Los Angeles

The Cost of Eviction and Unpaid Bills of Financially Insecure Families for City Budgets

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The financial health of cities depends on financially secure residents. When families have little to no savings and experience a disruption in their income or expenses, bills may be missed and consequences such as eviction may result. In Los Angeles, the government cost of family financial insecurity from eviction and unpaid property taxes and utility bills is estimated to range from $107 million to $248 million of a total annual budget of $9.3 billion. An estimated 849,000 families do not have at least $2,000 in savings and are thus financially insecure.

Another way to measure the financial health of Los Angeles residents is through credit scores, which estimate the perceived risk of delinquency on a debt or line of credit. Overall, 30 percent of Los Angeles residents have a subprime credit score, signifying high risk and limited access to credit. This is above the national average of 28 percent.

What can be done? Helping Los Angeles families boost savings, build credit, and pay loans and bills on time will improve their financial health and that of the city.

Among families in Los Angeles, 61% were financially insecure, with less than $2,000 in savings, compared with 52% nationally.
Eviction is a growing cause of homelessness, and each homeless person costs some cities tens of thousands of dollars a year.

Missed housing payments can lead to missed property taxes. On average, local governments generate 30 percent of their revenue from property taxes.

Over $12 billion in public utilities sales taxes were collected in the United States last year to fund infrastructure, transportation, and other city services.

After an income disruption, financially insecure homeowner households are 3 times more likely to miss a housing payment.

After an income disruption, financially insecure households are 14 times more likely to be evicted.

After an income disruption, financially insecure households are 3 times more likely to miss a utility payment.

Half of all households do not have $2,000 in nonretirement savings, making them financially insecure and at higher risk for evictions and missed payments.

This comes at a cost to cities.

Steps cities can take:

Offer financial coaching, counseling, and innovative uses of technology to help build residents’ financial well-being, including savings strategies.

Integrate financial interventions—such as those that help residents repay rent and utility debt—into other programs to meet people where they are.

Make saving easy through incentivized programs that provide matching funds to help residents build an emergency savings cushion and move up the economic ladder.

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