

# Basic Income Programs as a Way to Address the Impacts of COVID-19

One-in-four adults have experienced trouble paying their bills since the start of the COVID-19 pandemic, with a third of respondents forced to use savings or retirement accounts to make ends meet. Roughly 25% of adults in the U.S. either lost their job or had a member of their household lose their job. These and other economic impacts of the pandemic have hit lower income, Black and Hispanic Americans, and those without a college degree hardest. States are considering innovative programs designed to mitigate these negative economic impacts. One option that states might consider is a basic income program.

**Basic income is a specific kind of cash transfer from the government to some or all citizens.**

There are few conditions. Unlike other support services:

- It does not have to be spent on specific things
- Recipients do not generally undergo “means testing”<sup>1</sup> to demonstrate eligibility
- Some are “universal”, meaning funds are dispersed to almost everyone in equal allotments (i.e. do not phase out for higher earners).

However, the research on the impact of basic incomes includes both universal and more targeted programs (e.g. programs for which only people below 200% of the poverty level are eligible).

<sup>1</sup> “Means testing” is a process of establishing eligibility for a program by, for example, proving one’s income is low enough to receive welfare payments.

**States can use American Rescue Plan (ARP) Act Funds for basic income programs**

The ARP allocates \$195.3 billion to states and the District of Columbia as part of the State and Local Fiscal Recovery Fund. This funding enables states to respond to the COVID-19 public health emergency and the negative economic impact of the pandemic, but beyond that states have broad discretion over how to spend these funds. So long as a basic income program is focused on responding to the economic impact of COVID-19, states can use ARP funds for that purpose.

## States can learn from studies of basic income programs

Studies indicate that basic income programs have a [positive impact on individuals' well-being, stress levels, and mental and physical health](#).



### Permanent Fund Dividend - Alaska

While not called basic income, the program provides an unconditional cash transfer (called a “dividend”) to all Alaska residents. It is funded by earnings from the Permanent Fund – a repository for revenue Alaska receives from energy production (e.g. from leases for oil and gas drilling on public lands). Studies of the impact of the Permanent Fund Dividend found it reduced poverty rates by [approximately 25% over five years](#); may have [increased fertility rates](#); and had [no negative impact on employment](#). Evidence on health outcomes is limited and mixed at this stage, but there is some evidence the Alaska’s program had positive effects on [health outcomes like birth weight and mental health](#).



### Stockton Economic Empowerment Demonstration (SEED) - Stockton, California

In 2019, Stockton initiated a [two-year basic income pilot project](#) for 125 residents. SEED participants were selected at random from neighborhoods at or below Stockton’s median household income. Residents received \$500 per month for the duration of the project. A [study](#) found that between 2019 and 2020, the stipend had a positive impact on the full-time employment of project participants in addition to improvements in their financial, physical, and emotional health. At the [beginning of the program](#), 28% of recipients had full-time jobs, and one year later, 48% did. Because of the project’s short timeline, whether it is a disincentive to join or remain in the workforce is unknown.



### People’s Prosperity Pilot - St. Paul, Minnesota

Launched in October 2020, the [People’s Prosperity Pilot](#) provides 150 participating families with \$500 in income per month for 18 months. The pilot selected participants who experienced negative economic impacts resulting from the pandemic, such as losing their job or their access to childcare. The program focuses on families with newborns with income at or below federal poverty guidelines. The full impact of this pilot program are not yet known, but studies are forthcoming.



### Eastern Band of Cherokee Indians - North Carolina

After a casino opened on the Eastern Cherokee reservation in 1996, a portion of its profits have been distributed on a per capita basis to all adult tribal members (approximately \$4,000 per person annually). A [study](#) found that children in households receiving payments demonstrated higher levels of educational attainment and were less likely to commit minor crimes by their late teenage years.

## For More Information:

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## Current proposals for guaranteed basic income programs in the US

Public officials in several localities are implementing guaranteed basic income pilot projects using ARP funds. These projects are intended to provide residents with supplemental income to address rising food and housing insecurity brought on by the pandemic.


### California



Governor Gavin Newsom's proposed budget for 2022 includes [\\$35 million in funding for basic income program pilots](#). If adopted, these funds would use state money to transfer cash to some residents without any strings attached on how to spend those dollars. This is the first statewide effort to adopt such a program. However, the program would not be open to all residents of California. Instead, California would help local governments pay for their own programs, which they would have to help finance using local taxes or donor funds.


<https://www.pbs.org/newshour/economy/california-budget-has-35-million-for-basic-income-pilot-programs>

### Basic Income Pilot Program - Los Angeles County, California



On May 18, the Board of Supervisors approved the [launch of a guaranteed basic income pilot program](#) using funds made available through the ARP. The new program will provide monthly payments of at least \$1,000 a month over the next three years. The program is intended to "alleviate economic instability" caused by the pandemic while also acting as a first step to implement anti-poverty measures as permanent county policy. It is estimated the county will need at least \$36 million to finance the program. Eligibility criteria have not yet been determined.

### Chicago Guarantee Basic Income Pilot - Chicago, Illinois



On April 2, [City Alderman Gilbert Villegas proposed a pilot program](#) to provide 5,000 low income residents with a \$500 a month income for one year. Payments are intended to help with necessities such as food, clothing, and rent payments. It is estimated the program will cost approximately \$30 million, funded through the \$1.9 billion allocated to the city through the ARP. The program would be open to residents with income at or below 300% of the federal poverty level who can demonstrate the loss of a job or childcare, or another form of financial adversity experienced due to COVID-19.

## Resources:

To read the World Bank's resource guide on Basic Income, [CLICK HERE](#).

For a primer on Basic Incomes, [CLICK HERE](#).

To read Stanford Basic Income Lab's review of Basic Income research, [CLICK HERE](#).

To read literature review on Basic Income from the Annual Review of Economics, [CLICK HERE](#).

To read the Roosevelt Institute report on Basic Incomes, [CLICK HERE](#).