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## Summary of the Rigorous Research on Cash Transfers

Cash transfers are direct monetary payments to individuals or families without restrictions on how the money is spent. The policies vary in design, but their central goal is to prevent or mitigate poverty and promote economic security. Most rigorous research to date has studied monthly and annual payments, totaling approximately \$1,000 to \$3,600 per individual or child annually.

### EMERGING EVIDENCE FOR IMPACTS ON CHILD AND FAMILY WELLBEING



Unlike most peer countries, the US does not provide recurring payments to all individuals or families with children. Cash transfers in the US, however, gained public attention and support following the 2021 temporary expansion of the federal child tax credit (CTC), which lifted an estimated 2.1 million children out of poverty. Because cash transfers vary by design, in our evidence review, we separate research into different categories of cash transfers: child allowances, dividend-based unconditional cash transfers (UCTs), and conditional cash transfers (CCTs). Most rigorous research comes from the temporary expansion of the federal CTC, Baby's First Years, and the Alaska Permanent Fund Dividend.

**Unconditional cash transfer (UCT):** A recurring cash payment that does not stipulate recipients' actions.

**Child allowance:** An unconditional cash transfer targeted to all families with children. Payments are typically distributed monthly until the child reaches age 18.

**Dividend-based UCTs:** An unconditional cash transfer from profit sharing.

**Conditional cash transfer (CCT):** A cash payment targeted to individuals or families who meet certain conditions, such as attend school or work, or maintain health insurance coverage.

**Federal child tax credit (CTC):** A partially refundable credit for taxpayers with children. The value was temporarily increased in 2021, and families could opt into monthly payments.

**Baby's First Years:** A multi-site randomized controlled trial that provides mothers with low incomes monthly unconditional payments from the child's birth through age 6.

**Alaska Permanent Fund Dividend:** An annual payment every resident of Alaska receives funded by the state's oil reserve investment revenue.

Beyond reductions in child poverty, existing evidence suggests cash transfers can reduce racial disparities in economic wellbeing and improve household resources, child health and development, and parent health. Common objections to unconditional cash transfers are their potential to increase inflation and disincentivize work, however evidence suggests these outcomes may be unlikely.

## EVIDENCE-BASED POLICYMAKING

The Prenatal-to-3 Policy Impact Center at Vanderbilt University analyzes rigorous evidence to determine which policies are proven to produce positive outcomes for young children, their families, and society. A comprehensive review of the evidence reveals that cash transfers are an effective strategy to reduce child poverty, narrow racial disparities in poverty, and have positive impacts on household resources and child and parent health. However, although the evidence is clear that cash transfers benefit children and families, current evidence does not support a specific state policy lever to guide the most effective implementation of a cash transfer.

## RIGOROUS STUDIES FIND THE FOLLOWING IMPACTS

### Cash transfers increase household resources and reduce disparities in child poverty.

- The temporary expansion of the federal CTC reduced food insecurity by approximately 25% in households with children, and reduced child poverty, with greater impacts for Black and Hispanic children.

### Cash transfers promote healthy births.

- Each additional \$1,000 received from Alaska's Permanent Fund Dividend led to an increase in child birthweight of 17.7 grams and decrease in the likelihood of low birthweight by 14%.

### Cash transfers improve parents' mental health.

- For parents with low incomes, receipt of the temporary expansion of the federal CTC decreased depressive symptoms by 1.7 percentage points and anxiety symptoms by 3.4 percentage points, with greater impacts for Black parents.

### Cash transfers support children's healthy development.

- Among families receiving \$330 monthly through Baby's First Years, infant brain patterns associated with cognitive development increased compared to infants in families receiving \$20 monthly.
- While receiving monthly federal CTC payments, children's consumption of added sugar declined from approximately 68 grams per day to 64 grams per day.
- During the first months of a child's life, each additional \$1,000 received from Alaska's Permanent Fund Dividend led to a 2 percentage point decrease in the likelihood of referral to child protective services by age 3 in unsubstantiated cases of neglect or physical abuse, and a 1 percentage point decrease in substantiated cases.

For more information on cash transfers:

- Refer to our comprehensive evidence review for detailed descriptions of the policies and programs, and additional detail on and citations for the above-referenced studies: <https://pn3policy.org/policy-clearinghouse/cash-transfers/>.