

ADMINISTRATION FOR CHILDREN & FAMILIES

Introduction to Direct Cash Transfers

What are direct cash transfers? Direct cash transfers are payments made directly to individuals or families, by a government or non-profit organization, for the purpose of promoting economic stability and mobility at the household level.

The United States Government has long used direct cash transfers to support the economic security and mobility of families, from the Mother's Pension program in the early 1900s through today's tax credits, Social Security and more.

In response to the COVID-19 pandemic, the government sent three rounds of Economic Impact Payments to American families and expanded the Child Tax Credit to provide monthly payments to families with children. These direct cash transfers kept Americans afloat during the crisis and supported the country's quick and strong economic recovery.

At the same time, non-profit organizations and localities around the country began launching "guaranteed income" demonstrations, providing recurring unconditional cash payments to individuals and families in need. Over the past few years, more than 150 demonstrations have been launched around the country, several of which have been designed as Randomized Controlled Trials (RCT) and nearly all of which include program evaluations. In addition to using quantitative data many of the current research programs integrate qualitative data to better understand how the program impacts participants and their families at an individual level.

The Resilient Families Hub is an interagency effort to expand knowledge of cash transfer programs within the federal government as part of the Facing Financial Shock initiative. Developed by the Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government (EO 14058), the mission of FFS is to provide stability and smoother pathways to resilience through better benefit delivery, better benefits, and better jobs.

Along with studies on historical programs and evidence from the Expanded Child Tax Credit, this new and growing body of research allows us to understand the impact direct cash has in stabilizing individuals and families living in economic precarity, and how it can help build the scaffolding for economic mobility.

This fact sheet is intended to provide an overview of historic and contemporary direct cash transfer programs in the U.S., along with high-level data and research information. For additional information on cash transfer programs, including information on cash transfers and specific subpopulations and outcomes, please contact [Madeline Neighly](#) at the Resilient Families Hub.

Major Cash Transfer Programs and Impacts

Mother's Pensions (1911-1935): The first government-sponsored welfare program for poor women with dependent children in the U.S., the Mother's Pension was eventually enacted in 46 states and led to the creation of the AFDC.

- Boys whose mothers had received pensions had higher levels of education and income, fewer nutritional deficiencies and longer life expectancies than those whose mothers had been denied pensions (Aizer et al., 2014).

Social Security (1935-Present): Social Security provides payments to retired workers, survivor payments to dependents and widowed spouses, and disabled workers and their dependents.

- Social Security payments lift 1.4 million children and more than 16.5 older adults above the poverty line.

Aid to Families with Dependent Children (1935-1997): AFDC provided cash welfare payments for children with an absent, incarcerated, unemployed or deceased parent experiencing poverty.

Temporary Aid to Needy Families (1997-present): Replacing AFDC, TANF provides fixed block grants to states, requires states to also spend their own dollars, and permits states to spend funds to meet four purposes.

- Federal funding has been set at \$16.5B each year since 1996. The American Rescue Plan Act included \$1B in Pandemic Emergency Assistance Funds, the first new federal TANF funding in over a decade.
- The share of children living in deep poverty rose after TANF was enacted and TANF has been less effective in lifting families out of deep poverty than AFDC, in part because fewer families receive TANF than received AFDC.

Income Maintenance Experiments (1960s-1970s): Federally funded pilots designed to test the impact of a negative income tax on work behaviors.

- Married participants reduced their debt and increased their savings (Kehrer, 1977). Increases in birth weight among newborns of high-risk mothers was found at one site, though was not investigated at all sites (Kehrer, 1977).

Earned Income Tax Credit (1975-Present): The EITC is a federal, refundable tax credit program for low- and moderate-income earners. Thirty-one states and DC offer their own EITCs.

- As the largest cash transfer program and most effective anti-poverty measure in the country, the EITC lifts 5 to 6 million people out of poverty annually (Maag et al., 2021). A 2020 survey found that 44% of potentially eligible tax filers were unaware of the program, although the IRS and Census Bureau estimate that almost 80% of eligible workers claim the credit (Maag et al., 2021).
- Receipt of the EITC has been found to have beneficial effects on mental health (Evans & Garthwaite, 2010; Boyd-Swan et al., 2016) and to improve housing outcomes for mothers with low incomes (Pilkauskas & Michelmore, 2018).
- Quasi-experimental research pre- and post-EITC expansions federally and in NY state have found that the EITC reduces rates of low birthweight and raises average birthweights (Hoynes et al., 2015; Wicks-Lim & Arno, 2017).

Alaska Permanent Dividend Fund (1980-Present): Alaska provides annual dividend payments from oil revenue to all residents. Payments range from a few hundred dollars to more than \$2,000.

- Research has found the largest anti-poverty effects of the dividend are on children, Native Alaskans, rural residents and the elderly (Guettabi, 2019; Berman & Reamey, 2016). The dividend has been linked to increased birth weight and a decrease in toddler obesity (Guettabi, 2019). There are no significant effects on employment. Some women see a reduction in hours, likely for caregiving purposes, while there is an increase in probability of employment for men, potentially driven by increased consumption demands (Bibler et al., 2019; Jones & Marinescu, 2018).

Eastern Band of Cherokee Indians Casino Dividend (1997-Present): A portion of casino profits are distributed to all adult tribal members annually. The average dividend is roughly \$5,000.

- Research has found that children in recipient households are more likely to graduate high school, have better parent-child interactions and to show an improvement in behavioral issues (Marinescu, 2018; Akee et al., 2010).
- Adults whose families received cash transfers during their childhood reported fewer symptoms of anxiety, depression or cannabis use, fewer risky or illegal behaviors, and improved physical health and financial functioning compared to those who did not receive the cash transfer (Copeland et al., 2022).

Federal Child Tax Credit (1997-Present): The CTC is a refundable federal tax credit program for low- and moderate-income earners with children. Families raising children under 17 years of age may receive up to \$2,000 per qualifying child.

- As the largest federal expenditure for children, the CTC lifts 2.9 million children out of poverty (Gould, 2022).
- Because the credit is reliant on the parent or guardian's earned income, roughly one in three children, including one out of every two Black and Latino children, live in a family that does not receive the full credit. Children in rural areas, in large families or families with young children and those raised by single parents are also more likely to not receive the full credit amount (Collyer et al., 2019).

Under the American Rescue Plan, the CTC was temporarily expanded to increase the maximum benefit amount, the credit was made fully refundable so that parents with

extremely low or no income would receive the full amount for their children, and it was distributed as an advanced credit paid out monthly for six months (Wimer et al., 2022).

- In 2021, child poverty rates fell to the lowest level on record, largely due to the expanded CTC (Wimer et al., 2022). Once the expansion ended, there was a record increase in child poverty, nearly doubling the 2021 rate to 12.4% (Koutavas et al., 2023).
- Paying the credit in monthly installments strongly reduced food insufficiency among low-income households with children (Parolin et al., 2023).
- Several states have enacted or expanded their own Child Tax Credits following learnings from the 2021 expansion. Most notably, Minnesota enacted a more generous program with advanced, recurring payments.

Recent Cash Transfer Demonstrations

Stockton Economic Empowerment Demonstration (SEED): An RCT and the first mayor-led guaranteed income demonstration. SEED provided \$500/month for 24 months to 125 families living in Stockton's poorest neighborhoods. ([Link](#))

Rise Up Cambridge: The first non-lottery guaranteed income demonstration. Every family with children at or under age 21 earning 250% or below FPL received \$500/month for 18 months. ([Link](#))

Baby's First Years: An RCT that provided 435 low-income mothers with \$333 a month for the first year of their child's life. The program operated in NYC, New Orleans, Omaha, and Minneapolis/St. Paul. ([Link](#))

OpenResearch Unconditional Income Study (ORUS): The largest cash transfer program in the country and an RCT. ORUS provided \$1,000/month for 36 months to 1,000 low-income people in Texas and Illinois. ([Link](#))

CA Guaranteed Income Pilot Program: The first state-funded guaranteed income program. Two counties in CA provide former foster youth with direct cash for 18 months (\$1,000/month in Ventura County; \$1,250/month in San Francisco). ([Link](#))

Rx Kids: The first citywide cash prescription for pregnant moms and babies. All pregnant moms in Flint, MI are provided \$1,500 during pregnancy and \$500/month throughout the baby's first year. For low-income participants, funds are provided by utilizing NRST benefits under TANF. ([Link](#))

Key Findings from Recent Demonstrations

While data continues to be collected and evaluated from cash transfer programs around the country, new reports are released with frequency.

Serving a wide variety of demographic populations, there is some coordination among researchers to use similar tools and methods in order to support cross-site analyses and learnings. The studies include both qualitative and quantitative data as researchers are interested in the impact of direct cash on recipients' sense of financial well-being, health and stability. The below information focuses primarily on quantitative data which may not fully capture the experience of direct cash recipients.

Financial Stability and Savings. Guaranteed income reduces income volatility. Recipients of direct cash see an increase in financial stability, including the ability to cover a \$400 unexpected expense or other savings (West & Castro, 2023; DeYoung et al., 2023a; DeYoung et al., 2024; Campos et al., n.d.). While some studies found that the decreased income volatility and ability to save were limited to the treatment period (Flynn et al., 2023; Bervik et al., 2024), when compared to control groups, some treatment groups had higher savings even after treatment (DeYoung et al., 2023c; Kim et al., 2024).

Education. Cash transfer programs have been shown to improve the educational outcomes for children in recipient households and an increase in educational enrollment for recipient adults (DeYoung et al., 2023a; Campos et al., n.d.). One recent study found a reduction in work hours for adults under age 30 along with a higher likelihood of post-secondary education enrollment to this cohort, which may indicate that some young adult recipients used the cash transfers to enroll in school and worked less hours while studying (Vivalt et al., 2024).

Health. Direct cash transfer demonstrations have found that recipients report better physical and mental health, although this finding is mixed and improvements do not appear to last beyond transfer period (DeYoung et al., 2023a; DeYoung et al., 2023b;

Miller et al., 2024). Recipients report being more likely to receive dental care and to accessing medical care (Miller et al., 2024).

Maternal Health. Several current demonstrations are providing cash to pregnant women to determine the effect of cash on maternal health.

Domestic Violence Prevention. A recent direct cash transfer study, one of the first studies conducting an epidemiological assessment of Intimate Partner Violence (IPV) using a self-reported survey, found both qualitative and quantitative data indicating that the cash payments reduced or prevented the incidence of IPV in the treatment group (Kim et al., 2024).

Child Development. After one year of cash supports, infants in low-income families receiving guaranteed income were more likely to show brain activity patterns associated with the development of thinking and learning (Troller-Renfree et al., 2022).

Food Security. Cash recipients frequently report increased food security, increased cooking at home, and an increase in consuming fresh fruits and vegetables (Springboard To Opportunities, n.d.; West & Castro, 2023; DeYoung et al., 2023a). Frequently, however, these results were seen only during the treatment period.

Housing. One of the largest spending areas for guaranteed income recipients is housing. Cash transfer programs have been found to reduce housing cost burden (Kim et al., 2024).

Employment. Research on the employment effects of direct cash payments is varied, but no studies have found significant impacts on attachment to the labor market. Studies have found increases in full time employment and entrepreneurial activities for cash recipients (West & Castro, 2023), as well as entrepreneurial mindset (Vivalt et al., 2024). One long-term study found no significant reduction in employment (Sauval et al., 2024), while another found decreases in hours worked among recipients under age 30 with some time saved spent on education (Vivalt et al., 2024). Overall, none of the studies indicate a substantial change in employment or full removal from the labor force for those receiving guaranteed income, and recipients with the lowest incomes are less likely to have a reduction in working hours.

Qualitative Impact. In addition to quantitative data, cash transfer researchers are using qualitative analyses tools to capture the impact on recipients and communities, allowing individuals to share their experiences.

- “Some people have so much stress because they don’t know how they’re going to feed their family, pay their rent, and keep the lights on, and all that can kill people. This GI program is gonna help that. It helped me.”
- “I can now be the parent I always wanted to be.”
- “Before [the program] came along, I was paying a lot of bills and didn’t know how I was gonna eat ... it’s like being able to breathe.”

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