

EITC AND IDA PROGRAMS: LEARNING WITH PEERS

**An Annie E. Casey Foundation *Making Connections*
Technical Assistance Activity**

SAN ANTONIO, DENVER, AND TULSA'S COMMUNITY ACTION PROJECT

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Summary

Through *Making Connections*, the Annie E. Casey Foundation is working with San Antonio and other cities across the country to strengthen neighborhoods and support families living in tough neighborhoods. One of the primary aims of *Making Connections* is to connect neighborhood residents with opportunities for family economic success (FES). To support neighborhoods in their efforts, the Foundation offers the *Making Connections* communities technical assistance that can help them achieve their goals for strengthening families and the neighborhoods in which they live.

Visiting other communities is one way that enables key stakeholders to learn from their peers in other places about the ways they have implemented strategies, addressed issues and solved problems. On November 4th and 5th, a team of five key partners, including one resident, participated in a peer match Tulsa's Community Action Project to learn about how they can use the EITC, IDAs and other opportunities to help residents build and preserve assets to improve their family's well being. (The participant contact list is attached.)

Context

In late summer of 2002, several staff from the San Antonio's Department of Community Initiatives (DCI) inquired about the possibility of a peer match with Tulsa's Community Action Project (CAP). This organization and their EITC/IDA campaign had been showcased at an earlier Casey FES Institute as an example of how a community can harness community energy and passion around innovative strategies and action to make a significant difference for their own neighborhoods and residents.

San Antonio has had a successful but growing EITC campaign and also a small but growing IDA program. Both have benefited from the leadership of the DCI, which continues to play a key role in the initiatives. The Director of the DCI, Dennis Campa, was also interested in learning how a community action program – DCI is the home to San Antonio's Community Action Program -- found ways to take a macro level approach

to bringing its projects and programs together. The date for the match was chosen to coincide with a visit by Chuck Shannon, a senior fellow of the National Center for Community Building working with the United Way of Denver and the United Way of America to advance the thinking around workplace affiliated IDAs and other related concepts.

CAP's Executive Director Steven Dow agreed to participate, along with his staff and volunteers, in a peer match to help San Antonio move forward in their planning and actions for the EITC campaign and IDA initiative, in time to apply the new ideas and knowledge to the 2003 tax season and EITC campaign.

Learning Objectives

The San Antonio team determined key learning objectives and developed an agenda through a facilitated conference call with Steven Dow, Executive Director of CAP and Chuck Shannon of the United Way.

Learning Objectives:

- Strategize about how to develop, place, staff, and use VITA sites to have the greatest impact on growing a successful EITC campaign.
- Strategize about how to develop a systemic, macro-level approach to coordination and collaboration between the CAP sites, emergency assistance programs, EITC, and IDA programs.
- Learn how to make the most of IDA programs, tying them to other programs and asset accumulation.

The Peer Match: Seeking Strategies and Ideas

Learning Objective 1: To strategize about how to develop, place, staff, and use tax preparation sites to have the greatest impact on growing a successful EITC campaign.

What we learned, in brief:

A. Using the EITC to build wealth...

- The EITC was designed as a wealth creation opportunity, which implies that getting an EITC tax refund is just step one. To fully utilize its possibilities requires a strategic effort to translate the additional income to assets (instead of immediately spending it). This opens the possibility of linking EITCs to IDAs – but it is important

to understand that not all individuals/families are at a place in their lives where an IDA makes sense for them.

- The EITC is a refundable tax credit. In other words, applicants may be able to receive a credit over and above the amount they owe in taxes. Because of this very important feature of both the EITC and the Child Tax Credit (the CTC is partially refundable), tax preparers must be trained to first apply *non-refundable* credits against any tax liability, and then layer the CTC and the EITC in the proper order to make the most of all credits available and get the largest refund.

B. Recruiting, managing, and training volunteer and paid staff...

- Tulsa relies on AARP volunteers, who are often the most reliable volunteers for a variety of reasons.
- It is critical for each tax preparation site to have paid staff because they are likely to show up when expected, and can be held accountable for job performance. Paid staff at the CAP sites include clerical as well as a site coordinator.
- While most volunteers are expected to work about four hours per week, some of them work year around since applicants may require amendments to their tax returns or wish to file returns for previous years (and it is difficult to file for previous years during the busy tax filing season).
- Tulsa recruits volunteers in various ways (in addition to AARP), including through a corporate letter of request, signed by local business leaders. Approximately 36 businesses have been asked for two days of volunteer work by two-four of their employees. This has been a successful approach, garnering approximately 24 corporate partners who share several employees for an average of two days of tax preparation work.
- Americorp volunteers are extremely valuable because: they cost very little to hire, they work full time, and they can work very flexible hours.
- Training is a critical component for volunteers and staff to do the work well, and with confidence. During a day-long session, CAP does it's own training that includes CAP's policies, information about what is expected from volunteers, quality control, IRS's Publication 17, and practice examples that are honed from CAP's own experiences with filers. These examples include the type of situations that tax preparers in Tulsa are likely to encounter.

C. Maximizing the efficiency and effectiveness of EITC sites...

- Tulsa’s Community Action Project uses a pre-recorded telephone message to give very specific information to callers. This saves considerable staff time, and also provides around-the-clock information to callers.
- Approximately 60% of applicants use pre-selected appointment times, and 40% are walk-ins. In order to give appointment times to individuals, CAP uses an appointment service (with a \$.50/minute of phone time cost which has proven to be much less expensive than using CAP staff to do this task). The advantage of using an appointment service is that CAP doesn’t have to pay for extensive staff time and additional phone lines to offer this service, and applicants are not likely to spend as much time making their appointment because they’ve been able to get ancillary information about EITC tax preparation (including the location of sites, times of operation, and what to bring along for the tax preparation from the Hotline. (The Hotline pre-recorded message is free and gives callers the phone number to use to schedule an appointment.)
- Because many applicants want their refund as quickly as possible, and to minimize the number of persons who go to a paid tax preparer in order to obtain a Refund Anticipation Loan (which takes a significant bite out of their refund), CAP especially encourages the use of appointments and filing during the first three weeks of the tax filing season, when refunds can be obtained quickly.
- Tulsa has purposely limited the number of tax preparation sites because they have found that “too many small sites stretch the expertise.” In other words, it can be expected that each tax preparation site will encounter difficult or complicated returns that may require the expertise of a staff coordinator who is trained to handle the outlier returns and questions. With too many sites, it becomes costly and inefficient to make sure that each would have this type of immediate assistance to fall back on when necessary.
- Both Tulsa and San Antonio teams talked about the opportunity to “cross-sell” other services and opportunities to persons who come to a tax preparation clinic. In San Antonio, applicants can get information about child health insurance and water bill reductions. CAP’s Steven Dow cautioned that not all applicants will be ready to accept these additional opportunities on the spot, and that as in all good marketing efforts, repetition may be necessary.

D. Services of the Low Income Tax Clinic (LITC)...

- The LITC, CAPs intercultural service, provides support to a large population of primarily Spanish-speaking residents who have many needs. Before any services can be provided, it is imperative that trust and confidence are built with those they seek to

serve. A large number of the LITC customers come for assistance because of word-of-mouth marketing from others who have received services. Assurance and trust that information will not be shared with the INS is a critical factor in the success of the LITC.

- Tax filers need a social security number or an Individual Tax Identification Number (ITIN) for each member of the family. The LITC can help families receive ITINs and prepare their returns.

E. Resourcing the EITC campaign...

- Various sources of funds and contributions are usually necessary to sustain a well-resourced and successful EITC campaign. Tulsa has \$150,000 for paid staff and associated costs, much of it from the Community Development Block Grant.
- Other sources of funds and resources include donations from local businesses for copy machines and toner, and donated computers from the IRS. (Paper for copying can be a significant cost burden as well.) Donated space should also be considered, and it is often readily available at libraries, credit unions, and non-profit organizations. (However, space for EITC operations must be available during flexible time periods including evenings and weekends, and be conveniently located to be viable. Costs for building security is another consideration.)
- College students and Americorp volunteers are inexpensive and dedicated workers who cost significantly less than regular, full-time employees.

Learning Objective 2: Strategize about how to develop a systemic, macro-level approach to coordination and collaboration between the CAP sites, emergency assistance programs, EITC, and IDA programs.

What we learned, in brief:

Dennis Campa described the desire he holds for San Antonio's Department of Community Initiatives. He believes that with careful and strategic planning and training, every agency that his department funds should be equipped with the knowledge and resources to work effectively with other agencies and individuals. This type of unprecedented cooperation and collaboration should lead to more opportunities to improve the economic well being of families served by this department and its contracting agencies.

"Everywhere we touch someone, how do we engage them in family economic success?"

Dennis Campa, Director of San Antonio's Department of Community Initiatives

Participants from both San Antonio and Tulsa talked about the challenges of sharing data – especially around confidentiality issues --, cross training, and creating common data sets and agency-wide databases. Dennis also described the unique Single Portal of Entry for entry for public pre-k, and offered to share additional information.

Learning Objective 3: Learn how to make the most of IDA programs, trying them to other programs and asset accumulation..

What we learned, in brief:

A. Recruiting participants ...

- Tulsa initially targeted EITC applicants for their fledgling IDA initiative. What they discovered is that not all persons who receive the EITC are interested in opening an IDA, due to many factors in their lives.
- IDAs seem to work best with people who are already engaged in the work force as a predictor of receptivity to saving. (San Antonio has also experienced success with persons who are TANF recipients).
- For many individuals, one of the most beneficial aspects of IDAs is the pattern of saving behavior that it instills. Even after the match program ends, saving behaviors often continue, and staff have seen remarkable transformations in behaviors from people who once felt that it was hopeless to try to save. Many people learn that, even with competing bills and needs for their money, they can reprioritize their spending so the first “bill” they pay is to their savings account.

“IDAs are a tool and an approach, but they are not a program.”

Steven Dow, Executive

B. Potential uses of IDA funds...

- Nationally, the largest funding source for IDAs come from the federal Assets for Independence Act (AFIA). San Antonio has both AFIA funds as well as some Welfare to Work funds. Both of these funding sources restrict the funds to three traditional uses: saving for the participant’s education, saving for a new home, and saving to begin a business/microenterprise.
- CAP has garnered other funding sources to make their IDAs more flexible, including the ability to save for a child’s education, enhance an existing business, retirement savings, and home repair and improvement. This flexibility has probably attracted additional participants.

C. Determining the match rate...

- Determining the match rate can be a complex mix of many factors (although sometimes this might be set by the funding source): the amount of funds available for a match pool; the number of participants targeted; how many months or years should the participants be required to save; how much are participants able to save; and very importantly, what are the cost for the assets participants may wish to purchase. For example, if a participant dreams of purchasing a home, knowing the average cost of housing (and other factors) will be critical to tailoring the match rate to local conditions.
- Some initiatives may set different match rates for different goals, such as 1:1 for education, but 2:1 for housing.
- Even though most IDAs are not sustainable in the long run due to their overall cost, the tangible behaviors that many people learn last for a lifetime.
- At CAP, the match rate is kept as low as feasible (yet still allowing participants to reach their goals) because this demonstrates that poor people are able to save, and the lower match rates tend to garner stronger public policy support.

D. Managing an IDA initiative...

- CAP has a large number of IDA participants, so they manage and follow-up with assistance and counseling based on a red, yellow, and green light concept. If participants are doing well and making their scheduled deposits, they are considered “green.” If they are not making all their deposits or withdrawing too often, they are thought of as “yellow” and requiring additional attention from staff. If they are seriously out of compliance with their participation agreement, they are “red” and may require attention or termination if necessary. Since “slots” cannot be refilled if a participant drops out, termination is done only when all else fails.
- There are numerous financial literacy curriculums available. In San Antonio, participants are required to complete two evenings of training before opening an account. In Tulsa, a variety of optional courses are offered, tailored to the interests of participants, in addition to the required coursework. (These optional courses include topics such as estate planning, how to make consumer complaints, investing 101, understanding credit reports, eating well for less, home repair, retirement, and home buying.)
- Participants are usually required to fulfill their obligation to attend financial literacy or money management programs prior to opening a savings account. The pre-account work also includes a 1:1 assessment between the participant and staff, and in Tulsa, a signed letter of agreement about how much they will save, for how long, and for what purpose.

“It’s really important to understand that many of the participants don’t feel comfortable at first with the IDA program, and they require a lot of nurturing by program staff and volunteers.”

Marylou Mendoza, resident leader in San Antonio

- CAP uses a monthly postcard system to remind participants that it is time to make their next deposit.

Wrap-up and Next Steps

Reflections from Participants

Members from both the Tulsa and San Antonio teams (and Chuck Shannon of Denver) expressed their appreciation for what they had learned and shared with each other. During the course of an evening and a day, participants had bonded, found new friends, and invited each other to stay connected and become information resources.

San Antonio: Team members talked about how much they had learned (and shared), and their plans to apply their new knowledge and ideas to enhance both the EITC and IDA efforts. They felt that the nuts and bolts information was especially helpful.

Tulsa: Team members expressed their own appreciation that the San Antonio team would trust and respect them enough to come for a visit. They committed to offering any follow-up help and advice that would be helpful, and several participants said that they had learned as much as they had offered.

Next Steps

In order to effectively use some of the new ideas, there was a commitment to share many tools and resources from participants of both teams. A few of the resources from Tulsa that will be shared include: the list of job responsibilities for tax preparation site staff; the script for the pre-recorded script about how to access tax preparation services; the volunteer recruitment letter sent to corporate executives; a sample Americorp proposal; and CAP training curriculum including tax examples. Dennis agreed to help connect his MIS staff with those of CAP, and also agreed to share extensive information about the innovative single portal of entry for early childhood that has been developed in San Antonio.

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