need to estimate how many families will be eligible for this feature and will choose to take advantage of it. To do this, I first need to estimate the overall population of the under-18 age cohort from 2022-2031. To predict these figures, I note that the compound annual population growth rate for children (persons under 18) in the past ten-year period was -0.09 percent annually, a figure that is effectively zero. Given the potential reversal of this trend, balanced against the anticipated effects of Covid-19 on birth rates, it appears reasonable to assume there will be no population growth for this age cohort in the foreseeable future. Therefore, I use zero percent as my estimate for the population growth of individuals under 18 through 2031.

To project take-up rates for this flat population, I note that the relatively practical implementation model for this program and estimates from other similar programs suggest a very high take-up rate (Niskanen, 2021). Thus, I assume full take-up in my cost projections.

Finally, since the cost of the program depends on family size, I make some inferences from current Census data and assume the distribution of family sizes with regards to children does not change substantively over the projection period. Census figures indicate that 42.3% of families with children have 1 child. For the remaining families with children, I calculate a weighted average based on the number of families with two versus three or more children and add an auxiliary assumption of 3.2 children on average for families in this latter grouping (statista, 2020). This yields a mean size of 2.41 children for families with two or more children. This figure combined with data on families with one child allows me to predict the future population of children in total and in relevant age subgroups.

The preceding assumptions allow me to calculate the added costs of the proposed alternative for families already eligible for an allowance by aggregating the added costs above existing status quo benefits for all families. However, I also need to account for additional costs because the program will expand eligibility by offering a partial benefit with a phaseout structure for families with dependent children in the $150,000 to $199,800 income range. To assess these added costs, I calculate the cost of the partial benefits for families at the midpoint of each $5,000 income range and assume all families in this range receive this benefit. I then aggregate the benefits by adding multiplying this benefit by the number of families in each income range to derive the total added costs for expanded eligibility.

Finally, I assume as a direct result of the policy being proposed, there will be a slight shift upwards in income from added work incentives and thus a slight decrease in spending relative to the status quo because of the upward income shift. I assume these savings will entail a 1% decrease in costs relative to what would be predicted without this incentive effect. I summarize the CTC and incentive cost savings and the additional costs from the new allowance expansion implied by these assumptions in a Table 3.

Table 3: Cost Projections for Policy Alternative #1

All numbers are in $ billions

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| CTC and Incentive Savings | 179.36 | 126.50 | 42.48 | 43.42 | 43.90 | 43.90 | 43.42 | 36.82 | 36.82 | 37.29 |
| Child Allowance Additional Costs | 274.45 | 241.17 | 298.75 | 295.76 | 292.81 | 289.88 | 286.98 | 284.11 | 281.27 | 278.46 |
| Incremental Net Costs | 95.09 | 114.67 | 256.27 | 252.34 | 248.91 | 245.98 | 243.56 | 247.29 | 244.45 | 241.17 |

I calculate the NPV of the bottom line of this table using the 3 percent annual discount rate to derive the NPV of the incremental costs of this policy relative to the baseline ($1.804 trillion). I then add this to the baseline to arrive at: **Alternative #1 10-year NPV of costs = $5.495 trillion.**

Turning to expected outcomes from the policy, I rely on several studies that are based on experiences of other countries who have adopted similar policies, most notably Canada, which recently adopted a more modest policy with many similar characteristics to the one proposed (Collyer et al., 2020). In particular, one recent study based on the Canadian experience indicates that a $4,000 benefit would likely reduce child poverty in the U.S. by more than 50 percent (2020). As a check on this estimate, the Niskanen Center evaluated Mitt Romney's child allowance benefit proposal ($4,200 annually for children under 6 and $3,000 for children 6-17) and estimate that it would lead to a 40.69 percent decrease in child poverty. Given that the proposed plan is more generous than the Romney plan, the 50 percent figure suggested by the study of the Canadian experience seems reasonable and will be the basis for my outcome projections.

If child poverty is reduced 50 percent relative to the status quo, the incremental outcome benefit each year will simply be 0.5 times the overall child poverty rate under the status quo. To calculate this, I note that the 2020 poverty rate for children of 14.4 percent was well below its recent and long-term historical average, and thus some reversion to the mean should be expected. The historical average child poverty rate since the year 2000 after removing the 2008-2011 financial crisis period was 18.1 percent. Thus, I assume that the child poverty rate will grow linearly between 2020-2031 so that it eventually reaches this historical average rate in 2031, implying an annual growth rate of 0.37 per year until 2031. I increment the child poverty rates using this figure, multiply by the population of children, and then apply the .5 policy impact factor discussed above to derive the incremental outcome benefits of the policy. These figures are displayed below in Table 4.

Table 4: Outcome Projections for Policy Alternative #1

All numbers are in millions of children

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Children Lifted Out of Poverty Relative to Status Quo | 5.59 | 5.71 | 5.82 | 5.93 | 6.04 | 6.16 | 6.27 | 6.38 | 6.49 | 6.61 |

Aggregating these figures yields 61.00 million alleviated child poverty years because of policy relative to the status quo baseline. Adding this to the baseline yields a figure of: **Alternative #1 10-year Outcome = 191.18 million children-years.**

Dividing the NPV of cost estimate of this alternative of $5.495 trillion derived earlier by this outcome estimate yields: **Alternative #1 Policy Cost-Effectiveness = $28,742 dollars per child-year.**

**Cost-Effectiveness of Policy Alternative #2: Increase in EITC Benefits for Families**

To estimate the cost of my EITC proposal, I need to estimate how many individuals will be eligible for the $1,000 added benefit in the proposal. All individuals eligible under the status quo will be eligible under the proposal, so I first need to estimate the size of this set of beneficiaries. Recent CBO projections indicate that a larger percentage of households will receive EITC over the next 10 years due to a projected relative decrease in salaries and wages for lower-wage earners (CBO, 2021). To incorporate this into my projections, I start with the most recent figures on EITC eligibility (2019) and assume a 5% growth rate per ten-year period which translates to a 0.4891 percent annual growth rate. I calculate the cost of the $1,000 benefit annually to these eligible families.

The expanded benefits will also increase the pool of eligible persons by providing some benefits to individuals at the higher end of the income distribution who were not eligible at the status quo benefit level. Since this relatively small group will only be eligible for small payments compared to others eligible for the EITC, I assume that their presence increases aggregate program costs by an additional 5 percent each year. Finally, I expect a behavioral change arising from increased awareness of the more attractive program. I incorporate this into my projections by assuming the current EITC take-up rate of approximately 80 percent will increase gradually under the new policy to 85 percent over the 10-year period of total eligible persons. These three incremental costs arising from (a) increased benefits to families who would access benefits under the status quo, (b) benefits extended to families newly eligible because of the policy changes, and (c) benefits paid out because of increasing program awareness are summed below in Table 5:

Table 5: Incremental Cost Projections for Policy Alternative #2

All numbers are in $ billions

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Incremental Costs | 28.78 | 28.92 | 29.06 | 29.20 | 29.35 | 29.49 | 29.63 | 29.78 | 29.92 | 30.07 |

I calculate the NPV of the bottom line of this table using the 3 percent annual discount rate to derive the NPV of the incremental costs of this policy relative to the baseline ($250.66 billion). I then add this to the baseline to arrive at: **Alternative #2 10-year NPV of costs = $3.906 trillion.**

To estimate the expected outcome of my proposal, I rely on a recent study that estimates the impact of the EITC on poverty (Hoynes, 2015). The authors conduct a robust study modeling the effects of various EITC reforms on employment rates and income levels. They report that a $1,000 increase in EITC translates to a 9.4 percentage point decrease in total poverty. Assuming that total poverty and child poverty are proportionately affected equally by the policy, this 9.4 percentage point figure is a starting point for my policy outcomes calculation.

This initial estimate includes both the direct effect of the EITC on lifting individuals above poverty and the indirect employment effect of EITC-incentives encouraging additional labor efforts, consequently raising earnings and reducing poverty. The direct and indirect effects are often estimated to be of equal size, but the latter effect is generally considered much more speculative (CBPP, 2019). Therefore, I only include the direct effect on outcomes which yields an estimate of a 4.7 percentage point decrease in child poverty each year relative to the status quo baseline. Given the assumed constant population assumption for the under-age-18 cohort discussed earlier, I multiply the constant population figure by this 4.7 percentage point figure to arrive at a constant estimate of 3.43 million children lifted out of poverty each year from 2022 to 2031 as a result of policy alternative #2. Over ten years, this aggregates to 34.31 million children-years. Adding this to the baseline yields a figure of: **Alternative #2 10-year Outcome = 164.49 million children-years.**

Dividing the NPV of cost estimate of this alternative of $3.906 trillion derived earlier by this outcome estimate yields: **Alternative #2 Policy Cost-Effectiveness = $23,743 dollars per child-year.**

**Cost-Effectiveness of Policy Alternative #3: Free College**

My third policy alternative offers a federal first-dollar free college tuition program at public 2-year and 4-year colleges and universities coupled with a 4 percent annual cap on tuition increases at these institutions. To derive the incremental costs associated with this alternative, I need estimates of the tuition costs that will be covered. As a starting point, I use a $58.2 billion dollar estimate for year 2017 reported by the Georgetown Center on Education and the Workforce based on data sourced from the Integrated Postsecondary Education Data System.[5,6] I adjust this figure to 2021 by using a reported estimate of the average inflation rate intuition over the past four years of 2.5 percent annually to arrive at a first-dollar cost estimate of $64.24 billion as of 2021. I assume that if the policy is implemented, subsequent annual tuition increases for the 2022 to 2031 period will be at the 4 percent capped rate as schools respond to the incentive induced by the plan.

Clearly, the reduced costs to prospective students under this plan will expand enrollment at public colleges and universities, further raising the cost (and benefits) of the plan. To incorporate this anticipated behavior into my projections, I assume that aggregate enrollment will increase by 5 percent in total over the 2022 to 2031 period. I assume this growth will be gradual and even over time, as graduating high-school cohorts become increasingly aware of this benefit and make education plans accordingly. This implies a cumulative annual growth rate of 0.4891 percent annually to arrive at 5% enrollment growth after 10 years. These incremental costs are incorporated into the projections below.

[5] https://1gyhoq479ufd3yna29x7ubjn-wpengine.netdna-ssl.com/wp-content/uploads/CEW-The-Cost-of-Free-College-FR.pdf
[6] https://www.in2013dollars.com/College-tuition-and-fees/price-inflation

Table 5: Incremental Cost Projections for Policy Alternative #3

All numbers are in $ billions

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Incremental Costs | 67.14 | 70.17 | 73.33 | 76.64 | 80.09 | 83.70 | 87.48 | 91.42 | 95.54 | 99.85 |

I calculate the NPV of the bottom line of this table using the 3 percent annual discount rate to derive the NPV of the incremental costs of this policy relative to the baseline ($696.51 billion). I then add this to the baseline to arrive at: **Alternative #3 10-year NPV of costs = $4.351 trillion.**

To derive outcome projections for the proposed policy, I rely on information reported for similar first-dollar full-tuition programs that have been implemented at a local level. One prominent program of this type that is often offered as an illustration of best practice program effectiveness is the Kalamazoo Promise program in Kalamazoo, Michigan. A Brookings study examining 2012 data on this program provided by the Michigan Department of Education finds a 23 percent increase in college matriculation rates for disadvantaged students eligible for this program relative to similar-background students without access to this tuition benefit.[7] However, 16 months after graduating high school, the evidence indicates that the likelihood of completing 24 college credits was only 3 percent higher for students with access to the benefit, suggesting that the program is highly successful in getting students to enroll in college, but much less effective in getting them through college.

Since I anticipate that most of the difference in college graduation rates will be apparent within the initial 16-month window, I use 3 percent as an estimate of increased college graduation rates as a result of the alternative #3 proposed policy. Since it is reasonable to assume that for these students, the college degree will make the difference between being above or below the poverty line, this also implies a 3 percent decrease in poverty rates for these young adults. This benefit should then extend to the children of these affected individuals, with an obvious delay until the children are born. Thus, my projected outcome is for a 3 percent annual decrease in child poverty, delayed by the dynamics of child-bearing decisions. However, for the purposes of policy evaluation, it seems appropriate to match the benefits with the costs incurred to generate those benefits. Recording the benefits in this way and multiplying the anticipated child poverty rates under the status quo each year by 3 percent to generate the incremental outcome benefits of the policy leads to the following figures in Table 6.

Table 6: Outcome Projections for Policy Alternative #3

All numbers are in millions of children

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|

[7] https://www.brookings.edu/blog/social-mobility-memos/2015/06/24/free-college-is-not-enough-the-unavoidable-limits-of-the-kalamazoo-promise/

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Children Lifted Out of Poverty Relative to Status Quo | 0.34 | 0.34 | 0.35 | 0.36 | 0.36 | 0.37 | 0.38 | 0.38 | 0.39 | 0.40 |

Aggregating these figures yields 3.66 million alleviated child-poverty years because of the policy relative to the status quo baseline. **Alternative #3 10-year Outcome = 133.84 million children-years.**

Dividing the NPV of cost estimate of this alternative of $4.351 trillion derived earlier by this outcome estimate yields: **Alternative #3 Policy Cost-Effectiveness = $32,512 dollars per child-year.**

## Evaluating for Equity

*Status-Quo:*
Since this program does not entail an additional transfer of income, it will be scored compared to the other three alternatives. Both alternative 1 and 2 transfer a significant amount of income to the lowest two quintiles of earners, whereas alternative 3 transfers income to the highest three quintiles. Therefore, the status quo is more equitable than alternative 3 but less so than the first two alternatives. I assign it a score of 1 regarding equity.

*Alternative 1:*
To determine the equity of my child allowance plan, I rely on a few sources and assumptions. First, it is fair to assume that a significant number of resources will be redistributed to the bottom two quintiles of earners compared to the baseline for two reasons. First, there is no minimum earnings necessary to receive that credit, unlike the current CTC, which does not benefit families earning below $2,500. Secondly, my program phases out at a lower income level ($150,000) therefore distributing money that would otherwise go to higher earners to families in the lowest two quintiles of income. The Niskanen Center conducted an analysis on the Romney benefit proposal and found that it would 44.29 percent of the funds to the lowest two quintiles of earners—a significant increase from current CTC distributions. It is likely that my proposal will have a greater effect given its lower phase-out rates than Romneys and the larger benefit size. This alternative scores a 3 regarding equity.

*Alternative 2:*
The EITC proposal also yields an equitable distribution of resources. Currently, all EITC payments go to filers in the bottom three quintiles of earnings (Tax Policy Center). The lowest two receive a much greater share of funds than the third quintile. I estimate that my proposal will slightly shift the distribution of resources between these three quintiles in favor of the highest earners. This is because more families and the high end of the distribution will be eligible due to an increased maximum payment. Additionally, this program is notably less equitable than my

first alternative regarding the poorest Americans. The EITC will only phase-in at its full amount for filers with one child making at least $7,030. Therefore, this policy receives a score of 2 regarding equity.

*Alternative 3:*
There are significant equity concerns regarding my free-college policy proposal. Even if there was an identical take-up rate between low-income students and those from the top three quintiles, the relative distribution of funds between the groups would still skew heavily in favor of the higher earning families. Additionally, take-up in the program will likely skew towards those who are already well-off. Experts estimate that there will be between a 5 to 10 percent discrepancy in take-up between low-income potential students and those who are not (Brookings, 2015). This will further increase the disparate spending the free-college program will have in favor of high-earners. As such, this program receives a score of 0 regarding equity.

## Evaluating for Political Feasibility

The political feasibility of each alternative will be displayed in the tables below. To extract fair 'likelihood' estimates, I accumulate data and information from a wide range of sources regarding the likelihood that relevant political figures will support a similar policy if proposed[8]. I base my predictions off their past statements or voting behavior on similar policies. The political figures evaluated are the committee chairpersons that would oversee the bill in committee, the position of the House Majority leader, the Senate Majority leader, the House, the Senate, and the President. To attain a fair likelihood estimate for both the House and the Senate, I focused my research on moderate members of both parties who would likely be responsible for swinging the vote. To predict committee assignment, I looked at the assignment of past comparable proposals. I conclude that all proposals are somewhat feasible, especially given current Democrat control over the Legislature and Presidency. Democrats have an established track record of supporting increases to the EITC, CTC, and federal college funding.

*Status Quo:*
This receives a score of 3 regarding political feasibility. The status quo already exists in legislation.

*Alternative 1:*

| Position | Likelihood to Support |
|---|---|

[8] For positions of individual politicians, I looked at their campaign websites as well as news sources that have covered their voting record. To determine what committee the bill would be placed in I used GovTrack.us and looked up similar legislation. To predict outcomes in the House and Senate, I estimate based on broad party positions on issues as well as party composition within the House and the Senate. For the Senate in particular, I looked at the position of moderate candidates who are most likely to determine whether the policy would pass, such as Joe Manchin, Mitt Romney, and Susan Collins.

| | |
|---|---|
| Senate Committee Chair *(Finance – Ron Wyden)* | Likely |
| House Committee Chair *(Finance – Maxine Waters)* | Likely |
| Majority Leader of House – Nancy Pelosi | Likely |
| Majority Leader of Senate – Chuck Schumer | Likely |
| U.S. House of Representatives | Likely |
| U.S. Senate | Somewhat Likely |
| U.S President—Joe Biden | Likely |

**Political Feasibility Score: 2**

*Alternative 2:*

| Position | Likelihood to Support |
|---|---|
| Senate Committee Chair *(Finance – Ron Wyden)* | Likely |
| House Committee Chair *(Ways and Means – Richard Neal)* | Likely |
| Majority Leader of House – Nancy Pelosi | Likely |
| Majority Leader of Senate – Chuck Schumer | Likely |
| U.S. House of Representatives | Likely |
| U.S. Senate | Not Likely |
| U.S President—Joe Biden | Likely |

**Political Feasibility Score: 1**

*Alternative 3:*

| Position | Likelihood to Support |
|---|---|
| Senate Committee Chair *(Health, Education, Labor, and Pensions – Lamar Alexander)* | Not likely |
| House Committee Chair *(Education and Labor –Bobby Scott)* | Likely |
| Majority Leader of House – Nancy Pelosi | Likely |
| Majority Leader of Senate – Chuck Schumer | Likely |
| U.S. House of Representatives | Somewhat Likely |
| U.S. Senate | Not likely |

| | |
|---|---|
| U.S President—Joe Biden | Likely |

**Political Feasibility Score: 1**

## Evaluating for Ability to Implement:

*Status Quo:*

This receives a score of 3 regarding ability to implement. The status quo has already been implemented.

*Alternative 1:*

There would be two primary agencies in charge of administering this program: the IRS and the SSA. The two will have to establish a joint office to communicate eligibility for payments—a process that may introduce some implementation concerns. There will be an increase in additional bureaucracy in both the IRS and the SSA. This will be in the form of the joint office, as well as a new department with the SSA that would oversee administering all payments. This department will also oversee creating a web portal for the program. Beyond these adjustments, there are relatively few concerns regarding a need for additional resources to impact take-up. Given that potential recipients will not have to apply to be eligible, they will merely have to provide their social security number as well as direct deposit information to a newly created website for the program. This policy receives a score of 2 regarding ability to implement.

*Alternative 2:*

Under my second alternative, the EITC would undergo minimal administrative restricting. The IRS would remain the sole agency in charge of determining eligibility and executing payments. This program entails little to no additional bureaucratic burden. However, the plan does mandate that the IRS produce a public awareness campaign to improve take-up and inform the public of funding increases. Execution of this plan will be entrusted to the IRS, though it is likely this will be the most significant challenge of implementing my proposal. This policy receives a score of 3 regarding ability to implement.

*Alternative 3:*

This proposal will require only one government agency in order to be effective: The Department of Education. This is a favorable component of this policy's ability to be implemented. However, there ED will need to establish a new office, the Higher Education Financing Commission. This will oversee administering the funds to schools. As such, this program will significantly increase the bureaucracy surrounding higher education. To ensure effective take-up rate, this office will be responsible for advertising and communicating the funding changes to potential students. Compared to the previous two alternatives, this will be the most difficult to implement. Therefore, it receives a score of 1 regarding this criterion.

### Outcome Matrix:

| Proposal | Cost-Effectiveness (35%) | Equity (40%) | Political Feasibility (15%) | Ability to Implement (10%) | Total |
|---|---|---|---|---|---|
| Status Quo | (2 * .35 = .7) **$28,076 dollars per child-year** | (1 * .40 = .4) | (3 * .15 =.45) | (3 * .10=.30) | 1.85 |
| **1 – Child Allowance Plan** | (2 * .35 = .7) **$28,742 dollars per child-year.** | **(3 * .40 = 1.20)** | **(2 * .15 =.30)** | **(2 * .10 = .20)** | **2.4** |
| 2 – Increasing EITC | (3 * .35 = 1.05) **$23,743 dollars per child-year.** | (2 * .40 = .8) | (1 * .15 = .15) | (3 * .10 = .30) | 2.3 |
| 3 – Free College | (1 * .35 = .35) **$32,512 dollars per child-year.** | (0 * .40 = 0) | (1 x .15 = .15) | (1 *.10 =.10) | .60 |

## Recommendation and Implementation

### Recommendation

Based on the calculation above, I recommend the first alternative: Removing the CTC in favor of a Universal Child Allowance Plan. Though this alternative is not the most cost-effective, it is ultimately the most effective at redistributing income to the bottom-two quintiles of earners. By engaging to correct stakeholders throughout implementation, this can be an efficient reform made to the impact child poverty in the U.S. and have the ancillary benefit of improving marriage and family structure.

## Implementation Considerations

There are several technical challenges facing the implementation of this proposal. In addition to this, there are a host of different issues that face my client regarding their ability to implement or advocate implementation of this recommendation. As a 501(c)(3) non-profit, they are not allowed to provide direct political advocacy or engage directly in the legislative process. As a think-tank, they play the role of influencing narratives, providing research, and raising awareness about issues and potential solutions. Despite this limited operating space, there are a few key strategies I recommend they adopt to maximize their influence.

## Identify Key Stakeholders

Though the IFS cannot provide direct lobbying to members of congress, it is still important that their research and messaging is pertinent to the interests of relevant legislators who would be most likely in moving this policy forward. This will need to target congressional members at the margins--those who will be most likely to swing a vote in one direction or another. Members such as Mitt Romney, Joe Manchin, Susan Collins, and Kyrsten Sinema. There exists a body of evidence of public statements and voting behavior from potentially important legislators that must be evaluated to determine how they may respond to potential messaging. Additionally, media outlets will play a pivotal role in broadcasting the potential impacts of my recommended policy and impacting public opinion. These include Fox News, the New York Times, CNN, CBS, Fox, and MSNBC.

## Strategic Communications to Stakeholders

I recommended that the IFS conducted a three-pronged communications campaign aimed at targeting relevant stakeholders. The first stage will be circulating this recommendation throughout social media. To do so, it will be necessary to produce effective graphics, op-eds, and comparisons. I suggest that the IFS do so over a period, continually releasing new content that sheds light on the same conclusion: families stand to benefit maximally from cash transfers. It will also be important to highlight through graphics and displays why this policy is preferable to alternative family improvement measures.

In addition to this, I recommend scholars at the IFS try to reach out to televised media outlets to communicate the broad conclusion of my recommendation. One of the strengths of this policy is that it has the potential to have bipartisan support. As such, the IFS should not eliminate appearances on potential media outlets due to fear of being seen as overly ideological. They should attempt to reach outlets that are traditionally seen as on both the left and right sides of the political spectrum.

Finally, I recommend that the IFS host a ‘Family Policy’ conference, bringing scholars, donors, and politicians, to D.C. for a weekend to discuss and present public policy topics related to

family matters. This will be a way for the organization to not only impact public debate regarding my recommendation, but also gain an audience of relevant political stakeholders.

## Effectively Communicating to the Audience

Given that the IFS is largely relegated to a communicative role in the public policy debate, it is essential that their strategy reach a maximally large audience to ensure they have the best chance at influencing policy outcomes. Because of this, I outline below several talking points that should be used in articulating why this policy is needed. These are broadly categorized into two groups: talking points for a conservative audience and talking points for a liberal audience.

### Conservative Talking Points:

Abortion: A significant amount of decision regarding abortion are based on financial concerns or constraints. It is likely that increasing payments to expecting mothers, regardless of income, decrease the number of abortions.

Marriage: Marriage has traditionally been a more central focus of conservative policy. As I outline throughout this proposal, my recommendation will help low-income individuals access marriage.

Streamline Government Processes: Using the SSA to administer the benefit and distributing it in the form of an allowance will streamline the process compared to the current system involving tax returns from the IRS.

### Progressive Talking Points:

Racial Equity: Because my recommendation is high on equity in terms of distributing income to poor Americans, it will also be high on racial equity, since the two are strongly correlated.

Welfare Increase: My recommendation entails a tremendous increase in total welfare benefits. This is something that Democrats often are concerned within justifying policy decisions.

Economic Mobility: By improving access to resources for poor children, this recommendation will positively impact their economic mobility. This is a point of discussion for many progressive politicians interested in implementing reform.

### Conclusion:

By utilizing these three strategies: identifying stakeholders, creating a communication strategy, and targeting the message, the IFS will be able to have maximal impact on the public policy debate surrounding child allowances and child benefit.

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# Appendixes

## Appendix I: Tables

Table 1: Children Lifted out of Poverty by Program

| Program | Children Lifted Out of Poverty in 2019 |
|---|---|
| EITC & CTC | 5.50 million |
| Medicaid | 3.87 million |
| Social Security, Unemployment Insurance, SSI | 1.57 million |
| SNAP | 1.50 million |

Table 2: 10-year Baseline Predictions Under Status Quo

Cost: Predicted Federal spending on child poverty reduction under status quo (in $ billions)

Outcome: Predicted children lifted out of poverty under status quo policies (in millions)

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost in $ billions | 416.45 | 419.27 | 422.09 | 424.91 | 427.73 | 430.54 | 433.36 | 436.18 | 439 | 442.1 |
| Children out of poverty in millions | 12.83 | 12.86 | 12.96 | 11.08 | 13.15 | 13.25 | 13.35 | 13.46 | 13.56 | 13.66 |

Table 3: Cost Projections for Policy Alternative #1

All numbers are in $ billions

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| CTC and Incentive Savings | 179.36 | 126.50 | 42.48 | 43.42 | 43.90 | 43.90 | 43.42 | 36.82 | 36.82 | 37.29 |
| Child Allowance Additional Costs | 274.45 | 241.17 | 298.75 | 295.76 | 292.81 | 289.88 | 286.98 | 284.11 | 281.27 | 278.46 |
| Incremental Net Costs | 95.09 | 114.67 | 256.27 | 252.34 | 248.91 | 245.98 | 243.56 | 247.29 | 244.45 | 241.17 |

Table 4: Outcome Projections for Policy Alternative #1

All numbers are in millions of children

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Children Lifted Out of Poverty Relative to Status Quo | 5.59 | 5.71 | 5.82 | 5.93 | 6.04 | 6.16 | 6.27 | 6.38 | 6.49 | 6.61 |

Table 5: Incremental Cost Projections for Policy Alternative #3

All numbers are in $ billions

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Incremental Costs | 67.14 | 70.17 | 73.33 | 76.64 | 80.09 | 83.70 | 87.48 | 91.42 | 95.54 | 99.85 |

Table 6: Outcome Projections for Policy Alternative #3

All numbers are in millions of children

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Children Lifted Out of Poverty Relative to Status Quo | 0.34 | 0.34 | 0.35 | 0.36 | 0.36 | 0.37 | 0.38 | 0.38 | 0.39 | 0.40 |