

Date: March 15, 2021

To: Thomas B. Modica, City Manager 

From: John Keisler, Director of Economic Development 

For: Mayor and Members of the City Council

Subject: **Guaranteed Income and Public Banking Update**

At its September 1, 2020 meeting, the City Council, through agenda [item R-17](#), (1) directed the City Attorney to draft a Resolution in support of the universal basic income initiative established by the Mayors for a Guaranteed Income, as well as federal and state efforts to support residents disadvantaged by the COVID-19 pandemic; and, (2) directed the City Manager to seek grants and private foundation support to fund the pilot and to bring back specific grant approval to City Council, and report back to the City Council on progress of pilot development. The purpose of this memorandum is to provide an update of actions taken to date, and to outline proposed next steps for City Council consideration.

DISCUSSION

On September 8, 2020, the City Attorney presented agenda [item NB-23](#) including [Resolution No. 20-0116](#) supporting the Universal Basic Income initiative as well as Federal and State efforts to support residents disadvantaged by COVID-19. On the same night, as part of the FY 21 Budget Adoption process, the City Council [approved](#) the appropriation of \$100,000 from reserves for one-time support to hire an Economic Equity Specialist to address income inequality by exploring and supporting public banking and universal basic income. As part of this action, it was established the Economic Development Department (ED) would manage these one-time funds to advance the two initiatives through the Department's Workforce Development Bureau (Pacific Gateway), allowing Pacific Gateway to leverage existing funding and effort, avoid duplication, and move more quickly toward presenting options for potential full-scale implementation. Additionally, these funds, supplemented with federal grants, would be used to hire an Economic Equity Specialist. As the funding for this position is one-time in nature, the position would be eliminated once funding is depleted unless future federal grants or other offsets are identified.

Promoting Economic Inclusion

An important goal of the City 10-Year [Blueprint](#) for Economic Development is to create a more inclusive economy for all workers, investors, and entrepreneurs in Long Beach. Because the income gap continues to grow unabated and is more pronounced for people of color who earn less than their counterparts and neighbors, basic needs such as housing, healthcare, and transportation are becoming less affordable and attainable.

To make matters worse, the pandemic has been particularly hard on lower-wage, service sector employees, and economic research conducted by the City indicates that the economic recovery from the pandemic will be unequal for workers in different sectors—widening the economic gap. Though many impacted workers have received unemployment insurance benefits, rental relief, and other government support, those funds have fallen short of basic needs and will likely run-out

as the pandemic subsides and the economic recovery begins. One strategy for promoting economic inclusion is the establishment of a basic level of income to support individuals and households to meet basic needs such as food, shelter, transportation, and health care for their families.

Guaranteed Income

Guaranteed Income (GI) is an innovative approach to supporting people in a rapidly changing economy by providing a minimum amount of income to supplement the basic costs of living. There are several models with a variety of policies, procedures, and restrictions for the distribution and use of GI funds. Depending on the source of administration and funding, ongoing direct payments to individuals and families help offset basic living expenses so that program participants can pay for housing, food, healthcare, and transportation among other living expenses; so that they can work and care for their families without falling into poverty or lose their jobs.

A common overarching theme of GI programs is to lift working people and their families out of poverty over time and start to reduce economic inequalities that exist in communities where people live and work together but some cannot afford the basic cost of living. These supplemental payments can also take the cost burden off of local small business owners, who cannot afford to pay workers more to live in high-cost areas like Long Beach or Southern California. Supplemental GI payments can also provide the added benefit of stimulating the local economy by boosting access to discretionary spending for goods and services in the surrounding community.

Staff from the Economic Development Department (ED) have been working on the project plan for a GI pilot program since the beginning of the new fiscal (FY 21) on October 1, 2020. As a starting point, staff recommend this initiative would provide a review of the current state of GI programs in U.S. cities and provide a guide for the City to create its own framework. Staff recommend the following project components for immediate implementation in FY 21:

- Economic Equity Specialist: hiring an accountable person with expertise to coordinate, document, report, and deliver the work approved by the City Council.
- Research: conducting an industry scan of best practices and providing an analysis of policies and programs used to create a system of GI for the City.
- Community Working Group: identify and establish a local working group of experts to identify the needs, challenges, and solutions needed to create an effective program.
- Key Performance Indicators (KPI): developing recommendations for key outcomes—both individual and community—generated by existing GI policies and programs that can be used to assess effectiveness.
- Pilot Program: developing a local framework, including alignment of existing resources and integration of potential or forthcoming funds, to implement a GI pilot program in FY 21.
- Funding: identifying public or private funding for the initial pilot project as well as identifying sources of structural funding for ongoing program support beyond the pilot project.

Service delivery will be determined based upon available state and federal funding eligibility coupled with the infusion of any new grants or philanthropic resources. When possible, tracking

will occur through existing reporting infrastructure in Pacific Gateway with reporting designed to support the communication of any additional local metrics or outcomes requested.

Public Banking

In addition to the GI program approved by the City Council, a critical component of creating and sustaining financial security for both business owners and workers is the establishment of a bank for the benefit of the public. Although there are many different types of private, for-profit community banks available to residents and business owners—including credit unions, retail banks, and investment banks among others—there are few nonprofit or public banks accessible to Long Beach residents and business owners. The Public Banking Institute defines public banking as:

“...distinguished from private banking in that its mandate begins with the public’s interest. Privately owned banks, by contrast, have shareholders who generally seek short-term profits as their highest priority. Public banks can reduce taxes within their jurisdictions, because their profits are returned to the general fund of the public entity. The costs of public projects undertaken by governmental bodies are also greatly reduced. The mission of public banks is to respond immediately to assure the long-term prosperity of the community.”

As highlighted in the City Council action, staff proposes to achieve the following outcomes related to Public Banking in FY 21, led by the Economic Equity Specialist responsible for the GI project:

- Feasibility Study: evaluating the legal, financial, and administrative feasibility of establishing a public bank.
- Needs Assessment: reviewing the current service environment to identify needs or gaps in geographic areas or demographic groups in the community.
- Community Benefit Assessment: assessing the potential community benefits associated with such a bank.
- Financing: assessing potential funding sources—both public and private--available to establish and maintain a public bank.
- Working Group: identifying members of the community and banking industry to provide input, guidance, and recommendations for consideration by the City Council regarding the feasibility of a Public Bank for Long Beach.

In addition to the GI project plan described above, the work of the Public Bank Project will be led by the Economic Equity Specialist. Regular written reports and study sessions for the City Council will be scheduled to provide updates regarding the progress of the Public Bank Project.

Economic Equity Specialist

To lead both projects as described above, the City Council approved funding for the hiring of an Economic Equity Specialist. Consistent with the purpose of the GI and Public Bank projects to strengthen financial resiliency and economic inclusion for Long Beach residents, the Economic Equity Specialist will be positioned at Pacific Gateway and report directly to the Executive Director

to ensure the work is prioritized to meet the aggressive deadlines established by the City Council and coalesce with efforts around the Economic Recovery Strategy directed by City Council for implementation in 2021.

Advertising for the Economic Equity Specialist was conducted in late-2020, and interviews were completed in early-2021. We expect the selected candidate to start in April 2021. The selected candidate will be someone who recognizes historic and present-day drivers of inequity in the labor market and identify opportunities for City-led interventions to improve economic, political, and social equity. Capable of conceiving, designing, and executing a research and design agenda, the Economic Equity Specialist will provide leadership with data-informed recommendations and context for shaping go-forward recommendations connected to the City's Economic Recovery Strategy for those residents most impacted by the economic forces of COVID-19. Once approved by the City Manager, the appointment of the Economic Equity Specialist will be made public.

To support the Economic Equity Specialist, a portion of the one-time funding will be used to pay for a Data Scientist to assist with the data collection, measurement, and analysis of the various case studies that are identified as important for informing recommendations about a successful GI program in Long Beach, consistent with the goals and objectives of existing economic strategic plans.

EQUITY LENS

Given the initial phase of this project will be focused on research, outreach, and community engagement to develop recommendations for a pilot program, the Economic Equity Specialist will utilize strategies from the City's Equity Toolkit (Toolkit) for community engagement, data collection, and analysis. As highlighted in the Toolkit, the basic principle underlying community engagement and listening is the belief that systemic racism is best addressed by the people most impacted by the systems of exploitation. Therefore, the communities most in need who the pilot program is intended to support, will be at the forefront of policy and systems to address change. Additionally, to represent the experiences, needs, and voices of the community, the Economic Equity Specialist will work with a Community Working Group of trusted community leaders to share research, identify insights, and design recommendations that address equity across racial, ethnic, gender, age, and geographic intersections. The Economic Equity Specialist will follow two distinct community engagement mandates: community listening sessions and stakeholder convenings.

FISCAL IMPACT

As part of the FY 21 Adopted Budget, the City Council approved \$100,000 to hire an Economic Equity Specialist, to be funded from General Fund reserves. While developing the full pilot program is anticipated to require a moderate to significant impact on staff hours beyond normal budgeted scope of duties, it is anticipated that the research and development phase of the project is sufficiently funded. Additional fiscal impact, including impact on staff time and City Council priorities, of the implementing the Universal Basic Income program will need to be identified and brought back to the City Council prior to proceeding with any pilot program.

NEXT STEPS

The work on this project began October 1, 2020, with the start of FY 21. Staff are working closely with partner departments to secure the required approvals to hire the Economic Equity Specialist, Data Scientist, and third-party consultants who will be needed to structure and implement this project. It is anticipated that the hiring process for staff members, procurement process for expert consultants, and the initial research will be completed in the first quarter of 2021.

For any questions regarding these matters, please contact John Keisler, Economic Development Director, at john.keisler@longbeach.gov or (562) 570-5282.

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