Innovations for Scale and Sustainability in EITC Campaigns

Lessons for Community Development from Two Years of Pilots

THE ASPEN INSTITUTE

Economic Opportunities Program

Funded by the Annie E. Casey Foundation

Written by: Amy Brown
Project Director: Kirsten Moy

December 2005

Innovations for Scale and Sustainability in EITC Campaigns

Lessons for Community Development from Two Years of Pilots

December 2005

I. Introduction

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.

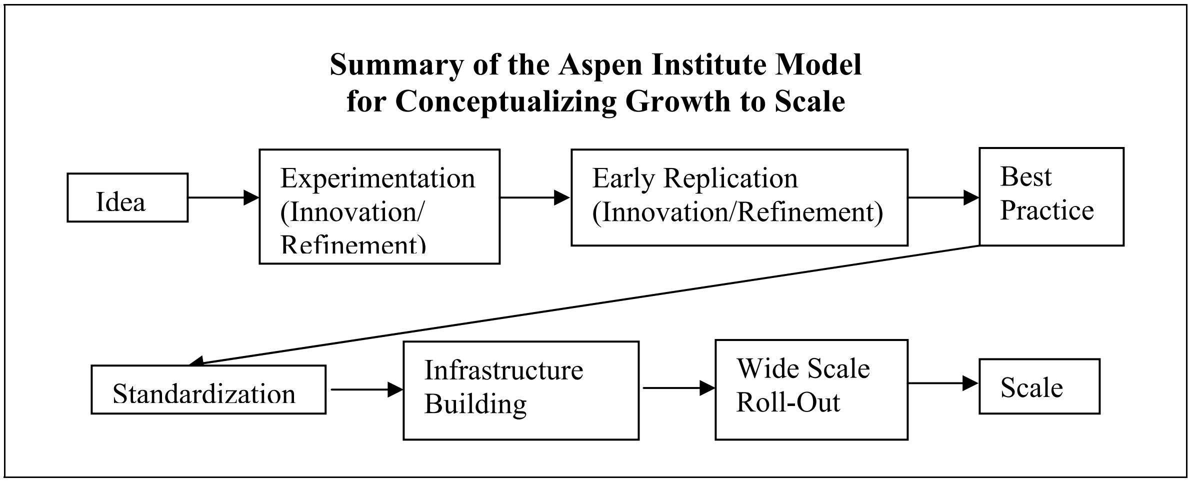
While the campaigns have helped hundreds of thousands of low-income workers receive tens of millions in tax refunds, they have been expensive and labor-intensive to operate. Given the campaigns' ambitious goals and limited resources, there is increasing interest in identifying alternative models that 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.

In 2005, five campaigns tested variations of three approaches to achieving scale, sustainability and impact. Those approaches involved partnerships with employers, government and commercial tax preparers. Over the course of the year, the Aspen Institute documented the design, implementation and results of each of pilots.[1] This paper draws on all five experiences to extract common themes. The lessons learned can help expand our understanding of the challenge of scale for the community economic development field.

The starting point for approaching this topic is a framework developed by the Aspen Institute to describe how initiatives grow. The model – which was originally formulated for community development finance but can be applied to other fields – is summarized in the chart below. The model proposes that it takes time to move to scale, and that critical steps along the journey – including standardization and infrastructure-building – are often left out in the rush to expand or replicate.

---

[1] Special thanks to campaign and partner staff in each of the five sites, who implemented the innovations and provided information and assistance in developing the reports. Also thanks to Sarah Torian, for her work in documenting the Atlanta pilot experience.



With this in mind, this paper draws on the five pilot experiences to examine the following questions:

- How can we develop the infrastructure needed to bring community economic development efforts to scale?
- What information or knowledge is missing that can help achieve scale?
- Where will the resources come from to bring programs to scale?
- What role does operational capacity play in the pursuit of scale?
- What factors make a model scalable?

The answers to these questions, as informed by the EITC pilots and described below, are striking in how well they mirror current thinking in the private sector about growth and scale. Indeed, while the language and context of the nonprofit sector are different, the path to scale may be surprisingly similar. Taken together, information culled from the three sources – the Aspen framework, lessons from the pilots and private sector parallels – can help create a roadmap for next steps in the pursuit of scale in community economic development.

II. The 2005 Pilots

The pilots studied in 2005 include (see the appendix for a chart summarizing the five pilot strategies and experiences):

- **Chicago, IL.** A second-year pilot, the Chicago innovation pilot sought to expand free tax preparation, financial education and access to financial services by reaching low-income families through the workplace. The pilot, led by the Center for Economic Progress (CEP) and North Side Community Federal Credit Union (NSCFCU), worked with four employers to expand the role of Human Resources departments and integrate financial services into employers' benefits packages.
- **Louisville, KY.** Also in its second year, the Louisville pilot involved a partnership between the Louisville Asset Building Coalition (LABC) – led by Members First Federal Credit Union – and the local workforce development system. The pilot

attempted to increase the scale and impact of LABC activities (including free tax preparation, financial education and access to financial services) by providing those services to customers of the city's "one-stop" centers.

- **Tulsa, OK.** In Tulsa, the Community Action Project of Tulsa County (CAPTC) tested the idea of building on the existing capacity of commercial tax preparers in the community. Working in partnership with H&R Block, CAPTC provided benefits screening for low-income tax clients. They hoped to focus tax preparation on a narrower constituency of those unserved by the industry, and redirect resources to promoting broader anti-poverty and asset-development goals.
- **Atlanta, GA.** The Consumer Credit Counseling Service of Greater Atlanta (CCCS) worked with a local commercial tax preparer (Liberty Tax Service) to bring tax services to a previously underserved area. The goal was to negotiate a partnership that would benefit Liberty, while providing reduced-price services to the community, protecting residents from predatory practices, and increasing EITC utilization in the target neighborhood.
- **Baltimore, MD.** In order to more efficiently expand its EITC outreach and free tax preparation, the Baltimore CASH Campaign has worked with local employers to offer services on-site at the workplace. A new partnership, with Erickson Retirement Communities, a retirement community developer/manager, took the model one step further, offering no-cost quick refunds to participating employees as an alternative to commercial Refund Anticipation Loans.

III. Lessons from the Pilot Innovations

As noted above, individual reports document the experience of each of the pilots, describing the challenges encountered, the results to date and the lessons learned. Beyond the individual efforts, however, the innovations collectively offer insight into bigger questions about the potential for scale in community economic development.

1. How can we develop the infrastructure needed to bring community economic development efforts to scale?

While each of the pilots was locally developed and each took a different approach, all identified the same barrier to scale: the lack of an infrastructure that could support significant program expansion. The community organizations that manage the campaigns have been successful in what they do partly because they are small, neighborhood-focused efforts that customize services to local needs. However, lack of standardization and investment in infrastructure – two critical prerequisites for scale – have limited their ability to grow.

Developing sufficient infrastructure for scale would require a major investment of resources, which the organizations do not have. As a result, all of the sites sought to latch financial services onto existing delivery systems. The Baltimore and Chicago pilots attempted to expand employee benefits programs. In Atlanta and Tulsa, the pilots tried to piggyback on services provided by commercial tax preparation firms. And in Louisville, the pilot sought to integrate services into the workforce development system's one-stop centers. These institutions already exist in most communities and low-income families already interact with them every day. The pilots therefore saw them as vehicles for reaching a vast target audience without developing a separate infrastructure of their own.[2]

If the need for infrastructure can be resolved through strategic partnerships, however, then developing and maintaining relationships with partners becomes a primary concern for scale. Indeed, this was a constant challenge across the pilots, taking far more time and effort than anticipated. In Chicago, turnover among HR staff and consolidation of HR functions due to corporate mergers meant that pilot staff were constantly re-educating partners about the project and re-establishing its parameters. In Louisville, the turnover of leadership in three key partners at once may have been bad luck or may be typical of the current landscape. In any case, the pilot was unable to survive the changes.

Lesson #1: It may be easier to borrow rather than build the infrastructure for scale, but maintaining relationships is a constant challenge for partnership efforts.

2. What information or knowledge is missing that can help achieve scale?

Additional difficulties resulted from disconnects between the community-based organizations and their partners in government and the private sector. Partnering with these sectors means operating in their environment and, in a sense, playing by their rules. The pilot campaigns, therefore, needed to better understand how the other sectors operate, recognize current trends, and monitor trends over time.

For example, the Chicago pilot worked with corporate Human Resources departments, reasoning that they already interact with employees around payroll and benefits. It seemed natural for HR staff to talk with employees about the EITC, promote retirement savings and help with tax-related questions. It turned out, however, that even if they were philosophically attuned to the project, HR departments had little ability to take on additional roles. As corporations face pressure to increase profits and become more efficient, HR departments are being downsized and asked to do more with less. Mergers and acquisitions have consolidated HR functions in many companies, and others have outsourced those roles. If these trends had been recognized ahead of time, the project might have looked for an alternative entry point.

Lesson #2: Successful partnerships with government or the private sector require a far greater understanding of those sectors than the field currently has.

Another common thread across the sites was low take-up of pilot services. In Tulsa, interest among H&R Block clients for benefits screening was much lower than anticipated, and feedback from clients suggests that other kinds of assistance might be more in line with market demand. In Louisville, debt counseling and budgeting assistance were the most popular services, but it was especially difficult to market check cashing, loans and other services. Why do most low-income consumers seem to prefer high-priced alternatives?

[2] Similar strategies are used to facilitate growth in the private sector. Outsourcing, merging back-office operations, franchising and forming strategic alliances all allow for companies to expand production and/or reach more customers without significant investment in infrastructure. The nonprofit sector should examine how these strategies can be adapted and take advantage of the experimentation already done.

Clearly there are other factors that influence their decision-making. Market research suggests that convenience is one key factor – and the pilots rarely compete on that measure.

Private sector market research has become increasingly sophisticated over the past decades, breaking down the population into narrower subgroups and identifying specific products and strategies for each subgroup. This is an area where nonprofits can adapt the techniques used to design and sell products in the corporate world, without having to develop new approaches or recreate the wheel.

Lesson #3: More research is needed to understand what services and products the market wants and how to best deliver them.

3. Where will the resources come from to bring programs to scale?

The pilot budgets took into account only direct costs to the nonprofit organizations testing the innovation. For example, the Louisville budget included the part-time staff person who was placed at the one-stop and some administrative costs. None of the contributions by partners – such as costs for establishing and managing a tax site, recruiting and training volunteers, providing credit counseling, or space and overhead – were calculated. A complete understanding of all program costs, in total and for each potential partner, would be necessary to determine the feasibility of roll-out for any model.

Even though the exact cost of the pilots is not known, a common problem was their resource-intensiveness, at least in terms of staff time and commitment. One reason for this, as noted above, is that building and maintaining relationships with partners took far more time than expected. Secondly, the types of services and the way they were delivered tended to be staff-intensive. Staff members and volunteers at all sites were actively engaged in scheduling events, conducting outreach, facilitating workshops and preparing taxes. The intensive staff commitment makes it unlikely that the programs as designed could be significantly enlarged. Large scale roll-out will not be feasible unless per-unit costs can be controlled.

The private sector, for better or worse, has always looked for ways to increase productivity and reduce costs. Economies of scale sometimes achieve those goals, as does the use of technology or outsourcing specific functions. At the same time, the private sector has shown a willingness to invest up-front in advances that hold out promise for savings or increased revenue down the line. Nonprofit initiatives rarely have the resources to invest in that way.

Lesson #4: A true calculation of program costs is a prerequisite to roll-out, and to be scalable, programs must reduce per-unit costs.

The other piece of the resource question has to do with the motivation of partners to actively invest both staff and money in activities that promote community economic development. The nonprofits tended to make assumptions about the inherent value of their contribution, and the pitch to potential partners was as much about helping low-income employees or customers as it was about helping themselves. While all five sites found willing partners, the partnerships were founded mostly on goodwill and most partners agreed only at little or no cost to themselves. A clear value proposition would have strengthened buy-in from partners by offering tangible results – backed up by data – to meet specific corporate needs.

The question of value was most critical in Tulsa, where H&R Block had very specific goals of its own around customer satisfaction and client retention. Even there, the bulk of investment in pilot services came from CAPTC, which provided the software, hired and trained the benefits screeners, and conducted all follow-up with clients. H&R Block's main role was to make the offer and referring interested clients to CAPTC. Despite a positive implementation experience, client feedback suggests the benefits screening did not improve either satisfaction or retention. Given H&R Block's focus on those measures, it seems unlikely that they would continue or expand the project in its current form.

Lesson #5: Roll-out will not be achieved by goodwill alone; partners will require a clear value proposition, backed up by data.

4. What role does operational capacity play in the pursuit of scale?

Another issue that arose across the sites was the operational capacity of the community-based organizations managing the pilots. All of the organizations are leaders in their communities, and they include national leaders in EITC outreach, free tax preparation, financial education and asset development. But while all are good at what they do, none were built for scale.

The lack of operational capacity showed in many ways. In Louisville, a staff member was asked to provide counseling on topics beyond her training. In Baltimore, some services were not implemented until mid-March, after most employees already had their taxes prepared. In Atlanta, lack of dedicated pilot staff slowed planning, and marketing relied on individual community outreach. Operational capacity affects the ability to not only implement programs, but also to sustain partnerships, especially with private-sector businesses that are not used to the slow pace and makeshift methods of the not-for-profit world. In order to maintain relationships, community-based partners must inspire confidence that they can come through with what has been promised in a timely and professional way.

Lack of organizational sophistication also showed in the quality of negotiation and deal-making. The Chicago nonprofits tried for months, without success, to get employers to put the partnership arrangement in writing. In Tulsa, H&R Block managers came to the table with a clearer idea of what they wanted out of the partnership, and greater skill at getting what they wanted. Where the partners had different ideas for the timing and method of outreach, for example, the result went H&R Block's way.

Lesson #6: Community agencies will need to increase their organizational capacity and sophistication in order to sustain partnerships and implement programs at scale.

5. Are all models scalable?

The most important lesson to emerge from the pilots may have to do with the inherent limitations of these types of innovations as prototypes for scale. It may be that not all models are scalable – and in particular, models that begin as small, incremental efforts may never have the potential to grow significantly. Rather, no matter how large or small they are, models must be designed from the beginning for volume and efficiency. As it turned out, the most successful components of the pilots were extremely resource intensive, making them poor candidates for scale. Research and development (a stage often given short shrift in the pilots) must take scale into account as a primary factor in determining whether to move forward with a new idea.

Furthermore, the size of the solution has to fit the size of the problem. The pilot innovations offer the promise of better targeting, expanded outreach, improved use of resources and more depth of impact. It is not clear, however, whether they can generate more than marginal improvements. One contributor to this problem may be the nature of the community organizations themselves, which are used to thinking and working with a relatively small geographic and programmatic focus. To achieve its most ambitious goals, the community economic development field must develop big ideas for big impact. If scale is the goal, then very different models are required, even beyond the innovations tested here.

The question of scale and resources is also something of a chicken-and-egg problem. The pilots were designed to require only minimal investment – with the idea that once they proved their worth, partners would provide the money and staffing necessary to take them to the next level. However, partly because they were built on such small investment, the pilots never achieved the kind of results that might inspire government or corporations to expand them.

Lesson #7: *The size of the solution must match the size of the problem; small pilots, by their very nature, may never be able to point the way to scale.*

IV. Conclusion: the Prospect for Scale

The pilot innovations undertaken by EITC campaigns in 2005 help shed light on the challenge of achieving scale in community economic development. All five were designed and implemented by experienced organizations and all offered important services to an underserved population. And yet, all struggled to draw clients and to engage partners. The lessons that emerge from this investigation can be summarized as follows:

Lesson #1: *It may be easier to borrow rather than build the infrastructure for scale, but maintaining relationships is a constant challenge for partnership efforts.*

Lesson #2: *Successful partnerships with government or the private sector require a far greater understanding of those sectors than the field currently has.*

Lesson #3: *More research is needed to understand what services and products the market wants and how to best deliver them.*

Lesson #4: *A true calculation of program costs is a prerequisite to roll-out, and to be scalable, programs must reduce per-unit costs.*

Lesson #5: *Roll-out will not be achieved by goodwill alone; partners will require a clear value proposition, backed up by data.*

Lesson #6: *Community agencies will need to increase their organizational capacity and sophistication in order to sustain partnerships and implement programs at scale.*

Lesson #7: *The size of the solution must match the size of the problem; small pilots, by their very nature, may never be able to point the way to scale.*

In the traditional context of nonprofit pilot initiatives, the majority of these efforts would be labeled successes. All were based on strong, forward-thinking proposals and most were successfully implemented. The most productive pieces of each will likely continue and even grow. Yet viewed through the lens of this particular inquiry, the results are less impressive: none of the pilots is poised to move to the next level of scale. Shortcomings in knowledge, design and operational capacity were evident across the sites and likely reflect broader problems in the field as a whole. The pilots offered little hard data to prove the benefits of participation, and the results were so marginal that little value emerged.

These lessons beg a next set of questions for the field: If not all models are scalable, then what would models that are built for scale look like? What services can realistically be scaled up, and are they enough to achieve the ambitious goals of community economic development? Can changes in program design or organizational operations improve the chances for scale? And finally, would more ambitious programs generate more interest from partners – and make them more willing to invest resources?

V. Next Steps in Pursuit of Scale

The lessons that emerge from the pilots lay out formidable challenges to achieving scale in EITC campaigns and community economic development. In general, the next steps fall into two categories. First, the pilots suggest specific changes that might improve outcomes for scale. By designing innovations to include certain standards that will be uniform across sites, a next group of pilots can test both the ability of community agencies to implement these changes and whether they make a difference. While more thought is needed to identify and develop the standards, they might include:

- Structured negotiations to develop more effective partnership agreements
- Use of technology to minimize direct staff involvement in service delivery
- Development of new products that directly mirror popular fringe services
- Adoption of specific marketing techniques to reach population subgroups
- Data collection to document program costs and outcomes

Second, the pilots exposed key areas where additional research and thought is needed before on-the-ground testing can occur. Increased knowledge in those areas will help design the next phase of innovations. These might include:

- Research to better understand the characteristics of potential partners, the environment in which they operate and key sectoral trends that affect them, as well as identification of critical attributes to look for in establishing partnerships.

- Market research to better understand the demand for financial products and services among low-income consumers, what services they use and why, and how best to market services to them.
- Data collection to develop more sophisticated value propositions around the benefits of financial services to key potential partners, including employers, government, and specific corporate sectors.

Despite the struggles of these five initiatives, achieving scale remains a central goal for the community economic development field. The pilots serve as a reality check for how difficult it is to build infrastructure, manage partnerships and market products in even a contained environment – doing so at scale is that much more daunting. The challenge is to develop the right mix of products and identify the right delivery system – and to have the capacity to put the two together – for reaching a much wider audience than the field has traditionally served.

Appendix: Summary of Pilot Innovations

The chart below summarizes key features of each of the pilot innovations. For each, accomplishments and challenges are highlighted and organized into five categories: capacity, commitment, marketing, resources and value.

Location	Sponsor Organization(s)	Strategy	Partner	Accomplishments	Challenges
Chicago	Center for Economic Progress North Side Community Federal Credit Union	Provide financial services through employer HR departments	Four local employers	**Capacity:** high quality services delivered **Marketing:** partners engaged and take-up strong	**Commitment:** turnover made relationships difficult **Resources:** very staff intensive
Louisville	Louisville Asset-Building Coalition Members First Federal Credit Union	Provide financial services to customers at one-stop centers	Workforce Investment Board Department of Employment Services	**Resources:** large volume made services cost-effective **Value:** good fit with partners' mission	**Capacity:** not able to provide all services on-site **Commitment:** limited commitment by all partners
Tulsa	Community Action Project of Tulsa County	Provide add-on benefits screening to commercial tax preparation customers	H&R Block	**Capacity:** large player in local community **Commitment:** formal partnership agreement	**Marketing:** lack of interest from target population **Value:** services of questionable value to partner
Atlanta	Annie E. Casey Atlanta Civic Site Consumer Credit Counseling Service	Bring affordable, non-predatory commercial tax preparation to the community	Liberty Tax Services	**Commitment:** RFP process identified interested partner **Resources:** partner assumed large share of costs	**Capacity:** decision-making process lessened effectiveness **Marketing:** outreach techniques ineffective
Baltimore	Baltimore CASH Campaign	Provide tax preparation and no-cost quick refunds at the workplace	Erickson Retirement Communities	**Marketing:** product mirrors popular RALs **Resources:** partner assumed cost of added services	**Capacity:** program implemented late in tax season **Value:** no clear value proposition for partner

Contact Information:
Kirsten Moy, Director, Aspen Institute Economic Opportunities Program,
kirsten.moy@aspeninst.org
Amy Brown, Project Consultant, brown.consulting@yahoo.com

THE ASPEN INSTITUTE

One Dupont Circle, NW, Suite 700
Washington, D.C. 20036
Phone: (202) 736-5800
Fax: (202) 467- 0790
http://www.aspeninst.org/eop