

# **STATE STRATEGIES** **to Strengthen Family Economic** **Stability and Opportunity**



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# State Strategies to Strengthen Family Economic Stability and Opportunity

## Introduction

Across the country, communities are taking bold steps to strengthen families through guaranteed income initiatives<sup>1</sup> that provide families with the economic stability necessary to lead healthy and prosperous lives in which children thrive. Over the past 40 years, guaranteed income has been an impactful family support approach that encompasses all aspects of families' lives, including well-being, family preservation, housing, child care, health, and economic stability. Leaders from Minnesota's Whole Families Systems (WFS) initiative are learning from the implementation of guaranteed income initiatives across the country and within the state of Minnesota. In this context, guaranteed income initiatives are flexible, regular, and consistent cash transfers designed to cover families' basic needs (Klein, 2022).

This brief provides insight into designing guaranteed income programs to ensure they are implemented effectively and efficiently in tandem with employment and other social support services to provide families economic security and social mobility. The paper has two sections. In the first, we discuss the challenge and policy options. In the second, a table we created describes key income supports and strategies for states and local leaders to ensure guaranteed income can be complementary and additive to have the greatest impact on families' financial well-being.

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<sup>1</sup> In this paper, we use the phrase guaranteed income to describe unrestricted and flexible financial assistance programs that provide a predictable and steady stream of income to participants. Other terms are used for similar efforts, such as dividends, universal basic income, guaranteed basic income, credits, or unconditional cash transfers.

## The Complexity of Making Ends Meet

In the United States, hourly wage workers have not seen a meaningful increase in “real wages”<sup>2</sup> since the late 1970s (DeSilver, 2018; Schmitt, Gould, and Bivens, 2018). A significant portion of families in minimum wage jobs qualify for public benefits, like child care subsidies and housing assistance, despite being fully employed. For instance, of the 3.4 million married-couple families receiving SNAP benefits, 84 percent had at least one worker. Nearly half (49 percent) had two or more workers (Loveless, 2020). Families rely on numerous sources of income to make ends meet. Indeed, research shows that “families use a combination of resources to make up their income package that they need to manage everyday survival, including government benefits, wages, and social supports,” (East and Roll, 2010, p. 10). Yet, families encounter a myriad of challenges, as they blend revenue, strive to support their children, and gain economic security (Rol and East, 2014).

Of particular note are the difficulties families face when public benefits are reduced as their earnings rise, creating a cliff effect in which overall economic well-being decreases even though their income increases. This can be particularly challenging in the instance of mean-tested benefits programs that have sliding fees. In this scenario, families are in a bind: while earnings improve, benefits decrease, often before sufficient income can be sustained to replace the loss from the benefit reduction.

Guaranteed income initiatives can play a powerful role in helping to facilitate economic security within this complex puzzle. As some advocates for GI have noted, “Cash is Care,” meaning that payments without strings attached or requirements can be “not only about the ability to care for oneself and one’s family, but about supporting and resourcing the care and work already done by so many” (Childs and Neighly, 2021). According to Massachusetts Institute of Technology’s Living Wage Calculator (Glasmeir, 2020), a single parent with two children in Minnesota would have to earn \$44.19 per hour to make a living wage<sup>3</sup> and \$10.33 per hour to earn a poverty wage. In January 2023, Minnesota’s minimum wage will range from \$8.63 per hour for small employers (gross annual receipts less than \$500K) to \$10.59 per hour for large employers.<sup>4</sup> Therefore, many families will struggle to meet their basic needs even with full-time employment.

To realize the potential of GI, however, state governments and local stakeholders have an important role to play in ensuring GI programs are effective and meet their objective of financial stability and opportunity. Most GI programs are implemented at the community level, and programs take great strides to ensure that GI payments supplement, and do not supplant, other social safety net programs on which families rely. States have several options, explored below, to help communities implement initiatives that ensure families have flexible and multi-sourced income.

### Options for Protecting Benefits with State Examples:<sup>5</sup>

#### Pursue legislation that exempts payments from counting as earned income

- In California, advocates introduced a bill that proposed exempting cash transfers in guaranteed income demonstration or research programs from CalWORKS (TANF) and CalFresh (SNAP) income eligibility

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<sup>2</sup> Real wages refer to income that is adjusted for inflation and reflects the earners standard of living.

<sup>3</sup> Assumes that working full time (2,080 hours per year)

<sup>4</sup> <https://www.dli.mn.gov/news/state-minimum-wage-increases-jan-1-2023#:~:text=Minnesota's%20minimum%2Dwage%20rates%20will,by%2026%20cents%20to%20%2410.59>.

<sup>5</sup> The options described in this section represent a summary from several reports, of particular note is [Protecting Benefits in Guaranteed Income Pilots: Lessons Learned from the Abundant Birth Project](#) by the San Francisco Office of Financial Empowerment The San Francisco Office of Financial Empowerment.

determinations. The bill would have also required the California Department of Social Services to develop a registration process for such guaranteed income programs. It was held in Assembly Appropriations and failed to move forward.

- In Illinois, SB 1735 (2019) established broad protections against loss of benefits for guaranteed income pilot participants.
- Nebraska and Minnesota passed legislation to exempt cash transfers from impacting TANF, SNAP, and the Low-Income Home Energy Assistance Program (LIHEAP) for participants in the Baby's First Years GI program (The San Francisco Office of Financial Empowerment, Bay Area Regional Health Inequities Initiative and Expecting Justice, 2021).

### State regulations

- Louisiana, as part of a guaranteed income research project, used state regulation to exclude payments from consideration in TANF.

### Grant waivers/exemption

- California's Department of Social Services (CDSS) formalized an application process to request CalWORKS (TANF) waivers and utilized its statutory authority to automatically provide a CalFresh (SNAP) income exemption waiver for any pilot that receives a CalWORKS waiver. These waivers are project-specific and are only available to pilots with an IRB-approved research project. If it is crucial to a pilot to protect CalWORKS and CalFresh, the pilot design must include a significant research component.

### Ensure payments are classified as gifts or meet the "general welfare exclusion" so that the GI payment does not count toward income

- Gifts are defined as "detached and disinterested generosity." Most existing and proposed guaranteed income pilots structure payments as gifts to protect benefits so that programs do not need to issue 1099s and recipients do not need to report payments on their tax filings. Gifts cannot exceed \$16,000 per year in 2022 and \$17,000 per year in 2023.

Payments meet the "general welfare exclusion" exemption if they meet all of the following criteria:

- The payments are made to individuals, not entities or businesses.
- The payments are made under a governmental program to promote general welfare (e.g., payments to adoptive parents for support and maintenance of the adopted child).
- Recipients are selected based on need (e.g., they are limited to low-moderate income status or are victims of a disaster).
- The payments are not tied to any services provided (e.g., job training where the recipient is doing the job for which they are training).
- The expense (if any) compensated for by such payment is not compensated for by insurance or otherwise.

### Create Hold Harmless funds to replace lost benefits, often applied to the WIC program

- Alaska PFD has established a Hold Harmless Fund that seeks to replace the value of any benefits lost because of the cash received.

### Consider recipient designation in the context of the household (e.g., non-benefit eligible member receives the payments)

- Stockton SEED: Allowed families to self-select within households to minimize their own exposure to benefits loss.



## Nationally Developed Tools and Supports

Several states and communities are establishing benefits counseling services and benefits calculators to help families weigh the costs and benefits of participating in a guaranteed income initiative:

- **Guaranteed Income Dashboard:** The Atlanta federal reserve bank has created a tool to illustrate how a GI program would affect a family's access to other public benefits. It is a simulation that can be modified for different communities and contexts (Ilin, Ruder, and Terry, n.d.).
- **Leap Fund** is an organization offering a Benefits Cliff coaching program and other tools and resources because many workers across the country turn down income that they have earned at their jobs, out of fear of hitting the benefits cliff (essentially, earning a dollar or two more an hour but, as a result, losing public benefits that were worth much more than the income increase).
- **Visualizing UBI Research:** Developed by the Stanford Basic Income Lab, this site includes a tool that compiles extensive research and shows the connections between UBI and a variety of social issues (Stanford Basic Income Lab, 2020).

## Minnesota Developed Tools and Supports

- **Economic Stability Indicator:** The Children's Defense Fund – Minnesota created this tool to illustrate the interaction among wages, public programs, and tax credits/liability in bringing or failing to bring families to economic stability. The dynamic, online tool can be used to demonstrate the gap that exists between low wages and a basic-needs budget, and the role public programs and tax credits can play in filling that gap (Children's Defense Fund Minnesota (CDF MN), n.d.a).
- **Bridge to Benefits:** Another Children's Defense Fund-Minnesota tool to improve the well-being of families and individuals link them to public work support programs and tax credits. By answering a few simple questions, families can see if they or someone else may be eligible for public work support programs (CDF MN, n.d.b).
- **Integrated Services Assessment Tool (ISAT).** Future Services Institute (n.d.) developed the ISAT in collaboration with Olmsted and Dakota Counties (MN) and Boulder County (CO), as well as stakeholders across Minnesota. The purpose of the tool is to strengthen service delivery to address families' holistic needs and assets across the 14 life domains aligned to the social determinants of health.

## Additional Considerations for Implementation

**Political climate and framing.** Cash assistance has long been a divisive political issue. Some believe that poverty and wealth are a function of individual responsibility and that families in poverty are ill-equipped to use cash income assistance to improve their economic well-being. Moreover, some believe in the notion of “deserving” and “undeserving” poor (Miller, Alexander and Hall, 2021). Recognizing the political arguments against GI is important to engendering bi-partisan support for implementation. The framing of personal responsibility perpetuates cycles of inequity by blaming the individual and neglecting the history of systemic racism and classism that contribute to persistent racial disparities (Bonilla-Silva, 2003; Leadership Learning Community, 2010).

**Aligning strategy to an appropriate level of government.** Communities face a complex web of government rules and regulations in understanding the full scope of the income sources that families rely on for their economic stability, including public benefits. GI strategy should include benefits counseling for families and waivers that exclude GI payments from counting as family income. This will ensure that GI supplements do not supplant other income sources. Many public benefits are managed across many federal, state, and, sometimes, county and municipal agencies. Implementers are advised to build relationships and pursue exemptions accordingly with the appropriate level of government.

**Consider the efficacy of GI in meeting needs.** Cash-based programs best help families meet their basic needs such as food, transportation housing, and child care. Some basic needs are known for market failure (e.g., housing and child care). They are often unaffordable and in short supply. In these instances, GI funding may not be sufficient to provide recipients with decent options. It is important for policymakers to address supply-side support for low-income workers and those who participate in cash-based programs to ensure families’ economic stability (Balakrishnan, Lewis, and Nuñez, 2020).

**GI options need to be customized and trust must be developed with recipients.** Individual circumstances vary. Families secure economic stability through a combination of various economic resources, including job earnings, benefits, and in-kind assistance. When enrolling recipients in GI programs, implementers should carefully consider each recipient’s circumstances to assure that the program will positively impact their economic well-being (Baker, Martin-West, Samra, and Cusack, 2020).

**Questions remain.** Families sometimes rely on outside income sources, such as child support and child welfare payments. In addition, the interplay between the federal Earned Income Tax credit and refundable Earned Income Tax credits is also nuanced and should be examined more carefully. The intersection between GI and these income sources requires greater investigation within the local and individual context.

Several guaranteed income support programs have created tables demonstrating how an increase in families' finances because of GI can impact families' access to public benefits, which are vital to helping families realize the gains that GI offers. Three major benefit approaches are described in this table:

- 1) Income assistance programs that supplement family income to meet basic needs.
- 2) Subsidies that target specific needs.
- 3) Insurance benefits.

The following table combines information from the following sources and includes some direct quotations from these reports:

- Abundant Birthing Project (ABP) (The San Francisco Office of Financial Empowerment, 2021).
- Mitigating loss of health insurance and means tested benefits in an unconditional cash transfer experiment: Implementation lessons from Stockton's guaranteed income pilot SEED (Baker et al., 2020).
- Benefit Impact Table: Chicago (City of Chicago, 2022).
- Guaranteed Income: States take the Lead (Downey, 2022).

Benefit Name	Description: Purpose and Disbursement Approach	Government Role	Intersection with Guaranteed Income	Strategies to Maintain Income Supports
<b>Income Assistance Programs</b>				
Temporary Assistance for Needy Families (TANF)	Cash payment for families to meet basic needs. Delivered through an EBT card that is reloaded monthly.	Federally funded, state administered. Block grant to states that have some discretion in implementation.	GI <b>may</b> impact eligibility.  GI considered unearned income.	State and local agencies have authority to create waivers or other policy exemptions to protect benefits.
Supplemental Nutrition Assistance Program (SNAP)	Quasi-cash payment for food for families with low incomes (monthly income 130% of FPL). Delivered through an electronic benefits transfer (EBT) card that is reloaded monthly.	Federally funded, state administered. State governments have some flexibility in administration, and can, therefore, grant waivers.	GI <b>may</b> impact eligibility.  GI considered unearned income.	Programs that use a lump sum approach are more likely to protect benefits based on federal law whereas programs that provide periodic payments may impact eligibility.  Provide counseling to potential participants regarding benefit implications.
Special Supplemental Nutrition Program for Women, Infant, and Children (WIC)	Quasi-cash payment for food for families with low incomes (monthly income 130% of FPL). Delivered through an electronic benefits transfer (EBT) card that is reloaded monthly.	Federally funded, state administered. State governments have some flexibility in administration, and can, therefore, grant waivers.	GI <b>may</b> impact eligibility.  GI considered unearned income.	Programs that use a lump sum approach are more likely to protect benefits based on federal law whereas programs that provide periodic payments may impact eligibility.  Provide counseling to potential participants regarding benefit implications.
Supplemental Security Income (SSI)	Compensates households for the insufficient aid they derive from public insurance.		GI <b>may</b> impact eligibility.  GI considered unearned income.	One possible pathway to exemption: Assistance Based on Need (ABON) payments can be excluded from counting as income for purposes of SSI if they are “provided under a program which uses income as a factor of eligibility,” and the program is “funded wholly by a State ... a political subdivision of a State, or a combination of such jurisdictions.”



Benefit Name	Description: Purpose and Disbursement Approach	Government Role	Intersection with Guaranteed Income	Strategies to Maintain Income Supports
<b>Subsidies that target specific needs</b>				
Public Housing and housing choice vouchers	Means-tested benefit to provide affordable housing to families with low incomes.	Federal aid to local housing agencies.	GI <b>may not</b> impact eligibility.	“Public Housing Authorities (PHAs) can make local policy changes to exempt GI payments for residents in the Public Housing Program. HUD may grant local waivers for Housing Choice Voucher Program participants, and once the Housing Opportunity Through Modernization Act of 2016 is fully implemented.” (The San Francisco Office of Financial Empowerment, 2021, p. 21)
Child care subsidies	Ensuring that the cost of child care is reasonable. Means-tested subsidy program, in which payments are made to child care providers. Family co-pays may be required, determined on a sliding scale.	Federal block grant administered by states. Some states work with local entities to administer benefits.	GI <b>may not</b> impact eligibility.	Benefits can be protected by relationship building and consultation with local officials.
Transportation discount programs	Means-tested benefit, discounts on public transportation.	Local government administered program.	GI <b>may not</b> impact eligibility.	Benefits can be protected by relationship building and consultation with local officials.
Utility discount programs	Local entities may offer discounts on heat, water, sewer, or power bills.	Local government administered program.	GI <b>may not</b> impact eligibility.	Benefits can be protected by relationship building and consultation with local officials.

Benefit Name	Description: Purpose and Disbursement Approach	Government Role	Intersection with Guaranteed Income	Strategies to Maintain Income Supports
<b>Health and Social Insurance</b>				
Medicaid: Modified Adjusted Gross Income (MAGI)	Health benefit program that serves people with low incomes of every age. Patients usually pay no part of costs for covered medical expenses. A small co-payment is sometimes required.	A federal-state program. Implementation varies from state to state. Run by state and local governments within federal guidelines.	GI <b>should not</b> impact eligibility.	Benefit eligibility excludes gift income from eligibility determinations.
Medicaid: Non MAGI	Health benefit program for individuals who are over 65, disables, or blind.	A federal-state program. Run by state and local governments within federal guidelines.	GI <b>may</b> impact eligibility.	Non-MAGI Medicaid benefits may be reduced, or recipients could become ineligible since the non-MAGI income definition includes gifts.  Provide counseling to potential participants regarding benefit implications.
Children's Health Insurance Program (CHIP)	CHIP provides low-cost health coverage to children in families that earn too much money to qualify for Medicaid. In some states, CHIP covers pregnant women. Each state offers CHIP coverage and works closely with its state Medicaid program. Payments are made to the healthcare provider.		GI <b>should not</b> impact eligibility.	Benefit eligibility excludes gift income from eligibility determinations.

Benefit Name	Description: Purpose and Disbursement Approach	Government Role	Intersection with Guaranteed Income	Strategies to Maintain Income Supports
Social Security insurance (SSI) and Social Security disability insurance (SSDI)	Provides funding when earnings decrease due to retirement or disability status.	A federal program: Employment-based benefit that is based on prior earnings/ contributions.	GI <b>should not</b> impact eligibility.	Benefit eligibility excludes gift income from eligibility determinations.
Unemployment Insurance	Unpredictable and acute income or cost shock. Direct deposit to one's own bank account or prepaid card, or state-issued prepaid debit card or paper check.	A federal program: Employment-based benefit that is based on prior earnings/ contributions.	GI <b>should not</b> impact eligibility.	Benefit eligibility excludes gift income from eligibility determinations.
Paid Medical and Family Leave	Income supplement to care for children and family member.	State program: Employment-based benefit that is based on prior earnings/ contributions.	GI <b>should not</b> impact eligibility.	Benefit eligibility excludes gift income from eligibility determinations.

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