

Bill Jaeger Testimony to House Finance

HB 19-1164: Child Tax Credit

February 25, 2019

Thank you, Madame Chair and members of the committee, for the opportunity to testify in support of HB 19-1164. My name is Bill Jaeger and I am the Vice President for Early Childhood and Policy Initiatives at the Colorado Children's Campaign. We would like to thank the sponsors for bringing forward this research-based approach to helping families give their children a strong start in life.

This bill, at its core, is about taking a meaningful step toward addressing gaps in opportunity for children. When children are born into families experiencing financial insecurity, there are significant impacts on their healthy development. The stress caused by living in poverty can inhibit early brain development and negatively impact a child's ability to succeed in school and develop the social-emotional skills needed to succeed adults.

Unfortunately, early childhood is the time when a child is most likely to live in poverty and many children are experiencing their early years in families who live paycheck to paycheck.¹ A broad array of Americans report that they are unable to meet the cost of even a modest financial shock and that their incomes vary substantially from month-to-month. According to the Federal Reserve's 2016 Survey of Consumer Finances, 44 percent of adults say they either could not cover an emergency expense costing \$400, or would cover it by selling something or borrowing money.

From a comparative standpoint, the United States has the fourth-highest rate of child poverty among the 35 advanced economies, according to the Organization for Economic Cooperation and Development, 1 in 6 kids in poverty even after tax transfers.

The good news is that we have been making meaningful progress on the issue of young children experiencing poverty and can utilize tools like the Child Tax Credit to build on this momentum.

- As recent work out of Columbia University has shown, after accounting for the effects of various policy initiatives, the child poverty rate in the United States has been cut nearly in half since the 1960s — from 28.4 percent in 1967 to a record low of 15.6 percent in 2016. Today, federal support for low-income families through programs like SNAP, housing subsidies, and — most significantly — the Earned Income Tax Credit and Child Tax Credit, keeps 40 percent of kids above the poverty threshold who would otherwise live in poverty.²
- The federal Child Tax Credit alone lifted 1.5 million children out of poverty and lessened poverty for another 6.1 million children in 2016.
- We know that even relatively modest increases in family income can promote better outcomes for children living in poverty and there are particularly the strong positive effects of additional family income for young children. For example,
 - Increasing family incomes for children ages 2 to 5 improved later academic achievement, while an income increase of \$3,000 in a given year has been shown to

¹ <https://www.cbpp.org/research/federal-tax/a-top-priority-to-address-poverty-strengthening-the-child-tax-credit-for-very>

² <https://www.cbpp.org/research/poverty-and-inequality/child-poverty-falls-to-record-low-comprehensive-measure-shows>

- produce academic gains equivalent to about two months of extra schooling, as measured by standardized test scores.
- Low-income children who experienced an increase in family income of \$3,000 at age 5 earned an average of 17 percent more as adults and worked 135 hours more annually than similar children whose families' incomes did not increase. An increase in family income by \$3,000 during a child's first five years of life is associated with the equivalent of 20 SAT points and 20% higher income in later life.

In short, the benefits of even modest increases in income for families with young children accrue across a lifetime of improved outcomes. We encourage the committee to support this proposal and are happy to answer any questions you might have.

Additional Sources:

Center on Budget and Policy Priorities. (2018). Policy Basics: The Child Tax Credit.

U.S. Partnership on Mobility from Poverty. (2018). Improving the Child Tax Credit for Very Low-Income Families.

<https://www.cbpp.org/sites/default/files/atoms/files/6-26-12tax.pdf>

<https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1467-8624.2009.01396.x>