

# 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

# LIFT-UP Program Reduces Utility Debt and Financial Insecurity

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

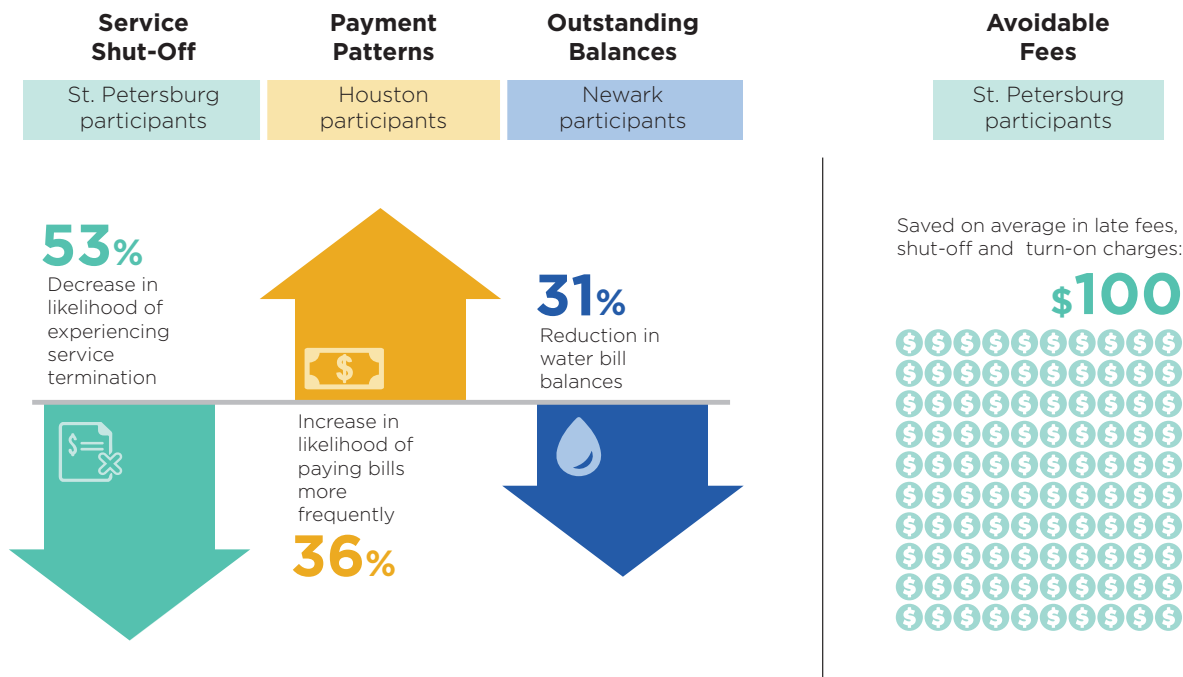
## Through LIFT-UP, Cities Leverage Systems Already In Place to Help Struggling Residents

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.”

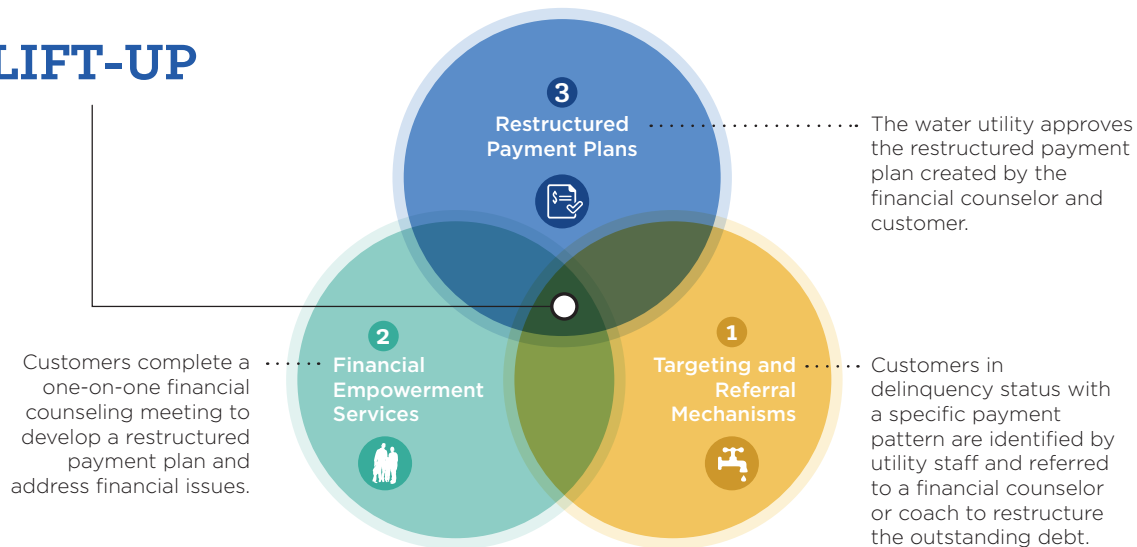
//HOUSTON, TX LIFT-UP PARTICIPANT

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## The Program Model

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### LIFT-UP



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### 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:

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## 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](http://www.nlc.org/financialinclusion)

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