

Date: July 7, 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 Pilot Program Update**

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On September 1, 2020, the City Council approved a [recommendation](#) to: (1) request the City Attorney to draft a Resolution in support of the universal basic income initiative established by the Mayor for a Guaranteed Income Pilot Program, as well as federal and state efforts to support residents disadvantaged by the COVID-19 pandemic; (2) request the City Manager to seek grants and private foundation support to fund the pilot and to bring back specific grant approval to the City Council; and, (3) report back to the City Council on progress of pilot development. The purpose of this memorandum is to provide the City Council with an update of actions taken since the last written [update](#) on March 15, 2021 and to outline proposed next steps for City Council consideration.

## Background

On September 8, 2020, the City Attorney presented agenda [item NB-23](#) including [Resolution No. 20-0116](#) supporting the Universal Guaranteed 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 that 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.

The following project components, described in the previous update to the City Council, were identified 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 Guaranteed Income (GI) for the City.
- [Community Working Group](#): Identifying and establishing 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.

Much of the work directed by the City Council has been accomplished since the last update. The following section provides summary updates for each of the GI program components listed above.

### *Economic Equity Specialist*

In April 2021, after an extensive interview process, the City announced the hiring of the Economic Equity Specialist (Specialist) responsible for coordinating and delivering the GI pilot program directed by the City Council. The selected candidate was someone with extensive experience in developing and directly delivering economic support programs and income generation strategies for low-medium-income (LMI) individuals and households. After conducting a literature review of GI programs, the Specialist worked with City leadership to identify members of the Community Working Group (Working Group) that would help to develop recommendations for a local GI pilot program that seeks to address the unique needs of the Long Beach community.

### *Community Working Group*

In April 2021, the Working Group, composed of eight representatives selected for their extensive background in the Long Beach community, began its review of more than two dozen GI pilot programs from other municipalities that have either launched or are in planning stages for roll out of their own GI programs. Over the course of five bi-weekly meetings, the Working Group members reviewed and discussed in-depth the impact and investment of these program as through detailed analysis of GI program studies, research questions, participant selection criteria, control and treatment groups, outreach and marketing, self-application, and income distribution processes.

### *Research*

The Working Group was supported in each meeting by academic researchers and educators from the Office of Economic Research at California State University Long Beach (CSULB) who provided requested data and subsequent analysis for Working Group review. The Working Group also reviewed data provided by the City of Long Beach Health and Human Services Department (HHS).

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Given the focus of GI programs identified by the City Council, the Working Group focused its research on Long Beach households hardest hit economically by the recession caused by the COVID-19 pandemic, including the composition of households and family income in five targeted Zip Codes. The following data was provided by CSULB and is based upon the U.S. Census Bureau's American Community Survey from 2015-2019.

Table 1: Household Income in Five Most Impacted Long Beach Zip Codes

	90804	90805	90806	90810	90813	Long Beach
Number of Households	14,955	27,354	12,788	9,400	17,192	<b>166,813</b>
Median Household Income	\$52,948	\$50,914	\$54,437	\$60,227	\$38,449	<b>\$63,017</b>
Households Earning < \$50k (%)	46.4%	49.0%	46.6%	41.5%	61.3%	<b>39.8%</b>
Households Earning < \$50k (#)	6,942	13,390	5,964	3,902	10,534	<b>66,458</b>
Number of Families	7,886	20,653	8,917	7,550	11,619	<b>99,501</b>
Median Family Income	\$52,860	\$52,756	\$56,741	\$63,193	\$39,407	<b>\$85,837</b>

Table 2: Household Composition in Five Most Impacted Long Beach Zip Codes

	90804	90805	90806	90810	90813	Long Beach
Families	7,886	20,653	8,917	7,550	11,619	<b>99,501</b>
Married with Children	2,008	6,124	2,721	2,012	3,100	<b>27,853</b>
Single with Children	1,961	4,517	1,618	1,058	3,387	<b>17,174</b>
Single Female with Children	1,476	3,638	1,184	812	2,272	<b>12,692</b>
Other Families	3,917	10,012	4,578	4,480	5,132	<b>54,474</b>

Table 3: Families in Poverty in Five Most Impacted Long Beach Zip Codes

	90804	90805	90806	90810	90813	Long Beach
Families in Poverty (%)	14.7%	16.9%	16.5%	12.3%	23.7%	<b>12.3%</b>
Families in Poverty (#)	1,161	3,480	1,472	932	2,757	<b>12,219</b>
Single Headed Families with Children in Poverty (#)	590	1,940	840	475	1,553	<b>6,407</b>
Single Female Headed Families with Children in Poverty (#)	431	1,677	740	333	1,223	<b>5,132</b>

*Key Performance Indicators*

After extensive review of Long Beach-specific research, the Working Group identified a number of Key Performance Indicators (KPI) to focus the development of recommendations about the GI pilot program. The following section provides a summary of the KPI recommended by the Working Group for City Council consideration:

- COVID-19 Impacts: Data provided by HHS showed the highest concentration of COVID-19 cases occurring in the five Zip Codes of 90804, 90805, 90806, 90810, and 90813.
- Median Household Income: Though the Median Family Income in Long Beach exceeds \$85,000, all household incomes in the targeted Zip Codes fall well below that with income in 90813 being less than half of the citywide median.
- Impact: More than half of all families residing in Long Beach live within the five zip codes most impacted by COVID-19. The Working Group then turned to looking at the number and percentage of families in poverty.
- Poverty: According to the analysis, 80 percent of all Long Beach households living in poverty reside within the five targeted Zip Codes. The highest concentration of poverty is found within 90813 - as close to one out of every four families fall within the United States Department of Health and Human Services Federal Poverty Level Guidelines.

After establishing KPI to guide the GI pilot program design, the Working Group recommended four possible formats for GI pilot program participant selection criteria. The chart below summarizes these recommended selection criteria and include the total number of potentially eligible participants/households described as the “Pilot Impact Percentage,” which is derived from dividing a potential for up to 250 households provided direct cash payments by the number of Zip Code eligible.

Table Four: Selection Criteria and Potential Pilot Impact Percentage

Selection Criteria	Zip Code Eligible	Pilot Impact Percentage
All Families in Poverty Living in Highest COVID-19 Impacted Zip Codes (90804, 90805, 90806, 90810, 90813)	9,802	2.6%
Single Headed Families in Poverty Living in Highest COVID-19 Impacted Zip Codes (90804, 90805, 90806, 90810, 90813)	5,398	4.6%
All Families in Poverty Living in COVID-19 Impacted Zip Code 90813	2,757	9.0%
Single Headed Families in Poverty Living in COVID-19 Impacted Zip Code 90813	1,533	16.3%

As the chart reflects, a GI pilot program serving possibly as many as 250 households would directly impact only 2.6 percent of all families living in poverty in the five targeted Zip Codes.

By focusing the GI pilot program on the 90813 Zip Code and specifically focusing the direct payments on households in poverty led by a single income earner (Single Headed Families in Poverty), the pilot could impact more than 16 percent of all families in poverty residing within that Zip Code.

### *Funding Sources*

In addition to the initial funding of \$100,000 allocated by the City Council in September 2020, staff have been exploring potential funding sources to support the GI pilot program. The following section discusses potential funding sources - American Rescue Plan Act and the recently adopted California State Revised Budget - for City Council consideration.

#### American Rescue Plan Act (ARPA)

On March 16, 2021, the City Council approved a recommendation as part of the Proposed Long Beach Recovery Act (LBRA) to fund a Guaranteed Income Pilot Program. Included in that recommendation was the allocation of \$2,000,000 of anticipated [H.R.1319 American Rescue Plan Act of 2021](#) (ARPA) grant funding for “Direct Income Pilot Programs to help our community meet basic needs and increase the potential for economic stability and advancement.”

After initial review of ARPA interim guidelines, GI pilot program elements included in the City Council recommendation appear to be consistent with the goals, objectives, and eligible uses of the ARPA to “provide a wide range of assistance to individuals and households, small businesses, and impacted industries, in addition to enabling governments to rehire public sector staff and rebuild capacity,” including:

- Delivering assistance to workers and families, including aid to unemployed workers and job training, as well as aid to households facing food, housing, or other financial insecurity.

Consistent with the summary of eligible uses described above, the following section provides a summary of the priorities and policy goals of the GI pilot program approved by the City Council that staff believe are eligible to be funded with federal ARPA grant funding. The \$2,000,000 was an initial estimate based on the ARPA funding believed to be available at the time. That amount has recently been revised by the federal government and a revised spending plan will be released in July. It is still expected that significant dollars will be available through the Recovery Act for a GI pilot program.

#### State of California Revised Budget

On May 14, 2021, Governor Newsom released the May Revision to the FY 22 State Budget. Totalling \$267.8 billion, the Revised Budget builds on a national record-setting budgetary surplus of \$75.7 billion and \$27 billion in direct federal relief ARPA. The Revised Budget assumes \$175.9 billion in General Fund revenues and \$196.8 billion in General Fund expenditures, representing substantial increases of \$17.6 billion in revenues and \$32.3 billion

in expenditures compared to the Governor's January Proposed Budget, with \$24.4 billion set aside for reserve accounts to bolster longer-term fiscal resiliency.

Additionally, the Revised Budget includes \$35 million in General Fund over five years to support local Universal Basic Income pilot programs. These pilot programs would be city or county administered, require a local-match commitment, and benefit low-income Californians. This investment could help expand the LBRA investment for a City GI pilot program.

### *Pilot Program*

In addition to the direct payments to Single Headed Households living in poverty, the Working Group also recommended several other support resources that should be included in a GI pilot program. These support services were identified as important uses of direct payments from other GI program participants and are summarized below:

- Digital Inclusion: Identify resources through LBRA or other programs to provide digital literacy, devices, internet connections, and cellular phones to connect program participants with resources that boost health and income opportunities.
- Public Transportation: Partner with Long Beach Transit or other public transportation agencies to provide subsidized transportation to work, education, or other services.
- Healthcare: Work with HHS to identify health support services available to households in the GI pilot program.
- Workforce Support: Partner with Pacific Gateway to provide career consulting, job placement, education, certification, or other training to help boost income.
- Childcare: Provide free or subsidized childcare to program participants to allow for more available hours to work and generate income.

The following is a summary of the recommended GI pilot program and timeline for City Council consideration based on Working Group input and City Manager review:

- Direct Payments: The initial allocation funded by LBRA could provide up to 250 participants with \$500 per month for 12 months.
- Participants: Program participants will be Single Headed Households with incomes below the poverty line.
- Geographic Focus: Direct payments should focus on the highest concentrated area of family poverty within the targeted five Zip Codes, which is in 90813. This will allow for the greatest potential for community impact and will provide documentable results that can be included within the national experiment and research currently underway

throughout the United States. If additional matching funds are secured, the Working Group recommends expanding the GI pilot program to other high-need Zip Codes to promote scalability.

- Support Services: In addition to the direct cash assistance program, participants will receive the offer of additional services including digital technology packages, assistance with accessing childcare, job placement and job training access, and other identified support services to expand upon the initial \$500 investment.
- Reporting: Consistent with other pilot programs, no additional reporting will be required for participants beyond the completion of a monthly survey. In addition to the treatment group there will be a yet-to-be-determined number of participants who will be included in the control group.
- Incentives: The control group will also be incentivized to complete a monthly survey but will not receive the direct cash payments. Staff recommends that if the City obtains additional State matching funds and can double the investment that the other four Zip Codes be considered for inclusion in the pilot.
- 3<sup>rd</sup> Party Administrator: All guaranteed income programs studied by the Working Group were administered by a 3<sup>rd</sup> party nonprofit administrator responsible for participant support, payment processing, reporting, and other activities.
- Research: It is recommended that the City contract with CSULB Office of Economic Research for the development of research questions, survey work, and the tracking and reporting of economic impacts of the program for participants.
- Timeline: If approved by the City Council, staff will begin a more detailed operational planning and development effort that includes line-item budgets, project scoping, contract administration, request for proposal (RFP) development, and other tasks required to define the operational requirements of the program. It is recommended that the operational planning and procurement phase of the GI pilot program begin in the 3<sup>rd</sup> Quarter (Q3) of 2021 (July to September 30<sup>th</sup>); and, the implementation of the program begin October 1, 2021.
- Matching Funding: Apply for matching funds from the State of California to increase the pilot program in 90813 and/or spread to other areas of need. We will be requesting sufficient funding from the State to reach 500 families in 90813 with a combination of state funding, LBRA funding, and possible other grants, which would allow us to support approximately 30 percent of the eligible families in that specific area.

The following section summarizes the efforts City staff are taking to incorporate equity and the equity goals of the City Council into the recommended program.

## **Equity Lens**

During the design phase of the GI pilot program, staff focused on data-driven research, outreach, and community engagement to develop recommendations for a pilot program proposal to be delivered to City leadership. 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 continue meeting with the Working Group made up of trusted community leaders to share research, identify insights, and design recommendations that address equity across racial, ethnic, gender, age, and geographic intersections.

### *Framework for Racial Reconciliation*

In addition to the Equity Lens strategies described above, the GI pilot program will incorporate the goals from the Racial Equity and Reconciliation Initiative adopted by the City Council on August 11, 2020. After extensive community input, the City Council adopted a [recommendation](#) to review a [report](#) on the Racial Equity and Reconciliation Initiative and provide input and policy direction. The process for developing the plan included 13 listening sessions and four town hall meetings with the community and City employees. The themes and topics raised by community participants have been varied but centered around the nexus between anti-Black racism and community health, housing and homelessness, and policing and public safety, as well as economic inclusion and budget reforms.

The vision of the Racial Equity and Reconciliation Initiative was that "Race not determine social and economic outcomes for those who live and work in Long Beach." There are four primary goals in the report for Catalyzing Racial Equity, with Goal 4 specifically focused on "Improving health and wellness in the City by eliminating social and economic disparities in the communities most impacted by racism." Potential actions specifically related to Goal 4 include, but are not limited to, the following goals that may be addressed as part of the GI pilot program:

- A. Establish geographically-based Economic Empowerment Zones (EEZs) to promote private and nonprofit sector investment in diverse hiring and small businesses and real estate owned by Black people and people of color. (Long-Term);
- B. Increase access to good paying jobs, education resources, training, and career advancement services for Black people and people of color through the establishment of inclusive business centers in partnership with existing community-based organizations. (Long-Term);

- C. Increase funding and other resources for the City's Digital Inclusion efforts for residents, workers, and business owners. (Immediate and Ongoing);
- D. Create incentives for businesses to invest in financially-distressed communities to promote private and nonprofit sector investment and economic inclusion. (Medium-Term);
- E. Partner with local organizations to facilitate business navigation services through inclusive, neighborhood-based business centers. (Medium- to Long-Term);
- F. Ensure CARES Act emergency funding is being invested in small businesses and nonprofit organizations through focused outreach and partnerships with community-based service delivery organizations that have established, trusting relationships with Black community members and communities of color. (Immediate);
- G. Enhance the role of the independent jobs coordinator in the City's Project Labor Agreement (PLA) to improve access to local jobs for Black people and people of color. (Medium-Term);
- H. Create and promote classes for financial literacy to help Black people and people of color improve economic circumstances with specific strategies on wealth building. (Immediate and Ongoing);
- I. Review the Long Beach College Promise for opportunities to include an equity lens, provide more support services, and explore community access to education services in Black communities and communities of color. (Short-Term); and,
- J. Connect teen centers with workforce development services to enhance early exposure to job training and life skills. (Medium-Term).

City staff will utilize the goals described above to help focus investments for the ultimate GI pilot program design and delivery. The following section describes next steps and the anticipated timeline for the GI pilot program launch.

### **Next Steps**

If the general outline described in this memorandum is approved by the City Council, it is recommended that the operational planning process begin immediately, and the procurement phase of the GI pilot program commence in the 3<sup>rd</sup> Quarter (Q3) of 2021 (July to September 30<sup>th</sup>). Staff believe the implementation of the program, which includes participant and control group selection, may begin as soon as October 1, 2021 and the first payments to program participants may be issued soon thereafter. Immediately following the conclusion of the first year, staff recommend a three-month assessment process to measure economic impact and provide results to the City Council for further consideration.

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Thank you for your support of this important program. For any questions regarding these matters, please contact me at [john.keisler@longbeach.gov](mailto:john.keisler@longbeach.gov) or (562) 570-5282.

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