FIRST FOCUS
CAMPAIGN FOR CHILDREN

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The Honorable Mitt Romney
U.S. Senate
Washington, D.C. 20510

The Honorable Richard Burr
U.S. Senate
Washington, D.C. 20510

The Honorable Steve Daines
U.S. Senate
Washington, D.C. 20510

Dear Senators Romney, Burr, and Daines:

I am writing on behalf of First Focus Campaign for Children, a national advocacy group dedicated to making children and families a greater priority in federal and state policy in this country.

First, I would like to thank you all for engaging in trying to make some improvements to federal policy in the Family Security Act 2.0 with respect to children. Our children are facing some of the most challenging times seen in our nation's history. Our country's historically high rate of child poverty and significant racial poverty gap are among the most pressing of these challenges and is the root cause of so many of the obstacles to success faced by too many of our nation's children and grandchildren.

The American people agree. Recent polling of likely voters by Lake Research Partners finds that, by a 6-to-1 margin, voters believe we are investing too little to address child poverty in this country and are concerned that children are the poorest group in our nation.[1] By an 86% concerned (61% strongly) to 12% not concerned margin,[2] voters are worried by the 2019 landmark National Academy of Sciences, Engineering, and Medicine (NASEM) study findings[3] that estimate "child poverty costs our society up to $1.1 trillion a year due to higher crime, poor health outcomes, and lower income levels when children living in poverty grow up."

The good news is that we know what works to reduce child poverty. That same NASEM study finds that a child allowance, operating as an extension of the Child Tax Credit, is the most powerful tool we have to combat child poverty and narrow the racial poverty gap. Extensive research shows when households with children receive cash transfers, they spend it on resources that support their children's healthy development, improving their physical and behavioral health and educational outcomes, and leading them to earn more as adults. Increased household income also relieves parental stress, giving parents more time and mental energy for their children.[4] By 66-10% and 64-5% margins, voters believe we are spending too little rather than too much to reduce child poverty and reduce child hunger, respectively.[5]

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[1] First Focus on Children (Jun. 30, 2022). "Fact Sheet: Voters Strongly Support Making Investments in Our Children and Grandchildren" (cites Lake Research Center poll from May 2022). https://firstfocus.org/resources/polling-and-opinion-research/fact-sheet-voters-support-investments-in-kids.
[2] *Ibid.*
[3] National Academy of Sciences, Engineering, and Medicine (2019). *A Roadmap to Reducing Child Poverty*. The National Academies Press. Washington, D.C. https://nap.nationalacademies.org/catalog/25246/a-roadmap-to-reducing-child-poverty,
[4] *Ibid.*
[5] First Focus on Children (Jun. 30, 2022).

We must do better by our children.

Policies that improve the lives and well-being of children receive strong support from the American people. In the Lake Research Partners poll, voters favor the improvements Child Tax Credit included in the American Rescue Plan Act (ARPA) by a 72-21% margin with parents favoring the policy 77-18%.[6] These improvements resulted in a decrease in child poverty by nearly 30% or 3.7 million children in December 2021[7] and this impact would have grown to an estimated 40+% reduction if these improvements had been extended in 2022.[8]

This is critically important because we know that every aspect of the lives of children are negatively impacted by child poverty. Researchers Diane Whitmore Schanzenbach, Hillary Hoynes, and Melissa S. Kearney highlight this fact and add, "…this policy, especially if it takes hold for the long term, will meaningfully improve millions of children's lives and give them a much better start in life."[9]

In fact, households used the monthly credit in 2021 to meet their children's basic needs, leading to significant reductions in material hardship[10] and household food insecurity with "no significant differences in the changes in employment between December 2020 and December 2021 for adults who received the payments and adults who did not receive the payments."[11] Moreover, we will see even greater poverty reduction and a narrowing of the racial poverty gap in annual poverty data for 2021, as additional eligible families receive the rest or all of their Child Tax Credit after filing taxes this year.[12]

As a result of this evidence, we strongly believe the ARPA and the American Family Act along with the first version of the Family Security Act remain the starting points for achieving bipartisan action improving the Child Tax Credit in the near future.

The first version of the original Family Security Act proposed by Senator Romney would have cut child poverty by an estimated 32.6%, according to analysis by the Niskanen Center.[13] Households with the least resources would have been eligible to receive the full (newly increased) Child Tax Credit. We strongly support this policy improvement with respect to the Child Tax Credit but had some concerns with some of the proposed offsets, such as the proposed abolition of the Temporary Assistance for Needy Families block grant and the changes to the Earned Income Tax Credit (EITC).

Unfortunately, as the Family Security Act morphed into version 2.0, changes focused on adults were made to the Child Tax Credit and significantly reduced the positive impact it would have on millions of children. The "best interests of children" became an afterthought as the focus shifted to some sort of "deservedness"

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[6] First Focus on Children (Jun. 30, 2022).

[7] Parolin, Zachary, Sophie Collyer, and Magan A. Curran (Jan. 18, 2022). "Sixth Child Tax Credit Payment Kept 3.7 Million Children Out of Poverty in December." Center on Poverty and Social Policy at Columbia University. New York, NY. https://www.povertycenter.columbia.edu/news-internal/monthly-poverty-december-2021.

[8] Collyer, Sophie, Megan A. Curran, Robert Paul Hartley, Zachary Parolin, and Christopher Wimer (Apr. 28, 2021). "The Potential Poverty Reduction Effect of the American Families Plan." Center on Poverty and Social Policy at Columbia University. New York, NY. https://www.povertycenter.columbia.edu/news-internal/2021/presidential-policy/american-family-plan-poverty-impact.

[9] Schanzenbach, Diane Whitmore, Hillary Hoynes, and Melissa S. Kearney (Jul. 16, 2021). "Expanded Child Tax Credit Will Lift Children from Burdens of Poverty." *Quartz*. https://qz.com/2034220/expanded-child-tax-credit-will-lift-children-out-of-poverty/.

[10] Rapid Assessment of Pandemic on Development-Early Childhood or RAPID-EC (Dec. 2021). "The Child Tax Credit Is Buffering Families from Financial Hardship." Center for Translational Neuroscience at the University of Oregon. Eugene, OR. https://static1.squarespace.com/static/5e7cf2f62c45da32f3c6065e/t/61c21963322cfa7a07d771a2/1640110435621/ctc_financial_hardship_dec2021_3.pdf.

[11] Karpman, Michael, Elaine Maag, Steven Zuckerman, and Doug Wissoker (May 2022). "Child Tax Credit Recipients Experienced a Large Decline in Food Insecurity and a Similar Change in Employment as Nonrecipients Between 2020 and 2021." Tax Policy Center. Washington, D.C. https://www.urban.org/research/publication/child-tax-credit-recipients-experienced-larger-decline-food-insecurity-and.

[12] Curran, Megan A. (Dec. 22, 2021). "Research Roundup of the Child Tax Credit: The First 6 Months." Center on Poverty and Social Policy at Columbia University. New York, NY. https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/1643726515657/Child-Tax-Credit-Research-Roundup-CPSP-2021.pdf.

[13] Hammond, Samuel and Robert Orr (Feb. 4, 2021). "Fact Sheet: Analysis of the Romney Family Security Act." Niskanen Center. Washington, D.C. https://www.niskanencenter.org/factsheet-senator-romneys-family-security-act/,

standard for adults that has the effect of punishing children. As a result, the Niskanen Center's updated analysis shows that the Family Security Act 2.0 would only reduce child poverty by just 12.6%.[14]

We recognize that the Family Security Act 2.0 would result in many low-income households with children, especially those with more than one child, receiving a larger credit than under the current, pre-American Rescue Plan Act version of the Child Tax Credit through increasing both the credit amount and the per child phase-in rate, which results in households with only $10,000 of annual income in the previous tax year getting the full credit. In addition, 17-year-olds would also be eligible for the Child Tax Credit, just as they were in the American Rescue Plan. Those are significant improvements to current law, but fall far short of the American Rescue Plan and the indexing of the threshold to inflation will negatively impact low-income people who do not receive cost-of-living increases, as the federal minimum wage level has not been updated since 2009.

Furthermore, gains for families, including larger families with up to six kids, would be offset by significant cuts to the EITC. In addition, changes made would leave children in households with no income with nothing under this proposal. Furthermore, children in single-parent households would lose a significant amount at tax time due to the proposal's offsets which cut the EITC and eliminate the option for head-of-household filing tax status.

Citizen children with immigrant parents who both file taxes with an Individual Taxpayer Identification Number (ITIN) would also now be deemed ineligible to receive the Child Tax Credit, as well as for children being cared for by grandparents or other kinship caregivers who don't have full legal custody and may opt not to claim custody for a variety of reasons (but are often currently eligible to file for the Child Tax Credit due to their caregiving).

The Family Security Act 2.0 clearly creates some significant disparities. In contrast to families with the least resources, high-inome households with children with annual incomes up to $400,000 (for married couples) would receive the full amount of the credit per child. Higher income pregnant women are added to the Child Tax Credit and would be eligible to receive part of the credit 4 months before their child is due, yet many poor children are largely left out. This is especially unfair in a program called the Child Tax Credit that is intended to support children.

Finally, the proposal is paid for in part by eliminating the child portion of the Child and Dependent Care Tax Credit (CDCTC) and cutting the EITC, thereby pulling from existing credits that support households with children and going against public sentiment that we already spend too little on our nation's children. The Child Tax Credit would also now be administered through the Social Security Administration, which might be an improvement over the Internal Revenue Service (IRS) in some ways, however, it does create new concerns such as that money a family receives from the Child Tax Credit could now reduce the amount of other benefits for which a household is eligible.

Analysis by the Center on Budget and Policy Priorities indicates that the new version would leave 7 million families, including 10 million children, with annual incomes less than $50,000 worse off, as they would lose an average of more than $800 a year.[15]

These households with children that would be harmed or benefit the least from the changes made in the Family Security Act 2.0 are the same ones with the greatest barriers to maintaining a steady level of

[14] Orr, Robert and Joshua McCabe (Jun. 15, 2022). "Analysis of the Family Security Act 2.0." Niskanen Center. Washington, D.C. https://www.niskanencenter.org/analysis-of-the-family-security-act-2-0/,

[15] Marr, Chuck, Kris Cox, Stephanie Hingtgen, Arloc Sherman, Sarah Calame, and Jabari Cook (Jul. 6, 2022). "Romney Child Tax Credit Proposal Is Step Forward but Falls Short, Targets Low-Income Families to Pay for It." Center on Budget and Policy Priorities. Washington, D.C. https://www.cbpp.org/research/federal-tax/romney-child-tax-credit-proposal-is-step-forward-but-falls-short-targets-low.

employment and income to meet their basic needs and therefore would benefit the most from receiving the Child Tax Credit, which has shown to help families maintain steady employment and afford childcare.[16]

The changes proposed in the Family Security Act 2.0 result in a much reduced impact on cutting child poverty (12.6%) in this country than the American Family Act (40+%) or even Senator Romney's earlier version (32.6%). This is not the progress that our children desperately need. Moreover, it is bad for the country, as NASEM estimated that child poverty is costing the nation's economy up to $1.1 trillion a year.[17]

Voters believe, by an overwhelming 82-10% margin (69% strongly agreeing), that federal policymaking that impacts our nation's children "should always be governed by a best interests of the child standard."[18] Again, we thank you for your interest in designing family support programs. However, we must begin with the principles that:

1) The best interests of children should drive federal policymaking that involve children (again, by a 82-10% margin, voters agree);
2) We should attempt to achieve the goal of cutting child poverty by half in this country, as it is good for the long-term success of children and our nation. As the NASEM study shows, it is in all of our interest (and voters agree by a 89-7% margin that "investing in children has a large return in a health society and a healthy economy"); and,
3) We should not create winners and losers in federal policy involving children or punish children based on the status of their parents or their zip code.

Over 30 years ago, a bipartisan National Commission on Children that was established under President Ronald Reagan reported out its findings to President George H.W. Bush in 1991.[19] The bipartisan commission explained:

> *The United States is the only Western industrialized nation that does not have a child allowance policy or some other universal, public benefit for families raising children. . . . Other nations that have adopted child allowances policies regard such subsidies as an investment in their children's health and development and in their nation's future strength and productivity.*

The National Commission on Children recommended that the CTC go to all families with children. As it proposed:

> *Because it would assist all families with children, the* ***refundable*** *child tax credit would not be a relief payment, nor would it categorize children according to their "welfare" or "nonwelfare" status. In addition, because it would not be lost when parents enter the work force, as welfare benefits are, the refundable child tax credit could provide a bridge for families striving to enter the economic mainstream. It would substantially benefit hard-pressed single and married parents raising children. It could also help middle-income, employed parents struggling to afford high-quality child care. Moreover, because it is neutral toward family structure and mothers' employment, it would not discourage the formation of two-parent families or of single-earner families in which one parent chooses to stay at home and care for the children.*

[16] Reinecke, Carmen (Sep. 23, 2021). "The Child Tax Credit Encourages Parents to Work, Study Finds." CNBC. https://www.cnbc.com/2021/09/23/the-child-tax-credit-encourages-parents-to-work-study-finds.html.
[17] NASEM (2019).
[18] *Ibid.*
[19] National Commission on Children (1991). *Beyond Rhetoric: A New American Agenda for Children and Families*. Washington, D.C. https://files.eric.ed.gov/fulltext/ED336201.pdf.

The Commission's recommendation was bipartisan, as were its arguments recognizing the hard work that is parenting, the CTC's positive work incentives, and the CTC's effectiveness in not punishing parents who choose to "stay at home."

Here we are three decades later and these recommendations were finally adopted in 2021 for a single year. We were long past due to do right by our nation's children, particularly in light of the fact that every aspect of the lives of children were negatively impacted by the COVID global pandemic and economic recession.

In 2022, we must not regress by leaving millions of children worse off. I think we can all agree that *every* child should have a fair chance to thrive, yet the Family Security Act 2.0 creates categories of deservedness of children that negatively impact child well-being and harm both the short-term and long-term success of our kids. This has adverse consequences for our economy and doesn't reflect the values of our nation.

More than ever, we need a Child Tax Credit that helps children who need it most. To that end, we should start with a framework from the American Rescue Plan Act, the American Family Act by your colleagues Sens. Michael Bennet (CO), Sherrod Brown (OH), and Cory Booker (NJ) or Sen. Romney's first proposed Family Security Act.

We appreciate you engaging in this important policy debate that could and should achieve life-changing benefits for our nation's children, and thank you for your consideration of our urging that you make the "best interests" of children the centerpiece of any legislation that impacts children.

Sincerely,

Bruce Lesley

Bruce Lesley
President, First Focus Campaign for Children

XC: Members of the Senate Finance Committee and House Ways & Means Committee