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POLICY + INSIGHTS

REFORMING CALIFORNIA'S SUBSIDIZED CHILDCARE TOWARD **MARRIAGE NEUTRALITY**

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WHAT'S INSIDE

EXECUTIVE SUMMARY

America's safety net has alleviated severe poverty but comes with unintended consequences. For the most part, program eligibility is determined by household income and makes no adjustment for households where two married adults are both breadwinners. Said differently, households where only one adult's income counts toward eligibility receive large subsidies, but households where two adults' incomes count toward eligibility often receive no benefits.

On paper, this bias is against two working adults who are both biological parents of the children covered under the program—because both adult incomes count toward eligibility if they are both the biological parents. Meanwhile, the income of a live-in boyfriend goes uncounted toward eligibility. In practice, these rules stack against married parents more than unmarried, cohabiting biological parents. This is because of trends in how families report cohabitation, relative to authorities' ability to track marriage.

Significant evidence exists that the safety net's anti-marriage bias impacts marriage rates among the poor and working class—and the poor and working class is where America's decline in marriage over the last fifty years has been almost entirely concentrated. Worrying about the large decline in marriage among Americans, particularly those at the bottom half of the income scale, isn't moralizing. Marriage plays a significant role in reducing poverty and increasing social mobility, especially for children.

America's safety net programs also have another undesirable quality. Quite often, programs end abruptly if a recipient family's household income increases above the eligibility threshold. When the benefit lost is large, as is particularly the case with the childcare assistance program, this places a significant burden on poor and working families and amounts to a tax on income of well over 100 percent as the value of lost benefits exceeds any additional earned income.

Commonsense reform involves three components: First, end the test that doesn't count an unrelated adult's income (such as a live-in boyfriend) toward program eligibility but does count the income of a biological father living with his children. Second, raise the income eligibility threshold for working class married couples to—just as in the federal tax code—account for the fact that married families contain two adults with earnings power. Finally, reduce the burden created by an immediate drop-off in benefits if a household breaches the existing income-eligibility threshold by creating a phase-out period for program eligibility.

California's subsidized childcare program is ideal for these kinds of reforms. The program has by far the largest marriage penalties, largely because of the high cost of childcare generally and the high relative cost of childcare in California specifically. Subsidized childcare is also inherently pro-work. Further, these reforms won't reduce benefits for any existing beneficiaries, and reform can allow families flexibility by not requiring both adults to work full-time, and only covering childcare for the hours worked by the adult with a part-time job.

Aligning California's childcare subsidy toward marriage neutrality will reduce the marriage penalty by around $10,000 per year, depending on the family type and the incomes of each adult. This amounts to around 10 percent of many eligible families' pre-tax household income. Overall, this legislative change pivots a large part of federal and state expenditures away from maintaining a large marriage penalty and toward marriage neutrality. Because of the high social and personal costs of marriage breakdown, especially among the poor and working-class—measured not just in immediate poverty but in lost economic opportunity and increased incidence of crime—reform is properly seen as a long-term investment in California's working class families and children.

MARRIED TWO-PARENT FAMILIES ARE A MAJOR POSITIVE DRIVER OF UPWARD SOCIAL MOBILITY

The collapse of marriage in the United States has been almost entirely concentrated among poor and working-class Americans.[1] According to a multitude of studies, the decline in marriage not only has a large negative impact on social mobility for the unmarried adults but also, and especially, for their children.

Some of the observed marriage-benefit is due to the pooling of resources that occurs among two adults in the same household. Yet marriage has benefits that go beyond simple economic explanations.[2] Researchers are only beginning to understand the intangible benefits of marriage to a household's children, but many of these benefits stem from having a father in the home.

Most children born out-of-wedlock are born to a mother and a father in a romantic relationship at the time of the child's birth. Often, the parents are cohabiting. Yet often these relationships fall apart while the child is very young.[3] And when these unmarried relationships fall apart, the vast majority of children are raised by their mother. In this situation, children are often extremely disconnected from their biological father, even to the point of having little contact with their father. This disconnect from a biological father that resides outside of the child's household can be referred to as fatherlessness.[4] Fatherlessness is increasingly common and is especially prevalent among poor and working-class Americans.

But fatherless children experience a large range of negative impacts. Children with in-home fathers are much less likely to experience poverty as adults, engage in criminality and drug-abuse, or have mental health struggles.[5] These differences exist even when income, race, and location are factored in. Preeminent social-mobility researcher Raj Chetty found that the number of fathers in a given neighborhood (not even necessarily in a particular home) is a primary factor in predicting rates of upward income mobility later in life for the children in that neighborhood—even when adjusting for variables including race, ethnicity, and the quality of schools in that neighborhood.[6] Nobel Prize-winning economist James Heckman found that family structure is a key driver in the divergent economic outcomes between black and white Americans.[7]

The psychological damage of fatherlessness includes girls being more likely to engage in early sexual activity and have higher rates of relational problems as adults, and young boys being more likely to be given ADHD medication.[8] In just one example of how deep the damage goes, a University of California study from 2002 shows how boys in particular struggle from fatherlessness. One of the most comprehensive studies ever done on juvenile delinquency—by two University of California researchers—found that "the most critical factor affecting the prospect that a male youth will encounter the criminal justice system is the presence of his father in the home."[9]

So marriage is best for children, but lower income Americans increasingly don't marry—a development that has only emerged in the last sixty years.[10] Today, around half of Californians over age eighteen are married, compared to nearly 75 percent in 1960.[11] About 35 percent of births in California are to unmarried mothers,[12] which is relatively close to the U.S. average of around 40 percent.[13] Of course, the rate of out-of-wedlock births by state has a strong correlation to differences in state poverty rates.[14]

A troubling possibility is that one reason the decline of marriage and rise of fatherless is concentrated among poor and working-class Americans is because these American families are subject to a welfare system with large disincentives to marriage.[15] Because of the importance of marriage, especially for children, the extent of welfare's marriage penalties requires greater attention from policymakers. Policy should seek to minimize harms to upward social mobility, especially for California's working class families. Ending the policies that most proactively penalize marriage is an essential first step.

WHY WELFARE HAS MARRIAGE PENALTIES

Welfare has marriage penalties because the eligibility threshold for programs does not account for both adults' ability to earn income in a family unit. The eligibility threshold adjusts slightly upward based on a larger family size but makes no distinction between income-earning adults and children (unlike the federal tax code, which allows married couples to file jointly at different marginal tax thresholds than single couples).[16] The result is that one working-class adult will qualify for a host of benefits, but a family where two working-class adults' incomes are both counted will not qualify for any benefits.[17]

Programs usually only count incomes toward eligibility when the adults are biologically related to the children in the household. The live-in boyfriend—a housing situation which statistically places children at far higher risk of child abuse—is perversely not counted toward eligibility.[18] This system, on paper, penalizes both biological parents residing with their joint children. In practice, the system is more of a marriage penalty than a broad penalty on biological parents both living with their children, because cohabiting joint biological parents can easily misrepresent their living situation to welfare authorities—authorities have little ability to verify cohabitation status without welfare officials showing up unannounced at peoples' homes (which is bad public policy). Studies show that a large portion of welfare recipients in many large federal programs, such as food stamps, are misrepresenting their cohabiting status to authorities.[19]

Yet married parents are unable to hide their marriage, and county welfare officials have easily accessible marriage databases. Thus, welfare has explicit penalties against co-parenting biological parents and implicit, or in-practice, penalties against marriage.

METHODOLOGY

To assess California's marriage penalties, the Urban Institute's Net Income Change Calculator (NICC) was used to compare the taxes and benefits of a family constituting a married couple and their infant child to an unmarried couple with one infant child at the same income levels. The unmarried couple is assumed to consist of two biological parents where the woman is not accurately representing the couple's cohabitation status to welfare authorities (which is, again, astonishingly common), or two adults where only one is the biological parent of the child.

Calculations with larger family sizes will typically show even larger marriage penalties at higher income levels, but calculations with only one infant child are particularly important because studies show most out-of-wedlock births are to parents who are living together or romantically involved at the time of the birth of their child. Yet because of the instability of cohabitation, most of these relationships eventually fall apart while the child is still young. This usually disconnects father from child, leading to a host of economic and social problems.[20]

Among a handful of assumptions made to model family income and benefits,[21] two relatively material assumptions are made: (1) That full-time childcare costs $1,412 per month for an infant, which is according to the Economic Policy Institute[22] and places California second highest in the nation in terms of child care costs, and (2) that rent costs $800 per month.[23]

As you will see below, the analysis looks at combined household incomes of $10,000 to $100,000, at increments of $10,000. At every increment up to $70,000, a separate analysis models the marriage penalty if one parent contributes only 20 percent of household income because that parent works part-time. Here, childcare costs are assumed to be two-thirds of the original cost, or $942 per month.

It is arguable whether these numbers are the best representation of reality, and average costs will certainly vary within different regions of the state—especially based on population density. This is certainly true for the rent assumption of $800 per month, though this amount does represent average low-income rent.[24] Yet the rent increasing in size does little to change the overall results or analysis. Generally, the higher living costs are, the higher the marriage penalty. Similarly, when assessing the childcare cost to a couple where one adult works only part-time, assuming a smaller childcare cost than $942, more or less shifts the marriage penalty for that family lower by the difference between the originally estimated $942 and the new lower estimate.

It is also the case that the NICC doesn't compute the financial benefit of receiving subsidized medical insurance, but only assesses the number of family members who qualify for California's Medicaid program—so the dollar-value of the marriage penalty is understated in this analysis, though we can see roughly how Medicaid also penalizes married couples.

Finally, the financial situation of a single mother with no other adult income and her infant was analyzed at every income level.

Figure 1 | INCOME AND BENEFITS OF THREE FAMILY TYPES

		Single Mom, One Infant Child, Only Secondary Earner Income	Cohabiting Parents With Status Unknown To Authorities, One Infant Child	Married Parents, One Infant Child	Unmarried Biological Parents, One Infant Child	Married Parents, One Infant Child	Cohabiting Parents, One Infant Child	Married Parents, One Infant Child
Household Earnings	Primary/Secondary Earner (%)	Monthly Net Income, Including Benefits ($)			Persons Medicaid Eligible		Monthly Childcare Cost	
10,000	100/0	1,619	2,123	2,229	3	3	0	0
20,000	80/20	1,835	2,561	2,548	3	3	0	0
20,000	50/50	1,980	2,467	2,436	3	3	281	281
30,000	80/20	1,945	3,067	2,725	2	1	0	137
30,000	50/50	2,127	2,715	2,618	3	1	281	418
40,000	100/0	1,619	3,411	3,274	2	1	0	0
40,000	80/20	2,009	3,660	3,026	2	1	0	305
40,000	50/50	2,258	3,220	2,744	2	1	281	586
50,000	80/20	1,980	3,974	2,976	2	1	0	942
50,000	50/50	2,324	3,771	2,507	1	1	360	1,412
60,000	80/20	2,039	4,599	3,418	2	0	0	942
60,000	50/50	2,416	4,265	2,948	1	0	452	1,412
70,000	80/20	2,098	5,150	4,023	2	0	0	942
70,000	50/50	2,569	4,882	3,553	1	0	390	1,412
70,000	100/0	1,619	5,884	4,965	2	0	0	0
80,000	50/50	1,988	4,417	4,147	1	0	1,412	1,412
90,000	50/50	2,005	4,857	4,742	0	0	1,412	1,412
100,000	50/50	2,214	5,449	5,322	0	0	1,412	1,412

ANALYSIS OF CALIFORNIA'S MARRIAGE PENALTIES

Like most states, California's marriage penalties are concentrated in the childcare subsidy. At most normal income levels, this subsidy makes up at least 75 percent of the overall marriage penalty, excluding Medicaid marriage penalties. This is exacerbated by the high cost of childcare in California, but is a trend across the country due to the high cost of childcare relative to food and even rent.[25]

Broadly, the analysis shows marriage penalties at all income levels. These penalties are most consequential when both adults earn relatively the same and have incomes at or just below the median individual income, especially for someone who hasn't earned a four-year degree.

Figure 2 | ANNUAL MARRIAGE PENALTY, AND PERCENT ATTRIBUTED TO THE CHILDCARE ASSISTANCE PROGRAMT

		Marriage (Penalty) or Bonus, Two Biological Parents with an Infant Child	Childcare Cost for Married Parents	Childcare Cost for Cohabiting Non-Rule Following Bio Parents, or Mom and Her Non-Bio Boyfriend	Percent of Marriage Penalty Attributed to Childcare Assistance	Marriage Bonus for Single Mother and One Infant Child (Note that Added Income of Second Adult Cushions the Loss of Benefits but the Incentive is to Cohabit and Not Marry)
Household Earnings	Primary/Secondary Earner (%)	Annualized Marriage Penalty (-) or Bonus (+)				
10,000	100/0	$1,272	0	0	0%	$7,320
20,000	80/20	$(156)	0	0	0%	$8,556
20,000	50/50	$(372)	3372	3372	0%	$5,472
30,000	80/20	$(4,104)	1644	0	40%	$9,360
30,000	50/50	$(1,164)	5016	3372	141%	$5,892
40,000	100/0	$(1,644)	0	0	0%	$19,860
40,000	80/20	$(7,608)	3660	0	48%	$12,204
40,000	50/50	$(5,712)	7032	3372	64%	$5,832
50,000	80/20	$(11,976)	11304	0	94%	$11,952
50,000	50/50	$(15,168)	16944	4320	83%	$2,196
60,000	80/20	$(14,172)	11304	0	80%	$16,548
60,000	50/50	$(15,804)	16944	5424	73%	$6,384
70,000	80/20	$(13,524)	11304	0	84%	$23,100
70,000	50/50	$(15,948)	16944	4680	77%	$11,808
70,000	100/0	$(11,028)	0	0	0%	$40,152
80,000	50/50	$(3,240)	16944	16944	0%	$25,908
90,000	50/50	$(1,380)	16944	16944	0%	$32,844
100,000	50/50	$(1,524)	16944	16944	0%	$37,296

Starting with the situation of one spouse or biological parent who is working part-time or has lower earnings-power, it is clearly not economical for both spouses to work after a certain point if married—here, the couple has to pay the full price for part-time childcare, and this erases the benefit to the family of the second income. The broad problem, though, is that couples who are not married can theoretically continue the part-time work of the second spouse, receive subsidized or even completely covered childcare, and thus benefit financially relative to the married couple. The married couple where one spouse could work part-time gets shortchanged from a purely monetary perspective, though it is likely that in the real world many of these families prefer to have one spouse stay home with their young children.

As for the single mother, her marriage bonus via adding another adult's income—usually a male with higher earning power—is sharply reduced by the loss of benefits. The single mother could also cohabit with this other adult and receive the benefit of an extra income without losing state-provided benefits. Again, the system shortchanges married couples, though there are certainly other long-term benefits to marriage beyond the initial hit of losing state-provided benefits.

But the system carries the strongest disincentives to marriage when two adults, who have recently had a child together, have relatively equal earning power. Such a setup is incredibly likely today, especially because working-class women's earnings are often commensurate with, or even outpacing, earnings in working-class industries dominated by men.[26]

According to the NICC's calculations, marriage penalties are extremely high for these equal-earning couples at combined parental earnings of $50,000 to $70,000 per year. Because of the high cost of childcare in California, these penalties can reach well over 15 percent of household income—again, this analysis doesn't count Medicaid marriage penalties, which means actual penalties are even higher.

On top of this, the NICC underestimates marriage penalties at higher income levels—because of this, penalties exist even at combined earnings up to $100,000 per year for this type of family. The explanation is that the NICC is using 2016 tax laws and benefit rules, which places the eligibility threshold for many programs including the childcare subsidy—the largest factor in the marriage penalty—at slightly less than $40,000 per year. If the eligibility threshold is just under $40,000 that means a couple making a combined $70,000 and having both their incomes counted will not qualify, while each parent individually does qualify for benefits if unmarried.

Normally, analysis based on 2016 rules would be a good approximation of reality. But California recently changed rules surrounding this program, causing it to reach into higher income levels (this is discussed in the next section). That makes the new cutoff for eligibility—given our situation of a mother and an infant child, where a father can either be unreported and cohabiting or married to the mother—roughly $54,400 per year, or 85 percent of state median income (SMI) for a family of two.[27] This means if each parent earns $50,000 per year for a combined $100,000, they will still individually qualify (with a few caveats)[28] for childcare subsidies if they are unmarried, and are either misrepresenting cohabiting status to the authorities or the male is not biologically related to the child.

Either way, this means that marriage penalties in California reach well into the middle class. A large chunk of young persons at ripe age for family formation and childbearing are especially impacted. The nationwide median salary for 25- to 34-year-olds is $48,000 per year, and those without a four-year college degree—still a large portion of younger Americans—have median incomes of $42,000 or less. Basically, the entire California working class is subject to massive marriage penalties, especially when both biological parents have similar earning power.[29]

CALWORKS CHILDCARE SUBSIDY SPECIFICS

California's social safety net is called "CalWORKs." There are three stages of CalWORKs subsidized childcare. Families are eligible to be in Stage 1 when they first enter CalWORKs (cash welfare and other assistance to relatively very low-income levels). When CalWORKs families are "stable" in the eyes of the county welfare department, they move into Stage 2. Families can stay in Stage 2 for two years after they stop receiving cash aid (California's supplemented Temporary Assistance for Needy Families, or TANF, which is a federal program block-granted to the states). Once Stage 2 eligibility expires (two years after TANF expires) the family enters Stage 3. In Stage 3, they continue receiving childcare subsidies until the family income exceeds 85 percent of the SMI, or their child ages out of the program by turning thirteen years old (note that it is highly likely that most recipients exit the program via children ageing out, not income limits).[30]

Stage 1 families are unlikely to be anywhere near income eligibility limits. Stage 2 and 3 families are more often subject to these limits. Stage 3 families in particular are also subject to a waiting list if funding runs out, while Stage 1 and 2 families have guaranteed benefits if they qualify on the basis of work and income.[31]

CalWORKs subsidized childcare is about 45 percent funded by federal government (Temporary Assistance for Needy Families [TANF] block grant and the Child Care and Development Fund) and 55 percent by the California General Fund. Providers are reimbursed based on regional costs. This factors less into the marriage penalty than it does the burden to taxpayers. The marriage penalty for childcare is simply what a parent would have to pay in the open market versus what a parent is required to pay after a subsidy.

The state made three changes to stage 2 and 3 in last five years. First, as discussed above, an eligibility threshold of 70 percent of state median income (SMI) was moved to 85 percent. Further, the SMI is now annually updated to keep pace with inflation plus real wage increases. Previously, the threshold was fixed to 2007's SMI. The third change required families to only update eligibility information once a year, unless changes in income make them ineligible.[32] Stage 1 changes also include allowing families to receive childcare on a fulltime basis,[33] and verifying eligibility for the subsidy only once per year instead of throughout the year.[34]

These changes have the unifying impact of pushing taxpayer costs higher, and moving eligibility into higher income levels.[35] They also explain the divergence between the NICC calculator (using 2016 rules) and existing law.

CALIFORNIA REFORM RECOMMENDATIONS

A low-hanging fruit is to end the unfair treatment, on paper, of two parents both living with their biological children. California should count the incomes of all able-bodied adults in a home toward determining welfare eligibility, not just the incomes of biological parents.

Addressing marriage penalties and benefit cliffs (where benefits fall off if a recipient gets married or makes too much money, leaving the recipient in a far worse financial situation) requires stronger action:

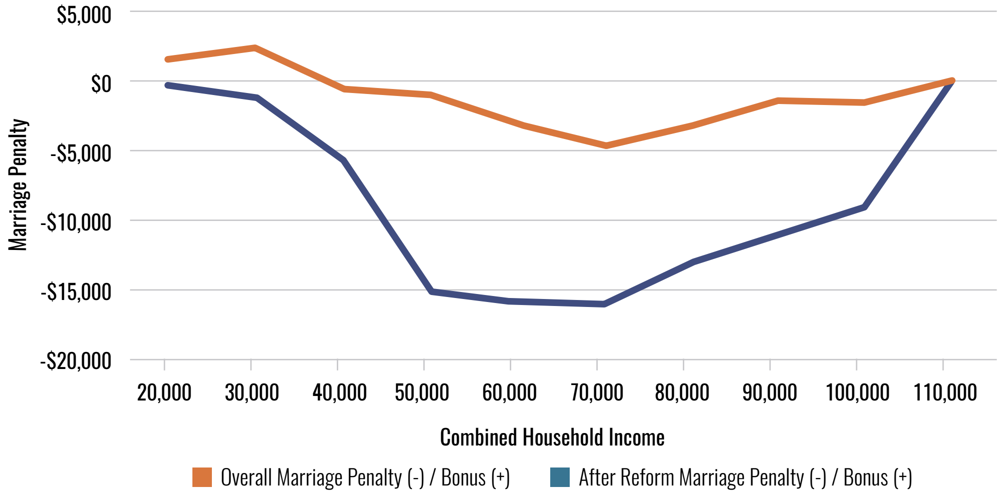
First, follow the federal tax code's treatment of married couples, which factors in the earnings power two adults can have.[36] Specifically, raise the eligibility threshold for working class married couples to phase out the program between 1.4 and 1.7 times the eligibility threshold for the number of persons in the family minus one. For example, if two married parents have one infant child, their eligibility threshold should be 1.4 times the eligibility threshold that would exist if the family were made up of just the mother and her child. That enhanced eligibility should then phase out—via higher program copayments—between 1.4 times and 1.7 times the 2-person family eligibility threshold.

To save taxpayer funds and allow families flexibility, this enhanced eligibility for married couples should require full-time work by the first spouse but allow part-time work by the second spouse, and only pay for part-time childcare commensurate with that part-time work.

Figure 3 | REFORM'S IMPACT ON MARRIAGE PENALTIES BY INCOME LEVEL FOR FAMILY WITH TWO ADULTS AND ONE INFANT CHILD

Income Split % (Man/Woman)	Household Earnings	Overall Marriage Penalty (-) / Bonus (+)	After Reform Marriage Penalty (-) / Bonus (+)
50/50	20,000	$-372	$1,588
50/50	30,000	$-1164	$2,440
50/50	40,000	$-5712	-$563
50/50	50,000	-$15,168	-$1,048
50/50	60,000	-$15,804	-$3,096
50/50	70,000	-$15,948	-$4,652
50/50	80,000	-$13,000	-$3,240
50/50	90,000	-$11,000	-$1,380
50/50	100,000	-$9,000	-$1,524

Figure 4 | REFORM'S IMPACT ON MARRIAGE PENALTIES FOR CALIFORNIA COUPLES, EACH CONTRIBUTING 50% TO HOUSEHOLD EARNINGS



These reforms would reduce California's marriage penalties—factoring in the recent law changes that increased eligibility thresholds—by at least $10,000 per year for couples who both earn relatively the same amount and have combined incomes between $50,000 and $100,000 per year (the chart below estimates marriage penalties before and after reform, including an estimation of the impact of the recent law changes).

Some caution is required. A valid criticism is that these reforms involve reaching welfare well into the middle class, but that's only because welfare already reaches well into the middle class. Another caveat is that a focus on greater childcare access alone is wrongheaded for two reasons.

First, subsidizing childcare generally leads to higher demand and more supply-side regulations, which in turn pushes costs higher. California's system is complicated, and not all Stage 3 families are receiving the program (some of these families may be on a waiting list), but it is clear that California subsidizes its program much more than many other states, especially in the southern U.S. sunbelt—and these sunbelt southern states all have much lower childcare costs.[37]

Second, most Americans would prefer to have one spouse stay at home with their children, and this is especially true of working class and Hispanic parents. In other words, efforts to expand childcare subsidies generally at the state and federal level are neither good public policy nor good politics.[38] A better political approach: keep the program size as-is, or even attempt to pair it back by going after fraud and abuse, while reducing marriage penalties in the program.

CONCLUSION

Americans broadly want safety net reforms. According to a recent survey, many respondents "talked about smoothing out the benefit cliffs that punish workers who are just outside of a given income threshold or [wanted a focus on] reducing marriage penalties."[39] In other words, a reform that addresses these issues without massively expanding the social safety-net is both politically popular with the public and should receive bipartisan support. The public is smart enough to recognize that the existing framework is not fair to working-class married couples and is also not good public policy.

The message for policymakers and activists advocating for reform is simple: Existing welfare unfairly penalizes married parents, which hurts children and harms social mobility. Instead, shift a large and important welfare program toward marriage neutrality, which doesn't cut benefits for anyone and simply accounts for the fact that both women and men have earnings power—the same consideration made in the federal tax code. Repeatedly, proponents should stress the benefit of reforms to California's children, the inequity of current policy, and the importance of fathers in childhood development.[40]

PROPOSED LEGISLATIVE CHANGES, SUMMARIZED:

- **End the unfair treatment, on paper, of two parents both living with their biological children**. End the family-unit test for determining income eligibility for CalWORKs subsidized childcare, where the income of a second adult in the home only counts toward program eligibility if that adult is also the biological parent of the children covered by the program. Instead, count the incomes of all able-bodied adults in a home toward determining welfare eligibility, not just the incomes of biological parents.
- **Follow the federal tax code's example and account for the combined earning power two adults can have in a family unit.** Raise the eligibility threshold for married couples to 1.7 times the eligibility threshold for the number of persons in the family with two married parents minus one. For example, if two married parents have one infant child, their eligibility threshold should be 1.7 times the eligibility threshold that would exist if the family consisted of just one adult and one program-eligible child.
- **Reduce the benefit cliff that occurs when a program recipient gets married or earns more than the eligibility threshold, which currently results in the loss of benefits far outweighing any gain in household incom**e.
    - Phase out the program for married couples *between 1.4 times and 1.7 times the eligibility threshold for a family with the same number of children but only one biological parent*. The phaseout occurs gradually via higher program copayments.

      For example: Family copayments should equal roughly half the actual cost of childcare at 1.55 times the eligibility threshold for a family with the same number of children but only one biological parent; over a third of the cost at 1.5 times; two-thirds of the cost at 1.6 times; and copayments should equal the full cost at 1.7 times (at this point program eligibility ceases).
    - Copayments should rise gradually before, and entering, the phaseout period of 1.4 to 1.7 times the eligibility threshold for a family with the same number of children but only one biological parent: (1) Increase the income required to trigger a higher copay by roughly 30 percent for married parents' copayment schedule, relative to the copayment schedule for a single adult with the same number of children—both before and after the enhanced eligibility threshold; (2) Fit this modification with the provision of ramping copayments until eligibility ends, to ensure a relatively gradual copayment increase.
- **Allow family flexibility.** To save taxpayer funds and allow families flexibility, this enhanced eligibility for married couples should require full-time work by the first spouse but allow part-time work by the second spouse, and only pay for part-time childcare commensurate with that part-time work.
- **Ensure program integrity and study childcare costs.** Require the legislature to study childcare costs in California versus other states and determine potential measures to reduce cost while maintaining quality. Further require the legislature to study waste, abuse, and fraud in the childcare assistance program (CalWORKs subsidized childcare).

ENDNOTES

1 Willis Krumholz, "Reforming Welfare to Reduce Marriage Penalties and Put Children First," Archbridge Institute, https://www.archbridgeinstitute.org/wp-content/uploads/2020/12/AI-Reforming_Welfare_Marriage_Penalties.pdf.

2 Ibid.

3 Ibid.

4 Putting it bluntly, cohabitation is inferior to marriage because cohabitation is much more likely to end in fatherlessness relative to marriage (even when factoring in divorce).

5 Krumholz, "Reforming Welfare".

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8 Krumholz, "Reforming Welfare".

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11 Phillip Reese, "Marriage? 'No thanks' or 'Not yet' say nearly half of California adults," *The Sacramento Bee*, Feb. 17, 2016, https://www.sacbee.com/news/databases/article60699136.html.

12 "Percent of Babies Born to Unmarried Mothers by State," National Center for Health Statistics, Centers for Disease Control and Prevention, https://www.cdc.gov/nchs/pressroom/sosmap/unmarried/unmarried.htm.

13 "Dramatic increase in the proportion of births outside of marriage in the United States from 1990 to 2016," Child Trends, https://www.childtrends.org/publications/dramatic-increase-in-percentage-of-births-outside-marriage-among-whites-hispanics-and-women-with-higher-education-levels.

14 "List of U.S. states and territories by poverty rate," Wikipedia, https://en.wikipedia.org/wiki/List_of_U.S._states_and_territories_by_poverty_rate.

15 Krumholz, "Reforming Welfare".

16 The federal tax code, roughly marriage neutral, allows married couples filing jointly to earn more than a single person before the same marginal tax rate kicks in, thus not overly penalizing the married family for having two potential breadwinners.

17 Willis Krumholz, "A Simple Policy Fix to Encourage Two-Parent Homes," RealClearPolitics, https://www.realclearpolitics.com/articles/2020/12/16/a_simple_policy_fix_to_encourage_two-parent_homes.html.

18 Krumholz, "Reforming Welfare".

19 Ibid.

20 Ibid.

21 Other assumptions were made in order to model family income and benefits. This includes that the woman claims the child for tax purposes, that there was no prior Temporary Assistance for Needy Families use, that the child in question is an infant, and that no or minimal child support is received by the mother if the biological father is not in the home. None of these assumptions are material to the results but are worth noting.

[22] “Child care costs in the United States,” Economic Policy Institute, https://www.epi.org/child-care-costs-in-the-united-states/#/CA.

[23] The figure of $800 per month might seem to low but this represents average low income rent (*see* National Low Income Housing Coalition, https://reports.nlihc.org/oor/california) and additionally, increasing the figure from $800 to $1,200 does very little to change overall calculations (higher rent only makes the marriage penalty from housing assistance marginally higher, though the marriage penalty from childcare assistance is still much higher than the penalty from housing assistance).

[24] National Low Income Housing Coalition, https://reports.nlihc.org/oor/california.

[25] Again, imputing higher housing or rent costs does extremely little to change the fact that childcare benefits are by far the largest marriage penalty for households earning a combined $40,000 or above.

[26] Willis Krumholz, “Why The Right Should Care About Income Inequality,” The Federalist.com, https://thefederalist.com/2019/11/20/why-the-right-should-care-about-income-inequality.

[27] “State Median Income by Household Size for Mandatory Use in LIHEAP for FFY 2021,” Health and Human Services, comm_liheap_im2002smiattachment_fy2021.pdf, (85 percent of SMI for a three-person family is $66,725)

[28] The caveat is that, as we will read in the “CalWORKs Childcare Subsidy Specifics” section, some of these parents at higher income levels (say, $45,000 to $54,000) may be on a waiting list to receive subsidized care, depending on the county they live in. The amount of California families on waiting lists for subsidized care is something this memo did not examine, and is also a caution not to throw more money at these programs without significant reforms.

[29] “States and Congress Can Act to Fix Large Working-Class Marriage Penalties,” Institute for Family Studies, https://ifstudies.org/blog/states-and-congress-can-act-to-fix-large-working-class-marriage-penalties.

[30] “The 2020-21 Budget: CalWORKs Child Care Outlook,” Legislative Analyst’s Office, The California Legislature’s Nonpartisan Fiscal and Policy Advisor, https://lao.ca.gov/Publications/Report/4115.

[31] Types of Subsidized Child Care Programs, California Department of Social Services, https://www.cdss.ca.gov/inforesources/calworks-child-care/subsidized-programs.

[32] This troublingly appears to be an honor system.

[33] This troublingly appears to allow full-time childcare, even when the parent is not working full-time.

[34] This reform probably makes more sense, as Stage 1 families will largely be very-low income.

[35] “The 2020-21 Budget: CalWORKs Child Care Outlook,” Legislative Analyst’s Office, The California Legislature’s Nonpartisan Fiscal and Policy Advisor, https://lao.ca.gov/Publications/Report/4115.

[36] Krumholz, “Reforming Welfare”.

[37] The author’s home state of Minnesota also heavily supplements the federal program and thus overregulates childcare, which has pushed Minnesota’s childcare costs to extremely high levels.

[38] Patrick T Brown, “Why Working-Class Parents Don’t Buy What D.C. is Selling,” Institute for Family Studies, https://ifstudies.org/blog/why-working-class-parents-dont-buy-what-dc-is-selling.

[39] Patrick T Brown, “What Do Working-Class Americans Think About Family Policy?” Institute for Family Studies, https://ifstudies.org/blog/what-do-working-class-americans-think-about-family-policy.

[40] Policymakers should avoid talking about single mothers, and only point out that single mothers do a great job, and the point of reform is that fathers shouldn’t be unfairly pushed out of the home by bad policy.

ABOUT THE AUTHOR

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