

# UNIVERSAL BASIC INCOME PROGRAM



Submitted by  
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City of Milwaukee

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# BACKGROUND INFORMATION

On January 21, 2020, the Milwaukee Common Council adopted Resolution 191463 by a 10 to 5 vote. The resolution directs the Administration Director “to develop and present a plan to the Common Council for implementing a pilot SEED universal basic income program based on the Stockton model”. SEED denotes the Stockton Economic Empowerment Demonstration program. This paper has been prepared by the City of Milwaukee Department of Administration (DOA) in compliance with Resolution 191463 and outlines a process to develop a Milwaukee universal basic income (UBI) pilot program. It draws from various newspaper articles and sources of literature on UBI programs including – [Our Vision for SEED: A Discussion Paper](#).

SEED is America’s first city-led guaranteed income demonstration program. The program was launched by the City of Stockton, California on February 19, 2020 as a solution to poverty and inequality. SEED is a collaborative effort between the Office of Mayor Michael Tubbs, Reinvent South Stockton Coalition, Economic Security Project (ESP), and residents of Stockton, California. The ESP is a network of organizations and individual donors that have raised \$10 million to fund and explore UBI programs. Funding for SEED came partially from a \$1 million grant from the ESP. Another \$2 million came from foundations and other individual donors.



Susie Garza, who is participating in Stockton’s UBI pilot. Rich Pedroncelli/AP

[In Stockton, Early Clues Emerge About Impact of Guaranteed Income](#)  
CityLab, Sarah Holder, October 3, 2019

SEED gives a universal, unconditional income of \$500 a month for 18 months to 125 randomly selected Stockton citizens who make under \$46,000 a year. According to the program’s researchers, 43% of SEED recipients were currently working full or part-time, 11% were taking care of parents or children, 20% reported a disability, 8% had retired, 5% were students, and only 2% said they were not actively looking for work.

SEED results are tracked through debit card use. When the debit card is used to withdraw cash, the participants are asked on what they spent the income. Halfway through the program, researchers found

that on average, participants spent a plurality of their stipends (about 40%) on food and another 24% on sales and merchandise, including trips to Walmart or dollar stores. Another 11% went to paying their utilities, and about 9% went to buying gas and repairing their cars.

The SEED project is near completion. Researchers will evaluate the full impact of the program after the experiment ends. Although researchers have not yet determined whether the program works, the final results will be useful in informing next steps on developing a Milwaukee UBI initiative.

# CONSIDERATIONS FOR UNIVERSAL BASIC INCOME INITIATIVE

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The following is a summary of considerations for developing a pilot universal basic income (UBI) program drawing from literature on universal basic income (UBI) programs, including Our Vision for SEED: A Discussion Paper.

## What is Universal Basic Income?

Basic income is an unconditional cash transfer guaranteed to all individuals – there are no work requirements, means tests, or restrictions on how the money can be spent. Everyone receives the income individually, in an amount sufficient to cover basic needs.

## Vision and Purpose

What is the primary purpose of the program? The program's purpose plays a key role in designing the program. For example, a program designed to better understand the spending habits of low-income families with a guaranteed income could be structured much differently than a program designed to measure the impact of a guaranteed income program on health and well-being.

Community input is another important program leaders heard extensively from the Stockton community about its vision for SEED.

## Eligibility Criteria

What criteria will be used to identify program participants? Universal basic income programs generally have limited eligibility criteria related to income or other household characteristics. For example, Stockton's SEED program participants must be 18 years old and reside in Stockton. However, there were no limits on individual household income – households were chosen from neighborhoods where the median income was below the city's median. Income-based eligibility criteria can change a program's design from a universal basic income program to a means tested income program.

## Selection Process

How will program participants be selected? The more eligibility criteria a program has, the more difficult it is to randomly select program participants. For example, it is extremely difficult to identify individual families based on household size, income, or employment status. Most data on household income and household size is available from the U. S. Census Bureau at a summary level (Zip Code, Census Tract, etc.) and not at an individual level.

If program participants are not selected randomly, it is important to ensure that the process for selection is fair and defensible. The Stockton SEED program had three selection process goals:

1. The selection process must be fair
2. The selection process must be inclusive and representative of the city's residents
3. The selection process must maximize the ability to learn and yield objective results

## Program Implementation

Who will administer the program and how will the program participants receive the income? For example, the Stockton program is governed by an advisory board and administered by a non-profit organization.

The SEED program distributed funds through a prepaid debit card issued in each recipient's name and provided in partnership with the Oakland-based nonprofit Community Financial Resources. The card can be used wherever VISA is accepted and is part of a network of automated teller machines (ATMs) that offer surcharge-free transactions at ATMs in its network. The card has several features, including text alerts, online banking, options to set up bill-pay and direct deposit, and a savings account.

### **Interaction with Public Benefits**

A major consideration is the extent to which a guaranteed income program could result in a potential loss of public benefits for program participants. It is important to understand how an additional income may impact a family's ability to receive existing public benefits. In Stockton, SEED created a Hold Harmless Fund, to assist program participants with unanticipated benefit losses.

### **Additional Services**

Another consideration is whether any additional services offered to program participants would be mandatory or voluntary. The Stockton SEED program did not include other mandatory services.

### **Evaluation**

How will the program be evaluated? Will the program include a university partner to assist with evaluation? Will the program include a control group to compare program participants with individuals who did not participate in the program?

The Stockton SEED program included an independent evaluation with researchers from the University of Tennessee and the University of Pennsylvania. According to the program materials, "an independent evaluation ensures that the lessons learned from SEED are accurate, transparent, and community focused".

### **Ethical Consideration/Privacy**

Would the program require an Institutional Review Board process to protect the privacy and confidentiality of participants and their data, including financial data?

### **Budgeting/Financing**

In addition to the cost of providing income to program participants, what other cost would the program include? There are likely to be additional expenses related to administering the program, evaluating the program, and providing ongoing support and follow up to the program participants throughout the program.



# ADMINISTRATION DIRECTOR'S RECOMMENDATIONS

## – PROPOSED NEXT STEPS

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The Department of Administration (DOA) embraces innovative solutions to poverty and inequality. Universal Basic Income (UBI) is one such solution that is gaining national attention.

During the 2020 Democratic Party presidential debates, various candidates addressed questions about advancing universal basic income as a means to prevent and reduce poverty and increase equality among U. S. citizens. Presidential candidate Andrew Yang made UBI the cornerstone of his candidacy. Although Yang's presidential bid ended early this year, his efforts to promote universal basic income did not. Shortly after exiting the race, Yang launched a new organization called Humanity Forward. The organization will give away \$500,000 in free cash payments to the residents of one town in the state of New York as part of an initial pilot to demonstrate there are benefits of UBI. The mission of Humanity Forward is to "build the movement to rewrite the rules of our economy and society to make it work for us, the people, and create a human-centered America."

The economic fallout of the novel coronavirus, SARS-CoV-2 (more commonly known as COVID-19) has led many UBI supporters to make the case for advancing UBI on a federal level. Some have described the stimulus funding for eligible individuals and families provided in the Coronavirus Aid, Relief, and Economic Security (CARES) Act as UBI even though it is a means tested one-time payment. Under the CARES Act, most Americans are eligible for a stimulus check (also called an Economic Impact Payment, or EIP) of up to \$1,200 with married couples getting up to \$2,400. Families will get an addition \$500 per child. There is a possibility that there may be a second round of EIP funding according to White House and Congressional leaders.

The Administration Director supports the growing UBI movement and building the support necessary to make a Milwaukee UBI pilot program a reality for the residents of Milwaukee. Consistent Resolution 191463, the Administration Director supports taking an approach that provides 50 Milwaukee families with a monthly stipend of \$500 a month for 18 months (without restrictions on use) in addition to personal financial coaching services. The Administration supports seeking private donations to fund the program.

### **Garnering Philanthropic Support**

Unlike the Stockton Economic Empowerment Demonstration that amassed \$3 million in private funding before program launch, there is no funding attached to Resolution 191463. In order to garner the funding needed to establish a pilot Milwaukee UBI program, a key next step is to build support from a combination of funders including –

- Philanthropic sector donors
- Corporate sector donors
- Individual donors

Providing 50 Milwaukee residents with a \$500 monthly payment for 18 months will require \$450,000. This does not include funding for program administration, such as a full-time program manager, professional financial coaching services, and a researcher to track program participants

and study how UBI affects residents' spending and savings habits and influences their quality of life and financial stability. Additional funding is needed for expenses such as client data management software, educational and marketing, and other materials and supplies.

Garnering support for a pilot Milwaukee UBI program requires a fundamental change in how private foundations and donors grant funding awards. Private foundations typically provide grants to recognized nonprofits and public charities based on specific criteria and conditions. In some instances, foundations provide money directly to individuals in the form of scholarships or grants for a particular project. However, making large grants to individuals without conditions is unprecedented. The same restrictions apply to government sources of grant funding.

The expressed intent of the sponsors of Resolution 191463 is to rely solely on private funding for a Milwaukee UBI program. While funding the program will be challenging, another important consideration is ensuring community input. The Stockton model provides a framework to build community support, including from philanthropic partners.

### **Adopting a Community Centric Approach**

In order to increase the possibility of securing private funding for a Milwaukee UBI pilot program, it is essential to seek community input. Although the basic premise of UBI is that cash is the most direct and effective way to provide financial stability to those in need, the Milwaukee community must play a meaningful role in the design and implementation of a Milwaukee UBI pilot program. It is important to hear firsthand from residents and other community stakeholders on their vision for a UBI program, the program's goals, and the program's structure.

Resident engagement will increase the likelihood that the program will be widely accepted. Furthermore, drawing from the knowledge of residents, and especially those who would benefit most from UBI, and other community stakeholders will help create a more practical and effective program.

### **Formation of Milwaukee UBI Work Group**

It took over two years and a coalition of many people, including philanthropic partners that provided significant funding, to start the SEED program in Stockton. The design phase for SEED itself took 6 months to complete.

The Administration Director recommends forming a Milwaukee Universal Basic Income (UBI) Work Group to fulfill the intent of Resolution 191463. The work group should include representatives of government, education, business, philanthropic, faith and other community leaders and residents. The group will be tasked with:

- Researching UBI best practices
- Reviewing successful UBI examples from other cities
- Seeking input from the Milwaukee community on a vision, goals and program structure for a UBI pilot program
- Addressing major challenges to successfully implement a UBI pilot program, including but not limited to:
  - Fair selection criteria
  - Potential loss of public benefits due to supplementing wages (including necessary

- legislative changes)
    - Grant making restrictions
- Securing early financial commitments from legacy funders – this will help determine the feasibility of adopting a sustainable Milwaukee UBI pilot program

An initial first step of the work group will be to reach out to SEED legacy funders such as the Economic Security Project and Humanity Forward to gain insights based on their experience on how to best position Milwaukee to achieve sustainable UBI funding.

Another key step is developing a process for community engagement and coalition building. The Administration Director strongly believes that philanthropy must play a lead role in advancing the efforts of the work group, and recommends identifying and securing a representative from a major foundation to Chair or Co-Chair this effort.

### **Developing Project Implementation Plan**

If the Milwaukee UBI Work Group determines that launching a Milwaukee UBI program is feasible based on private support, the Work Group’s second phase is developing a UBI pilot program design and project implementation plan. The project implementation plan would include the following:

- Vision Statement
- Program Goals
- Measureable Strategic Objectives
- Program features and design elements, including but not limited to:
  - Governance structure
  - Process for selecting and enrolling participants
  - Process for distributing funds
  - Process for tracking clients and activities
  - Implementation timeline
- Implementation and program partners
- Process for measuring program results
- Budget and fundraising strategy, including but not limited to:
  - Personnel costs (i.e., full-time program manager, researcher, financial coaching services, etc.)
  - Client management system, supplies and materials (i.e., software, educational and other materials, etc.)
- Fundraising Strategy

**TIMELINE** The Administration Director believes it will require at least 12 months to complete the steps outlined in this paper. Progress can be reported on a quarterly basis. Advancing a project of this scope requires full-time staff support. Identifying and securing funding for a full-time project manager will expedite the process.

**TEAM LEADS** **Sharon Robinson**, Administration Director • **Steven Mahan**, Director, Community Development Grants Administration (CDGA) • **Eric Pearson**, DOA Budget Analyst

# Universal Basic income Program Resolution

## Number

191463

## Version

ORIGINAL

## Reference

## Sponsor

ALD. LEWIS, KOVAC, COGGS, JOHNSON, HAMILTON, BAUMAN, RAINEY AND STAMPER

## Title

Resolution directing the Administration Director to develop and present a plan to the Common Council for implementing a pilot SEED universal basic program based on the Stockton model.

## Analysis

This resolution directs the Administration Director to develop and present a plan to the Common Council for implementing a pilot SEED universal basic program based on the Stockton model. The Administration Director shall present this plan to the Common Council within 4 months of adoption of this resolution.

## Body

Whereas, The 2020 Budget was adopted by Common Council File Number 190001 on November 26, 2019; and

Whereas, Amendment 7B placed a footnote in the Budget stating, "The Administration Director shall develop and present to the Common Council a plan for implementing a pilot SEED universal basic program based on the Stockton model"; and

Whereas, In February, 2019, the city of Stockton, California piloted the country's first municipal guaranteed income initiative; and

Whereas, The Stockton Economic Empowerment Demonstration (SEED) program gives 125 Stockton residents an unconditional \$500-a-month payment for 18 months; and

Whereas, Guaranteed income programs allow low-income and working class individuals to decide for themselves where extra income would help the most; and

Whereas, Preliminary reports from Stockton indicate that the majority of participants spent their funds on food, merchandise, and utilities; and

Whereas, Milwaukee suffers from many of the same racial and economic disparities that Stockton aimed to overcome through this program; and

Whereas, Universal basic income could significantly improve the lives of Milwaukee residents who live at or below the poverty line; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the Administration Director is directed to develop and present a plan to the Common Council for implementing a SEED universal basic income program based on the Stockton model; and, be it

Further Resolved, that the Administration Director shall present this plan to the Common Council within 4 months of adoption of this resolution.

## Requestor

Drafter LRB175709-1  
Luke Knapp 12/13/2019