

COMBATTING CHILD POVERTY IN AMERICA

Statement of

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Good afternoon Chairman Davis, Ranking Member Walorski, and Members of the Subcommittee. Thank you for the opportunity to testify today. My name is Dolores Acevedo-Garcia. I am the Samuel F. and Rose B. Gingold Professor of Human Development and Social Policy at Brandeis University. I am also the Director of the Institute for Child, Youth and Family Policy in the Heller School for Social Policy and Management at Brandeis University. I served as a member of the Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years. The committee was formed in March, 2017, and the committee's final report was released a year ago in February, 2019. The National Academy of Sciences was chartered by Congress in 1863 to advise the government on matters of Science and technology and later expanded to include the National Academies of Engineering and Medicine.

The omnibus appropriations bill signed into law in December 2015 included a provision directing the nonpartisan National Academies of Sciences, Engineering, and Medicine (the National Academies) to conduct a comprehensive consensus study of child poverty in the United States. Funds were appropriated to the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services. In addition, the study was sponsored by the Doris Duke Charitable Foundation; the Foundation for Child Development; the Joyce Foundation; the Russell Sage Foundation; the William T. Grant Foundation; and the W.K. Kellogg Foundation.

I have been asked to summarize the findings, conclusions, and recommendations from our 2019 National Academies report *A Roadmap to Reducing Child Poverty* and its implications for policy.

Child poverty is a serious problem for the United States: its negative effects and costs affect children in poverty and all of us. Child poverty compromises the health, learning and development of our children and their future employment opportunities and well-being. Child poverty costs the United States between \$800 billion and \$1.1 trillion annually. These are the costs attached to a reduction in adult productivity, increased health expenditures, and increased costs of crime that are associated with children growing up in poor families.

Thirteen percent of U.S. children—9.6 million in all—live in families with incomes below the poverty line, and 2.9 percent—2.1 million—live in deep poverty. In 2017, the poverty threshold using the Supplemental Poverty Measure (SPM) was about \$25,000 for a family of four; and the deep poverty threshold was half of that.

Child poverty and its harmful consequences throughout the life course are difficult for any child that experiences them, but some groups of children are more likely to grow up in poverty. Hispanic (21.7 percent) and black (17.8 percent) children have the highest poverty rates. Poverty rates are also high among American Indian/Alaska Native children. However, precise rates were unavailable. White children have a poverty rate of 7.9 percent. The deep poverty rate is also highest among Hispanic children (4 percent) followed by black children (3.7 percent). White children have a deep poverty rate of 2.1 percent. In addition, more than half of Hispanic (54.6 percent) and black (50.6 percent) children and 22.9 percent of white children live in near poverty (<150 percent SPM). Taken together, nearly 26.4 million children—more than a third (35.6 percent) of all U.S. children—live at or near poverty.

The statement of task for the committee directed us to review the research evidence on linkages between child poverty and child well-being. The committee concluded that **the weight of the causal evidence indicates that income poverty causes negative child outcomes,** especially when poverty begins early in childhood and/or persists throughout a large portion of

childhood. Children who grow up in poverty experience worse outcomes than children who grow up in higher-income families on every dimension of well-being—physical and mental health, education, labor market success, engagement in risky behaviors, and delinquency.

To reach this conclusion, the committee reviewed the research literature on the causal impacts of poverty reduction on child well-being, including experimental studies using random assignment as well as natural experiments. The committee examined, for instance, the Negative Income Tax experiments conducted under the Nixon administration; natural experiment studies of the Earned Income Tax Credit (EITC), the welfare-to-work experiments in the 1990s, and other relevant natural experiments such as supplemental income provided by a tribal government (National Academies of Sciences Engineering and Medicine, 2019) (see Chapter 3 for a detailed review).

The committee also concluded that alleviating poverty can promote children’s healthy development, through the provision of goods and services that parents can purchase for their children and also because it may promote a more responsive and less stressful environment for families that can support positive parent-child interactions. There is a large body of research evidence that children who grow up in more affluent families fare much better than those growing up in poor families (see (Duncan, Ziol-Guest, & Kalil, 2010) as an illustrative example).

Many programs that alleviate poverty, either directly, by providing income transfers, or indirectly, by providing food, housing, or medical care, have been shown to improve child well-being. For instance, rigorous research evidence shows that SNAP participation during pregnancy reduces the incidence of low birthweight, and that SNAP participation at ages 0 to 4 leads to a reduction in poor health in later childhood (Almond, Hoynes, & Schanzenbach, 2011; Hoynes, Schanzenbach, & Almond, 2016).

Another key element of the statement of task was to provide an analysis of the poverty-reducing effects of the existing major assistance programs directed at children and families in the United States. The statement of task directed us to use the Supplemental Poverty Measure (SPM) of income poverty, which we adjusted for underreporting of some types of income in the survey data. Importantly, the SPM takes account of taxes and tax credits, in-kind benefits, and nondiscretionary expenses (e.g., child support payments) and so is suited for the kinds of policy analysis that we were charged to undertake.

The committee concluded that child poverty would be much higher without our current anti-poverty policies and programs. **Both tax credits and safety net programs are important for reducing poverty. The Earned Income Tax Credit (EITC), the Child Tax Credit (CTC), the Supplemental Nutrition Assistance Program (SNAP) and Social Security are the most important programs for reducing poverty** (<100 percent Supplemental Poverty Measure (SPM)-based child poverty). For example, without the EITC and the CTC, the child poverty rate would be 18.9 percent instead of 13 percent. Without SNAP the poverty rate would be 18.2 percent instead of 13 percent. **SNAP and Social Security are the most important existing programs for reducing deep poverty among children.** Without SNAP, the deep poverty rate would be 5.7 percent instead of 2.9 percent. Tax credits are the most important way of keeping children above near poverty (<150 percent of SPM).

Despite the important poverty reduction effects of existing programs, 13 percent of U.S. children are living in families with incomes below the poverty line, and 2.9 percent are living in deep poverty. The core of our committee’s charge was to “identify policies and programs with the potential to help reduce child poverty and deep poverty (measured using the Supplemental Poverty Measure or SPM) by 50 percent within 10 years of the implementation of the policy approach.” Thus, our task was to identify programs and policies to reduce poverty to

6.5 percent and deep poverty to 1.5 percent. Estimates of poverty reduction effects from the committee’s ideas for policy and program options were generated through commissioned analyses from the Urban Institute’s Transfer Income Model, Version 3, microsimulation model.

The committee used the following criteria to guide its selection of programs and policies:

- **Strength of the research and evaluation evidence.** This was the most important criterion for the committee. We prioritized evidence from random-assignment evaluations and methodologically rigorous “natural” experiments.
- **Magnitude of the reduction in the overall rate of child poverty and deep poverty** in order to meet the target of reducing child poverty and deep poverty by one-half within 10 years.
- **Child poverty reduction within subgroups with high poverty rates**, for example, subgroups by race and ethnicity, location, nativity and immigration status, and age of parent. The committee assigned more importance to those anti-poverty programs and policies with relatively larger impacts on children in subgroups with high poverty rates.
- **Costs of the program or policy** defined as the incremental budget expense after accounting for the secondary impacts of the program or policy change.
- **Impacts on work, marriage, opportunity, and social inclusion.** The committee agreed that these are widely supported values in American society.

Child poverty is not an intractable problem. It is possible for wealthy nations to reduce child poverty by 50 percent. The United States did so over a 36-year period from 1970-2016. The United Kingdom did so in under a decade, from 2001 to 2008, and Canada appears to be on course to achieve this goal even more quickly, after introducing its new child benefit in 2016. The Canada Child Benefit is tax-free, and the amount is determined by the age of the child or children in the family and the net family income.

The committee developed 20 individual policy proposals (these are described on pg. 158, Box 5-2 and in Appendix D of the report; National Academies of Sciences, Engineering, and Medicine, 2019), none of which was estimated to reduce child poverty in the United States by 50 percent over a 10-year period on its own. As examples, below are descriptions of proposals the committee simulated for the Earned Income Tax Credit, Child Care, and a Child Allowance that would replace the Child Tax Credit:

EITC Policy #1: Increase payments along the phase-in and flat portions of the EITC schedule.

EITC Policy #2: Increase payments by 40 percent across the entire schedule, keeping the current range of the phase-out region.

Child Care Policy #1: Convert the Child and Dependent Care Tax Credit (CDCTC) to a fully refundable tax credit and concentrate its benefits on families with the lowest incomes and with children under age 5.

Child Care Policy #2: Guarantee assistance from the Child Care and Development Fund (CCDF) for all eligible families with incomes below 150 percent of the poverty line.

Child Allowance Policy #1: Pay a monthly benefit of \$166 per month (\$2,000 per year) per child to the families of all children under age 17, replacing the Child Tax Credit and Additional Child Tax Credit as well as the dependent exemption for children. The child allowance benefit would be phased out under the same schedule as the Child Tax Credit.

Child Allowance Policy #2: Pay a monthly benefit of \$250 per month (\$3,000 per year) per child to the families of all children under age 18 replacing the Child Tax Credit and Additional Child Tax Credit as well as the dependent exemption for children. The child allowance benefit would be phased out between 300 and 400 percent of the poverty line.

In its consensus report, the committee notes that the **EITC** has the potential to reduce poverty by supplementing the incomes of low-income parents and by encouraging work, which would increase the earned income of parents. EITC Policy #1 was based on the research of (Giannarelli, Lippold, Minton, & Wheaton, 2015), and EITC Policy #2 was selected to examine the poverty reducing impacts of a substantial and uniform expansion of the credit.

With regard to the **child care proposals**, research on child care programs supports an expansion of child care tax credits and subsidies. Family resources are increased directly because of the receipt of child care assistance and indirectly because families may increase their employment and earnings as a result of this support (Enchautegui, Chien, Burgess, & Ghertner, 2016; Morrissey, 2017).

The Child Allowance considered by the committee effectively converts the current Child Tax Credit into a nearly universal child tax credit paid monthly to families for each child living in the home. When offered universally (to all families with children), child allowances do not stigmatize low-income beneficiaries and thus help promote social inclusion (Garfinkel, Smeeding, & Rainwater, 2010). Because child allowance benefits are not reduced as earnings increase (at least not until incomes reach 300 percent of the poverty line in Policy #2), they provide a more secure floor than means-tested benefits, one that does not penalize intermittent work. At least 17 developed nations have some form of a child allowance. The U.S. federal tax system's current \$2,000 child tax credit is akin to a once-a-year child allowance. Many families with children benefit from its \$2,000 per child reduction in taxes. However, currently, these benefits are not universal: families with no or very low incomes (and the very rich) are not eligible.

Across all of our committee's criteria described above, including poverty reduction, cost,

impacts on work, social inclusion, and evidence of positive impacts on child well-being, several policy and program proposals did stand out:

- A 40 percent increase in Earned Income Tax Credit benefits would decrease child poverty from 13 percent to 10.9 percent but would have only modest impacts on deep poverty. It would strongly encourage work and cost \$20 billion annually.
- The committee's expansion of the Child and Dependent Care Tax Credit would generate \$9.3 billion more in annual earnings than cost to the budget (\$5.1 billion). Its ability to reduce child poverty and deep poverty is relatively modest.
- A child allowance of \$2,000 per child per year paid monthly would strongly reduce child poverty from 13 percent to 9.6 percent and deep poverty—from 2.9 to 1.8 percent. It would lead to modest reductions in employment and earnings with an annual cost of \$33 billion.
- A child allowance of \$3,000 per child per year would produce the largest poverty reduction, and it would meet the goal of reducing deep poverty (50 percent of SPM poverty) by half.

Because none of the individual policies/programs reduced child poverty by 50 percent, the committee also considered four **policy packages**, i.e., combinations of policies and programs. As with the individual policies and programs considered, package components were selected based on the strength of the evidence that they may reduce child poverty, effects on employment/earnings, cost, and social inclusion. All four packages include work incentives (expansion of the EITC) and work supports (expansion of the Child and Dependent Care Tax Credit) as well as other policies/programs. The components and effects of these four packages

are summarized in the table below.

	Work-oriented package (1)	Work-based and universal support package (2)	Means-tested supports and work package (3)	Universal supports and work package (4)
Expand EITC	X	X	X	X
Expand Child and Dependent Care Tax Credit	X	X	X	X
Increase the minimum wage	X			X
Roll out WorkAdvance	X			
Expand housing voucher program			X	
Expand SNAP benefits			X	
Begin a child allowance		X		X
Begin child support assurance				X
Eliminate 1996 immigrant eligibility restrictions for safety net programs				X
Percent reduction in the number of poor children	-18.8%	-35.6%	-50.7%	-52.3%
Percent reduction in the number of children in deep poverty	-19.3%	-41.3%	-51.7%	-55.1%
Change in number of low-income workers	+1,003,000	+568,000	+404,000	+611,000
Annual cost, in billions	\$8.7	\$44.5	\$90.7	\$108.8

Two of the *packages* (3 and 4) were estimated to achieve a 50 percent reduction in child poverty. Package 3, the “Means-Tested Supports and Work Package,” combines expansions of the two tax credits with expansions of two existing income support programs: SNAP and housing voucher programs. The cornerstone of Package 4, the “Universal Supports and Work Package,” is a \$2,700 per child per year child allowance. Package 4 also includes an expansion of the EITC and CDCTC, an increase in the minimum wage, a new child support assurance program, and elimination of the immigrant restrictions imposed by the 1996 welfare reform.

The costs of these two packages are substantial (\$90 to \$110 billion a year), but small compared with the aggregate costs of child poverty to the nation, which are estimated to range between \$800 billion and \$1.1 trillion per year.

Because these two packages combined policies that increased work and pay among low-

income parents with policies that strengthened the safety net, they not only cut child poverty in half but also increased employment and earnings. A promising smaller program package (2) was estimated to reduce child poverty by a third, not a half, while at the same time increasing employment and earnings, at a cost of about \$44 billion per year.

Increases in work was one of the Committee's criteria for selecting policies and programs. As shown in the table above, all four packages include policies that promote work (expansion of the EITC) and work supports (expansion of the Child and Dependent Care Tax Credit), as well as other policies/programs.

While increased employment has the potential to lower poverty rates, we lack rigorous evidence that mandatory work requirements would achieve the goal of reducing child poverty. The committee concluded that “there is insufficient evidence to identify mandatory work policies that would reliably reduce child poverty, and it appears that work requirements are at least as likely to increase as to decrease poverty” (Conclusion 7-4). Therefore, work requirements were not included in the simulations.

Additionally, our statement of task directed us to identify programs and policies that would reduce both poverty and deep poverty by half. Importantly, Package #1 which has an exclusive focus on programs that benefit workers does not achieve the goal of reducing poverty or deep poverty by half—it reduces both by about 19 percent. Therefore, achieving the goal of reducing child poverty by half requires the use of income-support policies and programs such as SNAP and housing subsidies and/or universal supports such as a child allowance.

Finally, in addition to program eligibility and benefits, a number of important contextual factors can greatly influence the impact and success of anti-poverty programs and policies. Coupling work incentives with work supports like child care, job search assistance, and transportation assistance is often the key to success, because, as discussed in Chapter 8 of the

report, low-income families face many barriers to work related to these factors. Additionally, work supports are often unaffordable for working families, and when they are available through subsidies, are often insufficient relative to need and difficult to access due to cumbersome eligibility and recertification procedures.

Although the committee was not able to incorporate these contextual factors in the policy simulations, it carefully examined the evidence on how these factors can enhance or hinder the effectiveness of anti-poverty programs. Importantly, these contextual factors, which limit the effectiveness of antipoverty programs, tend to affect minority families disproportionately. Policies that incentivize work would be more effective in reducing child poverty if coupled with supports that help mitigate these contextual challenges.

To illustrate how contextual factors may affect policy effectiveness, I will use the example of how context affects families' ability to secure child care, which is an essential work support. These observations draw from the *Roadmap to Reducing Child Poverty* report but also include additional data and my thoughts based on my own expertise and research. Therefore, these observations are not the product of the Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years, nor have they been vetted by the peer review process of the National Academies.

Insufficient child care limits the effectiveness of anti-poverty programs, particularly of those that target working families. Changes to the design and implementation of child care supports could improve access to child care, reduce inequities in access, and reduce child poverty.

Work is a key component in addressing child poverty, but to meet family and children's needs it needs to provide not only adequate earnings but also job security and stability, benefits such as health insurance and family and medical leave, and work schedules that allow families

to have regular and healthy routines.

Child care policies and programs help parents work by funding non-parental care arrangements for young children in centers, preschools and home-based settings and for children ages 5 and over when they are not in school. Child care both facilitates parental employment and contributes to healthy child development. Simply put, without access to stable and affordable child care arrangements, parents cannot easily work. Additionally, when child care is high quality and responsive, meeting both parents' and children's needs, parents can work and children can thrive.

Child care tax credits and subsidies can reduce child poverty by improving employment stability and thereby promoting the economic well-being of families. Child care programs are needed because despite being highly attached to the labor force, working parents face serious child care affordability challenges and often work irregular schedules that make it difficult to find care.

Seventy-three percent of employed parents (with a child under age 14) work full time and year round. The proportion is similar across racial/ethnic groups (Baldiga, Joshi, Hardy, & Acevedo-Garcia, 2018). Despite working full time year round, 20 percent of working parents have low family income (less than 200% of the federal poverty line). Hispanic (40 percent) and black (32 percent) working parents who work full time and year round are more likely to have low family incomes compared to non-Hispanic white working parents (13%). Low family income means that it is difficult for parents—particularly for Hispanic and black parents—who work full time and year round to pay for child care, especially high quality care (Baldiga et al., 2018).

In order for parents to successfully access and maintain child care, it needs to be reasonably affordable, fit parental work schedules, nearby where families live and work, and be

high quality in order to meet both parents' and children's needs (Friese, Van-Kim, Forry, & Tout, 2017). However, for many low-income, working families, these conditions are not met. Child care prices for full-time arrangements faced by the average family take up an unreasonable proportion of total income. A study conducted by my colleagues and me estimated that low-income families working full time year round would have to spend about 25 percent of their income if they want to send their children ages 13 and under to full-time center-based care. This is much higher than the federally recommended affordability threshold of 7% of total income (Baldiga et al., 2018).

High child care expenses can push families into poverty. One third of poor families who pay for child care for young children are pushed below the poverty line due to child care expenses (Mattingly & Wimer, 2017). In addition to facing affordability challenges, low-income working parents may have to travel further to access care, face lower-quality care options, or juggle a set of informal and unpredictable care arrangements that can affect employment stability and children's well-being (Chaudry et al., 2011). More than 50 percent of low-income parents work in jobs that require work hours in the evening, night or on weekends. Finding child care to match these nonstandard work schedules is often difficult because centers typically do not operate during these hours (Henly & Lambert, 2005; Wildsmith, Ramos-Olazagasti, & Alvira-Hammond, 2018).

To address these issues, the child care subsidies program, funded by the Child Care Development Block Grant, defrays the cost of child care for 1.4 million children in low-income households in the U.S. each month (U.S. Office of Child Care, 2016). Studies find a positive association between the child care subsidy program and **parental employment** (Blau & Tekin, 2007; Crawford, 2006; Herbst, 2010; Lee et al., 2004; Tekin, 2005, 2007), **financial well-being of families** (N. Forry, 2009), and **use of formal and center-based care**, which tends to be

higher quality care (Crosby, Gennetian, & Huston, 2005; Magnuson, Meyers, & Waldfogel, 2007).

Unfortunately, despite positive employment effects, low-income parents' access to the child care subsidies program is limited. Overall, child care subsidies serve only 15% of eligible low-income children (Chien, 2019). Child care subsidy utilization is constrained by the amount of block grant funding that states receive and allocate to the program and other reasons such as limited program awareness, administrative burden and stigma of program receipt (N. D. Forry, Daneri, & Howarth, 2013). Higher utilization is associated with more generous policy components such as higher provider reimbursement rates and higher income eligibility limits (Weber, Grobe, & Davis, 2014; Witte & Queralt, 2005).

Child care subsidies are funded by a block grant which allows for significant state discretion in designing eligibility rules. Therefore, whether children are eligible largely depends on where they live. Studies suggest that there are differential barriers to accessing child care subsidies based on children's state of residence, and race/ethnicity. Program design features to consider are the ease of determining eligibility and the frequency with which renewal is required. When administrative burdens (e.g., for eligibility determination) are high, unpredictable (yet frequent) changes in family circumstances, such as job loss, moving, or a change in child care providers, can lead to a family abruptly losing its child care subsidy (Adams & Rohacek, 2010; Ha, Joshi, Schneider, & Hardy, 2020; Holcomb et al., 2006). Abrupt subsidy losses can make finding or holding a job more difficult.

The complex interactions between policies that promote work, work supports and contextual factors are an important reason why we need a new generation of research to inform the future of anti-poverty programs and policies. The Committee's statement of task directed us to identify high-priority research gaps, the filling of which would significantly advance the

knowledge base for developing policies to reduce child poverty in the United States and assessing their effects. Research gaps are discussed in Chapter 9 of the report *A Roadmap to Reducing Child Poverty*.

Rigorous tests of innovative and promising ideas to reduce child poverty are essential. New research should examine not only average effects, but poverty reductions among sub-groups, especially those with the highest poverty rates. Research and policy demonstrations should also examine how contextual factors such as administrative burden, concentrated neighborhood disadvantage and discrimination limit the effectiveness of anti-poverty programs.

Historically, an important goal of programs to reduce child poverty in the United States has been to move low-income families from reliance on government assistance to greater participation in the labor force. If government is to reach appropriate conclusions about which policies will have the largest effects on poverty reduction and labor force participation, it needs a solid and reliable body of research evidence. Much of what is known about the effects of work oriented features of assistance programs on poverty, government budgets, and society at large comes from many well-run experiments that states conducted before the 1996 welfare reform (Grogger & Karoly, 2005; Haskins & Margolis, 2014). That research was largely a response to the requirement by the U.S. Department of Health and Human Services that states rigorously assess the effects of program modifications as a condition for obtaining waivers to implement them (Gueron & Rolston, 2013).

In recent years, however, states seeking to test new work-oriented programs, especially those including work requirements, have proceeded without research evidence to support their approach, and have often chosen evaluations with methodologically weak designs, which have produced unreliable and misleading results (Mitchell, 2018).

Therefore, the Committee recommended that “relevant federal departments and agencies, especially those granting waivers to state and local governments to test new work-related programs, should prioritize high-quality, methodologically rigorous research and experimentation to identify ways to boost the job skills and employment of parents of low-income families receiving public assistance. Congress should ensure that sufficient funding is made available to conduct these evaluations” (Recommendation 9-1).

Another important reason we need innovations in program design and rigorous evaluation is that our most important anti-poverty programs were designed and put in place when our child population looked very different. Consequently, my professional opinion—not vetted by the peer review process of the National Academies—is that when we think about improving anti-poverty programs today, we must take into account a landscape of diversity and persistent racial/ethnic inequities in child poverty. Our population is changing. It is becoming much more racially and ethnically diverse, and the child population is even more diverse than the total population. While in 1990 about 70 percent of children were non-Hispanic white, today only about half of children are white. Another important change in our child population has been the increase in the Hispanic child population: from 12 percent of the child population in 1990 to 25 percent today (see Appendix D, 2-8 in the report).

These changes in our child population coupled with higher poverty rates for Hispanic and black children have resulted in a significant change in the composition of children in poverty. Who are our children in poverty today? Hispanic children are the largest group of children in poverty. They surpassed white children as the largest group of children in poverty around 2002.

In 2015, Hispanic children were 41 percent of the population of children in poverty (<100 percent SPM) (more than 3.9 million), up from 12 percent in 1970. In the same year, white children were 31 percent of the population of children in poverty (nearly 3 million), down from

55 percent in 1970. White children still constitute the largest group of children in deep poverty followed closely by Hispanic children.

An important policy and research question is whether we can design and implement effective social policy if we ignore these wide racial and ethnic inequities in child poverty. My opinion is that we will achieve the goal of poverty reduction faster if we are more intentional about policy design so that the benefits of anti-poverty programs include all children, and programs help us reduce inequities in poverty.

Why? Program design (for example, eligibility), access (for example, administrative burden), poverty reducing effects, and the context in which families experience poverty and try to overcome poverty are not equal across racial and ethnic groups. Therefore, enhancing the effectiveness and reach of anti-poverty programs requires that we are able to serve an increasingly diverse child population, and that we identify and address sources of differential treatment and outcomes in anti-poverty programs.

Thank you for the opportunity to testify. I would be happy to address any questions that you might have.

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