How Residents' Financial Health Can Affect City Budgets

Cities can leverage data to create financial programs to assist residents, but comprehensive efforts should go beyond just numbers, panelists said. SHUTTERSTOCK

By Kate Elizabeth Queram | NOVEMBER 7, 2019

Missed utility bills and services for the homeless can cost cities millions of dollars per year, experts said Thursday at the Urban Institute. One solution: Figure out how to help people improve their financial health.

FINANCE CITY GOVERNMENT BUDGET PLANNING LOCAL GOVERNMENT MANAGEMENT

The financial health of residents can have a direct economic impact on the cities where they live, a reality that municipalities are slowly beginning to realize and address, experts said Thursday during a panel discussion on financial health and inclusive growth at the Urban Institute in Washington D.C.

Most cities have long had basic "programs in place, but more cities are developing more innovative programs around financial inclusion," Heidi Goldberg, director of economic opportunity and financial empowerment for the National League of Cities, said during the panel, the first in a day-long event titled Thriving Residents, Thriving Cities: Propelling Inclusive Growth through Resident Financial Health. "More and more cities are moving in that direction. Cities are starting to build financial inclusion efforts into a systematic and system-wide approach, rather than a program here and a program there."

Those efforts are increasingly important as data show that a city's financial solvency fluctuates depending on the financial health—or lack thereof—of its residents. New research from the Urban Institute found that residents' financial insecurity can add up to millions of dollars in major cities' annual budgets. In Miami that's about $6 million to $14 million, compared to $534 million to $1.2 billion in New York City. Those costs, which stem largely from missed utility payments and services that cater to homeless populations, suggest that cities have an "economic interest in improving residents' financial health," the research says.

By and large, cities are beginning to realize that, though progress is slow, said Don Baylor Jr., a senior associate at the Annie E. Casey Foundation, a children's advocacy group based in Baltimore. Part of the problem, he said, is a lack of comprehensive data collection and analysis on the part of local governments.

"We'd like to see it advance much quicker," he said. "Most city leaders know their high-school graduation rates and their unemployment rates. But we'd be hard-pressed to get a lot of city leaders who know what the city's credit score is, for example, or how many individuals living there don't have savings."

Collecting that data is an important step for officials who want to learn about the financial health of their residents, which may require staffers to branch out into their communities and speak to people one on one, Goldberg said.

"Data is a great start…but another very important step is to talk to residents," she said. "Find out what are the pain points that residents are experiencing when it comes to their financial health. That qualitative story-telling information is really important to get a sense or understanding of how they can best serve their residents."

Those conversations can take many forms, she said, including focus groups, meeting with community groups that serve individual neighborhoods or even just door-to-door canvassing. Efforts should make sure to include diverse groups, and can start by reaching out to smaller community organizations that are serving distinct neighborhoods, said Holly Frindell, associate director of the National Association for Latino Community Asset Builders, a Texas-based nonprofit that works to support equitable neighborhood development.

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"It is really important for cities to recognize that the financial health of residents is going to vary by subpopulations in different communities and particularly by different cultures," she said. "It's important to be establishing conversations with…community groups who are working in those communities, because they're the ones who have the pulse on what the needs are. Those relationships are powerful."

City leaders who are interested in learning about and improving their residents' financial health should focus on bringing those diverse groups together, the panelists said, as well as zeroing in on the systemic issues they have the power to change.

"There are things that local officials have jurisdiction over—things like the workforce, the criminal justice system and education," Baylor said. "It's a matter of thinking about how to maximize the touch points in those systems."

In doing that, Goldwell said, cities should also make sure to remember that policies affecting financial health are never one-size-fits-all for a community.

"I want to double down on the equity piece—not only bringing in and hearing from community groups and residents, but also to have that equity lens on everything you're doing," she said. "You can have a program or policy and it might be great for some people, but it's probably going to impact another group differently, and they're not going to be able to benefit from it."

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