

**Testimony of Ann Danforth, Maine Equal Justice
before the Committee to Study the Feasibility of
Creating Basic Income Security
October 15, 2020**

Good afternoon Senator Bellows and members of the Committee to Study the Feasibility of Creating Basic Income Security. My name is Ann Danforth and I am a Policy Advocate at Maine Equal Justice. We are a civil legal services organization, and we work with and for people with low income seeking solutions to poverty through policy, education, and legal representation. We are heartened that this committee is looking closely at how to achieve income security for all Mainers, especially at a time when COVID-19 is shining a spotlight on the deep racial and economic inequities in our state.

COVID-19 has made it all too clear that our economy and governmental systems are failing many low-income Mainers, particularly those from Black, Indigenous, and communities of color. Even before the pandemic, Mainers were struggling to meet their most basic needs. While 10.9% of Mainers – or just over 1 in 10 – experienced poverty in 2019, according to the Census Bureau, this picture is now much more dire.¹ What’s more, we are able to see the ways in which the stage was set for the Coronavirus to push people from housing insecurity to homelessness, from poor nutrition to real hunger, and from worrying about affording a doctor’s visit to dying from COVID because of existing health problems.

Some federal supports – in the form of \$1,200 stimulus payments and an extra \$600 in federal unemployment insurance – have helped Mainers at a critical time. But that support has since ended and expose a harsher reality. When enhanced federal unemployment benefits ended at the end of July, applications for food assistance in Maine increased by 40% in the first week of August.² Applications for cash assistance through TANF tripled. In August, MaineHousing received three times the number of rental relief applications than were filed in July.³ In August and September, the MaineHousing rental assistance program provided \$7,500 per month in rental assistance to low-income Mainers. This program ended on September 30, 2020. A report published by the National Council of State Housing Agencies, and distributed by Maine Housing estimates that roughly 20,000 – 40,000 renter households in Maine are behind in their rent and at risk of eviction.⁴ Most recently, the Census Bureau’s Household Pulse Survey data indicate that over the month of September, 25% of Mainers experienced difficulty covering usual household expenses.⁵

At the same time that COVID has exposed the gaps in the existing safety net, we have seen first-hand the impact extra cash assistance has made on the financial health and well-being of families. Some have described additional cash assistance at this time as a financial vaccine to allow people to make fewer trips to store, or find a safer job. Every indicator is that the “no strings attached income” provided

¹ <https://data.census.gov/cedsci/table?q=maine%20poverty&tid=ACSST1Y2019.S1701&hidePreview=true>

² https://www.pressherald.com/2020/08/26/new-jobless-aid-to-have-limited-benefits-as-more-mainers-slip-into-poverty/?fbclid=IwAR2WqOd4TOKuU038hlqdtEgM3v-zJgVIS_oSupTvvvKrUBs69BOSMIMWBEY

³ Ibid

⁴ https://www.ncsha.org/wp-content/uploads/Analysis-of-Current-and-Expected-Rental-Shortfall-and-Potential-Evictions-in-the-US_Stout_FINAL.pdf

⁵ <https://www.cbpp.org/blog/latest-data-1-in-3-adults-having-trouble-paying-expenses>

directly to low-income households in the form of stimulus payments and increased unemployment benefits were spent on basic necessities. It is clear that getting more income to people should be a permanent policy solution – not just a short-term response to COVID-19.

The current system for obtaining public assistance, while a lifeline for many, is deeply flawed. It is stressful, dehumanizing, and time-consuming. It is also built upon paternalistic and racist ideas and stereotypes. People are forced to jump through hoops to get assistance and must piece together a patchwork of supports just to be able to pay rent and put food on the table.

We have the opportunity now to build upon the experience of the income supports provided to people during the pandemic and to both reimagine what our safety net could look like and improve the supports that exist now to help people financially. Now is the time for a long-term solution that boosts income for people so that nobody is living in poverty. When given unrestricted payments with no strings attached, people are able to pull themselves out of poverty and create economic stability for themselves and their families.

Maine Equal Justice has been working with people directly impacted by poverty, as well as advocates and other stakeholders, to begin to build a shared vision for achieving economic security for everyone in the state. Based on early conversation and feedback, we have coalesced around the need for income supports in the form of cash that do not come with restrictions on how they can be spent or requirements about what people need to do to receive them. This would offer people dignity, self-determination, and trust.

In addition, income solutions should target racial and economic inequities, including the “wealth gap,” that gets at disparities in assets and net worth. Support provided should be based on the level of need, including circumstances of people, and where they are situated within different existing power structures. The amount of income provided should be targeted to provide the most income to the people with the most need. Income support should be available to all people residing in Maine who need it, including immigrants who are currently unable to access the safety net or the stimulus payments provided thus far. It should be easily accessible and not require people to jump through hoops to access it.

Research, and importantly, people in poverty, say cash is the most direct and effective way to provide financial stability to those who most need it. There is a long history of programs that provide cash to individuals and families in the United States and elsewhere. Experiments with basic income indicate it improves people’s wellbeing and helps with finding work.⁶ Providing cash payments to people is also an effective way of stimulating the economy. According to a recent Aspen Institute brief, extensive studies of cash transfer programs show that cash infusions achieve the following:⁷

- **Reduce poverty**, especially for vulnerable populations. The National Academy of Sciences, Engineering, and Medicine, has highlighted the efficacy of providing direct relief to families as a way to reduce child poverty.^{8 9}

⁶ <https://www.newscientist.com/article/2242937-universal-basic-income-seems-to-improve-employment-and-well-being/>

⁷ <https://www.aspeninstitute.org/publications/guaranteedincome/>

⁸ <http://www.diversitydatakids.org/research-library/webinar/watch-tackling-child-poverty-wake-covid-19>

⁹ <https://www.nytimes.com/2020/01/28/books/review/invisible-americans-jeff-madrack.html>

- **Increase funds for savings and investments.** Recipients used the cash influx in ways that improved their financial health, such as by creating short- and long-term savings and paying down debt, or making investments that led to higher earnings.
- **Provide needed support to cover basic needs.** Recipients often use the cash to pay for needed goods and services. According to results from the Stockton guaranteed income demonstration project, participants spent their extra income on purchases such as food (37%); utilities (11%); auto care (9%); and medical care (3%).¹⁰
- **Boost health outcomes for infants, children, and mothers,** including improved maternal mental health and children’s emotional and behavioral health.
- **Improve educational attainment for children** and improve their performance on cognitive tests.
- **Have little effect on number of hours worked.** Stanford’s Basic Income Lab highlights evidence from Alaska’s Permanent Fund Dividend and from the recent UBI experiment in Finland indicating no significant effect on labor supply, employment level or working hours.¹¹ Particularly in low-income contexts, results from both UBI and other cash transfer programs consistently show no negative impact on labor supply. In some cases, there has even been positive impacts from investments in small businesses or from economic spillovers to the local economy. Importantly, in those studies that do indicate fewer hours were worked, these hours seem to have been devoted to finding other employment, providing needed childcare, and mothers taking more time to return to work after giving birth.

In addition, initial results from a recent Canadian study indicated that providing cash to people experiencing homelessness enabled them to move into stable housing faster; spend fewer days homeless; retain savings; increase spending on food, clothing, and rent; achieve greater food security; and reduce reliance on the shelter system.¹²

The findings outlined above are borne out by how people spent their federal \$1,200 stimulus payments and extra \$600 a week in Unemployment Insurance. People spent the money on basic needs. Also in line with the findings outlined above, there is little evidence that the extra federal stimulus money dissuaded people from returning to work.¹³ Evidence suggests even with the additional \$600 in unemployment benefits, there are more job applications for every new job vacancy posted since COVID, and employers did not experience greater difficulty finding applicants for their vacancies after the CARES Act.^{14 15} Instead, research shows that the extra supports have kept families out of poverty and provided a stimulus to the economy as people spent the money.¹⁶

Joan Willoe is one of the many Mainers whose life was improved by federal financial COVID supports, and who would benefit from a longer-term solution to provide Mainers with adequate income. In a story shared with Maine Equal Justice, Joan says:

¹⁰ <https://seed.sworps.tennessee.edu/spending.html>

¹¹ <https://basicincome.stanford.edu/research/ubi-visualization/>

¹²

https://static1.squarespace.com/static/5f07a92f21d34b403c788e05/t/5f751297fcfe7968a6a957a8/1601507995038/2020_09_30_FSC_Statement_of_Impact_w_Expansion.pdf

¹³ <https://www.washingtonpost.com/business/2020/08/06/600-dollar-unemployment-benefit/>

¹⁴ <https://econofact.org/have-enhanced-unemployment-benefits-discouraged-work>

¹⁵ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3664265

¹⁶ Ibid

I have been living solely on Social Security Retirement and Disability income, which only provides a little over \$800 per month. Given this small monthly income, I can barely keep my home running, with most of my income going toward property taxes, homeowner's insurance, utilities and necessary house maintenance.

This leaves me virtually no money for expensive health expenses. I have not been able to replace my eyeglasses for over ten years--my prescription was outdated and the frames were held together with tape.

With the \$1200 stimulus check, I was able to get a new, updated prescription and new eyeglass frames in May. I had clear vision for the first time in a very long time. All those years I thought my eyes were physically deteriorating, when in fact I needed new glasses. My quality of life has vastly improved!

As we work towards a longer-term solution in which every Maine resident is economically secure, opportunities also exist in the short-term to get more cash to people *now* by improving existing safety net programs to help people meet their basic needs by:

- increasing benefit amounts;
- reducing barriers to enrollment in order to maximize the number of program participants;
- reducing program requirements to ensure that participants receive the maximum benefit amount;
- conducting outreach to potential participants so that they know that assistance is available.

These changes are necessary not only for traditional safety net programs such as TANF, Food Assistance and general assistance. These changes are necessary for programs such as (1) unemployment benefits, where only one in four potential beneficiaries receive benefits and (2) certain tax credit programs, such as the Property Tax Fairness Credit (PTFC), which is only utilized by 28% of eligible non-filing renters, according to data from Maine Revenue Services.¹⁷

State-level solutions like these can move us towards our longer-term vision with minimal impact on the state's receipt of federal funds, and with minimal negative impact on people's eligibility for other benefits.

In conclusion, raising the income floor for Maine people will help lift people out of poverty, shrink economic inequality that harms all of us – especially Black, Indigenous, and communities of color –and work to stabilize our economy. While we need systemic change in many areas to move toward a more equitable Maine, getting more income to people who need it is a key part of the change that is needed, and is long overdue.

Thank you for the opportunity to express our comments to this Committee. I am happy to answer any questions you might have.

¹⁷ Data provided by Maine Revenue Services to the Working Group to Study the Consolidation of Payment of Cost-of-Living Tax Credits on 10/31/19.