



Michiganders work hard to care for their families. But with the rising costs of child care and other necessities, families often have to choose between being there for their loved ones and going to work. This is especially true in communities of color, where decades of discrimination have denied many of the same opportunities afforded to other communities.

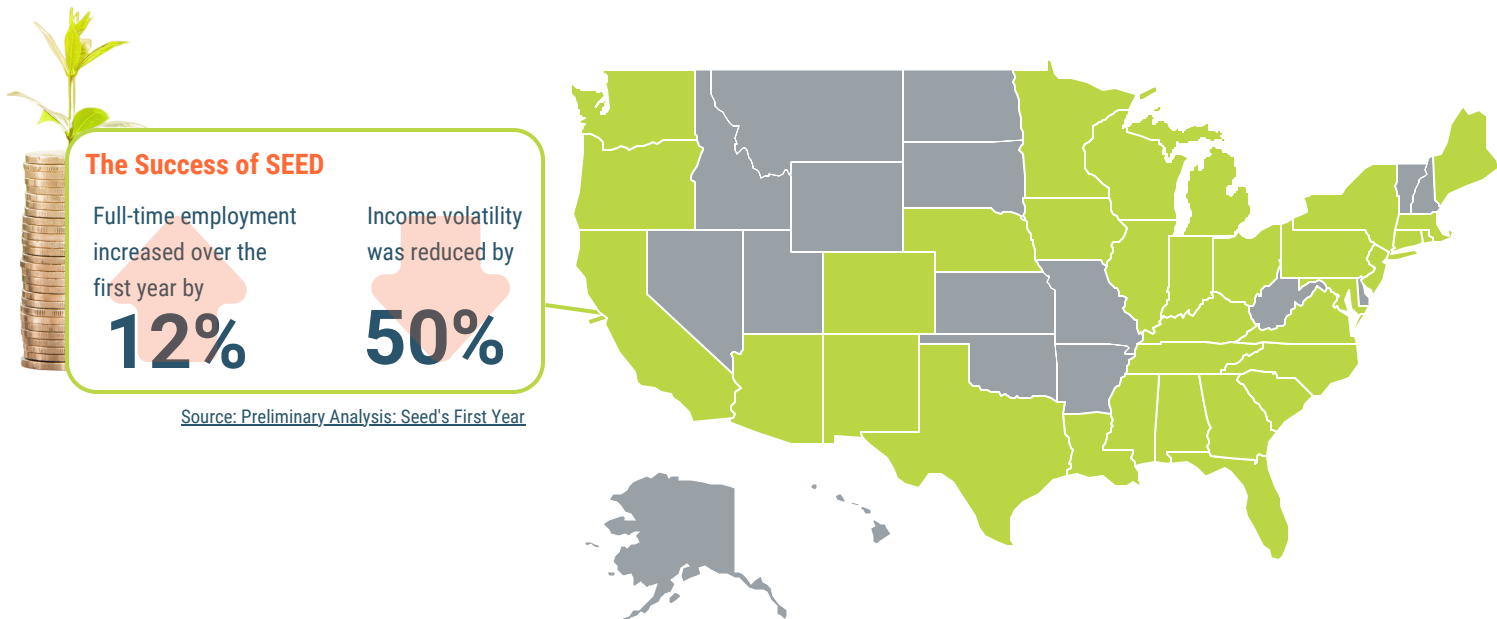
Guaranteed basic income (GBI) experiments are delivering results across the country, showing direct payments are an effective way to combat stagnant wages, address historic discrimination and acknowledge the work Michiganders put in every day that goes on unrecognized.

The time is right to begin exploring what a guaranteed income program could do to make transformational change for the people of Michigan.

WHAT IS GUARANTEED INCOME?

Guaranteed income, sometimes called guaranteed basic income, is a direct cash program that delivers unconditional, unrestricted and regular cash benefits to recipients. These types of programs often target a specific segment of a community. For example, Guaranteed Income to Grow Ann Arbor (GIG A2), provides \$528 every month to entrepreneurs whose income is below 225% of the federal poverty level.

Nearly 150 Guaranteed Income programs and pilots are underway in communities in 33 states and the District of Columbia



Source: Guaranteed Income Community of Practice

The Impact of Unrestricted Cash

In February of 2019 the Stockton Economic Empowerment Demonstration (SEED) became the first mayor-led guaranteed income demonstration. The program gave 125 residents of Stockton, California \$500 a month for 24 months. This cash came with no strings attached, no work requirements and was completely unconditional. **The results were clear; participants saw reduced income volatility, they became healthier and full-time employment increased¹.** The success of SEED and other unrestricted direct cash programs has led other cities and organizations to take notice, and today there are nearly 150 direct cash demonstrations across the United States. The full list of ongoing demonstrations and pilots can be found here: <https://gicp.info/pilots/>.

OTHER TYPES OF CASH ASSISTANCE


Cash assistance programs are nothing new. "Cash assistance" is a broad term that covers any program that gives benefits to individuals or families in the form of actual money. This can be programs such as Temporary Assistance for Needy Families (TANF) which helps families in poverty, refundable tax credits that provide extra deductions for select families (such as the Earned Income Tax Credit) or even economic impact payments that were received during COVID. However, current cash programs are often narrow, restrictive or irregular, limiting who has access.

How is GI different from other cash assistance programs?

- ✔ **It's unrestricted and regular.** Guaranteed income benefits are unrestricted, meaning there are no work requirements or strings attached to the benefit. They are also regular, meaning benefits are received at fixed intervals.
- ✔ **It's a supplement, not a replacement.** Benefits are meant to slot into the existing social safety net. This does not replace any existing program, instead it covers gaps, provides benefits to those often left out of existing programs and protects against income volatility.

Guaranteed Income v. Universal Basic Income

Guaranteed income (guaranteed basic income) and Universal Basic Income are often used interchangeably. However, it is important to note these are two different types of cash assistance programs. Universal Basic Income is universal, meaning every single adult would get this benefit regardless of income or other variables. Meanwhile, guaranteed income is more targeted. Most demonstrations have targeted recipients below a specified income, but both GI and UBI are "no strings attached" benefits.



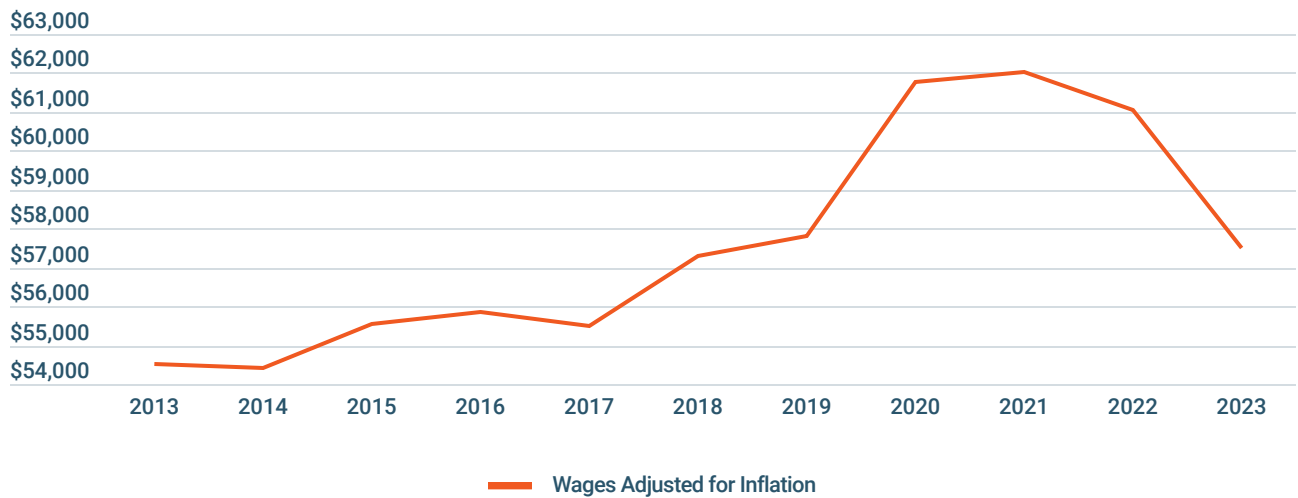
Five Types of Cash Assistance Programs		
Program	Definition	Example
Guaranteed Income (GI/GBI)	Unrestricted, regular cash payments to a targeted group within a community.	An unrestricted monthly cash payment to individuals earning less than 225% of the Federal poverty level.
Universal Basic Income (UBI)	An unrestricted, regular cash payment to ALL members of a community.	An unrestricted monthly cash payment to every Michigan resident.
Temporary Assistance to Needy Families (TANF)	A federal funding stream that provides cash to families in poverty and funding for other programs focused on low income families. Cash assistance is conditional.	The Family Independence Program (FIP) in Michigan provides cash to families in deep poverty. This program is conditional and includes lifetime limits and other restrictions.
Tax Credit	An amount you can subtract from your income tax. When it is refundable your deductions from the credit can result in a tax refund.	The Earned income tax credit (EITC) provides a refundable tax credit to individuals and families with low to no income.
Economic Impact Payment	A one-time direct cash payment to all or specific members of a community.	Single cash payments distributed to most Americans during the COVID-19 pandemic.

WHY GUARANTEED INCOME?

Many Michigan families are struggling but don't qualify for most benefits programs. In Michigan, 26% of families are Asset Limited, Income Constrained, and Employed (ALICE). These families fall above the federal poverty level but earn less than what is considered a household survival budget. Benefits from programs such as FIP are unlikely to reach these families with only 5% of ALICE households receiving benefits². A broader direct cash program, such as guaranteed income, could help lift more working families out of poverty and give ALICE households some breathing room.

Costs are rising but wages are struggling to keep up. Millions of Michiganders work hard every day only to come up short at the end of the month or just barely have enough to save. Michigan's median wage falls short of the national average³ and inflation has eroded recent wage increases. A guaranteed income could help offset these expenses.

Earnings fail to keep up with inflation in Michigan



Source: U.S. Bureau of Labor Statistics, *Weekly and hourly earnings data from the Current Population Survey*, Calculations by Michigan League for Public Policy based on the *Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers*, Detroit-Warren-Dearborn, MI, all urban consumers, not seasonally adjusted.

Unpaid labor is important work that deserves recognition and payment. Michiganders perform work every day that is vital to our communities and receive no compensation. The cost of child care is increasingly out of reach for many families, meaning some are forced to choose between work and raising children. Guaranteed income could provide income to those who raise children full-time or care for another family member.

Rising child care costs are unaffordable for many families



Since 2019, child care costs have outpaced inflation, and have increased by

24.5%

The average annual cost of child care for children age birth to 12 is

\$8,880

Child care takes up an outsized amount of a full-time, minimum wage worker's budget, at

42% of their income.

It's critical that we combat racism in the existing benefits ecosystem. Most public benefits throughout our history have included asset limits and work requirements, and have excluded those with prior involvement in the justice system. These requirements have disproportionately excluded Black Americans, and programs meant to pull people out of poverty often disproportionately benefit white Americans. Guaranteed income programs do not have such requirements or barriers, ensuring benefits are equitably distributed. A future GI system could also potentially be used as a vehicle to deliver reparations as well.

DIRECT CASH PILOTS IN MICHIGAN

Pilot programs are underway in Michigan and could serve as important examples when it comes to creating a strong, statewide direct cash program. The League and partners will be engaged and following closely as these programs serve residents in different parts of the state.

GIG A2: Ann Arbor

A novel guaranteed income pilot taking place in Ann Arbor that seeks to target entrepreneurs with low incomes. Guaranteed Income to Grow Ann Arbor, or GIG A2, operates under the belief "Entrepreneurs, small business owners, and others selling their own goods and services play an essential role in supporting the local economy and strengthening our community." They seek to provide support by offering \$528 every month to individuals earning up to 225% of the federal poverty level who are trying to start a business, have a side hustle, run a business (formal or informal) or are a gig worker.

Rx Kids: Flint

Rx Kids seeks to reimagine how we support families. Through this program all pregnant women in Flint will receive a direct cash benefit of \$1,500 during their pregnancy and an additional \$500 each month during their baby's first year of life. No strings attached, no income requirements.

End Notes

1. West, Stacia, Amy Castro Baker, Sukhi Samra, and Erin Coltrera. "Preliminary Analysis: Seed's First Year." stocktondemonstration.org, March 2021.
2. "United for ALICE: Michigan Overview." [United For ALICE](https://unitedforalice.org), April 19, 2023.
3. U.S. Census Bureau, "Selected Economic Characteristics," 2022. American Community Survey, ACS 5-Year Estimates Data Profiles, Table DP03, 2022, accessed on May 1, 2024.