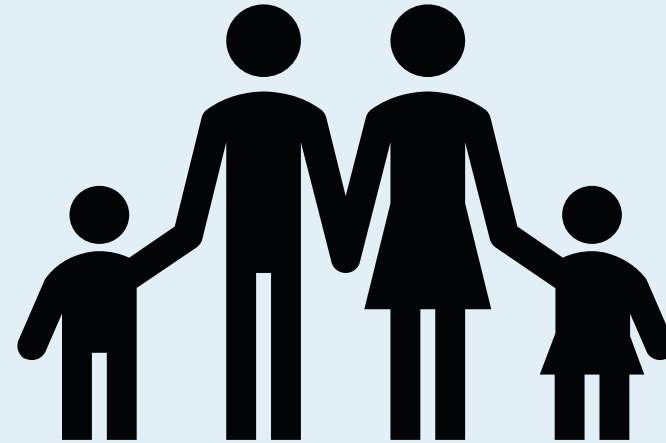
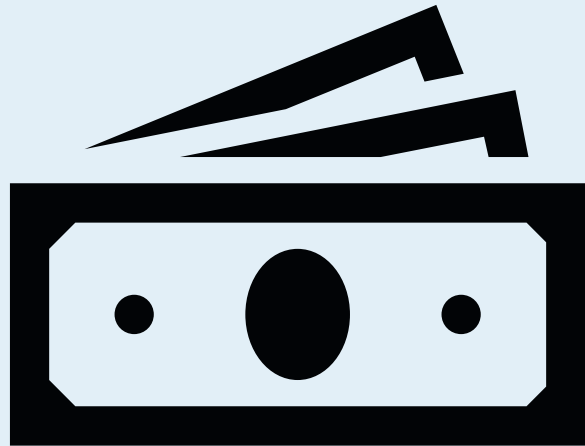
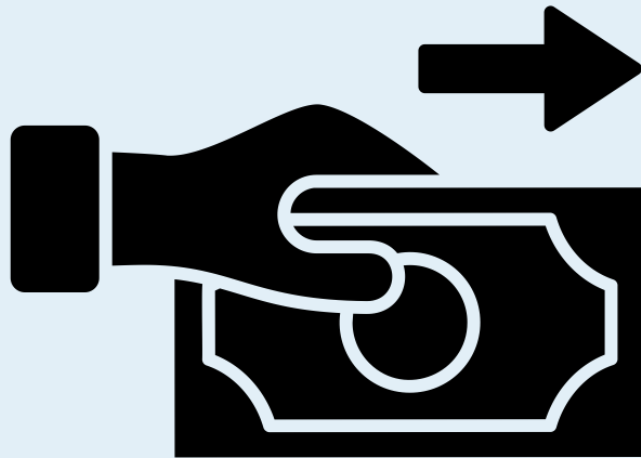


Direct Cash 101

THE RESILIENT FAMILIES HUB
OFFICE OF FAMILY ASSISTANCE
NOVEMBER 2024

What is Direct Cash?





What do we mean by direct cash?

When we use the term “**direct cash**” we’re talking about payments made *directly* to individuals or families, by either a government or non-profit organization, for the purposes of promoting economic stability and mobility at the household level.

What direct cash programs exist at the federal level?

TANF

Social Security Retirement

Tax Credits

Social Security Disability

Unemployment Insurance

FEMA Disaster Assistance

Recent direct cash innovations

Universal Basic Income*

Guaranteed Income*

Advance Child Tax Credits*

Child Allowance

Stimulus Payments

Cash Benchmarking

Predictive Emergency Cash
Transfers

Universal Basic Income

Under a **Universal Basic Income (UBI)** every citizen of a given geography, regardless of income, would receive a set amount of money on a regular basis, without a work requirement or other pre-conditions. Most envision a UBI as being equivalent to a basic minimum standard of living.

True UBI programs have not been implemented anywhere in the US or globally.





Universal Basic Income Features

- Every citizen or resident receives it – no means test
- Each recipient receives the same amount of money
- Benefit is unconditional
- In concept, benefit is enough to achieve a minimum standard of living



Universal Basic Income-ish

Alaska Permanent Fund: Since 1982, every Alaskan resident receives an annual payment of approximately \$1,000 - \$3,000, funded by oil revenues.

According to the APF, *“The annual payment allows Alaskans to share in a portion of the State minerals revenue in the form of a dividend to benefit current and future generations.”*

Universal Basic Income-ish

Alaska Permanent Fund Impacts:

- No effect on labor market participation, small increases in part-time work (Marinescu, 2022)
- Small, positive impact on birth weight (Chung, 2016)
- In the weeks after APF payment, small increases in substance-abuse incidents and small decreases in property crime (Watson, 2020)
- Reduces poverty by 2-3%; reduces poverty among children and among Alaska Natives by 1/3 (Berman, 2016)





Universal Basic Income-ish

Eastern Band of Cherokee Indians Per Capita Payments: Since 1996, members of the Eastern Band of Cherokee Indians of North Carolina receive biannual direct cash payments, funded by the tribe's casino revenues. Each tribe member (appx. 15,000) receives around \$10,000 per year.

Universal Basic Income-ish

EBCI Per Capita Impacts:

- No impact on labor supply (Marinescu, 2018)
- Increased educational attainment for children in the poorest households (Marinescu, 2018)
- Once they reached adulthood, children in families that received the benefit self-reported fewer mental health symptoms, fewer risky or illegal behaviors, and improved physical health and financial well-being compared to control group. Outcomes were proportional to the cumulative amount of cash the participants' families received. (Copeland, 2022)



Guaranteed Income

Guaranteed Income (GI) programs provide regular, unconditional cash payments targeted to low- and moderate-income households, to promote economic stability and mobility.

Since 2020 there have been more than 150 guaranteed income pilots throughout the U.S.





Guaranteed Income Features

- Recurring payments target based on income (most pilots target ~100%-300% FPL)
- The money is unconditional
- Payments are guaranteed – people do not lose the benefit if their other sources of income increase
- Most pilots designed to be person-centered, with streamlined application and administration

Guaranteed Income Impacts

- [St. Paul, MN](#): Statistically significant gains in employment, financial stability, mental health (West et al., 2023)
- [Stockton, CA](#): Reduction in income volatility, improved mental health, and increased time with family (West et al., 2023)
- [Magnolia Mother's Trust](#) (Jackson, MS): Increase in food security and access to medical care, reduction in debt and increase in savings, and improved outlook on the future
- [Baby's First Years](#) (New York, NY; Omaha, NE, New Orleans, LA; Twin Cities, MN): Increased brain activity at 1 year of age (Troller-Renfree et al., 2022)

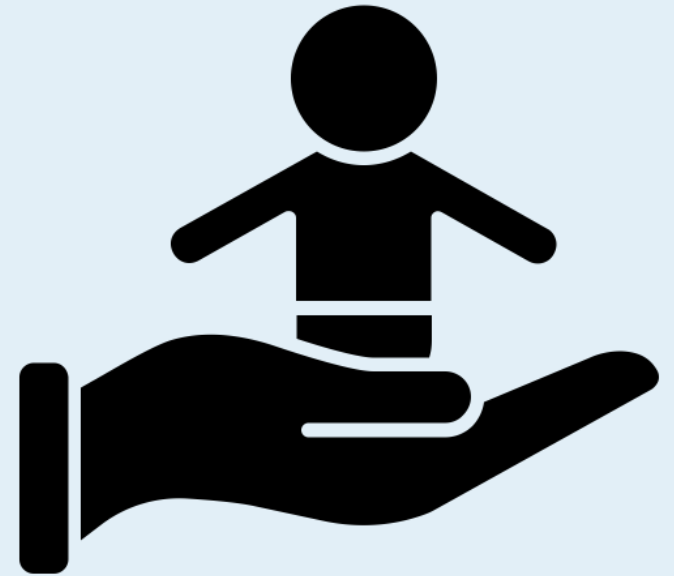


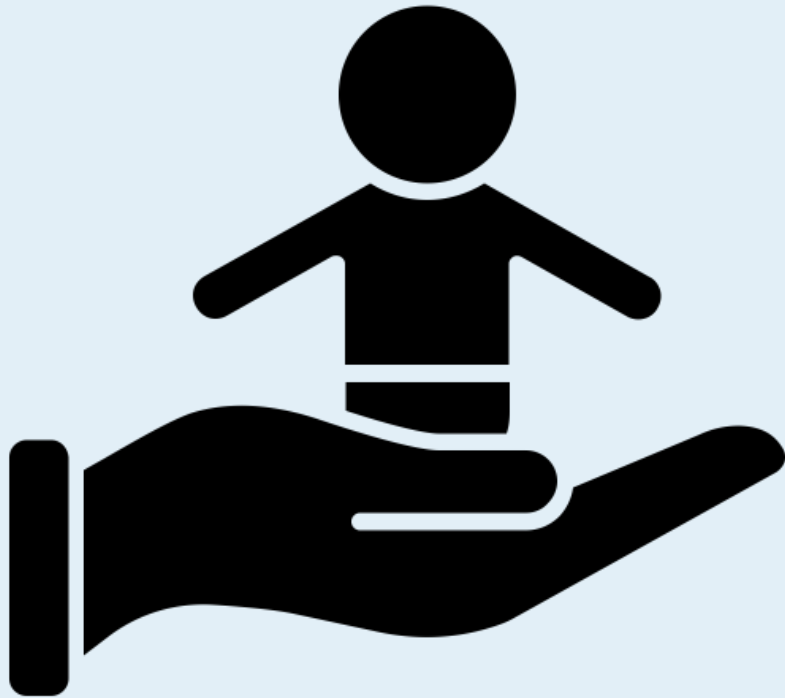
Advance Child Tax Credits

As part of the American Rescue Plan Act, the federal government provided **Advance Child Tax Credit (CTC)** in 2021. This temporary measure:

- made the credit fully refundable
- increased the value of the benefit
- provided the credit in advanced monthly installments, sending the money via direct deposit into households' bank accounts.

Some states are now creating new tax credits modeled after the Advance CTC.





Advance Child Tax Credits Features

- Unlike the traditional CTC, paid in advance monthly and fully refundable
- Delivered through the tax system, may miss people who are not required to file taxes
- Has an income cut-off for higher earners, but most households with children are eligible for some level of the benefit
- Value of benefit is reduced as income grows

Advance Child Tax Credit Impacts

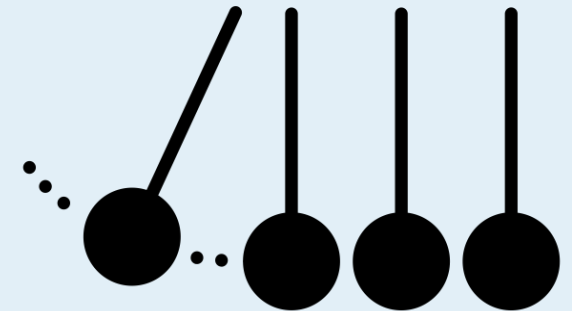
- No reduction in labor supply (Ananat, 2022; Enriquez, 2023; Karpman, 2022; Pilkauskas, 2022)
- Lifted 5.3 million people out of poverty, including an additional 2.1 million children, when compared to the standard CTC (Census, 2023)
- Reduced food insecurity and likely increased healthy eating and nutrition (Curran, 2022)
- Reduced income disparities among by race, between single-parent and two-parent households and between rural, suburban, and urban families (Wimer, 2023)
- Money most often spent on food, followed by bill payments, clothing, rent/mortgage, and education expenses (Curran, 2022)



Direct Cash Impacts

Research on new and existing direct cash programs finds:

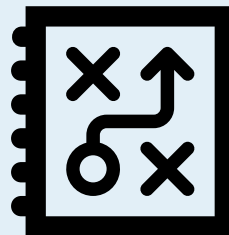
- No impact labor supply (Jones & Marinescu, 2018, Ananat et al, 2021)
- Money is spent on necessities (Stanford, 2020; Liebman et al, 2022)
- Reduces poverty, increases economic stability (West et al, 2020; Miller et al, 2016; Riccio et al, 2013)
- Reduces presence and severity of mental health issues (Marinescu, 2018)
- Positive outcomes for children in households that receive direct cash (Bullinger, Packham, & Raissian, 2023; Barr, Eggleston, & Smith, 2022; Copeland, 2022)



Direct Cash Impacts

Research on newer direct cash programs also suggests:

- Small increases in employment for some participants (Jones & Marinescu, 2020; Rojo, 2023)
 - Can afford childcare
 - No reduction in guaranteed income benefit if earned income increases
- Better relationships between household members and more time and resources devoted to children (West et al, 2024)



Recent Direct Cash Innovations of Note

- **Flint Rx Kids**: \$1,500 for every mom in the city during pregnancy, then \$500/mo for child's first 12 months of life. Paid for with TANF dollars and private funding.
- **California Guaranteed Income for Former Foster Youth**: CA is using state tax dollars to provide ~ \$1,000/mo to 300 former foster youth in two counties.
- **Minnesota CTC**: Fully refundable tax credit of up to \$1,750 per child for low- and middle-income families. State is making it advanced and recurring.
- **USAID Direct Monetary Transfers Position Paper**: USAID's policy position is that direct cash transfers should be a core element of its development toolkit.



**Insights for Government Officials:
Innovations and benefits interactions**

Design Innovations

Prioritizing Accessibility

- Mobile first applications paired with in-person assistance
 - Takes ~15-20 minutes to apply
- Multiple languages, streamlined application
- Leveraging existing data to reduce paperwork and applicant burden



Design Innovations

Prioritizing Accessibility Examples

Steady's Income Passport is being used by direct cash programs to verify identity and residency so that applicants do not need to resubmit documents. They can verify their income, identity, and residency all at once in under 10 minutes.



Code for America and the Treasury Department created GetCTC.org, which families could use to claim Advance CTC payments. The portal was free, mobile-friendly, available in English and Spanish, and took users about 20 minutes to complete.



Design Innovations

Program Integrity and Fraud Prevention

- Modernized and ever-evolving prevention tactics and systems nimble enough to deal with emerging fraud vectors powered by new tech like AI
- Deduplication to prevent granting benefit multiple times to same applicant
- Automated fraud controls paired with human reviewers produce most accurate and effective fraud prevention



Design Innovations

Program Integrity and Fraud Prevention Examples

AidKit pairs automated anti-fraud technology with human review and oversight to identify and remove fraudulent and duplicative applications. 

The system will flag two applications as duplicates if they list the same address and phone number.

A human reviewer will then distinguish if these are duplicate applications or if two distinct individuals who live together both applied for the program.



Questions?



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