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TO: The Honorable City Council

FROM: David Whitaker, Director 
Legislative Policy Division Staff

DATE: February 7, 2022

RE: **Guaranteed Basic Income**

City Council Member Coleman A. Young, II has requested the Legislative Policy Division (LPD) to produce a report on Guaranteed Basic Income and provide information from cities that currently have pilot programs underway.

Guaranteed Basic Income is not a new idea. In fact, it has long been discussed in academic circles and is said to have been championed by the likes of Dr. Martin Luther King Jr. as a proponent of the concept of Guaranteed income, Dr. King stated, "I am now convinced that the simplest approach will prove to be most effective--- the solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income." Dr. King viewed this as way to directly attack poverty and to create a path toward greater economic security.

In the United States, the state of Alaska has had a guaranteed income program since 1982, the Alaska program is said to be one of the first examples of guaranteed basic income in the United States. An amendment to the Alaska state constitution created The Alaska Permanent Fund. Dividends from this fund sustained by revenues from the oil industry provides and average payout of \$1600 per year to all residents of Alaska. Currently the total fund is valued at over eighty billion dollars.

The most well-known of the newly instituted pilots originated in Stockton California. In 2019, the Mayor of Stockton, California, Michael Tubbs, announced the first mayoral led guaranteed income pilot, the Stockton Economic Empowerment Demonstration or (SEED). Operating from the donation of \$3 million, (SEED) provided 125 families with \$500 per month for 2 years.

Stockton's pilot program was evaluated by a team of independent researchers, Dr. Stacia West of the University of Tennessee and Dr. Amy Castro Baker of the University of Pennsylvania and funded by the Evidence for Action Program at the Robert Wood Johnson Foundation. Some of the key findings included:

- Guaranteed income reduced income volatility, or the month-to-month income fluctuations that households face.
- Unconditional cash enabled recipients to find full-time employment.
- Recipients of guaranteed income were healthier, showing less depression and anxiety and enhanced wellbeing.
- The guaranteed income alleviated financial scarcity creating new opportunities for self-determination, choice, goal-setting, and risk-taking.

Prior to losing his bid for reelection, former Mayor Tubbs founded a group called Mayors for a Guaranteed Income. The coalition now includes forty mayors advocating for direct, recurring cash payments in cities. A number of pilot programs are already in the works or in place in cities throughout the country. Member cities can apply for up to \$500,000 in funding for pilot programs, from a fifteen-million-dollar donation from Twitter CEO Jack Dorsey.

Guaranteed Basic Income pilots differ from one city to another. Eligibility requirements pertaining to the level of poverty a family must experience to be eligible to receive funds in some instances, are determined by using federal poverty data, while others use a median local income. As one municipality might choose a random pool of eligible applicants from historically impoverished zip codes and census tracts, another city might target individuals belonging to a specific underserved segment of the community.

The amount of available funding tends to dictate the size of the pool of recipients, duration, and number of payments. However, the duration of the payments to individuals and families seem to fall between one and two years.

Most municipalities choose to form taskforces to study the concept prior to instituting the pilot program. Once the program is defined, the city would create a department or develop a partnership with a nonprofit and/or academic institution to oversee and monitor the progress and results of the pilot.

The following summary contains details on Guaranteed Income programs that are currently active or are in the works around the country. Some of the programs are funded by philanthropic contributions, while other communities plan to use American Rescue Plan Act (ARPA) funding, or a combination of the two. For the purposes of this report, let us assume that if the government proposes to utilize ARPA dollars, this will require a budget action supported by the Mayor and Council. On the other hand, if private funding is used it could require a different action such as, creation of a non-profit entity, an approved resolution, or memorandum of understanding.

Los Angeles:

Funding: ARPA

The Mayor and City Council established the Community Investment for Families Department (CIFD) to oversee the program. The Mayor and Council pledged a total of \$35 million for the pilot with \$24 million in public funds. The Big Leap as it is called, (Los Angeles Economic

Assistant Pilot) plans to provide three hundred families with one thousand per month for twelve months

Los Angeles has partnered with Center of Guaranteed Income Research at the University of Pennsylvania to evaluate the program.

Recipients must be over eighteen years of age, be a resident of the city, demonstrate an income level at or below the federal poverty level, have one dependent child or be pregnant, and must experience medical or financial hardship due to the pandemic.

Oakland

Funding: Philanthropic

Oakland's pilot is a philanthropically funded endeavor, using no taxpayers' funds. A Mayor initiated program run by Oakland Resilient Families, it pledges six hundred families \$500 per month for eighteen months.

Most of the funding comes from "Blue Meridian Partners" a philanthropic partner that has raised \$6.75 million. The Oakland pilot was first advertised as designed to assist only Black Indigenous and People of Color (BIPOC) but after some public discussion, later was changed to be open to all applicants. However, the recipients will be equally selected from two designated geographic boundaries east Oakland, and the rest of the city.

To be eligible, three hundred recipients must be 50% below the city median income and the remaining three hundred recipients must be at or below 138% of the federal poverty level.

Sacramento:

Funding: Philanthropic/United Way

The Sacramento pilot, The Direct Investment Program in Sacramento (DIPS) is funded by the United Way. It serves one hundred families providing three hundred dollars per month for two years. To qualify, families must be at or below 150% of the California poverty measure.

Pittsburgh:

Funding: ARPA

The City of Pittsburgh program was a Mayor with Council initiative, ACE. (Assured Cash Experiment) The pilot is funded by American Rescue Plan Act funds. A nonprofit by the name of OnePHG was created to oversee the project. The City of Pittsburgh plans to target African American women by providing \$500 per month for two years to one hundred African American women, and one hundred random families selected from five low-income zip codes. To be eligible recipients must be at or below 50% of the area median poverty level.

Newark:

Funding: Public/Private

In his 2019 State of the City Address, Mayor Ras Baraka, spoke of creating a task force made up of policy, community, government, financial organizations, foundations, corporate, academic, and technical partners to study the concept of Guaranteed Income.

After receiving over two million dollars from donors, they pledged to concentrate on Housing insecurity. Starting with thirty families eventually moving to four hundred families giving each family \$6000 per year for two years. The mayor has stated that the goal is to have a city entity run it that has expertise in housing. “The goal is to add to the existing body of research on how to best structure an unconditional cash policy on the state and federal level, not to create a city - funded program.”

To be eligible, one must be a resident at least 18 years of age, have an income at or below 200% of the federal poverty line and be adversely affected by the pandemic

Chicago:

Funding: ARPA

First presented by Alderman Gilbert Villegas from the (36thWard), Mayor’s Lightfoot’s 2022 approved budget included thirty-one and one half million dollars to fund a pilot program providing five thousand families with a monthly stipend of \$500 for one year, utilizing funds from the American Rescue Plan Act.

As originally proposed, to be eligible one must be enrolled in a Chicago City College themselves or have a dependent attending Chicago public school, have suffered effects of the pandemic and be at or below three hundred percent of the federal poverty level. However, Chicago is in the process of finalizing the actual eligibility requirements.

Ann Arbor:

Funding: ARPA

The Ann Arbor City Council approved \$2.3 million in ARPA funding to provide one hundred households with five hundred dollars each month for three years. The eligibility requirements are still being developed.

Minneapolis:

Funding: ARPA

The City of Minneapolis will give \$200 per month for two years utilizing ARPA funds. To be eligible recipients must earn 50% below the area median income, living in one of nine zip codes and have suffer effects from the pandemic. The Federal Reserve Bank of Minneapolis is partnering to evaluate the program after one year.

Currently the general criticisms of Guaranteed Basic Income programs are that the country and its municipalities cannot afford the cost of such programs and programs of this nature contribute to laziness and remove motivation to acquire skills and training that would allow people to get out of poverty. Additionally, critics say people will take steps to stay under to income requirements and that these programs are especially susceptible to fraud and waste.

There are at least forty municipalities engaged in discussions for pilot programs and twenty-two pilots underway, with most of the efforts proposing the use of ARPA funds. Philanthropic funding or ARPA funding seem to be viable options if the City moves forward with developing a pilot project.

The City of Detroit has demonstrated success in raising funds through private partnerships, in addition to receiving a sizable amount of money through ARPA. Although there are certain

restrictions on the use of ARPA funds, the City should be able to be creative when designing the program so that the use of ARPA funds will be a proper source of funding. The City has agreed to fifteen categories of expenditure for ARPA funds. For example, the City of Detroit has allocations authorized both for housing and intergenerational poverty. Theoretically, a guaranteed income program could be developed to touch either or both categories. However, the use of general funds for this program could possibly be prohibited.

Other than funding, a major consideration in a city where over 30% percent of the residents live at or below the poverty level, is how will the recipients be selected. There are technically hundreds of thousands of people living at or under the poverty level in our city. The possibility of negative public perception of the program could be an issue when individuals are chosen for the stipend and other similarly situated families or individuals are not.

However, the ability to identify and direct resources to specific targeted pools of applicants seems to be a liberty that is being exercised by a number of cities conducting pilots. Newark targeted its program toward those suffering housing insecurity. While Pittsburgh's is primarily geared toward African American Women, and Oakland's pilot targeted Black Indigenous and people of color (BIPOC). Other communities are also considering guaranteed income pilots that target juvenile offenders and returning citizens. If the City chooses to move forward with a project, it will be important that the City partner with an academic institution to study the progress and results of the project.

Further, it will be necessary for the City to decide as to the ultimate purpose of the pilot. Is its purpose to provide an ongoing annual stipend to qualified individuals and families? Is the purpose of the program to serve as an example to state and federal government that program like this uplift families and it does not make persons reluctant to seek employment but supplements basic needs and allows for growth? This message should be clear if the city does not wish to create an expectation of the stipends becoming a reoccurring event after the initial pilot.

If we can be of further assistance, please call upon us.