

ECONOMIC AND POLICY IMPACT STATEMENT:

APPROACHES AND STRATEGIES FOR PROVIDING A MINIMUM INCOME IN THE DISTRICT OF COLUMBIA

The Office of the Budget Director prepared an economic and policy impact statement examining approaches and strategies for establishing a minimum income program in the District of Columbia, fulfilling a request made by Councilmember David Grosso and Chairman Phil Mendelson under Council Rule 308. This study offers an independent, data- and evidence-based resource for weighing the policy implications and economic costs and benefits of a minimum income program. The report is divided into three sections:

1. An analysis of D.C.'s cost of living versus the social safety net benefits available to low-income households.
2. A discussion of three methods for providing a minimum income: a negative income tax, a guaranteed minimum income, or a universal basic income.
3. An economic analysis of a minimum income program's impact on the D.C. economy using REMI, a widely used economic forecasting model.

The study confirms that it is very difficult for a household living in the District to make ends meet. The public social safety net provides enough resources for some, but not most, low-income households to meet their basic needs.

- The estimated level of income that three, typical households in the District would need to pay for their basic necessities absent government benefit programs is higher than the current minimum hourly wage of \$12.50.
 - *Single adult*: Annual income of \$36,988 or an hourly wage of \$17.78.
 - *Single parent with one child*: Annual income of \$66,113 or an hourly wage of \$31.79.
 - *Single parent with two children*: Annual income of \$96,885 or an hourly wage of \$46.58.
- A prototypical single, working age adult without a disability whose earned income falls below the Federal Poverty Level *would not* be able to meet their basic needs even if they received all the public social safety net supports to which they are eligible.
- The existing social safety net is *robust enough* to allow a prototypical extremely low-income single parent with one or two children to meet their families' needs, assuming they can access all the public benefit programs to which they are eligible (including a housing voucher). It is important to note that eligibility for a safety net program does not guarantee receipt of the benefit.

The study forecasts economic conditions under four possible minimum income scenarios relative to a projection of the conditions if there was no change in policy. The study predicts that a minimum income program would negatively impact the economic growth, although the magnitude varies greatly depending upon the program's design.

- Raising households' income to 100% of the Federal Poverty Level is likely to have a relatively small impact on the District's economy and labor force (see Simulations 1 and 2).
 - Would cause the D.C. economy to add 1,600 to 3,000 fewer jobs and increase GDP by \$99 million to \$185 million less over the next ten years than otherwise projected.
- Raising households' income to 450% of the Federal Poverty Level—roughly D.C.'s cost of living—could have major implications for the District's economy and tax base (see Simulations 3 and 4).
 - Would reduce the number of jobs in D.C. held by residents by 101,000 to 138,000 over ten years.
 - Could force the District to forgo about \$2.6 billion each year in federal payments and grants.
 - Would require raising local expenditures of \$7 billion to \$9 billion per year, essentially doubling the District's current local funds budget.

Simulation	Simulation 1 Negative income tax at 100% of FPL	Simulation 2 Cash benefit of 100% of FPL	Simulation 3 Cash benefit of 450% of FPL	Simulation 4 Cash benefit of 450% of FPL
Estimated Cost	\$380M	\$710M	\$7B	\$9.3B
Workforce Participation	No effect	100% reduction	50% reduction	100% reduction
Impact on Federal Grants and Medicaid	No effect	No effect	\$2.6B decrease	\$2.6B decrease
Impact on Local Budget Match	No effect	No effect	\$1B offset to minimum income program	\$1B offset to minimum income program
Funding Mechanism	Personal income taxes	Personal income taxes	Personal income taxes & property taxes	Personal income taxes & property taxes
Total Employment 2027	-1,600 jobs	-3,000 jobs	-21,000 jobs	-25,800 jobs
Residence-Adjusted Employment 2027	-9,100 jobs	-17,300 jobs	-101,000 jobs	-138,800 jobs
GDP 2027	-\$99 million	-\$185 million	-\$2.2 billion	-\$2.4 billion