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# Introduction

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The Earned Income Tax Credit (EITC) is a popular and proven method for raising the household income of the working poor. The federal tax credit allows millions of dollars to flow back into the pockets of workers and, subsequently, into the local economies in Michigan. Unfortunately, it was estimated that nearly \$400 million went unclaimed in Michigan in 2002.

In order to address this problem, Governor Granholm launched a statewide EITC Initiative to publicize the EITC and increase the claim rate among the eligible populations. Michigan State University (MSU) entered into a two-year agreement with the Michigan Family Independence Agency (now the Michigan Department of Human Services [DHS]) to carry out this plan.

MSU completed a series of statewide and local activities for the Initiative in 2003–2004. A new series of activities was proposed for 2004–2005 as part of the second year of the Initiative including additional Web site development, outreach to strategic groups, development of a strategic plan, fund development, and public policy work. PPA was asked to conduct a descriptive and formative evaluation of the year-two activities for the Initiative.

This descriptive evaluation documented the activities that took place in 2004 and 2005, providing information to assist stakeholders in planning for future work.

## Key Research Questions

The following are the research questions that guided this research.

- What have been the key accomplishments of year two of the EITC Initiative?
  - Has the Web site been developed and used?
  - Have the EITC kits been developed and distributed?
- How many meetings have been convened?
- How effective have the meetings been with state departments and outside entities?
- Does the strategic plan lead in the right direction?
- Have the activities in year two laid a sufficient foundation to sustain these efforts?

## Methodology

The data for this evaluation was compiled through a series of interviews conducted in July and early August of 2005. Those who were interviewed represented a broad range of professionals involved in state policy, on the ground community outreach personnel, and associations. While an effort was made to interview a vast cross-section of both state and local level representation in the EITC efforts, the data shown here is widely collected from state level people who had varying levels of involvement with the EITC Initiative. In all, 12 were interviewed. All had

been familiar with the coalition efforts and the State Advisory Group. A standard interview protocol was developed for all the interviews (attached in Appendix A). The data from the interviews were compiled into transcriptions and used in this report.

To ensure confidentiality of those interviewed, direct quotes have not been used. All efforts have been taken to fully and accurately report on the thoughts and perceptions of those interviewed. It should be noted that the information contained here is an accurate depiction of the comments obtained; however, the comments of some of those interviewed may not be factually accurate.

# Findings

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Throughout the interviews, there was a wide range of opinions on the year-two efforts of the EITC Initiative. The following section attempts to capture the perceptions of these respondents. The findings section is organized to discuss the following:

- Key accomplishments
- Web site
- Outreach efforts
- Funding
- Statewide EITC coalition
- Strategic plan
- The future

## Key Accomplishments

Nearly all of those who were interviewed felt that the EITC Initiative and outreach efforts have been very positive and resulted in many key accomplishments. The following are the main accomplishments reported by the respondents.

- **Increased awareness.** Respondents felt there was more coverage in the press and a significant increase in the awareness of the EITC across the state. This awareness included policy makers and practitioners as well as the general public.
- **Fueled outreach efforts and local coalition building.** The efforts led to more organization at the local level and ultimately more free tax preparation. While some localities were reportedly ahead of the game, the state efforts helped to increase the focus put on local outreach.
- **Bringing partners to the table.** The organization and efforts of the State Advisory Group resulted in the recruitment of many organizations. Some of these organizations may even be considered nontraditional partners, such as the Michigan Credit Union League.
- **Expanding the number of EITC recipients.** The awareness, outreach, and free tax preparation have resulted in a reported increase in the number of people claiming the EITC. More impressively, some report increasing this number in a way that lowers costs.
- **Building partnerships with state agencies.** More specifically, interaction with the Michigan Department of Treasury and DHS were mentioned as very good. In addition, partnerships are also being developed with Department of Labor and Economic Growth (DLEG) and the Office of Financial and Insurance Services (OFIS).

- **Sustaining the efforts.** Several commented on the impressiveness of being able to sustain the efforts of the EITC coalition, despite the limited funds. Most felt the organization is strong and will continue to sustain its efforts.
- **Web site.** The Web site was often mentioned as a key accomplishment of the Initiative. Several reported how nice the Web site was for gathering information and nearly everyone said it fit their needs.

These key accomplishments illustrate the perceived success of the EITC Initiative and the excitement around many of its efforts. Nearly every person interviewed said they were impressed with how much the Initiative had accomplished in its first two years.

## Web Site

The Web site, [www.michiganeic.org](http://www.michiganeic.org), received very good reviews from nearly everyone interviewed. Although those interviewed said they did not use it extensively, their encounters with it were positive. Many indicated they used it to search for information regarding the EITC or for current events. Those at the state level were more likely to use it for information gathering, while it is assumed that local outreach professionals used it more extensively. All participants reported the site as very user-friendly. Amazingly, there were no suggestions on how the Web site could be improved.

The Web site has seen a dramatic increase in visits and unique visitors in year two of the outreach program. The number of visits and unique visitors nearly quadrupled in year two (through May). Table 1 displays the number of visits, the number of unique visitors (each IP address is counted only once), average length of visit, and the average visits per day.

<b>Table 1: Web Site Visits</b>		
	<b>2004</b>	<b>2005 (January–May)</b>
Visits	4,276	15,176
Unique visitors	3,073	11,886
Average length of visit	6:42	3:45
Average visits per day	11	101

Visits to the Web site increased in year two mainly because of the increased awareness of the Web site and the upgraded features and additional information. Visits began increasing in December of 2004 and peaked in January and February, and then generally declined after that, illustrating the effects of the tax season.

The ICAN site was heralded as a great program, however most at the state level only knew of the program and had not used it personally. The Michigan Credit Union League especially hailed ICAN as a tool that could be utilized through many credit unions. Additionally, everyone reported that the EITC kit was helpful; however, there were a few who reported that the EITC kit was most likely more helpful on the local level.

## Outreach Efforts

The outreach efforts of the State Advisory Group were reportedly very successful, reaching several state agencies, organizations, and laying the groundwork for future partnerships. Some of the successful outreach activities included:

- **State agencies.** Several state agencies became very active and involved in the EITC efforts including Treasury, DHS, and the OFIS. DHS even included the EITC efforts in its strategic plan. These relationships were all reported as strong and supportive.
- **Michigan Works!.** Michigan Works! Agencies were also mentioned as becoming more active in the EITC initiative. Although it was somewhat unclear how active Michigan Works! Agencies have been, it appears that most expect them to help distribute information on the EITC.
- **Credit unions.** Nearly everyone was excited about the inclusion of credit unions and the Michigan Credit Union League (MCUL) in the Initiative. The MCUL itself reported being very committed and included the EITC as part of its social charter. Credit unions could prove to be very helpful in the outreach efforts and a valuable part of the Initiative.
- **Local organizations.** Outreach on the local level varied by location. Some regions were very successful in recruiting other partners to help in the outreach efforts. Advanced localities, such as Grand Rapids, have extensive local coalitions and could serve as models for other locations.

Those who were active on the advisory council were pleased with the level of involvement from different group, but also were very adamant that other groups needed to be integrated into the efforts and more involved. These groups included:

- **Legislators.** Some thought that there needed to be a better effort to connect with legislators. They felt that legislators needed to hear the story of the EITC, especially because the EITC is relatively popular across party lines.
- **Community action agencies (CAAs).** There are evident tensions between the CAAs and the EITC Initiative, seemingly over funding decisions at the state level. It is imperative that relationships with CAAs are developed in the future.
- **Michigan Credit Union League.** The MCUL has become more active recently, and many of those interviewed felt they could be assets to these efforts.
- **Banks.** Banks were imagined as a valuable partner much in the same way that the credit unions have been involved.

- **School districts.** Schools were mentioned as a needed partner to help get the word out about the EITC to parents.
- **Utility companies.** Utility companies were mentioned often as a group that should be more involved. Several spoke about evidence showing that utilities were one of the first things the working poor neglect to pay when they are in a financial bind. Similarly, there is evidence showing that utilities are one of the first things working poor may pay with their tax credits. There is a high level of self-interest for utility companies with the EITC, and those interviewed felt efforts should be increased to bring utility companies into the fold.
- **Small Business Association of Michigan/State Chamber of Commerce.** Small business advocates such as the Small Business Association of Michigan and the State Chamber were mentioned as organizations that would likely support EITC outreach efforts.
- **Large employers.** Several large employers were mentioned as possible avenues for publicizing the EITC. These employers included Meijer, Wal-Mart, and Target. These companies could publicize the EITC both for employees and their customers.

Additional organizations or groups that were mentioned include:

- Food Bank Council of Michigan
- Salvation Army
- Blue Cross/Blue Shield and other large insurance companies
- Neighborhood city hall programs
- Americorps\*VISTA
- American Association of Retired Persons

The outreach efforts have proven to be effective in reaching strategic groups. Nearly all interviewees thought the efforts have been successful and that most of the groups involved have added value to the efforts. As stated, respondents still feel that many additional groups can be added to the fold in order to increase the success of the EITC Initiative.

## Funding

Interviewees were asked about funding needs and, not surprisingly, most were concerned with funding both at the state and local levels; they worried how efforts could be sustained without dedicated funding. It should be noted that several participants thought that the funding required did not need to be immense, but at least needed to be dedicated to remove some of the uncertainty at every level.

At the state level, respondents felt funding was primarily needed to continue to build on the coordination and outreach efforts. Funding is necessary to pay for staffing, convening, facilitation, meetings, and evaluation. In addition, most felt that it was important to keep the Web site running and to provide more advertising. Additional funds could help to expand the outreach to locals, which may stimulate more tax preparation services.

At the local level, many indicated that there should be a dedicated commitment of funding from the state. These dedicated funds would allow locals to plan better for the outreach efforts because then they would know exactly the level of effort they could budget. In addition, it would help them leverage additional local funds. As with the state level, many stated that the level of funding needed was not high relative to other statewide efforts, but that they would like to have a better idea of the funding available each year.

In addition to outreach and free tax preparation services, funding at the local level would be used for more equipment and promotional materials. Funding would also be used to bolster coordination and recruit more volunteers. Ultimately, locals mentioned that hardware would be needed in order to utilize software such as ICAN or e-file options.

Respondents were asked whom they saw as potential funders for these efforts. Most mentioned that the State of Michigan should be the primary funder, but respondents also listed several other possibilities for funding outreach efforts.

- **Foundations.** Specifically the Mott Foundation was mentioned as a primary foundation that may be willing to provide funding. Some felt it was unlikely that foundations would choose to fund anything besides evaluation for these efforts; however, foundations may still be a possibility.
- **Banks and lending institutions.** Some mentioned that banks and lending institutions may be willing to fund EITC outreach efforts under the Community Reinvestment Act, which states that banks have a continuing affirmative responsibility to help meet the credit needs of their community.
- **Utility companies.** Utility companies have a large stake in the EITC because utilities are often one of the first bills that the working poor neglect to pay when faced with financial difficulties.

Additional organizations mentioned as possible funders include:

- State Chamber of Commerce
- Private industry
- Federal government agencies

Other organizations listed, not specifically as funders, but those that may be able to provide resources or assistance in awareness and outreach included:

- Credit unions
- Michigan Works!
- Jaycees
- Library associations

## State Advisory Group

Respondents were asked their opinions on the State Advisory Group. Reports varied by person, but generally the comments were very positive. Most people mentioned the passion of Susan Cociarelli as a very valuable asset. In addition, her role as a convener and facilitator served a good purpose. Several mentioned the need to retain an outside convener such as MSU Extension as critical to the future of the Initiative. Respondents also felt that the leadership on the group has been helpful in bringing many diverse interests to the table.

While most comments were positive, several reported that throughout the first and second years there have been growing pains and some turf battles. Additionally, they reported some frustration in determining the actual roles and goals of the group. Still others mentioned that although the diversity on the group was good, there may be too many people, or not the right mix of people, at the table, slowing down progress.

Overall, they primarily praised the State Advisory Group for their dissemination of information and best practices. Some mentioned that the ideas of the group may be constrained because of funding. For that reason several recommended putting more effort toward fundraising, including possibly adding a full-time fundraiser. Despite some of the criticisms, most felt the group would continue to grow and get stronger in the future.

## Strategic Plan

Respondents did not have extended comments on the strategic plan. Most were aware of the plan but did not know it intimately. Although in many cases it had been a while since they had read the strategic plan, nearly everyone felt it led the Initiative in the right direction for year two and into the future. However, some felt there needed to be a more sophisticated plan with added measures and accountability.

## Into the Future

Almost to a person, respondents were delighted with the progress that the Initiative has made in year two. It was apparent that there is good momentum at the state level and in many of the local areas, and most are satisfied with what is being accomplished. Many expressed awareness of the opportunity that exists as a result of the Initiative's momentum and widespread support. Respondents noted several items that are necessities for sustained success into the future.

- **Funding.** Funding was viewed as one of the most important things involved in maintaining the EITC Initiative. Most of the respondents acknowledged the dire state budget situation, but also felt that it was critical to fund the EITC Initiative because of the momentum and importance of the efforts and the payback that it could provide by bringing federal dollars back into the economy of Michigan. While several mentioned they were thrilled with the

support from the Governor's Office and the state agencies, they also felt that some level of consistent funding was needed for the future success of the Initiative. Some mentioned that now was the time for the State to prove this Initiative is a priority and put some additional resources behind it.

- **Clearer goals.** Several interviewees mentioned the need for a more defined long-term plan. One respondent mentioned that a three- to five-year plan was needed that had accountability measures built in.
- **More promotion.** Several respondents noted the need for additional promotion. Most felt the promotion up to this point has been working very well and found it to be a good use of time and resources.
- **More holistic approach.** A few respondents mentioned the need to incorporate other services in with the EITC, such as job training and financial literacy, to ensure that a holistic approach was taken. The working relationship of state departments created by the EITC Initiative may help to encourage these efforts.
- **Reduce the influence of HR Block and for-profit tax preparation services.** Businesses such as these engage in predatory-type practices, often delivering same-day refunds to the EITC recipients for a large fee that eventually amounts to a very high percentage rate. Some felt that in order to combat this influence, outreach efforts and tax preparation services may ultimately need access to e-file systems. In the meantime, expanding the outreach of the free tax preparation services was listed as the best way to combat these services.
- **Recruit more “big players.”** The state-level organization and outreach efforts have been very effective, however, some felt that it was time to get some additional stakeholders involved to help with promotion and to put their weight behind the efforts. These would include organizations such as large insurance companies, the State Chamber of Commerce, utility companies, banks, and so on.
- **Need patience.** Respondents cautioned about needing patience. Everyone wanted to continue the EITC efforts and realized that the problems will not be solved overnight. Respondents hoped that there would be patience on the state level to stay with this Initiative and continue its growth.

## Summary

It is obvious that most of the involved parties have passion and enthusiasm for the Initiative's mission of improving the recapture rate of EITCs in Michigan. Many of those interviewed shared their hopes that the EITC Initiative would continue to expand and strengthen each year.



# Recommendations

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The following are recommendations for the future of the state and local efforts relating to the EITC Initiative and its efforts in year two.

- **Continue to monitor use of Web site.** The Web site [www.michiganeic.org](http://www.michiganeic.org) was generally regarded as easy to use and a great resource for information on the EITC. It was also credited with helping to expand the outreach. Efforts should be made to continue to monitor the Web site usage and to make improvements. A customer feedback module may be helpful by allowing users to give feedback on how the site could best address their needs.
- **Expansion of the ICAN program.** Several of those interviewed felt ICAN should be expanded to include state taxes.
- **Evaluation of ICAN program.** The ICAN program was praised by those who were familiar with it; however, most did not have evidence of its utility. An evaluation of the ICAN may be useful.
- **Continue expanding partnerships.** One of the most defining aspects of the State Advisory Group is the number of partnerships built. The diversity of groups and organizations involved is also an asset. Despite the number of organizations involved, most felt that there were other organizations that were not at the table but needed to be. The EITC has proven to have a broad appeal to different interest groups as well as community outreach organizations. Continuing to expand the number of partnerships will keep the EITC at the forefront.
- **Lean on partner groups more.** Several respondents felt it was time for outside groups to step up their efforts in promoting the EITC. Some of those mentioned included corporations, credit unions and banks, and utility companies.
- **Find a dedicated funding source.** A concern at the state and local level was a dedicated funding source. Although the amount of funding needed is not high relative to many statewide efforts, there is concern that the Initiative is hurt by its minimal funding. At the local level, organizations are already stretched thin and need to know how much funding they will have in order to plan outreach efforts. One respondent suggested investment in a staff person who would be responsible for fundraising and lobbying efforts.
- **Establish clearer goals.** Despite the large amount of praise that the State Advisory Group received, many felt that it needs to establish clearer goals in the future. In the first year and a half, the group has raised awareness and stimulated local outreach efforts very effectively; however, now needs to focus its goals and ensure accountability.
- **Track those receiving free preparation.** One of the main successes of these efforts is the number of EITC-eligible tax payers who are receiving free tax preparation. By most

accounts, the state and local levels would like to increase that number even more. These efforts should be tracked carefully to measure success in the upcoming years.

# Appendix A: Interview Protocol

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(Questions will be customized per person)

## **Introduction:**

1. Please describe your involvement with the EITC Initiative. When did you become involved?
2. How have you been active in this initiative? (Probe: state and local level)
3. What would you say have been the key accomplishments of the state initiative to this point?

## **Website:**

4. Have you used the state Web site?
5. What do you like about the site? Is it easy to use? Does it have the right information, in your opinion?
6. Have you accessed the EITC kit?
  - a. Have you used the ICAN site?

## **Outreach to Strategic Groups:**

7. Has the EITC been incorporated into other programs that you know about? (MW!, food distribution centers, family resource centers)
8. Are there any groups that we/you should be talking to but aren't? Who else is critical for the EITC Initiative to be a success?
9. For the groups that are active, what are they doing right now? Will their involvement continue?
10. Have any meetings been convened with stakeholder groups? (Probe: traditional and nontraditional partners)

## **Fund Development**

11. What funding is needed at the local level?
12. What funding is needed at the state level?
13. Do you see any potential partners who may assist in funding (Probe: community foundations, etc.)

## **State Leadership**

14. What are your thoughts on the State Advisory Group? Are they accomplishing what they set out to accomplish?
15. How could the state advisory committee be more effective?
16. How effective have the meetings with state departments gone? Is there buy-in from state agencies?

## **Public Policy**

17. What state-level policy needs to be changed, in your opinion?

## **Next Steps:**

18. Are you aware of the strategic plan? Does this plan lead in the right direction?

19. What do you see as the key next steps in this initiative?
20. Have the activities conducted in year two of this initiative laid a good foundation for next year?
21. What else is needed for this initiative to be successful?
22. Do you have any additional comments?