Innovations for Scale and Sustainability in EITC Campaigns

Connecting EITC and Asset Building to Workforce Development One-Stops: Second-Year Lessons from Louisville, Ky.

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Executive Summary

Low-income individuals often lack access to financial education, bank accounts and other products and services that can help them manage their money and build savings. The past several years have seen an expansion of programs that attempt to facilitate access to these services, in particular those that use free income tax preparation to help families claim the Earned Income Tax Credit.[2] But while the programs collectively help hundreds of thousands of working families file tax returns each year, they have struggled with a trio of challenges: achieving scale, impact and sustainability. The desire to do better on these three measures has led some programs to search for new approaches to serving the target population.

In 2004, the Louisville Asset Building Coalition (LABC) began a pilot in partnership with the Kentucky Department of Employment Services and Kentuckiana Works, the Greater Louisville Workforce Investment Board (WIB). The pilot was intended to increase the scale and impact of LABC activities (including free tax preparation, financial education and access to financial services) by offering those services to customers of the city's "One-Stop" workforce development centers. Because the one-stops were already providing a range of services to a large number of unemployed and underemployed Louisville residents (who were also likely to be unbanked and underbanked), they seemed to offer an ideal location from which to market financial services.

The first year of the pilot is discussed in Connecting EITC and Asset Building to Workforce Development One-Stops: Lessons from Louisville, Ky. (December 2004). In that initial year, an LABC partner agency staff member was assigned to work part time at the city's largest one-stop, where she established a "Financial Resource Center," conducted workshops, and provided information and counseling to one-stop customers. The report concludes that the pilot appeared to offer a promising model for expanding financial services in an efficient and effective way, but also raised critical implementation issues as well as key questions about its potential for scale, sustainability and impact.

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[1] Special thanks to Carrol Neal and Stacey Elzy, Members First Federal Credit Union, for their assistance in developing this paper.

[2] The Earned Income Tax Credit (EITC) is a refundable credit available to lower-income individuals and families when they file a tax return. The amount of the credit varies with income and family size, but the largest credits generally go to those earning \$7,500 - \$20,000 a year. For Tax Year 2004, the maximum EITC was \$4,300 and the credit phased out at just over \$35,000 in income for married filers with two children. Because it is refundable, the EITC not only reduces the amount of taxes owed, but may result in a refund if the amount of the credit is greater than any taxes due.

This report follows the second year of the pilot. Through the additional investment of staff time and effort by the two main partner agencies, the pilot was able to significantly expand tax preparation and provide more individualized counseling. The results suggest a clear demand for these services among one-stop customers. There was also some success at following up with clients to provide in-depth assistance, though this was much more difficult and time-intensive. Most clients use the one-stop for short-term assistance, and they tended to use pilot services in the same way. *More critically, however, interest by the partners waned as time went on, and pilot activity slowed considerably. Then, in early November, a change in leadership at the one-stop center led to the abrupt canceling of the pilot.*

Key lessons from the second year include:

- As in year one, the pilot was able to accomplish a lot with limited staff investment. However, achieving real scale or impact will require a more significant commitment.
- Demand for free tax preparation was strong at the one-stops, supporting significant expansion of that component of the pilot.
- Financial workshops, both stand-alone and in conjunction with welfare-to-work classes, continued to be the least expensive and most easily implemented activity.
- The collaborative effort succeeded in getting buy-in from all key partners, but was less successful at encouraging active investment in the project.
- In the end, partners were willing to invest in the pilot only in those areas where they saw a clear return on investment.
- Turnover among leadership at partner agencies, as well as competing operational priorities, ultimately led to lost interest and the end of the pilot.

Because of the large number of clients who interact with the workforce development system, and because those clients face critical financial challenges, the overall model of providing financial services in coordination with one-stop activities remains one with potential for scale. Unfortunately, the Louisville experience raises serious questions about the sustainability of such efforts as well as their ability to achieve impact by connecting clients with longer-term asset-building opportunities.

I. Background

The Annie E. Casey Foundation has been an active supporter of Earned Income Tax Credit campaigns across the United States. Building on existing services in their communities, these campaigns provide: (1) education and outreach to promote the EITC and other tax credits for qualified working-poor families; (2) free or low-priced quality tax preparation services; and (3) links to other programs and services so that tax filers can use their refunds to build financial assets.

While the campaigns have helped hundreds of thousands of low-income workers receive tens of millions in tax refunds, they have been expensive and labor-intensive to operate. Given the campaigns' ambitious goals and limited resources, there is increasing interest in identifying alternative models that have greater potential for scale, sustainability and impact. Beginning in late 2003, the Annie E. Casey Foundation, working through the Aspen Institute's Economic Opportunities Program, provided grants and technical assistance to a limited number of EITC campaigns to support the design, development and pilot implementation of innovative approaches to EITC outreach, tax preparation and asset development.

The Louisville Asset Building Coalition (LABC) proposed a pilot whereby financial education, tax preparation and linkages to financial services would be provided to customers of the city's one-stop workforce development centers. The LABC is an alliance of more than 30 human services organizations that are committed to promoting financial stability for low-income individuals and families. LABC initiatives include EITC outreach, free tax preparation, Individual Development Accounts (IDAs), financial literacy, mainstream financial services and credit counseling. Several LABC members were involved in the pilot:

- Members First Federal Credit Union played the lead staff and management role.
- The Kentucky Department of Employment Services and Kentuckiana Works (the Greater Louisville WIB) supported implementation in two one-stop locations.
- The Center for Women and Families and Consumer Credit Counseling Service (CCCS) provided staff for financial literacy workshops and counseling.
- The Kentucky Financial Literacy Foundation served as fiscal agent.

One-stop centers, created by Congress under the Workforce Investment Act, co-locate a variety of employment-related services. By working within the one-stop system, the LABC hoped to build on this existing infrastructure to meet the financial needs of low- and moderate-income families. The ultimate goal of the pilot was to fully integrate financial services into one-stop operations – including a significant commitment of staff and resources by the Department of Employment Services.

II. Outcomes and Lessons from the First Year of the Pilot

In the first year of the pilot, the LABC developed a partnership with the local Workforce Investment Board and began delivering services at two one-stop locations: 6th & Cedar and the Nia Center. Key activities and accomplishments include:

- A staff member of Members First Federal Credit Union was assigned to work part-time at the 6th & Cedar one-stop, the city's largest.
- Space at 6th & Cedar was designated as a "Financial Resource Center" and served as the pilot's hub.
- Financial education workshops were offered on-site to one-stop customers, and additional workshops were integrated into welfare-to-work classes taking place at the one-stop. A total of 283 individuals participated in workshops during the first year.

- Help desk staff at the one-stops were engaged in providing outreach and information to customers, and assisted in scheduling customers for financial workshops.

In terms of the pilot's potential for scale, sustainability and impact, the first year experience suggested that:

- The one-stop appeared to be an ideal location for reaching the pilot's target audience. The project served a very low-income population, not connected to mainstream financial services and with significant debt.
- The one-stop model of providing an assortment of services under one roof made it easy to integrate the financial services piece. Systems were already in place to route customers to different programs based on their individual needs.
- One-stop management was highly supportive to the project. That support appeared to stem from the one-stop philosophy of providing comprehensive services to unemployed and underemployed Louisville residents.
- The creation of a Financial Resource Center gave the project a physical presence at the one-stop that made it more real for customers and staff, and seems to have helped make the project successful.
- The pilot appeared to be relatively cost effective, with staff provided by the LABC and a significant in-kind contribution of space, equipment and staff support from the one-stop center.
- The pilot's biggest challenge was connecting one-stop customers with savings accounts, check cashing, loans and other products without having a credit union branch on-site or nearby.

The first-year report concluded that the model showed promise for achieving pilot goals, but that its success depended on the willingness of one-stop leadership to not only give space to LABC staff but also more fully integrate delivery of financial services into the functioning of the centers. It also found that while partnering with one-stops offered access to a key constituency for financial services, the actual services provided (mainly group workshops) were unlikely to address the financial issues faced by clients in a significant way.

III. Description of Second-Year Implementation

<u>Second-Year Goals</u>

In addition to ongoing implementation, the second year focused on five specific goals:

- Increasing the number of hours the pilot operated, to have a more continuous presence at the one-stop centers.
- Expanding free income tax preparation at the one-stops to assist customers in claiming the EITC and other tax credits.

- Conducting more one-on-one counseling to provide in-depth assistance to customers (and increasing the expertise of project staff, to support this goal).
- Following up with participants to further assist them in achieving their financial goals.
- Integrating pilot activities more fully with one-stop operations, including training one-stop staff to promote pilot services and provide financial assistance to customers.

Second-Year Activities

Pilot activities in the second year included extension of first-year activities as well as expansion in key target areas. The primary activities were:

Ongoing Activities
▪ General outreach and information provided to 6th & Cedar clients through the on-site Financial Resource Center
▪ Facilitation of two workshops (money management and credit repair) in each 10-week welfare-to-work class at the 6th & Cedar one-stop
▪ Workshops on budgeting, credit and homeownership open to all 6th & Cedar one-stop clients
▪ Individualized information and counseling provided to 6th & Cedar one-stop clients

New / Expanded Activities
▪ Expansion of staff presence to two days each week at the 6th & Cedar one-stop
▪ Expansion of free tax preparation at the 6th & Cedar one-stop
▪ Provision of free tax preparation at the Nia Center one-stop
▪ Expansion of individualized counseling through active outreach and follow-up

Increasing Pilot Hours and Staff Presence at the One-Stops

As in year one, primary responsibility for carrying out pilot activities fell to Stacey Elzy, an employee of Members First Federal Credit Union who had been assigned to the pilot from its inception. Ms. Elzy generally spent three days each week working on the pilot (compared with two days a week in year one). This allowed the pilot to serve more clients, achieving greater scale, than it did in the first year. However, the pilot continued to operate relatively independently of other activities going on at the one-stop. The additional hours did not lead to increased integration of services or engagement of one-stop staff.

Year two also saw expansion of pilot activities at the Nia Center one-stop. Members First had always been interested in working more with that site, given the location of a credit union branch in the building's lobby, directly outside the one-stop's door. During the tax season, Ms. Elzy spent one day each week preparing returns at the Nia center; she was also assigned to the Nia Center credit union branch during her days off of the pilot.

Free Tax Preparation

The focus of the pilot during the first months of 2005 was on expanding the availability of free tax preparation at both one-stop locations. In previous years, tax preparation had been offered at the 6th & Cedar one-stop, but at a very limited scale. In 2004, the center's VITA site[3] (operated in coordination with the LABC) had only a couple of volunteers and completed 30 tax returns. One-stop management set an ambitious goal of 500 tax returns for 2005.

The one-stop tax site continued to pose challenges for volunteer recruitment. While the center is open during daytime hours, most volunteers are available on evenings and weekends. Furthermore, while the one-stop's downtown location is convenient for customers, is tends to be less convenient for volunteers who live in other areas of the city. In the end, the site was staffed by a combination of volunteers and two one-stop staff members, who worked full time during the tax season to manage the VITA site and prepare returns. Ms. Elzy also spent her time almost exclusively on tax preparation between January and April, spending two days each week preparing returns at 6th & Cedar and one day at the Nia Center, which did not operate its own VITA site. Given the limited number of tax site volunteers, the commitment of staff by the one-stop and Members First proved critical to achieving the pilot's goals.

Financial Education Workshops

As in year one, financial education was provided mainly through group workshops on three topics: budgeting basics, credit repair and homeownership. Workshops were presented as stand-alone events open to all one-stop customers as well as in regular presentations to welfare-to-work participants taking a mandatory employment preparation class at the 6th & Cedar one-stop. A 12-month schedule for workshops was established at the start of the year, with most (except for those offered as part of the welfare-to-work curriculum) beginning after the end of tax season.

Welfare-to-work participants who completed the classes were offered a savings account at Members First with a $25 starting balance. This offered the potential for a longer-term relationship with the credit union.

One-on-One Financial Counseling

The one-on-one counseling component of the pilot got a strong boost during the summer and fall of 2005 because of dramatic changes scheduled to take effect in bankruptcy law. One-stop clients, many of whom have significant debt, had questions about what they should do in relation to the new law. Clients coming to the Financial Resource Center got help getting

[3] The LABC and the 6th and Cedar one-stop both participated in the IRS' Volunteer Income Tax Assistance (VITA) program. Under VITA, the IRS provides free software, electronic filing and materials (and to a varying extent, training, hardware and other assistance) to community-based programs that rely primarily on volunteers to complete tax returns at no charge for low-income filers.

credit reports, understanding their options and developing plans to pay off debt and budget expenses. Ms. Elzy found that once clients came in for help, she could work with them to develop alternatives that avoided bankruptcy filing. Many of these clients also ended up enrolling in the financial workshops at the one-stop. In that way, the widely publicized law changes created a demand for financial education that the pilot was able to meet.

The biggest challenge to providing more intensive individualized counseling continued to be the knowledge and skill-level of staff working on the pilot. As noted earlier, other LABC partners, who may have been able to provide skilled staff, contributed little in the second year due to their own staffing constraints and competing priorities. However, Ms. Elzy did complete a Financial Counseling Accreditation program and continued to use whatever resources she could access to assist one-stop clients.

Financial Services and Asset Development

One of the key challenges identified in the first year was the difficulty in connecting one-stop customers with financial services, including savings and checking accounts, check cashing and IDAs. The challenge was made more difficult because the pilot focused on the 6th & Cedar one-stop, where Members First did not have a nearby branch. In year two of the pilot, this challenge was partially addressed by providing more services at the Nia Center's one-stop office, which serves a much smaller customer base but has a Members First branch right outside the door. The proximity to the credit union branch allowed Ms. Elzy to link several tax clients with savings accounts and other financial services.

Follow-up Assistance

Once the tax season ended, Ms. Elzy began to allocate as much as 20 percent of her time to making follow-up contact with clients who had received assistance through the pilot. The goal was to see whether those clients had been able to follow through on what they already had learned and offer additional assistance in meeting their financial goals. The effort was labor intensive, but Ms. Elzy was able to encourage several clients to come back in for additional counseling. At least one client returned for four different individual sessions. This allowed her to work with clients on longer-term goals and help them actually implement changes.

Spring Debriefing by Pilot Partners

In March 2003, the lead partners held a conference call to discuss the first year results and options for the future. The tone of the call was mixed – with praise for the effort but hesitancy on taking it to the next level. All of those on the call agreed that one-stops should be more than just a place people pick up unemployment checks, and that financial education and financial services were clear needs of one-stop clients. All also applauded the early results of the 6th & Cedar tax site, agreeing that the one-stop was a successful location for free tax preparation services.

There was less consensus on how the effort could be financed in an ongoing way. The non-profit partners looked to the workforce system to take on the costs of providing services at the one-stops, but were told that federal funding did not allow flexibility for this type of effort. The workforce partners asked if the non-profits could reallocate resources or raise additional funds for the project; they were told that resources were already over committed and that providing services at the one-stop was not necessarily the best use of their time.

The lack of data also made it difficult to plan for the future. While all were pleased with the first year results, there was no hard data on whether the pilot had actually made a difference in the financial security of clients. Furthermore, because so much of the effort was contributed in-kind by partners, no one had a clear idea of what the real budget was for the program.

The Close of the Project

In the fall of the second year, Dennis Carman, Director of the 6th & Cedar one-stop and a strong supporter of the pilot, retired. Only a few days into the job, the new Director abruptly asked Ms. Elzy to pack up everything and leave the site. It is not completely clear what caused this sudden action, though it may have resulted from a misunderstanding about the relationship between Members First and the one-stop (there may have been concern about the credit union "soliciting business" on one-stop property). It may also be the one-stop wanted the space used by the pilot for other purposes. The turnover at 6th & Cedar was exacerbated by leadership changes at both the WIB and LABC. Without the ongoing involvement of these key players – and without a written agreement binding the partners together – the pilot was shut down.

To the extent that they were successful and offered a return on investment to at least one partner, some aspects of the pilot will likely continue. The one-stop saw value in hosting a free tax preparation site (though it is looking to decrease the extent to which it provides direct staffing of the site), and Members First plans to continue to offer financial education as part of the welfare-to-work classes that take place at the center.

IV. Pilot Outcomes and Lessons Learned

Participation in Pilot Activities

Between January and November 2005, the pilot accomplished the following (as tracked by Members First staff):

Outcome	Pilot Goal	Number Served
# receiving free tax preparation	550	546
# participating in workshops (welfare-to-work)	180	175
# participating in workshops (other)	220	260
# receiving credit counseling	360	239
# opening a checking or savings account	375	398
# using other credit union products	300	876

The pilot thus met or exceeded most of its goals (as defined in the second-year pilot proposal). This success is largely due to increased staff time on the project as well as a concerted focus on both tax preparation and individual credit counseling. As in year one, however, a significant portion of the outcomes listed here – especially those for credit union accounts and products – are the result of outreach performed by Members First staff outside of pilot-related activities.

Client Surveys

Surveys were completed by 87 individuals who received free tax preparation and 23 people who attended workshops through the pilot. The surveys found:

- The project continues to serve a very low-income population: 46% of tax clients and 51% of all clients report earning less than $10,000. Ninety percent report earning less than $30,000.
- Most tax clients (75%) were employed at the time they completed the survey, though only 46% were working in full-time permanent jobs.
- Participants report having much more debt than assets. While 56.5% of those surveyed have assets, the average value of reported assets is approximately $1,600. Meanwhile, 67% of respondents report having debt averaging approximately $4,600.
- The most common types of assets are bank accounts (80% of those with assets), followed by owning a car (49%) and owning a home (15%).
- The most common types of debt are credit card debt (55% of those with debt), followed by car or home loans (39%) and student loans (29%). Ten percent of clients report owing money to a payday lender or loan shark.
- As in year one, satisfaction with services was high. On a scale of 1 to 5, participants rated the quality of tax preparation at an average of 4.7 and of workshops at 4.8. Ninety-seven percent said they would recommend the service to others.

Follow-up Survey

In August 2005, Members First mailed surveys to all clients who had participated in welfare-to-work classes during the year. Of the 100 surveys distributed, 22 were returned completed (another 13 were returned by the post office for “address unknown”). The results suggest that the workshops have made a difference in clients’ financial understanding and behavior:

- Fourteen of the respondents (64%) said that they are doing something differently as a result of the workshops. Six said they no longer use payday lenders and one had enrolled in an IDA program. Three respondents noted that they are now budgeting better and spending less.
- Seventeen respondents (77%) expressed interest in receiving additional assistance in meeting their financial goals. From a list of options: 12 asked for credit repair assistance; 11 for help paying off debt; 9 for homeownership assistance; and 7 for

budgeting assistance. Eight clients asked for help with matched savings accounts, and 7 asked for free tax assistance.

- Only 8 of the 22 respondents (36%) said they had used the Members First account that was opened in their name (with $25) when they completed the class. Of those, 6 had used the credit union's check cashing services, two used payroll direct deposit, four had added to their savings, and one opened a checking account.
- Only 12 clients (55%) said that having a bank account helped them save money or access services. Lack of income was cited as the main barrier to saving.

Pilot Costs

The budget for the pilot's second year was $20,000, and as in the first year, was used primarily for the salary of the Members First staff person responsible for the pilot, as well as some costs for materials and administration. Also as in year one, actual pilot costs included many items contributed by other partners – in particular, staff time and in-kind space and equipment by the one-stops. This was especially true in year two, when the VITA site at 6th and Cedar was managed by one-stop staff.

Lessons, Challenges and Best Practices

Key lessons from the second year of the pilot include:

- As in year one, the pilot was able to accomplish a lot with very limited staff investment. However, achieving real scale or impact will require a more significant commitment. Individualized counseling and follow-up, in particular, are highly labor-intensive activities.
- Demand for free tax preparation was strong at the one-stops, supporting significant expansion of that component of the pilot. At the same time, the LABC found it difficult to recruit volunteers and one-stop management was frustrated by the need to assign two full-time staff members to tax preparation.
- Financial workshops, both stand-alone and in conjunction with welfare-to-work classes, continued to be the least expensive and most easily implemented program activity. When combined with follow-up and a savings account, they appear to make a difference in client financial knowledge and behavior.
- The collaborative effort succeeded in getting buy-in from all key partners, but was less successful at encouraging active investment in the project. Without that, the pilot slowly lost steam and became vulnerable to other threats.
- Turnover among leadership at partner agencies, as well as competing operational priorities, ultimately led to lost interest and the end of the pilot. The commitments of partners were not strong enough to overcome staff changes and resource limitations.
- In the end, partners were willing to invest in the pilot only in those areas where they saw a clear return on investment: for the one-stop, in free tax preparation, and for Members First, in welfare-to-work program participants.

- More formal integration with one-stop operations – so that financial services were a clear part of the one-stop's operation, not just a service provided by Members First on-site – might have helped the pilot survive. In addition, a written contract or partnership agreement might have helped the pilot transition through the staff changes.

V. Conclusion: Potential for Scale, Sustainability and Impact

The Louisville pilot tested the idea of providing financial education and access to financial services in the context of workforce development one-stop centers. When the pilot began, enthusiasm for the partnership was high among both one-stop management and LABC member agencies. A Financial Resource Center was established at the city's largest one-stop, and, drawing on staff expertise from LABC members, offered workshops, counseling and access to accounts and other services. Demand for the services appeared strong, but capacity was limited by staffing constraints.

In the second year, the primary partners – Members First and the 6th & Cedar one-stop center – increased their staff investment, resulting in improved outcomes for the pilot's main components: tax preparation, workshops and individual counseling. Other pilot goals were more elusive, and efforts to provide more than one-time services proved difficult. The pilot's biggest asset – the large number of people coming through the one-stop each week – was also a liability, as customers tended to use the center only for short-term assistance.

Ultimately, however, the pilot's biggest challenge was to sustain the interest of partners in the face of leadership changes and competing priorities. As time went on, all partners began to question the value of their investment in the pilot, even in those areas of relative success. Faced with limited resources, the agencies wanted to focus on areas where they could get the greatest return on investment – and the one-stop pilot did not seem to offer enough. This was true even for the one-stop itself, where space was at a premium and the room occupied by the Financial Resource Center could instead be used for other purposes.

In terms of the larger goals for the pilot, the experience was similarly mixed:

- **Scale.** On this measure, partnership with one-stop centers continues to offer great promise. First and foremost, the sheer volume of customers going through the system each day makes the centers ideal outreach locations. Second, the financial needs of one-stop customers match the target audience for EITC outreach and asset development. Third, demand for services appeared to be high among one-stop clients, offering the potential for additional expansion.

- **Impact.** The pilot struggled on this measure, as the partners attempted to go beyond one-time workshops or tax preparation and connect clients with in-depth counseling and asset development opportunities. Because clients tended to use the one-stop for short-term assistance, pilot staff had to follow up individually with clients to encourage them to return, an extremely time intensive effort with only limited success. Having a credit union on-site might have helped on this measure, as might the presence of staff to provide more expert advice, IDAs and other services that the pilot could offer only by referral.

- **Sustainability.** This is where the pilot encountered the greatest problems, as a result of both funding questions and competing priorities for the partners. Despite considerable enthusiasm at the onset of the pilot, interest waned over time, as the prospect of ongoing funding seemed remote and partners concentrated on activities that offered a greater return on investment. Changes in leadership at several partner agencies also hurt the effort, as some of the pilot's strongest proponents were no longer involved. Ultimately, sustainability depended on fully integrating financial services into one-stop operations. In these two years, at least, that did not occur. The Financial Resource Center remained a separate service inside the one-stop, easily terminated when new leadership did not see its value.

Because of the large number of clients who interact with the workforce development system, and because those clients face critical financial challenges, the overall model of providing financial services in coordination with one-stop activities remains one with potential for scale. Unfortunately, the Louisville experience raises serious questions about the sustainability of such efforts as well as their ability to achieve impact by connecting clients with longer-term asset-building opportunities.

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