

October 2024

Cash Transfers

Evidence Review Findings: Effective / Roadmap Strategy









Cash transfers can reduce child poverty, narrow racial disparities in poverty, and have positive impacts on household resources and child and parent health. Most rigorous research to date has studied monthly and annual payments, totaling approximately \$1,000 to \$3,600 per individual or child annually. However, although the evidence is clear that cash transfers benefit children and families, the evidence base does not provide clear guidance on the optimal amount and frequency of monetary assistance, as well as whether transfers are most beneficial when targeted to specific populations or provided universally.

Cash transfers are direct monetary payments to individuals or families. Although they can take many forms, the central goal is to prevent or mitigate poverty. Unlike most peer countries, the US does not provide recurring payments to all individuals or families with children.¹ 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.⁸

Beyond potential reductions in child poverty, research suggests cash transfers can reduce racial disparities in economic wellbeing and improve household resources, child health and development, and parent health. Because cash transfers vary by design, we separate evidence into different categories of cash transfers to identify the most promising policy design based on the varying impact on the prenatal-to-3 period.

Decades of research in the field of child development have made clear the conditions necessary for young children and their families to thrive.² These conditions are represented by our eight policy goals, shown in Table 1. The goals theoretically aligned with cash transfers are indicated in the table.

Table 1: Impacts of Cash Transfers on Policy Goals

Goal Alignment	Policy Goal	Summary of Alignment between Policy and Goal
	Access to Needed Services	Trending mixed impacts
	Parents' Ability to Work	Mostly equivalent impacts
	Sufficient Household Resources	Mostly beneficial impacts
	Healthy and Equitable Births	Trending beneficial impacts
	Parental Health and Emotional Wellbeing	Mixed impacts
	Nurturing and Responsive Child-Parent Relationships	No strong causal studies identified for this goal
	Nurturing and Responsive Child Care in Safe Settings	No strong causal studies identified for this goal
	Optimal Child Health and Development	Null and beneficial impacts

What are Cash Transfers?

Cash transfers are direct monetary payments, often from governments, 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. Cash transfers can be targeted or universal. Targeted policies are designed to benefit specific groups, such as parents, whereas universal policies apply to all individuals. Transfers can also be conditional or unconditional. Conditional policies are those in which eligible groups must meet certain behavioral requirements to receive benefits, such as attend school or work, whereas unconditional policies do not require any conditions to be met. Lastly, cash transfers can vary in frequency (e.g., monthly and annually).

Box 1. Definitions

Cash Transfers (The taxonomy of cash transfers is evolving over time and there is often no single definition used)

Unconditional cash transfer (UCT): A recurring cash payment that does not stipulate recipients' actions, also commonly referred to as guaranteed income (GI).

Child allowance: An unconditional cash transfer targeted to all families with children. Payments are typically distributed monthly until the child reaches age 18; also often referred to as a universal child benefit (UCB).

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

Universal basic income (UBI): An unconditional and universal cash transfer intended to be large enough to support basic needs.

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.

Unconditional Cash Transfers (UCTs)

A UCT, also commonly referred to as guaranteed income, is a recurring cash payment that does not stipulate recipients' actions. UCT programs are often targeted to benefit specific groups, such as parents. Many cities and organizations across the US have previously or are currently piloting UCT programs, with many evaluating program outcomes, such as OpenResearch and Chelsea Eats which provided monthly payments of \$1,000 and \$300, respectively.^{3,48,65,70,71}

The framing and universal nature of UCTs, such as a child allowance or dividend-based UCT, can free families of the stigma that accompanies some means-tested programs and ensure that families with the lowest earnings are not excluded from social infrastructure.

Table 2: Examples of pilot UCTs in the US

Program	Location	Number of Participants	Eligibility	Frequency	Payment Amount	Duration
OpenResearch Unconditional Cash Study	IL, TX	1,000	Individuals 21-40 with household income below 300% of the federal poverty level	Monthly	\$1,000	3 years (2020-2023)
Chelsea Eats	Chelsea, MA	1,067	Chelsea residents with household income up to 30% of the area median income	Monthly	\$400	9 months (2020-2021)

Universal Basic Income (UBI)

A UBI is a type of UCT that is reliable and large enough for recipients to meet basic needs.¹² No country has introduced a UCT large enough to be considered a UBI by most standards.

Child Allowance

A child allowance is a UCT targeted to all individuals or families with children, typically distributed monthly until the child reaches age 18.¹¹ Many advanced economies offer a child allowance, often referred to as a universal child benefit.

The US offers a federal child tax credit (CTC) (see Box 2) but does not currently provide a child allowance. However, temporary modifications to the federal CTC, as detailed below, made the tax credit a monthly cash transfer for families with children, which resembled a child allowance.⁷ Studies of the temporary modifications are therefore included in this review as a child allowance.

Box 2. The Federal Child Tax Credit (CTC)

The federal CTC is a partially refundable credit (reduces tax liability and, if the liability is smaller than the value of the credit, refunds any remaining credit) for taxpayers with children. For tax year 2024, the credit reduces tax liability by up to \$2,000 per qualifying child or is provided as a refund of up to \$1,600 per qualifying child if the household has no tax liability, or the credit exceeds total taxes owed.⁶ Among other eligibility criteria, parents must have earned at least \$2,500 and qualifying children must be under age 17 at the end of the calendar year.⁵

Families receive a credit worth 15 percent of their annual income above \$2,500 until the full value of the credit (or refundable portion of the credit) is reached. This structure means that the phase-in portion of the policy is the same regardless of filing status and number of children. Families with more children, therefore, must earn a higher income to reach the full value of their combined per-child credits (e.g., \$4,000 for families with 2 children or \$6,000 for families with 3 children). The credit also phases out, by which, as income increases, the per-child credit amount decreases slowly until the credit phases out completely. For tax year 2024, the value of the credit begins to phase out when income exceeds \$200,000 for single filers or \$400,000 for those married filing jointly.

The CTC refunds do not count as taxable income; therefore, the additional resources do not count against families' eligibility for other public assistance programs.

Temporary Expansion of the Federal Child Tax Credit (CTC)

As part of the American Rescue Plan Act (ARPA), for tax year 2021, the federal CTC became more generous in terms of eligibility, value, and frequency. Families were not subject to an earnings minimum to receive a full refund, and children aged 17 were newly included.

With the temporary expansion under ARPA, most families with children became eligible to receive a credit of up to \$3,600 annually for each child ages birth to 5, and up to \$3,000 for each child ages 6 through 17.⁷ This policy represented an increase from the previous per-child cap of \$2,000 for all eligible children.

The full increased benefit amount (an additional \$1,000 per child or \$1,600 beyond the previous \$2,000 cap) was available to single heads of household up to an adjusted gross income of \$112,500 and for married parents filing jointly up to \$150,000.⁷ The increased benefit amount phased out after those thresholds until reaching the original \$2,000 per child.

Another change was that the federal credit became fully refundable, whereas previously, only up to \$1,400ⁱ could be returned to families who had less than the full credit amount of \$2,000 in tax liability.⁷ Prior to tax year 2021, the amount refundable was \$1,400 per qualifying child. Starting in tax year 2023, the amount refundable increased to \$1,600 per qualifying child.⁴⁹

In addition, and why the temporary expansion is considered in this review on cash transfers, half of the benefit was disbursed through monthly checks from July 2021 through December 2021, and the

ⁱ Prior to tax year 2021, the amount refundable was \$1,400 per qualifying child. Starting in tax year 2023, the amount refundable increased to \$1,600 per qualifying child.⁴⁹

remaining portion was provided at tax filing time in 2022 (unless families opted to receive the full amount at tax filing time). For children who received the full increased benefit amount, the per-child monthly amount was \$300 for ages birth to 5 and the per-child monthly amount was \$250 for children ages 6 through 17.⁷

Single parents with an adjusted gross income of up to \$200,000 or married parents with children with up to \$400,000 could continue to receive the original \$2,000 credit (with refundability up to \$1,400), as well as the new monthly payments.

Baby's First Years

Although monthly payments from the federal CTC ended in December 2021, other child allowance pilot programs are being evaluated in the US. For example, Baby's First Years is a multi-site randomized controlled trial (RCT) that provides mothers with incomes below the federal poverty level monthly unconditional cash payments from the child's birth through age 6.⁹

The program enrolled 1,050 mothers with infants born between May 2018 and June 2019 in four US cities (New York City, NY; New Orleans, LA; Omaha, NE; and Minneapolis/St. Paul, MN). Participating mothers receive a monthly cash transfer of either \$333 (\$4,000 annually; treatment group) or \$20 (\$240 annually; control group) for the first 76 months of their child's life.⁹

The evaluators continue to examine how child health and development, parenting behaviors, and other outcomes differ between the groups. Researchers are also examining the effects of poverty and income relief on the brain functioning of infants and toddlers, including using electroencephalography to measure children's brain development.¹⁰

Basic Income Guaranteed: Los Angeles Economic Assistance Pilot (BIG:LEAP)

Another pilot child allowance, Basic Income Guaranteed: Los Angeles Economic Assistance Pilot (BIG: LEAP), occurred in 2022 and provided parents \$1,000 per month. Participants had to reside in Los Angeles, be at least age 18, have at least one dependent child or be expecting a child, have been negatively impacted by the COVID-19 pandemic (financially or medically), and have an income below the federal poverty threshold. The pilot was funded by the general fund and investments from local council district leaders.⁶⁹

Table 3: Examples of Child Allowance Programs in the US

Program	Location	Number of Participants	Eligibility	Frequency	Payment Amount	Duration
Temporary monthly payments of the federal CTC	All states	Approximately 36 million	Families with children and income below \$400,000	Monthly	\$300 birth through 5, \$250 6 through 17	6 months (2021)

Table 3: Examples of Child Allowance Programs in the US (Continued)

Program	Location	Number of Participants	Eligibility	Frequency	Payment Amount	Duration
Baby's First Years	NY, LA, NE, MN	1,050	Mothers with infants and incomes below the federal poverty level	Monthly	\$333	76 months (2018-ongoing)
BIG: LEAP	Los Angeles, CA	3,202	Adults with children and income below the federal poverty line	Monthly	\$1,000	12 months (2022)

The above table is not an exhaustive list of all UCTs targeted to individuals or families with children that have been piloted in the US.⁶⁵

Dividend-Based Unconditional Cash Transfers

A dividend-based UCT is a recurring cash payment from profit sharing that does not stipulate recipients' actions. Two dividend-based UCTs have operated in the US for decades: the Alaska Permanent Fund Dividend (APFD) and the Eastern Band of Cherokee Indians (EBCI) Payments.

Alaska Permanent Fund Dividend (APFD)

The first and largest UCT in the US is the Alaska Permanent Fund Dividend (APFD). This dividend is not targeted at families with children,^{15,56} and it was not originally intended to be an anti-poverty tool. However, it has measurably reduced poverty in the state.^{13,14}

Since 1982, every resident of Alaska has received an annual dividend funded by the state's oil reserve investment revenue. To be eligible for the dividend payment, the individual must have lived in Alaska for at least 1 year and not have been convicted of a misdemeanor or felony in the last year. Parents can claim the dividend on behalf of dependent children. Some researchers argue that the state should ensure that the dividends paid to parents in a child's name are spent on that child.¹⁵ Currently, no such requirement exists.

The APFD payment level changes each year because it is determined, in part, by stock performance. In past years, the dividend has reached up to \$2,000 per person, but for 2023, the dividend was approximately \$1,300 per person.^{16,17} Although Alaska does not have an individual income tax, the funds are taxable for federal income tax, which has implications for household resources.¹⁷ Increasing taxable income not only increases a household's federal taxes owed, but can also make individuals ineligible for other benefits, such as the Supplemental Nutrition Assistance Program (SNAP) or reduce the value of these benefits. Alaska is the only state in the US that currently has a state-level UCT, which allows the dividend-based program to be studied in comparison with outcomes in other states.

Eastern Band of Cherokee Indians (EBCI) Payments

The second dividend-based UCT is in North Carolina. Starting in 1996, every 6 months, the Eastern Band of Cherokee Indians (EBCI) Tribal Government has distributed portions of profits from Harrah's Cherokee Casino (owned by the tribe) to registered members of the EBCI. All adult tribal members, regardless of family composition and income, receive the payment, and registered members under age 18 have payments set aside in a fund called the Minor Trust Fund that they can access upon graduating high school, earning a GED, or reaching the age of 21.⁵⁵ The payments, received every 6 months, have ranged from \$500 to \$6,000.

The non-Native American individuals living in the same 11 counties do not receive payments, which allows researchers to study the effects of unconditional cash transfers on child and family outcomes.^M In March 2023, the EBCI Tribal Government created a voluntary alternative program for the per capita receipt of casino profits, GenWell, which allows payments to be newly exempt from state and federal tax.⁵³

Table 4: Examples of Dividend-Based UCT Programs in the US

Program	Location	Number of Participants	Eligibility	Frequency	Payment Amount	Duration
Alaska Permanent Fund Dividend <i>Profits from oil reserve investment</i>	AK	624,354 (2023)	Individuals living in AK	Annually	Varies based on oil reserve investment profits	Indefinite (1982-)
Eastern Band of Cherokee Indian Dividend <i>Profits from Harrah's Cherokee Casino</i>	NC	Not available	Adult tribal members	Biannually	Varies based on casino profits	Indefinite (1997-)

Conditional Cash Transfers (CCTs)

A CCT is a direct cash payment to individuals or families that meet certain requirements to build human capital, such as attending school. CCTs first became common in the late 1990s, mainly in Central and Latin America.¹⁸ The most well-studied CCT program is Mexico's PROGRESA. The program began in 1997 and benefited approximately 10 percent of all families in the country until ending in 2019.¹⁹ The most well-studied CCTs in the US are Family Rewards and Family Rewards 2.0.

Family Rewards

Although uncommon in the US, small-scale programs have been piloted. One example is Family Rewards, a program that provided cash payments to families with low incomes for each activity they completed or condition they met from an established list (e.g., maintaining health insurance during the period between cash payments would earn \$20 per family member covered for public insurance and \$50 for private insurance).⁴³ Family Rewards was piloted by six community-based organizations in New York, NY and payments were distributed every 2 months between 2007 and 2010. A modified version of the program, Family Rewards 2.0, was piloted between 2011 and 2014 in

two cities (New York, NY and Memphis, TN). In Family Rewards 2.0, payments were distributed monthly, and rewards were targeted to high school students.²⁰

Table 5: Examples of CCT Programs in the US

Program	Location	Number of Participants	Eligibility	Frequency	Payment Amount	Duration
Family Rewards	NY	2,400	Families with low incomes	Every 2 months	Varies based on conditions met	36 months (2010-2013)
Family Rewards 2.0	NY, TN	2,400	Families with low incomes	Monthly	Varies based on conditions met	36 months (2014-2017)

The above table is not an exhaustive list of all CCTs that have been piloted in the US.⁶⁵

Cash transfers can complement, rather than act in competition, with one another. For example, a child allowance may work in concert with a broader UBI policy. The World Bank suggests basic unconditional cash to families can be combined with conditional cash, “providing an incentive to invest in education and health while still guaranteeing a basic level of protection for those who are unable or unwilling to comply with program conditions” (p. 7).³⁴

Who Is Affected by Cash Transfers?

Those affected by cash transfers vary based on the form the policy takes. Although the US does not currently have a child allowance, the possible reach was exemplified with the temporary expansion of the federal CTC, in which nearly all households with children became eligible for the credit. Even with income restrictions, over 90 percent of children were eligible, ranging from 76 percent of children in the District of Columbia to 96 percent of children in Mississippi.²⁴

Cash transfers will generally have the greatest impact on the approximately 13.7 percent of US children living in poverty, because relative to children who do not live in poverty, the benefit would represent a greater percentage of their family’s income.^{26,29} Because poverty rates for families headed by single mothers, families with very young children, and families of color are higher relative to other groups, these families may benefit most.^{27,28,29,30} In 2023, 7.2 percent of White children under age 18 lived in poverty, compared to 20.3 percent of Black children, 14.0 percent of Asian children, 19.7 percent of American Indian and Alaska Native, and 22.0 percent of Hispanic children.^{26,ii}

What Are the Funding Options for Cash Transfers?

Child allowances in peer countries are typically financed through general tax revenue, which is largely composed of revenue from income, sales, and other taxes.^{23,31} Dividend-based UCTs in Alaska and North Carolina are funded through profits from oil reserves and profits from Harrah's Cherokee Casino, respectively. It may be difficult to replicate these funding mechanisms in states

ⁱⁱ These data come from Table B-2 of the US Census Bureau’s 2024 data release of 2023 poverty rates: “Poverty in the United States: 2023,” using the categories of “White Alone, Not Hispanic,” “Black Alone,” “Asian Alone,” “American Indian and Alaska Native Alone” and “Hispanic, Any Race.”

without lucrative natural resources or without other sources of profit. Most pilot UCT programs in cities across the US currently rely on private philanthropy for funding.

Some proposals recommend implementing a child allowance or streamlined cash transfers as a replacement for, not an addition to, other social infrastructure programs.^{21,22} For example, cash transfers may be funded in part by eliminating or reducing programs such as the Supplemental Nutrition Assistance Program (SNAP), public housing vouchers, or Temporary Assistance for Needy Families (TANF), and providing families with the cash directly. Consolidation, however, may potentially exacerbate poverty if the policy does not ensure that families' total resources would not decrease as a result.

Why Should Cash Transfers Be Expected to Impact the Prenatal-to-3 Period?

The research is clear that money matters for children's wellbeing and achievement. The prenatal to age 3 period is the most rapid and sensitive period of development and the time period in which sufficient household resources are particularly important.³² Chronic exposure to poverty often causes stress that can hinder optimal brain development and lead to a host of negative consequences across the life course.² Greater income allows parents to better meet children's basic needs (e.g., access to proper nutrition, safe and clean housing, and health care), and financial stability can also reduce parental stress, which potentially leads to more nurturing child-parent relationships and reduces the likelihood of maltreatment in the household.³²

Although all cash transfers can be expected to impact infants, toddlers, and their families by increasing financial resources, the impacts differ by policy design. The frequency with which a cash transfer is received and whether the policy is targeted or universal, and conditional or unconditional not only determines who is impacted, but also impacts recipients' behavior and financial decisions. These differences can lead to distinct outcomes in the prenatal to age 3 period.

For example, a monthly, compared with annual lump-sum disbursement schedule may be beneficial in helping families smooth the burden of consumption throughout the year.³³ Lump sums can also be beneficial for families to pay off debt or make larger purchases. Determining the goals associated with the policy is important when considering policy design.

A child allowance may be more beneficial at increasing investments in children compared to more universal cash transfers because of the "labelling effect."^L As one researcher writes, "money is mentally assigned to particular forms of consumption based on how it is acquired," and therefore, a payment made explicitly to or for children may be more likely to be spent in ways that directly benefit them (p. 17).^L

Budget considerations often necessitate that policymakers make tradeoffs between a higher value cash transfer for a more targeted group (e.g., children under age 6 and families with the lowest incomes) or a lower value for a broader group. As discussed above, cash transfers have the greatest impact on the youngest children and those living in poverty, which suggests targeting these policies to this smaller population may be the most beneficial for improving aggregate childhood outcomes within budget constraints.

Theoretically, payments targeted to parents may also incentivize people to have children by offsetting the cost of raising a child. Depending on policy goals, this may be positive in the context of long-term declines in fertility in the US and the strain this takes on government budgets.³⁵ International evidence has shown child allowances, when first implemented, slightly increased the number of children born. However, the policies do not appear to have an effect in the long term.⁵⁴

Additionally, cash transfers without work requirements (UCTs) may disincentivize work and decrease labor force participation and economic productivity, however research is mixed on this potential outcome.^{F,36} Because the total annual value of a cash transfer will generally be less than annual earnings from full-time work at the federal minimum wage, many argue that the money provided could not substitute labor force participation. The labor supply response is expected to depend on the level of reliable money, the share of earned income the benefit supplants for various workers, and family needs.

Another common objection to cash transfers is that they may increase inflation, which makes meeting basic needs more costly. Stimulus policies, such as tax credits and cash transfers, can increase inflation; however, there are many factors, including supply chains and overall tax structures, that impact this economic indicator.³⁸ In the past few years, inflation has reached historic highs.³⁷ Wage growth began to surpass inflation for the first time in approximately 3 years in 2023, however high prices continue to be felt by consumers.⁵⁶

Many sources attribute the globally high inflation to the COVID-19 pandemic, which shifted the demand from services to goods, disrupted global supply chains, changed the demand for housing, increased corporate pricing power, and, to a smaller degree, the Russia and Ukraine conflict.^{62,67} Limited evidence from the Alaska Permanent Fund Dividend (APFD) has not found statistically significant increases in Alaska's prices or inflation as a result of the dividend program.⁶¹

Policymakers may consider indexing cash transfers to inflation, which is what the earned income tax credit (EITC) and Social Security benefits do, to allow households to maintain the same level of purchasing power. Considering inflation in policymaking is especially important for outcomes of families with low incomes because these families are often the hardest hit by high inflation with a greater portion of their income spent on necessities such as food, rent, and gas.^{39,56,57}

What Impact Do Cash Transfers Have, and for Whom?

As discussed above, policies that provide monetary payments to individuals or families vary in many ways including whether the policy is targeted or universal, whether the policy is conditional or unconditional, and the frequency in which support is received.

Although most peer countries to the US provide a child allowance, and many international studies have found positive impacts, the effects of those policies must be considered within the broader context of universal child care, universal health care, and paid family leave that is offered in most other advanced economies. Because of these systemic policy context differences, this review is limited to policies or programs within the US.

This comprehensive review focuses on evidence from three types of cash transfers that have been implemented in the US, which include child allowances, dividend-based unconditional cash

transfers (UCTs), and conditional cash transfers (CCTs). Because cash transfers take different forms, the discussion of the evidence is separated by approach to best inform impacts on the prenatal-to-3 period and the most promising policy design and levers.

Pilot UCTs are increasing across the country, with some being studied rigorously, such as the OpenResearch Unconditional Cash Study, in which individuals with a household income below 300 percent of the federal poverty level received \$1,000 monthly. To date, however, the studies do not focus on outcomes related to infants, toddlers, and their families.

Findings from the OpenResearch randomized control trial (RCT) from 2020 through 2023 found the cash transfers significantly decreased labor market participation by 2.0 percentage points, and decreased work hours by approximately 1.35 hours per week. Authors also found the cash transfers decreased individual income by approximately \$1,500 per year; however, this finding was not statistically significant. Time spent on leisure activities increased and time spent on child care remained the same.⁷⁰

A second study on the OpenResearch RCT found the cash transfer led to significant, but modest increases in both household spending and savings, among many other null indicators including self-reported financial health, credit limits, delinquencies, bankruptcies, and foreclosures. Household spending increased the most in housing, food, and car expenses.⁷¹ As more research on the impact of pilot UCTs on the prenatal-to-3 period becomes available, this review will be updated to include this type of cash transfer.

The research discussed throughout this section meets our standards of evidence for being methodologically strong and allowing for causal inference, unless otherwise noted. Each strong causal study reviewed has been assigned a letter, and a complete list of causal studies can be found at the end of this review, along with more details about our standards of evidence and review method. The findings from each strong causal study reviewed align with one of our eight policy goals from Table 1. The Evidence of Effectiveness table (Table 6) displays the findings (beneficial or equivalent, null,ⁱⁱⁱ or detrimental) associated with the cash transfers for each of the strong studies (A through DD) in the causal studies reference list. For each indicator, a study is categorized based on findings for the overall study population; subgroup findings are discussed in the narrative.

Outcomes are classified as “beneficial or equivalent” rather than “null” in our table if the differences in outcomes between the treatment and control groups was either positive or null, but was considered a positive finding based on the theory of change hypothesized in a study. For example, if a study tested the hypothesis that a cash transfer would produce detrimental labor market outcomes (e.g., reduce employment), but the study found equivalent outcomes with and without this policy (i.e., null findings), the finding would be considered a “beneficial or equivalent” outcome. Alternatively, if a study examined whether a cash transfer produced better outcomes than without this policy, but the study found that the policy failed to do so, then the finding is classified in the table as “null” rather than “beneficial or equivalent.”

ⁱⁱⁱ An impact is considered statistically significant if $p < 0.05$. Results with p -values above this threshold are considered null or nonsignificant.

The Evidence of Effectiveness table also includes our conclusions about the overall impact on each studied policy goal. The assessment of the overall impact for each studied policy goal weighs the timing of publication and relative strength of each study, as well as the size and direction of all measured indicators.

Of the 30 causal studies included in this review, only two examined how outcomes differed by race or ethnicity (beyond simply presenting summary statistics or controlling for race/ethnicity).^{iv} Where available, this review presents the analyses' causal findings for subgroups by race/ethnicity and other factors, such as family structure, age, or citizenship status. A rigorous evaluation of a policy's effectiveness should consider whether the policy has equitable impacts and should assess the extent to which a policy reduces or exacerbates pre-existing disparities in economic and social wellbeing.

Child Allowance

A child allowance is an unconditional cash transfer (UCT) targeted to all individuals or families with children.¹¹ Although the US does not provide this benefit, temporary modifications to the federal CTC through the American Rescue Plan Act (ARPA) in 2021 made the credit a monthly cash transfer program for families with children. These modifications closely resembled a child allowance and therefore, the policy is included in this section of the review.⁷ Baby's First Years, a program that provides monthly unconditional payments to mothers and children with low incomes until the child reaches age 6, is also included in this section.⁹ This review will be updated to include more child allowance pilot programs, such as BIG: LEAP, as research becomes available.

Although limited, current evidence suggests that a child allowance, may benefit employment, despite not having work requirements. Evidence also suggests that a child allowance benefits household resources. Impacts to parent and child health are more mixed, but a child allowance may reduce parental depression and anxiety. Notably, a study on the randomized controlled trial (RCT), Baby's First Years, found the first evidence of a causal connection between income and brain activity.^D

Table 6a: Evidence of Effectiveness for Child Allowance

Policy Goal	Indicator	Beneficial / Equivalent Impacts	Null Impacts	Detrimental Impacts	Overall Impact on Goal
Parents' Ability to Work	Labor Force Participation	CC			Equivalent
	Employment	B, T, V, X, BB, CC			
	Hours Worked	V			

^{iv} The studies, as labeled in our reference list, are studies E and S.

Table 6a: Evidence of Effectiveness for Child Allowance (Continued)

Policy Goal	Indicator	Beneficial / Equivalent Impacts	Null Impacts	Detrimental Impacts	Overall Impact on Goal
Sufficient Household Resources	Earnings	V			Mostly Beneficial
	Food Insecurity	C, E, O, Y			
	Household Spending on Children		E, Y		
	Material Hardship		E, Y		
	Housing Instability		E, AA		
Parental Health and Emotional Wellbeing	Parental Anxiety	Q, S, Z			Mixed
	Parental Depression	Q, S	Z		
	Parental Spending on Alcohol and Drugs	R			
	Parental Substance Use	R			
Optimal Child Health and Development	Infant Fast Brain Activity	D			Mostly Null
	Child Development Skills		DD		
	Child-Directed Speech		W		
	Enrollment in Early Intervention		DD		
	Child Health Status		P		
	Sleep Disturbances		P		
	Physician Visits Because of Illness or Injury		P		
	Nutrition	P, O			
	Breastfeeding Duration		X		
	Emergency Department Visits for Maltreatment		A, P		
	Neighborhood Opportunity		U		

Parents' Ability to Work

As discussed earlier in this review, the temporary expansion of the federal CTC allowed nearly all parents of children ages 17 and under to receive monthly cash payments from July to December

2021. Four studies^{B,T,BB,CC} found that this temporary expansion had no adverse impact on employment for individuals and families with children compared to individuals and families without, with one study^{CC} also finding no adverse impact on labor force participation. Employment is defined as being employed or having a job and labor force participation is defined as being employed or actively looking for work.

Two studies on the pilot child allowance, Baby's First Years, also found equivalent impacts on employment with a monthly cash difference of \$313 (the treatment group received \$333 per month and the control received \$20 per month). One of the studies did find a statistically significant decline in employment when children were age 2, however the decline disappeared completely when children were age 3. Because survey data overlapped with the beginning of the COVID-19 pandemic when children were age 2, the authors attribute the decline in employment to limiting risk of illness.^V

Additional evidence, that does not meet our standards for being methodologically strong and allowing for causal inference, supports this finding. A survey of over 1,500 parents in July 2021, before the first expanded CTC payments were disbursed, found that 94 percent of parents planned to work the same amount or more after receiving the credit.⁴¹

International research also suggests that child allowances do not meaningfully reduce labor force participation. Evidence from a study of Germany's 1996 child benefit reform found that, among mothers who both worked and had a working partner, weekly work time reduced by approximately 1 hour, on average, after the reform. The rates of these mothers' employment did not change.⁵⁰ The authors also analyzed results for single mothers and found an increase of 2.9 percentage points in employment, alongside a decrease of 0.8 hours worked per week (on average).⁵⁰

Research on Canada's child benefit found no evidence of a labor supply response with small, insignificant reductions in mothers' labor force participation and weekly hours worked. Reductions were even smaller for fathers and also insignificant.⁴⁶

Sufficient Household Resources

Among some null findings of a child allowance on household resources, several studies^{C,E,O,Y} found the unconditional payments decreased food insecurity. A study discussed above on Baby's First Years, that found equivalent impacts with a monthly cash difference of \$313 on employment, also found no statistical differences in total household earnings.^V

One study^O found that the temporarily expanded CTC improved food security (households that always have access to enough food for an active, healthy life) and two studies^{C,E} found that food insufficiency (households that sometimes or often does not have enough to eat) declined.⁴⁷ The first study found food security increased by 9.0 percentage points (from a baseline of 57.4 percent to 66.4 percent) from before the monthly payments.^O Among parents who received these payments, food and beverages were the most common use of funds.^O

The second study found, for households with children present after the first monthly payment and a pre-tax income of less than \$35,000 in 2019, the credit reduced household food insufficiency by approximately 3.7 percentage points, corresponding to a 25.9 percent reduction.^C The third study

also found a reduction in food insufficiency by approximately 7.5 percentage points (corresponding to a 25% reduction) when comparing all households with children to households without.^E

Two studies found that, on average, recipients of the federal CTC experienced a small but statistically insignificant decline in difficulty with expenses.^{E,Y} Lastly, two studies found no impact of CTC payments on housing stability.^{E,AA} In the first, authors found recipients of monthly CTC payments had a slightly reduced likelihood of reporting a need to move because of financial difficulties and a reduced likelihood of having past due rent or mortgages, however both findings were not statistically significant.^{AA} A second study also found no significant effects on the likelihood of missed housing payments.^E

Parental Health and Emotional Wellbeing

Evidence from three causal studies demonstrates that the 2021 temporary expansion of the CTC improved parent mental health.^{Q,S,Z} The first study, which assessed the impact of the expanded CTC for parents with low incomes (who, like all eligible households, received \$300 per-child monthly for children ages birth to 5 and \$250 for children ages 6 through 17), found that receipt of monthly payments decreased depressive symptoms by 1.7 percentage points and anxiety symptoms by 3.4 percentage points.^Q

A second study found that each additional \$100 per child in monthly CTC benefits received by an individual or family reduced the likelihood of depression symptoms by approximately 1.7 percentage points and anxiety symptoms by 2.1 percentage points.^S In subgroup analyses by race and ethnicity, authors found that for non-Hispanic Black parents, each additional \$100 per child reduced the likelihood of symptoms even more than the overall population; depression symptoms declined by 3.4 percentage points and anxiety symptoms declined by 4.1 percentage points.^S The third study also found monthly CTC benefits led to lower odds of experiencing anxiety symptoms, however the monthly payments did not reduce depression.^Y

Limited evidence from Baby's First Years demonstrated statistically insignificant impacts on parents' health-risking behaviors. Specifically, a recent evaluation of the Baby's First Years RCT found that a monthly cash difference of \$313 (the treatment group received \$333 per month and the control received \$20 per month) led to small, but statistically insignificant increases in maternal substance use (including opioids, alcohol, and cigarettes) and household spending on alcohol and cigarettes.^R The authors of the study suggest that implementation of a child allowance in the US is unlikely to lead to changes in substance use and expenditures, and there is no evidence to support stereotypes that cash transfers may be used in this way.^R

Optimal Child Health and Development

Most studies that consider the outcomes of a child allowance on child health and development are from evaluations of the Baby's First Years RCT and many findings are null. Unless noted otherwise, findings are related to this pilot RCT.

In the first study to examine the impacts of cash transfers on infant brain activity, the monthly cash difference of \$313 (the treatment group received \$333 per month and the control received \$20 per month) led to some changes in infant brain activity. Among mothers and children receiving \$333 monthly, infant fast brain activity increased compared to mothers and children receiving \$20 monthly.

The infants showed higher electroencephalography (EEG, defined as a measurement of electrical activity in different parts of the brain) power, in mid-higher (faster) frequency bands, but not in the lower frequency (slower) band. The mid- and high-frequency bands are associated with cognitive skills, which means the cash transfers may improve subsequent development of these skills. The results reinforce that brain development is most rapid in the earliest years of life and experiences during this time impact development, however more research is needed to draw a direct link between cash payments and cognitive skills.^D

Another study found receipt of the \$333 monthly payments did not impact the variability in child-directed speech, estimated by the Language ENvironment Analysis (LENA) system. In the study, parent-child play sessions were recorded for 10 minutes and authors defined child-directed speech as “speech directed specifically to the child themselves, typically from a primary caregiver” (p. 2).^W The LENA system is a “talk pedometer”. It is a small recorder that children can wear for a day to capture their language environment. After a full day recording, the audio file can be uploaded to a LENA cloud processing system that analyzes adult speech, child speech, and conversational turns.¹¹

An additional study evaluated whether a child allowance impacted child health, nutrition, sleep, and emergency department utilization. The authors outlined that child poverty led to worse outcomes in these areas likely because of many factors which include low quality healthcare, housing, and diet. The payments were not found to impact child health outcomes, sleep, or emergency department visits. Authors suggest the modest increase in monthly income may be insufficient to overcome barriers faced by mothers with low incomes in housing and health care access.^P The study, however, found that nutritional outcomes improved.^P

Receipt of the \$333 monthly payments significantly increased child consumption of fruits and vegetables at age 2, although consumption of sweets and sweetened drinks did not decline at this age.^P A previously discussed study on ARPA’s temporary expansion of the federal CTC also found that monthly payments improved nutritional outcomes. Parents reported that, while receiving monthly payments, children’s consumption of unhealthy foods (added sugar, sugar-sweetened beverages, and sweetened fruit beverages) decreased significantly; added sugar consumption declined from approximately 68 grams per day to 64 grams per day.^O

A 2024 evaluation of Baby’s First Years found no statistically significant differences in maternal reports of child language skills, socioemotional skills, or developmental concerns for children ages 1, 2, or 3. This study also found no differences in enrollment in Early Interventions services.^{DD} Research shows children with developmental delays in families with high incomes are more likely to receive Early Intervention services compared to families with low incomes, so authors hypothesized the enrollment rates among families with lower incomes may have increased with cash payments.^{DD}

One study found receipt of the \$333 monthly payments slightly increased the duration of breastfeeding, however, results were not statistically significant.^X An additional study found that health care use was not affected by the payments. Specifically, the study showed that physician visits due to illness or injury for children ages 1, 2, and 3 were not significantly different among the group of mothers and children receiving \$333 monthly compared to those receiving \$20 monthly.^P

A study on the 2021 temporary expansion of the CTC also found that a child allowance, depending on the value, is unlikely to significantly impact emergency department visits that result from cases of

maltreatment.^A The study compared emergency department visits resulting from child abuse and neglect in 2021 (after receipt of the credit) and the same period in 2018 and 2019 (before receipt of the credit).^A Authors predicted a decline in emergency department visits resulting from abuse or neglect but found no significant effects of the credit in days 0 through 15 after receipt of the payments among children birth through age 1 and age 2 through age 5.^A

Finally, no differences were found in the change in neighborhood opportunity between the Baby's First Years treatment group, who received \$333 per month, and the control group, who received \$20 per month. The authors posited that parents may move into a neighborhood with more opportunity. Authors relied on the Childhood Opportunity Index to measure neighborhood opportunity, defined as "the context of neighborhood-based conditions and resources that influence children's healthy development and long-term outcomes such as health and socioeconomic mobility (p. 3)".^U

Dividend-Based Unconditional Cash Transfers

Dividend-based unconditional cash transfers (UCTs) are recurring cash payments from profit sharing that do not stipulate recipients' actions. Causal research is available on two dividend-based UCT programs in the US: the Alaska Permanent Fund Dividend (APFD) and the Eastern Band of Cherokee Indian (EBCI) Dividend (described in detail above). Current evidence suggests mixed impacts to parents' labor force outcomes, and mostly positive impacts to household resources, birth outcomes, and child health, although evidence in these areas is limited.

Table 6b: Evidence of Effectiveness for Dividend-Based Unconditional Cash Transfers (UCTs)

Policy Goal	Indicator	Beneficial / Equivalent Impacts	Null Impacts	Detrimental Impacts	Overall Impact on Goal
Parents' Ability to Work	Employment	F, G, M			Mixed
	Hours Worked			F	
Sufficient Household Resources	Household Spending on Child's Health, Nutrition, and Education	J			Trending* Beneficial
Healthy and Equitable Births	Birthweight	K			Trending* Beneficial
	Newborn Health	K			
Optimal Child Health and Development	Abuse/Neglect Reports	I			Beneficial
	Child Mortality	I			
	Obesity	L			

*Trending indicates that the evidence is from fewer than two strong causal studies or multiple studies that include only one location, author, or data set.

Parents' Ability to Work

Evidence from studies in Alaska and North Carolina suggest that dividend-based UCTs have limited impacts on employment, which implies that the payments likely do not disincentivize work.^{F,G,M} A study, beginning in 1993 that compared children and parents who received a share of casino profits through the EBCI and those who did not found that the additional income led to improved educational and social outcomes for youth in the treatment group, but differences were not significantly different in parental employment. This finding suggests that “households do not alter their labor participation in response to this additional household income” of roughly \$3,900 per year (p. 92).^M

A study on labor market outcomes of the APFD, from 1994 through 2017, found that a \$1,000 increase in dividend funds had no effect on the probability of women’s employment overall. Average time worked per week, however, declined by approximately 1.3 hours among those who remained in the labor force in November and December after the dividend was distributed in October. Among women with children under age 5, the dividend led to 2.1 fewer hours worked per week. The authors did not measure how this time was reallocated, but they posited that some of the time may have been invested in children.^F

A second recent study of the APFD also found no adverse effects on employment overall and found a 1.8 percentage point increase in part-time work.^G The authors determined that this increase was not attributable to workers reducing their hours (or leaving full-time positions), but rather reflected new entrants into the workforce in part-time positions.

Sufficient Household Resources

As discussed, cash transfers are designed to directly increase household resources and reduce poverty, however current causal evidence on how dividend-based UCTs impact on this goal is limited. More research is needed to draw conclusions. Correlational research (not meeting standards of strong causal evidence) on the APFD found that the UCT mitigates poverty. A 2018 study found that the benefit reduced the official poverty measure among residents from 11.4 percent to 9.1 percent, and for rural Native children, reduced the poverty rate from 32.9 percent to 24.8 percent.¹⁴

Some causal evidence suggests that dividend-based UCTs, although not targeted directly at supporting children, may increase spending on children. A 2021 study on the APFD found that immediately after funds were received, spending on children’s clothing increased. For families with low-to-moderate incomes, spending on electronics and education for children also increased. However, the study found that increases did not last beyond 1 month and spending on children’s recreation and extracurricular activities (e.g., sports) did not increase.^J

The author posited that the increase in spending on clothing and electronics following dividend payments was likely because these are one-time purchases compared to extracurricular activities that require ongoing costs. The cash infusion in October allows parents to purchase new winter clothing for children annually and allows parents without credit or savings to purchase electronics. The sample included children of all ages and the author noted that there is no consensus on whether electronics are beneficial for child outcomes, however some evidence suggests that access to electronics may improve children’s cultural and human capital.^J

Healthy and Equitable Births

Causal evidence of the impact of dividend-based UCTs on birth outcomes is limited to one study with relatively old data, but outcomes are positive.^K A 2016 publication on the APFD, which relied on data from births between 1978 through 1984, found that each \$1,000 in additional household income from dividend payments led to an increase in birthweight of 17.7 grams and decreased the likelihood of low birthweight by 14 percent. These effect sizes are smaller than those in other studies that examined the impact that increased income (e.g., through EITC benefits) has on birth outcomes for individuals and families with low incomes.

The authors posited this difference is because, in contrast to other policies often studied, the dividend is not targeted to those with low incomes, and mothers with low levels of education and low levels of income have a higher likelihood of having children born with low birthweights, which makes the benefit of a UCT more pronounced for this group. In subgroup analyses, results for mothers with low education levels more closely align with other studies that examine policies targeting individuals and families with low incomes.

The APFD was also found to increase newborns' Apgar scores, a measure of health at birth that ranges from 0 to 10, by a very small but statistically significant amount of 0.063 points (from an average score of 8.87).^K Of a more substantial magnitude, the dividend decreased the incidence of a low Apgar score (a score less than or equal to 7) by 0.4 percentage points.^K Other policies that increase income (e.g., the EITC) positively impact birth outcomes, which suggests cash transfers in general may have similar benefits.⁴⁰

Optimal Child Health and Development

Decades of research has linked poverty to worse health and developmental outcomes for children.⁴² A cash transfer may decrease poverty and lead to better physical and mental health for young children, and evidence on child health and development outcomes from dividend-based UCTs is very positive.

A study on the APFD, from 2009 through 2018, compared maltreatment and mortality outcomes for children born in the 6 months prior to an eligibility cutoff for a dividend payment to children born in the 6 months after (ineligible for that year) and found significant benefits of the payments.¹ During the first months of a child's life, family receipt of an additional \$1,000 in dividend funds led to a 2 percentage point decrease in the likelihood of referral to child protective services for neglect or physical abuse by age 3 in unsubstantiated cases and a 1 percentage point decrease in substantiated cases. Over the sample period, the decrease corresponded to 90 fewer substantiated cases.¹ Authors suggest cash payments can help decrease household financial stress that leads to any type of maltreatment.

Because referrals to child protective services may be subject to underreporting, the same publication on the APFD also studied a more severe outcome, child mortality. Authors found that, during the first months of a child's life, family receipt of an additional \$1,000 in dividend funds led to an approximately 30 percent decrease in child mortality by age 5. Results, however, were not statistically significant when the study limited the analysis to child mortality by ages 2 or 3. The reduction in child mortality corresponded to approximately 3 fewer child deaths over the full sample period (2009 through 2018).¹

A 2019 study of the APFD on childhood obesity found that each additional \$1,000 in payments decreased the likelihood of obesity at age 3 by 4.5 percentage points.¹ The authors estimated that, by reducing childhood obesity, the dividend may save the state \$2 million to \$10 million annually in medical costs. The study did not examine mechanisms underlying this effect, but the authors suggest that additional income may allow for the purchase of more nutritious food.

Conversely, a study that began in 1993 and compared children whose families received payments from casino profits through the EBCI while growing up with those who did not, found the payments increased Body Mass Index (BMI) in the long-term. The additional income led to an increased BMI and likelihood of obesity (a BMI of 20 or higher) for adolescents in families with average incomes below \$30,000, but not for those with higher family incomes. Impacts on other health outcomes, such as asthma, allergies, headaches, and eczema, were not statistically significant.²⁵

Additional studies found several improvements to long-term outcomes for children whose families received dividend-based UCT payments while growing up. An analysis of the EBCI casino payments found that the Native American children completed more years of education (about 4 months at age 21) and reported lower criminal involvement and drug use (a 22% reduction in minor crime activity for children ages 16 and 17), relative to the non-Native American control group.²⁵

Another analysis of the EBCI casino payments found that significantly fewer of the Native American adults whose families had received payments as children received diagnoses of psychiatric disorders later in life, compared to the control group (30.2% compared to 36%).⁶⁴ Effects were greatest for the youngest in the cohort (who benefited from the payments the longest).

Conditional Cash Transfers

Conditional cash transfers (CCTs) are direct cash payments to individuals or families that meet certain requirements to build human capital, such as working, attending school, or maintaining health insurance coverage. One CCT pilot program, Family Rewards, is included in this review. The Family Rewards program began in 2007, and Family Rewards 2.0 began in 2011, and were modeled on a CCT policy.

Both programs offered families with low incomes cash payments for 22 activities or criteria related to health, education, and work (e.g., a family maintaining health insurance during the period between cash payments would earn \$20 per family member covered for public insurance and \$50 for private insurance).⁴³ Payments were distributed every 2 months in Family Rewards (for 3 years) and monthly in Family Rewards 2.0 (for 3 years). Family Rewards 2.0 only included payments for high school students and is, therefore, outside the scope of this review.²⁰

CCTs are uncommon in the US and have not been implemented as a state or federal policy, which limits available research. The programs are most common among Central and Latin American countries. Research shows that the most well-studied CCT program, Mexico's PROGRESA, has beneficial impacts to health, welfare, gender inequality, and human capital accumulation for rural families with low incomes.¹⁹

Two evaluations of a Family Rewards RCT, which rely on the same dataset, examined the effects of offering families in New York City cash rewards and found many positive impacts on accessing

needed services, parent employment and education, and household resources, with limited impacts to parent health. Over the 3 years of the program, families earned, on average, \$8,674 in rewards. Data were collected at 18 months (18 months into the program) and 42 months (6 months after the 3-year program ended).^{43,H,N}

Table 6c: Evidence of Effectiveness for Conditional Cash Transfers (CCTs)

Policy Goal	Indicator	Beneficial / Equivalent Impacts	Null Impacts	Detrimental Impacts	Overall Impact on Goal
Access to Needed Services	Preventative Care Use	H ⁱ			Trending* Mixed
	Primary Care Use		H ⁱ		
	Health Insurance Coverage	H ⁱ			
	Ability/Inability to Visit Doctor Due to Cost	N			
	Screened for Early Intervention		N		
Parents' Ability to Work	Employment	H			Trending* Equivalent
	Self-Employment	H			
	Job Credential/Certification Attainment	H			
Sufficient Household Resources	Child Poverty	H			Trending* Beneficial
	Savings Account Balance	H			
Parental Health and Emotional Wellbeing	Health Status		H ⁱ		Trending* Null
	Mental Health Status	H ⁱ			
	Preventative Care Use		H		
	Treatment for Medical Condition		H		

ⁱWhere noted, both studies H and N found the same result, but only H is included in the table because the same data set and methods of analysis are used.

*Trending indicates that the evidence is from fewer than two strong causal studies or multiple studies that include only one location, author, or data set.

Access to Needed Services

Limited evidence suggests CCTs in the US improve parents' access to needed services. In both the 2015 and 2018 publications on Family Rewards, parent reports of having two or more dental visits in the past year increased at both the 18-month survey (by approximately 11.6 percentage points) and

the 42-month survey (by approximately 13.0 percentage points) compared to visits in the year prior to the program.^{H,N} Parent reports of seeing their personal doctor at 18 months were also 3.9 percentage points greater with program participation, however the increase was not sustained at 42 months (6 months after the 3-year program ended), which suggests that continuation of the cash rewards may be important for continuation of desired health behaviors.^N

Parent reports of children under age 6 having had a dental visit or physical examination were not higher with program participation at the 18- and 42-month surveys.^N Rates of dental and physical examinations for both children participating in the program and those not participating, however, were much higher compared to their parents.^N

The studies also found the program increased health insurance coverage for parents by approximately 1.0 percentage points at the 18-month survey and 2.2 percentage points at the 42-month survey.^{H,N} Again, the program was not shown to increase health insurance coverage for children, however, both children participating in the program and those not participating had higher rates compared to their parents.^H

Program participants were also less likely to forgo child or parent medical care because of cost by approximately 3.0 percentage points at both the 18- and 42-month surveys.^N The program had no effect on children under age 6 receiving screening for Early Intervention services.^N

Parents' Ability to Work

As discussed above, a common concern of unconditional cash is the potential to disincentivize work. CCTs, however, often have work requirements to receive payments (such as those in Family Rewards) in an attempt to ensure benefits to the labor market.

The 2015 publication on Family Rewards showed many benefits to parents' ability to work including positive effects on parent reports of employment at both the 18- and 42-month surveys.^H The program was shown to increase full-time employment by 5.5 percentage points and self-employment by 2.3 percentage points at the 42-month survey (6 months after the program ended). Parent reports of having a trade license, trade certificate, or associate's degree at the 42-month survey also increased.^H

Sufficient Household Resources

The 2015 publication also studied the effects of the program on child poverty and household savings and found beneficial impacts. The program led to a reduction in poverty (indicated by household income at 100% of the federal poverty level) of approximately 11.0 percentage points at the 18-month survey and approximately 12.0 percentage points at the 42-month survey.^H

Family Rewards also increased the likelihood of parents' reporting having any savings at the 18-month survey (by approximately 9.0 percentage points) and 42-month survey (by approximately 8.0 percentage points). The amount of household savings also increased by approximately \$221 at 18 months, but savings did not continue to increase at 42 months.^H

Parental Health and Emotional Wellbeing

Results from evaluations of the Family Rewards RCT are mixed as to whether CCTs benefit parental health and emotional wellbeing. In both studies, parent self-reported health status increased slightly (by approximately 0.15 percentage points) at the 18-month survey, however effects did not last to 42 months.^{H,N} Conversely, the program had insignificant impacts on parent self-reported mental health at 18 months and benefits at 42 months.^{H,N} The program did not lead to an increase in parents being treated for a medical condition.^H

Is There Evidence That Cash Transfers Reduces Disparities?

An analysis from the Center on Poverty and Social Policy at Columbia University found that the 2021 temporary expansion of the federal child tax credit (CTC) through the American Rescue Plan Act (ARPA), decreased poverty rates for all children.⁶⁶ The Supplemental Poverty Measure (SPM) rates for Black and Latino children, however, declined more compared to the decline in rates for White children. The authors emphasize that reaching all eligible children is critical to narrow disparities in household resources.⁶⁶ To determine poverty rates, the authors studied monthly income and included payments received from the EITC and CTC, as well as transfers from the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF).

As discussed previously in this review, a study of the temporary expansion of the federal CTC found benefits on mental health were greatest for Black parents compared to other races.^S An additional \$100 per child in monthly CTC benefits reduced depression symptoms for parents with low incomes by approximately 1.7 percentage points and anxiety symptoms by 2.1 percentage points.^S In subgroup analyses by race and ethnicity, authors found that, for Black parents, payments reduced symptoms even more; depression symptoms decreased by approximately 3.4 percentage points and anxiety symptoms decreased by 4.1 percentage points.^S

Another study discussed previously in this review, however, found that the temporary expansion of the federal CTC had similar impacts on food and material hardship for families of different races.^E More research is needed on how cash transfers may affect subgroups differently, including on child poverty, and related health, social, and educational outcomes.

Has the Return on Investment for Cash Transfers Been Studied?

According to an analysis by researchers at Washington University in St. Louis, childhood poverty costs the US up to \$1.03 trillion per year in “loss of economic productivity, increased health and crime costs, and...homelessness and maltreatment,” (p. 73). Solutions such as a cash transfer policy cost much less than this (depending on the policy design) and reduce child poverty.^{44,45}

Although the temporary expansion of the federal child tax credit (CTC) was short-lived, with monthly payments lasting only 6 months, some research has leveraged economic models, behavioral science, and child development frameworks in combination with empirical evidence to offer insights into the impacts that a permanent child allowance may have on children and families.^{11,52}

A working paper from the National Bureau of Economic Research predicts reliable payments (up to \$3,600 annually for each child ages birth to 5, and up to \$3,000 for each child ages 6 through 17) would increase future earnings and tax payments, improve health and longevity, and reduce costs

in health care, crime, and child protection. The authors estimate the costs of a permanently expanded CTC to be approximately \$96.8 billion per year, but find the benefits outweigh costs by approximately 10 to 1.⁵²

What Do We Know, and What Do We Not Know?

Existing evidence finds that cash transfers shows can reduce poverty in the US, especially for families with children, and improve household resources, parent and child health, and child development. Of the cash transfers reviewed, with evidence that meets our standards for being methodologically strong and allowing for causal inference, child allowances and dividend-based unconditional cash transfers (UCTs) appear to show the most benefits.

Further research, however, is necessary to determine optimal cash transfer policy levers for states. Additional evidence of the impact of cash transfer policies on labor market outcomes and potential interactions with other tax policies, such as the earned income tax credit (EITC), is also needed to determine any potential downsides to the implementation of a policy.

Evidence is also needed on how a reliable cash transfer policy may reduce racial disparities in poverty and child outcomes, especially given that many options for cash transfers would be provided to families with a wide range of incomes, rather than just those with the lowest incomes.

In addition, more research is needed on how to best fund this type of policy, what level of benefits to provide, and whether consolidating and replacing other social infrastructure alongside the introduction of a cash transfer would have any negative impacts for children and families.

The Alaska Permanent Fund Dividend (APFD) is the only statewide cash transfer policy. Currently no states have a child allowance or CCT. Encouragingly, however, evidence on pilot UCTs, child allowances, dividend-based UCTs, and conditional cash transfers (CCTs) continues to grow as an increasing number of pilot programs are being implemented around the country. Further research on the increasing state child tax credits will also be beneficial to determine the impacts of similar financial support policies.

Are Cash Transfers Effective for Improving Prenatal-to-3 Outcomes?

Evidence shows that cash transfers are an effective policy to increase household resources and improve parent and child health and child development. However, cash transfers vary in many ways, including the target population, whether provided unconditionally or conditionally, and the frequency and value of payments. Because of these variations, and a relative dearth of rigorous research, current evidence does not support a specific state policy lever to guide the most effective implementation of a cash transfer.

Cash transfers are promising, but further study is needed to determine the optimal type of cash transfer (e.g., child allowance) and optimal policy levers (e.g., value of payments) to improve prenatal-to-3 outcomes in the US.

How Did We Reach Our Conclusions?

Method of Review

This evidence review began with a broad search of all literature related to the policy and its impacts on child and family wellbeing during the prenatal-to-3 period. First, we identified and collected relevant peer-reviewed academic studies as well as research briefs, government reports, and working papers, using predefined search parameters, keywords, and trusted search engines. From this large body of work, we then singled out for more careful review those studies that endeavored to identify causal links between the policy and our outcomes of interest, taking into consideration characteristics such as the research designs put in place, the analytic methods used, and the relevance of the populations and outcomes studied. We then subjected this literature to an in-depth critique and chose only the most methodologically rigorous research to inform our conclusions about policy effectiveness. All causal studies considered to date for this review were released on or before August 31, 2024.

Standards of Strong Causal Evidence

When conducting a policy review, we consider only the strongest studies to be part of the evidence base for accurately assessing policy effectiveness. A strong study has a sufficiently large, representative sample, has been subjected to methodologically rigorous analyses, and has a well-executed research design allowing for causal inference—in other words, it demonstrates that changes in the outcome of interest were likely caused by the policy being studied.

The study design considered most reliable for establishing causality is a randomized controlled trial (RCT), an approach in which an intervention is applied to a randomly assigned subset of people. This approach is rare in policy evaluation because policies typically affect entire populations; application of a policy only to a subset of people is ethically and logistically prohibitive under most circumstances. However, when available, RCTs are an integral part of a policy's evidence base and an invaluable resource for understanding policy effectiveness.

The strongest designs typically used for studying policy impacts are quasi-experimental designs (QEDs) and longitudinal studies with adequate controls for internal validity (for example, using statistical methods to ensure that the policy, rather than some other variable, is the most likely cause of any changes in the outcomes of interest). Our conclusions are informed largely by these types of studies, which employ sophisticated techniques to identify causal relationships between policies and outcomes. Rigorous meta-analyses with sufficient numbers of studies, when available, also inform our conclusions.

Studies That Meet Standards of Strong Causal Evidence

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