

Unrestricted cash payments have taken many forms and interpretations over the years

During the Coronavirus pandemic, the United States government took extraordinary measures to mitigate economic disaster. Economic impact payments and enhanced Child Tax Credits (CTCs) prevented many from falling into poverty and helped millions pay their bills when the economy largely shut down. **These types of direct cash payments may have seemed unprecedented at the time, but they are not a new concept.**

Philosophers, social scientists, politicians and others have discussed direct cash programs over the centuries. From Thomas Paine's *Agrarian Justice*, to Milton Friedman's concept of negative income tax, to Martin Luther King Jr.'s work in *Where Do We Go from Here: Chaos or Community?*

Unrestricted cash payments have taken many forms and interpretations over the years. The Nixon administration experimented with both the Earned Income Tax Credit (EITC) and a negative income tax. In 1982, Alaska implemented the Alaska Permanent Fund Dividend program, distributing some of the profits from Alaska's oil wells to residents. And, as noted, in recent years the federal government distributed direct cash – in the form of economic impact payments – to reduce income volatility during the COVID-19 pandemic.

Today, we are taking lessons learned over the centuries of experimentation to design new direct, no-strings-attached cash programs. Between over 150 guaranteed income pilots across the United States and other inventive direct cash programs, a growing body of evidence shows regular, unrestricted, no-strings-attached cash has the ability to dramatically reduce income volatility, has no negative effect on employment and has benefits to physical and mental health.

LEAGUE RECOMMENDATIONS

Michigan can embrace the principles and benefits of unrestricted cash payments by...

- ✓ **Establishing a statewide Rx Kids program:** Guaranteeing pregnant individuals a lump sum payment during pregnancy and \$500 per month for the first year of the child's life would dramatically reduce infant poverty and improve the health of both the infant and mother.
- ✓ **Making the Michigan EITC more inclusive:** Michigan should expand EITC coverage to young adults and those over 64 as well as Individual Taxpayer Identification Number (ITIN) filers. This would help those in transition phases in their lives.
- ✓ **Creating a state-level CTC:** Michigan should implement a fully refundable statewide CTC that is available to families even without income, potentially reducing childhood poverty by as much as 34%.
- ✓ **Establishing a statewide guaranteed income pilot or program:** Just as Michigan led the pilot for the Temporary Assistance for Needy Families (TANF) program in the 1990s, Michigan should lead the way and become a model for a statewide guaranteed cash program.



Current Cash Programs

As we discuss the future of cash benefits, it's important to understand the shortcomings of the current system. The current social safety net in the United States can be described as "patchwork." It was created one piece at a time, and was often meant to address the latest pressing crisis or even public opinion. Benefits have historically been used as a coercive tool to force Americans, especially Black Americans, into low-paying jobs. On top of that there were Jim Crow-era policies such as "suitable home policies," which penalized unwed mothers, and "farm policies," which suspended benefits during planting and harvesting seasons.¹

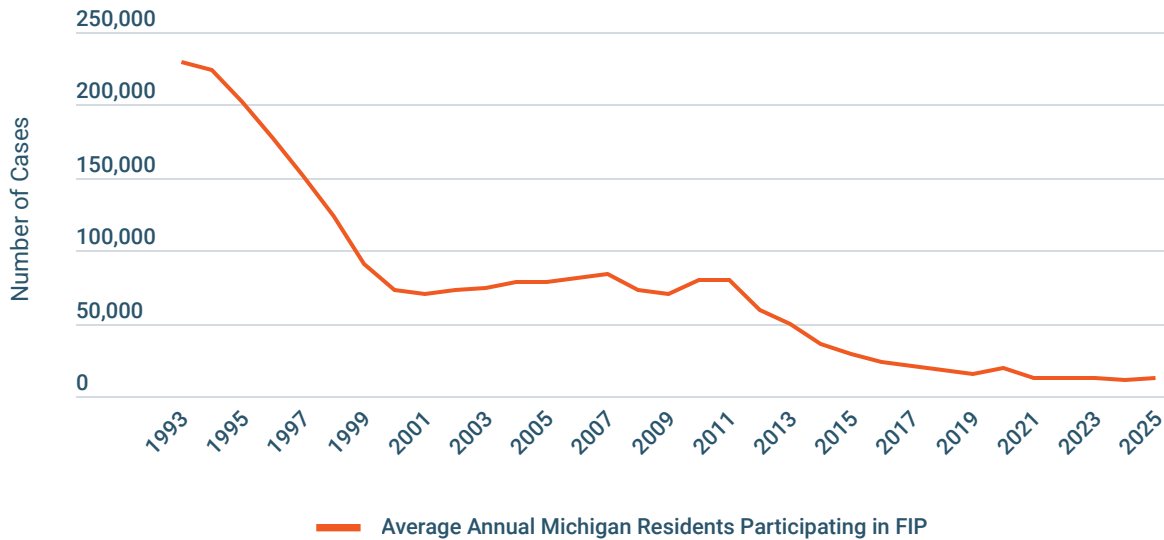
Over time, these policies were overturned, and instead coded language such as "welfare queens" and "personal responsibility" were used to stigmatize those who received benefits. The result is a benefits system that is complex and difficult to navigate, even if you have done everything right, and often disproportionately excludes people of color. This leaves thousands in need without a safety net.

Family Independence Program

The Family Independence Program (FIP) serves as Michigan's TANF program, and it's the primary way families with low incomes can receive cash assistance in Michigan. TANF and FIP are rooted in the notion of work and personal responsibility. The four listed purposes focus on temporarily supporting families so children can be cared for in the home, maintaining and encouraging the formation of two-parent families, ending government dependency, and reducing out-of-wedlock pregnancy. These listed purposes never mention lifting families out of poverty or seeking to provide a reasonable standard of living.

Until December 2024, the FIP payment standard (which determines how much a family receives each month) had not meaningfully changed since the program's inception. This means the standard has eroded over time due to inflation. Even after recent benefit increases, very few families qualify, with a family of three needing to earn less than \$928 per month or just 42% of the federal poverty threshold in order to initially qualify. **This leaves some Michigan families living in deep poverty without access to benefits.**

FIP's Exclusionary Policies Have Dramatically Reduced the Number of Michiganders Who Receive Benefits Over the Years: Number of FIP Cases Over Time



Source: [Michigan Department of Health and Human Services - Monthly Trend Reports](#)

FIP also includes restrictive work requirements that can force families with low incomes to juggle raising children, working, and potentially participating in training programs or looking for more gainful employment. Repeatedly failing to meet work requirements can lead to a family being banned from the program for life. Work requirements have been attached to many safety net programs under the guise of personal responsibility.

However, studies have shown work requirements are not an effective method to get people working and can negatively impact individuals with disabilities and potentially even increase deep poverty. They also add complexity and administrative burden, contributing to the overall cost of the program and creating inefficiencies.²

Together, these factors have helped push people out of the program over time, despite 13.4% of Michiganders facing poverty.

Michigan Earned Income Tax Credit for Working Families

At the federal level, the EITC provides individuals and families with a refundable tax credit when their earnings are below a specified dollar amount. This reduces their tax burden and in many cases provides them with a sizable refund. Many states, including Michigan, have implemented a separate state EITC based on a family's eligibility for the federal EITC.

At the state level, the Michigan Earned Income Tax Credit for Working Families provides families with an additional tax credit equal to 30% of the federal EITC. This program reached over 640,000 Michigan households in 2024, putting cash into the pockets of Michiganders and allowing them to pay for everyday expenses. It even helped to pull families out of poverty. Michigan families received an average credit of \$836 from the Michigan EITC.³

The EITC is a good example of a policy that gets cash into the hands of families without many restrictions, however, it still has its limits. It excludes individuals under the age of 25 and over the age of 64 without children, leaving at a disadvantage younger individuals just starting their career with lower-income entry-level positions and senior citizens attempting to retire. It also excludes ITIN filers, leaving some families who are in the United States and paying taxes excluded from benefits and paying a disproportionate amount of taxes.

Current Programs Leave Many Behind

While existing programs are able to provide cash assistance to select families, many programs have exclusionary components that act as barriers to receive benefits. The services also can come with a harmful social stigma.

The result is a system that excludes most Michiganders in need. Asset Limited, Income Constrained, Employed (ALICE) households include families that are working but still struggle to afford basics at the end of the month. ALICE families and those in poverty are below what is called the "ALICE survival threshold."

In 2023, 74% of Michigan households headed by a single female parent were living below the ALICE survival threshold. Moreover, 62% of all Black-led households in Michigan lived below this threshold.⁴ **Families who earn too much to fall below the poverty threshold but don't earn enough to make ends meet receive virtually no benefits.**



The majority of families living below the ALICE survival threshold do not receive cash benefits through FIP

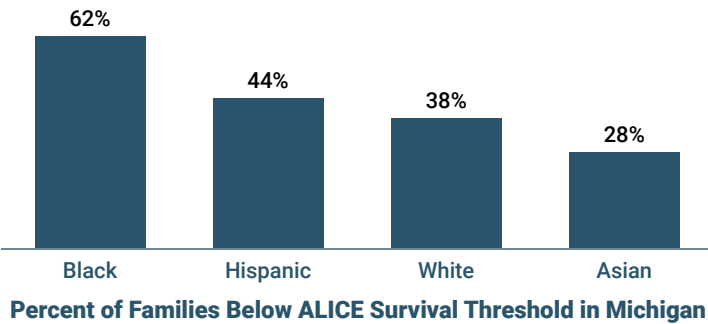
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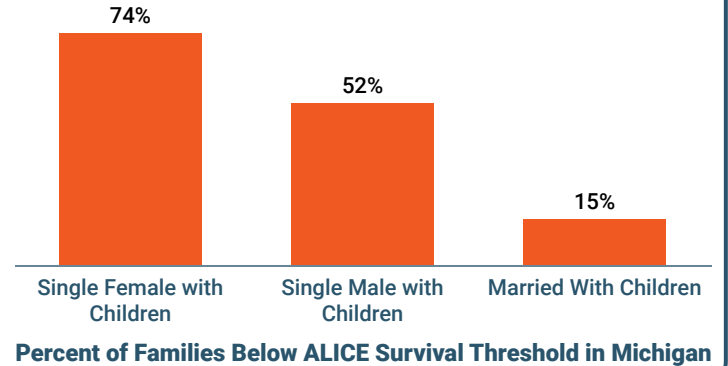
More than 2%
of Michiganders living below the poverty threshold receive cash benefits through FIP.

Source: [United for Alice](#)

Minority households disproportionately fall below the ALICE survival threshold






The majority of single female-led families fall below the ALICE survival threshold



Source: [United for Alice](#)

The Power of Cash

Modifying current cash programs or creating new programs to fill in the shortfalls of the existing programs could help meet the needs of Michiganders. Successful cash programs generally have three key components that set them apart from our current system: they are **regular, unrestricted** and have **no strings attached**.

-  **Regular:** Benefits are received at a consistent and predictable interval, such as a payment received at the beginning of each month.
-  **Unrestricted:** The cash can be spent at the discretion of the recipient; embracing the idea that an individual is an expert in their own life and they know what they need to succeed, whether that means helping to pay for their rent or to fix a broken water heater.
-  **No Strings Attached:** There are no work requirements, no barring individuals because of involvement in the justice system, and funds are not contingent on first performing some other task.

Successful direct cash programs seek to address need at its source. Unlike many other modern programs, they do not look to first address food insecurity, housing, education or other measures connected to poverty. When families are given cash, they are ultimately given the freedom to address their needs as they see fit.

Michigan has access to a suite of tested, evidence-based policy options to deliver direct cash benefits to its residents, from broad programs encompassing large portions of the population to more targeted approaches to support families at specific instances of financial hardship.

Guaranteed Income

Guaranteed income (GI) seeks to provide unrestricted, regular cash payments to a targeted group within a community. The proposal aims to supplement the safety net, shoring up gaps of existing programs. Guaranteed income targets benefits toward members of a community in the greatest need.

In pilot programs across the United States, this has often meant individuals earning below a certain income threshold, such as the state average weekly wage, or a percentage of the federal poverty threshold. These pilot programs typically deliver monthly cash benefits ranging from \$50 to \$1,000, with the exact amount and timing depending on the specific program.

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The terms guaranteed income and universal basic income (UBI) are often used interchangeably; however, these are two different policy prescriptions. While the exact definition may vary among the research and policy community, generally GI is more targeted than UBI, with GI targeting a particular broad group in a community and UBI targeting an entire community.

Over 150 Guaranteed Income Pilots Have Delivered Direct Cash Across the Country

Guaranteed income pilots have been delivering results across the country, producing research and reporting both economic and social benefits. There have been more than 150 guaranteed income pilots and programs across the United States.

Economic and Employment Benefits

GI pilots have consistently shown reduced income volatility among participants, meaning families are better able to budget expenses month to month. One recent pilot out of Oakland, California found income volatility was significantly lower among program participants receiving GI benefits compared to residents receiving no GI benefits.⁵

The same study found full-time employment increased by 11% through the course of the pilot. The Stockton Economic Empowerment Demonstration (SEED) found similar results, with employment increasing by 12% during the first year of the study.⁶ Qualitative analysis from SEED shows this increase in full-time employment occurred because participants leveraged benefits to remove material barriers and also took more risks with employment, such as leaving a low-wage part-time job to spend more time looking for full-time work or entering into an education or training program.

Moreover, the Alaska Permanent Fund, a statewide guaranteed cash program, has lifted an estimated 15,000 to 25,000 Alaska residents out of poverty every year since 1990.⁷ This has helped Alaska achieve the 15th lowest poverty rate in the country. In contrast, Michigan currently has the 11th highest poverty rate.⁸

Cash Programs Benefit Mental and Physical Health

The Magnolia Mother's Trust in Mississippi is the longest-running privately funded guaranteed income program in the country, providing Black mothers with \$1,000 per month for one year. Before entering the program, 40% of participants in the program's second cohort reported being able to see a doctor for an illness. By the end of the program, this number increased to 70%.⁹ Mothers also reported improvements to their mental health, and the fourth cohort of the program reported increased time for self-care activities and increased self-sufficiency.¹⁰

Mental health benefits were also seen during the Camp Harbor View Guaranteed Income Program in Boston. During the pilot, risk of psychological distress decreased by 23% among participants, while risk increased by 8% among families not receiving payment.¹¹ It is notable that participants in all of the aforementioned pilots saw improvements to mental health and financial well-being in some way.

These programs represent just a fraction of the data available from the over 150 GI pilots in the United States. Each one tells the same story: guaranteed income is a clear and effective way to improve the financial, physical and mental well-being of participants. Most of these programs have been targeted on a singular community; it's time to experiment with scaling these programs up with more statewide programs.

Rx Kids Helps Put Michigan on the Map

Welcoming a new child into the world is a financially stressful endeavor, perhaps even more so in Flint, Michigan, which had the highest infant poverty rate in the country at 59% in 2023. In 2024, Rx Kids sought to change this with a different type of temporary, targeted cash program.

Rx Kids began distributing direct cash payments to pregnant mothers and their infant children in Flint. The program is the first of its kind in the nation, providing \$1,500 to mothers during their pregnancy and \$500 dollars per month during the first year of the child's life.

After one year in operation, 80% of Rx Kids participants say the program has helped them feel more secure in their finances. Also, 59% report the program has made it easier to access healthcare and 72% say the program has helped improve their health and the health of their infant child.¹²

Additionally, participants are not frivolously spending the money. Data shows families are overwhelmingly spending the cash prescriptions on baby supplies, food, rent, utilities and clothing.¹³

Following the success of Rx Kids in Flint, the program is rapidly expanding and is currently operating in 25 different cities, counties and regions across Michigan. Even more impressively, it has been able to do so with incredible efficiency. The program is funded through a public-private partnership, with the public component generated by combining existing federal TANF dollars with state funding, and the remainder of the funding provided through private donations. This funding structure limits the program's financial burden on the state's budget while improving participants' economic stability and lifting children out of poverty.

Because the program efficiently puts cash into the hands of families during a time of financial stress, it has the potential to boost Michigan's economy. It is estimated the Rx Kids program in Flint alone will create between 100 and 200 jobs across the state and generate between \$15 million and \$40 million in additional personal income in the state. Moreover, for every dollar spent on Rx Kids, the program is estimated to add an additional 60 cents to \$3 to the state economy.¹⁴

It is time to expand Rx Kids across the entirety of Michigan. This financially efficient program would have direct and measurable positive impacts on Michigan families and infants while potentially boosting the state's economy.

Michigan Child Tax Credit

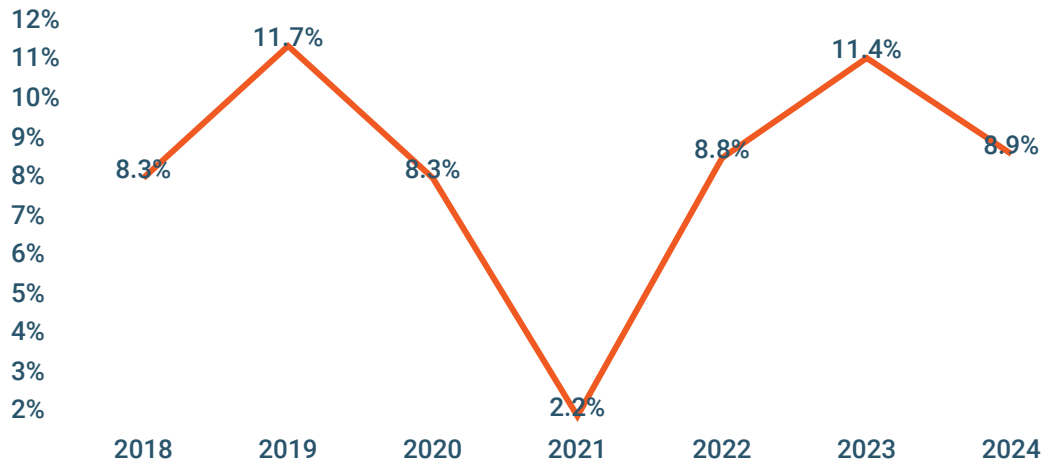
While traditional tax credit programs might not be the most direct method of distributing unrestricted cash benefits, the framework for an expanded tax credit system already exists and has proven to be impactful.

The federal Child Tax Credit is a non-refundable tax credit that helps families with children reduce their tax burden. In 2021, the American Rescue Plan Act (ARPA) temporarily expanded the federal CTC, raising the maximum credit per child over the age of 6 from \$1,700 to \$3,000. During this period, the credit became fully refundable, allowing even families with no earned income to receive the credit as a refund.

Additionally, this credit could be received in advance as a monthly payment. This essentially created a program that could provide monthly payments to families with children regardless of employment status. During the ARPA expansion, childhood poverty was cut by 46% across the country, lifting 2.9 million children out of poverty.¹⁵

The Federal Enhanced Child Tax Credit Slashed Child Poverty in Michigan

In Michigan, the supplemental childhood poverty rate experienced a relative drop by 73.5% during the 2021 expansion of the CTC.¹⁶



Source: [EPI - State of Working America Data, Current Population Survey](#)

Unfortunately, this expansion to the federal Child Tax Credit was short-lived. It expired after one year, ultimately causing childhood poverty to rebound. Today, 15 states plus the District of Columbia have enacted their own version of a state-based CTC. In 11 of these states and D.C., these credits are fully refundable, meaning the total deduction can result in a tax refund, putting no-strings-attached dollars in the pockets of families.

In 2024, 8.9% of Michigan children lived in poverty based on the supplemental poverty measure.¹⁷ State-based refundable CTCs have been shown to contribute to reducing childhood poverty shortly after their implementation. One study estimates that if a state without a refundable CTC were to implement a CTC program mirroring that of Colorado or Minnesota, childhood poverty would be reduced by 25%-34% across the state.¹⁸ **In Michigan, this would mean 93,250 to 126,820 fewer children in poverty.**

A state-level Child Tax Credit that is fully refundable, with no earnings requirement, indexed to inflation, and with advance payment options would create a system that could distribute direct and somewhat regular cash payments to families with children. As a result of states implementing their own CTCs and the expanded federal CTC under ARPA, we know these programs work. **Michigan must implement a fully refundable state-level CTC.**

It's Time for Michigan to Use the Power of Cash Programs

It's clear existing cash benefit programs in Michigan fail to keep families out of poverty — they don't even go far enough to help people afford the basics required for family survival in 2026. Programs such as FIP are exclusionary, coming with strings attached in the form of punitive requirements that prevent people from participating.

Fortunately, there are alternatives to get cash in the pockets of Michigan families. We have a suite of options available, including broad guaranteed income programs, expanded tax credits, and targeted cash programs such as Rx Kids.

Ultimately, poverty is a policy choice. Direct cash programs mean a shift in our way of thinking. We must move past the negative narratives surrounding benefit programs and recognize that everyone is worthy of a reasonable standard of living, regardless of family composition, age, race, ability, gender, sex or income. The evidence is clear; by using the key principles of unrestricted, regular and no-strings-attached cash payments, we could transform Michigan to a state where everyone has the opportunity to thrive.



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