FEASIBILITY AND IMPACT OF GUARANTEED INCOME IN MAINE

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Executive summary

- **A great need exists in Maine** for the kind of financial support guaranteed income could provide: reliable and periodic payments throughout the year, helping to smooth over recipients' income volatility and better budget their finances.

- Evidence shows guaranteed income pilots **benefit financial, mental, and physical health** and **advance racial and gender equity**. Evidence *does not* show guaranteed income provides a disincentive to work.

- **Maine has already implemented programs like guaranteed income** — the Child Tax Credit, Earned Income Tax Credit, and pandemic stimulus checks — that helped Mainers afford necessities and reduced poverty.

- There are **different shapes guaranteed income programs can take** regarding the scale, populations served, benefit amounts, and lengths of time.

- Offering participants **optional wrap-around services** — such as financial literacy courses, assistance in housing or job searches or guidance in accessing other safety net programs — **is a best practice** for guaranteed income programs to optimize benefits and improve economic security.

- As guaranteed income provides resources to families who may already be receiving public benefits, it is important to **protect eligibility for safety net programs**.

- Pilot programs typically draw on **a mix of public and private funding**. While private funding saves taxpayer dollars for other investments and protects the eligibility of participants for safety net benefits, it prohibits the ability to scale up and serve more people. **Meeting the needs of a statewide population would require progressive sources of public revenue** — for instance, asking people with wealth to pay more in taxes — and changes in law to exclude guaranteed income from safety net eligibility.

- A publicly funded guaranteed income program would need to be **housed in a state agency**. Several Maine agencies are potential candidates.

- **Building off an existing program** that distributes financial resources to households — for example, through refundable tax credits, direct payments in checks or debit cards, or grants — could present fewer administrative burdens.

Introduction

Providing unconditional income is a concept at least as old as the Enlightenment,[1] when it was championed by Thomas Paine. Since then, public figures with diverse ideological viewpoints, including Richard Nixon, Milton Friedman, Martin Luther King Jr., Charles Murray, and recent presidential candidate Andrew Yang, have embraced various forms of guaranteed income. The reasons for supporting this policy vary widely, with some proponents claiming it will promote civic engagement and a sense of shared ownership in society, others claiming it as a way to ensure a decent standard of living for everyone or reduce rampant income inequality, and still others believing it an inevitable response to automation which could one day eliminate the need for many jobs currently held by people.

As the popular conversation surrounding unconditional income has caught on over the past decade, so, too, have public policy experiments testing the idea. The Canadian and U.S. governments experimented with guaranteed income pilot programs in the 1960s and 70s. By contrast, municipal or county governments have typically implemented recent experiments. As these experiments prove overwhelmingly successful in bolstering participants' financial security, sense of personal empowerment, and long-term outlooks, more state and local governments are beginning to consider their own experiments with unconditional cash transfers.

There are multiple versions of programs that aim to provide unconditional income:

Universal basic income: provide *every* citizen or resident with enough unconditional income to *meet their basic needs*, regardless of their current financial circumstances

Basic income: provide unconditional income to a *targeted* group of people often based on income, geography, or other characteristics to *meet basic needs*

Guaranteed income: provide unconditional income to a *targeted* group of people often based on income, geography, or other characteristics that *may or may not be sufficient to meet basic needs*

Recent events have also strengthened the case for unconditional income solutions. In response to the COVID-19 pandemic, the U.S. and Maine provided unprecedented levels of cash assistance (in the form of stimulus checks, increased unemployment insurance benefits, and a dramatic increase to the Child Tax Credit) to promote economic activity and help households weather the impacts of the pandemic. These policies successfully helped

[1] The Stanford Basic Income Lab, "What Is UBI?". https://basicincome.stanford.edu/about/what-is-ubi/. Accessed 9/14/2023

families afford essentials,[2] improved mental health,[3] and dramatically reduced poverty,[4] especially child poverty.[5] Not only did the U.S. economic response to COVID-19 demonstrate the transformative power of unconditional cash: it even helped directly fund many municipal experiments explicitly testing the concept of guaranteed income.[6]

Because of the need for financial stability among many Americans, the demonstrated ability of unconditional cash transfers to provide this stability, and growing support for guaranteed income programs specifically, the time has never been more opportune for Maine to begin exploring guaranteed income programs.

This report examines the potential for guaranteed income in Maine; the impacts of previous guaranteed income pilots or other near-unconditional cash transfers; the policy landscape and key design elements of existing guaranteed income programs; the administrative and financial feasibility of guaranteed income programs; and what potential guaranteed income programs could look like in Maine.

The purpose of this report is to provide decision-makers interested in implementing a larger-scale guaranteed income program in Maine with information to inform the design of such a program. By lifting up key choice points, administrative and cost considerations, interaction with other programs, and potential funding options, the report helps to advance the planning process. Ultimately, the most effective program design will be informed by the concerns and experiences of intended beneficiaries and program administrators and a clear understanding of program scope, impact, and duration.

By building an unconditional income solution that lifts more people up, leverages existing state administrative capacity, and draws on a more durable base of funding, **Maine has the opportunity to be a leader in pioneering the old yet still revolutionary concept of providing guaranteed income.**

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[2] Center for American Progress, "Expanded Child Tax Credits Have Been a Lifeline for Many." February, 2022. https://www.americanprogress.org/article/expanded-child-tax-credits-have-been-a-lifeline-for-many/

[3] Chu L, Teng L. Does Stimulus Check Payment Improve People's Mental Health in the COVID-19 Pandemic? Evidence from U.S. Household Pulse Survey. J Ment Health Policy Econ. 2022 Dec 1;25(4):133-142. PMID: 36535911.

[4] Reuters, "U.S. government aid helped reduce poverty in 2020, Census data shows." September, 2021. https://www.reuters.com/world/us/us-median-income-dropped-2020-poverty-rose-census-data-shows-2021-09-14/

[5] Brookings Institute, "The antipoverty effects of the expanded Child Tax Credit across states: Where were the historic reductions felt?" March, 2023. https://www.brookings.edu/articles/the-antipoverty-effects-of-the-expanded-child-tax-credit-across-states-where-were-the-historic-reductions-felt/

[6] National League of Cities, "Guaranteed Income Pilot Projects with American Rescue Plan Act Funding." July, 2021. https://www.nlc.org/article/2021/07/21/guaranteed-income-pilot-projects-with-american-rescue-plan-act-funding/

The case for unconditional cash

There is a growing body of evidence to support policies and programs that provide unconditional cash. This evidence points to:

- Increased **economic security** and **labor force participation**
- Improved **educational outcomes** for adults and children in families with low incomes
- Better **mental and physical health** as well as reductions in unplanned pregnancy and improved child birth weight
- Reduced **inequality** by race, ethnicity, and gender
- Improved **quality of life** as demonstrated by being able to spend more time with family, become more involved in community, or pursue creative hobbies

Effectively, there are three ways that people receive unconditional cash through public programs. While these programs are typically not universal and may include work requirements, there are no stipulations on how the money must be spent, making them useful for understanding how receiving unrestricted cash can empower families and increase their financial resiliency. These include:

- **Tax policies** that boost household incomes through refundable credits like the Earned Income Tax Credit (EITC) or Child Tax Credit (CTC)
- Programs or policies that provide **lump-sum payments** to people like Alaska's Permanent Fund Dividend or "stimulus checks" provided during the pandemic
- **Guaranteed income programs** that provide varying levels of support, typically on a monthly basis, to different groups of people

While some safety net programs include cash transfers, receipt of these benefits is conditioned on meeting certain eligibility criteria and, in some cases, the expenditure of funds is limited to certain goods. Other safety net programs rely on in-kind transfers meaning the program provides a good or service directly. While in-kind programs such as nutrition assistance (such as through Supplemental Nutrition Assistance Program or SNAP) or health insurance (through MaineCare) may help families with low income attain some of the resources they need to survive, these programs leave many gaps unfilled. For instance, they do little to help members of the family afford transportation to and from their jobs, meet rental expenses amid an ever-deepening affordable housing crisis (there is rental assistance available, but the waitlist for this assistance is years long[7]), pay down short-term debt, or save for emergencies. This is where cash has a role to play.

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[7] WGME, "With more than 15,000 on Maine's housing voucher waitlist, need outpaces supply." March, 2023. https://wgme.com/news/local/maine-housing-crisis-15000-housing-voucher-waitlist-mainehousing-choice-homelessness-section-8

Unconditional cash has many advantages over in-kind assistance.[8] Providing unconditional cash is easier to administer and provides recipients with greater flexibility and empowerment, as they are able to allocate the resources to meet what they see as their greatest needs and challenges. Rather than forcing the government to anticipate which goods and services a particular family might need, cash transfers give families the flexible resources they need to decide which expenses to prioritize and how they can use the stability that cash provides to plan for the future. In addition, cash transfers have a profound impact on child wellbeing,[9] and children in families receiving cash transfers go on to have better outcomes in health, education, and the labor market later in life.

What follows is a discussion of the different ways people have received unconditional cash and the documented impacts of those programs.

Impacts of income boosting tax policies

The Earned Income Tax Credit (EITC), available at the state and federal levels, puts cash into the hands of families with low income. This credit is fully refundable, meaning it goes towards a household's tax return if their tax liability is below zero. But as it is meant to supplement the wages of workers with low incomes, it is subject to a strict earnings requirement. The credit is worth up to $7,430 depending on the size of the household and household earnings[10] and is considered an effective anti-poverty program.[11] Its benefits include improved health among mothers as well as better educational and labor force outcomes for children whose families receive the credit.[12] In particular, **children under the age of 5 who live in families with low income that get a $3,000 increase in household income saw a 17 percent increase in earnings as adults compared to those that did not**.[13]

The Child Tax Credit (CTC) is another, well-popularized cash transfer program, that also operates at the federal and state levels (Maine's equivalent is the Dependent Exemption Tax Credit). Due to its broad eligibility, the CTC essentially operates as a guaranteed income to families with children (up to $2,000 per child at the federal level and $300 per child at the state level). But, because the credit is only partially refundable at the federal level (and

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[8] Brookings Institute, "Why does in-kind assistance persist when evidence favors cash transfers?" June, 2023. https://www.brookings.edu/articles/why-does-in-kind-assistance-persist-when-evidence-favors-cash-transfers/

[9] The Hechinger Report, "Research shows cash programs with no strings attached are better for supporting families." July, 2021. https://hechingerreport.org/research-shows-cash-programs-with-no-strings-attached-is-better-for-supporting-families/

[10] U.S. Internal Revenue Service, "Earned Income and Earned Income Tax Credit (EITC) Tables." March, 2023. https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables#EITC%20Table

[11] Center on Budget and Policy Priorities, "Policy Basics: The Earned Income Tax Credit." April, 2023. https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit

[12] Econofact, "The Success of the Earned Income Tax Credit." May, 2017. https://econofact.org/the-success-of-the-earned-income-tax-credit

[13] Duncan, Greg and Katherine Magnuson, "The Long Reach of Early Childhood Poverty." 2001. https://inequality.stanford.edu/sites/default/files/PathwaysWinter11_Duncan.pdf

remains nonrefundable at the state level until tax year 2024[14]), there is effectively a work requirement attached to receiving the full benefit. However, through the second half of 2021, Congress increased the federal credit, made it fully refundable (eliminating the implicit work requirement), and disbursed it on a monthly basis, during which period it operated similarly to a guaranteed income program for families with children. Research shows that **the CTC expansion helped families afford necessities and reduced child poverty in Maine by 40 percent**.[15] Unfortunately, this decline in poverty was reversed and child poverty increased to prior levels in 2022 when the expanded federal CTC expired.[16]

Impacts of lump sum payments

Alaska's Permanent Fund Dividend (PFD) is one prominent statewide program involving unconditional cash to households. Through this fund the state pays an annual dividend to every Alaska resident using revenue generated from the state's natural resources. The amount paid varies based on the amount of revenue generated. For 2023, the dividend was worth approximately $1,300 per person, while the 2022 amount was over $3,000.[17]

Alaska's PFD is similar to guaranteed income in that there are no conditions on how the money must be spent, although it is different in that the funding is disbursed annually, rather than monthly, and is worth a different amount each year rather than providing a reliable amount of income. Research has shown that **the PFD lifts an estimated 15,000-25,000 Alaskans out of poverty each year, and an estimated 25 percent more Alaskans would be in poverty if not for the PFD payments.**[18] **The PFD also has been linked to healthier birth weight in infants, lower rates of childhood obesity, and decreased property crime.**[19]

In response to the COVID pandemic, the federal and state governments provided a number of unconditional cash transfers (referred to as "stimulus checks" or "economic impact payments") with the goal of spurring economic activity and providing stability to families impacted by the pandemic. Due to generous eligibility guidelines and no work

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[14] State of Maine Department of Health and Human Services, "Major Policy Advances for Maine Children and Youth." July, 2023. https://www.maine.gov/dhhs/blog/major-policy-advances-maine-children-and-youth-2023-07-21

[15] Maine Center for Economic Policy, "The Child Tax Credit - An Explainer." May, 2023. https://www.mecep.org/blog/the-child-tax-credit-an-explainer/

[16] Center on Budget and Policy Priorities, "Record Rise in Poverty Highlights Importance of Child Tax Credit; Health Coverage Marks a High Point Before Pandemic Safeguards Ended." September, 2023. https://www.cbpp.org/press/statements/record-rise-in-poverty-highlights-importance-of-child-tax-credit-health-coverage

[17] Juneau Empire, "This year's PFD is a budget-balancing $1,304. Is this the new normal?." June, 2023. https://www.juneauempire.com/news/this-years-pfd-is-a-budget-balancing-1304-is-this-the-new-normal/

[18] Shriver Center on Poverty Law, "Guaranteed Income: States Lead the Way in Reimagining the Social Safety Net." April, 2022. https://economicsecurityproject.org/wp-content/uploads/2022/10/States_Lead_the_Way.pdf

[19] Stanford Basic Income Lab, "Basic Income and Local Government; A Guide to Municipal Pilots." September, 2022. https://basicincome.stanford.edu/research/papers/basic-income-and-local-government-a-guide-to-municipal-pilots/

requirements, these payments could be considered near-universal. However, because they were neither regular (occurring sporadically across four different points from 2020 to 2022) nor reliable in value (with check amounts ranging from $600 to $1,400 per person), the stimulus checks were not illustrative of how households would respond to a stable, ongoing source of unconditional income. However, the checks did appear to be effective in providing stability, especially to families with low income who were more likely to spend the money on necessities or pay down debt.[20]

Impacts of guaranteed income programs

While interest in guaranteed income programs has increased dramatically in recent years — thanks in large part due to discussions about a federal universal basic income in response to concerns over automation[21] — the concept of guaranteed income has a much longer history. The first trials of guaranteed income programs in North America date back to the late 1960s,[22] when the Nixon administration explored the possibility of a "negative income tax," which provided around 7,500 people with cash grants of various sizes (ranging from 50 to 148 percent of the poverty line).[23] This approach had strong support from renowned free market economist Milton Friedman.[24]

Stoked by extreme ideological opposition among some of his advisors — who cited flawed data that the cash grants led to reductions in work and a spike in divorce rates[25] — Nixon did not continue the program beyond the trial run.[26] In reality, the estimated reduction in work was modest — 9 percent per family on average — and could be attributed to married women (who could then spend that time caring for a household) and young adults (who could pursue further education). Researchers also later debunked the finding that the income led to divorce.

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[20] Federal Reserve Bank of Dallas, "How did federal stimulus recipients use their checks?" January, 2022. https://www.dallasfed.org/research/economics/2022/0111

[21] Stanford University Human-Centered Artificial Intelligence, "Radical Proposal: Universal Basic Income to Offset Job Losses Due to Automation." October, 2021. https://hai.stanford.edu/news/radical-proposal-universal-basic-income-offset-job-losses-due-automation

[22] Forget, Evelyn. "The Town with No Poverty: Using Health Administration Data to Revisit Outcomes of a Canadian Guaranteed Annual Income Field Experiment." February, 2011. https://nccdh.ca/images/uploads/comments/forget-cea_%282%29.pdf

[23] The Correspondent, "The bizarre tale of President Nixon and his basic income bill." May, 2016. https://thecorrespondent.com/4503/the-bizarre-tale-of-president-nixon-and-his-basic-income-bill/173117835-c34d6145

[24] The Atlantic, "The Conservative Case for a Guaranteed Basic Income." August, 2014. https://www.theatlantic.com/politics/archive/2014/08/why-arent-reformicons-pushing-a-guaranteed-basic-income/375600/

[25] R. A. Levine, H. Watts, Robinson G. Hollister, W. Williams, A. O'Connor, and K. Wilderquist. (2005). "A Retrospective On The Negative Income Tax Experiments: Looking Back At The Most Innovative Field Studies In Social Policy". The Ethics And Economics Of The Basic Income Guarantee. 95-106. https://works.swarthmore.edu/fac-economics/347

[26] Vox, "A guaranteed income for every American would eliminate poverty — and it wouldn't destroy the economy." July, 2014. https://www.vox.com/2014/7/23/5925041/guaranteed-income-basic-poverty-gobry-labor-supply

Later, in the 1970s, the Canadian government launched a minimum income — referred to as "MINCOME "— experiment, providing unconditional cash to randomly selected low-income households in Winnipeg and attempting to reach every household in Dauphin[27] (which had a population of about 10,000, although not every eligible person participated in the program[28]). The program operated for four years before the provincial and federal governments cut it after data collection efforts became too costly. Using the data that were collected, however, program evaluators found MINCOME to have decreased hospitalizations[29] (although this specific finding has been disputed[30]), improved mental health, increased high school completion rates, and decreased crime rates.[31] When it came to hours worked, there was no decrease among primary earners, although secondary and tertiary earners did see a decrease as they were more likely to engage in care work or education.

The recent wave of guaranteed income pilots began in earnest around 2019, with one of the best known — the Stockton Economic Empowerment Demonstration — being launched in February of that year in Stockton, California. The Guaranteed Income Pilots Dashboard[32] — a website run by researchers and municipal leaders advocating for guaranteed income programs — currently tracks 31 pilot programs across the country, encompassing over 7,500 participants. The pilots typically last between one to three years and are conducted at the local level, with eligibility determined at least in part by city or county of residence, sometimes even specified further to the zip code or neighborhood level.

While there are some limitations to assessing the impact of recent guaranteed income programs due to a lack of large-scale, long-term data, evaluations of recent pilots provide insight into the impact that a steady income support (typically $500-$1,000 per month) over a modest period of time (typically 1-2 years) can have on select populations (targeted almost universally by income, sometimes by demographics or geography). The most

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[27] BBC, "Canada's forgotten universal basic income experiment." June, 2020. https://www.bbc.com/worklife/article/20200624-canadas-forgotten-universal-basic-income-experiment

[28] U of M Today News, "Op-ed: Clarifying the impacts of the Mincome experiment." https://news.umanitoba.ca/op-ed-clarifying-the-impacts-of-the-mincome-experiment/

[29] Shriver Center on Poverty Law, "Guaranteed Income: States Lead the Way in Reimagining the Social Safety Net." April, 2022.

[30] Green, David. "A Reanalysis of "The Town with No Poverty: The Health Effects of a Canadian Guaranteed Annual Income Field Experiment"." University of Toronto Press. December, 2022. https://www.utpjournals.press/doi/full/10.3138/cpp.2021-025

[31] Stanford Basic Income Lab, "Basic Income and Local Government; A Guide to Municipal Pilots." September, 2022. https://basicincome.stanford.edu/research/papers/basic-income-and-local-government-a-guide-to-municipal-pilots/

[32] The Stanford Basic Income Lab and Center for Guaranteed Income Research. The Guaranteed Income Pilots Dashboard. https://guaranteedincome.us/

thorough summary of these findings was published last year by researchers for the state of Washington.[33] Key findings include:

- **Economic security**: *Guaranteed income programs decrease poverty and increase economic security among participants.* In particular, the increased short-term economic security helps families save money in the long run by purchasing items in bulk, avoiding late payment fees, or avoiding costly credit card debt.
- **Labor force participation**: *For some participants, guaranteed income increases work participation* as the resources provide enough flexibility for adults to find better employment with more work hours and higher earnings. *Other participants may reduce their paid work effort to spend more time caregiving or pursue additional education and training. At the macro level, reductions in work are typically negligible if present at all.*
- **Education**: *Guaranteed income improves educational outcomes for adults and children.* As indicated above, adults use the increased economic security as a launchpad to pursue higher education or other credentialing. Children are less exposed to the impacts childhood poverty has on educational outcomes.[34] Increased child enrollment and attendance in school are also associated with guaranteed income, and there is some evidence to suggest it improves children's test scores as well. This is in line with research findings that the CTC similarly improves the educational outcomes of children in families with low income.[35,36]
- **Health**: There is a strong relationship between income and health,[37] with people with lower income faring worse on most measures of health relative to people with higher income. As a consequence, there is strong evidence that *guaranteed income improves recipients' health across a wide variety of measures, including mental health, access to nutrition, likelihood of unplanned pregnancy, and child birthweight*
- **Equity**: There are many structural inequities that shape people's experiences in the labor force, leading to measurable income gaps based on race,[38] gender,[39] LGBTQ+

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[33] Washington State Department of Social and Human Services, "Washington State Basic Income Feasibility Study." June, 2022. https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Universal%20Basic%20Income%20Pilot_de25f1fb-b4b7-4669-9d57-923d94ba4f53.pdf

[34] Child Trends, "5 Ways Poverty Harms Children." January, 2014. https://www.childtrends.org/publications/5-ways-poverty-harms-children

[35] National Bureau of Economic Research, "New Evidence on the Long-Term Impacts of Tax Credits." November, 2011. https://www.irs.gov/pub/irs-soi/11rpchettyfriedmanrockoff.pdf

[36] The Century Foundation, "How a Permanently Expanded Child Tax Credit Could Boost Educational Achievement for Low-Income Children." February, 2022. https://tcf.org/content/commentary/permanently-expanded-child-tax-credit-boost-educational-achievement-low-income-children/

[37] Health Affairs, "Health, Income, & Poverty: Where We Are & What Could Help." October, 2018. https://www.healthaffairs.org/do/10.1377/hpb20180817.901935/

[38] U.S. Federal Reserve Bank, "Wealth Inequality and the Racial Wealth Gap." October, 2021. https://www.federalreserve.gov/econres/notes/feds-notes/wealth-inequality-and-the-racial-wealth-gap-20211022.html

[39] Pew Research Center, "Gender pay gap in U.S. hasn't changed much in two decades." March, 2023. https://www.pewresearch.org/short-reads/2023/03/01/gender-pay-gap-facts/

status,[40] interaction with the criminal justice system,[41] disability status,[42] and more. *Guaranteed income programs can help undo structural inequities in our society and economy.* This can be done based on how programs are targeted. For example, pilot programs focused on Black mothers can help offset some of the negative impacts of the racial income gap, the gender income gap, and the striking disparity in birth-related health outcomes between Black and white mothers.[43] Programs that target people with experience in the criminal justice system can help mitigate some of the labor market discrimination this group experiences. Even when targeted solely by income, guaranteed income will likely improve equity across marginalized groups, as groups that experience discrimination are more likely to have lower incomes. The EITC, for instance, is not targeted by race but is still estimated to reduce the Black-white earning gap by five-to-ten percent.[44]

- **Quality of life**: In addition to the more quantifiable effects guaranteed income has on financial, health, and educational outcomes, guaranteed income also has been shown to benefit program participants in ways that are difficult to quantify. For instance, *many recipients report that guaranteed income has allowed them to spend more time with family*.[45] For others, guaranteed income can provide the stability needed to pursue creative hobbies[46] or volunteer in their communities.[47] An overarching theme of participants' experiences is feeling more satisfied and empowered to choose how they spend their time and contribute to the people around them. While these feelings of satisfaction and empowerment can be difficult to quantify from a policy perspective, they are no less important to the lives of people who receive a guaranteed income.

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[40] Human Rights Campaign, "The Wage Gap Among LGBTQ+ Workers in the United States." Accessed 9/14/2023. https://www.hrc.org/resources/the-wage-gap-among-lgbtq-workers-in-the-united-states

[41] Brennan Center for Justice, "Conviction, Imprisonment, and Lost Earnings: How Involvement with the Criminal Justice System Deepens Inequality." September, 2020. https://www.brennancenter.org/our-work/research-reports/conviction-imprisonment-and-lost-earnings-how-involvement-criminal

[42] U.S. Census Bureau, "In Most Occupations, Workers With or Without Disabilities Earn About the Same." March, 2019. https://www.census.gov/library/stories/2019/03/do-people-with-disabilities-earn-equal-pay.html

[43] Kaiser Family Foundation, "Racial Disparities in Maternal and Infant Health: Current Status and Efforts to Address Them." November, 2022. https://www.kff.org/racial-equity-and-health-policy/issue-brief/racial-disparities-in-maternal-and-infant-health-current-status-and-efforts-to-address-them/

[44] Brookings Institute, "Narrowing the racial wealth gap using the EITC and CTC." February, 2022. https://www.brookings.edu/articles/narrowing-the-racial-wealth-gap-using-the-eitc-and-ctc/

[45] Cal Matters, "With a guaranteed income, you can buy precious time with your family, say California parents." February, 2023. https://calmatters.org/california-divide/2023/02/guaranteed-income-california/

[46] Axios, "75 Minnesota artists to receive $500 guaranteed monthly income payments." February, 2023. https://www.axios.com/local/twin-cities/2023/02/23/springboard-guaranteed-income-st-paul-otter-tail-minnesota

[47] The Guardian, "Finnish basic income pilot improved wellbeing, study finds." May, 2020. https://www.theguardian.com/society/2020/may/07/finnish-basic-income-pilot-improved-wellbeing-study-finds-coronavirus

In addition to this summary of findings across multiple programs, below is a summary of outcomes associated with specific guaranteed income projects.

- **Stockton Economic Empowerment Demonstration:** Launched in 2019, the Stockton Economic Empowerment Demonstration (SEED) provided 125 randomly selected residents of Stockton $500 per month over the course of two years. Following the pilot, *participants reported significantly better mental health, and the percentage reporting being employed full-time increased from 28 to 40 percent.*[48] Participants used the income received through the pilot for career-building activities, such as internships, education, or other training that would improve labor market outcomes.
- **Magnolia Mother's Trust:** The Magnolia Mother's Trust began in 2018 by providing 20 Black low-income mothers in Jackson, Mississippi with $1,000 per month for one year and later expanded the program to 100 mothers per year. In addition to the unconditional income, the program offered services to participants that included housing relocation assistance, job finding assistance, referrals to other social assistance services, and social connections to other mothers. *Participants reported a wide range of benefits*, including better nutrition for their families, more reliable access to transportation, increased savings for emergencies and college expenses, and better access to health care.[49] *The percentage of mothers who were employed increased* from 28 to 45 percent,[50] and *mothers reported being better able to find jobs with more flexible scheduling arrangements, helping them to balance their job and parental responsibilities*. A notable fact is that women living within these communities co-designed the program, making it an example of community-driven program design.[51]
- **Austin Guaranteed Income Pilot:** The city of Austin launched the Austin Guaranteed Income Pilot in 2022, providing 135 low-income households in high-poverty, rapidly gentrifying neighborhoods with $1,000 per month over the course of one year. While the city has not released a final evaluation, a six-month evaluation[52] found that *participants were less likely to be behind on their rents or mortgages, more likely to have enough nutritious food, and less likely to report symptoms of poor mental health*. Full-time employment did decrease slightly (from 24.6 to 20.0 percent), but this decrease was offset by increases in part-time work

[48] Shriver Center on Poverty Law, "Guaranteed Income: States Lead the Way in Reimagining the Social Safety Net." April, 2022.
[49] ibid.
[50] Springboard to Opportunities, "2022 - 2023 MMT Cohort Evaluation Summary." May, 2023. https://springboardto.org/wp-content/uploads/2023/06/MMT-4.0-Cohort-Eval-Exec-Summary.pdf
[51] Aspen Institute, "Centering the Margins: A Framework and Practices for Person-Centered Financial Security Policy." December, 2020. https://www.aspeninstitute.org/wp-content/uploads/2020/12/2020_AspenFSP_Centering-the-Margins.pdf
[52] Urban Institute, "Austin Guaranteed Income Pilot: Participant Outcomes at Six Months." August, 2023. https://www.urban.org/sites/default/files/2023-08/Austin%20Guaranteed%20Income%20Pilot%20Participant%20Outcomes%20at%20Six%20Months.pdf

(21.3 to 23.3 percent), part-time care work (0 to 5 percent), unpaid work (4.9 to 8.3 percent), and student enrollment (3.3 to 9.3 percent). In the words of the evaluators, "These reductions [in full-time employment] may reflect reallocations of time toward improving long-term financial and household stability, as implied by increases in student enrollment and care work."

The need for unconditional cash

Many families and individuals in Maine struggle to pay their bills, save, and afford necessities. In addition to meeting the individual needs of families, cash programs can aim to reach specific populations of people who have poorer economic outcomes due to systemic disinvestment such as rural populations, communities of color, populations that have fewer supports such as children who have been in foster care, and those exiting the criminal justice system among others. This section explores data on populations of Maine people with demonstrated need for more income to help meet basic needs both statewide and within specific communities.

Statewide economic insecurity in Maine

Living wage, poverty rates, and meeting basic needs

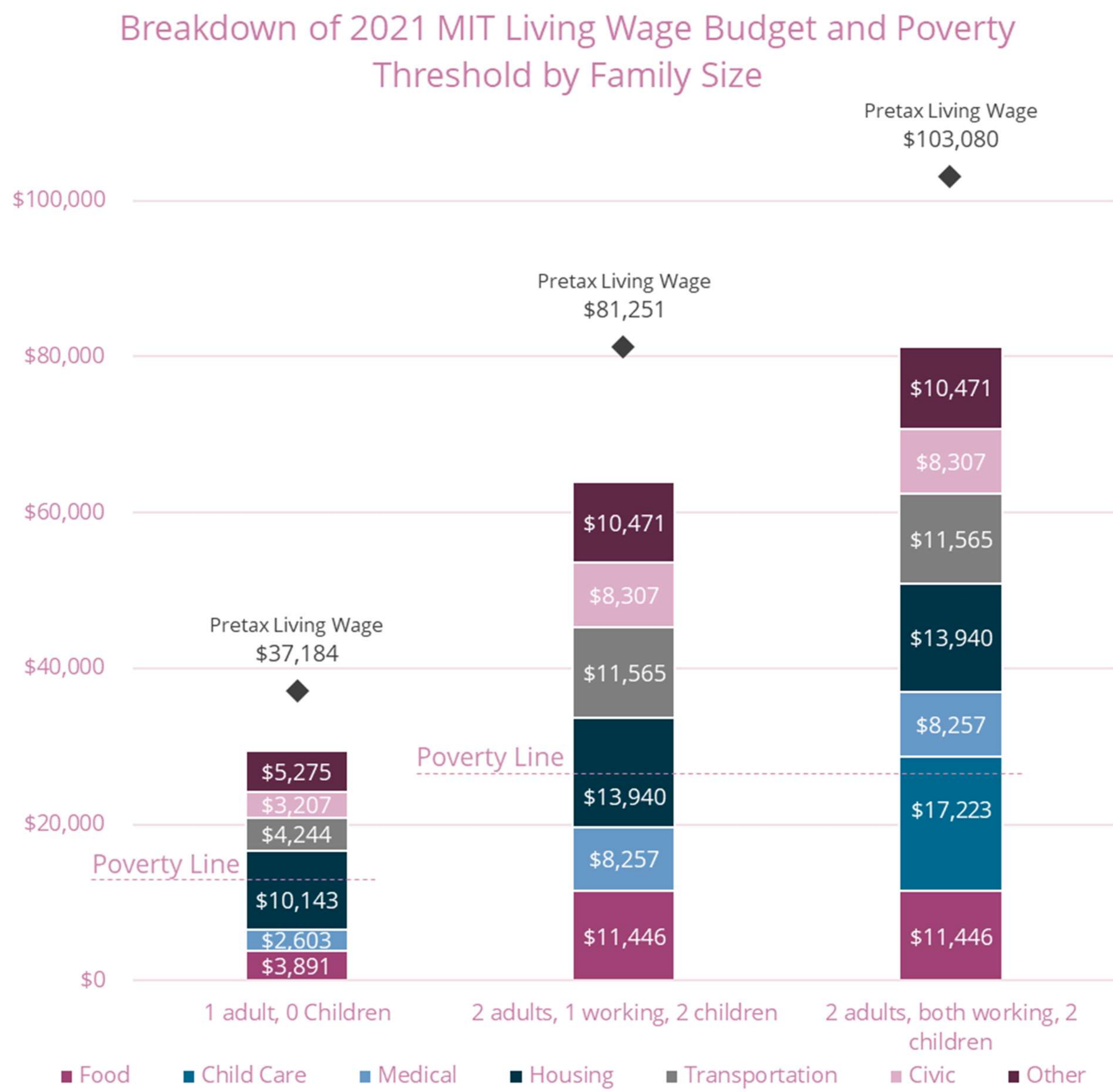
Two measures are useful in measuring the adequacy of total household income: the federal poverty rate and MIT's living wage estimates that calculate a baseline income that meets families' needs. Many state and federal programs use the federal poverty rate to determine eligibility, however, the measure falls short when considering how adequate someone's income is to meet their basic needs.

Economists at the Social Security Administration developed the poverty rate in the mid-1960s and simply tripled the value of a low-cost, minimally nutritionally adequate diet.[53] In the years since, the federal government adjusts the poverty rate for inflation, but they have not adjusted to account for the changing composition of family budgets that are spending more to afford housing, health care, and child care. The MIT livable wage calculator, developed by Dr. Amy K Glasmeier, estimates the income required for families to meet their basic needs and is a useful complement to poverty rates.

Living wage estimates are broken down by the number of adults and children in the home up to two adults and three children. Two-thirds of Mainers live in a household that falls

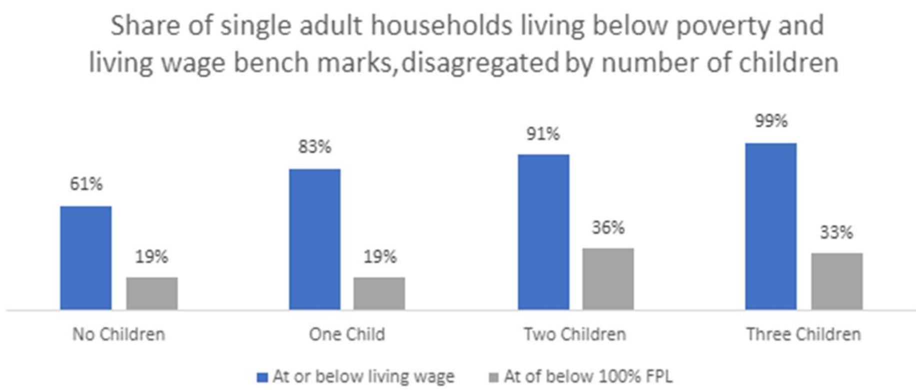
[53] US Census Bureau. "The History of the Official Poverty Measure." Page Last Revised - May 24, 2022. https://www.census.gov/topics/income-poverty/poverty/about/history-of-the-poverty-measure.html

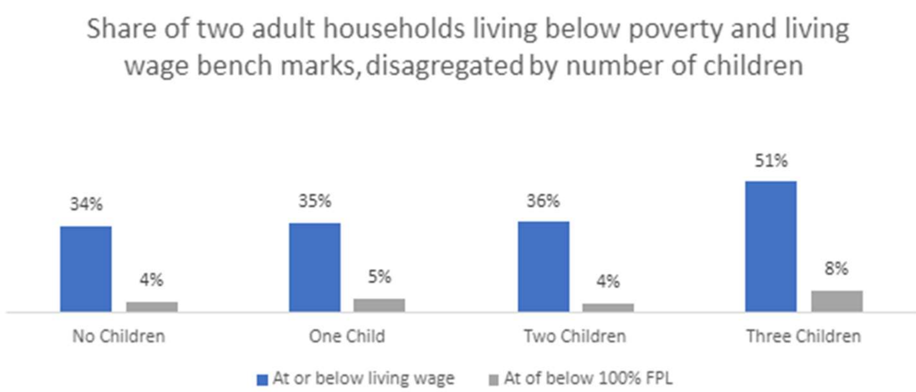
within the family compositions for which MIT calculates living wages, so we use census data to identify how many of these households have incomes falling below the calculated living wage for their household size. **While only ten percent of these households fall at or below the poverty line, 46 percent are living in households that bring in less than a living wage.** These families are likely having to sacrifice their basic needs such as adequate nutrition, safe and adequate housing, or regular medical care to get by, as well as using social safety net programs to help make ends meet.



**For technical documentation on the MIT Living Wage budget, see https://livingwage.mit.edu/resources/Living-Wage-Users-Guide-Technical-Documentation-2023-02-01.pdf*

These findings are particularly stark for households with multiple children and for households headed by one adult. Zooming in on single adult households, **19 percent of single adults without children are experiencing poverty and 61 percent have incomes below a living wage and, for single adult households with three children, 33 percent are experiencing poverty and virtually all (99 percent) have incomes below a living wage**. By comparison, four percent of two-adult households without children are experiencing poverty and 34 percent have incomes below a living wage, while eight percent of two-adult households with three children are experiencing poverty and 51 percent have incomes below a living wage.





Note: This analysis excludes the 33 percent of households with household composition outside of those for which a living wage estimate is provided.
Source: MECEP analysis of 5 yr ACS micro data (2017-2021) adjusted to 2021 dollars and compared to the 2021 statewide Maine living wage from MIT and the 2021 federal poverty level.

Other data also support the finding that many Mainers lack economic security. The Federal Reserve Survey of Household Economics and Decision-making for 2022 found that **one in four (26 percent) Maine households described themselves as either "just getting by" or "finding it difficult to get by." Additionally, nearly four in ten households (38.9**

percent) reported that they were not able to afford an unexpected $400 emergency without taking on additional debt.[54]

When it comes to major household expenses like housing, health care, and food, there is further evidence that many households in Maine struggle to meet their needs. Census Pulse survey data aggregated from March 1 to June 19, 2023 show that one in three households report that it is somewhat or very difficult to afford typical household expenses.[55]

Census data for 2021 show 48 percent of renters, 25 percent of homeowners with a mortgage, and 15 percent of homeowners without a mortgage reported spending more than 30 percent of their income on housing. These figures represent 64,164 renting households, 66,865 households with mortgages, and 25,186 households without a mortgage for **a total of 156,187 households in Maine that spend more than 30 percent of their income on housing**.[56] As more Mainers are struggling to afford housing, the waitlist for housing vouchers has grown from around 13,200 in 2018 to 15,200 in January 2023.[57]

Inability to cover health care expenses also contributes to significant financial stress. A Consumers for Affordable Health Care survey of Mainers found that respondents were dipping into savings, putting off other necessities, and carrying debt for many years to afford health coverage. The survey findings include:

- **Six in ten Mainers experienced at least one financial hardship due to medical expenses — including using up retirement savings, taking on debt, and struggling to pay for necessities like food and heat.**
- More than half of respondents with commercial insurance found it “somewhat” or “very difficult” to afford their deductibles. Nearly half said premiums, coinsurance, or copayments were difficult to afford.
- More than one in three respondents (38 percent) currently have medical debt and two-thirds of those with debt have an insurance plan. The average amount of debt indicated was just under $5,000 and had been carried an average of 34 months.

Many Mainers struggle with hunger, needing an estimated $97 million more in collective income each year to meet their nutritional needs according to Feed America. Their analysis of USDA data shows that **one in ten Mainers of all ages (144,290 adults and children)**

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54 Board of Governors of the Federal Reserve System. Survey of Household Economics and Decisionmaking. 2022.

55 US Census. Household Pulse Survey data aggregated from March 1 to June 19, 2023 https://www.census.gov/programs-surveys/household-pulse-survey/data.html

56 US Census. Table DP04: Selected housing characteristics. 2021 ACS 1 year estimates for Maine. https://data.census.gov/table/ACSDP1Y2021.DP04?q=housing+costs+maine

57 Dan Lampariello, WGME.”With more than 15,000 on Maine's housing voucher waitlist, need outpaces supply.” March 2nd 2023. https://wgme.com/news/local/maine-housing-crisis-15000-housing-voucher-waitlist-mainehousing-choice-homelessness-section-8

and one in seven children (36,490 kids) in Maine suffer from hunger. Despite prevalent hunger, food assistance does not cover the costs of modestly priced groceries. The Urban Institute finds that a modest grocery budget exceeds SNAP benefits in every Maine county. Grocery costs range from 9 percent over SNAP benefits for residents in Somerset County to grocery costs exceeding benefits by 34 percent in Sagadahoc County.[58]

Income volatility

Another threat to economic security for families is volatile or unpredictable incomes. Inconsistency of income makes the task of family budgeting more challenging, and a guaranteed income allotment could help to smooth the strain this causes on household finances. While some kinds of volatility such as end-of-year bonuses and tax refunds can help families improve their finances, other kinds of volatility can leave gaps in the budget between income coming in and the expenses of meeting basic needs.

Workers who rely on tips are one category of people who experience volatile income and therefore higher levels of poverty.[59] Tipped workers in Maine have a base pay of half the minimum wage, or $6.90 an hour in 2023 while the rest of their income is made up in voluntary tips from customers. **Tipped workers experience more volatile income from week to week and can also experience large seasonal swings** in some areas of the state that rely heavily on seasonal business from tourists. Using methods developed by the Economic Policy Institute, we used a sector-based approach to infer the number of workers who are likely tipped workers. We estimate that there were 16,485 tipped workers in Maine in 2021. The National Women's Law Center analyzed census data to estimate that 75 percent of tipped workers in Maine are women, and three percent are women of color.[60]

Seasonal employees also experience fluctuating income throughout the year and typically make less income than Mainers working full time. Mainers working full time, defined as more than 35 hours per week, and year round are the least likely to experience poverty, as only 1.4 percent of full-time, year-round workers live at or below the poverty line. Poverty rates increase for workers who work less than year round or who work part time. Full-time workers employed half the year or less have a poverty rate of 16.7 percent. Part-time workers also experience higher poverty rates than full-time workers, and seasonal part-time workers experience higher poverty rates than year-round, part-time workers. Part-time workers who work between half and three-quarters of the year have a

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[58] Urban Institute. “Does SNAP Cover the Cost of a Meal in Your County?” July 13, 2023. https://www.urban.org/data-tools/does-snap-cover-cost-meal-your-county-2022

[59] Center for American Progress, “Ending the Tipped Minimum Wage Will Reduce Poverty and Inequality. March, 2021. https://www.americanprogress.org/article/ending-tipped-minimum-wage-will-reduce-poverty-inequality/

[60] National Women's Law Center. “Women in Tipped Occupations, State by State.” February 2021. https://nwlc.org/wp-content/uploads/2021/02/Women-Tipped-Workers-State-by-State-2021-v3.pdf

poverty rate of 18.6 percent and those working half the year or less have a poverty rate of 16.8 percent.

Another class of workers that experiences significant income volatility is **workers with irregular schedules**. These workers frequently include service sector employees whose hours may vary widely depending on the week and how many shifts they are asked to pick up. **Not only are these workers subject to highly variable incomes but they also face increased costs related to last-minute scheduling changes**, such as unexpectedly having to find child care during the shift. This is part of the reason why workers with irregular schedules often report working fewer hours than they would like and experiencing higher rates of food and housing hardship.[61]

Part time and seasonal workers are more likely to experience poverty

	Full-time workers by number of weeks worked			
	50+wks	40-49wks	27-39wks	<26wks
Total workers	463,055	32,680	19,254	37,507
Percent under 100% FPL	1.4%	4.2%	6.1%	16.7%
	Part-time workers by number of weeks worked			
	50+wks	40-49wks	27-39wks	<26wks
Total workers	90,908	24,358	20,445	67,307
Percent under 100% FPL	10.0%	11.5%	18.6%	16.8%

Note: Data represents 755,514 workers total, 42,373 (5.6 percent) are experiencing poverty
Source: MECEP analysis of ACS 5-year micro data 2017-2021

[61] The Shift Project at Harvard University, "It's About Time: How Work Schedule Instability Matters for Workers, Families, and Racial Inequality." October, 2019. https://shift.hks.harvard.edu/its-about-time-how-work-schedule-instability-matters-for-workers-families-and-racial-inequality/

Economic insecurity of specific populations in Maine

Specific groups of people in Maine exhibit higher levels of economic insecurity based on a range of factors. Highlighted below are some of those specific groups and the challenges they face. Consideration of these factors may influence the structure and focus of guaranteed income programs in Maine.

People who do unpaid work or who cannot work

Maine's employment ratio for adults 25-54 is 80.4 percent,[62] meaning one in five people in this age group, widely considered the 'prime age' for working, are not employed. **Nearly half of 'prime age' Mainers outside the labor force (48.5 percent) report caregiving duties or their own disability or illness as their primary reason for being out of the workforce**.[63]

Caregiving provides enormous benefits to our families, communities, and economy. However, when caregivers are family members or close friends, they are often unpaid for those services. AARP has worked to quantify the experience of family caregivers for people over age 18. Nationally, they estimate that 61 percent of caregivers are working full or part time; the remaining 39 percent are not employed. Caregivers, who are disproportionately women, have been found to reduce work hours, forego promotions, and retire early to prioritize their caregiving duties, and in doing so often suffer economically through lost wages, benefits, and retirement savings. **In Maine, an estimated 166,000 people take on the duty of family caregiver**.[64]

Chronic illness and disabilities span the gamut in terms of individual needs, ability to participate in the workforce, and cost of accessing necessary medical care and services, but data suggest that individuals experiencing long-term illness or disability are more likely to struggle to make ends meet. For the period of 2017 to 2021, census data show 16 percent of Mainers report having a disability, higher than the national average of 13 percent.[65] **A**

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[62] Pew's analysis is based on data from the Current Population Survey, a joint venture of the U.S. Bureau of Labor Statistics and the U.S. Census Bureau, accessed in July 2022. https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind3

[63] David H Montgomery. Fed reserve bank of minneapolis. Who's not working in the U.S.? Learn the basics. Sept 1 2022. https://www.minneapolisfed.org/article/2022/whos-not-working-in-the-us-learn-the-basics#:~:text=Around%2022%20percent%20say%20that,retired%20early%20(Figure%204).

[64] Susan C. Reinhard, et al. Valuing the Invaluable 2023 Update: Strengthening Supports for Family Caregivers. AARP Public Policy Institute. March 8, 2023. https://www.aarp.org/ppi/info-2015/valuing-the-invaluable-2015-update.html?cmp=RDRCT-VALUN_JUN23_015

[65] Disability Rights Maine. "I don't get the care I need": Equitable access to health care for Mainers with disabilities. 2023. https://drme.org/assets/brochures/DRM-Equitable-Access-to-Health-Care-for-Mainers-with-Disabilities-Final.pdf

November 2022 survey of Mainers with disabilities found that 58.2 percent of survey respondents reported income less than $20,000.[66]

People who live in rural areas

Across the state, people experience poverty, income, and unemployment differently. Generally, rural counties have lower median incomes, higher rates of poverty, and higher unemployment rates than the state's metropolitan areas. Costs of living are also generally less in rural areas, however, for poor residents, the cost of emergency medical care, loss of a primary vehicle, or other emergency situation can be harder to navigate outside of metropolitan areas where resources and public transportation are more readily accessed.

- **Poverty:** From 2017 to 2021, *Washington County had a poverty rate of 18.7 percent, compared to the state rate of 11 percent.* The poverty rate for Somerset and Piscataquis counties were 17.9 percent and 16 percent respectively, but, because of a large margin of error for small area samples, they were not statistically different from Washington County. Washington County also leads in poverty rates for children under 18, with a poverty rate of 23.9 percent. However, Somerset (23.2 percent), Oxford (22.3 percent), Aroostook (18.5 percent), Piscataquis (20.1 percent), and Waldo (17.6 percent) counties also had high rates of child poverty that were not statistically significantly different from Washington County.[67]
- **Income:** In 2021, median household income was lowest in Washington County at an estimated $42,755 followed by Piscataquis County with a median income of $49,999, which is not statistically different from Washington County. Other counties in the state have median incomes that are statistically higher than the median household income in Washington County.[68]
- **Unemployment:** In 2021, metropolitan counties which include Androscoggin, Cumberland, Penobscot, Sagadahoc, and York had an average unemployment rate of 4.4 percent, compared to 5.1 percent of the remaining non-metropolitan counties. *Washington County had the highest unemployment rate of 6.5 percent, followed by Somerset Country with an unemployment rate of 6.3 percent.* Androscoggin County had an unemployment rate of 4.9 percent, the highest unemployment rate of the five metropolitan counties.[69]

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[66] Disability Rights Maine. "I don't get the care I need": Equitable access to health care for Mainers with disabilities. 2023. https://drme.org/assets/brochures/DRM-Equitable-Access-to-Health-Care-for-Mainers-with-Disabilities-Final.pdf

[67] US Census Bureau. 2021 5 year American Community Survey Subject Tables S1701. https://api.census.gov/data/2021/acs/acs5/subject

[68] 2021 Poverty and Median Household Income Estimates - Counties, States, and National
Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) Program
Release date: December 2022

[69] Rural Health Information Hub. Unemployment Rate, 2021 - Maine. Accessed September 1, 2023. https://www.ruralhealthinfo.org/charts/62?state=ME

People of color

Mainers of various races and ethnicities are distributed unevenly throughout the state with white Mainers making up 96 percent of Somerset County and only 89.7 percent of Washington County. **Washington County is the most diverse in the state with American Indian and Alaska Native residents making up the largest non-white group at 5.3 percent of the population** and other groups comprised as follows: Hispanic Mainers 2.7 percent, Black Mainers 0.7 percent, Asian Mainers 0.4 percent, Hawaiian and Pacific Islander 0.1 percent, and multiple race Mainers making up 3.9 percent. Cumberland and Androscoggin counties have similar proportions of white population at 89.8 and 90.2 percent respectively and have proportionally higher numbers of Black Mainers than other counties.[70]

The Economic Policy Institute publishes quarterly analysis on state unemployment rates by race. For the first quarter of 2023, Maine's total unemployment rate was 2.8 percent. Looking at workers by race, American Asian, and Pacific Islander Mainers had the lowest unemployment rate at 2.2 percent, followed by white Mainers at 2.6 percent, Hispanic Mainers at 3.4 percent, and Black Mainers at 4.5 percent.[71]

When it comes to the wealth and income gaps, legacies of past and present discrimination by race as well as increasing inequality generally contribute to stark differences in the resources families have to cover their basic needs and recover from unexpected emergencies. While state level data on wealth are scarce, national data from the St Louis federal reserve show that wealth inequality is striking, with the poorest half of households owning only one percent of the nation's wealth and average Black family wealth equaling only ten cents on the dollar that white families have amassed.[72] Local studies have shown that this disparity can be even more extreme in certain areas.[73] Here in Maine, disparities in earnings are costing American Indian/Native American people the most, followed by Black Mainers who are making 60 cents and 63 cents respectively for each one dollar white Mainers are earning on average.[74]

Mainers of different races and ethnicities also experience poverty at different rates. The 2022 American Community Survey estimates that **28.6 percent of Black Mainers and 14.8**

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[70] Rural Health Information Hub. Rural Data Explorer. Accessed September 1 2023. https://www.ruralhealthinfo.org/data-explorer?id=180&state=ME

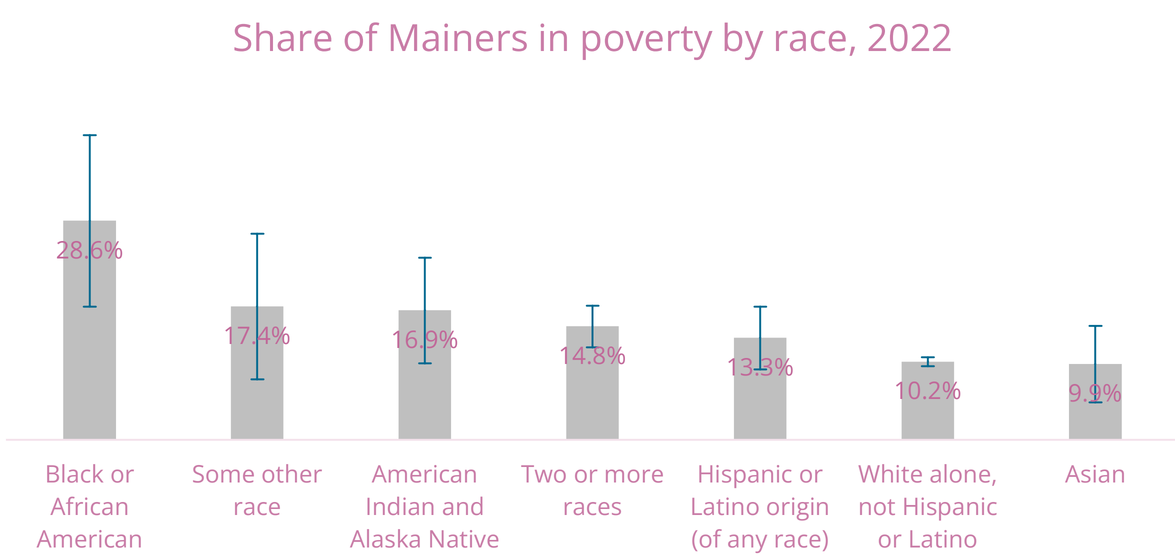
[71] Economic Policy Institute. State Unemployment by Race and Ethnicity. Updated August 2023. https://www.epi.org/indicators/state-unemployment-race-ethnicity/

[72] Ana Hernández Kent, Lowell R. Ricketts, Ray Boshara. What Wealth Inequality in America Looks Like: Key Facts & Figures August 14, 2019. Federal Reserve Bank of St. Louis. https://www.stlouisfed.org/open-vault/2019/august/wealth-inequality-in-america-facts-figures

[73] Federal Reserve Bank of Boston, "The Color of Wealth in Boston." March, 2015. https://www.bostonfed.org/publications/one-time-pubs/color-of-wealth.aspx

[74] US Department of Labor, Office of Federal Contract Compliance Programs. Earnings Disparities by Race and Ethnicity. https://www.dol.gov/agencies/ofccp/about/data/earnings/race-and-ethnicity

percent of Mainers who identify as two or more races experience poverty at rates that are higher than white Mainers, 10.2 percent of whom are experiencing poverty. Mainers who are American Indians, of Hispanic or Latino origin, or Asian have poverty rates that are not statistically significantly different from white Mainers — small sample sizes for non-white Mainers lead to high margins of error. While these year-to-year estimates may have large margins of error, long-term trends portray a consistent picture of economic disparity between white Mainers and Mainers of color.[75] This disparity is highlighted further by a point-in-time survey of homelessness in Maine. In January 2023 when the survey was conducted, Black people experiencing homelessness in Maine made up 47 percent of the homeless population compared to two percent of the statewide population.[76]



Source: US Census. American Community Survey. Table S1703 Selected Characteristics of People at Specified Levels of Poverty in the Past 12 Months, 2022.

Children and teens

Children experience economic insecurity both through its short-term impact on their needs being met, as well as through longer term costs of poorer health, education performance, and workforce participation compared to children who grow up in homes with higher

[75] Maine Center for Economic Policy, "State of Working Maine: 2020." November, 2020. https://www.mecep.org/wp-content/uploads/2020/11/State-of-Working-Maine-2020.pdf

[76] US Census Maine Quick Facts for statewide percentages of children and Black population. Accessed September 2023. https://www.census.gov/quickfacts/fact/table/ME/AGE295222

Maine Housing. 2023 Point in Time Count. https://www.mainehousing.org/docs/default-source/housing-reports/2023-point-in-time.pdf?sfvrsn=e1c28015_5#:~:text=Survey%20respondents%20were%20more%20likely,up%2047%25%20of%20the%20PIT incomes.[77] **In 2022, 11.7 percent of Maine children under 18 and 11.3 percent of children under five experienced poverty**, higher than the 10.8 percent poverty rate for all ages.[78] Children also experience hardships of hunger and homelessness at higher rates than the full population. For example, children under 18 made up 29 percent of the homeless population during a point-in-time survey compared to just 18 percent of the state population. [79]

Additional hardships for children can arise from lack of resources because poverty is a risk factor for child *neglect*. Child abuse cases have been declining in recent decades, while the prevalence of child neglect, simply defined as caregivers failing to meet the basic needs of their children, has remained persistently high. Nationally, 64 percent of children entering the foster care system experienced neglect, versus 13 percent who experienced physical abuse, and four percent experiencing sexual abuse.[80] Maine's Department of Health and Human Services (DHHS) reports that they receive 18,000 reports of abuse and neglect each year, although it is unclear how many of those cases are verified as abuse or neglect.[81] **Given national trends, it seems likely that a significant part of the child welfare caseload in Maine is a result of a lack of parental resources**.

Teenagers aging out of the foster care system face challenges in meeting their needs. A 2022 report finds that **youth with foster care experience are more likely to be unemployed and, when they are working, are less likely to make a living wage compared to their peers**.[82] Youth with foster care experience are also more likely to experience homelessness and more likely to lack access to transportation and communication technology, such as cell phones and internet access which are critical to employment stability and ability to complete education programs.[83]

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[77] The Center for Law and Social Policy, "The Enduring Effects of Childhood Poverty." August, 2023. https://www.clasp.org/blog/the-enduring-effects-of-childhood-poverty/

[78] U.S. Census Bureau. Table S1701 Poverty Status in the Past 12 Months.
https://data.census.gov/table/ACSST1Y2022.S1701?t=Poverty&g=040XX00US23,23$0500000

[79] US Census Maine Quick Facts for statewide percentages of children and Black population. Accessed September 2023.
https://www.census.gov/quickfacts/fact/table/ME/AGE295222
Maine Housing. 2023 Point in Time Count. https://www.mainehousing.org/docs/default-source/housing-reports/2023-point-in-time.pdf?sfvrsn=e1c28015_5#:~:text=Survey%20respondents%20were%20more%20likely,up%2047%25%20of%20the%20PIT

[80] Jill Yordy. Poverty and Child Neglect: How did we get it wrong? National Conference of State Legislators. February 21, 2023.
https://www.ncsl.org/state-legislatures-news/details/poverty-and-child-neglect-how-did-we-get-it-wrong

[81] Maine Department of Health and Human Services, Office of Child and Family Services. Guide of Child Welfare.
https://www.maine.gov/dhhs/ocfs/support-for-families/child-welfare/guide-to-child-welfare

[82] Children Now. Employment and Youth with Foster Care Experience. June 2022. https://files.eric.ed.gov/fulltext/ED622198.pdf

[83] Children Now. Employment and Youth with Foster Care Experience. June 2022. https://files.eric.ed.gov/fulltext/ED622198.pdf

Older Mainers

Maine has the oldest median age in the country and one in five Mainers is age 65 and older. The poverty rate among Mainers aged 65 and older was 9.2 percent in 2021, slightly less than the general population in part because social security benefits often keep people over the poverty line but still falling short of a livable income. However, there is a diverse range of economic experiences among older Mainers.[84] The incidence of poverty increases with age, as Mainers 75 and older have a higher poverty rate than those 65 to 74.[85] Furthermore, women 65 and older have a median income of $22,059 compared to the median income of men at $27,008.[86] A recent report on the status of older women in Maine finds that **caregiving duties and other factors have contributed to women having fewer opportunities over their lifetime to invest, save, and amass wealth to draw down in retirement**. Having worked fewer hours over the course of a career also impacts the amount of Social Security benefits women receive during retirement, further compounding their economic disadvantage in old age. The report also found that women 65 and older are more likely to live alone with an estimated 50,000 doing so, compared to 23,400 of their male counterparts, and that half of those women living alone likely have trouble meeting their basic needs.[87] While Social Security benefits provide some of the support older Mainers need to remain stable in retirement, benefit amounts are often too low to meet basic needs.[88]

Starting points for delivering unconditional cash in Maine

Maine already administers programs that get cash to households through refundable tax credits, direct checks to households, and other means. Building off an existing program to deliver unconditional cash to people may make it easier to administer than building a program whole cloth. Here we consider the structure of these programs and the opportunities and limitations for augmenting or replicating them to deliver income support to households.

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[84] Maine Department of Health and Human Services. Older Adult Health in Maine. https://www.maine.gov/dhhs/mecdc/phdata/MaineCHNA/documents/older-adult-health04112019.pdf

[85] Maine Department of Health and Human Services. Older Adult Health in Maine. https://www.maine.gov/dhhs/mecdc/phdata/MaineCHNA/documents/older-adult-health04112019.pdf

[86] Kimberly Snow, Elizabeth Gattine, Sammy-Ellie MacKinnon. Economic Security of Older Women in Maine. January 2022. https://digitalcommons.usm.maine.edu/cgi/viewcontent.cgi?date=1646079467&article=1150&context=aging&preview_mode=

[87] Kimberly Snow, Elizabeth Gattine, Sammy-Ellie MacKinnon. Economic Security of Older Women in Maine. January 2022. https://digitalcommons.usm.maine.edu/cgi/viewcontent.cgi?date=1646079467&article=1150&context=aging&preview_mode=

[88] University of Massachusetts Boston, "Social Security Benefits Continue to Fall Short of Covering Cost of Basic Needs for Older Americans, 2021." April, 2022. https://scholarworks.umb.edu/cgi/viewcontent.cgi?article=1058&context=demographyofaging

Refundable tax credits

Simply by filing an annual income tax return, hundreds of thousands of low- and middle-income Mainers gain access to state refundable tax credits that increase their after-tax incomes. Ranging from $130 for the Sales Tax Fairness Credit and up to $2,000 for the Property Tax Fairness Credit for Mainers 65 and older, these credits can significantly boost incomes for households at tax time. The universality of filing income taxes has made this method worth consideration; with the added provision of turning a once-a-year refund payment into a periodic payment throughout the year.

The federal government tried periodic payments unsuccessfully between 1993 and 2010 with the Advanced Earned Income Tax Credit (EITC), but with widespread success in 2021 with the Advanced Child Tax Credit (CTC). There are notable differences between these programs that likely contributed to their respective levels of popularity and efficacy. Both programs allowed for about half of the annual credit to be available to filers through advanced payments; the EITC spread that payment monthly for a full year, and the CTC spread it over the final six months of 2021. For both programs the remainder of the credit amount was available at the end of the year when families filed their income taxes.

Few households knew about and applied for the advanced EITC. Policy writers based it on a sensitive formula, allowing a credit that ranges from $1 dollar for someone at the edge of eligibility, to nearly $7,000 for a large family with low income. The eligibility formula could result in a significantly different credit amount for relatively small adjustments in income, so filers had difficulty predicting their income and many that used the program had to repay advanced payments if their final annual income ended up being higher than they estimated when they signed up for advanced payments. The program also suffered from filers signing up for the program, receiving payments, but failing to file their annual return at the end of the year.[89]

The CTC, on the other hand, had simpler eligibility, a broader base of families receiving the maximum credit amount, and a generous 'safe harbor' provision so that low- and middle-income households would not have to repay credit advances that ultimately proved to be overpayments once their final income was reported on their end-of-year tax forms.[90] This program also benefited from extensive media coverage and outreach campaigns to help families sign up for the benefits.

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[89] US GAO (US Government Accountability Office). 2007. "Advance Earned Income Tax Credit: Low Use and Small Dollars Paid Impede IRS's Efforts to Reduce High Noncompliance." Washington, DC: US GAO.

[90] IRS. 2021 Child Tax Credit and Advance Child Tax Credit Payments — Topic H: Reconciling Your Advance Child Tax Credit Payments on Your 2021 Tax Return. Last reviewed or updated June 8, 2023. https://www.irs.gov/credits-deductions/2021-child-tax-credit-and-advance-child-tax-credit-payments-topic-h-reconciling-your-advance-child-tax-credit-payments-on-your-2021-tax-return

At the state level, there are a number of considerations in designing a program that delivers a meaningful payment and is not overly onerous on filers or the state revenue department. A 2020 legislative working group[91] assessed the feasibility of periodic payments of state tax credits in Maine and their report raised the following concerns:

1. *Take up rates*: While income tax filing is a universal system, many low- income households, including many older Mainers with low incomes, do not file income taxes because their incomes are below the threshold at which filing a return is required. Unfortunately, this means these filers are not taking advantage of state and federal refundable tax credits that are available to them. The report estimates that only 72 percent of Mainers eligible for the sales tax fairness credit and 45 to 55 percent of Mainers eligible for the property tax fairness credit were receiving them. Even among those households that file income taxes, not all are filing the forms to receive the tax credits they are eligible for as only 60 to 70 percent of property tax fairness eligible tax filers were filing for the credit versus the high 90 percent take up rate among tax filers eligible for the sales tax fairness credit. The diversion of take up rates for these two credits is interesting because filers use the same form to apply for both of them. However, the sales tax fairness credit is simply a look-up table based on household size and income, whereas the property tax fairness credit requires a filer to provide additional information about their housing costs and landlord contact information if the filer is renting.
2. *Credit size*: Maine's existing credits, though several have been increased since the publishing of the working group's report, are relatively small. Most advanced periodic payment structures only allow half of the credit to be distributed in monthly payments to reduce the likelihood of overpayment. The report states that, at the time, the largest combined credit payment was around $1,800, although most households received less than this. Once this payment is reduced by half and then distributed in monthly or even quarterly payments, the payment amount is only a maximum of $75 a month or $225 a quarter.
3. *Accuracy of advanced payments*: This report explored consolidating three credits[92], each with their own eligibility criteria, to be distributed in periodic payments. This would entail estimating credit size for each of the programs with a projected income amount and would be subject to the sensitivity of each of the credits.
4. *Technological limitations*: At the time of the report, Maine Revenue Services' income tax filing system was working off decades-old software with limited functionality. The system was built to process a return and then close the case and was unable to keep a segment of tax returns 'open' to administer multiple disbursements throughout the year. As of November 2023, the state is onboarding a modernized income tax system and there may be more options for functionality, although it is

[91] Maine Working Group to Study Consolidation of Payment of Cost-of-living Tax Credits. Report & Recommendations. March 2020. http://lldc.mainelegislature.org/Open/Rpts/hj2330_c24_2020.pdf

[92] Earned income credit, property tax fairness credit, and sales tax fairness credit

likely that a periodic payment functionality would come at additional cost to be built into the system.

5. *Safety net interactions*: While federal periodic payments are exempt from income for safety net programs, a state periodic payment of a tax credit would be counted as income for some programs and could jeopardize a participant's eligibility in other benefit programs such as food, child care, and cash assistance. Some of these programs such as Temporary Assistance for Needy Families (TANF) and child care subsidies could be adjusted at the state level to exclude state tax credits from income. However, eligibility for food assistance would require a federal change to exclude periodic state tax credits from income.

Direct payment system

Maine issued three broad-based direct payments to residents under certain income thresholds in 2021, 2022, and 2023. The first was a $285 payment issued to individuals starting in November of 2021,[93] the second an $850 payment first issued in June of 2022,[94] and the third payment of $450 was issued starting in January 2023.[95] Married couples who filed joint returns each received a payment, doubling the benefit to these households.

To administer these payments, Maine Revenue Services queried their income tax database for filers with income below the eligibility threshold and turned their contact information over to the Treasurer's office. The Treasurer's office then printed and mailed checks to the roughly 850,000 eligible filers.[96]

State decision-makers chose checks as the method of disbursement for all three relief programs to maximize timeliness and accuracy of delivering the payment to the intended recipient.[97]

To increase timeliness of disbursement, the administration used information on hand to determine eligibility and disburse payment, rather than having a separate application process. The administration investigated the reliability and security of the on-hand information to ensure that an accurate payment could be made and reach the intended recipient.

[93] Maine Revenue Services. Disaster Relief payment FAQ. Updated May 27, 2022. https://www.maine.gov/revenue/check#:~:text=The%20Maine%20Disaster%20Relief%20Program,November%202021%20through%20April%202022.

[94] Office of Governor Janet T Mills. Relief Checks. https://www.maine.gov/governor/mills/relief-checks

[95] Office of Governor Janet T Mills. FAQs-Winter Emergency Relief Payments. https://www.maine.gov/governor/mills/energyrelief#:~:text=FAQs%20%E2%80%94%20Winter%20Energy%20Relief%20Payments,-Check%20Your%20Energy&text=What%20are%20the%20Winter%20Energy,high%20energy%20prices%20this%20winter.

[96] Office of Governor Janet T Mills. Relief Checks. https://www.maine.gov/governor/mills/relief-checks

[97] This information is summarized from an Appropriations and Financial Affairs work session on March 22, 2022

While direct deposit seemed to represent the speediest method of payment, only around half of Maine tax filers, or roughly 400,000, provide electronic payment information to Maine Revenue Services when they file their taxes and of these tax filers, around 50,000 had changed their bank information since the prior year, putting into question the reliability of the information since several months had passed since they furnished it to the revenue department. Additionally, some filers use paid tax preparers who offer immediate refund payment to their customers and then have the customers refund routed to the tax preparer as payment, so efforts would need to be made to comb out the filers who had electronic bank information on their forms that would route this new payment to their tax preparer instead of the taxpayer. Getting accurate electronic banking information is also of increased importance since it is impossible to retract payments made to the wrong account. Checks on the other hand can only be deposited or cashed by the addressed recipient and deliveries to outdated addresses can be forwarded to a new address or returned to the state where the administration can investigate a better address and attempt to resend payment.

The cost of printing and mailing checks cost the administration $1.3 million for each round of relief payments that were disbursed, costing about $1.50 per payment sent.[98]

Caregiver grant pilot program

Maine is using $5.1 million of its federal pandemic funds to administer a two-year pilot program for unpaid family caregivers. The Maine Jobs and Recovery Plan website reports

> Launching fall 2022, Maine's Office of Aging and Disability Services at the Department of Health and Human Services and the state's five Area Agencies on Aging will be providing Respite for ME Grants to family caregivers of people living with Alzheimer's Disease and related dementias. These $2,000 grants, funded by the Maine Jobs and Recovery Plan, will allow family caregivers to access respite care as well as other services not currently covered by existing programs. A portion of the total funding will support evaluation of this pilot program.

This program uses state-level planning, oversight, and payment disbursement; partnerships with local area agencies to market the program and accept applications; and a third-party program evaluator to assess the success of the pilot. Partnering with Area Agencies on Aging also allows eligible participants to learn of additional support services that are available to them outside of the pilot program. The state allocated the pilot's funding making $4.5 million available for direct payments to caregivers (which works out to

[98] The total estimate and number of payments sent was furnished by DAFS via email on September 5, 2023, MECEP calculated the cost per payment

2,250 grants), $450,000 for administering the program, and $150,000 for a third-party evaluation of the pilot project to be completed by January of 2025.[99]

Electronic Benefits Transfer system

Tens of thousands of Mainers already receive monthly benefits on automatically loaded Electronic Benefit Transfer (EBT) cards. These cards deliver nutrition assistance and TANF benefits on a monthly basis. The program was able to send additional benefits to families with children during the pandemic to increase food benefits by $40 to $120 per child per month to supplement food budgets for families who lost access to school meals.[100] The state queried the Department of Health and Human Services' Automated Client Eligibility System (ACES) database to automatically enroll SNAP-eligible families with children and also accepted applications for additional households who were not already enrolled or who the department missed in their initial assessment. The state was also able to send out additional heating assistance to TANF families in 2022.[101] DHHS identified 13,000 families benefiting from TANF and SNAP with heating costs as part of their expenses and loaded a one-time $800 benefit onto their EBT cards to assist in making ends meet through a winter with high heating costs.

Unemployment benefits

Maine also distributes unemployment benefits to thousands of Mainers each year, providing a monthly payment to stand in as income when working Mainers are between jobs. This system is funded through a payroll tax assessed on the first $12,000 in income for every employed person in Maine and benefits can only be used by Mainers who can prove they have lost work or hours. The unemployment system does not have worker-specific contact information and is not able to send out payments to unemployed workers without an application process. The system also receives some federal funding and has strict rules to make sure that money for the program is only used for unemployment administration. While there may be room for considering a similar system of a separate fund fed by a specific tax to fund income programs, the existing unemployment system would be difficult to animate into automated payments for those with employment files.

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[99] Maine P.L. 2021 Chapter 483 Part CC. http://www.mainelegislature.org/legis/bills/getPDF.asp?paper=SP0577&item=16&snum=130

[100] Maine Department of Health and Human Services. More than 150,000 Maine Children Benefit from Pandemic Food Assistance. September 12, 2023 https://www.maine.gov/dhhs/blog/more-150000-maine-children-benefit-pandemic-food-assistance-2023-09-12

[101] Maine Department of Health and Human Services. Mills Administration Delivers Heating Cost Relief to 13,000 Low-Income Maine Families. March 2, 2022. https://www.maine.gov/dhhs/blog/mills-administration-delivers-heating-cost-relief-13000-low-income-maine-families-2022-03-02

Choice points for guaranteed income program design

While every pilot program is unique — operating at different scales, on different timelines, with different target demographics, and providing different levels of wrap-around services for recipients — they share key design choices, which contribute to their success. These include:

- Program scale and scope
- Program duration
- Payment amounts, frequency, and eligibility
- Funding sources
- Participant recruitment and involvement in design and implementation
- Interaction with existing programs
- Program administration
- Additional supports and services
- Evaluation

Each of these will be addressed in more detail in the sections that follow.

Program scale and scope

The number and characteristics of participants are key considerations in developing a guaranteed income program. While many proponents of unconditional cash advocate for a broadly available, universal program, absent much more substantial sources of funding, such an approach is cost-prohibitive.

Among existing pilot programs around the country, the number of participants ranges from 20 to 5,000 people. For research purposes, a larger pool of participants is better statistically as it allows the results to be more generalizable to the general population. Smaller participant pools may also be more acceptable for programs attempting to target impact to a specific population such as single mothers in poverty,[102] people who have been involved with the criminal justice system,[103] or immigrant survivors of gender-based violence[104]. Program designers can consider other characteristics including participant race, gender, and income. For experiments with broader eligibility guidelines, program administrators often randomly select recipients from a pool of eligible applicants, so the

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[102] ABC 7, "El Monte offering guaranteed income of $500 a month for low-income single mothers." March, 2023. https://abc7.com/el-monte-guaranteed-income-program-single-mothers-payments/13035532/

[103] ABC News, "Guaranteed income experiment provides hope for formerly incarcerated." February, 2022. https://abcnews.go.com/US/guaranteed-income-experiment-hope-incarcerated/story?id=83046091

[104] Tahiri Justice Center, "Project Empower: A Guaranteed Income Program for Survivors of Gender-Based Violence." February, 2023. https://www.tahirih.org/news/project-empower-a-guaranteed-income-program-for-survivors-of-gender-based-violence/

income provided by these pilot programs is not even necessarily "guaranteed" to everyone who meets the eligibility requirements.

Program duration

The time period over which payments are distributed is another important choice point. On one hand, longer time horizons provide more stability to recipients and can better illustrate the impacts for families of being able to rely on steady, unconditional income for the foreseeable future. If the payment period is too short, such as only lasting a few months, then participants will not feel they can fully rely on this income and will not adjust their behavior accordingly. Instead, they may treat it as a one-time windfall, which may provide short-term improvements in financial security but likely won't empower them to change their lives in ways that are measurable over time. Another benefit of a longer-lasting pilot is that it would be easier to transition to a permanent program, as there would already be more durable infrastructure in place.

On the other hand, longer time horizons can balloon the cost of the program — both in terms of the amount paid to beneficiaries as well as administrative costs — and take longer for evaluations of the program to be published. Timely evaluations are integral to instilling confidence in a program as well as inspiring additional pilot programs to serve more communities. Recognizing this, most guaranteed income pilot programs distribute their benefits over the course of one to three years.

Payment amounts, frequency, and eligibility

Payment amounts can also substantially impact the sustainability of a program and outcomes for participants. Payment amounts that are too small will fail to meaningfully impact participants' sense of stability and empowerment or their long-term behavior. Having larger payments, especially payments that are sufficient to meet participants' basic needs, would allow researchers to examine people's behavior if they no longer needed to work to survive, but these payments would be exorbitantly expensive to administer widely at a state or even local level. Among the guaranteed income pilots currently being administered, benefit amounts range from $200 to $1,000 per month, with $500 per month being the most common. While these levels of funding are not enough to lift households of one above the federal poverty line,[105] they have still been shown to make a material difference in people's lives. Similarly, policy makers must decide upon frequency of payments. While many programs gravitate toward a monthly payment to help smooth incomes, other frequencies may be considered such as weekly, biweekly, or quarterly.

[105] U.S. Department of Health and Human Services, "HHS Poverty Guidelines for 2023." https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines

Beyond the specific payment amount, it is also important to vary the amounts based on household size or other factors. Where programs apply income limits in the eligibility process, we recommend using an income and household-size adjusted threshold for eligibility such as the federal poverty level, which means that larger families can have higher incomes than smaller families and still qualify for the program. We also recommend considering some flexibility in setting income limits to account for potential income volatility from one year to the next. For instance, the program could be designed such that once a participant is determined to be eligible, they automatically remain eligible for a period of multiple years instead of redetermining eligibility each year. Alternatively, participants who are enrolled in a guaranteed income could face looser *re*-eligibility requirements that allow them to have an income that is slightly higher than the eligibility standards for initial admission.

Funding sources

Pilot programs typically draw on a mix of public and private funding,[106] although some are strictly privately funded through philanthropic donors. Many municipal and county governments used federal American Rescue Plan Act funding for their pilots.

Drawing upon private funding, in addition to saving taxpayer funding for other community investments, also protects the eligibility of participants for other safety net benefits, such as SNAP, TANF, and housing assistance.[107] Because money from private sources can be more easily classified as a "gift," it is less likely to count as income when evaluating eligibility for safety net programs.

Despite the benefits that come from incorporating private funds into guaranteed income programs, this funding mechanism presents serious drawbacks to the state's ability to expand programs and serve more people. If states wish to attempt guaranteed income programs more broadly or on a more permanent basis, private funding would not be sufficient. Scaling guaranteed income up to meet the needs of a statewide population would almost certainly require identifying additional sources of public revenue as well as federal law changes to exclude guaranteed income from safety net eligibility determinations.

Given that income programs are designed to increase the economic security of low-income households, policymakers should consider revenue options that don't undo this objective. Researchers of basic and guaranteed income programs have proposed both progressive income taxes, meaning wealthier households pay more, and resource taxes such as a

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[106] USA Today, "Guaranteed basic income pilot programs are growing around the country, and community leaders are doing something about it." February, 2023. https://www.usatoday.com/story/money/2023/02/17/how-universal-basic-income-program-works/11263986002/
[107] New America, "Guaranteed Income and the Safety Net." September, 2021. https://www.newamerica.org/ca/reports/guaranteed-income-and-the-safety-net/

carbon tax and dividend schemes as viable funding options for income guarantees. A study from the Center on Poverty and Social Policy at Columbia University compared these two methods of finance and found that both alongside a guaranteed income program significantly reduced poverty rates.[108]

Participant recruitment and involvement in program design and implementation

The most successful guaranteed income pilots typically have dedicated communications capacity to assist with both recruiting participants into the program as well as publicizing the impacts the programs have on participants' lives and elevating their stories. Helping participants to share their stories counteracts common narratives in the U.S. surrounding who receives (or deserves to receive) cash benefits. By showing how the money is being used, pilot programs can help to defuse some of the stigma surrounding receiving cash benefits and help participants feel more empowered by financial support.

Involving participants in helping to shape the program can strengthen buy-in and impacts. As noted previously, women living within the communities included in the Magnolia Mother's Trust co-designed the program, making it an example of community-driven program design.[109] This informed the development of other program features including housing relocation assistance, job finding assistance, referrals to other social assistance services, and social connections to other mothers.

Interaction effects with existing programs

If the benefits received from guaranteed income cause a loss of access to public assistance programs, this may leave the participant worse off than before. To help navigate the complex interactions between guaranteed income and social safety net eligibility, many pilot programs have either provided counseling to participants on how the program may affect their eligibility for safety net programs; worked with state, local, and federal safety net administrators to ensure that cash received through the program is not counted as income for eligibility determination purposes; or developed a "hold harmless" fund to reimburse participants for the value of any public benefits they lost.

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[108] Robert Paul Hartley & Irwin Garfinkel. INCOME GUARANTEE BENEFITS and FINANCING: Poverty and Distributional Impacts. POVERTY & SOCIAL P OLICY BRIEF Vol. 4 No. 1 February 13, 2020.
https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61142a9fd9b75f33fe272df3/1628711594590/Income-Guarantee-Poverty-Impact-CPSP-2020.pdf

[109] Aspen Institute, "Centering the Margins: A Framework and Practices for Person-Centered Financial Security Policy." December, 2020.
https://www.aspeninstitute.org/wp-content/uploads/2020/12/2020_AspenFSP_Centering-the-Margins.pdf

Program administration

There are many examples of smaller pilots that are partially or mostly funded by private sources that can be run by municipalities or local community organizations, but scaling up an income program will require public governance to ensure that it is accountable, transparent, and sustainable.

It is also important to acknowledge that administrative burdens are experienced both by agencies who must undergo the staffing, rulemaking, and administration of programs, as well as by recipients who must demonstrate eligibility, contribute to the evaluation of a program, or have other demands of their time and resources to benefit from a program, such as check cashing fees for unbanked participants. Designers of guaranteed income programs would be well served to pursue a stakeholder-informed design process that not only includes intended program participants as suggested previously but also administrators and policymakers to understand the administrative landscape more fully.

A number of factors must be considered in developing a state-administered program. These include:

- **Administering agency identification**: A publicly funded guaranteed income program administered by the state would need to be housed in a state agency. Choosing the best fit, whether an existing agency or one newly created for the program, matters for how effectively the state administers the program and how participants experience it. The best agency to administer an income program is the one that has the closest relationship to the intended beneficiaries, consults stakeholders in program design, offers wrap-around services or partners with community groups who can, simplifies and streamlines the enrollment process, and securely delivers payments and to intended recipients without punitive measures against legitimate participants.
- **Application, enrollment, and information systems**: Guaranteed income programs come with the promise to cut through bureaucratic red tape and help recipients receive the assistance they need without onerous applications or frequent verification processes that have created barriers between traditional safety net benefits and those who need them. Using existing data collected from tax forms and other program enrollment data can help to save time for applicants and the staff that process applications. For this to occur, there will likely need to be significant upfront investment to ensure that available systems worked as intended and to develop new systems as needed. Ultimately, such systems should provide participants and administrators ease of access while protecting security of information and ensuring benefits reach the intended households.
- **Payment disbursal methods**: An essential function of an income program is the secure transfer of income to program participants. Allowing recipients to choose their payment method, and including options that meet the needs of people without

bank accounts will likely ensure that the maximum number of prospective participants are being reached.[110] A program must also build in support for unbanked participants to become established with a local credit union or other trusted banking institution as part of optional[111] wrap-around services if participants are interested. Additionally, any payment method should have strict consumer protections to protect against exorbitant fees that erode benefits.[112]

The most common payment methods are:

- **Checks —** Paper checks provide security that can help to reduce benefit theft and aid administrators to recover payments sent to the wrong address. The postal service will return the mail to sender if the address is incorrect, forward it to a new address if the recipient has registered a forwarding address, and recipients can only cash or deposit the checks if they are able to validate their identity as the addressed recipient. The downsides of paper checks are that they are more costly, can be lost, and recipients could face delays in payment and additional administrative cost of verifying and replacing lost payments would be added to the initial cost of the payment. As an example of costs, the 2021-2023 direct payments Maine sent out to residents cost $1.50 per check. Smaller programs would likely incur higher cost per check.
- **Direct Deposits —** Direct deposit, or electronic funds transfer, allows the administrator to deposit funds directly into the provided bank account of the recipient. As long as the administrator has reliable account information for the recipient, direct deposits are safe, secure, and significantly less expensive than printing and mailing paper checks. Many people find them more convenient than depositing checks, provided they have a bank account to use in the first place. The IRS reports that direct depositing costs only 10 cents per transaction, compared to more than $1 for each check they print and mail.[113] An income program in Maine would not benefit as much from economies of scale, so the cost to a Maine program might be slightly higher, but the relative affordability of direct deposit versus printed checks remains. Administrators would need to plan to securely collect and store account information.

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[110] U.S. Federal Reserve Bank, "Report on the Economic Well-Being of U.S. Households in 2022 - May 2023." May, 2023. https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-banking-credit.htm

[111] In keeping with the intent that income programs be unconditional, it is important that wrap-around services be optional, not coerced.

[112] Christina Gotfredson. Direct cash transfers best practices. Last Updated February 2022. Impact Charitable. https://impactcharitable.org/wp-content/uploads/2022/02/DCT-Best-Practices-Report-from-Impact-Charitable-shareable.pdf

[113] IRS. Get Your Refund Faster: Tell IRS to Direct Deposit your Refund to One, Two, or Three Accounts. Last reviewed or updated May 18, 2023. https://www.irs.gov/refunds/get-your-refund-faster-tell-irs-to-direct-deposit-your-refund-to-one-two-or-three-accounts#:~:text=Direct%20deposit%20also%20saves%20you,or%20add%20to%20your%20savings.

- **Reloadable Debit Cards** — The Federal Reserve Board monitors and reports to Congress annually on transaction fees charged for the use of government administered prepaid cards in federal, state, and local government-administered payment programs.[114] Fees, paid by the government administering the benefit program, are how card issuers make money on providing their cards. The Federal Reserve reports that the average fee amount for state and local governments is 1.1 percent of the total transaction value, meaning the state could expect to pay a card company about 1 cent for every $100 they transfer to program beneficiaries.[115] While pre-loaded debit cards are especially helpful for participants without bank accounts, they do present a challenge in paying for certain expenses such as rent that often cannot be paid with a debit card. Most cards, however, allow recipients to transfer the funds into their bank account if they have one, so this challenge can be worked around for participants with accounts.

Impact Charitable, a nonprofit that administers Denver's Basic Cash Assistance for Households Program, identifies several payment vendors that can disburse payments for cash transfer programs including Aidkit, Community Financial Resources, Hyperwallet, MyPath, and US Band Focus card. Many of these services load payments onto individualized payment cards for recipients, functioning similar to EBT cards for food assistance and other programs, although the funds are not restricted to certain purchases.[116]

- **Compliance and accountability**: There are some commonsense protections that can be added to ensure that benefits are reaching those for whom they are intended. Impact Charitable suggests the following strategies to detect and prevent fraud:[117]
  - "Perform periodic spot checks of data captured during enrollment.
  - Conduct independent follow-up calls with recipients.
  - If mailing prepaid debit cards or checks, send a message via SMS to recipients asking them to confirm whether or not they received their cash payments. This can be a way to monitor incidences in which theft occurs.
  - If targeting a specific population, having an in-person enrollment process can help weed out those the program may not be designed for. Likewise, rather

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[114] Board of Governors of the Federal Reserve System. Government-Administered, General-Use Prepaid Cards. https://www.federalreserve.gov/publications/government-prepaid-executive.htm

[115] Board of Governors of the Federal Reserve System. REPORT TO CONGRESS Government-Administered, General-Use Prepaid Cards. October 2021. https://www.federalreserve.gov/publications/files/government-prepaid-report-202110.pdf

[116] Christina Gotfredson. Direct cash transfers best practices. Last Updated February 2022. Impact Charitable. https://impactcharitable.org/wp-content/uploads/2022/02/DCT-Best-Practices-Report-from-Impact-Charitable-shareable.pdf

[117] Christina Gotfredson. Direct cash transfers best practices. Last Updated February 2022. Impact Charitable. https://impactcharitable.org/wp-content/uploads/2022/02/DCT-Best-Practices-Report-from-Impact-Charitable-shareable.pdf

than asking simple “yes” or “no” questions on an enrollment form, ask more qualitative questions that may de-incentivize individuals from misrepresenting themselves. For example, a program in California targeting Black women chose to ask the question “How do you identify with being a Black woman?” rather than simply providing a dropdown of pre-selected options.”

Additional supports and services

Policy makers can offer guaranteed income participants *optional* services to optimize the benefits of guaranteed income and improve economic security. While helpful for clients, support programs often operate in silos, and navigators of one program may know very little about other programs that could benefit their clients. Therefore, the administrator of a guaranteed income program should help recipients understand and access the full network of services available to them. It is also important to consider additional funding for these programs, which do little to help guaranteed income participants if waitlists are prohibitively long.

Evaluation

Documenting impact and ensuring that guaranteed income programs are reaching intended beneficiaries and achieving intended outcomes is vital to program improvement and making the case for program continuation. The Jain Family Institute compiled the research and evaluation costs of pilots around the country and reported that the evaluation of pilot projects with a focus on research will require about 20 percent of funds dedicated toward research and administration. Smaller projects that focus more on story collection and describing the benefits of guaranteed income can be launched with less overhead. The Institute estimates that an end-of-program survey of 1,000 participants with an 80 percent response rate would cost about $80,000.[118]

Third-party evaluators can help ensure the use of appropriate methodologies and the validity of findings. This may be especially important for larger scale programs or novel program approaches. For example, Maine funded a $150,000 third-party evaluation of the caregiver grant program, though policy writers pursuing a specific income program or pilot should consult with evaluation firms to more accurately estimate evaluation costs.

[118] Jain Family Institute. US Guaranteed Income Toolkit. May 2021. https://jainfamilyinstitute.org/wp-content/uploads/pdf/jfi-u.s.-guaranteed-income-toolkit-may-2021.pdf

Expanding guaranteed income opportunities in Maine

As of September 2023, there is only one guaranteed income pilot operating in Maine, the Project HOME Trust.[119] The Project HOME Trust is giving 20 single mothers who have recently experienced homelessness or housing insecurity an unconditional $1,000 per month for one year and is funded with private philanthropic funds. Because the project has only just begun, it is too soon to know the impacts of this program, but the Trust expects to publish an evaluation of the program in the fall of 2024.

Another ongoing project in Maine does not provide regular income but instead offers periodic cash payments to participants as they have gaps in their budgets. Established with a $3.5 million donation, the Build HOPE Project at Maine Equal Justice, a nonprofit, civil legal aid and economic justice organization, supports parents with low incomes in completing post-secondary degrees or credential programs.[120] The program offers resources to support participants in the state-run Higher Opportunity Pathways to Employment (HOPE) and Parents as Scholars programs, offering additional cash resources to supplement the benefits of the state-run programs for parents. The program provided more than $530,000 in cash to more than 200 families in its first year.[121] Maine Equal Justice is collecting data on participant experiences with the program and an evaluation of the program is forthcoming.

Model guaranteed income programs in Maine

Taking guaranteed income to scale in Maine could deliver significant benefits to people and communities. Doing so requires a deeper understanding of options, choice points, and impacts as they relate specifically to Maine. With that in mind, we have chosen to model four programs to help identify issues and opportunities specific to Maine, the impacts each program could have, costs, and potential sources of funding.

Two of our model programs operate statewide and are meant to illustrate what guaranteed income could look like with every eligible household benefiting while two model programs target eligibility more tightly to illustrate what a pilot guaranteed income program operated through the state could look like on a smaller scale. We recognize that

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[119] Rachel Ohm. "A new program gives low-income Maine mothers monthly cash. Will it help lift them out of poverty?" August 1 2023. Portland Press Herald. https://www.pressherald.com/2023/08/01/a-new-program-gives-low-income-maine-mothers-monthly-cash-will-it-help-lift-them-out-of-poverty/

[120] Sara Gideon Donates $3.5 Million Dollars to Establish the Build HOPE Project at Maine Equal Justice. December 1, 2021. https://maineequaljustice.org/site/assets/files/2836/gideon_mej_release_12_1_21.pdf?fbclid=IwAR2EiNlstpIkZmsT6fKDWeqdvc8UP9sqxkDSdRkujgrsDKkyKz9MxdryZek

[121] Tom Krosnowski. "Build HOPE Project" helps Maine parents finish education. February 7, 2023. WABI5. https://www.wabi.tv/2023/02/08/build-hope-project-helps-maine-parents-finish-education/

implementing a *universal* income (available to every Maine household regardless of income or family status) would almost certainly be cost prohibitive and, for the statewide models, decided to illustrate two different methods of targeting participants based on poverty and income levels. Below is a summary of each of the models:

- **Statewide guaranteed income for households with children**: In the first model program, we target families with children and income under 300 percent of the federal poverty line ($75,000 for a family of three, $105,000 for a family of five). According to estimates from five-year data from the American Community Survey, about 65,000 Maine households would be eligible for this program.
- **Statewide guaranteed income for all households with low incomes**: The second model program is available to all households, but we target participants by income. Its beneficiaries would be households with income under 150 percent of the federal poverty line ($22,000 for a single household, $37,000 for a family of three, $53,000 for a family of five). An estimated 117,000 households would be eligible under these parameters.
- **Washington County guaranteed income**: The third model limits eligibility based on geography as well as income to households within Washington County with income under 200 percent of the federal poverty line. Washington County is the most economically distressed county in Maine according to the Economic Innovation Group[122] and has the highest proportion of households (45 percent) who cannot afford the fair market rent for a two-bedroom apartment.[123] We estimate 6,400 households would be eligible.
- **Foster youth guaranteed income**: The fourth model would operate statewide but be more tightly targeted to youth who aged out of Maine's foster care system within the previous year. Foster youth as a population would stand to benefit substantially from income support. Because many of them experience childhood trauma[124] and disrupted education,[125] foster youth have worse economic outcomes than youth with no experience in the foster care system.[126] Approximately one in five foster youth become homeless the moment they age out of the system.[127] Because only a

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[122] Economic Innovation Group, "Distressed Communities." Accessed 9/14/2023. https://eig.org/distressed-communities/2022-dci-interactive-map/?path=state/ME&view=county

[123] University of Southern Maine, "Availability of Workforce Housing in Maine." May, 2023. https://usm.maine.edu/shaw-innovation-fellows/wp-content/uploads/sites/406/2023/05/Workforce-Housing-in-Maine_Sturtevant-Curtis_Shaw-Innovation-Fellowship-8-May-2023-1.pdf#page=13

[124] ScienceDirect, "Cumulative adverse childhood experiences among children in foster care and the association with reunification: A survival analysis." March, 2021. https://www.sciencedirect.com/science/article/abs/pii/S0145213420305548

[125] https://youth.gov/youth-briefs/foster-care-youth-brief/challenges. Accessed 9/14/2023

[126] Children Now, "Employment and Youth with Foster Care Experience: Understanding Barriers and Supporting Success." June, 2022. https://files.eric.ed.gov/fulltext/ED622198.pdf

[127] News Center Maine, "Advocates call for more support to house youth aging out of foster care." April, 2023. https://www.newscentermaine.com/article/news/politics/advocates-call-for-more-support-to-house-youth-aging-out-of-foster-care-community/97-c4603639-633d-42b5-abdb-d82b99fd9cfe

relatively small number of foster youth in Maine age out of the system each year — we estimate about 67 per year on average between 2017 and 2021[128] — we do not target this program by income and instead propose it to be universally available to every recently aged out youth. This program, if paired with wrap-around services, could help connect foster youth with other economic supports, services which are reportedly underutilized by youth exiting foster care.[129]

While each model program targets a different population, they all share common design elements that are important to each program's success. When choosing benefit amount and duration, we selected $500 per month for two years (24 months). We chose this recognizing the trade-off between the stability that benefit amount/duration provides each recipient and the total program cost. We believe that $500 per month, while failing to fully cover the cost of a households' basic expenses, is enough to provide a meaningful amount of financial support to most households. Similarly, we believe based on evaluations of existing programs that two years is a long enough time window to allow participants to feel the income is stable and reliable and potentially impact their short- to medium-term planning and behavior, potentially opening up the gateway to spending more time caregiving, pursuing an education, or spending time searching for a better-paying job. Policymakers can increase the benefit amount and duration depending on resources available — making the program more reflective of a permanent guaranteed basic income program. But we would not recommend a cash payment of under $500 per month or a program duration of less than 24 months as this would make the program less effective and less illustrative of the impacts of a scaled-up program.

For the model programs, we also chose to make them available based on a household rather than a personal basis. This is primarily a concession to administrative convenience. Much of our tax system and social safety net operates on a household basis, and providing one benefit per household also allows the programs to reach more households. However, this decision comes with the trade-off of being less advantageous for larger households, who would receive a lower benefit per person than smaller households. When scaling these programs up, policymakers should consider making the benefit reflect the household's size — similar to how the CTC and EITC operate.

For the purposes of modeling, we also accounted for different approaches to program administration. For example, if Maine Revenue Services (MRS) were to administer these guaranteed income programs, their income starting point would be a tax filers' Adjusted Gross Income (AGI), which is often less than the income that is used in determining a

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[128] Annie E. Casey Foundation, "Children Exiting the Foster Care by Age Group in Maine." https://datacenter.aecf.org/data/tables/6274-children-exiting-foster-care-by-age-group?loc=1&loct=2#detailed/2/21/false/2048,574,1729,37,871,870,573,869,36,868/1889,2616,2617,2618,2619,122/13044,13045

[129] Children Now, "Employment and Youth with Foster Care Experience: Understanding Barriers and Supporting Success." June, 2022. https://files.eric.ed.gov/fulltext/ED622198.pdf

household's percent of the federal poverty level. Administering these programs through the tax code would cost significantly more as a result since more families would be eligible. Using household-based estimates consistent with how the Department of Health and Human Services administers their programs, 65,000 people would be eligible in the first scenario (for families and children) and 117,000 would be eligible in the second scenario (for all households). By contrast, based on estimates provided by the Institute on Taxation and Economic Policy (ITEP), using AGI through MRS, 95,280 tax filers would be eligible in the first scenario and 197,600 in the second. These differences result in significantly different cost estimates and are important to consider in program administration and design.

A more detailed summary of each of the models identified including cost estimates and summary impacts are included in the table that follows. After discussing various administrative choice points, we provide a summary of impacts and possible revenue sources for these programs.

Summary Table: Proposed Model Guaranteed Income Designs and Impact

Pilot description	Statewide guaranteed income for households with children	Statewide guaranteed income for families with low income	Washington County guaranteed income	Foster youth guaranteed income
Eligible population	Households with children earning under 300% FPL ($75k for family of 3, $105k for family of 5)	Households earning under 150% FPL ($22k for single household, $37k for family of 3, $53k for family of 5)	Households living in Washington County with households up to 200% FPL	Foster youth who age out of the state system within the past year (eligible time period may vary depending on available resources)
Population size	65,000-95,280 households	117,000-197,600 households	About 6,400 households	About 67 youth*
Benefit amount	$500/month	$500/month	$500/month	$500/month
Benefit duration	2 years	2 years	2 years	2 years
Benefit cost (total for both years)	$780 million to $1.14 billion	$1.4 billion to $2.37 billion	$76.8 million	$804,000
Administration cost**	$20 million to $40 million	$25 million to $50 million	$3.8 million to $7.7 million	$161 thousand to $362 thousand
Total cost	$800 million to $1.18 billion	$1.4 billion to $2.4 billion	$80.6 million to $84.5 million	$965 thousand to $1.2 million
Poverty impact	29,000 Mainers; 21% reduction in supplemental poverty rate	70,000 Mainers; 49% reduction in supplemental poverty rate	Unknown	Unknown
Equity impact	Would likely reduce income inequality within the state, particularly impacting groups most targeted by labor market discrimination	Would likely reduce income inequality within the state, particularly impacting groups most targeted by labor market discrimination	Would likely reduce income inequality within the county, particularly impacting groups most targeted by labor market discrimination	Children of color are overrepresented in Maine's foster care system and LGBTQ+ youth in the foster care system nationally — income supports to youth aging out of foster care would help alleviate impacts of discrimination these groups face

* To reach this number, we took the five-year average of 16- to 20-year-olds exiting Maine's foster care system each year as reported by the Annie E. Casey Foundation. Given that some of these youth would be exiting but not aging out of the system, we took the average and multiplied it by 75% to estimate the number of youth aging out of the system.

** We used administrative cost data from other pilot programs to come up with administrative costs as a percentage of total program costs. Given that the percentage of program costs dedicated to administration varied significantly by pilot, we have opted to include this in the chart as a range rather than one specific estimate. For the statewide programs, we used our estimates as laid out in the “Administrative Cost” section of the report and created a range of up to double the cost estimate. For the Washington County program, we used administration cost estimates of 5-10% of benefits distributed. For the foster youth program, we used administration cost estimates of 20-45%. It should be noted that in the pilot studies examined, administration costs often covered the costs of communications to recruit participants and publicize results, researchers to analyze results, and administrators to oversee the program and distribute benefits.

Administering guaranteed income for Maine

Administering agency

Several agencies could potentially administer a guaranteed income program. If the program is designed as an advanced tax credit similar to the how the expanded federal child tax credit was implemented in 2021, Maine Revenue Services (MRS) could be a good option for administration since all Mainers should file income taxes, though MRS would likely need to partner with other state agencies or community groups to consult stakeholders and administer additional services. To do so would require resolving limitations imposed by information-sharing rules that protect tax filer privacy.

For a broad-based program that functions outside of the tax code and more similarly to the Alaska Permanent Fund, the Office of the Treasurer might be a good fit, although the office faces similar challenges to MRS in consulting stakeholders and offering wrap-around services.

The Office of Family Independence in the Department of Health and Human Services (DHHS) is another option that is already administering programs for households with low income and work to enroll Mainers in various services for which they are eligible. Agencies like the Department of Labor that serve specific populations are likely to be ill-suited for a guaranteed income program, because it would require the agency to serve populations outside of their normal pool of clients to ensure that the program is unconditional and not based on work or some other categorical description.

Applications, enrollment, and information systems

MRS and DHHS are well-appointed to administer the application, enrollment, and database management of a guaranteed income program. A joint effort between MRS and DHHS could cover more ground in identifying eligible households and facilitating their enrollment in a guaranteed income program. For instance, DHHS would be better poised to reach participants who haven't filed their taxes in recent years, whereas MRS would have extensive income data on the majority of households who do file. Seeking consent to share data between agencies could help maximize outreach and take up rates as low-income households are less likely to file income taxes and many people who are eligible for safety net programs in Maine are not currently accessing them.

MRS has proven able to query tax forms to identify households by income and household size to deliver pandemic relief payments and could use a similar method to sort out tax filers who would be eligible for guaranteed income in Maine. At the time of the Maine working group's 2020 study on refundable tax credits, the MRS system was unable to send out sequential payments to tax filers, but the decades-old personal income tax system is scheduled for replacement and modernization in November of 2023 and is expected to gain improved functionality. Even if the new system isn't able to offer ongoing payments out of the box, having 21st century software and technology would make the project of developing a system capable of ongoing payments more technically approachable.

DHHS' Automated Client Eligibility System (ACES) keeps detailed contact and income information on over 300,000 clients. State administrators can query this system to allow for automated eligibility for programs and to send out letters to clients who are likely eligible for other programs, such as a spring 2020 letter encouraging clients to file their state income tax forms to gain access to refundable tax credits.

The demonstrated ability of these agencies to use their databases to create a pool of likely eligible households and additional efforts to securely share data between agencies with declared consent can optimize program awareness and take up rates. One can envision a system where MRS might share, with filers consent, information about those eligible for the income program with DHHS so that DHHS could share information on optional wrap-around services with participants. DHHS could also query their client income data and, in the months leading up to tax season, notify eligible clients to enroll into the income program by filing their income taxes. MRS and DHHS have recently started sharing data that could be useful in optimizing uptake for a guaranteed income program.

Beginning in tax year 2023, MRS will implement a checkbox on the personal income tax forms that allows low- and moderate-income filers to opt into being contacted by DHHS or the health insurance Marketplace about eligibility for enrollment in MaineCare or a subsidized Marketplace health insurance plan. The legislature appropriated $55,000 to MRS for the technology upgrades necessary to implement the checkboxes and to ensure accurate data could be gleaned for filers who opted in. It also included $3,850 in ongoing funds for MRS to collect and report household, income, and health insurance status data to DHHS and the Marketplace for tax filers who consent to the data being shared.

The legislature also authorized DHHS to share enrollment and income data with other agencies to increase eligible Mainers' access to heating and housing assistance, including the Low Income Home Energy Assistance Program (LIHEAP), and other programs that "promote the health and well-being of recipients of department services." The law requires that data only be shared with explicit consent of DHHS clients. It estimated the technology upgrades necessary for soliciting consent and querying and collecting the data stand at $1.2 million and would require an additional ongoing technology cost of $31,000 per year.

Administrative cost

To estimate administrative cost, we assume first that a statewide program is administered through the Maine personal income tax form with assistance from DHHS. DHHS would send out educational material on the program to their base of likely eligible clients prior to the tax season when enrollment begins and follow up with recipients who consent to receive more information on wrap-around services. Under this model, DHHS can enroll all recipients and have payments start at the same time, which would make an evaluation of the two-year program easier. Another model we consider is one in which DHHS is solely responsible for enrolling households into the program, which would likely happen on a rolling basis staggering the start times for households that cannot be automatically enrolled. We also consider the administrative models and costs of the smaller programs for Washington County and for foster youth.

Maine income tax form enrollment

The first model we consider starts with DHHS querying their client database to identify clients who would likely be eligible for the guaranteed income program. They would notify clients to file an income tax form to gain eligibility while also informing them of free tax preparation resources in their community who could help them file income taxes. We estimate the cost to mail at 75 cents per letter for up to 300,000 clients for a total cost of $225,000.

MRS would incorporate a table on the tax form to allow filers to know whether their AGI and household size would make them eligible for the program and create checkboxes to allow filers to select their preferred method of payment and to allow filer information to be sent to DHHS to follow up with navigator services for those interested. Since these changes are more extensive than the health insurance checkbox MRS will institute for the 2023 tax year, we estimate the cost would be about double, or a one-time technology cost of $110,000.

When policymakers add programs to the income tax, such as when Maine made the dependent exemption tax credit refundable,[130] MRS requests an additional position to audit the new program. The guaranteed income program would be no exception and we expect that one or two positions would be required to help MRS run the program at a cost of $150,000 to $250,000.

[130] An Act to Improve Economic Security for Maine Children by Establishing the Maine Dependent Tax Credit. LD 1544. 131st Maine Legislature. http://www.mainelegislature.org/legis/bills/bills_131st/fiscalpdfs/FN154402.pdf

MRS could then query tax filings to identify the households that have AGI below the poverty level threshold of the program. Using AGI rather than household income to determine eligibility would result in more families qualifying for the program. AGI is often lower than total income and a household may file as separate tax filers, breaking up that household income among multiple tax returns. We estimate 30,280 more households qualify for the statewide program for households with children and 80,600 more qualify for the statewide program for all low-income households when AGI is used as household income. We estimate the additional two-year benefit costs at $360 million and $1 billion respectively to cover these additional filers.

With tax filer consent, MRS would send information to DHHS on households interested in navigator services. DHHS could then be the hub to coordinate navigator services for interested households. If half of households check the box to be contacted, that would be roughly 50,000 and 100,000 households for each of the statewide models. DHHS would follow up with educational materials on available resources through a letter as well as following up with a call to help answer questions and connect households with the resources they are interested in. We estimate the cost of mailing and developing the educational materials and then following up with clients via phone to be $1.6 million to $3.1 million.

We also recommend increased funding for support and navigator programs to help the programs better absorb the increased demand created by the guaranteed income program. We estimate these costs at $15 million per year for two years.

DHHS administration

A guaranteed income program could also be administered solely through DHHS. DHHS has data on client income and family size, which they could use to automatically enroll Mainers already using DHHS services. MRS could pull a list of tax filers from the most recent tax year with AGI below the program's poverty threshold and alert eligible filers about the income program and how to sign up with DHHS or check automated eligibility. DHHS could also send a letter to their full client list to clarify who will be automatically enrolled and who will need to provide more information. This letter could include a method for automatically enrolled participants to opt in to being contacted about support and navigator services.

Clients not automatically enrolled, which we roughly estimate at two-thirds of those eligible for the program, would need to submit application materials to DHHS including proof of income. My Maine Connection, the DHHS client portal, would be a good option for building an online application. For processing these applications, we estimate it would take about half the cost of the caregiver grant program because applications would be centralized and electronic and because DHHS is already set up to process high volumes of applications. We estimate a processing cost of $100 per application to verify and enroll applicants.

Again, we estimate that half of households would opt in to being contacted about wrap-around services, which would be roughly 32,000 and 58,000 households for each of the statewide programs. DHHS would follow up with educational materials on available resources through a letter as well as following up with a call to help answer questions and connect households with the resources they are interested in. We estimate the cost of mailing and developing the educational materials and then following up with clients via phone to be $1 million to $1.8 million for the households with children and all households scenarios respectively.

We also recommend increased funding for support and navigator programs to help the programs better absorb the increased demand created by the guaranteed income program. We estimate these costs at $15 million per year for two years.

Washington County Program and Foster Youth Program

For the Washington County program, we based our cost estimates on an analysis of pilot programs around the country. The Washington County program would have an eligible population of 6,400 households. This is larger than the biggest pilot to date — Chicago Resiliency with 5,000 participating households and administrative cost of 5 percent of the program cost. We estimate the Washington County program administrative costs would equal five to ten percent of the benefits distributed. For the foster youth program, we used larger administrative cost estimates of 20-45 percent because the program is smaller and would require higher overhead costs. In the pilot studies examined, administrative costs often covered the costs of communications to recruit participants and publicize results, researchers to analyze results, and administrators to oversee the program and distribute benefits.

Our estimates for Washington County and foster youth programs fall to either side of the Maine caregiver grant program which has administrative costs of 12 percent of the total program cost. The caregiver grant program had funding to distribute 2,250 grants through local Area Agencies on Aging and budgeted $0.6 million of the total program appropriation of $5.1 million to be used for administration and evaluation of the program.

Payments

Paper checks would cost about $1.50 per mailing. Direct deposit would cost a tenth of what the mailed checks would cost but would require applicants to furnish reliable bank account information to the administering agency, which many current tax filers are hesitant or unable to do. (MRS reported that only about half of existing tax filers offer direct deposit information.) The cost of preloaded cards is about 1.1 percent of the value loaded on the cards.

Below is a table detailing the cost of providing each type of payment for each program we model. We include a range for the statewide programs to reflect the different number of households served depending on whether the program is primarily administered through the tax code or through DHHS. Ideally program administrators would offer options for recipients to be paid in a way that is most convenient to their circumstances.

Cost of delivering payment by payment type

Program description	Statewide guaranteed income for households with children*	Statewide guaranteed income for families with low income*	Washington County guaranteed income	Foster youth guaranteed income
Number of Households	65,000-95,280	117,000-197,600	6,400	67
Total Benefits	$780 million-$1.14 billion	$1.4 billion-$2.37 billion	$76.8 million	$804,000
Paper Checks	$2.34 million to $3.43 million	$4.2million to $7.1 million	$230,400	$2,400
Direct Deposit	$234,000 to $343,000	$421,000 to $711,000	$23,040	$240
Preloaded Cards	$7.8million to $12.6 million	$14 million to $26.1 million	$768,000	$8,040

Note: cost estimates assume 24 payments made over 2 years
*Estimates presented as a range. The lower values represent a DHHS-administered program. The higher values represent a MRS-administered program using AGI and tax filer households to determine eligibility, which results in more eligible program recipients.

Eligibility impacts to other safety net programs

As guaranteed income provides resources to families who are likely attached in some way to the social safety net, policymakers should take care to protect participants' eligibility for these programs. For instance, if receiving guaranteed income puts a family over the threshold for MaineCare eligibility, a cash payment of $500 per month is unlikely to cover the full value of the health benefits they've lost.

States can use a mixture of private and public funds and classify guaranteed income as a "gift," rather than regular earned income, allowing it to bypass the traditional eligibility evaluation mechanisms of many safety net programs. Guaranteed income program designers must coordinate with social safety net administrators at the federal, state, and local levels on this reclassification. The following information summarizes the landscape as of November 6, 2023, but it bears noting that these policies are subject to change and should be reviewed when designing a future program.

Federal level

Federal decision-makers set eligibility standards for Medicare, Supplemental Security Income (SSI), and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Because Medicare is almost universally available and the income eligibility for premium assistance is set so high,[131] any guaranteed income program targeted to families with low income is unlikely to impact households' eligibility for Medicare. However, the other two programs may require more effort to protect guaranteed income recipients' eligibility.

Unearned income, such as that received through guaranteed income, counts against SSI eligibility. Because of this, some SSI participants have chosen to opt out of guaranteed income programs. In other pilots, like Philadelphia, program administrators obtained a three-year waiver excluding the guaranteed income from SSI eligibility assessments. A working group within SSI's administrative department is exploring possibilities to remove benefits from guaranteed income pilots when determining SSI eligibility.

To protect guaranteed income program participants' WIC benefits, states like Maine[132] can use adjunctive eligibility — a provision that allows states to make women and children enrolled in TANF, SNAP, or Medicaid automatically eligible for WIC regardless of their income as determined by federal standards.

Should Maine move to a periodic payment system of state tax credits, rather than a lump sum one per year, this would count against recipients' eligibility for many safety net programs. States should work with the federal government to exclude these payments when evaluating eligibility for federal safety net programs. Maine could also enact a law similar to the one Vermont passed in 2023 requiring the state revenue department to begin implementing periodic payments for their tax credit programs as soon as the federal government removes its provision related to safety net eligibility.[133]

State level

State safety net administrators have the greatest amount of leeway when it comes to determining whether guaranteed income counts against social safety net eligibility. By classifying the guaranteed income as a gift, state administrators can ensure that recipients of guaranteed income remain eligible for many safety net programs, including the Low Income Household Energy Assistance Program (LIHEAP) and Low Income Household Water Assistance Program (LIHWAP), Medicaid, child care subsidies, SNAP, and TANF. Because of this, guaranteed income program administrators should work closely with state-level administrators, especially those in DHHS, to affirmatively protect the benefits of guaranteed income program participants.

For LIHEAP, LIHWAP, SNAP, and TANF, states have latitude to determine what counts as income for eligibility purposes. SNAP's definition of eligible income at the state level is

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[131] Healthline, "What Are the Medicare Income Limits in 2023?" November, 2022. https://www.healthline.com/health/medicare/medicare-income-limits

[132] Maine Department of Health and Human Services, "Who is eligible for the WIC Nutrition Program in Maine?" https://www.maine.gov/dhhs/mecdc/population-health/wic/applicants/am-i-eligible.shtml. Accessed 9/14/2023.

[133] Vermont General Assembly, "H.471." https://legislature.vermont.gov/bill/status/2024/H.471

linked to TANF's definition, so state administrators must explicitly state in their TANF plan of operation that guaranteed income is not counted as income. However, this mechanism is only allowed for programs that use a mix of private and public funds. States need a change at the federal level to allow a strictly publicly funded guaranteed income program to be removed from SNAP eligibility determinations.

For most Maine Medicaid recipients, DHHS excludes unearned income through gifts when determining eligibility. Any guaranteed income program for which benefits meet the IRS definition of a gift therefore will not impact participants' eligibility for Medicaid. An exception to this is Medicaid recipients who fall into the Aged, Blind, Disabled (ABD) Groups. In the case of these groups, unearned income is typically counted as part of eligibility determination in the month of receipt, and any saved unearned income is counted as a resource for any months afterwards. States can avoid ABD guaranteed income recipients losing their Medicaid benefits by amending their state plans[134] to include income protections for ABD groups.

Similar to the protections for ABD participants enrolled in Medicaid, states may also amend their child care plans[135] to explicitly protect the eligibility of participants in guaranteed income programs. States must submit their plans every two years but may be amended at any time.

Local level

Local administrators in Maine oversee general assistance programs that help individuals and families to meet their basic needs, as well as federal rental assistance programs, such as Section 8 housing vouchers. In the case of general assistance, municipal officials typically determine eligibility, and public housing agencies handle housing vouchers.

General assistance in Maine is typically short-term, lasting only a few months at a time, so although the impact to guaranteed income program participants would be minimal, program administrators can still work with municipal governments to exclude the guaranteed income in determining eligibility for general assistance to ensure that benefits are not reduced.

Public housing agencies can use permissive deductions[136] to take out guaranteed income from eligibility determinations. Similarly, public housing authorities can request a waiver from the Department of Housing and Urban Development (HUD) under the General Waiver

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[134] Medicaid Department, "Medicaid State Plan Amendments." https://www.medicaid.gov/medicaid/medicaid-state-plan-amendments/index.html. Accessed 9/14/2023.

[135] U.S. Department of Health and Human Services, "Approved CCDF Plans (FY 2022-2024)." June, 2023. https://www.acf.hhs.gov/occ/form/approved-ccdf-plans-fy-2022-2024

[136] U.S. Department of Housing and Urban Design, "Income Determination." June, 2020. https://www.hud.gov/sites/dfiles/PIH/documents/PHOG_Income_Determination_FINAL.pdf#page=33

Authority 4 CFR § 5.110. HUD considers these waivers on a case-by-case basis, and there is limited precedent for granting these waivers for participants in guaranteed income pilots.

Wrap-around services

Maine has many existing programs that can help augment participation and impact of a guaranteed income program. These programs help Mainers locate services including navigators to help with accessing housing and health insurance, employment services, free tax filing, and more.

Existing navigator and support services programs that should be considered as potentially complementary too or a direct program partner of a guaranteed income program include:

- Workforce Navigator Pilot Project
- Housing Navigators Pilot Program
- HOPE/Parents as Scholars Navigators - Jobs for Maine Graduates
- Maine Spark/Adult Promise Navigators
- Healthcare career navigation
- Immigrant Welcome Center/Good Shepherd Food Bank Navigators
- ACA Navigators
- Maine Community College System — Apprenticeship Navigator
- The Community Action Programs
- TANF/ASPIRE support services
- New Ventures financial counseling
- A variety of free tax filing services

Research and evaluation

As noted previously, program evaluation is important to ensure program effectiveness and potential opportunities for improvement. For smaller scale pilot projects, as much as 20 percent of funds set aside for program administration went to evaluation. For a statewide project at scale, we would anticipate the share of costs to be less than this amount but still a significant part of the overall administrative budget.

Impacts of model programs in Maine

Poverty reduction

One of the most sought-after impacts of guaranteed income programs is their ability to reduce short- and long-term financial hardship. While limited data make predicting long-term outcomes difficult, it is possible to estimate the direct poverty-reduction impacts of a program providing guaranteed income. MECEP worked with ITEP and the Columbia University Center on Poverty and Social Policy to estimate impacts of the various program models. The estimates identify the direct impacts of receiving $6,000 per year ($500 per month), however they do not account for possible changes in recipient behavior that impacts their earned income. Because the models assume no behavioral changes on the part of participants, they likely understate the medium- and long-term outcomes that model guaranteed income programs would have, especially on participants' health, safety, or family wellbeing. It is also worth noting that the Columbia analysis used the supplemental poverty measure, which takes into account more of the resources available to a family other than traditional income,[137] when determining poverty status.

In their **first model program** for households with children up to 300 percent of the federal poverty line, **Columbia researchers calculate that $500 per month would lift an estimated 29,000 Mainers above the poverty line and reduce the poverty rate in Maine by 2.1 percentage points (or a reduction of 21 percent from the current rate).** We estimate this program to cost between $800 million and $1.18 billion when including administrative costs, for an annual cost of between $28,000 to $41,000 per person lifted out of poverty.

Their **second model program**, for all households up to 150 percent of the federal poverty line, would **lift an estimated 70,000 Mainers above the poverty line, halving poverty across the state.** The estimated cost for this program would be between $1.4 billion and $2.4 billion, for an annual cost of between $20,000 to $34,000 per person lifted out of poverty.

Overall, the per-person-lifted-out-of-poverty cost for the statewide guaranteed income programs is roughly double the amount many states spend on corporate subsidies, which comes out to $12,000 per job created per year on average. However, some corporate subsidies reach up to $100,000 per job per year.[138] As mentioned earlier, it is also important to remember that the benefits of the program extend beyond lifting people above the income threshold for poverty and may produce more long-lasting benefits than just a temporary reduction in the official poverty rate.

If simple poverty reduction is the end goal, there may be other methods the State of Maine can pursue at a lower cost, though administratively more burdensome for both overseers and participants. Ensuring the existing social safety net reaches all eligible Mainers, for instance, would reduce overall poverty by 33 percent and child poverty by 44 percent.[139] This would put an additional $0.9 billion in the hands of Mainers, with much of the cost borne by the federal government. While guaranteed income would likely prove a useful

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[137] U.S. Social Security Administration, “The Supplemental Poverty Measure (SPM) and Children: How and Why the SPM and Official Poverty Estimates Differ.” 2015. https://www.ssa.gov/policy/docs/ssb/v75n3/v75n3p55.html

[138] Princeton Economics, “Evaluating State and Local Business Tax Incentives.” January, 2020. https://economics.princeton.edu/working-papers/evaluating-state-and-local-business-tax-incentives/

[139] Urban Institute, “What if Every Eligible Person in Maine Received Safety Net Benefits?” August, 2023. https://apps.urban.org/features/attis-benefits-full-participation/pdfs/Maine.pdf

solution in reducing or eventually eliminating poverty, it is but one instrument in policymakers' expansive toolbelt. However, guaranteed income may be in a better position to provide other benefits, both tangible (increased ability to pay off debt) and intangible (increased sense of agency from participants being able to choose how to spend their resources.).

Promoting equity

In addition to providing all eligible Mainers with a stronger financial floor, policymakers can use guaranteed income programs to advance racial and gender equity in the state. Mainers of color,[140] female Mainers,[141] and LGBTQ+ people nationally[142] (with statewide data unavailable) are paid less, on average, than their cisgender, heterosexual, white male counterparts. Therefore, any program that distributes cash to households with low income, even if that cash is not targeted by race, gender, or any other axis of oppression, will diminish the severity of these income gaps.

When it comes to the proposed program benefiting foster youth, this targeting would provide more acute equity benefits. Children of color are overrepresented in Maine's foster care system,[143] [144] and LGBTQ+ youth are overrepresented in the foster care system nationally,[145] so income supports to youth aging out of foster care would help alleviate the impacts of the discrimination these groups face. Providing a source of reliable income, even if only for a few years, could help provide some of the stability these youth need to access education, job training and certification, or other resources necessary to begin their careers and enjoy increased financial security throughout adulthood.

As noted before, program designers can vary the targeting details of a program to meet public policy goals. Discrimination comes from a variety of sources — in interpersonal

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[140] Maine Center for Economic Policy, "State of Working Maine 2020: Building A More Equitable Maine Would Help Working Families and Strengthen the Economy." November, 2020. https://www.mecep.org/wp-content/uploads/2020/11/State-of-Working-Maine-2020.pdf

[141] Maine Development Foundation, "Gender Income Equity." 2022. https://www.mdf.org/measures-of-growth/gender-income-equity/

[142] Human Rights Campaign, "The Wage Gap Among LGBTQ+ Workers in the United States." https://www.hrc.org/resources/the-wage-gap-among-lgbtq-workers-in-the-united-states. Accessed 9/14/2023

[143] Annie E. Casey Foundation, "Child Population by Race and Ethnicity in Maine." https://datacenter.aecf.org/data/tables/103-child-population-by-race-and-ethnicity#detailed/2/21/false/1095,2048,574,1729,37,871,870,573,869,36/68,69,67,12,70,66,71,72/423,424. Accessed 9/14/2023

[144] Annie E. Casey Foundation, "Children in Foster Care by Race and Hispanic Origin in Maine." https://datacenter.aecf.org/data/bar/6246-children-in-foster-care-by-race-and-hispanic-origin?loc=1&loct=1#2/21/false/2048/2638,2601,2600,2598,2603,2597/12993. Accessed 9/14/2023

[145] The Trevor Project, "LGBTQ Youth with a History of Foster Care." May, 2021. https://www.thetrevorproject.org/research-briefs/lgbtq-youth-with-a-history-of-foster-care-2/

interactions, in structured systems like education,[146] health care,[147] or criminal justice,[148] and from pervasive pop culture messaging[149] that highlights the ugliest stereotypes[150] of marginalized groups. Even discrimination outside of the traditional employment sector can have economic impacts. Being in poor health due to doctors not taking your claims seriously[151] makes it more difficult to show up fully and healthily in the workplace.[152] Similarly, internalizing negative messages from pop culture[153] can have an impact on mental health,[154] which can also depress the wages and productivity of afflicted people for years in the future.[155] While it is far beyond the scope of a guaranteed income program to address the myriad ways in which discrimination appears in our economy and society, providing a source of reliable income to any of the groups impacted by this discrimination would help offset the financial toll that economic and social disenfranchisement can take.

Guaranteed income programs will only promote equity if they reach the intended populations. For instance, the COVID-19 stimulus payments to households saw greater uptake rates among non-Hispanic white households than households of other races and ethnicities.[156] Similarly, Black, Hispanic, Asian, and Native households are more likely to lack a bank account relative to white households,[157][158] making it more difficult to reach them with cash payments through direct transfers. When designing guaranteed income

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146 National Education Association Today, "The School-to-Prison Pipeline: Time to Shut it Down." January, 2015. https://www.nea.org/nea-today/all-news-articles/school-prison-pipeline-time-shut-it-down

147 BMC Public Health, "Racism in healthcare: a scoping review." May, 2022. https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-022-13122-y

148 National Conference of State Legislatures, "Racial and Ethnic Disparities in the Criminal Justice System." May, 2022. https://www.ncsl.org/civil-and-criminal-justice/racial-and-ethnic-disparities-in-the-criminal-justice-system

149 Fenway Health, "New Study Shows Association Between Negative Media Portrayals Of Transgender People And Adverse Mental Health Outcomes." November, 2020. https://fenwayhealth.org/new-study-shows-association-between-negative-media-portrayals-of-transgender-people-and-adverse-mental-health-outcomes/

150 Very Well Mind, "Harmful Psychological Effects of Racial Stereotyping." https://www.verywellmind.com/harmful-psychological-effects-of-racial-stereotyping-5069394

151 National Library of Medicine, ""We're Not Taken Seriously": Describing the Experiences of Perceived Discrimination in Medical Settings for Black Women." March, 2022. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8893054/

152 National Library of Medicine, "Measuring Health-Related Productivity Loss." April, 2011. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3128441/

153 Healthline, "What Is 'Internalized Homophobia'?" June, 2022. https://www.healthline.com/health/what-is-internalized-homophobia

154 National Library of Medicine, "Internalized homophobia and internalizing mental health problems: a meta-analytic review." December, 2010. https://pubmed.ncbi.nlm.nih.gov/20708315/

155 Brookings Institute, "Lasting scars: The impact of depression in early adulthood on subsequent labor market outcomes." December, 2022. https://www.brookings.edu/articles/lasting-scars-the-impact-of-depression-in-early-adulthood-on-subsequent-labor-market-outcomes/

156 U.S. Census Bureau, "Examining Equity in COVID-19 Stimulus Payments." May, 2023. https://www.census.gov/library/stories/2023/05/examining-equity-in-covid-19-stimulus-payments.html

157 U.S. Federal Reserve Bank, "Report on the Economic Well-Being of U.S. Households in 2022 - May 2023." May, 2023. https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-banking-credit.htm

158 National Indian Council on Aging, "Native Households Have Highest Unbanked Percentage." May, 2021. https://www.nicoa.org/native-households-have-highest-unbanked-percentage/

programs, it is important to both ensure robust community outreach and engagement to pull in a diverse pool of participants as well as structure the payment systems in a way that can meet the needs of all participants, including those who may not have traditional bank accounts.

Paying for guaranteed income in Maine

Policy makers must find avenues to sustainably fund programs if they hope to bring them to life. In this section we consider progressive income taxation for household incomes as well as capital gains and dividends income, explore the revenue raising potential of resource extraction, and discuss the lack of evidence for program savings as a means for offsetting a guaranteed income program. As discussed in earlier sections, there might be a role for private funders, particularly in smaller pilot programs, to help shoulder the cost and mitigate impacts on safety net programs for recipients. The revenues sources below represent some, but not all, of the potential options when considering funding a statewide income program.

Progressive tax revenues

Tax codes that prioritize low taxes for high-income households and profitable businesses over the public goods and services that benefit all Mainers exacerbate inequality and cannot adequately fund crucial safety net programs. In this report, we look specifically at revenue sources to fund statewide guaranteed income programs that ask wealthier taxpayers, that have more to contribute, to pay more. While there are many proposals for funding guaranteed income programs that we do not cover in this section, the following are some of the most significant and widely considered options that could equitably raise resources roughly in line with what would be required for guaranteed income.

In Maine, the personal income tax, which applies larger tax rates as income increases, holds the largest progressive revenue raising potential. In fiscal year 2023, the personal income tax raised $2.5 billion, which was 46 percent of all general fund revenues.[159] Other taxes that proportionally ask more of wealthier households include the corporate income tax and estate tax, which raised $416 million and $34 million respectively in fiscal year 2023. Legislators should avoid revenue streams that proportionally ask more of low-income households than higher income households such as the sales tax. In Maine, the poorest 20 percent of households pay a share of their income toward sales taxes, nearly nine times more than what Mainers in the top one percent of incomes pay.[160]

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[159] Commissioner Kirsten LC Figeroa. Memorandum to Governor Janet T Mills. Revenues June 2023. August 22, 2023. https://www.maine.gov/osc/sites/maine.gov.osc/files/inline-files/2023-06-Revenue%20Report.pdf

[160] Institute on Taxation and Economic Policy. Maine: Who Pays? 6th edition. October 17, 2018. https://itep.org/whopays/maine/

We provide four scenarios that raise tax resources in the range needed to fund the guaranteed income programs proposed in this report. We illustrate the scale of tax rate changes necessary to achieve the revenue required to carry out the statewide proposals and the Washington County proposal. Policymakers could likely implement the foster youth proposal with existing revenue streams and private donations.

ITEP modeled the following proposals for MECEP in 2019 and MECEP adjusted them to reflect the 45 percent growth in income tax receipts between 2019 and 2023. In our modeling, we restrict tax increases to the top 20 percent of households by income to avoid counteracting the poverty reduction benefits of the income programs they fund.

Scenario one increases taxes on income derived from wealth. It applies a two or four percent surcharge on income over $250,000 for single filers ($500,000 for married households) that is derived from capital gains or dividends.

Scenario two keeps the existing tax rates and brackets while adding a fourth bracket at a rate of 10.25 percent on taxable income over $100,000 for single filers ($200,000 for married filers).

Scenarios three and four increase the existing top rate from 7.15 percent to 8.75 percent and 9 percent respectively and create a new bracket on taxable income over $100,000 for single filers ($200,000 for married filers) at a rate of 12.4 percent and 15.35 percent respectively.

State Income Tax Policy Options and Revenue Potential

	Income Tax Policy Options*	Revenue Raised (2-year period)
Current Law	5.8% Taxable Income less than $24,500 6.75% on taxable income $24,500 to $58,050 7.15% on taxable income $58,050 or more	
Scenario 1	Surcharge of 2-4% on dividends and capital gains above $250,000	$77 million-$154 million
Scenario 2	5.8% Taxable Income less than $24,500 6.75% on taxable income $24,500 to $58,050 7.15% on taxable income $58,050 to $100,000 10.25% on taxable income $100,000 or more	$588,339,911
Scenario 3	5.8% Taxable Income less than $24,500 6.75% on taxable income $24,500 to $58,050 8.75% on taxable income $58,050 to $100,000 12.4% on taxable income $100,000 or more	$1,165,628,454
Scenario 4	5.8% Taxable Income less than $24,500 6.75% on taxable income $24,500 to $58,050 9% on taxable income $58,050 to $100,000 15.35% on taxable income $100,000 or more	$1,751,932,587

*Brackets reflect amounts for single filers, income amounts are multiplied by 1.5 for head of household filers and multiplied by two for married households. For example, under current law, the first bracket applies a 5.8 percent tax on taxable income up to $24,500 for single filers, $36,750 for head of household filers, and $49,000 for married joint filers.

Resource extraction taxes

Policymakers can fund guaranteed income programs using progressive resource extraction taxes. Resource extraction taxes are progressive because they are paid by wealthy corporations operating the extractive business.

Maine cannot rely on oil extraction dividends as Alaska does, however the state does have a robust water aquifer and newly discovered lithium deposits that could provide tax resources to progressively fund guaranteed income programs.

In recent years, the Maine legislature has considered several options to tax lithium and water extraction and carbon emissions but, to date, has not passed legislation that would effectively tax natural resources. Nor would any of the options as proposed have provided the scale of resources necessary for a statewide guaranteed income program. However, in the case of carbon taxes in particular, the legislation proposed in 2019 represented a low tax rate for carbon emissions at only $5 per ton, and a higher rate of taxation could yield higher revenues. Canada, for example, is assessing a rate of $44 US dollars per ton in 2023 in 6 of its 13 provinces--the other provinces have alternate taxing schemes.[161]

Nevertheless, policymakers can consider resource extraction taxes that are designed to generate sufficient revenue and effectively assessed as a viable and progressive option to fund guaranteed income programs.

Recent resource extraction tax proposals in Maine

Resource Extraction Tax	Bill number/Year	Tax Amount	Revenue Expected to be Generated	Status
Mining	Established in 1987	0.005 percent of the value of all mining facilities and equipment or 0.9 percent of mining operations	Not generating revenue currently[162]	Enacted
Lithium Extraction	LD 1853/2023	increase the state's tax on mining proceeds from 0.9 percent to 10 percent and ensure that the tax applied to lithium	<$150 million*	Not Passed
Water	LD 1074/2019	12-cent per gallon on water extracted by water bottling facilities that extract more than 1.5 million gallons of water per year	$115 million per year	Not Passed
Carbon	LD 434/2019	$5 per ton tax on carbon emissions	$35.5 million per year	Not Passed

* A recent discovery of a lithium deposit in Maine valued at about $1.5 billion includes some of the largest lithium crystals ever found according to reporting from the Maine Monitor. If the entire deposit were extracted at 100 percent profit, the tax could bring in at most $150 million, though in

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[161] Carbon Tax Center. Canada's Federal Carbon Pricing Program. https://www.carbontax.org/where-carbon-is-taxed-overview/canada-british-columbia/#:~:text=The%20tax%20rate%20was%20raised,(US)%20per%20short%20ton

[162] Maine State Legislature Office of Fiscal and Program Review. State of Maine Compendium of State Fiscal Information. 54th edition. January 2023. Page 49. https://legislature.maine.gov/doc/10017

reality the revenues are likely to be much lower and spread across many years as extraction takes time and comes with significant costs.

Program cuts or savings

Some advocates of guaranteed income see the promise of replacing the safety net with cash benefits. However, there is not enough data to know the extent of expected long-term savings. Because guaranteed income has never been tried at a large scale or over a long period of time, it is impossible to conclusively say what the exact magnitude of impact guaranteed income would have on social safety net enrollment or expenditures. However, there is evidence to suggest that there could be considerable cost savings associated with an ongoing guaranteed income program. A Harvard cost analysis of social safety net programs found that many programs generate partial savings by increasing long-term financial stability among participants.[163] This is especially true for programs that decrease child poverty, most of which go on to pay for themselves from a budgetary perspective, according to the Harvard analysis. Because a permanent guaranteed income program, especially one done at the state level, would likely significantly decrease child poverty similar to the decrease caused by the 2021 federal CTC expansion,[164] it is likely that the program would also reduce long-term safety net enrollment.

While we expect there to be long-term savings as fewer Mainers experience and grow up in poverty, moving to fund a guaranteed income program with cuts to safety net programs would be premature. Furthermore, as many safety net programs benefit from shared federal funding, redirecting state funding for the safety net, which leverages federal dollars toward a fully state-funded program would mean a net loss of resources coming into Maine's economy.

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[163] Hendren, Nathaniel, and Ben Sprung-Keyser. 2020. "A Unified Welfare Analysis of Government Policies." Quarterly Journal of Economics 135 (3): 1209-1318.

[164] Brookings Institute, "The antipoverty effects of the expanded Child Tax Credit across states: Where were the historic reductions felt?" March, 2023. https://www.brookings.edu/articles/the-antipoverty-effects-of-the-expanded-child-tax-credit-across-states-where-were-the-historic-reductions-felt/

Conclusion

As a solution for Mainers to achieve greater economic security and personal well-being, the efficacy of an unconditional income solution is clear. Unconditional cash transfers in Maine, and basic income pilot programs across the country have shown that people's wellbeing can improve dramatically when they are given the resources they need to meet their needs and the autonomy to direct those resources to where they see fit. In addition to providing a boost to financial, health, housing, and educational security and opportunities, guaranteed income programs have the potential to advance equity across the board for the groups in Maine who have historically been economically marginalized and excluded from the benefits of economic growth and prosperity.

However, to achieve these goals, a guaranteed income program will have to be carefully designed to ensure that its design aligns with the needs of the population it is targeting.

The best guaranteed income program will be administered by an agency that maintains relationships with the people it serves, coordinates wrap-around services, minimizes barriers to enrollment, and ensures payments systems meet the needs of all participants. Critically, the optimal program will be informed by the experiences of stakeholders including beneficiaries and administrators. A prudent first step in creating a guaranteed income program in Maine is engaging participants and policymakers to explore how various administrative scenarios might result in the best solutions for Maine's greater good. Another critical step will be to identify revenue sources that can adequately fund a guaranteed income program without further straining the budgets of Mainers who are already struggling to get by. Progressive revenue sources that ask more of wealthier residents and corporations are key to designing a quality guaranteed income program.

A serious impediment to the scaling up of guaranteed income programs beyond privately-funded pilots is the current federal treatment of monthly payments. Currently, it would be difficult to administer a strictly publicly-funded guaranteed income program without jeopardizing participants' access to other safety net programs. The state will have to lobby Congress and federal safety net administrators to disregard guaranteed income payments, periodic tax credit payments, and any other regular payments from government sources from counting against people's eligibility for social safety net programs. In the absence of federal policy change, guaranteed income programs will have difficulty providing increased security to participants above what the current safety net already provides. Additionally, some state and locally administered programs would need adjustments to prevent participants loss of other safety net programs, though efforts are underway to pave the way for more flexible federal laws and regulations. Lawmakers and advocates would do well to continue to explore an optimal guaranteed income program to pave the way for a program here in Maine.