

# Ladders Out of Poverty

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The potential for unrestricted cash transfers in  
the Bay Area



**This report is one in a series of publications that lay the groundwork for the SPUR Regional Strategy.**

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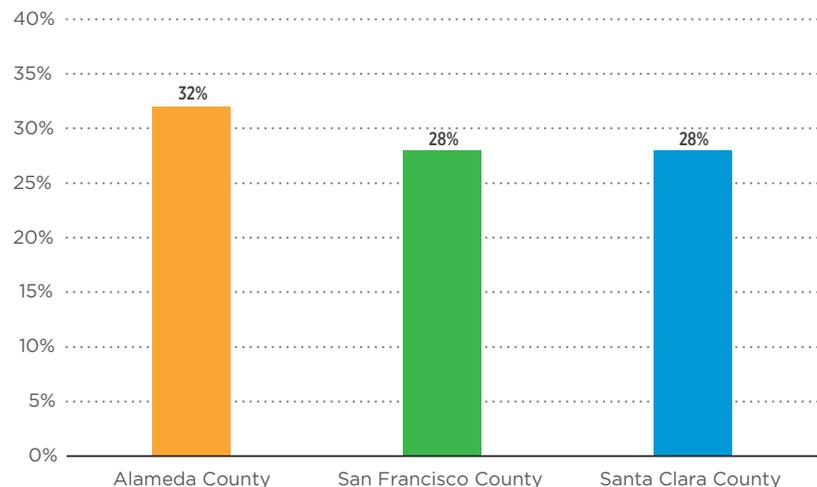
# Introduction

The COVID-19 pandemic and subsequent economic slowdown have exacerbated long-standing financial hardships in the San Francisco Bay Area. Since April, 436,700 jobs have disappeared from the region, and many more have seen reductions in hours.<sup>1</sup> The vast majority of those jobs have been in lower wage industries such as leisure and hospitality, where people cook meals or clean hotel rooms. Prior to the pandemic, tens of thousands of households in the Bay Area struggled to pay their bills each month.<sup>2</sup> For many of the workers who have lost their jobs or seen their hours reduced, the pandemic has only worsened an already existential problem. Moratoriums on evictions and temporary unemployment insurance payment increases have kept many people in their homes and families fed, but both of those programs are under threat or have expired. People in the Bay Area, especially Black and Latinx families, cannot afford to live in the region. In order to ensure that all people are able to thrive, the region should look to the promise of unrestricted cash transfer programs.

## The Affordability Crisis

Well before the pandemic, the Bay Area has been mired in an unprecedented affordability crisis. The Bay Area is the most expensive region in the United States.<sup>3</sup> Even during record low unemployment and a booming regional economy, hundreds of thousands of people who lived and worked in the Bay Area were barely able to scrape by. The pandemic and ensuing economic slowdown have worsened the crisis and pushed many families to the edge.

**FIGURE 1**  
**Share of households unable to meet their basic needs each month**



<sup>1</sup> Bay Area Council Economic Institute, Bay Area Job Watch, August 2020, <http://www.bayareaeconomy.org/bay-area-job-watch-47/>

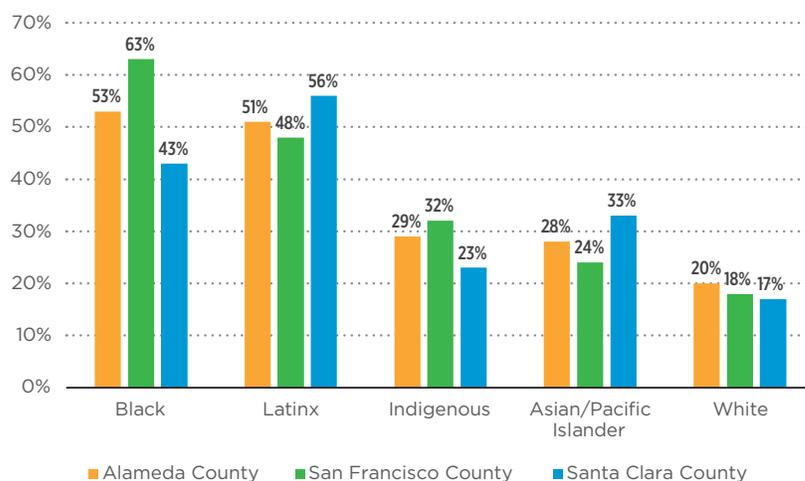
<sup>2</sup> Insight Center for Community Economic Development, Family Needs Calculator, <https://insightccd.org/2018-family-needs-calculator/>

<sup>3</sup> Garrett Watson, "What is the Real Value of \$100 in Metropolitan Areas?", *Tax Foundation*, August 2020, <https://taxfoundation.org/most-expensive-us-cities-and-metropolitan-areas-2020/>

Prior to the pandemic, 28% of households in San Francisco were unable to meet their basic needs according to an alternative poverty measure that seeks to estimate the true costs of living in a particular place.<sup>4</sup> A similar share of households across the region struggled, with 32% of households in Alameda County and 28% of households in Santa Clara County unable to meet their basic needs each month. In total, more than 353,000 households in the region did not make enough money to pay their bills each month, even during the most robust economy seen in modern times.

Economic insecurity in the Bay Area is not evenly felt across all groups. Black and Latinx households disproportionately struggle. In San Francisco, 63% of Black households and 48% of Latinx households were unable to meet their basic needs prior to the pandemic, compared to 18% of white households.<sup>5</sup> The region's communities of color were already largely unable to pay their bills every month before the pandemic. Since then, the pandemic has ushered in a period of economic insecurity not seen since the Great Depression.

**FIGURE 2**  
Share of households unable to meet their basic needs each month, by race, ethnicity and county



Economic disparities between racial and ethnic groups have only worsened during the pandemic. Many Californians have dealt with job losses: The state's unemployment rate has gone from 4.4% in the first quarter of 2020 to 15.9% in the second quarter, but job losses have not been felt evenly across all groups. Black and Latinx people were more likely to have lost their jobs in the second quarter of 2020, with unemployment rates of more than 18%. In comparison, white people had an unemployment of 13.5%, lower than the state as a whole.

The economic precarity brought on by the pandemic has also increased food insecurity. In July of 2019 there were 42,010 people receiving CalFresh benefits, often called food stamps, in San Francisco. In July of 2020 there were 78,064 — an 85.8% increase in the number of people who need assistance in getting food.<sup>6</sup> In the nine county Bay Area, a quarter of a million people qualified for CalFresh before the pandemic, and the number of people receiving those benefits is now 28% higher.<sup>7</sup> People in the Bay Area cannot afford to feed themselves and their families.

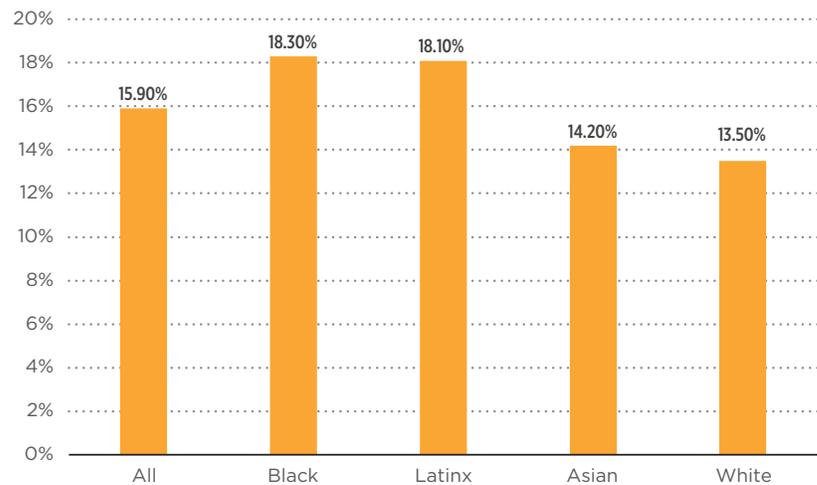
<sup>4</sup> See note 2.

<sup>5</sup> Insight Center for Community Economic Development, San Francisco County Key Facts, April 2018, <https://insightccd.org/wp-content/uploads/2018/04/SFCounty-FactSheet-FINAL.pdf>

<sup>6</sup> California Department of Social Services, CalFresh data, July 2020, <https://www.cdss.ca.gov/inforesources/data-portal/research-and-data/calfresh-data-dashboard>

<sup>7</sup> Carolyn Said, "Hunger rises in Bay Area as pandemic lingers," *San Francisco Chronicle*, September 15, 2020, <https://www.sfchronicle.com/bayarea/article/Hunger-rises-in-Bay-Area-as-pandemic-lingers-15567449.php>

**FIGURE 3**  
**Unemployment rate by race and ethnicity, second quarter of 2020**



The coronavirus has brought a fundamental truth about our region's economy into focus: The wealth generated here does not reach everyone, and for hundreds of thousands of people who live here, day-to-day life is a struggle. For a majority of Black and Latinx Bay Area residents, that struggle is present during the best of times and made worse during times like these. Many people in the Bay Area need more money in order to live and thrive in the region.

## Cash as a Ladder Out of Poverty

One of the most promising ways to confront the region's affordability crisis is through unrestricted cash transfers. Unrestricted cash transfers are social welfare programs where individuals or households are given money with no specific requirements on how it is spent. Cash transfers come in a variety of forms, but the underlying theory is the same: Giving people money is the best way to help them deal with financial difficulties. By giving individuals and families access to money with no restrictions on how they spend it, cash transfers ensure that people are able to meet their needs in the way they know best.

### How Cash Can Help

Social welfare programs in the United States typically cover specific needs, such as providing food assistance, childcare or housing assistance. These programs are usually operated by independent agencies siloed from each other. Many of them leave vital gaps in people's lives, where needs go unmet. For example, they do not cover the cost of new clothing for a child or buying a laptop to apply for jobs online. Access to cash helps cover those gaps in existing social welfare programs and can be the necessary ingredient for helping lift people out of poverty.<sup>8</sup> Cash has the benefit of being adaptive in ways traditional programs are not, allowing it to meet varied needs. As an addition to existing programs — not a replacement — cash can make sure that everyone's needs are met.

<sup>8</sup> Sheida Elmi, "Guaranteed Income and Other Cash Infusions: A Review of the Evidence," Aspen Institute, April 2020, <https://www.aspeninstitute.org/publications/guaranteedincome/>

Cash can supplement existing social welfare programs in important ways. While many Californians have come to rely on CalFresh to feed themselves and their families during the pandemic, the benefit amounts are set at the federal level. That means they're not calibrated to cover the high costs of the Bay Area. CalFresh provides just \$1.39 per person per meal — not nearly enough to feed a family in our expensive region.<sup>9</sup> A cash transfer allows households to cover that gap and increase the amount of money they spend on food, allowing families to buy healthier food. Similarly, cash can help families who are eligible for benefits but don't receive them because of program size limits or other administrative barriers. For example, the waiting list for San Francisco's Section 8 housing benefits, a voucher program that helps low-income people rent market-rate housing, has a wait time of up to eight years.<sup>10</sup> Many thousands of eligible people are unable to even get on the waiting list. Cash benefits can help people pay rent while they wait for housing benefits to become available.

Existing social welfare programs fail to meet the needs of many aspects of daily life. There are no programs to help people pay to replace a flat tire, fix a broken car or buy clothes for a job interview. Social welfare programs don't provide mattresses or blankets, and they don't pay your electric or water bills each month. Cash allows people the flexibility to meet their needs in ways existing public welfare programs are unable to do. We will always need existing social welfare programs, but cash can help people go that last mile toward stability.

## Why Unrestricted Cash Means the Most

Unrestricted cash transfers have profound effects on recipients, helping lift people out of poverty and improving outcomes for whole families. Cash also allows people to spend money in ways that they know they need, removing obstacles to necessities.

The most successful cash transfer in the United States is the Earned Income Tax Credit, or EITC. Enacted in 1975, EITC is a federal tax credit that gives money directly to low- and moderate-income households in the form of tax credits. Considered one of the most successful social welfare programs in the United States, it increases the spending power of low-income households, with ripple effects in the broader community. For every one dollar in EITC funds a household receives, that family gives back \$1.50 to \$2.00 in local economic activity.<sup>11</sup> People who receive the EITC spend the majority of it on necessities such as rent or medication, helping families become economically secure. EITC allows low-income households to cover large expenses, with 95% of households using some of the payments to make major car repairs or pay down debts.<sup>12</sup> The cash can also serve as a meaningful backstop to poverty, and since the credit is only paid to people who are employed, EITC encourages continued labor force participation.<sup>13</sup>

Unrestricted cash ensures that people are able to pay for things they know they need without having to first ask permission. In one program, a charity gave money directly to hurricane survivors in Puerto Rico and tracked their spending. Researchers then compared what people spent the money on to the most common goods and services delivered by large aid organizations after the hurricane. They found that only 6% of people who received cash transfers spent their money in a way identical to the goods and services that aid organizations sent.

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<sup>9</sup> See note 7.

<sup>10</sup> A. Kevin Williams, Ph.D., "The Long Wait: The Critical Shortage of Housing in California," Corporation for Supportive Housing and Housing in California, June 2000, <https://www.novoco.com/sites/default/files/atoms/files/housingcareport.pdf>

<sup>11</sup> Antonio Avalos and R. Sean Alley, "The Economic Impact of the Earned Income Tax Credit (EITC) in California", *California Journal of Politics and Policy* 2, No. 1, 2010, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1705685](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1705685)

<sup>12</sup> La June Montgomery Tabron, "Two Generation Approaches to Poverty Reduction and the EITC," *Insight*, Fall 2015, page 4. [https://www.georgetownpoverty.org/wp-content/uploads/2016/07/gcyf\\_insight\\_fall\\_2015\\_final\\_web\\_0.pdf](https://www.georgetownpoverty.org/wp-content/uploads/2016/07/gcyf_insight_fall_2015_final_web_0.pdf)

<sup>13</sup> Chuck Marr, Chye-Ching Huang, Arloc Sherman, and Brandon Debot, "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds," Urban Institute, October 2015, <https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>

Recipients were able to spend the funds in ways that uniquely met their needs, including things like paying bills, buying furniture or receiving healthcare. The cash provided them the kind of flexibility in the face of a disaster that wealthier people with access to a lot of disposable income enjoy.<sup>14</sup>

Cash can also provide a cushion for households, stopping people from spiraling into debt when an unexpected expense arrives. Access to cash allows people to make investments in themselves or their families that they would otherwise be unable to do, such as paying for education or training, or even starting a business.

## Cash Transfer Programs in the U.S. and California

Cash transfer programs are popular in the United States. National, state and municipal cash transfer programs have long been considered effective poverty alleviation methods, and in recent years interest has grown in expanding existing programs and building innovative new ones. Pilot programs to provide guaranteed income have popped up across the country, providing insight into the transformative power of cash. Examples of long-running and new cash transfer programs in addition to EITC include:

### CARES Act Economic Impact Payments

At the beginning of the coronavirus pandemic, Congress passed the CARES Act, which included one-time direct cash transfers in the form of economic impact payments. These payments — \$1,200 for single people earning less than \$75,000 a year and \$2,400 for couples with incomes below \$150,000 — were intended to stimulate the economy and offset the impact of shelter-in-place orders on low- and moderate-income households. Research has shown that the majority of people, 59%, used the stimulus money to pay for regular expenses such as food and bills. The single most common use for stimulus funds was buying food, which 66% of recipients purchased with the money. Only 3% of people used stimulus money on recreational goods.

### Pandemic Unemployment Assistance

Part of the federal government's response to the pandemic included the Pandemic Unemployment Assistance program, which provided an additional \$600 weekly supplement to state unemployment insurance payments. Researchers found that people who received the additional \$600 increased their spending at a rate higher than people employed during the same period, providing a boost to the economy.<sup>15</sup> The additional \$600 payments kept households from falling into poverty and even lifted hundreds of thousands of people living in poverty out of it.<sup>16</sup>

### Stockton Economic Empowerment Demonstration

In Stockton, California, a privately funded project provides guaranteed income to 125 randomly selected participants. All have a household income at or below the area median income of \$46,033 and receive \$500 a month. Food is the most common purchase with the cash transfer funds, and accounts for 37% of total spending of the cash. The next most common items purchased are clothes or household goods, followed by paying utility bills.<sup>17</sup> Program participants report making life-improving purchases, such as receiving dental work or repairing their cars.

14 GiveDirectly, "Why Not Cash? Lessons from US Disaster Projects," GiveDirectly, May 2018, <https://www.givedirectly.org/wp-content/uploads/2019/07/Why-Not-Cash-Lessons-from-US-Disaster-Projects-GiveDirectly.pdf>

15 Diana Farrell, Peter Ganong, Fiona Greig, Max Liebeskind, Pascal Noel, and Joe Vavra, "Consumption Effects of Unemployment Insurance during the COVID-19 Pandemic," JP Morgan Chase & Co, July 2020, <https://institute.jpmorganchase.com/institute/research/labor-markets/unemployment-insurance-covid19-pandemic>

16 Jeehoon Han, Bruce D. Meyer, and James X. Sullivan, "Income and Poverty in the COVID-19 Pandemic," Becker Friedman Institute for Economics at UChicago, June 2020, [https://bfi.uchicago.edu/wp-content/uploads/BFI\\_WP\\_202084.pdf](https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202084.pdf)

17 Stockton Economic Empowerment Project, 2019, <https://seed.sworps.tennessee.edu/spending.html#purchases>

### San Francisco Abundant Birth Project

In mid-September of 2020, San Francisco Mayor London Breed announced the Abundant Birth Project, a pilot program to provide guaranteed income to low-income Black and Pacific Islander women during pregnancy and for the first six months of their child's life.<sup>18</sup> The program provides \$1,000 a month to 150 expecting mothers in the city. The program focuses on Black and Pacific Islander mothers in an effort to promote economic and physical health for mothers and children. Black and Pacific Islander infants have the highest rates of premature births in the city, and Black mothers account for half of all maternal deaths despite making up only 4% of births in the city. The program is intended to help reverse these disparities and improve health and economic outcomes for the mother and child.

## Potential Local and State Policies

Unrestricted cash transfers could ensure that all people are able to live and thrive in the Bay Area while also alleviating racial disparities and improving outcomes for marginalized communities. The successes of past and current programs provide a promising blueprint for programs in the region. Here are five possible options:

### 1. Build a targeted guaranteed income program to alleviate racial inequities in San Francisco.

Black and Latinx households are disproportionately struggling in San Francisco. Longstanding structural barriers and systemic racism have contributed to a system where the city's Black and Latinx households are paid less than half what their white neighbors take home per year.<sup>19</sup> Building a program aimed specifically at historically marginalized groups such as Black and Latinx communities would be the first step in alleviating the economic effects of systemic racism, enabling communities of color to begin to build wealth in the region. Monthly payments of \$500 could be made to Black and Latinx households living in the city who are unable to meet their basic needs each month. There are an estimated 33,349 Black and Latinx households in San Francisco that are unable to meet their basic needs, according to the Insight Center's Family Needs Calculator. At \$500 a month, a guaranteed income program would cost \$200 million a year, or 1.5% of the city's \$13 billion annual budget.<sup>20</sup>

### 2. Replicate the San Francisco Abundant Birth Project in other cities or counties, such as Oakland or Santa Clara County.

The Abundant Birth Project has the potential to have dramatic health outcomes for mothers and infants in San Francisco. Oakland and San José would benefit from implementing similar programs. Black families in Oakland have the highest rates of poverty in the city and the lowest incomes. They also have the highest rate of infant mortality, with a rate six times higher than their white neighbors.<sup>21</sup> In Santa Clara County, Black mothers have more than double the infant mortality rate of their white neighbors. Black children have the lowest birth weights in the county, and Black women had the highest rates of preterm births.<sup>22</sup> Implementing a cash transfer program for Black mothers and infants who are unable to meet their basic needs would help provide economic security and have the potential to improve health outcomes.

18 Office of the Mayor San Francisco, Mayor London Breed Announces Launch of Pilot Program to Provide Basic Income to Black and Pacific Islander Women During Pregnancy, September 2020, <https://sfmayor.org/article/mayor-london-breed-announces-launch-pilot-program-provide-basic-income-black-and-pacific>

19 SPUR analysis of U.S. Census data, 2019 American Community Survey, Table S1902.

20 See note 2.

21 City of Oakland and City University of New York's Institute for State and Local Governance, "Oakland Equity Indicators," 2018, <http://www2.oaklandnet.com/oakcal/groups/cityadministrator/documents/report/oak071073.pdf>

22 Santa Clara County Public Health, "Maternal, Infant, and Child Health Brief," Santa Clara County, 2014, <https://www.sccgov.org/sites/phd/hi/hd/Documents/mich-facts-2014.pdf>

### **3. Introduce a county-level sales tax credit for low-income households to help alleviate some of the burden of sales tax.**

The Bay Area is home to some of the highest sales taxes in the country, going as high as 10% in some places. Research estimates that the annual cost of these taxes is \$1,000 for low-income families in the region. These taxes disproportionately impact low-income households, stripping needed income from people who can least afford to pay. As SPUR has argued before, a \$1,000 sales tax credit would provide a useful cash infusion for low-income households and offset the impact of sales taxes.<sup>23</sup>

### **4. Expand and increase CalEITC to increase the reach and effectiveness of a proven cash transfer program.**

CalEITC should expand the definition of work to include unpaid caregivers, such as mothers and people taking care of disabled relatives. People in these circumstances provide essential work but are excluded from the benefit. California should also increase the CalEITC benefit amounts in order to provide a more substantial cash infusion to the people who need it most. Currently CalEITC provides only a relatively small amount of money to recipients, usually an annual payment of less than \$500. Increasing that amount would have significant benefits for recipients and their communities.

### **5. Introduce a guaranteed income to some of the Bay Area's most vulnerable communities, such as East Oakland or East San José.**

This could provide cash directly to some of the lowest-income families in the Bay Area. East Oakland, for instance, is home to some of the city's most diverse neighborhoods, with a community that is more than 90% people of color.<sup>24</sup> More than 30% of East Oakland residents live in poverty. East Oakland is also home to the city's largest Latinx community, which has been disproportionately affected by the coronavirus.<sup>25</sup> East Oakland residents have higher rates of childhood asthma, higher child poverty rates and shorter life expectancies than almost anywhere else in the Bay Area.<sup>26</sup> East San José has some of the most diverse neighborhoods in the city, with a population made up primarily of people of color. East San José residents have the lowest incomes, the lowest rates of educational attainment, the highest rates of childhood obesity and the worst health outcomes in the city.<sup>27</sup> A guaranteed income project would provide necessary cash to communities struggling to survive in the Bay Area, and help to redress racial and ethnic discrimination. The program could be modelled on the Stockton Economic Empowerment Demonstration. Costs of the program would vary depending on the exact geographic boundaries and participation criteria.

As the Bay Area faces a continued affordability crisis, exacerbated by the pandemic, we need a transformational approach to ensure that all people, regardless of their wealth, can live and thrive in the region. Unrestricted cash transfers are one of the most promising ways to help alleviate poverty, build economic security, and reduce racial and ethnic disparities. Giving people money can change the course of their lives.

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23 Susannah Parsons, SPUR, 2020, *Undue Burden*, <https://www.spur.org/publications/spur-report/2020-11-12/undue-burden>

24 Enrico A. Marcelli and Manuel Pastor, "Unauthorized and Uninsured: East Oakland and Alameda County," The California Endowment, 2015, [https://dornsife.usc.edu/assets/sites/731/docs/Web\\_11\\_East\\_Oakland\\_Contra\\_Costa\\_Cnty\\_Final.pdf](https://dornsife.usc.edu/assets/sites/731/docs/Web_11_East_Oakland_Contra_Costa_Cnty_Final.pdf)

25 Lisa Pickoff-White, "Latinos Around the Bay Area Are Disproportionately Affected by COVID-19," KQED, <https://www.kqed.org/news/11813696/latinos-around-the-bay-area-are-disproportionately-affected-by-covid-19>

26 Sandy Allen and Ena Yasuhara Li, "A Look at Bay Area Poverty," United Way Bay Area, June 2016, [https://uwba.org/wp-content/uploads/2017/08/Bay\\_Area\\_Poverty\\_Brief\\_June\\_2016.pdf](https://uwba.org/wp-content/uploads/2017/08/Bay_Area_Poverty_Brief_June_2016.pdf)

27 Santa Clara County Public Health, "Health and Social Inequity in Santa Clara County," Santa Claras County, 2011, <https://www.sccgov.org/sites/phd/hi/hd/Documents/ship-report.pdf>



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