Center for Financial Security

UNIVERSITY OF WISCONSIN-MADISON

# Implementation and Impact Evaluation of Local Interventions for Financial Empowerment through Utility Payments (LIFT-UP)

## Executive Summary

Prepared for The National League of Cities Institute for Youth, Education, and Families

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Center for Financial Security **
National League of Cities Executive Summary

May 2016

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** Thank you to J. Michael Collins, Faculty Director of the Center for Financial Security and PI on the project. The project was made possible through the collaborative efforts of the funding organization NLC, grantee CFS and sub-grantee OSU.

# EXECUTIVE SUMMARY

Municipal financial empowerment (FE) strategies are efforts undertaken by cities to increase the financial stability of low-income families. FE strategies link vulnerable households to financial services and public benefits, and provide them with tools to build assets and manage money more effectively. A key challenge to the success of municipal FE services is identifying "on-ramps" for local residents who might be at risk of financial instability.

One potential on-ramp is through municipal debt collections services, such as water utilities. When families fall behind on payments for basic necessities like water, it may be a sign of financial instability. Local Interventions for Financial Empowerment through Utility Payments (LIFT-UP) is a model that targets families who have missed payments to utilities or other municipal entities and offers FE interventions at the onset of the debt collection process. LIFT-UP is designed to reconcile a "missed opportunity" to connect residents who are struggling to pay for municipal debts, like water utility bills, with FE services.

Since 2000, The National League of Cities (NLC) Institute for Youth, Education, and Families (YEF Institute) has positioned itself as a leader among cities engaged in FE services. The LIFT-UP model builds on NLC's successes with other initiatives and taps NLC's extensive network of partner cities and non-profit organizations. With LIFT-UP, NLC introduces an innovative new tool to the Municipal Financial Empowerment landscape.

In 2013, NLC selected five cities to pilot the LIFT-UP model with their city-owned water utilities: **Houston, Texas**, **Louisville, Kentucky**, **Newark, New Jersey**, **Savannah, Georgia** and **St. Petersburg, Florida.** Prior to the launch of LIFT-UP, the five cities reported delinquency rates at the water utility that ranged between 20% and 48% of all accounts. City officials in each of the cities recognized this opportunity and were instrumental in assembling LIFT-UP teams made up of utility staff, FE providers and other representatives from municipal and nonprofit organizations.

To assess the impact of the LIFT-UP pilot, NLC engaged an external evaluator, the Center for Financial Security (CFS) at the University of Wisconsin. This report summarizes the results of the evaluation. As a pilot initiative, the lessons learned through the evaluation of LIFT-UP can improve future iterations of the program, as well as inform innovative municipal financial empowerment strategies more broadly.

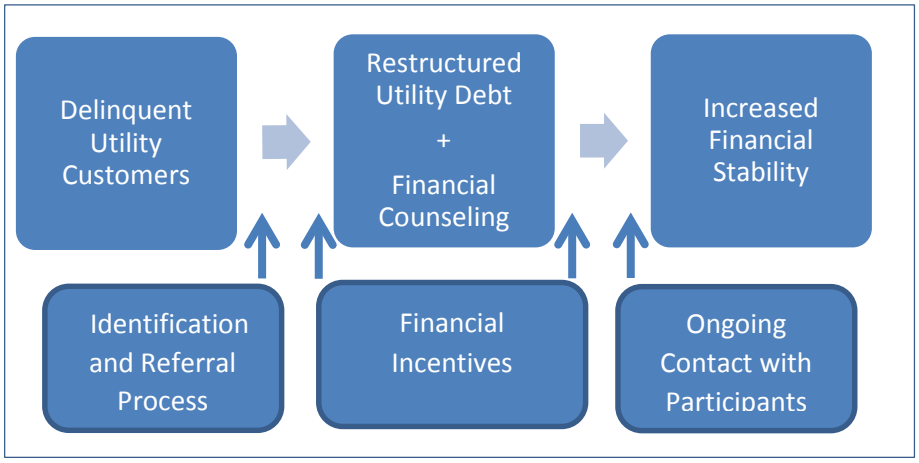
## What is the LIFT-UP Model?

The LIFT-UP model has five core components, with anticipated local variation depending on the resources and goals of each city. Figure ES.1 provides a basic logic model linking the LIFT-UP components with the ultimate goal of increased financial stability for city residents.

The first component is an **identification and referral process** by which cities leverage utility data to identify struggling customers to contact for LIFT-UP interventions. An important part of this process involves identifying the minimum (and maximum) delinquent balance threshold that will trigger referral into the LIFT-UP program. The second component, **restructured utility debt**, permits LIFT-UP customers to enter into longer-term and more lenient repayment arrangements for past due utility debt than customers are typically permitted. These restructured payment plans could vary in length, depending on the size of the outstanding balance, the financial constraints of the customer and the rules and constraints at the utility.

The third component of the model is **individualized financial counseling**, including a budget review and customized action plan to address financial needs, as well as referrals to emergency assistance, public benefits, and banking services as appropriate. Fourth, the LIFT-UP model requires cities to provide some form of **financial incentive to customers** who participate in the program and achieve certain milestones. Finally, building from insights in behavioral economics, the LIFT-UP model encourages **ongoing contact with participants** through a variety of methods to monitor and motivate their progress in the program.

**FIGURE ES.1: Basic Logic Model of LIFT-UP**




## How was LIFT-UP Implemented across Cities?

No two cities are identical, and the same is true for the five pilot cities implementing LIFT-UP. Cities were encouraged to customize the core components of the LIFT-UP model to fit their local needs and capacity. On one hand, variation in implementation reduces the ability to pool results across sites, which could be viewed as a limitation of the evaluation. On the other hand, customization increases the probability that LIFT-UP will be more fully integrated into the ongoing practices of the city, and will better fit the needs of residents. Further, for other cities wishing to replicate LIFT-UP, variation across pilot cities offers examples of how the model can be applied in diverse municipal environments.

### *Houston, Texas*

Houston, Texas is the largest city participating in the LIFT-UP pilot, with 465,000 residential customers at the water utility—about one quarter of whom are delinquent at any given point in time. In Houston, customers often carry large past due balances. Delinquent customers are charged interest on past due balances and are placed on a roster for shut-off, but the actual number of customers whose water is shut-off in a given month is significantly less than the number who are delinquent. The average outstanding balance of delinquent customers offered LIFT-UP was quite large, at $475. Given the relatively large balances, Houston set the minimum outstanding balance for LIFT-UP at $350 and the maximum outstanding balance at $1,000. Houston also offered LIFT-UP customers relatively long 6 to 24 month repayment plans to pay off their delinquent balances.

One of the key differences in the LIFT-UP implementation in Houston was the structure of FE services. Unlike some of the other pilot cities, Houston did not have an existing FE partnership to which it could refer delinquent customers. Instead, the Houston water utility created FE capacity in house—leveraging funding from the United Way to train a subset of the frontline utility workers as financial coaches, who conducted an initial financial review session with LIFT-UP participants and then followed up with them on a regular basis to monitor their progress towards their financial goals.

### *Louisville, Kentucky*

The second largest water utility to participate in the LIFT-UP pilot is Louisville, Kentucky, with 244,000 residential customers. Delinquency at the Louisville water utility was the most severe of the pilot cities at the onset of the pilot, with nearly half (48%) of customers experiencing a water delinquency. Delinquent customers are charged interest on their past due balances, and incur a non-payment fee each period that they go without making a utility payment. Outstanding balances in Louisville at the onset of LIFT-UP were relatively lower than in other cities. As such, Louisville set the minimum threshold for LIFT-UP eligibility at $100, with payment plans for past due debt that could be extended up to 12 months.

In contrast to Houston, the city of Louisville had a robust existing municipal FE infrastructure, where FE services are offered to residents directly through the city. LIFT-UP participants were referred to the municipal FE services, who then referred the customer to additional resources as needed. While the implementation of LIFT-UP proceeded relatively smoothly in Louisville, data reporting for the evaluation proved challenging, as the water utility underwent a conversion of its billing system during the pilot period. Given this conversion, Louisville was unable to provide utility outcome data on customers. However, we include Louisville in the report to offer insights regarding LIFT-UP implementation.

### *Newark, New Jersey*

While other cities included both homeowners and renters as part of the residential population to be considered for LIFT-UP, the City of Newark, New Jersey limited their program to homeowners, as many renters are not responsible for water utility bills in Newark. Newark

reported serving 37,000 residential homeowners at the water utility, of whom about 44% were delinquent at the onset of the LIFT-UP pilot. Delinquent customers in Newark carried the largest balances of all of the pilot cities, with an average outstanding balance of $903 among customers offered LIFT-UP. While Newark charges interest on past due balances, they have a less aggressive shut-off policy than some of the other LIFT-UP cities. Customers may carry a delinquent balance for a relatively long period without making a payment. Given the large balances, Newark set the eligibility threshold for LIFT-UP at a minimum balance of $300 and a maximum of $4,000—the highest maximum balance across pilot cities. Payment plans were set at 12 to 24 months, based on a repayment amount that would be affordable to the customer.

During the launch of LIFT-UP pilot, the City of Newark underwent a change in leadership that led to the closure of the Newark Financial Empowerment Center (FEC). The FEC was intended to provide financial counseling for LIFT-UP customers. After the transition, the Newark water utility was able to form a new partnership with the local United Way's Financial Opportunity Center. Rather than referring LIFT-UP customers off-site for financial counseling, a financial coach from the United Way held office hours on-site at the water utility for the initial intake session with LIFT-UP customers.

***Savannah, Georgia***

The City of Savannah, Georgia reported 72,000 residential accounts, of which thirty percent were delinquent at the beginning of LIFT-UP. In Savannah, delinquent water utility customers do not incur nonpayment fees or interest on delinquent water balances. However, the water utility terminates services regularly for delinquent customers and charges a shut-off fee. It is relatively common for delinquent customers in Savannah to experience several occurrences of water shut-off in a 12 months period, and some fall into a cycle of not making a payment until they receive a shut-off notice. The average outstanding balance for delinquent customers in Savannah was relatively low, leading the water utility to select a narrower eligibility threshold for LIFT-UP, with a minimum balance of $150 and a maximum balance of $500. The duration of payment plans for LIFT-UP was set at 4 months for all customers, with a 25% down payment required as the first payment.

In Savannah, a quasi-governmental nonprofit organization, Step Up Savannah, serves as the lead FE provider for the city. Step Up Savannah played a coordinating role for the implementation of LIFT-UP in Savannah, working closely with the water utility to recruit eligible customers to participate in LIFT-UP. Savannah's LIFT-UP team contracted with the nonprofit organization Consumer Credit Counseling Service (CCS) of Savannah to provide a one-time financial counseling session for LIFT-UP customers. As customers worked their way through the program, Step Up Savannah mailed payment reminder letters and sent text messages to keep participants on track.

***St. Petersburg, Florida***

St. Petersburg, Florida reported about 70,000 residential utility accounts, 20% of which were delinquent at the beginning of LIFT-UP. The water utility in St. Petersburg assesses several types of fees and penalties for late payments and non-payments, including a nonpayment fee as well as

interest on past due balances, and a shut-off and reactivation fee when services are terminated. Delinquent balances in St. Petersburg are lower than in the other cities. The average delinquent balance for LIFT-UP customers prior to the pilot was $132. As such, St. Petersburg had the lowest minimum balance requirement for LIFT-UP eligibility, at $50. To participate in LIFT-UP, customers also had to have experienced one or more service terminations within the past year and be at least 25 days delinquent at the beginning of the pilot. St. Petersburg allowed its LIFT-UP participants to receive payment plans up to 24 months long, and it did not require participants to make a down payment.

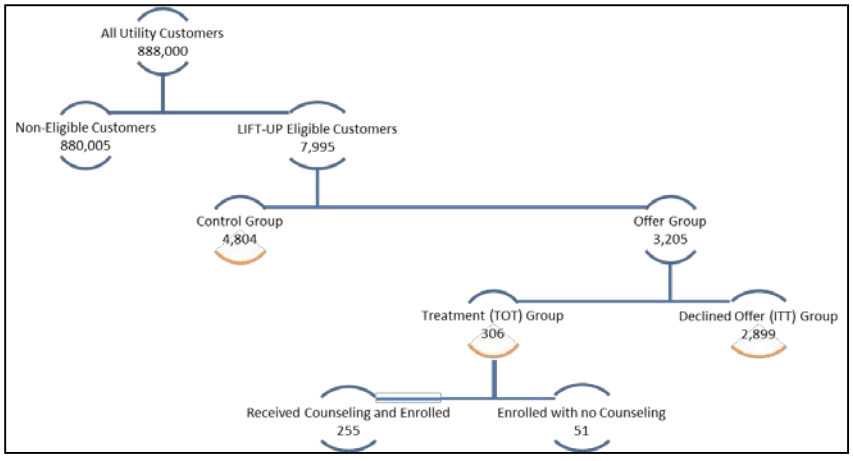
St. Petersburg contracted with a nonprofit organization, Neighborhood Home Solutions (NHS), to offer FE services. NHS is a financial counseling agency with a special focus on promoting homeownership. NHS already had a relationship with the city prior to the launch of LIFT-UP, but had not worked directly with the water utility. In addition to the services provided by NHS, a customer service manager at the water utility sent letters and made phone calls to LIFT-UP participants to remind them to attend their financial counseling sessions and to make payments.

## How was the Evaluation Conducted?

The LIFT-UP pilot was designed to allow for an evaluation of the impact of the program on utility customers. To evaluate impact, we must estimate what would have happened to LIFT-UP customers had they not enrolled in LIFT-UP. Because we cannot observe this directly, we compare the outcomes of LIFT-UP customers to a group of customers who were not offered LIFT-UP but who were otherwise similar to customers who enrolled in LIFT-UP.

In each city, the LIFT-UP implementers applied certain pre-established eligibility criteria to their customer data, then (in most cases) randomly assigned some of the eligible accounts to the *Control* group, who would not be offered the LIFT-UP program and some to the *Offer* group, who were offered LIFT-UP, through either mailings or phone calls, depending on the city. Those customers in the *Offer* group who enrolled in LIFT-UP became part of the *Treatment* group (see Figure ES.2 for a visual summary of the different groups).

**FIGURE ES.2: LIFT-UP Evaluation Design**



## Who Enrolled in LIFT-UP?

Enrollment into LIFT-UP began in March 2014 when **Savannah** mailed the first batch of postcards to eligible residents, followed shortly thereafter by **St. Petersburg** and **Louisville**. Due to unexpected delays and capacity constraints, **Houston** and **Newark** launched their programs several months later, in July and September 2014, respectively. The initial goal was to offer LIFT-UP to 2,000 residents across the five cities, with an expected 500 residents accepting the offer (100 per city) and enrolling in the program. By the end of the enrollment period, the LIFT-UP pilot program was offered to 3,205 customers, with 306 enrolling in the program—a take-up rate of 9.55%.

While the take-up rate of about 10% is lower than initially projected, we do not interpret this to be evidence of weak demand for the program. Instead, the lower than expected take-up rate is a reflection of outreach strategies, eligibility screening practices and the consequences of delinquency for water utility customers who do not participate in LIFT-UP. In general, cities that employed direct telephone outreach to enroll customers had higher take-up rates than those relying on mail outreach; this makes sense and is a finding that is not unique to this program. However, more staff time and resources are required to make outbound phone calls, so cities considering implementing a program like LIFT-UP should weigh the tradeoffs of higher take-up rates against the cost of the outreach method.

With regard to eligibility, all cities screened their account rosters to flag eligible customers prior to offering them LIFT-UP. However, there was often a time lag between the water utility flagging a customer as eligible and the offer of LIFT-UP. When this time lag was greater, take-up rates were lower, as some customers were no longer eligible by the time they received the offer. In most cities, customers reported the strongest incentive to participate in the LIFT-UP pilot was to prevent water shut-off. In some cities, the threat of shut-off is perceived to be greater than other cities, and these differences may have impacted take-up rates.

## What is the Impact of LIFT-UP on Participant Outcomes?

The definition of success for an intervention like LIFT-UP differs by city because cities have different collections practices for delinquent water bills, which in turn lead to different customer payment behaviors. For example, some cities like St. Petersburg and Savannah terminate water services rather quickly after a customer misses a payment, leading delinquent customers to cycle in and out of shut-off status frequently. On the other hand, some cities like Newark and Houston charge interest and/or fees for past-due balances, but are more sporadic to terminate services. Customers in these cities tend to carry larger balances and make less frequent payments.

While an effort was made to find comparable indicators across cities (such as “risk of shut-off”), differences in definitions of the indicators between cities prevent estimating a pooled impact model for the same outcome across cities. For the evaluation, we identify four outcomes that can be compared across two or more of the cities: the probability of water shut-off, changes in

outstanding balances, changes in payment frequency relative to bills received, and the dollar amount of avoidable fees saved.

Table ES.1 provides a summary of outcomes at 12 months post baseline across three cities (**St. Petersburg, Savannah** and **Houston**) and 8 months post baseline in **Newark** (due to their delay in launching, only 8 months of data were available for the evaluation). As writing of the final report, complete data on utility outcomes was unavailable for **Louisville** due to a utility system conversion, and so we have excluded **Louisville** from the impact evaluation portion of the report.

**Table ES.1. Estimated Impact of LIFT-UP on Outcome Indicators, Final Period**

| | | | ITT | | | | TOT |
|---|---|---|---|---|---|---|---|
| | Control Mean | Offer Group Mean | Diff. in Mean (Offer-Control) | Regression Adjusted, Offer Group | Treated Mean | Treated Mean Δ | IV Regression Adjusted, Treated Group |
| **St. Petersburg** | (N=3,582) | (N=656) | | | (N=86) | | |
| Pr Shut-off (12 mos) | 0.64 | 0.58 | -0.06 | -0.05*** | 0.16 | -0.53 | -1.040*** |
| Balances (12 mos) | 113.79 | 191.79 | 78.00 | 64.74*** | 622.83 | 292.82 | 373.39*** |
| Pay/Bill Ratio (12 mos) | 0.84 | 0.82 | -0.02 | -0.01*** | 0.67 | -0.14 | -0.171*** |
| Avoidable Fees (12 mos) | 148.46 | 141.53 | -6.93 | -9.70*** | 66.83 | -99.30 | -138.9*** |
| **Houston** | (N=98) | (N=630) | | | (N=37) | | |
| Pr Shut-off (12 mos) | 0.96 | 0.99 | 0.03 | 0.03 | 0.97 | -0.03 | 0.28 |
| Balances (12 mos) | 487.50 | 352.59 | -134.90 | -103.60 | 373.89 | -170.10 | -1437.00 |
| Pay/Bill Ratio (12 mos) | 0.19 | 0.22 | 0.03 | 0.03 | 0.48 | 0.36 | 0.69** |
| Avoidable Fees (12 mos) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Savannah** | (N=372) | (N=871) | | | (N=97) | | |
| Pr Shut-off (12 mos) | 0.42 | 0.70 | 0.28 | 0.246*** | 0.67 | 0.06 | 1.039*** |
| Balances (12 mos) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Pay/Bill Ratio (12 mos) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Avoidable Fees (12 mos) | 46.37 | 88.06 | 41.69 | 37.64*** | 73.20 | 10.31 | 143.6** |
| **Newark** | (N=199) | (N=266) | | | (N=62) | | |
| Pr Shut-off (12 mos) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Balances (8 mos) | 961.81 | 746.52 | -215.29 | -148.00 | 669.31 | -299.91 | -822.90* |
| Pay/Bill Ratio (8 mos) | 0.24 | 0.31 | 0.07 | 0.08*** | 0.54 | 0.32 | 0.34*** |
| Avoidable Fees (8 mos) | 84.44 | 73.87 | -10.57 | -6.42 | 76.92 | 0.02 | -24.54 |

*p<0.10; **p<0.05; ***p<0.01

Notes: Intent-to-treat (ITT) compares outcomes of the group of individuals who were offered LIFT-UP but who may or may not have enrolled, with a control group of individuals who were not offered LIFT-UP. Treatment-on-the-treated (TOT) compares outcomes of those offered LIFT-UP who enrolled (treated) to those in the control group. The IV regression model is a two-stage model, where treatment through LIFT-UP is predicted in a first stage, using the offer of LIFT-UP as an instrument. The regression-adjusted models control for the baseline measure of the outcome variable (per Table 6.1). In the TOT estimate, we also control for the outstanding balance at baseline in all models. In St. Petersburg, the TOT balance regressions also exclude extreme outliers, defined as those baseline balances in the top 1% of the distribution. In Savannah, the regression-adjusted models do not control for balance (as we do not have this data); instead, the TOT models control for shut-offs in the prior period and control for the billing cycle, given that groups were not assigned at random.

For each city and outcome, several different measures are provided. First, we present the Control group mean as of the end of the evaluation period, the Offer group mean as of the end of the evaluation period and the difference in means between the Control and Offer groups. To the extent that the Offer was randomized, the simple difference between Offer and Control group means provides an estimated impact of the "intent to treat" (ITT). However, given that there were differences at baseline for many of the outcomes, we also estimate a regression adjusted ITT impact, controlling for the level of the outcome variable at baseline. One of the limitations of the ITT approach is that it is not likely to detect a significant impact if the take-up rate of the treatment is low—which is the case in this pilot program.

The second set of outcomes considers the impact of LIFT-UP on those enrolling in the program. We first provide the treated group mean for each outcome as of the end of the evaluation period, as well as the change in the mean value from baseline to the end of the evaluation period (Treated Mean Δ). Because those selecting to enroll in LIFT-UP are different from those in the Control group (e.g., they have observed worse delinquencies and higher balances at baseline, and may have additional differences that are unobserved), we estimate a two-stage model to predict the impact of LIFT-UP among those treated, controlling for the likelihood of taking up treatment. This is known as the impact of the "treatment on the treated" (TOT). Appendix D provides a more detailed discussion of the methodology. This is the most reliable estimate of the statistical significance of the impact; however, with low take-up rates and small sample sizes, the magnitude of the estimates can be skewed. Thus, both descriptive and empirical estimates are provided to allow for a better picture of impact.

## Key Findings

In three of the four cities (**St. Petersburg, Houston**, and **Newark**) there is evidence of a positive impact of LIFT-UP on the outcomes that are most relevant to the city and customer behaviors within that city. For cities like **St. Petersburg** and **Savannah**, standard collections practices prevent customers from incurring large outstanding balances and making infrequent payments—customers not paying utility bills have their water services shut off at a set (predictable) point in time shortly after missing a payment. Behaviorally, customers fall into a vicious cycle of not making payments until the utility shuts off their water, paying off their balances to have water services restored, and then not making a payment until services are again shutoff. In these cities, preventing water shutoff is the targeted outcome for a program like LIFT-UP.

In **St. Petersburg**, we observe a significant reduction in the probability of water shutoff for LIFT-UP customers. Participants in LIFT-UP are 53% less likely to experience a shutoff during the 12 months after enrolling in LIFT-UP, relative to the 12 months prior to enrollment. Avoidable fees are significantly lower for customers enrolled in LIFT-UP in **St. Petersburg** relative to customers in the Control group: LIFT-UP customers accrue an average of about $140 less in avoidable fees over the 12 month period after being enrolled LIFT-UP. By contrast, the outstanding balance for customers enrolled in LIFT-UP is significantly higher post-baseline than the Control group. This may be due in part to the relatively long duration of the payment plans in St. Petersburg (24 months) for LIFT-UP customers.

In **Savannah**, the evaluation is unable to detect a statistically significant positive impact of LIFT-UP on customer outcomes. However, the results of baseline balance testing demonstrate that customers in the **Savannah** Offer group were worse off at baseline, with significantly more shut-offs (and avoidable fees) in the 12 months prior to starting LIFT-UP. This means that we cannot rely on the impact estimates for Savannah.

In cities like **Houston** and **Newark,** actual shut-off of services is not as frequent of an occurrence. Even if a water utility places a customer on a shut-off roster, it does not mean services will be terminated. Thus, it is not surprising that a significant reduction in the probability of shut-off is not identified in **Houston**, and shut-off data cannot be reliably tracked in **Newark**. Behaviorally, customers in these cities tend to carry large outstanding balances and make infrequent payments. In these cities, breaking the nonpayment cycle and reducing the size of the outstanding balance would indicate success for LIFT-UP.

Indeed, LIFT-UP customers in both **Newark** and **Houston** have significantly lower balances relative to the Control group at 8 and 12 months after enrolling in the program. Looking at the change in the mean balances for the Treated group (Treated Mean Δ), the average customer enrolled in LIFT-UP has an outstanding balance that is $170 (**Houston**) or $300 (**Newark**) lower than when they first enrolled. [1] And in both cities, customers are making payments at a significantly higher frequency relative to bills received. Based on the TOT estimates, the ratio is 69 percentage points higher for LIFT-UP customers in **Houston** relative to the Control group and 34 percentage points higher for LIFT-UP customers in **Newark** relative to the Control group as of the end of the evaluation period.

## Is the LIFT-UP Model Cost-Effective?

To put the results in context, this report supplements the impact evaluation with an estimate of cost-effectiveness. For the municipality, the cost-effectiveness of the program is an important outcome. Using data on costs reported by St. Petersburg as well as impact estimates produced through the evaluation, we identify scenarios under which the LIFT-UP model would break even or save revenue for the municipality.

Annually, the water utility in St. Petersburg accumulates about $2.4 million in costs associated with managing customers' delinquent accounts. This includes the cost of managing a delinquent account ($38 per account), the cost to shut off water services ($14.60 per occurrence), and the cost to turn-on water services ($14.60 per occurrence). A large portion of these costs (about $1.9 million) is passed on to customers through delinquency fees and charges. However, these costs are only recouped to the extent that customers bring their bills current. The city writes off about $533,000 in delinquent utility debt each year.

[1] We report the balances based on the Treated Mean change here, rather than the TOT estimates produced by the IV regression. The IV regression results are statistically significant, but the sizes of the estimates are much larger than the treated mean change. Large (out of range) estimates can occur when the sample size is very small in the Treated group, relative to the Control and Offer groups.

Using the results from the impact analysis, this report estimates that the cost savings from the LIFT-UP pilot in St. Petersburg could be as high as $270 per customer, including $140 per customer saved in avoidable fees and $130 per customer saved in delinquent debt. This savings is greater than the $260 cost per customer to implement LIFT-UP during the pilot period, which includes $117 for financial counseling, $80 financial incentive and IT and technical support costs. It is expected that the cost to implement the program would decline if the program were brought to scale. Some of the costs are specific to the evaluation conducted with the pilot, and would not be incurred on an ongoing basis (e.g., IT support costs and participant recruitment costs). The cost of ongoing outreach would decline per customer when spread across a larger number of customers, and the financial incentive may not be necessary if LIFT-UP were implemented as part of ongoing practices. Thus, it is reasonable to conclude that LIFT-UP can be implemented in a cost-effective manner that saves water utility costs for the city, while improving the financial stability of city residents.

## What are Key Lessons Learned from the LIFT-UP Pilot?

During all stages of the LIFT-UP initiative, the NLC team emphasized peer learning—sharing best practices and challenges that emerge along the way in an effort to lead to long-term program improvements. Through face-to-face meetings, monthly webinars, and bi-monthly technical assistance calls the NLC team fostered knowledge exchange between all implementers and the evaluation team helped to document this process and to identify the key insights that were emerging as LIFT-UP progressed. In the final section of the report, we identify important lessons that emerged in three key learning areas.

First, *creating new targeting and referral systems* presents unique opportunities and challenges. The implementation of LIFT-UP in each city required commitment from stakeholders who have some degree of "legal" authority over the municipal system, but also were viewed as thought leaders in the community. The importance of these leaders cannot be understated when a city undertakes a new innovation like LIFT-UP; without them, the pilot programs would not have been successful. Further, the LIFT-UP model is heavily reliant on utility administrative data, which is why we recommend reviewing the capabilities of data and reporting systems prior to a new municipal innovation—particularly when conducting a rigorous evaluation of program impact is an important goal. Similarly, we recommend that cities carefully tailor outreach messages and the eligibility criteria used to target customers, so that the city approaches the "right" customer at the "right" time.

The second learning area emphasizes a core focus of LIFT-UP—*financial innovations with customer utility debt*. There often are tradeoffs to consider when designing any financial innovation. The financial product that is the most ideal for the consumer may not be feasible within the existing debt collection infrastructure. Implementers must identify creative ways to work within the existing debt collection system. We share some examples from LIFT-UP that could be replicated in other municipal debt innovations. In addition, there are tradeoffs to the amount of customization built into debt restructuring—on one hand, customization may improve

the likelihood of customer success. On the other hand, customization may require capacity that is not sustainable to bring an innovation to scale. Finally, drawing examples from LIFT-UP, we discuss different incentives (financial and non-financial) cities can use to encourage participation and follow-through.

The third learning area reflects on another key element of the LIFT-UP model – *financial empowerment options*. Across cities, it became apparent that different customers have different financial empowerment needs. Aligning the interventions to meet customer needs requires an understanding of the behavioral challenges underlying delinquent utility payments, sufficient outreach to motivate customers to participate, as well as adequate authority to adapt interventions to meet customers' needs.

The purpose of this evaluation was threefold: (1) to document the demand for LIFT-UP; (2) to estimate the impact of LIFT-UP on customer utility payment patterns; and (3) to draw insights from the LIFT-UP pilot that can inform future replication and scalability of the model. With regard to demand, there is both quantitative and qualitative evidence of customer demand for LIFT-UP. However, the timing and nature of the offer matter for achieving a high take-up rate.

With regard to impact, there is evidence of a positive impact of LIFT-UP on the outcomes that are most relevant for the city and customer behaviors within that city. In **St. Petersburg**, where delinquent customers experience relatively frequent water shut-offs but carry smaller balances, LIFT-UP customers are significantly less likely to experience a shut-off during the 12 month period following enrollment, and incur significantly fewer avoidable fees. In **Houston** and **Newark**, water shut-off is less common, but delinquent customers tend to carry large balances and make infrequent payments. In both cities, LIFT-UP participants have significantly lower balances than customers in the Control group, and are making significantly more payments relative to bills received after participating in LIFT-UP.

In each of the five cities, new on-ramps have been established to refer residents at risk of financial instability to FE services. This is a substantial accomplishment. The lessons learned during the LIFT-UP pilot extend beyond municipal water utilities. Other fee-collecting city agencies, such as public hospitals or municipal courts, can learn from the LIFT-UP model as they structure their debt collection practices. Oftentimes, municipalities turn to third-party debt collection agencies to recoup a portion of the revenue lost to delinquent accounts. While this may bring in some revenue for the city, it does not help the customers for whom the missed payments may be a sign of financial hardship. The cost-effectiveness analysis conducted as a supplement to this evaluation demonstrates that LIFT-UP can be implemented in a manner that reduces costs to the city and increases the financial stability of residents.

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Prepared for The National League of Cities Institute for Youth, Education, and Families

Center for Financial Security
National League of Cities
Executive Summary 2016-3.1

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