

TAXPAYER PROTECTION PROJECT

# RISE OF THE TRANSFER STATE: GUARANTEED INCOME PROGRAMS IN TEXAS' CITIES AND COUNTIES

WRITTEN BY

James Quintero and McKael Kirwin

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# RISE OF THE TRANSFER STATE: GUARANTEED INCOME PROGRAMS IN TEXAS' CITIES AND COUNTIES

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## KEY POINTS

- **The Texas Constitution** prohibits political subdivisions from gifting public monies or things of value to private persons. Taxpayer-funded guaranteed income programs run afoul of this prohibition.
- **In addition to being** unconstitutional, guaranteed income programs cultivate dependency on government and detract from productive behaviors.
- **Instead of expanding** the welfare state, local governments interested in easing the strain of poverty should reduce the tax burden, eliminate regulatory excess, and ease land-use restrictions to promote property ownership and development.

## EXECUTIVE SUMMARY

This report examines publicly administered cash transfer programs and the prominent progressive institutions who are pressing governmental entities to implement them. It considers common arguments used to justify the creation of such programs and explores concerns surrounding their establishment in Texas. It also provides an overview of each major program instituted by a Texas city or county government and proposes an alternative policy framework that local elected officials should consider instead to alleviate poverty and promote human flourishing. Finally, this report identifies various legislative measures that could serve as the basis for future reform.

## INTRODUCTION

During the 2020 presidential election cycle, the idea of giving every American a monthly paycheck from the government gained new traction. One presidential candidate in particular, Andrew Yang, did much to popularize the concept and even made it one of his signature policy proposals, promising “to provide \$1,000 per month (\$12,000 a year) to each citizen” (Pomerleau, 2019, para. 6). To fund Yang’s no-strings-attached cash grant, which was coined as the Freedom Dividend, he proposed “consolidating some welfare programs and implementing a Value Added Tax of 10 percent. Current welfare and social program beneficiaries would be given a choice between their current benefits or \$1,000 cash unconditionally” (Yang, 2020).<sup>1</sup> With these caveats, Yang’s campaign doggedly promoted the Freedom Dividend and found favor with a certain segment of the American electorate, as evidenced through public opinion polling. In fact, one survey in particular, conducted by the Pew Research Center, found that “the idea of the government providing a universal basic income for all adult

1 Quote listed under the drop-down section “How would we pay for the Freedom Dividend?”

citizens...is generally supported by Democrats,” with approximately two-thirds of Democrat and Democrat-leaning respondents favoring it (Gilberstadt, 2020, para. 2).<sup>2</sup> Pew’s analysis also observed that (unsurprisingly) “younger adults and those with lower incomes” held these types of programs in particularly high regard, irrespective of political affiliation (Gilberstadt, 2020, para. 7). Despite this high level of support among targeted groups, Yang’s campaign ultimately proved unsuccessful, and he withdrew from the race in February 2020. However, while his presidential aspirations may have fallen short, Yang’s highly visible candidacy, with the Freedom Dividend at its center, did much to further the idea that governments ought to give people cash on a regular and unrestricted basis. So much so, in fact, that “Over 100 municipalities have tried the [Guaranteed Basic Income] model since 2019, offering low-income participants between \$50 and \$2,000 a month, no strings attached, for a set time period” (Kelly & Kiersz, 2024, para. 4). Other research notes an even greater rate of adoption among all jurisdiction types, finding, “Since the pandemic, over 200 guaranteed-income experiments launched across the United States” (Herschander, 2024).

Of course, the proliferation of publicly administered cash transfer programs (CTPs) throughout the U.S. and in Texas raises numerous policy concerns and legal questions. However, before delving into those various considerations, it is first important to establish some popular definitions and doctrine related to the concept.

### **CASH TRANSFER PROGRAMS: STRUCTURE, PHILOSOPHY, & TYPES**

The academic literature broadly defines CTPs as “all programs where cash (or vouchers for goods or services) is directly provided to beneficiaries” (Mercy Corps, 2020, p. 1). The reason why cash is the preferred means of support—as opposed to food, clothing, or some other type of in-kind assistance—has to do with

its unrestricted nature, which proponents suggest “provid[es] individuals the agency and means to address their most pressing needs” (Kline, 2022, p. 2). While CTPs are often discussed in the context of providing humanitarian relief or aiding crisis-affected populations, the long-term goal appears to be regular, daily use by people of all types. This much is hinted at by Stanford’s Basic Income Lab (BIL) (n.d.-a) which states, “This wave of pilots across the U.S. builds the case for a guaranteed income at the local, state, and federal level. The evidence gathered through pilots tells the story of those struggling to achieve economic security and helps inform policy” To fund these endeavors, proponents often utilize some mix of private, public, and philanthropic sources. However, it is openly acknowledged that the ideal is to establish “large-scale, state-sponsored cash transfer programs” (Mercy Corps, 2020, p. 1). The local government level is commonly viewed as the most fertile ground for originating and implementing a CTP as it is viewed as being “uniquely positioned to pioneer innovative and practical solutions to challenges, like economic security, mobility, poverty, and inequality, that often seem intractable at the state and federal level” (Kline, 2022, p. 2). This perspective may help to explain the flurry of recent activity occurring in cities and counties nationwide.

Philosophically, CTPs are organized around the principles of collectivism, social justice, and government control. As evidence, Bidadanure (2019, p. 482) explains that one central tenet is that “a share of the wealth produced by all in common, or by previous generations, should be redistributed to all in the form of a direct payment to individuals.” In a similar vein, BIL researchers (n.d.-b, para. 1) contend that unconditional cash grants have the “potential to foster a more equitable society by addressing persistent poverty, growing inequalities, and racial and gender injustice.” Blending these two perspectives together, Kline (2022, p. 3) proposes that

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2 For their part, approximately “eight-in-ten Republicans and Republican-leaning independents (78%) oppose[d] the federal government providing a universal basic income of about \$1,000 per person, with 62% strongly opposed” (Gilberstadt, 2020, para. 3).

Declining economic mobility and growing economic insecurity are undermining individual and family well-being, and the pandemic has exacted a disproportionate toll on those most vulnerable to economic shock, in particular Black, Hispanic, Asian, Indigenous, Pacific Islander families, undocumented individuals, and women... Basic income has proven a powerful response to these challenges at the local level, affirming city and county governments' capacity for nimble and creative policymaking and willingness to serve as testing grounds for innovative solutions.

Of course, while these arguments help orient the discussion, they also lack important context and do not account for certain factors, like how state-sponsored CTPs comport with America's limited government framework, or where any large-scale handout has succeeded at fully remedying the enumerated injustices. Also missing is any study of the negative effects visited upon taxpayers who, under this proposed framework, must now bear a greater tax burden to financially support this welfare state expansion. Nevertheless, despite whatever deficiencies might exist, the literature—while underdeveloped—still provides enough substance that we might observe what policies such a philosophical orientation has given rise to.

Within the CTP framework exists several different permutations of this concept. What tends to differentiate one type from another is whether the cash grant is universal or targeted; one-time or recurring; meant for an individual or a household; intended to replace the existing social safety net or augment it; and conditional or unconditional. With those distinctions in mind, here are some of the more common types of CTPs:

- **Conditional Cash Transfer (CCT):** With CCT programs, an eligible party may receive a cash subsidy upon completion of a particular activity or meeting a certain requirement. These programs are commonly employed by authorities to induce certain behaviors, like “attending school,

completing financial counseling, or working a certain number of hours” (Neighly et al., 2022, p. 5). Expanding further, Saavedra and Garcia (2012, p. 2) explain that in impoverished communities, “CCT programs provide cash transfers to poor families that are contingent on children’s educational and health investments, typically school attendance and regular medical checkups, with the goal of breaking the intergenerational cycle of poverty.” Given the social engineering aspect inherent to this approach, concerns exist over the potential for abuse, manipulation, and control.

- **Unconditional Cash Transfer (UCT):** With UCT programs, an eligible party—which is usually determined on the basis of annual income or socioeconomic status—may receive a cash grant without having to perform any particular action and, as a general rule, recipients can “spend the money however they see fit” (Evans & Popova, 2014, para. 5). The absence of any stipulation is a net benefit according to proponents, who proffer that UCTs “give people the agency to use funds to best fit their lives and meet their needs” (Neighly et al., 2022, p. 44). However, research suggests that this artificial agency may cost society in other ways. Verlaet et al. (2023), when conducting a randomized control trial, found that, “Two years into the program [studying the employment effects of a generous and unconditional transfer targeting low-income families in Spain], subjects assigned to treatment are 20 percent less likely to work than subjects assigned to a control group.” Thus, while UCTs may offer greater agency for the individual, it can also depress productive activities for the broader community.

- **Universal Basic Income (UBI):** Within the ambit of UCT programs is a well-known sub-type called UBIs. The literature defines this class as “a monthly cash grant given to all members of a community without means test, regardless of personal desert, with no strings attached and, under most proposals, at a sufficient high level

to enable a life free from economic insecurity” (Bidadanure, 2019, p. 482). As compared to the broader UCT design, “The universal aspect of universal basic income is what distinguishes it from cash transfers” (New York University, n.d., para. 3). By contrast, UCTs are usually limited to persons below some pre-established poverty threshold. Given its universal nature, UBI programs tend to have reduced administrative costs and complexity as compared to other cash grant types.

- **Guaranteed Income Programs (GIPs):** Also within the ambit of UCTs is another popular sub-type, known as GIPs. Though these programs vary in their detail, they generally employ redistributive mechanisms to give “a regular cash payment accessible to members of a community, with no strings attached and no work requirements” (Neighly et al., 2022, p. 5). There are a few key differences between GIPs and UBIs. First, GIP benefits usually only extend to some portion of a community within a geographic or political boundary, not to all its members. DiBenedetto (2022, para. 4) touches on this aspect, stating, “These groups are either randomly selected, or chosen based on location, wealth, or even career, like the guaranteed income programs for artists in San Francisco and Long Beach, California.” Second, GIP benefits usually accrue to households whereas UBI assistance programs provide cash to individuals. This distinction can affect the level of support that a recipient ultimately receives and has at their disposal. Third, GIPs tend to have greater administrative cost and complexity because of their more targeted nature. Universal programs feature less complication.

These are not the only CTP types; others also exist, like the negative income tax, direct stimulus payments, and various dividend programs. However, for the purposes of this study, those summarized above are the most pertinent since they tend to originate and operate locally. Among those outlined, it is difficult to know which type is the most prevalent in the U.S. due

to their fluid nature, but some commentators suggest that GIPs are becoming the preferred vehicle. Guo (2021, para. 5) explains, “...while prominent names in technology are still involved today, especially when it comes funding projects, the conversation has changed. Its center of gravity has shifted away from ‘universal basic income’ aimed at counterbalancing the automation of work and toward ‘guaranteed income’ aimed at addressing economic and racial injustices.” This may signal a shift in the underlying motivations propelling these programs from idea to actuality.

Moving beyond definitions and descriptions, there is another notable aspect to CTPs—the intellectual and advocacy infrastructure that has been developed to promote it.

## INTELLECTUAL & ADVOCACY INFRASTRUCTURE

The modern American progressive movement has built robust systems to advance their policy aims. These systems are generally comprised of institutions of higher education to conduct high-level research and data analysis; nonprofit organizations to assist with program design and implementation as well as data collection; and advocacy associations to whip up political support, provide messaging and public relations, and even identify specific stakeholders to hold up for storytelling purposes. Although this infrastructure is too vast to explore in full, the list below elevates a few of the more notable progressive actors working to advance CTPs, including:

- **Center for Guaranteed Income Research (CGIR):** The University of Pennsylvania’s CGIR (n.d.-a) bills itself as “an applied research center specializing in cash-transfer research, evaluation, pilot design, and narrative change.” The center was established in 2020 and has set up, supported, or studied a host of different pilot programs, including: Uplift Central Iowa (Location: Dallas, Polk and Warren Counties, IA); YS Equity (Yellow Spring, OH); Elevate MV (Mountain View, CA); Madison Forward Fund (Madison,

WI); West Hollywood Pilot for Guaranteed Income (West Hollywood, CA); Ithaca Guaranteed Income (Ithaca, NY); Breathe: LA County's Guaranteed Income Program (LA County, CA); Nola At-Risk Youth (New Orleans, LA); San Diego for Every Child Guaranteed Income Project (San Diego, CA); Excel Pilot Program (Durham, NC); Just Income (Gainesville, FL); Basic Income Guaranteed: Los Angeles Economic Assistance Pilot (Los Angeles, CA); Growing Resilience in Tacoma (Tacoma, WA); Providence Guaranteed Income Program (Providence, RI); Santa Fe LEAP (Santa Fe, NM); Newark Movement for Economic Equity (Newark, NJ); Cambridge Recurring Income for Success + Empowerment (Cambridge, MA); the Columbia Life Improvement Monetary Boost (Columbia, SC); Paterson Guaranteed Income Pilot Program (Paterson, NJ); Oakland Resilient Families (Oakland, CA); the Bridge Project (New York City, NY); Springboard for the Arts: Guaranteed Income Pilot for Artists (Saint Paul, MN); Project Resilience (Ulster County, NY); Guaranteed Income for Caregivers (Los Angeles, CA); Richmond Resilience Initiative (Richmond, VA); People's Prosperity Guaranteed Income Pilot (St. Paul, MN); 4.0 x Rooted School's Youth Cash Transfer Pilot (New Orleans, LA); and the Stockton Economic Empowerment Demonstration (Stockton, CA) ([Center for Guaranteed Income Research, n.d.-b](#)). This institution's empirical research and expertise serves as a foundation upon which policy practitioners can experiment and engage with redistribution programs.

- **Economic Security Project (ESP):** Established in 2016, the ESP's organizing purpose revolves around determining "how recurring, unconditional cash stipends could work, how to pay for them, and what the political path might be to make them a reality" ([Economic Security Project, 2016, para. 3](#)). In service of its goals, this nonprofit enterprise has positioned itself as "as a convener, strategist, and funder. We disburse grants, identify gaps, develop communications research to

inform the movements and coordinate events and convenings to encourage investment and action from others" ([Economic Security Project, 2022, p. 2](#)).

- **Mayors for a Guaranteed Income (MGI):** This entity, comprised of more than 125 like-minded mayors thus far, was established in 2020 for the chief purpose of "Advocat[ing] for a guaranteed income at the local, state and federal level" ([Mayors for a Guaranteed Income, n.d.](#)). It has been a central organizing force in the GIP movement. As evidence, consider that "MGI, together with the University of Pennsylvania School of Social Policy & Practice, has also established the Center for Guaranteed Income Research to consolidate the key learnings from the pilots taking place in MGI member cities to address knowledge gaps and allow the organization to layer data with anecdotal evidence" ([Penn School of Social Policy & Practice, 2023, para. 18](#)).
- **National League of Cities (NLC):** A longstanding institution, the NLC's self-stated mission is "to relentlessly advocate for, and protect the interests of, cities, towns and villages by influencing federal policy, strengthening local leadership and driving innovative solutions" ([National League of Cities, n.d.](#)). As part of its efforts, the NLC, in conjunction with the BIL, released its "first-ever definitive guide for piloting universal basic income (UBI) in cities" ([National League of Cities, 2018, para. 1](#)). In support of the concept, NLC CEO Clarence E. Anthony said, "We support the ability of city leaders to pilot – and implement – the kinds of innovative, bold solutions that have helped millions of people" ([National League of Cities, 2018, para. 3](#)).
- **Shriver Center on Poverty Law (SCPL):** For more than 50 years, the SCPL has advanced a progressive worldview with an emphasis on economic and racial justice. Per its website, "Today, we litigate, shape policy, and train and convene multi-state networks of lawyers, community leaders,

and activists nationwide” ([Shriver Center on Poverty Law, n.d., para. 1](#)). Recently, the SCPL partnered with the ESP to produce a comprehensive guide “to arm state-level advocates and policy-makers with information regarding the choice points in [UBI] program design, the positive impacts shown by existing research, and special considerations for states including options for guaranteed income implementation, interactions with existing public benefits programs, opportunities for public funding, and promoting racial equity” ([Downey, 2022, p. 2](#)).

- **Stanford’s Basic Income Lab (BIL):** Founded in 2017 and located at Stanford University’s McCoy Family Center for Ethics in Society, the BIL ([n.d.-b, para. 1](#)) exists “to promote an informed public conversation on unconditional cash’s potential to foster a more equitable society by addressing persistent poverty, growing inequalities, and racial and gender injustice.” In furtherance of these goals, the BIL produces data, analysis, and advocacy in support of UBI programs.

Again, the list above is only a small sampling of the larger universe of progressive actors tasked with studying, implementing, and normalizing CTPs in the U.S. Countless other university programs and departments, philanthropic foundations, and governmental interests have been excluded, but the reader should make no mistake—the intellectual and advocacy infrastructure supporting this cause is active, layered, and well-organized. In tandem, these groups exercise tremendous influence over the public policy scene and enjoy much success in terms of program adoption, even in Texas.

## CASH TRANSFERS COME TO TEXAS

In some ways, CTPs are not new to Texas. For example, the earned income tax credit<sup>3</sup> (EITC), “increased unemployment insurance, an expanded and fully refundable Child Tax Credit (CTC), and

stimulus checks” all qualify as cash transfers under a broad interpretation of the term and are well-known ([Downey, 2022, p. 1](#)). Still, the type of CTP intended to be the focus of this examination is somewhat more novel and controversial—that is, the publicly administered GIP.

In recent years, several Texas cities and counties have begun to experiment with GIPs, each organized in its own unique way and funded through a variety of sources. These government-run trials have been orchestrated in the state’s most progressive communities, like the cities of Austin and San Antonio, as well as El Paso and Harris counties.

### **City of Austin’s Guaranteed Income Pilot Program** [Launched: September 2022]

From March 2021 to March 2022, UpTogether ([2022](#)), a national social justice organization based in Oakland, California, collaborated with the city of Austin and local partners to institute a guaranteed income program in Central Texas that was “100% funded by individual donors and philanthropy.” The beneficiaries of the program consisted of “173 members and their households (163 in Austin and 10 in Georgetown) [who] received \$1,000 per month for a year” ([UpTogether, 2022, para. 1](#)). Whilst this philanthropic endeavor was underway, Austin city councilmembers adopted a resolution in June 2021 directing the city manager “to develop actionable recommendations on how the city or other public or private partners could continue or build upon similar direct aid programs, outlining the findings and exploring what future implementations of a more robust guaranteed income initiative can look like for the City of Austin” ([City of Austin, 2021](#)). Following the city manager’s favorable findings, the Austin council in May 2022 directed staff “to negotiate and execute a contract with UpTogether (contractor) to develop and administer the City’s Guaranteed Income Pilot Program” ([Coleman, 2022, para. 1](#)). These contract negotiations ultimately led to the founding of the

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3 Crandall-Hollick and Hughes ([2018, p. 1](#)) describe the EITC as “a refundable tax credit available to eligible workers earning relatively low wages. Since the credit is refundable, an EITC recipient need not owe taxes to receive the benefit. Many low-income workers, especially those with children, may be eligible to receive the EITC.”

city's guaranteed income pilot program later that year. To fund the program, the city appropriated \$1.14 million of the public's money (City of Austin, n.d.-a, p. 489), which it redirected from the Budget Stabilization Reserve Fund (BSRF), a fund intended "to provide financial stability to the General Fund during economic downturns" (City of Austin, n.d.-a, p. 580). With the program officially launched in September 2022, Austin became "the first city in Texas to use city tax dollars to provide some kind of guaranteed income" (Swiatecki, 2022, para. 8).

In all, Austin's city-administered GIP "enrolled 135 households to receive \$1,000 monthly for one year" (Saldana, 2024, p. 1). Cash grants to these individuals were not unconditional. In fact, "[each] participant was required to participate in surveys and interviews on how they used the payment and the impact the payments had on their economic mobility, their quality of life, and their community involvement" (Saldana, 2024, p. 1). Using this survey data, the city hopes to tailor and improve future iterations of the program, which it has renamed the Family Stabilization Grant Program (FSGP).

Presently, the FSGP continues to consume substantial resources. The city's current adopted budget commits \$1.3 million "in one-time funding to support the family stabilization grant program" (City of Austin, n.d.-b, p. 1016). The funding source is the Budget Stabilization Reserve Fund (BSRF). For the upcoming fiscal year, the city intends to reup its public commitment. In April 2024, councilmembers approved on consent an ordinance to "[authorize] negotiation and execution of a contract for family stabilization grant program services with FII-National d/b/a Family Independence Initiative, in an amount not to exceed \$1,336,000" (City of Austin, 2024a). Here too, the vast majority of funding (\$1.3 million) is to be taken from the BSRF, with the remainder (\$36,000) taken from the Management Services department's operating budget (City of Austin, 2024b). By continuing to fund the FSGP at this level, the city hopes to "support low-income families amid Austin's affordability crises" and to further build

the case that a publicly administered guaranteed income program is both viable and affordable (City of Austin, 2024b). Considering the present state of public policy in Austin, it is unlikely that the city's latest redistributive effort will work out as envisioned.

### **City of San Antonio's Guaranteed Income Pilot**

[Launched: November 2020]

UpTogether partnered with another Texas city—San Antonio—to institute a \$5 million guaranteed income pilot program tasked with providing a "total cash offer of \$5,100 distributed over 27 months will be available to 1,000 households in San Antonio beginning in November of 2020" (UpTogether, n.d.-a). To be eligible for participation, applicants had to have a household income at or below 150% of the poverty level, live within a certain zip code (i.e., 78207 or 78227), be willing to link their personal bank account to UpTogether, participate in online forums, and be able to demonstrate "financial hardship due to COVID-19 (e.g., lost job or had hours reduced due to COVID-19)" (Joyner et al., 2024, p. 1). Funding for the program originated from a mix of public and philanthropic sources. According to Dimmick (2022, para. 6), "The city allocated nearly \$2 million of its federal pandemic relief funds to the effort, while the rest came from private donors and organizations such as the H.E. Butt Foundation, San Antonio Area Foundation, Methodist Healthcare Ministries and the Kronkosky Foundation."

The public-private collaboration that helped launch San Antonio's GIP involved more than just providing seed money. It also entailed identifying program participants. As Joyner et al. (2022, pp. 1-2) report,

To recruit participants, UpTogether held four family information sessions (two in English, two in Spanish) in partnership with community organizations like Avance, TRAIN, Sin Fronteras de Tejas, Good Samaritan, SA Hope Center, Family Service, Headstart, and City of San Antonio agencies including the Department of Human Services and the Housing Authority...UpTogether also worked with the Southwest Independent School District's

parent liaisons to recruit families and sent recruitment emails directly to individuals/families in San Antonio who were already members of the UpTogether Community platform.

Thus, to some extent, governmental entities were actively assisting other governmental actors in an effort to find people to whom they could give “free” money.

Another noteworthy aspect of the city’s program was its condition that participants join online groups to listen and share details related to their personal experience. Joyner et al. (2024, p. 2) record, “They created or joined 491 groups on the UpTogether Community, including to support one another in achieving self-determined goals; to share parenting resources; to get and give mental health support; and to offer resources and support around employment opportunities and professional development.” From a research perspective, such a robust network enabled interested parties to collect and analyze reams of data and anecdotal evidence, presumably with which to adjust and perfect future iterations of it. UpTogether’s assemblage also provided its public sector partners, like the University of Texas at San Antonio (UTSA), with their own data collection opportunities, particularly by surveys. One of UTSA’s self-reinforcing survey findings was that “[o]verall, participants expressed a tremendous amount of gratitude and appreciation for the opportunity to be a part of UpTogether. A prominent theme was the importance of the unrestricted cash in providing a significant financial benefit, allowing community members to meet their financial obligations” (Joyner et al., 2022, p. 34). A third, more interesting point about the group dynamic is that it provided program supporters with an opportunity to identify potential spokespersons for future advocacy efforts. Consider UpTogether’s (n.d.-b) announcement upon the conclusion of its first phase:

[We] will build on our efforts in San Antonio through a new initiative with a subgroup of 25 members from the 25-month fund who have

a strong community involvement background and want to be more involved in policy work... We will invest in the 25 members for 18 months with unconditional cash investment of \$500 per month and in collaboration with other local organizations, members will engage in advocacy and storytelling to inform local policies. This includes sharing their stories with the city and other stakeholders for narrative change.

Overall, there is much to observe about San Antonio’s GIP, including how proponents are leveraging research and advocacy to refine their concept, and the cooperation by various units of state and local government.

### ***El Paso County’s Universal Income Program***

[Launched: N/A]

In December 2023, the El Paso County Commissioner’s Court initiated its own cash transfer program called the Universal Income Program (UIP). Officials did so by utilizing “\$500,000 from funds given by the federal government through the American Rescue Plan Act to launch a pilot program...where low income families will be eligible to receive \$6,000 over 12 months (\$500/month)” (Stout, 2024, p. 7). This seed money was meant to be coupled with “an extra \$400,000 contribution from the Woody and Gayle Hunt Family Foundation” so as to eventually provide direct cash assistance to 135 eligible households (Mendoza-Moyers, 2024, para. 3). As envisioned, participation in the UIP was to be “limited to families who live in certain ZIP codes or neighborhoods throughout El Paso County” (Pruet, 2023, para. 6). However, the program never fully matured due to pending litigation advanced by Texas Attorney General Ken Paxton, who correctly observed that “the state’s constitution bans ‘most grants of public funds to private individuals’” (Mendoza-Moyers, 2024, para. 10). As such, the UIP never formally commenced, and all program-related activity has been put on hold until the legal controversy is resolved.

While El Paso County’s Universal Income Program may never be resurrected due to legal challenges,

there is a curious aspect about it that is worth reflecting on: its *raison d'être*. In one county official's spring 2024 newsletter, it was reasoned that "The [American Rescue Plan Act] funds are set to expire this year and if not used, the County would have to return those moneys to the federal government" (Stout, 2024, p. 7). Thus, the federal government's pandemic aid provided the means to create a government giveaway, and its scheduled end date served as the catalyst for getting it launched. Thus, it might be said that the national government's fiscal recklessness prompted another level of government to spend wastefully, and in both cases, taxpayers were left to pick up the tab.

### **Harris County's Uplift Harris** [Launched: TBD]

Like other local governmental entities mentioned above, Harris County—the most populous county in Texas and the 3rd most populous county in the U.S.—planned and promoted its own government-run giveaway program called Uplift Harris. Officials structured the program in such a way that they hoped to provide "[n]early 2,000 participating households living below 200% of the federal poverty line (FPL)...[with] \$500 per month for 18 months to support their household needs" (Uplift Harris, n.d.). The source of funding for the program was to be "\$20.5 million from the American Rescue Plan Act (ARPA)," which catapulted it to being the most well-funded of its kind in the state (Uplift Harris, n.d.). To help garner public support, officials touted a host of possible benefits, including: "improving self-sufficiency; reducing generational poverty; reducing income volatility; reducing housing instability; reducing food insecurity; improving physical and mental health; [and] creating a framework for sustainable, equitable anti-poverty programs within Harris County" (Uplift Harris, n.d.). The degree to which any of these prospects are realizable under the scheme is difficult to determine; however, one

thing is clear from the county's lofty list: it leaves unmentioned any negative possibilities, like the risk of worsening inflation, further fiscal imbalance, increased government dependency, a diminishment of entrepreneurship and initiative, and continued drift away from our constitutional ideal. Understanding these potential societal consequences is important for the public to hold a balanced perspective.

However, before the Uplift Harris program began to disburse public money to participants, the Texas Office of the Attorney General (OAG) (2024b, para. 1) initiated legal action against the county in April 2024 and later found relief by "obtain[ing] a stay from the Supreme Court of Texas ('SCOTX') stopping an unlawful 'guaranteed income' scheme...that violates the Texas Constitution." In its legal brief, the High Court explained that the basis for issuing the stay was, in part, due to the fact that "this potential violation of the Texas Constitution could not be remedied or undone if payments were to commence while the underlying appeal proceeds" (*State of Texas v. Harris County et al.*, 2024a, p. 7). As a result, the program was halted, and the courts continue to adjudicate the matter.

While one might expect no further developments, the Harris County Commissioners' Court took some rather unexpected action recently to circumvent the court's decision. On August 15, 2024, Harris County officials approved a request for an amendment "to include additional restrictions and launch a new program" (Harris County, 2024). Under the county's newly-reconfigured scheme rebranded as Harris Uplift 2.0, officials sought to address the concerns by requiring "the use of debit cards and limited spending categories" (Harris County, 2024).<sup>4</sup> It is to be seen whether these modifications are adequate to evade further obstacles to implementation; however, there are some early indications<sup>5</sup> that will face turbulence in the immediate future.

4 Quote found under "Reports," then "Legislation Text," then first paragraph under "Background and Discussion."

5 In response to the relaunch of Harris County's guaranteed income program, the chairman of the Senate Committee on Local Government announced on social media that: "I have forwarded this '2.0' UBI program to Attorney General @KenPaxtonTX's office for legal review and action as required" (Team Bettencourt, 2024). In addition, the chairman of the House Committee Local & Consent Calendars said: "Never would have thought the Texas Legislature would have to stop [political subdivisions] from engaging in blatant socialism through wealth redistribution, but here we are. Add it to the top of the list for the 89th!" (Harris, 2024).

## Progressive ideologues have built a national infrastructure with which to advance conditional and unconditional cash transfer programs at the local level.

### **Special Mention: City of Dallas**

In addition to the publicly administered GIPs outlined above, Dallas is also home to another guaranteed income initiative—except it is privately funded. The program, launched in 2022, is operated by “United Way of Metropolitan Dallas, UpTogether and several other community groups” and its funders’ goal is “to invest \$250 per month in 500 households for up to three years” (Richman, 2022, para. 8). While this version does not encumber taxpayers directly and thus is less of a public policy concern, it is worth noting that its long-term goal is to get “government buy-in” (Richman, 2022, para. 17). It appears to have some support from city staff too. In September 2022, then-city manager T.C. Broadnax provided a memo to city council calling for equity improvements, including the establishment of a city-run GIP called the Family Support and Empowerment Initiative (FSEI). The proposed program, which would have cost taxpayers \$1 million in the first year, sought to provide “500 families with cash transfers of \$250/mo. for one year, including case management as needed and additional wraparound supports by July 2024, as permitted by law” (Broadnax, 2022, p. 2). Broadnax’s justification for the program rested much of its case on Austin’s example. He claimed, “Some examples of City-administered programs include Austin’s UpTogether program (<https://www.uptogether.org>), a recent report for which shows that participants increased employment, decreased debt, improved housing stability, and 6% of program participants who were renters became homeowners during the program period” (Broadnax, 2022, p. 2). Ultimately, Broadnax’s memo proved unpersuasive, and the idea has languished in its conceptual phase since. Still, it may not reside in that state forever, especially as “some local activists have made UBI one of their

top priorities” (Earley and Holik, 2024, para. 3). If it does ultimately transition from a privately funded to publicly funded enterprise, then it too may become a source of great controversy and concern.

### **NEW RESEARCH RAISES SERIOUS QUESTIONS**

Progressive ideologues have built a national infrastructure with which to advance conditional and unconditional cash transfer programs at the local level. By way of this infrastructure, elected officials in several of Texas’ largest cities and counties have been persuaded to implement their own tailored versions, often using pandemic aid as the means to launch. Despite this budding welfare state expansion, a pair of new studies has raised serious questions about the prudence of the policy.

In August 2024, scholars at the National Bureau of Economic Research (NBER) published a report examining “the causal effect of unearned income on spending, financial outcomes, and household balance sheets” (Bartik et al., 2024, p. 1). As part of the study, NBER researchers, in partnership with two nonprofit organizations in Illinois and Texas, employed “a large-scale randomized controlled trial (RCT) which randomly assigned 1000 treatment group individuals to receive \$1000 a month for three years and 2000 control group individuals to receive \$50 a month for the same period of time” (Bartik et al., 2024, p. 1). Persons eligible to participate were required to be between the ages of 21 to 40 years old and possess a household income of below 300% of the federal poverty level (FPL). Through this research design, NBER scholars made some intriguing observations.

To begin, Bartik et al. (2024, p. 7) noted that CTPs in general lack the ability to improve one’s long-term circumstance, explaining that “[o]verall, these results suggest that large, but temporary, transfers increase expenditures, consumption or financial resilience in the short term but do not substantially improve low-income households’ medium-term financial position, suggesting that the long-term effects on consumption of financial outcomes may

be small.” Putting a finer point on the exact short-term nature of the benefit, the scholars observed that “self reported financial health rises at the start of the transfer but this effect decays to zero by year three of the transfer ” (Bartik et al., 2024, p. 41). This finding is at odds with one of advocates’ chief claims, which is that “[a]cross the country, pilot programs offering a guaranteed income to local residents have measurably improved participants’ financial stability. Participants in these programs are using funds in ways that benefit their families’ long-term economic health” (Rosen, 2021, para. 8).

What’s more, this scholarly work suggests that a cash transfer may actually induce participants to consume personal debt at a greater rate which, in turn, has the potential to create future complications when any temporary program concludes. Bartik et al. (2024, p. 3) remark,

Rather than paying down debt, participants in the treatment group actually increase their debt modestly, by about \$1800 if mortgage balances are included and by about \$500 if mortgage balances are excluded...This rise in debt may also reflect greater ability to afford down payments or debt service payments, greater access to credit—we find a modest increase in participant credit scores—or changes in risk tolerance driven by the transfer.

Such an observation seems to undercut a key argument from CTP advocates, which is that offering a guaranteed income may help participants “eliminat[e] old debts that would otherwise trap a family in perpetual poverty” (Rosen, 2021, para. 8). While this might be theoretically possible, the empirical evidence suggests that participants do not retire old debts with guaranteed income but rather leverage it as a way to facilitate greater borrowing.

Another argument in conflict with NBER’s findings relates to peace of mind. That is, Bartik et al. (2024, p. 25) observe that cash transfers do not, in fact, foster a long-term sense of financial security among

participants, noting that

The treatment group report increases in the extent to which they can handle a major unexpected expense, give a gift for a wedding, birthday, other occasion without straining finances, and enjoy life because of the way they manage money, as well as increases in the frequency of having money left over at the end of the month. For other items focused on respondents’ longer-term financial circumstances, such as level of confidence in retirement savings, concern that savings will not last, and extent to which they are ‘just getting by financially,’ however, there is no effect. The short-term influx of cash provided by the transfers reduces consumption volatility, improves financial well-being, and reduces vulnerability in the short run, but **it does not appear to reduce long-term financial anxieties**—at least for the younger, low-income households in this study. [*emphasis mine*]

This finding is particularly interesting in light of the claims commonly made by CTP advocates, like former Los Angeles mayor Eric Garcetti who once said, “Offering direct aid to struggling families translates into greater security for our economy, stability for our communities, and peace of mind for households across our cities” (Mayors for a Guaranteed Income, 2021, para. 6). Or California Congressman Adam Schiff (2024, para. 2) who recently introduced the Guaranteed Additional Income for Families in Need (GAIN) Act and seeks to justify the measure by contending, “With hard-working families struggling to make ends meet, we’re seeing a rise in negative health outcomes, from cardiovascular disease and depression, to anxiety and cognitive decline...That’s why I’m proposing a first-of-its-kind, targeted [CTP] pilot program to help determine if we can improve outcomes with guaranteed income.” Realizing any meaningful improvement in health outcomes, especially as it relates to anxiety, seems questionable given NBER’s latest findings.

Another illuminating report recently published by

NBER researchers examines “how cash transfers affect beneficiaries’ labor supply and other employment-related outcomes” (Vivalt et al., 2024, p. 1). The study was conducted “by analyzing a program by two non-profit organizations that distributed \$1,000 per month for three years to 1,000 low-income individuals randomized into the treatment group. 2,000 participants were randomly assigned to receive \$50 per month as the control group” (Vivalt et al., 2024, p. 2). Program eligibility was limited to people between the ages of 21 and 40 and whose household income did not rise above 300% of FPL. Like its companion paper discussed above, this report offers some unique insights that challenge the prevailing narrative surrounding CTPs.

First, as one might suppose, cash transfer recipients experienced a decrease in income, presumably related to a reduction in hours worked. According to the study’s results, researchers estimate “the transfers led to a reduction in annual total individual income of about \$1,500” (Vivalt et al., 2024, p. 15). It is reasonable to suggest that this modest decline was linked with “a 1.3 hour decrease in work hours per week” (2024, p. 15). Combined, these losses were not inconsequential, especially as compared to the control group. Per Vivalt et al. (2024, p. 16), “Both a \$1,500 reduction in annual income and a 1.3–1.4 hours/week reduction in work represent an approximately 4–5% reduction relative to these variables’ control mean.”

Second, CTP enabled participants to withdraw from the labor force in some minimal way. As such, those persons had more time to commit to non-employment-related activities, like “leisure, non-commuting transportation, and other activities” (Vivalt et al., 2024, p. 16). This shift, while small, meant that people spent less time being industrious. In addition, the researchers also noted an uptick in the duration of time that CTP participants remained non-employed or unemployed. This was due to the fact that “with

the transfers, people feel less pressure to immediately take up a new job upon leaving one” (Vivalt et al., 2024, p. 18). These two aspects combined—fewer hours worked, and more time spent non-employed or unemployed—raise larger questions about the potential impact of a broad-based GIP, especially as it pertains to a society’s industry, productivity, and employment.

Lastly, the provision of guaranteed income did not produce the individualized economic benefits that some have touted. Vivalt et al. (2024, p. 30) stated, “we do not find evidence of the type of job quality or human capital improvements that advocates have hoped might accompany the provision of greater resources, and our confidence intervals allow us to rule out even very small effects of the transfer on these outcomes.” Such a finding suggests that there is ample reason to be skeptical about the potential benefit of a CTP, at least in this context.

The NBER’s scholarly work examining the effect of CTPs on income and employment offers much to consider from a policy standpoint. Indeed, based on NBER’s research, one might reasonably conclude that GIPs do not necessarily benefit people as promised and, in some cases, may even leave participants worse off than before.

This new research raises serious concerns about the implementation of CTPs; however, there is an even greater reason for Texas policymakers to view these programs through a harsh lens: the Texas Constitution.

## CONSTITUTIONAL CONCERNS

Following the approval of GIPs by the city of Austin and Harris County, the Senate Committee on Local Government chairman (Bettencourt, 2024, p. 1) submitted an advisory opinion request<sup>6</sup> to the Texas OAG seeking clarification on two pertinent matters, including:

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6 As explained by the Texas OAG (n.d.), certain public officials may, at their discretion, seek informal guidance from the state’s attorney general for matters “affecting the public interest or concerning the official duties of the requesting person.” The opinions provided by the attorney general are non-binding.

1. “Do counties have the authority to enact a guaranteed income program?”
2. Would such a policy violate the gift prohibition clause in the Texas Constitution?”

Prompted in part by these questions and concerns raised, the OAG soon thereafter initiated legal action against Harris County officials which centered on concerns that the program was unconstitutional in its design and implementation. Drilling down further into these claims, the Texas OAG (2024, para. 3) alleges that:

The Texas Constitution expressly forbids ‘any county, city, town or other political corporation or subdivision of the State ... to grant public money or thing of value in aid of, or to any individual.’ **Harris County’s program to give public money away with no conditions, no control over expenditure of that money, and no guarantee of public benefit is prohibited.** The Constitution also provides that everyone has ‘equal rights, and no man, or set of men, is entitled to exclusive separate public emoluments.’ This lottery-based handout violates the Texas Constitution because the selection of recipients is inherently arbitrary. [*emphasis mine*]

The first argument put forward by the OAG hinges on an alleged violation of a gift clause prohibition found in Article III, Section 52(a) of the Texas Constitution. This particular prohibition is one among many found in the Constitution.<sup>7</sup> According to the OAG’s pleading, Harris County’s program is violative of this provision in three ways:

First, the Harris Handout directly benefits randomly selected individual residents of Harris County and does not accomplish a public purpose. Second, Harris County does not retain public control over the funds...[instead] the payments have ‘no strings

attached,’ and the recipients can use the money however they wish. Finally, Harris County has neither received nor will receive any return benefit from monthly cash handouts to 1,928 individuals (or 0.04% of the population of Harris County) (*State of Texas v. Harris County et al.*, 2024b, pp. 7-8).

Given Harris County’s GIP design and goals, these claims appear convincing.

The second argument relates to the exclusivity of the program’s benefits. A select few are eligible to participate in the program, while the vast majority are disallowed from consideration. As the OAG (2024b, p. 8) more precisely argues, “While the initial eligibility criteria might be considered valid classifications, Defendants cross the line from rational to arbitrary by selecting participants by random lottery.”

In addition to these two key arguments, the OAG’s brief advances another important claim, which is that current state law does not give explicit authorization for county officials to offer a program of this type. In furtherance of that point, the OAG states, “a commissioners court may only exercise powers expressly given by either the Texas Constitution or the Legislature” (*State of Texas v. Harris County et al.*, 2024b, p. 4). This is a crucial consideration given that Texas counties have unilaterally decided to pursue GIPs without clear statutory or constitutional authorization. In fact, the lack of explicit endorsement bodes ill for the continuation of this program at the county level, even with a modified design or more narrowed scope as Harris County is currently contemplating. For home-rule municipalities, this same deficiency might not be present in the same way—though city-run programs likely run afoul of other constitutional provisions.

While these legal controversies have yet to be fully adjudicated, it is clear based on the philosophy, players, policy, and potential problems surrounding

<sup>7</sup> For other examples of gift clause prohibitions in the Texas Constitution, see Article III, Sections 50 and 51 as well as Article XVI, Section 6(a).

GIPs that political subdivisions would be wise to seek out other measures to alleviate poverty and get money into the pockets of those who need it most.

## RECOMMENDATIONS

National interests are utilizing a mix of private and public funding, such as pandemic aid, to promote and implement CTPs in cities and counties around the U.S., including Texas. The spread of these publicly administered programs raises serious legal, fiscal, and ethical questions, especially in light of the Texas Constitution's various restrictions and the temporary nature of the funding used to establish much of the initial framework. Even still, it is unlikely that these concerns will persuade advocates to allow these programs to disappear quietly due, in part, to ideology. That is, these programs are an outgrowth of a social justice philosophy that views government as a means to right perceived wrongs via redistribution. Cost and consequence are secondary through this lens.

In response, the next Texas Legislature should take appropriate action to preserve the public's independence, initiative, and self-actualization as well as strengthen existing law. Along these lines, policymakers should consider the constitutional and statutory changes to better control the growing GIP movement in the Lone Star State.

- **Promote free-market policies.** Government-run GIPs seek to position public authorities as people's chief provider and source of financial security. This perspective misunderstands the nature of government and casts cities and counties in an untoward light. Rather than allow political subdivisions to promote statism and government dependency, policymakers should instead cultivate an environment of entrepreneurship, creativity, and productivity. Fostering these conditions at the local level might be achieved through the consistent adoption of a minimal tax rate; the regular reduction of government expenditures; the weeding out of

redundant and outdated programs through zero-based budgeting; the intentional paring back of rules and regulations; the abstention of public debt; and the rejection of collectivist tendencies. In so doing, local policymakers will empower individuals and largely eliminate the need for cash grant programs.

- **Strengthen the Texas Constitution's gift clause prohibition.** As evidenced by the series of city and county programs initiated in the recent past, the state Constitution's gift clause prohibition on using public monies for private gain is not as clear as it should be. As evidence, consider that not only were GIPs launched to begin with, but also that Harris County relaunched its initial failed attempt, UpLift Harris, that was struck down by the Texas Supreme Court. This activity suggests that Texas' policy environment is not as strong as it should be and that improvements are needed. As such, policymakers should take this opportunity to strengthen the prohibitions found in Article III, Sections 50, 51, and 52, and add teeth to these various provisions, such that when a political subdivision is found to be in violation of the law, then the entity and its governing officials open themselves up to the possibility of punitive measures, like the inability to adopt a tax rate above the no-new-revenue tax rate in the following fiscal year, loss of state aid, or some mandatory training requirement.

Through these measures and others, the next Texas Legislature can take steps to stop the spread of GIPs in Texas and reinforce its low tax, limited government model to serve as an alternative. ■

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## ABOUT THE AUTHORS



**James Quintero** is the policy director for the Texas Public Policy Foundation's Taxpayer Protection Project. He joined the Foundation in 2008 and his work has generally focused on local government matters, especially where it involves taxes, spending, and debt. His work has been featured in the *New York Times*, *Forbes*, *Fox News*, *Breitbart*, and more.

Quintero received a B.A. from the University of Texas at Austin and an M.P.A. from Texas State University. He is currently seeking a Ph.D. in public policy from Liberty University. In 2022, he was appointed to serve a three-year term on the Commission for Lawyer Discipline.

Quintero and his wife, Tricia, are blessed with five beautiful children and faithfully attend Bannockburn Baptist Church.



**McKael Kirwin** is a sophomore at Patrick Henry College, pursuing a major in History. He hopes to work as a guardian ad litem or family lawyer vocationally and that his work in a conservative institution will prepare him mentally and equip him with the knowledge and skills to best serve this country and its people.

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