



A COMPREHENSIVE APPROACH TO SUBSTANTIALLY REDUCE POVERTY IN CALIFORNIA

California has the highest poverty rate in the country (23.4 percent) after adjusting the Federal Poverty Line to account for the high cost of living in our state.

The statistics are even worse for California's children. More than one-quarter of children live in poverty, and almost one-third of Latino and one-third of African American children live in poverty.

Poverty is highest for high-school dropouts (53.9%) and for those with only a high-school diploma (33.2%).

The future economic stability of California is at risk. High poverty rates limit the ability of millions of children to realize their potential, contribute to the mismatch between workers' skills and available jobs and overwhelm the ability of the tax base to support increased demand for services.

The simple fact is that although California funds many services today, they are entirely insufficient to significantly reduce poverty.

PATH TO FINDING A SOLUTION

GRACE (*Gather, Respect, Advocate, Change, Engage*), founded by the Daughters of Charity in 2013, is dedicated to research, analysis and advocacy to find solutions to end poverty.

GRACE set out to identify proven approaches to reduce systemic or generational poverty in California and also provide immediate relief to families in need. To accomplish this, GRACE visited and consulted with leading programs across the country with proven track records of reducing poverty. GRACE also convened leading providers, advocates and experts in two major conferences, work groups and numerous follow-up meetings. Through this process, key approaches were identified for in-depth research and analysis.

Last year, GRACE instigated a major, eight-month study by the Stanford Center on Poverty and Inequality, one of three federally funded national poverty centers. The study was funded in part by GRACE, with participation from GRACE staff. [This resulted in the first comprehensive, evidence-based proposal to substantially reduce poverty in California.](#)

To review Stanford's research, please visit: <http://web.stanford.edu/group/scspi/eop/eop.pdf>

SUMMARY OF THE GRACE APPROACH

Based on the solutions identified through GRACE's process of analysis, conferences and work groups and Stanford's research and recommendations, GRACE identified programs and services set forth in this document that, if implemented comprehensively, would significantly reduce child poverty in California. This approach would change the face of California by significantly reducing poverty and child abuse, and saving costs in healthcare, social services and incarceration over the long term.

Having identified a package of programs and services that the evidence shows holds the greatest promise for reducing poverty in California, GRACE then conducted additional research and analysis of the identified programs and services to better understand the costs of implementing them and the impact of each, at certain levels, as well as public awareness, understanding and opinion regarding the issue of poverty in California.

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The focus of this analysis was on implementation of these programs as a comprehensive package, because the evidence shows that piecemeal implementation is less likely to be effective.

EXPAND EARLY INTERVENTION SERVICES AND EARLY CHILDHOOD EDUCATION

Research shows that many children born in to poverty are already behind in development, language and cognitive skills by 18-months of age.¹ That is why this approach anticipates and evaluates the costs and impacts of significant investments in services that help children as early as possible, including pre-natal care.

PRE-NATAL AND EARLY SERVICES

In order to promote child health and development, assess family needs and link families to appropriate services, this approach would expand existing voluntary home visiting programs in California to serve all eligible pregnant women and families with children ages 0 to 5 with income at or below the federal poverty level.

DESCRIPTION: Currently, there are a variety of home visiting programs in California with various providers, many funding streams, different protocols for delivering services, and different populations served. This patchwork of services misses many at-risk families.

This analysis anticipates expanding existing voluntary home visiting programs in California to provide sufficient slots to serve all eligible pregnant women and families with children ages 0 to 5 with income at or below the federal poverty level.

Home visiting programs: (1) provide services to families that elect to participate; (2) assess family needs; (3) provide services that promote parental competence and child health and development by building long-term relationships with families and optimizing the relationships between parents and children in their home environments; and (4) link families to additional services. The programs provide face-to-face visits by nurses, social workers, early childhood professionals or others specially trained to provide family support services.

The goal of home visiting programs is to: (1) improve pre-natal, maternal, infant or child health outcomes, including, but not limited to, indicators such as pre-term birth rates, substance abuse and tobacco use; (2) prevent incidents of child maltreatment and death; (3) prevent entry into the child welfare system; (4) improve positive parenting and relationship skills; (5) improve parental self-sufficiency, including increased employment and educational attainment; (6) improve children's readiness to succeed in school; and (7) improve children's social-emotional, cognitive, and language and physical development.

To date, home visiting programs in California have focused on specific populations or have been relatively small. This program could build on the home visiting programs administered by the California Department of Public Health (CDPH). Given the need to massively increase the scale of existing programs to reduce child poverty as quickly as possible, the program could include a combination of state and local administration, and incorporate the use of community based organizations in service delivery. The CDPH would be responsible for statewide policy and standards, caseload estimates and state level administrative activities, including the monitoring of outcomes established by CDPH. Local First 5 commissions or county human services agencies, depending on readiness to implement the expansion, would be responsible for

¹ Grusky, Coddou, Cumberworth, Fisher, Furuta, Hill, Kimberlin, King, Kucheveva, Leupp, Mattingly, Rodriguez, Varner, Wright, *Why is There So Much Poverty in California? The Causes of California's Sky-High Poverty and the Evidence Behind the Equal Opportunity Plan for Reducing It*, p. 11, available at http://web.stanford.edu/group/scspi/eop/eop_exec-summary.pdf

administration at the local level, including establishing contracts with providers. Regional approaches would be permissible.

The program would include an extended duration of services—from the current 0-3 to pregnancy through age 5. The cost of the program is based on a blend of staffing based on family needs, duration of family participation and age of the children served. More intensive staffing would be provided when families first enter the program.

COST: An estimated \$1.5 billion. The cost includes necessary funding to both increase slots and extend the length of services.

IMPACT: The expansion would extend services to 450,000 families.

EARLY CHILDHOOD EDUCATION AND CHILDCARE

Approximately two-thirds of children eligible for subsidized childcare are not able to access services.² This approach would expand early childhood education and childcare programs to serve all children up to age 12 living in a family with income below the federal poverty level.

DESCRIPTION: Under the proposed expansion of childcare, early childhood education and afterschool programs, services would vary based on availability, parental choice, work schedule, and the age of the child. Children ages 3 and 4 could participate in expanded state preschool programs with wrap around services to ensure they are in early childhood education programs for a full day. Children ages 5 through 12 could participate in a range of services including after school programs, tutoring programs, wrap around services and childcare. The approach assumes that consistent with current program requirements, parents must be working or participating in an educational program for the children to be eligible for subsidized childcare. It provides exceptions from these requirements based on criteria to be established by the state for children living in poverty who could benefit from services to be school ready or who need services for health and safety purposes.

The approach would expand the range of existing programs administered by the Department of Education. These include, but are not limited to, the State Preschool Program, Alternative Payment Programs and General Child Care. Eligible placements include licensed family homes, childcare centers, preschool programs, afterschool programs and unlicensed providers. In addition to base payments, financial incentives are provided based on quality metrics. Priority would also be given to programs serving children who are not yet in school and to serving children with the greatest needs. As with the current system, lowest income applicants would have the highest level of priority for new slots within each program.

COST: An estimated \$4 billion. The estimate reflects the number of families with children ages 12 and under living in poverty in California and the estimate of families already participating in the State Preschool program or subsidized childcare programs.

IMPACT: The expansion analyzed here would provide childcare, early childhood education and afterschool services to more than 750,000 children living in poverty.

EXPAND ACCESS TO EFFECTIVE JOB TRAINING PROGRAMS

Provide funding for sector-specific job training and hiring tax credit programs that link workforce preparation to the needs of local employers in high growth markets.

² *Id.* at 15.

DESCRIPTION: Studies have shown that the best workforce preparation is accomplished in concert with regional business and industry, so that job training participants receive the most current and relevant training for success in high-opportunity sectors. This approach anticipates for the creation of regional collaboratives, consisting of a geographically distinct group of educational institutions, local chambers of commerce, local workforce investment boards, regional occupational centers, organizations that provide apprenticeship opportunities, and non-profit or government entities that specialize in services for low-income individuals. An identified lead entity within the collaborative would apply for a grant through the California Workforce Investment Board (CalWIB). Grant funds could be used to conduct a regional assessment of local workforce needs and identify one or more sectors in the region with high growth to target for job training. Business partners that have been identified by the collaboratives through the regional assessment would participate in the development of the training programs, course content, and skill sets to be acquired by participants. The collaboratives would also develop criteria for the selection of job training participants..

In addition to job training, participants would also receive pre-employment services such as preparing resumes, mock job interviews, development of career plans, and instruction in “soft skills” (for example, how to dress for the job and the importance of being punctual). Once participants are successfully employed, the collaboratives could also provide job retention services such as ongoing coaching, assistance with re-employment (if needed), continued contact with employers to assess participants’ performance and advancement opportunities, and guidance on next-step job opportunities and further skills training that could help participants move up career ladders. Regional collaboratives would also partner with local non-profits to help address specific needs of low-income participants like childcare, transportation or referrals for housing or legal services..

Employers participating in the collaboratives would qualify for a tax credit if they provide paid internships and full-time employment to workers who have completed the job training programs. The amount of the tax credit would be determined by regulations promulgated by CalWIB and the availability of funds provided by this approach.

Regional collaboratives would develop performance standards and measurable outcomes to monitor the program’s effectiveness. These would include the number of program participants, funding status and allocations, and employment status of job training participants.

COST: \$800 million divided between job training grants and tax credits for businesses.

IMPACT: The target population is young adults ages 18-24 in California living under the federal poverty line who are not currently enrolled in school, are not working, and do not have a degree or certification beyond high school.

A NEIGHBORHOOD-BASED APPROACH

Services that are coordinated in neighborhoods and linked together are most often more successful in helping families in need. That is why this approach would give priority to fund programs that are in designated zones identified by the state as having large populations of families living in poverty and a solid infrastructure to deliver coordinated services.

CRADLE-TO-COLLEGE-AND-CAREER CONTINUUM IN PROMISE ZONES

Utilize the federal Promise Zones model throughout the State of California to help expand cradle-to-college-and-career services within communities of highest need.

DESCRIPTION: The federally designated Promise Neighborhood and Promise Zones employ a neighborhood-based approach to transform schools and communities in a specific geography of high need to address childhood poverty. This is a collective impact strategy with a results-driven, shared data system for tracking community outcomes over time. At the federal level, Promise Zones brings together 19 different

federal agencies to collaborate, blend funding streams, and better align resources around common outcomes. This same approach could be implemented at the State level led by the California Department of Education (CDE). CDE would conduct a competitive process to designate interested communities as state Promise Zones. Those communities would be characterized by high poverty rates, low educational achievement levels among adults, persistently low-achieving schools in the targeted neighborhood, indicators of poor health for children, high unemployment rates, high rates of students feeling unsafe in school or while traveling between home and school, high rates of juvenile delinquency, adjudication or incarceration, and high rates of foster, homeless, and disconnected youth, among other factors. Communities would also have to demonstrate that a strong public-private partnership is in place to effectively deliver on the cradle-to-college-and-career continuum.

Where designated, Promise Zones would receive competitive preference when applying for authorized funding, replicating the federal model and delivering services through an integrated approach that also incorporates K-12 and a range of wrap-around services. Common elements of Promise Zones include: 1) the transformation of local schools into “community schools,” whereby schools become community hubs, open for extended hours, including weekends, with a whole range of coordinated services; 2) youth and family centers being established as “one-stop shops,” offering clients easy access to all of the necessary resources to increase family income and academic achievement.

COST: Minimal. Administrative costs for CDE to manage state Promise Zones program.

IMMEDIATE ASSISTANCE FOR FAMILIES

Although the approach focuses on providing services for children, especially early on in their lives, it is also important to provide immediate assistance to families so that parents are better able to support their families.

INCREASE CALWORKS GRANTS

Increase CalWORKs grants to better meet the needs of children living in deep poverty.³

DESCRIPTION: CalWORKs provides welfare-to-work services and cash assistance to low-income working families. Grant reductions enacted during the recent recession and the elimination of cost of living adjustments have substantially eroded the purchasing power of CalWORKs grants. During the 1980s grants equaled approximately 80 percent of poverty. Recently, grants declined to approximately 40 percent of poverty. The last two state budgets have restored some of the cuts but the maximum grant level remains below 50 percent of poverty and substantially below the poverty level. Under this approach, cash assistance for families enrolled in the CalWORKs program would equal at least 50 percent of the federal poverty level.

COST: An estimated \$600 million. Costs would increase by 2 percent or more annually based on updates to the federal poverty level.

IMPACT: The grant increases could benefit more than 1 million children.

STATE EARNED INCOME TAX CREDIT

Establish a state earned income tax credit program to increase the percentage of income that low-income families retain.⁴

³ *Id.* at 23.

⁴ *Id.* at 21.

DESCRIPTION: A state earned income tax credit would equal 10 percent of the federal credit, averaging approximately \$240 per taxpayer. The Franchise Tax Board would implement the program as part of the regular tax collection process.

COST: An estimated \$785 million. Future costs would increase as income rises. Estimated costs do not include any funding for outreach and education. Administrative costs should be relatively minor.

IMPACT: 3.2 million low-income tax-filers would benefit from a state EITC at this level.

THE COST TO IMPLEMENT THE APPROACH

The cost to finance the foregoing on a comprehensive, rather than a piecemeal basis, would be \$7.7 billion per year. This investment would be more than offset in the savings from a reduction in foster care, juvenile detention and incarceration, social services and health care costs. It could be financed a number of ways, including charitable giving, philanthropic efforts and increased government support.

If the latter, revenue options to explore might include a millionaire's tax, a property split roll tax, a sales tax increase, or a combination of any of these options. A surcharge on the portion of currently assessed valuations of real property in excess of \$3million (exempting the first \$3 million in assessed value and keeping Prop 13 protections in place) might also be explored. For example, if the surcharges were set at 0.3% on the portion of the assessed value between \$3 million and \$5 million; 0.6% on the portion of the assessed value between \$5 million and \$10 million; and 0.8% on the portion of the assessed value in excess of \$10 million, an estimated \$8.7 billion could be raised.

PUBLIC OPINION RESEARCH

GRACE contracted with Fairbank, Maslin, Maullin, Metz & Associates (FM3) for an exploratory public opinion research project about the views of California voters on the subject of child poverty and potential programs and services to address it.

FM3 conducted focus groups in December 2014 and a statewide public opinion poll in January 2015 of 900 randomly selected voters likely to participate in the November 2016 general election. [CLICK HERE](#) for a memo describing the results.

ABOUT GRACE

GRACE is a ministry of the Daughters of Charity and seeks to make a positive difference in the lives of low-income families and their children. Through value-based collaborations and by formulating, implementing and expanding effective programs and approaches, GRACE is dedicated to reducing barriers to full human development and economic stability.

For more information, please visit: www.grace-inc.org.