Cook County Promise

Economic and Fiscal Impact Study

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ESI ECONSULT SOLUTIONS INC.
economics | strategy | insight

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About Econsult Solutions, Inc.

This report was produced by Econsult Solutions, Inc. ("ESI"). ESI is a boutique consultancy providing analysis and insights at the intersection of economics, planning, and public policy. We leverage the skills and experience of our team to help our clients find practical solutions to their complex challenges. Based in Philadelphia, ESI serves clients nationwide.

ESI's government and public policy practice combines rigorous analytical capabilities with a depth of experience to help evaluate and design effective public policies and to benchmark and recommend sound governance practices. ESI has assisted policy makers at multiple levels of government to design and evaluate programs that help citizens increase their economic security.

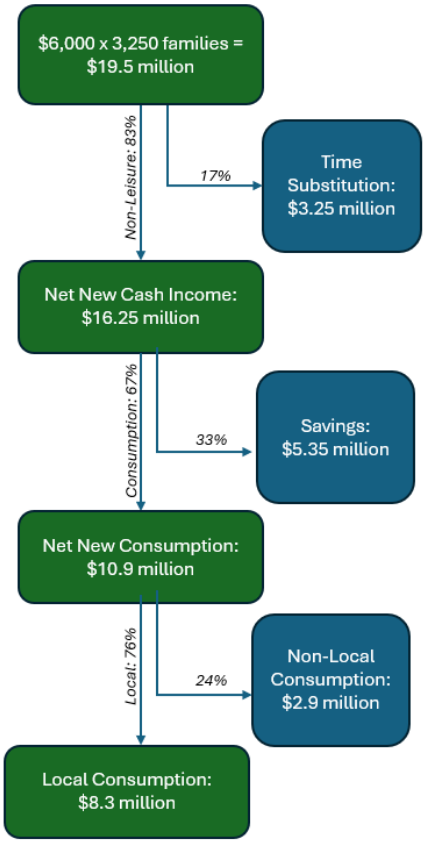
Executive Summary

The Cook County Promise pilot program is a guaranteed minimum income initiative designed to enhance financial stability and promote economic resilience for residents. The program distributes $500 per month to 3,250 participating households – a total of nearly $20 million annually in cash assistance with minimal restrictions. This initiative aligns with a growing trend of over 30 pilot programs nationwide.

While the University of Chicago Inclusive Economy Lab is conducting extensive research on outcomes and well-being for participants, this analysis offers a complementary perspective—estimating the economic impact of increased household spending by recipients on local economic activity and tax revenues.

Through survey data on expenditures by income level and results from other guaranteed income programs, this study estimates the level and type of additional spending by participating households within Cook County. Next, it estimates the annual impact of that spending on the Cook County economy as this spending produces additional indirect (supply chain) and induced (labor income) effects. **Although this report presents findings in annual terms, the pilot program was carried out over a two-year period. As such, the impacts reported here can be doubled to estimate the total impact over the full duration of the pilot.**

Key annual findings of the study include:



- **Direct Household Spending:** Accounting for time substitution, debt, and savings, it is estimated that participants in the Cook County Promise program allocate **$10.9 million of the $19.5 million distributed funds to household spending**.
- **Supporting Local Businesses:** An estimated $8.3 million of this total is spent at Cook County businesses. Spending is concentrated in the retail, arts and entertainment, and food services sectors **characterized by high shares of small, women-owned and minority-owned businesses**.
- **Economic Impact:** Accounting for retail leakages, the direct impact of this spending is $5.4 million in new annual output in the Cook County economy. With indirect and induced effects, the spending generates an **economic impact of $7.8 million annually, supporting around 60 jobs with $2.4 million in employee compensation within Cook County**.
- **Sales Tax Revenue:** The spending by program participants generates an estimated $**286,000 in annual state and local sales tax revenue**. The State of Illinois captures the largest share (estimated at $181,800), followed by the Regional Transportation Authority ($54,100), Cook County ($44,500), and the City of Chicago ($5,600).

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1. Report Purpose

1.1. Cook County Promise

The Cook County Promise pilot program is a guaranteed minimum income initiative designed to provide financial stability and support for residents in Cook County through direct cash assistance. The program targets underserved populations, focusing on addressing income inequality, poverty alleviation, and economic resilience. Participants receive monthly payments with minimal restrictions, aiming to empower them to make choices best suited to their individual circumstances.

This initiative represents a growing trend among local governments trialing guaranteed income programs to address systemic economic challenges. As of October 2024, there are over 30 such pilot programs across the United States, each tailored to meet the unique needs of their communities.[1]

A recent study by Bartik et al. (2024) conducted in Illinois and Texas examines the effects of unconditional cash transfers on household consumption and financial well-being.[2] The experiment found that large cash transfers significantly increased spending on essentials like housing and food, improved housing mobility, and enhanced self-reported financial health. However, gains in financial assets were offset by higher debt, resulting in minimal changes to net worth. Some of the results and considerations presented in this paper will inform our analysis in the sections to follow.

In addition to the individual benefits provided by the Cook County Promise program, the broader economy and community stands to gain through its economic and fiscal ripple effects. Direct cash transfers not only enhance financial stability for recipients but also stimulate local economic activity as recipients spend a portion of this stipend locally on goods and services. This increased economic activity can bolster local businesses, support job creation, and contribute to a more vibrant economy.

This report aims to quantify these broader impacts by estimating the economic activity generated through direct, indirect, and induced effects of the program. It also evaluates the fiscal contributions to local tax revenues, which in effect reduces the net cost of the program to the County.

1.2. Economic and Fiscal Impact Methodology

Direct Spending

Cook County businesses are supported by the local spending of cash received by recipients of the Cook County Promise program. This direct spending creates additional economic activity within Cook County through direct, indirect, and induced impacts. This study estimates these impacts by analyzing survey data on expenditure patterns for households by income level, which is combined with literature on the observed marginal impact of similar guaranteed income programs on household spending patterns.

[1] Guaranteed Income
[2] Bartik, Alexander W., et al. "The Impact of Unconditional Cash Transfers on Consumption and Household Balance Sheets: Experimental Evidence from Two US States." *National Bureau of Economic Research*, Working Paper No. 32784, Aug. 2024, http://www.nber.org/papers/w32784.

Economic Modeling

Once the direct, local spending of program participants is estimated, the next step is to assess the total economic impact of the initial spending by estimating the multiplier effect through standard input-output modeling. Input-output modeling quantifies the additional economic activity generated as money circulates through the local economy. The multiplier effect has two components: indirect impacts, which occur when businesses benefiting from participant spending (e.g., retailers or service providers) purchase goods and services from their suppliers, and induced impacts, which arise when employees of those businesses spend their earnings on housing, food, transportation, and other personal needs. These ripple effects amplify the initial economic spend, extending the program's benefits beyond individual recipients to support local businesses, create jobs, and strengthen the broader Cook County economy.

Fiscal Modeling

A custom fiscal impact model is then developed to translate the economic impacts of the program into their corresponding effects on the city and state tax base. This includes generalized taxes, such as income and business taxes, which are driven by overall increases in economic activity and employment, as well as consumption taxes, such as sales, hotel, and parking taxes. Together, these tax revenues provide a comprehensive view of the fiscal benefits resulting from the program's economic ripple effects.

1.3. Organization of Report

The subsequent sections of the report are organized as follows:

- **Section 2: Additional Household Spending**: This section estimates the increase in household spending resulting from the Cook County Promise program. It begins by examining the current spending profiles of households using Consumer Expenditure (CEX) data to compare households with and without children. The analysis then estimates the impact of the $6,000 in annual cash assistance by modeling the effect on families' marginal propensity to consume at a higher income level. Finally, it calculates the total net change in spending, accounting for time substitution and savings to provide an overall local spending estimate.
- **Section 3: Household Spending at Cook County businesses**: This section focuses on how additional household spending supported by the program benefits local Cook County businesses. Utilizing previous research, it estimates the portion of total spending by program recipients that is directed to local businesses, with spending broken down by industry.
- **Section 4: Economic and Fiscal Impacts**: This section uses the estimated direct spending at local Cook County businesses to calculate the total economic and fiscal impacts of the program. It evaluates the ripple effects of participant spending throughout the local economy, including indirect and induced impacts, and quantifies the fiscal revenues generated from the program through income, sales, and other taxes.

2. Additional Household Spending

This section estimates the additional direct spending of program households resulting from the $19.5 million annual distribution of funds to participants in the Cook County Promise program:

- The section begins with an analysis of the 3,250 enrolled households, categorized into two types to estimate their pre-program annual spending behavior. This model estimates a pre-program baseline of $153.1 million in annual expenditures for participating households.
- Next, the program's $19.5 million investment is analyzed in terms of its impact on local spending by participating households. With adjustments for time substitution and non-local spending, **participants increase their spending by an estimated $10.9 million annually**.

2.1. Participant Profile

The income profile and composition of families enrolled in the Cook County Promise Guaranteed Income pilot influences both how and what proportion of the money they receive from the program is spent. Data on the 3,250 program recipients includes detailed information on demographics, education, income, and household composition.

For the purpose of modeling expenditures, households are categorized into two types: those with children and those without children. These categories enable a clearer understanding of spending patterns by income level.

As shown in Figure 2.1, the majority of participants fall into lower income brackets, with 23.4 percent of total households earning $0–$5,000 annually. Households with children make up 21.8 percent of this group, while households without children account for 25.6 percent. As income levels rise, participation rates decrease, with fewer households represented in higher income bands.

Participating households with children tend to have higher incomes than participating households without children. However, poverty measures like the Federal Poverty Level (FPL) recognize that larger households will require a higher level of expenditures to meet their basic needs. The FPL, for example, increases with each increment of household size, meaning that a larger household with a higher income may be categorized as in poverty while a smaller household with a lower income is not. Based on household composition and income data on program participants, we estimate that 63% of the 3,250 households are below the Federal Poverty Level.

Figure 2.1: Program Participants by Household Type and Annual Household Income Level

	Household Count			Proportion of Participating Households		
Income Band	Households w/ Children	Households w/o Children	Total	Households w/ Children	Households w/o Children	Total
$0-$5,000	405	355	760	21.8%	25.6%	23.4%
$5,001-$10,000	68	79	147	3.7%	5.7%	4.5%
$10,001-$15,000	127	192	319	6.8%	13.8%	9.8%
$15,001-$20,000	115	165	281	6.2%	11.9%	8.6%
$20,001-$25,000	165	159	324	8.8%	11.5%	10.0%
$25,001-$30,000	188	163	351	10.1%	11.8%	10.8%
$30,001-$35,000	186	153	339	10.0%	11.1%	10.4%
$35,001-$40,000	159	37	196	8.5%	2.7%	6.0%
$40,001-$45,000	142	51	194	7.6%	3.7%	6.0%
$45,001-$50,000	92	15	107	5.0%	1.1%	3.3%
$50,001-$55,000	82	8	90	4.4%	0.6%	2.8%
$55,001-$60,000	48	3	51	2.6%	0.2%	1.6%
$60,001-$65,000	40	2	42	2.2%	0.1%	1.3%
$65,001-$70,000	20	3	23	1.1%	0.2%	0.7%
$70,001-$75,000	7	0	7	0.4%	0.0%	0.2%
$75,001-$80,000	8	0	8	0.4%	0.0%	0.2%
$80,001-$85,000	5	0	5	0.3%	0.0%	0.2%
$85,001-$90,000	1	0	1	0.1%	0.0%	0.0%
$90,001-$95,000	4	0	4	0.2%	0.0%	0.1%
$95,001-$100,000	0	0	0	0.0%	0.0%	0.0%
Total	**1,863**	**1,387**	**3,250**	**100%**	**100%**	**100%**

Source: Cook County Promise Pilot Program (2024)

2.2. Household Spending Patterns by Income Level

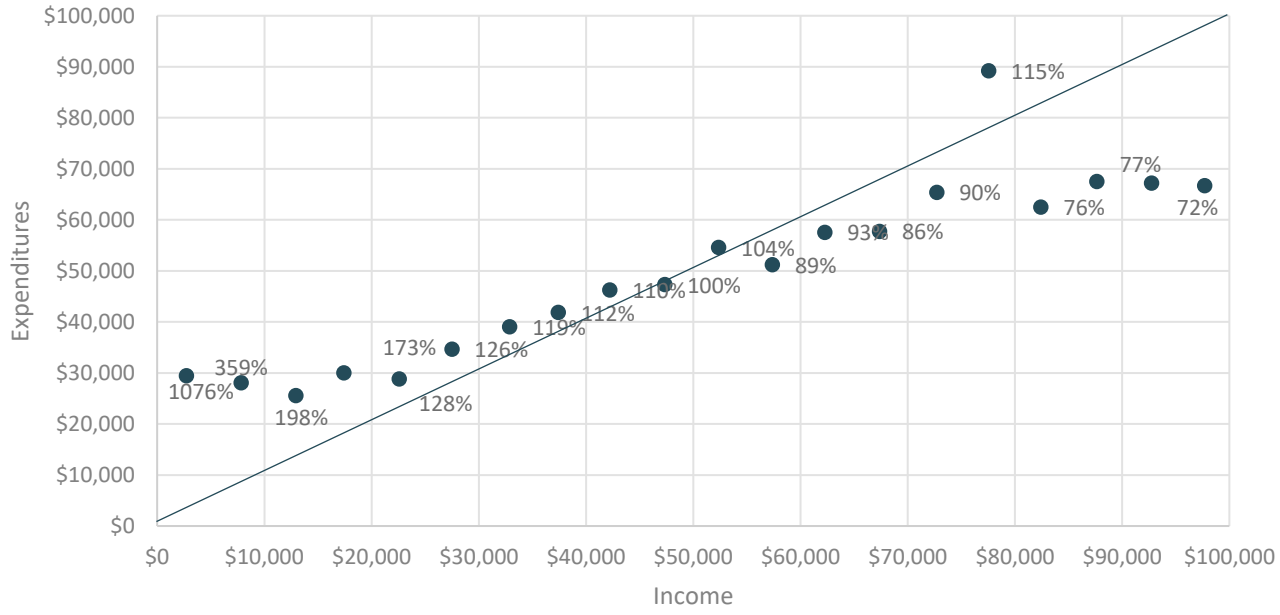
While spending data is available for participants who receive their stipend on a debit card, roughly half of the total spending was categorized as "cash withdrawal." As a result, this direct data is insufficiently detailed to provide meaningful insights into overall spending patterns. In addition, while participants using the debit card are incentivized to spend the full amount, these households are likely to adjust the level and pattern of earnings and consumption through other means, using the new funds as a substitute. For example, groceries purchased with the debit card stipend may not represent a "net new" purchase but rather a substitute for purchasing the household would have done without the stipend. As a result, spending on the debit card is not analogous to marginal changes in household spending patterns due to the stipend.

Due to these limitations, public use microdata from the Bureau of Labor Statistics' Consumer Expenditures Survey is used to develop spending profiles for households in total and across 14 different expenditure categories. The Consumer Expenditures (CE) Survey provides data on expenditures and income along with the demographic characteristics of consumers within the United States. For this analysis, 2022 CE data from the East North Central region was used.[3]

For each household type, expenditures as a share of income were estimated based on CE microdata with similar demographics (see Figure 2.2 and Figure 2.3 below). As expected, household expenditures rise with household income, with lower income households spending more than their income (above the 45-degree line). The proportion of income spent by a household decreases as income increases, reflecting higher average propensity to save for wealthier households.

[3] The East North Central Census region includes the states of Indiana, Illinois, Michigan, Ohio, and Wisconsin. Although data is available for the Chicago MSA, sample size limitations rendered it unusable for this analysis.

Figure 2.2: Household Expenditures by Income Band, Households with Children[4]



Source: ESI analysis of CE PUMS data

Figure 2.3: Household Expenditures by Income Band, Households without Children

Source: ESI analysis of CE PUMS data

[4] From the Bureau of Labor Statistics: Data users may notice that average annual expenditures presented in the income tables sometimes exceed income before taxes for the lower income groups. Consumer units whose members experience a spell of unemployment may draw on their savings to maintain their expenditures. Self-employed consumers may experience business losses that result in low or even negative incomes, but are able to maintain their expenditures by borrowing or relying on savings. Students may get by on loans while they are in school, and retirees may rely on drawing down savings and investments.

From this survey data, total expenditures are "smoothed" using a linear trendline to estimate changes in the average propensity to consume for each household type, in $5,000 increments, up to $100,000 in after-tax income (shown in Figure 2.4 below).[5]

Smoothing is applied to the data to create a more consistent and reliable trend that accounts for outliers in the raw survey data. In particular, smoothing helps mitigate extreme values that may distort the analysis (such as the outlier 115% data point observed in Figure 2.2 above).

Figure 2.4. Estimated Annual Household Expenditures by Income Level

	Households with Children		Households without Children	
Annual HH Income	**Spending: % of Income**	**Est. Spend (Smoothed)**	**Spending: % of Income**	**Est. Spend (Smoothed)**
$0-$5,000	951%	$24,900	866%	$26,700
$5,001-$10,000	355%	$27,000	359%	$28,900
$10,001-$15,000	232%	$29,300	239%	$31,100
$15,001-$20,000	182%	$32,000	188%	$33,700
$20,001-$25,000	154%	$34,700	159%	$36,500
$25,001-$30,000	136%	$37,400	141%	$39,300
$30,001-$35,000	123%	$40,100	128%	$42,100
$35,001-$40,000	114%	$42,800	119%	$44,900
$40,001-$45,000	107%	$45,500	112%	$47,700
$45,001-$50,000	101%	$48,200	106%	$50,500
$50,001-$55,000	97%	$50,900	101%	$53,300
$55,001-$60,000	93%	$53,600	97%	$56,100
$60,001-$65,000	90%	$56,300	94%	$58,900
$65,001-$70,000	87%	$59,000	91%	$61,700
$70,001-$75,000	85%	$61,700	89%	$64,500
$75,001-$80,000	83%	$64,400	87%	$67,300
$80,001-$85,000	81%	$67,100	85%	$70,100
$85,001-$90,000	80%	$69,800	83%	$72,900
$90,001-$95,000	78%	$72,500	82%	$75,700
$95,001-$100,000	77%	$75,300	81%	$78,500

Source: ESI analysis of CE PUMS data

[5] The highest income band within the treatment group is $95,000.

Consumer Expenditure Underreporting Adjustment

Using the framework above, an initial baseline estimation of annual pre-program household expenditures for Cook County Promise participants based on the Consumer Expenditures (CE) data. Initially estimated spending for all households in the program is $117 million, with $69 million attributed to households with children and $48 million to households without children.

However, the U.S. Bureau of Labor Statistics (BLS) acknowledges that the Consumer Expenditure Surveys (CE) tend to underreport consumer spending compared to the Personal Consumption Expenditures (PCE) data compiled by the Bureau of Economic Analysis (BEA). This discrepancy arises from differences in data collection methods and coverage. The CE relies on household surveys, which can be affected by respondent recall errors and underreporting, while the PCE aggregates data from various sources, including business surveys and administrative records, offering a more comprehensive measure of consumer spending. The BLS routinely compares CE data with PCE estimates, highlighting these differences and working to align CE data more closely with PCE benchmarks.

In their study, Bartik et al. (2024) addresses this issue of underreporting in consumer expenditure surveys by adjusting their estimates using PCE data.[6] The authors note that survey-based measures often underestimate actual spending, potentially leading to inaccuracies when assessing the impact of cash transfers. To correct for this, they align their expenditure estimates with PCE data, leveraging its broader coverage to provide a more accurate representation of consumer spending.

This analysis follows the same approach, utilizing CE-to-PCE ratio data published by the Bureau of Labor Statistics to adjust household expenditures. By applying this adjustment, the spending is increased by an overall factor of 1.31 to account for underreporting in the Consumer Expenditure Surveys, ensuring a more accurate representation of household spending behavior.[7] **This adjustment results in an increase in the estimated total annual pre-program household expenditures for program participants, rising to $153 million**. Of this total, $90 million is attributed to households with children, while $63 million is associated with households without children (see Figure 2.5).

[6] Bartik, Alexander W., et al. "The Impact of Unconditional Cash Transfers on Consumption and Household Balance Sheets: Experimental Evidence from Two US States." *National Bureau of Economic Research*, Working Paper No. 32784, Aug. 2024, http://www.nber.org/papers/w32784. This research was built off work by others including Adam Bee, Bruce D. Meyer, and James X Sullivan in their work: Bee, A., B. D. Meyer, and J. X. Sullivan (2015). The validity of consumption data: Are the consumer expenditure interview and diary surveys informative?

[7] The overall adjustment was derived using the proportion of spending categories from the Bartik et al. report and tailored to reflect specific adjustments for key spending categories: non-durable goods (1.34), durable goods (1.81), human capital expenditures (1.10), and housing (1.00). This method is further detailed in the sections to follow.

Figure 2.5. PCE Adjusted Est. Annual Pre-Program Household Expenditures by Program Participants ($000s)

Annual HH Income	Households with Children	Households without Children	All Households
$0-$5,000	$13,221	$12,418	$25,640
$5,001-$10,000	$2,413	$3,000	$5,413
$10,001-$15,000	$4,891	$7,804	$12,695
$15,001-$20,000	$4,837	$7,306	$12,142
$20,001-$25,000	$7,479	$7,625	$15,104
$25,001-$30,000	$9,192	$8,416	$17,608
$30,001-$35,000	$9,750	$8,463	$18,213
$35,001-$40,000	$8,888	$2,183	$11,071
$40,001-$45,000	$8,492	$3,196	$11,688
$45,001-$50,000	$5,828	$995	$6,823
$50,001-$55,000	$5,486	$560	$6,046
$55,001-$60,000	$3,381	$221	$3,603
$60,001-$65,000	$2,960	$155	$3,115
$65,001-$70,000	$1,551	$243	$1,794
$70,001-$75,000	$568	$0	$568
$75,001-$80,000	$677	$0	$677
$80,001-$85,000	$441	$0	$441
$85,001-$90,000	$92	$0	$92
$90,001-$95,000	$381	$0	$381
$95,001-$100,000	$0	$0	$0
Total Expenditures	**$90,528**	**$62,586**	**$153,114**

Source: ESI analysis of CE-PCE comparisons (2024), Bureau of Labor Statistics (2024), Bartik et al (2024)
Note: Rows may not sum due to rounding

2.3. Additional Household Spending from Cook County Promise

Each household participating in the Cook County Promise pilot program receives an additional $500 per month, amounting to an aggregate benefit of $19.5 million annually across the 3,250 participating households. However, not all of this stipend results in additional spending by these households. Further, not all of the amount going to new spending will be spent within the Cook County economy. This section develops an estimate of net new spending, while Section 3.1 below accounts for non-local spending outside of Cook County.

To estimate the net effect of the stipend on household spending, it is crucial to account for time substitution—the tendency for some participants to reduce their earned income in response to receiving additional income from other sources. In practice, a household may be able to calibrate their earnings to their preferences by reducing (or increasing) the number of hours that they work. A participating household that responds to the stipend in part by reducing their hours of work is in effect

using the stipend to "purchase" additional leisure time rather than to purchase additional goods and services. As a result, economists often consider leisure/time substitute as a form of "consumption."

Bartik et al. (2024), drawing on findings from Vivalt et al. (2024), estimate that approximately 22 cents of every dollar in benefits is effectively "spent" on substituting work with time off.[8,9] For simplicity, this analysis assumes that $1,000 of the $6,000 annual benefit per household (17%) is allocated to time substitution, reducing the "net new" benefit available to be spent in the economy to $16.25 million. The mechanics of this calculation are shown in Figure 2.6 below.

Figure 2.6. Est. Additional Income Change from Cook County Promise

Parameter	Estimate	Basis
Participating Households	3,250	Program Data
Annual Program Benefit per Participant	$6,000	($500 per month) x (12 months)
Aggregate Annual Benefit	$19,500,000	(Participants) x (Benefit)
Est. Time Substitution per Participant	$1,000 (17%)	Bartik et al. & Vivalt et al.
Aggregate Time Substitution	$3,250,000	($1,000) x (Participants)
Net Income Gain per Participant	$5,000 (83%)	(Benefit Amount) – (Time Substitution)
Aggregate Net Income Gain	$16,250,000	($1,000) x (Participants)

Source: ESI (2024)

To model additional household spending from this net new income gain, the analysis returns to the estimated expenditures by income bracket shown in Figure 2.4 above. Since the income brackets are defined in $5,000 increments, each participating household is shifted "up" by one income bracket to account for the estimated $5,000 in net new income per household, and the analysis is re-run based on this adjusted income distribution.

Using the smoothed consumption estimates previously calculated, the analysis estimates the total amount of new aggregate spending generated by the program. **The $16.25 million in net new income available for consumption translates into an estimated $10.9 million in annual additional household spending by participating households (see Figure 2.7).[10]**

[8] Bartik, Alexander W., et al. "The Impact of Unconditional Cash Transfers on Consumption and Household Balance Sheets: Experimental Evidence from Two US States." *National Bureau of Economic Research*, Working Paper No. 32784, Aug. 2024, http://www.nber.org/papers/w32784.
[9] Vivalt, Eva, et al. *The Employment Effects of a Guaranteed Income: Experimental Evidence from Two U.S. States*. Working Paper, 2024.
[10] Note that savings assumptions in this study are derived from CEX expenditure patterns by income, rather than from Bartik, et al (2024).

Figure 2.7. Est. Additional Income Change from Cook County Promise: Pre- v. During Program

	Before Program	During Program	Net Change
With Children	$90,528	$96,764	$6,236
Without Children	$62,586	$67,283	$4,696
Total	**$153,114**	**$164,046**	**$10,932**

Source: ESI (2024)

Combined, the effects of time substitution and the smoothed consumption profiles by income level result in a total estimated spending of $10.9 million out of the program's total $19.5 million, yielding a marginal propensity to consume of approximately 56 percent (see Figure 2.8).

Figure 2.8. PCE-to-CE Adjusted Estimated Annual New Household Expenditures by Cook County Promise Families ($000s)

	Before Program	During Program	Net Change	Before Program	During Program	Net Change	Tot New HH Spending
Total Expenditures ($M)	$90.5	$96.8	$6.2	$62.6	$67.3	$4.7	**$10.9**
Non-Time Subs. Program $			$9.3			$6.9	$16.3
Non-Time Subs. MPC			67%			68%	67%
Total Program $			$11.2			$8.3	$19.5
Total MPC			56%			56%	56%

Source: ESI (2024)

3. Household Spending at Cook County Businesses

The previous section estimated that approximately $10.9 million of the $19.5 million provided to Cook County Promise pilot households will be spent and recirculated by participating households. This section develops an estimate of the portion of that new spending that will take place in Cook County, directly supporting the local economy. It also estimates the distribution of that spending by industry and identifies the types of local business establishments where this spending is likely to occur. **An estimated $8.3 million of the $10.9 million in additional annual household spending is anticipated to be captured locally by Cook County businesses.**

3.1. Locally Captured Spending

In their study on the impact of unconditional cash transfers, Bartik et al. analyzed spending categories by examining detailed expenditure data from participants. They found the largest increases in spending were in food, rent, and transportation, accounting for over half of the total increase, while gifts or loans to family or charity saw the highest percentage increase at 25% (albeit from a lower baseline).

Notably, housing costs are typically the largest share of a household's expenditure profile, averaging 30-40 percent of total household spending for low- and moderate-income households according to CES data. By contrast, Bartik et al. find that rent was the third highest expenditure category for households receiving a stipend (at 12.6 percent of expenditures), while mortgage, home insurance and property tax actually declined slightly (effectively a null result). Similarly, expenditure data from a variety of pilot programs tracked through the Guaranteed Income Pilot Dashboard shows housing and utilities as the fourth largest marginal expense category (at 9.2 percent of expenditures).[11]

This differential likely stems from a combination of the fixed nature of housing costs, the differences between average and marginal spending, and the pilot nature of the program. Rental contracts are often on an annual basis, while home ownership additional contractual aspects and transaction costs. Therefore, increases in disposable income are not as logistically easy to translate into increased expenditures as other purchases, which are easier to increase on the margin even if they represent a smaller share of total expenditures. Further, the time limited nature of the pilot program may give households pause in committing to an increase in housing expenditures that could endure beyond the availability of the program.

This analysis leverages spending categories and percentages derived from Bartik et al. (2024) to model how participating households in the Cook County Promise pilot allocate their additional income. These categories represent typical household spending patterns observed in the study and are applied to the estimated $10.9 million of new spending within Cook County to estimate the distribution across various expenditure types (see Figure 3.1).

[11] Guaranteed Income

Figure 3.1. Est. Additional Spending by Participating Households by Category ($000s)

Purchase Type	Percent (Bartik et al)	Total New Spending (000s)
Food and Beverage	21.7%	$2,375
Car Payment and Insurance	13.1%	$1,430
Rent	12.6%	$1,373
Gifts or Loans to Family and Charity	7.1%	$780
Non-Durable Transportation Expenditures	6.5%	$709
Child Care and Expenditures on Children	5.8%	$639
Health Expenditures	5.3%	$581
Clothing, Apparel, and Personal Care Expenditures	4.9%	$532
Household Expenditures	4.8%	$524
Alcohol, Tobacco, and Gambling	4.2%	$461
Other Expenses	3.6%	$390
Utilities	2.9%	$319
Debt Payments	2.7%	$290
Vacations and Trips	2.3%	$248
Recreation and Entertainment	1.6%	$177
Education Expenses	1.3%	$145
Pet Expenditures	1.3%	$142
Mortgage, Home Insurance, and Property Tax	(1.7%)	($185)
Total	**100.0%**	**$10,932**

Source: ESI (2024), Bartik et al (2024)

In addition to understanding the types of goods and services purchased, analysis of the impact on the local economy needs to account for the proportion of purchasing that is non-local, or the "leakage" of household spending outside of the county.

The analysis categorizes spending into three groups based on its local economic impact—100% local, partially local, and 0% local:

- Spending categories that are fully local include: food and beverage ($2,375), rent ($1,373), utilities ($319), health expenditures ($581), child care and expenditures on children ($639), non-durable transportation expenditures ($709), education expenses ($145), pet expenditures ($142), Together, these contribute the majority of local spending, with all purchases assumed to occur within Cook County.
- Partially local spending includes clothing, apparel, and personal care expenditures ($532), household expenditures ($524), alcohol, tobacco, and gambling ($461), and other expenses ($390), and recreation and entertainment ($177) with 80% of these purchases estimated to be local. Gifts or loans to family and charity ($780) were conservatively modeled at 50 percent local.

- Conversely, categories assumed to have no direct local spending include car payments and insurance ($1,430), mortgage, home insurance, and property tax (-$185), debt payments ($290), and vacations and trips ($248), which do not generate new local economic activity.

In total, about three-quarters (76%) of the $10.9 million in additional spending is estimated to remain local, generating approximately $8.3 million in direct household spending activity within Cook County (see Figure 3.2).

Figure 3.2. Est. Additional Local Spending in Cook County by Participating Households ($000s)

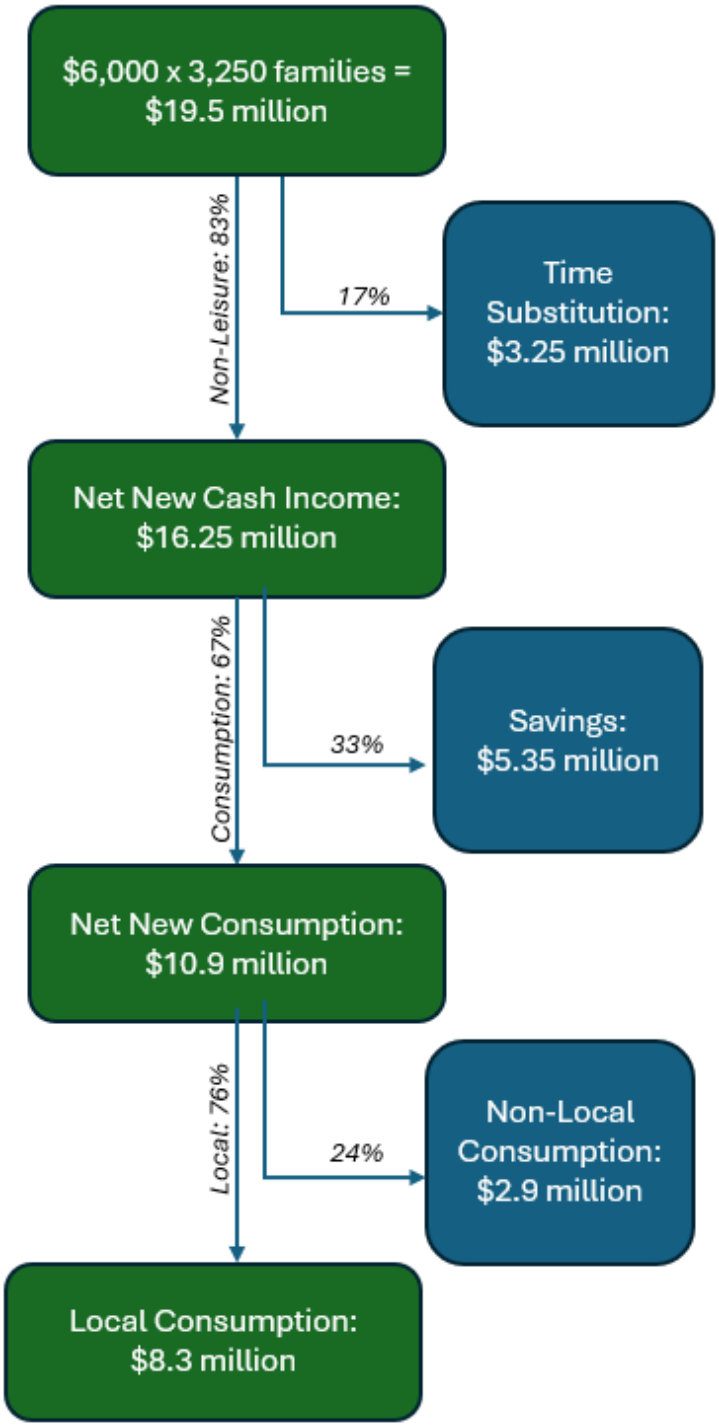
Purchase Type	Total New Spending	Percent Local	New Local Spending
Food and Beverage	$2,375	100%	$2,375
Rent	$1,373	100%	$1,373
Car Payment and Insurance	$1,430	0%	$0
Utilities	$319	100%	$319
Health Expenditures	$581	100%	$581
Mortgage, Home Insurance, and Property Tax	-$185	0%	$0
Child Care and Expenditures on Children	$639	100%	$639
Non-Durable Transportation Expenditures	$709	100%	$709
Clothing, Apparel, and Personal Care Expenditures	$532	80%	$425
Alcohol, Tobacco, and Gambling	$461	80%	$369
Household Expenditures	$524	80%	$420
Debt Payments	$290	0%	$0
Gifts or Loans to Family and Charity	$780	50%	$390
Vacations and Trips	$248	0%	$0
Other Expenses	$390	80%	$312
Education Expenses	$145	100%	$145
Pet Expenditures	$142	100%	$142
Recreation and Entertainment	$177	80%	$142
Total	$10,932		$8,341
Percent Local Spend			*76.3%*

Source: Bartik et al (2024), ESI (2024), Bureau of Labor Statistics (2024)

To contextualize this local spending amount, it is useful to return to the initial program subsidy. Figure 3.3 below shows the flow of adjustments – for time substitution, household savings, and non-local spending reviewed in sequence above. After these adjustments, the additional annual spending captured by Cook County business from the program is $8.3M, or 43 percent of the total subsidy. Section 4 will use standard economic modeling techniques to estimate the total economic impact, employment impact, and tax revenue generation from this local spending.

Notably, while only the $8.3 million spent locally is included in economic impact modeling, the dollars allocated to time substitution, savings and non-local spending are not “lost” to the participating households. These households gain additional time, savings for future use, and utility from their out-of-county purchases.

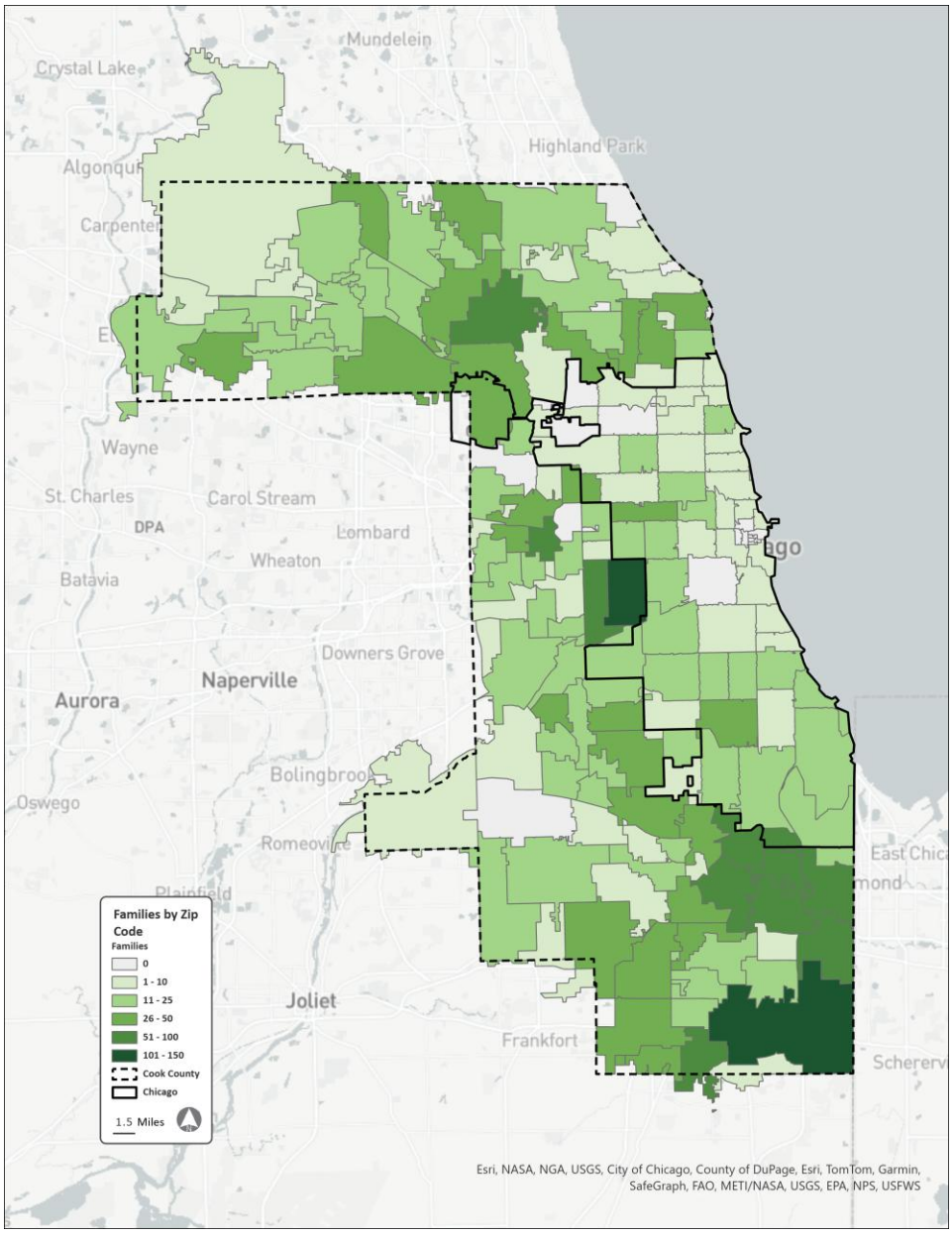
Figure 3.3. Flowchart of Estimated Local Spending of Cook County Promise Funds ($000s)



Source: ESI (2024)

The distribution of households participating in the program by zip code is shown in Figure 3.4 below. This data indicates that 17.5 percent of households reside within the city of Chicago, while the remaining 82.5 percent reside elsewhere in Cook County outside of the city. For the purpose of economic impact analysis, expenditure patterns within the county are assumed to follow this same city and non-city distribution pattern across all categories.

Figure 3.4. Zip Code Distribution of Program Participants



Source: ESI (2024), ArcGIS (2024)

3.2. Local Businesses Supported

Household spending by program participants within the Cook County economy provides a stimulus that directly supports local businesses, the majority of which are small-scale operations. While it is impossible to know the exact composition of businesses frequented by the program participants, sector-level data on firm size and ownership provides valuable insights into the type of businesses most likely to benefit from additional spending spurred on by the program.

Modeling of household spending patterns undertaken in this study indicates that the business types that see the largest increases in visitor spending are those in the Retail Trade, Arts & Recreation, and Accommodation & Food Services sectors. Figure 3.5 below shows Census Bureau data on business size (based on number of employees) for Cook County businesses within these sectors.

- 93 percent of retail businesses and 95 percent of arts, entertainment, recreation, accommodation, and food service establishments employ fewer than 50 people
- Half of retail businesses and more than half of arts, entertainment, and recreation businesses have 5 employees or less.

Local spending helps to sustain these small businesses and fosters job creation and economic stability as these resources are recirculated within the community.

Figure 3.5. Cook County Businesses by Firm Size and Sector

Firm Size	Retail trade	Arts, entertainment, and recreation	Accommodation and food services
Less than 5	50%	63%	39%
5-9	20%	13%	19%
10-19	13%	11%	19%
20-49	10%	8%	18%
50-99	3%	3%	4%
100-249	3%	1%	1%
250-499	0%	1%	0%
500-999	0%	0%	0%
50 or fewer	**93%**	**95%**	**95%**

Source: U.S. Census Bureau (2024)

Census data also shows that firms in the sectors benefitting most from increased local spending exhibit greater diversity in ownership than the overall business landscape in Cook County. As shown in Figure 3.6 below, these businesses have a higher proportion of women-owned firms and, except for the arts, entertainment, and recreation sector, a higher proportion of minority-owned businesses.

- 39 percent of retail trade businesses and 29 percent of accommodation and food service businesses are women-owned, compared to 28 percent across all industries.

- 29 percent of retail trade businesses and 43 percent of accommodation and food service businesses are minority-owned, higher than the county average of 25 percent.

This highlights the inclusive economic impact of local spending, which supports a more diverse range of businesses and contributes to greater equity and resilience within the local economy.

Figure 3.6. Cook County Businesses by Ownership Characteristics by Sector

Sector	Nonminority	Minority	Male	Female
Retail trade	71%	29%	61%	39%
Arts, entertainment, and recreation	86%	14%	56%	44%
Accommodation and food services	57%	43%	71%	29%
All Businesses	75%	25%	72%	28%

Source: U.S. Census Bureau (2024)

4. Economic and Tax Revenue Impacts

4.1. Direct Local Activity

Out of the $19.5 million subsidy from the Cook County Promise pilot, approximately $8.3 million is estimated to be spent locally at businesses within Cook County. With 17.5 percent of participating households residing in the City of Chicago and 82.5 percent living in the rest of the county, it is estimated that $1.6 million of this local spending occurs in the City of Chicago, while $6.9 million is spent in other parts of Cook County.

Figure 4.1. Direct Local Spending by Cook County Participants, City of Chicago and Rest of County ($000s)

Purchase Type	City of Chicago	Rest of Cook County	Total Local Spending
Food and Beverage	$415	$1,960	$2,375
Rent	$240	$1,133	$1,373
Utilities	$56	$263	$319
Health Expenditures	$102	$479	$581
Child Care and Expenditures on Children	$112	$527	$639
Non-Durable Transportation Expenditures	$124	$585	$709
Clothing, Apparel, and Personal Care Expenditures	$74	$351	$425
Alcohol, Tobacco, and Gambling	$64	$304	$369
Household Expenditures	$73	$346	$420
Other Expenses	$55	$257	$312
Gifts to Family and Charity	$68	$322	$390
Education Expenses	$25	$120	$145
Pet Expenditures	$25	$117	$142
Recreation and Entertainment	$25	$117	$142
Total	**$1,458**	**$6,883**	**$8,341**

Source: ESI (2024)

4.2. Economic Impact

The $8.3 million in local spending within Cook County generates additional impacts beyond the initial round of transactions. Economic impact estimates are derived using input-output models, which translate an initial amount of direct economic activity into the total economic activity it supports. This includes multiple waves of spillover effects generated by participants' spending on goods and services. For the Cook County Promise pilot, these impacts were modeled using IMPLAN, a widely used input-output modeling software.[12] IMPLAN estimates two key types of spillover impacts:

- Indirect effects, which capture the multiplier effect of participants' spending on goods and services through local supply chains.

[12] Information on input-output modeling and the IMPLAN software can be found in the Appendix.

- Induced effects, which measure the multiplier effect of labor income spending by employees within the region.

The total economic impact of the Cook County Promise pilot combines participants' direct local spending with the indirect and induced effects. Economic impacts are modeled separately for local spending within the City of Chicago and the rest of Cook County, with results summed to estimate the total impact across the entire county.

It is important to note that, because much of the spending occurs in the retail sector, a portion of this spending is deducted from the model as a large portion of retail sector output is considered a margin. For example, the total sales price of a retail transaction includes both the value of the good and the retail margin. However, only the retail margin contributes to the local economy if the good itself is produced outside the region. A retail purchase may involve local transportation, wholesale, and retail services, but the production value of the good may "leak" out of the local economy if it is manufactured elsewhere. By adjusting for these margins, this modeling ensures that economic impacts are attributed only to the local portion of transactions, providing more accurate estimates of local economic activity.

Of the $8.3 million in local spending, it is estimated that approximately $2.9 million represents the cost of goods bought outside of Cook County (Figure 4.2). For this reason, this amount is excluded from the model, and the analysis conservatively estimates the direct local impact of the $8.3 million in local spending as $5.4 million. This final amount—after accounting for time substitution, savings, non-local purchasing before the model, and retail leakage within the model—is the portion of spending estimated to be recirculated through the local economy.

Figure 4.2. Retail Margin Leakage

	City of Chicago	Rest of Cook County	Cook County Total
Additional Local Spending ($M)	$1.5	$6.9	$8.3
Retail Leakage	*($0.5)*	*($2.4)*	*($2.9)*
Direct Impact ($M)	$1.0	$4.5	$5.4

Source: IMPLAN (2022), ESI (2024)

As seen in Figure 4.3 below, the total local economic impact of the program is $7.8 million across Cook County, with $2.3 million in the City of Chicago and $5.5 million in the rest of the county. This economic activity supports approximately 60 jobs, comprised of 14 jobs in the City of Chicago and 46 jobs throughout the rest of Cook County.

Figure 4.3. Annual Cook County Economic Impact from Additional Local Spending by Program Participants

	City of Chicago	Rest of Cook County	Cook County Total
Direct Impact ($M)	$1.0	$4.5	$5.4
Indirect & Induced Impacts ($M)	$1.3	$1.0	$2.4
Total Impact ($M)	**$2.3**	**$5.5**	**$7.8**
Employment	**14**	**46**	**60**
Employee Compensation ($M)	**$0.7**	**$1.7**	**$2.4**

Source: IMPLAN (2022), ESI (2024)

4.3. Tax Revenue Impacts

The economic activity generated by the more than $8 million[13] in local spending within Cook County extends beyond employment and compensation to include sales tax revenue impacts for state and local jurisdictions. These tax revenues are derived from the direct sales taxes associated with program participants' spending.

Direct sales tax revenues accrue when participating households make purchases within the County. Four different entities impose overlapping sales tax on purchases within the County, with up to four different rates potentially applicable:[14]

- State of Illinois (6.25 percent on most items[15], and 1.0 percent on selected items[16])
- Regional Transportation Authority (1.0 percent on most items, and 1.25 percent on selected items)
- Cook County (1.75 percent)
- City of Chicago (1.25 percent on transactions within the City)

As a result, a combined sales tax rate as high as 10.25% can be imposed on certain purchases. However, many items commonly purchased by households are tax exempt. These include common purchase categories like rental payments, utilities, and public transportation. Qualifying food, drugs and medical appliance are exempt from the sales tax by Cook County and the City of Chicago and are taxed at a rate of 1.0 percent by the State of Illinois and 1.25 percent by the Regional Transportation Authority.[17]

[13] While $8.3 million in spending is estimated to be local, the fiscal impact also includes an additional online spending that would be required to remit local sales tax. Therefore, the sales tax estimates in this section are based on $8.6 million in total spending.
[14] My Tax Illinois *Tax Rate Finder*. Accessed December 6, 2024, MyTax Illinois.
[15] Most tangible goods are defined as "general merchandise" under Illinois tax law. For a complete definition, see Illinois's Sales and Use Tax Definitions.
[16] For a complete list of selected items – typically referred to as "qualifying food, drugs, and medical appliances"—see Illinois Department of Revenue's *Illinois Sales & Use Tax Matrix,* November 20, 2024, PIO-101, Illinois Sales & Use Tax Matrix.
[17] My Tax Illinois *Tax Rate Finder*. Accessed December 6, 2024, MyTax Illinois.

This analysis estimates effective tax rates for each category of spending and jurisdiction based on the varying rates and exemptions. These effective rates are then applied to the estimates of additional household spending by category developed earlier in this analysis.

The total estimated sales tax revenue of $286,000 reflects the combined impacts of participant spending within Cook County. The largest share accrues to the State of Illinois, which receives $181,800 annually, followed by the RTA ($54,100), Cook County ($44,500), and the City of Chicago ($5,600).

Figure 4.4. Annual Cook County Sales Tax Impact from Additional Local Spending by Program Participants

Jurisdiction	Est. Sales Tax Revenue
City of Chicago	$5,600
Cook County	**$44,500**
Regional Transportation Authority	$54,100
State of Illinois	$181,800
Total State and Local	**$286,000**

Source: ESI (2024), Illinois Department of Revenue (2024)

Appendix

Economic and Fiscal Impact Methodology

Figure A.1: Economic Impact Methodology

In an inter-connected economy, every direct dollar spent generates two spillover impacts:

- First, some amount of the proportion of that expenditure that goes to the purchase of goods and services gets circulated back into an economy when those goods and services are purchased from local businesses. This represents what is known as the **indirect effect** and reflects the fact that local purchases of goods and services support local businesses, who in turn require additional purchasing with their own set of vendors.
- Second, some amount of the proportion of that expenditure that goes to labor income gets circulated back into an economy when those employees spend some of their earnings on various goods and services. This represents what is known as the **induced effect** and reflects the fact that some of those goods and services will be purchased from local businesses, further stimulating the economy.

To model the impacts resulting from the direct expenditures of the state's benefit programs, ESI utilized IMPLAN's input/output modeling system to create an economic impact model. Utilizing an industry standard approach, IMPLAN's input/output modeling system allows users to assess the economic and job creation impacts of industry-based events and public policy changes within a county or its surrounding area. IMPLAN has developed a social accounting matrix (SAM) that accounts for the flow of commodities through economics. From this matrix, IMPLAN also determines the regional purchase coefficient (RPC), or the proportion of local supply that satisfies local demand. These values not only establish the types of goods and services supported by an industry or institution, but also the high level at which they are acquired locally. This assessment determines the multiplier basis for the local and regional models created in the IMPLAN modeling system. IMPLAN takes these multipliers and divides them into 546 industry categories in accordance with the North American Industrial Classification System (NAICS) codes.

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