

RESOLUTION NO.

WHEREAS, according to the 2009-2010 Corporation for Economic Development Assets & Opportunities scorecard, nearly 25 percent of Texan households are asset poor or do not have sufficient net worth to subsist at the poverty level for three months in the absence of income; and

WHEREAS, according to the 2009-2010 Assets & Opportunities Scorecard, non-white minorities in Texas are about twice as likely as white Texans to be asset poor; and

WHEREAS, according to testimony from the Consumer Federation of America before the Subcommittee on Domestic Policy of the U.S. House of Representatives Committee on Oversight and Domestic Reform, a family with an annual income of \$25,000 and \$500 in savings is eight times less likely to use a payday loan than a family with the same income and no savings; and

WHEREAS, according to research conducted by Sendhil Mullainathan, professor of economics at Harvard University, conditional cash transfers, such as incentivized savings programs, have the potential to influence the long-term attitudes and behaviors of asset poor individuals regarding their financial, social and economic opportunities and their future; and

WHEREAS, according to an October 2010 report from the New America Foundation, among families that experience a job loss or health condition that limits their ability to work, at least 40 percent of liquid-asset poor families reported increased financial hardship, such as food insecurity or inability to pay bills, but less than 20 percent of families that had liquid assets reported increased financial hardships; and

WHEREAS, in February 2008, the New York City Department of Consumer Affairs Office for Financial Empowerment launched the \$aveNYC Account pilot program which offered a 50 percent match incentive to participants who agreed to deposit a portion of their tax refunds into a branded \$aveNYC Account and maintain that initial deposit for a term of at least one year; and

WHEREAS, from 2008 through 2010 approximately 2,200 New Yorkers participated in the program, saving a total of \$1.4 million, at an average of \$561 per participant; and

WHEREAS, approximately 80 percent of the New York City program participants saved for the full term, despite incomes averaging approximately

\$18,000, 70 percent maintained their accounts beyond the program term, and 30 percent participated in the program in a subsequent year; and

WHEREAS, approximately nine percent of eligible New York City Volunteer Income Tax Assistance (VITA) filers, approximately 11 percent of Earned Income Tax Credit filers, and approximately 17 percent of filers who directly deposited their refunds opened \$aveNYC accounts; and

WHEREAS, 71 percent of New York City participants reported saving for emergencies, followed by 63 percent intending to save for household expenses, 45 percent for child-based expenses, and 40 percent for paying off debt; and

WHEREAS, Foundation Communities is a 501(c)(3) Austin-based nonprofit agency offering innovative programs that help its clients obtain affordable housing, educational success and financial stability; and

WHEREAS, OpportunityTexas is a consortium of leading public policy professionals and Texas-based advocates which is developing a comprehensive strategy to move more Texas families toward greater economic opportunity through education, saving, and asset building; and

WHEREAS, in calendar year 2011, Foundation Communities leveraged a grant from OpportunityTexas to launch a savings campaign that offered VITA filers either a gift card reward or a match incentive to participants who agreed to use a portion of their tax refund to purchase a U.S. Savings Bond; and

WHEREAS, Foundation Communities reported that approximately two percent of eligible VITA filers participated in the program at approximately 30 percent of its VITA sites, and saved an average of \$150 in U.S. Savings Bonds;

WHEREAS, individuals with increased savings and more stable finances are less likely to need to rely on publicly- and privately-funded services, such as rent payment assistance, utility bill payment assistance, or food bank programs, thereby freeing up scarce financial resources for other needy individuals; and

WHEREAS, since individuals with increased savings are less likely to rely on short-term, small dollar loans, more of their disposable income will be spent on taxable goods and services rather than on lenders' interest rates and fees;

WHEREAS, the City Council finds that the contract described below serves a valid public and municipal purpose by fighting poverty and promoting

the overall economic welfare and prosperity of the City of Austin; **NOW**

THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Manager is directed to negotiate and execute an amendment to the existing contract with Foundation Communities, based on the conditions set forth below, for a pilot program with Foundation Communities (FC) to enhance and study the effects of FC's incentivized savings campaign. As part of this pilot program, the City Manager is directed to allocate \$20,000 from the Sustainability Fund to fund FC's 2012 Community Tax Center program, under the following conditions:

1. The City of Austin will provide \$10,000 to FC for the purpose of increasing the amount of incentives FC offers to its Community Tax Center clients in order to entice them to participate in FC's savings campaign.
2. The City of Austin will provide an additional \$10,000 to FC for FC's general operational purposes if FC is able to at least double the number of Community Tax Center clients participating in the savings campaign as compared with CY2011 and if FC can increase the percentage of Community Tax Center sites with clients participating in the savings campaign to at least fifty percent of the sites it operates.

3. FC will survey a sample of its savings campaign clients at the time they enroll in the campaign as well as twelve months after enrollment to assess changes in financial habits, understanding, and stability. FC will make the results of the survey available to the City of Austin and to the public for analysis of the short-term effects of an incentivized savings campaign.
4. FC will provide all necessary data requested by the City of Austin to verify participation rates of FC's clients and sites and to verify that the funds have been used for their intended purpose prior to the end of the City's fiscal year.

BE IT FURTHER RESOLVED:

The City Manager is directed to work with Foundation Communities and other appropriate agencies to provide public outreach resources that spread the message of the importance of savings in achieving financial stability. These resources may include the use of City staff time for the creation and/or dissemination of public service announcements, marketing collateral (e.g., flyers), or other outreach material. This outreach should emphasize the importance of savings and financial education through pre-existing outreach sources, such as Austin Energy's Customer Assistance Program, neighborhood community centers, recreation centers, and social service entities under contract with the City of Austin.

ADOPTED: _____, 2011 **ATTEST:** _____
Shirley A. Gentry
City Clerk