The Cost of Residents’ Financial Insecurity to City Budgets: What Do We Know, and What Can Cities Do?
Support for this event has been provided by JPMorgan Chase. For more information on our funding principles, go to [www.urban.org/about/funding-and-annual-reports](http://www.urban.org/about/funding-and-annual-reports).
Webinar Housekeeping

- Webinar is being recorded
- Slides and recording will be sent out after the webcast
- All participants are muted
- Type your questions in the Questions box on the right

Questions later? events@urban.org
#LiveAtUrban
Welcome remarks
Diana Elliott, senior research associate, Urban Institute
Colleen Briggs, director, community innovation, JPMorgan Chase

Presentation of Findings

Panel discussion
Alexandra Bastien, senior associate, PolicyLink
Heidi Goldberg, director, economic opportunity and financial empowerment, National League of Cities
Tamara Lindsay, principal, Cities for Financial Empowerment Fund
Solana Rice, director, state and local policy, CFED

Questions from Audience

#LiveAtUrban
Welcome remarks

Diana Elliott
senior research associate
Urban Institute

Colleen Briggs
director, community innovation
JPMorgan Chase

#LiveAtUrban
JPMorgan Chase Foundation focuses on innovation, evaluation and additional support for the most vulnerable

The Foundation has invested more than $100MM in over 300 organizations across 11 countries to promote the financial health of 2.5MM individuals.

**OUR APPROACH**

- **Financial Capability Community Services**
  - Support nonprofit coaching programs to ensure low-income consumers get the additional support they need to be successful; test nonprofit innovation and scale proven models through technology

- **Product Innovation**
  - Initiatives, such as Financial Solutions Lab and Catalyst Fund, identify, test and scale promising technology-based products and services to help people increase savings, improve credit and build assets

- **Research and Knowledge Exchange**
  - Gather data on the most viable solutions for addressing consumers’ financial needs and share with the field

To maximize the impact of these programs, we leverage experts from JPMC to provide mentorship and guidance

**These initiatives create an important feedback loop:**
- Nonprofits provide strategic insights into consumer needs, additional support for the most vulnerable populations and distribution platforms for technology products
- Financial Solutions Lab and Catalyst Fund seed innovative products and services designed to meet the needs of low-income consumers at scale and inform nonprofits’ work

#LiveAtUrban
Presentation of findings

Diana Elliott
senior research associate
Urban Institute
#LiveAtUrban
Overview

• The financial health of cities depends on financially secure residents

• Previous Urban Institute research has found that having between $250 and $749 in savings increases the likelihood that families will pay their utility bills and mortgages, avoid eviction, and not use public benefits

• When families have little to no savings, they may miss paying their public utility bills or property taxes, or risk eviction and homelessness

• These all present direct costs to city budgets

• This study examines the financial insecurity of residents and the costs of such in 10 cities (Chicago, Columbus, Dallas, Houston, Los Angeles, Miami, New Orleans, New York, San Francisco, Seattle)
What are the costs to cities?

• Costs to city budgets range from $8 million to $18 million in New Orleans to $280 to $646 million in New York City

• Looking at costs proportional to city budgets, residents’ financial insecurity costs cities between 0.3 percent (San Francisco) and 4.6 percent (Seattle) of their annual budgets

• Financially insecure residents (those with less than $2,000 in readily available savings) range from 46% in Seattle to 73% in Miami

• Subprime credit score holders range from 17% in San Francisco to 45% in Dallas
Five reasons why cities should care about families’ financial health
Property taxes make up a sizeable portion of city revenue

Let’s take a look at Chicago:

• In the proposed 2016 budget, 18% of revenue was anticipated to come from property taxes

• Homeownership rate is 44% (above average for the 10 cities studied)

• 62% of families are financially insecure (having less than $2,000 in savings)

• 38% have subprime credit scores

• The city is exposed to risk of a revenue shortfall if some residents cannot pay their property taxes
Unpaid bills shortchange public utilities and cost cities tax money

All of our 10 cities had public utilities:

• Seattle was unique in that it has both public water and electricity; average utilities paid by each household was $4,411 in 2015

• Los Angeles and Chicago were the only cities to collect residential electricity taxes; direct implications for revenue

• Prior research shows that families without savings are more than twice as likely to miss a utility payment after a financial shock, compared with families with $2,000 or more in savings

• Residents’ financial insecurity has implications for public utilities and city revenue
Homeless services are intensive and costly

Cities provide homelessness services to families:

- Families may become evicted or lose their homes because of financial insecurity
- City budgets include homeless services (shelter, health services, etc)
- In San Francisco, for example, the annual estimate of city spending per homeless family was over $20,000 in 2015
Boosting homeownership depends upon creditworthy residents

Many cities make homeownership a policy priority:

• Homeowners are invested in the community and pay property taxes

• Many city residents do not have the credit to become homeowners

• In seven of 10 cities (Chicago, Columbus, Dallas, Houston, Los Angeles, Miami, New Orleans), one-third or more of residents have subprime credit

• Subprime credit makes home loans nearly impossible to secure, and if obtained, incredibly costly

• If cities helped families improve their creditworthiness, the pipeline of potential homebuyers would improve, too
Financially healthy residents can boost the local economy

Financially healthy residents spend more locally and start or grow businesses:

Let’s take a look at **Miami**:

- 85% of businesses are solely owned with no paid employees; some of these businesses could have potential for growth
- But, 73% of Miami families have less than $2,000 in available savings
- One-third of Miami residents have subprime credit, limiting access to credit
- A cushion of savings and credit could help entrepreneurs be more successful in their business
Conclusion
What can cities do?

Our esteemed panel will be discussing this very topic:

• Help to improve residents’ savings and credit through programs and partnerships

• Put an emphasis on financial empowerment

• Integrate financial coaching and other elements into existing programs to help residents

• Incentivize savings (matched savings, for example)

Empowering residents with the financial tools to prosper helps cities’ bottom lines AND moves cities closer to being more equitable to all who call it home
Panel discussion

Alexandra Bastien
senior associate
PolicyLink

Heidi Goldberg
director, economic opportunity
and financial empowerment
National League of Cities

Tamara Lindsay
principal
Cities for Financial
Empowerment Fund

Solana Rice
director, state and local
policy
CFED

#LiveAtUrban
All-In Cities initiative

Alexandra Bastien
senior associate
PolicyLink
Why focus on cities?

• Cities/metros are the engines of the U.S. economy.

• Most low-income people & people of color who live in cities/metros experience barriers to opportunity, or displacement.

• Such inequality hinders economic success and the economic prosperity of cities and regions.

• All-In Cities supports local policymakers and community coalitions with policy ideas and strategies to achieve racial economic inclusion and equitable growth, creating stronger cities for all.
Launched at equity summit 2015

6-point policy agenda

1. Grow good jobs
2. Increase economic security and mobility
3. Create a strong cradle-to-career pipeline
4. Build healthy, opportunity-rich neighborhoods
5. Increase housing affordability and prevent displacement
6. Expand democracy and guarantee justice
Economic security

1. Increase the economic security and mobility of vulnerable families and workers
2. Remove barriers to employment and services
3. Increase financial security and assets
   1. Matched savings accounts (children’s savings accounts and individual development accounts)
   2. Benefits assistance and awareness campaigns (EITC, tax preparation, etc.)
   3. Access to low-cost financial services (e.g., Bank On)
   4. Foreclosure prevention
   5. First-time homeownership assistance (including shared equity homeownership)
   6. Protection from predatory, high-cost financial service providers (via licensing and zoning)

Democracy & justice

1. Secure and extend the franchise
2. Ensure fair, competitive elections
3. Effectively engage residents in decision making
4. Include immigrants
5. LGBTQ inclusion
6. End racialized over-policing and criminalization
7. Prevent violence and recidivism
8. Increase accountability
9. Eliminate overuse of fines and fees
   1. Bans on police department quotas for tickets and failure-to-appear fines or warrants
   2. Allow judges to waive fees for the indigent
   3. Moratoriums on Juvenile Fees
   4. Amnesty Periods
Resources

• All-In Cities website: www.allincities.org

• Framing paper: Building an equitable economy from the ground up

• Initiative: All-in Pittsburgh

• Report: Breaking the cycle: From poverty to financial security for all
Tamara Lindsay
principal
The Cities for Financial Empowerment (CFE) Fund
The CFE Fund approach

The CFE Fund provides funding and technical assistance to local governments and their community partners.

- Design and fund innovative, multi-city programs
- Pilot new initiatives
- Provide robust technical assistance
- Replicate best practices from CFE Coalition cities
- Collect and analyze data
- Share knowledge and best practices
Municipal financial empowerment strategies

Professional financial counseling and education

Protecting consumers in the financial services marketplace

Income-boosting tax credits and support

Building savings and other assets

Safe, affordable financial products and services

Local government

#LiveAtUrban
Municipal financial empowerment roles

Local government
- Ensure local program integration
- Dedicate staff lines
- Oversee partnerships
- Leverage public channels
- Identify public investment for sustainability
- Manage policies, legislation and ordinances
- Serve as convener

Community organizations
- Nonprofit partners focused on direct services
- Advocates for efforts
- Referral and integration partners

Funders
- Private funding to launch programs and pilots
- Public funding to sustain programs: city, state or federal

Senior city staff/city agencies
- Champions of the work (e.g. budget office)
- Integration partners

#LiveAtUrban
Prioritizing integration: The supervitamin effect

Supervitamin effect:
Increase financial stability while improving social service outcomes

Financial empowerment

Social services
Thank you

www.cfefund.org

tlindsay@cfefund.org
Municipal action on financial security

Solana Rice
director of state & local policy
Taxes can be rewarding!

Volunteer Income Tax Assistance (VITA) sites are free, low-risk services for low- and moderate-income families. Sites help filers claim $3 billion in refunds nationwide with a 94% accuracy rate (2015).
Mayors taking leadership

- **Louisville** – Mayor Fischer’s funding prioritizes those sites with supportive financial capability services.

- **Boston** – Mayors Menino and Walsh have supported a robust coalition of service providers that also advocates for state EITC. Financial check-ups in addition to tax prep services.

- **San Antonio** – Mayor Taylor’s funding supports 22 sites and promotes services during EITC Awareness Day. SaveUSA site.

- **Lansing** – Mayor serves as champion-in-chief on city council and to other mayors by promoting and messaging family economic success as key to community economic development.

- **New York City** – Using human insights to fit needs of (potential) VITA customers.
Resources

- Additional data resources (localdata.assetsandopportunity.org/map)
- Taxpayer Opportunity Network
- State & Local Policy team: Solana Rice (srice@cfed.org)
- VITA for Mayors (PDF)
- Leveraging the Tax Moment to Build Financial Capability (Recording)
Municipal leadership in financial security
NLC municipal initiatives to build economic security

- Financial inclusion systems and city leadership (FISCL)
- Local interventions for financial empowerment through utility payments (LIFT-UP)
- Children’s savings accounts
- Economic mobility and opportunity task force and peer network
Municipal financial inclusion programs

- **CITIES WITH FINANCIAL INCLUSION PROGRAMS IN PLACE**
  - 65%

- **FINANCIAL INCLUSION AS PRIORITY FOR CITY LEADERSHIP (percent of cities)**
  - Mayor: 47%
  - City Manager: 30%
  - City Council: 41%

Note: 118 cities, one respondent per city. Respondents reported that “helping residents achieve greater financial stability” was a high or top priority for city leaders.

- **AVERAGE NUMBER OF FINANCIAL INCLUSION PROGRAMS (percent of cities)**
  - 1-4 programs: 19%
  - 5-8 programs: 16%
  - 9+: 31%

Note: 118 cities, one respondent per city. Total number of programs is a count of the types of programs (e.g., financial education, home ownership assistance, access to bank accounts) reported by the survey respondent as available in a city. It does not capture if there are multiple organizations or locations offering the same type of program. Thirty-five percent of cities have no programs in place.
Residents
• Reduce outstanding balances and late fees owed to city utility
• Connected with financial empowerment services
• Reduce chance of utility shut-off

City leaders
• Utilities recoup lost revenue due to unpaid bills
• Improve city’s and residents’ overall financial well-being

Local interventions for financial empowerment through utility payments (LIFT-UP)
Connecting families in debt to municipalities with financial empowerment services
LIFT-UP program model

LIFT-UP

1. Targeting and Referral Mechanisms
   Customers in delinquency status with a specific payment pattern are identified by utility staff and referred to a financial counselor or coach to restructure the outstanding debt.

2. Financial Empowerment Services
   Customers complete a one-on-one financial counseling meeting to develop a restructured payment plan and address financial issues.

3. Restructured Payment Plans
   The water utility approves the restructured payment plan created by the financial counselor and customer.

#LiveAtUrban
# LIFT-UP’s impact

<table>
<thead>
<tr>
<th>Service Shut-Off</th>
<th>Payment Patterns</th>
<th>Outstanding Balances</th>
<th>Avoidable Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Petersburg participants</td>
<td>Houston participants</td>
<td>Newark participants</td>
<td>St. Petersburg participants</td>
</tr>
</tbody>
</table>

- **53%** Decrease in likelihood of experiencing service termination
- **36%** Increase in likelihood of paying bills more frequently
- **31%** Reduction in water bill balances
- **$100** Saved on average in late fees, shut-off and turn-on charges:

#LiveAtUrban
Resources

- Bank on cities toolkit
- LIFT-UP research brief
- Taking the first step: Six ways to start building financial security and opportunity at the local level
- City financial inclusion efforts: A national overview
Question: First steps cities can take?

Alexandra Bastien  
senior associate  
PolicyLink

Heidi Goldberg  
director, economic opportunity  
and financial empowerment  
National League of Cities

Tamara Lindsay  
principal  
Cities for Financial  
Empowerment Fund

Solana Rice  
director, state and local  
policy  
CFED

#LiveAtUrban
Question: Challenges cities face?

Alexandra Bastien
senior associate
PolicyLink

Heidi Goldberg
director, economic opportunity
and financial empowerment
National League of Cities

Tamara Lindsay
principal
Cities for Financial
Empowerment Fund

Solana Rice
director, state and local
policy
CFED

#LiveAtUrban
Question: Clear benefits to cities?

Alexandra Bastien
senior associate
PolicyLink

Heidi Goldberg
director, economic opportunity and financial empowerment
National League of Cities

Tamara Lindsay
principal
Cities for Financial Empowerment Fund

Solana Rice
director, state and local policy
CFED

#LiveAtUrban
Questions from audience
Contact us

Alexandra Bastien  
PolicyLink  
@Xandra_Bastie  
alexandra@policylink.org

Diana Elliott  
Urban Institute  
@dianabelliott  
delliott@urban.org

Heidi Goldberg  
National League of Cities  
@GoldbergHeidi  
goldberg@nlc.org

Tamara Lindsay  
Cities for Financial Empowerment Fund  
@CFEfund  
tlindsay@cfefund.org

Solana Rice  
CFED  
@SolanaRice  
srice@cfed.org
Thank you!

#LiveAtUrban