



THE USE OF PUBLIC FUNDS FOR GUARANTEED INCOME PROGRAMS

This fact sheet will provide information on potential avenues of public funding, including:

- American Rescue Plan Act;
- Temporary Assistance for Needy Families;
- Housing and Urban Development Funds;
- Community Service Block Grants; and
- City, County, and State Budgets.

FROM PRIVATE TO PUBLIC FUNDING

Over the past year, interest in guaranteed income programs has grown dramatically as the coronavirus pandemic necessitated an economic shut down. Even prior to the pandemic, however, many Americans were living in economic precarity, and a community had developed around an idea that has long roots in Black economic thought: providing a guaranteed income to create a floor through which no one could fall. To test this idea, the Economic Security Project partnered with then-Stockton Mayor Michael Tubbs to launch the Stockton Economic Empowerment Demonstration (SEED) and supported work by Dr. Aisha Nyandoro, CEO of Springboard To Opportunities and their Magnolia Mother's Trust Program. Both of these programs were fully philanthropically funded and have provided new research on the benefits of providing unrestricted cash.

As the coronavirus pandemic and resultant economic shutdown exacerbated and exposed the level of economic precarity in the U.S. government stepped in to provide cash to keep families afloat. This transition—an openness to direct cash payments and

the recognition of government's role—creates an opportunity for city leaders. This fact sheet provides an overview of current and potential public funding sources for direct cash transfer programs. As always, however, we urge policymakers and others to think beyond pilots to policy. Using public funding to support ongoing guaranteed income policies can help build lasting change and build economic resilience for families.

Philanthropic funding has played a critical role in expanding guaranteed income pilots and the field in general, and continues to have an important place in funding pilots. While the shift to public funding presents new opportunities, political challenges and opposition across cities and states to secure public funding remains. As such, philanthropic

funding for guaranteed income programs is still necessary and still often serves as a launchpad for public funding.

The Coronavirus Pandemic and Cash Relief: Good Policy and Good Politics

- More than \$850 billion in direct cash was provided to low- and moderate-income Americans in three rounds of stimulus payments during the coronavirus pandemic.¹ These checks were used to pay for basic needs like food, rent, and utilities,² and to reduce material hardship.³ In fact, the stimulus payments and expanded unemployment insurance actually led to a decrease in poverty at the start of the pandemic.⁴
- Americans favor cash as a response to the economic crisis. An Oxfam commissioned poll in February 2021, found at least two out of three voters in surveyed states favored stimulus checks -- Georgia 78%, Arizona 77%, Maine 69%, and New Hampshire 64%.⁵ Other polling data may be found at economicsecurityproject.org/emergency-money/polling/.

- Since the start of the pandemic, at least 50 guaranteed income pilot programs have been planned or enacted across the country as policymakers and nonprofit organizations recognize the value of recurring cash payments for communities in acute financial crises and long-term economic instability.

THE AMERICAN RESCUE PLAN ACT CORONAVIRUS FISCAL RECOVERY FUNDS

The American Rescue Plan Act will provide \$350 billion in funding to states, counties, metropolitan cities, municipal governments, and Tribal governments in two tranches, with half of the funding arriving in May 2021 and the remaining half delivered approximately 12 months later.⁶ The U.S. Department of Treasury guidance describes the funding as intended to, “help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery,” including to “support immediate economic stabilization for households and businesses.”⁷

According to the Department of the Treasury, the money will be disbursed as follows⁸:

¹ Peter G. Peterson Foundation. (2021). What to Know About All Three Rounds of Coronavirus Stimulus Checks. <https://www.pgpf.org/blog/2021/03/what-to-know-about-all-three-rounds-of-coronavirus-stimulus-checks>.

² U.S. Census Bureau. (2020). How Are Americans Using Their Stimulus Payments. <https://www.census.gov/library/stories/2020/06/how-are-americans-using-their-stimulus-payments.html>.

³ DeParle, J. (2021, June). Stimulus Checks Substantially Reduced Hardship, Study Shows. The New York Times. <https://www.nytimes.com/2021/06/02/us/politics/stimulus-checks-economic-hardship.html>.

⁴ Han, J., Meyer, B.D., & Sullivan, J.X. (2020). Income and Poverty in the COVID-19 Pandemic. https://news.nd.edu/assets/393384/brookings_paper2_5_clean.pdf.

⁵ Oxfam. (2021). Poll of Voters on COVID-19 Relief Package, February 2021. <https://www.oxfamamerica.org/explore/research-publications/poll-voters-covid-19-relief-package-february-2021/>.

⁶ Governments of U.S. territories will receive a single payment of ARPA funds. <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>.

⁷ U.S. Department of the Treasury. Coronavirus State and Local Fiscal Recovery Funds. <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds> (Accessed on June 15, 2021).

⁸ The follow chart is drawn from the U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds policy issue available at <https://home.treasury.gov/policy-issues/coronavirus/assistance>

Type	Amount in Billions
States & District of Columbia	\$195.3
Counties	\$65.1
Metropolitan Cities (generally population >50,000)	\$45.6
Tribal Governments	\$20.0
Territories	\$4.5
Non-entitlement units of local government (generally populations <50,000)	\$19.5

The government entities receiving Fiscal Recovery Funds have broad flexibility on how best to use the funds provided under ARPA following the guidance that funds may be used to:

- Support public health expenditures;
- Address negative economic impacts caused by the public health emergency;
- Replace lost public sector revenue;
- Provide premium pay for essential workers; and
- Invest in water, sewer, and broadband infrastructure.

The following guidance is provided on cash transfer programs in the interim final rule:

[A] cash transfer program may focus on unemployed workers or low- and moderate-income families, which have faced disproportionate economic harms due to the pandemic. Cash transfers must be

[-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds](#). Additional allocation information is available on the site.

reasonably proportional to the negative economic impact they are intended to address. Cash transfer grossly in excess of the amount needed to address the negative economic impact identified by the recipient [here meaning “state, local, territorial, and Tribal governments that receive a Federal award directly from a Federal awarding agency, such as Treasury”] would not be considered to be a response to the COVID-19 public health emergency or its negative impacts. In particular, when considering the appropriate size of permissible cash transfers made in response to the COVID-19 public health emergency, State, local, and Tribal governments may consider and take guidance from the per person amounts previously provided by the Federal Government in response to the COVID-19 crisis. Cash transfers that are grossly in excess of such amounts would be outside the scope of eligible uses under sections 602(c)(1)(A) and 603(c)(1)(A) and could be subject to recoupment.⁹

The interim final rule is clear that the economic impacts of the coronavirus pandemic have not been shared equally in our society and note its disparate impact on workers of color, low-wage earners, and women of color, which exacerbated pre-existing disparities. As such, guaranteed income programs that are focused on providing economic stability to these communities may be more likely to fall within the guidelines of appropriate use of ARPA Fiscal Recovery Funds.

Timeline: Payments from the Fiscal Recovery Funds must be used to cover

⁹ Coronavirus State and Local Fiscal Recovery Funds; Department of the Treasury Interim Final Rule, 86 Fed. Reg. 26786 (May 17, 2021) (to be codified at 31 C.F.R. 35). <https://www.federalregister.gov/documents/2021/05/17/2021-10283/coronavirus-state-and-local-fiscal-recovery-funds>.

costs incurred by December 31, 2024. Similarly, the CARES Act provided that payments were required to be used to cover costs incurred by December 31, 2021. In both instances, “incurred” is not defined. While the CARES Act dollars were “intended to be used to meet relatively short-term needs,” the ARPA Fiscal Recovery Funds are explicitly permitted to be used for specified infrastructure programs which have a longer timeline. As such, the interim final rule interprets ARPA “to require only that recipients have obligated the Fiscal Recovery Funds” by December 31, 2024 and uses the definition of “obligation” in the Uniform Guidance.¹⁰ In addition, the interim final rule “permits the funds to be used to cover costs incurred beginning on March 31, 2021.”¹¹

Transfer: The government entities that receive ARPA Fiscal Recovery Funds are permitted to transfer funds to specified entities, including private nonprofit organizations, Tribal organizations, and more.

ARPA CASE STUDIES

Cook County, IL

Building on the success of their one-time cash disbursements using CARES Act funding, Cook County anticipates using ARPA funds to launch a guaranteed income demonstration.

¹⁰ Coronavirus State and Local Fiscal Recovery Funds; Department of the Treasury Interim Final Rule, 86 Fed. Reg. 26786 (May 17, 2021) (to be codified at 31 C.F.R. 35). <https://www.federalregister.gov/documents/2021/05/17/2021-10283/coronavirus-state-and-local-fiscal-recovery-funds>.

¹¹ Coronavirus State and Local Fiscal Recovery Funds; Department of the Treasury Interim Final Rule, 86 Fed. Reg. 26786 (May 17, 2021) (to be codified at 31 C.F.R. 35). <https://www.federalregister.gov/documents/2021/05/17/2021-10283/coronavirus-state-and-local-fiscal-recovery-funds>.

CARES Act Funded One-Time Payments

In 2020, Cook County used money received under the CARES Act for a one-time cash assistance program for suburban Cook County residents. The program was designed to provide a one-time \$600 payment to residents of suburban Cook County who had experienced COVID-related hardship and whose incomes were at or below 250% of the federal poverty level.

While the County had initially allocated \$2 million for the cash assistance program, another \$7 million was allocated to ensure that all eligible applicants received funds.¹² Given the one-time nature of the payment, and the County’s partnership with Family Independence Initiative, the program had relatively low administrative costs.

In all, \$8.3 million dollars were provided to over 13,000 households. Seventy percent of recipients were woman-led households, 65 percent had children, and 80 percent of recipients were people of color. The average median income of recipients was \$18,000 prior to the pandemic.

Las Cruces, NM

Las Cruces did not receive CARES funding directly, but the state allocated \$3 million to nonprofit partners. Roughly half of that amount was used to provide direct cash assistance and the remaining was used on rental assistance, food vouchers, and more. Under the anticipated ARPA funding, Las Cruces City Councilor, Johana Bencomo, has proposed a \$2 million allocation for a guaranteed income demonstration. The City will partner with nonprofits to develop and run the program, with administration and evaluation funding from private foundations. This demonstration may be supported

¹² Cook County Government. (2020). Cook County Board President Toni Preckwinkle Announces \$7 Million to Expand COVID-19 Recovery Resident Cash Assistance Program. <https://www.cookcountyil.gov/news/cook-county-board-president-toni-preckwinkle-announces-7-million-expand-covid-19-recovery>.

by funding from the Telshor Fund, which holds approximately \$40 million raised from the prepaid lease of a community hospital. The Telshor Fund may be allocated for public health purposes and Las Cruces City Councilmember Johana Bencomo has led the call to recognize poverty as a public health issue.

Importantly, a state anti-donation clause that limits public dollars from being used to provide direct aid proved to publicly fund guaranteed income programs in New Mexico.

CARES Act Funding to Reach Excluded Communities

In addition to the \$3 million of CARES funding discussed above, \$5 million from CARES Act was used to support very low-income and immigrant communities in New Mexico who had been excluded from the stimulus payments due either to immigration status or disconnection from the IRS. In all, 34,000 people applied for the \$460 payments and there were insufficient funds to support everyone. New Mexico is anticipating \$1.7 billion in ARPA Fiscal Recovery Funds and there is a proposal to ensure \$20 million is used to support these families.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Temporary Assistance for Needy Families (TANF) is a federal block grant program¹³ that gives states and territories a set amount of funding and flexible use to operate programs to help low-income

families with children.¹⁴ TANF provides cash assistance for up to two consecutive years, and for a total of five, and is the main U.S. program associated with cash welfare.

Under TANF, each state sets its own rules on eligibility, awards, duration, and more within federal guidelines. As such there is incredible variability in TANF generosity and availability across states. Importantly, while TANF can provide cash assistance to families, states are under no obligation to do so. A 2017 study by the Urban Institute found that the size of a state's African American population was a significant factor in its policy choices. Specifically, states that have the lowest TANF-to-poverty ratios, meaning that there are fewer people receiving TANF as compared to those in poverty, are home to the majority of the African American population and less than half of the non-Hispanic white population.¹⁵ States with a higher proportion of African American residents tended to have less generous benefits, more restrictive behavioral requirements, and shorter programs length.¹⁶

In general, there is a restriction on using TANF funds for recurring cash benefits, defined as more than 4 months. During the COVID pandemic,

¹³ TANF provides states with a fixed amount of funding that has not changed since 1997. Hahn, H., Aron, L., Lou, C., Pratt, E. & Okoli, A. (2017). Why Does Cash Welfare Depend on Where You Live? Urban Institute. https://www.urban.org/sites/default/files/publication/90761/tanf_cash_welfare_final2_1.pdf.

¹⁴ Block grants are awarded for broadly defined purposes and frequently offer states broad flexibility as to how to spend the money to achieve that purpose. TANF has four goals and provides states with broad flexibility in meeting them. Specifically, states may use TANF funds on programs designed to: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incident of these pregnancies; and (4) encourage the formation and maintenance of two-parent families. 42 U.S.C. § 601(a).

¹⁵ Hahn, H., Aron, L., Lou, C., Pragg, E. & Okoli, A. (2017). Why Does Cash Welfare Depend on Where You Live? Urban Institute. https://www.urban.org/sites/default/files/publication/90761/tanf_cash_welfare_final2_1.pdf.

¹⁶ It is important to note the Urban Institute analysis did not include other groups of color.

however, many states waived TANF work requirements. Given the restrictions on TANF, it is unlikely that localities could use their TANF monies to fund guaranteed income demonstrations beyond COVID-response.

TANF CASE STUDIES

While monthly TANF benefits have generally trended down since 1996, thirteen states plus the District of Columbia raised monthly TANF benefits between July 1, 2019 and July 1, 2020.¹⁷

Several States Issued Additional TANF Payments in Response to the Pandemic.

Beginning in March 2020, some state TANF programs took actions to provide additional cash assistance to TANF families to help them meet their basic needs and afford additional pandemic-related expenses. Some were one-time payments while others were spread out over more than one month. The additional assistance also ranged in amount. For example:

- Alabama issued an “Emergency Health Preparedness Allowance” of \$400 a month for three months to all TANF families.
- Illinois issued a one-time payment of \$500 to all TANF families to help reduce food insecurity.
- North Carolina issued a one-time payment of \$265 for each child receiving TANF benefits.
- Oklahoma issued \$400 in additional payments, divided over two

¹⁷ Safawi, A. & Floyd, I. (2020). TANF Benefits Still Too Low to Help Families, Especially Black Families, Avoid Increased Hardship. Center on Budget and Policy Priorities. <https://www.cbpp.org/research/family-income-support/tanf-benefits-still-too-low-to-help-families-especially-black>.

months, to TANF recipients to help offset additional expenses for cleaning supplies, internet costs to participate in TANF work, home schooling, and other pandemic-related needs.

- Rhode Island provided an additional one-time payment in June equal to one full month’s worth of benefits to TANF cash assistance to families. This meant that a family of three on TANF received an additional \$554.
- West Virginia issued one-time payments of \$500 to all TANF recipients.*

These payments represent significant short-term support for TANF families. In the case of Alabama, the additional payments were considerable; the emergency allowance and maximum TANF benefit combined totaled \$615 per month for a family of three, nearly three times the amount of the maximum benefit alone. In Illinois and Rhode Island, the maximum grant for a family of three would nearly double in the month with the one-time payment.¹⁸

* Information collected from state TANF agencies.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

There are three Housing and Urban Development (HUD) programs that state and municipal governments may be able to leverage to fund guaranteed income programs.

¹⁸ Source: Safawi, A. & Floyd, I. (2020). TANF Benefits Still Too Low to Help Families, Especially Black Families, Avoid Increased Hardship. Center on Budget and Policy Priorities. <https://www.cbpp.org/research/family-income-support/tanf-benefits-still-too-low-to-help-families-especially-black>.

1. Families Self Sufficiency Program.

The Family Self-Sufficiency (FSS) Program is intended to support asset building and financial capability to “enable HUD-assisted families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies.” HUD provides funds to local Public Housing Authorities (PHA) who administer the FSS program. For FSS participating families, the PHA establishes an interest-bearing escrow account and any increase in the family’s rent as a result of their increased earnings result in a credit to the escrow account. Once a family graduates from the program, the escrow account funds may be used for any purpose.

- These escrow accounts may provide an existing mechanism to fund cash assistance programs for people living in public housing. To date, we are unaware of any programs that have done so.

2. Emergency Solutions Grants.

Emergency Solution Grants (ESG) are HUD-provided funds that states may use for specified purposes, including preventing families and individuals from becoming homeless.¹⁹ This purpose may be inclusive of direct cash assistance.

- The ESG funds are limited and there is little money available. However, these funds may be eligible for use to provide cash transfers or guaranteed income demonstrations targeting very low-income individuals at risk of homelessness.

3. Community Development Block Grants.

Subject to less federal oversight than other funding options and used at the discretion of

municipal governments and their subgrantees, Community Development Block Grants (CDBG) may provide potential funding for guaranteed income demonstrations.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Community Development Block Grants.

Administered by the U.S. Department of Health and Human Services, the Community Service Block Grants (CSBG) are designed to alleviate the causes and conditions of poverty. These relatively flexible grants go to the states which then fund a network of local entities which include local governments, Community Action Agencies, migrant and seasonal farmworker organizations, and more. These entities then provide services to alleviate poverty, and funding may be available for “barrier removal.”

RELIEF FUNDING FOR CASH DISBURSEMENTS

Several municipal governments were able to leverage Covid Relief Fund (CRF) funding and CARES Act funding to provide one-time cash payments, while a few used CARES Act to launch longer-term guaranteed income demonstrations. For example, San Antonio, TX, St. Paul, MN People’s Prosperity Project and the Richmond, VA Resilience Initiative demonstrations built upon CRF and CARES Act funding to develop guaranteed income programs.

¹⁹ U.S. Department of Housing and Urban Development. Emergency Solutions Grants (ESG) Program. <https://files.hudexchange.info/resources/documents/EmergencySolutionsGrantsProgramFactSheet.pdf>.

SAN ANTONIO, TX CRF CASE STUDY

When the covid-19 crisis hit residents of San Antonio, TX were thrust into crisis. In response to the acute economic instability many individuals were experiencing, the City of San Antonio partnered with Family Independence Initiative (FII) to provide \$500 in direct cash assistance to residents. Initial funding for the program was provided by a local foundation then the City provided additional dollars using CRF funding, which they determined was an allowable use. In total, 3,920 individuals were served within 3 months.

San Antonio Department of Neighborhood and Housing services also bundled cash assistance alongside rent and utilities assistance using HUD funding.

Since this program, San Antonio is exploring a continued partnership with FII to launch a 2-year program to provide cash assistance with other services to 100 residents.

PUBLICLY FUNDED CASE STUDIES

People's Prosperity Project (Saint Paul, NM)

Will provide up to 150 families participating in the CollegeBound Saint Paul program with \$500 a month for 18 months. \$300,000 in CARES Act funding was used to launch the program, with the additional funds coming from philanthropic donors.

Richmond Resilience Initiative (Richmond, VA)

Launched with 18 families, the Richmond Resilience Initiative has now expanded to provide 55 families with \$500 a month for 24 months. The initial funding came from the Robins Foundation and CARES Act money, with additional funds later being raised by additional philanthropic investment in the program.

BIG:LEAP (Los Angeles, CA)

In April 2021, Los Angeles, CA Mayor Eric Garcetti announced a new guaranteed income program supported by \$24 million from the City's general budget. The program, not yet launched, will provide \$1,000 a month to 2,000 Los Angeles residents for one year.

Trust Youth Initiative (New York, NY)

Spearheaded by Point Source Youth, the Trust Youth Initiative will provide \$1,250 a month for 24 months to 30 to 40 youth experiencing homelessness in NYC.²⁰ The program is funded by a variety of philanthropic funders as well as \$300,000 from the NYC Mayor's Office for Economic Opportunity.

Finally, states have an opportunity to provide cities with additional funds for guaranteed income programs. California Governor Newsom proposed allocating \$35 million of the state's general funds to support guaranteed income demonstrations around the state. Rather than creating a statewide guaranteed income program, the fund would be available for city or county-administered programs that target low-income Californians, and require a local match.

²⁰ To support the needs and agency of the recipients, the Trust Youth Initiative permits recipients to choose lump sum payments.

This fact sheet was created by Hope Wollensack and Madeline Neighly at the Guaranteed Income Community of Practice in collaboration with Brooks Rainwater and Tina Lee at the National League of Cities.

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