

# GUARANTEED INCOME FREQUENTLY ASKED QUESTIONS



The City of Chicago proposed the nation's largest publicly funded guaranteed income program at \$31.5 million. What is a guaranteed income? And how would a year's worth of \$500/month to 5,000 families work, exactly?

Advocates from Economic Security for Illinois explain...

## Why would we give families direct cash when we could invest in other programs?

Cash gives families the immediate opportunity to meet their most immediate needs and save for the future.

Direct cash payments to households and generous unemployment benefits helped to keep millions of Americans out of poverty after the coronavirus pandemic severely disrupted the U.S. economy and pushed people out of work.

The stimulus payments the federal government sent out to most U.S. households in the middle of the pandemic helped to lift 11.7 million people out of poverty last year, the U.S. Census Bureau said.

The poverty rate dropped to 9.1% in 2020 from 11.8% in 2019, according to a measure that takes into account government support offered through programs such as food assistance and the stimulus checks.

## Why the \$500/month value?

We know that \$500 per month is not enough to cover rent or a month of essential needs like groceries, diapers and utility bills for a family. This is not guaranteed income in perpetuity. It gives a "leg-up" providing participating families with the breathing room to save, achieve housing stability that supports employment stability (and vis versa), and create the opportunity for families to take on new careers or education that will advance their economic mobility.

\$500/month is the common threshold for payments

in many completed and ongoing pilots across the country because it is a threshold that alleviates financial strain, making rent payments, childcare and medical costs more bearable. But \$500 is also a threshold for which we have seen impressive economic mobility strides in income and full-time employment growth among participants in much smaller scale pilots evaluated in other cities, such as Stockton.

## Will this money prohibit or negatively impact people from receiving other benefits?

Advocates have proactively planned for this at the state-level. Illinois Senate Bill 1735 directs the State to exempt cash received through anti-poverty initiatives such as this from benefits calculations, as long as they include an evaluation component.

Another best practice across the country is to create a "Hold Harmless Fund" in the program design, which could be used to provide immediate assistance to any recipient whose benefits are unintentionally revoked.

## Won't this discourage work, which will hurt our economy?

First off, we know \$500/month is not enough to support a family's life. Guaranteed income doesn't replace work, it supplements it.

The evaluation of the Stockton pilot showed that it boosted full-time employment among recipients by 12 percentage points: from 28% in February 2019 to 40% one year later.

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## FREQUENTLY ASKED QUESTIONS

### Why don't we add work requirements?

Work requirements, and programs that establish them--like 1990s era welfare reforms-- often come with steep benefits cliffs that cause families to lose the other forms of support they rely on.

Many individuals earn no income for a variety of reasons; for example, to care for children. While promoting work is important to reducing poverty, the market does not automatically pay workers more simply because they have kids at home. Most wealthy nations across the globe have a child allowance that recognizes the expenses and work needed to raise children.

Applying more rules to the program, such as work requirements, will add unnecessary bureaucracy and cost. It is better in this moment of crisis to get cash out the door.

### Why 'no strings attached'? Shouldn't we limit what recipients can do with this cash?

Guaranteed income works because it does not limit how the recipient can spend in the way other government programs do. With unrestricted cash, families get the freedom to meet their own self-determined needs.

Evidence from similar pilots has demonstrated that cash transfers 1) do not induce higher spending on alcohol or tobacco; 2) that they are used for both short-term consumption and long-term investments (e.g., education or skill advancement); and 3) that they do not create dependency (e.g., stop working). In Stockton, recipients poured money back into the economy, spending 40% on food, 25% on household supplies, and 12% on utilities.

### Won't giving unrestricted cash cause massive inflation?

No. Research from New Mexico showed no, or negli-

gible inflation. Likewise, a pilot in New York City saw net reduction in housing costs.

### Is this a Universal Basic Income (UBI) program?

No. Universal Basic Income are programs where every adult resident receives a set amount of money regularly and intend to replace the social safety net. Guaranteed income works with the social safety net and targets relief to those most in need. This program is specifically structured as a time-bound financial relief strategy specifically for low income residents who have been hard-hit economically by the pandemic.

### Who decides who gets the cash?

Chicago has time to design an equitable program once this is approved in the budget, building off of the recommendations of the Resilient Families Task Force and the experience of similar pilots around the country. The City's stated goal is to reach those hard-hit financially from the pandemic and the lowest income earners (at or below a set Federal Poverty Level threshold). Across the country, similar programs have optimized for equity in different ways - but, one of the most standard practices would be to open an application to anyone under a certain income threshold and have a lottery system.

### How are we going to design the program equitably?

We are connected to a nationwide network and whole field of practice, and would ensure that leading experts are part of the process to design Chicago's program.

We recommend an oversight panel to determine how to design a program that meets the needs of the City, while equitably distributing cash to those who need it most. This would include comparison to peer models, development of a rigorous research and selection methodology, stringent oversight, and a formal evaluation process.