

ADDRESSING HOUSEHOLD FINANCIAL STABILITY

The lack of financial security for US households is one of the most intractable problems we face as a society. Among the interconnected causes of this crisis are the volatility inherent in the low-wage labor market, a lack of opportunities for saving and accruing wealth for low- and middle-income earners, and high costs of living. Structural inequities also disproportionately affect low-income communities, including less access to generational wealth and government fines and fees that create significant debt. Cities are deeply affected by this reality, and face both an imperative and an opportunity to promote financial stability through progressive solutions. This panel will highlight avenues cities have taken to address this critical issue, including financial empowerment for residents, changes to local wage and labor laws, and debt reduction plans.

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SPEAKERS

TREASURER TISHAURA JONES, CITY OF ST. LOUIS, MO

Tishaura Jones is the first woman to hold the office of Treasurer. She is the chief investment and cash management officer of the city and also oversees and manages the city’s parking division. Since becoming Treasurer, Tishaura has increased transparency in city government, streamlined and modernized the parking division, improved returns on the city’s investments, increased the overall financial health of city residents by reducing the number of unbanked households, and started a citywide children’s savings program.

Prior to becoming Treasurer, Tishaura was a Missouri State Representative from 2008-2012 and was the first African American and First Female Assistant Minority Floor Leader. Tishaura enjoys an active volunteer career as a member of the St. Louis Metropolitan Alumnae chapter of Delta Sigma Theta Sorority, Inc. She also sits on the boards of Wyman and People’s Community Action Corporation.

Born in St. Louis, Tishaura has a Bachelor’s degree in Finance from Hampton University, a Master’s degree in Health Administration from the Saint Louis University School of Public Health, and is a graduate of the Executives in State and Local Government program at Harvard University’s Kennedy School of Government. Tishaura is the proud mother of Aden.



GLORIA SAEED, CITY OF COLUMBIA, SC

Gloria Saeed serves as the City of Columbia Director of Community Development and is responsible for the oversight and management of HUD federal entitlement programs to include CDBG, CDBG-DR, HOME and HOPWA. Her department also offers financial empowerment tools and training such as homebuyer workshops, personal budgeting and credit counseling. Gloria earned her Bachelors degree in Business Administration from Columbia College in Columbia, SC.

JOANNA SMITH - RAMANI, ASPEN INSTITUTE

Joanna Smith-Ramani is Managing Director of the Aspen Institute Financial Security Program, a leading national voice on Americans' financial health. She is responsible for conceptualizing, planning, and overseeing the program's research, convenings, and programs, aimed at furthering FSP's mission to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority.

Joanna has more than 15 years of experience across community, personal finance, and asset development. She joined Aspen FSP as the Director of its Expanding Prosperity Impact Collaborative (EPIC), where she built the program from the ground up and conceptualized and launched EPIC's first two issues — income volatility and household debt — which FSP studies from causes to broader impact to market and policy solutions. Prior to joining FSP, Joanna served as Senior Innovation Director at Commonwealth, leading the unit that designs, tests, and evaluates promising financial service innovations. While at Commonwealth, Joanna developed innovations to improve savings and financial capability, including prize-linked savings, tax time savings, gamification, emergency savings, and youth savings. Additionally, Joanna led several federal grants, developed and sustained national coalitions, and built a network of industry partners.

Joanna has led national and state legislative campaigns resulting in the passage of a federal law and more than 10 state laws expanding savings innovation across the nation. She is a trusted expert on financial security and inclusion, having been quoted in numerous national and local media outlets such as the New York Times, National Public Radio, and Fox Cable News. Joanna holds a Master of Public Policy degree from the Harvard Kennedy School and a B.A. in Urban Studies from Barnard College, Columbia University. She serves on the Board of the CASH Campaign of Maryland, A Wider Circle, and the Lilabeau Foundation, and was selected to the 2017-2018 class of Leadership Montgomery.





Thriving Residents, Thriving Cities

Family Financial Security Matters for Cities

Signe-Mary McKernan, Caroline Ratcliffe, Breno Braga, and Emma Kalish

April 2016

The economic health of cities and communities depends on the financial health and stability of their residents. Economically secure families are better able to weather temporary income drops independently and are less likely to rely on local services for housing support and cash assistance. Financially healthy adults can contribute more to the local economy, thus supporting property, sales, and income taxes. And financially healthy families are more likely to provide the stable housing conditions and support that children need to thrive and succeed.

This brief builds the evidence for how family financial health—as measured by savings and debts—contributes to city health.¹ We focus on how savings help families survive inevitable setbacks, making it less likely that they will need government subsidies and more likely that they will be able to contribute consistently to local government revenues and the local economy.²

We provide new empirical evidence on the relationship between family financial health and four important outcomes for cities: eviction, ability to pay rent or mortgage, ability to pay utility bills, and reliance on public benefits. We examine family financial health in the face of three income disruptions: an involuntary job loss, a health-related work limitation, or an income drop of 50 percent or more.³ In doing so, we answer two key research questions:

1. Is increased financial health associated with decreased financial hardship?
2. Is increased financial health associated with reduced reliance on public benefits?

Key findings include these two:

- **Families with even a small amount of nonretirement savings are less likely to be evicted, miss a housing or utility payment, or receive public benefits when income disruptions occur.** The savings cushion kicks in with very low savings levels (\$250–\$749); for public benefits, any savings reduce benefit receipt. Higher savings levels, however, are associated with even lower hardship levels and benefit receipt.⁴ These relationships hold when taking account of family incomes.
- **Low-income families with savings are more financially resilient than middle-income families without savings.** Low-income families with savings of \$2,000–\$4,999 are less likely to experience a hardship after an income disruption than middle-income families with no savings.

To provide context for the key findings, we also examine how often families experience income disruptions, how income disruptions relate to financial hardship and public benefit receipt, and family financial health as measured by nonretirement savings:

- **Income disruptions are common.** Over 12 months, about 25 percent of families suffered at least one of the three income disruptions.
- **Families with income disruptions are significantly more likely to be evicted, miss housing and utility payments, and receive public benefits.** This issue doesn't affect just low-income families; middle-income and higher-income families also have above-average hardship levels and benefit receipt after their income is disrupted.
- **Many families lack a savings cushion to ease the blow when income disruptions hit.** Almost 1 in 4 families have no nonretirement savings, roughly 4 in 10 have less than \$750, and about 6 in 10 have less than \$5,000.
- **Savings increase with income, but low savings is not just a low-income problem.**

Steps to improve family financial health could improve the stability and security of both families and the communities in which those families live. Community leaders who care about resilient, inclusive, and productive communities should care about family financial health.

Why Family Financial Health Matters to Cities

Financially healthy families are more likely to be able to contribute consistently to local government revenues and are less likely to need city supports. Cities, counties, school districts, and other jurisdictions operate best with stable revenues and affordable expenditures.

- Property taxes from households and businesses accounted for roughly half (47 percent) of local own-source revenue in 2012, according to Census of Government data. Sales taxes and individual income taxes brought in an additional 11 percent and 3 percent of local own-source

revenue.⁵ When families consistently pay their mortgage or rent they (or their landlord) are more likely to pay property taxes, which feed into city budgets.

- Evictions can lead to homelessness and thus local housing expenditures, which can put pressure on city budgets. These costs can be particularly high in inclement weather, especially when local areas are required to shelter the homeless.⁶ Homelessness among children can disrupt their education; changing schools during the school year can lower children's long-term educational success (Ratcliffe 2015) and increase city school budgets.
- Families with income disruptions can have trouble paying for their utilities, such as electricity, gas, and water. And, when utilities are city-owned, city revenues suffer when residents do not pay their bills.⁷ Though utility costs can be relatively small, particularly in relation to mortgage and rent, failure to pay indicates that families are struggling financially. Even small debts can balloon into large ones if families fall far behind in payments.
- Family financial insecurity can increase the need for local public welfare spending (e.g., food, energy, and homelessness assistance), community development spending (e.g., blight removal and urban renewal), and crime-related correctional spending. Families who suffer income disruptions with no savings are more likely to tap into income maintenance programs. Many public benefits are funded by federal and state governments and can strengthen the local economy by infusing resources. But local governments also spend resources on social service and income maintenance programs; they spent billions on cash assistance payments and other public welfare in 2013.⁸

Thus, family financial health can have direct implications for local communities and their finances.

Savings Help Families Avoid Hardship and Benefit Use

Savings are critical for weathering financial emergencies. Families with savings are more financially secure than families living paycheck to paycheck. To better understand how savings protect families, we take a closer look at families who experience one or more of three major income disruptions: an involuntary job loss, an injury or illness that limits work, or a 50 percent drop in income. Families with higher nonretirement savings are significantly less likely to be evicted, miss a housing or utility payment, or receive public benefits after one of these income disruptions than families with lower savings.

A small amount of savings can cushion the blow of income disruptions: \$250–\$749 helps families avoid hardship. After an income disruption, 21.1 percent of families with \$1–\$249 in savings miss a housing payment, compared with 15.2 percent of families with \$250–\$749 in savings (figure 1)—a 28 percent reduction for families with more savings. Similarly, families with \$1–\$249 in savings are significantly more likely to miss a utility payment than families with \$250–\$749 (24.5 percent versus 18.5 percent—a 24 percent reduction for families with more savings) and are more likely to be evicted (3.2 percent versus 0.7 percent—a 78 percent reduction for families with more savings).

BOX 1

Unpaid Utility Bills Can Reduce City Revenue and Generate Costs from Shutting Off Services

Stepping in to restructure residents' utility debt and connecting them to financial empowerment services appears to be a fruitful way for cities to boost residents' financial health as well as their own.

The Local Interventions for Financial Empowerment through Utility Payments (LIFT-UP) pilot helps families who owe money to municipal utility services repay that debt while connecting them to financial empowerment services such as financial coaching and benefit screening (Moulton, Harlow, and Kondrajteva 2015).

The program, run by the National League of Cities, is being piloted in five cities: Houston (TX), Louisville (KY), Newark (NJ), Savannah (GA), and St Petersburg (FL). Between 20 and 48 percent of municipal water utility customers in these cities were in debt to the city at the start of the program. In addition to restructuring debt payments to allow customers more time to pay back the debt, all five cities provided financial coaching, through referrals to nonprofits, city services, and in Houston's case, training utility staff to act as financial coaches.

Early findings from the LIFT-UP evaluation show promising results. One-third of participating customers repaid their debts and completed the program, even though some programs are still ongoing. In Savannah, 60 percent of participants repaid their debts. Three months in to the program in Houston and St. Petersburg, termination of utility services fell by 30 percent.

Curing debts that could otherwise end up as collections on a consumer's credit report is another avenue for improving financial health. Credit report information is used to determine eligibility for jobs, access to rental housing and mortgages, insurance premiums, and general access to (and the price of) credit (Traub 2013).^a

^a See also "Credit Scores," Federal Trade Commission, accessed April 15, 2016, <https://www.consumer.ftc.gov/articles/0152-credit-scores>.

Even smaller savings amounts are associated with lower public benefit receipt. Families with just \$1–\$249 in savings are significantly less likely to receive public benefits than families with no savings (39.3 percent versus 47.0 percent, a nearly 20 percent reduction).⁹ These findings provide new evidence that savings below the asset-poverty level (roughly \$5,000 for a family of three) reduce hardship and public benefit use.

Higher savings are associated with even lower hardship levels. The share of families missing a housing payment falls further from 15.2 percent for families with \$250–\$749 in savings to 10.8 percent for families with savings of \$2,000–\$4,999, 6.1 percent for families with \$5,000–\$19,999, and 3.6 percent for families with \$20,000 or more in savings. We also see missed utility payments, evictions, and public benefit receipt fall as family savings rise.



EyeEm/Getty Images

How Income Volatility Interacts With American Families' Financial Security

An examination of gains, losses, and household economic experiences

Overview

The balance sheets of American households are showing modest improvement, as are people's attitudes about their financial health. The Census Bureau found that the median household income increased by 5.2 percent from 2014 to 2015, with gains across all income levels.¹ Further, more Americans report feeling financially secure, and fewer say they are unprepared for the unexpected.²

However, problems persist: Less than half (46 percent) of respondents to The Pew Charitable Trusts' 2015 Survey of American Family Finances reported making more than they spend, and only 47 percent said they had consistent and predictable household bills and income month to month.³ In addition, recent work by the U.S. Financial Diaries and JPMorgan Chase Institute has highlighted the high levels of monthly income swings that families face.

Previous research by Pew that studied longer-term, two-year income shifts showed that many families face significant changes in income: As of 2011, 43 percent of families endured swings of more than 25 percent.⁴ Such fluctuations, also called income volatility, make it difficult for families to plan, pay regular expenses, save, or pay down debt.⁵ But little research has investigated and compared the impact of changes in year-to-year income on American families, including those of different incomes, races, education levels, and ages. Moreover, data dividing volatility into gains and losses are scarce, making it difficult to examine how families adapt to these different experiences; the research that does exist has focused largely on income loss because it is so detrimental to family financial health.

This analysis aims to fill that gap by exploring what, if any, differences exist between families that experienced income volatility and those that did not, as well as between those that had income gains and those that had losses, and by examining the relationship between income volatility and overall family financial security.

Key Terms

This brief uses a variety of measures to discuss income change:

- **Income volatility:** A year-over-year change in annual income of 25 percent or more.
- **Income gain:** An increase of 25 percent or more in annual income from 2014 to 2015.
- **Income loss:** A decrease of 25 percent or more in annual income from 2014 to 2015.
- **Stable income:** Income shifts of less than 25 percent year over year.

Generations are defined as follows:

- **Silent generation:** Born between 1928 and 1945.
- **Baby boomers:** Born between 1946 and 1964.
- **Generation Xers:** Born between 1965 and 1980.
- **Millennials:** Born between 1981 and 1997.*

* Age cohorts are defined using thresholds from the Pew Research Center. At the time of the 2014 survey, millennials were ages 18 to 33, Gen Xers were 34 to 49, baby boomers were 50 to 68, and members of the silent generation were 69 to 86.

This analysis found that:

- **Year-over-year income volatility is common among American households.** More than a third (34 percent) of households experienced large changes from 2014 to 2015.
- **Income volatility exists across demographic groups but is particularly acute for certain populations.** At least 1 in 4 households across all income, educational attainment, race, and other groups experienced substantive income shifts. But 38 percent of families with incomes below \$25,000 experienced a gain, while 20 percent of Hispanic households and those with a high school diploma or less experienced an income loss.
- **Volatility is dramatic: At the median, the incomes of households with losses declined by 49 percent, while families with gains boosted their incomes by 56 percent.** The median household income gain was \$20,500 and the median income loss was \$25,000.
- **Families that experience income volatility—whether a gain or loss—report lower financial well-being and less savings than those with stable income.** Respondents from families with stable income are more likely than those with gains or losses to report that their household probably or certainly could come up with \$2,000 for an unexpected need and to say they had no financial shortfalls in the two years studied.

Although income volatility is more prevalent among certain households, these findings show that changes in annual income can affect all types and that despite improving macroeconomic indicators, many Americans still feel financially precarious. Understanding the factors that have an impact on family balance sheets can help policymakers develop better programs and policies to improve short-term economic stability and, in turn, improve household financial security.

About the data

The analysis presented here uses data from Pew's Survey of American Family Finances, first conducted in 2014 with a follow-up with the same respondents a year later. This is the first in a series of papers to draw on both sets of survey data.

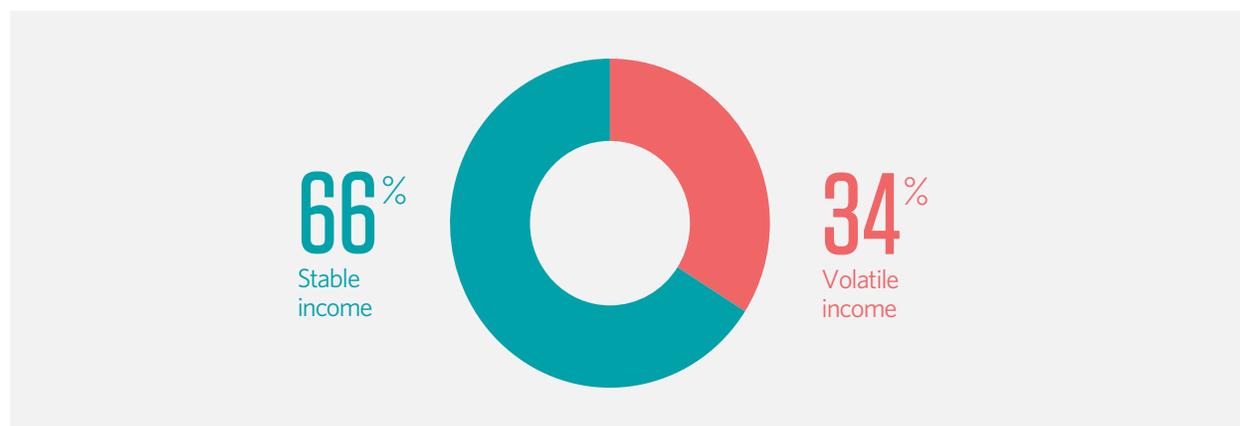
Year-over-year income volatility is common

For many families, household income is not steady.⁶ Fluctuations typically occur during changes in household composition, such as marriage or childbirth, or transitions such as retirement, and these changes can be anticipated and planned for. However, some income shifts are not entirely expected. For example, a breadwinner may face diminished work hours or become ill. Alternately, a family member may receive a promotion or a bonus.⁷ In addition, the size of these income dips and spikes or whether they will be one-time, repeated, or ongoing occurrences may not be known in advance. Among many factors that inhibit household financial stability, large income swings may make it challenging to plan and budget and may leave families feeling less financially stable.

From 2014 to 2015, although the median U.S. household had stable income, more than a third (34 percent) experienced income volatility, which is consistent with other research findings.⁸ (See Figure 1.)

Figure 1

34% of U.S. Households Had Income Change of 25% or More Share of population experiencing volatility, 2014-15



Note: Income volatility was determined by calculating the percentage change of monthly income from 2014 to 2015. A change of 25 percent or more is considered volatile. Changes of less than 25 percent are treated as stable.

Source: Pew Survey of American Family Finances, 2014 and 2015

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Income volatility is particularly acute for certain demographic groups

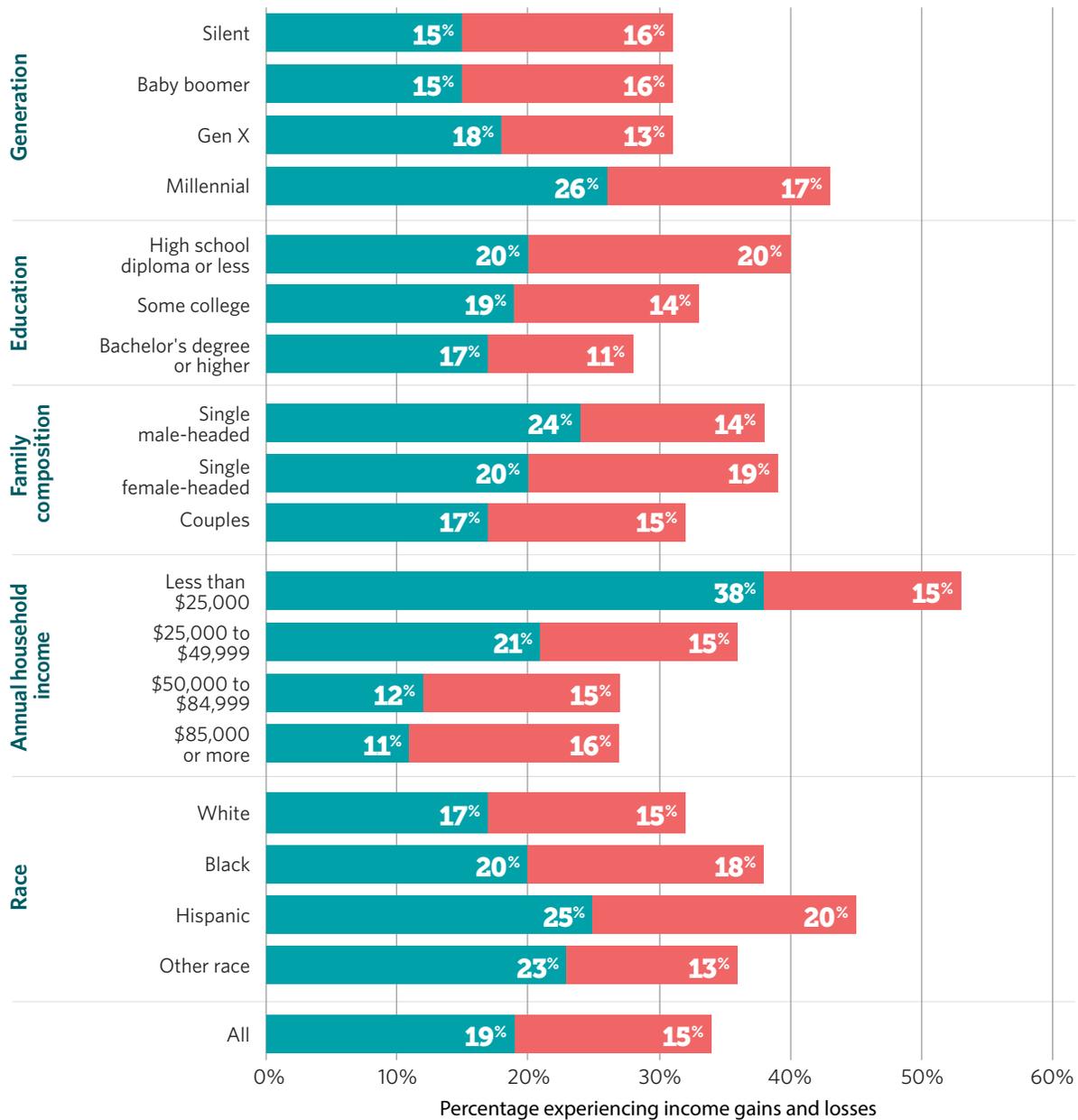
Income volatility was not confined to households at any single rung of the income ladder or education level or to those in a specific racial or ethnic group. At least 1 in 4 households across demographic groups experienced income volatility. However, it was most common among certain populations: In the years studied, at least 4 in 10 respondents who identified as Hispanic, millennial, having a high school diploma or less, or having incomes below \$25,000 experienced income volatility. Households with these demographic characteristics tend to be overrepresented in lower-income groups generally.⁹ Further, because volatility is measured as percentage change, they also had the lowest threshold to experience income volatility in terms of real dollars. For example, a family making \$80,000 would need an income change of \$20,000 to qualify as volatile, but one making \$10,000 would need a change of just \$2,500.¹⁰ However, because that lower-income household also tends to have few assets and little to no savings, it often has no financial cushion, making income volatility especially acute.

Overall, households across demographic groups were more likely to experience gains than losses.¹¹ However, like volatility generally, certain groups experienced these specific changes at different rates: 20 percent of Hispanic households and those with a high school diploma or less experienced an income loss, while 38 percent of families with incomes of less than \$25,000 experienced a gain. (See Figure 2.)

Figure 2

Across Groups, More Than a Quarter of Households Experienced Income Volatility

Share of population with 1-year gains or losses by demographics, 2014-15



■ Income gain households ■ Income loss households

Note: Income volatility was determined by calculating the percentage change of monthly income from 2014 to 2015. A change of 25 percent or more is considered volatile. Volatile income households are subcategorized into gains and losses.

Source: Pew Survey of American Family Finances, 2014 and 2015

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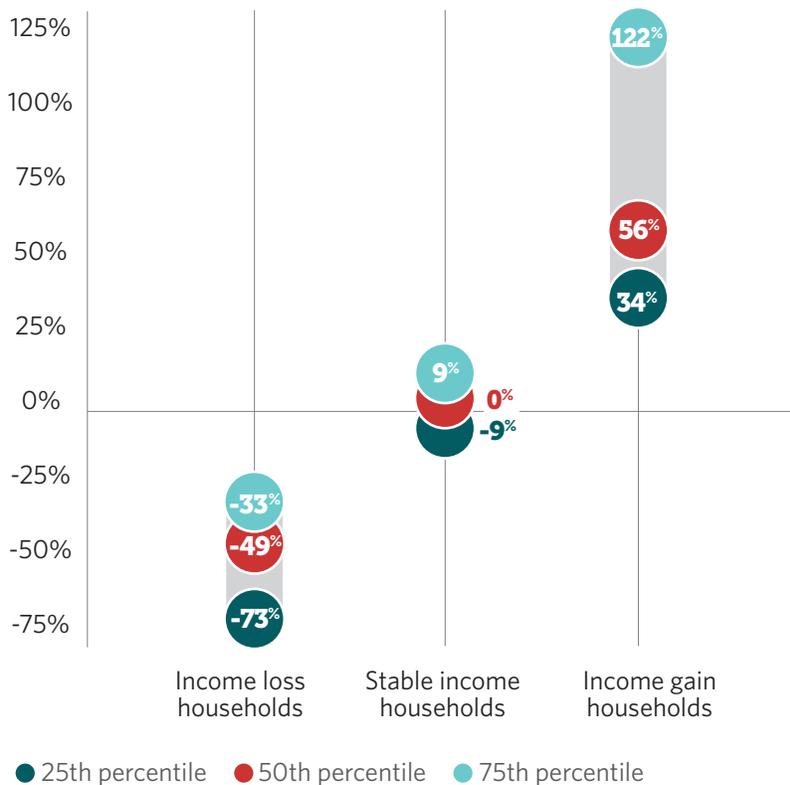
Volatility is dramatic

The magnitude of income swings is an important consideration for family financial security. The 25 percent baseline for volatility in this study is already high, but the typical household that experienced volatility endured even more pronounced changes.¹² Specifically, the median household with a loss saw its income decrease by 49 percent year over year, and the median household with a gain had an increase of 56 percent. (See Figure 3.) At the median, families with gains added \$20,500 and those with drops lost \$25,000.

Figure 3

Households With Gains Had Widest Income Shifts

Distribution of income changes by type, 2014-15



Note: An income change of 25 percent or more is considered volatile. Volatile income households are subcategorized into gains and losses. Changes of less than 25 percent are treated as stable. Figure 3 depicts the median percentage of income change experienced at the 25th, 50th, and 75th percentiles for households with stable income, income loss, and income gain.

Source: Pew Survey of American Family Finances, 2014 and 2015

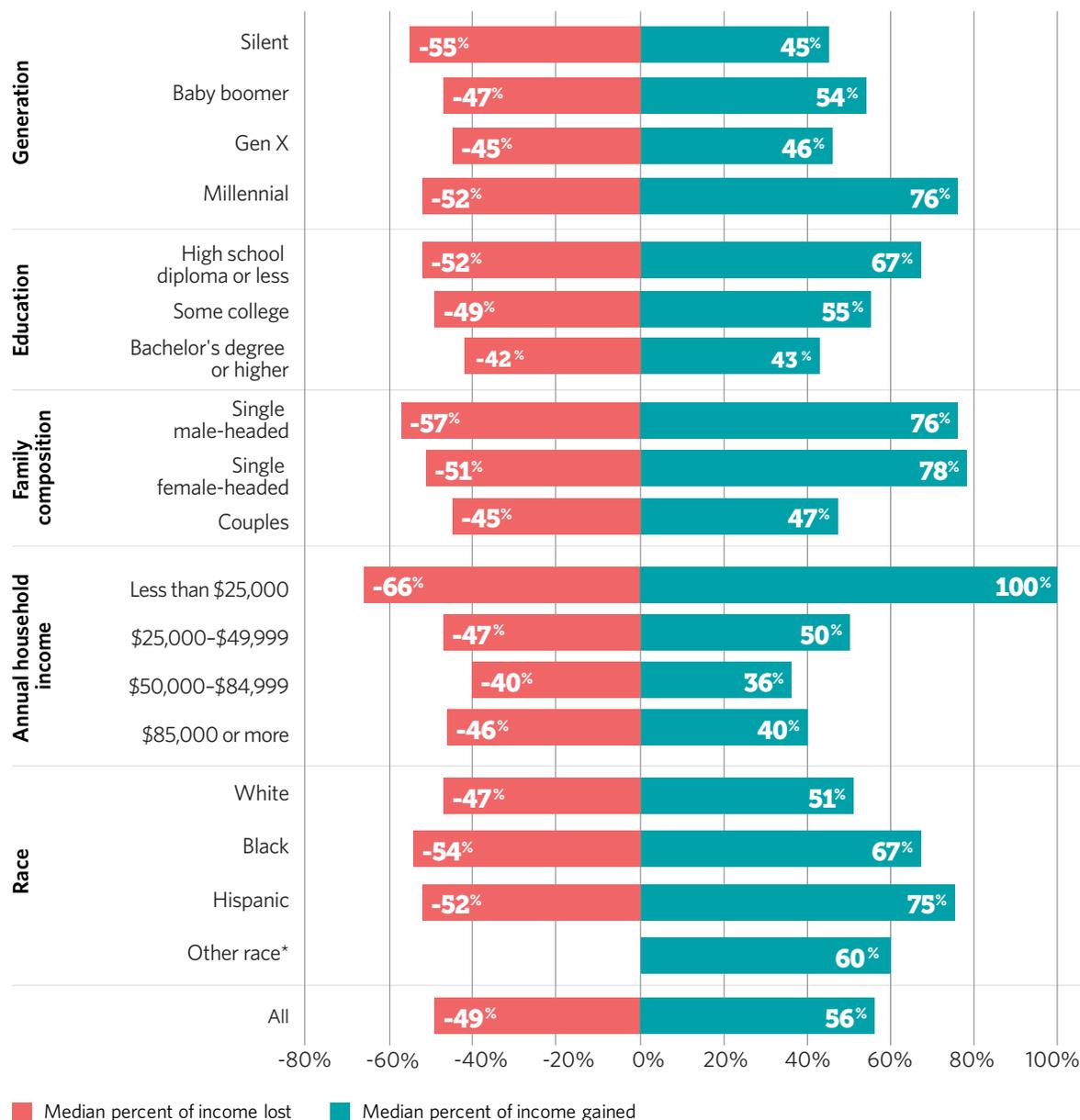
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However, the data demonstrate that, across demographic groups, the size and scale of income changes varied sharply. The median single (male- or female-headed) and millennial households and those with incomes under \$25,000 had gains exceeding 75 percent. At the median, black households, those making less than \$25,000, and single male-headed households had some of the largest losses of the groups studied and were also among the most likely to experience income volatility in general. (See Figure 4.)

Figure 4

Median Households With Income Under \$25,000 Had Largest Gains and Losses

Percentage change in income by demographics and income volatility, 2014-15



* Small sample size prevents reporting median income loss for other race.

Note: An income change of 25 percent or more is considered volatile. Volatile income households are subcategorized into gains and losses. Figure 4 depicts the median percentage of lost income for households that experienced a loss, and the median percentage increase for those households that experienced a gain.

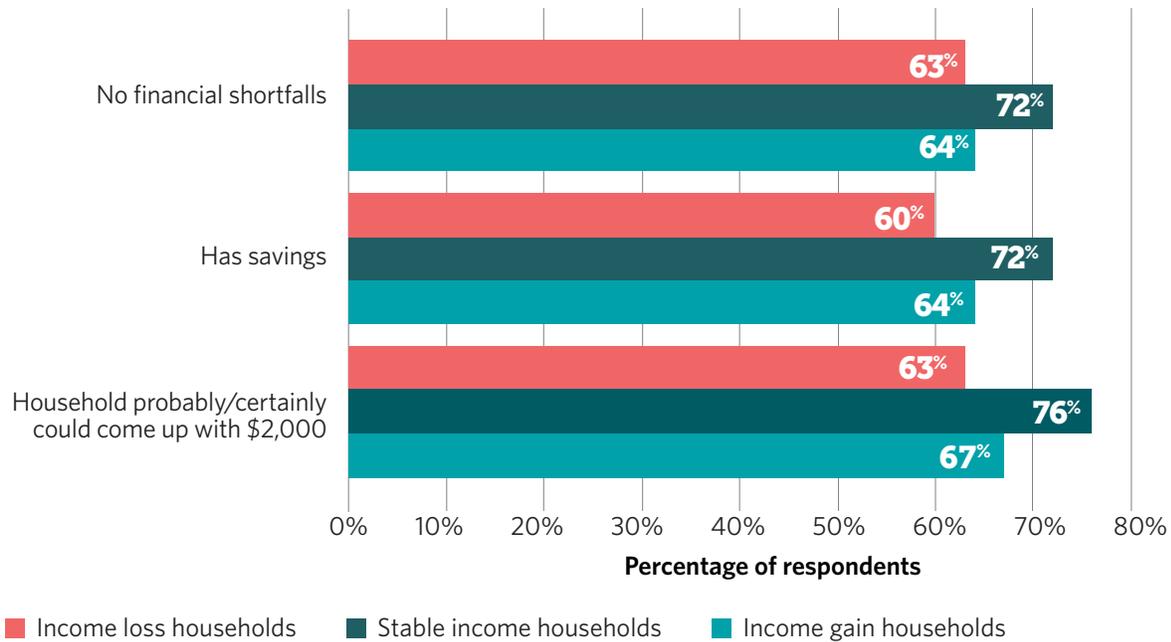
Source: Pew Survey of American Family Finances, 2014 and 2015

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Figure 5

Volatile Income Undermines Financial Well-Being

Selected indicators by income volatility, 2014-15



Note: An income change of 25 percent or more is considered volatile. Volatile income households are subcategorized into gains and losses. Changes of less than 25 percent are treated as stable. In 2015, respondents were asked, “Please tell us whether or not each of the following has happened to you in the past 12 months because you did not have enough money: you did not pay the full amount due on your mortgage on time; you did not pay the full amount due on your rent on time; you skipped paying a bill or paid a bill late; you needed to see a doctor or go to the hospital but did not go; you could not fill or postponed filling a prescription for drugs when they were needed; you overdrafted your checking account or wrote a check for more than was in your account (whether you had to pay your bank a penalty for the overdraft or not); your credit, debit, or prepaid card was declined because you were over the limit or did not have sufficient funds; a person in the household took a loan, a distribution, or cashed out a retirement account, not including things that were legally required.” A household could have experienced none, one, or more than one of the identified financial shortfalls. “Does your household have any money set aside that you consider savings (yes/no)?” “How confident are you that your household could come up with \$2,000 if an unexpected need arose within the next month (I am certain my household could come up with the full \$2,000/My household probably could come up with \$2,000/My household probably could not come up with \$2,000/I am certain my household could not come up with \$2,000)?”

Source: Pew Survey of American Family Finances, 2014 and 2015

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Seventy-two percent of respondents from households with stable income said they did not experience any shortfalls in 2015, compared with 64 percent of those from households with income gains and 63 percent from those with losses. Similarly, families with stable income in 2015 were more likely than those with volatile income to report that they had savings and that their household probably or certainly could come up with \$2,000 for an unexpected need.



THE ASPEN INSTITUTE

FINANCE AND ASSETS

How Mayors and Cities are Solving Household Financial Insecurity

JULY 27, 2018 • FINANCIAL SECURITY PROGRAM & KIESE HANSEN

The number of Americans living in cities is growing – 80 percent of Americans now [live in urban areas](#). With so much of our population concentrated, household financial insecurity and the wellbeing of cities are entwined. In recognizing the opportunity for city and municipal level action, the Aspen Institute Financial Security Program (FSP) has been closely following, engaging with, and learning from what appears to be a growing tide of local elected officials taking leadership on issues of household financial insecurity.

“Our nation faces make or break challenges... a housing crisis, income inequality, and a feeling among the hardest working people in the world that financial security is out of reach. We [cities] have solutions ready to roll.”

— Mayor of Boston Marty Walsh at the 86th Annual Meeting of the US Conference of Mayors

Why cities care about financial security

In June, FSP attended the 86th Annual Meeting of the United States Conference of Mayors (USCM). During a session focused on metro economies, FSP Managing

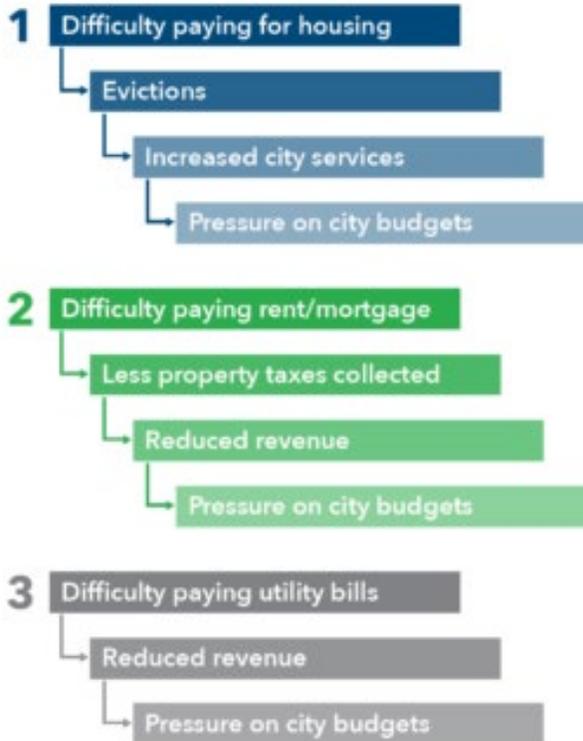
Director Joanna Smith-Ramani presented on the impacts of income volatility and the broader financial insecurity households are coping with regularly.

“Tackling a challenge as far-reaching and systemic as income volatility requires us to look beyond abstract analyses to get a fully informed, on-the-ground understanding of how it impacts real people in real American cities.”

— Joanna Smith-Ramani, Managing Director, Aspen FSP

INCOME VOLATILITY IMPACTS MUNICIPALITIES⁵

Income volatility results in added costs for municipalities as financially insecure individuals and families are more likely to have:



Household financial security was a recurring theme at USCM. In addition to the session on metro economies, sessions at the conference covered housing affordability and availability, hunger and homelessness policy, and workforce development. During the session on housing, Seattle Mayor Jenny Durkan shared a list of some of the challenges her city is navigating day-to-day: Skyrocketing home prices. In Seattle, the average home price? \$820,000; rent? In the last five years alone, rent prices have increased by 57 percent. And homelessness? 4,500 people are living unsheltered throughout the city. Seattle is not unique. Cities across the country are facing a similar set of problems. Fixing these problems requires elected officials to view financial insecurity

as a priority, dedicate resources to learning more about the specific hardships families

face, and test best practices for administering solutions. Luckily, many are doing exactly that.

Why cities can offer rapid relief to communities and families

Cities are uniquely positioned to implement policy and programs that help low- and moderate-income families achieve greater financial stability. The City of San Francisco has put this belief into practice by creating offices specifically geared toward developing financial wellness programs. Since San Francisco founded its Office of Financial Empowerment, it has launched over [five new pilots and programs](#) focused on building economic security and mobility. Additionally, San Francisco launched the country's first [Office of Financial Justice](#), aimed specifically at evaluating and changing the negative impacts of government fines and fees. Other innovations can be found scattered across the country:

- Boston's Mayor's Office of Financial Empowerment established Boston Builds Credit, which aims to assist a minimum of 25,000 citizens to improve their credit scores.
- Mayors and other elected officials in Oakland, California, Lansing, Michigan, St. Louis, Missouri, and Columbia, South Carolina have used convening power to engage their communities on the challenges of income volatility and have committed to developing solutions.
- The City of Oakland is putting together a survey of city employees to determine what kinds of policies and programs should be developed in response to their financial needs.

The list above is not exhaustive but offers a glimpse at the leadership cities and local elected officials are taking to help individuals and families reach greater financial security.

FSP's work with cities to combat income volatility

In 2017, FSP, in partnership with an innovative fintech firm and national think tanks, launched Finance Forward, an event series that enables local leaders to develop solutions that respond to the unique financial needs of their communities and cities. In its inaugural year, Finance Forward partnered with elected officials across four cities – Mayor Steve Benjamin of Columbia, South Carolina, former Mayor Virg Bernero of Lansing, Michigan, Treasurer Tishaura Jones of St. Louis, Missouri, and Mayor Libby Schaaf of Oakland, California – and inspired solutions from not just these local governments, but employers, nonprofits, fintech companies, and more. However, support from elected officials has been key to Finance Forward's success, giving the series the foundation, credibility, and relevance necessary to convene a diverse set of



thought leaders. Steve Benjamin, Mayor of Columbia and president of the US Conference of Mayors, was the first elected official to partner with Finance Forward, and since has been vocal in claiming household financial insecurity, specifically income volatility, as a priority issue.

Since initially partnering with Finance Forward, Mayor Benjamin has committed to designing and piloting a new

small-dollar loan program for City of Columbia employees.

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“I’m confident that through [Finance Forward], we can play a role in developing solid solutions, both for our residents and for other communities facing similar challenges.”

— Mayor Stephen Benjamin, Columbia, SC



What would it take to ensure that every family can achieve and maintain financial security?



Caroline Ratcliffe
Caleb Quakenbush
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Advancing Solutions: Boosting Income, Protecting Wealth, and Expanding Access to Quality Financial Products

The financial challenges American families face are varied and complex; therefore, solutions will need to be multipronged and well targeted. The solutions we explore below are not exhaustive but, if pursued, could make great strides at increasing economic security for many people who would otherwise be at risk.

- The first solution set emphasizes establishing a stable income floor so families have the resources to meet their basic needs.
- The second solution set aims to preserve income and wealth gains made by families in the face of various sources of volatility that are often beyond their control.
- The third solution set looks to expand access to high-quality financial products and services that empower people to save, transact, access credit and liquidity, smooth income, and plan their financial lives.

Changemakers can look to progress that has already been made (e.g., existing pilots, demonstrations, and products) to understand what holds potential and what else needs to be learned.

Solution Set 1: Establish a Stable Income Floor

The social safety net is intended to address the needs of families facing hard times and provide a platform from which to work toward self-sufficiency by offering such benefits as food assistance, housing, and health care. But the safety net does not catch everyone, benefits are often insufficient to prevent economic hardship, and people looking for stable work at adequate wages are not guaranteed to find it. Even accounting for the benefits provided by current programs, nearly 14 percent of Americans, including millions of working adults, live in poverty (Fox 2018). Policymakers can confront this reality by rethinking how to ensure that all Americans have a stable income to meet basic living expenses, whether through work or income supports.

Two approaches under debate by advocates, academics, policymakers, and 2020 presidential candidates include variants of a **universal basic income**, a regular and guaranteed income stream high enough to meet basic needs, and a **job guarantee** program that promises anyone seeking employment a job with a nonpoverty wage. As proposals are advanced, they raise challenging questions about how best to design and pay for programs that adequately meet families' needs while appealing to shared values of fairness, work, and dignity.

Provide a Universal Basic Income

In 2017, nearly 4 in 10 US adults experienced some form of material hardship, such as the inability to meet financial obligations, unmet medical need, and food insecurity (Karpman, Zuckerman, and Gonzalez 2018). Existing safety net programs, such as food assistance and Medicaid, reduce but do not eliminate material hardship (McKernan, Ratcliffe, and Iceland 2018). A true **universal basic income** would provide all families an income sufficient to cover basic needs, regardless of circumstances. Variants might provide less generous benefits, condition those benefits on work, or target benefits based on income. Several pilots and policy proposals already exist in the US and abroad, testing and considering such programs.

One model for providing truly universal payments is dividend programs that disburse relatively equal benefits from some earmarked fund to everyone who qualifies based on residency, citizenship, or other broad eligibility criteria. In the United States, the Alaska Permanent Fund dividends and Eastern Band of Cherokee Indians' casino dividend pay benefits to all residents or citizens, including children, on the basis that the income-producing resources (oil and gaming revenues, respectively) are communal property (Marron and Maag 2018).² Incorporating the view that environmental resources can, similarly, be viewed as communal property, Marron and Maag (2018) propose that, were a national carbon tax to be implemented, it could fund a national carbon dividend to all US citizens and permanent residents, regardless of employment.³ Although such programs and proposals are universal, they typically do not provide a basic income. The Alaska Permanent Fund has generally paid between \$1,000 and \$2,000 per resident each year, while the Eastern Band of Cherokee Indians' casino dividend was as high as \$9,000 per member in 2006. Marron and Maag's proposed annual carbon dividend is more modest, at about \$570 per adult and \$285 per child.

Two small-scale universal basic income demonstrations—one in Stockton, California, and another in Finland—also provide benefits with no strings attached. The Stockton Economic Empowerment Demonstration is providing 100 Stockton residents \$500 a month for 18 months, while Finland's basic

income experiment, which ended in 2018, gave 2,000 unemployed people the equivalent of roughly \$700 a month for two years.⁴

Other demonstrations and proposals provide benefits at levels that provide a basic income but are not universal. A pilot in Ontario, Canada—the Ontario Basic Income Pilot Project, which ended in March 2019—provided benefits regardless of employment status but reduced benefits when recipients' incomes rose.⁵ This phaseout of benefits as income rises targets benefits to the neediest residents, keeping costs down. A distinguishing feature of the Ontario pilot is the substantially higher benefit level, about \$1,400 a month for a single person and \$2,000 a month for a couple. Basic income programs of this form resemble earlier income maintenance experiments conducted in the United States and Canada in the 1970s (Munnell 1986).

“A basic income can be a tool that helps to set an economic floor, creating an environment where people can lift themselves up.”

—Michael Tubbs, Mayor of Stockton, California

Two recent proposals—Senator Kamala Harris's Livable Incomes for Families Today (LIFT) Act and the Economic Security Project's Cost of Living Refund—would condition benefits on engagement in some form of economic or educational activity, in addition to phasing out as incomes rise.⁶ Both proposals define qualifying activities that include work.⁷ For example, both proposals include low-income students, and the Cost of Living Refund includes home caretakers.⁸ Both proposals also phase in with earned income, but because this phase-in is steep—dollar for dollar with earned income—few low earners receive less than the annual maximum benefit (\$3,000 per worker for LIFT and \$4,000 per worker for the Cost of Living Refund). Unlike the earned income tax credit (EITC), the benefits depend on filing status, instead of the number of qualifying children, which reduces the complexity of administering the credits and substantially increases benefits for childless workers who currently receive only a modest EITC.

Designing and implementing any form of a basic income would pose challenges. A central issue is how to integrate a universal basic income program with existing safety net programs, such as nutrition assistance, as well as other income supports, such as the EITC and Social Security. Should a new basic income program exist alongside those programs, or should it replace some or all of them? And how

would the basic income be treated in calculating eligibility for other benefit programs? The distributional implications of these program decisions would need to be evaluated. For example, cuts to existing targeted benefit programs could leave some people, such as those with high housing or medical costs, worse off (Greenstein 2017).

A myriad of program parameters also needs to be established, such as who is eligible (is the program universal, targeted, or conditioned on participation in work or other activities?), whether the benefit is truly intended to provide a basic income, whether benefits phase out as income rises (if so, how should they phase out?), and the implications of those program parameters on family well-being, work decisions, and the broader economy. How to finance a universal basic income program is also likely to present a major challenge. The cost of a truly universal basic income program would likely run to hundreds of billions of dollars a year. Senator Harris's LIFT Act, for example, is estimated to cost about \$300 billion a year, making it about five times as large as the EITC.⁹

Establish a Job Guarantee Program

Another approach to establishing an income floor would be to ensure the availability of high-quality jobs that pay sufficient wages and benefits by establishing a job guarantee program. A job guarantee program would address earnings volatility by guaranteeing a stable, nonpoverty wage to anyone seeking work by offering a "public option" of such employment. A public job guarantee could also spur competition in the private sector to increase job quality for all workers.¹⁰

"A national job guarantee protects the dignity of work. It sets a standard for fair wages, hours, and benefits, and gives workers the power to demand those same things from the private sector."

—Darrick Hamilton, Kirwan Institute for the Study of Race and Ethnicity at Ohio State University

Action around job guarantees has been limited, but in 2018, Senator Cory Booker proposed the Federal Jobs Guarantee Development Act, which would create a US Department of Labor-led pilot in 15 sites to test a job guarantee program.¹¹ The proposal was modeled on Paul, Darity, and Hamilton's (2018) National Investment Employment Corps proposal and would offer guaranteed jobs at a wage at or above the federal minimum wage and include benefits, such as health insurance and paid sick and

family leave. Booker's proposal focuses on jobs that provide public goods (e.g., infrastructure) and service jobs (e.g., caretaking). With legislative requirements to implement the job guarantee pilots in varied settings (e.g., urban and rural areas, tribal areas, and high-unemployment areas), the pilots would yield insights into how differing local economies might be affected by such a large federal program.

Before a national job guarantee program is implemented, it will be important to understand the potential effects on wages, workers' geographic mobility, and private employment under different designs, as well as program costs. Booker's proposal creates an important opportunity to provide federal policymakers, advocates, and critics data and evidence about the program's effects in different environments. A job guarantee with a high nationwide minimum wage, for example, might be unsustainable in some parts of the country, creating challenges for private businesses and local economies. And devilish details would remain, such as what kinds of jobs would be available and what career pathways would be created to enable workers to advance inside or outside the job guarantee program.

Solution Set 2: Expand Insurance So Families Stay Above the Floor

Even if the government enacted policies that created an income floor for all families, people would still need tools to protect the progress they make to further raise their living standards through earnings and assets. Financial shocks, such as having hours (and thus earnings) involuntarily reduced, can deplete savings and have ripple effects on household finances. Bigger shocks, such as unemployment or disability, or large wealth losses during recessions, can lead to long-term hardships and erase hard-earned gains accumulated over many years. This second set of solutions protects families against these risks by expanding the availability and coverage of wage and wealth insurance.

Reform Social Insurance to Better Protect Workers from Earnings Loss

For most families, earnings from work are their principal source of income and the cornerstone of their financial security. Shocks to earnings because of job loss or displacement or volatile hours or pay threaten financial well-being.¹² Millions of American workers are laid off each year, all of whom have to manage at least short-term financial disruptions that come with being between jobs and without earnings. Other workers, displaced by technological advances or shifts in international trade, suffer earnings losses that can persist for a decade or more even after finding and taking new jobs (Davis and von Wachter 2011). Moreover, as the nature of work and employment relationships change, workers

increasingly bear additional risks, such as those associated with part-time, contract, and contingent employment (Katz and Krueger 2019; Weil 2014). And this is all while climate-related threats to employment and earnings increase.

Although threats to workers' financial security have multiplied and evolved, the federal-state unemployment insurance (UI) system, the principal form of insurance protecting workers against lost earnings, has not kept pace. Originally designed to serve the needs of a Depression-era workforce and economy, UI has come to provide benefits to a small and declining share of workers. The fraction of the unemployed who receive UI, which stood at roughly 50 percent in the 1950s, has fallen to just 27 percent in 2018.¹³ And, as currently provided, UI offers little or no protection for workers outside of traditional employment relationships or for workers who experience earnings volatility while continuing to work. New and expanded forms of publicly provided (i.e., social) insurance could better protect workers' incomes in the face of a broad range of economic and climate disruptions.

Some proposals focus on expanding UI or creating new programs to cover workers in contingent or alternative work—including temporary workers, independent contractors, or workers who take part in the gig economy—who are not traditionally covered by UI.¹⁴ Covering independent workers presents substantial challenges. Doing so would require alternative funding mechanisms and would have to extend coverage in ways that pool risk without leading to adverse selection (i.e., only those most likely to use the insurance take it up). One possibility could be to include UI in a portable benefits system—that is, benefits made available to workers through intermediaries other than employers and that workers take with them from job to job (McKay, Pollack, and Fitzpayne 2018). Portable benefits systems are under consideration in some states (Loprest et al., forthcoming).

Other workers without access to traditional UI benefits are low-wage workers without the earnings and employment history required to claim UI when they lose work. A proposal from the Center for American Progress, Georgetown Center on Poverty and Inequality, and National Employment Law Project would extend UI-like benefits to such workers through a Jobseeker's Allowance, which would provide up to 13 weeks of benefits to people looking for work (West et al. 2016). Because a Jobseeker's Allowance-style solution would represent a substantially new program, reaching previously underserved workers, designing and implementing such a program would present challenges, including how to target benefits.

Beyond the risk of job loss, many workers, especially low-wage, part-time, and contingent workers, increasingly face volatile earnings even while employed because of unpredictable work schedules (Loprest and Nightingale 2018). Although volatility in hours and earnings has received less attention in

UI proposals, it was identified by experts in the income volatility arena as an important piece in safeguarding family financial security (McKay 2017). Policy solutions to this issue may take other forms, including labor market regulations, but there is a potential role for expanded social insurance. Partial claims, for example, are an existing feature of UI that allows qualifying workers to claim a reduced benefit while working part time. But the conditions on partial UI claims are restrictive, benefits can be limited, and many workers may not be aware of this option. Some advocates have called for reforming UI to allow more workers to claim more generous partial benefits under a wider range of conditions, as a way to protect against scheduling volatility (Ben-Ishai, McHugh, and McKenna 2015). Another possibility is to build on **work-sharing** arrangements (or **short-time compensation**), which pay partial benefits to workers when employers reduce their hours in lieu of laying off workers. Twenty-eight states and the District of Columbia have short-time compensation programs, but program use has been limited (Balducchi and Wandner 2016; Houseman et al. 2017).¹⁵

“The federal government offers reemployment insurance to folks who lose their jobs to foreign workers, but no one is offering this critical protection for those who fall victim to automation. If a hard-working Californian who did everything right loses a job, takes the time to train for a new one, and then ultimately lands a position that doesn’t pay as much, we need to offer wage insurance to help pay the bills.”

—*Gavin Newsom, Governor of California*

For unemployed workers who may face reductions in earnings even after finding and returning to work at new jobs, another set of proposals is to institute wage-loss insurance. Wage-loss insurance would replace a portion, commonly half, of the difference between the wages from a worker’s old job versus new job when her new job pays less (Kletzer and Litan 2001; McKenna 2015; Wandner 2016; West et al. 2016). This insurance protects against the larger, long-term losses workers can experience when employment can no longer be found at their old wage because of, for example, technological disruptions (e.g., increased automation). The Obama administration proposed a wage insurance program in its fiscal year 2017 budget proposal, and a limited form of wage insurance is already in place in the form of Alternative Trade Adjustment Assistance.¹⁶ Although proposals exist, substantial uncertainty remains around how such a policy should best manage trade-offs related to eligibility, replacement rates, duration of benefits, and other key parameters.

Private-sector innovation in extending or supplementing UI has faced steep challenges. Largely because of the risk of adverse selection, UI is a classic case for the role of social insurance (Hendren 2017). SafetyNet, for example, pays a lump sum upon job loss or disability but is available in only a handful of states.¹⁷ IncomeAssure, a product that supplements UI benefits, no longer accepts new applications.¹⁸

Finally, across these policy levers, there is a need to consider how to protect workers against rising forms of risk to earnings because of climate change. Some employers have introduced paid “climate leave” as a private solution for employment disruptions during extreme weather events, but this voluntary benefit tends to help only high-wage employees.¹⁹ The Federal Emergency Management Agency (FEMA) coordinates with the Department of Labor to offer Disaster Unemployment Assistance, which provides benefits for workers who experience unemployment related to declared disasters (FEMA 2018). Advocates have called for raising the amount of these benefits and extending the application period beyond the current 30 days to more adequately meet workers’ needs (West et al. 2016). Policymakers could look to examples from the US Farm Bill, which protects farmers (though not farm laborers) from steep losses that result from extreme weather. There are also international examples to look to on this question. Germany’s work-sharing program includes a bad-weather allowance that compensates construction workers for weather-related work stoppages during certain months (ORES 2016). As climate change increases the frequency and intensity of natural disasters and events such as droughts and heat waves that can lead to unemployment and have long-term adverse effects on financial health (Ratcliffe et al. 2019), policymakers will need to assess the adequacy of current sources of worker protection and consider reforms.

Explore Ways to Insure Household Wealth against Economic Disruptions

The threats families face in the modern economy center not only on wages and income but on family wealth, which is primarily held in retirement savings and housing (Congressional Budget Office 2016). Macroeconomic risks and inadequate wealth protections were on full display during the Great Recession. Millions of mortgage borrowers lost their homes in foreclosure, creating steep short-term hardship and threatening long-term credit access and willingness to spend (Li, Goodman, and Bonsu 2016). Similarly, the stock market’s steep drop caused people in or nearing retirement to lose value in their retirement savings (Butrica, Smith, and Toder 2009). Also, many workers who lost their jobs dipped into their retirement savings at a highly inopportune time (Argento, Bryant, and Sabelhaus 2013), with workers younger than 60 facing steep penalties for early withdrawals.

Cushioning families from wealth declines would reduce families' short- and long-term financial instability. Doing this with insurance could protect families from steep wealth losses at critical moments, mitigate family hardship, and speed economic recoveries.²⁰ Wealth insurance also could dampen the widening racial wealth gap.²¹ Black and Hispanic families lost substantially more wealth during the Great Recession (McKernan et al. 2013), and given the great economic vulnerability families of color face, absent action by policymakers, history could repeat itself in the next recession.

To buffer against housing price declines, "shared responsibility mortgages," currently under development by Safe Rate in Chicago, link monthly mortgage payments to a neighborhood-level housing price index.²² A key element of this mortgage is that any decline in monthly payments does not have to be repaid, even if housing prices rise. Also, payments never go above the original mortgage term. In exchange for the downside protection, the lender receives a share of the profits if the home is sold at a gain. Although shared responsibility mortgages are a promising step toward protecting what is typically a family's biggest investment, lenders and policymakers have more to explore.

Options to protect retirement savings include broader use of annuities and cash balance retirement plans, which provide fixed payments similar to defined benefit pensions (Gale 2016). As states look to expand access to retirement plans for private-sector workers, many have explored ways to ensure savers receive adequate benefits during retirement. California considered a guaranteed rate of return for CalSavers accounts but declined to pursue this path because of cost concerns.

Wealth insurance has been little explored. Important questions remain about the private- and public-sector roles in leading innovation, which assets most need insuring and against which risks, how to address moral hazard and avoid excessive risk-taking, how to ensure broad take-up so the insured pool is not limited to those most likely to claim benefits (i.e., adverse selection), and the costs and implications of protecting large shares of wealth during deep recessions.²³

Solution Set 3: Expand Access to High-Quality Financial Products and Services

Alongside stabilizing and protecting families' finances with new income and insurance programs, policymakers and financial service providers should ensure that the next generation of financial products and services work for everyone, including people who have been traditionally underserved by the financial system. This approach starts with getting every family consistently banked in low-cost, safe transaction and savings accounts and helping them build an emergency savings cushion. When a

family is banked, it is better able to access and benefit from new technologies and products that help families build their personal safety nets and move up a continuum of financial product needs (from low-cost accounts and emergency savings toward long-term wealth building). These technologies include new ways for consumers to tap resources at their disposal during financial emergencies and expand access to affordable credit by underwriting loans based on broader data about consumers' financial behaviors. Along the way, innovators and regulators should ensure that new products align with consumers' financial interests and meaningfully improve financial well-being.

Provide Low-Cost, Versatile Transaction and Savings Accounts

Having consistent access to a low-cost bank or other transaction account can be an important first step to a better financial life by reducing transaction costs and helping families become better positioned to access other products and services, such as credit. Although only 6.5 percent of households are unbanked, this represents 8.4 million households (FDIC 2018). Among households earning less than \$15,000 a year, roughly 26 percent are unbanked (FDIC 2018). And even more households have experience being unbanked (Barr 2009; FDIC 2018).²⁴ Beyond this, even with consistent access to a bank account, some consumers, particularly low-income consumers, are not well served by the current financial system and can struggle with fees and other costs associated with their account.²⁵

Federal policymakers could aid low-income consumers by directly offering no- or low-cost public accounts or by leveraging the federal government's role in the financial system to induce financial institutions to offer low-cost basic services. One proposal is to offer public bank accounts and other financial services (e.g., loans) through the US Postal Service's more than 30,000 locations. Postal accounts are not a new idea but have received recent attention with the 2018 release of Senator Kirsten Gillibrand's postal account proposal.²⁶ Postal accounts have been advanced by some as helping residents access affordable services, especially those in "banking deserts."²⁷ Others have argued that postal accounts are not the answer, with particular concern around having the postal service provide loans, as the postal service does not have modern banking experience.²⁸

Other parts of the federal government have experimented with providing low-cost accounts and basic financial services in limited ways. The US Treasury Department's myRA program (an Obama administration program discontinued by the Trump administration) provided a no-cost retirement savings option for families.²⁹ Treasury also piloted the use of general-purpose reloadable prepaid cards, which can have the same key features as a checking account, as a way to distribute tax refunds to tax filers without bank accounts (Ratcliffe, Congdon, and McKernan 2014). In a similar fashion, Treasury

offers the Direct Express card for Social Security beneficiaries who lack a traditional bank account. The government could apply lessons from these efforts to offer no- or low-cost savings or transaction accounts more widely.³⁰

“Most of today’s financial technology products are layered on top of the traditional banking system. If vulnerable consumers lack consistent access to quality bank accounts, they will find themselves shut out from innovations that could help improve their financial health.”

—*Leigh Phillips, EARN*

Before wading too deeply into public banking, however, the federal government should try to understand what consumers most need and what needs are not being met by the current financial system, which people do not benefit from the current system, whether the government should provide the new accounts or offer them in partnership with existing financial institutions, and which government agency is best suited to lead the effort.

These accounts would ensure that all Americans have a place to build emergency savings and benefit from any future government efforts to support and provide incentives for saving among low-income and vulnerable consumers. These accounts could be used to facilitate liquidity during the year, such as a proposal to allow workers to access their accrued tax refunds during the year (i.e., just-in-time tax refund) instead of having to wait until tax filing (Vallas, Boteach, and West 2014).

Facilitate and Provide Incentives for Emergency Savings

Even small savings amounts (from \$250 to \$750) can reduce hardships, such as eviction and missed utility or housing payments, during financial emergencies (McKernan et al. 2016), yet data consistently show that many households have not saved enough to cover even a \$400 unplanned expense (Board of Governors of the Federal Reserve System 2018). Conventional wisdom might suggest that low-income families cannot save, but research has established that low-income families can and do save, especially when provided financial incentives (McKernan, Ratcliffe, and Shanks 2012; Mills et al. 2016). Also, living paycheck to paycheck is not only an issue for low-income families. Many middle- and even high-income families do not have a savings cushion (McKernan et al. 2016).

“Even small amounts of liquid savings can make a big difference. Unfortunately, 40 percent of Americans could not cover even a \$400 emergency expense out of their own liquid savings. Many national organizations are working to help people to build a foundation of basic savings, and we are proud to join with them and support this effort.”

—Kathy Kraninger, Consumer Financial Protection Bureau

Government, nonprofits, and employers can be channels for boosting emergency savings. A savings bonus for taxpayers who deposit a portion of their tax refunds into qualifying savings accounts and maintains the savings for a specified period has been piloted in the US, first in New York City as \$aveNYC and then in four US cities as SaveUSA.³¹ The SaveUSA program, where participants received a \$1 match for every \$2 saved for at least a year, was found to increase savings deposits by \$500, on average, in the first year, even though most participants had low incomes (Azurdia et al. 2014). Beyond these pilots, a tax-time savings bonus was advanced nationally in bipartisan legislation in the 115th Congress and by local councilmembers in Washington, DC.³²

Nonprofits and the private sector are also pursuing innovative strategies to building savings through incentives and automation. EARN’s SaverLife online savings platform builds on the matched savings approach by giving users \$10 for every \$20 they save (up to \$60) and provides them digital financial coaching tools and prize-linked savings incentives.³³ Cookie Jar makes it possible for employers to match their employee’s emergency savings as a workplace benefit and helps workers save gradually by rounding up their purchases to the nearest dollar and applying the difference to their savings accounts.³⁴

Some employers and financial institutions are piloting “sidecar” emergency savings accounts that build on the existing infrastructure of employer-based 401(k) plans.³⁵ These accounts provide workers a mechanism for building emergency savings before turning to long-term financial goals and help make saving an automatic habit.³⁶ Laws that make enrollment into these plan designs automatic could benefit more workers.³⁷

Expanding these savings initiatives will require convincing policymakers and employers that matching emergency savings and making saving easier can bring benefits not only to families but to broader stakeholders. Cost-benefit analyses could help policymakers and employers understand the

returns on investment in savings matches for outcomes relevant to them. Governments might see savings for other social programs when families have sufficient resources to avoid eviction, and employers might enjoy cost savings and higher productivity from reduced employee turnover and a less financially stressed workforce.

Expand Consumers' Access to High-Quality Credit Products

The US credit system determines consumers' creditworthiness mostly by looking at their credit histories. Consumers without prior credit do not have the record to show that they are a good credit risk and have difficulty gaining access to, or can get locked out of, traditional credit. The same holds true for consumers who previously struggled with credit (e.g., became delinquent on a credit card or auto loan) but can now meet their expenses and are a better credit risk than their credit report indicates. In fact, an estimated 45 million US consumers, or nearly 20 percent of US adults, have no or limited credit histories—that is, they do not have a credit bureau record or are “unscorable” (Brevoort, Grimm, and Kambara 2015). And millions more have poor credit. These consumers are effectively locked out of the traditional credit system, leaving them vulnerable to high-cost forms of credit (e.g., payday loans or subprime auto loans).³⁸

To help consumers with limited credit histories, some companies have begun using alternative data to expand consumers' access to financial products and services. Petal's credit card uses cash flow underwriting, where information about income and expenses (e.g., inflows and outflows from a bank account) is used to determine creditworthiness.³⁹ Alternative underwriting also exists in mortgage lending, although it is rare. As one of its loan processes, Churchill Mortgage offers loans to consumers without a credit history, using alternative data (e.g., rent and utility payments) to underwrite the loan.⁴⁰

As consumers gain access to new sources of credit, some consumers are expected to be better off, but vulnerable consumers may be harmed. New algorithms for assessing creditworthiness, for example, might unintentionally reinforce or create racial or gender biases (Bartlett et al. 2018). With the expansions of alternative underwriting, monitoring and evaluation are needed to identify which consumers are helped and which are harmed. A study by the New York City comptroller that investigated how the reporting of rental payments to credit bureaus could affect the credit scores of New York City tenants found that although most people would be better off (would either improve their credit score or gain a score), 6 percent of tenants would see their credit scores decline (BPR 2017). And the long-term impacts of alternative underwriting on financial well-being are unknown.

In addition to direct-to-consumer credit products, some employers are partnering with local financial institutions to provide low-cost loans to workers (Opportunity Finance Network 2017).⁴¹ In essence, workers' tenure with the company (e.g., employed for at least six months) and their paychecks are used to determine creditworthiness, and loans can be reliably and gradually repaid through payroll withholding. But few employers offer these loans. Research assessing whether employer small-dollar loans can benefit both the employee and the employer (i.e., employees gain access to well-priced credit and build a credit history while employers see fewer employee absences and lower turnover) could expand the availability of such loans and improve workers' financial well-being. As more employers add these loans as part of broader employee financial wellness benefit programs, it will be important to make sure that products offered by loan providers are affordable and that employees are not repeatedly borrowing when financial counseling or other support might be more appropriate for resolving chronic financial shortfalls.

Connect Consumers with Financial Products and Services That Meet Their Evolving Needs

Many nonprofits and mission-driven financial providers, including new fintech entrants, aim to serve low-income and vulnerable people. This, however, does not imply that all consumers are well served in the marketplace. There can be a mismatch between the products consumers need and the products available. Consumers can also face informational or digital barriers accessing products and services. The field lacks a broad understanding of how existing financial products and services affect consumer well-being. This is not to say there are not good actors in the marketplace. But even well-intentioned products and services can harm some consumers, especially the most vulnerable.

Much of the energy in bridging consumers' needs and financial products and services centers on the fintech sector, where developers have designed and applied new technologies for diverse uses. These products range from budgeting apps that provide real-time information to facilitate decisionmaking (e.g., Mint, Dave, and Wally) to products aimed at helping consumers build a savings cushion (e.g., EARN and Cookie Jar) and smooth income and consumption (e.g., Even and Earnin). Mint tracks income and spending and lets consumers know when bills are due, how much they owe, and how much they can pay based on account balances, while Wally focuses on helping people track expenses.⁴² EARN provides cash incentives for low-income people to save, and Even and Earnin allow workers to access their accrued wages before payday.⁴³ With many choices and little information beyond basic product features and costs to guide users in making decisions, consumers can struggle with identifying and selecting products that are best for them.

Consumers also need products adapted to meet evolving needs, and some fintech companies have added new services as they learn more about their customers. Propel's app, which started as a way for Supplemental Nutrition Assistance Program recipients to check their benefit balances and find nearby stores, later added access to coupons and discounts for food purchases and eventually even information about work opportunities.⁴⁴ Dave, a budgeting app that tracks spending and anticipates upcoming bills to help consumers avoid costly overdrafts, also provides small loans (up to \$75).⁴⁵ Uncovering what products and features best serve different consumers could improve consumers' economic well-being and help them advance.

Technology holds great promise for expanding access to high-quality financial products and services, but challenges remain. Meeting the evolving and diverse needs of low-income consumers is a persistent challenge for technology designers. Moreover, because many apps and digital products rely on our current financial and banking system to function, people who are not well served by mainstream financial institutions are often not in a position to benefit. In addition, effective use of these digital financial products requires reliable and affordable internet access. If low-income and vulnerable consumers have interruptions in service because they fall behind on their internet or phone bills, digital technologies might increase inequalities rather than broaden financial inclusion and improve family financial well-being.

SOLVING THE CONSUMER DEBT CRISIS: AN ACTION GUIDE FOR LOCAL GOVERNMENT



THE CONSUMER DEBT CRISIS

Consumer debt is ubiquitous. Although at any given time some Americans are debt-free, most of us carry debt some or even all of the time. We borrow to go to school, to buy a home, to finance a car or furniture or appliances, to tide ourselves over in tough times. We are also increasingly likely to incur debt not from borrowing but from certain types of non-loan debt, including an out-of-pocket medical expense¹, or being hit with a fine from local government for everything from parking tickets to jaywalking to court fees.²

Consumer debt is a concern today because it has reached record levels³ and because its rise comes as powerful trends—such as stagnating incomes, new forms of credit availability, and structural changes in medical and education markets—shape how debt is incurred and the consequences it has for financial security. Our definition includes all forms of non-mortgage debt such as student and auto loans, credit cards, and non-loan obligations including medical debt and money owed to local governments that have come to use such fines and fees as a key revenue source.

Consumer debt has significant consequences, especially for low- and moderate-income households and other financially vulnerable Americans.

- Debt payments reduce resources to both pay for basic needs and invest in opportunities to build security and wealth.
- The nature of a consumer's first debts influences later access to credit (for example, establishing a credit record through an unpaid medical bill can limit a consumer's future credit options to high-cost, riskier products).⁴
- Current debt levels and composition appear to be taking a toll on physical and mental health.⁵
- There also appears to be negative consequences for the economy as a whole, such as reduced rates of business formation⁶ and homeownership.⁷

Consumer debt is a systemic problem, and there are systemic solutions.

There are four areas where local government possess tremendous potential to address a critical dimension of household financial insecurity:

1. Restricted Access to High-Quality Credit
2. Detrimental Delinquency, Default, and Collections Practices
3. Government Fines and Fees
4. Student Loan Burdens



Below is an at-a-glance view of these problems along with solutions and examples of cities that are working on solving them already. Read on to learn more about each problem and how local government can work towards solving these critical issues.

SOLUTIONS FOR LOCAL GOVERNMENTS

PROBLEM	GOAL	SOLUTIONS	GOVERNMENT INNOVATORS
Restricted access to high-quality credit	People of color receive and use credit on the same terms as similarly qualified white consumers	<ul style="list-style-type: none"> Enforce laws that prohibit racial and gender disparities in access to and cost of credit 	Miami, Philadelphia
Detrimental delinquency, default, and collections practices	People who become delinquent or default on debt payments are offered feasible opportunities to cure	<ul style="list-style-type: none"> Government as a creditor can implement interventions in early-stage delinquency to help borrowers get back on track 	St. Louis
	People with debt in collections enjoy full protection of their legal rights and suffer no loss of liberty due to inability to pay.	<ul style="list-style-type: none"> Reduce the rate of default judgment against debtors Eliminate use of arrest, imprisonment, or violation of parole as a debt collection tool 	Maryland
Government fines and fees	Government agencies and court systems impose fewer and smaller fines and fees	<ul style="list-style-type: none"> Reform state and municipal laws and regulations that enable frivolous or unfair civil fines and fees 	San Francisco
		<ul style="list-style-type: none"> Explore alternative public funding models to reduce need to rely on fines and fees for revenue Fines and fees are assessed at levels proportional to the seriousness of the offense and ability to repay 	San Francisco
	Collections processes for government fines and fees do not impede a debtor's livelihood or reduce ability to repay	<ul style="list-style-type: none"> Implement new strategies for states and municipalities to collect fines and fees designed to meet consumers' needs Offer non-financial repayment options such as community service or participation in financial counseling 	San Francisco
		<ul style="list-style-type: none"> Eliminate imprisonment or violation of parole as a consequence of unpaid debt Eliminate punishments that reduce ability to repay and impede people's livelihoods 	California, Florida Maryland
Student loan burdens	Post-secondary education is more affordable for students and more equitable in cost and benefit for people of color	<ul style="list-style-type: none"> Offer tuition assistance as an employee benefit 	
	Reduced financial burden and increased well-being for people with unaffordable student loan debt	<ul style="list-style-type: none"> Offer student loan repayment benefits to employees 	Memphis



IN-DEPTH LOOK AT CONSUMER DEBT PROBLEMS AND SOLUTIONS



RESTRICTED ACCESS TO HIGH-QUALITY CREDIT

The decades-long expansion of access to consumer credit had the benefit of making the positive potential of debt available to a wider population. However, broader access to credit has also fueled the growth in consumer debt. Today, numerous high-quality credit products are broadly available to most consumers who have good credit scores. Yet several groups tend to be locked out of access to the best products: African Americans and Latinos, “credit invisible” consumers, and those who formerly had access but lost it due to past financial troubles.⁸ As a result, individual members of these groups are more likely only to have access to forms of credit that create more risk than opportunity.

What Local Government Can Do

Enforce laws that prohibit racial and gender disparities in access to and cost of credit.

Local governments can take legal measures against lenders whose discriminatory activities cause harm to the community. Municipalities can adapt the strategy Miami and Philadelphia have successfully pursued to address discriminatory mortgage lending.⁹ The cities pointed to the financial burdens they incurred due to lenders’ actions, including reduced property tax revenues and increased municipal costs.¹⁰ Local governments can construct similar arguments related to discrimination in other forms of lending.

DETRIMENTAL DELINQUENCY, DEFAULT, AND COLLECTIONS PRACTICES

When consumers fall behind on repaying debt, it can result in a snowball effect of higher interest rates, penalty charges, and collection actions. Consumers who become delinquent or default on debt, or have bills in collections, frequently experience systematically disadvantageous processes that cause disproportionate financial and legal distress, particularly for people of color. One reason for high rates of default judgments is that consumers rarely have access to legal help when responding to debt collectors. This is indicative of a general lack of affordable civil legal assistance: Legal Aid organizations report 60 to 80% of eligible people’s needs are unmet, and those who request help must be turned away about half the time due to lack of funding.¹¹ Analysis of five years of court judgments in three metropolitan areas showed that, even controlling for income, the rate of judgments was twice as high in mostly black neighborhoods than in mostly white neighborhoods.¹²

What Local Government Can Do

Government as a creditor can implement interventions in early-stage delinquency to help borrowers get back on track.

A significant amount of consumer debt is owed to governmental entities. In Missouri, as in many other states, unpaid parking tickets and traffic citations can lead to a suspended license. To help St. Louis residents keep their licenses, which are essential for access to jobs in the area, the city treasurer is developing a program of low-cost payment plans that help debtors avoid both collections and license suspension (to view City Treasurer Tishaura Jones discuss this, see www.aspenepic.org/get-involved/debt-streaming-event/).



Reduce the rate of default judgments against debtors.

A default judgment results when someone being sued does not mount a defense. The Center for Responsible Lending has recommended actions state officials can take to protect consumers from facing default judgments on debt they do not owe.¹³ These include court rules to ensure that those filing suit to collect debts possess and provide complete and accurate information on those debts and their right to pursue payment. Once in court, the debt collector must establish proof of adequate notification to the debtor and meet tighter evidentiary requirements for obtaining a default or summary judgment. Another critical reform would be to reduce the statute of limitations prohibiting collections efforts on old debts; this would entail a three- to four-year limit after which the debt would be not merely uncollectable, but extinguished under the law. Both state and county court systems can take action on these recommendations.

Eliminate use of arrest, imprisonment, or violation of parole as a debt collection tool.

Debt collection lawsuits are typically civil actions rather than criminal prosecutions. The American Civil Liberties Union's recommendations for civil debt collection proceedings include prohibiting courts from issuing arrest warrants for failure to pay or to appear and precluding debt collectors from seeking arrest or jailing of alleged debtors in pursuit of payment.¹⁴ Proposed legislation in Maryland would eliminate jail time for debt.¹⁵

BURDENSOME GOVERNMENT FINES AND FEES

State and local government fines and fees have been rising in both frequency and amount and have disproportionately affected people of color, and fines and fees that go unpaid become debt to a government that has broad powers to enforce collection.

State and local governments faced with the need to raise revenue have increased fees and fines, introduced new ones, and intensified collection efforts.¹⁶ Aggressive collection measures available to state and local governments include suspending drivers' licenses¹⁷ and excluding debtors from public employment.¹⁸ These penalties can be counterproductive: faced with the choice between driving to work on a suspended license or losing their jobs, many choose to maintain employment; those who are caught may be arrested, often face jail time, and incur further costs from the judicial system, all making collection of the original debt less likely.¹⁹ The California State Auditor found that numerous state and county programs there rely on traffic citation fees that often go unpaid and that administering and collecting fines and fees actually costs the government more money than it receives.²⁰

Cities with large African-American populations are associated with levying large amounts of fines and fees.²¹ Ferguson, Missouri became a prominent example in 2015 in the wake of Michael Brown's killing by a police officer; the Justice Department's investigation found the city imposed high fines and fees and consistently set maximizing revenue as a priority for law enforcement activity.²² When Missouri subsequently limited municipal reliance on traffic offense revenue, some St. Louis County municipalities appeared to turn to nontraffic fines and fees (for transgressions such as having mismatched curtains or barbecuing in the yard).²³



What Local Government Can Do

Reform state and municipal laws and regulations that enable frivolous or unfair civil fines and fees.

Governments should cease issuance of tickets for inconsequential transgressions such as walking on the wrong side of the crosswalk, leaving items outside, or having mismatched window blinds, and ideally take these laws off their books. San Francisco's Financial Justice Project has recommended eliminating fees for loitering, blocking sidewalks, and similar offenses and is working with other city agencies to implement its recommendations.²⁴

Explore alternative public funding models to reduce need to rely on fines and fees for revenue.

NCLC and others have stressed the importance of addressing conflicts of interest that arise when those administering justice rely on revenue generated through fines and fees and court debt.²⁵ New research demonstrates that when cities and towns experience budget deficits, they increase arrest rates, especially in states where the municipality is allowed to keep any assets seized in the arrest.²⁶ Missouri now caps the permissible share of municipal budget revenue from traffic fines at 12.5%.²⁷ The California State Auditor has recommended eliminating use of penalty and fee revenue as funding sources for state and county programs.²⁸ The Conference of State Court Administrators calls on the judiciary to "moderate or staunch the legislative impulse (and sometimes its own) to add additional and higher fees."²⁹ The Fines & Fees Justice Center advocates eliminating judicial system use of fees to generate revenue,³⁰ and San Francisco has eliminated all local criminal justice administrative fees.³¹

Assess fines and fees at levels proportional to seriousness of the offense and ability to repay.

The schedules of punitive state and local fines and fees can be disconnected from the seriousness of violations, and the impact of their imposition can vary widely depending on the resources of the offender. The Fines & Fees Justice Center calls for making fines proportional to the offense and the individual's ability to pay.³²

Implement new strategies for states and municipalities to collect fines and fees.

Governments as creditors can undertake a cost-benefit analysis of their debt collection strategies. San Francisco is auditing the revenue generated by fines and fees compared to cost of collections efforts.³³ Courts can stop issuing bench warrants for unpaid debt and eliminate use of private collection services. Less punitive collection strategies can realize net savings by reducing the large costs associated with incarceration. Missouri allows indigent defendants to pay fines with zero interest payment plans.³⁴ San Francisco is considering setting fines as a percentage of daily earnings, and it already deeply discounts tow and boot fees for people earning below 200% of the Federal Poverty Line.³⁵

Offer non-financial repayment options.

Governments as creditors can provide opportunities for alternative satisfaction of debt obligations. The National Task Force on Fines, Fees and Bail Practices has established principles for developing "more fair, transparent, and efficient methods of judicial practice," including judicial discretion to impose non-monetary sanctions.³⁶ These can include community service, completion of a driving class, or participation in financial counseling.



Eliminate punishments that impede livelihood.

The consequences for non-payment of a fine or fee should not exacerbate the inability to pay. Harmful policies currently in use include driver's license suspensions, reporting unpaid fines and fees to consumer credit bureaus (impacting employment prospects), wage garnishment, bank account seizures, and imprisonment. In 2017, California banned the use of driver's license suspension for outstanding traffic fines, and it allows fines and fees to be dismissed for people who demonstrate severe financial hardship.³⁷ Proposed Florida legislation would end driver's license suspension for certain non-driving offenses.³⁸ The National Consumer Law Center has detailed recommendations for the limitation of wage garnishments, account seizures, and similar policies in its "No Fresh Start" report.³⁹

Reduce or eliminate criminal justice system practices that can result in imprisonment solely for lack of ability to pay.

People charged with crimes who do not pose a risk for not appearing in court may nonetheless be jailed solely due to inability to post bond. New Jersey has largely replaced cash bail with an assessment process that has reduced pre-trial detention.⁴⁰ The National Task Force on Fines, Fees and Bail Practices principles include requiring a hearing that would assess ability to pay and suitability in the particular circumstances of alternatives to imprisonment prior to incarceration or revocation of probation for nonpayment of courtordered legal financial obligations.⁴¹ In Maryland, efforts to prohibit body attachments (warrants requiring a person to appear in court) issued for people with debt in collections began in 2018 with S.B. 022; the legislation is on track to be reintroduced in the 2019 legislative session.²¹²

REDUCED FINANCIAL BURDEN AND INCREASED WELLBEING FOR PEOPLE WITH UNAFFORDABLE STUDENT LOAN DEBT

The cost of post-secondary education has risen dramatically in recent decades. Tuition at public four-year institutions has increased faster than the rate of inflation every year since 1980.⁴³ Outstanding student debt can jeopardize financial stability in the short run and limit wealth accumulation over the long run.⁴⁴ More student debt is associated with greater difficulty staying current on other loan obligations, a higher probability of restricted access to credit, and a greater likelihood of declaring bankruptcy.⁴⁵ Student loan burdens appear to have contributed to a slowdown in household formation and a decline in homeownership.⁴⁶

What Local Government Can Do

Offer tuition assistance as an employee benefit.

Tuition assistance (an employer helping out with paying for college courses) is less common than it once was, but it remains a valuable resource to help students avoid taking on debt. These benefits are frequently restricted to higher-skill workers pursuing graduate studies, but some large firms have larger programs. Starbucks, for example, partners with Arizona State University to offer all its part- and full-time benefits eligible US employees full tuition coverage for online coursework toward a bachelor's degree.⁴⁷ In the public sector, US Military active duty, National Guard, and Reserve service members can take advantage of the Military Tuition Assistance program that pays 100% of tuition expenses for post-secondary coursework (costing \$250 or less per semester hour).⁴⁸



Offer employees student loan repayment benefits.

Because of the link between high student loan burdens and low retirement savings, some employers have identified an innovative employee benefit opportunity: help for workers paying off student loans. Though just 4% of employers currently offer some sort of student loan repayment assistance, the numbers are growing.⁴⁹ Fidelity recently launched a Student Debt Employer Contribution benefit available both to its own employees and in employee benefit plans sold to client firms.⁵⁰ Other benefit providers have entered the market, including Vault and tuition.io. Large companies offering these benefits include Hewlett Packard, Staples, and LiveNation. Student loan repayment benefits can take several forms, which impact the tax status of the benefit. Federal agencies can make direct payments to lenders on the workers' behalf, up to \$10,000 a year (with an overall cap of \$60,000), as a recruitment or retention incentive for job candidates or current employees.⁵¹ Memphis, Tennessee, recently became the first city to offer a student loan repayment benefit.⁵² These benefits do not currently have the tax-exempt status of other employee benefits, but an alternative approach of providing the match as an employer contribution to the worker's retirement account could receive favorable tax treatment.



CONCLUSION

There are promising responses which deserve the leadership Aspen and others are committed to providing. As we at EPIC turn to our next phase of work to support the acceleration of solutions to the consumer debt crisis, we invite leaders across all sectors to reach out to our team and consider us a resource in your own efforts to lift the weight of consumer debt from families, communities, and future generations of Americans.



ABOUT FSP

The Aspen Institute Financial Security Program's (FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity.

We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans.



ABOUT EPIC

The Aspen Institute's Expanding Prosperity Impact Collaborative (EPIC) is a first-of-its-kind initiative in the field of consumer finance, designed to harness the knowledge of a wide cross-section of experts working in applied, academic, government, and industry settings toward the goal of illuminating and solving critical dimensions of household financial insecurity.

As part of Aspen's Financial Security Program (FSP), EPIC deeply explores one issue at a time, focusing on challenges that are critical to Americans' financial security but are under-recognized or poorly understood. EPIC uses an interdisciplinary approach designed to uncover new, unconventional ways of understanding the issue and build consensus among decisionmakers and influencers representing a wide variety of sectors and industries. The ultimate goal of EPIC is to generate deeply informed analyses and forecasts that help stakeholders (1) understand and prioritize critical financial security issues, and (2) forge consensus and broad support to implement solutions that can improve the financial lives of millions of people. Our first issue was income volatility, followed by the current initiative on consumer debt.

To learn more, visit AspenFSP.org, AspenEPIC.org, or follow [@AspenFSP](https://twitter.com/AspenFSP) on Twitter.





A MUNICIPAL POLICY BLUEPRINT

FOR A MORE INCLUSIVE PATH TO PROSPERITY

PROSPERITY
NOW

America's cities represent both the idealistic promises of opportunity and the crushing struggle created when those promises are only delivered to a few. Rising financial inequality and a major racial wealth divide have split too many cities into haves and have-nots. Yet, cities are also uniquely well-equipped to deal with these challenges. Their obviously local nature allows them to focus on the specific challenges of their low-income communities and communities of color to work directly with residents most in need of a new opportunity and all too long neglected.

This Municipal Blueprint is designed to guide municipal leaders and advocates toward meaningful, manageable and moveable policy solutions for building financial security within communities of color. We include approaches and strategies that complement both city-level advocacy and the tools and concepts described for racial wealth equity advocacy in our [Racial Equity Primer](#). The policies presented here will not solve every problem, but they can lay the first steps along a pathway to prosperity for all city-dwellers.



INCOME BOOSTS

While income inequality is a nationwide problem, it is especially acute in cities. This inequality is particularly stark along racial lines, due to historical and ongoing policies. These policies will help ensure that all city residents are able to not just get by but get ahead.

Raise the minimum wage for workers to be consistent with the local cost of living

Increase the minimum wage of city employees and use the contracting process to influence the wages and employment practices of city contractors

Promote and provide access to safe and affordable banking products

Promote free and low-cost tax preparation services and tax credits



CONSUMER PROTECTIONS AND DEBT MANAGEMENT

Access to good credit is essential for families to make major asset purchases, especially if they lack basic savings to weather a financial storm. These policies help historically marginalized communities build credit and access safe debt in order to stay out of poverty and save for their futures.

Inventory and reform municipal fines and fees

Enact responsible banking ordinances

Regulate predatory small-dollar lending and products



SUPPORT AFFORDABLE HOUSING AND HOMEOWNERSHIP

Affordable housing and homeownership is a cornerstone of economic prosperity. However, households of color have historically faced major institutional barriers to finding and preserving safe and affordable housing. These policies create the opportunity for all families to rent, purchase or maintain a home.

Support Residents In Staying In Their Current Homes

Protect tenants facing eviction by providing legal counsel and a fund to cover legal fees

Prohibit source of income discrimination against renters using Section 8 vouchers

Provide mortgage foreclosure diversion and property tax diversion programs

Help Afford Homeownership

Fund and promote housing counseling and downpayment assistance

Support Individual Development Account programs

Pursue shared equity programs



MUNICIPAL EFFORTS TO BUILD ASSETS

Asset ownership launches families' abilities to build wealth and prosperity over generations. These policies promote education, entrepreneurship and citizenship as key assets.

Encourage saving for college through a Children's Savings Account Program

Prioritize entrepreneurs of color for procurement and contracting

Ease financial barriers to obtaining citizenship



APPROACHES AND STRATEGIES

These policies are not silver bullets, nor will they be equally successful in every city. When adapting these policies, cities should use the following strategies and approaches to fit these solutions within specific local contexts to address and evaluate potential policies' impacts on racial wealth equity.

Lead by acknowledging racial disparities

Determine the appropriate role for city government to play on specific policies

Pilot integration of services

Policies should be data-driven, reflective of local challenges and strengths of communities of color, and evaluated through data collection

Centralize financial security with dedicated city staff

Collaborate, collaborate, collaborate

Determine the best means to fund programs through budgets or partnerships

LIFT-UP

Innovative City Strategy Reduces Utility Debt and Financial Insecurity for Residents

Participants in LIFT-UP made **more frequent, on-time utility payments** relative to customers who were not offered the program.



Local Interventions for Financial Empowerment through Utility Payments initiative (LIFT-UP) was a two-year pilot project conducted by the National League of Cities (NLC) in five cities. LIFT-UP offers city leaders a “win-win” scenario, allowing city utilities to recoup lost revenue due to unpaid bills, while connecting residents who are behind on their utility bills with financial empowerment services to help them improve their overall financial well-being.

For many low- and moderate-income American families, one unexpected setback, such as a sudden illness or job loss, can trigger catastrophic consequences that can launch them into a ceaseless spiral of household debt. When families are unable to pay basic expenses it can often be a sign of overall financial instability. Many cities have financial empowerment programs designed to help their residents, but often people who would benefit from these services either don't know they exist or how to access them.

Because municipalities frequently own and operate their water utilities, city leaders have a unique - and often missed - opportunity to reach residents. Cities can identify families who are struggling by examining

utility data on payment patterns, and connect them to the growing bundle of financial empowerment services.

However, cities all too often exacerbate residents' financial challenges by aggressively seeking repayment of debts through costly punitive methods. Imposing harsh fees and employing third-party debt collectors leads to more severe consequences for families unable to pay utility bills. This additional debt burden further jeopardizes family well-being and may leave them at risk of eviction or foreclosure. As families fall behind on their utility bills, cities feel the pinch too, as using costly debt collectors or imposing repeated shut-offs and renewals of services drains resources from limited budgets.

“[LIFT-UP] is a good program for everyone who is struggling financially. My life is changed already because my house was saved.”

//SAVANNAH, GA LIFT-UP PARTICIPANT

Participating Cities: Houston, TX; Louisville, KY; Newark, NJ; Savannah, GA; St. Petersburg, FL

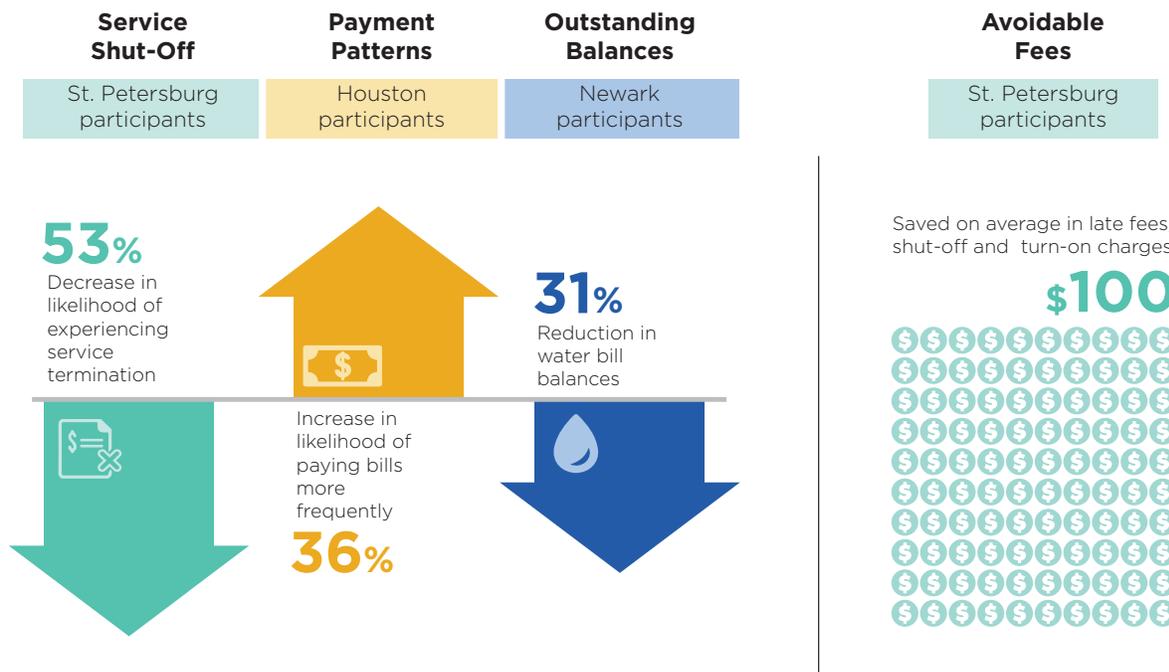
Through LIFT-UP, Cities Leverage Systems Already In Place to Help Struggling Residents

LIFT-UP’s unique design allowed all five pilot cities to leverage the reach of their public water utilities to identify financially insecure families who are not otherwise connected to social or financial services. Once identified, utility customers behind in their payments were connected to financial counseling or coaching which helped them restructure their debt into realistic and achievable payment plans.

These one-on-one sessions were an opportunity for participants to also examine other debt and financial concerns in their lives.

In addition to financial counseling, incentives such as reduced or waived fees, holds on water shutoffs and one-time credits to accounts were a vital component of LIFT-UP. Once customers began to pay down their debt, cities maintained contact with them through calls and text messages to boost their financial knowledge and motivate them to continue toward their long-term debt reduction goals.

LIFT-UP Impacts

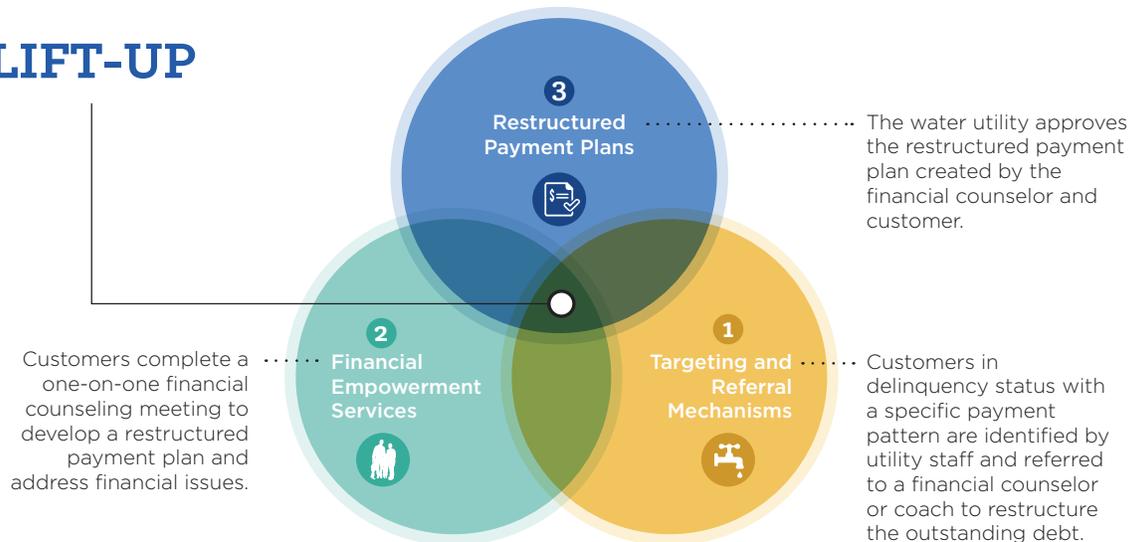


“LIFT-UP really helped us until we were able to get back on our feet. Before this program, we were making partial payments to keep our water from being shut-off. With the credits they were giving us we were able to get the payments current.”

//HOUSTON, TX LIFT-UP PARTICIPANT

The Program Model

LIFT-UP



General Overview of Results

Payment Patterns: In Houston and Newark, participants made more frequent payments relative to bills received in the 12 months after enrolling in the program, compared to the 12 months prior to enrolling in the program. The frequency of making payments increased by 36 percent in Houston and 32 percent in Newark.

Outstanding Balance: Participants in Newark and Houston had significantly lower utility bill balances of \$300 and \$170 respectively at 8 and 12 months after enrolling in LIFT-UP relative to when they started the program.

Probability of Water Shut Off: Participants in St Petersburg were 53% less likely to experience a water shut-off during the 12 months after enrolling in the program than when they started it, a difference statistically significant when compared with customers who were not offered LIFT-UP.

Avoidable Fees: St. Petersburg participants had an average of about \$100 less in avoidable fees over the 12-month period after enrollment (such as late fees and shut-off and turn-on charges) relative to customers who were not offered LIFT-UP.

“NLC’s LIFT-UP project has given St. Petersburg an opportunity to implement a program that benefits our residents and our city government. This innovative initiative has connected residents who are in debt to our water utility to financial coaching to help them pay their water bill and address other financial challenges, while the city recoups revenue and avoids costly water shut-offs.”

//KARL NURSE, COUNCILMEMBER
ST. PETERSBURG, FLORIDA

How LIFT-UP Was Evaluated

NLC partnered with the Center for Financial Security at the University of Wisconsin-Madison to conduct a two-year evaluation in five cities beginning in 2014. To evaluate LIFT-UP’s impact, municipal water utilities in five cities randomly selected residents who were delinquent in water payments based on certain pre-established criteria. Program impact was measured by comparing payment and water shut-off rates of LIFT-UP participants with two comparison groups:

Things to Consider in Adapting the LIFT-UP Model for Your City

- 1** **The LIFT-UP model can be implemented in a manner that reduces costs** to the city and increases the financial stability of residents.
- 2** **Restructuring debt requires tradeoffs** between customer needs and repayment options within existing utility structures, requiring cities to consider creative ways to align both.
- 3** **Cities must understand the underlying challenges** customers in debt face and individualize financial counseling, incentives and other services using tested behavioral economic approaches that are more likely to have long-term positive impacts on financial behavior.
- 4** **LIFT-UP has the potential to be replicated** in other public and private agencies that collect payments from residents, such as other utilities, public hospitals, or municipal courts.

1) residents with similar characteristics not offered the program; and 2) residents offered, but opting not to participate in the program. Across the five cities included in the evaluation, LIFT-UP was offered to 3,205 utility customers, with 306 participants enrolling in the program. In one city, Louisville, participant data were not included in the program evaluation due to a utility data systems conversion during the pilot study.

Conclusion

LIFT-UP is an innovative approach with a great deal of potential for changing the way cities collect payments from residents. Local champions, such as a mayor, councilmember or city utility director, have an opportunity through implementing an initiative like LIFT-UP to improve residents' financial health and help the city recoup lost revenue. LIFT-UP requires coordination and integration between city systems to ensure alignment of goals and efforts - both of which a local champion is well-positioned to initiate. Cities will find that this unique and transformative program model can ultimately improve financial outcomes for both the city and residents.

About NLC's Institute for Youth, Education, and Families

The National League of Cities (NLC) is dedicated to helping city leaders build better communities. The Institute for Youth, Education, and Families (YEF Institute), a special entity within NLC, helps municipal leaders take action on behalf of the children, youth, and families in their communities.

NLC's YEF Institute appreciates the Ford Foundation, the Center for Financial Services Innovation, and the Annie E. Casey Foundation for their generous support of the LIFT-UP pilot study, its evaluation, and the publication of this report.

To Learn More

Please visit www.nlc.org/financialinclusion

-OR-

Contact **Denise Belser**
Program Manager - Economic Opportunity
and Financial Empowerment
at belser@nlc.org



WORKPLACE JUSTICE

STATE AND LOCAL LAWS ADVANCING FAIR WORK SCHEDULES

Millions of people—mostly women—work in retail, food service, hospitality, and other industries in which jobs often pay low wages and lack benefits. In many of these jobs, employees increasingly face “just-in-time” scheduling practices, including being given very little notice of their work schedules, being sent home early when work is slow without being paid for their scheduled shifts, and being assigned to “on-call” shifts that require them to call their employer or wait to be called by their employer to find out whether they will be required to report to work. Many employees have very little ability to make adjustments to their work schedules without penalty.¹ And close to one in five people who are currently working part time would like to be working full time.²

Unstable and unpredictable work hours yield unstable and unpredictable incomes and make it extremely challenging for working people to manage responsibilities like caregiving, pursuing higher education, or holding down a second job. It can be particularly hard for parents with difficult work schedules to afford and access the high-quality child care that would provide needed stability for their children and

help prepare them for school. And research shows that the stress caused by inadequate income and constantly fluctuating work hours is not only bad for workers, but can also undermine their children's well-being.³

There is growing movement to improve workplace scheduling practices so that working people and their families can better plan their lives. This report provides an overview of the public policy solutions that have been adopted at the state and local levels to promote fair work schedules in the United States.

*Note that all of the laws and regulations summarized below incorporate administrative enforcement mechanisms and bar retaliation by employers against employees who assert the rights they provide; some also may be enforced through a private right of action. Consult **Appendix A** for information regarding anti-retaliation provisions and private rights of action, as well as an overview of the protections provided in each state and locality that regulates work scheduling practices, and see **Appendix B** for a quick-reference glossary defining each type of provision described in the report.*

Promoting Employee Input into Work Schedules

Many workers in low-wage jobs have few opportunities for meaningful input into the timing of the hours that they work, and are unable to make even minor adjustments to their work schedules or place limitations on their available hours without fear of retribution by their employers.⁴ In a 2008 survey, about half of low-wage workers reported having little or no control over the timing of their work hours, and other surveys have similar findings.⁵ Early-career employees of color in hourly jobs report less control over their work hours than do their white counterparts.⁶ And more than a third of parents believe they've been “passed over” for a promotion, raise, or a new job due to a need for a flexible work schedule.⁷

Right to request laws protect employees who want to request flexible working arrangements or other changes to their schedules by granting them the express right to do so free from retaliation by their employers.

State & local laws regarding right to request

Emeryville, CA

Emeryville's Fair Workweek ordinance, passed in 2016, grants employees the right to request additional shifts or hours, changes in days or times of work, a predictable



Appendix A: Summary of Fair Work Schedules Laws

	Advance Notice	On-Call Pay	Part-Time Parity	Predictability Pay	Private Right of Action	Promotion of Full-Time Work	Reporting Pay	Right to Request	Right to Rest	Split-Shift Pay
California Cal. Code Regs. tit. 8, § 11040					✓		✓			✓
Connecticut Conn. Agencies Regs. §§ 31-62- D2(d), E1					✓		✓			
Massachusetts 454 Mass. Code Regs. 27.04					✓		✓			
New Hampshire N.H. Rev. Stat. Ann. § 275:37-b					✓		✓			
New Hampshire N.H. Rev. Stat. Ann. § 275:43-a								✓		
New Jersey N.J. Admin Code § 12:56-5.5					✓		✓			
New York N.Y. Comp. R. & Regs. tit. 12 §§ 142-2.3, 2.4; 146-1.5, 1.6					✓		✓			✓
Oregon S.B. 828, 2017 Leg., 79th Sess	7 days (as of 7/2018) 14 days (as of 7/2020)	✓		✓	✓		✓	✓	✓	
Rhode Island 28 R.I. Gen. Laws § 28-12-3.2					✓		✓			
Vermont 21 Vt. St. Ann. § 309								✓		
Washington, DC D.C. Mun. Reg. tit. 7 §§ 906, 907					✓		✓			✓
Emeryville, CA Emeryville, Cal., Mun. Code §§ 5-39.01 - .12	14 days			✓	✓	✓		✓	✓	
New York City, NY N.Y.C., N.Y., Admin. Code §§ 20- 1201 - 1212, 1221 - 1241 (fast food)	14 days			✓	✓	✓		✓	✓	
New York City, NY N.Y.C., N.Y., Admin. Code §§ 20- 1201 - 1212, 1251 - 1252 (retail)	72 hours				✓					
New York City, NY N.Y.C., N.Y., Admin. Code §§ 20- 1261-1263								✓		
San Francisco, CA S.F., Cal., Admin. Code §§ 12Z.1 - .12								✓		
San Francisco, CA S.F., Cal., Police Code art. 33F §§ 3300F.1 - .18, art. 33G §§ 3300G.1 - .18	14 days	✓	✓	✓		✓	✓			
San Jose, CA San Jose, Cal., Mun. Code § 4.101.040					✓	✓				
SeaTac, WA SeaTac, Wash., Mun. Code § 7.45.030					✓	✓				
Seattle, WA Seattle, Wash., Mun. Code § 14.22.055 - .150	14 days	✓		✓	✓	✓	✓	✓	✓	



Appendix B: Glossary of Fair Work Schedules Provisions

- **Right to request** laws protect employees who want to request flexible working arrangements or other changes to their schedules by granting them the express right to do so free from retaliation by their employers.
- **Advance notice** provisions require employers to provide employees with a certain amount of advance notice of their schedules. Some provisions also require employers to provide estimates of schedules and minimum hours before an employee begins employment.
- **Predictability pay** provisions require employers to pay employees a certain number of hours of compensation, in addition to payment for any time actually worked, when employers make last-minute changes to employees' schedules.
- **On-call pay** provisions require employers to pay employees for a certain number of hours of compensation when employees are required to be available to work a shift and to contact the employer or wait to be contacted to determine whether they must report to work.
- **Reporting pay** provisions require employers to pay employees for some portion of their originally scheduled shifts when employees report for work but are then told that their shifts have been cancelled or reduced.
- **Split-shift pay** provisions require employers to pay employees additional wages as compensation for any day on which they are required to work shifts in which they have a gap or gaps between scheduled hours in the same day.
- **Right to rest** provisions require employers to provide a minimum amount of rest time between shifts and to pay employees who consent to work without the rest time at a higher rate.
- **Part-time parity** provisions require employers to treat part-time and full-time employees equally with regard to wages, ability to accrue benefits, and eligibility for pay raises and promotions.
- Provisions **promoting full-time work** require employers to offer additional available hours to their qualified existing employees before hiring any additional employees to work those hours.

* * *

1. See generally NAT'L WOMEN'S LAW CTR. (NWLC), COLLATERAL DAMAGE: SCHEDULING CHALLENGES FOR WORKERS IN LOW-WAGE JOBS AND THEIR CONSEQUENCES (2017), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2017/04/Collateral-Damage.pdf>.
2. NWLC calculations based on U.S. DEP'T OF LABOR, BUREAU OF LABOR STATISTICS (BLS), CURRENT POPULATION SURVEY (CPS), TABLE E-5: EMPLOYED PERSONS BY CLASS OF WORKER AND PART-TIME STATUS, SEASONALLY ADJUSTED, https://www.bls.gov/web/empsit/cpsee_e05.pdf (showing just over 5 million—19.3 percent—of those working part time in the first quarter of 2018 did so “for economic reasons,” i.e., involuntarily).
3. See generally JULIE VOGTMAN & KAREN SCHULMAN, NWLC, SET UP TO FAIL: WHEN LOW-WAGE WORK JEOPARDIZES PARENTS' AND CHILDREN'S SUCCESS (2016), <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2016/01/FINAL-Set-Up-To-Fail-When-Low-Wage-Work-Jeopardizes-Parents%E2%80%99-and-Children%E2%80%99s-Success.pdf>.
4. LIZ WATSON & JENNIFER E. SWANBERG, FLEXIBLE WORKPLACE SOLUTIONS FOR LOW-WAGE HOURLY WORKERS: A FRAMEWORK FOR A NATIONAL CONVERSATION 6 (2011), <http://workplaceflexibility2010.org/images/uploads/whatsnew/Flexible%20Workplace%20Solutions%20for%20Low-Wage%20Hourly%20Workers.pdf>. See also Robert C. Bird, *Precarious Work: The Need for Flextime Employment Rights and Proposals for Reform*, 37 BERKELEY J. EMP. & LAB. L. 1, 3 (2016).
5. See WATSON & SWANBERG, *supra* note 4, at 19-20; LONNIE GOLDEN, ECON. POLICY INST., IRREGULAR WORK SCHEDULING AND ITS CONSEQUENCES, BRIEFING PAPER # 394 9 (2014), <http://s2.epi.org/files/pdf/82524.pdf> (finding in an analysis of International Social Survey Program data that 45 percent of workers surveyed said “their employer decides” their work schedule; only 15 percent reported they were “free to decide” their work schedule, while the remaining 40 percent felt they could “decide within limits”); SUSAN J. LAMBERT, PETER J. FUGIEL, & JULIA R. HENLY, PRECARIOUS WORK SCHEDULES AMONG EARLY-CAREER EMPLOYEES IN THE US: A NATIONAL SNAPSHOT 14 (2014), https://ssascholars.uchicago.edu/sites/default/files/work-scheduling-study/files/lambert.fugiel.henly_precarious_work_schedules.august2014_0.pdf (finding in an analysis of NLSY data



Our Hidden Economic Challenge: Income Volatility

There are a lot of things we could be doing to smooth the ups and downs for today's just-in-time workforce.

JANUARY 8, 2018 AT 6:15 AM



According to studies by the Aspen Institute, about half of low-wage workers get little advance notice of changes in shifts or the number of hours they will work.

By [Stephen K. Benjamin](#) | Contributor

Mayor of Columbia, S.C., and president of the U.S. Conference of Mayors

Unemployment is back down to near-historic lows -- 4.3 percent nationwide and a bit lower in my own city of Columbia, S.C. Why, then, are so many of my hard-working constituents, and Americans nationwide, so anxious about money? Stagnant wages and rising inequality are parts of the story, but there is an equally pernicious trend that gets almost no attention: income volatility.

We live in an economy increasingly dominated by just-in-time workers, and the swings can be wrenching. Think of the hourly worker whose hours are slashed when business slows down, the parent who gets hit with an unexpected hospital bill, or the Uber driver who has a slow week. Think of all of the "independent contractors" who have no sick leave, no health insurance and no job security. Income volatility also affects millions of full-time employees, from salespeople who work on commission to factory workers who get laid off during slow periods.

According to [an Urban Institute report](#), roughly a quarter of American families suffer a major disruption to their income each year. Nearly one in five of those families suffer an income drop of 50 percent or more. Volatility is especially traumatic for low-wage workers. And according to studies by the Aspen Institute, about half of low-wage workers are subject to precarious scheduling: they get little advance notice of changes in shifts or the number of hours they will work. For people living paycheck to paycheck, even short swings can cause long-lasting disruptions.

I saw this stress firsthand last summer when the city of Columbia hosted a conference on income volatility in coordination with the Aspen Institute's Financial Security Program and LendUp, a socially responsible financial-services firm.

We brought together elected officials, local business leaders, community advocates and policy experts. But we also heard from residents. "Stress is at the top of the list," one mother recounted. "You can't even think through in a rational way to work things out because you don't have the energy or focus."

"I can't even afford to get sick," said a resident working his way through college. "I had to quit going to school just so I could afford to pay rent."

One young mother recounted how she got fired after trying to care for her sick child. "They didn't want to hear the excuse," she said. Another mother with a sick child said she was forced to take out a high-cost "title loan" secured by her car. "I am still paying it off," she said. "I think I'm going to give the car back."

What can we do? We can't erase income volatility, but we can tame its impact. This will require bold thinking and collaboration across all sectors: elected officials, the business community, the financial-services industry, community advocates, nonprofit leaders and our own public employees.

As the mayor of Columbia, I oversee a municipal enterprise that employs more than 2,000 people. To that end, we are exploring a range of new strategies that could serve as a model for other employers. One simple idea: offer employees training in money management *during work hours*. There are a number of useful tools to help people prepare for volatility, but employees are often too busy or tired to think about those issues after work.

We also are looking at a pilot program to spur savings and homeownership among city employees. The plan is to offer "lunch and learn" seminars on a wide range of topics, from budgeting to credit management, and to link that with financial incentives for saving and support for down payments on homes purchased in targeted areas.

Employers need to think creatively about ways they can improve financial stability. Something as easy as switching from biweekly to weekly paychecks can help. But why stop there? Perhaps it's possible to smooth the monthly income of people who earn uneven but predictable amounts of overtime pay. If electricity customers can average out their bills over the year, why couldn't employees average out their overtime? Employers could also give their workers more advance notice about changes to their schedules or the number of hours they can expect. New York City recently enacted a law that requires exactly that.

Financial-services companies can help too. As Sasha Orloff, co-founder and CEO of LendUp, has noted, today's financial-services industry doesn't serve the needs of more than half of Americans, those who don't have access to things like debit or credit cards. Financial-services companies have a huge opportunity to innovate on behalf of these consumers, and some are already working on new ideas. Among them: safer alternatives to "payday" loans.

Government also should do more to adapt safety-net programs to the needs of today's workforce. Unemployment insurance helps only about one in five people who lose their jobs, and it does absolutely nothing for people whose hours are cut back. The federal Earned Income Tax Credit provides thousands of dollars to low-income working families -- but only once a year.

Neither the just-in-time labor economy nor the other causes of income volatility are likely to fade anytime soon. The good news is that creative solutions are possible, but they require bold thinking on all sides.

[Stephen K.](#)

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What Local Government Can Do About the Consumer-Debt Epidemic

Over-reliance on fines and fees is a big part of the problem, but there are a lot of steps that cities can take.

APRIL 11, 2019 AT 4:00 AM



By [Stephen K. Benjamin](#) | Contributor

Mayor of Columbia, S.C., and president of the U.S. Conference of Mayors



By [Joanna Smith-Ramani](#) | Contributor

Managing director of the Aspen Institute Financial Security Program

Think of it as an epidemic, one whose impact spans mental and physical health, financial security and local economies: American consumer debt has reached record levels, now nearly double what it was at its previous peak in 2008. We borrow to go to college, buy a home or finance a car. And many must borrow simply to smooth out gaps in their fluctuating incomes.

Yet there is another cause of debt that's not often discussed: debt incurred not from borrowing but from the fines and court fees some local governments assess for parking tickets, jaywalking and even such minor infractions as barbecuing in front yards. It's these types of debts that can have the biggest systemic impact, particularly on people of color and working families.

Many local governments have come to use these fines and fees as a significant revenue source, too often collecting them using such aggressive measures as suspending driver's licenses and prohibiting public employment. The impact is that those who can least afford it are the ones who suffer the most, ending up in a cycle of debt that reduces resources available to pay for basic needs or to invest in opportunities to build security and wealth. And then there are the negative consequences for the local economy: increased public-service expenditures coupled with reduced rates of business formation and homeownership.

There are three areas where local governments have tremendous opportunity to address this systemic debt and its impact on our communities. The most innovative leaders in cities across the country are already trying out new ideas:

First, local governments can replace their own detrimental delinquency, default and collections practices with constructive programs. In St. Louis, where unpaid parking tickets and traffic citations can lead to a suspended driver's license, Treasurer Tishaura Jones is developing a program of low-cost payment plans that help constituents avoid losing their licenses, which are often essential for access to jobs. Columbia, S.C., offers payment plans for fines and allows those who are still unable to pay to complete community service hours in lieu of monetary fines. Cities in California and Florida also have begun to offer such non-financial-repayment options as community service or participation in financial counseling. And Maryland's legislature has advanced a bill to prohibit imprisonment solely for inability to pay outstanding fines or fees.

Second, local governments can reassess their own fines and fees. That's important not only as a matter of fairness but also from a standpoint of efficiency: The California state auditor has found that administering and collecting fines actually costs government more than it receives in revenue. As San Francisco has done, local governments can consider assessing fines at levels proportional to both the gravity of the offense and the individual's ability to pay, and implement new strategies for collecting fines that are designed to be less punitive and to meet consumers' needs. Judges in Columbia have discretion on fine amounts based on self-reported financial burdens and a number of non-financial factors, and defendants are never given jail time for inability to pay a court fine.

Third, local governments can look for opportunities to help democratize access to high-quality credit. Cities can take legal measures against lenders whose discriminatory activities cause harm. Miami and Philadelphia, for example, are enforcing laws that prohibit racial and gender disparities in access to and cost of mortgages. In addition to the issue of discrimination, both cities pointed to the municipal financial burdens they have incurred due to lenders' actions, including reduced property-tax revenues and increased service costs.

The causes of our consumer-debt epidemic [are often systemic](#), and they need a systemic solutions. We're inspired by the many local governments that are making real change. With the sharing of these ideas, there's a real opportunity for other local leaders to find solutions that work for their communities.



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Accessed July 15, 2019: <https://columbiasc.gov/community-development/financial-programs/bank-on>



“Bank On” Columbia

The goal of the “Bank On” Columbia initiative is to provide Columbia’s un-banked and under-banked residents access to low-to-no cost checking and savings accounts along with access to in-depth financial education. This initiative addresses an issue that has been a problem in our community for some time and provides Columbia residents a healthy alternative to using payday lenders and check cashing businesses for their financial needs. Un-banked individuals do not have bank accounts but use pay-day lenders and check cashing businesses for their financial needs. Under-banked individuals have bank accounts but still use these pay-day lenders and check cashing businesses. Using these sub-prime businesses can cost \$1,250-\$1,350 in annual fees and underlines the main reason why “Bank On” Columbia is needed in our community. We also partner with local community organizations in order to provide their clients access to these accounts.

The “Bank On” Columbia program is in partnership with Branch Bank and Trust (BB&T), South State Bank and TD Bank. These banks donate their skills and time to help facilitate the “**Start Fresh**” financial education workshops. These workshops focus on banking, budgeting, saving, building your credit and homeownership. Participants of the workshop are either referred by one of the partnering banks or sign up by their own volition. The partnering banks also actively engage in the community to promote the “Bank On” initiative by visiting community organizations and attending community events.

Start Fresh Financial Workshops

Bank On” Columbia offers a free three part 12 hour “Start Fresh” financial education workshop series to participants of the program who either are referred by one of the partnering financial institutions or register by their own volition. A shorter 2 part workshop is also offered. The workshop series is also open to the public and focuses on banking, budgeting, saving, building your credit, and homeownership. Our workshop series is fully supported and backed by the Federal Deposit Insurance Corporation (FDIC). Members of our partnering financial institutions along with City of Columbia personnel facilitate the workshops. After successfully completing the workshop, each participant is given a certificate of completion to present to one of the partnering financial institution so that they can open a bank account. Workshops are held throughout the year. For more information, please call 803-545-3373.



Low-Income Stockton Residents Praise City's 'Universal Basic Income' Program

[Rich Ibarra](#)

Wednesday, May 22, 2019 | Sacramento, CA | [Permalink](#)



Tomas Vargas, a recipient of Stockton's "universal basic income" program. This city is paying select residents \$500 a month, with more or less no strings attached, as part of a campaign to help families that are struggling with poverty.

Rich Ibarra / Capital Public Radio

Stockton has made resident Tomas Vargas a guarantee: The city will pay him \$500 a month, for free, more or less no strings attached.

It's money that he's received since February as part of Stockton's "universal basic income" program.

Vargas, who lives with his fiancée and two children, was chosen at random to be a recipient, along with 125 other low-income families as part of a pilot program called Stockton Economic Empowerment Demonstration, or SEED.

He and the other families are required to live in a neighborhood where the average annual income is below \$46,000, which Vargas meets, earning just \$31,000.

That extra money has changed his life. "It makes a difference on choices I can make," he said, adding that he daughter needs tutoring, and he can now take her.

There is a national debate over the merits of Stockton's "UBI" program, however, with advocates championing it as a way to lift up families in poverty, and detractors arguing that it makes recipients hesitant to pursue full-time employment.

Stockton Mayor Michael Tubbs says there are already signs that the program works. "I think the data shows that people make good decisions, people are healthier, happier," he said.

The mayor is scheduled to discuss the UBI program during Thursday's "State of the City" address.

Sukhi Samra is SEED’s director and says Stockton is the perfect place for the experiment. “Nearly one in 4 Stocktonians are living in poverty. We’re 18th in the nation for child poverty. For us, this is about being able to help as many folks as we can while advocating for a guaranteed income at a statewide or national levels,” Samra said.

Funding for the \$3 million program was provided by foundations and private donors. SEED will continue through July of next year.

Vargas says he was previously getting welfare and food stamps, but that “UBI” is truly is a “big stress relief.” And he also knows that how he uses the money will impact whether others get a chance.

“That’s why I’m trying so hard to make sure that I’m doing something positive with it because it is a big impact on what’s going to happen next,” Vargas said.



Rich Ibarra

Contributing Central Valley/Foothills Reporter

As the Central Valley correspondent, Rich Ibarra covers San Joaquin, Stanislaus, and Merced counties, along with the foothill areas including Tuolumne and Calaveras counties. He covers politics, the economy and issues affecting the region.

THE ST. LOUIS AMERICAN

Seeking solutions to income volatility in St. Louis

By Tishaura O. Jones For The St. Louis American, Oct 11, 2017

Wiley Price



Many families in our community are struggling with a silent epidemic – income volatility.

“I can have a steady schedule but if it’s slow, they’ll send us home. Or, sometimes, we’ll work overtime. It depends.”

“My husband got laid off five months ago. I don’t know what he’s doing, temping here and there. He had a good union job.”

These are quotes from St. Louis community members who, like millions of their fellow Americans, experience month-to-month swings in income, making it hard to make ends meet, plan for the future, and save money.

According to an Urban Institute study, one in four American families are hit with unexpected disruption in income every year. For some, this volatility exists year-to-year, others see it as much as month-to-month or week-to-week.

These swings can cause family finances to spiral, especially when there are no savings to turn to. A survey conducted by the Federal Reserve found that 44 percent of adults are unable to cover a \$400 emergency expense without selling something or borrowing. When faced with this kind of setback, households are forced to turn to unsustainable solutions like predatory loans that can leave them with more debt.

The issue of income volatility is not unique to St. Louis, but is exacerbated by other issues we face, including high poverty rates and stagnant wages.

There is a reason why the Ferguson Commission Report included calls to action around financial empowerment. In St. Louis County, 22 percent of black residents live at or below the poverty line. In the city of St. Louis, that number goes up to 38 percent. For white residents, it’s 15 percent – not insignificant either.

To live comfortably in the city, an individual needs to make \$15 an hour. For three months last spring, we afforded our workers a \$10 minimum wage – still significantly below what families need, but a move in the right direction. Then in June, our state legislature passed a law capping the statewide minimum wage at \$7.70.

Many in our community are stressed and anxious. Many are living paycheck to paycheck.

Our community has taken to the streets because they are desperate for change. They crave opportunity and demand solutions. We are not delivering.

I am committed to helping our most vulnerable. The tough reality that we need to accept is that our most vulnerable population is larger than we think. People need access to responsible banking, they need higher wages, affordable benefits, and they need ways to manage income volatility. Unless we address income volatility far too many people and communities will never reach their full potential.

This is why I am partnering with the Aspen Institute's Expanding Prosperity Impact Collaborative (EPIC), socially-responsible fintech company LendUp, and other national and local partners on Finance Forward, a series that explores solutions to income volatility nationwide. Our hope is that bringing solutions-focused conversations to St. Louis will further strengthen the financial empowerment efforts that are already under way.

Change will not come quickly, but it starts with listening to the concerns expressed by members of our community, concerns that are legitimate. And, it comes from engaging a cross-section of organizations and industries who know that St. Louis can do better and want to see the city reach its full potential.

In working with the Aspen Institute and LendUp, we have pulled together a network of national leaders from the Pew Charitable Trusts and the Urban Institute, as well as local stakeholders including Justine PETERSEN and Washington University of St. Louis.

All are ready to sit down to have a meaningful solutions-driven conversation.

St. Louis deserves better than the status quo, better than what we saw before the Ferguson Report, better than what we've seen since, better than what has unfolded in the last few weeks.

We can create economic opportunities for St. Louis families. We can create new jobs and good jobs, with fair, steady wages, and good benefits. We can provide families with paths to financial security.

Join us at 5:30 p.m. on Tuesday, October 17 for a reception followed by a panel conversation on the problem of and solutions to income volatility in St. Louis. To RSVP, call (314) 622-3434 or register at this link.

Tishaura O. Jones is the treasurer of the City of St. Louis.

St. Louis Treasurer Tishaura Jones Discusses City Finances, Improving Access to Banking

By JON LEWIS · APR 19, 2019
[St. Louis on the Air](#)



St. Louis Treasurer Tishaura Jones joined Friday's "St. Louis on the Air."

CREDIT EVIE HEMPHILL | ST. LOUIS PUBLIC RADIO

On Thursday, St. Louis Treasurer Tishaura Jones [announced](#) that she will be reevaluating the city's relationships with the banks that handle its money, with the goal of getting those financial institutions providing better services to low- and middle-income areas.

Jones, who joined St. Louis Public Radio reporter Jeremy D. Goodwin on Friday's *St. Louis on the Air*, said that she plans to use the city's annual evaluation of which banks can and can't handle government funds to try to encourage lending practices she says have stagnated.

"The planning department actually maps out where loans are being made and loans are not being made, and it looks like any other map that we look at of the city, where there's no lending activity in north St. Louis and parts of south St. Louis where typically more low- and moderate-income people live, and there's a lot of lending activity in wealthy or

affluent areas in the city,” she said. “So we have to change the trajectory if we want to create a city where all of our families have an opportunity to thrive and build assets.”

Jones said that she wants to use the process of approving the sanctioned list of banks for city funds to encourage different lending behavior.

“We have to pay strict attention to the banks that we do business with to make sure that they're making themselves available, that they're making loans in low- and moderate-income areas, that their branches are available in low- and moderate-income areas,” she said. “We want to make sure that we're getting best bang for the buck for the city but also for the residents.”

Jones also discussed her opposition to the Better Together plan for a city-county merger in light of the St. Louis County NAACP [announcing its support](#) for the proposal, the ongoing [court battle](#) that might strip the city treasurer of the funds generated by parking meters, and [College Kids](#), her office's program to create college savings funds for children in St. Louis Public Schools.

Listen to the full conversation:

“[St. Louis on the Air](#)” brings you the stories of St. Louis and the people who live, work and create in our region. “St. Louis on the Air” producers [Alex Heuer](#), [Evie Hemphill](#), [Lara Hamdan](#) and [Jon Lewis](#) give you the information you need to make informed decisions and stay in touch with our diverse and vibrant St. Louis region.

All MPS 5-year-olds will start school next fall with a college savings fund

Clara Hatcher, Milwaukee Journal Sentinel

Published 6:54 p.m. CT Feb. 2, 2018 | Updated 12:29 p.m. CT Feb. 12, 2018



(Photo: Mark Hoffman, Milwaukee Journal Sentinel)
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When 5-year-olds start kindergarten at MPS next fall, they will already have a start on saving for college in the form of \$25 in seed money deposited into a master savings account.

Funds for the College Savings Account Initiative have been accumulating through the city, which has invested \$75,000, and from Milwaukee Public Schools Superintendent Darienne Driver, who committed \$50,000 on behalf of MPS for first-year

operations. Additional fundraising efforts are intended to launch in the spring through the city, in partnership with supporters including the Greater Milwaukee Foundation and United Way.

“In some ways, we really don’t look at this like a savings program because it is more than just a savings program,” said Sharon Robinson, director of the Department of Administration for the City of Milwaukee. “It’s really about planting seeds of hope in young people who might not have otherwise thought about higher education as a possibility and helping to make it a reality.”

The college saving plan idea was an action item in a [City of Milwaukee economic plan called Growing Prosperity](#). Robinson was tasked with researching CSA programs and the feasibility of implementing a large-scale initiative in Milwaukee more than a year ago. She led a workgroup that researched states that have CSA programs operating, including California, Maine, Michigan and Mississippi.

For Milwaukee, the CSA will be led by a public-private partnership with Edvest, Wisconsin’s college savings plan, where a master account is opened and a program manager will be hired to track individual students who will have access to funds in the account.

If a student leaves MPS, the funds accumulated for that student will be recycled back into the program. If students stay in MPS and complete their K-12 education, they will have access to the funds upon enrollment in postsecondary education, with a possible five-year window for enrollment. MPS has been implementing readiness programs in recent years to help students get geared toward applying to postsecondary education. These include workshops designed to give students and families professional help in filing their Free Application for Federal Student Aid (FAFSA). MPS has opened College & Career Centers in four high schools and has expanded to all 20 of the district’s traditional high schools.

The rate of MPS grads enrolling in postsecondary education has been edging up — from 35% in 2011 to 43% in 2015.

Through their research, Robinson and the workgroup found that low- and moderate-income children are four times more likely to graduate if they have between \$1 and \$500 in savings for college. They are three times more likely to enroll in college.

These kinds of results, Robinson said, are needed to address educational disparities in Milwaukee where, according to research through Growing Prosperity, 46% of white students and 52% of Asian students had plans to go to college while only 37% of African-American students and 33% of Hispanic or Latino students held the same plans.

“Children from low-income backgrounds and, in particular, African-American youth, didn’t have the aspirations of their peers,” Robinson said of the research. “In some cases, when they were leaving high school, they had no plans whatsoever. ... So it demonstrated a real need.”

Students are predicted to have a minimum of \$500 in savings by the time they graduate, though there is a possibility of that amount increasing, depending on fundraising.

While students will start with \$25 of seed money in their Edvest accounts, Robinson said that the workgroup and CSA partners are devising ways for students to earn “bonus deposits” throughout their education. These deposits can be earned through specific achievements by students and their families.

Kellie Sigh, a director in the Office of the Chief of Staff at MPS, said potential incentives tied to academics include ideas for improved reading scores, attendance and, for families, increasing financial literacy.

According to Robinson, the CSA program is geared toward helping parents as much as students in the long run.

"There is a connection between wealth building and economic mobility," Robinson said. "We are actually hoping some of the parents will be motivated to pursue education beyond high school or to pursue postsecondary education if they haven't done so."

Sigh was one who attended two separate focus groups designed to gauge reactions from parents and provide a platform to answer possible questions.

“There were some parents who were cautiously optimistic,” Sigh said. “But, what I heard more often than anything was that they liked the idea.”

Along with the Edvest master fund for students, additional educational opportunities to help families build financial literacy and economic mobility are being discussed. Robinson said that quality makes the program a "two-generational approach."

Students will be able to receive similar educational opportunities through a partnership with Mount Mary University in Milwaukee. Mount Mary President Christine Pharr said she hopes to send university students into schools to provide examples of how students of various backgrounds are able to afford postsecondary education.

"I have great hopes for it (CSA) to really transform lives," Pharr said. "Education is the great equalizer in many cases. If we can get a larger percent of our students completing high school and advancing into some form of higher education, I think that will have a great effect on the community."



Chicago Resilient Task Force Recommends Guaranteed Income Pilot Program

The task force, which includes Harris Associate Professor Damon Jones, FEBRUARY 25, 2019, HELEN SMITH

The Chicago Resilient Families Task Force, which includes as a member Harris Public Policy Associate Professor [Damon Jones](#), has released a report which recommends an expansion and modernization of the Earned Income Tax Credit and a guaranteed income pilot in order to empower individual Chicagoans through increased economic security. The task force, which was created by the Chicago City Council last year, was funded by the Economic Security Project, with the Metropolitan Planning Council as fiscal [sponsor](#).

“There are many families who find themselves in a state of economic precarity and a growing public debate regarding the best ways to address this,” Professor Jones said. “It was exciting and fascinating to serve on a committee comprised of various local stakeholders and also humbling to hear from members of the community about their economic struggles and how cash assistance could change their circumstances. The Task Force and the report took a deep dive into two potential solutions and also made space to center the voices of those actually in need.”

The task force met with experts on the mechanisms of poverty and listened to the stories of those in need to create *Big Shoulders, Bold Solutions: Economic Security for Chicagoans*, which documents the results of their research.

The task force suggests a pilot program of guaranteed income which would continue Chicago’s track record as a city willing to bring innovation to scale; they recommend this based on the data throughout the report that shows individuals do not abuse cash transfers. The benefits of this pilot for policy are:

- Quick results, since the transfer of cash to low-income families will provide immediate improvement to well-being
- Make change in the community by pursuing equality
- Create data which will fuel future progress in policies and pilot programs that deal with income and poverty
- Serve future studies and pilot programs through the evaluation of unconditional, unrestricted cash transfers using a control group
- The transfer of research into motion in a way that can be seen by others across the state, country, and world
- The chance to update the exclusionary narrative of poverty and to promote the real experiences of those who live within the cycle of poverty

In particular, the task force outlines the scope of an unconditional cash transfer pilot program with 1,000 participants. It also suggests ways to expand the Illinois Earned Income Tax Credit (EITC) and create a Chicago EITC.

Wage increases for workers in lower- and middle-income jobs do not match or exceed the rate of inflation, the report finds. As a result, wage inequality is now significantly larger than it was in 1985. In the last 30 years, the hourly wage of the median worker has increased 9.8%, but the top 10 percent and top 1 percent of workers have experienced wage gains of about 36%.



Harris Associate Professor Damon Jones

The report builds on Professor Jones’s recent [research](#), with coauthor Ioana Marinescu, which demonstrates that unconditional cash transfer policies do not cause people to leave the workforce. These policy proposals, similar to the [Stockton Economic Empowerment Demonstration \(SEED\)](#) in Stockton, California and the [Magnolia Mothers Trust](#) in Jackson, Mississippi, include direct payments that

ensure each resident has a baseline of income to provide for basic needs. While previous research has focused on the effects of these unconditional cash transfers at the micro level—i.e. winning the lottery—Professor Jones’s study examined their large-scale impact by looking at a government program that has supported Alaska residents for the past 25 years.

Contingent workers, or individuals who work in the ‘gig economy’ without set contracts for their employment, represent a growing share of the Chicago workforce. The report found that contingent workers:

- Make less money than standard full-time workers due to unreliable schedules and salaries
- Live in poverty and rely on public assistance at higher rates than the rest of the workforce
- Tend to be younger, Hispanic, have low family income and lack a high school degree
- Were laid off in the previous year at a rate more than three times higher than the rate at which standard full-time workers lost their jobs

The report also examines the status of un- and undervalued caregivers, many of whom are low-paid or unpaid, in the case of family members assisting loved ones. This work is mostly done by people of color, women, and immigrants—the same demographics that the task force found to be affected by predatory cycles of poverty.

The task force did find instances of progress in Chicago’s economy. The city’s incremental raise in minimum wage from \$8.25 an hour in 2015 to \$13 an hour in July has benefited 330,000 workers, representing about 25% of the city’s workforce, in low-paying occupations and industries. Another effective policy, according to the report, is the Chicago Sick Leave Ordinance, which entitles sick time to most people working in the City of Chicago or the Cook County Suburbs who have been on the job for 6 months or more with at least 80 hours worked within a 120-day period. This ordinance, which went into effect in July 2017, applies to people working either full-time or part-time at companies of any size.

The pilot program would provide a sample of 1,000 low-income Chicagoans with \$1000 per month, a number based on the federal poverty guideline for a family of 1. The period of the program is 1.5 years, which is a sufficient length to see the effects of the supplement. Research methods may include quantitative surveys, qualitative interviews, and ethnographic studies. Existing benefits to participants will be preserved.

For more than a decade, under the strong leadership of the elected treasurer, the San Francisco Office of Financial Empowerment (OFE) has engaged partners inside and outside City Hall to equip San Franciscans with knowledge, skills and resources to stabilize their financial lives today and seize opportunities tomorrow. At the same time, the OFE has leveraged what has worked on the ground to model what is possible for cities across the country.

The Urgency of Our Work

We believe the OFE's work is more important now than ever. A growing number of families across the country face chronic economic insecurity, unable to stabilize their financial lives and get ahead. Over half of Americans experience volatility in their income and bills, and more than half either break-even or spend more than they make in most months (Pew 2015). And while parents struggle to achieve economic security, their children face a life of limited upward mobility (Pew, 2012). In San Francisco, these challenges are acute. Dramatic income and wealth inequality increasingly divides those at the center of the city's booming economy from those at its margins, particularly communities of color.

Achieving economic security is not only a critical challenge for San Francisco residents, but the financial health of the city depends on it. Financially healthy residents boost the local economy by spending more, starting or expanding businesses and paying property taxes. Inversely, when economically insecure families experience a financial shock, they are more likely to miss bills, face eviction and fail to meet other financial costs that are ultimately borne by the city. The Urban Institute estimated the cost to San Francisco from evictions, and unpaid property taxes and utility bills at \$24-\$54 million in 2016.

Finally, families striving to achieve economic security need policies that enable them to build wealth and resiliency, and address predatory practices that strip wealth. Given the current federal government's retreat from consumer financial protection and policies that support a fair and inclusive economy, we believe cities are more important now than ever and the work of the OFE imperative. These circumstances call on us to sharpen our role as convener, advocate and innovator on behalf of low income families.

Our 5 Year Focus

To understand how best to sharpen our role, we engaged in a strategic planning process between late 2016 and early 2017. We listened to key stakeholders, assessed our work, honed our mission and identified the unique ways we can best support low income San Franciscans over the next five years. The results of this process are outlined below.



Vision

A City Where Everyone Can Thrive

Mission

We leverage the power of City Hall to strengthen economic security and mobility for low income families

Goals and Strategies

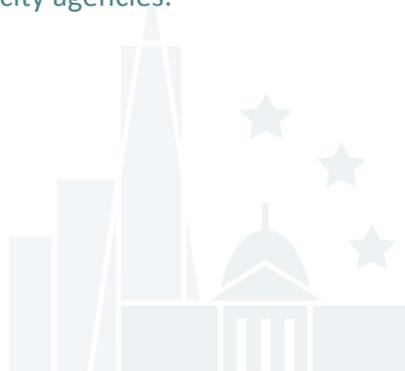
With income and wealth inequality on the rise, and families struggling to get ahead, the OFE is compelled to prioritize support to those communities across the city that face the greatest economic challenges - low income communities and communities of color. The next five years will see the OFE prioritizing families that reside, work or receive city services in San Francisco's low income neighborhoods. As convener, innovator and advocate, we will work closely with the treasurer and a broad group of thought and implementation partners inside and outside city government to pursue three primary goals in support of our mission.

Goal 1: Demonstrate Promising and Expand Proven Innovations

Within this goal, the OFE will focus on strategies to innovate while strengthening OFE's flagship initiatives.

Strategy: Identify and demonstrate promising ideas

In 2017, the OFE will launch an economic Mobility Lab (mLab) designed to test program and policy innovations that promise to strengthen the economic security and mobility of low income San Franciscans. Over the next three years, mLab will systematically test 4-6 promising ideas by: (a) defining key financial challenges faced by low income families; (b) employing human-centered design and behavioral science to understand these challenges and identify promising solutions; (c) partnering with private, nonprofit and city partners to co-design, pilot and evaluate these program and policy solutions; (d) documenting and sharing insights with advocates, policy makers and social service providers, including municipal peers across the United States; and (e) identifying opportunities to replicate and scale those solutions with the greatest proven potential. mLab will leverage the OFE's in-house research and development capabilities, city resources and partnerships with funders, private sector, non-profit organizations and city agencies.



Strategy: Strengthen Kindergarten to College

The OFE will strengthen its flagship Kindergarten to College (K2C) program in four key areas to enable the program to serve more families, more effectively. First, to strengthen engagement, the OFE will prioritize outreach to low income neighborhoods in San Francisco. Second, the OFE will seek to integrate K2C more fully into the spectrum of city services for children, youth and families. Third, the OFE will research and develop a hybrid account model that combines the benefits of K2C's current custodial account with a market-based account. Fourth, the OFE will strengthen K2C's operational capability by: (a) providing critical stakeholders access to a management information system that improves their ability to support the program; (b) increasing the number of retail financial institutions participating in K2C, and the number and type of channels available for families to deposit; and (c) defining clear policies and procedures to distribute funds to college-bound students in a way that eliminates or minimizes families' tax liability and impact on financial aid. With these important steps, the OFE seeks to double family contributions to \$5 million and increase the percentage of families actively saving to 25% by 2020.

Strategy: Expand and deepen Bank On

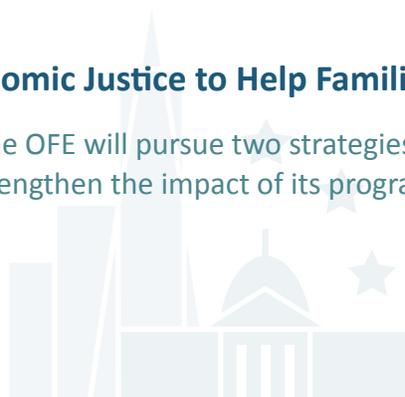
One in five San Franciscans are unbanked or underbanked, often relying on wealth-stripping, fringe financial products and services to manage their money. After an important decade focused primarily on bringing the unbanked into the financial mainstream, the OFE is now focused on building residents' trust in mainstream financial institutions, and directing them to safe, affordable accounts that help them manage their money and build wealth. This strategy will include partnering with at least one Bank On institution to evaluate impact on underbanked families; and piloting an innovation to systemize and scale account opening or savings processes. Ultimately, Bank On seeks to help low income families save \$1 million by June 2020.

Strategy: Integrate financial capability into the work of other city agencies

The OFE is uniquely positioned to leverage partnerships with city agencies to integrate financial capability principles and programs into existing municipal services to low income residents. The OFE has successfully integrated financial coaching into city services to public benefit and housing recipients, and will pursue opportunities to expand this work. The OFE will work with city agencies to integrate and evaluate financial capability into frontline service delivery; train front-line staff to offer financial counseling; pilot the integration of a financial capability curriculum in the public school system; and embed financial capability into city departments' request for proposals.

Goal 2: Use Our Voice for Economic Justice to Help Families Build and Protect Wealth

Leveraging the power of City Hall, the OFE will pursue two strategies to protect consumers from predatory financial practices and strengthen the impact of its programs.



Strategy: Build City's capability for consumer financial protection

Given inaction at the federal level, the OFE has identified a unique role coordinating consumer financial protection efforts across the city. To this end, the OFE will launch a consumer financial protection initiative by 2020. Under this initiative, the OFE will equip San Franciscans with a mechanism to voice their complaints of predatory practices, develop a system to capture and investigate these complaints and hold predatory financial service providers accountable.

Strategy: Advocate policies that most directly support or align with our program priorities

The OFE recognizes the importance of policy to support programs, and strengthen our impact among low income families across San Francisco. To be effective, the OFE will focus its advocacy on policies that support our flagship Kindergarten to College, Bank On and Financial Capability Integration programs.

Goal 3: Amplify our Work with Strong Funding, Research and Communications

To increase its effectiveness, the OFE will pursue three key organizational strategies.

Strategy: Measure our performance and capture learning

The OFE is committed to evidence, clear metrics to track performance and a systematic way to capture and share learning. The OFE will pursue a research plan that puts evidence at the heart of its programs, planning and day-to-day decision-making. At the same time, the OFE will deploy a knowledge management system to effectively harvest learning.

Strategy: Share our performance and learning

The OFE is committed to sharing its performance and insights with implementing partners, policy makers, funders, municipal peers and San Francisco residents. To support this commitment, the OFE will leverage an array of communication channels to share its ideas, impact and learning. First, the OFE will communicate our performance and insights through a public dashboard, blog, a revised website, a regular newsletter, and policy and program briefs. Second, the OFE will convene stakeholders to highlight innovation, share learning and facilitate collaborations. Third, the OFE will launch a 'State of the City' report to communicate the financial challenges and needs of low income families living, working or receiving services in San Francisco.

Strategy: Strengthen our organization by diversifying staffing and funding

Two things are critical to the success of the OFE's plan in the coming years: (1) a diverse team that brings a variety of perspectives and reflects the lived experiences of the communities it serves; and (2) more diverse sources of funding that enable the OFE to expand its reach and impact.





THE FINANCIAL JUSTICE PROJECT S A N F R A N C I S C O

OVERVIEW OF THE FINANCIAL JUSTICE PROJECT

Background

A growing number of government programs levy fines and fees from their residents to discourage behaviors or recoup costs. There is often an insidious, unintended impact of this practice - fines and fees can push people into a financial hole they cannot climb out of. Poor people and people of color are usually hit the hardest. These financial penalties can make government a driver of inequality, not the equalizer that it should be.

In 2016, San Francisco launched [The Financial Justice Project](#). The Financial Justice Project is the nation's first effort embedded in government to assess and reform fines, fees, and financial penalties that disproportionately impact struggling residents. Housed in the Office of the Treasurer, the Financial Justice Project has two main goals: First, to listen to community members to identify fine and fee pain points. Second, to identify and implement doable solutions for government and the courts.

The Financial Justice Project formed after a broad coalition of community groups sounded the alarm about how fines and fees inordinately harm the people they serve: low-income citizens, communities of color, people struggling with homelessness, and people exiting the criminal justice system. [Millions of Californians](#) had their driver's licenses suspended because they could not pay traffic fines and fees. Losing a license [made it difficult to get a job](#), as employers increasingly required a license as a precondition to employment. People struggling with homelessness were given \$200 tickets for sleeping on a sidewalk, which grew to \$500 when left unpaid. People exiting the criminal justice system were often handed a bill for thousands of dollars in administrative fees. People struggled to pay parking tickets and to get their car back when it was towed. Left unpaid, these fines and fees could have dramatic impacts: fines snowballed with late fees, driver's licenses were suspended, jobs were lost, and lives ruined.

San Francisco officials concluded that charging people fines and fees that exceed people's ability to pay them was a "lose-lose" for people and for government. As a city, we can find a way to balance the books in ways that are not on the backs of the poor. And that these reforms can work better for government, too. There are some fees that cost more to collect than they actually bring in. The Financial Justice Project began working with community groups and government partners to search for better ways to hold people accountable and recoup costs without putting people in financial distress.

Results to Date

San Francisco formed a [Fines and Fees Task Force](#) with community members, ten government departments and the courts. The Financial Justice Project coordinated the Task Force, which examined best practices and heard expert and community testimony. After six months, the Task Force recommended 40 reforms across six policy areas, that are described in this [report](#). The Financial Justice Project also worked with the Mayor's Budget Office to conduct an audit of San Francisco's fines and fees through the city's budget process.

The Project developed a range of solutions, depending on the goals of the fine or fee and the people it most impacted. Sometimes the solution is to base a fine on ability to pay—so the consequence is proportional to the offense and the person ([national research](#) has shown that when fines and fees are based on ability to pay, both collection rates and revenue can increase). Other times, if a fee's goal was to recoup costs, but it was assessed

on low-income people who could not pay, elimination was the best option. The Project also recommended different pathways to accountability that did not require a money payment. Through the work of the Financial Justice Project, San Francisco has successfully implemented numerous reforms (a full list is [here](#)), including:

- **Elimination of administrative fees charged to people exiting jail and the criminal justice system.** In July 2018, San Francisco became the first county in the nation to eliminate all locally-controlled fees assessed from people the criminal justice system. These fees, like \$50 a month probation fees or \$35 dollar a day ankle monitor fees, can pile thousands of dollars of debt onto people who cannot afford to pay, create barriers to people’s successful re-entry, and are a counterproductive, anemic source of government revenue. The collection rate on the largest fee, the monthly probation fee, was just nine percent. San Francisco unanimously passed [an ordinance](#) abolishing these fees and worked with the San Francisco Superior Court to cancel \$32.7 million in debt from 21,000 people. For more information, see The Financial Justice Project’s Report, [Criminal Justice Administrative Fees: High Pain for People, Low Gain for Government](#).
- **San Francisco cut fees to allow low-income people to pay off parking tickets and other citations.** Previously, the San Francisco Municipal Transit Agency (SFMTA) charged \$60-\$150 to enroll in a payment plan or community service. These fees often made these options inaccessible for many lower-income people. Last year, the San Francisco Financial Justice Project partnered with the SMFTA to eliminate fees and create new payment plan tailored to the needs of lower income residents. During the first three months of offering these discounts, the number of people participating in payment plans increased by 400%. SFMTA’s revenue went up as well. [Click here](#) to read more about these reforms.
- **Lowering the cost of tow and boot fees for low-income people.** Boot and tow fees averaged more than \$500 in San Francisco. For many low-income people, this meant once a car was booted or towed, they could not afford to retrieve it. Ten percent of people whose cars were towed never retrieved them. The SFMTA Board voted unanimously to deeply discount tow and boot fees for San Franciscans who earned below 200 percent of the Federal Poverty Line. Read about the details of the reforms in our [announcement](#) and in the [San Francisco Chronicle](#).
- **Creation of an income verification database to make it easier and simpler for departments and the courts to discount fines and fees for people with lower incomes.** The new income verification database allows interested city departments to look up whether an individual has already been certified as low-income by one or more of the city’s safety net programs, so the individual does not need to submit additional proof of low-income status to qualify for the interested department’s fee reduction or discount. The goal is to alleviate the administrative burden for government departments and the courts to offer discounts, since they do not have to collect paperwork to verify incomes.

Media Coverage of the Financial Justice Project:

- San Francisco Chronicle: [San Francisco has become a predatory government](#)
- Washington Monthly: [Cash Strapped Local Governments Target The Poor](#)
- LA Times: [Charging ex-offenders 'administrative fees' means big pain for the poor and little gain for counties](#)
- National Public Radio: [San Francisco Program Aims To Make Fines More Fair For The Poor](#)

For more information, visit the [Financial Justice Project Website](#): sftreasurer.org/financialjustice