



EITC Rapid Response Fund 2013-2014

Summary

Background: The GIST/GCYF/GIH Communications Collaborative works to maximize the effectiveness and efficiency of grantmaker investments in communications work with grantees; and to promote the value of publicly-funded strategies and services that assist individuals and families in poverty through key collaborative activities. A primary collaborative activity is the development of a Rapid Response Fund, where funders can expediently leverage their resources for a concerted effort to address an urgent communications need. Threats to state Earned Income Tax Credit (EITC) policies were identified as a focus for the first Rapid Response Fund in 2012. The EITC Rapid Response Fund (The Fund) is administered by GIST in partnership with the Center on Budget and Policy Priorities and the Hatcher Group. To date, nearly \$430,000 has been awarded to fifteen states to support emergent state EITC efforts.

A Virtual Fund: The Communications Collaborative supports a “virtual fund” structure. That is, we provide a table around which multiple funders can align support for key ideas and grantees. Sometimes these funds are pooled with GIST while other funders work collaboratively but deploy their own funds directly.

Why the EITC: The EITC is the nation’s largest poverty alleviation policy—lifting 6.5 million people, including 3.3 million children, out of poverty in 2012. Not only is there a national EITC, but now 25 states and the District of Columbia have a state EITC policy which expands to reach and impact of the federal policy. While the EITC has been around since 1975 and received broad support across the political spectrum, in recent years it has come under attack. Funders and the field have begun to realize that this critical poverty alleviation policy has come under attack and is threatened with reduction or elimination in several states.

Overview of the 2013-2014 EITC Rapid Response Fund

In 2013-2014, The Communications Collaborative awarded \$250,000 in EITC Rapid Response Funds to nine organizations to improve their communication efforts in advocating for their respective states’ EITC programs. The table below presents an overview of each organization’s contract date, amount, overall strategy, state EITC status at the time of their proposal, primary strategy and a summary of their outcomes.

| Organization | Date | Amount | State EITC status at the time of the proposal | Strategy | Outcome |
|--|---------------|---------------|---|--|--|
| The Commonwealth Institute (VA) | December 2013 | \$25,000 | In 2013, Virginia lawmakers enacted a convoluted transportation bill that raises revenue in a number of complicated and regressive ways. The new law is so complex and far-reaching that it has caused dissatisfaction among a wide variety of interest groups, human service advocates, and other organizations. There appears to be an opening to leverage this dissatisfaction to push lawmakers to offset the regressive provisions of the law by improving the Virginia EITC and making it refundable. | Preserve and expand the EITC by making it refundable | State EITC strengthened by connecting it to federal EITC improvements |
| New Mexico Voices for Children | December 2013 | \$25,000 | At the end of the 2013 Legislative Session, members passed an omnibus tax bill that raised taxes on goods and services. The bill was supposed to include a provision raising the WFTC to 15% of the Federal EITC, but the provision was omitted. State Representative Ed Sandoval has sought to rectify this and provide support for low-income families hit hard by the omnibus bill by reintroducing the provision in the 2014 session. It appears that the bill will pass. | Expand the EITC from 10 to 15 percent of the federal EITC. | Awareness of the issue was raised among opinion leaders, but no bills passed |
| Kentucky Center for Economic Policy | March 2014 | \$25,000 | In early 2014, Governor Beshear proposed a tax reform package to the General Assembly that included a 7.5 percent refundable EITC. The Governor is politically popular and many currently see tax reform as a needed policy in Kentucky. It is likely that the bill will pass, but even if it doesn't, the plan has opened up opportunities for discussion around the EITC. | Introduce state refundable EITC through tax reform bill | Awareness of the issue was raised among opinion leaders, but no bills passed |

| Organization | Date | Amount | State EITC status at the time of the proposal | Strategy | Outcome |
|---|----------------------------------|--|---|--|---|
| Maine Center for Economic Policy | March 2014 | \$25,000 | In 2013, the Maine legislature passed a bill to increase Maine's EITC to a 10% refundable credit. The bill remains before the Appropriations Committee awaiting funding. | Expand the EITC from 5 percent to 10 percent and make it refundable. | Expanded property tax credits and rent relief, EITC improvements bill passed in both chambers but not acted on in committee |
| Fiscal Policy Center at Voices for Illinois Children | April 2014 | \$25,000 | In 2013 the General Assembly enacted legislation that increased the state EITC to 10%. Governor Quinn recently proposed doubling the credit to 20% of the Federal EITC and legislation to do so was introduced in the House and Senate. | Expand the EITC from 10 to 20 percent of federal credit | Awareness of the issue was raised among opinion leaders, but the legislature never debated the issue |
| North Carolina Justice Center | April 2014 | \$15,000 | As part of a 2014 tax overhaul, the North Carolina EITC was eliminated. Advocates have been working to keep the EITC at the forefront of discussion, but as of yet, no movement has been made to reinstate the credit. | Reinstate EITC | Awareness of the issue raised among new legislative and coalition leadership, no bills passed. |
| Voices for Utah Children | December 2013 and September 2014 | \$50,000 (two awards - \$20,000 2013 and \$30,000 in 2014) | In 2013, the Utah House passed a bill to create a 5% state refundable EITC. Despite strong bipartisan support in the house, the bill was not considered in the Senate. The bill was rebranded in 2014 and included provisions to fund the EITC through a future tax on internet sales. The new bill once again passed in the house, but was not allowed to come to the Senate floor for debate. | Introduce state refundable EITC | Awareness of the issue raised among new legislative leadership; bill passed in the House; legislature increased funding for VITA services; working to set stage for possible action in early 2015 |

| Organization | Date | Amount | State EITC status at the time of the proposal | Strategy | Outcome |
|---|----------------|---------------|---|---|--|
| The Colorado Fiscal Institute | September 2014 | \$30,000 | In 2013, the Colorado Legislature passed the Working Families Economic Opportunity Act. The law established a permanent state EITC and CTC for families with children under five. The state EITC will be equal to 10% of the federal credit and be fully refundable. The bill however, does require that state revenues exceed an established amount before the EITC is paid out. | Preserve and expand the EITC by eliminating revenue trigger | Working to eliminate EITC revenue trigger. |
| Economic Progress Institute (RI) | October 2014 | \$30,000 | Changes in the 2013 legislative session – elimination of the property tax circuit breaker for anyone who is not elderly or disables, a significant estate tax break, and modification to the state EITC that reduced it from 25 to 10 percent but made it fully refundable – meant that three-quarters of the 15,000 Rhode Island families who get both the EITC and the circuit-breakers credits will be paying higher taxes than before passage of these changes. With new leadership in the state and a revived coalition focused on the needs of working-poor families, there is a chance to expand the EITC and reduce the tax burden on low-income workers. | Preserve and expand the EITC by making it fully refundable | State EITC is fully refundable and working to expand it from 10% to 15%. |

Key Rapid Response Fund Activities

Organizations applying for funding through the EITYC Rapid Response Fund were asked to identify the kinds of communications and outreach activities they planned to undertake. Key activities included:

- **Inform Decision-Makers One-on-One.** Almost all of the organizations saw the value in reaching out and building relationships with individual decision-makers in order to better educate them on the issue and diffuse concerns they might have. New Mexico Voices for Children acknowledged that this type of approach is time consuming, but believed that this was the best way to make the EITC a priority for decision-makers. To deal with the time commitment, the Kentucky Center for Economic Policy contracted campaign staff to track developments, set up meetings, and build new relationships. All organizations agreed that it was essential to get policy-makers the most recent data on tax policy within their states.
- **Targeted Messaging.** In order to expand support for the EITC, many organizations knew they needed to gain support among less-traditional allies. As such, they developed tailored messages for different audiences. Voices for Utah Children, The Colorado Fiscal Institute, and New Mexico Voices for Children worked to gain support from conservative legislators and constituents by using messages that focused on working families and the overall benefits of the credit to the economy. Many organizations also used the public support of conservative economists and political leaders, such as David Neumark and Paul Ryan, as a tool in recruiting new allies.
- **Professional Consultation.** Several organizations hired professional consultants in areas where their organization could use increased expertise. These areas included web design, polling, and politics. By engaging experts, the organizations were able to more finely target efforts and identify weaknesses. Voices for Utah Children for example, hired a legislative strategist to provide strategic advice and help them facilitate dialogue with key senators.
- **Going Beyond Traditional Social Media and Technology.** Most of the organizations focused on expanding social media efforts to include blog posts, videos, infographics, and innovative applications. Voices for Illinois Children and the Commonwealth Institute for Fiscal Analysis developed applications that would allow individuals to calculate their expected EITC return. They used this tool to rally support among constituents and legislative leaders. The North Carolina Justice Center emphasized the value of social media by facilitating organizations to give quick response to policy changes or other related news.
- **Engage and Develop Business Allies.** Several organizations realized the value of support from outspoken businesses leaders and worked to establish them as allies. The Colorado Fiscal Institute partnered with the Small Business Majority to find small business owners who support the EITC and filmed their testimonials for use on social media and with legislators. The Maine Center for Economic Policy also engaged in an outreach program for business leaders to encourage them to speak out on EITC issues. Voices for Utah Children specifically targeted businesses like Walmart who have been engaged nationally, but have yet to get involved at the local level. The Commonwealth Institute also specifically targeted businesses in the utility and retail sector because of the potential impacts of the EITC on their customer base.

Summary of Results and Learnings

As part of their contracts, organizations were asked to report on the successes and challenges they faced in their messaging to introduce, preserve, or expand the size of their states' EITC programs. The summary below captures highlights from organizations' responses.

Successes:

- **Laying important ground work for support within state legislatures for current and in future efforts.** Even though most grantees did not have substantial forward movement, all cited the importance of doing basic education and awareness raising in order to build support for future efforts. Many organizations suggested that future debates will be better informed because of the groundwork done during this legislative cycle. Several grantees cited intentionally creating educational resources that were both useful during this year's campaign and will continue to be in future campaigns. Educational resources included interactive websites, district level fact sheets and other materials to highlight the impact of state EITCs at the local level. In Illinois, where no positive bills were passed, the EITC is expected to be a part of future tax reform. In Utah, even with no EITC supportive bills passed, the coalition was able to secure an increase in funding for VITA sites throughout the state.
- **Educating opinion leaders by working locally.** Several grantees cited the impact of targeting education efforts to key opinion leaders by highlighting district-level data as well as working with local media outlets to underscore the positive economic impact on each community as a result of the EITC. One organization cited the positive impact that local community leaders can have on a legislator compared to others with the same facts.
- **Strengthening partnerships and coalition efforts.** Grantees cited the positive impact of having resources to support coalition-based work in their state. Being able to hire contract staff who were responsible for managing coalition efforts (calling meetings, coordinating collective actions, developing shared messaging, etc.) was highlighted as a major improvement in capacity. Through effective coalition work, Virginia advocates were able to secure a multiyear expansion of the state EITC.

Challenges:

- **Shifting political climates in state legislatures due to new political majorities and/or EITC champions retiring.** Shifts in the makeup of political leadership left several organizations with few champions for the EITC and a new class of legislators who were either uninformed or actively unsupportive of the EITC. Given the time it takes to build relationships with individual legislators and garner their support for such legislation, several grantees found themselves with not enough time in the legislative cycle to gain the support necessary for a successful vote.

- **Fiscal realities and competing priorities.** Almost every organization discussed the struggle of making the EITC a priority during this period of fiscal challenge. The Colorado Fiscal Institute listed school funding and Medicaid expansion as two major competing priorities. They found that the bulk of their time was spent demonstrating the complementary nature of the EITC to other social programs so as not to create unnecessary competition. The Kentucky Center for Economic policy also believes that the upcoming elections have stolen attention from any buzz garnered for the credit. Even if legislators supported the EITC itself, figuring out how to fund the EITC remained a challenge in many states.
- **Legislators' misperceptions of the EITC and EITC recipients.** Advocates in both Utah and Virginia cited a lack of support for low-income workers and sense that the EITC was not effective in reducing poverty. For example, Utah advocates report that opinion leaders did not consider the small amount of the state EITC a significant enough increase for working families to justify its existence. Still other legislators struggled to understand the refundability of the EITC when people do not owe income tax. And given that many of those eligible for the federal EITC do not claim it, some legislators questioned that such a small amount as the state EITC was worth the hassle.
- **Engaging EITC recipients as advocates proved challenging.** As cited by advocates in a couple states, engaging EITC recipients in the efforts to raise awareness of the benefits of the EITC in a meaningful way was challenging. Even when advocates were able to engage EITC recipients through VITA sites at tax time, continuing to engage them in on-going public education efforts later in the year was not effective. However, testimony provided by one EITC recipient in front of the state legislature was noted as very effective.

Lessons Learned Overall:

- **In future efforts, plan on an expanded timeframe and include in-district strategies.** By many accounts, the short legislative cycle and shifts in legislative leadership necessitated working with a longer time frame to allow for relationship building and basic awareness/education related to the EITC in advance of a formal campaign. Advocates in Virginia cited that their EITC awareness-building campaign started after many key coalitions and partner groups had already established their public education agendas for the session. Beginning earlier in the season would have afforded more time to ensure the EITC was a priority for coalitions throughout the state. Targeting key opinion leaders within their local communities was highlighted as an effective strategy for future efforts and one that also requires a broader timeline.
- **The messengers matter when advocating for the EITC.** Focusing on in-district media development proved effective for many advocates. Having local community leaders make the case to their legislators worked well and underscored the importance of building the “drumbeat” long before a public education campaign begins in the state capital. In North Carolina, advocates plan to train more low-wage workers as messengers for future campaigns.

- **Communication strategies need to clearly explain the benefit of the EITC in light of less supportive political environments and budget shortfalls.** The majority of organizations reported a shift in state legislatures in a way that was less supportive (and/or less informed) about the EITC. Considering this reality, advocates plan to better prepare traditional champions of the EITC so that they are able to be more successful in a more challenging political environment. When faced with budget shortfalls, even champions of the EITC found it difficult to make the case for funding.
- **Include a clear funding strategy for the EITC in advocacy efforts.** Even when opinion leaders supported the EITC as a reasonable policy, finding funding to support it remained a challenge. For future efforts advocates suggest including funding strategies as part of all advocacy efforts.
- **Communications strategies require ongoing support.** While many organizations created effective tools to capture data related to the EITC, these websites and data systems must be maintained over time, which requires sustained funding.

Lessons Learned about Messaging:

- **Connect the EITC to “making work pay” and the minimum wage increase.** Because the minimum wage and the broader issue of sagging wages for workers are hot topics in the media and political environment—and the minimum wage is a proposal that has overwhelming public support—linking the EITC with the minimum wage worked well for many advocates. Advocates in several states stated that making a clear connection to work and “working families” helped garner more support for the EITC. Highlighting the fact that many people work hard and still struggle to make ends meet helped to build support for the EITC.
- **Frame the EITC as part of a broader message of “economic opportunity” for the state.** Through effective coalition work, advocates report that inserting the EITC into broader dialogues about the economic health of the state worked well. In North Carolina, because education reform has been a strong focus of the legislature, highlighting that many teachers throughout the state are eligible for the EITC brought attention and support for the cause.
- **Local data made positive impact clear for legislators.** When legislators understood how many of their constituents (and broader community) would benefit from the EITC, they were more supportive of the EITC.
- **Highlight the negative impact of defunding the EITC among subpopulations of working families.** Advocates in North Carolina found that legislators were more likely to support the EITC when the negative impact of not having the EITC was made clear, especially among working mothers and teachers.

- **Creating stories and messaging that challenge “durable” negative associations related to causes of poverty proved difficult.** Advocates in Virginia reported that opinion leaders with long held beliefs about poverty being the result of a lack of initiative considered the EITC to be a “handout” to the undeserving poor. For such legislators, focusing on the EITC as a poverty reduction strategy did not work.
- **Highlight the unfair tax burden on the working poor.** Advocates in New Mexico successfully used ITEP’s [Who Pays?](#) report as a way to highlight the unfair tax burden placed on working families.

What’s Ahead for EITC in Each State?

- **Illinois:** Advocates in Illinois will continue to work with coalition partners to integrate EITC expansion into other policy conversations. They will continue targeted efforts to educate policymakers on the importance of the EITC and why it should be expanded. Advocates in Illinois are very interested in reinvigorating EITCWorks.org by updating it and promoting it and would like to engage in more targeted grassroots advocacy work using State Voices’ data.
- **Kentucky:** An EITC is still a topic of consideration in Kentucky, but it will likely only come up within the context of a broader state tax reform package, which will probably not move in the next 12 months. Kentucky is very much in election season this year and will be in 2015 as well because the state will then elect a new governor. This timeline means little of much substance is likely to be considered until the outcome of that race is clear. The next likely avenue for consideration of an EITC within the context of tax reform is in the 2016 session, when a new budget will be adopted. Because of the state’s revenue woes and the big deficit it faces in funding its employee pension system, tax reform is expected to continue to be on the agenda. The EITC has a place in that agenda as a method for building broad support for a package and making a tax reform package more equitable for low-income families.
- **North Carolina:** The coming year will be a challenging time to pursue reinstatement of the state EITC. Projected revenue shortfalls mean that few efforts to authorize policies that have a fiscal impact are likely to succeed. However, there is tremendous opportunity to continue to integrate the state EITC into policy work with partners on a broader ‘economy that works for all’ agenda and to ensure policymakers—particularly with bipartisan support—continue to pursue legislation.
- **Utah:** In the next 12 months, Utah advocates will help create a coalition that will work toward increasing economic-security for Utah families. This coalition will consider policies that can make meaningful improvement in economic conditions for working families and their children. As part of this effort, Voices for Utah Children will continue

to emphasize the value of a state EITC as a means of economic development in the state and an effective tax reduction policy for low-income workers, while also considering new strategies for these families. The coalition plans to build support among the business community and mayors throughout the state as groundwork for the 2015 policy session.

- **Virginia:** Under the transportation funding package passed in the 2013 session, if Congress fails to enact remote seller legislation by January of 2015, then the wholesale tax on gas will ratchet up to 5.1 percent from the current rate of 3.5 percent. Because the outlook for this legislation passing Congress within the next six months appears grim, Virginia is headed for this regressive tax hike. This policy change may be an opportunity to highlight the ways in which a refundable EITC could help mitigate the effect of that gas tax increase on moderate and low-income families across the state.
- **New Mexico:** New Mexico advocates will again try to pass an increase in the state EITC – the Working Families Tax Credit – during the 2015 legislative session. This policy has had bipartisan support in the past two sessions and will hopefully be part of a bigger progressive tax package that will be intended to give relief to low- and middle-income New Mexicans, while also raising necessary tax revenues. New Mexico’s tax revenues have been slow to recover from the recession, but as lawmakers recently passed several tax cuts that benefit big businesses, there is growing constituent demand for policymakers to do something to help struggling families. This will make the political climate more conducive to passing this legislation.
- **Maine:** Advocates in Maine continue to lay the groundwork for expanding the state EITC. Focusing on this year’s gubernatorial campaign, MECEP is excited about their partnership with other advocacy groups as part of a state wide coalition focused on raising awareness of the EITC. Unlike previous campaign years, the EITC has been highlighted during the current gubernatorial campaign, with a wide range of policy organizations including the EITC expansion on their agendas.
- **Rhode Island:** Changes in the 2013 legislative session – elimination of the property tax circuit breaker for anyone who is not elderly or disabled, a significant estate tax break, and modification to the state EITC that reduced it from 25 to 10 percent but made it fully refundable – meant that three-quarters of the 15,000 Rhode Island families who get both the EITC and the circuit-breakers credits will be paying higher taxes than before passage of these changes. With new leadership in the state and a revived coalition focused on the needs of working-poor families, there is a chance to expand the EITC and reduce the tax burden on low-income workers.
- **Colorado:** In 2013, advocates on Colorado won a major victory for working families by passing the Working Families Economic Opportunity Act of 2013. This put in place a trigger to fund the credit. However, Colorado’s complex TABOR law has created a confluence of revenue and policy forces that necessitate elimination of the EITC trigger.

Current revenue projections, just released September 22nd, now show that the state will exceed the TABOR/Ref C revenue limit and trigger on the permanent EITC in FY 2015-16, available to taxpayers who file in 2017. But the size of the rebate will also require the state to reduce the transfers that would have occurred for roads, buildings and reserves by one-half that same year and eliminate them altogether the following year. The strong coalition that has been built to support the EITC and the Working Families Credit has a new opportunity to engage untraditional allies and to utilize messages in a much broader external communications effort around the EITC.